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## Digital transformation in the Islamic economy: Innovations and challenges in 2025

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### ABSTRACT

This study aims to examine the role of digital transformation in supporting the development of the sharia economy, especially in terms of technological innovation and the challenges of its implementation until 2025. Digital transformation is considered an important element in driving operational efficiency, expanding financial inclusion, and strengthening the sustainability of an economic system based on Islamic values. This study uses the Systematic Literature Review (SLR) method, which is a systematic and structured approach to identifying, evaluating, and analyzing relevant scientific literature. The SLR process includes formulating research questions, determining inclusion and exclusion criteria, selecting databases such as Scopus, Google Scholar, and ScienceDirect, and thematic analysis of the results of the literature review. The results of the study show that various digital innovations such as sharia fintech, blockchain, and artificial intelligence (AI) have made significant contributions to increasing the efficiency and transparency of sharia financial services. However, this digitalization also presents a number of challenges such as unpreparedness of regulations, minimal technological fatwas, and low sharia digital literacy among the public. Therefore, collaboration between regulators, practitioners, academics, and scholars is needed to build a digital sharia economic ecosystem that is inclusive, safe, and in accordance with the principles of maqashid sharia.

**Keywords:** digital transformation, sharia economy, sharia fintech, digital literacy

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### INTRODUCTION

The development of the sharia economy globally stems from the world's need for a fairer and more sustainable economic system. The global financial crisis, especially in 2008, has opened the eyes of many parties to the weaknesses of the conventional financial system based on interest and speculation (Purwadinata, S., & Ridolof, WB 2020). On the other hand, the sharia economy offers principles that uphold justice, transparency, and sustainability, and avoid the practices of usury and gharar (uncertainty). The significant growth of the Muslim population in the world has also driven an increase in demand for financial products and services that comply with sharia principles. Countries such as Malaysia, Saudi Arabia, and the United Arab Emirates are pioneers in the development of this sector. In addition, support from various international institutions such as the Islamic Development Bank (IDB) and AAOIFI has also accelerated the development of the sharia economy globally (Sunarta, DA 2024). The development of digital technology has brought significant changes in various sectors of life, including in the economic sector. Digital transformation is one of the main drivers of global economic



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innovation, including in the sharia-based economic system. Sharia economics, which is based on Islamic principles such as justice, transparency, and prohibition of usury, now faces new challenges and opportunities in the era of increasingly rapid digitalization (Qalbia, F., & Saputra, MR 2024).

Meanwhile, at the national level, Indonesia as a country with the largest Muslim population in the world has great potential in developing the sharia economy. The Indonesian government has shown a strong commitment to supporting the sharia economy through regulations and the establishment of strategic institutions such as the National Committee for Sharia Economics and Finance (KNEKS). The development of sharia financial institutions in Indonesia has also been quite rapid, marked by the presence of various sharia banks, sharia microfinance institutions, sharia capital markets, and sharia-based fintech. The merger of three state-owned sharia banks into Bank Syariah Indonesia (BSI) in 2021 was a major step towards strengthening this sector. In addition, increasing public awareness of the importance of financial transactions in accordance with Islamic law has also encouraged the growth of the sharia economy in the country. With the support of regulations, a large market, and increasing public awareness, the Indonesian sharia economy has a great opportunity to become a major player at the global level (Ajustina, F., & Nisa, FL 2024).

Digital transformation plays an important role in supporting the efficiency and inclusion of Islamic finance in the modern era. Along with the rapid development of information and communication technology, the Islamic financial sector faces pressure as well as opportunities to adapt and innovate. The use of digital technology such as mobile banking, Islamic fintech, big data, and artificial intelligence (AI) has revolutionized the way Islamic financial services are designed, managed, and delivered to the wider community (Wahyudi, E. 2024). Mobile banking technology allows customers to carry out various Islamic transactions, such as fund transfers, zakat payments, or sukuk investments, only through mobile devices without having to come to a branch office. Meanwhile, Islamic fintech presents fast, easy, and sharia-compliant financial solutions, such as peer-to-peer (P2P) financing, halal digital wallets, and crowdfunding for social projects and waqf. The presence of fintech expands access to sharia financial services, especially for community groups that were previously not served by conventional financial institutions, such as MSMEs, farmers, and rural communities (Dhea, MN 2022).

On the other hand, the use of big data provides great opportunities for Islamic financial institutions to understand consumer behavior, analyze financing risks, and design more targeted products. Meanwhile, artificial intelligence (AI) can be implemented to support fast and accurate decision-making, for example in the customer verification process (e-KYC), financing feasibility analysis, and sharia-based customer service chatbots. All of these technologies drive operational efficiency, increase customer satisfaction, and strengthen the competitiveness of Islamic financial institutions amidst increasingly fierce global competition (Aziz, A., et al. 2025).

More than just a tool, digital transformation is now an important foundation in forming an inclusive, responsive, and sustainable Islamic financial ecosystem. However, the success of this transformation still depends on the extent to which the technology can be integrated without ignoring the basic principles of sharia, such as justice, honesty, and the prohibition of usury, gharar, and maysir (Mahsan, S. 2024). Therefore, a holistic and collaborative approach is needed between industry players, regulators, academics, and scholars to ensure that digitalization brings real benefits to strengthening the people's economy within the framework of Islamic values. These innovations enable wider access to Islamic financial products and services, not only for urban communities, but also for those living in remote areas that were previously difficult to reach by conventional

financial institutions. Efficiency is created because the transaction process that was previously manual can now be carried out automatically, digitally, and in real time, which has a direct impact on reducing operational costs, increasing service speed, and reducing the risk of human error. For example, sharia fintech applications enable digital micro-financing without having to go through a long bureaucratic process, while AI can be used to assess customer eligibility more quickly and accurately based on available data (Mukhlisin, M. 2022).

On the other hand, big data plays an important role in helping Islamic financial institutions understand customer consumption patterns, needs, and behavior, so that products and services can be tailored more personally and relevantly. This not only increases customer satisfaction but also helps financial institutions make more strategic and data-based decisions. However, this digital transformation also requires readiness from various aspects, including adaptive regulations, adequate technological infrastructure, and increasing digital literacy in the community. In addition, all of these innovations must remain within the corridor of sharia principles, such as justice, transparency, and free from elements of usury, gharar (uncertainty), and maysir (gambling). Therefore, synergy is needed between digital innovators, academics, regulators, and scholars to ensure that technological advances can be utilized optimally without sacrificing the basic values of Islamic economics (Ayu, SS 2022). On the other hand, financial inclusion is also increasing because people who were previously not covered by conventional financial services—such as those who live in remote areas or do not have access to banks—can enjoy Islamic financial services through digital devices. In addition, digitalization allows Islamic financial institutions to reach the millennial and Gen Z segments who are familiar with technology, as well as expand the market through digital platforms. Thus, digital transformation is not only a tool, but also a key to expanding reach, strengthening competitiveness, and accelerating the growth of the Islamic economy in a sustainable manner.

The purpose and urgency of research amidst the development of digital technology in 2025 are becoming increasingly important along with the rapid innovation and transformation in various sectors of life. Research aims to produce new knowledge, provide solutions to the challenges of the times, and direct the use of technology wisely and sustainably. Amidst the rapid flow of digitalization, research is needed to ensure that technological developments remain in line with humanitarian values, ethics, and sustainability. The urgency of research is also seen from the need to adapt policies, regulations, and education systems to be able to keep up with digital dynamics, including in the fields of artificial intelligence, data security, digital economy, and technology-based sharia finance. Without adequate research, society and the country are at risk of being left behind and unprepared to face challenges such as job disruption, the spread of misinformation, or digital inequality. Therefore, in 2025 and beyond, research will not only be a scientific activity, but also a strategic need to shape a future that is smart, inclusive, and adaptive to very rapid technological changes.

## METHOD

The research method used in this study is the Systematic Literature Review (SLR). SLR is a structured and systematic method in identifying, evaluating, and analyzing various previous research results that are relevant to a particular topic. In the context of this study, SLR is used to collect and review scientific literature related to digital transformation in the Islamic economy, with a focus on various forms of innovation and challenges that arise until 2025. The steps of SLR include determining research questions, inclusion and exclusion criteria for literature, selecting scientific databases such as

Scopus, Google Scholar, and ScienceDirect, as well as the data selection and synthesis process. The selected literature will be analyzed in depth to find patterns, trends, and research gaps. With this approach, it is hoped that the research can provide a comprehensive picture of how digitalization affects the Islamic economy, the types of innovations that are developing, and the challenges that need to be overcome to realize an inclusive and sustainable Islamic financial system in the digital era (Febrianti, S. 2024).

## RESULTS AND DISCUSSION

### Sharia Economy in the Digital Era

The basic principles of Islamic economics are based on Islamic teachings that prioritize justice, welfare, and balance in economic activities. Some of its main principles include the prohibition of usury (interest), the prohibition of gharar (excessive uncertainty), the prohibition of maysir (speculation or gambling), and the obligation of zakat and profit sharing (such as mudharabah and musyarakah) in business transactions. Islamic economics also upholds the values of social justice, transparency, and moral responsibility, which make every transaction not only legal in law, but also spiritually ethical. In the era of digital transformation, these principles are very compatible with technological innovation (Khoiry, KA, et al. 2023). Digital technology can strengthen the principle of transparency through digital recording systems such as blockchain, accelerate the distribution of zakat and waqf through digital platforms, and facilitate the implementation of profit sharing schemes through Islamic fintech applications. In addition, digital systems are also able to minimize gharar by providing clear, detailed, and real-time information to all parties. Thus, instead of being contradictory, digital innovation can actually be a strategic tool to strengthen the implementation of sharia economics to make it more efficient, inclusive, and relevant to the needs of modern society (Yunita, P., et al. 2022).

In the development of the sharia economy in the digital era, there are several main sectors that are important pillars in forming a modern and inclusive Islamic-based economic ecosystem. First, the sharia banking sector continues to experience digital transformation through services such as mobile banking, sharia e-wallet, and digital onboarding that facilitate public access to financial services based on Islamic principles. Sharia banking plays a role in providing fair and usury-free financing through a profit-sharing scheme. Second, sharia fintech is present as a new innovation that provides technology-based financial solutions, ranging from peer-to-peer (P2P) financing, sharia crowdfunding, to online sharia investment services. Sharia fintech is a driving force for financial inclusion, especially for MSMEs and digitally literate millennials (Qalbia, F., & Saputra, MR 2024).

Furthermore, the digital zakat sector is experiencing rapid growth along with the increasing use of online platforms in collecting and distributing zakat. With digitalization, zakat payments become easier, faster, and more transparent, and reach a wider community. The productive waqf sector is also growing with the support of technology, especially in the form of digital cash waqf and waqf crowdfunding platforms. Professional and transparent management of waqf encourages its use for sustainable economic development of the community. Finally, the halal e-commerce sector helps strengthen the halal lifestyle of the community by providing products and services that comply with sharia, such as halal food, Muslim clothing, and sharia payments. The integration of technology in all these sectors makes the sharia economy increasingly relevant, modern, and able to compete globally (Indriani, C., & Novendri, M. 2024).

Table 1. Previous research discussing relevant previous studies on digital transformation in the Islamic economy, innovation, and challenges.

Research Title	Author Name	Year	Results
Digital Transformation in Islamic Economy: Innovations and Challenges	Al-Sayed, M., & Al-Hamadi, S.	2023	Digital technology increases accessibility, transparency, and efficiency in the Islamic economic sector, enabling greater participation from the community. However, the implementation of technology is hampered by issues of trust and understanding of Islamic principles.
Islamic Fintech and the Future of Digital Economy	Rahman, F., & Yasin, M.	2024	Sharia fintech is growing rapidly with technological advances, but faces challenges in terms of regulation, infrastructure, and public awareness of sharia products and services. Public trust in sharia fintech still needs to be strengthened.
E-Commerce and Islamic Economy: A Study of E-Commerce Platforms and Sharia Compliance	Ahmad, S. & Abdullah, T.	2022	Sharia e-commerce platforms must align their business processes with sharia principles, such as the prohibition of usury and the ambiguity of contracts. The application of sharia in e-commerce has the potential to increase the appeal of the Muslim market, but requires clear standards.

18 The Role of Artificial Intelligence in Islamic Banking	Ismail, H., & Omar, A.	2025	AI has the potential to improve the operational efficiency of Islamic banking, including in risk analysis and customer service. However, challenges arise regarding the suitability of AI technology with sharia principles and ethical aspects in data-based decision making.
Blockchain Technology in Islamic Economy: Opportunities and Risks	Zaman, M., & Khan, R.	2023	Blockchain technology can increase transparency and security of transactions in the Islamic economy, as well as speed up the payment process. However, regulatory challenges and awareness of this technology remain obstacles to mass adoption, especially regarding compliance with Islamic law.
Digital Platforms for Islamic Microfinance: A Review	Farhan, L., & Karim, R.	2024	Digital platforms for Islamic microfinance open up opportunities for financial inclusion, especially among MSMEs. However, the main challenge is the adaptation of Islamic regulations and the readiness of infrastructure to support the platform.



The Impact of Big Data on Islamic Economic Models	Aslam, Z., & Rehman, T.	2025	The use of big data can help in sharia economic decision-making, improve market predictions, and product personalization. However, data processing must comply with sharia principles, such as privacy protection and prohibition of practices that can be misleading.
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The digitalization of sharia products and services is a strategic step in strengthening the Islamic economic system in the modern era. One real form of this digitalization is the presence of sharia mobile banking, which allows customers to make transactions such as checking balances, transferring funds, paying bills, and opening accounts online without having to come to a branch office. Sharia mobile banking not only facilitates access, but also expands the reach of Islamic financial services to remote areas. In addition, the emergence of the sharia crowdfunding platform also provides a breath of fresh air for people who want to participate in sharia-based financing. Through this platform, people can access financing or become investors with a profit-sharing principle (mudharabah or musyarakah) in a transparent and safe manner (Khoiri, A. 2023).

Digitalization also touches the Islamic social sector such as zakat, infaq, sedekah, and waqf (ZISWAF), with the presence of an online ZIS payment application equipped with a zakat calculator feature and real-time distribution reports. In fact, there are now digital cash waqf and e-waqf services that allow people to donate funds practically through the application. No less important, halal e-commerce is also growing, where consumers can shop for halal products with a sharia-compliant payment system, including installment financing without usury. Overall, this digitalization not only increases efficiency and convenience, but also strengthens sharia principles in modern economic practices, making them more inclusive and adaptive to developments in the era.

#### **Innovation in Islamic Economy in 2025**

The application of the latest technology in the Islamic financial industry is a major driver in creating a more efficient, transparent, and sharia-compliant system. One of the innovations that has begun to be implemented is a smart contract based on sharia contracts, namely a digital contract that is executed automatically based on the provisions agreed upon by the parties, without the need for third-party intervention. By using blockchain technology, this smart contract guarantees transparency, honesty, and security in the implementation of contracts such as mudharabah (profit sharing), musyarakah (capital cooperation), or murabahah (buying and selling). Because of its automatic nature and cannot be changed unilaterally, this technology is able to reduce the potential for disputes and increase trust in sharia financial transactions (Saraswati, D., et al. 2025).

In addition to smart contracts, technologies such as Artificial Intelligence (AI) and Big Data are also starting to be used by Islamic financial institutions to analyze customer



behavior, provide recommendations for Islamic products, and manage risks more accurately. Biometric technology and e-KYC (Know Your Customer) are used to digitally verify customer identities, speeding up the process of opening accounts or applying for financing. On the other hand, the use of the Internet of Things (IoT) and cloud computing supports wider connectivity and data storage, thus expanding the reach of Islamic financial services to remote areas. With the various applications of this technology, the Islamic financial industry has a great opportunity to grow faster, more efficiently, and remain consistent with Islamic values in the digital era (Nazara, DS, SE, M., Emba, S., & Rita Meiriyanti, SE 2024).

The innovation of digital zakat and waqf platforms is an important breakthrough in efforts to modernize the management of Islamic social funds to be more transparent, efficient, and accountable. Through digitalization, zakat institutions and waqf administrators can now utilize mobile applications, websites, and electronic payment systems to make it easier for the public to fulfill their zakat obligations and distribute waqf, anytime and anywhere. These platforms are equipped with automatic zakat calculator features, a choice of zakat types (maal, fitrah, profession), and direct payments via e-wallet or virtual account. In addition, this innovation also allows real-time reporting, so that muzaki and wakif can monitor the use of their funds more clearly and in detail.

In the context of waqf, digital innovations such as online cash waqf, waqf crowdfunding, and digital certificates make it easier for people to donate small amounts but with big impacts. Some platforms even integrate blockchain to create a transparent and non-manipulated fund tracking system, and store waqf transaction history permanently. This technology strengthens public trust in zakat and waqf management institutions, while expanding community participation from various backgrounds. With the support of technology, zakat and waqf management becomes more effective, measurable, and able to contribute greatly to the sustainable development of the people's economy.

In recent years, there has been a significant surge in the emergence of digital sharia startups that have encouraged the formation of a technology-based Islamic economic ecosystem, both in Indonesia and in member countries of the Organization of Islamic Cooperation (OIC). In Indonesia, as the country with the largest Muslim population in the world, this growth is marked by the presence of various sharia fintechs, such as peer-to-peer financing platforms, sharia digital wallets, application-based sharia investments, to startups that focus on digital zakat, infak, sedekah, and waqf (ZISWAF). Institutions such as the National Committee for Sharia Economics and Finance (KNEKS) also encourage this ecosystem through regulations and incentives, as well as the establishment of sharia incubators to support the growth of Islamic digital entrepreneurs. On the other hand, collaboration between startups, sharia banking, and financial authorities creates service integration that accelerates digital sharia financial inclusion (Azizah, FN 2024).

Meanwhile, at the global level, OIC countries such as the United Arab Emirates, Malaysia, Saudi Arabia, and Turkey have also shown rapid progress in building a sharia digital ecosystem. Malaysia, for example, is a pioneer in the development of a sharia fintech sandbox that provides a trial space for Islamic financial startups. In the Middle East, various halal e-commerce platforms, Islamic product marketplaces, and blockchain-based technology services have emerged that support sharia transactions and smart contracts for business contracts. OIC countries have also begun to establish cross-country cooperation in the field of sharia technology, including in terms of digital halal certification, sharia-based cross-country payment systems, and data integration for

global zakat and waqf management. With large market potential and growing needs, the emergence of startups and the development of this sharia digital ecosystem not only encourages the growth of the Islamic economy, but also becomes a strategic instrument in creating independence and welfare for the people in the digital economy era (Nusran, M. 2021).

The role of e-learning and digital literacy is crucial in expanding access and dissemination of Islamic economic knowledge in the digital era. E-learning allows anyone, anywhere, to learn the principles of Islamic economics through online platforms such as learning management systems (LMS), webinars, learning videos, and online courses provided by educational institutions, Islamic financial organizations, and Islamic education startups. Materials that were previously only available in conventional classrooms can now be accessed flexibly via smartphones and computers, reaching more groups, including the younger generation, MSMEs, and communities in remote areas. This innovation not only accelerates the education process, but also encourages the growth of interest in Islamic economic practices in everyday life.

On the other hand, digital literacy acts as the main foundation for people to be able to utilize various digital sharia platforms wisely and effectively. With a good level of digital literacy, individuals will be better prepared to understand how to use sharia financial applications, evaluate circulating information related to Islamic economics, and avoid digital fraud under the guise of sharia. Digital literacy also strengthens public trust in the technology-based sharia financial system, because people become more critical and aware of the benefits and challenges that exist. Therefore, collaboration between educational institutions, the government, and digital industry players is very much needed to strengthen technology-based sharia economic education, while forming a generation that is literate in sharia and technology in a balanced manner (Cynthia, RE, & Sihotang, H. 2023).

#### **Challenges of Digital Transformation in Islamic Economy**

Although digital transformation brings many opportunities for the development of the sharia economy, the major challenges still faced are the digital divide and low technological literacy among some sharia economic actors, especially at the grassroots level such as MSMEs, zakat-waqf managers in the regions, and rural communities. Many of them do not yet have adequate access to digital devices, stable internet networks, or training in the use of sharia financial technology such as sharia mobile banking applications or online financing platforms. These limitations cause them to lag behind in utilizing various digital innovations that can actually increase business efficiency and access to sharia financing (Qalbia, F., & Saputra, MR 2024).

In addition to infrastructure factors, low understanding of digital technology and cybersecurity is also an obstacle. Many business actors are not yet accustomed to using digital systems for financial records, online transactions, or online marketing of halal products. In fact, some still doubt the legality of sharia law from digital systems such as smart contracts or sharia-based QRIS payments. Therefore, a comprehensive strategy is needed, starting from improving digital infrastructure, sharia-based technology literacy training, to direct assistance for Islamic economic actors at the micro and local levels. That way, the digital divide can be reduced, and the transformation of the technology-based sharia economy can run inclusively and fairly.

Along with the rapid technological innovation in the financial and business sectors, new challenges have emerged in ensuring sharia compliance with various digital products that continue to develop. Products such as smart contracts, cryptocurrencies, NFTs, digital lending, and electronic payment systems often raise debates among Islamic

scholars and practitioners regarding the permissibility of their mechanisms and the suitability of the contracts used. One of the main issues is the absence of an explicit contract as the basis for digital transactions, or the emergence of elements of gharar (uncertainty) and maisir (excessive speculation) in certain business models. For example, the use of blockchain technology in investment or tokenization of digital assets may be contrary to sharia principles if there is no clear underlying asset and adequate transparency of the contract (Yuliza, A. 2023).

In addition, another challenge is the speed of digital technology development which is often faster than the process of fatwa and sharia regulations which require in-depth study. This has led to the emergence of a "grey area", namely products whose legal status in sharia is unclear, so that the public and business actors experience confusion. To overcome this, it is necessary to strengthen the role of the Sharia Supervisory Board (DPS) in digital companies, as well as cooperation between financial authorities, regulators, and ulama in conducting contemporary legal studies. In addition, public literacy regarding sharia contracts in digital products must also be increased, so that they do not only become technology users, but also understand and are critical of the halalness of each product they use. With this approach, digital innovation can continue to grow healthily without ignoring the basic principles of sharia.

Cybersecurity and data protection are crucial issues in the development of digital Islamic financial platforms, given the increasing complexity of cyber threats and the increasing volume of digital transactions. Islamic financial platforms, such as Islamic mobile banking, Islamic fintech, and digital zakat or waqf applications, store sensitive user data, including personal information and transaction data related to the people's finances. Therefore, to maintain customer trust and ensure compliance with regulations, these platforms must implement strict security protocols, such as data encryption, two-factor authentication (2FA), and real-time threat monitoring and detection.

In addition, it is important to comply with personal data protection standards, such as those stipulated in the Personal Data Protection Law (UU PDP) in Indonesia or similar regulations in other countries. Adequate data protection not only protects users from potential identity theft or misuse of personal data, but also ensures that data related to sharia financial activities, such as zakat, waqf, or sharia financing, is not misused by irresponsible parties. Therefore, managers of sharia financial platforms need to collaborate with leading cybersecurity service providers, as well as conduct regular system audits and tests to ensure that their platforms remain secure and comply with applicable sharia standards. Optimal data security and protection will also strengthen the credibility of sharia financial platforms, so that they can encourage more people to access and utilize sharia-based services with a sense of security (Fonda, H., & Hoesein, ZA 2025).

Global competition with non-sharia digital platforms is a major challenge for the rapidly growing Islamic financial industry. In the global market, conventional digital platforms, such as fintech, e-commerce, and other financial services, have dominated with highly advanced technology and wide reach. These non-sharia platforms offer easy access, lower costs, and very fast services thanks to ever-evolving technological innovations, such as blockchain, AI, and big data. For example, conventional fintechs such as PayPal, Stripe, or Square provide efficient and easy-to-use payment systems worldwide without paying attention to sharia principles. This makes Islamic financial platforms face direct competition in terms of service speed, transaction costs, and user convenience.

On the other hand, sharia platforms must consider principles such as the prohibition of usury, gharar, and maisir in every aspect of the transactions carried out. This limits some business models commonly applied by non-sharia digital platforms,

such as interest payments or financial derivatives. In addition, sharia platforms must meet the requirements of the Sharia Supervisory Board (DPS) which functions to ensure that all services offered are in accordance with Islamic teachings, thus adding layers of regulation and verification that need to be adhered to. With this increasingly fierce competition, sharia financial platforms are required to innovate and adopt the latest technology in order to remain competitive, while maintaining sharia compliance. One solution is to develop technological solutions that combine sharia principles with technological sophistication, such as sharia-based smart contracts, blockchain-based sharia payments, and faster and cheaper digital sharia investment platforms. Thus, despite facing fierce competition, the sharia financial industry can still find its way to compete globally (Mukarramah, H. 2023).

### Strategy and Recommendations

In facing the digital transformation in the sharia economy in 2025, increasing collaboration between regulators, academics, industry, and scholars is essential to create a healthy, innovative, and sharia-compliant ecosystem. Regulators, such as central banks and sharia financial institutions, have a vital role in formulating policies that support the growth of the sharia economy without sacrificing compliance with sharia principles. They need to ensure that the policies and regulations implemented can accommodate technological advances while maintaining the integrity of the Islamic financial system, such as in the implementation of blockchain, fintech, and smart contracts that are in accordance with sharia principles (Samsudin, A. 2024).

On the other hand, academics play a vital role in developing research and academic studies that investigate the challenges and opportunities of technology in the Islamic economy, as well as providing innovative solutions that can be implemented by the industry. Collaboration with the industry allows the research to be translated into real practice and accelerates the adoption of new technologies based on Islamic principles. The industry, as a party directly involved in the innovation of Islamic financial products and services, has a role to continue to innovate while maintaining Islamic compliance and involving scholars in every stage of product development to ensure its compliance with Islamic principles. Scholars, as supervisors and advisors of Islamic law, have a very important role in issuing fatwas and ensuring that every innovation in the Islamic economic sector does not conflict with Islamic teachings. This close collaboration between regulators, academics, industry, and scholars will not only accelerate digital transformation but also ensure that the growing Islamic economy remains based on strong Islamic values. In this context, digital sharia literacy education and understanding of contemporary sharia law must also continue to be improved, in order to encourage public trust in a more inclusive and transparent sharia financial system (Adnan, M., & Maarif, S. 2024).

In order to support the digital transformation in the sharia economy in 2025, the preparation of adaptive regulations and the implementation of sharia sandboxes are very important strategies to accommodate innovation without ignoring fundamental sharia principles. Adaptive regulations need to be designed to be flexible to the development of new technologies, such as blockchain, fintech, cryptocurrency, and smart contracts, and ensure that these innovations remain in accordance with sharia values. With clear but flexible regulations, the government and sharia financial authorities can provide clear guidelines for industry players in developing innovative products and services, while ensuring that there are no violations of sharia principles, such as the prohibition of usury, gharar (uncertainty), and maisir (speculation).

One very relevant approach is the implementation of a sharia sandbox, a trial space provided by the sharia financial authority for industry players to develop and test sharia digital products or services in a controlled and safe environment. In this sandbox, startups and innovators can access resources and facilities to test new technologies, while receiving guidance from the Sharia Supervisory Board (DPS) and related authorities. Thus, product development can be carried out with more measurable risks, and the resulting innovations can be ensured to meet sharia compliance criteria before being launched to the wider market. This approach also allows regulators to directly monitor potential risks that may arise from the implementation of new technologies, as well as provide feedback and improvements before the product is circulated in the community. The preparation of regulations and the implementation of this sharia sandbox will be a strong foundation in realizing a safe, transparent, and sustainable sharia economic ecosystem, while encouraging faster and more efficient innovation in this sector (Aghnaa, LN 2022).

Strengthening digital infrastructure and the national digital halal ecosystem is an important step in realizing a more inclusive and sustainable digital transformation of the sharia economy in Indonesia. Solid digital infrastructure is the main foundation for the growth of the technology-based sharia economic sector, ranging from digital sharia banking, sharia fintech, to halal e-commerce. To that end, the government needs to continue to improve internet access that is evenly distributed across all regions, including remote areas, and strengthen digital connectivity through the development of 5G networks, cloud computing, and other digital technologies. With wider access and faster technology, business actors and the public can more easily access sharia financial services, manage zakat, waqf, and conduct halal transactions online. In addition, strengthening the national digital halal ecosystem also requires support from various sectors, such as the formation of digital halal standards, technology-based halal product certification, and the development of digital platforms that connect producers, distributors, and consumers of halal products. This step will ensure that products and services circulating in the digital market are not only safe, but also meet halal principles in accordance with the fatwa of the Indonesian Ulema Council (MUI) and applicable regulations. Collaboration between regulators, industry, academics, and religious scholars will be crucial in creating a digital ecosystem that is safe, trustworthy, and prioritizes sharia principles in every aspect of its operations.

The development of this ecosystem also needs to be accompanied by digital literacy education for the community, especially related to understanding halal products and online transaction security. In addition, the government must also provide incentives to startups and innovators who develop halal technology solutions, as well as provide proactive regulatory support so that this industry can develop rapidly and remain on the sharia path. With these steps, Indonesia can take advantage of the great potential of the sharia digital economy and become the center of the digital halal economy in the world (Juliанти, E. 2025).

## **CONCLUSION**

Digital transformation in the sharia economy brings great opportunities in expanding financial inclusion and encouraging the growth of economic sectors based on Islamic values. Innovations such as sharia fintech, blockchain, and AI can improve efficiency, transparency, and fairness in financial services if designed with the principles of maqashid sharia in mind. However, this digitalization also faces various challenges, such as limited regulations, lack of technological fatwas, and low sharia digital literacy.

Therefore, synergy between stakeholders is very important to create a safe, sharia-compliant, and inclusive digital ecosystem in 2025 and beyond.

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