

Islamic Fintech: Disruption of Islamic Finance or Digitalization of Conventional Financial Practices?

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ABSTRACT

The development of financial technology (fintech) has significantly transformed the contemporary financial industry by enabling payments, financing, investment, and fund transfers through rapid and flexible digital platforms. In Islamic economics, this transformation has given rise to Islamic fintech, which seeks to integrate digital technology with Islamic principles. While Islamic fintech is often regarded as an innovation capable of expanding financial access and improving efficiency, it also raises a critical question: does it truly disrupt the paradigm of Islamic finance, or does it merely digitalize conventional financial practices through Sharia-compliant contracts and Islamic identity? This study analyzes the position of Islamic fintech by examining the relationship between digital technology, Sharia compliance, business models, profit orientation, financial inclusion, consumer protection, and maqashid al-shariah. A qualitative approach is employed through a critical literature review of Islamic fintech, Islamic finance, digital finance, Islamic economics, and maqashid al-shariah. The findings indicate that Islamic fintech can become a genuine instrument of disruption when technology promotes justice, transparency, productive financing, consumer protection, and social welfare. However, when digitalization only changes transaction channels without transforming economic orientation and social impact, Islamic fintech risks becoming conventional finance under a Sharia-based identity. Therefore, evaluation should move beyond sharia compliance toward sharia impact, with maqashid al-shariah serving as a substantive evaluative framework.

Keywords: Islamic Fintech, Financial Disruption, Digitalization, Islamic Finance, Sharia Compliance, Sharia Impact, Maqashid al-Shariah, Financial Inclusion

INTRODUCTION

Digital transformation has become one of the most important factors reshaping the structure of the contemporary financial industry. The development of the internet, mobile technology, artificial intelligence, big data, cloud computing, blockchain, and digital payment systems has fundamentally changed the way people interact with money and financial institutions. Activities that previously required physical presence, lengthy administrative procedures, and direct interaction with financial institutions can now be conducted through digital devices. These changes are not merely associated with increased transaction speed and efficiency but have also influenced how consumers make decisions, obtain information, access financing, conduct payments, and manage assets. The financial industry is therefore no longer determined entirely by banks and traditional financial institutions but is increasingly shaped by digital platforms, technology companies, data ecosystems, and algorithm-based business models. These changes become even more significant when they enter the domain of Islamic finance. Islamic finance is fundamentally not only concerned with providing financial instruments that are free from *riba*, *gharar*, and *maysir*, but also possesses an ethical dimension that emphasizes justice, balance, transparency, responsibility, and *maslahah*. Therefore, the entry of digital technology into Islamic finance should not be understood merely as a technical process involving the migration of services from physical offices to digital applications. Digitalization should instead become an opportunity to reconsider how technology can be

used to realize the objectives of Islamic economics in an increasingly digital society (Kamila & Samsuri, 2025).

Islamic fintech has emerged as one manifestation of the intersection between financial technology and Islamic economic principles. Its emergence provides opportunities for Muslim communities to obtain financial services that are more accessible while simultaneously seeking to comply with Sharia principles. Islamic fintech can operate across various activities, including payments, financing, investment, fund management, and other technology-based financial services. The digital nature of these platforms allows transactions to take place without strict geographical limitations, while the use of data and algorithms can improve service providers' ability to analyze consumer needs and risks. This potential has led Islamic fintech to frequently be positioned as a form of disruption within the Islamic financial industry. The concept of disruption itself, however, has a broader meaning than technological innovation alone. A technology may be considered innovative because it is faster, cheaper, or more convenient, but this does not necessarily mean that it produces changes in economic structures and paradigms. More substantive disruption occurs when technology changes the way value is created, how relationships between service providers and users are constructed, and how economic benefits are distributed. Therefore, the use of digital applications or algorithms alone does not demonstrate that disruption of Islamic finance has taken place (Tlemsani et al., 2025).

This issue becomes increasingly important because Islamic fintech may employ the same technologies as conventional fintech. Artificial intelligence, big data, mobile applications, cloud computing, blockchain, and digital payments are not inherently Sharia-compliant or non-Sharia-compliant technologies. Technology is relatively neutral, while its Sharia character is strongly influenced by its objectives, mechanisms, governance, transaction structures, and impacts. Therefore, when Islamic fintech uses the same technologies as conventional fintech, the more relevant question is not whether the technology is different, but whether the values and orientations underlying its use are different. Within this context, there is a possibility that Islamic fintech may become merely "conventional fintech that has been digitalized and given Sharia-compliant contracts." This statement does not imply a rejection of the existence or legitimacy of Islamic fintech. Rather, it represents a critique of the possibility that Sharia formalization may become excessively focused on contractual structures. A service may formally employ a Sharia-compliant contract while its overall business processes may not necessarily reflect the values of justice, transparency, responsibility, and *maslahah*. In other words, there may be a gap between compliance with the formal requirements of Islamic law and the achievement of the broader socioeconomic objectives of Islam (Gassner & Lawrence, 2019).

The distinction between sharia compliance and sharia impact is therefore important in understanding this issue. Sharia compliance concerns the extent to which a product, contract, transaction, and business activity comply with Sharia principles. This aspect represents a foundation that cannot be neglected in Islamic finance. However, formal compliance does not necessarily provide information about the ultimate impact of a financial service on people's economic lives. A service may fulfill contractual requirements while still generating problems if its cost structure is not transparent, consumers do not understand the risks, personal data are not adequately protected, financing is directed more toward consumption than productivity, or economic benefits are concentrated primarily among platform providers. *Maqashid al-shariah* offers a broader perspective for addressing the limitations of a purely formal approach. Within the *maqashid* framework, economic activities are assessed not only according to the legality of transactions but also according to their ability to realize *maslahah* and prevent *mafsadah*. The protection of wealth, for example, in the digital context is not limited to the validity of ownership and transactions but also includes data security, fund protection, information transparency, cybersecurity, and consumer protection against

harmful practices. Thus, technological development introduces new dimensions to the application of *maqashid al-shariah* that may not have received the same degree of attention in traditional financial systems (Qudah et al., 2023).

In addition to protecting wealth, Islamic fintech also has the potential to expand the distribution of economic opportunities. Digital technology can reduce geographical and administrative barriers that have historically prevented some segments of society from accessing formal financial institutions. Micro-entrepreneurs, communities in areas with limited access to financial institutions, and groups with weak connections to the formal banking system may gain new opportunities through digital platforms. Nevertheless, expanded access does not necessarily translate into improved welfare. Access to financing can become an instrument of empowerment when used for productive activities, but it can also create dependency when it is primarily used to meet consumption needs without increasing economic capacity. This issue demonstrates that financial inclusion must be understood more substantively. The success of Islamic fintech cannot be measured solely by the number of users, transaction volume, or amount of financing distributed. More relevant measures include whether people who gain access experience increased economic capacity, obtain better protection, have opportunities to develop businesses, and receive fair and transparent services. From this perspective, Islamic fintech should not stop at financial inclusion but should move toward financial empowerment (Yasini & Yasini, 2019).

At the same time, digital financialization also introduces new risks. The use of algorithms to determine financing eligibility can accelerate decision-making processes but may also produce bias when the underlying data are not representative. The extensive use of consumer data can improve service personalization while simultaneously raising concerns about privacy and security. Digital systems may reduce operational costs, but there is no guarantee that these efficiencies will be transferred to consumers in the form of lower costs. Thus, technology does not automatically produce justice. Technology merely provides new capabilities, while the direction in which those capabilities are used is determined by organizational values and governance. Another important issue concerns the commercialization of Islamic identity. The Sharia label has strategic value in Muslim markets because it can create differentiation and strengthen consumer trust. However, when Islamic identity is used primarily as a marketing strategy rather than as a foundation for business decision-making, the risk of symbolic Islamization emerges. In such circumstances, Islamic values become more visible in product names, marketing communications, or contractual terminology, while principles of justice and *maslahah* may not necessarily constitute the primary basis of the company's overall activities (Hassan et al., 2022).

This phenomenon requires a reconsideration of the relationship between Islamic identity and economic substance. The stronger a company presents itself as Sharia-based, the greater the ethical responsibility that should accompany such a claim. Consumers do not merely purchase financial services; they also place trust in the moral claims represented by Islamic identity. Therefore, Islamic fintech should not treat Sharia merely as a market-positioning strategy but as a principle that influences product design, consumer relationships, cost structures, risk management, data use, governance, and the distribution of benefits (Kamdzhlov, 2020). Based on these issues, this study begins with a critical question concerning the position of Islamic fintech in the development of Islamic finance. Does Islamic fintech genuinely introduce a new paradigm in Islamic finance, or does it merely digitalize financial mechanisms that have already developed within the conventional system? This question is important because the future of Islamic fintech will be determined not only by its ability to adopt technology but also by its ability to integrate technology with the fundamental objectives and values of Islamic economics. This study aims to analyze Islamic fintech as a phenomenon of financial transformation by placing technology, Sharia compliance, business models, financial inclusion, consumer protection, and *maqashid al-shariah* as the main

analytical dimensions. The study argues that Islamic fintech has the potential to become a disruption of Islamic finance, but this potential can only be realized if digitalization does not stop at changing transaction channels. Genuine transformation requires changes in how economic value is created, how risks are distributed, how consumers are treated, and the extent to which financial activities generate *maslahah*.

METHOD

This study employs a qualitative approach using the critical literature review method. This method is used because the research is not intended to statistically measure relationships between variables but rather to develop a conceptual and critical analysis of the development of Islamic fintech. A critical literature review allows the researcher not only to summarize previous studies but also to identify debates, conceptual gaps, underlying assumptions in the development of Islamic fintech, and the relationship between technological innovation and the normative objectives of Islamic economics. The literature underlying the analysis includes studies on Islamic fintech, Islamic finance, digital finance, Islamic financial technology, financial inclusion, Islamic business ethics, consumer protection, digital transformation, Islamic economics, and *maqashid al-shariah*. The literature is examined by considering how scholars understand the relationship between technology and Islamic finance, particularly in relation to Sharia compliance, product innovation, efficiency, financial inclusion, consumer protection, and value creation. The analysis is conducted interpretively by identifying the major themes emerging from the literature. The first stage focuses on understanding the characteristics of fintech and the changes it generates within the financial industry (Assyakurrohim et al., 2022).

The second stage identifies the specific characteristics of Islamic fintech and the position of contractual structures in distinguishing Islamic services from conventional services. The third stage analyzes business models and profit orientation to determine whether digitalization produces substantive changes or merely changes transaction channels. The subsequent stage employs *maqashid al-shariah* to evaluate the impact of fintech on *maslahah*, justice, wealth protection, inclusion, and economic empowerment. The study also distinguishes three levels of innovation. The first is technological innovation, namely the use of digital technology to make financial services faster and more efficient. The second is product and contractual innovation, namely the development of financial products adapted to Sharia principles. The third is paradigm innovation, namely changes in how the financial system creates, distributes, and evaluates economic value. This distinction is used to determine whether Islamic fintech is experiencing digitalization merely at the technological level or is producing transformation at the paradigm level. Through this approach, the study does not assume that Islamic fintech is necessarily superior to conventional fintech. Instead, Islamic fintech is treated as an object of critical evaluation. Claims concerning the Sharia character of a service need to be examined against its business processes and resulting impacts. This approach enables the study to develop an argument that technology, Sharia compliance, and *maslahah* are three interconnected but non-identical dimensions.

RESULTS AND DISCUSSION

RESULTS

The findings indicate that Islamic fintech possesses a dual character as both a technological innovation and a component of the development of Islamic finance. This dual character gives Islamic fintech considerable potential to generate change while simultaneously creating the risk of reproducing conventional financial models. Digitalization provides new capabilities in terms of speed, reach, data collection, and efficiency, but these capabilities do not automatically alter the economic orientation underlying financial services. The first finding indicates that Islamic fintech has significant potential to expand access to financial

services. Digital platforms can reduce dependence on physical branches and lengthy administrative procedures. People can access services through digital devices, thereby reducing geographical and temporal barriers. This potential is particularly relevant to the development of Islamic financial inclusion because one of the major challenges within financial systems is the limited access of certain segments of society to formal financial institutions (Suzuki & Miah, 2022).

However, the findings also indicate that expanded access cannot automatically be regarded as a success of Islamic finance. Access must be accompanied by the ability of individuals to use financial services productively and safely. If digitalization merely expands access to consumer financing, its economic benefits may not necessarily align with the objective of empowerment. Therefore, Islamic fintech faces the challenge of directing innovation toward productive financing, microenterprise development, economic capacity building, and the creation of more equitable economic opportunities. The findings further indicate that digital technology has the potential to increase transaction transparency. Digital platforms can systematically present information regarding contracts, costs, payment schedules, risks, and transaction mechanisms. Such transparency can reduce information asymmetry, which is frequently a problem in financial transactions. However, transparency does not depend solely on the availability of information. Information must be presented in a form that consumers can understand and must not be concealed within complex digital structures (Abd Rani et al., 2021).

The study also identifies the potential reproduction of conventional fintech logic. Many technological and operational aspects of Islamic fintech may resemble those of conventional fintech. The principal difference may then lie in contractual structures and Sharia restrictions on transactions. This condition demonstrates that the presence of Sharia-compliant contracts may provide a normative distinction, but it is not sufficient to prove that the entire business model has undergone an Islamic transformation. Another important finding concerns the distinction between sharia compliance and sharia impact. Compliance with Sharia principles is an essential prerequisite for Islamic fintech, but formal compliance does not automatically demonstrate that a service generates *maslahah*. Islamic fintech may satisfy contractual requirements while simultaneously facing challenges concerning costs, consumer protection, data use, information asymmetry, and financing orientation. Therefore, the measurement of Islamic fintech success needs to be expanded beyond formal compliance toward an evaluation of its social and economic impacts. The findings also demonstrate that *maqashid al-shariah* can provide a relevant evaluative framework for addressing technological development. *Maqashid* allows analysis to move beyond the question of whether a transaction is legally valid toward questions concerning whether the transaction protects wealth, improves welfare, reduces harm, expands economic opportunities, and generates broader social benefits (Hassan et al., 2020).

DISCUSSION

Islamic Fintech and the Meaning of Disruption in Islamic Finance

Financial disruption cannot be reduced to the digitalization of transaction processes. The transition from branch-based services to application-based services is indeed an important innovation, but it does not necessarily represent a paradigm shift. More substantive disruption occurs when technology changes the relationship between financial institutions and consumers, alters financing distribution mechanisms, reduces dependence on traditional institutions, and creates new forms of value creation and distribution. In the context of Islamic fintech, disruption should be associated with the ability of technology to strengthen the principles of Islamic economics. When technology can be used to make financing more accessible to previously marginalized communities, strengthen transparency, reduce transaction costs, improve consumer protection, and increase the distribution of economic

benefits, Islamic fintech can be regarded as a form of substantive disruption. Conversely, when technology merely replaces physical branches with applications, paper forms with digital forms, and manual processes with algorithms without changing the underlying economic structure, the transformation is more accurately described as digitalization. In such circumstances, technology may have changed significantly, but the financial paradigm may remain essentially unchanged. Therefore, the more important question is not how sophisticated the technology used by Islamic fintech is, but what changes the technology actually produces. If technology only results in faster transactions, its impact remains primarily at the level of efficiency. If technology produces new financial products and contractual structures, its impact is at the level of product innovation. However, if technology is capable of changing the distribution of benefits, strengthening justice, and realizing *maqashid*, Islamic fintech begins to approach a paradigm-level disruption (Alam et al., 2019).

Technology as an Instrument, Not a Sharia Identity

One conceptual mistake that may occur in understanding Islamic fintech is to regard digital technology itself as part of its Sharia identity. Technology, however, is fundamentally neutral. A digital platform does not become Sharia-compliant merely because it is used by a company that identifies itself as an Islamic fintech provider. Likewise, the same technology can be used to support different forms of transactions that differ significantly in ethical and normative terms. The Sharia character of fintech is more appropriately assessed through its objectives, transaction structures, risk-management mechanisms, governance, consumer protection, and resulting impacts. Technology is an instrument that enables these elements to be implemented in new ways. The implication is that technological innovation in Islamic fintech should not be directed solely toward speed and convenience. Technology should be used to strengthen the values that constitute the foundation of Islamic economics. Digital systems can be designed to increase contractual transparency, provide clearer risk information, detect potential misuse, strengthen transaction security, and help consumers understand the financial consequences of their decisions. Therefore, the success of technology in Islamic fintech should not be measured only by technological performance but also by ethical performance. Technology that is faster but creates greater consumer vulnerability cannot be regarded as substantive progress from the perspective of Islamic economics (Mahfudz et al., 2024).

When Islamic Fintech Becomes "Conventional Fintech Plus Sharia-Compliant Contracts"

The most fundamental criticism of the development of Islamic fintech is the possibility that innovation occurs only at the contractual level, while the business structure and economic orientation remain based on conventional logic. This condition can be described as a "conventional fintech plus Sharia-compliant contracts" model, in which the platform, technology, marketing strategy, and business orientation are essentially similar to those of conventional fintech, while the primary distinction lies in the contractual structure employed. This approach has important value because contractual structures are fundamental elements of Islamic commercial law. However, problems arise when contracts are treated as the sole indicator of the Islamic character of a service. Islamic finance possesses a broader dimension than contracts. It is also concerned with how risks are shared, how profits are generated, how consumers are protected, how information is provided, and how economic benefits are distributed. Therefore, fintech should not be evaluated solely on whether its contract is legally valid. Its entire business model should also be examined to determine whether it is consistent with the values that the contract is intended to realize. A contract oriented toward justice, for example, may lose part of its substantive meaning if the business process generates a lack of transparency or imposes disproportionate risks on one party (Qadri & Bhatti, 2024).

Sharia Compliance and Sharia Impact

Sharia compliance and sharia impact should be understood as two complementary dimensions. Compliance provides assurance that a transaction does not violate Sharia

principles, while impact demonstrates whether the transaction actually produces benefits consistent with the objectives of Sharia. In practice, compliance is easier to identify because it can be associated with contractual structures, transaction mechanisms, and legal requirements. Impact, by contrast, is more difficult to measure because it concerns the social and economic consequences that emerge after a service is used. However, the difficulty of measurement does not mean that impact can be ignored. Islamic fintech oriented toward maqashid should ask whether the services it provides genuinely improve users' welfare. Do users become more productive? Do small businesses grow? Does access to financing become fairer? Do consumers understand the risks? Is user data adequately protected? Are company profits generated without exploitation? Such questions move the evaluation of Islamic fintech from the legal-formal domain toward the ethical and social domain. This shift in perspective is important because the ultimate objective of Islamic economics is not merely to create permissible transactions but to create an economic order that produces *maslahah*. Therefore, Islamic fintech should ideally develop performance indicators that are not exclusively financial but also social (Alshater et al., 2022).

Maqashid al-Shariah in the Digital Financial Ecosystem

Technological development expands the meaning of wealth protection within maqashid al-shariah. In traditional systems, wealth protection is primarily associated with ownership, transactions, and the prohibition of unjust appropriation. Within the digital ecosystem, wealth protection also includes financial data security, account protection, transaction security, protection against digital fraud, and transparency in the use of consumer information. Data can even become one of the most valuable economic resources in the digital economy. Companies can use data to understand consumer behavior, predict risks, determine pricing, and personalize services. Therefore, data management cannot be separated from ethical concerns and the protection of consumer interests. Within this context, maqashid al-shariah can be extended as an ethical framework for evaluating data and technology governance. Data should be used for legitimate and transparent purposes and should not harm consumers. Algorithms should also be monitored to prevent discriminatory or disproportionate outcomes. Thus, maqashid is relevant not only for assessing whether a transaction is permissible but also for establishing governance frameworks for Islamic fintech (Rabbani, 2022).

Digital Efficiency and the Challenge of Justice

Efficiency is one of the principal values offered by fintech. Technology can accelerate financing processes, reduce administrative costs, automate risk assessments, and expand service coverage. However, efficiency is not synonymous with justice. From the perspective of Islamic economics, efficiency must be situated within a framework of benefit distribution. If technology significantly reduces a company's operational costs, the next question is who benefits from that efficiency. Do service costs become lower for consumers? Does access become easier? Does service quality improve? Or does efficiency simply increase the company's profit margin? These questions demonstrate that Islamic fintech must be able to connect efficiency with benefit distribution. Technology should ideally not only make companies more efficient but also make the financial system fairer (Malik & Shahzad, 2025).

Islamic Fintech and the Transformation of Financial Inclusion

Islamic fintech has strategic potential for expanding financial inclusion. Digital technology allows people who previously lived far from formal financial institutions to gain access through devices they already possess. For micro-entrepreneurs, for example, digital platforms can open access to financing and payment services that were previously difficult to obtain. However, financial inclusion should not stop at expanding access. Access without protection may create new forms of vulnerability. Individuals with limited financial literacy may make decisions based on incomplete information. Within digital environments, such decisions may occur more rapidly, potentially increasing the risk of financial mistakes.

Therefore, Islamic fintech has a responsibility to integrate inclusion with literacy and consumer protection. Inclusion consistent with maqashid does not merely mean making financial services available to society but ensuring that people are able to use those services safely and productively (Alsaghir, 2025).

Productive Financing as a Substantive Distinguishing Factor

One way Islamic fintech can demonstrate its transformative character is through its contribution to productive financing. Islamic finance is conceptually closely connected to the real economy. Therefore, Islamic fintech has an opportunity to connect capital with productive economic activities, particularly within micro and small enterprises. When technology is used to identify business needs, distribute financing efficiently, monitor business development, and connect entrepreneurs with markets, fintech can create broader economic value. Under such conditions, fintech does not merely function as a financing channel but becomes part of an economic empowerment ecosystem. Conversely, when most innovations are oriented toward short-term transactions and consumption, their transformative potential becomes more limited. Islamic fintech needs to demonstrate that technology can be used to strengthen the productive economy rather than merely expand financial consumption (Unal & Aysan, 2022).

Commercialization of Islamic Identity and the Risk of Symbolic Islamization

The growth of Muslim markets creates significant economic opportunities for fintech companies. Islamic identity can serve as a differentiation mechanism that distinguishes one product from its competitors. Within certain boundaries, such identity-based positioning is a legitimate marketing strategy. However, problems arise when Islamic identity becomes more dominant than substantive values. Symbolic Islamization occurs when Islamic elements are more visible at the level of symbols, names, designs, communication, or terminology but do not fully shape business behavior. In fintech, this phenomenon may emerge when companies emphasize Sharia-compliant contracts while providing insufficient transparency regarding costs, risks, data use, or social impacts. This risk is particularly significant because consumers may associate Islamic identity with higher moral expectations. When a company claims to be an Islamic fintech provider, consumers may expect justice, transparency, responsibility, and protection. When these expectations are not met, the resulting problem concerns not only consumer satisfaction but also trust in the Islamic financial industry as a whole (Rabbani et al., 2020).

Does Islamic Fintech Have to Be Technologically Different?

Islamic fintech does not need to create technology that is completely different from conventional fintech. There is no reason why artificial intelligence, blockchain, cloud computing, or big data should be considered un-Islamic merely because these technologies are also used by conventional companies. The central issue is not the technology itself but the purpose and manner in which the technology is used. The distinctiveness of Islamic fintech should be more visible in its governance, business model, contractual structure, risk sharing, consumer protection, and social impact. The same technology can produce different economic systems when placed within different value structures. Therefore, the challenge for Islamic fintech is not to create "Islamic technology" in the sense of technically different technology, but to create **ways of using technology that reflect Islamic values**. This focus is more substantive because it positions Islam as an ethical and economic orientation rather than merely a technological identity (Hassan et al., 2020).

From Financial Inclusion to Economic Empowerment

One conceptual development that needs to take place is a shift in the orientation of Islamic fintech from financial inclusion toward economic empowerment. Inclusion represents an initial stage because people must first gain access. However, the broader objective is to ensure that such access increases their economic capabilities. Economic empowerment means that people possess greater capacity to generate income, develop businesses, manage assets,

reduce economic vulnerability, and improve their welfare. From this perspective, Islamic fintech should not merely function as a provider of financial products but also as an instrument of empowerment. This change in orientation can become one of the key distinctions between transformative Islamic fintech and fintech that is merely digital. Transformative fintech does not only ask how many people use a platform but also what changes occur in users' economic lives after they gain access (Mahfudz et al., 2024).

From Digital Transactions to Ethical Transformation

The debate over Islamic fintech ultimately leads to a broader question concerning the future of Islamic economics in the digital era. Digitalization should not merely produce digital transactions but should be directed toward ethical transformation. This means that technology should become a means of translating Islamic values into contemporary economic practices. Ethical transformation requires the principles of justice, trustworthiness, transparency, responsibility, and *maslahah* to be present throughout the business process. These principles should not merely be included in documents or expressed through contractual structures but should be visible in how companies generate profits, treat consumers, manage data, distribute risks, and use technology. Within this framework, Islamic fintech has significant opportunities. Technology allows transparency principles to be implemented in real time, enables transaction monitoring to be conducted more systematically, and makes it possible to provide financing to groups that were previously underserved. However, the same technology can also reinforce inequality if it is used solely to pursue growth and profitability. Therefore, the future of Islamic fintech depends heavily on the orientation chosen by industry actors. If the primary orientation is technology-driven profitability, Islamic fintech will become increasingly similar to conventional fintech models. If the orientation is technology-enabled *maslahah*, Islamic fintech has a greater opportunity to become part of the transformation of Islamic finance (Kamdzhlov, 2020).

Theoretical Implications

Theoretically, this study demonstrates the need to broaden the way innovation is understood within Islamic economics. Innovation should not be viewed solely in terms of the ability to produce new products or adopt advanced technologies. From an Islamic perspective, innovation should also be assessed according to its consistency with the values and objectives of Islamic economics. The concept of *maqashid al-shariah* can function as a bridge between technological innovation and normative objectives. Through this approach, innovation is not evaluated merely through a binary classification of permissible or impermissible but is also analyzed according to its level of *maslahah* and socioeconomic impact. This approach also contributes to discussions of Islamic finance by introducing a shift from compliance-oriented finance toward impact-oriented Islamic finance. Such a shift does not diminish the importance of Sharia law but instead positions compliance as the foundation that must subsequently be translated into impacts consistent with Sharia objectives. Practically, the Islamic fintech industry needs to broaden its business performance indicators. User growth, transaction value, and profitability are important for corporate sustainability, but they are not sufficient to demonstrate success as an Islamic financial institution. Indicators related to consumer protection, transparency, access for vulnerable groups, productive financing, service quality, data security, and social impact should receive greater attention. Sharia governance must also evolve in accordance with the characteristics of digital technology. Sharia supervision should not merely examine contractual documents but should also understand how algorithms operate, how data are used, how risks are calculated, how information is presented to consumers, and how cost structures are established. Thus, Sharia supervision needs to move from product-level compliance toward ecosystem-level governance. For consumers, the development of Islamic fintech also requires stronger financial literacy. Consumers need to understand that an Islamic label is not a reason to ignore information regarding costs, risks,

rights, and obligations. Trust in Islamic identity should be accompanied by the ability to evaluate financial services critically (Qadri & Bhatti, 2024).

CONCLUSION

Islamic fintech represents an important development in the transformation of Islamic finance in the digital era, but its existence does not automatically demonstrate that disruption of Islamic finance has occurred. Digitalization can change the way financial services are delivered, but changes in transaction channels do not necessarily produce changes in the economic paradigm. Therefore, Islamic fintech needs to be evaluated based on the changes it generates in the values, structures, mechanisms, and impacts of the financial system. This study demonstrates that Islamic fintech has the potential to become an instrument of disruption when technology is used to substantively expand financial access, increase transparency, strengthen consumer protection, support productive financing, improve the distribution of economic opportunities, and generate *maslahah*. Under such conditions, technology does not merely function as an efficiency tool but becomes an instrument for realizing the objectives of Islamic economics. Conversely, Islamic fintech risks becoming merely the digitalization of conventional financial practices when changes occur only at the level of technological platforms and contractual structures, while business orientation, incentive structures, risk-distribution mechanisms, and performance measures remain dominated by profitability logic. Under such circumstances, Islamic identity may become an instrument of marketing differentiation without generating substantive transformation in economic practices.

These findings emphasize that sharia compliance remains an essential foundation of Islamic fintech, but it should not be the endpoint of evaluation. Compliance needs to be translated into sharia impact. This means that Islamic fintech must demonstrate that adherence to Sharia principles produces tangible outcomes in the form of justice, transparency, wealth protection, inclusion, economic empowerment, and social welfare. *Maqashid al-shariah* can serve as a strategic framework for this process. Within the digital ecosystem, *maqashid* can be used not only to assess contracts and transactions but also to evaluate data protection, technological security, algorithmic practices, cost structures, consumer protection, and the distribution of economic benefits. In this way, *maqashid* provides an opportunity for Islamic finance to respond to technological developments without losing its normative orientation.

Ultimately, the greatest challenge for Islamic fintech does not lie in its ability to become increasingly digital but in its ability to make digitalization a means of value transformation. Islamic fintech needs to move from **digital transactions toward ethical transformation**, from **financial inclusion toward economic empowerment**, and from **sharia compliance toward sharia impact**. Through this shift, Islamic fintech can develop not merely as a digital version of existing financial services but as a new instrument for translating the principles of justice and *maslahah* in Islam into the contemporary financial system. Therefore, the answer to the question of whether Islamic fintech constitutes a disruption of Islamic finance or the digitalization of conventional financial practices is not strictly binary. Islamic fintech has the potential to become either. It becomes a disruption when technology changes how economic value is created, risks are shared, consumers are protected, and benefits are distributed in accordance with *maqashid al-shariah*. However, it becomes merely digitalization when technology only accelerates existing mechanisms without substantive changes in economic orientation. Consequently, the future of Islamic fintech will ultimately be determined not by how sophisticated its technology becomes, but by how seriously that technology is used to realize the fundamental objectives and values of Islamic economics.

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