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Sharia Fintech and Legal Protection in P2P Transactions

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Abstrak

Kata Kunci:

Sharia Fintech; Peer-to-Peer; Legal Protection; Regression Analysis

Penelitian ini bertujuan untuk menganalisis perlindungan hukum fintech syariah dalam transaksi peer-to-peer (P2P) melalui pendekatan normatif. Pendekatan normatif bertujuan untuk mengkaji regulasi dan prinsip syariah yang relevan dengan mengacu pada hasil uji regresi linear antara pengaruh ekuitas (X1) dan liabilitas (X2) terhadap aset fintech syariah (Y). Penelitian ini menggunakan metode riset hukum normatif dengan teknik pengumpulan data library research dan uji regresi linear. Data literatur dianalisis menggunakan konten analisis untuk memahami regulasi dan prinsip syariah terkait fintech syariah dan P2P. Uji regresi linear digunakan untuk menguji hubungan antara variabel X1, X2, dan Y, serta untuk menyusun model regresi. Temuan penelitian ini bahwa tren TWP90 selama Januari-Mare 2024 mengindikasikan kenaikan persentase kegagalan pembayaran pinjaman melalui fintech dalam 90 hari dari Januari 2024 hingga Maret 2024 sehingga memiliki implikasi negatif terhadap ROA. Peningkatan variabel ini berpotensi melemahkan stabilitas keuangan fintech sekaligus menurunkan perlindungan hukum investor fintech syariah sehingga diperlukan regulasi fintech syariah yang komprehensif untuk fintech syariah yang berkelanjutan.

Abstract

Keywords:

Sharia Fintech, Peer-to-Peer, Legal Protection; Regression Analysis.

This study employs a normative approach to analyse the legal protection of Islamic fintech in peer-to-peer (P2P) transactions. The normative approach entails examining relevant sharia regulations and principles by referring to the results of linear regression tests between the effects of equity (X1) and liabilities (X2) on sharia fintech assets (Y). This research utilises normative legal research methods, library research data collection techniques and linear regression tests. The literature data was analysed using content analysis in order to gain an understanding of the sharia regulations and principles related to sharia fintech and P2P. A linear regression test was

employed in order to test the relationship between the variables X1, X2, and Y, and to develop a regression model. The findings of this study indicate that the trend of TWP90 during January-March 2024 suggests an increase in the percentage of loan defaults through fintech within 90 days from January 2024 to March 2024. This has negative implications for ROA. The observed increase in this variable has the potential to weaken the financial stability of fintech and to reduce the legal protection of Islamic fintech investors. Consequently, a comprehensive Islamic fintech regulation is required for the sustainable development of Islamic fintech.

INTRODUCTION

The background of this research is driven by the accelerated growth of fintech, with a particular focus on peer-to-peer (P2P) financial transactions in Indonesia. There is growing evidence to suggest that shariah fintech has the potential to make a significant contribution to financial inclusion and provide Islamic-based alternatives to society. However, with such rapid growth, there is an urgent need to examine existing legal protections in the context of P2P transactions, given the potential risks and possible implications. (Isman et al., 2024).

The primary objective of this research is to examine the legal protection of Sharia-compliant financial technology transactions, with a particular focus on peer-to-peer transactions. Although there is considerable potential for Sharia fintech to make a positive contribution, there is a lack of clarity regarding the legal protection of these transactions and the effective regulation and implementation of such protection. Inadequate legal protection may give rise to uncertainty

and risk for transactors (Isman & Muttaqin, 2023a).

The specific issue under consideration is the relationship between Shariah Fintech Financial Services (X1) and the Shariah Fintech Loan Portfolio (X2) and the financial balance (Y) in the context of P2P transactions. To date, there has been a paucity of research that has comprehensively studied the relationship between these variables in the context of shariah fintech, particularly in the context of transactions (Junarsin et al., 2023).

The contribution of this paper lies in the data analysis methodology employed, namely, the combination of quantitative data analysis to test the influence of independent variables on dependent variables simultaneously, the construction of a model to predict the value of dependent variables based on independent variable values, and the explanation of the relationship between dependent and independent variables (Liu et al., 2023).

Qualitative data analysis is employed to gain deeper insight into the quantitative measurements of the

influence of independent variables on dependent variables, models and their projections on legal protection. This is achieved through the examination of the literature on the relationship between dependent and independent variables, in accordance with relevant previous research (Otoritas Jasa Keuangan, 2023; Solihat et al., 2023; Tan, 2022).

The objective of this study is to examine the impact of Shariah-compliant financial technology (fintech) services and Shariah-compliant fintech loan portfolios on financial balance sheets. This topic has not been extensively investigated, particularly with reference to data submitted by the Financial Services Authority (FSA) for the period January to March 2024. (Brahmana et al., 2022)(Brahmana et al., 2022).

The objective of this article is to examine the extent to which the Financial Services Authority's fintech regulation can provide comprehensive legal regulation in sharia fintech transactions, with a particular focus on the context of P2P. It is hoped that this article will serve as a foundation for the development of more effective regulation and renewal efforts, with the aim of maintaining the stability and sustainability of the financial system (Musjtari et al., 2022; Priyanto et al., 2022).

With regard to the hypothesis of the study, it can be posited that the coverage of financial services provided by Shariah-compliant fintech and the loan portfolio of fintech have a positive

relationship with the financial balance sheet of the Indonesian fintech provider. Consequently, an increase in both of these variables could strengthen financial stability and provide legal protection for investors of Shariah-compliant fintech.

LITERATUR REVIEW

In terms of the significant findings that are pertinent to the topic of Sharia fintech and legal protection in P2P transactions, which have been identified through previous research, it is evident that there is still much to be discovered. First, research on the factors affecting consumer behaviour in relation to sustainable use intentions of financial technology payments concluded that ease of use, security, economic benefits, and financial capacity collectively exert a positive and significant influence on the intention to sustainably use financial payment technology in Indonesia. This implies that the factors that influence consumer behaviour in the use of financial payment technology have been identified, thereby facilitating an understanding of consumer conduct in relation to technology-based payments (Meiryani et al., 2022).

Second, the research topic is the Protection of Spiritual Rights in the Sharia Banking Dispute Settlement. A review of the Sharia Banking Law in Indonesia reveals that the protection of spiritual rights in the settlement of Sharia banking disputes has not been effectively implemented. Furthermore, the existence of religious courts in

settling Sharia banking disputes has been found to be ineffective in protecting spiritual rights. His contribution was to identify regulatory weaknesses in the protection and implementation of spiritual rights (Amirizal et al., 2022).

Third, the research on screening standards in the legal protection of sharia capital market investors concluded that the weakness of standard filtering in the protection of investors in the sharia market resulted in the weak implementation of the principle of sharia in the sharia market. The standard filtering of investors in the sharia capital market is insufficient to protect investors in the sharia capital market, and thus, compliance with the principles of sharia in investment cannot be optimised (Ulum & Ulum, 2023).

Fourth, regarding the topic of good corporate governance in sharia fintech, challenges and opportunities in the digital era have led to the conclusion that the implementation of good governance by companies (GCGs) in fintech sharia can improve the financial performance of financial institutions. This is evidenced by the increase in the total assets of fintech Shariah (Yuspin & Fauzie, 2023).

Fifth, the legal status of digital banks in Indonesia can be seen to indicate that the legal basis for digital banking in Indonesia is implicitly written in the Banking Act and POJK No. 12/POJK.03/2021 on General Banking. Nevertheless, there is no explicit clarification of the legal basis

for digital banks in Indonesia. Implicitly, this implies legal certainty and the protection of personal data of digital bank customers (Assari, 2023).

Sixth, the paper concludes that Islamic p2p lending represents an alternative solution to the unfair practices observed in conventional p2p lending. This is achieved by applying the principles of Shariah to protect consumers. The objective of this contribution is to demonstrate the potential of Islamic P2P lending as a solution for protecting consumers and strengthening Shariah fintech in Indonesia (Musjtari et al., 2022).

Seventh, regarding the transformation of economic theology for community empowerment, a case study on microwakaf-based banking demonstrated that economic theological transformation through a microfinancial institution-based approach can contribute to the empowerment of communities and sustainable economic development (Anwar et al., 2023).

With regard to the limitations of the findings of the aforementioned research, it should be noted that the transformation of new technologies such as blockchain in fintech sharia, the impact of new regulations on the fintech industry, and the ethical issues that may arise as fintech develops with legal protection against P2P transactions require further investigation.

The Financial Services Authority has issued a POJK on financial technology services, namely, NOMOR

77/POJK.01/2016. The underlying philosophy of consumer protection as described in the OJK Regulations can be described taxonomically and explanatively. The initial philosophy posits that information technology has served as a catalyst for the development of a more inclusive and innovative financial industry (Assari, 2023; Peraturan OJK Nomor 77 Tahun 2016 Tentang Layanan Keuangan Digital, 2016).

The advent of the fintech platform has enabled the public to access a wider range of more affordable financing alternatives. This reflects the pivotal role of technology in providing solutions to the challenges of financial access faced by numerous individuals, particularly those who are not served by conventional financial institutions such as banking.

The second philosophy is to support the growth of information technology-based financial institutions so that they can contribute more to the national economy as a whole. By facilitating the growth of fintech, both in terms of regulation and infrastructure support, governments and financial authorities seek to create an ecosystem that supports innovation, job creation, and inclusive economic growth.

In essence, the concept of consumer protection, as outlined in POJK 77 Year 2016, encompasses both access and means. It is not merely a matter of safeguarding consumers from detrimental practices; rather, it is also about guaranteeing that consumers have

fair and secure access to financial services. Second, by fostering the growth of information technology-based financial institutions, consumer protection becomes an integral component of fostering confidence and maintaining overall economic stability (Peraturan OJK Nomor 77 Tahun 2016 Tentang Layanan Keuangan Digital, 2016).

In essence, the concept of consumer protection, as outlined in POJK 77 Year 2016, encompasses both access and means. It is not merely a matter of safeguarding consumers from detrimental practices; rather, it is also about guaranteeing that consumers have fair and secure access to financial services. Second, by fostering the growth of information technology-based financial institutions, consumer protection becomes an integral component of fostering confidence and maintaining overall economic stability (Ulum & Ulum, 2023).

Second, the organiser is obliged to provide the user with accurate, honest, and nonmisleading information. This stipulation affirms that the organiser is legally obliged to provide the user with the requisite information to enable them to make an informed decision regarding the use of the service. (Article 30)(Peraturan OJK Nomor 77 Tahun 2016 Tentang Layanan Keuangan Digital, 2016; Yuspin & Fauzie, 2023)

Third, the organiser is obliged to provide the user with information regarding the status of the loan service application. In the event that the

application is delayed or rejected, the organiser is obliged to provide the user with a transparent justification, demonstrating a commitment to maintaining a legal equilibrium between the organisation and the user. (Article 31)(Peraturan OJK Nomor 77 Tahun 2016 Tentang Layanan Keuangan Digital, 2016)

Fourth, the obligation to provide information in a language that is simple and easy for the user to understand. This illustrates an attempt to achieve equilibrium in the legal relationship by ensuring that the user has a comprehensive understanding of the electronic documents they receive.

With regard to other provisions, such as Articles 33 to 40, the aforementioned articles reaffirm the various obligations of the organiser in meeting quality standards of service and protecting the interests of users. This reflects an effort to maintain a balanced legal relationship between organisers and users by ensuring that the organiser acts in accordance with the norms that have been established for consumer protection. Consequently, the regulatory framework established in Regulation No. 77 of the OJK of 2016 reflects a balanced causal relationship between the legal subject, the object of the law, and the balance of the legal relationship in the context of the protection of consumers in information technology-based money lending services (Peraturan OJK Nomor 77 Tahun 2016 Tentang Layanan Keuangan Digital, 2016).

The preceding analysis leads to the conclusion that OJK Regulation No. 77 of 2016 is more responsive than reactive in its normative character. This is evidenced by the fact that more than half of the articles described indicate the responsive nature of this regulation. These include the obligation of the organiser to provide accurate, transparent and nonmisleading information to the user, to provide an explanation of whether there is a delay or rejection of the request for services, and to establish the organiser's obligation to be liable for losses of the user as a result of error or negligence. This action exemplifies the responsiveness of regulations to the needs and rights of users in information technology-based lending services.

Nevertheless, a small part of the article also has a reactive character. For instance, the prohibition of the organiser providing user data and information to third parties without the user's consent, as well as the action of reporting user complaints to OJK, reflects the reactive nature of OJK provisions in fintech issues pertaining to privacy and data security (Isman, 2020).

A classification of the normative character of OJK Regulation No. 77 of 2016 reveals that the majority of respondents (60%) perceive it as responsive, while the remainder (40%) view it as reactive.

The normative structure of the protected legal interests is evident in the responsiveness of this regulation, which is observed in the balance of the legal

relationship between the service operator and the user. This is demonstrated by the establishment of quality service standards, transparent information, the right of the user to obtain an explanation for the refusal of service, and the affirmation of the liability of the operator for losses arising from their fault or negligence (Isman, 2021).

RESEARCH METHOD

This study employs an explanatory research design, which enables the investigation of the causal relationship between independent variables (X1: Sharia Fintech Financial Services and X2: Sharia Fintech Loan Portorals) and dependent variables. (Y: financial balance sheet). With regard to the data collection techniques employed, the principal approach is the case study, which enables researchers to examine complex phenomena in depth within a specific context. Documentation is the process of collecting data from written sources, including reports, journals, and regulations. The data for this study will be obtained from the Financial Services Authority's (OJK) statistical report on fintech (Strong et al., 2006).

This research employs secondary data derived from the OJK Statistics report on fintech and research literature on sharia fintech, as well as case studies pertaining to the practices and impact of sharia financial services in Indonesia (Isman & Ahmad Zainul Muttaqin, 2024; Isman, 2023a)

The data analysis technique employed is a double linear regression test, which is used to measure the degree of relationship between research variables and content analysis. This approach is applied to analyse literature data, such as case studies and previous research documents, related to the practice and impact of fintech financial services (Isman, 2020, 2023b; Isman & Muttaqin, 2023b).

RESULTS AND DISCUSSION

The shariah fintech industry in Indonesia has demonstrated an intriguing trajectory, albeit with a notable deceleration observed between January and March 2024, as evidenced by data compiled by the Financial Services Authority (FAT) during the aforementioned period. With regard to the subject of sharia fintech and legal protection in p2p transactions, it is important to consider a number of key factors in relation to the performance of this industry. First, the number of sharia fintech entrepreneurs remained static, with seven companies operating throughout the period. This suggests that despite the diversity of products and services offered, the growth in the number of entrepreneurs remains limited (Bathik et al., 2023; Kurnia, 2023; Otoritas Jasa Keuangan, 2024).

Second, the data indicate a notable increase in the number of lender accounts on the Shariah fintech platform, from 8.270 billion in January 2024 to 10.491 billion in March 2024. This reflects the growing interest of investors

in Shariah fintech as an attractive investment option, offering a consistent return on investment in accordance with the Shariah principle (Otoritas Jasa Keuangan, 2024).

Nevertheless, the expansion in lending was not accompanied by a parallel increase in the number of borrowers. (Borrower). The number of borrowers exhibited a downwards trend, declining from 9,577 in January 2024 to 11,196 in February and 11,168 in March. This delay is a matter of concern, given the significance of the number of borrowers in determining the liquidity and sustainability of the Shariah FinTech platform (Otoritas Jasa Keuangan, 2024).

Furthermore, the data indicate that despite an increase in the number of lender accounts, the distribution of loans on the Shariah FinTech platform

has slowed growth. This is reflected in the loan distribution data, which rose only slightly from Rs. 215.19 billion in January 2024 to Rs. 246.71 billion in March 2024. This delay may indicate an obstacle in the distribution process that needs to be addressed seriously by stakeholders (Otoritas Jasa Keuangan, 2023; Otoritas Jasa Keuangan, 2024).

The FinTech Sharia Service Report also noted a significant decline in outstanding loans on the Sharia FinTech platform, from Rs.1584.27 billion in January 2024 to Rs.1272.00 billion in March 2024. This decline in outstanding loans on the Sharia fintech platform indicates the potential risks associated with credit management and the recovery of loans, which must be addressed by the platform (Otoritas Jasa Keuangan, 2023; Otoritas Jasa Keuangan, 2023, 2024).

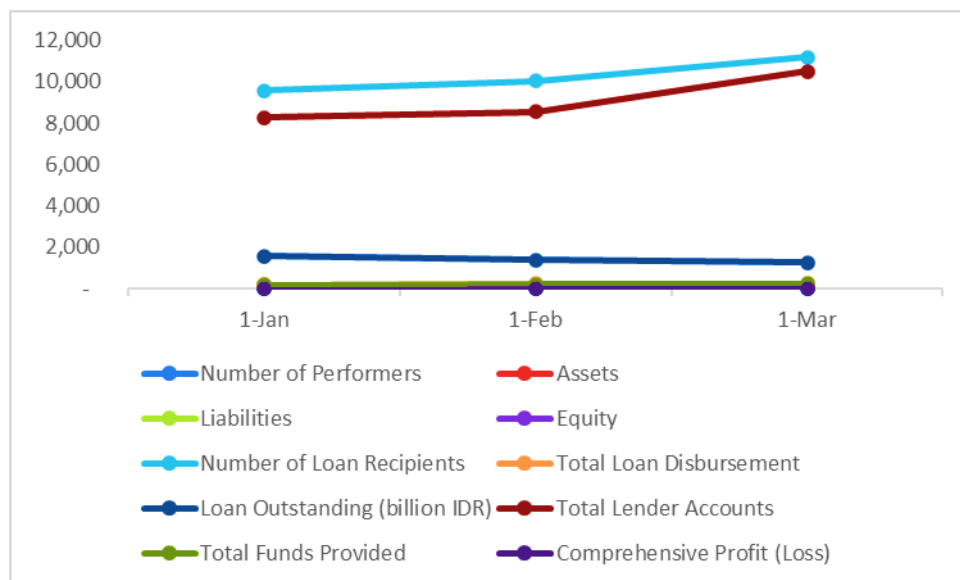


Figure 1: Revenue and Performance of Sharia Fintech January-March 2024

The chart indicates that there are several significant factors to consider, including the number of enterprise operators. The number of fintech operators remained unchanged for seven companies during the period from January to March 2024.

Second, the number of lender accounts is considered. The number of lender accounts increased from 8,270 in January 2024 to 10,491 in March 2024. This indicates a heightened public interest in investing in Shariah-compliant fintech.

Third, the number of borrowers has exhibited a slight decline, from 9,577 in January 2024 to 11,196 in February 2024 and subsequently to 11,168 in March 2024. This indicates a deceleration in the expansion of the Shariah fintech borrower base.

Fourth, the channels through which loans are made available. The growth of loan channels on the Shariah FinTech platform has slowed since Rs. 215.19 billion in January 2024 to Rs. 234.21 billion in February 2024 and then increased slightly to Rs. 246.71 billion in March 2024. (Otoritas Jasa Keuangan, 2023; Otoritas Jasa Keuangan, 2023, 2024).

Fifth, Outstanding Loans: The outstanding loans on the Shariah fintech platform have exhibited a notable decline, from Rs.1,584.27 billion in January 2024 to Rs.1,381.60 billion in February 2024 and subsequently to Rs.1,272.00 billion in March 2024.

The six assets on the Shariah fintech platform exhibit a slowing growth trend, from Rs166.86 billion in January 2024 to Rs169.23 billion in February 2024 and a slight increase to Rs170.89 billion in March 2024 (Otoritas Jasa Keuangan, 2023).

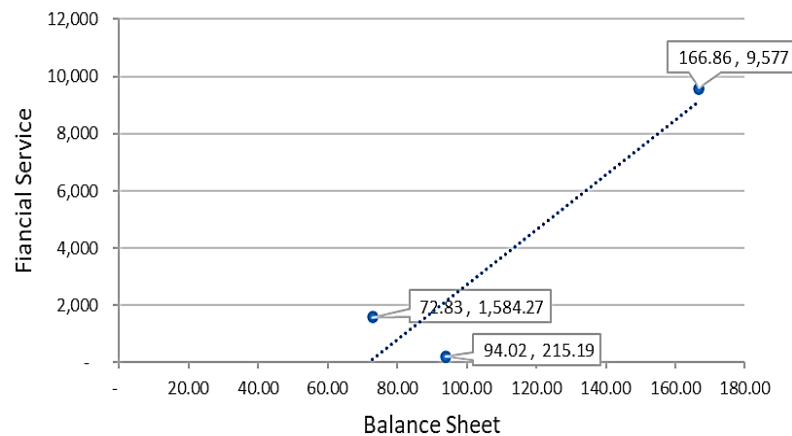
Furthermore, liabilities on the Shariah fintech platform also demonstrate a slowing trend, from Rs.94.02 billion in January 2024 to Rs.97.69 billion in February 2024 and a slight increase to Rs.99.10 billion in March 2024 (Otoritas Jasa Keuangan, 2023).

Seventh, the liabilities on the Shariah fintech platform exhibited a decreasing trend, from Rs.94.02 billion in January 2024 to Rs.97.69 billion in

February 2024, and a slight increase to \$99.10 billion in March 2024.

Eight shares of Shariah's fintech platforms have experienced a decline, from Rs 72.83 billion in January 2024 to

offerings of Shariah. Nevertheless, the decline in the number of borrowers, the distribution of loans, outstanding loans and equity should be regarded as cautionary indicators that require the



Rs 71.54 billion in February 2024, and subsequently decreased to Rs 71.79 billion in March 2024.

In other words, the Indonesian sharia fintech industry demonstrated a pattern of steady but slow growth from January to March 2024. The increase in the number of lender accounts suggests that an increasing number of individuals are interested in the fintech offerings of Shariah. However, the decline in the number of borrowers, the distribution of loans, outstanding loans and equity should be regarded as cautionary indicators that require the attention of relevant stakeholders.

In other words, the Indonesian sharia fintech industry demonstrated a pattern of steady but slow growth from January to March 2024. The increase in the number of lender accounts suggests that an increasing number of individuals are interested in the fintech

attention of relevant stakeholders.

Linear Regression Analysis and the Impact of Financial Services—Lending Portfolios and Financial Balances

For a clearer illustration of this relationship, data related to financial services (X1) and financial balance sheets (Y) can be found in the accompanying chart:

The regression equation is $y = 96.225x - 6911.8$, with $R^2 = 0.8809$. This indicates a positive relationship between fintech sharia (Y) and liability (X1) and equity (X2); the greater the value of the predicted fintech asset (Y) is, the stronger the relationship. The determination coefficient (R^2) of 0.8809 indicates that 88.09% of the variation in Sharia fintech assets (Y) can be explained by liabilities (X1) and equity (X2). Based on observable trends that can help interpret the performance of Shariah-compliant fintech, there is a positive relationship between Shariah fintech assets (Y) and liability (X1) and equity (X2). In other words, the greater the diversification of Shariah-compliant fintech services or products offered to consumers, the greater the trend of

Shariah-compliant fintech assets (Y). The data point distribution and the regression line indicate a linear trend, although there is a variation in the asset value (Y) for each combination of liability (X1) and equity (X2). This implies that the relationship between the variable (Y) and X1 and X2 can be measured with a linear model. The asset value (Y) for seven Shariah fintech companies varies. The companies with the highest asset value (Y) exhibit stronger liability (X1) and equity (X2) strengths than others. To illustrate, if a Shariah fintech company is simulated to have an asset value of Rs. 200 billion, its liability strength (X1) and equity strength (X2) are approximately Rs. 150 billion (Otoritas Jasa Keuangan, 2023).

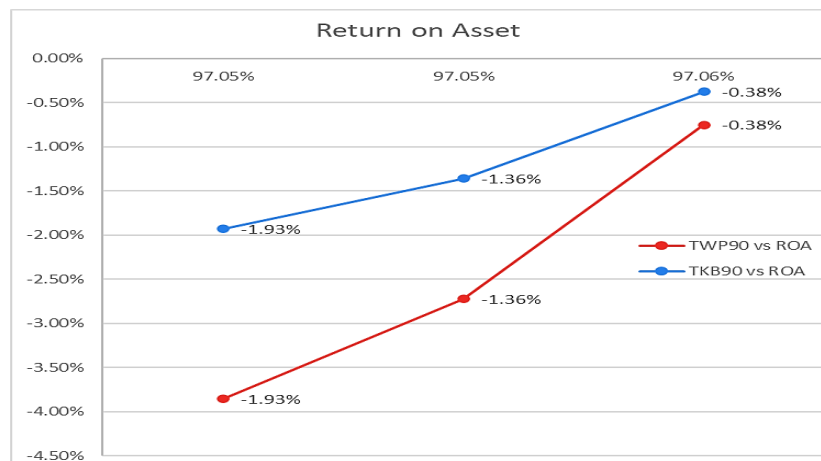


Figure 3. Return of Asset

The graph in Figure 3 provides insight into the description and value of fintech assets in January and February 2024. The asset value in January 2024 was recorded at Rs.166.86, while the value of the asset in February 2024 was

Rp.169.23 (Otoritas Jasa Keuangan, 2023).

The data presented in the graph above illustrate the relationships between TKB90, TWP90, and ROA in the Indonesian fintech industry. The TKB90, which represents the

percentage of success in repaying loans in 90 days, displays an upwards trend from January 2024 to March 2024. During this period, TKB90 exhibited an increase of 0.15 points, or 1.28%, from December 2023 to January 2024; 0.3 points, or 2.63%, from January 2024 to February 2024; and 0.05 points, or 0.43%, from February 2024.

The uninterrupted growth of TKB90 indicates that the Indonesian fintech industry is becoming increasingly adept at lending over an extended period. Consequently, there is a positive impact on ROA, or return on assets. The ROA ratio, which is used to assess the profitability of a company in relation to its assets, tends to increase as the TKB90 increases.

Conversely, the TWP90, which indicates the percentage of loan defaults within 90 days, also demonstrates an upwards trend from January 2024 to March 2024. Nevertheless, in the context of the TWPs90, this increase has a negative impact on ROA. During the same period, the tWP90 increased by 0.08 points or 12.5% from December 2023 to January 2024, 0.04 points or 6.25% from January 2024 to February 2024, and 0.02 points or 3.13% from February 2024 through March 2024. The increase in the TWP90 suggests that the fintech industry in Indonesia is becoming increasingly susceptible to instances of nonpayment. Your previous research and paper offer a coherent perspective on the evolution of the sharia fintech industry in Indonesia. However, there are notable differences

in focus and analytical techniques that warrant further examination.

The similarity between your previous research and your paper lies in your understanding of the crucial role of Shariah fintech in facilitating shariah-compliant financial access to Indonesian society. Both studies emphasised the necessity of appropriate regulation to safeguard the interests of investors and borrowers in Shariah-compliant peer-to-peer (P2P) transactions. This regulation should be designed to maintain confidence in the Shariah Fintech ecosystem.

Nevertheless, there is a notable divergence in the focus of the two studies. Previous research has tended to explore various aspects of the Shariah fintech industry, including consumer behaviour, investor filtering standards, and corporate governance. Conversely, your paper places greater emphasis on the analysis of the performance of the Shariah fintech industry, employing linear regression analysis to reveal the impact of this performance on ROA. In addition, there were positive trends in TKB90 and negative trends within TWP90.

Significant methodological differences can be observed in the data sources and analytical methods employed. Previous research employed data from a variety of sources, encompassing a multitude of facets of the fintech industry. In contrast, your paper utilised data from the OJK and applied linear regression analysis to

elucidate the interrelationships between specific variables.

To bridge the knowledge gap between your previous research and your paper, it is necessary to gain a more comprehensive understanding of the factors driving and hindering the growth of the Shariah fintech industry in Indonesia. This enables the formulation of more appropriate policies to support the sustainable and responsible growth of the Shariah Fintech industry.

It can be concluded that both sources make important contributions to the understanding of the Indonesian sharia fintech industry. However, to gain deeper insight into the potential, challenges and opportunities facing this industry, further research that combines both perspectives and explores in greater depth the various factors that influence the growth of the sharia fintech industry in Indonesia is needed (Sutrisno & Widarjono, 2018).

The impact of the aforementioned factors directly affects ROA, as it lowers the rate of return on assets obtained by the company from assets held. (Burnett, 2000).

Conversely, an increase in TWP90 indicates an elevated incidence of loan default, which has a detrimental impact on ROA. Therefore, Indian fintech companies must consider both of these factors simultaneously to ensure sustained growth and financial stability.

In conclusion, the upwards trend of TKB90 indicates an increase in the retention of loans, which has a positive impact on ROA. Conversely, an

increase in TWP90 indicates an elevated incidence of loan default, which has a detrimental impact on ROA. Therefore, Indonesian fintech companies must consider both of these factors simultaneously to ensure sustained growth and financial stability (Hossein & Hassan, 2024).

Mitigating Risk through Legal Mechanisms in P2P Transactions

To gain an understanding of the development of the Sharia fintech industry in Indonesia, it is necessary to consider the similarities and differences between the findings presented above and those of previous research, as outlined in the review literature (El Khoury et al., 2023).

Second, it is evident that the establishment of appropriate regulations is of paramount importance for safeguarding the interests of investors and borrowers in Shariah P2P transactions. This underscores the necessity for the maintenance of confidence in the Shariah Fintech ecosystem.

A notable distinction between the two is that previous research tends to explore various aspects of the Shariah fintech industry, including consumer behaviour, investor filtering standards, and corporate governance. Conversely, the paper identifies a trend in TKB90 and a negative trend in TWP90 associated with transaction protection (Barker, 2018).

With regard to the relationships between TKB90, TWP90, and ROA, previous research has not explicitly linked the three variables. However, a number of gaps in this area have been successfully bridged. This paper employs a linear regression analysis to demonstrate a significant correlation between TKB90 and ROA, as well as between TWP90 and ROA. The findings indicate that an increase in TKB90 can significantly increase ROA, while an improvement in TWP90 can lower ROA. This finding demonstrates the significance of managing the success and failure rates of loan repayment for the financial performance of fintech companies (Anwer et al., 2019; Misra et al., 2020).

Previous research has not presented a comprehensive analysis of the impact of regulation on Sharia fintech. Nevertheless, this paper posits that suboptimal regulation may be a contributing factor to the growth of the Sharia-compliant fintech industry, as evidenced by the observed slowing of growth and some declining performance indicators.

With regard to the challenges and opportunities facing the Sharia fintech industry, previous research has not provided a comprehensive analysis of the factors driving and hindering its growth. However, this paper identifies a significant challenge, namely, the need for optimal regulation, as unoptimal regulation prevents the full potential of the Shariah fintech industry from being realised. It is therefore evident that an

understanding of the challenges and opportunities of the fintech industry is vital to the formulation of policies that support sustainable and responsible growth.

Figure 3 illustrates the relationship between risk mitigation and ROA. It is evident that the trend of TKB90 (the rate of success in repaying loans in 90 days) demonstrates an increase in the retention of loans, which has a positive impact on ROAs. This finding suggests that an effective strategy for mitigating credit risk can increase ROA. The increasing trend of the TWP90 (the level of failure to repay loans within 90 days) indicates that inadequate credit risk mitigation strategies can result in a reduction in ROA.

The trend of TKB90 (the proportion of loans repaid within 90 days) indicates an improvement in the retention of loans, which has a positive impact on ROA. This indicates that an effective credit risk mitigation strategy can result in an increase in ROAs. The trend of the TWP90 (rate of failure to repay loans within 90 days) indicates an increase in loan failure, which has a negative impact on ROA. This suggests that an inadequate strategy for mitigating credit risk can lower ROA.

CONCLUSION

Be A synthesis of the results and their interpretation allows for the drawing of certain conclusions. First, there is a negative correlation between Sharia fintech financial services and the

portfolio of Sharia fintech loans with financial balance sheets. The findings indicate that an increase in the financial services and loan portfolios of Shariah fintechs may compromise the financial stability of FinTechs and diminish the legal protection of these investors. This challenges the conventional wisdom that diversification of financial products and services can enhance financial stability and investor protection.

The findings provide empirical support for the regulatory theory that adequate and comprehensive regulation can help maintain financial stability and protect investors in the Shariah fintech industry. The findings indicate that the

current regulatory framework is not sufficiently comprehensive in its approach to mitigating the financial risks associated with Shariah-compliant fintech. The implications of fintech sharia and legal protection in P2P transactions ensure that the legal protections in P2P transactions include risk mitigation norms to help sharia fintech companies identify, measure, and manage the risks associated with their operations.

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