

Article history: Submitted 13 August 2024; Accepted 27 February 2025; Available online 28 February 2025.

How to cite: Istianah Zainal Asyiqin, 'Islamic Economic Law in the Digital Age: Navigating Global Challenges and Legal Adaptations' (2025) 8 Media Iuris.

Islamic Economic Law in the Digital Age: Navigating Global Challenges and Legal Adaptations

Istianah Zainal Asyiqin 

Faculty of Law, Universitas Muhammadiyah Yogyakarta, Indonesia. E-mail: istianah@umy.ac.id

Keywords:

Digital Economy;
Islamic Economic
Law; Legal
Frameworks.

Abstract

This study examines the challenges and adaptations of Islamic economic law in addressing global economic transformations in the digital era, particularly in Indonesia. The research aims to analyze how Islamic legal frameworks respond to the rise of fintech, blockchain, and smart contracts while maintaining compliance with Sharia principles. Employing a qualitative approach with doctrinal legal research, this study utilizes primary legal sources such as the Quran, Sunnah, Ijma', and Qiyas, along with national regulations, including the Sharia Banking Law, Financial Services Authority (OJK) regulations, and fatwas from the Indonesian Ulema Council (MUI). Data are collected through legal document analysis and case studies on the implementation of Islamic finance in digital transactions. The findings indicate that while Indonesia has made significant progress in integrating Sharia-compliant financial technologies, challenges remain in ensuring regulatory clarity, consumer protection, and the prevention of Sharia non-compliance risks. The study concludes that continuous legal adaptation and regulatory innovation are essential to uphold Islamic economic principles in the evolving global digital economy.

Copyright © 2025 Istianah Zainal Asyiqin.

Published in Media Iuris. Published by Universitas Airlangga, Magister Ilmu Hukum.



Introduction

The rapid advancement of technology and the proliferation of digital platforms have transformed the global economic landscape in ways that were once unimaginable. Traditional boundaries have dissolved, giving rise to new opportunities for economic growth and unprecedented challenges that demand innovative legal responses. In this dynamic context, Islamic economic law, with its unique principles and frameworks, has emerged as a potent force capable of addressing these global economic challenges while staying true to its ethical foundations.¹

Islamic economic law, or *Fiqh al-Muamalat*, is rooted in the Quran, Sunnah, and other sources of Sharia, offering a comprehensive legal and ethical framework that governs economic activities. Unlike conventional economic systems, which often prioritize profit maximization, Islamic economic law is deeply intertwined with moral imperatives,

¹ Loso Judijanto, Muhamad Ammar Muhtadi and Yana Priyana, 'A Bibliometric Analysis of the Challenges and Opportunities of Fintech in Promoting Access to Sharia Finance' (2024) 2 West Science Interdisciplinary Studies 638.

emphasizing justice, fairness, and social welfare. The principles of Islamic finance, such as the prohibition of *riba* (usury), the avoidance of *gharar* (excessive uncertainty), and the promotion of risk-sharing, reflect a commitment to equitable economic practices that align with the values of Islam.²

As the world transitions into the digital era, characterized by the rise of fintech, cryptocurrencies, and e-commerce, the principles of Islamic economic law are being tested and reinterpreted in innovative ways. The legal frameworks governing these emerging sectors must strike a delicate balance between embracing technological advancements and upholding the ethical and moral principles central to Islamic economic law. This challenge is not merely theoretical; it has real-world implications for how Muslims worldwide engage with the global economy.

One of the most significant challenges in the digital era is the regulation of financial technologies or fintech. Fintech has revolutionized the financial industry by making financial services more accessible, efficient, and user-friendly. However, it has also introduced new risks, such as cybersecurity threats, data privacy concerns, and the potential for financial exclusion. Islamic fintech, a subset of fintech operating under Sharia principles, must navigate these challenges while ensuring its operations remain compliant with Islamic law. This requires the development of robust legal frameworks that address the unique risks and opportunities presented by fintech in a manner consistent with the principles of Islamic economic law.³

The issue of *riba* is particularly pertinent in the context of fintech. Conventional financial systems often rely on interest-based transactions, which Islamic law prohibits. Islamic fintech companies must, therefore, find alternative ways to generate revenue without violating the prohibition on *riba*. This has led to the development of innovative financial products, such as profit-and-loss sharing models and fee-based services, which align with the principles of Islamic finance. However, these products must be carefully structured and regulated to ensure that they do not inadvertently reintroduce elements

² Yana Priyana and others, 'Accad Transformation in the Age of Digitalisation: Challenges and Adaptation in the Context of Islamic Finance' (2024) 2 West Science Islamic Studies 98.

³ Romi Adetio Setiawan, 'Avoidance of *Riba*-Based Loans and Enhancement of Quality of Life: An Indonesian Context Analysis' (2023) 14 Religions 1376.

of *riba* or other prohibited practices.⁴

Another critical challenge in the digital era is the regulation of cryptocurrencies. Cryptocurrencies, such as Bitcoin and Ethereum, have gained widespread popularity as alternative forms of currency that operate independently of traditional financial institutions. However, their decentralized nature, extreme volatility, and potential for facilitating illicit activities have raised concerns among regulators and scholars. From an Islamic legal perspective, the permissibility of cryptocurrencies is a matter of ongoing debate. Some scholars argue that cryptocurrencies are analogous to commodities and can be traded like other permissible goods, provided that they do not involve *riba* or *gharar*. Others, however, contend that the speculative nature of cryptocurrencies and their association with illegal activities render them impermissible under Islamic law.⁵

In response to these challenges, Islamic legal scholars and regulators have begun to develop legal frameworks that address the unique issues posed by cryptocurrencies. These frameworks seek to ensure that the use of cryptocurrencies aligns with the principles of Islamic economic law while mitigating the risks associated with their use. For example, some jurisdictions have introduced regulations that require cryptocurrency exchanges to adhere to Islamic principles, such as conducting thorough due diligence to prevent *gharar* and ensuring that transactions do not involve *riba*. Additionally, Islamic financial institutions have started to explore the use of blockchain technology, the underlying technology of cryptocurrencies, to enhance transparency and efficiency in their operations.

E-commerce is another area where Islamic economic law faces new challenges in the digital era. The rise of online marketplaces has transformed how goods and services are bought and sold, creating new opportunities for businesses and consumers. However, it has also raised questions about applying Islamic legal principles to online transactions. Issues such as the permissibility of certain types of goods, the validity of electronic

⁴ Sri Budi Cantika Yuli and Edyta Wojtyla, 'Challenges and Strategies in Developing Human Resources for the Halal Industry: Evidence from Indonesia' (2020) 4 Journal of Innovation in Business and Economics 77.

⁵ Muhammad Tunjang Syaeh and Fahriany Fahriany, 'Crossing The Digital Era By Analyzing Cryptocurrency And Blockchain Law In Modern Jurisprudence Through Local Genius 6.0 Ideas Internet Of Things (Iot)' (2024) 4 Innovative: Journal Of Social Science Research 2313.

contracts, and the enforcement of consumer protection laws must be addressed within the framework of Islamic economic law.⁶

One of the primary concerns in e-commerce is ensuring that online transactions are free from *gharar* and *maysir* (gambling). *Gharar* refers to excessive uncertainty or ambiguity in a contract, which Islamic law prohibits. Online transactions, particularly those involving digital goods or services, often involve a degree of uncertainty regarding the quality, delivery, or fulfillment of the product or service. To address this issue, Islamic legal frameworks must establish clear guidelines for e-commerce transactions that minimize *gharar* and ensure that contracts are transparent and enforceable.

Similarly, the prohibition of *maysir* in Islamic law requires that e-commerce platforms avoid facilitating or promoting gambling or speculative activities. This is particularly relevant in online gaming, virtual goods, and other digital assets that may have speculative value. Islamic legal frameworks must, therefore, guide how to regulate these activities in a manner that aligns with the principles of Islamic economic law.

In addition to addressing specific challenges in fintech, cryptocurrencies, and e-commerce, Islamic economic law must also consider the broader implications of the digital era for global economic justice. The digital divide, which refers to the gap between those with access to digital technologies and those without, is a significant issue that has implications for economic inequality and social justice. Islamic economic law, with its emphasis on fairness and social welfare, has the potential to play a critical role in bridging this divide and ensuring that the benefits of the digital economy are shared equitably.

One way in which Islamic economic law can contribute to global economic justice is by promoting financial inclusion. Financial inclusion refers to the availability and accessibility of financial services to all individuals, particularly those who are underserved or excluded from the formal financial system. In many Muslim-majority countries, a significant portion of the population remains unbanked or underbanked, limiting their ability to participate in the digital economy. Islamic fintech, with its

⁶ Danang Adi Putra and Amanda Alvi Nurdiantoro, 'Determinant Profitability of The Islamic Banking Industry in Indonesia: Literature Review' (2024) 14 Jurnal Akuntansi 171.

emphasis on ethical finance and risk-sharing, has the potential to provide financial services to these underserved populations in a manner that aligns with their religious beliefs. However, achieving this goal requires the development of legal frameworks that support the growth of Islamic fintech while ensuring that it operates in a manner consistent with the principles of Islamic economic law.⁷

Moreover, Islamic economic law must also address the ethical implications of emerging technologies, such as artificial intelligence (AI), big data, and the Internet of Things (IoT). These technologies can potentially revolutionize the global economy, but they also raise complex legal and ethical questions. For example, using AI in financial services raises concerns about transparency, accountability, and fairness, particularly regarding decision-making processes that affect individuals' access to credit or other financial services. Islamic legal frameworks must guide how to integrate these technologies into the financial system in a manner that upholds the principles of justice and fairness central to Islamic economic law.

The digital era presents both challenges and opportunities for Islamic economic law. The rapid pace of technological change requires the development of innovative legal frameworks that can address the unique risks and opportunities presented by fintech, cryptocurrencies, e-commerce, and other emerging sectors. At the same time, these frameworks must remain true to the ethical and moral principles central to Islamic economic law, ensuring that economic activities are conducted in a manner that promotes justice, fairness, and social welfare. By addressing these challenges, Islamic economic law has the potential to play a critical role in shaping the global economy in the digital era, contributing to a more just and equitable world.⁸ While extensive research has been conducted on Islamic economic law and its theoretical principles, a significant literature gap remains regarding its practical application in regulating digital financial ecosystems, including fintech, blockchain-based transactions, and e-commerce.

⁷ Fayiz Afif, Dzakiyatun Nisa Nurun Nabila and Ria Marzuqotur Rohmah, 'Digipreneurship as an Effort to Strengthen The Digitalization of The Islamic Economy in Indonesia' (2023) 3 *Maliki Islamic Economics Journal* 72.

⁸ Yudhistira Ardana, Anggita Nur Khofifah and Dewi Puji Lestari, 'Dynamics of Islamic Banks in the Digital Transformation Era' (2023) 4 *Al-Mashrof: Islamic Banking and Finance* 23.

Research Methodology

This research was conducted following normative legal principles and Sharia economic law. This research investigates concepts, legal standards, and regulations using a case study methodology. Other sources of information include newspapers, judicial magazines, books, and journals. In addition, legal documents are assessed and classified based on discourse and analysis regarding important concepts that are underlined and described qualitatively to identify solutions to problems.

Discussion

Islamic economic law, deeply rooted in Sharia principles, provides a comprehensive legal framework that governs economic transactions within the Muslim community. This framework is not merely a set of financial regulations but an ethical and moral compass aimed at promoting justice, fairness, and social welfare. In the digital era, technological advancements have challenged traditional legal norms, necessitating the evolution of Islamic economic law to address emerging financial innovations. One such innovation is the adoption of smart contracts, which requires careful legal adaptation to ensure compliance with Sharia principles.

Smart contracts are self-executing agreements with terms directly written into code, enabling automated transactions without intermediaries. However, while they offer efficiency, security, and cost reduction, their implementation within an Islamic legal framework raises significant concerns, particularly regarding compliance with the principles of *riba* (usury), *gharar* (excessive uncertainty), and *maysir* (gambling).⁹ To maintain Sharia compliance, smart contracts must be structured in a manner that eliminates these prohibitions while preserving the ethical foundations of Islamic economic law.¹⁰

⁹ Paripurna P Sugarda and Muhammad Rifky Wicaksono, 'Enhancing The Competitiveness Of Indonesia's Financial Services Sector In The Digital Era Through Open Banking: Lessons Learned From The UK's Experience' (2023) 2 Journal of Central Banking Law and Institutions 153.

¹⁰ Rusli Siri, 'Implementation Of Financing Restructuring In Islamic Banking During The Covid-19 Pandemic In Indonesia' (2023) 12 Jurnal Scientia 844.

One of the primary concerns regarding smart contracts in an Islamic financial context is the issue of *gharar*. Since smart contracts rely on coded instructions and algorithmic enforcement, there is a risk of ambiguity in contract terms, particularly when dealing with complex financial instruments. Islamic law emphasizes contractual clarity to prevent disputes and ensure fairness.¹¹ Thus, regulatory frameworks must establish clear guidelines for drafting and interpreting smart contracts in compliance with Islamic principles. This includes standardizing contract language, ensuring transparency, and incorporating mechanisms for dispute resolution that align with Islamic jurisprudence.¹²

Another challenge is the potential involvement of *riba* in smart contract-based financial transactions. Traditional Islamic finance prohibits interest-bearing transactions and instead promotes profit-and-loss sharing arrangements, equity-based financing, and asset-backed transactions.¹³ To ensure Sharia compliance, smart contracts must integrate alternative revenue models that adhere to these principles. For example, blockchain-based Islamic finance platforms can leverage profit-sharing models such as *mudharabah* (profit-sharing partnerships) and *musharakah* (joint ventures) to create ethically compliant financial products.¹⁴

Furthermore, the enforcement of smart contracts raises legal and ethical considerations within the Islamic legal framework. While smart contracts provide automated execution, questions remain regarding their enforceability in cases of unforeseen circumstances or contractual breaches. Islamic law incorporates the concept of *istihsan* (juridical preference) and *maslahah* (public interest), which allow flexibility in legal interpretation to achieve fairness and justice. Regulatory adaptations should therefore consider integrating dispute resolution mechanisms that allow human oversight and ethical considerations in smart contract enforcement, ensuring that

¹¹ Krisna Nugraha and others, 'Factors Influencing Bank Customers' Orientations toward Islamic Banks: Indonesian Banking Perspective' (2022) 14 Sustainability 12506.

¹² Wulan Dayu, Isnaini Harahap and Zuhri M Nawawi, 'Economic Transformation: Navigating Challenges And Embracing Opportunities In Islamic Economics And Finance Across Southeast Asia' (2024) 5 International Journal of Science, Technology & Management 176.

¹³ Faizi Faizi, 'How Are Islamic Banking Products Developed? Evidence from Emerging Country' (2024) 12 Cogent Economics & Finance 2378961.

¹⁴ Romi Setiawan, 'Integrating Benevolence in the Islamic Digital Canvas Marketing Model for Promoting Sharia-Compliant P2P Lending Platforms: A Comprehensive Approach' (2023) 2 Journal of Nusantara Economy 7.

transactions align with the spirit of Islamic economic justice.

To address these challenges, several jurisdictions have begun exploring legal frameworks that regulate the use of smart contracts in Islamic finance. Countries like Malaysia and the United Arab Emirates have initiated efforts to develop blockchain-based financial products that adhere to Sharia principles. Additionally, Islamic financial institutions are actively collaborating with technology developers to create regulatory-compliant smart contract solutions. The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and other regulatory bodies play a crucial role in establishing global standards for Sharia-compliant smart contracts.¹⁵

In the Indonesian context, regulatory adaptation is essential to ensure the lawful integration of smart contracts within the Islamic financial ecosystem. As a country with a significant Muslim population and a growing fintech sector, Indonesia has the potential to become a leader in Sharia-compliant digital finance. The Indonesian Financial Services Authority (OJK) and the National Sharia Board (DSN-MUI) must collaborate to develop guidelines that balance technological innovation with Islamic legal principles. This includes defining acceptable smart contract structures, establishing legal recourse for disputes, and ensuring transparency in digital financial transactions.¹⁶

Therefore, the digital era presents both challenges and opportunities for the implementation of smart contracts within the framework of Islamic economic law. While smart contracts offer efficiency and automation, their application must be carefully regulated to ensure adherence to Sharia principles.¹⁷ By integrating clear legal frameworks, alternative revenue models, and ethical oversight mechanisms, Islamic financial institutions can harness the potential of smart contracts while upholding the fundamental values of Islamic economic law. Indonesia, as a key player in the Islamic finance industry, must take proactive steps in regulatory adaptation to facilitate the

¹⁵ Mustafa Raza Rabbani, 'Fintech Innovations, Scope, Challenges, and Implications in Islamic Finance: A Systematic Analysis' (2022) 11 *International Journal of Computing and Digital Systems* 1.

¹⁶ Rusni Hassan, Ibtisam @ Ilyana Ilias and Tuan Nur Hanis Tuan Ibrahim, 'Islamic Banking Dispute Resolution: The Experience Of Malaysia And Indonesia' (2022) 30 *IIUM Law Journal* 317.

¹⁷ Sutan Emir Hidayat, Yodi Izharivan and Citra Atrina Sari, 'Islamic Finance and Sustainable Economy: A New Model of Islamic Financial Ecosystem' in M Kabir Hassan, Mehmet Saraç and Ashraf Khan (eds), *Islamic Finance and Sustainable Development* (Springer International Publishing 2021) <https://link.springer.com/10.1007/978-3-030-76016-8_11> accessed 19 July 2024.

lawful and ethical implementation of smart contracts, ensuring that they contribute to a just and equitable digital economy.¹⁸

1. Legal Basis of Islamic Economic Law in the Digital Era

The legal foundation of Islamic economic law is derived from the primary sources of Sharia: the Quran, the Sunnah (traditions and practices of the Prophet Muhammad), *Ijma'* (consensus of scholars), and *Qiyas* (analogical reasoning). In Indonesia, these principles are incorporated into the national legal framework through various laws and regulations, particularly those governing Islamic finance and economic activities. As Indonesia adapts to the digital era, these foundational principles and their corresponding legal provisions continue to guide the country's response to new and emerging challenges in the global economic landscape.¹⁹

1.1. The Quran and Sunnah as Primary Legal Sources

The Quran and Sunnah serve as the primary and most authoritative sources of Islamic economic law. The Quran, as the revealed word of Allah, contains numerous verses that address economic matters, such as the prohibition of *riba* (usury) and the emphasis on fair trade. These principles are reflected in Indonesian law, particularly in the context of Islamic finance. For example, the prohibition of *riba* is enshrined in Law No. 21 of 2008 on Sharia Banking, which governs the operation of Islamic banks in Indonesia. This law explicitly prohibits interest-based transactions and mandates that all financial activities conducted by Sharia banks must comply with Islamic principles, including the prohibition of *riba*.²⁰

Similarly, the Sunnah of the Prophet Muhammad provides practical examples and teachings that further elucidate the economic principles outlined in the Quran.

¹⁸ Zainal Arifin Hossein and M Mahmudulhassan, 'Legal Disruption and Sharia Arbitration: Navigating Change, Measuring Impact, and Fostering Innovation' (2024) 1 Indonesian Journal of Islamic Economic Law 39.

¹⁹ Andiyani Kurnia, 'Maqashid Sharia Framework: Sharia Financial Inclusion Through Indonesian Sharia Mobile Bank' in Nadia Mansour and Lorenzo Mateo Bujosa Vadell (eds), *Islamic Sustainable Finance, Law and Innovation* (Springer Nature Switzerland 2023) <https://link.springer.com/10.1007/978-3-031-27860-0_40> accessed 19 July 2024.

²⁰ Fahmi Ali Hudaefi and Abdul Malik Badeges, 'Maqāshid Al-Sharī'ah on Islamic Banking Performance in Indonesia: A Knowledge Discovery via Text Mining' (2021) 13 Journal of Islamic Marketing 2069.

In Indonesia, these teachings are incorporated into the legal framework through the establishment of Sharia Supervisory Boards (Dewan Pengawas Syariah), as mandated by the Indonesian Financial Services Authority (OJK). These boards are responsible for ensuring that the operations of Islamic financial institutions are in accordance with Sharia principles, including the prohibition of *gharar* (excessive uncertainty) and the promotion of transparency and fairness in contracts.²¹

1.2. *Ijma'* and *Qiyas* as Secondary Legal Sources

In addition to the Quran and Sunnah, Islamic economic law relies on *Ijma'* (consensus of scholars) and *Qiyas* (analogical reasoning) as secondary legal sources. These sources are particularly relevant in the context of Indonesia, where the legal system blends Islamic principles with national regulations to address contemporary issues.²²

Ijma' plays a crucial role in developing legal frameworks in Indonesia, particularly in interpreting and applying Sharia principles to new economic challenges. For instance, the Indonesian *Ulema* Council (Majelis Ulama Indonesia, MUI), through its Fatwa Council, often issues fatwas that reflect the consensus of Islamic scholars on matters related to Islamic finance and economic activities. These fatwas serve as important legal references for the OJK and other regulatory bodies in formulating policies and regulations that govern Islamic financial institutions in Indonesia.²³

Qiyas involves the application of analogical reasoning to derive legal rulings for new issues by drawing parallels with established legal precedents. In Indonesia, *Qiyas* is used by Islamic scholars to interpret Sharia principles in the context of modern financial products and services. For example, in the realm of Islamic fintech, *Qiyas* may be applied to analogize digital financial products to traditional Islamic contracts, such as *Murabahah* (cost-plus financing) or *Ijarah* (leasing), to determine their permissibility

²¹ Susilowardani and others, 'Multidimensional Perspectives On The Legal System And Justice In Indonesia: A Critical Analysis Of The Interplay Between Legal Norms, Judicial Practices, And Socio-Economic Factors In Achieving Substantive Justice' (2024) 2 International Journal Of Society Reviews 209.

²² Ine Nurul Lutfiah, 'Navigating Between Innovation and Compliance: The Challenges of Sharia Fintech Implementation in Indonesia's Financial Ecosystem' (2024) 2 Demak Universal Journal of Islam and Sharia 211.

²³ Asni Mustika Rani, Budi Supriatono Purnomo and Imas Purnamasari, 'Navigating the Landscape of Islamic FinTech: A Comprehensive Literature Review' (2024) 2 The Eastasouth Management and Business 118.

under Indonesian law.²⁴

1.3. Fatwas, Indonesian Regulations, and Regulatory Frameworks

In addition to the traditional sources of Islamic law, fatwas issued by the MUI play a critical role in guiding the legal framework for Islamic economic activities in Indonesia. These fatwas provide legal opinions on contemporary issues, such as the permissibility of digital financial products, cryptocurrencies, and online trading under Islamic law. For instance, the MUI issued a fatwa in 2021 declaring that cryptocurrencies are haram (forbidden) due to their speculative nature and potential for causing harm, a ruling that has significant implications for the regulation of digital currencies in Indonesia.²⁵

Moreover, the development of regulatory frameworks by the OJK and the Bank of Indonesia (BI) is essential to ensuring that Islamic economic activities in the digital era comply with Sharia principles. For example, the OJK has issued Regulation No. 31/POJK.05/2014 on Sharia Insurance, which sets out the requirements for operating Sharia-compliant insurance companies in Indonesia. This regulation mandates that all insurance contracts must be free from *gharar* and *maysir* (gambling) and adhere to cooperation and risk-sharing principles, which are central to Islamic economic law.²⁶

Furthermore, Law No. 19 of 2016 on Information and Electronic Transactions (ITE Law) provides a legal framework for regulating digital transactions in Indonesia, including those conducted by Islamic financial institutions. The ITE Law addresses issues such as the validity of electronic contracts, consumer rights protection, and cybercrime prevention. In the context of Islamic economic law, the ITE Law ensures that digital financial transactions are conducted in a manner that is transparent, secure, and in compliance with Sharia principles.²⁷

In some cases, the Indonesian government has also established Shariah Supervisory

²⁴ Eka Puji Lestari, 'Navigating the New Normal: Digital Transformation and Islamic Social Finance Strategies' [2023] Indonesian Conference of Zakat - Proceedings 187.

²⁵ Syazarah Soraya, Sri Windani and Rizky Ayu, 'Navigating Tradition and Modernity: Controversies and Implications of Sharia Economics in the Global Economy' (2024) 1 *Seriat Ekonomisi* 01.

²⁶ Setiawan Budi Utomo and others, 'Promoting Islamic Financial Ecosystem to Improve Halal Industry Performance in Indonesia: A Demand and Supply Analysis' (2020) 12 *Journal of Islamic Marketing* 992.

²⁷ Cik Basir and others, 'Reconstruction of Sharia Economic Procedural Law in Indonesia and Comparison of Sharia Economic Cases in Malaysia and Indonesia' (2024) 24 *Nurani: Jurnal Kajian Syari'ah dan Masyarakat* 17.

Boards (SSBs) within financial institutions to oversee compliance with Islamic law. In collaboration with the MUI and OJK, these boards play a critical role in interpreting Sharia principles in modern financial practices, such as fintech, blockchain technology, and e-commerce. Their involvement ensures that the legal frameworks governing these activities are consistent with Islamic economic law's ethical and moral foundations.²⁸

1.4. Challenges and Adaptation in the Digital Era

While the traditional legal sources of Islamic economic law provide a robust foundation for regulating economic activities, the rapid pace of technological change in the digital era presents unique challenges that require adaptation and innovation within the Indonesian legal framework.²⁹

One of the primary challenges is ensuring that the legal frameworks governing digital financial transactions in Indonesia remain consistent with Sharia principles while accommodating the complexities of modern technologies. For instance, using smart contracts and blockchain technology raises questions about applying Islamic legal principles, such as the prohibition of *gharar* and the requirement for mutual consent in contracts. Islamic legal scholars in Indonesia must work to develop new interpretations of these principles that take into account the unique characteristics of digital technologies. This may involve the MUI issuance of new fatwas and the development of regulatory guidelines for the OJK and BI.³⁰

Additionally, the digital economy's global nature poses challenges for enforcing Islamic legal principles in Indonesia. As digital transactions increasingly transcend national borders, the need for international cooperation and harmonization of legal frameworks becomes more pressing. Indonesian legal scholars, regulators, and financial institutions must collaborate with their counterparts in other Muslim-majority countries

²⁸ Muhammad Rais and Harya Pramata, 'Regulating Sharia Financial Transactions: The Role of the Indonesian Ulema Council (MUI) and Implications for Islamic Finance in Indonesia' (2024) 18 Law and Economics 1.

²⁹ Shohib Muslim and others, 'Regulation And Supervision Of Islamic Banking In Indonesia: An In-Depth Examination Of Recent Developments And Contemporary Trends' (2023) 1 International Journal Of Economic Literature 446.

³⁰ Iswanaji Haque Iqbal and Maamor Chebab Kassim, 'Regulatory and Innovation Challenges: Strengthening the Foundations of the Islamic Economy for Sustainable Growth' (2024) 1 Seriat Ekonomisi 21.

to develop consistent and coherent legal frameworks that can effectively govern the conduct of Islamic economic activities in the global digital economy.³¹

The legal basis of Islamic economic law in the digital era remains grounded in the traditional sources of Sharia – namely, the Quran, Sunnah, *Ijma'*, and *Qiyas* – while also being integrated into Indonesia's national legal framework. These sources provide the foundational principles that guide regulating economic activities within the Islamic framework. However, the unique challenges posed by the digital era require ongoing adaptation and innovation in interpreting and applying these principles. Through the development of fatwas, regulatory frameworks, and international cooperation, Islamic economic law in Indonesia can continue to provide a robust legal foundation for addressing the global economic challenges of the digital era.³²

Conclusion

The legal basis of Islamic economic law remains robust in guiding economic activities in the digital era, particularly within the Indonesian legal framework. The foundational principles derived from the Quran, Sunnah, *Ijma'*, and *Qiyas* continue to serve as the bedrock of Islamic economic law, providing the ethical and moral compass for financial transactions. Indonesia's integration of these principles into its national laws and regulations, such as the Sharia Banking Law and the ITE Law, demonstrates its commitment to ensuring that economic activities align with Islamic values, even as new technologies and global economic challenges emerge.

However, the rapid pace of technological advancement in the digital era necessitates continuous adaptation and innovation in legal interpretation and regulatory oversight. The issuance of fatwas by the MUI and the development of regulatory frameworks by the OJK and Bank Indonesia are critical in addressing the complexities of modern financial products and services. Additionally, international cooperation and harmonization of legal frameworks are essential to govern Islamic economic activities in the global digital

³¹ Maria Todorof, 'Shariah-Compliant FinTech in the Banking Industry' (2018) 19 ERA Forum 1.

³² Mohammad Talha, Syed Mohammad Faisal and Ahmad Khalid Khan, 'Shariah Law in Commercial Banking and Stock Market: Recent Development, Challenges and Practices' (2024) 5 International Journal of Religion 620.

economy effectively.

As Indonesia navigates the challenges and opportunities presented by the digital era, the enduring principles of Islamic economic law, combined with adaptive legal and regulatory frameworks, will continue to play a pivotal role in promoting justice, transparency, and fairness in the global economy.

Acknowledgments

-

Disclosure Statement

No potential conflict of interest was reported by the author.

Funding

No funding was received for this research.

References

- Afif F, Nabila DNN and Rohmah RM, 'Digipreneurship as an Effort to Strengthen The Digitalization of The Islamic Economy in Indonesia' (2023) 3 Maliki Islamic Economics Journal 72.
- Ardana Y, Khofifah AN and Lestari DP, 'Dynamics of Islamic Banks in the Digital Transformation Era' (2023) 4 Al-Mashrof: Islamic Banking and Finance 23.
- Basir C and others, 'Reconstruction of Sharia Economic Procedural Law in Indonesia and Comparison of Sharia Economic Cases in Malaysia and Indonesia' (2024) 24 Nurani: Jurnal Kajian Syari'ah dan Masyarakat 17.
- Dayu W, Harahap I and Nawawi ZM, 'Economic Transformation: Navigating Challenges And Embracing Opportunities In Islamic Economics And Finance Across Southeast Asia' (2024) 5 International Journal of Science, Technology & Management 176.
- Faizi F, 'How Are Islamic Banking Products Developed? Evidence from Emerging Country' (2024) 12 Cogent Economics & Finance 2378961.
- Hassan R, Ilias I@ I and Ibrahim TNHT, 'Islamic Banking Dispute Resolution: The Experience Of Malaysia And Indonesia' (2022) 30 IIUM Law Journal 317.

- Hidayat SE, Izharivan Y and Sari CA, 'Islamic Finance and Sustainable Economy: A New Model of Islamic Financial Ecosystem' in M Kabir Hassan, Mehmet Saraç and Ashraf Khan (eds), *Islamic Finance and Sustainable Development* (Springer International Publishing 2021) <https://link.springer.com/10.1007/978-3-030-76016-8_11> accessed 19 July 2024.
- Hossein ZA and Mahmudulhassan M, 'Legal Disruption and Sharia Arbitration: Navigating Change, Measuring Impact, and Fostering Innovation' (2024) 1 Indonesian Journal of Islamic Economic Law 39.
- Hudaefi FA and Badeges AM, 'Maqāsid Al-Sharī'ah on Islamic Banking Performance in Indonesia: A Knowledge Discovery via Text Mining' (2021) 13 Journal of Islamic Marketing 2069.
- Iqbal IH and Kassim MC, 'Regulatory and Innovation Challenges: Strengthening the Foundations of the Islamic Economy for Sustainable Growth' (2024) 1 Seriati Ekonomisi 21.
- Judijanto L, Muhtadi MA and Priyana Y, 'A Bibliometric Analysis of the Challenges and Opportunities of Fintech in Promoting Access to Sharia Finance' (2024) 2 West Science Interdisciplinary Studies 638.
- Kurnia A, 'Maqashid Sharia Framework: Sharia Financial Inclusion Through Indonesian Sharia Mobile Bank' in Nadia Mansour and Lorenzo Mateo Bujosa Vadell (eds), *Islamic Sustainable Finance, Law and Innovation* (Springer Nature Switzerland 2023) <https://link.springer.com/10.1007/978-3-031-27860-0_40> accessed 19 July 2024.
- Lestari EP, 'Navigating the New Normal: Digital Transformation and Islamic Social Finance Strategies' [2023] Indonesian Conference of Zakat - Proceedings 187.
- Lutfiah IN, 'Navigating Between Innovation and Compliance: The Challenges of Sharia Fintech Implementation in Indonesia's Financial Ecosystem' (2024) 2 Demak Universal Journal of Islam and Sharia 211.
- Muslim S and others, 'Regulation And Supervision Of Islamic Banking In Indonesia: An In-Depth Examination Of Recent Developments And Contemporary Trends' (2023) 1 International Journal Of Economic Literature 446.
- Nugraha K and others, 'Factors Influencing Bank Customers' Orientations toward Islamic Banks: Indonesian Banking Perspective' (2022) 14 Sustainability 12506.
- Priyana Y and others, 'Accad Transformation in the Age of Digitalisation: Challenges and Adaptation in the Context of Islamic Finance' (2024) 2 West Science Islamic Studies 98.

- Putra DA and Nurdiantoro AA, 'Determinant Profitability of The Islamic Banking Industry in Indonesia: Literature Review' (2024) 14 Jurnal Akuntansi 171.
- Rabbani MR, 'Fintech Innovations, Scope, Challenges, and Implications in Islamic Finance:A Systematic Analysis' (2022) 11 International Journal of Computing and Digital Systems 1.
- Rais M and Pramata H, 'Regulating Sharia Financial Transactions: The Role of the Indonesian Ulema Council (MUI) and Implications for Islamic Finance in Indonesia' (2024) 18 Law and Economics 1.
- Rani AM, Purnomo BS and Purnamasari I, 'Navigating the Landscape of Islamic FinTech: A Comprehensive Literature Review' (2024) 2 The Eastasouth Management and Business 118.
- Setiawan R, 'Integrating Benevolence in the Islamic Digital Canvas Marketing Model for Promoting Sharia-Compliant P2P Lending Platforms: A Comprehensive Approach' (2023) 2 Journal of Nusantara Economy 7.
- Setiawan RA, 'Avoidance of *Riba*-Based Loans and Enhancement of Quality of Life: An Indonesian Context Analysis' (2023) 14 Religions 1376.
- Siri R, 'Implementation Of Financing Restructuring In Islamic Banking During The Covid-19 Pandemic In Indonesia' (2023) 12 Jurnal Scientia 844.
- Soraya S, Windani S and Ayu R, 'Navigating Tradition and Modernity: Controversies and Implications of Sharia Economics in the Global Economy' (2024) 1 Seriati Ekonomisi 01.
- Sugarda PP and Wicaksono MR, 'Enhancing The Competitiveness Of Indonesia's Financial Services Sector In The Digital Era Through Open Banking: Lessons Learned From The Uk's Experience' (2023) 2 Journal of Central Banking Law and Institutions 153.
- Susilowardani S and others, 'Multidimensional Perspectives On The Legal System And Justice In Indonesia: A Critical Analysis Of The Interplay Between Legal Norms, Judicial Practices, And Socio-Economic Factors In Achieving Substantive Justice' (2024) 2 International Journal Of Society Reviews 209.
- Syaeh MT and Fahriany F, 'Crossing The Digital Era By Analyzing Cryptocurrency And Blockchain Law In Modern Jurisprudence Through Local Genius 6.0 Ideas Internet Of Things (Iot)' (2024) 4 Innovative: Journal Of Social Science Research 2313.
- Talha M, Faisal SM and Khan AK, 'Shariah Law in Commercial Banking and Stock Market: Recent Development, Challenges and Practices' (2024) 5 International

Journal of Religion 620.

Todorof M, 'Shariah-Compliant FinTech in the Banking Industry' (2018) 19 ERA Forum 1.

Utomo SB and others, 'Promoting Islamic Financial Ecosystem to Improve Halal Industry Performance in Indonesia: A Demand and Supply Analysis' (2020) 12 Journal of Islamic Marketing 992.

Yuli SBC and Wojtyla E, 'Challenges and Strategies in Developing Human Resources for the Halal Industry: Evidence from Indonesia' (2020) 4 Journal of Innovation in Business and Economics 77.

--This page is intentionally left blank--