

THE ANTECEDENCES OF INVESTMENT INTENTION
IN ISLAMIC FINTECH LENDING AMONG
INDONESIAN MSMEs

BY

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A dissertation submitted in fulfillment of the requirement for
the degree of Doctor of Philosophy (Business
Administration)

Kulliyyah of Economics and Management Sciences
International Islamic University Malaysia

June 2024

ABSTRACT

This research tests the antecedents influencing micro, small, and medium enterprises (MSMEs) in Indonesia to invest in Islamic FinTech loans. The research variables include financial knowledge, personal traits, financial behaviour, Sharia compliance, and investment intention. Previous studies have not integrated religious values, manifested by Sharia compliance, and have not examined the impact of financial knowledge and personal traits on investment intention in Islamic FinTech lending. The Theory of Planned Behaviour (TPB) research framework was employed to address these gaps, using a survey questionnaire and interviews with Islamic finance experts, regulators, and MSME entrepreneurs. There are 400 respondents for the quantitative and 7 respondents for the qualitative. Using Structured Equation Modelling (SEM), utilising AMOS 20 as the main analytical tool, this study reveals that financial knowledge significantly influences Indonesian MSMEs' attitudes and subjective norms, impacting their investment intentions in Islamic FinTech loans. In addition, Sharia compliance negatively moderates the relationship between attitude and investment intention, as personality characteristics negatively affect financial efficacy. Sharia compliance does not strengthen the relationship between attitude and investment intention. The qualitative research found that is consistent with the key issues and challenges of Indonesian MSMEs in investing in Islamic FinTech loans, which have been identified in the literature, namely human resources, regulatory aspects, the role of government, and inadequate capital issues. This research contributes to the TPB by showing that subjective norms can influence the investment intention of Indonesian people (MSMEs) in Islamic FinTech lending services. This research also extends TPB by highlighting the role of Islamic teachings, represented by sharia compliance, which weakens the attitude of Indonesian MSMEs to invest. As a result, the intention to invest in Islamic FinTech lending services is still low, as evidenced by the small number of companies involved in such services from year to year. Future research could expand the scope by increasing the sample size and involving respondents from different religious backgrounds. In addition, this study has not involved entrepreneurs who have run Islamic FinTech lending services as qualitative sources, so technical information has not been answered comprehensively. The study suggests the need for collaboration among government institutions such as the Ministry of Cooperatives and OJK to synergize cooperative law regarding Islamic Fintech lending. This is to minimise overlapping financial regulations and sharia principles. There is a need to provide regular training to upgrade the literacy of Islamic Fintech lending. The study suggests enabling Indonesian MSMEs to stay abreast of technological advancements and recognise the burgeoning business potential.

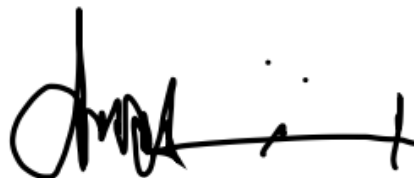
ملخص البحث

يركز هذا البحث على دراسة السوابق التي تؤثر على الشركات الإندونيسية متناهية الصغر والصغيرة والمتوسطة للاستثمار في إقراض التكنولوجيا المالية الإسلامية. تشمل متغيرات البحث المعرفة المالية، والصفات الشخصية، والسلوك المالي، والامتثال للشريعة الإسلامية، والنية الاستثمارية. لم تدمج الأبحاث السابقة القيم الدينية، التي يجسدها الامتثال للشريعة الإسلامية، ولم تدرس تأثير المعرفة المالية والسمات الشخصية على نية الاستثمار في الإقراض في مجال التكنولوجيا المالية الإسلامية. تم تطبيق نظرية السلوك المخطط (TPB) كإطار بحثي باستخدام استبيانات المسح والمقابلات مع خبراء التمويل الإسلامي والمنظمين ورواد الأعمال المتناهية الصغر والصغيرة والمتوسطة. وتضمنت النتائج أربع نتائج تجيب على أهداف البحث. باستخدام نمذجة المعادلات المنظمة (SEM) كأداة تحليلية رئيسية، تكشف هذه الدراسة أن المعرفة المالية تؤثر على موقف الشركات الأصغر والصغيرة والمتوسطة الإندونيسية والمعايير الذاتية التي تؤثر على نيتها الاستثمارية في إقراض التكنولوجيا المالية الإسلامية. بالإضافة إلى ذلك، فإن الالتزام بالشريعة يخفف بشكل سلبي من العلاقة بين الموقف والنية الاستثمارية، حيث تؤثر خصائص الشخصية سلبًا على الكفاءة المالية. والنتيجة الأخيرة هي نتيجة نوعية تتفق مع القضايا والتحديات الرئيسية التي تواجهها الشركات الصغيرة والمتوسطة الإندونيسية في الاستثمار في إقراض التكنولوجيا المالية الإسلامية، والتي تم تحديدها في الأدبيات، لا سيما فيما يتعلق بالموارد البشرية، والتنظيم، ودور الحكومة، والسياسة المالية. مسألة نقص رأس المال. يساهم هذا البحث في TPB من خلال إظهار أن المعايير الذاتية قادرة على التأثير على النوايا الاستثمارية للشركات الإندونيسية (MSMEs) في خدمات الإقراض في مجال التكنولوجيا المالية الإسلامية. تعمل هذه الدراسة أيضًا على توسيع نطاق TPB من خلال تسليط الضوء على دور التعاليم الإسلامية، المتمثلة في الامتثال للشريعة، مما يضعف

موقف الشركات الأصغر والصغيرة والمتوسطة الإندونيسية للاستثمار. اقتصررت هذه الدراسة على الشركات الأصغر والصغيرة والمتوسطة الإندونيسية الإسلامية، ولم يستخدم معظمها خدمات التكنولوجيا المالية. ونتيجة لذلك، فإن النية للاستثمار في خدمات الإقراض باستخدام التكنولوجيا المالية الإسلامية لا تزال منخفضة، كما يتضح من قلة عدد الشركات المشاركة في هذه الخدمات من سنة إلى أخرى. يمكن للأبحاث المستقبلية أن توسع النطاق من خلال زيادة حجم العينة وإشراك المشاركين من خلفيات دينية مختلفة. بالإضافة إلى ذلك، لم تشمل هذه الدراسة رواد الأعمال الذين أداروا خدمات الإقراض باستخدام التكنولوجيا المالية الإسلامية كمصادر نوعية، لذلك لم تتم الإجابة على المعلومات التقنية التي تحدث في هذا المجال بشكل شامل.

APPROVAL PAGE

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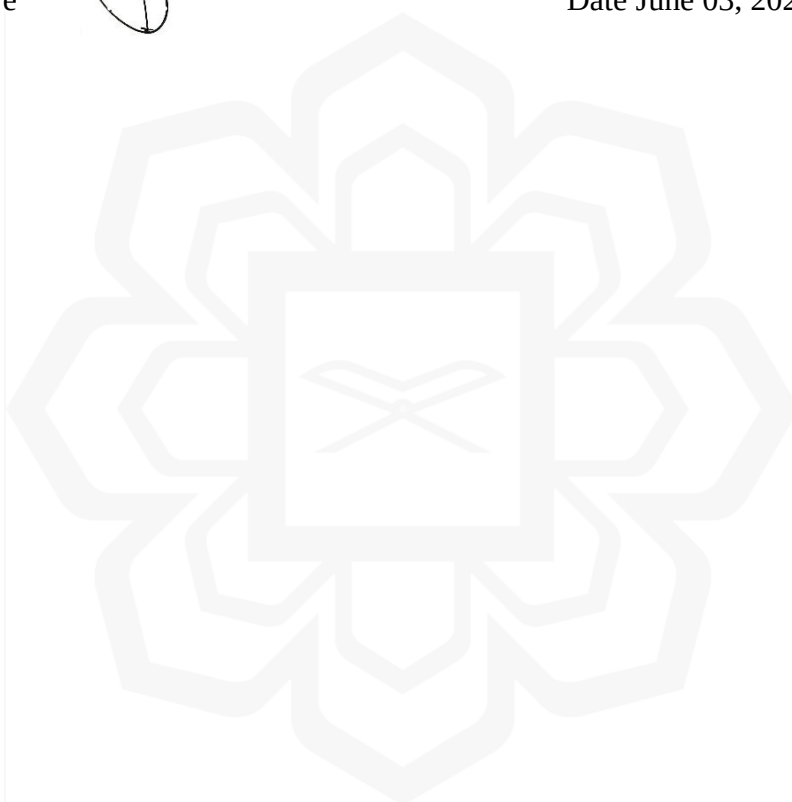
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DEDICATION

This dissertation is dedicated to my parents and family for continuous support, patience and prayer.



ACKNOWLEDGMENTS

Alhamdulillahirabbil'alam, all praise be upon Allah *Subhanahu wa ta'ala* for His blessings, mercy and infinite bounties while completing this dissertation and throughout my life. Without His consent, this dissertation would have been impossible to complete. Peace and blessings always be upon our beloved Prophet Muhammad *Sallallahu alaihi wasallam* who has been sent as a role model for all humankind.

I am most indebted to my supervisor Assoc. Prof. Dr. Hamdino Bin Hamdan for the continuous support of my PhD study, for his patience, motivation, and immense knowledge. His guidance helped me in the research and writing of this dissertation. My sincere thanks also goes to my co-supervisors, Assoc. Prof. Dr. Hairul Azlan Bin Annuar and Asst. Prof. Dr. Ahmad Fawwaz Bin Mohd Nasarudin, for their supervision and corrections, as well as thoughtful suggestions. I gratefully acknowledge examiners for their insightful comments and encouragement during my PhD viva and proposal defence.

My sincere gratitude also goes to the Rector and the Deputy Rectors of University of Darussalam Gontor for enabling me to continue my further studies. Thanks to the Dean of Economics and Management Faculty, Head of Management Department as well as my colleagues, all academic and administrative staff who have provided necessary support during my study.

This dissertation will be difficult to complete without the support of the data collection team for their time and valuable information given during the interview sessions. Also, I would like to thank my wonderful family, my father, Muchtar RM who has motivated me to pursue my dreams and my mother Siti Aminah Sahal who has never forgotten me in her prayer. Although they lack access to higher education, their sacrifice for their children is remarkable. Thanks also to my sister, Nana, and my younger brothers, Yayan, Medi and Maman, for consistently supporting me during my studies.

My special thank goes to my beloved wife, Umi Saida for her patience and perseverance. My Sons; Ahmad Shuva Nahwa Fawazillah, Zihdan Mazaya Robby, Zadana Qaishra Ramadhany and my daughters, Dinda Amira Rahma Alilla and Fatheema Alma' Fikhriya have been sources of my happiness and motivation.

Last but not the least, I would like to thank my close friends Yayan Firmansyah, Adib, Syahrudin, Harda, Shofi, Muqorrobin, Romes, and all those who cannot be mentioned in this small space but have contributed to my success.

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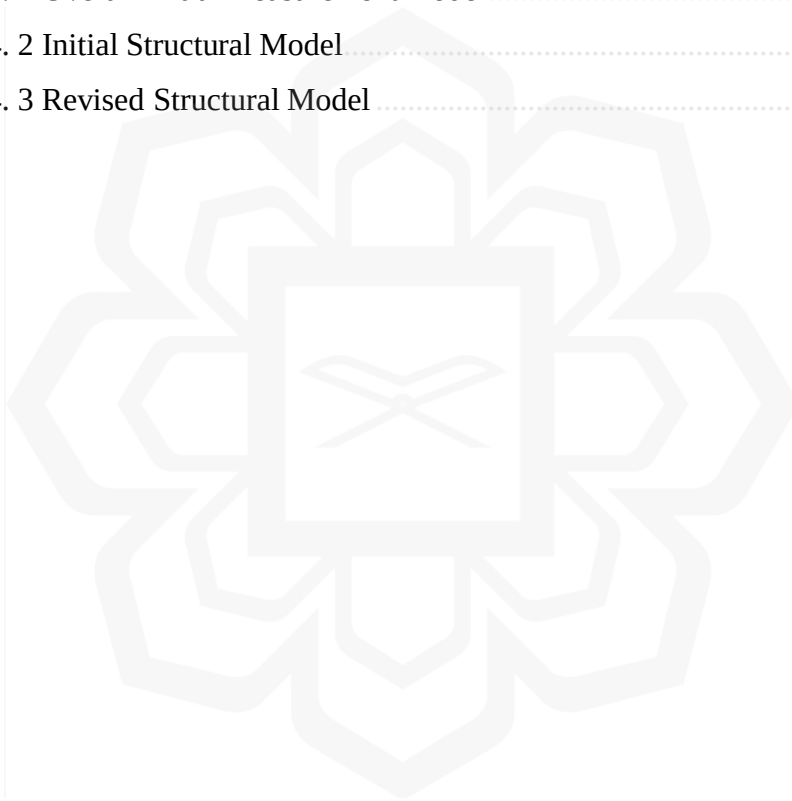
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LIST OF ABBREVIATIONS

ACC	Accessiblity
ADB	Asian Development Bank
AFF	Affordability
AFSI	Assosiasi FinTech Syariah Indonesia (The Indonesian Sharia FinTech organization)
AIM	Amanah Ikhtiar Malaysia
AMOS	Analysis of Moment Structures
AVL	Availability
AWR	Awarenesss
BI	Bank Indonesia (Central Bank)
BPS	Biro Pusat Statistik (Indonesia Statistics)
BPR	Bank Perkreditan Rakyat (Rural Bank)
BPRS	Bank Perkreditan Rakyat Syariah (Islamic Rural Bank)
CFA	Confirmatory Factor Analysis
CFI	Comparative Fit Index
CGAP	Consultative Group to Assist the Poor
COM	Compatibility
CPX	Complexity
CSR	Corporate Social Responsibility
CU	Credit Union
DSN-MUI	Dewan Syariah Nasional Majelis Ulama Indonesia (the National Sharia Council - Indonesian Ulema Council)
EFA	Exploratory Factor Analysis
FC	Facilitating Condition
FK	Financial Knowledge
FinTech	Financial Technology
FSE	Financial Self-Efficacy
GDP	Gross Domestic Product
GNP	Gross National Product
ICMI	Ikatan Cendekiawan Muslim Indonesia (The Indonesian Association of Muslim Intellectuals)
IDR	Indonesian Rupiah
IFC	International Finance Corporation
IFI	Islamic Financial Institutions
II	Investment Intention
INKOPSYAH	Induk Koperasi Syariah
ITB	Institut Teknologi Bandung
LDKP	Lembaga Dana Kredit Desa (Rural Credit Fund Institutions)
KMO	Kaiser-Meyer-Olkin
KUR	Kredit Usaha Rakyat (Subsidized Credit for Micro Enterprises)
MASS	Microfinance Access and Services Survey
MFIs	Microfinance Institutions
MI	Modification Indices

MSMEs	Micro Small Medium Enterprises
MUI	Majelis Ulama Indonesia (Indonesia Ulama Council)
NB	Normative Beliefs
NDRC	National Digital Research Centre
NGO	Non-Government Organization
OJK	Otoritas Jasa Keuangan (Financial Services Authority)
PBC	Perceived Behavioral Control
PINBUK	Pusat Inkubasi Usaha Kecil (Incubation Centre for Small Enterprises)
ProFI	Promotion of Small Financial Institutions
P2P	Peer to Peer
RA	Relative Advantage
RMSEA	Root Mean Square Error of Approximation
ROA	Return on Asset
Rp	Rupiah
SC	Sharia Compliance
SHA	Syariah
SHGs	Self Help Groups
SLF	Self-Efficacy
SN	Subjective Norms
SNKI	Strategi Nasional Keuangan Inklusi (the National Financial Inclusion Strategy)
TPB	Theory of Planned Behavior
TRA	Theory of Reasoned Action
UNC	Uncertainty
UNDP	United Nation Development Program
USD	United States Dollar
UUS	Unit Usaha Syariah (Sharia Business Units)
VIF	Variance Inflation Factor

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Financial Technology, or FinTech, is now undergoing a transformational revolution inside the financial sector in the twenty-first century. This technological advancement was conceived within the financial sector to facilitate practical, effortless, and efficient financial transactions. Currently, FinTech is growing and has a very significant role in modern human life. The ever-emerging growth and challenges have led to some regulatory changes in the financial industry. For this reason, adjustments and personal development must always deal with this situation. The Islamic financial system is also facing the same problems, it is required to contribute to and mitigate the problems arising from FinTech (Miskam, 2018). Islamic finance, of which Islamic FinTech lending is a part, refers to financial activities following Islamic law. The essential tenets of Islamic finance encompass the reasonable allocation of risk, equitable partaking of profits and losses, and the prevention of interest (usury) (Firmansyah et al., 2019).

The advanced potential and market of Islamic FinTech lending, especially in Indonesia, is enormous. Nevertheless, a significant number of entrepreneurs have yet to engage in Islamic FinTech lending, particularly in the capacity of owners or participants, within the realm of investment. As of June 2023, there were 102 listed FinTech companies, and there were only 7 FinTech corporations with Islamic FinTech lending (OJK, 2023). Micro, Small, and Medium Enterprises (MSMEs) should invest in Islamic FinTech lending as a business unit with enormous profit potential related to business sustainability (Blackburn et al., 2018; Carey & Tanewski, 2016). Thus, investment intention must be considered by expanding meaning, not only in stock markets (Lajis, 2017) or money exchange markets (Carey, 2015).

Investment intention is a necessary progression in which entrepreneurs, such as owners or managers, must safely and adequately determine their company's sustainability (Asmy et al., 2019; E. A. Firmansyah et al., 2019; Le, 2022; Sulistyowati

et al., 2018). It is related to various things, both external challenges and company achievement targets. Intention to invest determines the future of the company because it is related to programs and achievements to be achieved in the future. In addition, investment intentions can also map the strength and pattern of business competition that will be achieved by the company.

Recently, the number of individual participations in financial markets has skyrocketed (Shakina et al., 2017). These individuals may stand on their behalf (micro-enterprises) or on behalf of institutions (small and medium enterprises) (Samudro et al., 2021; Wirdiyanti, 2019). The consideration is the offer of a very high level of profitability. In addition, there is an assumption that the financial market is an alternative to "making money" and getting a return on investment. Furthermore, an alternative perspective posits that the adaptability of financial market instruments enables individuals to expeditiously liquidate their invested funds. For this reason, investment intentions require a firm's fundamental drive and values consisting of attitudes (positive or negative) of the company (Njuguna et al., 2016).

So far, several researchers have conducted studies related to this theme in securities, such as the stock market, and how much and when the investment is (Widjaja et al., 2020). So that investment objectives consider both the rewards and risks at once, the model assumptions regarding investor preferences are based solely on the expected returns and risks from portfolios that assume investors have the same utility function—the portfolio value with the least risk for a particular expected return. Alternatively, investors' preferences are dividends and capital gains (Islam et al., 2018).

One of the current concerns in the realm of financial investment pertains to financial technology, with a particular emphasis on FinTech Lending. FinTech Lending is a part of FinTech Payment widely circulating in the community. The FinTech Lending specification is unique compared to other models, where this FinTech provides loan facilities that many clients need. FinTech Lending is a breakthrough that combines technology and financial systems in the 21st century. The ever-emerging growth and challenges have led to several regulatory changes in the financial industry (Vuk et al., 2017). However, the choice to invest in digital finance, particularly Islamic FinTech lending, has always been difficult, requiring strong thinking and rational cognizance

(Biancone et al., 2019a; E. A. Firmansyah et al., 2019). Investors in FinTech lending often experience misinformation, doubt, and conflict between what they want and what they can get. They are lulled in the hope of making high profits in a short time. Hoffmann et al. proved that specific financiers failed to gain predictable revenues (Hoffmann & Post, 2017). On the other hand, investors do not know how to plan a business in Islamic FinTech lending and what reasons affect their investment intention in Islamic FinTech lending.

Regarding intention to invest, there have been many studies on investor investment intention (Aren & Nayman Hamamci, 2021; Izzularab et al., 2022; Sivaramakrishnan et al., 2017). Nevertheless, few studies have been piloted in Indonesia (one of the largest Muslim countries) on individual intentions to participate in financial markets, particularly in Islamic FinTech lending (Laldin & Furqani, 2019; Miskam, 2018). The individual position, in this study, is a part of MSMEs because it is a micro-enterprise. In addition, this individual is a decision-maker in MSMEs (Romadhon & Fitri, 2020). It means the individual decisions in this study represent the decisions of the companies they occupy. Henceforth, the present study endeavours to comprehend the intention of MSMEs towards investing in Islamic FinTech lending within the Indonesian context. Despite the progress in the FinTech business, it has been discovered that most Indonesian MSMEs do not participate in FinTech as players or operators. Instead, they become users or consumers of the existence of FinTech. Approximately 89 per cent of MSMEs admit to receiving insufficient information on the potential of Islamic FinTech lending and lack basic investment skills (E. A. Firmansyah et al., 2019; H. B. Firmansyah & Ramdani, 2018).

Therefore, a business alternative for MSMEs to be involved in Islamic FinTech lending as an alternative business seems more proper in this context. The Theory of Planned Behaviour (TPB) is deemed the appropriate methodology for conducting the assessment in question. Research using this scheme has been used several times to test investment intents (Akhtar & Das, 2019a; Darmansyah et al., 2020; Dinç Aydemir & Aren, 2017a; Sivaramakrishnan et al., 2017; Stewart & Jürjens, 2018). In this theory, the intention of MSMEs is a direct antecedent to investor behaviour. At the outset, there exist three fundamental constructs that exert an influence on investment intention, namely attitudes, subjective norms, and perceived behavioural control.

Furthermore, in many studies, there are relationships amongst variables such as investors' financial knowledge of the object of investment and the personal traits of investors (Akhtar & Das, 2019a; Dinç Aydemir & Aren, 2017b; Sivaramakrishnan et al., 2017). Since this research is on how MSMEs invest in Islamic FinTech lending, it is also necessary to examine the existence of Sharia compliance which is one of the benchmarks for how the Islamic FinTech lending system works. The utilization of Sharia compliance will be employed to ascertain the impact of the TPB, specifically the attitude and subjective norms of MSMEs, on the intention of potential investors to engage in Islamic FinTech lending. Islamic FinTech lending, in addition, to providing different offers and schemes from current (conventional) services, might impose some limitations on the usage of cash granted by lenders or investors. The convenience offered to dealings by Sharia-based FinTech cannot be separated from the features of Sharia businesses that rely on Sharia economic foundations, i.e. theology (*ilahiyyah*), fairness (*al-'adl*), prophethood (*al-nubuwwah*), government (*al-khalifa*), and consequences (*al-ma'ad*) (Alsharari & Alhmoud, 2019; E. A. Firmansyah et al., 2019).

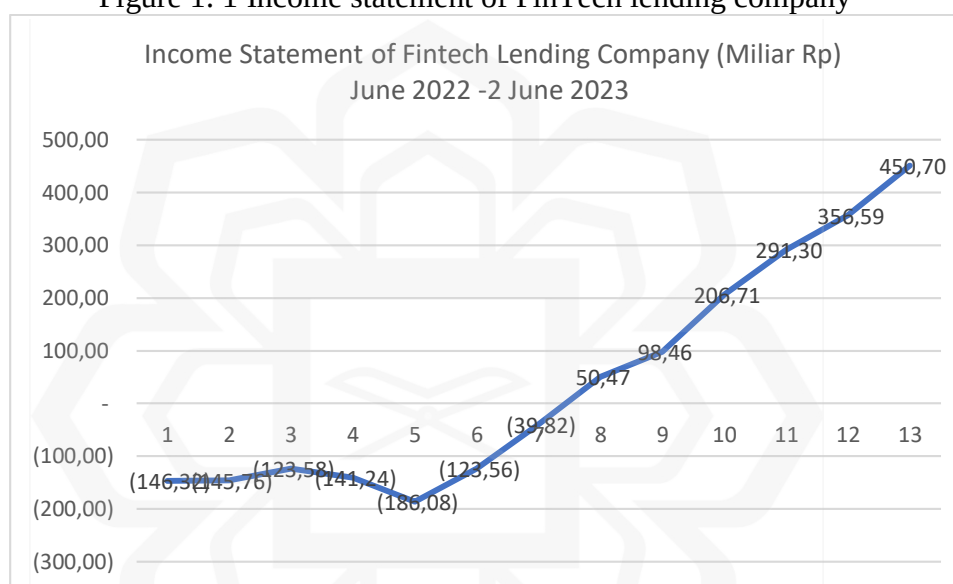
1.1.1 Investment intention in Islamic FinTech lending

Fintech lending as a lending platform allows lenders or fund owners to offer online loans to borrowers or fund borrowers located on the app. Hence, the borrower pays the principal loan amount and the return as agreed. Statistically, until 2016, FinTech Lending contributed around 22% to the global economy. In Southeast Asia, the impact of FinTech on Gross Domestic Product (GDP) stretched to 2.8% in 2018 and will increase to 8% in 2025 (Demirguc-Kunt et al., 2018). Similar conditions occur in Indonesia, which amounts to 270 million people. Smartphone users reach 133% of the population in Indonesia. Then, about 56% of the population uses the internet. This serves as substantiating evidence for the advancement of FinTech in the nation, as indicated by the substantial growth in total assets of FinTech Lending operators in Indonesia, amounting to 3.71 trillion rupiahs as of December 2020. This figure represents a notable increase of 22.23% associated with the preceding time. The value of Indonesia's FinTech market is projected at US\$100 billion by 2025. Indonesia's

FinTech sector has grown at a breakneck pace (Junarsin et al., 2023; Utami & Ekaputra, 2020; Yuliansyah et al., 2017).

So far, Indonesian entrepreneurs and citizens have become more of a market for FinTech lenders. They are only users of FinTech lending products. Objectively, as shown in Figure 1.1, the development of the number of users, transactions, and profits in FinTech lending in Indonesia increased over time from Rp 146.32 billion to Rp 450.70 billion in the following year.

Figure 1. 1 Income statement of FinTech lending company



For this reason, Maiti et al. (2018) state that MSMEs must be involved in digitalizing finance as part of entrepreneurial finance for business continuity. Entrepreneurs' responses to developments in information technology in the financial sector (Maiti, 2018). Although it concerns investing, critical concentration recognises and understands modern financial techniques by aligning behaviours and values that must be done. Nevertheless, the business and finance literature has traditionally focused on studying financial practices, financial decisions, and business success (Miskam, 2018; Rice & Williams, 2019; Warsame & Ireri, 2018). Financial matters and managing finances are essential for any business where the financial aspects need to be critically analysed.

Rasheed & Siddiqui (2019) identified some of the substance of investment intentions by measuring the understanding and knowledge of entrepreneurs as

individuals, especially about new financial products and how to behave or respond to them. The prominent position held by the owner-manager within the company possesses a personal characteristic that exemplifies the indispensability of decision-making and its profound influence on the organization. Thus, numerous environmental, community and mental factors influence the owner-managers attitude towards financial decision-making. The company's standing and the executives' appearances must be aware of this policymaking procedure (Rasheed & Siddiqui, 2019).

The findings of Wonglimpiarat (2017) stated that owner-manager experience, desire to grow and develop, preferences, information (knowledge) and relationships are other aspects that might affect the investment decision-making process (Wonglimpiarat, 2017a). Another researcher also explained that managerial characteristics and skills greatly influence investment decisions (Pham Vo Ninh et al., 2018). Additionally, the competencies and disposition of the proprietor-manager exert a considerable influence on the capacity to make investments. Likewise, the scholar revealed the risk tendency as an important owner-manager determinant in financial decision-making (Caron, 2019). This condition is even more attractive when linked to the context of the growing FinTech.

Investment in the realm of Financial Technology (FinTech) carries immense importance owing to the substantial empirical evidence at hand. This evidence highlights a significant correlation between the presence of FinTech and the levels of inequality, as well as the approachability of working capital for MSMEs. Concerning business innovation in the FinTech sector, the development of MSMEs opens up new business discourses that must be done. FinTech lending for MSMEs is an effective tool to raise people from poverty by giving them credit to create job opportunities (Maiti, 2018). Many empirical studies show a strong causal association between the development of financial institutions through the development of micro-enterprises (Abdul Rahman et al., 2016a; Belás et al., 2016). Although many studies on FinTech have positively impacted the development of MSMEs, some researchers question the credibility of FinTech lending as an effective tool for developing the MSME sector. Researchers claim that good FinTech clients are MSMEs (Buchak et al., 2018; Gonzalez, 2019; Hua et al., 2019). Meanwhile, Alam and Ali (2021) found that selection

bias leads to overestimating the impact of credit through FinTech (Nafis & Ali Syed, 2021).

However, the success of conventional FinTech lending in increasing the driving force of MSMEs through the given capital has inspired Islamic FinTech lending, especially peer-to-peer lending FinTech. An Islamic FinTech financing initiative has been undertaken to meet the requirements of the Muslim community, which is looking for alternative financial solutions that adhere to Sharia rules. They provide an alternative to traditional models by providing a unique offering. The development of Islamic FinTech lending has been undertaken to cater to the requirements of the Muslim populace who seek alternative financing options that conform to the principles of Sharia. The interest rates charged by conventional FinTech are considered usury (*riba*) and prohibited by Islam (Faizal & Rahim, 2016). Based on the unique characteristics of Islamic FinTech lending, Mohamed et al. (2019) argue that Islamic FinTech lending can perform better than conventional banks (Mohamed & Ali, 2019). He argues that Islamic teachings guiding Islamic financial institutions increase solidarity and social capital among clients.

1.1.2 MSMEs Investment Intention in Islamic FinTech Lending in Indonesia

The rising demand for Islamic FinTech lending users, backed by the market share of service consumers from the Muslim-majority Indonesian population, promotes Islamic FinTech lending to comply with Sharia trade transactions (Usman et al., 2021). Mandiri Investasi undertook a research study in May 2020, encompassing a sample size of 319 respondents. The discoveries of the study unveiled a large number of MSMEs located across diverse regions of Indonesia. The study reported a noteworthy decrease in business turnover, surpassing a reduction of 50 per cent (Nurohman et al., 2021).

The meaning of investment intention among MSMEs is that MSMEs are tested on whether they want to invest in fintech lending. It means that MSMEs have a new type of business where they can channel funds to those in need and get profit from it. Also, this has huge potential considering the development of an era that forces humans to be close to technology and the Internet. To restore the MSME business, of course,

requires an injection of funds to move again and increase their turnover. Applying for financing to banks is quite tricky because banks will also refer to the soundness of their business. Banks will find it difficult to grant loans submitted by MSMEs with a declining business turnover. The United Nations Development Program (UNDP) found that some micro-business activists in Indonesia, for their business funding, still depend on family funding sources. UNDP stated in its latest report that as many as 36.7 per cent of micro-enterprises in Indonesia depend on an internal source of funding, namely the family. At the same time, 33.2 per cent of other micro-enterprises depend on bank funding (Darmansyah et al., 2020).

One solution for this situation is Islamic Financial Technology. According to the World Population Review, Indonesia's Muslim population will reach 229 million in 2020, accounting for 87.2 per cent of the country's overall population of 273.5 million (Hudaefi, 2020). Islamic Financial Technology has significant potential as an alternative funding source. As per the declaration of the National Sharia Council - Indonesian Ulema Council (DSN-MUI) aimed at expediting the development of the Islamic financial market in Indonesia, it is strongly advised to encourage collaboration amongst FinTech enterprises and Islamic banking institutions. The issuance of Fatwa Number 117/DSN-MUI/II/2018 serves as a robust foundation for the advancement of Indonesian Sharia Financial Technology. This fatwa pertains to the provision of Information Technology-Based Financing Services under Sharia rules and other references, referring to POJK 77/2016 (H. B. Firmansyah & Ramdani, 2018).

1.2 PROBLEM STATEMENT

More than 160 FinTech Lending enterprises have developed in Indonesia (Otoritas Jasa Keuangan, 2023)(Siahaan, 2017). It illustrates that the demand for financing services in Indonesia is very high. The FinTech lending industry has the potential to greatly boost Indonesia's economic growth by providing financial services to the unbanked. According to a 2019 research by the Financial Services Authority (OJK), the FinTech lending sector offers substantial opportunities for people, who are deemed non-bankable such as farmers, fishers, and artisans, all of whom are MSME clients. The status of MSMEs as a vast potential market for FinTech lending persists, owing to the

limitations encountered by these entities in securing financial assistance from conventional banking institutions to expand their business operations.

In addition to being a means of capital for MSMEs, FinTech Lending is an extraordinary opportunity to invest. The broad market, because it is internet-based, and the regulations that have regulated it well are opportunities for investors, especially MSMEs, to get involved as owners or operators of FinTech Lending. In this context, it is imperative to do a study on the determinants that impact the investment decisions of MSMEs in FinTech.

In this particular context, conducting comprehensive research on the factors that influence the investment intention of MSMEs in the FinTech area holds significant significance. As explained above, there are still many unbankable parties (Hudaefi et al., 2023). Due to this rationale, it is of utmost importance for MSMEs in Indonesia to demonstrate a high level of sensitivity towards the financial needs of their customers, all the while adhering to the halal principles governing their product offerings. The presence of Islamic FinTech lending provides an option for MSME clients to obtain fresh funds to run a business. So far, MSMEs have become objects of FinTech business for big companies, not as FinTech players or owners. Hence, it is imperative to undertake a comprehensive investigation into the conduct of business individuals. The present study focuses on MSMEs in Indonesia and examines the antecedents that may influence their intention to invest in Islamic FinTech lending.

The approach that can be taken is through an approach to knowledge about technology, psychology, and financial behaviour of MSMEs coupled with Sharia compliance as a benchmark for the halalness of the product. Many studies have been carried out so far, but MSMEs as FinTech consumers (Abdeldayem & Aldulaimi, 2022), not investors. In addition, many previous studies have also been conducted regarding investors' decisions to invest in FinTech (Mazambani & Mutambara, 2019; Ryu, 2018; Shim & Shin, 2016; Wonglimpiyarat, 2017b) still involving large companies. Concerning the problems mentioned above, identifying the antecedences that influence Indonesian MSMEs to invest in finance through Islamic FinTech lending is an essential step in increasing MSMEs' income opportunities and improving the national economy.

Furthermore, it is of utmost importance to undertake extensive research on Financial Technology in Indonesia, given that it is the domicile of the most substantial Muslim populace on a global scale. The first research gap identified from the literature is scant empirical research on antecedents of investment intention of MSMEs in Islamic Fintech lending, particularly in Indonesia. The lack of such findings poses problems to various stakeholders in promoting the growth of Islamic Fintech lending. of particular significance is the exploration of Islamic FinTech lending, which holds immense importance. It is inseparable from Islamic values in the form of Sharia compliance. In addition, there are concerns that conventional FinTech products cannot be universally applied to Muslim cultures and belief systems which hinders their reach in Muslim-majority states such as Indonesia (Allam et al., 2017; E. A. Firmansyah et al., 2019; Mohamed & Ali, 2019). Therefore, some low-income groups, including MSMEs, avoid using these services even when financial services are available for religious reasons. Especially for the government, this refusal has hampered the government's efforts in economic development, especially for MSMEs (Adeyele & Omorokunwa, 2016). As conventional FinTech operations go against religious values, many Muslim countries have been encouraged to avoid these financial initiatives. Under this circumstance, Islamic FinTech lending loans may be a viable option in Muslim-majority nations. Thus, Indonesia can be the right place for Sharia FinTech to play an important role.

The primary triggers for the emergence of investment intentions are individual attitudes in seizing opportunities, financial knowledge of FinTech lending, and entrepreneurial financial behaviour. The Theory of Planned Behaviour (TPB) projected by Taylor and Todd (1995) is included as a hypothetical outline for this research. This study comprehensively studies individual beliefs, attitudes to behaviours, subjective norms, and perceived behaviours. Furthermore, no studies apply TPB to MSMEs' conduct of financial self-efficacy to replace perceived behaviours regarding Islamic FinTech lending that the writer is cognizant of. In this research, the writer put Sharia compliance as a moderating variable that strengthens the association between attitude and subjective norms to investment intention. Also, attitude and financial self-efficacy are mediating variables among financial knowledge and personal traits to investment intention. This model is relevant in predicting investment intentions (Khemir et al., 2019; Mamidala et al., 2023), predicting Islamic FinTech lending services (Baber, 2019), and also predicting behavioural intentions towards participation in microfinance

(Atmadja et al., 2016; O. C. G. Bongomin et al., 2016). Overall, this research intends to evaluate the antecedences of investment intention in Islamic FinTech lending among Indonesian MSMEs. Also, studying the Islamic FinTech lending for MSMEs as investors is still in its infancy.

1.3 JUSTIFICATION OF STUDY

Numerous studies have indicated that religious values are pivotal in influencing the attitudes of financial institutions. However, the respondents surveyed in this study could verbally express a preference for offering Islamic products (Abdullah & Oseni, 2017; Muryanto, 2022), and hence the findings need to be interpreted with caution. This study aims to observe the antecedences that may influence MSMEs in their decision to invest in Islamic FinTech lending as a business entity established within the Indonesian market. It intends to fill the shortcomings of previous studies because many studies examined MSMEs as users or customers of FinTech products. This model is designed to illustrate some exemplary Islamic FinTech lending services such as fair pricing, easy access, Islamic values, et cetera., which is considered an influential factor that influences clients to participate in Islamic FinTech lending. Indonesia was selected due to the notable progress of Islamic FinTech lending within its borders.

1.4 RESEARCH OBJECTIVES

The primary aim of this research is to determine the antecedents that affect the intention to invest in Islamic FinTech lending among MSMEs in Indonesia. Additionally, this study will examine personal traits, financial knowledge, financial behaviour, and Sharia compliance as potential antecedents. In light of this, the following objectives will be pursued in this study:

1. To examine the antecedences that affect the investment intentions of Indonesian MSMEs in Islamic Financial Technology (FinTech) lending.
2. To find out how Sharia compliance moderates the association amongst attitude and investment intentions of Indonesian MSMEs in Islamic FinTech lending.

3. To identify the Sharia compliance moderating impact on the association between subjective norms and investment intentions of Indonesian MSMEs in Islamic FinTech lending.
4. To investigate the issues and obstacles in investing in Islamic FinTech lending among Indonesian MSMEs.

1.5 RESEARCH QUESTIONS

The following research questions guided this study:

1. What are the antecedents that influence the investment intentions of Indonesian MSMEs Islamic FinTech lending?
2. Does Sharia compliance moderate the association amongst attitude and investment intentions of Indonesian MSMEs in Islamic FinTech lending?
3. Does Sharia compliance have a moderating impact on the association between subjective norms and investment intentions of Indonesian MSMEs in Islamic FinTech lending?
4. What are the issues and obstacles in investing in Islamic FinTech lending among Indonesian MSMEs?

1.6 SCOPE OF THE STUDY

A few scopes of this study are estimated, which may bring some concerns in MSMEs.

This research assesses some of the ranges listed below:

- i. This study emphasizes MSMEs exclusively. Therefore, the research results will be ready to reference business owners, entrepreneurs, employees, and related individuals.
- ii. This particular research focuses on the financial aspects of MSMEs, so penetrating the financial issue will create more worth in sustaining a profitable venture for MSMEs.
- iii. This study aims to determine the financial antecedences and their potential influence on fostering favourable financial behaviour, especially in investment intention, into a new model of financial practice like Islamic

FinTech lending. Thus, this may bring a reliable outline among Indonesian MSMEs.

- iv. This study attempts to recapitulate the descriptive and historical information for the evolution of financial practice in Islamic FinTech lending and MSMEs. It also reviews traditional financial practices and their consequences. However, the outcome may bring new insight into the MSMEs in Indonesia.

1.7 SIGNIFICANCE OF THE STUDY

MSMEs in Indonesia presently have a good business. Their overall performance somehow is said as expected (Kumari et al., 2022), yet it might be improved if proper financial knowledge and financial behaviour could be applied. In particular, in Indonesian MSMEs, there occurs a conspicuous scarcity of research relating to the determinants that impact financial behaviour, especially financial knowledge and financial behaviour, and the investment intention into Islamic FinTech lending of MSMEs. MSMEs lack awareness and adequate management concerning financial resources.

This inadequacy hampers their ability to make informed financial choices and effectively distribute resources, potentially resulting in the emergence and execution of novel endeavours in the financial industry, like FinTech lending. Hence, this study is to comprehend the concerns prevailing in the financial sector among Indonesian MSMEs, which also hold the promise of substantial profits.

This research study constitutes a noteworthy contribution to both the academic research and industrial domains. Primarily, it delves into the financial literacy of MSMEs concerning Islamic FinTech lending and its psychological underpinnings. By assessing this from the perspective of MSMEs, they will better understand the extent to which MSMEs have the desire to invest in Islamic FinTech lending. The results of this investigation possess the capacity to augment the revenue-generating capacities of MSMEs in Indonesia by employing technology utilization. Furthermore, this study investigates the factors that influence MSMEs' investment intentions in the realm of

Islamic Financial Technology (FinTech) loans. The Theory of Planned Behaviour (TPB) has been modified to encompass Islamic FinTech lending, hence widening its reach. This study proves that the components of the theory retain tremendous relevance within the area of Islamic economics and finance.

Third, the perceptions of MSMEs and their motivation to get involved as players or owners of Islamic FinTech lending in Indonesia are rarely studied. In addition, it is hoped that recording the perceptions of practitioners and scholars in identifying current issues and challenges of Islamic FinTech lending can lead to better FinTech practices, in general, to optimize the productivity of clients affiliated with MSMEs in Indonesia, it is important to guarantee the provision of sufficient working capital.

Fourth, the discoveries of this investigation can assist policymakers in enhancing the operational efficiency of extant Islamic FinTech lending services and developing initiatives aimed at improving welfare. The study identifies the variables that ought to be incorporated into each policy formulation about the advancement of technology and literacy for the populace in Indonesia.

1.8 LIMITATION OF THE STUDY

Delimitations usually refer to the boundaries to organise the scope and assortment of a study. The delimitation is made to have a clear-cut plan for the research from top to bottom. Also, it is to allocate the time for some regions of the overall study. The current investigation is additionally susceptible to several constraints that will give a proper plan for the analysis. First and foremost, since this research is based and focused on Indonesians, respondents will be restricted to those with a sophisticated amount of information about MSMEs in Indonesia. In light of the matter at hand, the individuals most fitting for attaining the goals of this particular study would be the proprietors and executives of MSMEs. Secondly, the questionnaire that would be applied for the survey will be designed in the Indonesian context, and it will be refined only for the MSMEs. A third, delimitation, this research concerns the access to respondents as the study uses primary surveyed data. So, the analysis can only claim to accomplish a portion of potential total respondents with essential parameters, which means that not all

prospective MSMEs' owners and employees would be accessed, which is not supposedly possible. Finally, the implications of these delimitations would be the development of variable measurement scales. Thus, some measurement scales will be self-developed, particularly in the unique circumstances of the current research, which might have led to some new dimensions of the existing concepts.

1.9 DEFINITION OF TERMS

It is critical to clarify the definitions of numerous terms used in this study to avoid ambiguity while comprehending explanations and assessing topics relevant to this research.

1.9.1 Islamic FinTech lending

FinTech and Islamic FinTech lending both have precise definitions. According to OJK Regulation No.77/POJK.01/2016, fintech lending, peer-to-peer lending, or P2P lending is a money-borrowing and lending service in rupiah currency directly between creditors/lenders (lenders) and debtors/borrowers (loan recipients) based on information technology. However, Sharia law is the premise for both (Islamic law, specifically the law of transactions in economics). The observance of Sharia is imperative in the primary directives. FinTech is acceptable and tolerated in Islam if it does not contradict Islamic law. Financial contracts using Islamic principles are the primary otherness between FinTech and Islamic FinTech lending lies in their fundamental characteristics and principles.

Islamic FinTech lending is a type of online financing platform that follows Islamic (Sharia) principles and rules. Some institutions such as Bank Indonesia, OJK, and the Indonesian Ulema Council (MUI) oversee and regulate it. The MUI issues Fatwa Number 117/DSN-MUI/II/2018 of the National Sharia Council (DSN), which relates to Information Technology-Based Financing Services Based on Sharia Principles. Islamic FinTech lending is a Sharia-compliant financial business that connects investors and beneficiaries of cash for financing purposes via an electronic

system linked to the Internet network. In other words, this lending and borrowing transaction must follow Islamic rules, which is saved from features of usury (interest), *gharar* (unclearness), *maysir* (gambling), *tadlis* (fraud), *dharar* (danger), *zulm* (injustice), and illegality.

1.9.2 Micro, Small and Medium Enterprises (MSMEs)

MSMEs refer to individuals or entities operating small-scale businesses predominantly within the informal sector. In the Indonesian context, micro and small businesses are specifically characterized by total assets not exceeding Rp 200 million (USD 22,500), excluding land and buildings, or annual sales below Rp 1 billion, as stipulated by the government (USD 112,700). Medium-sized companies, on the other hand, are defined as firms with total assets larger than Rp 200 million but less than Rp 10 billion (USD 1.127 million), excluding land and buildings.

1.9.3 Sharia Compliance

Sharia compliance is legal compliance believed in Islam, the foundation of this ideology can be traced back to the Qur'an and Sunnah, which encompass the sacred teachings and practices of the revered prophet Muhammad. From these two primary sources, scholars have the flexibility to provide fatwas on matters that are contextually not explicit in both, including the laws on economics and finance. The decree or fatwa issued by the ulama must not conflict with both. Sharia contains Islamic law. This comprehensive compilation encompasses a range of recipes and prohibitions, meticulously designed to uphold the moral integrity of the Muslim community. Moreover, it appears that if specific interpretations of Sharia principles are likely to lead to results that follow Sharia, they will be more readily accepted by Sharia courts.

1.10 OUTLINE OF THE STUDY

An outline of the study refers to how this research will be employed and the apparent way and steps. This specific thesis is organized into seven chapters. The structure is depicted in the subsequent diagram.

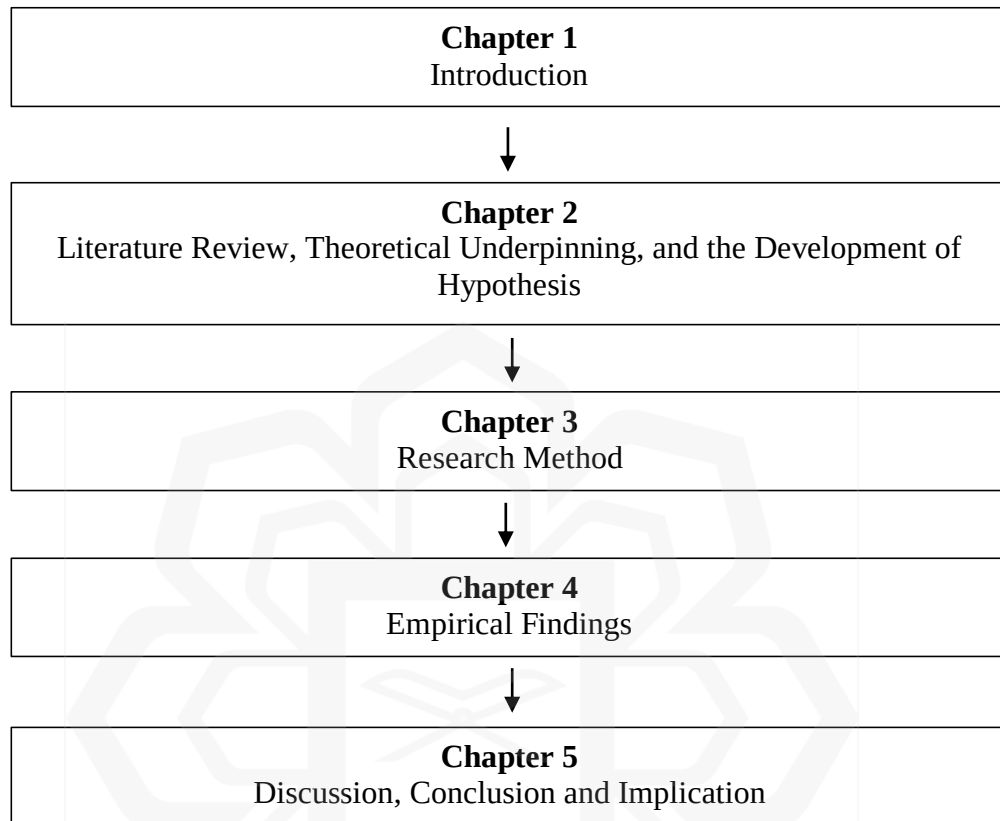


Figure 1. 2 Outline of the Study

The introductory section is a board discussion in Chapter Two on the definition, importance and theoretical aspects of personality traits, financial behaviour, financial knowledge, Sharia compliance and investment intention. In every instance, this is succeeded by a comprehensive analysis of the current body of literature. Through a meta-analysis, it compared each determinant of managing financial aspects and overall intention to invest in the MSMEs. More specifically, it discussed the detailed consequences of financial behaviour, financial knowledge and Sharia compliance of MSMEs in selected countries. At the same time, it focuses on the Indonesian context as well. Chapter Three illuminates the study method to be applied in the research. This paper encompasses an examination of the chosen methodological framework, the process of designing the sampling strategy, the research instruments employed, the procedure for collecting and analyzing data, as well as the outcomes derived from the

pilot study conducted within the present investigation. It will be followed by Chapter Four with the empirical findings. Finally, Chapter Five will focus on discussion and conclude with the salient features of the findings, implications, policy recommendations, study limits and suggestions for forthcoming study.

1.11 CHAPTER SUMMARY

The initial chapter of the present investigation presents the examination's contextual framework covering the predecessors of financial behaviour and financial knowledge for the investment intention of Indonesian MSMEs. More specifically, this study discusses the current problem in managing financial issues for MSMEs and the significance of financial behaviour and financial knowledge in Indonesia. This chapter also provides the understanding and linkage of personal traits, financial behaviour, financial knowledge, Sharia compliance, and investment intention for the MSMEs. At the commencement of this chapter, to successfully meet the research objectives, a collection of research questions is developed. After that, the research scope is made to discuss the potential contributions expected in the MSMEs shortly. Besides, the rationalisations, as well as delimitations of the research methodology, have been noted accordingly. Ultimately, the chapter delineates and showcases the comprehensive organization of the entire research endeavour.

CHAPTER TWO

LITERATURE REVIEW AND THEORETICAL UNDERPINNING

2.1 INTRODUCTION

The objective of this study is to analyse the barriers that impede the potential of MSMEs to establish fresh avenues for financing in Indonesia. This chapter reviews the literature relating to Islamic FinTech lending and MSMEs. Numerous articles, policy papers, and working papers, obtained from a notable database are reviewed. The discussion on FinTech comprises the concept and nature of FinTech, FinTech from the Islamic perspective, and Islamic FinTech lending in Indonesia. The chapter reviews MSMEs, containing their concept, importance, contributions to creating new financing in digital finance, especially Islamic FinTech lending, and its constraints. The discussion of Islamic FinTech lending includes its issues and challenges, followed by a discussion on conventional and Islamic FinTech lending in Indonesia. Finally, the chapter summary is presented.

2.2 INVESTMENT INTENTION

Investment refers to the deliberate allocation of a specific sum of money with the expectation of receiving a future return. The intentions behind investment encompass a range of factors, objectives, and strategies that direct individuals or entities as they enter the realm of finance (Aisaiti et al., 2019). Furthermore, investment can be defined as the action of placing funds or assets into financial instruments, properties, or projects to generate profit. Consequently, investment intention serves as the underlying basis or driving force behind the intention to invest.

The intention to invest plays a crucial role in the growth and sustainability of micro, small, and medium enterprises (MSMEs). It reflects their willingness and interest in developing their business. Investments can take various forms, including acquiring new assets, expanding product lines or services, entering new markets, or increasing production capacity. By making strategic investments, MSMEs can enhance their

competitiveness, gain market share, and create sustainable growth opportunities. Investment is particularly important for fostering innovation within MSMEs. Through research and development, adoption of new technologies, and the creation of unique products and services, MSMEs can expand their market reach, enhance customer satisfaction, and differentiate themselves from competitors. Moreover, investments in technology, equipment, and infrastructure can boost the productivity and operational efficiency of MSMEs, resulting in reduced production costs, improved product or service quality, and increased profits.

By enhancing productivity, MSMEs can strengthen their position in the market and increase their competitiveness within the industry. Furthermore, investments made by MSMEs often have a positive impact on job creation. Through business expansion and development, MSMEs can expand their workforce, generate employment opportunities, and contribute to reducing the unemployment rate in a given area. Well-planned investments also enhance the resilience of MSMEs against risks and uncertainties. By having robust infrastructure, appropriate technology, and a diversified portfolio of products or services, MSMEs are better equipped to face external challenges such as market fluctuations, competition, or regulatory changes.

2.2.1 Defining Investment Intention

Intention is a value-based attitudinal concept that is critical in predicting future behaviour in people (Gunawan & Fraser, 2016). In agreement with Ajzen (1991), intention can predict personal behaviour because intentions are a primary phase of the ensuing pattern of behaviour. Consequently, Intentions serve as an indicator of the potential behavioural trajectory of individualism in the future. Some argue that a company's continuous growth and success result from the owner's intentions transformed into reality (Asmy et al., 2019; Nicholas & Fruhmann, 2014). Some researchers discovered that when a person develops a positive attitude towards a company's product, that good attitude is likely to be transferred to the firm (Akhtar & Das, 2019a). In turn, this will influence the person's intention to invest in the aforementioned company. Furthermore, a person's motive to invest in a particular firm might go further as an apparent incentive for maximising their financial returns (Olya et al., 2018).

Investment intention refers to the inclination of individuals or entities to allocate funds towards financial or tangible assets to generate profits or facilitate growth. The decision to invest is affected by numerous aspects, such as financial attitudes, risk aversion, investment knowledge, economic conditions, and subjective norms. Investors have different objectives that guide their investment intentions, such as wealth accumulation, capital preservation, passive income generation, education funding, retirement planning, and financial requirements in the short and long run. The achievement of these financial goals is closely linked to investment intentions. Factors like risk tolerance can significantly impact investment intentions. The level of comfort an individual or institution has with the role of assuming risk is pivotal in shaping their investment decisions. Investors who possess a greater propensity for risk may exhibit a stronger inclination towards choosing investment opportunities that offer the potential for substantial returns, even if they come with higher associated risks.

Furthermore, the consideration of investment horizons is also taken into account. Time is of utmost importance in the realm of investment. The duration of the investment, commonly referred to as the investment timeframe or investment horizon, has an impact on the selection of assets and the investment strategy employed. The investment intentions of individuals can indicate whether individuals are considering investing for a short-term objective or aiming for long-term wealth accumulation, it is crucial to carefully plan their investment strategy. These intentions may be focused on generating current income or achieving future capital growth. Investors who prioritise income may show a greater interest in dividends or interest-bearing bonds, while those seeking growth may lean towards stocks or growth-oriented investments. The concept of diversification revolves around the idea of spreading risk by allocating funds across various asset classes. Investment intentions may reflect a desire to achieve optimal diversification and avoid a high concentration of risk in a single asset or sector (Darmansyah et al., 2020).

Understanding financial markets and investment instruments is crucial for entrepreneurs. Knowledgeable investors are more likely to make well-informed choices. Environmental and social factors can influence investment intentions, with sustainable or ethical investment gaining importance. Tax considerations also shape

investment intentions, as investors may optimise their net returns. Financial knowledge is essential in shaping investment intentions, as it helps mitigate risks and achieve financial objectives. Implementing an appropriate investment strategy, such as asset allocation and risk management, is necessary for realising investment intentions. Investors must regularly assess their portfolios, monitor market changes, and make necessary adjustments for long-term success.

Hence, investment intentions play a crucial role in the financial planning of individuals or entities. By comprehending their financial objectives, risk tolerance, and suitable investment strategies, individuals can steer their investment intentions towards attaining sustainable financial growth and accomplishing their financial goals. Therefore, investment intentions encompass not only fund allocation but also the creation of a prudent and efficient financial path.

Some researchers found that some entrepreneurs put more weight on non-monetary rather than monetary rewards. There exists a direct correlation between economic gains and the inherent benefits of investing (Fraser et al., 2015). The indicators may comprise a sense of personal accomplishment and self-gratification and could emerge as the most pivotal determinant in forecasting the entrepreneurial intention to invest in the forthcoming period. It has also been shown that a positive attitude towards a company is used to select specific stocks (Akhtar & Das, 2019b).

When individuals form specific attitudes towards a particular company and its products, it can be expected to result in an advanced investment intention. Izzularab et al. (2022) also claimed that brand familiarity contributes to lower perceived risk, combined with a higher intention to trust the company. Emotional effects play an essential role alongside cognitive factors in evaluating companies. Thus, managers need to engage in marketing strategies that attract investors more than financial results (Izzularab et al., 2022)

Sultan et al. (2016) found that customers' preferences, the value of the company and the brand are positively related. The product's value usually goes beyond its functional purpose and can be attributed to the brand name. Moreover, there is evidence that this would not occur in that study if those products did not belong to the specific

character (Sultan et al., 2016). Those factors will all contribute to higher incomes and higher stock valuations, which will result in a higher intent to invest in those companies (Verma et al., 2019).

2.2.2 Why is investment intent important for entrepreneurs?

Investment intentions are of utmost importance for entrepreneurs, as they greatly influence the success and growth of their businesses. The decision to allocate funds to different assets or projects can have a noteworthy influence on the financial well-being and long-term progress of the company. Investment intentions encompass various aspects such as finance, growth, risk, and competitiveness, making them a crucial component of a comprehensive framework for entrepreneurs. Here are the reasons why investment intentions hold such significance for entrepreneurs:

- a) **Business Growth:** Investment intentions are pivotal in achieving sustainable business growth. Entrepreneurs often face the dilemma of either preserving their current profits or investing capital in ventures that have the potential to generate higher revenue in the future. By making the right investments, companies can develop new products, enter new markets, enhance operational efficiency, and ultimately expand their market share.
- b) **Innovation and R&D:** Investment in research and development plays a crucial role in enhancing competitiveness and fostering innovation in the ever-evolving business landscape. Deliberate investment in innovation empowers entrepreneurs to generate new goods or services, improve operational processes, and discover novel ways to meet customer needs. Innovation serves as a key driver for long-term growth and enables companies to remain relevant in a dynamic market.
- c) **Access to Additional Resources:** Investments can provide entrepreneurs with access to additional resources that may not have been available previously. This could involve securing external funding through debt or equity financing or forming partnerships with other investors or companies. With sound investment intentions, entrepreneurs can obtain

the necessary capital to manage large-scale projects or embark on significant business expansions.

- d) **Enhance Operational Effectiveness:** Investments in information technology and systems have the potential to enhance a company's operational effectiveness. Entrepreneurs can allocate funds towards implementing more advanced software, automating business processes, or providing training to employees on the use of new technologies. This can lead to significant cost savings and increased productivity over the long term.
- e) **Business Portfolio Expansion:** Investment intentions may involve expanding the business portfolio. By exploring different industries or products, entrepreneurs can mitigate the risks associated with relying solely on a single market segment or product. Diversification can enable companies to better withstand market fluctuations and economic changes, making them more resilient.
- f) **Heightened Competitiveness:** Strategic investments can provide companies with a competitive edge. Entrepreneurs who identify opportunities to enhance product quality, reduce production costs, or deliver added value to customers through investments can establish a stronger position in the market. This enables the company to remain relevant and competitive in a highly competitive business environment.
- g) **Adaptation to Business Environment Changes:** Businesses operate within an ever-changing environment, encompassing shifts in market trends, technology, and regulations. Investment intentions allow entrepreneurs to swiftly and flexibly respond to these changes. By investing in market research, analysing industry trends, and embracing innovation, companies can avoid rigidity and maintain relevance.
- h) **Enhanced Business Sustainability:** Investments can be utilised to enhance long-term business sustainability. This may involve investments in renewable energy, environmentally friendly production practices, or the implementation of social policies that support corporate social responsibility (CSR). Sustainability is increasingly recognised as a crucial component of business strategy, and investment intentions play a pivotal role in achieving it.

2.3 SHARIA COMPLIANCE

Sharia compliance holds significant importance in this research. Not only does it distinguish from other studies, but it also serves as a guiding principle for implementing Islamic regulations within a business framework. The subsequent elucidation delves into various aspects concerning sharia compliance, particularly within the context of fintech lending.

2.3.1 Definition of Sharia Compliance

Sharia compliance refers to the conformity of Islamic fintech to Sharia standards. It is an integral part of the risk management framework and promotes a culture of compliance in the management of Islamic financial risk. It entails following the Fatwa issued by the National Sharia Council (DSN), as it embodies the principles and rules of Sharia that must be upheld in Islamic fintech. The fulfilment of all Sharia principles in Islamic fintech institutions that possess qualities like integrity and credibility is also indicative of this. The culture of compliance encompasses the values, behaviours, and arrangements the establishment of Islamic fintech under all regulations set by Bank Indonesia. The presence of a Sharia Supervisory Board (DPS) plays a crucial role in the regulatory framework of Sharia compliance. According to these criteria, Sharia compliance entails adhering to Sharia principles in Islamic fintech and following the Fatwa given by the National Sharia Council (DSN).

2.3.2 Sharia compliance provisions

Ensuring Sharia compliance is of utmost importance for both customers and the general public in all Islamic fintech activities. Certain provisions can be utilised as qualitative indicators to assess Islamic financial institutions' compliance. These provisions include: 1) ensuring that the agreement or contract used for fund collection and distribution aligns with Sharia principles and applicable rules. 2) Reporting all transactions and economic activities fairly, by Sharia accounting standards. 3) Establishing a working environment and corporate culture that adhere to sharia principles. 4) Ensuring that the

business being financed is not in violation of Sharia principles. 5) Having a Sharia Supervisory Board (DPS) overseeing all Sharia fintech operational activities. 6) Verifying that the source of funds originates from legal and halal sources, as per sharia requirements.

These provisions serve as general principles for Islamic fintech management, guiding operations in Sharia compliance. The assessment of sharia compliance in Islamic fintech operations is based on these provisions, determining whether the fintech operations have been conducted in line with the general principles of sharia compliance.

2.3.3 The Concept of Sharia Compliance in Islamic Fintech

The compliance of Islamic fintech with Sharia principles is mandated by Law No. 21 of 2008 on Islamic fintech. Sharia principles serve as the fundamental characteristic of Islamic fintech and are crucial for Muslim investors and business managers. These principles ensure that all transactions and operations conducted by Islamic fintech adhere to Sharia provisions and are free from usury, uncertainty, and gambling. Therefore, it is obligatory to meet the terms with Sharia principles.

2.3.4 Regulation of Sharia Compliance Implementation

The regulation and implementation of sharia compliance in Indonesia are governed by several laws and regulations. Firstly, Sharia Banking Law No. 21 of 2008, Article 33, paragraphs 1–3, establishes the guidelines for adhering to sharia principles in the realm of Islamic financial technology. Tasks of supervising Sharia compliance is entrusted to MUI, which is represented through DPS, a body formed in every Sharia fintech institution. These supervision rules are a fundamental part of GCG implementation. Bank Indonesia Reg. No. 11/33/PBI/2009 provides guidelines for corporate governance in Islamic fintech. More details can be found in the Explanation of Reg. No. 11/33/PBI/2009 and in the Circular Letter No. 8/19/DPbS outlines Sharia Supervision Guidelines and Procedures for Reporting.

2.3.5. Urgency of Sharia Compliance

Sharia compliance in Islamic fintech is a significant concern for stakeholders in Indonesia. There has been public criticism regarding the adherence of sharia fintech to sharia principles, with claims that they are not fully compliant. This criticism arises from the perceived disparity between theory and practice. However, stakeholders can assess the level of compliance by examining the financial reports published by Islamic fintech institutions, which are released periodically.

PSAK Syariah has outlined 12 distinct characteristics of Sharia transactions in the Basic Framework for the Preparation and Presentation of Sharia Financial Statements. These characteristics, as stated in paragraph 27, are revealed in the financial statements of Islamic fintech companies that operate as sharia entities. Among these twelve characteristics, there are at least three that can be directly analyzed by the public in Islamic financial statements. These include the absence of usury, *gharar*, and haram elements, as well as non-adherence to the principle of the time value of money.

To determine whether there is any interest or other haram income, it is necessary to analyze the sources of income obtained by Islamic fintech companies. The presence or absence of the time value of money element in Islamic fintech can be identified through the financial statement notes, which provide information about the accounting method used to recognise *murabahah* margin income. Additionally, the element of *gharar* in Islamic fintech can be measured and analysed through the reconciliation report of income and profit sharing. It is important to note that income shared by Islamic fintech companies must be on a cash basis rather than accrual income.

Hence, it is of utmost importance to have efficient oversight of the Sharia compliance function within the Islamic financial sector. This function acts as a precautionary measure to guarantee the business operations conducted by Islamic fintech companies adhere to the regulations established by Bank Indonesia, Fatwa DSN, and other relevant legislations. This supervision is necessary to maintain control over the operations of Islamic fintech companies and ensure that they operate within the boundaries defined by the regulatory framework.

2.4 FINANCIAL KNOWLEDGE

Financial knowledge, also known as financial literacy, refers to the capacity to effectively manage economic information, develop financial plans, and make informed decisions regarding wealth accumulation, retirement, and debt (Manocha et al., 2023; Tajuddin et al., 2019). On the other hand, others said that individuals who possess a greater understanding of financial matters are more likely to demonstrate prudent financial behaviour in comparison to those with limited financial knowledge (Abdeldayem & Aldulaimi, 2023; Sinlapates & Chancharat, 2023). This implies that individuals with greater financial knowledge are more likely to make prudent financial decisions. Moreover, individuals with a strong grasp of financial concepts are generally content with their financial situation and continuously strive to enhance their quality of life, as they possess a comprehensive understanding of their current financial standing and how to improve it. Therefore, if individuals or families can effectively manage their financial knowledge and utilise their money wisely, primarily for meeting essential needs, they can attain their desired financial goals (Al Balushi et al., 2019).

Financial knowledge encompasses an individual's cognitive knowledge and skills in finance. It can be defined as the ability to utilise financial knowledge in decision-making processes. According to Widayat (2010), financial knowledge can be assessed through activities such as creating a budget for anticipated income and expenses, adhering to budgetary plans, comprehending the real and nominal value of money, and understanding the impact of inflation.

The Australian Securities and Investment Commission asserts that to assess an individual's level of financial knowledge, certain benchmarks can be used. These benchmarks include: (1) understanding the value of assets and prioritising them in one's life; (2) budgeting, saving, and money management skills; (3) credit management; (4) recognising the significance of insurance and risk protection; (5) grasping the basics of investments; (6) planning for retirement; (7) recognising the benefits of comparing products and seeking advice; and (8) identifying potential conflicts in usability (Rasheed & Siddiqui, 2019).

On the other hand, Philemon A. Uriarte, Jr. (2008:45) outlines four elements of knowledge management, namely: knowledge creation and capture, knowledge sharing and enrichment, information storage and retrieval, and knowledge dissemination. From this statement, it can be inferred that an individual's financial knowledge is reflected in their cognitive processes and understanding of financial management, as well as their attitudes towards personal finances. These factors ultimately shape their financial behaviour and decision-making.

2.5 PERSONALITY TRAITS

Personality traits significantly shape financial behavior by influencing decision-making, money management, emotional responses to money, and shopping patterns. Traits like risk-taking propensity, openness to new experiences, and impulsiveness impact financial decision-making. Discipline, patience, and independence affect money management skills. Emotional responses to financial situations vary based on personality traits, leading to different decisions. Impulsivity, desire for instant gratification, and tolerance for frustration influence shopping and consumption patterns. Understanding these impacts can help individuals develop financial strategies that align with their unique characteristics and make the necessary adjustments to achieve their goals.

2.5.1 Definition of Personality Traits

Human personality is a combination of various components that act as variables (Chalimah & Sakhawi, 2014:92). It distinguishes individuals and makes them unique (Maning et al., 2017:130). Balmaceda et al. (2014:138) define it as a combination of emotions, attitudes, and behaviours. Hung et al. (2014:146) describe it as psychological characteristics that explain behaviour. Chalimah and Sakhawi (2014:92) argue that it is a complex composition of psychophysical systems that direct behaviour and adaptation. Tommasel et al. (2015:814) emphasize its influence on behaviour in interactions. Montolalu et al. (2016:1320) view it as a description based on thoughts, behaviours,

and interactions. John and Srivastava (1999:6) categorized personalities into the big five traits: extraversion, agreeableness, neuroticism, conscientiousness, and openness to experience. These traits offer a psychological perspective to analyse personality traits.

2.5.2 Dimensions of the Big Five Personality Traits

According to John and Srivastava (1999:6), personality can be categorised into five dimensions: openness, extraversion, friendliness (agreeableness), emotional instability (neuroticism), and resilience. Openness is associated with extroversion, which influences an individual's ability to establish relationships and exhibit warm behaviour. Friendliness, or agreeableness, is characterised by behaviour oriented towards trust, honesty, and compassion. Emotional instability, or neuroticism, can be divided into reactive and resilient groups, with reactive individuals being highly sensitive and prone to anxiety, while resilient individuals exhibit a calm attitude and are less prone to anger and temptation (Ghufron & Risnawati, 2010: 137). In addition, conscientiousness refers to individuals' meticulous approach to achieving goals. There are two types: flexible (low-level) and focused (high-level). Flexible individuals feel unprepared and procrastinate, while focused individuals are confident and competent. This trait is important for success and responsibility in the professional realm. Finally, the receptiveness to new experiences indicates an individual's interest in diverse fields.

2.5.3 Facets of the Big Five Personality Traits

The big five personality traits encompass various aspects that have been emphasized (John and Srivastava, 1999: 60). These traits include:

1. **Extraversion.**

This personality trait entails the following characteristics: warmth, which expresses one's inclination towards social interaction and sociability. A warm individual is someone who is friendly and welcoming, effortlessly getting along with others. Gregariousness refers to an individual's preference for engaging with others. Those with low gregariousness tend to enjoy solitude and minimal social stimulation. Assertiveness: this aspect is evident through

dominance, strength, and assertiveness. Individuals possessing this trait speak confidently and often assume leadership roles within groups. Activity level: individuals with a high activity level exhibit fast movements, enthusiasm, and a preference for keeping busy. Conversely, a low activity level indicates a more relaxed pace without implying laziness. Excitement-seeking reflects an individual's affinity for seeking pleasure and stimulation. Such individuals genuinely enjoy and require excitement in their lives. Also, positive emotions pertain to the tendency to seek positive emotions like joy and happiness. Individuals scoring high on this trait are prone to laughter, happiness, and optimism.

2. Agreeableness.

The personality trait of agreeableness encompasses several characteristics. Trustworthiness is one such characteristic; a high score on this facet suggests that the person naturally believes in the honesty and good intentions of others. On the other hand, a low score implies a tendency towards cynicism and scepticism, with a belief that others are dishonest or pose a threat. Another characteristic is frankness, which reflects an individual's inclination to be honest, sincere, uncomplicated, and direct in their communication. Those with a high score tend to express themselves openly and transparently. Altruism, or putting other people's interests first, is another aspect of agreeableness. Those with a high score demonstrate a deep concern for the well-being of others and a willingness to assist those in need. Conversely, a low score suggests a self-centred attitude and a lack of empathy towards other people's problems. Compliance, in the context of agreeableness, refers to how one reacts to interpersonal conflicts. A high score indicates a cooperative nature, while a low score suggests a tendency towards aggressiveness and an unwillingness to collaborate, often accompanied by a readiness to express anger towards others. Humility measures an individual's sense of modesty and their inclination to forget themselves. It is important to note that humility does not imply a lack of self-confidence. Lastly, tender-heartedness assesses an individual's capacity for empathy and compassion towards others. A high score indicates a strong need for human connection and a genuine concern for the well-being of others. Conversely, a low score suggests stubbornness and a lack of inclination to show affection towards others.

3. Neuroticism

It encompasses a range of characteristics that define an individual's personality. One of these traits is anxiety, which is commonly experienced by neurotic individuals. They often find themselves plagued by feelings of worry, fear, restlessness, tension, and nervousness. Another characteristic is anger, as neurotic individuals tend to display a tendency towards anger, frustration, and even hatred. Additionally, neuroticism is linked to depression, which can manifest as feelings of inferiority or worthlessness. This often leads to a tendency to experience episodes of depression. People with high levels of neuroticism also struggle with self-consciousness. They often feel uncomfortable in social situations, are sensitive to criticism, and easily feel inferior. Another aspect of neuroticism is impulsiveness. Neurotic individuals find it challenging to control their desires and interests. They may engage in activities such as eating, smoking, or making impulsive choices, only to later experience feelings of regret. Lastly, vulnerability is a key characteristic associated with neuroticism. Individuals with neurotic tendencies are more susceptible to stress. They may feel overwhelmed, struggle to cope with stress, become dependent on others, lose hope easily, or even panic in emergencies.

4. Conscientiousness.

The characteristics associated with this personality trait include competence, which indicates a strong belief in one's abilities, a sense of capability, rational thinking, wisdom, and effectiveness. A high score on this facet suggests that the individual perceives their life as fulfilling. Orderly living signifies a well-organised and tidy nature, with everything being placed in its proper position. Adherence to ethical principles and a meticulous approach to moral values are reflected in the trait of dutifulness. Achievement striving entails setting high aspirations and working diligently towards achieving goals. Individuals with this trait are persistent, purposeful, and confident in their ability to shape their own lives. The facet of self-discipline demonstrates the capacity to initiate and complete tasks without succumbing to boredom or distractions. Deliberation indicates a tendency to carefully consider actions before taking them.

5. Openness to experience.

This personality trait encompasses several characteristics. Excessive imagination, referred to as fantasy, involves a fondness for daydreaming and

fantasising, not as a means of escape but as a way to explore one's inner world. Individuals with this trait tend to elaborate on and develop their fantasies, believing that imagination enhances the richness and creativity of life. Aesthetics, or an appreciation for beauty, reflects a strong interest in art and aesthetics. While not necessarily artists themselves, individuals with this trait often have an affinity for poetry and music. Sensitivity to feelings indicates an openness to experiencing and valuing emotions as an integral part of life. A low score on this facet suggests a lack of concern for one's own emotions and disbelief in their significance. Engaging in actions demonstrates a sense of openness, indicating a willingness to explore diverse experiences, venture into unfamiliar territories, and indulge in novel cuisines. This characteristic pertains to individuals who possess a fondness for novelty and diversity, thus embracing various hobbies. The presence of innovative ideas signifies intellectual curiosity, which is a facet of openness that welcomes fresh perspectives. Furthermore, the possession of values signifies a receptiveness towards different sets of principles, indicating a readiness to reevaluate societal, political, and religious values. It is important to note that an individual's inclination towards authority and traditionalism, as well as their openness to values, stand in stark contrast to dogmatism.

2.6 FINANCIAL TECHNOLOGY (FINTECH)

Fintech combines technology and financial services to enhance finance in various ways. It improves accessibility, promotes inclusion, introduces innovative products, increases efficiency, and provides financial education. Also, it has expanded accessibility to financial services, especially for individuals previously difficult to reach by traditional financial institutions, such as those living in rural areas or the unbanked. Fintech contributes to increasing financial inclusion by providing affordable and accessible financial solutions to previously marginalized groups in society.

2.6.1 The Definition of Financial Technology

FinTech, as defined by the National Development and Research Centre (NDRC), is a word that refers to financial services innovation. This type of innovation is also known as financial innovation which incorporates current technologies. However, it may also refer to a sector of the start-up industry that assists in taking full advantage of the use of technology to improve, sharpen, or speed many areas of financial services (Brammertz & Mendelowitz, 2018; Dorfleitner et al., 2022). From payment to cash transfer, fund collection, loans, and even asset management, technology may help speed up and reduce the process. As a result, it's only natural that FinTech soon becomes a need, transforming many people's lifestyles, particularly those who are battling in the domains of technology and finance.

FinTech is defined simply as technical instruments that give solutions in the sectors of finance and financial intermediation. FinTech, in Indonesian, is a buzzword these days. FinTech is thought to represent an effective and efficient model of financial transactions, such as payments, loans, investments, and other financial transactions carried out swiftly and easily using information technology processes (Darmansyah et al., 2020). The National Digital Research Centre (NDRC), situated in Dublin, Ireland, provides a formal explanation of FinTech as the amalgamation of innovative financial services and pioneering technological advancements.

Moreover, The Financial Stability Board (FSB) has officially delineated FinTech as the culmination of financial innovation facilitated by technological advancements. FinTech holds significant potential in terms of creating novel business models. Given the present fluidity of FinTech advances, this broad term is seen to be helpful. As a result, the focus of this paper's research and consequences is on the effects of FinTech which are especially important to banks and bank supervisors. It is also worth revealing that the term "FinTech" is used to cover a wide assortment of developments by traditional banks and newcomers, start-ups, and more prominent technology corporations (Chong, 2021; Haris, 2020). On the other hand, some institutions and organisations claimed to have created definitions for these phrases.

Financial technology, commonly referred to as FinTech, is expected to emerge as a pivotal and transformative force within the banking sector. Moreover, the global landscape has already acknowledged FinTech and its intricate technologies that will facilitate businesses to effectively compete in the twenty-first century. Governments across the world have taken cognizance of this issue and formulated legislation and guidelines to promote the enlargement of FinTech (Gibilaro & Mattarocci, 2018).

Henceforth, FinTech, a shortened form of the term financial technology, embodies a ground-breaking advancement within the territory of financial services. The exponential growth of FinTech is a clear indication of a bright future for the financial services industry. FinTech companies have been able to achieve this growth by introducing innovative business models, products, and financial services, the FinTech revolution is revolutionizing the Financial Services Sector's landscape. Furthermore, FinTech is definite as the solicitation of digital technology to tackle financial obstacles. On the other hand, FinTech exists as an industry comprised of several firms that organise financial transactions based on information technology. Kelvin Leong provides a more precise delineation of FinTech, identifying it as a confluence of three key elements: finance, technology management, and innovation management. The FinTech industry incorporates a diverse array of services, such as payment solutions, lending platforms, personal finance tools, retail investment platforms, crowdfunding platforms, comparison websites or financial aggregators, financial research services, and other related offerings.

FinTech has several advantages offered for developing countries because it can help expand greater financial access for residents and businesses that formal financial institutions underserve. For Indonesia, financial inclusion is a challenge, and FinTech can help overcome the problem of gaps in entree to funding for ultra-micro businesses and MSMEs (Ascarya & Sakti, 2022). With its technological innovations, FinTech presents itself as a viable solution for individuals who fail to meet the eligibility criteria for financing options provided by conventional financial institutions. Given the significant contribution of MSMEs to the Indonesian economy, FinTech can catalyze the advancement and empowerment of MSMEs by facilitating their entree to cutting-edge payment and financing services. Peer-to-peer lending is a form of lending in which persons lend funds to one another. FinTech companies often employ the use of marketplace lending to provide innovative lending solutions. This entails prospective borrowers seeking out loan applications via an online platform, commonly referred to as a P2P lending platform.

Additionally, the technology categorizes borrowers into distinct risk groups based on their risk profiles. Because conventional banks employ them, data may be highly traditional (e.g. pay slip of the borrower). The data, however, can be more inventive, such as actions on social networking sites (Le, 2022; Mills, 2019). Upon acceptance by the P2P lending stage, the loan application of the debtor is made available

for potential investment by investors, who may be of a private or judicial nature (Rosavina et al., 2019). A sole investor can finance the entire loan or a fraction thereof. Generally, a minuscule proportion of the loan is financed by a solitary investor. In contrast to conventional banks, the P2P lending platform does not undertake responsibility for the credit risk of the loan. The investor assumes the credit risk(s).

According to the numerous definitions of FinTech, innovation, or similarly- - defined words, they represent a novel financial service, business model (supplied by a traditional bank or a non-financial organization), or a new technology start-up. Another point to note is that some definitions established apparent differences between innovation and disruption, with innovation fitting within current regulatory frameworks and disruption necessitating the creation of new laws.

2.6.2 FinTech Lending Concept and Regulation in Indonesia

In Indonesia, the financial technology (FinTech) business is growing, particularly in lending. FinTech lending loans totalled Rp 33.2 trillion in May 2019, according to data, while FinTech payment transactions were Rp 47.1 trillion in 2018 (Ascarya & Sakti, 2022; Hudaefi et al., 2023). The expeditious advancement of Financial Technology (FinTech) is in direct correlation with the obstacles encountered. The challenges range from mitigating the possibility of misuse of personal data of service users and the development of FinTech which is vulnerable to money laundering (Tyoso & Soegiastuti, 2023). Moreover, anticipating the winner phenomenon takes all that occurs in the growth of e-commerce. Winner takes all when a handful of e-commerce platforms monopolise the market

For this reason, the government and authorities need to support FinTech in Indonesia, such as balancing risk mitigation and opening up innovation space. Also, there needs to be an understanding of the landscape, ecosystem and industry dynamics. The critical success of all the innovation processes is the quality of human resources. Hence, the government in 2020 began to focus on providing education, training and advocacy (Darmansyah et al., 2020; Nurohman et al., 2021) since financial inclusion through FinTech is deeper than banking. Among them, FinTech serves as the pivotal catalyst in attaining financial inclusion, and it needs risk management through the

regulatory sandbox model, the presence of a robust consumer protection system, and the existence of a digital ecosystem.

This industry began to be known in Indonesia in 2016 as a startup that rose in no time. The proof is the number of funds received by various FinTech startup companies in Indonesia from multiple investors. Based on the survey, FinTech is one of the business areas with the second-largest investment after e-commerce was first known (Junarsin et al., 2023). The aforementioned phenomenon has captured the attention of Bank Indonesia and the Financial Services Authority, who have adopted a strategic approach to bolster the advance of the FinTech industry. To date, more than 100 FinTech companies have been operating in Indonesia and are divided into four categories, namely:

1. Market provisioning, for example, CekAja and Pay close attention
2. Deposits, Lending, and Capital Rising, for example, Investree, Amanna, and Sharia Funds
3. Investment and Risk Management, for example, Bareksa and Stockbit
4. Payment, Clearing, and Settlement, for example, Midtrans and Doku (Hidajat, 2020).

Furthermore, Indonesian people are among the most active internet users globally, with 132 million people, smartphone owners reaching 371 million customers, social media account owners and users reaching 106 million people, who average online for around 9 hours (Utami & Ekaputra, 2020). Bank Indonesia describes FinTech as the application of technology in the financial area to generate new goods, services. This pertains to the realm of FinTech, which is characterized as an undertaking that employs the digital ecosystem to modernize commercial procedures, commercial frameworks, and monetary instruments that generate innovative and valuable additions to the financial services area.

To be viable, the FinTech industry ecosystem encompasses the organization, calibre, and abundance of human resources (HR), public knowledge and preferences, innovation in products and services, and accessible regulations (I. Lee & Shin, 2018). A variety of rules and policies have been established for the FinTech area by a numeral

of connected organisations, both the government and the FinTech industry. (Muryanto et al., 2022).

In Indonesia, the rapid acceleration of the proliferation of financial services that heavily depend on information technology, commonly referred to as FinTech, is becoming increasingly prominent, and attracting significant attention from the general public. With the efficacy and efficiency that it offers in daily financial transactions, the development of information technology-based financial services (FinTech) has gained pace and grabbed the attention of the country's people. Therefore, Indonesians may execute financial transactions more easily thanks to FinTech. To make financial services more reachable to a larger number of societies in the future, both the government and the community must collaborate and take necessary measures.

2.7 ISLAMIC FINTECH LENDING

From a Sharia viewpoint, technology is neutral since it is merely a facilitator. The advancements in FinTech in Islamic financial services are distinct and unparalleled. It must adhere to Sharia guidelines (Che Azmi et al., 2016; Muryanto, 2022). FinTech solutions that require Sharia compliance changes often deal with financing and investing, as well as investment advising services. FinTech specializes in mobile payments, money transfers, and trading platforms, serving both conventional and Islamic finance. Conversely, crowdfunding and FinTech lending platforms exhibit clear differences between the two (El-Halaby & Hussainey, 2016). These platform operators must guarantee that their financing and investing operations adhere to current Sharia norms for finance and investment. Customers mustn't be encouraged to invest in non-Sharia-compliant financial products as a result of investment advice service suggestions. Therefore, in FinTech financial advising specializations, such as Robo-advisor, it is imperative to ensure that solely Sharia-compliant investment portfolios are suggested to clients.

The development of Sharia-based FinTech companies is a result of the convergence of financial and technological advancements entrenched in the values of Islamic law (Sharia), within the realm of FinTech discussions. Given that Islam has a

foundation of Sharia economic law, it is incumbent upon the regulation of FinTech activities. Since 2010, the Islamic FinTech lending business has proliferated, matching the worldwide FinTech environment (Chong, 2021; Hendratmi et al., 2019). The prioritization of development is underscored by a focus on Sharia-compliant business and consumer lending. Islamic finance services are strategically divided to meet the distinct demands of retail customers, corporations, and financial institutions. These services are specifically planned to accommodate the religious essentials of clients adhering to Islam.

2.7.1 Maqashid Sharia and Islamic FinTech Lending

Sharia-based finance is a general phrase for a Sharia-based economy framework with a social goal. The realization of *maqasid Shari'ah*, which Islamic economic aims pose, requires a focus on fair distribution in economic growth (Ahmed, 2011). Islamic law aims to promote humanity's welfare (*maslahah*) and to keep people safe (*mafsadah*). Even though most Islamic Scholars agree unanimously, some scholars such as Ibn Ashur, disagree with the Shari'ah's broad goals, especially when it comes to specific Shari'ah goals (Chong, 2021; Salma Sairally, 2013)(Chong, 2021, 2021; Salma Sairally, 2013). The particular aims of Sharia, according to Ibn Ashur, must encompass numerous studies such as preserving order, encouraging human welfare, avoiding corruption, enforcing righteousness, and sustaining stability and harmony (al-Raysuni, 1992). Faith (*din*), the human self (*nafsi*), intelligence (*'aql*), posterity (*nasl*), and money (*mal*) are the five Shari'ah aims, according to Al-Ghazali (Fanshurna et al., 2022). On the other hand, Abu Zaharah (1997) divided Shari'ah's particular goals into three categories: teaching individuals (*Tahdhib al-Fard*), creating justice (*Iqamah al-'Adl*), and promoting welfare (*Jalb al-Maslahah*) (Nugraha et al., 2020).

Most prior studies discuss conventional finance yet digital finance in communities or MSMEs. However, in terms of the Islamic perspective, the financial sector has similarities between traditional and digital finance and FinTech, especially FinTech lending. A prior investigation, exemplified by Alam et al. (2016), has studied the operational efficacy of Islamic microcredit schemes, predicated on the attainment of Maqasid Sharia, as highlighted by Imam Al-Ghazali. The research findings have demonstrated that engagement in the microcredit initiative has led to enhanced *ad-din*,

al-nafs, *al-nasb*, and *al-mal* indicators. However, the indices of *Al-Aql* were not meaningfully enriched by this approach (S Nazim Ali and, n.d.).

Furthermore, many borrowers stated that their capacity to learn new knowledge or business skills was unaffected by their participation in the financing program. Ahmed (2011) assesses the enactment of the broad points of *maqashid Sharia* at the level of goods. The *Maqashid Sharia* is bifurcated into two distinct requirements, namely legitimate and social requirements. The research conducted has revealed the existence of three distinct categories of Islamic financial products. The first category comprises Sharia-compliant financial products that cater to both legal and societal needs. Secondly, a Sharia-compliant achieves the authorized necessity but not social conditions (Fanshurna et al., 2022). Furthermore, thirdly, a product that is deemed pseudo-Islamic satisfies the formal requirements of Islamic law but lacks the essential substance thereof. According to the study by Mohammad and Shahwan (2013), Islamic banks' goals primarily focused on profit-oriented entities rather than social-based businesses. The purposes of Islamic banking were suggested in the study. Should promote Islamic economic aims, thereby instilling Maqasid al-Sharia in its comprehensive approach.

2.7.2 Nature of Islamic FinTech Lending

The main point emerging from Islamic FinTech lending comes from joint liability. Conventional finance disrupts Islamic principles by charging an interest rate. Problems for Muslims because the significance of transactions with interest (*riba*) as Islamic schooling disallows a fixed profit on capital since accusing and gaining interest (*riba*) is prohibited. As many Muslim scholars assert, the argument for this is that charging interest is a type of social and economic exploitation that goes against Islamic teachings on social justice. As a result, eliminating it attempts to promote economic justice, social fairness, and ethical and morally sound business practices. (H. B. Firmansyah & Ramdani, 2018)

2.7.3 Benefits of Islamic FinTech Lending

Hudaefi (2020) found that there were adverse effects between microfinance and the socioeconomic of the clients. This study attracted attention to providing alternatives that faith-based finance, Islamic FinTech lending, maybe a suitable alternative. Islamic financial institutions (IFIs) may offer distinct products compared to their conventional counterparts. Its differences are: (i) The IFIs offer interest-free micro-financial products that are based on mark-up pricing, profit sharing, and other methods (ii) Islamic MFIs provide microfinance services to men and women equally, with no discrimination (Hudaefi, 2020). Then the question is, why should there be Islamic FinTech lending? Because Indonesia is not entirely a Muslim country, the system used by its people is not altogether Islamic. However, the Islamic economy is a regulator for those who adhere to Islamic law. Thus, in the FinTech system, Sharia must be present to decorate the existing FinTech system to adjust to the current rules in Islamic law. Even if necessary, qualified Sharia human resources could have created a concept with a specific Islamic FinTech lending portfolio.

The FinTech variety of Sharia is growing, but that does not mean its presence has no obstacles. Indeed, the arrival of the Sharia system has its challenges. The challenge faced is how to create Islamic FinTech lending that is easy and safe to use, more efficient, and well-targeted in overcoming the financial problems faced by people today. FinTech, adhering to the principles of the Sharia economy, is implemented with utmost precision and compliance, and is required to adhere to the regulations of the Sharia financial system, for example, by not containing interest, usury, or manipulation. Shelter regulations must also accompany the rapid development of Islamic FinTech lending to guarantee consumer protection.

Also, this matter is a concern for practitioners of Sharia finance to develop Sharia-based digital financial innovations that are easy and inexpensive to use by the public without violating Sharia rules that must be adhered to. As a result of this shift, we as customers must understand more about Sharia indicators in the FinTech space, beginning with the words, contracts, harmony, regulation, and tariff management to the assessment. In contrast, FinTech does not conflict with Sharia if it follows the contract's legal principles, like fulfilling the conditions, harmony, and applicable law. Thus, one of the *mu'amalah* principles, namely '*taradhin minkum*,' or the principle of the parties'

desire to carry out the contract, must also be included in FinTech. This principle emphasises that there are equal opportunities for parties to state the *ijab qabul* process (Darmansyah et al., 2020).

2.7.4 Implementation Model of Islamic FinTech Lending in Indonesia

It is widely recognized that Indonesia operates a dual banking system. These two separate banking systems conventional and Sharia, coexist and are regulated by numerous laws and regulations. Similarly, the FinTech industry introduces two lending models, known as conventional and Islamic FinTech lending.

In a broad sense, the operational aspects of Islamic FinTech lending and conventional FinTech are not markedly distinct. Sharia and traditional FinTech both operate in the financial industry and digital business, and both offer similar financial services (Hudaefi et al., 2023; Yударuddin, 2023). Nonetheless, a fundamental distinction exists between the implementation of Sharia and conventional FinTech, which is discernible in the contracts employed. In Islamic FinTech lending, all contracts employed must adhere to the Islamic law.

The underlying principle of Islamic jurisprudence dictates that financial contracts must be devoid of any prohibited elements, including *maisir* (gambling), *gharar* (uncertainty), and *riba* (excessive interest or *usury*). This fundamental differentiation between Islamic and conventional FinTech is of paramount importance. Other significant contrasts between Islamic and traditional FinTech include transparency and openness, mutual gain for both sides and adherence to Sharia rules. In 2014, Sharia-compliant FinTech was first implemented in Dubai, United Arab Emirates (Ali et al., 2021). Beehive, a Dubai-based FinTech platform, earned its first accreditation utilising peer-to-peer lending marketplace services at the time. Beehive's business model has now been adopted in other Asian nations, including Singapore and Malaysia. Hello Gold arose in Malaysia using blockchain technology and Sharia principles (Che Azmi & Hanifa, 2015). These FinTech firms are gradually making their way to Indonesia. Because the interest offered complies with Islamic laws, all FinTechs based on Islamic law are the same, which do not employ usury, therefore it is believed

to be secure. The word online business that comes to mind is usually e-commerce or online transactions such as resellers, drop shippers, and affiliate marketers. However, people can consider a new online industry or business called FinTech or financial technology. This industry aims to afford financial products that are more effortlessly accessible to various groups, develop financial knowledge, and facilitate transactions.

The establishment of the Indonesian Sharia FinTech organization (AFSI) in 2018 has sparked considerable interest among individuals, especially with regards to the rise of Islamic FinTech lending in Indonesia. This organization specifically caters to the needs of Sharia-compliant FinTech services in Indonesia. AFSI monitors no fewer than seven Islamic FinTech lending providers out of a total of 148 FinTech businesses that are formally listed with the Financial Services Authority (OJK) (OJK, 2023). The Islamic FinTech lending movement has gained momentum due to the issuance of the fatwa by the National Sharia Council of the Indonesian Ulema Council (DSN-MUI) Number 117/DSN-MUI/II/2018, which pertains to Information Technology Based Financing Services Based on Sharia Principles (Darmansyah et al., 2020; H. B. Firmansyah & Ramdani, 2018). The incorporation of the fatwa indicates adherence to Sharia principles and aims in the enactment of FinTech. In general, the practises applied in Islamic FinTech lending are consistent with the laws governing Sharia financial services, which require that they be devoid of *maysir* (speculation or gambling), *gharar* (uncertainty or concealment), and *riba* (interest). Some Islamic FinTech lending models in use in the community include 1) peer-to-peer (P2P) lending, 2) crowd-funding, and 3) digital payment.

There are already many FinTech companies in Indonesia that are generally start-ups with great potential. This system has been widely developed in the financial industry on a Sharia basis in many countries. Indeed when viewed in terms of *fiqh mu'amalah* rules or according to Islamic perspectives, various activities in the *mu'amalah* field, as long as no fatwa prohibits or prohibits them, will still be able to innovate. While on the other hand, it should be noted that this breakthrough must not be related to usury, *gharar*, and *maisir*, or in essence, does not harm others. Following the word of God, QS Al-Baqarah verse 185, where Islam does not want people to experience hardship but for convenience (Nurohman et al., 2021). Here FinTech aims to help people in their financial activities so that they do not hesitate to participate in

the system, as long as it benefits the people. With a majority population who believe in Islam, Indonesia certainly has great potential in this Islamic FinTech lending industry. Thus, the player of FinTech must consider whether it becomes a means free of usury, *gharar*, and *maisir*. Its operations related to this matter is to include the Sharia Council.

There are some Islamic FinTech lending companies in Indonesia, namely (Hudaefi et al., 2023);

Table 2. 1 Islamic Fintech Companies in Indonesia

No	Company	Description
1	Amanna	It is the first Islamic FinTech lending company in Indonesia, has been licensed by the OJK since December 2017. Its main objective is to facilitate collaboration, particularly in the realm of online venture capital, by prioritizing the well-being and advantages for the people. Ammana works in partnership with the Indonesian Waqf Board and the Productive Waqf Forum to carry out its business operations. Currently, this FinTech company boasts a membership of 1400 individuals and 420 investors, with a capital turnover of 2.5 billion rupiahs. By the end of 2018, Ammana aims to secure funding of up to 250 billion rupiahs, with 100 billion rupiahs allocated for MSMEs and Islamic cooperatives, and 150 billion rupiahs for effective waqf programs. Individuals can participate in this platform either as capital owners or as business owners seeking funding. Additionally, the company anticipates an increase in the number of investors joining the startup by the end of the year.

2	Investree Radhika Jaya	Investree Company connects borrowers and investors through an online marketplace. Investors can earn up to 17.5% annual profit without any transaction fees. The principal amount is lent simultaneously, with interest accruing after the loan period. Investors need a 5 million rupiah deposit, while individual lending starts from 1 million rupiahs. The Investree team handles borrower information, keeping it confidential.
3	Dana Sharia	This Sharia-compliant FinTech company offers investment facilities based on Islamic principles, promoting a financial system that avoids prohibited practices. The company thoroughly evaluates and studies projects applying for loan funds to ensure the safety of invested capital. Dana Sharia aims to conduct economic activities in accordance with Islamic law, prioritizing halal sustenance and blessings for both worldly life and the hereafter. It is a reputable Islamic FinTech lending company registered with OJK, providing a platform for individuals to conduct economic endeavors in line with their beliefs. The company also offers zakat services, assisting with calculation and distribution to fulfill zakat obligations conveniently.

2.7.5 Problems and Urgency of Establishing Islamic FinTech Lending Regulation

The existing Islamic FinTech lending system is predominantly centered around complying with POJK No. 77 of 2016, which specifically addresses Information Technology-Based Money Lending and Borrowing Services. This regulatory structure encompasses all types of P2P FinTech, whether they operate under Sharia or conventional principles.

Under this regulatory framework, Islamic FinTech lending platforms are required to adhere to certain guidelines and principles to ensure compliance with Sharia law. These guidelines include the prohibition of interest (riba), speculation (gharar), and unethical business practices. Instead, Islamic FinTech lending platforms focus on profit-sharing arrangements, asset-based financing, and risk-sharing models.

To further guide Islamic FinTech lending practices, the National Sharia Council of the Indonesian Ulema Council (DSN-MUI) has issued Fatwa³¹ Number 117 of 2018. This fatwa specifically pertains to Financing Services Based on Information Technology Based on Sharia Principles. It provides additional guidance and clarification on the application of Sharia principles in the context of Islamic FinTech lending.

The fatwa emphasizes the importance of transparency, fairness, and ethical conduct in Islamic FinTech lending. It highlights the need for clear and accurate disclosure of terms and conditions, as well as the importance of conducting due diligence on borrowers and ensuring the legitimacy of their business activities. The fatwa also encourages the use of technology to enhance efficiency and accessibility in Islamic FinTech lending, while ensuring compliance with Sharia principles.

Overall, the existing regulatory framework and fatwa provide a comprehensive framework for Islamic FinTech lending in Indonesia. They aim to promote financial inclusion, ethical practices, and the growth of the Islamic finance industry. By adhering to these guidelines, Islamic FinTech lending platforms can provide innovative and Sharia-compliant financing solutions to individuals and businesses, contributing to the development of the Islamic economy in Indonesia. (Muryanto et al., 2022). The DSN-MUI Fatwa elucidates that Islamic FinTech lending is a financial service that observes Islamic Sharia values, enabling investors and borrowers to execute financing contracts over and done with an electronic system utilizing the internet.

Initially, FinTech in Indonesia applied conventional concepts in its various transactions. Then in 2018, several FinTech providers began to adopt the concept of Sharia into their systems. Both conventional and Islamic FinTech lending have no

visible difference between conventional and Islamic FinTech lending. Both function equally to provide digital-based financial services. There exists a notable disparity in the contractual agreements between Islamic and conventional FinTech lending, as the former adheres to the principles of Islamic finance, namely avoiding *maysir* (gambling), *gharar* (uncertainty), *tadlis* (fraud), *dharar* (harm), *zhulm* (injustice) and *riba* (interest). In addition, it is also seen in several other elements such as the regulation of fines, supervision of Sharia compliance and so on. As a supervisory institution, OJK has also not made any specific regulations regarding the existence of Islamic FinTech lending. The execution of it continues to adhere to the regulations outlined in POJK No. 77 of 2016 and DSN-MUI Fatwa No. 117 of 2018. These guidelines stipulate that Islamic FinTech lending entities must adhere to Islamic principles, including the requirement that all contracts utilized must comply with Islamic law (Az-Zahra Rasyid & Setyowati, 2017).

The application of contracts in Islam is very essential. The transfer of ownership of an item from one person to another cannot be justified except by a contract that is by Islamic law. All forms of contract must be based on the existence of a contract or a form of *tasharruf* that is permitted in Islam. The contract determines whether a transaction is valid or not. The contract will also regulate the association between the parties involved, including how the bond among the parties is from the making of the agreement until the end. In Islamic perception, an invalid contract will result in the transaction becoming haram and ultimately being considered as consuming wealth without right (*bathil*).

Islamic FinTech lending still refers to POJK No. 77/2016, which has a conventional connotation. Although it has been positively applied, it is still considered not to accommodate Sharia law, which is normative and juridical. As a result, several cases that deviate and potentially deviate from Islamic teachings are still found in the implementation of Islamic FinTech lending. These deviations comprise the interest system, the payment of fines, and the type of contract used. Meanwhile, cases that have the potential to deviate include the absence of Sharia supervisors and dispute resolution that has not regulated Sharia business dispute resolution. The reliance of Islamic FinTech lending implementation on the POJK is certainly unfortunate because its orientation is more towards the conventional system (Nurohman et al., 2021).

The absence of rules governing the operational mechanism of an action will certainly lead to the potential for crime and fraud that can certainly harm various parties. Likewise, Islamic FinTech lending, which has not been specifically regulated, will have the potential for crime and various irregularities, especially deviations from the provisions of Islamic law as mentioned above. Thus, the unavailability of Sharia compliance supervision also has the potential to open a gap for deviations from Sharia provisions (Muryanto, 2022).

To achieve sustainable economic growth at the national level, the government, in co-operation with the House of Representatives (DPR), has sanctioned and ratified Law Number 21 of 2011 about the Financial Services Authority. In addition, the ultimate goal of this legislation is to oversee, monitor, scrutinize, and probe the processes of financial services institutions. According to Article 28 of the OJK Law, the OJK is required to protect consumers and the public by implementing measures to prevent consumer and public losses, including offering knowledge and instruction to the visible regarding the features of the financial services sector and its services and products. Also, demanding that financial institutions discontinue their operations if they have the potential to damage the public. Finally, further steps are required to comply with financial services-related rules and regulations. (Muryanto, 2022).

2.7.6 Aspects of Legal Protection for Users of Islamic FinTech Lending Services

One of the crucial aspects that necessitates emphasis in a business operation is how legal safeguarding is extended to consumers, specifically those who avail services. From the perspective of consumers, they often only realise the crime they have experienced after the crime has happened to them. This phenomenon often occurs due to low literacy and high expectations from consumers. In traditional monetary lending practices, the legal association between the involved parties is established directly, as restricted in Articles 1754-1767 of the Civil Code. The provisions of the regulations outline the standings and surroundings of the rights and responsibilities of the gatherings, the interest rate on the loan, and the agreed-upon interest. Article 1754 of the Civil Code defines borrowing and lending involve an settlement where one party provides a specific quantity of goods

to another party for consumption, under the condition that the latter party will return an equal amount of the same type and quality (Rohman, 2023).

The provisions of the above legal norms are general legal norms without distinguishing the operational mechanism. Both conventional and digital lending and borrowing must equally understand the rights and obligations of each. On the other hand, the government is also obliged to protect from the threat of crime and bad faith from one of the parties. Therefore, it is important to recognise that legal protection in every business activity is an unavoidable necessity that cannot be avoided. To complement the aforementioned regulations and to develop the discourse on the formation of Islamic FinTech lending regulations, it is needed to pay attention to several aspects to provide more protection for the parties, among others (Miskam, 2018):

1) Regulation and supervision of the implementation of Islamic FinTech lending.

The execution of Islamic FinTech lending becomes a necessity considering the market share and potential development that are projected to be a challenge and opportunity for the government in advancing the national economy. However, the implementation of business entities certainly requires steady regulation to serve as a signpost and a strong legal umbrella. The regulations in question are those that satisfy the tenets of the principle of legality, encompassing insurance, pension treasuries, funding institutions, and other financial service organisations. Additionally, Article 5 of the OJK Law designates other institutions, such as pawnshops, assurance institutions, Indonesian export funding agencies, secondary housing funding enterprises, and entities responsible for managing mandatory public funds, including guarantee arrangements and the implementation of social security, pensions, and welfare. This is outlined in the Republic of Indonesia's Law Number 21 of 2011 on the Financial Services Authority.

In addition, the regulation should regulate all aspects that can accommodate all the needs of the business. Good regulation must also be accompanied by optimal supervision. As business associations, AFPI and AFSI need to increase the role and authority of the Ethics Commission in supervising and implementing members' code of conduct to protect consumers and the public, which includes setting upper limits on interest rates, fines, and loan fees, including the prevention of misuse of personal data of customers (consumers). The code of conduct also confirms the commitment

of business actors to implementing responsible business practice standards to protect customers.

2) Risk mitigation

To protect the interests of all festivities involved, POJK 77/2016 has been established to govern risk mitigation, data confidentiality, audit trail records, and security systems. Service providers are encouraged to collaborate and share data with providers of information technology-based supporting facilities to enhance the quality. The operation of in effect and sustainable risk mitigation measures is predictable to foster responsible and secure digital financial innovations that arrange customer fortification and effectively manage risks. To attain this objective, it is imperative to employ the Regulatory Sandbox as a means of evaluating the dependability of commercial procedures, commercial frameworks, monetary instruments, and organizational administration.

3) Stakeholder coordination

FinTech providers are required to establish collaboration with the Ministry of Information and Technology in a technical sense. Furthermore, from a regulatory perspective, FinTech institutions ought to establish partnerships with pertinent regulatory bodies, such as the Ministry of Law and Human Rights and the Ministry of Cooperatives. The regulatory bodies that hold a pivotal role in the business process encompass the Financial Services Authority (OJK), Bank Indonesia (BI), and the Futures Trading Supervisory Authority.

4) Dispute resolution mechanism

The need for a dispute resolution body is essential, as the possibility of disputes involving a large number of transactions is inevitable. Disputes arising from economic activities need to be resolved as soon as possible. Resolving disputes in the economy can lead to slower economic growth, lower productivity, prolonged crises, and lower levels of welfare, which negatively impact the consumer community. Negative impact on the consumer community. The customary resolution of conflicts in society, especially in the case of Islamic economics, favours traditional means through legal proceedings. The judiciary empowered to handle Sharia economic disagreements is the Inquisition. The authority of the Inquisition was extended with the enactment of Law No. 3 of 2006, the first amendment to Law No. 7 of 1989. The law confirms that Islamic processes such as marriage, divorce, reconciliation, inheritance, *waqf*, zakat, infaq, sadaqah, and

Islamic economics are subject to the authority of the Religious Courts. The adoption of this positive law is the foundation upon which the religious court system provides solid power to resolve Sharia economic disputes and eliminates the choice of forum there.

5) Protection of personal data

The regulatory provisions about the protection of personal data in online loan transactions can be located in POJK No. 77 of 2016. This regulation requires the organiser to protect the confidentiality, integrity, and availability of private data, transaction data, and financial data that it manages from the moment it is collected until it is discarded. This implies that the lender is required to retain the borrower's private data secret beginning with the agreement procedure and continuing until the conclusion of the agreement.

6) Legal education for the public

The integration of education into the fundamental tenets of consumer protection is imperative for the successful implementation of consumer protection initiatives. The fundamental tenets of consumer protection entail augmenting consumer consciousness, proficiency, and autonomy to safeguard their interests, while also enhancing the consciousness of economic agents concerning the significance of customer fortification. The important nature of consumer protection. The high number of customers victimised by illegal P2P lending shows the lack of public awareness of legality and good business practices. This also requires the attention of the authorities to improve socialisation and supervision.

If Islamic FinTech lending is not effectively managed, there exists a legitimate apprehension that it may impede the steadiness of the nation's economy. The occurrence of financial malfeasance in conventional FinTech does not preclude the possibility of its manifestation in Islamic FinTech lending, particularly in light of the absence of consistent regulatory measures governing Islamic FinTech lending in Indonesia. In addition, the operational procedures of Islamic FinTech lending that require Sharia compliance are not found in conventional FinTech regulations, so users can be trapped in prohibited transactions in Islam. The dissimilarity in principles and procedural mechanisms inherent in Islamic FinTech lending necessitates the government to contemplate the expediency of regulating Islamic FinTech lending, to furnish legal

safeguards to the community as patrons of Islamic FinTech lending services, particularly in P2P lending services.

2.8 DIFFERENCE BETWEEN CONVENTIONAL FINTECH LENDING AND ISLAMIC FINTECH LENDING

In Indonesia, the rapid progress of financial technology has resulted in a growing need for advanced technical solutions. FinTech lending is a major driver of investment alternatives in Indonesia. In Indonesia, FinTech lending gained prominence in early 2015, when several FinTech lending companies attempted to establish a market in Indonesia and were well-received (Q. Li et al., 2018). It promises to provide a solution for those in need of loans and those looking for investment avenues.

Borrowers can acquire cost-effective loans through a streamlined and expeditious procedure, while lenders receive remuneration in the guise of interest for financing the loan. The adoption of the Financial Services Authority Regulation (POJK) relating to FinTech, namely peer-to-peer lending, demonstrates OJK's commitment to the progress of FinTech since 2016. To support the National Financial Inclusion Strategy (SNKI), FinTech leading providers hope to open their networks or obtain loan funds from overseas and some domestic regions. On the other hand, providers also hope to increase the level of financing balance and accelerate the allocation of financing, especially to small, medium, and micro enterprises (MSMEs).

Subsequently, a Sharia-compliant FinTech lending platform emerged, upholding the principles of Sharia law. Moreover, it presents a remedy to the recent predicaments encountered in the community regarding online lending. This particular form of FinTech lending abstains from the practice of charging interest by the loan provider, as such terms are solely established through a prearranged contractual agreement.

Islamic FinTech lending in Indonesia began to spread in 2017 (Uyen & Ha, 2017). During that particular year, three Islamic FinTech lending enterprises were granted authorization by the OJK to operate their businesses. These companies were

identified as PT Dana Syariah Indonesia, PT Investree Radhika Jaya, and Ammana FinTech Syariah. The three companies are engaged in funding or capitalising on a business.

The ensuing disparities between Islamic and conventional FinTech lending are as follows:

Table 2. 2 The Difference between Conventional and Islamic FinTech Lending

No.	Indicators	Conventional FinTech lending	Islamic FinTech lending
1.	Interest	Borrowers are obliged to repay the loan and interest as a profit to the FinTech company.	Borrowers are not charged interest because interest contains the element of usury
2.	Financing products	No financing for education, Hajj and Umrah	Financing for education, hajj, umrah and others that are not available in conventional fintech
4.	Regulations	BI No 19/12 /PBI/2017, OJK No.77 /POJK.01 /2016	BI No19/12/PBI/2017, OJK No.77/POJK.01/2016, Fatwa from National Sharia Board MUI No. 117/DSN-MUI/II/2018
5.	Supervision	BI/OJK	BI/OJK, Sharia Supervisory Board
6.	Working mechanism	Management and distribution of funds with conventional principles, namely with the existence	Management and distribution of funds with Sharia principles, there is a clearer contract

		of interest at the time of return of funds	
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Furthermore, Sharia banks are often said to be outrun by Islamic FinTech lending. Since the emergence of Islamic FinTech lending in 2014, financially, based on data from OJK, Islamic banks are still in a stable and growing condition. Return on Assets (ROA) of Sharia Commercial Banks from 2016 to 2019 was recorded to increase from 0.63% in 2016 to 1.73% in 2019. In Sharia Business Units (UUS), ROA was also recorded as stable at 1.77% in 2016 to 2.04 % in 2019 (Wirdiyanti, 2019).

Then, do these two Islamic Financial Institutions (IFIs) become friends or foes? First, examine some of the differences in characteristics. First, there are two different financial concepts, namely intermediation and disintermediation. The idea of intermediation means there is a middleman between the over unit (saver) and the dearth part (recipient of funding) (I. Lee & Shin, 2018; Tambunan, 2014). In contrast, in the concept of disintermediation, surplus units have the absolute right to choose which deficit units they will provide financing funds. In this case, the intermediation system is inherent in Islamic banks and regular banks, in general, remembering that the Banking Act of 1998 stated the function of banks as a collection of public funds and then channelled to the deficit unit. On the other hand, following POJK 77 in 2016, FinTech, specifically Islamic FinTech lending, instead brought investors and business owners together via the platform they created (Selim, 2020).

The second difference lies in the management of incoming funds. Islamic Banks offer short-term deposits, savings and long-time deposits. Funds from these products are combined in one portfolio and then distributed to long-term financing. The bank funding product is less than one year and then allocated funding for over one year. On the side of Islamic FinTech lending, especially in FinTech lending, investors who place funds in one business cannot withdraw their funds before the project is completed. There is a match between the period of funding and financing.

Third, from the certainty of providing financing to the Deficit Unit. Sharia Bank, which in this case, becomes Mudharib (Entrepreneur) who manages funds from Savers / Surplus Units (*shahibul Maal*), will conduct a Financing analysis following applicable SOPs. After the bank is approved and signed, the bank must disburse the funds to the Debtor. On the other hand, in FinTech lending, which performs as a platform provider and financing analyst, the entrepreneur has uploaded his information on the platform and the campaign process for raising and starting 30 days after the submission is declared feasible (Mbawuni & Nimako, 2017). If the required amount is not met, then the request of the entrepreneur is cancelled. Moreover, conversely, if these entrepreneurs' needs are met, funds will be channelled directly from the surplus unit to the deficit unit. The fourth difference, when customers save at a Sharia Bank, their savings will be guaranteed by the Deposit Insurance Agency for deposits amounting to under 2 billion. In Islamic FinTech lending, there is no deposit guarantee, and all risks from this financing are borne entirely by the investor.

Islamic banks use the concept of net revenue sharing. The idea used refers to DSN Fatwa number 15 concerning Revenue Sharing in which customers and Islamic banks share results from financing income, not from net profits after deducting all costs such as labour costs, OHC, and marketing costs. FinTech lending, on the other hand, revenue sharing, especially in the Cooperation Agreement (*Musyarakah*), is the keyword for the success of the project owner's business. When a company fails, there will be no revenue share.

Both IFIs have a symbiosis of mutualism because Islamic FinTech lending has certainly opened an account at a Sharia Bank for their Operational needs. On the other hand, the Surplus and Deficit units at FinTech must have a bank account before making a transaction. Business friendships will be more closely given restrictions on the amount of financing given by FinTech Sharia. POJK 77 states that the maximum funding of Islamic FinTech lending is Rp 2 billion. This means submissions above 2 billion can be transferred from Islamic FinTech lending to Islamic banks.

2.9 MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs) IN INDONESIA

MSMEs perform essential roles in fostering the enlargement of the rural economy in developing countries. Its position may be argued as a foundation of the national economy, which is measured very high, underwriting the national GDP and captivating the uppermost total of workers in Indonesia. Thus, developing MSMEs is a well-thought-out and important program opportunity (Haris, 2020; Sulistyowati et al., 2018). However, depending on the country's level of development and policy aims, the definition may vary (Wasiuzzaman, 2019). MSMEs often employ one to two people or fewer than five people, including unpaid family members. They also lack company licenses and other legal requirements, such as accounting procedures and accurate working locations, among other things. Other features of MSMEs include the presence of women in labour-intensive sectors.

MSMEs may be divided into three categories, according to Wirdiyanti (2019): production, trade, and services. The production category includes both agricultural and non-agricultural activities. Meanwhile, trading activities include shopkeeping, small business, and selling specialized commodities such as vegetables, fish, and so on, while transport services include rickshaws, boats, and motor vehicles used as taxis. (Wirdiyanti, 2019). Provisionally, Belas et al. (2016) described that MSMEs differ from income-generating activities (IGAs), which engage just the entrepreneur and have less than USD500 in assets and fewer than 10 people. Income-generating activities are more substantial (Belás et al., 2016).

Additionally, the Indonesian Government Act no 20/2008 detailed the following examples of micro, small, and medium businesses (Atmadja et al., 2016):

Table 2. 3 Classes of Enterprises

No	Classes of Enterprises	Description
1	Micro enterprises	Businesses with net assets (without land and buildings) of less than IDR 50 million

		(USD 5,556) and total yearly sales of less than IDR 300 million (USD 33,334).
2	Small enterprises	possess net assets, exclusive of land and buildings, ranging from IDR 50 million to IDR 500 million (USD 5,556 to USD 55,556) and generate total annual sales between IDR 300 million and IDR 2.5 billion (USD 33,334 to USD 277,778)
3	Medium-sized	Businesses have net assets (not including land and buildings) of between IDR 500 million and IDR 10 billion (USD 5,556 and USD 55,556) (USD 55,556 - USD 1,111,111). In addition, their total yearly sales range from IDR 2.5 billion to IDR 50 billion (USD 277,778 to USD 5,555,556).

2.9.1 The Roles of MSMEs in Indonesia

MSMEs' development in Indonesia is necessary because they serve a vital role in maintaining the national economy's base. The activities that take place in the real world and primarily involve individuals with low incomes. On the other hand, MSMEs are small firms that normally employ only the owner and a few employees (Lawhaishy & Othman, 2023). They feel that supporting the working poor and jobless through MSMEs is good.

A staggering number of 56.8 million MSMEs have been recognized, signifying that MSMEs constitute a remarkable 99.9% of the total business landscape. The rest are giant corporations, which account for barely 0.01 per cent of all companies. MSMEs appear to be more prominent than small and medium firms among MSMEs. It covers over 98.7% of the market, whereas small and medium businesses account for only 1.13 per cent and 0.09 per cent, respectively (Haris, 2020; Tambunan, 2014).

2.9.2 Constraint of MSMEs in Indonesia

The two factors, namely internal and external factors, can analyse obstacles and constraints faced by MSMEs in most developing countries like Indonesia. Internal factors include a lack of business management skills, lack of skilled labour (Haris, 2020), lack of capital, and so on, while bureaucracy's lack of policy and complexity is included in the external factor.

In Indonesia, most corporates recognize lowly arrangements as the primary restraint to the process (Baihaqqy et al., 2020). Poor infrastructure was identified as a critical limitation by 34.6 per cent of businesses. In East Java, on the other hand, 23.2 per cent of businesses identified it as their top issue. Insufficient infrastructure has emerged as a significant contributor to the elevated logistical expenses in the nation, consequently impeding the competitive edge of the Indonesian economy. Furthermore, poor road condition obstructs the integration of impoverished and rural communities into larger markets. High expenses and the time it takes to reach markets lower profitability and result in a significant economic opportunity loss (Sulistiyowati et al., 2018).

Typically, significant issues that impede MSMEs from growing are difficulties finding a potential market, lack of technological skills and management and low productivity. Some researcher found that these aspects have had many insinuations for business expansion in Indonesia (Usman et al., 2021). Meanwhile, others add that some issues and challenges such as business legality, low market, simple packaging, and low technology are primary elements that hamper the progression of MSMEs in Indonesia (Samudro et al., 2021). These results make parallel with prior research shown by Ayyagari, Beck and Demircuc-Kunt (2003).

2.10 ISSUES IN ISLAMIC FINTECH LENDING

Islamic FinTech lending raises several issues, including concerns regarding product genuineness, an inadequate number of *mudharabah* and *musharakah* options, Shari'ah compliance, and insufficient funds. As noted by Karim et al. (2008), the valuation of

Shari'ah-compliant goods is often similar to that of conventional goods. For instance, *Murabaha* funding may be perceived as vague due to the ambiguity surrounding interest as either a markup charge or management payment. Consequently, (Naeem et al., 2023) argue that Islamic finance is frequently viewed as a mere “rebranding” of conventional finance, failing to truly reflect Islamic principles.

An additional concern pertains to the restricted availability of *mudharabah* and *musharakah* funding. It is widely acknowledged that *murabahah* funding is a highly sought-after product amongst Islamic microfinance institutions (MFIs), and they heavily depend on this form of financing. The *murabaha* financing process is deemed secure and low-risk, as it involves IFIs purchasing requested goods and subsequently selling them back to customers with an overdue payment. Nevertheless, impoverished individuals have diverse financial requirements, and a significant number of them necessitate products such as savings, micro-insurance, transfer services, and even housing products. The advanced design of multiple products and services following Sharia opens up more significant opportunities and a broader segment of Sharia financial customers (Maryam & Ahmad, 2022).

Furthermore, one of the foremost challenges confronting the Islamic financial sector pertains to the dearth of proficiency in Shari'ah and financial management. Saeed et al. (2009) discovered that the operation of Islamic finance in Bangladesh, specifically the financing of *mudharabah*, differs significantly from what is conceptually understood. Nonetheless, the *mudharabah* has become similar to *murabahah*, as Islamic microfinance banks purchase goods based on the client's requests and see them as an investment in the relationship. Consequently, the clients make periodic repayments towards the financing.

Another issue that is compliant with Shari'ah is the misuse of *murabahah* financing. According to a survey done by Ali et al. (2021), the usage of *baymuajjal* finance creates a chance to abuse funding by diluting rather than supplying products or assets. The working modes of this finance are costly. Additionally, it is impossible to acquire the goods/assets that the beneficiaries seek (Ali et al., 2021). Lastly, insufficient financial resources represent a significant obstacle that may impede the growth of IFIs. As a result of their inherent nature, these institutions are unable to provide deposit-

taking services in the same manner as traditional banks (Hudaefi, 2020). During the initial stages of operation, Islamic FinTech lending requires substantial funding, particularly when the savings of beneficiaries are still minimal.

2.10.1 Empirical Studies in Islamic FinTech Lending

Several Islamic FinTech lending studies have been done in various countries, particularly in Muslim-majority countries. This section will highlight some of the studies on Islamic FinTech lending in poverty alleviation. Sidaoui et al. (2022) examined support for the establishment of IFIs. The study indicated that IFIs (such as Al-Fallah, Noble and Rescue) generally have a high potential of Islamic FinTech lending to fulfil the needs of the poor or the lower class people (Sidaoui et al., 2022). Other studies support this study, such as Darmansyah et al. (2020) found that the role of Islamic FinTech lending, significantly influences poverty alleviation and increases the lower class people's living standards. UNDP (2018) indicated that Islamic FinTech lending plays an essential role in alleviating poverty in Indonesia (Darmansyah et al., 2020).

In Pakistan, Akhter et al. (2019) conducted a study on *Akhuwat*, an Islamic FinTech lending platform that has emerged as an important player in the business sector of Pakistan. The researchers highlighted that *Akhuwat* has effectively addressed the need for alternative funding options for small entrepreneurs. Furthermore, their findings demonstrated that through the provision of interest-free loans, known as *Qardl al Hasan*, these institutions have successfully catered to the financial needs of various vulnerable groups, including the impoverished population in Pakistan. Meanwhile, Metawa et al. (2019) observed the impact of the micro-lending by the FinTech program of Amanah Ikhtiar Malaysia (AIM) on clients' economic performance (Metawa et al., 2019). Similar findings to Akhter et al. (2019) study, Sad and Duasa found that the amount of credit, education level, age, gender, and assets influenced the economic performance of clients significantly. The study also found that micro-entrepreneurs in Malaysia greatly demand Islamic FinTech lending products. Another study conducted by Saad (2017) also indicated that AIM, through its microcredit and training activities, has been a valuable tool in alleviating poverty, including improving health conditions

and enhancing the education level of its member's children. In addition, a positive outlook of Islamic FinTech lending is also found in Indonesia. Rulindo and Paramanik (2018) found Islamic FinTech lending has a positive impact on their clients.

2.11 THEORETICAL FRAMEWORK

Theoretical frameworks serve the purpose of linking concepts, theories, or models that are pertinent to research. Their significance lies in their ability to establish a conceptual basis for research. Furthermore, they provide guidance for data collection by defining variables and relationships. Theoretical frameworks aid in the interpretation of findings during data analysis. Moreover, they enable the generalization of research outcomes to wider situations or populations. Additionally, they play a crucial role in understanding the context and influencing factors, thereby directing practical implications. Hence, theoretical frameworks are essential in research due to their contribution to the conceptual foundation, guidance in data collection and analysis, support in generalization, and direction in practical implications.

2.11.1 Description of Theory of Planned Behaviour

In 1985, Icek Ajzen introduced the Theory of Planned Behaviour (TPB), an extension of the Theory of Reasoned Action (TRA). TPB is widely used to explain how knowledge and incentives influence human behaviour (Ajzen, 1991). TPB focuses on the motivating factors of behaviour, including attitudes, subjective norms, and perceived behavioural control, which all contribute to the formation of intentions. Subjective norms refer to societal pressures that influence specific behaviours (Ajzen, 1991). Attitude is the extent to which a person evaluates certain behaviours positively or negatively (Ajzen, 1991). TPB also aims to predict behaviours that are not intended, such as controlling perceived behaviour (Bizri et al., 2018; Kumari et al., 2022).

When considering an investment project, a businessperson must take into account factors that may influence their decision-making process. To achieve this objective, several factors can alter a student's perception of the desired outcome.

Numerous studies have been conducted to explain the changes in an individual's motivation to achieve their goals (Daiyabu et al., 2023). The TPB is a model utilized to forecast behavior, encompassing the choice to pursue advanced education and ascertain motivation. Previous research on measuring changes related to behaviour to predict future behaviour led to the development of the TPB, which emphasises the role of cognitive self-regulation (Ajzen, 1991: 180). According to Lee et.al, TPB is one of the applied theories that have been successfully utilised in research on human behaviour (J. W. Lee & Lee, 2019).

The TPB is grounded on the assumption that humans generally act rationally and consider both implicit and explicit information to evaluate the potential outcomes of their actions. This theory posits that an individual's interest in or lack thereof in a particular behaviour is the primary and most influential determinant of their subsequent actions. According to Myers (2010: 169), Ajzen and Fishbein have provided evidence that an individual's interests are influenced by attitudes, perceived social norms, and perceived behavioural control. These factors collectively determine their behaviours. Furthermore, the three fundamental determinants proposed by TPB that influence interest are attitude, subjective norms, and behavioural control. A strong interest in behaviour will ultimately shape an individual's actions. Action, in the form of behaviour, can manifest when an individual possesses the opportunity and a sufficient level of control. Ajzen (2005) provides a clearer depiction of the TPB in Figure 2.1 below.

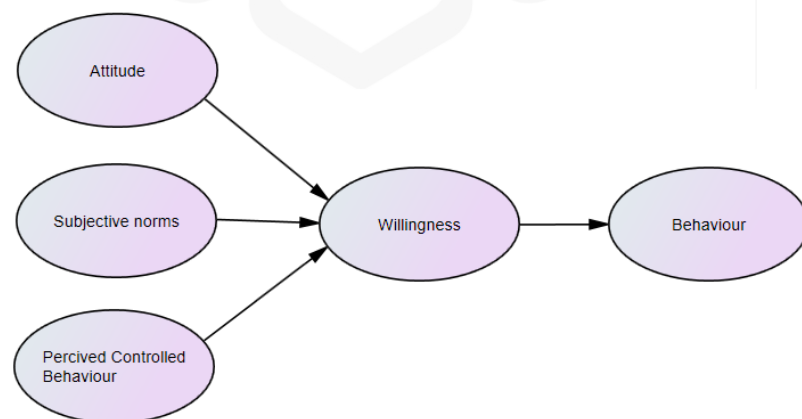


Figure 2. 1 Theory of Planned Behaviour (Ajzen, 2005)

2.11.2 Elements in the TPB

The Theory of Planned Behaviour (TPB) is a psychological framework used to analyse human behaviour based on beliefs about the consequences of that behaviour. TPB considers attitudes, subjective norms, and perceived behavioural control. In financial behaviour, TPB is effective because it accounts for psychological factors, explains complex behaviour, identifies determining factors, and can be applied in financial education and intervention programs.

2.11.2.1 Attitude towards Behaviour

Attitudes consist of two components that work together: beliefs about the upshots of behaviour and the positive or negative assessments of each behaviour's virtue. Attitude denotes to a positive or negative belief or feeling towards the display of a specific behaviour (Widyastuti et al., 2021). If a person evaluates a behaviour positively, they are likely to exhibit it. Their behaviour is influenced by their consideration of the anticipated effects. These attitudes directly impact behavioural intentions and are connected to subjective norms and perceived behavioural control.

Furthermore, it defines attitude as the evaluation of a person's beliefs or positive or negative feelings when they are required to perform a certain behaviour. Attitude is described as "a learned predisposition to consistently respond favourably or unfavourably towards a given object" (Mazambani & Mutambara, 2019). This definition encompasses three key elements: (1) the meaning of attitude; (2) the observable actions; and (3) the consistency of both positive and negative actions towards the object. Attitude can also be understood as the extent to which someone assesses or evaluates the value of behaviour as good (favourable) or bad (unfavourable) (Bizri et al., 2018). Hence, a person's attitude is shaped by their belief in the benefits they will gain as a result of their behaviour, which is referred to as behavioural beliefs.

Behavioural beliefs refer to an individual's beliefs regarding the outcomes and evaluation of a particular behaviour. These beliefs are connected to specific outcomes or the funds spent during the behaviour. Additionally, a person's attitude is influenced

by their assessment of the results or consequences associated with their behaviour, as well as the strength of this relationship. The concept of attitude plays a crucial role in explaining human behaviour, with attitudes towards investment being one example (Daiyabu et al., 2023). In the context of this research, attitudes towards investment in Islamic fintech lending are defined as beliefs about the potential outcomes that an entrepreneur may achieve through such investments.

Attitudes towards investment behaviour in Islamic Fintech lending are determined by two key factors: the strength of behavioural beliefs and the evaluation of outcomes. An individual's attitude towards a behaviour reflects their perception of their beliefs about that behaviour, whether positive or negative, as well as their evaluation of the results that may arise from it (Kumari et al., 2022). The strength of behavioural beliefs represents the level of an investor's belief in the benefits or consequences they may attain by continuing to invest. If an investor strongly believes that investing in Islamic fintech lending will yield positive outcomes, they are more likely to continue investing.

Conversely, if an entrepreneur believes that investing in Islamic fintech lending will lead to negative impacts or consequences, they will perceive continuing the investment as unfavourable. On the other hand, outcome evaluation involves assessing the results that an entrepreneur may obtain by continuing their investment. If entrepreneurs perceive positive outcomes through their assessment, they are likely to hold a positive attitude towards investing in Islamic fintech lending.

2.11.2.2 Subjective Norms

Subjective norms are considered to be a specific factor that influences whether or not an individual exhibits a particular behaviour. It refers to the social pressures that either encourage or discourage the performance of a behaviour. In the TPB, subjective norms play an important part in determining an individual's interest in carrying out or abstaining from a specific behaviour, as they are influenced by the individual's perception of other people's beliefs (I. M. Shaikh et al., 2020).

These beliefs held by others can take the form of agreement or disagreement with a particular behaviour or recommendations from social groups regarding the execution or avoidance of certain behaviours. When these beliefs serve as a reference point for guiding behaviour, the individual or social group is referred to as a reference. If an individual believes that others also think they should engage in a certain behaviour, they are more likely to exhibit that behaviour (I. M. Shaikh et al., 2020). Depending on the behaviour in question, important references may include parents, spouses, close friends, colleagues, or even experts in the field (such as physicists or tax accountants).

Based on the aforementioned understanding, it can be concluded that in this research, subjective norms refer to entrepreneurs' perceptions of recommendations, suggestions, and expectations from others regarding their behaviour in investing in Islamic fintech lending, as well as their motivation to fulfil these recommendations, suggestions, or expectations.

2.11.2.3 Replacing Perceived Behavioural Control to Financial Self-Efficacy

A person's ability to control their behaviour is dependent on the absence of any obstacles that may hinder its display. Perceived behavioural control (PBC) refers to an individual's perception regarding the level of control they have over their engagement in a specific behaviour (Widyastuti et al., 2021). These beliefs and perceptions can be derived from past experiences with the behaviour in question, as well as anticipation of potential obstacles.

Furthermore, PBC can also be influenced by indirect information about the behaviour. For instance, observing the experiences of friends or other individuals who have engaged in the behaviour can also impact one's perception of the ease or difficulty associated with carrying out the behaviour (Sivaramakrishnan et al., 2017). A crucial aspect of behavioural control revolves around the psychological processes involved in decision-making. It encompasses not only an individual's primary belief in performing a behaviour and how others perceive it but also their belief in their capability to execute the behaviour, known as self-efficacy. The perception of self-efficacy reflects an individual's belief in their ability to exert control over their functioning and the events that influence their lives.

If a person believes that they lack the necessary resources or opportunities to engage in a particular behaviour, despite having a positive attitude and the belief that others would approve of it, they are less likely to develop a strong inclination towards performing that behaviour (Ajzen, 1991: 88). The underlying beliefs of PBC are control beliefs, which pertain to an individual's beliefs about their abilities, resources, and opportunities to carry out a behaviour (Ajzen, 2005). While Ajzen (1991: 184) argues that PBC and self-efficacy can be used interchangeably, some authors argue that the two concepts are not entirely synonymous.

In the Theory of Planned Behaviour (TPB), perceived behavioural control is a fundamental aspect that encompasses an individual's belief in their ability to carry out a specific behaviour. This element holds great importance in the prediction and comprehension of human behaviour, as it indicates the level of control individuals perceive over their own actions. Conversely, financial self-efficacy pertains to an individual's confidence in their capacity to effectively handle financial matters and make sound decisions in this domain. Both perceived behavioural control and financial self-efficacy play significant roles in influencing behaviour, particularly when it comes to financial decision-making. Perceived behavioural control stands as a crucial component within the Theory of Planned Behaviour, as proposed by Icek Ajzen. It posits that individuals are more inclined to engage in a particular behaviour if they believe they possess the necessary skills, resources, and opportunities to successfully carry it out. In the context of financial decision-making, perceived behavioural control can manifest as an individual's confidence in their ability to budget effectively, save money, make wise investments, or resist impulsive spending.

On the other hand, financial self-efficacy draws inspiration from Albert Bandura's concept of self-efficacy, which refers to an individual's belief in their capability to execute the necessary actions to handle potential situations. In the realm of personal finance, financial self-efficacy reflects an individual's confidence in their capacity to make well-informed and effective financial choices (Chuah et al., 2020). This encompasses managing debt, setting financial goals, creating budgets, making prudent investments, and planning for retirement.

The replacement of perceived behavioural control with financial self-efficacy within the context of TPB could be a significant adjustment for various reasons. One of these reasons is the alignment with self-efficacy theory. By integrating financial self-efficacy into TPB, there is a closer alignment with Bandura's broader theory of self-efficacy, leading to a more comprehensive understanding of how beliefs about one's financial capabilities impact decision-making (I. M. Shaikh et al., 2020). Additionally, there is a specific focus on financial competence. Financial self-efficacy targets an individual's confidence in managing financial matters, offering a more nuanced perspective on how beliefs about financial abilities influence intentions and behaviours related to money management. Another benefit is the enhanced predictive power. Research has demonstrated that self-efficacy beliefs are strong predictors of behaviour in various domains.

By emphasising financial self-efficacy within TPB, researchers may improve the model's predictive power in understanding and forecasting financial behaviors. Lastly, there are practical implications. Concentrating on financial self-efficacy can have practical implications for interventions aimed at enhancing individuals' financial decision-making skills. By boosting individuals' confidence in their financial capabilities, interventions may be more successful in promoting positive financial behaviours (Akhtar & Das, 2019a). In conclusion, substituting perceived behavioural control with financial self-efficacy in the TPB framework provides a more targeted and nuanced approach to understanding how beliefs about one's financial abilities influence decision-making processes related to personal finance.

2.11.3 Empirical Studies of the Theory of Planned Behaviour

A review of early studies documented that the TPB has been employed and well-supported in a wide of range fields. It has been used extensively to examine social psychology behaviour (Ajzen, 1991) to conduct in the information system (Gopi & Ramayah, 2007). Ajzen (1991) attempted to show that the TPB may be used to study the complexities of human social interaction. In general, the results suggest that attitudes towards the behaviour, subjective norms about the conduct, and perceived control over the fixation are reliable predictors of behavioural intentions.

TPB has also been found to be an essential model in information system-related areas. Nguyen and Gopalaswamy (2018) found characteristics that impact Malaysian investors' intentions to utilize Internet stock trading by collecting data from investors involved through a systematic questionnaire that is used in Malaysian online stock trading. However, out of 300 questionnaires distributed, only 144 were usable. The study showed a direct positive relationship between three core TPB constructs: attitude, subjective norm, perceived behavioural control, and behavioural intention to use Internet stock trading. Thus, they concluded that the TPB could be used to clarify variations in behavioural purpose and real practice (Nguyen & Gopalaswamy, 2018).

Other researchers have used TPB to buy behaviour-related studies, such as Alam and Sayuti (2018) and Salahuddin and Luthfi (2019). Alam and Sayuti (2018) conducted a study that investigated the TPB as a theoretic context that influences the obtaining behaviour of Malaysian customers with concern to halal food. The study identified attitude, subjective norm, and perceived behaviour control as independent variables. The variable of interest was the behavioural intention towards the obtaining of halal food products. Conducting those variables, the researchers' hypothesised three independent variables have a positive association with behavioural intention in purchasing a halal food product. The research findings revealed that attitude exerted a positively result on the intent to purchase halal food, as reported by 251 participants. Conversely, subjective norms were found to have a favourable effect on the intention to acquire halal food. According to Alam and Sayuti (2018), social pressure may recompense for highly favourable sentiments in forming intentions to consume halal cuisine in such a setting. Finally, the study found that perceived behavioural control substantially impacted the desire to buy halal food (Alam & Sayuti, 2018).

Meanwhile, Salehuddin and Luthfi (2019) tested the TPB applicability in clarifying the intent to seek information about the Halal certification. This idea puts respondents to the test in various shopping situations to see if they will switch from consuming items without certified Halal labelling. 150 Muslim undergraduates from the University of Indonesia were selected as the research sample. Contrary to Alam and Sayuti's (2019) finding, Salehuddin and Luthfi found that the argument does not fully explain Muslim buyers' desire to learn more about Halal labelling and to cancel

purchases if no Halal label can be discovered. Furthermore, the findings revealed that there are disparities in the degree and importance of causal linkages between product categories despite the high quality of the structural models. They believe that a single person's behaviour may vary depending on the product category (Salahuddin & Luthfi, 2019).

The TPB model is used in Islamic banking to assess people's inclination towards using Islamic banking products. A study by Amin et al. (2019) examined the impact of attitude, subjective norm, and perceived behavioural control on the desire to use Islamic house financing, specifically in the context of *musharakah mutanaqisah* in housing finance. The study collected survey data from 168 bank customers and found that attitudes, subjective norms, and perceived behavioural control significantly influenced customers' intentions to use *musharakah mutanaqisah* house finance. Thus, the study concluded that TPB components were applicable in the *musharakah mutanaqisah* home financing context.

In proportion to this finding, Amin et al. (2019) confirmed that the TPB constructs, namely attitude and perceived behaviour, are essential issues the intention to use Islamic home financing. Nonetheless, a definitive and significant correlation between subjective norms and the intent to utilize Islamic home financing among Muslims residing in the Klang Valley is absent. It suggests that the respondents have a greater thoughtful of Islamic house finance and, as a result, make judgments based on their own experience and expertise, with little regard for the opinions of others (Alam et al., 2018).

TBP model to banking and finance-related studies, currently, there has been increasing interest in the applicability of TPB in forecasting the attitudes of the MSMEs toward the intention to use FinTech. Ashraf and Ibrahim (2018) examined the low participation of the MSMEs in FinTech in Bangladesh by the TPB model as a theoretic context. The factors that determine MSMEs' engagement in FinTech are examined using eight antecedent beliefs discovered. The authors discovered that attitude determines intention to participate in Islamic FinTech lending financing, demonstrating that fear of taking on loan risk and individual choice and experience have a significant effect on MSMEs' involvement behaviour. Furthermore, the research conducted by the

authors revealed that a minimum of five external factors exert a noteworthy influence on the involvement of MSMEs in FinTech in Bangladesh. Consequently, the authors recommended the inclusion of self-efficacy metrics in FinTech participation studies to gain a wider-ranging thoughtful of the potential limitations faced by MSMEs in Bangladesh (Ashraf and Ibrahim, 2018).

To the utmost extent of our understanding, no previous application of the TPB model has been observed in the perspective of predicting the acceptance of Islamic FinTech lending. Nevertheless, several studies applied the TRA model to predict behaviour using Islamic FinTech lending. Among them is Mohammad (2019), who examined the attitudes of micro-entrepreneurs towards behaviour that affects the intention to use Islamic FinTech lending instruments in Nigeria. The utilization of the TRA model, which facilitates the prognostication of the intention to engage in Islamic FinTech lending instruments, has demonstrated that the intention to employ the Islamic FinTech lending model was considerably impacted by the micro investors' attitude. At the same time, subjective norms were found to be insignificant. However, subjective norms could predict intention through attitude in the revised model.

In 2017, Abbas, Razak, and Saad conducted a study on the intention to utilize Islamic FinTech lending and the obstacles faced by microentrepreneurs in Pakistan. The research methodology involved the gathering of primary data over a questionnaire survey, which was administered to a total of 270 respondents in Rawalpindi, Lahore, and Peshawar. Their study indicated that Islamic FinTech lending is a favoured choice and an effective instrument to reduce poverty. Furthermore, the authors noted that religious motive is the primary determinant of micro-entrepreneurs intention to choose Islamic FinTech lending.

Islamic fintech lending is a rapidly growing sector that combines financial technology with Islamic finance principles. Sharia compliance plays a crucial role in this industry as it ensures that the financial activities align with Islamic law. Sharia compliance acts as a moderating variable in the investment intentions of individuals engaging in Islamic fintech lending. This is due to the unique characteristics and requirements of Sharia-compliant investments, which influence investors' decision-making processes.

2.11.4 Sharia Compliance in Islamic Fintech Lending

Sharia compliance refers to the adherence of financial activities to the principles outlined in Islamic law, also known as Shariah. In the context of Islamic fintech lending, Sharia compliance dictates that transactions must be free from elements such as *riba* (interest), *gharar* (uncertainty), and *haram* (prohibited) activities according to Islamic teachings. This ensures that investments made through Islamic fintech platforms are ethically sound and comply with religious guidelines.

2.11.4.1 Moderation Role of Sharia Compliance

Ethical Considerations: Sharia compliance serves as a moderating factor by emphasizing ethical considerations in investment decisions. Investors in Islamic fintech lending are more likely to consider the ethical implications of their investments due to the religious guidelines associated with Sharia compliance. This ethical dimension influences their intention to invest in projects or platforms that adhere to Islamic principles.

Sharia compliance also acts as a moderating variable by incorporating risk management practices based on Islamic finance principles. The prohibition of speculative and uncertain transactions under Sharia law helps mitigate risks associated with investments, thereby influencing investors' risk perceptions and investment intentions. Investors place significant importance on trust and credibility when engaging in financial transactions, especially in the context of Islamic finance. Sharia compliance enhances trust among investors by ensuring transparency, fairness, and adherence to ethical standards. This trust factor positively impacts investors' intentions to participate in Islamic fintech lending activities.

The increasing demand for Sharia-compliant financial products has led to a broader acceptance of Islamic fintech lending within Muslim communities and beyond. As Sharia compliance becomes more mainstream, it contributes to the normalization of Islamic finance practices and influences individuals' attitudes towards investing in this

sector. Hence, Sharia compliance serves as a critical moderating variable in shaping individuals' investment intentions in Islamic fintech lending. By upholding ethical standards, managing risks effectively, enhancing trust and credibility, and gaining market acceptance, Sharia-compliant investments play a pivotal role in attracting investors to participate in this growing sector.

2.11.5 The Relationship Between Financial Knowledge, Attitude, and Investment Intentions in Islamic Fintech Lending: Attitude as a mediating variable

Financial knowledge, attitude, and investment intentions are crucial factors in determining individuals' decisions to invest in Islamic fintech lending platforms. Financial knowledge refers to an individual's understanding of financial concepts, products, and services. Attitude represents one's feelings and beliefs towards a particular subject or behavior. Investment intentions indicate an individual's willingness and plans to invest in a specific financial instrument or platform.

Financial knowledge plays a significant role in shaping individuals' investment intentions. A higher level of financial knowledge equips individuals with the necessary information to assess investment opportunities, understand risks, and make informed decisions. In the context of Islamic fintech lending, individuals with greater financial knowledge may have a better understanding of how these platforms operate, the principles of Islamic finance involved, and the potential returns and risks associated with such investments. Attitude serves as a mediating variable between financial knowledge and investment intentions in the context of Islamic fintech lending. In this scenario, attitude acts as a bridge that connects an individual's level of financial knowledge to their investment intentions. The attitude towards Islamic fintech lending platforms can be influenced by various factors such as trust in the platform, perceived social norms regarding such investments, religious beliefs related to Islamic finance principles, and past experiences with similar investments (Abadi & Bin Annuar, 2023).

The attitude towards Islamic fintech lending platforms can significantly impact individuals' investment decisions. A positive attitude towards these platforms may lead individuals to perceive them as trustworthy, compliant with Islamic principles, and

offering attractive investment opportunities (Widyastuti et al., 2021). On the other hand, a negative attitude stemming from concerns about risk, lack of transparency, or ethical considerations may deter individuals from investing in these platforms despite having sufficient financial knowledge about them.

In summary, attitude acts as a mediating variable between financial knowledge and investment intentions in Islamic fintech lending. While financial knowledge provides individuals with the necessary information to evaluate investment opportunities, it is their attitude towards these opportunities that ultimately influences their decision-making process. By understanding how attitudes shape investment intentions in the context of Islamic fintech lending, stakeholders can design targeted interventions to enhance positive attitudes towards these platforms and encourage greater participation from investors.

2.11.6 Financial Self Efficacy as a Mediating Variabel Between Personal Traits and Investment Intention

Financial self-efficacy refers to an individual's belief in their ability to successfully manage financial matters. Personal traits encompass various characteristics such as risk tolerance, personality traits, and attitudes towards finance. Intentions to invest in Islamic fintech lending involve the willingness of individuals to engage in investment activities within the Islamic financial framework.

Financial self-efficacy plays a crucial role as a mediating variable between personal traits and investment intentions in Islamic fintech lending due to several reasons such as Behavioral Influence. Financial self-efficacy influences an individual's behavior towards financial decision-making. When individuals have high financial self-efficacy, they are more likely to exhibit proactive financial behaviors, including investing in Islamic fintech lending platforms. Risk Perception. Personal traits such as risk tolerance can impact an individual's perception of risk associated with investments. Financial self-efficacy mediates this relationship by moderating how individuals perceive and respond to risks in investment decisions.

Moreover, Individuals with high financial self-efficacy are more confident in their ability to make sound financial decisions. This confidence translates into a higher intention to invest in Islamic fintech lending, as they believe they can navigate the complexities of such investments effectively. Also, Financial self-efficacy is closely linked to an individual's financial knowledge and skills. As a mediating variable, it bridges the gap between personal traits and investment intentions by enhancing individuals' capabilities to understand and engage with Islamic fintech lending products. In the context of Islamic finance, where ethical and Sharia-compliant principles guide investment decisions, financial self-efficacy becomes essential in aligning personal traits with the values and norms of Islamic fintech lending practices (Arlov, Ognjan ; Rankov, Sinisa ; Kotlica, 2011)e.

To sum up, financial self-efficacy serves as a critical mediating variable between personal traits and investment intentions in Islamic fintech lending by influencing behavior, risk perception, decision-making confidence, knowledge acquisition, and cultural alignment within the context of Sharia-compliant investments.

2.12 PROPOSED HYPOTHESIS

A proposed hypothesis in a study is a statement put forward by the researcher as a potential solution to the research question. It guides the study by focusing on relevant variables and aiding in data collection. It also establishes a foundation for testing assumptions and motivates researchers to test and verify their predictions. Additionally, proposed hypotheses contribute to the relevance of the research and serve as the basis for drawing conclusions.

2.12.1 Previous TPB-based research on investment intentions

The TPB has been utilized in several research studies to forecast individuals' intents to invest in the financial market. This research laid the underpinning of TPB in investment decisions. Also, many studies have used TPB as a theory associated with a person's intention to invest in the financial sector. The studies become the reference to the use of TPB in investment intents in Islamic FinTech lending. In this study, TPB is

comprised of attitude, subjective norms, and financial self-efficacy. Thus, this research links investment intentions with TPB and will generate three hypotheses based on previous studies.

Attitude; Attitudes have two main dimensions: an instrument representing whether a deed is needed, dangerous or prised. In the typical TPB model, the attitude of MSMEs towards investment intentions in Islamic FinTech lending can be related. According to George (2004), intentions represent future behaviour, while actual behaviour describes past events. George asserts that past behaviour can be the best substitute for future behaviour, although it is not always good. Therefore, participation can be referred to as involvement in decision-making that implies empowering and educative practices.

With this in mind, participating directly in investing in Islamic FinTech lending will provide comprehensive benefits for customers to obtain financing sources different from existing ones such as banking. Experimental proof shows a significant relationship between attitudes and actual behaviour (Akhtar & Das, 2019b). The other side describes behaviour, whether it is pleasant or not. Many studies on attitudes that positively impact intentions have been carried out (Tasca et al., 2018; Wu & Wang, 2017). In the current research, individual attitudes towards investing in financial markets may be crucial in fostering the motivation to obtain the desired degree of financial stability. (Kang et al., 2016; Makinde et al., 2016). Accordingly, if MSMEs believe that the Islamic FinTech lending products and services offered are affordable, good service, product suitability, and following religious beliefs, convenience, and value for increasing community subsistence, their attitude towards Islamic FinTech lending must be a positive influence on investing in the Islamic FinTech lending. So,

Ho1: Attitude towards Islamic FinTech lending has no positively affects MSMEs' investment intentions in Islamic FinTech lending.

Ha1: Attitude towards Islamic FinTech lending positively affects MSMEs' investment intentions in Islamic FinTech lending.

Subjective norms; In the context of TPB, individuals tend to exhibit a greater intention towards the financial sectors, with a particular emphasis on FinTech Lending.

This intention is often influenced by the encouragement received from individuals nearby or by their perception of the necessity to engage in such activities. In this manner, a person may perform particular conduct beneath social weight if they wish to achieve it. Subjective norms impact individuals' social environment or social pressure on specific behavioural intentions (Fishbein and Ajzen, 1975). That is the individual's insight into the possibility that a possible reference group or individual agrees or disagrees with a given behaviour (Sivaramakrishnan et al., 2017; Thoradeniya et al., 2015).

The predictive capacity of empirical subjective norms concerning intention has yielded inconsistent findings. Several investigations have reported that subjective norms do not exert an influence on behavioural intentions (Akhtar & Das, 2019b; Kirbrandoko, 2018; Thoradeniya et al., 2015), while others have demonstrated a significant association between subjective norms and intentions (Yadav & Pathak, 2016). However, the inconsistency of these findings has led the researcher to put forward an alleged influence between the subjective norms of MSMEs on investment intentions. It is reinforced by Ziadat (2014) and Taylor and Todd (1995b), confirming a positive association among subjective norms and actual behaviour, mainly investment intentions. Therefore, the proposed hypothesis is:

Ho2: MSMEs' subjective norms has no positively influence investment intentions in Islamic FinTech lending.

Ha2: MSMEs' subjective norms positively influence investment intentions in Islamic FinTech lending.

Financial Self-Efficacy (FSE); FSE can be expressed as an individual's acceptance in their ability to perform specific actions to achieve specific goals. It is widely observed as a reliable measure of one's ability to engage in particular behaviours, as it enhances an individual's level of self-assurance. More noteworthy certainty in accomplishing wanted positive results is frequently related to expanded resilience for the money-related chance at the cost of return on venture due to over-trading and desire for unseemly return.

Individual self-efficacy reflects how a person feels capable of performing the behaviour. Empirical data on self-efficacy as a predictor of intention offer varied outcomes, similar to subjective norms. This level of vulnerability is regularly measured through “seen chance” (Rantapuska & Ihanainen, 2008; Warren et al., 2018), which is characterized as the chance that propels decision-makers, especially in MSMEs, to lock in particular behavioural designs. Individuals with elevated levels of self-efficacy possess the conviction that they are capable of effectively scrutinizing, organizing, and deriving meaningful inferences from restricted and ambiguous information. Inquire about the significance of this belief that self-efficacy has an impact on business knowledge, investing behaviour, portfolio selection, and investment funds (Riitsalu & Murakas, 2019; Sayyadi Tooranloo et al., 2019), gender, and retirement investment fund procedures (Mazambani & Mutambara, 2019).

Several studies have found that FSE does not affect behavioural intention (Akhtar & Das, 2019b), and others have exposed an important association between FSE and intention (Thoradeniya et al., 2015). In a comparable vein, Kirbrandoko et al. (2018) show that self-efficacy impacts intentions to embrace Islamic banking services in Morocco significantly (Kirbrandoko, 2018). It shows that the adoption of Islamic financial services is not purely volitional behaviour but requires specific knowledge and resources to be carried out. In this study, self-efficacy is an individual's opinion about his confidence in investing in Islamic FinTech lending. Furthermore, several studies have found that FSE significantly affects actual behaviour (Ferreira et al., 2017; Verma et al., 2019). FSE can significantly influence an individual's intention to invest in Islamic fintech lending for more likely to feel confident in their decision-making abilities regarding investments. This confidence can lead them to consider and engage in investment opportunities, including those offered by Islamic fintech lending platforms. FSE also affects how individuals perceive and respond to financial risks. Those with higher levels of financial self-efficacy may be more willing to take calculated risks, such as investing in innovative financial products like Islamic fintech lending, due to their belief in their ability to navigate potential challenges. Thus, the proposed hypothesis posits

Ho3: There exists has no a positive relationship between Financial Self-Efficacy and the investment intentions of MSMEs in the domain of Islamic FinTech lending.

Ha3: There exists a positive relationship between Financial Self-Efficacy and the investment intentions of MSMEs in the domain of Islamic FinTech lending.

2.12.2 Incorporation of additional construction into the TPB

The function of financial behaviour, which includes attitude, subjective norms, and financial self-efficacy, provides a theoretical basis for adding financial knowledge. Previous studies have found that excellent financial behaviour is frequently linked to a greater level of financial understanding. (Glas & Eßig, 2018). However, there is a paucity of research on the link between financial knowledge and investing risk-taking. (Mariappanadar & Kairouz, 2017).

Domain-specific factors can be added to the TPB to boost predictive power, according to previous research (D. K. C. Lee & Teo, 2015; Yadav & Pathak, 2016). To evaluate investment intentions among potential investors, the core TPB construct has been supplemented with two additional constructs: financial knowledge and personality characteristics. Financial knowledge is taken into account since it is considered that it may considerably influence financial conduct. (C. G. O. Bongomin et al., 2017; Zahera & Bansal, 2018). The personality traits are included as constructs because research in behavioural finance has exposed that personal features influence investment decisions (Kalinić et al., 2019). Meanwhile, in terms of theoretical support to include financial knowledge, it plays a role in mediating attitudes. Studies have consistently shown a strong correlation between good financial behavior and a higher level of financial knowledge (Che Azmi et al., 2016; Wasiuzzaman & Edalat, 2016).

Nevertheless, certain literature delves into the examination of the relationship between financial knowledge and the propensity for risk-taking in investment decisions (Rasheed & Siddiqui, 2019). Financial knowledge is acquired through the processes of learning, organizing, representing, and storing information in memory (Atmadja et al.,

2016). According to several studies, financial knowledge is divided into two categories: objective and subjective (Wasiuzzaman & Edalat, 2016). The purpose of objective financial knowledge is that it serves as a link between different sources of information, while subjective financial knowledge is a driver of the level of reliability of existing knowledge (Rasheed & Siddiqui, 2019). As a result, objective knowledge is real information, whereas subjective knowledge is knowledge that incorporates a personal's level of trust in knowledge. In terms of how objective knowledge influences decision-making accuracy, subjective knowledge influences decision-making self-confidence.

Someone who is informed has the benefit of categorizing financial data across numerous classes of financial assets rather than categorizing it by distinct features. (Barrus et al., 2018). These individuals can expand their knowledge and comprehend financial data (Hussain et al., 2018). Having a solid understanding of financial concepts is crucial for effectively analysing financial data and making informed decisions. Conversely, individuals who lack this objective financial knowledge are unable to grasp or develop these concepts (Aisaiti et al., 2019). Because it is people's real knowledge, this research exclusively evaluates objective financial knowledge. It also allows potential investors to look more externally in the face of the current financial market uncertainty.

According to Klapper et al. (2015), the importance of financial knowledge is heightened as people encounter a progressively intricate and contemporary market environment in which individuals are considered to possess financial literacy if they have a grasp of four essential financial concepts: numeracy, risk diversification, inflation, and compound interest. On the contrary, if a person is financially illiterate, it can lead to negative repercussions such as more debt and higher loan interest rates (Aydin & Akben Selcuk, 2019; Nejad & Javid, 2018), more loans and fewer savings (Lusardi & Tufano, 2015). People with a financial background, on the other hand, are better at managing their money (Belhadi et al., 2018). These people are more inclined to disperse their money over a variety of financial assets to diversify their risk, even seeing modern investment opportunities in the financial sector such as FinTech.

Mustapha et al. asserted that a person's financial education might also lead to them honing their financial abilities and attitudes (Mustapha & Tlaty, 2018). Thus, this

research incorporates financial knowledge in the research framework and TPB's basic construction for studying investment intentions. Hence, the subsequent hypothesis posits the following:

Ho4: Attitude serves as a mediator in the association between financial knowledge and investment intentions.

Ha4: Attitude serves as a mediator in the association between financial knowledge and investment intentions.

2.12.3 The role of Financial Self Efficacy (FSE) between personality traits and investment intentions

Financial self-efficacy is a robust forecaster of investment risk-taking (Safa et al., 2015). Akhtar and Das (2019) show that self-efficacy affects risk-taking by influencing insight into opportunities and threats. Rendering to these research findings, FSE supports the discovery of fresh investment prospects (Akhtar & Das, 2019b).

Furthermore, research in behavioural finance has demonstrated that psychological elements, such as personality traits, can influence individuals to become investors in addition to the combination of information and expertise (Pak & Mahmood, 2015). This research focuses on two of an investor's most important personality traits: predisposition for innovation (PI) and risk-taking proclivity (RTP). PI can keep track of and adjust to changes in the environment. RTP, on the other hand, may be characterized as a person's risk-taking attitude while making judgments (Wasiuzzaman & Edalat, 2016). There are three reasons why these two personality traits have been employed to forecast investment intention. Since the outset, these personality traits have been utilized to depict the investment behaviours of individuals. Second, RTP was utilised to measure a person's preparedness to make judgements (Akhtar & Das, 2019b); third, the kind of PI has been utilized to assess individual preferences for financial sector investment and overtrading (Akhtar & Das, 2019b).

FSE predicts investment intentions and personality attributes, as shown in the preceding discussion. As a result, this study hypothesizes that, whereas personality

characteristics predict investment intentions, FSE has a considerable positive and negative effect on this connection. Testing the model for mediation and moderation, as Baron and Kenny (1986) point out, can offer a stronger thoughtful of how the third variable (in this case, FSE) affects the dependent variable, namely MSMEs' investment intentions in Islamic FinTech lending financing. Because of these factors,

Ho5: Personality traits and investing intentions cannot be mediated by FSE.

Ha5: Personality traits and investing intentions be mediated by FSE.

2.12.4 Moderating Effect of Sharia Compliance

A good culture can create beliefs and behaviour. Furthermore, religion is a subculture that has durable power over a consumer's emotions, experiences, thoughts, behaviour, and psychology (Rosavina et al., 2019; Usman & Sari, 2019). In the context of a study on Islamic FinTech lending, it is imperative to consider religious matters as they are inherently intertwined with this financial practice. Islamic FinTech lending operates under a "Sharia-compliant financial system," which strictly prohibits the payment of interest on loans, commonly referred to as usury (Trimulato et al., 2020). The curtailment of bank interest in the guise of usury serves as the bedrock for the expansion of FinTech lending. However, Islamic banks must function in compliance with the entirety of Islamic law. Islamic FinTech lending, according to Usman et al. (2020), is FinTech lending that follows Islamic law. As a result, Islamic FinTech lending financing must adhere to several regulations set down in Islamic law, often known as Sharia Compliance.

The primary mission of Sharia compliance is to increase customer confidence, especially Muslim customers, in financial product services, such as banking. The rules drawn up by policy-making authorities related to Sharia compliance are expected to strengthen the existence of FinTech lending and reduce the negative impact or impression of conventional FinTech. FinTech lending, which prioritizes a convenient, efficient, and safe approach (Uyen & Ha, 2017), has a very high financing risk. Therefore, the role of Sharia compliance is an alternative that both investors and consumers expect. FinTech lending, which plays an essential role in improving service

efficiency and saving significant transaction costs began by relating financial services from traditional approaches (Abdul Rahman et al., 2016b; Faizal & Rahim, 2016), opens up enormous opportunities for MSMEs to get involved as investors, not as investors just as users or consumers. FinTech financing has lowered transaction costs and boosted financial inclusion accessibility, in addition to delivering convenient and flexible financial services (Owens, 2013). FinTech loan services provide enhanced connectivity among suppliers and customers, as well as among consumers themselves.

The principle of prudence is also a factor considered in FinTech Islamic FinTech lending transactions, which refers to Sharia compliance regulating things detrimental to one party and violating Islamic religious rules. Investor experience is linked to sensory, emotional, cognitive, bodily, and social reactions and beliefs, according to Kurt et al. (2020) (Kurt et al., 2020). The reaction to subjective standards, Sharia Compliance, and investment intention have all gone through a process that began with factors already present in the individual and ended with the individual's decision. Sensorial, emotional, cognitive, physical, and social reactions, beliefs, and Sharia compliance do not play independent roles in achieving a response, especially in Islamic finance. Nonetheless, make an effort to engage with one another. Sharia compliance also acts as a moderating variable by incorporating risk management practices based on Islamic finance principles. The prohibition of speculative and uncertain transactions under Sharia law helps mitigate risks associated with investments, thereby influencing investors' risk perceptions and investment intentions.

Ho6: Sharia compliance cannot moderate the connection between investment intention and attitude.

Ha6: Sharia compliance moderates the connection between investment intention and attitude.

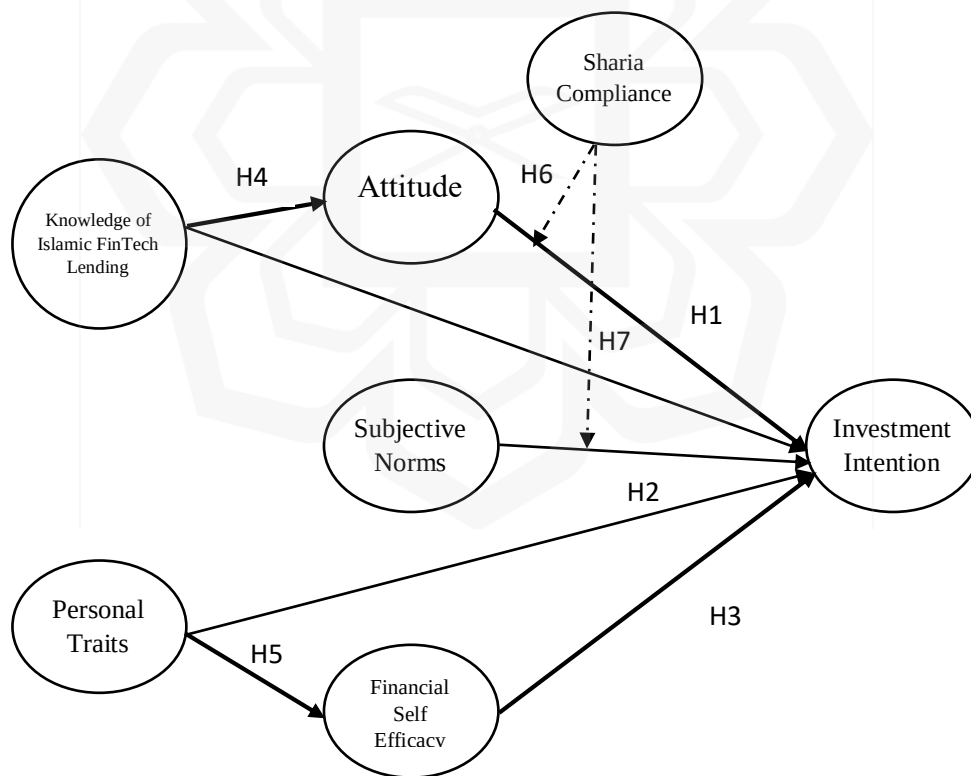
Ho7: Sharia compliance cannot moderate the link between subjective standards and investment intent, resulting in a greater association when Sharia compliance is high.

Ha7: Sharia compliance moderates the link between subjective standards and investment intent, resulting in a greater association when Sharia compliance is high.

2.13 RESEARCH FRAMEWORK

The following figure is the research model based on TPB with additional variables such as knowledge of Islamic FinTech lending, personal traits and Sharia compliance. The figure 2.2 shows that the structural equation model (SEM) with knowledge of Islamic FinTech lending, personality traits and TPB predict investment intentions of MSMEs in Islamic FinTech lending. The weighted arrows explain the mediated relationship. The third variable in SEM (Structural Equation Modelling) acts as a mediating factor, influencing the association between the independent and dependent variables, thereby establishing an indirect connection between them.

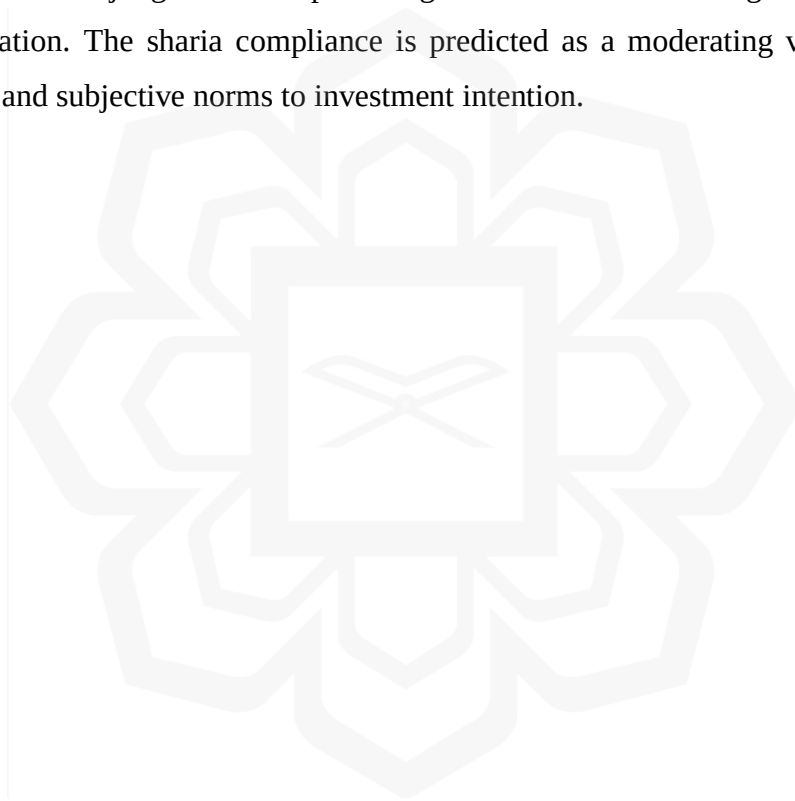
Figure 2. 2 Research Framework



Mediating variables have the potential to exert either full mediation or partial mediation influence on the relationship between the independent variable and the dependent variable. Mediating variables are latent variables that are not directly observed and measured. The round dotted arrows indicate a moderate association

between attitude, subjective norms, and investment intents. Furthermore, the position of attitude and FSE is predicted to be mediating variables for the financial knowledge and personal traits to investment intention.

Moderation analysis is useful in SEM because it can give more information about the connection between variables. We would only perceive the direct association between X and Y if we did not examine a third variable that may influence it. By introducing moderator variables, we may understand the context in which the association arises and what factors impact it. This can assist researchers in making better-informed judgments and providing a broader understanding of the topic under investigation. The sharia compliance is predicted as a moderating variable between attitude and subjective norms to investment intention.



CHAPTER THREE

RESEARCH METHODOLOGY

3.1 INTRODUCTION

The methods utilised are examined in detail within this chapter. Given the mixed-mode nature of data collection, the study objective is approached through two distinct avenues. As such, both quantitative and qualitative methodologies are used to attain the research ideas. The chapter includes a philosophical viewpoint, research design, and subject area. It discusses sources of data, sample size and sampling techniques. The discourse encompasses the apparatus employed for data generation, the methodology of gathering information, the technique of statistics investigation, and the quantitative data processing procedure. The chapter concludes with a summary.

3.2 PHILOSOPHICAL STANCE

As with other research, this study is based on an underlying philosophical view to determine which research methods are appropriate for developing knowledge. Scholars have primarily theorised philosophical stances. According to Creswell (2003), various paradigms can be used to categorise philosophical stances, including ontology (the nature of knowledge), epistemology (the means of acquiring knowledge), axiology (the values inherent in knowledge), rhetoric (the manner of expressing knowledge), and methodology (the approach to studying). They refer to a research culture with beliefs, values, and assumptions that influence researchers to seek out and understand the facts they gather (Morgan, 2007:51). The research paradigm was divided into five groups by Saunders et al. (2015): positivism, critical pragmatism, interpretivism, postmodernism, and rationality.

Both quantitative and qualitative methodologies are employed to achieve the study objectives because they offer different perspectives and understandings of the

research focus. Quantitative techniques encompass the gathering and examination of numerical information, enabling statistical analysis and the extrapolation of findings to a broader population. It is useful for measuring and quantifying variables, identifying patterns, and testing hypotheses.

Conversely, qualitative methodologies encompass the gathering and examination of non-numeric information, including interviews, interpretations, and literal analysis. The methodology facilitates a more profound comprehension of the subject of study, delving into individuals' experiences, perceptions, and motivations. Qualitative methods prove especially beneficial when investigating intricate phenomena, exploring uncharted research territories, or formulating hypotheses.

Researchers can enhance the validity and reliability of their study by utilising both quantitative and qualitative methodologies. Quantitative data offers a wide-ranging perspective and statistical evidence, while qualitative data provides detailed and nuanced insights into the research topic. This combination enables a thorough comprehension of the phenomenon being investigated, encompassing both the breadth and depth of the research area.

Moreover, the utilisation of both methodologies can effectively address the constraints associated with each approach. Quantitative methods may disregard significant contextual factors or struggle to encompass the intricacies of human behaviour. Also, in qualitative methods, the researcher may lack the ability to generalise and may be biased. By amalgamating both approaches, researchers can alleviate these limitations and acquire a more holistic comprehension of the research subject.

Overall, employing these methodologies in a study allows researchers to achieve their objectives by providing a holistic and nuanced studying of the topic. This methodology enriches the validity, reliability, and generalizability of the results, underwriting a more tough and comprehensive body of knowledge. Thus, the rationale behind the utilisation of the pragmatism approach and the mixed method approach lies in the fact that qualitative methods are most suitable for addressing research inquiries, particularly those about the viewpoints of experts concerning the issues and obstacles associated with the implementation and adaptation of novel financial technologies, such

as Islamic FinTech lending, within the Indonesian context. On the other hand, other questions are best answered by utilising the quantitative method in particular questions related to identifying the knowledge, behaviour and personality traits of managers or owners of MSMEs to invest in Islamic FinTech lending.

3.3 RESEARCH PARADIGM

The paradigm is a collection of assumptions and conceptual frameworks that support research and growth in a certain field of study (Liu & Shrestha, 2008). According to Patton (1990), a paradigm is a strategy for simplifying the intricacies of the actual world. According to Guba (1990), a paradigm is a conviction, and occasionally an emotion, about understanding and studying the environment (Z. Li et al., 2018). These are my thoughts and feelings. Ontology, epistemology, and methodology were the three categories that Denzin and Lincoln (2012) used to categorize such ideas and attitudes. Ontology deals with the nature of real life, whereas epistemology is engaged with knowledge, how it is obtained and evaluated, and the interaction between the inquirer and the known (Kirbrandoko, 2018).

The research method takes into account the starting point for the study. It's critical to understand and choose the right research method for the job. Deductive and inductive reasoning are commonly considered by scholars as two separate and opposed educational approaches to thinking (Cerika & Maksumic, 2017). Gray (2004) clarified that the deduction instigates a broader statement and progresses to a more particular statement, with logical implications derived based on the data provided. This strategy, according to Finn et al. (2000), is for quantitative data, whereas the inductive approach is for qualitative data. Deductive research, on the other hand, uses observation to assess the formation of ideas and hypotheses. Lancaster (2005) also stated that the deductive research technique is best suited for researchers who want to create a hypothesis and then use statistical tests to confirm it (Xiao, 2019).

Inductive reasoning, on the other hand, is the polar opposite of deductive reasoning, in which researchers observe something in detail before moving on to more abstract generalizations and concepts (Neuman, 2007). Inductive reasoning, according

to Trochim (2001), starts with particular observations to quantify phenomena that researchers want to investigate, followed by the detection of patterns and regularities (Healy et al., 2018). As a result, preliminary hypotheses emerge (Mertens, 2008). Finally, depending on their data, researchers form broad conclusions or hypotheses. The inductive method is a bottom-up strategy, whereas the deductive approach is top-down. Thus, philosophical viewpoints are classified according to ontology, epistemology, and methodology, with axiological and rhetorical (Xiao, 2019).

3.4 STUDY POPULATION

The study population may be delineated as the cohort being investigated, ascertained by the research objectives. In the quantitative method, the population under scrutiny comprises Indonesian MSMEs. Because the number of Indonesian MSMEs is vast, this inquiry will focus on the Indonesian Muslim Entrepreneur Community (IMEC/KPMI). The Indonesian Muslim Entrepreneur Community is spread over 35 Regional Coordinators, 33 regencies/cities throughout Indonesia and two overseas coordinators. There are 48 thousand registered KPMI members.¹ Conversely, the participants of the qualitative interviews comprised esteemed academics, the Indonesian Sharia board, and professionals who serve as practitioners or managers of MSMEs that operate within the Indonesian market.

3.5 SAMPLING TECHNIQUE

In the process of gathering quantitative data, the purposive and snowball sampling methods sampling is employed due to the dearth of information about members of the Indonesian Muslim Entrepreneurs Community. While probability sampling design is the preferred method as it enables the selection of every MSME client in the sample, its implementation proved to be arduous as defendants were disinclined to contribute to

¹ <https://metromilenial.id/2023/08/07/ketum-komunitas-pengusaha-muslim-indonesia-kukuhkan-pengurus-korwil-makassar/>

the survey. The scheduling of meetings was also challenging due to financial and time constraints.

Despite its drawbacks, such as the inability to generalize findings and the risk of sample bias (Neuman, 2011), simple sampling remains the most extensively employed approach in the social and behavioural sciences (Blanche et al., 2008). Wen (2010) and Jennings (2010) backed up this claim, claiming that this strategy is good for getting several replies quickly and cheaply. Other scientists, such as Ashraf (2010), Adewale et al. (2012), and Abbas et al. (2013), have employed this sample approach. People with decision-making authority in MSMEs are among the respondents.

Moreover, the questionnaire shall be disseminated to individuals who satisfy the aforementioned criteria. The selection criteria for respondents are as follows:

1. The respondents must hold decision-making positions within their respective companies.
2. The MSMEs should have been operating for a minimum of 5 years.
3. The maximum annual turnover allowed is IDR 5 billion.
4. The businesses must have at least three operational units.

In addition, this study also employs purposive and snowball sampling methods for the qualitative data. As a result, while the information collected cannot be generalized, it is the optimal sampling strategy when just a small population can supply the information needed.

3.6 SAMPLING SIZE

A research sample refers to a small portion or subset that is extracted from a larger research population and subsequently examined and analysed. The aim of selecting this sample is to confirm that it accurately represents the entire population and aids in drawing broader conclusions.

In this particular study, the Slovin formula is employed to determine the appropriate sample size. The Slovin formula, also known as the Slovin formula, is a

technique utilised to calculate the number of samples from a population to attain the preferred level of accuracy in research. Based on the Slovin formula, it can be detailed as follows:

$$n = \frac{N}{1 + Ne^2}$$

$$n = \frac{48000}{1 + 48000(0,05)^2}$$

$$n = \frac{2654}{1 + 48000(0,05)^2}$$

$$n = \frac{48000}{1 + 120}$$

$$n = \frac{2654}{121} = 396,69$$

Description:

n: sample size

N: total population

e: tolerance error (0.05 = 5%)

In this particular study, the total population consisted of 48.000 individuals. To ensure accuracy, a sample size of 396.69 samples was initially calculated. However, to maintain precision, this number was rounded up to 400 samples.

However, researchers have long debated sample size determination in the social sciences, especially using SEM as an analytical technique. Sekaran (2003) proposes that sample sizes ≥ 30 but ≤ 500 are sufficient for most studies. Hair et al. (2006) claim that sample sizes of 200 to 400 are sufficient for SEM analysis using maximum likelihood estimates. On this basis, it is determined that the number of targets used for this research is about 400 respondents.

3.7 INSTRUMENT DEVELOPMENT PROCESS

In quantitative research, three processes of instrument development are discussed in this section—namely, the development of instruments, instrument measurement items, reliability and validity. Meanwhile, the design of qualitative research instruments is also discussed. The following subsections discuss this in detail.

3.7.1 Instrument Development

The instrument uses a questionnaire. Questionnaires can be defined as forms prepared and distributed to secure responses (Sing, 2006). Usually attach questions related to theory, and concepts drawn from a literature review (Yin, 1994). The primary benefit of utilizing a questionnaire is that the recipient can obtain all of the respondent's comprehensive responses within a designated timeframe.

In this study, the questionnaire is divided into three main parts. Part A and B are designed to use the scale type questions (Likert Scale) to measure the variables to achieve research objectives 1 and 2, respectively. Part C is the respondents' demographic information. Table 4.1 details the descriptions of the questionnaire used in this study.

Tabel 3. 1 Description of the Questionnaire

Part	Name	Descriptions
A	Antecedences of Invesment intention	This part explains the scale type questions (Likert scale) used to measure variables in order to achieve the first objective. A total of 43 questions was included in this part
B	Demographic information	The demographic information includes the gender, age, marital status, religion, level of education, borrowing for microenterprises, microenterprises as the main source of income,

With reference to the above table, Parts A and B were designed for the scale type questions using the Likert scale to measure barrier variables and factor variables that influence clients' participation in Islamic microfinance as stated in the first and the second objectives, respectively. Churcill and Iacobucci (2005) suggested the process of questionnaire development with ten steps as depicted in Figure 3.1. This presents a stage-by-stage procedure in designing a practical questionnaire for this study. For large-scale surveys, Neuman (2007) indicates that employing a closed- ended questionnaire is considered to be easier and quicker for both respondents and researchers in dealing with the data collection process. To achieve the objective of the study, a self-administrated closed-ended questionnaire was developed. Besides a simple

questionnaire, the use of a closed-ended questionnaire is appropriate given its usefulness in considering the time constraints of this study and useful for reaching a fairly large number of respondents. Based on the different characteristics, the data was designed to be quantified using measurable instruments which it can be nominal, ordinal, interval and ratio scale (Singh, 2006). The justification for using measurement scale is besides being a popular measurement and making easier and manageable for coding and categorising, a Likert scale is used to measure the degree to which a person agrees or disagrees with different statements in the research instrument. Moreover, as asserted by Sekaran (2003), a Likert scale can be planned to scrutinise how robustly respondents indicate their level of agreement or disagreement with a particular statement which characterise an item the measurement scale. For rating statements given to the respondents, Gray (2004) revealed that using a 7-point Likert scale offers researchers more variance. On the other hand, as suggested by De Vaus (1995), a 5-point Likert scale provides enough choices to the respondents to answer. However, regardless the scale issue, using a 5 or 7-point Likert scale is likely to generate the same results (Colman et al. 1997; Dawes, 2008). Therefore, the study employed a 5-point scale in developing the questionnaire by setting preferences to the items as considered in previous studies. Each item of the questionnaire is measured using a scale where 1 stands for strongly disagree, 3 for neutral and 5 stands for strongly agree.

3.7.2 Instrumentation of Measurement Items

The assessment form was adapted from the relevant variables. The survey instrument was initially crafted in the Indonesian language and subsequently rendered into English as an analytical instrument for the present investigation. The substances of the assessment questionnaire were adapted from the relevant variables as presented in the previous chapter (Chapter Two).

The questionnaires were distributed to two members of the academic faculty within the Department of Management, University of Darussalam Gontor, a staff of the Financial Service Authority (OJK) and one practitioner of Islamic FinTech lending from an Islamic FinTech lending company. The objective was to assess the substance, syntax, order of inquiries, phrasing, and utilization of pertinent terminology and concepts. As a result, a survey scale was established to evaluate affordability, eligibility, accessibility,

availability, Shari'ah-compliant factors, and concepts of the Theory of Planned Behaviour. Additionally, constructive feedback was acquired, and slight adjustments were implemented accordingly.

The current study adopted multiple-scale items as employed and adapted in previous studies. Table 3.1 explains the measurement items used for the analysis.

Tabel 3. 2 The Instrumentation of Measurement Items

Constructs	Items/statements	Reference
Personality Traits	People usually ask me for assistance for performing creative activities	Adapted from Akhtar et al. (2018)
	I always think of original ways of performing a task	Adapted from Demirguc-Kunt & Klapper (2012)
	I always try to invent new uses for everyday objects	
	I would prefer to invest money in safer Islamic FinTech lending	Adapted from Demirguc-Kunt et al. (2008)
	Determine minimum account-balance requirements can cause barrier of affordability	
	I consider investment in Islamic FinTech lending as an important aspect of my life	
	Islamic FinTech lending makes me more confident than the conventional one	
	Islamic FinTech lending offers a better social prestige than the conventional	
Financial Knowledge	I like investing my money in multiple business or investments	Adapted from Demirguc-Kunt & Klapper (2012)
	If the prices of products that I buy today doubles over the next ten year barriers my income also doubles, I will be able to buy the same product in the same quantity	Adapted from Demirguc-Kunt et al. (2008)
	I possess a comprehensive understanding of the fundamental principles governing Islamic FinTech lending	Adapted from Ayidne and Echchabi

	I possess the requisite expertise pertaining to Islamic FinTech lending services.	(2012); Echchabi and Aziz (2012)
	Islamic FinTech lending charges lower transaction fees compared to conventional	Taylor and Todd (1997); Shih and Fang (2004); Echchabi and Aziz (2012)
	The compatibility of Islamic FinTech lending with my social values is evident.	
	The practice of Islamic FinTech lending aligns with my religious beliefs and values.	
	Islamic FinTech lending caters to my financial requirements.	
	The Islamic FinTech lending option aligns well with my lifestyle.	
	I possess a satisfactory comprehension of the principles governing Islamic FinTech lending.	
	I am knowledgeable about the majority of the transactions involved in this field.	
Attitude	Investment in Islamic FinTech lending is a good idea	Adapted from Beck et al. (2008)
	Investing in Islamic FinTech lending is a wise choice	Adapted from Demirguc-Kunt et al. (2008)
	I like the idea of investing in Islamic FinTech lending	
	Investing in Islamic FinTech lending services is Profitable	Adapted from Taylor and Todd (1995); Taylor and Todd (1997)
	Investing in Islamic FinTech lending services is valuable	Adapted from Echchabi and Aziz (2012)
	Investing in Islamic FinTech lending services is worthy	
	I think that investing in the Islamic Fintech lending can enhance the financial knowledge of individuals	
Subjective Norms	My colleagues and friends are investing in Islamic FinTech lending	Adapted from Shih and Fang(2004)
	Individuals who hold significant importance in my life would opine that I ought to utilize Islamic FinTech lending services.	
	My parents who are important to me would	

	think that I should use Islamic FinTech lending services	
	My friends who are important to me would think I should use Islamic FinTech lending services	Adapted from Echchabi and Aziz(2012)
	My siblings who are important to me would think I should use Islamic FinTech lending services	Adapted from Shih and Fang(2004)
	My colleagues who are important to me would think I should use Islamic FinTech lending services	Adapted from Echchabi and Aziz(2012)
	Those have important influence on me to think that I should invest in Islamic FinTech lending	
	I will participate in Islamic FinTech lending investment if a famous public figure encourages it	
Syariah Compliance	offering financing with interest (<i>Riba</i>) is not <i>Sharia</i> compliant	Adapted from Echchabi and Aziz(2012)
	Providing financial product that contains <i>gharar</i> is not <i>Sharia</i> compliant	
	Providing financial product that contains <i>maysir</i> is not <i>Sharia</i> compliant	
	Fairness of the product is an important element for <i>Sharia</i> compliant	
	I chose <i>Sharia</i> Fintech lending because all business activities are halal.	
	I chose Islamic Fintech Lending because I trust Islamic FinTech Lending to run the business with trust.	
Financial Self Efficacy	It is hard to stick to my spending plan when unexpected expenses arise	Adapted from Tooranloo et al (2019)
	It is challenging to make progress toward my financial goals	
	When unexpected expenses occur I usually have to use credit	Adapted from Akhtar et al. (2018)
	When faced with a financial challenge, I do not find it hard to figure out a solution	
	I do not lack confidence in my ability to manage my finances	
	I have trouble finding a solution when facing a financial problem	
	I lack confidence in managing my personal Finances	

	I worry about not having enough funds when I retire	
Intention to Invest	I do not worry about running out of money in retirement	Adapted from Kang et al (2016)
	I will invest in Islamic FinTech lending shortly	Adapted from Chaudhary (2019)
	I will encourage my friends to invest in Islamic FinTech lending	
	I will encourage my family to invest in Islamic FinTech lending	
	I am likely to fund another project on the platform if I am in demand	
	I can stand the inconvenience caused by Islamic Fintech lending investment	

Since the questionnaire was prepared in English, translation into Bahasa Indonesia was made, which is based on the backward translation method to reduce translation bias and error. Only a minor change was observed and it was resolved accordingly.

3.7.3 Reliability and Validity

One of the pivotal phases in the process of conducting an investigation is to ascertain the dependability and accuracy of the measuring tool. This is undertaken to attain the authenticity of the research outcomes and is typically carried out before the commencement of the actual survey. Scholars have developed several techniques to measure the reliability and validity of measurement tools.

3.7.3.1 Questionnaire Reliability

Reliability is described as the steadiness and constancy of the instrument (Sekaran, 2003). Creswell (2003) states that an instrument is reliable if it produces similar results in repeated trials. In other words, it has an internally consistent score over time. According to Hair et al. (2010:634), in the context of SEM, reliability refers to the internal consistency of a set of indicators measuring latent constructs. Experts suggest

several methods to test reliability. Using Cronbach's alpha coefficient (α) aims to estimate the internal steadiness and correlation between items of the underlying factors (Roberts et al., 2006). The correlation coefficient is a number that runs from zero to one, with a higher coefficient indicating more dependability. As suggested by Hair et al. (2010), when testing an instrument's internal consistency, a result of 0.70 or above is regarded as appropriate. Flynn et al. (1994) recommended that Cronbach's Alpha of 0.6 and above be considered the accepted reliability for rating scales. However, a reliability of 0.80-0.90 is suggested for most studies (Roberts et al., 2006).

3.7.3.2 Validity of Measurement Scale

Similar to reliability testing, validity is another essential tool in developing a questionnaire. Although both generally have the same role, there are different ways to ensure research findings' credibility through questionnaires. Reliable steps do not always guarantee proper steps. Bollen (1989) and Kothari (2004) stated that the amount to which the instrument measures the concept in issue is referred to as validity. Creswell (2003) asserts that a relevant and justified clarification about a sample or population is called validity. Meanwhile, Finn et al. (2000) classify validity into internal and external validity. External validity denotes the generalizability of results that may be utilized to know the matching event in multiple situations, whereas internal validity refers to cause and effect and established conclusions.

However, several measures were used to test the validity, including content validity and construct validity (Kothari, 2004; Neuman, 2007). Content validity discusses how it provides sufficient coverage of the investigative questions to guide research (Cooper and Schindler, 2008). The persistence of content validity is to confirm that the things measured in the instrument are proxies of the constructs they measure (Kline, 2011). Furthermore, the assessment of content validity can be accomplished through meticulous delineation of the subjects under investigation, the items to be measured, and the scale employed. In addition, the content validity of an instrument can be evaluated by experienced people to assess how well the instrument meets the standards (Cooper & Schindler, 2008).

3.7.4 Qualitative Research Instruments

The second tool utilized is an interview, which serves as a means to gather qualitative data from participants. The interview questions are tailored to align with relevant theories concerning the topics of MSMEs' concerns and intentions regarding Islamic FinTech lending.

3.7.4.1 Phenomenology as the method

The selected approach for this research is phenomenology, which focuses on understanding the core of the experiences of people. It involves describing the existence of a phenomenon through the perspectives of participants. Phenomenological study gives precise accounts of individual experiences, enabling a thorough comprehension of the phenomena. Given the suitability of phenomenology for investigating subjective experiences as well as the objective of the research, which is to explore Islamic FinTech lending from the perspectives of academics, businesspeople, and regulators, a phenomenological approach was chosen as the best method for this research.

3.7.4.1.1 Categories of Phenomenology

This study is a hermeneutic phenomenological investigation, which falls into two main categories: transcendental and hermeneutic. Transcendental phenomenology, introduced by Husserl, explores the consciousness of lived experiences and the perception of phenomena. Intentionality, the relationship between objects and their appearance in consciousness, is a key concept in this approach. Transcendental phenomenology emphasizes that the essence of phenomena arises from one's intentionality in experiencing them. Husserl also proposed that intentional experiences consist of noema (the phenomenon or what is experienced) and noesis (how the experience is lived). Both noema and noesis are interconnected with the meaning of a phenomenon. By focusing on meaning, the essence or underlying structure of a phenomenon can be uncovered in transcendental phenomenology.

Moustakas (1994) suggests that researchers using the transcendental phenomenological method must temporarily embrace subjectivity to fully understand participants' experiences. This process, called epoche or bracketing, helps maintain neutrality and objectivity. The purpose is to comprehend individuals' lived experiences and phenomena under investigation (Neubauer et al., 2019; Willis, 2004). Furthermore, Heidegger's (1962) hermeneutic phenomenology challenges Husserlian transcendental phenomenology. Hermeneutic phenomenology focuses on unveiling individuals' experiences within their backgrounds (Heidegger, 1962; Sloan & Bowe, 2014). It involves interpreting narratives about the lived environment (Barua, 2007; Hein & Austin, 2001). Consequently, a central theme of hermeneutic phenomenology involves interpreting individuals' narratives about their lived environment (Barua, 2007; Hein & Austin, 2001).

The hermeneutic approach requires meaningful interaction between researchers and participants. This interaction allows for questioning, confirming, and clarifying interpretations, leading to a deeper understanding of the phenomenon (Lavery, 2003; Sloan & Bowe, 2014). Unlike transcendental phenomenology, hermeneutic phenomenology opposes the idea of bracketing. Heidegger (1962) argued that individuals cannot detach themselves from their surroundings, as meaning is constructed through engagement with lived experiences (Ginev, 2019; Suddick et al., 2020).

3.7.4.1.2 Hermeneutic Phenomenological Process

The hermeneutic phenomenological process involves a series of steps that a researcher must undertake to precisely define the existing experiences of participants and comprehend the universal essence of the portent. The first stage is the epoche. It refers to the act of setting aside the scholar's preconceptions, biases, and prejudices to focus solely on the lived experience. This allows the researcher to freely explore the phenomenon under study (Moustakas, 1994). During this process, the researcher must categorise their prior understandings, including knowledge, explanations, scientific theories, and personal perspectives and experiences (Neubauer et al., 2019). It is significant to annotate that hypothesising and theorising can undermine the epoch

process, as they require making judgements before fully immersing oneself in the phenomenon (Bednall, 2006; Trotman, 2006). Epoche enables the researcher to approach the examined phenomenon with a fresh, open, and unbiased perspective, facilitating the acquisition of new knowledge (Creswell, 2007).

Following the epoche process, the researcher proceeds to engage in phenomenological reduction. Phenomenological reduction involves describing what is observed "in the language of texture" (Moustakas, 1994, p. 77). This process entails providing a pre-reflective description of things as they appear and reducing them to their horizontal and thematic aspects (Moustakas, 1994, p. 77). The aim is to identify the nature and meaning of the lived experience (Moustakas, 1994, p. 80).

Therefore, the researcher must remove any components that are not directly linked to the conscious experience. This method involves identifying and recording any significant statements that are relevant to the topic under investigation. These statements pertain to how participants perceive the phenomenon. Therefore, ambiguous, repetitive, and overlapping statements should also be eliminated (Yüksel & Yıldırım, 2015). During this stage, each statement should be given equal importance (Creswell, 2007; Moustakas, 1994), implying that no experience should be considered more valid or valuable than any other experience. The significant statements that have been listed are then categorised into broader or higher-level groups, known as themes or "units of meaning" (Creswell, 2007, p. 159).

Following the process of phenomenological reduction is the concept of imaginative variation. It refers to the development of structural meaning units or themes using the detailed explanations attained during the phenomenological reduction process (Moustakas, 1994). In this step, the researcher creates "structural descriptions," which are explanations that indicate the circumstances of the experience and how such experiences occur (Creswell, 2007, p. 159). This process heavily relies on the researcher's intuition and requires exploring multiple variations of the phenomenon to grasp its essence (Gill, 2014). To put it another way, creative variety includes the use of imagination, the investigation of various frames of reference, the employment of polarities and reversals, and the evaluation of events from varied viewpoints, positions, roles, or functions.

The process of imaginative variation is followed by merging the significance and core of the lived experience, marking the final stage of transcendental phenomenology (Moustakas, 1994). It entails merging thorough literary and physical portrayals into a coherent assertion that depicts the underlying character of the researched topic. However, it is important to acknowledge that the spirit of any involvement is on no occasion fully drained, according to Moustakas (1994, p. 83). He argues that the essence only reflects the researcher's viewpoint at a specific time and place. Moustakas (1994) cites Husserl (1931, pp. 54–55), who suggests that every form of experience allows for the determination of something closer and novel indefinitely.

When conducting research on Islamic fintech lending using a hermeneutic phenomenological process, researchers typically engage in in-depth interviews, focus groups, or observational studies to gather rich data on how individuals experience and make sense of Islamic finance practices in the digital age. By immersing themselves in the narratives and perspectives of stakeholders such as borrowers, lenders, scholars, and regulators, researchers can uncover valuable insights into the challenges, opportunities, ethical considerations, and cultural nuances that shape Islamic fintech lending practices.

3.7.4.1.3 Analysis Units

It is crucial for a researcher to clearly define the unit of analysis with utmost specificity. The element of analysis determines the focus of the case study, whether it be individuals, groups, organisations, communities, and so forth (Sekaran & Bougie, 2016). In the context of this investigation, the unit of analysis focuses on Islamic FinTech lending in Indonesia, encompassing its role, opportunities, and challenges. Therefore, the unit of analysis consists of individuals, specifically academics in Islamic finance, Muslim entrepreneurs, and employees working in institutions that regulate Islamic fintech lending in Indonesia.

3.7.4.1.4 Participant Selection

The participants selected for this study include academics in Islamic finance, Muslim entrepreneurs, and employees working at institutions that regulate Islamic fintech lending in Indonesia. Including academics in Islamic finance is essential, as this research aims to comprehend the governance of fintech lending theoretically from an Islamic perspective. Additionally, the selection of Muslim entrepreneurs aims to gain insights into the performance of Islamic FinTech lending in terms of its operations and competition. The involvement of research participants from regulatory bodies is intended to ascertain the extent of the role, development, and encounters of Islamic Fintech lending in Indonesia from a macro perspective.

The selection of participants was carried out using purposive and snowball sampling methods. Specifically, this research adheres to Moustakas' (1994) criteria for participant selection. Firstly, the participants were required to possess extensive experience with the phenomenon under investigation. To ensure this level of intensity, the selected participants had been employed at the institution for a minimum of 5 years. This aligns with the findings of Woodrow and Guest (2020), which emphasize the importance of financial knowledge and staying updated with the latest technological advancements as desired by the community when investing in Islamic Fintech.

Moustakas (1994) requires participants to be interested in understanding the phenomenon and eager to contribute to the research. This was addressed in the pre-interview session and documented in the informed consent. Data saturation was achieved with the seventh participant, which is important in qualitative studies. Saunders and Townsend (2016) acclaim 15 to 60 contributors, but Groenewald (2004) argues that 2–10 participants are sufficient for phenomenological studies to achieve saturation.

3.8 DATA COLLECTION FOR QUALITATIVE METHODS

Data collection for qualitative methods plays a crucial role in facilitating in-depth interpretation and analysis of the phenomenon being studied. Qualitative methods

enable researchers to gain a deeper understanding of the context and complexity of phenomena. Unlike quantitative methods, qualitative data can uncover subtle nuances, patterns, and social context that may go unnoticed. Through techniques like in-depth interviews and participant observation, qualitative data collection allows researchers to delve into the experiences, beliefs, and perspectives of individuals involved in the study. This provides valuable insights into the diverse range of human experiences.

3.8.1 Sources of Evidence

3.8.1.1 Semi-Structured Interview

Creswell (2007) stated that all forms of qualitative study widely use interviews to collect data. Regarding the investment intention in Islamic fintech lending, the researcher argued that an interview is the most suitable strategy. This is because an investment intention in Islamic fintech lending is subjective and idiosyncratic (Rousseau, 1995; Rousseau & Tijoriwala, 1998), which can merely be understood from the individuals' explanations and descriptions that reflect their experiences in the digital business. Thus, activities such as observations may lead the researcher to make inferences about Islamic fintech lending in term of the obstacles and challenges.

Interviews can be divided into unstructured, structured, or semi-structured. In the unstructured interview, a researcher enters the interview setting with unplanned questions to be asked the informants (Sekaran & Bougie, 2016). This kind of interview, according to Yeong, Ismail, Ismail, and Hamzah (2018), might lead the researcher to miss or over-discuss certain factors of interest, thus research objectives will not be achieved. Moreover, when dealing with the challenges of Islamic Fintech lending in Indonesia. (Corbin & Morse, 2003).

A structured interview, on the other hand, is where the researcher asks a series of pre-established questions to the participants with a limited number of response categories. This kind of interview is rigid since the researcher reads from a text and digresses from it as minimally as possible (Qu & Dumay, 2011). For Fontana and Frey (2000), structured interviews lead to very little flexibility in the way questions are asked

or answered. As a consequence, it can jeopardize the ability of the study to answer the research questions and solve the research problems since rigidly predetermined questions may not allow researchers to access participants' perspectives and their understandings of the world.

Hence, this study used semi-structured interviews. In the semi-structured interview, in line with Qu and Dumay (2011), the researcher entered the conversation with planned questions guided by themes. In doing so, the themes were Islamic fintech lending, the involvement of religion, and investment intention end states. Semi-structured interviews let the researcher focus the interview on issues that are considered important and related to the research objectives. Moreover, consistent with Brinkmann (2014) and Qu and Dumay (2011), the flexibility that exists in this kind of interview has made better use of the knowledge-generating potential of conversations by allowing much more leeway to explore whatever angles are considered important by the participants.

Furthermore, before using it for interviewing the participants, the research instrument used in the current study was submitted to the supervisor for review and feedback. After receiving the supervisor's comments, the researcher made several corrections to the instrument to address the issues that had been identified. Once the revised instrument was approved by the supervisor, the researcher did a pilot test by conducting interviews with three academics who were the researcher's friends. This was an important step to ensure that the instrument was clear and understandable and that it effectively captured the information needed to answer the research questions. The academics provided feedback on the instrument, which the researcher used to make further improvements. After several rounds of testing and revisions, the final version of the research instrument was ready for use in the study (see Appendix D for the detail of interview guidelines).

3.8.1.2 Relevant Documents

Documents as a source of evidence were used in the current study as a complement to the primary method of data collection, i.e., semi-structured interviews. Utilizing

documents provided an in-depth understanding and a more precise depiction of the phenomena that occur from the interviews (Deacon, Bryman, & Fenton, 1998). More specifically, according to Bowen (2009), documents provide supplementary data on the context within which participants operate, including change and development.

Various types of documents were used in the current study, such as job descriptions, WhatsApp group chats, organisation structure, and information provided on the institution's website. The job descriptions elucidated the formal expectations and responsibilities associated with each role, offering a structured framework against which participants' experiences could be compared. The WhatsApp group chats, on the other hand, provided a unique window into informal communication and social dynamics within the organization. Analysing the flow of information, tone, and frequency of interactions unveiled hidden layers of collaboration and relationship-building among participants. Meanwhile, the examination of the organizational structure shed light on hierarchies, reporting lines, and decision-making processes, offering crucial context for interpreting individual experiences and actions. This structural insight was pivotal in understanding how power dynamics influenced the behaviours and perspectives of participants. Furthermore, information gleaned from the institution's website provided historical and mission-oriented context, enabling a broader perspective on the values and goals that guided participants' actions.

The integration of these various document types not only enriched the depth of our analysis but also allowed for a multi-dimensional view of the phenomena under investigation. Triangulating the data from the semi-structured interviews with these documentary sources help the researcher construct a more nuanced and comprehensive understanding of the complex interplay of factors contributing to the experiences the participants.

3.9 STUDY DATABASE

Atlas.ti version 9 was used to facilitate data documentation and organisation. The data collected needs to be documented and organised in a way that makes the data ready to access at any point during and after the study. A well-organised data can ease the

process of data analysis and allow the researcher to keep the logical traceability of the documentation (Darke, Shanks, & Broadbent, 1998). The database consists of data or evidence, including raw material, coded data, coding schemes, and data displays. All the data collected in this study, i.e., verbatim interview transcripts and relevant documents were stored in electronic form.

3.10 DATA ANALYSIS

The analysis process is principally aimed to examine participants' lived experiences regarding the phenomenon being studied, in this case, Islamic Fintech lending. The current study used the modified van Kaam method proposed by Moustakas (1994) to analyse participants' experiences regarding Islamic Fintech lending. Based on the process of transcendental phenomenology he proposed, Moustakas (1994) then developed two types of transcendental phenomenological analyses, namely the modified van Kaam method and the modified Stevick-Colaizzi-Keen method. The significant difference between the modified van Kaam and the modified Stevick-Colaizzi-Keen methods is the former includes data merely from the research participants, while the latter also employs the researcher's experience regarding the phenomenon. Hence, in order to increase objectivity, the current study chose the modified van Kaam method.

The modified van Kaam method consists of seven steps of data analysis, namely horizontalization, reduction and elimination, clustering and thematizing the invariant constituents, validation of the themes, constructing individual textural description, constructing individual structural description, and constructing textural-structural description. The details of each step are presented in the following section. Furthermore, Atlas.ti version 9 was used to analyse the data. In order to maintain and not destroy the true meaning of the participant's experience, the data analysis was done using the original transcription, which is the informal Indonesian language. According to renowned qualitative experts and methodologists (e.g., Bucholtz, 2000; Clandinin & Connelly, 2000; Crotty, 1998; Gutt, 2000; Seidman, 2006), the translation of transcripts from other languages into English before conducting data analysis could distort the data, since some essential expressions and meanings might be lost in translation.

Additionally, some participants also use some Arabic and Javanese phrases that are difficult to be translated into English. Therefore, to prevent losing the true meaning of the data, directly analysing the data from the Indonesian transcript was considered the most appropriate way to stay as close as possible to the essence of the participants' experience. Nevertheless, comments were written in English. Meanwhile, the translation of participants' quotes was done by a professional translator to make sure the language meets academic standards and improves the readability of the translations.

3.10.1 Horizontalisation

The data analysis in the current study began with horizontalisation. Horizontalisation refers to the process of identifying every expression pertinent to the experience that helps the researcher comprehend the phenomenon being studied. The bits of information were gathered by going line by line through the interview transcripts and noting every characteristic or element that related to the phenomenon. In this step, the researcher listed significant statements. Different colours were applied to distinguish different horizons detected in the interview transcripts. Figure 3.1 shows an example of horizontalisation.

3.10.2 Reduction and Elimination

Following the horizontalisation are reduction and elimination. Reduction and elimination are crucial stages of the modified van Kaam method to identify the invariant constituents that is expressions that consistently emerge from data (Moustakas, 1994). During this stage, each horizon was examined based on two requirements: (a) the horizon comprises the experience that is both adequate and necessary for understanding and, (b) it is possible to abstract and label the horizon (Moustakas, 1994). Horizons not meeting the mandated requirements, as well as horizons that were repetitive, overlapping, or ambiguous were also removed. The remaining horizons were the invariant constituents of the experience.

3.10.3 Clustering and Thematizing the Invariant Constituents

After reducing and eliminating the process, the next step was clustering the invariant constituents into groups. These clustered constituents led to the core themes of the experience. According to Moustakas (1994), the core theme brings sense as well as meaning to an assorted of associated horizons. The absence of a core theme will make the horizons have little to reveal about an experience. Figure 3.1 displays an example of clustering and thematizing the invariant constituents.

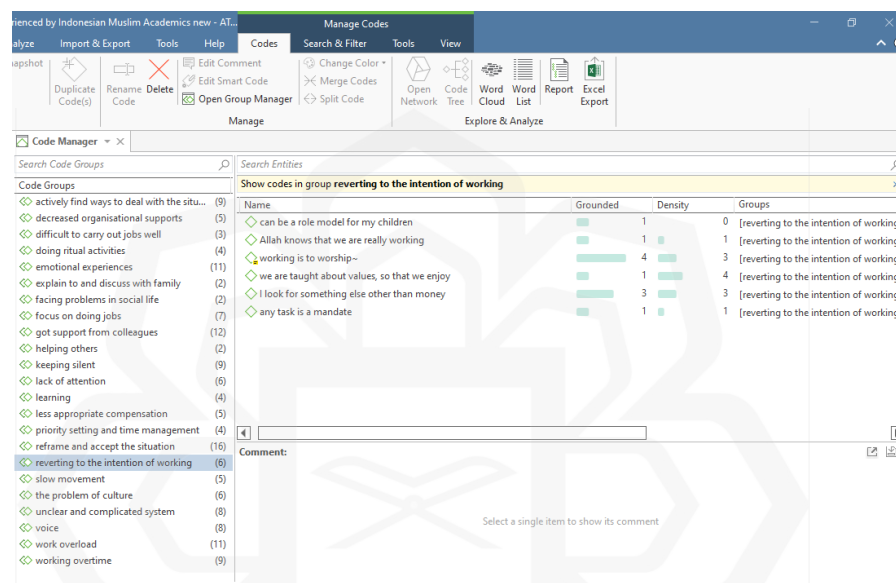


Figure 3. 1 Clustering and Thematizing the Invariant Constituents

3.10.4 Validation of the Themes

Ensuring the process of clustering and thematizing was the validity checking of the themes. This process was done by comparing invariant constituents as well as themes with each participant's transcript to validate whether the invariant constituents and themes were evident or not. In other words, this process aimed to ensure that the themes explicitly stated in the transcription or are compatible with the transcription. Moreover, it was also considered if the invariant constituents and themes were plausible for conclusions (Moustakas, 1994). Hence, the themes that were not explicitly expressed, incompatible, or seemed implausible were removed.

3.10.5 Constructing Individual Textural Description

Following themes validation was constructing individual textural descriptions. As Moustakas (1994) stated, the textural description describes what the participants have experienced regarding the phenomenon. In this sense, each participant's experience was depicted by incorporating relevant and validated invariant constituents and themes. Moreover, in this fifth step, the construction of textural descriptions also incorporated verbatim examples taken from the transcribed interviews. Appendix I shows an example of an individual textural description.

3.10.6 Constructing Individual Structural Description

After constructing individual textural descriptions, the next step was constructing individual structural descriptions based on the textural description and imaginative variation (investigating possible meanings by utilizing the researcher's imagination) (Moustakas, 1994). Moustakas (1994) stated the structural description describes how the participants experienced the phenomenon. The construction of structural descriptions was carried out using relevant and validated invariant constituents and themes, and verbatim examples as well. An example of a structural description of a participant can be seen in Appendix J.

3.10.7 Constructing Individual Textural-Structural Description

The final step of the data analysis was constructing the textural-structural description of the meanings and essences of the experience, involving the invariant constituents and themes (Moustakas, 1994). The textural-structural description refers to the integration of the noema (what is the experience) and the noesis (how the phenomenon was experienced). The purpose of merging the textural and structural description is to assure the essence or meaning of the participant's experience. The individual textural-structural descriptions then led to the development of a composite description of the

meanings and essences of the experience of the group as a whole. An example of an individual textural-structural description of a participant can be seen in Appendix K.

3.11 ASSESSING RESEARCH QUALITY

As asserted by Creswell (2007), since the worldview and the assumption of the reality of qualitative research are different from quantitative, the approaches and terms used to assess the quality of the research are different as well. Lincoln and Guba (1985), Saunders, as cited by Lewis, and Thornhill (2016), depicted that such terms are called credibility, dependability or consistency, and transferability. The terms reflect the nature of qualitative research and substitute the terms, respectively, internal validity, reliability, and external validity used in quantitative studies. The below section discusses these criteria.

3.11.1 Credibility

In a quantitative study, internal validity is used to assess the extent to which the findings fit reality (Winter, 2000). This notion is in contrast with the qualitative perspective, whereby reality is viewed as something that is socially constructed and multiple, which makes it “can never be grasped” (Merriam, 2009, p.213). Regarding this, Lincoln and Guba (1985) proposed their concept of credibility which concerns not the reality, but the extent to which the research is credible. Credibility plays a vital role in guaranteeing the dependability and trustworthiness of results, especially in qualitative research. Qualitative research is centered on delving into subjective experiences and interpretations using techniques such as interviews, observations, and focus groups. Nevertheless, the subjective nature of qualitative research may lead to doubts regarding its credibility.

This study used two techniques that have been suggested to ensure credibility, namely triangulation and member check. Denzin (1978) displayed four types of triangulations, ranging from multiple methods, multiple sources of data, and multiple investigators to multiple theories. The current study used multiple methods, namely

semi-structured interviews that were augmented with relevant documents. Moreover, this study also used another strategy, which is member check or participant validation. The member checks were conducted by asking participants to review the transcription of the interviews and evaluate if it reflected what they meant. See Appendix G for the sample of validated interview transcripts by the participants.

3.11.2 Dependability

As Saunders et al. (2009, p.156) asserted, reliability is “the extent to which your data collection techniques or analysis procedures will yield consistent findings”, or in other words, whether “the same results” is found “on other occasions”. This is problematic since human behaviour is not static and an individual’s PC might change with time and context that make it dynamic (Rousseau et al., 2018). Therefore, for qualitative studies, Lincoln and Guba (1985) suggested replacing the ‘reliability’ with ‘dependability’ or ‘consistency’. The focus then is not on the same results that will be found again but on the consistency between the results and the process through which the results are obtained.

The other strategy a researcher can employ to ensure dependability is an audit trail (Anney, 2014; Yilmaz, 2013). The audit trail entails in detail how data are collected, how categories are built, and how decisions are made throughout the study (Yilmaz, 2013). In this sense, researchers are required to write a research journal or record memos on the process of carrying out the research that is being conducted (Shenton, 2004).

Using ATLAS.ti version 9, the researcher kept recorded memos regarding questions, reflections, problems, and decisions to support the dependability of the study. As such, the memos documented each stage of the research process. For instance, the following is the memo the researcher wrote regarding the process of entering the research field for data collection:

Tabel 3. 3 Example of Audit Trail

Date	Activity
February 22, 2022	I met the director of OJK to get permission to carry out the study at his institution. In the meeting, I explained what the study is all about, the purpose of the study, as well as potential benefits the institution could obtain from the study. <i>Alhamdulillah</i> the director gave his consent for me to conduct the study in the institution.
March 3, 2022	I began contacting the first participant recommended by the head of the HR division by WhatsApp and asked for her participation in the study.
March 7, 2022	I met two manager of MSMEs. In this meeting, I explained what the study is all about, the purpose of the study, as well as potential benefits the institution could obtain from the study. <i>Alhamdulillah</i> the two managers agreed to conduct the study with them
March 18, 2022	I met two lectures of MSMEs. In this meeting, I explained what the study is all about, the purpose of the study, as well as potential benefits the knowledge could obtain from the study. <i>Alhamdulillah</i> the two lecturers agreed to conduct the study with them
April 21 – July 25, 2022	- All interviews were conducted on different days and times and were conducted during office hours in places determined by the participants. - I began to transcribe once each interview was finished and gave the transcriptions to participants immediately for member checking.

3.11.3 Transferability

External validity concerns the extent to which the results of a study can be applied to other situations. In other words, how generalizable are the results of a study (Saunders et al., 2009). This issue of generalizability is problematic in a qualitative study as this type of study is not aimed at making generalizations. Thus, Lincoln and Guba (1985) proposed the idea of transferability, whereby the onus of proof lies less with the researcher. Instead, it lies more with others who attempt to make an application elsewhere. The original investigator cannot know and decide to which sites the transferability might be pursued, yet the appliers can. In other words, transferability means the extent to which the findings of the study can guide others in different settings (Sousa, 2014). Regarding this, the researcher then is required to provide sufficient descriptive data so that readers can decide if their context fits the research context, and thus the transferability is possible (Anney, 2014; Saunders et al., 2016).

To ensure transferability, the current used thick and rich descriptions. Such thick and rich description involves a description of the setting and participants of the research, and a detailed description of the findings with adequate evidence displayed in the form of quotes from participants interviewed, field notes, and documents (Anney, 2014; Merriam, 2009; Shenton, 2004). In the current study, the thick description can be found in the detailed findings of the study (Chapter 4) which incorporated verbatim quotes from the participants to provide illustrative examples that bolster the findings of the study. The thick description also exists in the discussion section (Chapter 4) in which the findings were examined to see the connection with previous studies.

3.12 ETHICAL CONSIDERATION

This section discusses how the research maintains ethical practice, particularly during fieldwork. Saunders et al. (2009) conveyed two types of access that need to be taken into account, namely physical and cognitive. Physical access is acquired from the gatekeepers of organisations, whereas cognitive access is gained from participants. Physical access to the institution, such OJK, universities and companies, premises was granted following approval from the institution. Cognitive access, on the other hand, was established when the participants' signed the informed consent.

The other issues that were taken seriously were confidentiality of information and anonymity of identity. It is critical to note that the current study posed no threat or danger to the participant's health and well-being. The research participants were adults and interviewed only following their consent to participate. With this regard, before the interview, the researcher clearly stated on the participant's sheet the anonymity and confidentiality of the participants and the information shared. For example, instead of putting participants' names, the researcher coded the participants with P1, P2, and P3. Additionally, the researcher also carefully selected locations to avoid any negative experiences as the participants may suggest. In doing so, the researcher let all participants determine interview locations at which they felt comfortable. Furthermore, the current study employed a structured interview protocol (See Appendix A for detailed information on the interview protocol) that delineates the pre-, during, and post-interview procedures. For example, prior to conducting the interviews, the researcher

asked the participants to read informed consent in which it is stated that all information shared is confidential and will be used for the purposes of the study only. The participants were also informed that they may choose to withdraw from the study at any time.

In qualitative research, evidence sources include interviews, observations, documents, focus groups, researcher reflections, and transcripts. These sources provide data to support research findings and interpretations. Interviews gather information directly from participants, while observations involve directly observing behavior or situations. Documents and written archives, such as reports or personal records, also serve as data sources. Focus groups allow individuals to share their experiences and opinions. Researcher reflection involves the researcher's thoughts and interpretations. Transcripts are written versions of recorded interviews or observations. It is important to choose evidence sources that align with the research objectives and questions. Using multiple sources can provide a deeper understanding of the phenomena being studied.

3.12 PILOT TEST

Before collecting real data, the author will conduct a pilot study to confirm that the instrument's queries are inherent, suitable, and reflect the study's goals (Sekaran & Bougie, 2016). This pilot study is to evaluate and improve the reliability of the research tool. Before gathering actual data, it is important to verify that respondents comprehend the instructions and questions provided. Hence, a pilot test will be conducted as a preliminary session to ensure that the survey instrument is functioning properly before data collection begins. Essentially, the pilot serves as a test run to guarantee the effectiveness of the survey before proceeding with the actual research. The justification for conducting the trial was to minimize quantifying error and upturn the reliability of the study.

As for qualitative research, pilot interviews are to observe the questions' reliability and validity with the study's goal in mind, namely the possibility of coherent results obtained if the procedure is repeated (Sekaran & Bougie, 2016). The research

results would show the consistency of the answers given by the respondents, which indicates that they can understand the questions.

3.12.1 Quantitative data

Data coding is one of the procedures conducted, in which the acquired data is coded and run into the SPSS program. The next stage is data preparation and filtering, which addresses issues such as missing data, illogical data, and unsuitable data. Descriptive statistics are the third phase. The validity, reliability, and Exploratory Factor Analysis are all tested in the fourth stage (EFA). The subsequent stage of the study process involves subjecting the Confirmatory Factor Analysis (CFA) to empirical testing. The ultimate phase entails utilizing SEM. It evaluates the model and hypothesis.

3.12.1.1 Descriptive Statistics

It is a crucial part of quantitative data analysis. It is the subsequent phase of the data analysis process. Typically, this step begins after all the necessary preparatory tasks have been accomplished. Descriptive statistics, as stated by Privitera (2015), encompass a set of techniques employed to succinctly present, arrange, and comprehend data points or observations within the realm of research. In this study, descriptive analysis was to examine the demographic characteristics of participants, together with features such as gender, age, education, marital status, and more.

3.12.1.2 Validity, Reliability and Exploration Factor Analysis (EFA)

The stage of validity ensues after the processes of coding, data preparation, data filtration, and the provision of descriptive statistics. The next phases are reliability and EFA testing, which is carried performed to assess how strong the inter-correlation between elements is while looking into the components that determine the investment intentions of MSMEs in Islamic FinTech lending.

Convergent validity is a method of determining how closely two measurements of comparable concepts are linked. To exhibit an adequate level of convergence, the threshold value for Average Variance Extracted (AVE) ≥ 0.5 . Cronbach's Alpha employed coefficient to analyse internal consistency and establish reliability, and it should be no less than 0.7 (Hair et al., 2010). Furthermore, to assess the reliability of construct indicators, the writer will use composite reliability. As presented in the table above, the composite reliability must be at least 0.6 to be considered satisfactory. If it is less than 0.6, then the reliability is deemed to be unacceptable.

Meanwhile, Bartlett's Test of Sphericity and Kaiser-Meyer-Olkin (KMO) test the scale's reliability and sampling adequacy. To be regarded as suitable, Bartlett's Integrity Test must be significant ($p < 0.05$) in component analysis. Before factor analysis, the KMO value must be at least 0.50. (Hair et al., 2010).

3.12.1.3 Confirmatory Factor Analysis (CFA)

Confirmatory factor analysis (CFA) will be implemented to evaluate concept validity after the validity, reliability, and EFA have been tested (Byrne, 2010). The CFA approach is a statistical tool used to evaluate the association between latent components. The attainment of construct validity is achieved when the criteria for a match index are met. The Goodness-of-Fit index deals with what method effectively a model replicates the perceived covariance matrix between indicator items (Hair et al., 2010). When the observed data closely matches the model, it is said to be good-of-fit (Mueller and Hackock, 2007). Researchers can use three different sorts of indices to get the goodness-of-fit model. The three index components are the absolute fit index, the incremental fit index, and the parsimony fit index (Hair et al., 2010; Kline, 2011).

3.12.1.3.1 Absolute Conformity Index.

The absolute fit index evaluates the complete discrepancy among the observed and inferred covariance matrices. Thus, when more parameters are added to the model and degrees of freedom decrease, the fit index rises (Mueller and Hackock, 2007). The

absolute fit index is commonly determined using chi-square, index of fit (GFI), and mean square root error of approximation (RMSEA) (Hair et al., 2010).

3.12.1.3.2 Incremental Conformity Index

The fit index assesses the absolute or parsimonious fit of the model in comparison to the base model. It is frequently zero, indicating that all observed variables are not correlated. Three examples of fit indices are the Comparative Fit Index (CFI), Normed Fit Index (NFI), and Non-normed Fit Index (NNFI). (Muller and Hackock, 2007). CFI, on the other hand, is one of the most commonly used indices in SEM. A CFI value of 0.90 is regarded as sufficient to fit the model as a rule of thumb (Hair et al., 2010). However, CFI values ≥ 0.80 are sometimes acceptable (Hu and Bentler, 1999).

3.12.1.3.3 Parsimonious Conformity Index

This fit index quantifies the complete disparity between the observed and assumed covariance matrices. They also take into account the model's intricacy. As additional parameters are added to the model, the fit improves (Mueller and Hackock, 2007). The adjusted fit index (AGFI), which accounts for varying levels of model complexity, the parsimony normed fit index (PNFI), which is generally applied parsimony fit index (Hair et al., 2010), and the chi-squared over the degrees of freedom are all examples of this sort of fit index.

There is no general agreement among researchers on which index of fit should be provided (Zainuddin, 2012). Nevertheless, Hair et al. (2010) and Holmes (2006) advocate for the utilisation of a minimum of three fit indices, encompassing one index from each appropriate model category. In this particular investigation, the root mean square error of approximation (RMSEA) is employed as the absolute measure. The comparative fit index (CFI) serves as the incremental fit index, and the chi-square above degrees of freedom is utilised as the parsimonious fit index.

3.12.1.4 Structural Equation Modelling (SEM)

The TPB's compatibility with observed data among MSMEs in Indonesia is tested using SEM. SEM has been more popular in social science research. Researchers can use this strategy to investigate the link between constructs in the deconstructed TPB model. In other words, it is employed to assess and enhance the proposed model. SEM is asserted as the most effective analytical approach for simultaneously testing various effects between independent and dependent variables. It has two distinct benefits over other statistical methods. According to Schumacker and Loax (2004), the first benefit is that scientific researchers can employ several observed variables in their research. The second is that, unlike other statistical approaches, SEM uses both seen and unobserved variables in its measurement procedure (Byrne, 2001).

The methodology for model fitting entails the identification of the fit index between the hypothesized model and the sample figures at an early stage. The sample utilized in the theoretical model serves as the initial phase in the development of hypotheses through the utilization of SEM. The assessment of the constructs in the sample is important in the context that includes personal traits, financial knowledge, financial behaviour, and Sharia compliance on the investment intentions of Indonesian MSMEs in Islamic FinTech lending.

To proceed, it is crucial to highlight the creation of path diagrams that depict predictive connections and associations among variables. In the example, arrows are utilised to present the relationships amongst independent, mediating, and dependent variables, as well as the theorised relationships. At an early stage, the process of fitting a model entails assessing the fit index between the proposed model and the sample data. It employed in the theoretical model serves as the initial step in formulating hypotheses using SEM.

To measure the model's adequacy, various goodness-of-fit criteria are used. A model that closely matches these criteria is characterised by the input matrix's degree. The coefficient of determination (R-square) is calculated for the overall equation, falling under the category of goodness-of-fit evaluation. After this process, the model is analysed and adjusted. Once updated, the findings are interpreted using the AMOS

output. The theoretical model is modified to address imprecise parameters and provide a revised model that differs from the current one. To evaluate the model's effectiveness, multiple fit indices are used.

The Maximum Likelihood Estimation (MLE) approach is used for the estimation technique in this study. The estimation used to determine SEM was carried out on AMOS version 22. The advantage of the MLE approach compared to Ordinary Least Squares (OLS) regression is that it is more efficient and unbiased because it does not violate the assumption of multivariate normality (Hair et al., 2010). This approach also shows its resilience even in cases of violation of the normality assumption (Savalei, 2008).

3.13 FINDINGS FROM THE PILOT TEST

To guarantee the dependability of the variable measurement apparatus, a preliminary investigation was carried out. This procedure, as described by Cooper and Schindler (2003), is referred to as content validation, and is employed to elucidate the comprehensibility of the survey questionnaire utilized in the study. To this end, the input of 60 respondents was solicited. Before the deployment of the survey, the questionnaire underwent a thorough review process by two esteemed lecturers from the Department of Finance, one lecturer from the University of Darussalam Gontor, and a practitioner actively involved in the field of Islamic FinTech lending. This meticulous review process yielded a valuable response, resulting in minor modifications to the questionnaire. Nonetheless, a comprehensive discussion on the demographic profile and reliability of the instrument evaluated in this pilot test is presented in the subsequent sub-sections.

3.13.1 Demographic Information of the Pilot Test

The demographic information encompasses sexual category, oldness, spousal status, religious membership, educational achievement, utilization of FinTech as a funding source, income, and occupation, excluding micro-entrepreneurship. The comprehensive

demographic profile of the pilot test outcomes is obtainable in the subsequent table.

Tabel 3. 4 Demographic information from the Pilot Test

Demographic Variables		Frequency	Percentage
Gender	Male	56	93
	Women	4	7
	Total	60	100
Age	≤20	0	-
	20-29	19	23
	30-39	26	43
	≥40	15	25
	Total	60	100
Marriage	Single	17	28
	Married	43	72
	Total	60	100
Religious Background	Islam	60	100
Educational Background	Junior High School	0	-
	Senior High School	8	13
	Undergraduate	33	55
	Master's degree	19	32
	Total	60	100
Borrow money from FinTech	Yes	46	77
	No.	14	23
	Total	60	100
Microenterprises as the main source of income	Yes	48	80
	No.	12	20
	Total	60	100
Other sources of income	Employee in a private company	17	28
	Lecturer/teacher	13	22
	Professionals (such as doctors, lawyers, etc.)	4	7
	Students	0	0
	Housewife	12	20
	Others	14	23
	Total	60	100

The number of male and female defendants is equal, with 56 male and 4 female respondents, bringing the proportion of male respondents to 93. In terms of age, respondents between the ages of 30 and 39 account for 43%, with the greatest frequency of 26 out of 60, while those between the ages of 20 and 29 account for 32%, with the second highest frequency of 19 out of 60. Approximately fifteen respondents are 40 years old or older, accounting for approximately 25% of the total respondents, while there are no respondents under the age of 20 years old. According to this research, the majority of responders are between 20 and 39 years old.

The findings indicate that every participant surveyed professes Islam as their faith and the most of respondents possess a high level of education. Specifically, 52 respondents, comprising over 87 per cent of the sample, hold master's degrees and certificates, while approximately 8 respondents, or 13 per cent, possess high school certificates or lower.

Table 3.2 also shows that 77 per cent or 46 respondents revealed that they obtained funding through FinTech services in running their small businesses while 23 per cent or 14 respondents stated that they did not utilise financing from FinTech. Meanwhile, regarding microbusiness as the main source of income, it shows around 48 or 80 per cent of the respondents stated that their small enterprises are their main source of income while some defendants 12 or 20 per cent stated that business is not their main source of income. With a total of 17 responses (28%), the majority of their additional revenue is generated by employees in private enterprises and others. This is followed by lecturers/teachers (16 or 27%), professionals and housewives (7 or 20%), others (18%), and so on.

3.13.2 Measurement Reliability

The following findings demonstrate the dependability of the tools created for measuring the research variables. A value of 0.7 is used as the minimal threshold value in Cronbach's Alpha analysis.

Tabel 3. 5 Reliability Statistics for Investment Intention to Islamic FinTech Lending

Reliability Statistics

Cronbach's Alpha	N of Items
.981	47

The Cronbach's Alpha values of all 47 determinant factors to invest are greater than 0.70, demonstrating appropriate internal consistency of the study variables measurement.

3.14 CHAPTER SUMMARY

This chapter elucidates the philosophical perspective and research methodology. It encompasses the scope of the study, origins, and categories of data. The present research employs a mixed-methods approach as its philosophical orientation for the research paradigm. Subsequently, the research population, sampling methodology, and sample size were expounded upon. The instrument development process is also explained, including the pre-test of instrument creation and item change, the questionnaire's reliability, and the validity of the measuring scale, among other things. The subsequent content delineates the data and analytical methodologies employed, which encompass data coding, data compilation, and filtering of descriptive statistics, as well as validity, reliability, exploratory factor analysis, confirmatory factor analysis, and SEM. The approach is quantitative, whereas the qualitative process entails data reduction, presentation, and conclusion drawing. The qualitative research employed the hermeneutic phenomenological study proposed by Husserl (1962) and popularised by Moustakas (1994). Data were collected by conducting interviews with academics of Islamic Finance, entrepreneurs and regulators. Findings from a quantitative data pilot study are also presented.

CHAPTER FOUR

PRESENTATION OF RESULTS

4.1 INTRODUCTION

The main aim of this research is to examine the variables that impact the inclination to invest in Indonesian MSMEs concerning Islamic FinTech lending. Furthermore, it attempts to investigate the perspectives of Islamic finance practitioners and academics on the concerns and challenges related to Islamic FinTech lending in Indonesia. Because this research used a mixed-methods research approach, the empirical findings include both quantitative and qualitative data analyses. This study's concurrent processes began with quantitative approaches to examine hypotheses or notions utilising descriptive and inferential statistical tools, independently followed by qualitative methods involving detailed assessments with selected individuals (experts). This chapter explains the quantitative analysis by first discussing the data screening procedure. The discourse persists with the presentation of demographic data, followed by an examination of variable dimensions encompassing EFA, CFA, and structural models. The subsequent segment of the chapter delves into the qualitative analysis, culminating in a comprehensive summary of the chapter's contents.

4.2 QUANTITATIVE DATA ANALYSIS

4.2.1 Respondent Demographics

This section presents demographic information on Indonesian MSME entrepreneurs engaged in business and utilising FinTech services in Indonesia. In this instance, the study delineates the respondents' profiles according to their structural composition, gender, age, spousal status, religious affiliation, educational attainment, means of financing, micro-enterprise as the primary source of income, and other sources of income. The ensuing sub-sections provide comprehensive insights into the demographic summary.

4.2.1.1 Distribution of Respondents by Gender

As evidenced by Table 4.1, the quantity of male participants surpasses that of their female counterparts, with 421 males and 90 females at 82.38 per cent and 17.62 per cent respectively.

Table 4. 1 Distribution of respondents by gender (n=400)

		Gender		Valid Percent	Cumulative Percent
		Frequency	Percent		
Valid	Male	312	78.0	78.0	78.0
	Female	88	22.0	22.0	100.0
	Total	400	100.0	100.0	

The results express that males constitute the prevalent gender in this study. This may be because men pursue more economic activities than women. A possible reason is related to the religious tradition where the husband as the head of the household has the responsibility to provide the family with all the necessities of life. Whilst the wife is typically assigned to domestic duties, it is common for husbands to prohibit their spouses from pursuing employment or entrepreneurial endeavours beyond the confines of the household.

However, it is important to note that despite these cultural norms, there are instances where male individuals do participate in community-oriented tasks or engage in commercial activities within their immediate surroundings. This finding is consistent with the research conducted by Riwajanti (2014), who also found similar results even with a larger number of male participants. This occurrence can be attributed to the prevailing cultural norms that perpetuate gender-based inequalities in business prospects. These norms create a limited involvement of females in economic endeavours, which in turn allows for a greater participation of males in such activities. This suggests that societal expectations and gender roles play a significant role in shaping the level of engagement of individuals in community-oriented tasks or commercial activities. Despite the limited involvement of women, it is important to recognize that there are exceptions to this trend. Some women may break societal norms

and actively participate in economic endeavours, challenging the gender-based inequalities that exist. These women may face various challenges and barriers, but their participation serves as a testament to their resilience and determination to overcome societal expectations.

Hence, while the prevailing cultural norms perpetuate gender-based inequalities in business prospects and limit the involvement of females in economic endeavours, there are instances where male individuals engage in community-oriented tasks or commercial activities within their immediate surroundings. These findings align closely with the research conducted by Riwayatanti (2014) and highlight the complex interplay between societal expectations, gender roles, and individual agency in shaping individuals' participation in such activities.

4.2.1.2 Age of Respondents

Regarding age structure, it is worth observing that the 30-39 age bracket has the largest frequency of 286, accounting for 55.97% of all respondents. The age distribution among respondents is displayed in Table 4.2, revealing that the majority of participants fall within the age range of 20 to 29, accounting for 29.5% of the total of 151 respondents. Additionally, there were 74 individuals above the age of 40, representing 14.48% of the total respondents. These findings indicate that a significant proportion of the participants are between the ages of 20 and 39.

Table 4. 2 Distribution of respondents by age (n=400)

		Age			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	20-29	8	2.0	2.0	2.0
	30-39	268	67.0	67.0	69.0
	>40	124	31.0	31.0	100.0
	Total	400	100.0	100.0	

The demographics suggest that young people dominate micro-enterprises in Indonesia. As such, there are economically active people running businesses of various types, and as a result, there is room for entrepreneurship and economic development especially when needy support is established.

According to certain studies, during middle age, individuals often have a stable career and financial stability, which allows them to take calculated risks for the betterment of their family's financial well-being. This phase is considered optimal because it combines the wisdom and experience gained from youth with the resources and stability of adulthood. One reason why middle age is seen as an ideal time for taking risks is the accumulation of knowledge and expertise. By this stage, individuals have typically spent a significant amount of time in their chosen profession, gaining valuable skills and experience. This expertise gives them the confidence to explore new opportunities and take on challenges that may have seemed daunting earlier in their careers.

Additionally, middle-aged individuals often have a better understanding of their own strengths and weaknesses. They have had time to reflect on their past experiences and learn from their mistakes. This self-awareness allows them to make more informed decisions when it comes to taking risks. They can assess the potential rewards and weigh them against the potential pitfalls, making calculated choices that have a higher chance of success. Furthermore, middle age is often characterized by a higher level of financial stability. By this stage, individuals have typically established a solid foundation in terms of savings, investments, and assets (Khan et al., 2017).

4.2.1.3 Marital Status

Table 4.3 shows the widely held defendants (99.3 %) were married, while < 0.8 % were single. There is no widowed or divorced.

Table 4. 3 Distribution of respondents based on marital status (n=400)

		Marital_Status			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Single	3	.8	.8	.8
	Merried	397	99.3	99.3	100.0
	Total	400	100.0	100.0	

Overall, most people who do business are married, indicating a degree of exercise of religious and social responsibility. In addition, it can be inferred that the biggest number of the participants have jointly assumed financial obligations with their partners to manage their households.

Married individuals possess certain advantages in the realm of investment decision-making when compared to their unmarried counterparts. The rationale behind this lies in the fact that married individuals bear joint financial responsibilities, such as mortgage payments, educational expenses for their children, and daily living costs (Ali et al., 2021). Consequently, these obligations instil a sense of caution in married individuals when making investment decisions, as they are accountable for the financial well-being of their family. Moreover, married individuals engage in discussions and collaborative efforts with their spouses regarding joint financial matters (C. G. O. Bongomin et al., 2017). These discussions encompass investment plans, risks, financial objectives, and long-term strategies. Such collaboration fosters the generation of superior ideas and aids in minimizing the likelihood of errors. Additionally, the concept of portfolio diversification warrants consideration (Vuk et al., 2017).

Diversification serves as a crucial strategy for mitigating investment risks. By exchanging perspectives and knowledge on investments, couples can assist one another in making informed decisions regarding portfolio diversification. Another factor to consider is emotional support, particularly during periods of market fluctuations or challenging investment decisions (Dinç Aydemir & Aren, 2017a). This support serves as a deterrent against impulsive actions that may prove detrimental to investment outcomes. While there are potential benefits associated with making investment decisions alongside a spouse, it is necessary to acknowledge that financial capabilities, knowledge, and investment strategies can vary among individuals. Not all married couples will inherently make superior investment decisions compared to unmarried individuals. It is always prudent to conduct thorough research, seek guidance from financial professionals if necessary, and comprehend one's investment objectives before making any investment decisions.

4.2.1.4 Religious Background

The findings indicate that every participant who was surveyed professes Islam as their

faith. This indicates that Islamic FinTech lending services have been designed with Muslims in mind and are likely to appeal to non-Muslims to utilise Islamic FinTech lending services. Table 4.4 below illustrates these religious backgrounds.

Table 4. 4 Distribution of respondents by religion (n=400)

		Religious_Background			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Islam	400	100.0	100.0	100.0

It is noteworthy to mention that the predominant religion in Indonesia is Islam, for nearly 85 per cent of the population. Moreover, Muslim dominance is likely a key factor that holds back the popularity and addresses some of the shortcomings of conventional FinTech. One of the key reasons for this hindrance is the Islamic principles and beliefs that shape the financial landscape in Indonesia. Islamic finance operates under the principles of Shariah law, which prohibits certain financial activities such as charging interest (*riba*) and engaging in speculative transactions (*gharar*). These principles aim to promote fairness, transparency, and ethical conduct in financial transactions. However, the application of these principles poses challenges for the development and adoption of certain FinTech solutions.

4.2.1.5 Educational Background

For the education level, the most are highly educated with 443 respondents or more than 84 per cent holding a degree and master.

Table 4. 5 Distribution of respondents based on education level (n=400)

		Educational_Background			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Senior High School	57	14.2	14.2	14.2
	Bachelor/Degree	195	48.8	48.8	63.0
	Master	148	37.0	37.0	100.0
	Total	400	100.0	100.0	

The educational attainment of respondents illustrates that 14.2 per cent of respondents have a senior high school education. This exemplifies a commendable degree of literacy proficiency among the participants, which can be extrapolated to the wider populace of the nation. This outcome is in line with the investigation carried out by Riwijanti (2014) in East Java, which revealed that more than 51 per cent surveyed had a secondary school education. The study revealed that by having at least nine years of education, people should retain a satisfactory level of fundamental knowledge to competently oversee and participate in sound business practices. Furthermore, the study also shed light on the importance of education in fostering ethical business practices. The research indicated that individuals who have received a minimum of nine years of education possess a satisfactory level of foundational knowledge. This level of education equips individuals with the necessary skills and understanding to effectively manage and engage in ethical business practices.

These findings have significant implications for both policymakers and business leaders. It emphasizes the importance of investing in education to promote ethical behaviour within the business sector. By providing individuals with a solid educational foundation, they are better equipped to make informed decisions and uphold ethical standards in their professional endeavours.

4.2.1.6 Getting FinTech Financing

As shown in Table 4.6, 63.7 per cent or 255 respondents revealed that they received financing from FinTech in running their business while 36.3 per cent or 145 respondents stated that they did not receive financing.

Table 4. 6 Distribution of respondents by obtaining financing from FinTech (n=400)

		Using_FinTech		Valid Percent	Cumulative Percent
		Frequency	Percent		
Valid	Yes	255	63.7	63.7	63.7
	No	145	36.3	36.3	100.0
	Total	400	100.0	100.0	

Adnan et al. (2003) found that the reason customers engage in FinTech because of the institution is because they consider it to be in line with the times which is fast and easy to transact. Thus it is one of the options for small businesses to have access to finance. Another reason for choosing FinTech is because this type of financial institution provides financing with affordable and systematised interest rates as stated by Masyita and Ahmed (2013).

4.2.1.7 Business Profile

In terms of micro-enterprises as the primary source of income, 138 respondents (34%) claimed that their small business is their primary source of income, while the majority of respondents (266 or 66%) answered that micro-enterprises are not their primary source of income. Concerning education level, respondents with good education or higher academic degrees mentioned that business is their secondary source of income outside of being a civil servant, an employee in a private company, and so on. Table 4.7 provides the responses obtained from the respondents.

Table 4. 7 Profile of micro-enterprises (n=400)

		Frequency	Valid percentage (%)
Micro-enterprises as the main Source of income	Yes	243	47.55
	No	268	52.45
In addition to income from micro-enterprises (Other sources of income)	Public Servants	58	11.35
	Employees in person firm	245	47.95
	Employees at Stated Owned Companies	19	3.72
	Lecturer/teacher	79	15.46
	Professionals such as doctors, lawyers, etc	12	2.35

Student	0	0
Housewife	30	5.87
Other	68	13.31

The preponderance of additional revenue is derived from private sector employment and other occupations, including farming, with 245 respondents or 48% and 68 respondents or 13%, respectively. This was followed by lecturers/teachers with 79 or 15%, housewives and SOE employees with 6 and 4% respectively.

4.2.2 Data Filtering

Filtering data is a crucial preliminary measure that must be undertaken before engaging in principal analysis. As stated by Van den Broeck et al. (2005), the reason for data screening is to direct attention towards the problem of absent data and concurrently recognize irrational and incongruous data. However, when handling these issues ineffectively, the accuracy of estimates may be hindered particularly using multivariate analyses such as SEM.

To deal with missing values, this study adopts two techniques. Initially, determining the quantity of absent values for each response and subsequently organizing the data. A total of five cases were found to have excessive missing values (more than 25 per cent). These data were excluded from the data analysis. Approximately 5% of the missing values were substituted using the pattern imputation technique recommended by Wang et al. (1992). A response rate of 93.4% was achieved in this specific study, where a total of 578 questionnaires were distributed and 540 were collected. However, 29 data points were excluded from the analysis. This included five instances where the remaining data exhibited an excessive amount of missing values (greater than 25%), and 24 data points that did not meet the necessary compliance standards for inclusion in the sample. These compliance standards encompassed perceived response bias and inconsistencies in responses across different questionnaires. Consequently, the final sample size employed in this study amounted to 400, with an adjusted response rate of 81%.

Outlier assessment is one technique to discover irrational and incompatible data (Sekaran & Bougie, 2010). Given that the current study employed structural equation modelling (SEM), the Mahalanobis distance derived from the SEM textual output was utilized to detect instances of outliers. In this study, no outliers were found in the Mahalanobis distance because the value in column p1 is greater than the value in column p2 (Bentler & Chou, 1987; Holmes et al., 2006; Byrne, 2010). This observation suggests that there are no anomalous data points present within the dataset.

In addition, incompatible data refers to data with illegal codes. For this study, the data from the questionnaire was rechecked, and improvements were made after checking for incompatible data in the dataset. Thus, pattern imputation involves identifying missing value patterns and replacing them with estimated values based on those patterns. Pattern imputation aims to accurately fill in missing values while analysing relationships between variables and missing data while maintaining data characteristics. This technique is beneficial for complex datasets with non-random missing value patterns, as it improves the accuracy and reliability of the completed dataset for analysis and modelling.

4.2.2.1 Reliability Analysis

It is an assessment of the general coherence of the elements employed to delineate the scale. According to Hair et al. (2010, p. 137), reliability can be described as the evaluation of the consistency among multiple measurements of a variable. A value of 0.7 is used as the minimal threshold value in Cronbach's Alpha analysis. In the present investigation, the six categories of determinants of investment intention factors in Islamic FinTech lending were subjected to an assessment of internal steadiness and reliability through the utilization of Cronbach's Alpha test. The reliability test was conducted before assessing the goodness of measure. A minimum threshold value is measured appropriately to confirm the reliability of a variable's internal consistency (Nunnally, 1978).

Table 4. 8 Reliability statistics of barriers to accessing finance

Reliability Statistics	
Cronbach's Alpha	N of Items
.707	47

Table 4.8 presents the results of the reliability analysis conducted on the research variables. The reliability of the measures was assessed using Cronbach's alpha test, which is a commonly used method to evaluate the internal consistency of a set of items. The values obtained from the Cronbach's alpha test indicate that all measures in the study exhibit satisfactory internal consistency. The range of Cronbach's alpha coefficients obtained for the variables was 0.707, which signifies a commendable level of consistency among the research variables.

Internal consistency refers to the extent to which the items within a measure are interrelated and measure the same underlying construct. A high level of internal consistency indicates that the items in a measure are highly correlated and provide reliable and consistent information about the construct being measured. In this case, the Cronbach's alpha coefficients obtained for all the research variables were above the commonly accepted threshold of 0.7, indicating that the measures have good internal consistency. This means that the items within each measure are highly correlated and provide consistent information about the constructs they are intended to measure.

The commendable level of consistency among the research variables suggests that the measures used in the study are reliable and can be trusted to accurately assess the constructs of interest. Overall, the findings from the reliability analysis, as presented in Table 4.8, indicate that the research variables in this study have satisfactory internal consistency. This strengthens the validity and reliability of the study's findings and enhances confidence in the results obtained.

4.2.2.2 Multicollinearity Analysis

Multicollinearity refers to the degree of correlation between exogenous factors. Hair et

al. (2010) discovered a strong correlation (above 0.90) among the variables. Analysing the variance-inflated factor (VIF) and tolerance values can aid in identifying the issue. It is generally advised that if the VIF value surpasses 10 and the tolerance is below 0.10, there may be a presence of multicollinearity (Hair et al., 2010). However, Hair et al. (2010) expressed a VIF of more than 3 may raise concerns about having multicollinearity, while a value of more than 5 certainly increases the problem.

Table 4. 9 Coefficient of determinants of factors affecting investment intentions

Model	Unstandardised Coefficients		Standardised Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	1.006	1.287		.782	.438		
Personality	.128	.054	.211	2.377	.021	.279	3.588
Knowledge	-.013	.042	-.030	-.303	.763	.222	4.496
Attitude	.519	.099	.619	5.256	.000	.159	6.294
Subjectve	-.027	.021	-.069	-1.303	.198	.778	1.285
Self-efficacy	.144	.081	.161	1.778	.081	.270	3.700
Sharia	.053	.086	.062	.618	.539	.216	4.629

a. Dependent Variable: InvestIntent

Table 4.9 presents the findings that provide evidence of the absence of multicollinearity issues in the dataset. Multicollinearity refers to the presence of a high correlation among independent variables in a regression model, which can lead to unreliable and misleading results. To assess multicollinearity, two commonly used measures are the variance inflation factor (VIF) and the tolerance value. The VIF measures the extent to which the variance of an estimated regression coefficient is increased due to multicollinearity. A VIF value less than 10 is generally considered acceptable, indicating that multicollinearity is not a significant concern.

In Table 4.9, the VIF values for all the independent variables are below 10, suggesting that there is no substantial multicollinearity present. This means that the independent variables in the regression model are not highly correlated with each other,

and their individual contributions to the model can be reliably estimated. Additionally, the tolerance value is another measure used to assess multicollinearity. It is calculated as the reciprocal of the VIF value. A tolerance value exceeding 0.10 is typically considered satisfactory, indicating that multicollinearity is not a significant issue.

In Table 4.9, the tolerance values for all the independent variables are above 0.10, further supporting the conclusion that multicollinearity is not a concern. This means that each independent variable contributes unique information to the regression model and is not redundant or highly correlated with other variables. Overall, the results presented in Table 4.9 provide strong evidence of the absence of multicollinearity problems in the dataset. This ensures the reliability and validity of the regression analysis and allows for an accurate interpretation of the relationships between the independent and dependent variables.

4.2.2.3 Normality Testing

Before completing EFA and CFA, the data was assessed using normality testing to confirm that the fundamental norms of multivariate analysis were met. Almost all multivariate studies need an assessment of data normality (Tabachnick & Fidell, 2007). The maximum likelihood estimate approach requires that each variable have a normal distribution (Kline, 2010). One method for testing the normality assumption is using the skewness and kurtosis values of univariate variables. According to McDonald and Ho (2002), the Kolmogorov-Smirnov test value of > 0.05 satisfies the assumption of normality. This study tested the normality of 48 items of things that influence investment decisions in Islamic FinTech lending by Indonesian MSMEs.

Based on the findings presented in Table 4.10, which displays the results of the normality testing for the 48 determinant factors. It is associated with investing in Islamic FinTech lending, and it is clear that the normality assumption holds true. This means that the distribution of these factors follows a normal distribution, which is a key assumption in many statistical analyses. The normality assumption is important because it allows us to make valid inferences and draw accurate conclusions from our data. When data follows a normal distribution, we can use parametric statistical tests, such as

t-tests and analysis of variance (ANOVA), which rely on the assumption of normality. These tests are widely used in research and are considered to be more powerful and reliable compared to non-parametric tests.

Table 4. 10 Normality assessment of determinants of factors affecting investment in Islamic FinTech lending

One-Sample Kolmogorov-Smirnov Test

			standardised Residual
N			400
Normal Parameters ^{a,b}	Mean	Std.	0E-7
	Deviation		2.13129966
Most Extreme Differences	Absolute		.040
	Positive		.040
	Negative		.040
Kolmogorov-Smirnov Z			-.039
Asymp. Sig. (2-tailed)			.899
			.394

a. Test distribution is Normal.

b. Calculated from data.

The 48-item relationships were comprehensively tested for normality.

In Table 4.10 above, the skewness values for all the determinant factors were found to be 0.394, which is below the threshold of 0.05. Skewness measures the asymmetry of a distribution, with a value of 0 indicating perfect symmetry. In this case, the skewness values being close to 0 suggest that the data is approximately symmetric and follows a normal distribution. By confirming the normality assumption, we can have confidence in the validity of our statistical analyses and the conclusions we draw from them. It ensures that the results are not biased or distorted due to violations of the normality assumption. It is worth noting that normality testing should be conducted for all variables in a study, not just the determinant factors associated with investing in Islamic FinTech lending. This is because the normality assumption is a fundamental assumption in many statistical techniques, and violating it can lead to inaccurate results and conclusions.

Therefore, the findings presented in Table 4.10 provide evidence that the normality assumption holds true for the 48 determinant factors associated with investing

in Islamic FinTech lending. This supports the use of parametric statistical tests and ensures the validity of the results obtained from analyzing these factors. Normality testing is an important step in any statistical analysis to ensure that the data adheres to the normal distribution.

4.2.3 Exploratory Factor Analysis (EFA)

The purpose of this research is to ascertain the determinants of the antecedents that impact investment intentions in Islamic FinTech lending among Indonesian MSMEs. The dimensions of several access barriers such as personality traits factors, financial knowledge factors, attitude factors, subjective norms factors and financial self-efficacy factors, as well as Sharia compliance factors that investigate the influence of various antecedences on investment intentions, were analysed using Exploratory Factor Analysis (EFA) before the implementation of Confirmatory Factor Analysis (CFA), which serves to validate the dimensions derived from EFA.

4.2.3.1 Determinants of factors affecting investment intentions

Before conducting SEM, EFA was utilized to investigate the underlying dimensions of different factors that impact investment intention within the realm of Islamic FinTech lending. To streamline multivariate analysis, a larger set of items is reduced to specific variables. According to Hair et al. (2010), this approach maintains the authenticity and characteristics of the original items while simultaneously reducing their quantity. In addition, factor analysis was deemed appropriate for this purpose of analysis because the influencing investment intention determinant factors of barriers to accessing finance have many connotations.

In the current inquiry, an evaluation was conducted after ensuring the accuracy of the data for the initial purpose. The analysis involved conducting Bartlett's test of sphericity ($p < 0.05$) and Kaiser-Meyer-Olin (KMO). The KMO value needs to be equal to or greater than 0.5. To extract factors, principal component analysis (PCA) with varimax rotation was utilized. When determining the number of factors to retain, both

the latent root (eigenvalue greater than 1) and screen test criteria were considered. Variables were chosen based on their loading (>0.50) on each factor. The variable that had a higher impact influenced the decision to label a specific factor, as observed through its loading (Hair et al., 2010).

The initial execution of factor analysis encompassed all 24 items in the questionnaire. The statistical significance of Bartlett's Test of Sphericity was established (Chi-Square = 18398.737, $p = 0.000$), and the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy (MSA) was deemed acceptable ($0.790 > 0.50$).

Table 4. 11 KMO and Bertlett's Test

KMO and Bartlett's Test			
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.			.790
Bartlett's Test of Sphericity	Approx. Chi-Square		18398.737
	df		1128
	Sig.		.000

Table 4.11 depicts the rotational solution has five elements with several strong loadings, and the eigenvalue indicators are within the procedures specified by Hair et al. (2010). The acceptable communality index ranges from 0.52 to 0.78. Furthermore, the data reveal that five latent variables have been efficiently identified from the 20 items, with eigenvalues surpassing one, explaining 65.11% of the overall variance. Factors 2 and 3 had five and three significant loadings respectively while factors 1, 4 and 5 had four each. Factor loadings are between 0.60 and 0.87.

Table 4. 12 Factor Analysis for Determinant Factors

Rotated Component Matrix							
	1	2	3	4	5	6	7
FK15	.961						
FK13	.954						
FK08	.881						
FK10	.840						
FK16	.833						
FK09	.831						
FK14	.759						
FK17	.630						
SN29		.951					
SN26		.897					
SN30		.878					
SN24		.862					
SN28		.754					
SN31		.604					
SN25							
SC39			.945				
SC42			.921				
SC43			.911				
SC40			.743				
SC38			.704				
SC41			.586				
FSE33				.928			
FSE32				.891			

FSE35				.844			
FSE36				.799			
FSE34				.708			
FSE37				.501			
PT04					.806		
PT05					.750		
PT03					.739		
PT06					.722		
PT02					.654		
PT07					.629		
PT01					.400		
AT19						.897	
AT23						.893	
AT20						.772	
AT18						.685	
AT21						.552	
AT22							
FK11							
FK12							
SN27							
II45							.778
II47							.772
II48							.750
II44							.672
II46							.670

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalisation. a
a. Rotation converged in 5 iterations.

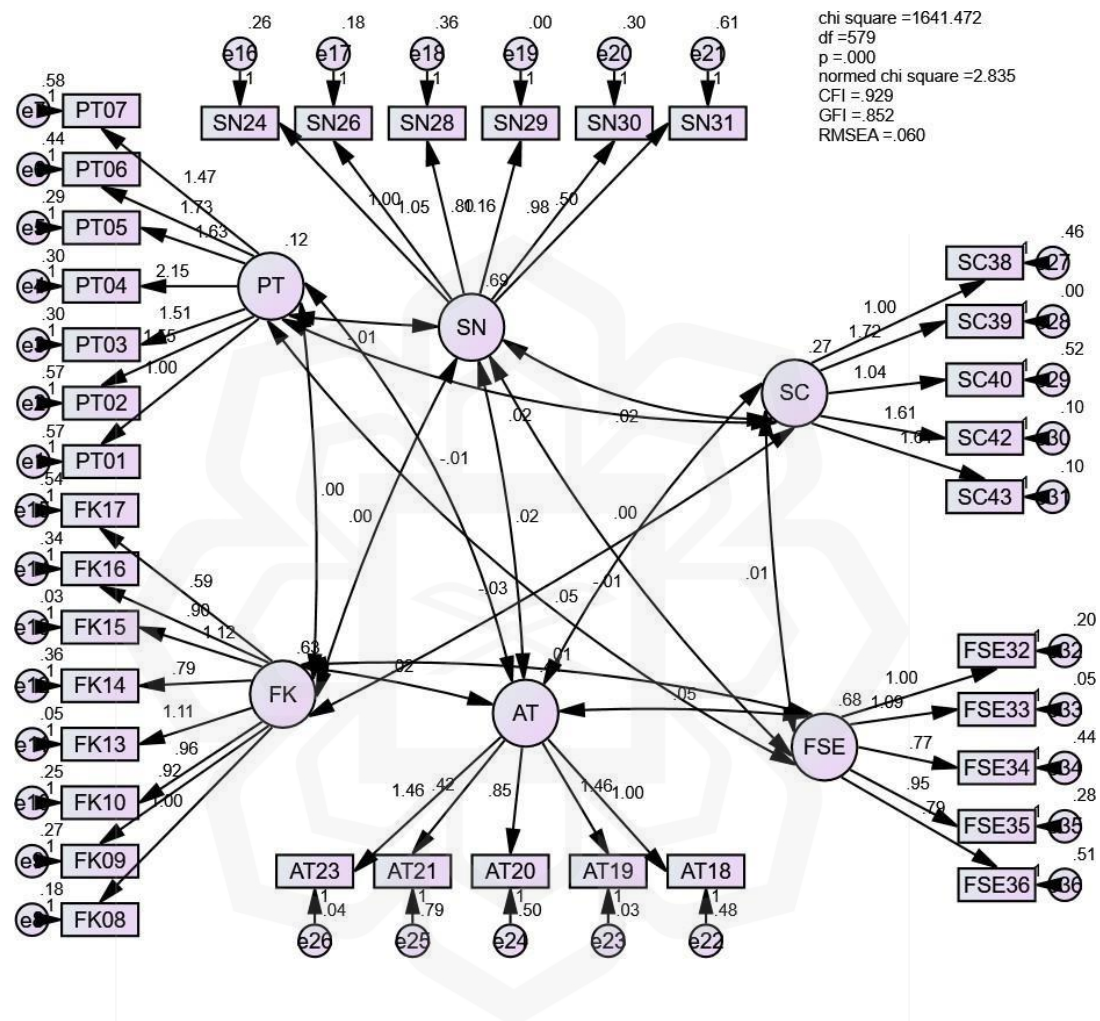
4.2.3.2 Confirmatory Factor Analysis

This part discusses the confirmatory factor analysis after the exploratory factor analysis discussed in the preceding subsection. The Comprehensive Financial Assessment (CFA) evaluates the inclusive measurement framework that encompasses all the constructs derived from Principal Component Analysis (PCA). Furthermore, the assessment of the model's adequacy involves an evaluation of the overall model. It is to determine the soundness and consistency of the relationship between the constructs and the observed variables or items, with particular attention given to discerning validity.

This section presents the confirmatory factor analysis for investment in Islamic FinTech lending. Items with poor EFA results and cross and split loadings have been

removed. The overall measurement model is as follows.

Figure 4. 1 Overall initial measurement model



This model consists of five barriers to access along with relevant factors or observed variables. The unobserved variables are personality traits (PT) (7 items), financial knowledge (FK) (8 items), attitude (AT) (5 items), subjective norms (SN) (6 items), and financial self-efficacy (FSE) (5 items) and Sharia compliance (5 items). Figure 5.1 illustrates these constructs and the relevant items.

The fit indices in Figure 4.1 show that the model has yielded satisfactory results. The measured Chi-Square (χ^2/df) value of 2.836 is below the recommended threshold

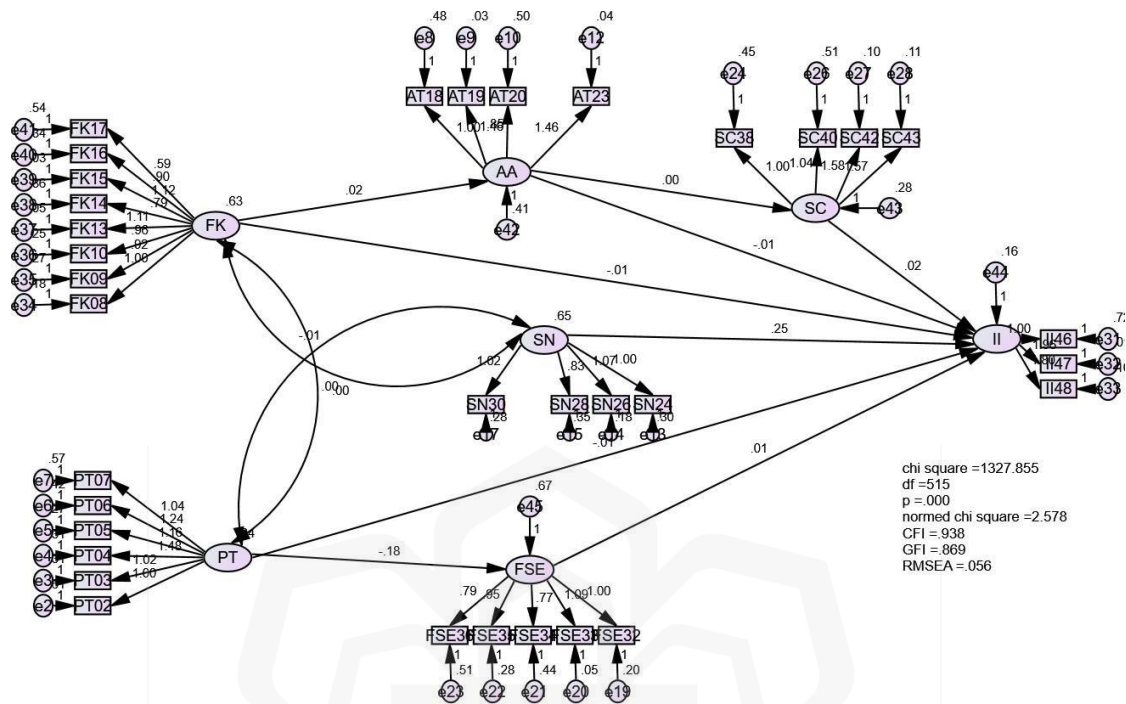
of 5, indicating a good fit. The comparative fit index (CFI) value is below 0.9. According to Hair et al. (2010), it indicates a good incremental fit. The Root Mean Square Error of Approximation (RMSEA) value of 0.060 is below the threshold of 0.1. Browne and Cudeck (1993) indicated a strong fit. Based on these fit indices, no additional adjustments are needed for the measurement model. The model can be considered a reliable representation of the data.

The measurement model plays a crucial role in the research progression, enabling researchers to evaluate the accuracy and consistency of the measurement tools employed to define the constructs of interest. By testing the measurement model first, researchers can confirm the measurement instruments precisely capture the proposed constructs and offer meaningful data for study. Once the measurement model has been validated, the focus shifts to the structural model. The structural model aims to examine the associations among the constructs and determine the nature of these associations. It allows researchers to understand how the variables interact with each other and how they contribute to the overall theoretical framework.

In this study, the structural model is derived from the proposed theoretical model of the Theory of Planned Behaviour (TPB). It consists of three key factors: attitudes, subjective norms, and perceived behavioural control. However, in this study the researcher is using financial self-efficacy to amend the perceived control behaviour. These factors are considered to be predictors of an individual's intention to engage in a specific behaviour, which ultimately impacts their actual behaviour. Through the analysis and evaluation of the structural model, researchers can obtain valuable insights into the magnitude and direction of the relationships among these factors. They can determine which constructs have the most significant impact on the outcome variable and identify any mediating or moderating effects that may exist.

Overall, the analysis and evaluation of the structural model provide a deeper understanding of the theoretical framework and offer solutions to the knowledge. Also, it allows the researcher to conclude the associations among constructs and arrange for a basis for future research and practical applications.

Figure 4. 2 Initial Structural Model



The present study's variable of interest in participation behaviour is assessed through a singular variable. The variable under consideration serves as a framework and is allowed to establish a connection with the underlying variables in the CFA model. According to Chang (1998), all latent constructs are acceptable to correlate freely without any causal relationship. The diagram depicted in Figure 4.2 illustrates the preliminary model structure for the goodness-of-fit index concerning participation in Islamic FinTech lending. To present a concise summary of the significant interrelationships, all dual-headed arrows that explicate the correlations between constructs have been omitted from the diagram.

Figure 4.2 depicts the normed chi-square, a measure for determining the conformance of observed data to the predicted model. Its value is 2.578, which is above the acceptable level set by Hair et al. (2010) in the literature. This suggests that the model does not adequately represent the data. Furthermore, the comparative fit index (CFI), which compares the model to a null model, is 0.938, which is lower than the acceptable threshold. This indicates that the model's fit is inadequate. Furthermore, the

root mean squared error of approximation (RMSEA), which measures the difference between observed data and the model, is 0.0561. This value is within the acceptable range, indicating a reasonably good fit. Additionally, since the GFI and normed chi-square do not meet the recommended level, it is necessary to further examine the model using the modification index (MI). The MI measures the potential improvement in fit that can be achieved by adding or removing specific paths in the model.

The AMOS output reveals that the items from e29 to e30, e28 to e31, and e26 to e31 have MI values exceeding 15 in the missing data analysis. This suggests that there are significant modifications that can be made to develop the fit of the model. Thus, after making the required modifications based on the MI values, the revised model's goodness-of-fit measures in Figure 4.3 show a significant improvement compared to the initial model in Figure 4.2. The revised model's fit indices, including the normed chi-square, CFI, and RMSEA, are expected to be closer to the recommended levels, demonstrating a better fit between the observed data and the model.

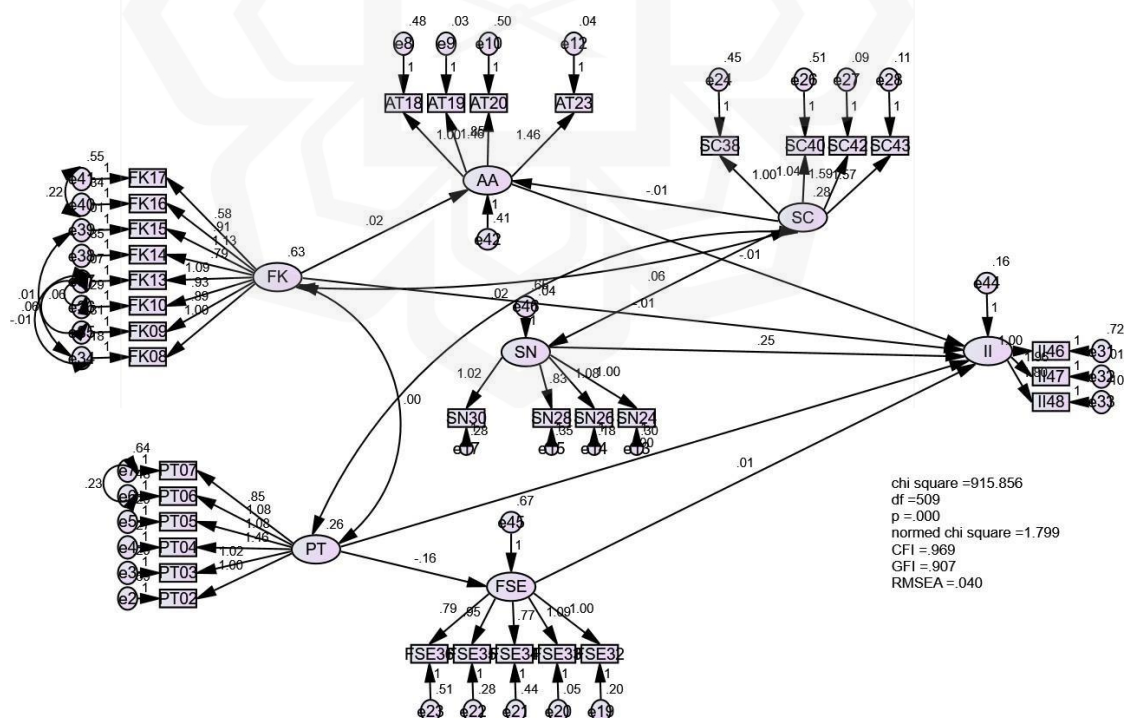


Figure 4. 3 Revised Structural Model

Based on the findings, the enhanced version of the model exhibited a significantly superior fit in comparison to its previous iteration. The normed Chi-Square value was 1.930, which fell below the threshold of ≤ 0.08 . The chi-square value serves as a statistical metric that gauges the disparity between the observed data and the predicted values of the model, with lower values signifying a more accurate fit. Furthermore, the RMSEA measure of 0.043 also indicated a favourable fit. The RMSEA (Root Mean Square Error of Approximation) is an additional statistical measure that assesses the discrepancy between the model and the observed data. The values below 0.08 are generally indicative of a satisfactory fit.

In addition to the Normated Chi-Square and RMSEA values, the Comparative Fit Index (CFI) was also used to assess the fit of the upgraded model. A CFI value of 0.969 was obtained, which is considered to indicate a satisfactory model fit. The CFI serves as a comparison between the proposed model and a baseline model, with values closer to 1 suggesting a better fit. In this case, the CFI value of 0.969 indicated that the improved model effectively captured the data. This finding further supports the conclusion that the upgraded version of the model demonstrated a superior fit compared to its previous iteration. The Normed Chi-Square, RMSEA, and CFI values all aligned in supporting this conclusion, providing compelling evidence that the model accurately represented the observed data. Overall, these results highlight the success of the model upgrade and its ability to accurately capture the underlying relationships within the data. The combination of the Normed Chi-Square, RMSEA, and CFI values provides a comprehensive assessment of the model fit, further strengthening the validity of the findings.

4.2.4 Estimated Results

The second aim of this research is to scrutinize the antecedents that affect Indonesian MSMEs' intention towards investing in Islamic FinTech lending. To accomplish this objective, ten hypotheses have been formulated following the theory of planned behaviour. The findings of the study reveal that five out of the ten hypotheses have demonstrated statistical significance, while the remaining hypotheses have proven to be insignificant. Nevertheless, the model merely expounds 8% of the variation in participation behaviour in Islamic FinTech lending.

Table 4. 13 Path Statistics Results

	Hypothesis Pathway	Estimate	S.E	Remark	Decision
H1	Attitude (AT) → Investment Intention (II)	- 0,005	0,028	0,859	AT and II are not significant (not supported)
H2	Subjective Norms (SN) → Investment intention (II)	0,250	0,033	***	SN and II are significant (supported)
H3	Financial Self-Efficacy (FSE) → Investment Intention (II)	0,010	0,022	0,662	FSE and II are not significant (not supported)
H4	Financial Knowledge (FK) → Attitude (AT)	0,325	0,37	***	FK and AT are significant (supported)
H5	Personality traits (PT) → FSE	- 0,159	0,080	0,047	PT and FSE negative significant (not supported)
H6	Sharia compliance (SC) moderating Attitude (AT)	- 0,009	0,056	***	SC and AT are negatively significant (not supported)
H7	Sharia compliance (SC) moderating Subjective norms (SN)	0,458	0,073	-0,154	SC and SN are significant (not supported)

Notes: ** Significant at $p < 0.05$

***Significant at $p < 0.001$

H1 = Attitude towards Islamic FinTech lending positively affects MSMEs' investment intentions in Islamic FinTech lending.

The findings about hypothesis 1 fail to substantiate the aforementioned hypothesis. As evidenced in Table 4.12, the parameter estimate is -0.005, signifying that a one standard deviation increase in relative advantage would result in a corresponding increase and decrease of 0.005 in the attitude towards investment intention.

H2 = MSMEs' subjective norms positively influence investment intentions in Islamic FinTech lending.

Unlike hypothesis 1, hypothesis 2 is sustained by the results of this study.

Consequently, a noteworthy correlation appears to exist between the subjective norms of MSMEs and the investment intention in Islamic FinTech lending. As illustrated in Table 4.13, the estimated parameter is 0.250, signifying that a rise of 1 in perceived subjective norms leads to a corresponding increase of 0.250 in investment intention in Islamic FinTech lending. This outcome suggests that the subjective norms of MSMEs concerning investment intention in Islamic FinTech lending may be

influenced by their perception of compatibility and support from the environment.

H3 = Financial Self-Efficacy positively affects MSMEs' investment intentions in Islamic FinTech lending

Despite the findings in Table 4.13 not supporting Hypothesis 3, it is crucial to emphasize the significant correlation observed between the investment intention of Indonesian MSMEs in Islamic FinTech lending and their level of financial self-efficacy. The parameter estimate of 0.010 points to that for per 1-unit increase in financial self-efficacy, there is an equivalent 0.010 escalation in their investment intention in Islamic FinTech lending. It is suggested that MSMEs exhibiting higher levels of financial self-efficacy are inclined towards having a stronger intention to invest in Islamic FinTech lending.

H4: Attitude mediates the relationship between financial knowledge and investment intentions.

Regarding hypothesis 4, the outcomes presented in Table 4.13 do not support this hypothesis although the results show that Attitude does not mediate financial knowledge and investment intention of Indonesian MSMEs in Islamic FinTech lending.

H5: Personality traits and investing intentions are mediated by FSE

As presented in Table 4.13, hypothesis 5 is not supported by these findings. The estimated parameter is -0.159, signifying that a one standard deviation increase in normative beliefs will result in a decrease of 0.159 in subjective norms.

H6: Sharia compliance moderates the connection between investment intention and attitude.

Supporting hypothesis 6, this research exposes that Sharia compliance is significant in moderating between attitude and investment intention of Indonesian MSMEs in Islamic FinTech lending but negatively significant.

H7: Sharia compliance cannot moderate the link between subjective standards and investment intention.

Contrary to the H6 hypothesis, the findings of this study suggest that H7 is not substantiated. Sharia compliance does not seem to exert a noteworthy moderating influence on the association between subjective norms and investment intention.

4.3 QUALITATIVE DATA ANALYSIS

The third research inquiry about the perspectives of experts on the obstacles and difficulties of investing in Islamic FinTech lending in Indonesia was addressed through the utilization of qualitative data analysis. Two distinguished scholars specializing in Islamic finance, two regulators in the FinTech industry, and three professionals from MSMEs consented to participate in the interviews. Their respective backgrounds are enumerated in Table 4.14. To facilitate the identification of the respondent profile, each interview excerpt is assigned a number (R1-R7).

Table 4. 14 Respondent Profile

No.	Qualification	Specialisation/ Position	Work Experience
R1	PhD	Deputy commissioner for supervision of financing institutions and other financial services institutions	Financial Services Authority
R2	Master	Head of Promotion and Strategic Cooperation Division,	National Committee for Sharia Economics and Finance
R3	PhD	Teaching on <i>fiqh mu'amalah</i> and Islamic banking and finance	For 16 years, he has dedicated his expertise to teaching, conducting research, and providing consultancy services in the realm of Islamic banking and finance.
R4	PhD	Teaching on The Islamic Banking and Finance	For 10 years, he has dedicated his expertise to teaching, conducting research, and providing consultancy services in the realm of Islamic banking and finance, Islamic Economics
R5	Master	Manager	18 years of business in the trading sector
R6	Master	Manager	15 years managing BMT (Islamic microfinance)

R7	Master	Manager	17 years of managing businesses in the service sector
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According to Sekaran and Bougie (2010), the qualitative data investigation of this research was divided into three parts: data reduction, data display, and conclusion drawing. This displays the themes extracted from the research respondents' interviews. Consisting of responses and opinions, these themes aim to provide a broad perspective on the issues and challenges associated with investing in Islamic FinTech lending in Indonesia. These themes consist of two noble missions: combining alternative business goals for MSMEs and business digitalisation, particularly in the financial sector; understanding of FinTech; the role of FinTech in the real sector; human resources, regulation, and the role of government; lack of capital; and restructuring and development.

4.3.1 Theme 1: Investment mission in Islamic FinTech lending in Indonesia; combining business alternatives and digitalisation of Sharia-based businesses

The respondents concurred that the objective of Islamic FinTech lending in Indonesia is to amalgamate business opportunities and digitalization of business operations, particularly in the Islamic financial sector. The first respondent's view about these two objectives.

The scope is FinTech lending but still performs financial functions by Sharia [...]. There exist multiple Islamic FinTech lending models in Indonesia. [...] and one of them is known as Islamic FinTech lending which has two objectives, namely business alternatives and business digitisation in the financial sector (R1).

The fourth respondent views that Islamic FinTech lending is a good initiative as long as it is done with good governance.

In general, Islamic FinTech lending has two purposes; business purpose which is referred to as new business alternative or financing and business digitalisation known as *FinTech*. I think this mission is very good as long as it is done with good governance. [...] Islamic FinTech lending can provide safe financing by Islamic law. (R4)

In addition, the fifth respondent focused on Islamic FinTech lending which is

characterised as FinTech that complies with Islamic law. Islamic FinTech lending is more flexible in providing services but still directly supervised by OJK and as per the edict issued by the Indonesian Ulema Council regarding Islamic FinTech lending, it is imperative to adhere to the prescribed guidelines. He quoted that:

Islamic FinTech lending is more flexible in providing services compared to financial institutions like the banking system. [...]The Islamic FinTech lending sector is subject to regulatory oversight by the OJK, as well as the Indonesian Ulema Council concerning compliance with halal laws. [...] (R5).

In addition to the points above, according to the seventh respondent's understanding, most Islamic FinTech lending customers or clients are those who own small businesses that are not covered by conventional banks.

[...]Islamic FinTech lending is a financial service targeted at financing micro and small businesses that are usually considered unbankable by conventional banks (R7).

However, respondent two revealed that although Islamic FinTech lending has noble goals, these ideals are relatively different in the current practice of Islamic FinTech lending. He stated that:

Islamic FinTech lending developed in Indonesia has two missions, namely increasing financial inclusion and encouraging Islamic-based financial innovation. [...] However, there are still many entrepreneurs in Islamic FinTech lending who have not fully implemented Sharia rules or laws for various reasons such as human resource capabilities and so on (R2).

Agreeing with the second respondent, the third respondent views that Islamic FinTech lending is currently more about increasing financial inclusion and raising awareness about Islamic finance. He mentioned that:

[...]Islamic FinTech lending is an intermediary financial institution that functions akin to a bank, utilizing advanced information technology. The presence of Islamic FinTech lending is a highly strategic government initiative aimed at enhancing financial inclusion in Indonesia and taking an important role in increasing public awareness of Islamic finance (R3).

The purpose of Islamic FinTech lending is to combine *FinTech* (financial digitalisation) and *Islamic values* and ultimately benefit the welfare of society. This is in line with what respondent six said as follows:

[...] It is anticipated that Islamic FinTech lending will work as another

catalyst for the advancement of Islamic finance in Indonesia, in addition to Islamic banking. [...] Islamic FinTech lending is a combination of two important elements, namely technology or digital in the form of FinTech with Islamic values that function as a business role or manage microfinance based on Islamic values (R6).

As mentioned earlier, the first theme that emerged was that the mission of investing in Islamic FinTech lending is as a new business alternative and also the process of business digitalisation, especially in the Sharia-based financial sector. The respondents are certain that the characteristics of investing in Islamic FinTech lending are based on these two objectives. The above responses indicate that Islamic FinTech lending is a financial intermediary business unit that offers financial services such as financing and its target market is small micro-entrepreneurs who are not covered by conventional banks.

Although the respondents viewed Islamic FinTech lending as having this mission, two respondents detailed that the role of Islamic FinTech lending 12 compliance in Islamic FinTech lending is a differentiator compared to conventional FinTech. However, Sharia compliance is sometimes perceived as an obstacle to the performance of Islamic FinTech. Notwithstanding, the adherence to Sharia principles is occasionally regarded as a hindrance to the execution of Islamic FinTech lending (R2).

The third respondent focused his discussion on the typical obstacles encountered in the implementation of Sharia compliance, specifically the practice of imposing exorbitant margins on customers. He articulated that

In theory, it may be so; however, in practice, it is widely acknowledged by the general populace that Islamic FinTech lending practices are inferior to those of conventional FinTechs and banks. This is evidenced by the comparatively higher margins and administrative costs of the contract (*Akad*) charged by Islamic financial institutions, including FinTech and conventional banks. Consequently, the notion of equitable wealth distribution remains far from ideal, in my opinion. (R3)

In a similar view to respondent six above, Islamic FinTech lending earns high profit margins.

[...] It is unfortunate if small traders are charged higher interest rates from FinTechs and conventional banks...thus not in line with Sharia compliance (R6).

In addition to having a high margin rate, Islamic FinTech lending does not target the lowest income groups but rather targets low-income groups that already have established businesses such as small traders, street vendors, and others. This is as said by respondent seven:

[...]. Thus, if we talk about Sharia compliance, Islamic FinTech lending has only touched low-income groups that have businesses but has not touched the poorest groups of society even though in Sharia compliance there are rules related to equality and justice. [...] Unsurprisingly, the expansion of assets in Islamic FinTech lending is occurring at a rapid pace, given the considerably elevated profit margin of R7.

Furthermore, the fourth respondent presents a contrasting perspective to the preceding viewpoints. By his comprehension, notwithstanding their deficiencies, the majority of Islamic FinTech lending institutions have implemented two or three components of Sharia compliance. He cited several instances of these elements in his discourse:

[...] In terms of financing decisions in Islamic FinTech lending, transparency and fairness have been well implemented. In general, Islamic FinTech lending provides fairness to many parties and this is part of the expected financial inclusiveness. [...] With inclusive financing through Islamic FinTech lending, micro-businesses can expand their business, thus creating more jobs and getting profits and so on. [...] In terms of transparency, Islamic FinTech lending can socialise the technical and pre-requisites of the application as well as the platform set in the financing. Islamic FinTech lending is also transparent about what projects will be financed to avoid things that are prohibited in Islam. (R4)

With regards to the distribution of wealth and financial inclusivity, Islamic FinTech lending proves to be superior as it caters to a significant number of micro-enterprises. This assertion was corroborated by the fifth respondent;

In my opinion in general, Islamic FinTech lending is a 'da'wah' movement that is concerned with Islamic financial institutions... The utilization of Sharia compliance references in the realm of wealth distribution renders justice more feasible than the conventional banking system. Islamic FinTech lending, while also feasible through banks, can serve as a means of financial inclusion. However, its efficacy is enhanced when implemented through Islamic FinTech lending, as the process is comparatively simpler than that of banks (R5).

However, respondent one's statement indicates that Sharia compliance in Islamic

FinTech lending is still not working well.

There is indeed an issue at hand. Despite the contract complying with usury regulations, obstacles in distribution persist. The utilization of the *Murabahah* mode remains prevalent, making it challenging to transition towards *Mudharabah/Musyarakah* products (R1).

The lack of full Sharia compliance in Islamic FinTech lending is evident when linked to the issue of income and wealth distribution, which is the second theme. The common of participants expressed their preference for utilizing the *Murabaha* financing method for their financial requirements, as it is currently the predominant financing practice in the Islamic FinTech lending industry. It means that the margin setting is sometimes too high, giving the impression that Islamic FinTech lending is more expensive than conventional fintechs and banks.

The insufficiency of financial resources prompts Islamic FinTech lending institutions to solicit funds from external entities via linkage programs, which may necessitate the provision of *Murabahah* financing to their clientele. The absence of alternative avenues for risk-sharing or partnership-based financing contracts (*Mudharabah/Musyarakah*) renders the attainment of Sharia compliance objectives for profit-sharing-based financing a challenging endeavour.

Ahmed (2011) claims that Sharia compliance implies two sets of Sharia standards, one legal and one social and that such activities are classified as Sharia-compliant items if they fulfil the legal requirements but not the social requirements. The suitability of financial contracts plays an important role in assisting the efforts of disadvantaged people who begin entrepreneurial ventures at an early stage. As such, *mudharabah/musyarakah/qardul hasan* contracts are deemed the most suitable instruments to be employed in such transactions, as they promote the equitable distribution of profits and losses, which are to be borne by both parties involved, namely the fund owners and the business managers/poor individuals initiating the businesses.

4.3.2 Theme 2: Islamic FinTech lending Boosting the real sector through MSME business development

Regarding the motivation behind Islamic FinTech lending to achieve Islamic financial

inclusiveness, most respondents viewed driving the real economy through MSME business development as the biggest motivation for Islamic FinTech lending. Respondent One clarified this statement:

[Some companies in Islamic FinTech lending are implementing social capital. To me, this is an expensive innovation that these companies have implemented. This encourages the real economy that can drive a multiplier effect such as a growing economy. Furthermore, growing companies will have a meaningful influence on economic growth (R1).

Differently, respondent two realised Islamic FinTech lending endeavours to assist individuals. In his words:

[...] So what we understand, we are Doing business by helping the community. On the other hand, we get profit but still in the corridor allowed by Sharia law. [...] As an outcome, the emergence of Islamic FinTech lending is to assist the community and MSMEs in obtaining finance that could not be obtained through traditional channels such as banks. (R2)

In addition to the points above, respondent four emphasised that Islamic FinTech lending with microfinance can empower and help poor people to become not poor people:

[...] because Islamic FinTech lending has two goals, profit and Islamic financial inclusiveness, the orientation of Islamic FinTech lending is how to empower the community so that those who are initially poor can be lifted to become not poor or those who are initially *mustahik* can be lifted to become *muzakki* and so on (R4).

Moreover, Respondent Three clearly articulated the advantages of Islamic FinTech lending concerning its ability to cater to the unbanked population. In his words:

Micro and small entrepreneurs who are not touched and not financed by banking services can be assisted or developed by Islamic FinTech lending. [...] Overall, the motivation for Islamic FinTech lending has a noble goal and ultimately, *maqasid Sharia* as described by Ibn Asr through equitable distribution of wealth where wealth is not only for the rich but must be distributed to those in need (the poor) as measured in Sharia compliance (R3).

Another respondent asserted that the motivation for Islamic FinTech lending to achieve *Sharia* objectives is because there is a problem of inequality in economic distribution and this problem can be addressed by providing microfinance to unbanked people. He said:

[...] of course why Islamic FinTech lending was established because they saw a problem, the problem of unequal economic distribution, the

problem of unequal access to human resources. [...]It is evident from the growth of Islamic FinTech lending that the driving force behind this phenomenon is the establishment of financial services for individuals with low incomes who operate their businesses but have not been able to access conventional financial services (R7).

From a different perspective, Respondent Five sees the role of Islamic FinTech lending as a *da'wah* movement that provides welfare for the ummah. He emphasised that:

Most Islamic FinTech lending is trusted to take a major role as a *da'wah* movement that serves to provide welfare for both individuals and society. [...] both profit and socialmissions must be carried out simultaneously (R5)

In addition to the above, driving the real economy through empowering and developing MSME businesses is one of the motivationsfor Islamic FinTech lending. This statement was clearly stated by respondent six in his words:

Contextually, the economic engine in Indonesia is MSMEs which are driven by most Muslims. Therefore, we must think about developing Islamic economics and finance, especially in MSMEs, to contribute to poverty alleviation programmes in Indonesia. (R6)

The third theme generated was driving the real sector through MSME business development, which is considered a motivation for Islamic FinTech lending. Most respondents agreed that mobilising the real sector is the biggest driving force for Islamic FinTech lending. This opinion is consistent with Abdul Rahim's (2010) argument that the main objective of microfinance schemes through The development of MSME businesses has a substantial effect on poverty alleviation and enables individuals from low-income backgrounds to empower themselves by the principles of justice espoused by Islamic economics. Consequently, there exists an opportunity for Islamic FinTech lending to aid in augmenting the income of the impoverished. With the spirit of Islam, Islamic FinTech lending should go beyond the goal of mere profitability.

4.3.3 Theme 3: Suitable and acceptable business alternatives for business portfolio diversification

Most respondents agreed that Islamic FinTech lending can be a suitable alternative for diversifying business portfolios, especially in the financial sector. About this

statement, respondent one argued that Islamic FinTech lending can be an alternative business institution for MSMEs. He stated that:

Let's say in the past they have been doing business in the trade, industrial or agricultural sectors, but now Islamic FinTech lending can be an alternative. If you ask about the role of Islamic FinTech lending as an alternative business, I answer yes... Islamic FinTech lending is a promising part of the business for MSMEs to diversify their business portfolio, especially since Islamic FinTech lending is unique in that it contains Islamic values. This value will increase public confidence to utilise this Islamic FinTech lending product. (R1)

Similarly, respondent six asserted that Islamic FinTech lending can implement group-based lending which can be an effective way to create awareness among members, and will ultimately benefit the company. He said:

[...] of course, it's not an instant process and it has to be combined with the way Islamic banking works in general to work with microfinance. [...] There is Islamic FinTech lending managed by good MSMEs with their peer groups... this would be an effective way to educate each other. By forming these lending-based groups, the successrate is higher compared to conventional lending through banks. (R6)

In addition to the above, respondent two supported that access to Islamic FinTech lending is easier because it is concentrated in low-income neighbourhoods. He mentioned that:

I think it is because poor people if they want to do financial transactions with the bank, they have to come to the bank in person. On the other hand, the poor people seethat the bank building is only for the rich people. [...] But if they use Islamic FinTech lending, they are more comfortable with Islamic FinTech lending even if it can be done anywhere. This is the advantage of Islamic FinTech lending. (R2)

Other respondents also discussed the potential to overcome accessibility barriers and mentioned this:

I think Islamic FinTech lending has its model to offerfinancing to those who are not reached by conventional banks, so their agenda to increase financial inclusion has an important role (R3).

Reliance on collateral is necessary when financial institutions deal with bad contracts. As a result, frequently, individuals depend on their family members or local lenders for financial assistance, who may occasionally impose exorbitant interest rates. Therefore, Islamic FinTech lending can be a viable alternative. It has a huge potential to be heavily involved. This is as respondent four said:

Yes, I think Islamic FinTech lending has become a viable alternative as part of a diversified business portfolio... Most banks are not interested in dealing with them because they do not have valuable collateral, and are poorly educated so banks consider them as risky customers, on the contrary, their large number is a very potential market. (R4).

To reinforce the above opinion, Respondent Five added that Islamic FinTech lending with its ideological movement, and Islamic values, provides a more flexible movement that opens up great revenue potential for companies. He stated:

My view is that Islamic FinTech lending is the right alternative to invest... Islamic FinTech lending is not only seen as an ordinary FinTech but as an ideological movement that can do better justice but also do more flexible movements that are safe and halal. This means that Islamic FinTech lending has a huge market potential and is a business alternative for companies [...]. (R5)

In addition, respondent seven re-emphasised the role of Islamic FinTech lending to increase company revenue through business portfolio diversification as follows:

Yes, due to the nature of Islamic FinTech lending that can interact with micro businesses, the role of Islamic FinTech lending is certainly very crucial to becoming a business alternative for companies, especially MSMEs. (R7)

During the fourth theme, the discussion pointed to Islamic FinTech lending as a viable alternative business institution and a crucial component of diversifying MSME business portfolios, particularly within the financial sector. The speciality of Islamic FinTech lending is the Islamic values of security and fairness that create consumer trust. Most of them thought that Islamic FinTech lending could be easily accessed by all segments of society as these institutions are concentrated in low-income neighbourhoods that are unbankable.

4.3.4 Theme 4: Human resources, Risk, regulation and the role of government

Regarding the difficulties and obstacles encountered in investing in Islamic FinTech lending, the respondents expressed varying viewpoints. The initial respondent opined that the involvement of human resources, the degree of Sharia compliance, regulatory concerns, and the government's role are among the challenges commonly encountered by companies engaged in Islamic FinTech lending in Indonesia. The respondent stated:

The primary obstacle that I perceive pertains to the administration or the individuals engaged in Islamic FinTech lending [...]. Another challenge that must be addressed is the matter of Sharia law. [...]. It would be advantageous for our colleagues in the Islamic FinTech lending sector to have regulatory laws in place. [...]. Some Islamic FinTech lending companies that I see are under OJK as a performance supervisor. [...] I perceive that the government, through its diverse ministries, including the Ministry of Finance, the Ministry of Cooperatives and MSMEs, should assume a more active role in overseeing the Islamic FinTech lending sector. (R1)

Respondent three provided further elaboration on the rationale behind the human resources matter. He articulated that:

The obstacle faced by MSMEs in the realm of HR, about their desire to invest in Islamic FinTech lending, pertains to their limited comprehension of the products and services proffered by FinTech enterprises. Furthermore, their inadequate familiarity with technology and finance poses an additional challenge for MSMEs. [...] education and financial literacy related to Islamic FinTech lending should always be improved so that they can understand the products and investment risks well. (R3)

In furtherance of the concerns and obstacles about Islamic FinTech lending, the second respondent posited that commercial hazards within this domain also pose a challenge for enterprises involved in Islamic FinTech lending to advance their position as contemporary, technology-driven Islamic financial establishments in Indonesia. The respondent expounded that:

Investing in Islamic FinTech lending entails various risks, including legal, strategic, compliance, and reputational risks... The level of profit sharing between investors and players as well as poor governance of Islamic FinTech lending can allow for failure. Moreover, digital transactions, which use the internet platform, have a high risk of failure in addition to the risks arising from Sharia compliance which will eventually lead to a bad image for the company. [Therefore, MSMEs should conduct an in-depth risk analysis, seek advice from Sharia financial experts or consultants, and fully understand the investment prospects before committing to investing in Islamic FinTech lending. (R2)

The issue of regulation was also raised by the fourth respondent who said:

Regulation assumes an important part in safeguarding the interests and well-being of investors, encompassing those of MSMEs who invest in Islamic FinTech lending. [...] these regulations govern consumer protection, data security, Sharia compliance, risk disclosure, licensing and supervision. [.] Regulation can help create a transparent, fair and safe investment environment. (R4)

Furthermore, the significance of the government's role, specifically the OJK and Bank Indonesia, alongside associated institutions such as the National Committee for Sharia Economics and Finance (KNEKS), the Sharia Capital Market Supervisory Agency (Bapepam-LK), the Ministry of Cooperatives and Small and Medium Enterprises (Kemenkop UKM), and private entities such as the National Sharia Council of the Indonesian Ulema Council (DSN MUI), has been instrumental in the advancement of Islamic FinTech lending in Indonesia. The official endorsement of the government through regulatory governance has instilled confidence in both existing and prospective customers of Islamic FinTech lending. Respondent Five said:

The governmental entities, namely OJK, KNEKS, and DSN MUI, hold significant responsibilities in the regulation and supervision of the advancement of Islamic FinTech lending within Indonesia. This financing model, which is based on Sharia principles and employs digital technology to facilitate the disbursement of funds to borrowers, necessitates the oversight of these agencies. Their primary duties include ensuring that Islamic FinTech lending adheres to Sharia principles, safeguards the welfare of customers, and promotes financial inclusivity. [...] OJK issues regulations that Islamic FinTech lending lenders must comply with, such as legality criteria, capital requirements, governance standards, and reporting obligations. OJK also supervises and assesses the performance and risks of Islamic FinTech lending lenders, and imposes sanctions for violations. KNEKS has coordination, facilitation, advocacy, and education functions related to Islamic finance. KNEKS assumes a pivotal role in formulating strategies and roadmaps for the advancement of Islamic FinTech lending in Indonesia, while also delving into the prospects and market opportunities for Islamic FinTech lending. Meanwhile, DSN MUI provides guidelines and standards for Islamic FinTech lending providers to run their business by Sharia. DSN MUI additionally performs Sharia audits on the products and services proffered by Islamic FinTech lending institutions and issues Sharia certificates upon fulfilment of the requisite criteria. (R5)

To effectively address regulatory concerns, relevant institutions from both the public and private sectors must engage in collaborative efforts to achieve synergistic outcomes. Therefore, Respondent Six stated:

By working together, these institutions can create a stronger, safer, and more sustainable investment ecosystem for MSMEs and investors in the Islamic FinTech lending sector. [...] This happens because there are no overlapping regulations, there is protection for consumers, and there is a guarantee of Sharia compliance for Islamic FinTech lending players. (R6)

Respondent Seven emphasised the importance of strengthening human resources and regulations including public education that support MSME investment in

Islamic FinTech lending. He stated that:

[...]In particular with regards to regulation, it is imperative to promote and endorse additional regulations that serve to bolster and fortify public trust in Islamic FinTech lending. [...] human resources [...]. [...] In Islamic FinTech lending, such as MSMEs can become investors who in providing financing must know the characteristics of the customer (who will be financed), Hence, it is imperative that the organization possesses proficient personnel, and the third aspect pertains to the provision of public education. [...]I express the expectation that the regulatory framework governing Islamic FinTech lending differs from that of banks (R7) formally.

The fifth theme that emerged was human resources, regulation, and the role of government. The respondents hold the belief that the aforementioned issues and challenges are perceived as impediments to the investment of MSMEs in Islamic FinTech lending in Indonesia. A significant proportion of the respondents opined that the investment in Islamic FinTech lending has been fortified by robust and stringent regulations and supervision. Thus, companies investing in Islamic FinTech lending have high confidence because they have the trust of the public. Although MSMEs investing in Islamic FinTech lending can be cooperative legal entities, government agencies such as the Ministry of Co-operatives must supervise their performance and responsibilities to members (Seibel, 2007). Consequently, the ministry should provide specialised information and assistance to MSMEs investing in Islamic FinTech lending. Conversely, MSMEs that engage in Islamic FinTech lending are regarded as financial institutions and maintain official associations with Bank Indonesia, which is responsible for regulating and overseeing banking and non-banking entities, and the Ministry of Finance. It is noteworthy that the Financial Services Authority (OJK) currently assumes the role of regulating and supervising such entities. Therefore, the accountability of MSMEs investing in Islamic FinTech lending depends heavily on the sincerity and goodwill of the management (Antonio, 2011).

In terms of human resources, three respondents (R1, R3 and R7) agreed that MSMEs investing in Islamic FinTech lending also face human resource shortages. There exist deficiencies at the operational level, as well as a dearth of proficiency in both Sharia and financial management. Saeed et al. (2009) have posited that the absence of expertise has resulted in a disparity between the theoretical and practical applications of Islamic financing, particularly in the case of *mudharabah* financing. In practice, *mudharabah* has taken on a resemblance to *murabaha*, as Islamic MFIs procure the

goods requested by the customer and view it as a collaborative investment. The customer then repays the financing at regular intervals.

4.4 CHAPTER SUMMARY

The current chapter describes the evidence used in the present investigation, which includes both qualitative as well as quantitative information. In terms of quantitative, this chapter focuses on sample characteristics and descriptive statistics. The subsequent chapter undertakes a process of data screening, encompassing validity and reliability analyses, utilizing SPSS version 22. The outcomes of this screening facilitate the conduct of additional analyses about the measurement of the constructs. The exploratory factor analysis (EFA) and confirmatory factor analysis (CFA) were then carried out. It was followed by SEM to apply the hypothesised data produced from the Theory of Planned Behaviour in conjunction with specific factors such as financial knowledge, personality characteristics, and Sharia conformity. The current study used AMOS version 22 for SEM analysis.

The second-order components produced from the confirmatory factor analysis (CFA) about the obstacles to obtaining financial evidence were tested, and the major findings suggested that the data conformed to the model satisfactorily. In the meantime, the assumptions for the Theory of Planned Behaviour (TPB) evidence were tested, and the general results exposed that the data fit well with the model. Initially, the default model's goodness-of-fit index findings suggested that the incremental fit, as assessed by CFI, was marginally below the threshold level. However, the researcher proceeded to revise the model based on the modified index, as displayed in the software, and the modified model demonstrated a satisfactory fit between the data and the model, albeit with certain caveats. Consequently, the researcher proceeded with the interpretation of the path analysis. The structural associations among all variables were examined using structural equation modelling. The qualitative data revealed that human resources, government regulation and role, and Sharia level were the issues and challenges that emerged in the context of Indonesian MSMEs to invest in Islamic FinTech lending.

CHAPTER FIVE

DISCUSSION AND CONCLUSION

5.1 INTRODUCTION

The present research objects to identify the antecedents that exert an influence on the investment intention of Indonesian MSMEs in the domain of Islamic FinTech lending. Additionally, it endeavours to examine the problems and challenges that are encountered while investing in Islamic FinTech lending in Indonesia, as perceived by experts. The initial part of this chapter elaborates on the three main research inquiries that have been devised for this investigation, along with the relevant research findings. Following that, the subsequent segment outlines the theoretical and practical contributions of this study. The subsequent section provides a summary of the research findings, whereas the concluding section explores the constraints of this study and provides suggestions for future research endeavours.

5.2 DISCUSSION OF FINDINGS

The main objective of this study is to empirically analyse the key factors considered by MSMEs when they invest in Islamic Financial Technology (FinTech) lending in the Indonesian context. The religious factor is an important one as it can give a different colour to conventional FinTech lending and Islamic FinTech lending. This study provides additional clarification on the aforementioned antecedents through the utilization of confirmatory factor analysis. The goal of this analysis is to evaluate the comparative potency of the antecedents that Indonesian MSMEs take into account when engaging in Islamic FinTech lending. Previous studies on investment intentions were mostly in the stock market or money market. There are also studies related to investment intentions in the real sector, such as trade and production. Therefore, this study tests the identified antecedents using CFA to validate the constructs.

In addition, religious factors, in this case, Sharia compliance, can generally be an additional consideration. Empirical evidence shows that socio-cultural and religious values influence micro-borrowers' behaviour towards microfinance (G. O. C. Bongomin et al., 2017; H. B. Firmansyah & Ramdani, 2018). Due to the incongruity between Islamic values and FinTech lending operations, a significant proportion of Muslims exhibit hesitancy towards engaging in FinTech programmes. In light of this, it begs the question as to whether Islamic FinTech lending institutions present a viable business alternative in nations where the Muslim population constitutes the majority. Therefore, the second and third objectives of this research attempt to assess whether Sharia compliance can moderate the attitudes and subjective norms of Indonesian MSMEs to invest in Islamic FinTech lending.

While some researchers have pointed out support for cultural beliefs and religious values as essential factors that drive customer participation in FinTech lending (Lawhaishy & Othman, 2023; S. A. Shaikh, 2021), other studies have found that economic reasons such as attractive prices (Bayuk & Altobello, 2019), easy procedures (Brammertz & Mendelowitz, 2018), location (Hidajat, 2020), good service (Miskam, 2018; Yudaruddin, 2023), and flexible collateral are important motivational factors (van Klyton & Rutabayiro-Ngoga, 2018; Widyastuti et al., 2021). Given the aforementioned outcomes, the present investigation endeavours to ascertain the degree to which Islamic FinTech lending has emerged as a novel business option for MSMEs, encompassing the obstacles they encounter. To address the aforementioned aims, the subsequent subsections present the four principal research inquiries postulated in this study, along with pertinent research discoveries.

5.2.1 What antecedences affect the investment intentions of MSMEs in Islamic FinTech lending?

The assessment conducted through SEM suggests that the variable of subjective norms possesses the capability to exert an influence on MSMEs, thereby prompting them to invest in Islamic FinTech lending within the Indonesian context. Several studies are in line with these findings. The reason for this is that subjective norms affect an individual's perspective or awareness of societal expectations, influences, or viewpoints

of others that hold significance in guiding individual conduct. In the context of MSME investment in Islamic FinTech lending in Indonesia, there are several reasons why subjective norms can have a positive influence on investment intentions, including the influence of the community (Yudaruddin, 2023), where MSMEs are often in a connected community. If there are community members who have successfully invested and benefited through Islamic FinTech lending, it can create positive social norms. If MSMEs see their community members supporting and encouraging investment in Islamic FinTech lending, they are likely to feel encouraged to follow their lead. In addition, recommendations and testimonials in the form of positive reviews and recommendations from business peers, partners, or respected people in the industry can have a big influence (Le, 2022). If MSMEs receive strong testimonials or recommendations about the benefits and advantages of investing in Islamic FinTech lending, it may influence their intention to invest.

Another reason is the credibility of Islamic financial institutions. Indonesia has a large Muslim population, and Islamic finance has become an important focus in the country's financial industry. If MSMEs possess a firm conviction in the tenets of Islamic finance and exhibit confidence in the Islamic financial institutions engaged in FinTech lending, they are inclined to contemplate investing in it. Furthermore, regulatory compliance and governmental backing are additional factors to be taken into account. If there exist governmental policies or incentives that foster the growth of Islamic FinTech lending in Indonesia, this can engender favourable social norms among MSMEs. The perception that the government supports and promotes investment in this sector can influence MSMEs' investment intentions (Haris, 2020; Ng & Kwok, 2017). Individually, MSMEs have a perception of profit and growth for their business. If MSMEs have a positive perception of the potential business benefits and growth that can be achieved through Islamic FinTech lending, they are more likely to be motivated to invest. If MSMEs see that their business peers or community members have experienced improvements in their businesses through such investments, it can be a strong motivating factor. However, it is important that the role of subjective norms on MSMEs' investment intention in Islamic FinTech lending may vary depending on various factors, including social context (Ali et al., 2021; Usman et al., 2022), culture (Hudaefi, 2020), and individual experience (Pandey & Jessica, 2019; Stollery & Jun, 2017).

With regards to certain other variables, their impact on investment intention is not deemed significant owing to various reasons. Financial self-efficacy is a variable that pertains to a person's belief in the aptitude to efficiently handle their finances and make wise financial choices. Although it typically impacts an individual's financial behaviour, various factors prevent financial self-efficacy from directly influencing MSMEs' investment intentions in Islamic FinTech lending in Indonesia. One such factor is the limited understanding of Islamic FinTech lending (Akhtar & Das, 2019a; Ng & Kwok, 2017). MSMEs may lack a comprehensive comprehension of the principles and mechanisms underlying Islamic FinTech lending. They may be less familiar with the products and services offered and their benefits. In this case, even if they have high financial self-efficacy, their unfamiliarity with Islamic FinTech lending may reduce their propensity to invest.

Limited resources owned by MSMEs are another factor that affects MSMEs' investment intentions. MSMEs may not have sufficient funds to invest in Islamic FinTech lending, regardless of their side-by-side financial self-efficacy. When financial resources are limited, investment intentions may be hampered, even though individuals have confidence in their capability to manage finances. The risk and uncertainty of investing are also another reason. MSMEs may not feel comfortable with the level of risk associated with Islamic FinTech lending, especially if they do not have a sufficient understanding of how these risks are managed and the mitigations in place (Tyoso & Soegiastuti, 2023). Even if they have high financial self-efficacy, risk aversion may hinder investment intentions.

FSE also includes the investment preferences of MSMEs. However, in the field, the expected preferences are different from the theory or expectation. MSMEs may have different investment preferences based on their experience, knowledge, or personal preferences. Even though they have in height financial self-efficacy, they may prefer to invest in other forms that better suit their needs or goals (Safa et al., 2015). This means that the level of financial self-efficacy is not always directly related to investment intention in Islamic FinTech lending, and the next reason is that MSMEs still have conservative tendencies. Some MSMEs may have a conservative attitude towards financial innovation, including Islamic FinTech lending. They may be more likely to opt for more traditional investment methods or those they already know and trust. In

this case, high financial self-efficacy will not directly drive investment intentions in Islamic FinTech lending.

Financial knowledge, according to the findings of this study, suggests that MSMEs in Indonesia directly influence their attitude towards Islamic FinTech lending. Having good financial knowledge, MSMEs may have a good understanding of general financial principles with enough information on how Islamic FinTech lending works, the benefits, or the specific risks associated with it (Dorfleitner et al., 2022). Accordingly, better financial knowledge allows MSMEs to effectively evaluate the risks and potential returns of their investments (Kumari et al., 2022). They may be better able to identify opportunities that fit their risk profile and make investment decisions that are based on knowledge and analysis rather than impulsive or emotional decisions. In addition, with good financial knowledge, MSMEs may be more aware of the financial benefits that can be derived from investing in Islamic FinTech lending, such as potential profits, investment returns, and diversification of their portfolio.

Furthermore, an understanding of Shariah compliance is also important for financial knowledge. Financial knowledge enables MSMEs to understand the Sharia compliance principles underlying Islamic FinTech lending products and services. With a good understanding, MSMEs may feel more comfortable investing in products that comply with Sharia principles (Ali et al., 2021). Furthermore, having a solid understanding of finance helps boost trust in Islamic FinTech lending solutions. MSMEs are more inclined to have a positive outlook if they possess a solid understanding of the product, and if they are satisfied with the service provider's explanation and transparency.

Finally, strong financial knowledge can also improve MSMEs' decision-making capabilities (Healy et al., 2018; Oladapo et al., 2022). With good financial knowledge, MSMEs can make better, more informed investment decisions that are more matched with their financial goals. Financial knowledge can also help MSMEs understand the investment process in Islamic FinTech lending more efficiently, reduce the barriers and confusion they may experience, and increase their positive attitude towards the investment.

However, there are another reason why financial knowledge is not a factor influencing investment intention is the limitation of experience and information. MSMEs may have limited experience with Islamic FinTech lending or have limited access to relevant information. Even if they have adequate financial knowledge, if they do not have direct experience or sufficient information about Islamic FinTech lending, their attitudes may not be directly influenced by their knowledge. Psychological factors and individual preferences also contribute to this finding. Attitudes towards investing in Islamic FinTech lending may also be influenced by psychological factors and individual preferences (Kumari et al., 2022). Although MSMEs have good financial knowledge, they may have personal preferences or intentions that lean more towards traditional or more familiar investment methods. Their attitudes may be influenced more by personal preferences than general financial knowledge. External factors hold significant importance in motivating MSMEs in Indonesia to invest in Islamic FinTech lending. The outlook towards Islamic FinTech lending can be swayed by external factors, including but not limited to, risk perceptions, peer opinions, and societal norms. These factors may have a more significant influence than financial knowledge in shaping attitudes towards FinTech.

It should be noted that the relationship between Indonesian MSMEs' personality qualities and their financial self-efficacy in the context of Islamic FinTech loans is complex. This link can be complex and influenced by a variety of circumstances. The current study focuses on the role of financial self-efficacy in the investment intentions of MSMEs in Islamic FinTech loans. It is necessary to emphasise that there is no direct relationship or theoretical link between personality traits and financial self-efficacy. Financial self-efficacy involves an individual's belief in the capability to manage finances, while personality traits include broader personality characteristics such as an extroverted or introverted personality, openness to experience, neuroticism, and so on. These two concepts may interact with each other, but there is no direct or deterministic correlation between them.

Lastly, multifactorial and contextual issues for financial self-efficacy are influenced by various factors, including prior experience, financial knowledge, education, and situational factors. Personality traits, meanwhile, are only one aspect of these factors. While an individual's personality traits may influence how they deal with

financial challenges, financial self-efficacy is likely to be affected by other factors that are more concrete and specific to the context of finance and investment. The reason, let alone in a business that is very new and not widely understood by Indonesian MSMEs (Pak & Mahmood, 2015). In addition, context and cultural factors Indonesia has a wide cultural diversity, and these cultural factors may play a stronger role in influencing financial self-efficacy than individual personality traits. Factors such as social norms, access to financial education and knowledge, and economic and financial market conditions may have a more significant effect on financial self-efficacy in Islamic FinTech lending. Furthermore, adequate knowledge and experience in the financial context, particularly in Islamic FinTech lending, may provide a stronger foundation for financial self-efficacy than individual personality traits.

However, of the variables that are not antecedent to the investment intention of Indonesian MSMEs in Islamic FinTech lending, it was found that attitude can be a mediating variable in the association between financial knowledge and investment intention of MSMEs in Indonesia because attitude can act as a link or bridge between financial knowledge and investment action. A person's attitude towards investment can greatly influence their actual actions (Oladapo et al., 2022). If an individual possesses a favourable outlook on investment, they are inclined to engage in activities that promote investment, such as allocating funds towards MSMEs. High financial knowledge can influence a positive attitude towards investment, but attitude is an important factor in encouraging someone to invest. Moreover, attitude can be a means of emotional understanding (Oladapo et al., 2022). Here, attitude not only includes rational knowledge but also involves emotional aspects. A person with high financial knowledge may know the importance of investing, but a positive attitude can create an emotional drive to act. Attitude can help overcome emotional barriers or fear of the risks associated with investing (Vuk et al., 2017). Attitude can also affect how one assesses investment risk. Someone with a positive attitude may be better able to cope with the uncertainty associated with investing in MSMEs than someone with a negative attitude. This may influence their decision to invest despite having the same financial knowledge.

Other than that, attitudes can be a source of motivation. A positive attitude towards MSMEs' investment can act as a strong internal motivation to seek investment

opportunities and take the associated risks. A positive attitude can encourage individuals to seek investment opportunities that match their financial knowledge. A positive attitude towards investment is also likely to contribute to the formation of an intention to invest in MSMEs. A favourable disposition towards investment is also apt to facilitate the development of an intention to invest in MSMEs. Intention is an important first step before one takes the action of investing. Therefore, within the framework of MSMEs in Indonesia, a favourable disposition could serve as an intermediary factor linking financial literacy and the intention to invest. However, keep in mind that this link is complicated and might be affected by other aspects such as economic circumstances, legislation, and the Indonesian business climate.

5.2.2 How does Sharia compliance moderate the association amongst attitude and investment intentions of MSMEs in Islamic FinTech lending?

In theory, Sharia compliance can moderate the relationship between attitudes and investment intentions of MSMEs (micro, small, and medium enterprises) in Sharia FinTech loans (Islamic financial technology) because Sharia compliance can influence the way a person evaluates, feels, and decides about investments that are by Sharia principles. A positive attitude towards investment is an important factor in shaping the intention to invest in MSMEs. A person with a positive attitude will tend to be more open to investment (Che Azmi & Hanifa, 2015). However, in the context of Islamic FinTech lending, Sharia compliance will moderate the attitude negatively. As seen in Table 4.13, the interaction value of attitude with Sharia compliance is -0.009 with a significance value <0.05 , so H_0 is rejected and H_6 is accepted, which means that Sharia compliance as a moderating variable moderates the relationship between attitude and investment intention of Indonesian MSMEs in Islamic FinTech lending. The coefficient of interaction between attitude and Sharia compliance on investment intention here is negative, so it can be interpreted that the higher the attitude value of Indonesian MSMEs will reduce Sharia compliance it will also reduce their investment intention in Islamic FinTech lending, and vice versa, the lower the level of attitude will increase Sharia compliance so that it will also increase investment intention.

Initially, Sharia compliance plays a crucial role in moderating the association between attitudes and investment intentions of Micro, Small, and Medium Enterprises (MSMEs) in Islamic FinTech lending. By adhering to Sharia principles, MSMEs ensure that their financial activities are in line with Islamic law, which prohibits interest-based transactions (riba) and promotes ethical and socially responsible investing. In the context of Islamic FinTech lending, Sharia compliance influences the attitudes of MSMEs towards financial practices by emphasizing transparency, fairness, and risk-sharing. This adherence to Sharia principles fosters trust among MSMEs, leading to positive attitudes towards Islamic FinTech lending as a viable financing option. People with high Sharia compliance will be more likely to consider investments that comply with Sharia principles, while people with low Sharia compliance may be more flexible in this regard. In addition, risk appraisal is also a subset of Sharia compliance, which can affect how one assesses investment risk. In Sharia-compliant investments, perceived risks are related to violations of Sharia principles, such as usury or investing in businesses that are prohibited in Islam. People with a high level of Sharia compliance will be more cautious in choosing investments that comply with Sharia principles, which may moderate the effect of a positive attitude on investment intention.

The availability of strong internal motivation for Indonesian MSMEs to invest in Islamic FinTech lending loans is very important. People who are highly Sharia-compliant will have moral and religious incentives to make Sharia-compliant investments, even if their attitudes are positive. This may serve to mitigate the impact of one's attitude on their intention to invest. Nevertheless, MSMEs should be aware of the limiting factor, as Sharia compliance limits investment choices. People with high Sharia compliance may have limitations in terms of the investments they consider (Yumna, 2019), thus limiting the influence of attitude on investment intentions. Hence, within the realm of Islamic FinTech lending, it is imperative to comprehend that adherence to Sharia principles is a pivotal element that regulates the correlation between disposition and investment intention. This implies that notwithstanding an individual's favourable outlook towards investment, their adherence to Sharia principles will significantly influence their decision to invest in a product or venture that aligns with Sharia principles.

Nevertheless, this study found that the adherence to Sharia principles ought to serve as a moderating factor in the correlation between the attitude and investment intention of Indonesian MSMEs in the realm of Islamic Financial Technology (FinTech) lending, especially if the FinTech product or service focuses on Sharia principles. However, several factors can explain why Sharia compliance may not always moderate this relationship, namely the possibility of insufficient Sharia knowledge. One of the main reasons is that many potential investors or MSME players may not have a sufficient understanding of Sharia principles. They may have a positive attitude towards FinTech investment or financing, but they may not know very well how to apply Sharia principles in this context. In this case, Sharia compliance cannot be moderated due to insufficient understanding (Muryanto, 2022). Another issue is the availability of Islamic FinTech lending products. At times, despite an individual's favourable disposition towards Sharia-compliant investment, the dearth of appropriate investment options may compel them to opt for products that do not entirely adhere to Sharia compliance.

The other factors that are the reason why Sharia compliance does not moderate attitude and investment intention are external factors. External factors, such as financial pressure or urgent investment opportunities (Sivaramakrishnan et al., 2017), can also influence investment decisions. In certain situations, a person may decide to ignore Sharia principles in favour of urgent financial needs or opportunities that look profitable. Apart from that, different perceptions of Sharia compliance lead to different interpretations: Sometimes, individuals have different perceptions of the extent to which a product or service complies with Sharia principles. The aforementioned circumstance may lead to subjective evaluations regarding the degree of adherence to Sharia principles, thereby influencing the potency of Sharia compliance as a moderator in the correlation between attitudes and investment intention.

Finally, there is variability in the level of Sharia compliance. Islamic FinTech lending products may have varying levels of Sharia compliance. Someone who is highly concerned with Sharia compliance may be more selective in choosing products that meet stricter Sharia standards, while others may be more flexible in this regard. In the Indonesian MSMEs' investment in Islamic FinTech lending, it is imperative to take into account the aforementioned factors that could potentially impact the role of Sharia compliance as a moderating variable. Hence, it is crucial for both Islamic FinTech

lending institutions and the government to enhance the populace's comprehension of Sharia principles and augment the accessibility of products that adhere to these values. This will ensure that Sharia compliance can effectively moderate the association among attitudes and investment intentions.

5.2.3 Is there a moderating effect of Sharia Compliance between subjective norms and investment intentions of MSMEs in Islamic FinTech lending?

The moderating impact of Sharia compliance is contingent upon the interplay among subjective norms, Sharia compliance, and investment intentions of MSMEs in the realm of Islamic FinTech lending. In some situations, moderation may occur, while in other situations, the moderating effect may not be so significant. There are several potential scenarios (Widyastuti et al., 2021):

1. **Positive Moderation:** In this scenario, the adherence to Sharia principles has the potential to enhance the correlation between subjective norms and investment intentions of Micro, Small and Medium Enterprises (MSMEs). They will likely be more inclined to invest in MSMEs through Islamic FinTech lending. This is due to their convictions regarding the significance of such investments in the context of Islamic finance, as well as their adherence to Sharia principles, then Sharia compliance may increase the consistency between those subjective norms and their intention to invest by Sharia principles. In this case, Sharia compliance acts as a positive moderating variable.
2. **Negative Moderation:** On the other hand, Sharia compliance may moderate the association between subjective norms and MSME investment intentions negatively. For example, if a person has very strong subjective norms in favour of MSME investment but their level of Sharia compliance is low, then Sharia compliance may inhibit the influence of those subjective norms. In this case, Sharia compliance acts as a negative moderating variable, so subjective norms may not be as strong as expected in predicting investment intentions.
3. **No Significant Moderation:** It is plausible that adherence to Sharia principles may not exert a substantial moderating influence on the association between subjective norms and the investment intentions of MSMEs in the realm of Islamic Financial Technology (FinTech) lending. In this case, even though a person has strong subjective

norms and a high level of Sharia compliance, the impact of adherence to Sharia principles on the correlation between subjective norms and investment intention may not hold significant weight. This could happen if other factors, such as business needs or economic conditions, overcome the influence of Sharia compliance.

The moderating influence may vary from individual to individual and also depends on the social, religious, and economic context. Therefore, to better understand the moderating influence between Sharia compliance, subjective norms, and the investment intention of MSMEs in Islamic FinTech lending, more in-depth empirical research and statistical analyses may be needed to determine the extent to which Sharia compliance influences the relationship between the two variables.

The present investigation has revealed that adherence to Sharia principles can serve as a moderating variable in the correlation between subjective norms and investment intentions of MSMEs (micro, small, and medium enterprises) in the domain of Islamic FinTech lending. This is due to the pivotal role played by this factor in the realm of Islamic investment. One of the reasons why Sharia Compliance can serve as a moderator between the two variables is that Sharia Compliance is a filter. Sharia compliance acts as a filter or framework that helps individuals assess whether certain actions or investments are by Sharia principles (Ali et al., 2021). In the context of MSME investment in Islamic FinTech lending, individuals who have strong subjective norms about the importance of complying with Sharia principles will tend to pay more attention to Sharia compliance in making investment decisions. If there is a mismatch between strong subjective norms and investment opportunities that do not comply with Sharia principles, the individual may have lower investment intentions or even reject the investment.

Furthermore, Sharia compliance is a driving factor. Sharia compliance can also be a driving factor that increases one's subjective norms related to MSME investments in Islamic FinTech lending. Individuals who exhibit a heightened degree of adherence to Sharia principles may be predisposed to possessing robust subjective norms that endorse Sharia-compliant investments. In such instances, Sharia compliance may serve to reinforce the correlation between subjective norms and investment intention.

For entrepreneurs, ethical behaviour is something that cannot be ignored. That is, ethical considerations in investing in Islamic FinTech lending that adheres to Sharia principles are often seen as an ethical and responsible action from an Islamic religious perspective (Biancone et al., 2019b). Individuals who have strong subjective norms about investment ethics and responsibility will probably see Sharia compliance as a means to achieve their ethical goals. In this case, Sharia compliance moderates the association between subjective norms and investment intentions by strengthening the impact of ethics in investment decision-making. Deterrent Effect Sharia compliance can also have a deterrent effect, where individuals who have strong subjective norms but engage in investments that are not by Sharia principles may experience moral conflict or feelings of guilt. This may inhibit their investment intentions or encourage them to seek investment opportunities that are more Sharia-compliant.

Thus, in the context of Islamic FinTech lending in Indonesia, Sharia compliance may serve as a regulator or moderator between individual subjective norms and MSME investment intentions. This is particularly the case as Islamic investments have unique characteristics relating to ethics, religious beliefs, and strong Sharia compliance considerations.

5.2.4 What are the problems and challenges in investing in Islamic FinTech lending in Indonesia?

There are several issues and challenges in investing in Islamic FinTech lending raised by the respondents. The challenges and issues confronting Islamic FinTech lending in Indonesia include human resources, regulatory concerns, government involvement, and insufficient capital. According to the majority of experts interviewed, the absence of adequate regulation and oversight is a significant obstacle to the growth of Islamic FinTech lending. They underscored the fact that government entities, specifically the Financial Services Authority (OJK), do not furnish Islamic FinTech lending with targeted information or support, such as guidance or public awareness campaigns. OJK, however, is very supportive of Islamic FinTech lending and is always open to input for the running and development of Islamic FinTech lending.

Human resources is another issue raised by the experts. They perceive that most MSMEs only have passion and lack expertise in both Sharia and financial management, especially in digital finance (Chaudary, 2019). They consider Islamic FinTech lending a very risky business (Tyoso & Soegiastuti, 2023), and they are not responsive to the use of the latest information technology (Lee & Lee, 2019). For this reason, MSMEs and entrepreneurs do not dare get involved in this industry due to their limitations. Instead of transforming their business into a digital business, they tend to prioritise the businesses they have been managing so far, such as trade, industry, agriculture, and so on.

However, despite its shortcomings, Islamic FinTech lending, which has a dual mission, namely social and business, can be an alternative platform to increase investment diversification in the financial sector. Islamic FinTech lending also has the potential to overcome accessibility barriers and mentions the availability of its model to offer financing to those who are not reached by conventional banks. Islamic FinTech lending also helps government programmes related to increasing financial inclusion in Indonesian society (S. A. Shaikh, 2021). Islamic FinTech lending can also be an intermediary institution that operates like a bank based on information technology (Blythin & Cooten, 2017). In the final analysis, it is anticipated that Islamic FinTech lending will serve as one of the alternative catalysts for the advancement of Islamic finance in Indonesia, in addition to Islamic banking.

Another issue is that most banks are not interested in dealing with them as they do not have valuable collateral and are poorly educated, and banks consider them risky customers. On the contrary, their large number is a very potential market. For this reason, Islamic FinTech lending, with its ideological movement and Islamic values, provides a more flexible movement, thus opening up huge revenue potential for companies. Furthermore, Islamic FinTech lending is not only seen as an ordinary FinTech but also as an ideological movement that can do better justice but also do more flexible movements that are safe and halal (Abdeldayem & Aldulaimi, 2022). This means that Islamic FinTech lending has huge market potential and is a business alternative for companies. The speciality of Islamic FinTech lending is the Islamic values of safety and fairness that create consumer trust. The majority of the respondents held the view that Islamic FinTech lending is readily accessible to all strata of society,

owing to the concentration of these institutions in low-income neighbourhoods that are devoid of banking facilities. The respondents concurred that the primary objective of Islamic FinTech lending in Indonesia is to amalgamate business alternatives and digitalization, particularly in the Islamic finance domain.

The primary distinction between traditional FinTech lending and Islamic FinTech lending lies in the fact that while both operate within the realm of FinTech lending, the latter adheres to Sharia principles in its financial operations. Islamic FinTech lending also has two objectives, namely business alternatives and business digitalization in the financial sector. The results of interviews with several respondents found that Islamic FinTech lending is a good initiative as long as it is done with good governance. In addition, Islamic FinTech lending can provide financing that is safe and by Islamic law.

5.3 CONTRIBUTION OF THE STUDY

The contribution of a study in a dissertation cannot be overstated, as it offers insights into the worth and importance of the research within a scientific and practical framework. Moreover, study contributions play a crucial role in identifying and elucidating how the research addresses gaps in knowledge within relevant fields of study. These contributions may encompass advancements in theoretical, methodological, or practical understanding of the research topic. Presented below is an elucidation of the contributions of this study.

5.3.1 Theoretical Contribution

This study presents several theoretical contributions to the literature on Islamic FinTech lending. Firstly, the identification of barriers to investment in Islamic FinTech lending provides valuable insights for academics and researchers regarding the factors that may impede microenterprises from investing in this area in Indonesia. Secondly, this research is, to the best of our knowledge, the first to employ the theory of planned behaviour to forecast investment intention in Islamic FinTech lending for Indonesian

MSMEs, while also incorporating other variables such as financial knowledge, personal traits, and Sharia compliance as a moderating variable. The results of this study lend support to the applicability of the TPB in predicting adoption across a range of different sampling settings.

Third, in this study, of the three attitudes, subjective norms and perceived financial self-efficacy were decomposed into multidimensional constructs, while subjective norms were decomposed into unidimensional ones (Bizri et al., 2018; Kumari et al., 2022; Sivaramakrishnan et al., 2017). However, the results of this study only support the attitude beliefs of Indonesian MSMEs as a multidimensional construct that mediates financial knowledge to have investment intention in Islamic FinTech lending. This indicates that there are significant antecedents that can be used in the context of Islamic FinTech lending to find the specific factors that influence MSMEs' participation in investing in Islamic FinTech lending.

The findings of this study point to that the attitude of MSMEs towards Islamic FinTech lending significantly impacts their investment intention. The successful validation of this construct in terms of behavioural participation suggests that the theories of planned behaviour and decomposed behaviour are relatively well-established. This study makes a valuable contribution to the discourse on the application of the TPB in the context of Islamic finance acceptance research in Indonesia. This is particularly noteworthy given that the existing literature suggests that most research on the acceptance of Islamic finance, particularly in the FinTech domain, in Indonesia remains exploratory.

5.3.2 Practical Contribution

Relevant practical contributions have been discussed throughout the discussion section. They are briefly summarised in this section. The religious factor, represented by Sharia compliance, is found to be an important consideration in considering an investment in Islamic FinTech lending in Indonesia. This result shows that Sharia compliance can moderate the attitude of Indonesian MSMEs towards investing in Islamic FinTech lending. This study also found that subjective norms are positive towards Indonesian

MSMEs' investment intentions in Islamic FinTech lending. The attitude decomposition shows two antecedents of attitude, namely relative advantage and awareness.

To develop positive attitudes towards Islamic FinTech lending, Islamic FinTech lending lenders need to socialise the benefits associated with Islamic products and services, such as lower fees and competitive interest rates, courtesy and respect from staff, staff competence, and fast and efficient service. Islamic FinTech lending should also be recognised as an institution that adheres to Islamic financial principles to overcome negative attitudes towards conventional FinTech lending when people are more aware of the principles of Islamic financial products. An innovative Sharia-based product that embodies a social purpose can be one step towards achieving this goal. Thus, research in Islamic fintech lending contributes to funding by providing entrepreneurs with Shariah-compliant funding options, avoiding interest-based transactions and promoting risk-sharing partnerships. Islamic fintech lending research promotes financial inclusion for entrepreneurs by combining technology with Islamic finance principles, ensuring access to financial services that comply with Shariah. Also, this research drives innovation by creating Shariah-compliant financial products tailored to the needs of entrepreneurs, allowing them to benefit from cutting-edge solutions while adhering to their religious beliefs.

The present study has uncovered that the absence of regulation and supervision, inadequate human resources, and insufficient funding are the most pressing issues and challenges in the introduction of Islamic FinTech lending. To address the regulatory concerns, the study recommends that government agencies such as DSN, MUI, and OJK collaborate to harmonize laws about Islamic FinTech lending. This is necessary to minimize the overlap between financial regulations and Sharia principles. In terms of the shortage of human resources, it is imperative to provide education to enhance the literacy of entrepreneurs and MSMEs, enabling them to stay abreast of technological advancements and recognize the burgeoning business potential. The literacy model should encompass knowledge of the various modes of Islamic financing and Sharia-compliant objectives for social programs. Thus, recommendations for enhancing the quality of Islamic fintech lending in Indonesia include formulating policies that support

balanced development, fostering collaboration and innovation among Islamic financial institutions, monitoring and regulating fintech lending, establishing quality indicators, supporting cross-industry financing, adopting a customer-centric approach, and ensuring transparency and accountability. These efforts aim to improve financial inclusion and contribute to economic growth.

5.4 CONCLUSION

Following the discussion of the main findings and the contribution of this research to knowledge, practice, and policy, several important conclusions can be drawn from this research. Initially, the present investigation has disclosed that religious motives, specifically Sharia compliance, have surfaced as a catalyst for entrepreneurs and MSMEs to adopt a position and allocate resources towards Islamic FinTech lending. Therefore, this study concludes that the numerous barriers to financial inclusion impede the expansion of Islamic FinTech lending in Indonesia as a whole. In particular, the study concludes and advertises that a faith-based digital financial inclusion platform, namely Islamic FinTech lending, is needed. This is inseparable from the fact that Indonesia is a Muslim-majority country and religious connotations are attached to almost all aspects of life, including Muamalat, as reflected in various Islamic social finance activities undertaken by the government and communities in Indonesia.

To overcome the problem of barriers to investment intention in Islamic FinTech lending, Islamic FinTech lending can be considered a suitable alternative to increase financial inclusion through financial literacy or knowledge, but the question is, to what extent can Islamic FinTech lending fulfil the demand for underprivileged micro-enterprises? The secondary purpose of this analysis is to evaluate the precursors that influence the decision of MSMEs to allocate resources towards Islamic FinTech lending. To achieve this objective, the theoretical construct of planned behaviour, as posited by Taylor and Todd (1995), was employed as the conceptual framework for this research. The theory of planned behaviour was adopted to provide a complete set of antecedents that can explain participation in a particular investment intention (i.e., Islamic FinTech lending), thus shedding light on the practical implications of this study.

Within the context of this investigation, it was determined that solely the subjective norms held by Indonesian MSMEs had a noteworthy impact on their

investment intention in the realm of Islamic FinTech lending. The results show that positive subjective norms towards investment intention in Islamic FinTech lending are influenced by self and environment in seeing the important role and benefits of Islamic FinTech lending. Although there are many benefits, such as speed, convenience, and competitive margin rates provided, these benefits only influence MSMEs' attitudes and self-efficacy in participating in Islamic FinTech lending. Based on this premise, the perception of Islamic FinTech lending as a viable means to augment financial inclusivity and alternative commerce is comparatively acknowledged.

Ultimately, regarding the qualitative aspect, the investigation culminates in the determination that human resources, regulatory measures, governmental involvement, and insufficiencies in the capital, as well as a limited commitment to Sharia compliance, represent a number of the obstacles and difficulties that arise in the advancement of Islamic FinTech lending within Indonesia.

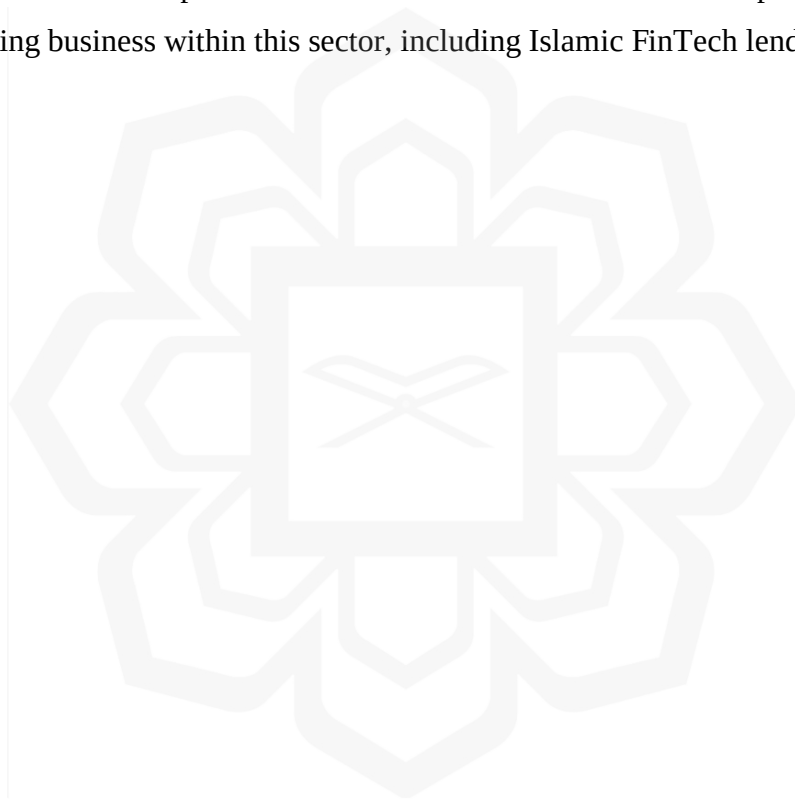
5.5 LIMITATIONS OF THE STUDY

Notwithstanding the considerable endeavours that have been undertaken to attain the research objectives, certain unavoidable constraints have arisen due to temporal limitations. Primarily, a potential limitation of this study is the sample size of 400 respondents. Although this figure is adequate for ensuring the validity and reliability of the data gathered, extrapolating the outcomes to a wider population may necessitate the inclusion of a greater number of participants. Secondly, the sample frame is limited to Muslim MSMEs. Therefore, the findings of this study might be different if MSMEs with diverse backgrounds were involved. Thirdly, due to time constraints, the interviews in the qualitative section did not involve existing Islamic FinTech lending operators. As key players in Islamic FinTech lending and crucial in the issue of investing in Islamic FinTech lending, their views would have been valuable.

5.6 SUGGESTIONS FOR FUTURE RESEARCH

The majority of the recommendations for prospective investigations deliberated upon in this section pertain to the rectification of the constraints of the study accentuated in

the preceding section. With regards to the restricted sample size, it is recommended that forthcoming research endeavours employ a more substantial number of participants as the sample size. A large sample size would indicate a larger population of entrepreneurs and MSMEs, and generalisation issues would be addressed. Meanwhile, in this research, the sample frame was MSMEs with a Muslim background, and future research could include respondents with diverse backgrounds across Indonesia. Given the direct correlation established between attitudes and financial knowledge in this study, it would be highly advantageous to incorporate this relationship into future research endeavours. In the qualitative component, it may be constructive to enlarge the pool of respondents to consist of further representatives from various stakeholders who possess expertise in conducting business within this sector, including Islamic FinTech lending companies.



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APPENDIX I

QUESTIONNAIRE SURVEY



الجامعة الإسلامية العالمية ماليزيا
INTERNATIONAL ISLAMIC UNIVERSITY MALAYSIA
يُونِيسَيتِي إِسْلَامِيَّةٌ إِنْتَارَايْخُسِيَا مَلِيسِيَا

A survey on the antecedences of investment intention in Islamic fintech lending among Indonesian MSMEs

Dear Sir/Madam,
Assalamualaikum,

This survey is conducted to identify some factors that will be the antecedences of investment intention in Islamic fintech lending among Indonesian MSMEs Indonesia. The survey is part of my PhD research in Business Administration of Kulliyyah of Economics and Management Sciences, International Islamic University Malaysia (IIUM). With regard to the above, your cooperation to participate in this survey is highly appreciated. All information obtained in this survey will be treated as confidential and will be used for academic purposes only. Your sincere response in this questionnaire will contribute towards enhancing financial inclusion and the role of sharia compliance in assisting MSMEs in Indonesia to further grow and expand especially in FinTech lending. If you have any enquiry, please contact me at the following number and email address. Thank you for your response and cooperation.

Wassalamualaikum

Researcher:

Muhammad Kurnia Rahman Abadi

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Assoc. Prof. Dr. Hamdino Bin Hamdan

Co-Supervisor

Assoc. Prof. Dr. Hairul Azlan Bin Annuar

Asst. Prof. Dr. Ahmad Fawwaz Bin Mohd Nasarudin

PART A

The purpose of this part is to assess the factors that affect Indonesian MSMEs to invest in Islamic FinTech lending. Please tick (✓) in the box to indicate how agreeable you are with the following statements on a scale of 1 (Strongly Disagree), 2 (Disagree), 3 (Somewhat Agree), 4 (Agree) and 5 (Strongly Agree)

Personality Traits		Strongly Disagree	Disagree	Somewhat Agree	Agree	Strongly Agree
		1	2	3	4	5
1	People usually ask me for assistance for performing creative activities					
2	I always think of original ways of performing a task					
3	I always try to invent new uses for everyday objects					
4	I would prefer to invest money in safer Islamic FinTech lending					
5	Determine minimum account-balance requirements can cause barrier of affordability					
6	I consider investment in Islamic FinTech lending as an important aspect of my life					
7	Islamic FinTech lending makes me more confident than the conventional one					
8	Islamic FinTech lending offers a better social prestige than the conventional					
Financial Knowledge		Strongly Disagree	Disagree	Somewhat Agree	Agree	Strongly Agree
		1	2	3	4	5

1	I like investing my money in multiple business or investments					
2	If the prices of products that I buy today doubles over the next ten years, my income also doubles, I will be able to buy the same product in the same quantity					
3	I possess a comprehensive understanding of the fundamental principles governing Islamic FinTech lending					
4	I possess the requisite expertise pertaining to Islamic FinTech lending services.					
5	Islamic FinTech lending charges lower transaction fees compared to conventional					
6	The compatibility of Islamic FinTech lending with my social values is evident.					
7	The practice of Islamic FinTech lending aligns with my religious beliefs and values.					
8	Islamic FinTech lending caters to my financial requirements.					
9	The Islamic FinTech lending option aligns well with my lifestyle.					
10	I possess a satisfactory comprehension of the principles governing Islamic FinTech lending.					
11	I am knowledgeable about the majority of the					

	transactions involved in this field.					
Attitude		Strongly Disagree	Disagree	Somewhat Agree	Agree	Strongly Agree
		1	2	3	4	5
1	Investment in Islamic FinTech lending is a good idea					
2	Investing in Islamic FinTech lending is a wise choice					
3	I like the idea of investing in Islamic FinTech lending					
4	Investing in Islamic FinTech lending services is Profitable					
5	Investing in Islamic FinTech lending services is valuable					
6	Investing in Islamic FinTech lending services is worthy					
7	I think that investing in the Islamic Fintech lending can enhance the financial knowledge of individuals					

	Subjective Norms	Strongly Disagree	Disagree	Somewhat Agree	Agree	Strongly Agree
		1	2	3	4	5
1	My colleagues and friends are investing in Islamic FinTech lending					
2	Individuals who hold significant importance in my life would opine that I ought to utilize Islamic FinTech lending services.					

3	My parents who are important to me would think that I should use Islamic FinTech lending services					
4	My friends who are important to me would think I should use Islamic FinTech lending services					
5	My siblings who are important to me would think I should use Islamic FinTech lending services					
6	My colleagues who are important to me would think I should use Islamic FinTech lending services					
7	Those have important influence on me to think that I should invest in Islamic FinTech lending					
8	I will participate in Islamic FinTech lending investment if a famous public figure encourages it					
	Sharia Compliant	Strongly Disagree	Disagree	Somewhat Agree	Agree	Strongly Agree
		1	2	3	4	5
1	offering financing with interest (<i>Riba</i>) is not <i>Sharia</i> compliant					
2	Providing financial product that contains <i>gharar</i> is not <i>Sharia</i> compliant					
3	Providing financial product that contains <i>maysir</i> is not <i>Sharia</i> compliant					
4	Fairness of the product is an important element for <i>Sharia</i> compliant					

5	I chose Sharia Fintech lending because all business activities are halal.					
6	I chose Islamic Fintech Lending because I trust Islamic FinTech Lending to run the business with trust.					
	Normative beliefs	Strongly Disagree	Disagree	Somewhat Agree	Agree	Strongly Agree
		1	2	3	4	5
1	My close friends think I should engage in Islamic FinTech lending services					
2	In general, I would do what my close friends think I should do					
3	My parents think I should engage in Islamic FinTech services					
4	In general, I would do what my parents think I should do					
5	My siblings think I should engage in Islamic FinTech lending services					
6	In general, I would do what my siblings think I should do					
7	My colleagues think I should engage in Islamic FinTech lending services					
8	In general, I would do what my colleagues think I should do					
	Financial Self Efficacy	Strongly Disagree	Disagree	Somewhat Agree	Agree	Strongly Agree
		1	2	3	4	5
1	It is hard to stick to my spending plan when unexpected expenses arise					
2	It is challenging to make progress toward my financial goals					

3	When unexpected expenses occur I usually have to use credit					
4	When faced with a financial challenge, I do not find it hard to figure out a solution					
5	I do not lack confidence in my ability to manage my finances					
6	I have trouble finding a solution when facing a financial problem					
7	I lack confidence in managing my personal Finances					
8	I worry about not having enough funds when I retire					
	Intention to Invest	Strongly Disagree	Disagree	Somewhat Agree	Agree	Strongly Agree
		1	2	3	4	5
1	I do not worry about running out of money in retirement					
2	I will invest in Islamic FinTech lending shortly					
3	I will encourage my friends to invest in Islamic FinTech lending					
4	I will encourage my family to invest in Islamic FinTech lending					
5	I am likely to fund another project on the platform if I am in demand					
6	I can stand the inconvenience caused by Islamic Fintech lending investment					

PART C: Demographic Information

Instructions: Please tick (✓) on the appropriate answer below:

1.	Gender	Male	Female		
2.	Age	Below 20	20-29	0-39	40 & Above
3.	Marital Status	Single	Married	Widowed	Divorced
4.	Religious Background	Islam	Catholic	Protestant	Others
5.	Educational Background	None	Primary School	Junior High School	Senior High School
		Diploma	Bachelor Degree	Master	PhD
6.	Have you ever borrowed money from FinTech for your enterprise?			Yes	No
7.	Are Small, medium and microenterprises as your main source of income?			Yes	No
8.	Source of income other than income from enterprises	Civil Servant	Employee in Private Company	Employee in Government owned company	Lecture/Teacher
		Professional (Doctor, Lawyer, Accountant etc)	Student	Housewife	Others

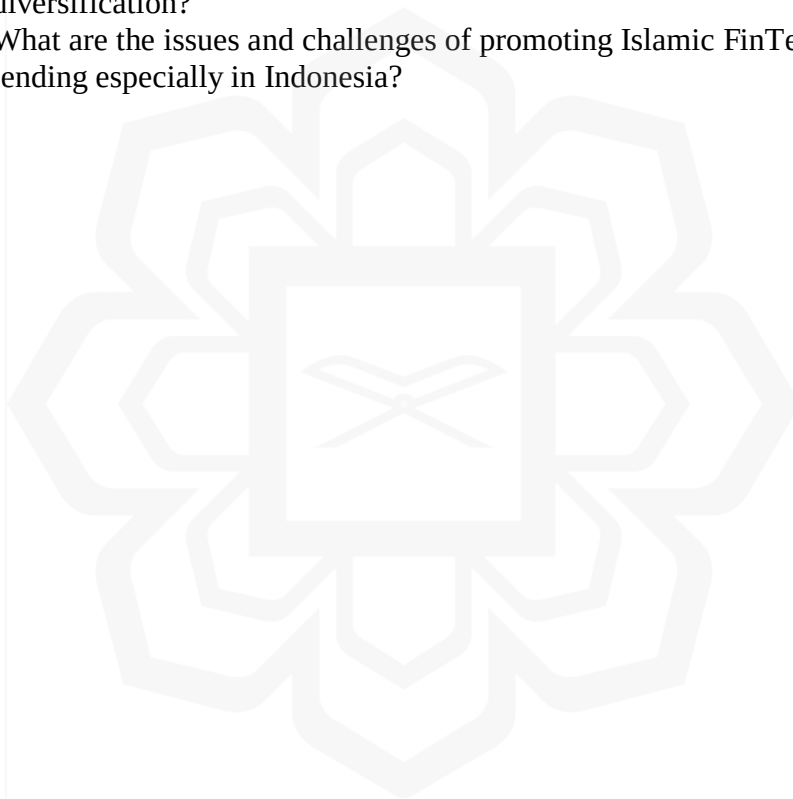
THANK YOU VERY MUCH FOR YOUR KIND CO-OPERATION

APPENDIX II

INTERVIEW QUESTIONS

Topic: Issues and challenges of Islamic FinTech Lending investment in Indonesia

1. What is your opinion about Islamic FinTech lending?
2. What do you think current practice of Islamic Fintech lending have been in line with *sharia compliance*?
3. What are the problems and challenges in investing in Islamic FinTech lending in Indonesia?
4. How about Islamic FinTech lending and financial knowledge, are they may be as suitable alternative to enhance business portfolio diversification?
5. What are the issues and challenges of promoting Islamic FinTech lending especially in Indonesia?



APPENDIX III

OBSERVATIONS FARTHEST FROM THE CENTROID (MAHALANOBIS DISTANCE)

A. Antecedences of Investment intentions

Observation number	Mahalanobis d-squared	p1	p2
200	99.923	.000	.000
121	78.303	.000	.000
361	72.483	.000	.000
11	61.970	.000	.000
63	59.529	.000	.000
87	51.080	.000	.000
36	50.164	.000	.000
268	40.023	.001	.000
97	38.811	.002	.000
38	37.928	.003	.000
39	37.928	.003	.000
40	37.928	.003	.000
77	36.614	.004	.000
100	36.043	.005	.000
62	35.578	.005	.000
61	35.058	.006	.000
57	34.114	.008	.000
272	34.068	.008	.000
58	34.015	.008	.000
149	32.992	.011	.000
204	32.475	.013	.000
175	31.986	.015	.000
67	31.844	.016	.000
101	31.844	.016	.000
102	31.844	.016	.000
103	31.844	.016	.000
104	31.844	.016	.000
71	31.825	.016	.000
183	31.636	.017	.000
145	31.574	.017	.000

127	31.432	.018	.000
130	31.432	.018	.000
131	31.432	.018	.000

Observation number	Mahalanobis d-squared	p1	p2
128	31.305	.018	.000
193	31.194	.019	.000
360	30.792	.021	.000
69	30.748	.021	.000
223	30.677	.022	.000
32	30.483	.023	.000
243	30.436	.023	.000
144	30.164	.025	.000
226	30.066	.026	.000
141	29.449	.031	.000
402	29.241	.032	.000
150	28.986	.035	.000
231	28.791	.037	.000
116	28.730	.037	.000
31	28.521	.039	.000
290	28.396	.041	.000
384	28.107	.044	.000
301	27.986	.045	.000
76	27.882	.046	.000
34	27.750	.048	.000
203	27.737	.048	.000
151	27.696	.049	.000
289	27.656	.049	.000
266	27.548	.051	.000
33	27.548	.051	.000
44	27.548	.051	.000
78	27.279	.054	.000
79	27.279	.054	.000
385	27.202	.055	.000
265	27.161	.056	.000
74	26.946	.059	.000
30	26.783	.061	.000
59	26.620	.064	.000

41	26.508	.066	.000
300	26.313	.069	.000
244	26.274	.070	.000
98	25.852	.077	.000
65	25.624	.082	.000
6	25.563	.083	.000
21	25.559	.083	.000
72	25.489	.084	.000
95	25.309	.088	.000

Observation number	Mahalanobis d-squared	p1	p2
401	24.951	.096	.000
248	24.783	.100	.000
64	24.678	.102	.000
232	24.610	.104	.000
89	24.595	.104	.000
14	24.447	.108	.000
23	24.447	.108	.000
267	24.405	.109	.000
382	24.364	.110	.000
186	23.892	.122	.000
174	23.830	.124	.000
153	23.828	.124	.000
224	23.678	.128	.000
195	23.400	.137	.000
219	23.318	.139	.000
43	23.224	.142	.000
394	22.972	.150	.000
169	22.765	.157	.000
134	22.564	.164	.000
152	22.400	.166	.000
66	22.264	.175	.001
194	22.034	.183	.003
75	21.730	.195	.012
281	21.699	.197	.010
404	21.442	.207	.030

Observation number	Mahalanobis d-squared	p1	p2
366	58.539	.046	.000
243	58.495	.047	.000
310	57.659	.054	.000
203	57.630	.055	.000
390	57.603	.055	.000
202	57.433	.057	.000
69	57.305	.058	.000
365	57.141	.060	.000
66	57.105	.060	.000
164	56.854	.063	.000
353	56.480	.067	.000
251	56.047	.072	.000
139	55.900	.074	.000
349	55.800	.075	.000
335	55.575	.078	.000
221	55.485	.079	.000
61	55.409	.080	.000
85	55.352	.081	.000
295	55.328	.082	.000

APPENDIX IV

MODIFICATION INDICES

1. Modification indices of initial measurement model for antecedences of investment intentions

Covariances: (Group number 1 - Default model)

	M.I.	Par Change
--	------	------------

e4 <--> e5	91.713	.301
e3 <--> e4	37.176	.139
e2 <--> e5	36.371	-.197
e1 <--> e5	23.609	-.169
e1 <--> e2	60.658	.190

2. Modification indices of initial measurement model for attitudinal structure

Covariances: (Group number 1 - Default model)

	M.I.	Par Change
e20 <--> e23	91.018	.276
e19 <--> e23	148.233	.335
e19 <--> e20	206.456	.405
e16 <--> e17	35.046	.090
e10 <--> e11	32.153	.079

3. Measurement model of initial modification indices for normative structure

Covariances: (Group number 1 - Default model)

	M.I.	Par Change
e10 <--> e11	19.013	.060
e7 <--> e8	54.351	.178
e5 <--> e6	29.080	.120
e4 <--> e7	34.762	-.121
e3 <--> e6	33.063	-.119
e3 <--> e4	29.522	.093
e1 <--> e4	21.034	-.089
e1 <--> e2	95.206	.213

APPENDIX A

THE RESEARCHER'S BRACKETING

I am currently employed as a lecturer at a private university. I have been in this position for a duration of eight years. Initially, I joined this institution right after completing my master's degree. My strong desire to become a lecturer led me to this campus. Prior to this, I worked as a teaching assistant and research assistant in the field of Islamic finance after completing my undergraduate education. With my experience in this field, I felt confident and at ease with my job. The progress and development of Islamic economics and finance further reinforced my decision. The lack of skills in Islamic economics motivated me to work as a lecturer and contribute towards enhancing the quality of human resources in this field. Hence, I pursued a master's degree in management. Throughout my undergraduate and postgraduate studies, I actively participated in Islamic boarding schools and engaged in Islamic studies. This experience inspired me to develop the concept of human resource management from an Islamic perspective. After completing my master's degree, I discovered that the university where I am currently employed had a vacant lecturer position. Fortunately, the university was conveniently located near my home, prompting me to apply immediately. During the interview, I was questioned about the difference between my bachelor's and master's degrees. In response, I explained my motivation to develop human resources, particularly from an Islamic standpoint. To my delight, my vision aligned perfectly with the university's objective of advancing knowledge from an Islamic perspective. I am grateful to have been accepted to work here.

In addition to my previous experience as a teaching assistant, I have also gained valuable experience in teaching and interacting with students. The youth's dynamic nature in navigating life has inspired me to continuously learn and stay updated, particularly in the realm of information technology development. I often encounter students who find themselves burdened by debts resulting from digital financial transactions or fintech lending. Given my expertise in Islamic finance, this technological advancement has piqued my curiosity regarding the role of religion, specifically Islam, in the context of digital finance.

I wonder if Islamic fintech lending can provide a solution to the issues

surrounding fintech lending in Indonesia. The problems within digital finance, particularly fintech lending, are of significant magnitude in this country, to the point where they are actively avoided and feared. However, the presence of fintech lending has proven to be immensely beneficial for various parties, especially those in urgent need of funds. In addition, in terms of regulations, Islamic fintech lending has received support from the government and the MUI, ensuring the halal status of its products. Over time, the number of enthusiasts and users of fintech lending has grown rapidly. Therefore, I believe that fintech lending, despite its high risks, also holds immense potential.

Consequently, I am interested in conducting a study to determine whether Muslim entrepreneurs are willing to invest in fintech lending or not. This study would involve surveying and interviewing Muslim entrepreneurs to understand their perspectives on Islamic fintech lending and their willingness to invest in this sector. Additionally, I would explore the challenges and opportunities that exist within the Islamic fintech lending market in Indonesia.

By conducting this study, I hope to contribute to the understanding of the potential for Islamic fintech lending to address the issues surrounding fintech lending in Indonesia. This research could provide insights into the demand for Islamic fintech lending products and the factors that influence Muslim entrepreneurs' investment decisions in this sector. Furthermore, the findings of this study could inform policymakers and regulators about the potential benefits and risks associated with Islamic fintech lending. It could also guide the development of appropriate regulations and policies to ensure the growth and sustainability of this sector.

Overall, I am excited about the prospect of exploring the intersection of Islamic finance and digital finance through the lens of fintech lending. I believe that this research has the potential to contribute to the development of innovative and inclusive financial solutions for individuals and businesses in Indonesia.

APPENDIX B

INTERVIEW PROTOCOL

Once the participant candidates have been identified, the researcher will conduct the interview by following these protocols:

1. The researcher will use WhatsApp to message potential candidates, introducing himself and the purpose of the study, and asking for permission to conduct an interview. The researcher will obtain the candidates' contact information from the previous interviewees.
2. After obtaining agreement from the candidates, the researcher will request to meet with them to provide more information about the study. If the candidates agree to be interviewed and understand the details, the researcher will allow the candidates to schedule a meeting for the interview and determine the location where it will take place.
3. Once the interview has been scheduled, the researcher will email a confirmation letter along with an informed consent letter.
4. On the day of the interview:
 - a. The researcher will bring two copies of the informed consent letter and give the second copy to the interviewee.
 - b. The researcher will ask the interviewee to read the consent letter thoroughly and let him/her to ask any question about the research and the consent letter.
 - c. The researcher will ask the interviewee to provide his/her understanding about the study.
 - d. If the understanding is correct, the researcher will request the interviewee to sign the two consent letters, with one copy for the interviewee's records and the other for the researcher's database.
 - e. If the understanding is not precise, the researcher will address the issue and verify the interviewee's understanding once again. If the understanding is correct, the researcher then will request the interviewee to sign the two consent letters, with one copy for the interviewee's records and the other for the researcher's database.

5. After obtaining the interviewee's consent through signed consent letters, the researcher will take notes and use a tape recorder during the interview, if permitted. If not, the researcher will only take notes. The researcher will also request supporting documents that validate the information provided during the interview.
6. At the end of the interview, the researcher will remind the interviewee that the information provided will be kept confidential. The researcher will also answer any questions asked by the interviewee, express gratitude for his/her time, and promise to share draft and final copies of any published document.
7. Within two days of the interview, the researcher will send a signed thank you note to the interviewee.



APPENDIX C

INFORMED CONSENT

Assalamu 'alaikum wa rahmatullahi wa barakaatuh

Dear Participant,

I am **Muhammad Kurnia Rahman Abadi** and am a post-graduate student pursuing my Ph.D. in Business Administration at the International Islamic University Malaysia (IIUM). Currently, I am conducting a research under the supervision of Assoc. Prof. Dr. Hamdino Bin Hamdan, Assoc. Prof. Dr. Hairul Azlan Bin Annuar, and Asst. Prof. Dr. Ahmad Fawwaz Bin Mohd. Nasarudin from the Kuliyah of Economics and Management Sciences.

You are invited to participate in an interview for a study entitled; ***“The Antecedences of Investment Intention in Islamic Fintech Lending among Indonesian MSMEs”***. The main purpose of this study is to investigate any obstacles and challenges of Islamic Fintech lending in Indonesia you may have experienced and how you dealt with the events. The eligibility criterion for participating in this interview is that you have been working at least one year in your current organization.

No benefits will be accrued to you for participating in the interview and that any discomfort or inconvenience derived might only be attributed to the amount of time taken to complete the interview. The interview will be audio-recorded in order to accurately capture what has been said. If you agree to participate in the study, you may request that the recording be paused at any time. You may choose how much or how little you want to speak during the interview session. You may also choose to withdraw from the interview at any time. The interview discussion will last approximately 45 minutes to one hour.

Participation in this interview is voluntary and anonymous. We would also like to assure you that all information you provide will be treated as confidential and will be used for academic research purposes only.

Should you need further information about this study, please do not hesitate to contact me at kurniarahman@gontor.ac.id or my supervisor at hamdino@iium.edu.my.

Wassalamu 'alaikum wa rahmatullahi wa barakaatuh

Sincerely yours,

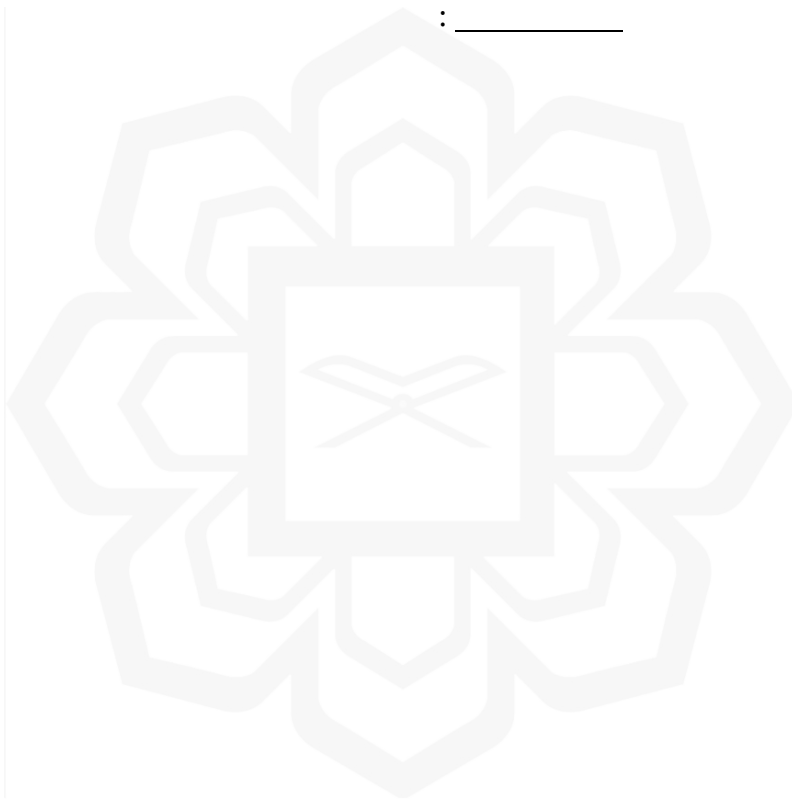
The researcher

CONSENT FORM

I have read and I understand the provided information and have had the opportunity to ask questions. I understand that my participation is voluntary and that I am free to withdraw at any time, without giving a reason and without cost. I understand that I will be given a copy of this consent form. I voluntarily agree to take part in this study.

Participant's name and signature : _____

Date : _____



APPENDIX D
CONFIRMATION LETTER

Participation in the Study:

**THE ANTECEDENCES OF INVESTMENT INTENTION IN ISLAMIC
FINTECH LENDING AMONG INDONESIAN MSMEs**

Name of participant Address

Date

Assalamu 'alaikum wa rahmatullahi wa barakaatuh

Dear, ...(name of participant).....

On behalf of the International Islamic University Malaysia (IIUM) and myself, I would like to express our gratitude for your willingness to take part in the study: **“The Antecedences of Investment Intention in Islamic Fintech Lending among Indonesian MSMEs”**.

I am writing to confirm that you have agreed to participate in an interview with me on (day of the week, month, date) at (time of day). As previously discussed, we will meet at (location previously agreed upon) for the interview. In preparation for the interview, I have attached a consent form that describes the study's focus, the interview process, and your rights as a participant. Please read this document before our meeting and feel free to contact me at (researcher's phone number) if you have any questions or concerns.

Thank you.

Wassalamu 'alaikum wa rahmatullahi wa barakaatuh

Sincerely yours,

The researcher

APPENDIX E

INTERVIEW GUIDELINES

Part One: Demographic Information

Gender :
Age :
Job Title :
Years of Work Experience
in the Current Institution :
Academic Rank (for lecturer) :

Part Two: Islamic FinTech Lending in Indonesia

1. What is your opinion about Islamic FinTech lending?
2. What do you think current practice of Islamic Fintech lending have been in line with *sharia compliance*?
3. What are the problems and challenges in investing in Islamic FinTech lending in Indonesia?
4. How about Islamic FinTech lending and financial knowledge, are they may be as suitable alternative to enhance business portfolio diversification?
5. What are the issues and challenges of promoting Islamic FinTech lending especially in Indonesia?

APPENDIX F

THANK YOU LETTER

Name of participantAddress

Date

Assalamu'alaikum wa rahmatullahi wa barakaatuh

Dear, ...(name of participant).....

On behalf of the International Islamic University Malaysia (IIUM) and myself, I would like to express my appreciation for your willingness to share your experiences regarding the obstacles and challenging of Islamic FinTech lending in Indonesia. Your input has been extremely valuable in helping me gain a better understanding of these topics. Thank you for taking the time to speak with me and for your valuable contributions to this study: **THE ANTECEDENCES OF INVESTMENT INTENTION IN ISLAMIC FINTECH LENDING AMONG INDONESIAN MSMEs**

After compiling and analysing the information shared by you and other participants, I will be incorporating it into my PhD thesis. Before publication, you will have the opportunity to review the information you provided to ensure its accuracy and security. If you have any questions or concerns regarding this research, please do not hesitate to contact me at (telephone number).

Thank you.

Wassalamu'alaikum wa rahmatullahi wa barakaatuh

Sincerely yours,

The researcher

APPENDIX G

SAMPLE OF INTERVIEW TRANSCRIPT

Transkrip Wawancara P1

Wawancara dilaksanakan pada tanggal 25 Februari 2022 jam 9.42 pagi bertempat di kantor P1.

Bagian Satu: Informasi Demografi

Jenis Kelamin	: Perempuan
Umur	57
Jabatan saat ini	: Profesor Keuangan Islam
Pengalaman kerja di institusi saat ini	: 27 tahun
Jabatan Akademik	: Profesor

Bagian Dua: Pengalaman tentang Penanganan Pelanggaran Kontrak Psikologis

Q: Tolong ceritakan pandangan anda tentang Islamic FinTech lending di Indonesia.

A: Pinjaman fintech syariah di Indonesia telah mendapatkan daya tarik dalam beberapa tahun terakhir seiring dengan pertumbuhan sektor teknologi keuangan yang pesat di negara ini. Pendekatan inovatif ini menggabungkan prinsip-prinsip keuangan Islam dengan teknologi modern untuk menyediakan layanan keuangan yang mudah diakses dan sesuai syariah kepada lebih banyak nasabah, khususnya mereka yang lebih menyukai produk perbankan Islam. Platform fintech syariah di Indonesia menawarkan beragam layanan, termasuk pinjaman peer-to-peer (P2P), crowdfunding, manajemen investasi, dan solusi pembayaran, semuanya dirancang

untuk mematuhi hukum Islam. Platform-platform ini memanfaatkan teknologi seperti kecerdasan buatan, analisis data besar, dan blockchain untuk menyederhanakan proses dan meningkatkan efisiensi sekaligus memastikan kepatuhan terhadap prinsip-prinsip Syariah. Salah satu ciri utama fintech lending syariah adalah kepatuhan terhadap prinsip-prinsip syariah seperti larangan bunga (riba) dan ketidakpastian (gharar). Alih-alih membebankan bunga atas pinjaman, pemberi pinjaman fintech syariah biasanya menggunakan pengaturan bagi hasil atau struktur pembiayaan berbasis aset seperti murabahah (pembiayaan plus biaya) atau ijarah (sewa).

Q: Menurut Bu P1, Apakah saat ini praktik Islamic Fintech lending sudah sesuai dengan kepatuhan syariah?

A: Pada dasarnya praktik Islamic FinTech lending di Indonesia sudah sesuai dengan kepatuhan syariah. Hal ini dipertegas dengan Otoritas Jasa Keuangan (OJK) dan Majelis Ulama Indonesia (MUI) juga telah mengeluarkan pedoman bagi penyedia jasa keuangan digital yang beroperasi di Indonesia, termasuk yang menawarkan produk keuangan syariah. Pedoman ini mengharuskan penyedia layanan untuk memastikan bahwa produk mereka mematuhi hukum Syariah dan diberi harga secara transparan serta diungkapkan kepada pelanggan. Hal ini juga mengharuskan penyedia layanan untuk memiliki sistem manajemen risiko yang memadai dan memiliki cadangan modal yang cukup untuk menutupi potensi kerugian. Maka dari itu, fintech lending syariah di Indonesia sebagian besar telah mematuhi hukum syariah dengan menggunakan berbagai model pembiayaan seperti mudarabah, wakalah, murabahah, ijarah, dan sukuk, serta berpegang pada pedoman regulasi yang dikeluarkan OJK. Dengan menyediakan solusi pembiayaan yang mudah diakses dan terjangkau serta selaras dengan nilai-nilai agama, platform-platform ini mengisi kesenjangan yang ditinggalkan oleh bank-bank tradisional dan menarik basis nasabah yang terus bertambah dalam perekonomian digital Indonesia yang berkembang pesat.

Q: Apakah masalah dan tantangan dalam berinvestasi di Islamic FinTech lending di Indonesia?

A: Masalah utama yang dihadapi Islamic Fintech lending di Indonesia ialah

kemampuan sumber daya manusia. Hal ini mengakibatkan munculnya masalah-masalah yang terjadi di lapangan. Pinjaman fintech syariah di Indonesia menghadapi beberapa tantangan dan permasalahan yang menghambat pertumbuhan dan adopsinya. Tantangan-tantangan tersebut meliputi lingkungan peraturan, kepatuhan syariah, kurangnya kesadaran, terbatasnya akses terhadap pendanaan, infrastruktur teknologi, manajemen risiko, dan persaingan dengan fintech lending konvensional. Salah satu tantangan utama yang dihadapi fintech lending syariah di Indonesia adalah lingkungan regulasi. Kerangka peraturan untuk keuangan dan fintech syariah masih terus berkembang, sehingga menciptakan ketidakpastian dan kompleksitas bagi pemberi pinjaman fintech syariah. Kurangnya peraturan khusus yang disesuaikan dengan produk dan layanan fintech syariah menciptakan hambatan bagi perusahaan-perusahaan tersebut untuk beroperasi secara efektif dalam kerangka hukum. Memastikan kepatuhan syariah sangat penting bagi platform pinjaman fintech syariah. Namun, mempertahankan kepatuhan terhadap prinsip-prinsip Islam sambil menawarkan produk keuangan yang inovatif dapat menjadi sebuah tantangan. Kerangka kerja dan mekanisme tata kelola syariah yang kuat diperlukan untuk mengatasi tantangan ini secara efektif. Tantangan signifikan lainnya adalah kurangnya kesadaran masyarakat umum mengenai solusi keuangan dan fintech syariah. Banyak calon konsumen yang mungkin tidak sepenuhnya memahami prinsip-prinsip keuangan syariah atau manfaat menggunakan platform fintech syariah, sehingga menghambat penetrasi dan adopsi pasar. Perusahaan fintech lending syariah seringkali kesulitan mengakses sumber pendanaan dibandingkan perusahaan fintech konvensional. Terbatasnya ketersediaan opsi pendanaan sesuai syariah membatasi potensi pertumbuhan pemberi pinjaman fintech syariah di Indonesia. Membangun dan memelihara infrastruktur teknologi yang canggih sangat penting bagi keberhasilan perusahaan fintech. Namun, beberapa pemberi pinjaman fintech syariah di Indonesia mungkin mengalami keterbatasan teknologi, sehingga menghambat kemampuan mereka untuk menawarkan layanan digital yang lancar kepada pelanggan. Praktik manajemen risiko yang efektif sangat penting bagi keberlanjutan operasi di sektor keuangan. Platform pinjaman fintech syariah perlu mengembangkan kerangka manajemen risiko yang kuat yang disesuaikan dengan model bisnis unik mereka, termasuk mengatasi risiko spesifik yang terkait dengan pembiayaan syariah. Pemberi pinjaman fintech syariah juga menghadapi persaingan

dari perusahaan fintech konvensional yang menawarkan beragam produk dan layanan keuangan. Untuk membedakan dirinya di pasar, platform fintech syariah perlu terus berinovasi dan memberikan layanan bernilai tambah yang memenuhi kebutuhan konsumen Muslim.

Q: Bagaimana tentang Islamic FinTech lending dengan financial knowledge, apakah keduanya dapat berkontribusi sebagai alternative bisnis perusahaan?

A: Pinjaman FinTech Islami mengacu pada perusahaan teknologi keuangan yang menawarkan layanan pinjaman sesuai syariah kepada individu dan bisnis. Platform-platform ini mematuhi prinsip-prinsip keuangan Islam, seperti larangan bunga (riba) dan investasi di industri yang tidak etis seperti perjudian dan alkohol. Di sisi lain, pengetahuan keuangan mencakup pemahaman luas tentang konsep, alat, dan strategi keuangan yang penting untuk membuat keputusan yang tepat dalam mengelola keuangan. Untuk itu, baik pinjaman FinTech Islami maupun pengetahuan keuangan dapat berkontribusi secara signifikan sebagai model bisnis alternatif bagi perusahaan yang ingin mendiversifikasi penawaran mereka, mendorong inklusi keuangan, mendorong inovasi, mengelola risiko secara efektif, dan mematuhi standar etika dalam lingkungan bisnis yang dinamis saat ini.

Q: What are the issues and challenges of promoting Islamic FinTech lending especially in Indonesia?

A: promoting Islamic FinTech lending in Indonesia faces several challenges related to regulation, awareness, trust, technology, culture, and collaboration. Overcoming these obstacles requires a strategic approach that addresses each issue comprehensively while also leveraging opportunities for growth and innovation in the evolving landscape of financial technology.

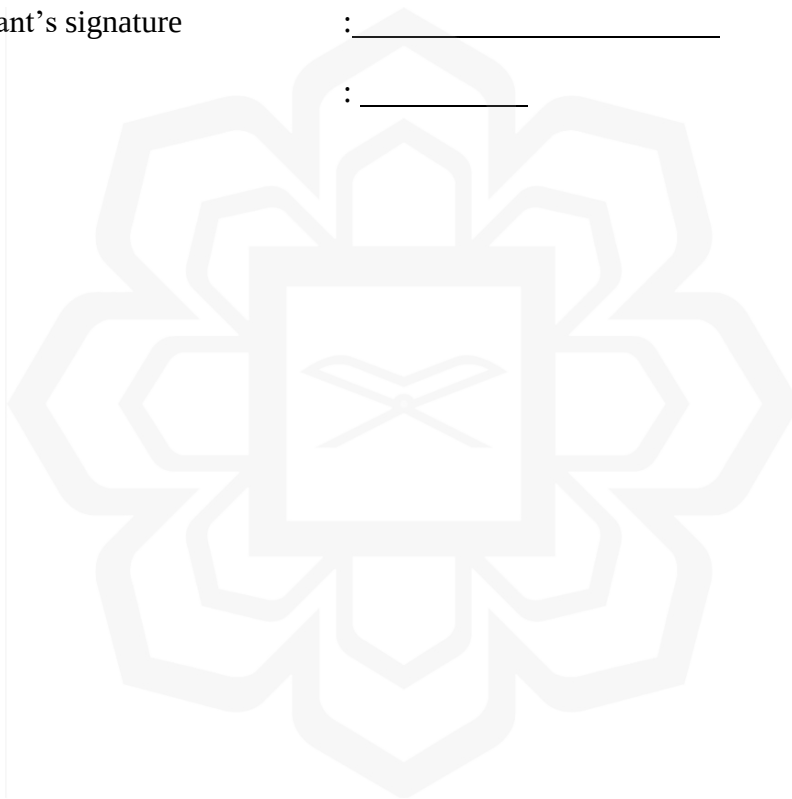
APPENDIX H

VERIFICATION AND VALIDATION FORM

I _____, hereby has read the transcripts given to me and I understand the provided information and have had the opportunity to ask questions. I understand that my participation is voluntary and that I am free to withdraw at any time, without giving a reason and without cost. I voluntarily agree to take part in this study.

Participant's signature : _____

Date : _____



APPENDIX I

SAMPLE OF INDIVIDUAL TEXTURAL DESCRIPTION

Individual Textural Description of Participant 1

P1 is a professor who has worked at the university for 27 years. Currently, he is assigned to three positions, namely department secretary, laboratory head, and head of scientific journals. This professor's expertise is in the field of Islamic finance and banking. The researcher conducted an interview with P1 in his office on February 26, 2022, at 12.20 p.m.

P1's understanding of finance and Islamic banking is very good. This is proven by the number of publications produced. In addition, he has also been on the sharia supervisory board at a sharia microfinance institution for 8 years. His abilities, both theoretically and practically, have been tested, including analysing the challenges and obstacles of Islamic fintech lending in Indonesia. Basically, he really supports the shift from conventional and manual to digital. Digitalization is a certainty because technology and digitalization have become commonplace in society. The existence of the internet, which is easy and cheap, as well as the practical human lifestyle, have also changed the mindset of being practical, fast, and easy. Also, this happens in the financial sector. P1 assumed that financial digitalization has changed the way people live. All human needs, with the digitalization of finance, can be easily realised, including funding. Fintech lending basically makes it easy for borrowers to disburse funds immediately. However, during its development, too many problems have emerged in society, both from the side of fund users and providers. Islamic fintech lending is expected to be an effective solution because there are halal elements in the product, and it is also monitored by strict Islamic laws. However, according to this professor, there are still many problems that occur in Islamic Fintech lending in Indonesia, such as lack of knowledge, lack of ability in the field of technology, and entrepreneurs who do not dare to take business risks in new areas. Apart from that, there are still many Indonesian MSME entrepreneurs who doubt sharia compliance in business circles.

APPENDIX J

SAMPLE OF INDIVIDUAL STRUCTURAL DESCRIPTION

Individual Structural Description of Participant 1

P1, who has long experience in the field of Islamic finance, both theoretical and practical, stated that there are still many challenges facing Sharia Fintech Lending in Indonesia. Sharia fintech lending faces challenges in Indonesia due to several factors, such as the fact that the regulatory environment for sharia finance, including fintech loans, in Indonesia is still developing and may not be as developed as conventional financial regulations. This can create uncertainty for Islamic fintech lenders regarding compliance and operational requirements. In addition, there is a lack of awareness and understanding among the general public regarding Islamic financial principles and products. This hampers the growth of sharia fintech lending because potential users do not fully understand the benefits or differences compared to conventional loans.

P1 also believes that the complexity of Sharia compliance is crucial. Ensuring full compliance with Sharia principles adds complexity to the operations of Islamic fintech lenders. From drafting contracts to monitoring transactions, complying with Sharia guidelines requires specialised knowledge and expertise, which may pose challenges for some fintech companies. The fintech market is experiencing very strong competition. The conventional fintech lending market in Indonesia is already competitive, with many established players offering a variety of services. Islamic fintech lenders may find it difficult to differentiate themselves and attract significant market share amidst this competition. For this reason, companies operating in the Islamic fintech lending sector must consider technological infrastructure. Developing and maintaining the technological infrastructure required for Islamic fintech lending can be expensive and resource-intensive. Some startups may find it difficult to invest in robust IT systems that are critical to providing efficient and secure services. P1 also emphasises the risk management aspect. Managing the risks associated with Islamic fintech loans,

such as credit risk and operational risk, requires a sophisticated risk management framework. Companies need to demonstrate their ability to assess and mitigate these risks effectively to gain the trust of customers and investors.

To that end, while there are huge opportunities for Islamic fintech lending in Indonesia given the large Muslim population and increasing demand for Islamic financial services, overcoming these challenges is critical for sustainable growth in the sector.



APPENDIX K

EXAMPLE OF INDIVIDUAL TEXTURAL-STRUCTURAL DESCRIPTION

Individual Textural-Structural Description of Participant 1

Based on P1's experience as a lecturer for 27 years and having become a professor in the field of Islamic finance, P1 explains things that can be done to develop Islamic fintech lending in Indonesia so that it can develop and be able to compete with other financial industries. P1 stated that Islamic fintech loans have grown in Indonesia due to the increasing demand for Islamic financial services. The development of sharia fintech lending in Indonesia can be caused by several main factors. P1 describes the issuance of regulations and guidelines by authorities such as the National Sharia Council-Indonesian Ulema Council (DSN-MUI) and the Financial Services Authority (OJK), which have provided a legal framework for sharia fintech lending operations. These regulations ensure compliance with Sharia principles in financial transactions, providing confidence to lenders and borrowers. Moreover, in Indonesia, which has a population of more than 270 million people and more than 56% use the internet, increasing awareness and preference for sharia financial products has created significant market demand for sharia fintech lending services. This demand has driven the growth of existing Islamic fintech companies and the emergence of new players in the market. For this reason, P1 also recommends that Islamic fintech lending entrepreneurs focus on information technology-based sharia fintech lending platforms. Islamic fintech lending utilises technology to provide financing solutions that are efficient and easily accessible to businesses and individuals. By leveraging digital platforms, these companies can reach a wider audience, simplify processes, and offer competitive rates compared to traditional financial institutions. Many Islamic fintech lending platforms operate on a peer-to-peer (P2P) lending model, where individual investors fund loans directly to borrowers via online platforms. This disintermediation of the lending process allows for lower fees, faster approval times, and increased transparency for all parties involved. P1 also conveyed the consideration of risk mitigation strategies. To address the operational

and legal risks associated with Islamic fintech loans, the company has implemented strong risk management practices. This may include stringent borrower assessments, collateral requirements, monitoring mechanisms, and dispute resolution procedures to protect investor funds and maintain trust in the platform. At a macro level, sharia fintech lending plays an important role in encouraging financial inclusion by providing access to funding for underserved segments of society, including micro, small, and medium enterprises (MSMEs). By offering sharia-compliant financing options, the platform serves individuals and businesses who prefer ethical and interest-free financial services. Islamic fintech lending must also collaborate with financial institutions. Several sharia fintech lending companies collaborate with established sharia banks or financial institutions to expand their reach and improve their product offerings. This partnership allows them to leverage their existing customer base, benefit from institutional expertise, and strengthen their credibility in the industry. Overall, the development of sharia fintech lending in Indonesia is driven by regulatory support, market demand for sharia services, technological innovation, risk management strategies, financial inclusion goals, and collaboration with traditional financial institutions.