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Research Article

Islamic Fintech – Future and Prospects

Submission Date: February 26, 2025, Accepted Date: March 22, 2025,

Published Date: April 25, 2025

Crossref doi: <https://doi.org/10.37547/ijasr-05-04-09>

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ABSTRACT

The article discusses the traditional financial system and its problems, the concept of Islamic fintech, its main characteristics and development directions. The application of modern information technologies in the Islamic financial system in accordance with Sharia law is analyzed, and the economic and social significance of Islamic fintech is emphasized. The limitations and prospects of Islamic fintech in the industry are also discussed.

KEYWORDS

Islamic finance, fintech, Sharia, international finance, blockchain, digital economy.

INTRODUCTION

بَابُ مُوَكِّلِ الرَّبِّ لِقَوْلِهِ تَعَالَى {يَا أَيُّهَا الَّذِينَ آمَنُوا اتَّقُوا اللَّهَ وَذَرُوا مَا بَقِيَ مِنَ الرِّبَا إِن كُنْتُمْ مُؤْمِنِينَ فَإِنْ لَمْ تَفْعَلُوا فَأْذَنُوا بِحَرْبٍ مِنَ اللَّهِ وَرَسُولِهِ وَإِنْ تُبْتِغُوا فَلََكُمْ رُءُوسُ أَمْوَالِكُمْ لَا تَظْلُمُونَ وَلَا تُظْلَمُونَ وَإِنْ كَانَ ذُو عُسْرَةٍ فَنَظِرَةٌ إِلَى مَيْسَرَةٍ وَأَنْ تَصَدَّقُوا خَيْرٌ لَكُمْ إِنْ كُنْتُمْ تَعْلَمُونَ وَاتَّقُوا يَوْمًا تُرْجَعُونَ فِيهِ إِلَى اللَّهِ ثُمَّ تُوَفَّى كُلُّ نَفْسٍ مَا كَسَبَتْ وَهُمْ لَا يُظْلَمُونَ}

Believers! Have fear of Allah and give up all outstanding interest if you do truly believe. But if you fail to do so, then be warned of war from Allah and His Messenger. If you repent even now, you have the right of the return of your capital; neither

will you do wrong nor will you be wronged. But if the debtor is in straitened circumstance, let him have respite until the time of ease; and whatever you remit by way of charity is better for you, if only you know. And have fear of the Day when you shall return to Allah, and every human being shall be fully repaid for whatever (good or evil) he has done, and none shall be wronged [1, 278-281].

From the end of the 20th century to the beginning of the 21st century, countries and societies around the world living on credit developed rapidly. As a result, several important developments can be noted:

- the transition of a number of socialist countries to a market economy;
- the growth of the world's population in high pictures;
- the use of high technologies in financial systems.

But it is no secret that obtaining a loan is a temporary solution to this problem, and in some cases it has led to crises, disasters and even the collapse of states.

Yes, loans can indeed be considered an acute problem of the 21st century, since their negative impact on the state, society, personal financial situation and the economy is enormous. Here are the basics of this idea:

Countries, societies and people who receive loans are put into financial debt and forced to pay interest for years. This situation puts countries, societies and people in economic slavery and they cannot move freely;

States, societies and individuals benefit in the short term from lending, but in the long run it harms their financial position;

This increases inequality and injustice in society. The credit system makes the poor poorer and the rich richer. This increases the stratification of society. The poor are forced to pay high interest rates, while the rich receive even more income from these interests;

The problematic interest rate model of the credit system is the cause of global economic crises such as the financial crisis of 2008;

Enterprises and citizens, having increased their funds through credit, lose the opportunity to repay it, which leads to an economic crisis;

Negative spiritual and social consequences: Taking out a loan seriously affects people's mental state, and the stress of paying off obligations and debts negatively affects the lives of many people;

The borrowing culture alienates people from thrift and teaches them to spend more than they earn, switches to short-term thinking, people try to buy unnecessary and unnecessary things, and not their real needs, financial responsibility disappears, the credit system alienates people from financial responsibility.

Interest-bearing loans are prohibited by Islamic Sharia. The main reason for this is that interest creates injustice among people and destroys the economic system. Loans can become a tool that encourages people to enrich themselves easily and

unfairly instead of working honestly and responsibly.

In the 21st century, many Muslim countries have become developed First World countries. Examples include countries such as Malaysia, Singapore, Indonesia, and Turkey. These countries have gradually begun to transform their economies into Islamic economies. To protect themselves from the risks of the traditional economy and financial system, developed Muslim countries have begun to implement Islamic financial systems that are familiar to them and in line with their beliefs. One such movement is Islamic Fintech. Islamic Fintech is a combination of modern financial technology and Islamic finance rules, offering financial services in accordance with Sharia law. International economic crises have increased the interest in Islamic Fintech not only among Muslim countries but also among non-Muslim countries. This can be understood as a natural reflex that people always protect themselves from activities such as usury, uncertainty, and oppression. As a countermeasure to protect themselves from such activities, Islamic Fintech emerged as an alternative financial system that emerged on the basis of supply and demand.

Usury (percentage)

قَالَ النَّبِيُّ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ رَأَيْتُ اللَّيْلَةَ رَجُلَيْنِ أَتَيَانِي فَأَخْرَجَانِي إِلَى أَرْضٍ مُقَدَّسَةٍ فَأَنْطَلَقْنَا حَتَّى أَتَيْنَا عَلَى نَهْرٍ مِنْ دَمٍ فِيهِ رَجُلٌ قَائِمٌ وَعَلَى وَسْطِ النَّهْرِ رَجُلٌ بَيْنَ يَدَيْهِ جِبَارَةٌ فَأَقْبَلَ الرَّجُلُ الَّذِي فِي النَّهْرِ فَإِذَا أَرَادَ الرَّجُلُ أَنْ يَخْرُجَ رَمَى الرَّجُلُ بِحَجَرٍ فِيهِ فَرْدَةٌ حَيْثُ كَانَ فَجَعَلَ كُلَّمَا جَاءَ لِيَخْرُجَ رَمَى فِيهِ بِحَجَرٍ فَيَزِجُ كَمَا كَانَ فَقُلْتُ مَا هَذَا فَقَالَ الَّذِي رَأَيْتُهُ فِي النَّهْرِ أَكَلِ الرَّبَا

Ibn Umar (may Allah be pleased with him) said: "When the Prophet (peace and blessings of Allah be upon him) bought food, the buyer would refuse to sell it until he received the full amount." [3, 131]

Gharar (uncertainty)

حَدَّثَنَا عَبْدُ اللَّهِ بْنُ يُوسُفَ أَخْبَرَنَا مَالِكٌ عَنْ نَافِعٍ عَنْ عَبْدِ اللَّهِ بْنِ عُمَرَ رَضِيَ اللَّهُ عَنْهُمَا أَنَّ رَسُولَ اللَّهِ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ نَهَى عَنْ بَيْعِ حَبْلِ الْاَحْبَلَةِ وَكَانَ بَيْعًا يَتَّبِعُهُ أَهْلُ الْجَاهِلِيَّةِ كَانَ الرَّجُلُ يَبْتَاعُ الْجُرُورَ إِلَى أَنْ تُنْتَجِ النَّاقَةُ ثُمَّ تُنْتَجِ الْتِي فِي بَطْنِهَا

In the Age of Ignorance, there were various dubious practices in trade and other aspects of life. One of them is the trade called "fruit of the fruit" mentioned in this Hadith. Scholars have explained Ibn Umar's phrase "fruit of the fruit" as follows. There was also a custom of trading in the "fruit of the fruit". This is trading in the fruit of a straight camel. This "salam" trade is also not permissible, since it is trading for something that is not guaranteed to be delivered. It is not known whether the fetus in the belly of a one-humped camel is male or female, whether it will be born healthy or die, and if it is born healthy, whether it will calve or not - all this does not matter. Therefore, such sales are abolished. This type of trade existed during the period of Jahiliya, and the Messenger of Allah (peace and blessings of Allah be upon him) put an end to it. [3, 145].

Key Characteristics of Islamic Fintech

Islamic Fintech (financial technology) is a set of modern financial technologies based on the principles of Islamic finance. It combines traditional financial services with innovative technologies, offering financial products and



services that are compliant with Shariah. This technology is of interest not only to Muslim communities but also to a wider audience interested in a transparent and fair financial system. Below are some key points explaining all the characteristics of Islamic Fintech and its place in the global financial system.

Compliance with the principles of Sharia

The Islamic financial system is based on Shariah rules and is based on the following basic principles:

Riba (percent). Interest is prohibited. Partnership or asset-based financial models are used instead.

Gharar (uncertainty). Trade agreements should be clear and transparent to reduce uncertainty and risk.

Avoiding dirty areas. Gambling, alcohol, tobacco production or sale, prostitution, gaming, and investments in non-halal sectors are prohibited.

Islamic financial products

The following financial instruments and services are offered based on Islamic fintech technologies:

Musharaka (partnership). A partnership in which two or more parties pool their funds and share profits and losses.

Murabaha. This is a purchase and sale agreement in which property is sold to a buyer at a fixed price, the profit from which is clearly stated.

Rent. Lease agreements that involve the provision of an asset for temporary use.

Zakat and charity platforms. Specialized systems for charity and social financing.

Using modern technologies

Islamic fintech uses blockchain, artificial intelligence, smart contracts and other technologies. These technologies will increase the transparency and efficiency of financial services:

Blockchain. This ensures the transparency and immutability of transactions.

Smart contracts. Self-executing contracts can be Shariah-compliant.

Financial apps. Provides access to services via mobile devices.

Interest-free financing

Instead of interest-based lending, traditional financing uses asset-based or partnership-based financial mechanisms. For example:

Lease instead of credit. The client exercises the right to use the asset through lease payments.

Investment. Investments in assets or projects are made through direct partnerships.

Ensuring social justice

One of the important aspects of Islamic finance is the pursuit of social justice. Islamic fintech technologies allow: efficient distribution of charitable funds, such as zakat and other donations; promotion of sustainable development and social welfare; provision of microfinance services to low-income groups of the population.

Risk management and allocation

Risk is shared on the basis of partnership. For example: In Musharaka: Each party shares the profit and loss according to its share. In commercial contracts: Risk is fairly shared between the parties.

Legal control and certification

Islamic fintech projects are certified by Shariah boards. This ensures that products and services comply with Islamic law.

The advantages of Islamic FinTech projects

Transparency: Ensures the transparency of transactions through blockchain and other technologies [1, Surah Al-Baqarah 282].

Interest-Free Investments: Suitable for a wide audience, including Muslims and those uninterested in traditional finance.

Socially Beneficial: Aims for sustainable development and social welfare.

Inclusivity: Provides access to financial services for individuals outside the banking system.

Examples of Islamic Fintech

Blockchain-based Zakat platforms. Transparent and fast distribution of Zakat funds. Crowdfunding. Islamic fintech platforms allow crowdfunding of Halal business projects. For example, many projects are funded through the Ethis Group platform. Islamic loan applications. Special mobile applications for interest-free financial services. Digital insurance (Takaful). Digital insurance systems are an Islamic alternative to traditional

insurance, offering insurance services on a Halal basis.

بَابُ صَدَقَةِ الْكَسْبِ وَالْجَارَةِ لِقَوْلِهِ تَعَالَى {يَا أَيُّهَا الَّذِينَ آمَنُوا آمِنُوا أَنْفُسَكُمْ مِنْ طَيِّبَاتِ مَا كَسَبْتُمْ إِلَى قَوْلِهِ أَنَّ اللَّهَ غَنِيٌّ حَمِيدٌ}

“O you who believe! Give of whatever you have, lawful and good, and of what We have grown for you on earth. And do not choose in charity that which you would not accept, even if you were blind. And remember that Allah is Generous in all wealth, Praiseworthy.” [1, 2 surah, 267-ayah].

حَدَّثَنَا مُسْلِمُ بْنُ أَبِرَاهِيمَ حَدَّثَنَا شُعْبَةُ حَدَّثَنَا سَعِيدُ بْنُ أَبِي بُرْدَةَ عَنْ أَبِيهِ عَنْ جَدِّهِ عَنْ النَّبِيِّ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ قَالَ عَلَى كُلِّ مُسْلِمٍ صَدَقَةٌ فَقَالُوا يَا نَبِيَّ اللَّهِ فَمَنْ لَمْ يَجِدْ قَالَ يَعْمَلْ بِيَدِهِ فَيَنْفَعُ نَفْسَهُ وَيَتَصَدَّقُ قَالُوا فَإِنْ لَمْ يَجِدْ قَالَ يُعِينُ ذَا الْحَاجَةِ الْمَلْهُوفَ قَالُوا فَإِنْ لَمْ يَجِدْ قَالَ فَلْيَعْمَلْ بِالْمَعْرُوفِ وَلْيُمْسِكْ عَنِ الشَّرِّ فَإِنَّهَا لَهُ صَدَقَةٌ

(Sa'id ibn Abi Burda narrated from his father and grandfather that the Prophet (peace and blessings of Allaah be upon him) said: Every Muslim is obliged to give charity. They said: O Prophet of Allaah, what about the one who does not have the means? He said: He works with his hands, thereby benefiting himself and giving charity. He said: What if he cannot find the means? He said: He helps a needy person who has a problem. He said: What if he cannot find the means? He said: Then let him do good and refrain from evil, for this is charity for him.) [2, 352].

Islamic Payment Systems. Electronic payment systems such as PayHalal enable Sharia-compliant transactions in trade and services.

Web3 and Blockchain Technologies. Transactions are transparent and secure thanks to the

blockchain. Islamic financial tokens are also one of the new trends in this area.

Limitations and Challenges

Lack of development of technological infrastructure. In some Islamic countries, the infrastructure for the implementation of digital technologies is insufficient.

Legal issues. Laws and regulations applicable to Islamic finance are not equally developed in every country.

Not known to the general public. Insufficient dissemination of information about Islamic fintech services.

Advantages of Digital Islamic Finance

Transparency and reliability. Blockchain technology makes transactions transparent and secure.

Convenience and access to the global market. Access to global services through a digital platform.

Economic justice. The poor will be given access to financial services.

Islamic FinTech Today

Currently, the Islamic fintech industry is actively developing in the following areas:

Payment and financing platforms: Sharia-compliant mobile payment and crowdfunding platforms.

Smart contracts: automated transactions based on blockchain technology.

Intelligence and financial literacy: online platforms and mobile apps for teaching Islamic finance.

Microfinance and inclusion: financing the poor through Islamic microfinance platforms.

Technological opportunities and problems

Blockchain and decentralization. Blockchain technology provides a secure and transparent solution for Shariah compliance.

Islamic standards. There are difficulties in implementing uniform standards around the world.

Integration issues. There is a need to ensure compatibility between traditional financial institutions and Islamic fintech companies.

Prospects of Islamic FinTech

Globalization: Islamic finance is expected to be in high demand not only among the Muslim population but also in the global market.

Green Finance: Islamic fintech companies can contribute to the green economy by developing eco-friendly financial solutions.

Automation of payments: New automated platforms will be created based on artificial intelligence (AI).

Financial Inclusion: Expanding opportunities for the underprivileged.

CONCLUSION



Islamic Fintech is an innovative form of modern financial system that is Shariah compliant and ensures that financial transactions are conducted in a fair, transparent and user-friendly manner. The rapid development of modern digital technologies, in particular blockchain, artificial intelligence and digital payment platforms, further expands the possibilities of this field. The basic principles of Islamic finance, including the prohibition of *riba* and *gharar*, the basis of real assets and the principles of fair partnership, serve as the basis for creating sustainable and inclusive mechanisms not only for the Muslim population but also for the global financial system. Islam also supports efforts to ensure financial inclusion in the global Fintech market. To facilitate access to financial services through microfinance and the capabilities of digital platforms for the poor and excluded from the financial system. This will help ensure social equality and economic stability. Promising areas of development of Islamic Fintech technologies include:

Global Integration: Harmonization of Islamic finance with the global financial system will be ensured by developing uniform Sharia standards and regulations on a global scale.

Green Economy: Development of financial products and services in line with the principles of environmental sustainability creates new opportunities for Islamic fintech companies.

Technological Innovation: Using the capabilities of automation, artificial intelligence and a decentralized platform, the efficiency and

reliability of the Islamic financial system will be increased.

Inclusive Development: Promotes social development by ensuring financial inclusion in the world, including meeting the demand for financial services in developing countries.

Thus, Islamic fintech has great potential not only as a Sharia-compliant financial system, but also as a financial innovation that embodies universal human values such as sustainability, fairness, and inclusiveness. The development of this sector can serve to enrich the modern financial system with new tools not only for the Muslim community, but for all of humanity.

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