

Indonesian Sharia Fintech Peer to Peer (P2P) Lending Business Model

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ABSTRACT

This study examines the business model of sharia P2P lending fintech in Indonesia by utilizing the Business Model Canvas (BMC) and Value Design Model (VDM) frameworks. The research aims to provide insights into how sharia fintech companies in Indonesia are structured, focusing on key elements such as value propositions, revenue streams, and customer segments. The study involves three sharia P2P lending companies – ES, PS, and AS – and analyzes their business models through qualitative methods. Key findings highlight the importance of sharia-compliant, transparent, and flexible financing to build customer trust, alongside partnerships with sharia banks, tech providers, and communities. The sector's growth is driven by targeting customers with stable incomes and familiarity with sharia principles, but challenges remain in financial literacy and regulatory support. Recommendations include product innovation (e.g., *wakaf* or *zakat*-based financing), expanding digital channels, and improving operational efficiency to ensure sustainable growth.

INTRODUCTION

The emergence of financial services utilizing innovative digital solutions has driven the rise of financial technology (fintech) companies. These companies can be either new startups or established firms. Given that fintech companies provide innovative solutions to financial services, they have the potential to disrupt traditional financial services that have been operating for years (Lee & Shin, 2018).

The growth of fintech in Indonesia is closely linked to advancements in information and communication technology, particularly mobile phones and the internet (Iman, 2018). According to the World Bank, global mobile subscriptions reached nearly 450 million in 2017, up from 93 million a decade earlier. Similar to other developing nations, fintech in Indonesia has substantial growth potential. Euromonitor data showed that out of 170 million Indonesians with mobile phones in 2017, about 130 million used them for internet access (Iman, 2018). However, 80 million Indonesians still lack access to banking and formal financial services (Iman, 2018), suggesting considerable potential for fintech expansion in the country.

One of the rapidly growing fintech sectors in Indonesia is the provision of lending services based on information technology. The presence of fintech P2P lending as an alternative funding source is considered to have contributed to national development and the economy (Alwi, 2018). Through its technology platforms, fintech P2P lending has disrupted traditional banking funding models by automating the entire process through its platforms (Pişkin & Kuş, 2019).

In addition to conventional P2P lending fintech, which uses interest as the basis for profit calculation, there is also fintech P2P lending based on sharia principles. The model of sharia P2P lending is significantly different from the conventional interest-based system used by banks. For the investment and financing process to be in line with Islamic principles, it requires financing products based on profit-and-loss partnerships, with underlying transactions tied to physical goods and services (Pişkin & Kuş, 2019). The existence of sharia fintech, specifically sharia P2P lending, aims to accommodate users who seek the implementation of Islamic principles in financial technology (Mujahidin, 2019). Moreover, the enormous potential of Islamic finance, which is estimated to exceed \$3 trillion with increasing demand, makes the prospects for sharia fintech even more promising (Islamic Finance Development Report, 2019).

The large potential of the sharia market has not yet been able to spur the growth of sharia P2P lending fintech in Indonesia. According to fintech statistics from OJK (2023), sharia P2P lending fintech currently holds total assets of only 1.99% of the entire P2P lending fintech industry. In terms of growth, the presence of sharia P2P lending fintech in Indonesia tends to be stagnant. This condition is partly due to low financial literacy and inclusiveness within the population (Nurfalah, 2019).

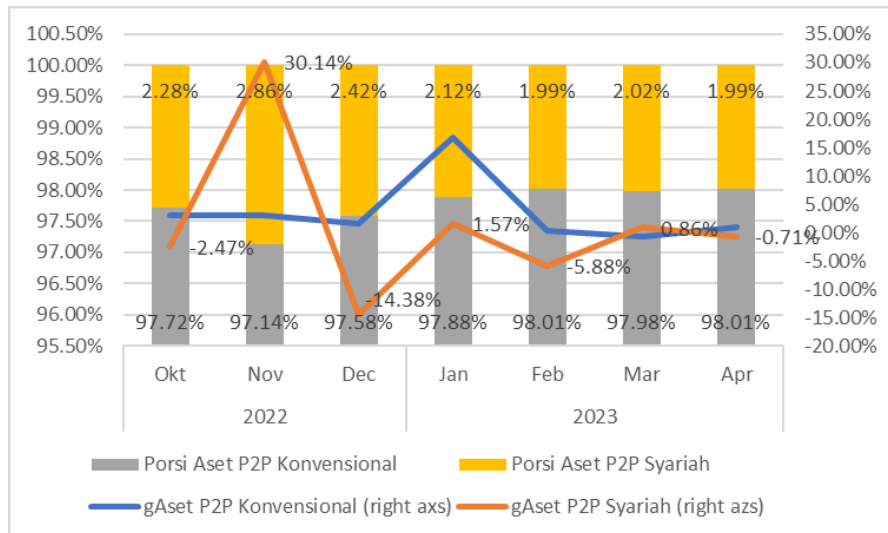


Figure 1. Development of Conventional and Sharia P2P Lending Fintech Assets

To gain a deeper understanding of the condition of sharia P2P lending fintech in Indonesia, one approach is to examine the business model being developed. An effective business model is one way to provide companies with a competitive position and achieve competitive advantages to support optimal growth (Wang, 2022).

Research on fintech business models in Indonesia, particularly for sharia P2P lending fintech, is still limited. Basya et al. (2019) conducted research on the identification of sharia P2P lending fintech business models, but it only focused on one company, which does not provide a comprehensive picture of the sharia P2P lending fintech industry in Indonesia. In addition, business model research on other fintech sectors has been carried out by various researchers, such as Astari & Nurmalina (2021), Pinem et al. (2023), Muadzan & Nugroho (2021), (Jasnovaria & Munir (2020), and Basya et al. (2019) using the Business Model Canvas (BMC) approach developed by Osterwalder and Pigneur (2010). The use of BMC, which consists of nine elements, is employed to identify the business models of the fintech companies studied. BMC can also be used as a framework for conceptualizing and guiding the development of business models, as demonstrated by Strulak-Wójcikiewicz et al. (2020) in developing the E-Commerce Sailing Tourism business model, and Plenter et al. (2017) in developing the P2P Sharing and Collaborative Consumption business model.

Several previous studies that focused on the identification or development of business models have used BMC as their framework. However, to identify the condition of sharia P2P lending fintech in Indonesia at the ecosystem or industry level, an additional approach is needed, such as the one developed by Westerlund et al. (2014) through the Value Design Model (VDM). Thus, this study aims to implement both BMC and VDM to enhance understanding of the business model at the company level or from the perspective of the sharia P2P lending fintech industry in Indonesia. This understanding is expected to provide insights for formulating development strategies, both at the company and policy levels.

LITERATURE REVIEW

Fintech

Bank Indonesia (2018) defines fintech as the integration of financial services and technology, which transforms traditional business models into more streamlined ones. Similarly, Arner et al. (2015) describe fintech as the use of technology to deliver financial solutions. Aaron et al. (2017) further explain fintech as the innovation and application of digital technology aimed at addressing financial intermediation challenges. The Financial Stability Board (FSB, 2017) characterizes fintech as technological innovation in financial services that leads to new business models, applications, processes, and products, significantly impacting financial service delivery. Overall, these definitions suggest that fintech represents the evolution of the financial sector through the adoption of digital technology, resulting in more efficient, effective, secure, and faster processes and services across various business models.

Fintech can be classified based on its activities into the following five categories (FSB, 2017):

1. Payments, Transfers, Clearing, and Settlements

This covers mobile payments, digital wallets, digital currencies, and the implementation of distributed ledger technology (DLT) within payment infrastructure. The purpose of this approach is to improve financial accessibility, broaden payment services, and maintain efficient payment systems.

2. Deposits, Lending, and Capital Raising

This encompasses innovations such as crowdfunding, P2P lending platforms, and DLT that support financial intermediation functions, facilitating lending and access to funding.

3. Risk Management

InsurTech, or fintech in the insurance sector, is involved in areas such as marketing, distribution, risk evaluation, premium setting, claims processing, as well as the management of registration and guarantees in credit transactions.

4. Market Support

Fintech technology enhances efficiency by utilizing solutions like e-aggregators, big data, digital identities, cloud storage, and smart contracts, which improve access to information and foster competition.

5. Investment Management

This involves e-trading platforms that enable direct investments and innovations like robo-advisors, which offer automated services in investment and portfolio management.

Sharia P2P Lending Fintech Business Model

Peer-to-Peer (P2P) lending represents an innovative business model that connects borrowers directly with lenders via a single platform (Suryono et al., 2019). It operates digitally through a technological platform that provides lenders with borrower information, enabling them to decide whether to grant loans (Pişkin & Kuş, 2019). As explained by Yunus (2019), fintech P2P lending allows for borrowing and lending without banks acting as intermediaries. This approach

serves as a solution for SMEs seeking access to capital (Abubakar & Handayani, 2018). According to OJK regulations, fintech P2P lending functions as an internet-based financial service where the platform facilitates connections between lenders and borrowers through an electronic system (OJK, 2016). Thus, P2P lending integrates internet technology with financial services to facilitate direct borrowing and lending (Suryono et al., 2019).

The development of P2P lending fintech is not limited to conventional businesses but also includes sharia-compliant P2P lending. Unlike the credit models used by banks or conventional P2P lending fintech, the sharia principles in sharia P2P lending are largely implemented through the *mudharabah* trade model (M. Bhatti, 2011). *Mudharabah* is also referred to as a partnership between an entrepreneur and a capital owner or a labor-capital partnership.

The *mudharabah* trade model is a form of collaboration where a capital provider partners with an entrepreneur seeking funding for a project. In this setup, a commercial partnership agreement is established, detailing that the project's expenses will be funded by all participating investors. The entrepreneur, in turn, contributes labor and expertise to the project. Profits from the project are shared between the investors based on a predetermined ratio. In the event of a financial loss, the investors are solely responsible for bearing the loss.

Fintech P2P lending companies, both conventional and sharia, act as platforms to connect capital owners or investors with borrowers. Loan requests from borrowers are evaluated by an investment committee at the fintech P2P lending company before being shared with investors. Approved loan requests deemed viable become products offered to investors and can be accessed by them through the platform.



Figure 2. Loan Request Process

In Figure 2, Pişkin & Kuş, (2019) describe the loan request process as having five steps: 1) the borrower selects the product, price, and installment amount, 2) the platform generates a monthly payment plan based on the borrower's credit score, 3) the borrower completes a loan application and submits it for approval, 4) the operator and investment committee evaluate the loan request, and 5) the operator either approves or denies the request; if approved, the loan becomes available to investors or lenders.

Furthermore, for the investment or lending process (Figure 3), Pişkin & Kuş, (2019) explain the process in six steps, which include: 1) the platform collects loans from investors, 2) the platform requests authorization from investors to carry out lending activities, 3) investors grant authorization to the platform, 4) the platform authorizes the borrower to access the funds collected from investors,

5) the borrower accepts the authorization given by the platform, and 6) the platform transfers the loan funds to the borrower.



Figure 3. Investment Process

Business Model Canvas

The Business Model Canvas (BMC) is a framework for understanding business models at the company level (Osterwalder & Pigneur, 2009). It comprises nine organized components that illustrate the "what" of a company's or institution's business processes. The components of the BMC are as follows:

1. Customer Segment: This component pertains directly to customer service.
2. Value Proposition: This refers to the company's offering of a mix of products or services designed to create value for each customer segment through various channels.
3. Channels: These are the methods the company uses to communicate and deliver its value proposition to each customer through different communication, distribution, and sales avenues.
4. Customer Relationship: This element outlines how a company establishes and maintains connections with its targeted customer segments.
5. Revenue Streams: These are the various ways the company generates income from providing value to each customer.
6. Key Resources: This describes the essential resources (e.g., personnel) that the company requires to create and deliver the elements of its business model.
7. Key Activities: This encompasses the activities necessary to create and deliver the business model's components.
8. Key Partnerships: This details the company's reliance on outsourcing certain activities to its suppliers or partner network.
9. Cost Structure: This outlines the cost components associated with each element of the business model.

The elements of the BMC are interrelated and affect one another, which can be described using the idea of a four-dimensional business model. Additionally, the nine elements can be classified into four categories. However, Osterwalder & Pigneur (2009) pointed out that these four categories are not the main focus but rather a "rough" grouping of the nine elements. The dimensions of the BMC are essential for its use in both industries and research. This is due to the fact that, although there is no single business model that fits all, certain types of business models develop as frameworks that entrepreneurs and managers can utilize.

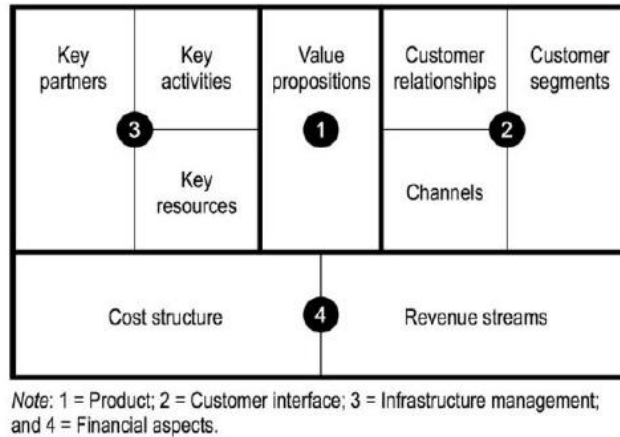


Figure 4. BMC Elements

Value Design Model

The Value Design Model (VDM) presented by Westerlund et al. (2014) is based on the premise that business model frameworks, such as the canvas model and others, primarily focus on business model architecture. These frameworks often fail to explain the dynamics between components or how elements within a business operate. VDM takes a different approach by emphasizing how value is created and captured within an ecosystem. Therefore, VDM represents an overall architectural model that maps the basic structure of a business model ecosystem.

The main difference between VDM and other business models, such as the canvas model, lies in its area of application. While business models are typically used at the company level, VDM is more suitable for the ecosystem context. The value pillars of VDM, when combined, form the operational pattern of a business ecosystem. An illustration of VDM's key value pillars can be seen in Figure 5 (Westerlund et al., 2014).

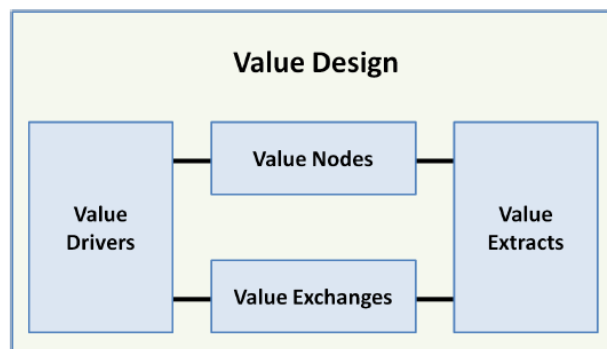


Figure 5. Key Pillars of the Value Design Model

Here are the four value pillars of the Value Design Model (VDM) that explain the activities of a business within an ecosystem:

1. Value Drivers: The primary motivation of a business or ecosystem to create value, such as innovation and industry development for mutual benefit.

2. Value Nodes: The actors, activities, or processes that are interconnected in creating value within a business ecosystem.
3. Value Exchange: The exchange of value, resources, knowledge, and information between nodes in the ecosystem, which is crucial for revenue distribution.
4. Value Extract: The part of the ecosystem that identifies monetizable value and defines the core value within the ecosystem.

METHODOLOGY

The methodology used in this study is qualitative and utilizes cross-sectional data. For determining the research objects, a non-probability sampling technique with purposive sampling was applied. The sample selection was based on specific criteria, such as the company being a sharia P2P lending fintech with a license from OJK, having complete data as determined by the research variables, and informants and data that adequately represent the company, provided they have a thorough understanding of the company's business processes.

There are three sharia P2P lending fintech companies in Indonesia that serve as the sample for this research, namely: ES, PS, and AS. The data for this research was collected through triangulation techniques, including surveys, interviews, and observations from other official data sources. The analysis method used is an Individual Case Study for each research subject, i.e., the three sharia P2P lending fintech companies, and Cross Case Analysis for all subjects to obtain an industry-level business model.

RESEARCH RESULT

Company-Level Business Model

At the initial stage of the research, the business models of each company being studied were identified using both the BMC and VDM approaches.

Based on the Business Model Canvas (BMC), ES targets companies that need project financing, while PS focuses on employees of large companies with stable incomes, and AS targets companies that understand sharia principles and have a good reputation. ES's value proposition includes project financing with *musyarakah* and *murabahah* products, offering transparency and repayment at the end of the term. PS provides financing for goods and services with payments through salary deductions, while AS offers asset-free financing with no late fees, in line with sharia principles.

ES's main channel is social media, PS uses direct communication with corporate partners, and AS focuses on sharia events and social media. Customer relationships are maintained through various interactions, such as email blasting, business visits, and sharia seminars, with customer retention facilitated through WhatsApp or Telegram groups.

ES's revenue streams come from success fees based on the *Wakalah Bil Ujrah* principle, while PS and AS rely on financing margins based on profit-sharing principles. All three companies have key resources in the form of technological infrastructure, such as cloud-based applications and IT security.

Their key activities include sharia-based financing using technology, with a focus on digital marketing and collaboration with sharia figures (asatidzah). ES's main partnerships are with banks and vendors, PS partners with cloud service providers, and AS collaborates with the sharia community and logistics companies.

The largest cost structures for all three companies are employee salaries and IT infrastructure, with efficiency efforts made through strategic employee selection and multifunctional roles.

Table 1. BMC of the 3 Sharia P2P Fintech Companies

No	BMC Element	ES	PS	AS
1	<i>Customer Segments</i>	<ul style="list-style-type: none"> Productive project financing. Target: PT/CV with Purchase Order (PO) from other institutions. 	<ul style="list-style-type: none"> Target: Employees of established companies with at least 100 employees. Determining factor: Fixed and measurable income. 	<ul style="list-style-type: none"> Target: Individuals who understand Sharia contracts. Characteristics: Companies with a good reputation and operating for more than 1 year.
2	<i>Value Propositions</i>	<ul style="list-style-type: none"> Products: Musyarakah and Murabahah. Strength: Transparency and payment at the end of the project term. 	<ul style="list-style-type: none"> Products: Purchase of goods (Murabahah) and services (Ijarah). Strength: Payment through salary deductions. 	<ul style="list-style-type: none"> Products: PPR Syariah, invoice financing, project financing, ecosystem financing. Strength: No asset collateral, no late penalty, Sharia contract, profit-sharing.
3	<i>Channels</i>	<ul style="list-style-type: none"> Main media: Instagram, Facebook, Website, YouTube. Strategy: Social media and collaboration with bloggers. 	<ul style="list-style-type: none"> Main media: Website and business development team. Strategy: Direct communication with partner companies. 	<ul style="list-style-type: none"> Main media: Social media (Instagram, Twitter, YouTube), seminars, webinars, Sharia events. Feedback: Customer service and Relationship Manager (RM).
4	<i>Customer Relationships</i>	<ul style="list-style-type: none"> Interaction: Intensive posting and email blasting. Retention: Persuasive communication and data validation. 	<ul style="list-style-type: none"> Interaction: Routine offline visits by the business team. 	<ul style="list-style-type: none"> Interaction: Seminars, Sharia events, entrepreneurial communities. Retention: WhatsApp and Telegram groups, Instagram, customer service.
5	<i>Revenue Streams</i>	<ul style="list-style-type: none"> Ujrah (success fee) from financing recipients. Principle: Wakalah Bil Ujrah.. 	<ul style="list-style-type: none"> Income: Ujrah financing from Murabahah and Ijarah products. Costs: Ujrah financing (1.25%-1.5% per month). 	<ul style="list-style-type: none"> Income: Financing revenue margin. Costs: 2-3% of total project (marketplace fee). Principle: Profit-sharing, Mudharabah, Murabahah, Wakalah Bil Ujrah, Hawalah.
6	<i>Key Resources</i>	<ul style="list-style-type: none"> Assets: Office building, cloud server, human resources, website, mobile application. Security: Antivirus, firewall, disaster recovery. 	<ul style="list-style-type: none"> Main assets: Cloud-based application system. Security: ISO 27001 implementation. 	<ul style="list-style-type: none"> Tangible assets: Office and land. Intangible assets: Marketplace application and technology. Security: IT security and risk mitigation.
7	<i>Key Activities</i>	<ul style="list-style-type: none"> Sharia-based financing technology. Marketing through advertisements and social media. 	<ul style="list-style-type: none"> Digital process: Application, analysis, approval, and disbursement of financing. 	<ul style="list-style-type: none"> Main activities: Alami and Hijra Bank applications. Marketing: Collaboration with Asatidzah and Sharia KOLs.
8	<i>Key Partnerships</i>	<ul style="list-style-type: none"> Partners: Banks, vendors, ecosystem, bloggers. 	<ul style="list-style-type: none"> Main partners: Amazon Web Service, Verihubs, Pefindo. 	<ul style="list-style-type: none"> Main partners: Logistics, livestock companies, vendors, government, Sharia communities.
9	<i>Cost Structure</i>	<ul style="list-style-type: none"> Largest cost: Employee salaries (70%). Efficiency: Multi-tasking employees and selective spending. 	<ul style="list-style-type: none"> Largest cost: Employee salaries and IT infrastructure. Efficiency: Multi-function in several positions. 	<ul style="list-style-type: none"> Largest cost: Employee salaries and office operations. Efficiency: Recruitment for strategic positions (RM, risk, business, tech).

Based on the VDM model, the **Value Drivers** of these three companies focus on the significant opportunities to develop sharia business in Indonesia by leveraging technology that meets market needs. ES and PS are driven by more relaxed regulations that support small businesses in terms of capital and partner acquisition. Meanwhile, AS prioritizes the development of the sharia economy through technology and education on sharia contracts, including the establishment of the AS Institute.

The Value Nodes in ES and PS involve key factors such as regulators, associations, and business partners, which provide space for innovation and operational efficiency. AS engages a wider range of actors, including farming communities, entrepreneurs, regulators, employees, and management, all of whom play important roles in creating value both in service utilization and in regulations and financing.

Table 2. VDM of the 3 Sharia P2P Fintech Companies

No	VDM Element	ES	PS	AS
1	Value Drivers	<p>Main Motivation: ES is driven by the vast opportunities in developing the sharia business in Indonesia.</p> <p>Innovation: Focus on implementing technology tailored to market needs.</p> <p>Support Needed: Looser regulations from the government to help small companies in terms of capital and finding new partners.</p>	<p>Main Motivation: The great potential to develop sharia business in Indonesia.</p> <p>Innovation: The use of technology suited to market needs to enhance service efficiency.</p> <p>Important Support: More flexible regulations from the regulator, especially for small businesses regarding capital and time to find new partners.</p>	<p>Main Motivation: Building a sharia economy through technology as a solution for sharia financing in Indonesia.</p> <p>Innovation: Development of data submission applications and two additional applications, as well as the establishment of Alami Institute to increase sharia economic literacy.</p> <p>Important Support: Literacy in economics and business about transparent sharia contracts, as well as regulatory support for permits.</p>
2	Value Nodes	<p>Main Actors: Regulators, associations, and business partners play an important role in supporting ES Syariah's operations.</p> <p>Actor Roles: Regulators and associations provide space for innovation, while business partners help improve operational efficiency and add value.</p>	<p>Main Actors: Regulators, associations, and supporting partners.</p> <p>Actor Roles: Regulators and associations provide space for innovation, while business partners help in operational efficiency and create added value.</p>	<p>Main Actors: Community of farmers, entrepreneurs, regulators, employees, management, and investors who understand the sharia economy.</p> <p>Actor Contribution: Each actor plays an important role in creating value, either as service users or supporters in regulation and capital.</p>
3	Value Exchange	<p>Value Exchange: Occurs through cooperation agreements between ES and business partners.</p> <p>Cost Model: Uses an affordable variable or fixed cost approach to optimize revenue.</p>	<p>Value Exchange: Occurs through cooperation agreements between business actors and business partners.</p> <p>Cost Model: Uses the concept of variable costs for efficiency in value exchange based on the generated revenue.</p>	<p>Value Flow: Value exchange occurs through events such as training and seminars focused on sharia economic education.</p> <p>Value Agreement: This cooperation is regulated in agreements involving the community of entrepreneurs, management, and employees.</p>
4	Value Extract	<p>Obtained from cooperation in developing digital services with a variable or fixed cost model.</p>	<p>Revenue is generated from cooperation in developing digital services with an affordable variable or fixed cost model.</p>	<p>Revenue is derived from user acquisition and financing, generating fee margins and profit-sharing</p>

The Value Exchange at ES and PS occurs through partnership agreements with business partners, using variable or fixed cost models to optimize revenue. Meanwhile, AS employs value flows that involve training and seminars, focusing

on sharia economic education, where value agreements are achieved through collaboration among business communities, management, and employees.

The Value Extract for all three companies mainly comes from revenue generated through the development of digital services and partnerships. ES and PS adopt affordable variable or fixed cost models, while AS generates income from user acquisition and financing, which results in fee margins and profit-sharing.

Industry-Level Business Model

Table 3. BMC of Sharia P2P Fintech Industry

No	BMC Element	Sharia P2P Lending Fintech in Indonesia
1	Customer Segments	<ul style="list-style-type: none"> Target: Companies with PO, employees of established companies, users who understand Sharia contracts. Characteristics: Companies with a good reputation, at least 100 employees.
2	Value Propositions	<ul style="list-style-type: none"> Products: Productive financing, invoice financing, purchase of goods/services (Murabahah/Ijaroh), and ecosystem financing. Strength: Project transparency, no late payment penalties, salary deductions, and clear Sharia contracts.
3	Channels	<ul style="list-style-type: none"> Media: Website, mobile applications, social media (Instagram, Facebook, YouTube), seminars, webinars, and offline events. Strategy: Collaboration with bloggers, financial planners, and Sharia business associations.
4	Customer Relationships	<ul style="list-style-type: none"> Interaction: Direct communication through business teams, offline events, and routine communication via digital media such as WhatsApp and Telegram. Feedback: Customer service through email, phone, and e-ticketing.
5	Revenue Streams	<ul style="list-style-type: none"> Income: Ujrah from financing (success fee), lender margin, marketplace fee (2-3%), and profit-sharing according to Sharia contracts (Mudharabah, Musyarakah). Transaction Costs: 1.25%-1.5% per month or based on project agreement.
6	Key Resources	<ul style="list-style-type: none"> Tangible Assets: Office building, cloud server, and cloud-based IT infrastructure. Intangible Assets: Marketplace applications, mobile-based technology, and ISO 27001 standard security systems.
7	Key Activities	<ul style="list-style-type: none"> Digital process: Financing application, internal analysis, approval, and disbursement via the application. Marketing: Social media ads, seminars, and collaboration with public figures in the Sharia sector.
8	Key Partnerships	<ul style="list-style-type: none"> Main Partners: Banks, vendors, ecosystem, logistics companies, technology companies (Amazon Web Service, Verihubs, Pefindo), and Sharia entrepreneur communities. Benefits: Cost efficiency, fast access to information, and customer profiling.
9	Cost Structure	<ul style="list-style-type: none"> Fixed Costs: Employee salaries, office operational costs, and IT infrastructure. Variable Costs: Lender margin, marketing costs, and notary fees. Efficiency: Multi-function in several positions and selective spending.

After identifying and analyzing the business models of sharia P2P lending fintech companies in Indonesia using the BMC approach for each company, the next step was to identify the business model at the ecosystem level. To develop a BMC for sharia P2P lending fintech in Indonesia, the similarities among the three research objects were examined for each BMC factor. Sharia P2P fintech in Indonesia targets companies with Purchase Orders (PO) and employees from established companies who understand sharia contracts. The main products offered include productive financing, invoice financing, and the purchase of goods or services based on sharia contracts such as *Murabahah* and *Ijaroh*. The advantages of these services lie in transparency, no late fees, and the option for

payment via salary deductions. Communication and marketing channels are carried out through websites, mobile applications, social media, seminars, and offline events. Relationships with customers are maintained through direct communication and digital platforms such as WhatsApp and Telegram, as well as customer service support.

The company's revenue sources come from financing fees (*ujrah*), marketplace fees, and profit-sharing schemes based on sharia principles. Key resources include office buildings, cloud servers, marketplace applications, and security systems that comply with ISO standards. Core activities involve the digital process from loan application to disbursement. The company's main partners consist of banks, vendors, technology companies, and sharia business communities that support cost efficiency and access to information. The company's cost structure is dominated by employee salaries, IT infrastructure, lender margins, and marketing costs, with efficiency strategies through multi-functional roles for certain employee positions.

Table 4. VDM of Sharia P2P Fintech Industry

No	VDM Element	Sharia P2P Lending Fintech in Indonesia
1	Value Drivers	Motivation: Sharia P2P Lending Fintech in Indonesia is driven by the vast potential of sharia business development in Indonesia. Innovation: They focus on the use of technology to meet market needs and emphasize efficient technology implementation, also developing educational platforms to improve literacy in sharia economics.
2	Value Nodes	Common Actors: Key actors across all companies include regulators, associations, business partners, entrepreneurs, investors, and communities , reflecting its focus on both business and education. Role of Actors: Regulators and associations provide the space for innovation, while business partners assist with operational efficiency.
3	Value	Collaboration: All companies rely on formal agreements with partners for value exchange, often structured through variable or fixed cost models . Some company adds a unique aspect by emphasizing educational events (seminars and training) as a key platform for exchanging value within the ecosystem.
4	Value Extract	Revenue Models: All companies generate revenue through partnerships and digital service development , using a mix of variable cost models and generates additional income through user acquisition and profit-sharing , integrating a more educational and community-based approach, which helps attract users and grow the ecosystem.

Based on the analysis of the Value Design Model (VDM) of the Sharia P2P Lending Fintech industry in Indonesia, several important factors support business growth and development. The Sharia P2P Lending Fintech industry in Indonesia focuses on the vast potential for developing Sharia business in the country and building a Sharia economy through technology and increasing Sharia financial literacy. The innovation of these three companies is driven by the use of technology that meets market needs. Actors such as regulators, associations, business partners, entrepreneurial communities, and employees play a role in value creation through strategic collaboration that supports regulation, operations, and product development. Value exchange in this industry occurs through business partnerships and digital services with a

variable cost model, as well as through the use of education and seminars on Sharia economics as part of the value exchange. The industry generates revenue from margin fee-based services, profit-sharing, and digital collaboration.

DISCUSSION

In the Sharia P2P lending fintech industry, the most important element of the Business Model Canvas (BMC) is the value proposition, which offers financing in accordance with sharia principles, transparency, and flexibility without late fees. This is key to attracting customers and building trust. Additionally, targeting customer segments focused on companies needing sharia project financing and individuals with stable incomes is crucial for business success. Revenue streams from profit-sharing and *ujrah* are also foundational to the company's sustainability and must adhere to sharia principles.

Strategic partnerships with sharia banks, technology providers, and sharia communities, which are part of key partnerships, also play an important role in supporting operations and expanding market reach. On the other hand, communication channels, whether through digital platforms or offline events like sharia seminars, help reach more customers and strengthen interactions. Key resources, including technology infrastructure and IT security, while important, can often be fulfilled through partnerships with external parties.

Customer relationships are also important, especially in building loyalty through direct communication and the formation of sharia business communities. Key activities such as digital marketing and application development support daily operations, although they are not of the highest priority. Lastly, the cost structure, especially regarding salaries and IT infrastructure, needs to be managed efficiently, although this is not as critical compared to value propositions and revenue. The primary focus should remain on creating sharia-compliant value, targeting the right market segments, and ensuring sustainable revenue.

To strengthen the Sharia P2P lending fintech business model in Indonesia, several strategies can be adopted. First, the value proposition should be enhanced through sharia product innovation, such as wakaf- or zakat-based financing, and increased transparency through digital technology. Second, market segmentation should be more focused, targeting sharia MSMEs and rural communities in need of financing access. Third, diversify digital channels by strengthening mobile applications and partnering with e-commerce platforms to expand market reach. Fourth, strengthen customer relationships by building online communities and offering personalized services. Fifth, optimize revenue by offering value-added services and expanding profit-sharing schemes. Sixth, expand partnerships with sharia institutions and educational institutions to strengthen the ecosystem. Lastly, cost efficiency and resource optimization can be achieved through process automation and the application of lean management to reduce operational costs. These steps can enhance the competitiveness and sustainability of the business model.

Based on the VDM approach, to strengthen the business model, it is recommended that sharia P2P lending fintech companies increase collaboration

with regulators and associations to create more flexible regulations. Additionally, technological innovation and market education, such as those implemented by AS, should continue to be optimized to expand literacy on sharia economics. Value creation within the sharia business ecosystem should also be encouraged by expanding business partner networks in the agriculture and MSME sectors. Lastly, revenue model diversification can be achieved by adding additional services such as consulting, financial education, or digital solutions. With these strategies, sharia P2P lending fintech companies in Indonesia can strengthen their position in the sharia economic ecosystem and support long-term growth.

CONCLUSIONS AND RECOMMENDATIONS

Indonesia's sharia P2P lending fintech sector has a solid foundation in sharia compliance and digital technology, which supports a sustainable business ecosystem. However, enhancing financial literacy and sharia financial inclusion is essential to expanding market reach and solidifying the industry's position. The industry's value proposition revolves around offering transparent, flexible financing solutions that eliminate late fees and the need for asset guarantees, making it appealing to customers who prioritize sharia principles. Target customer segments include companies requiring project financing and individuals with stable incomes, as well as businesses familiar with sharia contracts. Communication and marketing efforts leverage a combination of digital media and offline events, while customer relationships are maintained through direct communication and digital platforms.

Key revenue streams come from *ujrah* (fees), financing margins, and profit-sharing, all-in line with sharia principles, ensuring business sustainability. Strategic partnerships with sharia banks, technology providers, and business communities are crucial for operations, while technology resources like cloud-based applications and IT security drive cost efficiency. The Value Design Model (VDM) shows that the industry is propelled by the vast potential of sharia business development in Indonesia, with a focus on leveraging technology and boosting financial literacy. Value exchange occurs through collaborations with regulators, business partners, and educational programs, supporting revenue growth through digital services and partnerships.

To further strengthen this business model, companies are encouraged to innovate by introducing new products like wakaf- or zakat-based financing, enhancing transparency via digital technology, and focusing on more specific market segments such as sharia MSMEs and rural communities. Expanding digital channels by improving mobile applications and partnering with e-commerce platforms will broaden market reach. Building customer loyalty through online communities and personalized services, alongside diversifying revenue through sharia financial consulting and expanded profit-sharing, are also recommended. Additionally, strengthening partnerships with regulators, associations, and educational institutions will foster better regulation and financial literacy. Finally, operational efficiency can be improved through process automation and the adoption of lean management to reduce costs.

ADVANCED RESEARCH

This study is limited by the number of sharia P2P lending fintech companies that participated. To improve the accuracy of the analysis and provide a more comprehensive picture of the situation, future research should involve more sharia P2P lending fintech companies in Indonesia. Additionally, applying different frameworks and analytical approaches to identify business models could help future researchers gain a deeper understanding of the sharia P2P lending fintech business model.

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