Strategic Alliances between Sharia Microfinance Institutions and Financial Technology in Strengthening Small Micro Enterprises for Socio Economic Justice

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Abstract: Sharia microfinance and financial technology have very significant role as an effective solution in accessing finance for small and micro enterprises. By utilizing qualitative methods and critically analyzing specific case study, this research aims to investigate business model used, type of contracts employed, legal aspects, and the risk mitigation. Data was obtained from interview several experts and practitioners of sharia microfinance and financial technology institutions. The research suggest that the business model used was based on crowd funding compliant with sharia principles. This means that the legality of the cooperation between the sharia microfinance institutions and the financial technology provider has strong basis both in positive law and fatwa. In this case, the risk mitigation for consumer protection is guaranteed by specific government regulations. The research showed that the strategic alliance between sharia microfinance institution and financial technology firm is capable for strengthening access to capital sources for small and micro enterprises. It also improves community financial literacy and financial inclusion, so that socio-economic justice can be realized. This research could contribute to the creation of innovative products concerning sharia microfinance, sharia financial technology, and the formulation of policies related to strengthening of institutional cooperation.

1 INTRODUCTION

Sharia microfinance institutions have very significant role in realizing socio-economic justice. Its characteristic as non-bank financial institution are very close to micro-small business group, low-income and poor people who have productive abilities. In number of studies also stated that microfinance institutions can be an alternative solution to reduce poverty (Ahmed, 2007; Chowdhoury, 2018; Rahman, 2010). Its presence is closer to the location and condition of micro, small business operator, easy administration system, marketing strategy pro-actively, and easy guarantee making this institution as alternative solution effectively for accessing their capital (Muftie, 2014). This fact is supported by Amalia (2008) research of 511 SME partners in sharia microfinance institution proven that Micro Financial Institution (MFI) have significant role in increasing their partner's income. Low financial access has impacted on ability productive poor group to gain benefit from business opportunity, income, children education cost, fulfillment other basic needs and protect them from financial crisis problem (Ali, 2015). Thus microfinance is financial institution that able to guarantee capital support for small and micro business sustainability.

In various studies show that Small and Micro Enterprises (SMEs) have large contribution for national economic development. The contribution of SMEs in the Indonesian economy is shown by its population as the largest business actor, strong pillar of the economy and the strength example of the national economy (Akita & Alisjahbana, 2002). Structurally, the Indonesia economy configuration is dominated by Small-Medium Enterprises/SMEs group which around 51.3 million business units or 99.97% of all existing business units, the rest is large businesses. The main difficulty faced by SMEs business group in capital aspect is 31.11 percent, raw materials by 24.80 percent, and marketing by 24.60 percent (Ascarya & Cahyo, 2010). One of main difficulty is high interest rates on conventional bank, the margin or profit sharing rate in sharia bank, as well as the requirement and guarantee that cannot be

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fulfilled. In addition, the precautionary principle that must be held by bank and become reason for limited distribution financing for SMEs groups because they are considered non-bankable. The importance of capital for SMEs sector is expected to reduce poverty and unemployment, economic growth, disparity between region, to increase human quality, to improve environmental quality and to increase infrastructure support. On this point, the most appropriate financial service and financing access for SMEs is microfinance institution. Unfortunately, microfinance institution, especially those operating in sharia, still facing problem, including limited access to funding, human resource and regulation. For this reason, new innovation and strategy is needed that can be problem solving for microfinance institution. The development of digital technology today has growth of information financial technology that able to reach wider access to financial institutions reaching all communities and societies, faster, easier, and more transparent (Ismail, 2018). Based on data from Indonesia Country's Key Digital Statistical Indicator in May 2018, it is stated that the potential of the community for access to finance and information technology in Indonesia is very large.

The Indonesian population of 261.12 million is known that debtors in banks are 48.9%, active social media users 130 million, active internet users 143.30 million, while the number of creditors to financial institutions 17.2%. The growth rate of mobile users from 2015 to 2020 estimated to be 10-15%. On the other hand, based on the release of the 2016 National Financial Literacy and Inclusion Survey showed that Indonesian has sharia financial literacy index 8.11% and sharia financial inclusion index11.06% (OJK, 2016). Sharia financial literacy index and sharia financial inclusion index give signal to stakeholders sharia financial industry that still far away in realizing well literature for society. Well literature communities can utilize financial product and service that are suitable for achieving financial sustainability (Haddad, 2017). Related to inclusion, bad signals for access, usage and quality of sharia financial industry.

In fact lack of financial literacy and public financial inclusion was occurred, on the other hand with rapid progress in field of information technology and increasing internet users and gadgets, transforming innovation for existing system or market, by introducing practically, easy access, convenience, and economical cost, known as Disruptive Innovation (Teja, 2017). The problem is how to relate between the strategic position of sharia microfinance institution as micro small business partner and the financial technology industry that currently growing very quickly and able to realize financial inclusion (Ali, 2015). Therefore, this study to analyze the business model of partnership program between sharia microfinance institution and financial technology for strengthening micro small business in Indonesia. The problem focused on business model that can be developed in the context of linkage program between sharia microfinance institution and financial technology company, applied scheme contract, legal issue faced by Fintech, and risk mitigation of consumer protection.

2 LITERATURE REVIEW

Various studies on the potential and role of microfinance institutions that containing sharia principles in strengthening SMEs have been done, but the partnership relation between sharia microfinance institution and financial technology is still limited. Various related research results that have been conducted as follows.

First, related to sharia microfinance institution and its role in strengthening SMEs can be seen in the study of Abbas and Saad (2014) proved that microfinance institution with sharia-based product and service have succeeded in providing financing to small businesses, especially those managed by women's groups which have impact on poverty rates in Pakistan. Other study that has been conducted by Abd Rahman El Zahdi Ali (2015) suggests that people in Muslim countries today are generally poor and low income so that they have the difficulties of access to financial institutions both conventional and Islamic financial system. This study shows that an appropriate financial institution that is a syariah-based microfinance can help this group out of poverty. The results showed that the conventional micro finance focused only on low-income groups (Rahman, 2010). Meanwhile, Islamic microfinance has wider scope than conventional finance because it can serve the poor through social financing facility with zakat, waqf, and Sadaqah. Therefore, Islamic microfinance can be said as microfinance inclusion. Suberu et. al (2011) showed that the financing provided by microfinance had positive and significant impact in improving the performance of small-scale business group proven able to increase market share, the level of efficiency and the power of production. Likewise, by Hadisumarto and Ismail (2010) in East Java proved that sharia microfinance institution Baitul Mal Wat Tamwil was effective in increasing income.

Second, research related to financial technology, financial literacy and value in Fintech Syariah in Indonesia conducted by Abdillah Ubaidi Djawahir (2018) about the relationship between the phenomenon of information technology development with financial institution, index of financial literacy and inclusion and benefit of fintech in Indonesia with the SOR (Stimulus-Organism-Response) Model. Irma Muzdalifa et. al (2018) who analyzed the phenomenon of fintech development and its role in increasing ability of SMEs to access sharia financial institution in Indonesia easily and quickly. Muhammad Mufli (2017) analyzed the design of a Crowdfunding-based Islamic Financial Technology business model for financing Micro Enterprises in the Agriculture Sector. This study shows that the Crowdfunding platform service in Indonesia has proven to be alternative source of financing because it involves many parties to access the internet. Sharia-based financial technology services have been able to improve literacy and financial access for rural farmers. Different from existing research, this study focused on analyzing strategic partnership model between sharia microfinance institution and financial technology in an effort to strengthen capital access for small micro business group. The emphasis of analysis is business model, contract, regulatory issues, and risk mitigation in the framework of consumer protection.

3 THEORY AND METHODOLOGY

3.1 Microfinance

According to Tohari (2003), microfinance institution is institution providing financial service for micro entrepreneur and low-income community formally, semi-formally and informally (Thohari, 2013). While Ledgerwood et al (2009), defined Microfinance Institution (MFIs) is provider for financial service for small and micro entrepreneur as well as functioning as development tools for rural community. In Law Number 1 year 2013 concerning Microfinance Institution, Microfinance Institution (MFI) is financial institution specifically established to provide business development service and community empowerment, either loan or financing in micro-scale business for member and the community, management deposit, as well as providing business development consulting service that are not seeking profit.

In the implementation of Microfinance Institution, there are conventional system based on the interest and sharia system based on sharia contract and transaction (Baihaqi & Saifudin, 2000). In term of funding or financing is given both in individual and group. Group model is generally adopted from the grameenbank model as developed in Bangladesh. As stated by Feroz and Goud (2009), Rahman (2010) affirmed the microfinance grameen bank pattern was able to reduce poverty and empowering women who were the majority as partners.

In Indonesia, sharia microfinance institution is known as Baitul maal wa at-tamwil (BMT) in the legal entity of sharia cooperation (Amalia, 2016). BMT function as financial service in managing public saving and distributing fund or financing for micro small business group using sharia principles. Based on the contract, deposit fund at BMT using *mudharabah* and *wadiah* contract. Whereas in term of financing distribution for micro small business used profit sharing contract (*mudaraba, musyarakah*); contract based on sale and purchase (*murabahah, salam,* and *istishna*); contract based on service (*ijarah*); and contract based on credit (*qardh*) (Baihaqi & Saifudin, 2010; Amalia, 2008). Therefore, BMT can be figured out as type of Sharia Microfinance Institution (SMI).

3.2 Financial Technology

The National Digital Research Center in Dublin (2014) defines financial technology as innovation in financial service by utilizing the development of information technology. Financial technology generally refers to the form of application, process, product or business model in the financial service industry. Meanwhile, according to the International Trade Administration (2016), financial technology is a "revolution" for combining financial service with information technology that has improved quality of financial service, and creating financial stability. The legality of Fintech companies in Indonesia is POJK (Financial Services Authority Regulation) Number / 77 / POJK.01 / 2016 concerning information technology on loan service and BI (Central Bank) regulation Number 18 / 40 / PBI / 2016 concerning the processing of payment transaction.

Based on the regulation, money lending and borrowing service based on information technology is the implementation of financial service to meet lender and recipient in loan agreement based on rupiah currency directly through electronic systems using internet network. Whereas financing service based on sharia principles stated in the Islamic Edict (*Fatwa*) from National of Sharia Supervisory Board (DSN) Number 117 / DSN-MUI / II / 2018 concerning financing service based on sharia principles is the implementation of financial service based on sharia principles that meet or connect financing giver and recipient in order to make contract through electronic system using the internet network.

3.3 Research and Methodology

The paradigm of this research is qualitative (Moleong, 2004). According to Hartono (2004) qualitative research is research that emphasize the understanding of problem in social life based on reality or natural condition that holistic, complex and detailed. The analysis used in this research is critical analysis by exploring the problem raised in the development of partnership program between sharia microfinance institution and financial technology to strengthen small and micro business through sharia finance. Data was obtained from interviews with several experts and practitioners of sharia microfinance and financial technology institutions. This study presented business model that has been done by PT Ammana Fintech Sharia in conducting strategic partnership with sharia microfinance institution, BMT Syahida Ikaluin to expand financing access for small and micro business group. This research analyzes of business model used, type of contracts employed, other legal aspects, and the risk mitigation dimention involved.

4 RESULTS AND DISCUSSION

4.1 Model Partnership of PT. Ammana Financial Technology with Micro Financial Institution

Financial technology is phenomenon of technological development to response human analytical creativity and to answer banking need to be faster and more efficient. As result, customer can use fintech for all purposes in banking service. Nowdays, customers dont need to come at bank for financial service but they only use the application from provider. Fintech has beneficial potential, data released by Morgan Stanley Research quoted by Haddad (2017) shows that the role of Australia, China, Britain and the United States are so large and always increase from year to year, this indicate that technological financial efficiency and innovation has main role at this time.

Currently in Indonesia there are 67 financial technology companies that have obtained permission from the Otoritas Jasa Keuangan (OJK) or Financial Services Authority (FSA), 2 of which have obtained permission and recommendations from the Dewan Sharia Nasional (DSN) or National Sharia Supervisory Board as Sharia Fintech, namely PT Ammana and PT Dana Syariah. While residing in the registration process as many as 40 companies, there are 57 applications for registration were returned, and the interest in registering a 38, a potential total of 202 companies (OJK, 2018). In Indonesia context, Fintech companies have been growing up rapidly after the issuance of specific government regulations. Actually, big companies like banks and other non-bank companies have issued products based on technology that making easier for customers.

Furthermore, there are several types of Star up Fintech in Indonesia such as; Asset Management, Crowd Funding, E-Money, Insurance, P2P Lending, Payment Gateway, Remittance, and Securities (Siregar, 2016). The existence of companies engaged in financial technology will able to access funding source from investors widely and reach broader financing. One of the Fintech model for micro, small, and medium enterprises is Crowdfunding. Crowdfunding is a new term used in the financing realm to define the type of financing activity which gathers a pool of money that ranges from small to medium-size contributions from a crowd of people from different background, age group, religion and races to participate in an economic exercise that aims to mutually finance each other based on certain needs with reference to some specified criteria (Beaulieu, Sarker, & Sarker, 2015). In a similar meaning, Mollick defined crowdfunding as “the efforts by entrepreneurial individuals and groups cultural, social, and for-profit to fund their ventures by drawing on relatively small contributions from a relatively large number of individuals using the internet, without standard financial intermediaries” (Mollick, 2014) . The definitions denote three important elements of crowdfunding, which are technology, capital funding, and the power of the crowd. These three important elements enable many small efforts to accumulate to a significantly huge financial outcome.

PT. Ammana as the First Sharia Fintech in Indonesia has main objective to serve SMEs and public who have productive, creative and innovative business/activity to support the development and progress of Indonesia to be ready facing global challenges through sharia financial technology service. To implement the vision, Ammana will continue to make cooperation between personal partners and institutions that have same vision, mission and goals (Ludi et.al, 2018). There are currently 5 sharia microfinance representative by sharia cooperative or BMT partnering with Ammana Company. The SMEs community/ Education Institutions (Colleges), as partners in assisting and developing business capacity for SMEs as Ammana partner and Nadzir Waqf who develop productive waqf management. Sharia Commercial Bank, as operational work partner and financial service transaction between Ammana and Investors. Association institutions as partner in supporting industrial development of Fintech. Funding Foundation as funding support partner outside personal investor for SMEs financing that is commercial and social program based on productive waqf scheme.

Based on interview with the Managing Director, Agus Khalifatullah (2018), CEO of PT. Ammana Fintech Syariah, Ludi (2018), described the model and process business institution in the context of partnership program with sharia microfinance institution. As Fintech company, PT. Ammana develops financing for small micro business as follows:

a. Focused on providing information related to investment for micro small business sector fulfilling the principle of sharia, ethic and promoting the value of cooperation and justice in business. Ammana provides application to socialize various micro small business project and productive waqf program from partners. For this reason, Amma has right to get fee (ujrah).

b. Developing crowdfunding business model based on sharia principle. This is very helpful for those who have micro and small scale business to access easy and affordable financing. The aim of the Ammana crowdfunding platform is to facilitate investor (shahibul mal) in seeking alternative investment competitively and to help Indonesian SMEs listed on the Ammana. Crowdfunding generally using website technology which functions as a media in the system online payment to facilitate transactions between individual or groups need funds an investors (Gerber et. al, 2012). Basically, activities crowdfunding is done through the internet to provide financial sources in form of donations (without compensation) (Hemer, 2016). The current development of crowd funding is also being developed for profit financing models. There are four categories of crowdfunding platforms (CFPs): equity-based, lending-based, donation-based, and reward-based crowdfunding (Massolution, 2012; Pilliang, 2018). Equity-based crowdfunding enables the funders or investors to receive compensation in the form of fundraiser's equity-based or revenue, or profit-sharing arrangements.

c. Developing transaction agreement based on sharia principle. In the process of funding collaboration of the crow funding model, several contracts can be implemented, among others: profit sharing contract (mudaraba) between investors (shahibul mal) and business owners (musharib) which can be determined by the profit sharing portion (ratio) at the beginning of the contract. Profit sharing is derived from income and profit from the result of the partner business. In this context, the mudharabah muayyadah contract can also be developed where the business project is chosen since the beginning determined by the investor. Ammana as an arranger who mediates between investors and business partners through linkage program with sharia microfinance institution. Ammana has right to get fee (ujrah), with wakalah bil ujrah contract. Some contracts based on sharia principles used between sharia microfinance and end user (SMEs), in term of financing for productive business used profit sharing (mudharaba or musharaka) and the sales contract (murabahah) on the purchase of investment goods (Faisal, 2018).

d. Investing Update: Investors (shahibul maal) can directly monitor the process of using the investment managed by Mudharib (worker) for business financing through available account.

e. Channels Online, which is the official website that can be accessed by all people both on the desktop and mobile. Online channel is for investors (shahibul maal) by looking at the business profile of prospective mudharib and looking the development of investment. While Offline, through partners is to find SMEs that need financing.

f. Customer Relationship. Deposit reward is money deposites in investors (shahibul maal) virtual account from profit sharing.

g. Community development is empowerment of the recipient capital (mudharib/end user) through entrepreneurship and business management training to participate in the economic empowerment of the SME community.

h. Key Partners, the development of Ammana will collaborate with two parties, namely sharia banking institution becoming escrow agent for managing fund holding account during the financing process; opening account in several sharia banks to accommodate fund from investors; becoming partner for SMEs through opening of Ammana bank account and sharia insurance for financing which is partner to provide investment protection for investors to avoid risk.

Based on an analysis of the crowfunding model developed by PT Ammana, it can be said that this model is very suitable for expanding access to finance for micro-small businesses. Funding is relatively cheaper than source fund from banks or other financial institutions. Mudharabah can be developed better because of the openness of information on fortofolio performance of the business or project. The whole business information can be accessed by investors so easily investors can determine the development of the business and also the results that can be obtained. Equality between investors and mudarib can be better maintained and more just because of the disclosure of information. For microfinance institutions that partner with Fintech it is also very helpful in terms of access to cheaper funds for SMEs and the sharing of risks in terms of SME management.

4.2 Fintech Risk and Mitigation

Lending and Borrowing Service based on Information Technology are civil agreement between Lender and Borrower, so that all risks from the agreement both parties are responsible. One of the risk faced by Fintech is credit risk or default from partner. This risk is certainly also investor risk. Based on the Financial Authority Service/OJK data in 2018, 67 fintech companies both conventional and sharia found data on Non Performing Loan on Fintech financing was low at 0.99% as of Dec 2017 but increased by 1.40% in July 2018. This condition needs to be considered because of the NPl / NFP tends to rise. On this context there is no state institution or authority responsible for the default.

Every borrowing and transaction activity or implementing agreement on lending and borrowing or involving the Operator, Lender and / or Loan Recipient must through escrow account and virtual account as required under the Financial Services Authority Regulation Number 77 / POJK.01 / 2016 concerning Lending and Borrowing Services Information Technology and violation or non-compliance with these provisions constitute evidence of breaking the law by the Operator so that the Provider is obliged to bear the compensation suffered by each User as direct result of the breaking law without reduce the right of the User suffering loss according to the Civil Code.

Risk mitigation that can be done is Integrated Risk Mitigation. To minimize all possible risks that rise using integrated financing analysis such as financing analysis, diversification of business portfolio financed, and sharia financing insurance. In addition, the implementation of Fintech needs considering good governance by fulfilling the principles of good governance: Transparency, Accountability, Responsibility, Independence and Fairness (Britis & Irish, 2009). Fintech business must accommodate honesty values (must be able to maintain all data and confidentiality of stakeholder information), fair (considering all parties, open information through publication that can be accessed easily), trustworthy (fintech must have clear vision, mission, goals, operational for the benefit stakeholders, no fraud, conflict of interest), ihsan (Fintech Sharia is not only focused on profit but also has sense of sharing and caring).

4.3 Legality and Consumer Protection in Sharia Fintech

The use of fintech must be based on the legal rules to guarantee legal certainty for consumers. Legal certainty is one of the legal objective in which legal certainty has clear legal basis [40], [41], [42]. Legal certainty according to Utrecht, contains two meanings, first, the existence of general rules that make individual know may or may not be done, and secondly, in the form of legal security for individual from abuse of power from government.

To fulfill legal certainty, the use of fintech has been regulated in the Financial Services Authority Regulation Number 12 / POJK.03/2018 concerning the Implementation of Digital Banking Services by Commercial Banks. The OJK regulation is recognized as one of the law and regulation in Indonesia as referred in Article 8 of Act Number 12 of 2011 concerning the Establishment of Legislation. Beside POJK, there is Fatwa Indonesian Ulama Council (MUI) Number 117 DSN MUI / II / Year 2018 concerning Financing Services Basd on Information Technology issued by the National Sharia Board (DSN) MUI. The DSN fatwa does not include the hierarchy of Indonesian law and regulation. However, Fatwa is considered legal norm that can be source of law in Indonesia through the process of regulating Islamic law into national law [43]. Thus, the legality of Fintech Sharia has clear legal basis. However, in the development of Sharia Fintech better in the future, it is necessary to have its own OJK rules.

One of the objective of law is to protect all interests in society. Legal protection aims to integrate and coordinate various interests in society (Rahardjo, 2005: 5). One of legal protection is in consumer trade transactions. The importance of legal protection for consumers because of weak bargaining position of consumers rather than producers. Legal protection for consumers is important for cunsumer in the weak positions (Sudaryatmo, 1999 90). In fact, in the United States, the initial movement of legal protection for consumers is characterized by the philosophy that regulation is intended to provide assistance or protection to low-income consumers, improve the distribution and quality of goods and service in the market and increase competition between actors effort (Carol & Rosthschil, 1986: 24).

Legal protection for consumers can be realized in two forms of regulation through legislation and agreement made by parties (business actors and consumers). The Law Number 8 of 1999 concerning Consumer Protection in Indonesia, the basis of consumer protection regulated in Article 1 point 1 states that "all efforts aimed at ensuring legal certainty to provide legal protection to consumers must be protected by nine consumer rights (Rosthschil, & Carrol, 1986; Alexy, 1992, 2002; BPHN, 1986).

The phenomenon of sharia fintech must consider consumer rights as regulated in Indonesia. Moreover, this fintech has become the world's attention not to cause harm for consumers, one is The Organization for Economic Co-operation and Development (OECD) (Moshe, 2014). The OECD issued various recommendations so that fintech activities do not harm consumers through the G20 / OECD Policy Guidance Financial Consumer Protection Approaches in the Digital Age (OECD, 2018) and Consumer Policy Guidance on Mobile and Online Payments (OECD, 2014). Most of the OECD recommendations provide guidance on the use of fintech including the risks (Moshe, 2014), including;

1) Regulation and Legality of Product/Service;
2) Role of Institution/ Agency;
3) The same and fair treatment for consumers;
4) Transparency and Information Disclosure;
5) Awareness of financial education;
6) Code of ethic and responsibility of financial service provider;
7) Protection of use and interest in consumer asset;
8) Protection of data and consumer confidentiality;
9) Mechanism of complaint and,
10) Regulation of unfair business competition and anti-monopoly

The principles of consumer protection for customers using Fintech in banking transaction in Indonesia generally have been regulated in various laws and regulations, including the Financial Services Authority Regulation No. 12/POJK.03/2018 concerning the Implementation of Digital Banking Services by Commercial Banks. The regulation has accommodated the principles of consumer protection by entering Article 21 which regulates Customer Protection. In Article 21 of the POJK, in principle all Commercial Banks that provide digital banking service must apply the principle of consumer protection by having mechanism for handling every question and/or complaint from customers operating for 24 hours. While the Sharia Fintech based on Fatwa No. 117 DSN MUI/II/Year 2018 concerning Information Technology-Based Financing Services Based on Sharia Principles is still too general. The fatwa only accommodates the basis of Sharia fintech law, financing service model, contract mechanism, and dispute resolution so that the principles of consumer protection as stated in the POJK have been not stated. Regulation of customer protection is very important because according to the OJK, based on inspection September 2018 found 182 entities doing Fintech and 10 business activities without OJK permits which could be harm the society. This condition is very ironic for all consumers in Indonesia.

5 CONCLUSIONS

It is concluded that strategic partnerships between microfinance institution and financial technology are very appropriate to provide access to finance for micro small business. The position of Fintech as media has provided adequate space for raising the literacy index and financial inclusion index for Indonesian people. Related to financial literacy which is defined as ability in financial matter. A person with good literacy will be able to see money with different perspective and to control his financial condition.

The research findings suggest that the business model used was based on crowd funding, itself compliant with sharia principles. This means that the legality of the cooperation between the sharia microfinance instutions and the financial technology provider has strong basis both in positive law and fatwa eventhough in fatwa does not contain spesifically issue of consumer protection and mitigation risk. Fatwa gives only general rule for financial technology based on sharia principle; structure of agreement, term and condition, and form of agreement. In other case, the issue of risk mitigation for consumer protection is guaranteed by government regulations. It means that sharia financial technology has legal certainty and clear legal based for business activity.

The research showed that the strategic alliance between a sharia microfinance institution and a financial technology firm is capable for strengthening access to capital sources for small and micro enterprises. It also improves community financial literacy and financial inclusion, so that socio-economic justice can be realized. This research could contribute to the creation of innovative products concerning sharia microfinance and sharia financial technology, and the formulation of policies related to the strengthen of institutional cooperation.

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