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The Application of Financial Technology in Increasing Sharia Financial Inclusion: A Review Through Mudharabah Products at BMD Syariah Sumoroto Ponorogo

Yuyun Eka Saputri[1*], Salsa Al Madani[2], Dimas Aji Saputra[3], Ichsan Maulidy Ahmad[4], Adib Khusnul Rois[5]
[12345]Universitas Muhammadiyah Ponorogo, Indonesia

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*Corresponding author email : yuyunekasaputri27@gmail.com

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Abstract

The purpose of this study is to determine the application of financial technology (fintech) in increasing Islamic financial inclusion through a review of mudharabah products at BMD Syariah Sumoroto Ponorogo. This research method uses descriptive qualitative research with a case study research type. Data collection techniques use primary data from observations and interviews conducted with leaders and employees at BMD Syariah Sumoroto and secondary data from library research and other academic sources that are appropriate to the context of the research problem. The results of the study of fintech application at BMD Syariah Sumoroto with a review through mudharabah products begin with the creation of a server controlled by the IT division, this supports business growth and efficiency. Then the process of managing mudharabah products with fundraising or fundraising carried out by the BMD Institution as shahibul maal (funder) can channel its capital through the fintech platform while for the distribution of funds where customers who need capital submit funding requests through the same platform. Types of application (fintech) at BMD Syariah Sumoroto on ATM and M-Banking mudharabah products. Through this platform, customers and BMD Syariah use fintech in their transactions.

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INTRODUCTION

Sharia financial inclusion plays a crucial role in the sustainable development of Islamic finance. This is related to its primary goal of ensuring that every individual has equal access to Islamic financial products and services based on Sharia principles, regardless of their social background. According to data from the Financial Services Authority (OJK), the level of financial inclusion in Indonesia continues to increase. The 2025 National Survey of Financial Literacy and Inclusion (SLINK) recorded a financial inclusion index of 80.51%, up from 75.02% the previous year (OJK 2025). This data aligns with Indonesia's position as a predominantly Muslim country, thus potentially contributing to the development of the Islamic economy. Therefore, increasing the level of Islamic financial inclusion has a positive impact on the economy, including improving public welfare, reducing poverty, and ensuring the sustainability of the financial sector. (Eka et al., 2023: 2)

Technological developments in Indonesia have begun to enter the digital era, which is useful for becoming the largest digital economy. The government has begun empowering all Indonesians, from remote areas to urban areas, to experience the positive impact of technological developments in the future. (Norrahman, 2023: 101). Technological developments that have an impact on financial institutions include mudharabah products at BMD Syariah Sumoroto. The application of fintech is considered more efficient and affordable, especially through the peer-to-peer (P2P) sharia lending platform. Through fundraising carried out by BMD institutions as shahibul maal (fund providers), they can channel their capital through the fintech platform, while for the distribution of funds, customers who need capital can submit funding applications through the same platform. The existence of financial technology simplifies the process for customers and institutions in conducting transactions with mudharabah products, increases transparency, and can expand the reach of those who want to participate in mudharabah contracts.

The presence of financial technology (fintech) has brought changes and new innovations to the financial industry, especially Islamic finance in Indonesia, one of which is BMD Syariah Sumoroto, a sharia financial institution in the form of a cooperative with sharia financing that operates based on Islamic economic principles. The contracts used, such as Murabahah (Buy and Sell), Ar-rahn (pawn), Mudharabah (cooperation), Ijarah (Rent) contracts that distinguish BMD Syariah from Conventional Banks lie in the contracts and penalties. BMD Syariah also has programs such as education savings, community savings, Umrah & Hajj savings, Qurban savings, and Eid savings (Eid al-Fitr) then there are deposits with terms (1, 3, 6, 1 year). BMD Syariah as a sharia financial institution that focuses on microfinance, their services are more focused on direct

interaction with members or through a digital system developed on mudharabah products, the existence of a cooperation contract between capital managers and capital providers.

In its application in Islamic financial institutions, the use of technology needs to be considered, where Islamic financial institutions need to make breakthrough innovations in their products to continue to meet customer needs, and the fact that the application of digitalization in Islamic finance still faces obstacles such as in product promotion and socialization and the lack of human resources in managing Islamic finance. Therefore, research on the application of financial technology (fintech) in increasing Islamic financial inclusion is very relevant in the current social context, especially in BMD Syariah Sumoroto through a review of mudharabah products, one of the financing products frequently used by the community in everyday life.

METHOD

The research approach refers to the general approach that will be used to examine the research problem. This study uses a qualitative research approach that is carried out in depth to understand a phenomenon that is happening, this is related to perception, behavior, to produce data using descriptive methods of explaining data based on text or narratives that describe the results of the study. By carrying out the research design that will be used to collect and analyze data, for that reason the researcher chose the type of case study on the application of financial technology (fintech) in increasing Islamic financial inclusion through insight into mudharabah products at BMD Syariah Sumoroto. Furthermore, the population that will be used as the target of the study and the sample taken must represent the characteristics of the population to be studied, the sample taken in this study was the leaders and employees of BMD Syariah Sumoroto for reasons of considering the depth of information and representativeness of the research data.

The data collection technique used is primary data obtained from direct observation related to events that are happening in the field, namely at BMD Syariah Sumoroto, then interviews are a series of questions and answers conducted directly to informants with semi-structured focused discussions with several questions aimed at leaders and employees at BMD Syariah Sumoroto, documentation of a data source used to complete the research, in the form of images, written sources or other things that provide information for the research process. Then secondary data sourced from library literature (library research) articles and other academic sources. Then finally the data analysis technique is carried out using the thematic analysis method which is carried out by data reduction sorting and simplifying data from the results of observations, interviews and documentation at BMD Syariah Sumoroto which then presents the data and compiles the data in narrative form, tables so that conclusions are drawn that explain according to the context of the research problem. (Deni & Al Banjari et al., 2024: 8-9)

RESULT AND DISCUSSION

The implementation of fintech in mudharabah products at BMD Syariah Sumoroto, BMD Syariah Sumoroto recognizes the importance of implementing financial technology (fintech) in its business model to initiate significant steps in integrating digital solutions into its operations to improve operational efficiency and competitiveness among financial institutions. In addition, it has an impact on the integrated financial information system that allows BMD Sumoroto Syariah to track transactions, perform risk management and compile reports more accurately, this is crucial to ensure sharia compliance and effective fund management, the implementation of fintech in mudharabah products carried out at BMD Syariah Sumoroto was initiated by the creation of a server controlled by the IT division. This supports business growth and efficiency, but also strengthens the principles of sharia finance that are the main foundation of this institution. By continuing to adopt and innovate with fintech technology, BMD Syariah Sumoroto can better serve its members, expand its reach, and contribute significantly to inclusion in Indonesia. (Saputra & Rizaldi, et al., 2021: 2-3)

From the results of interviews with the leaders of BMD Syariah Sumoroto, the process of managing mudharabah products by utilizing technology at BMD Syariah Sumoroto aims to improve the quality of member services by simplifying the installment system so that the database is accumulated or summarized. This aims to facilitate payments that have been registered by the system so that no further supervision is required. The types of application of financial technology (fintech) at BMD Syariah Sumoroto on mudharabah products are as follows:

Tabel 1. **Types of Fintech in Mudharabah Products**

No	Types of fintech in mudharabah products	
1.	ATM (Automated Teller Machine)	• The use of ATMs for every customer at BMD Syariah Sumoroto for mudharabah products makes it easier for the installment system, with cash or non-cash installment payments by transfer. • By using ATMs at BMD Syariah Sumoroto for mudharabah products, every transaction carried out is automatically recorded in the information system, such as producing various reports required by BMD management and being able to analyze the overall financing performance of mudharabah products.
2.	M-Banking	• The development of the M-Banking application used by every customer at BMD Syariah Sumoroto which can be downloaded on a smartphone makes it easy to access anywhere. • The sophisticated feature used in M-Banking, which provides notifications or reminders to BMD Syariah Sumoroto customers regarding payments and confirmation of successful payments, provides transparency and convenience. (Rochmah & Ernawati, 2022:20)

Based on the explanation above, regarding the application of financial technology (fintech) to increase sharia financial inclusion through mudharabah products at BMD Syariah Sumoroto:
The application of financial technology at BMD Syariah Sumoroto, especially in mudharabah products, aims to make it easier for customers and increase sharia financial inclusion, namely as follows;

- **ATM (Automated Teller Machine);** ATMs have also made it easier for BMD Syariah Sumoroto's mudharabah product customers to make installment payments. They allow both cash and non-cash payments via transfer, making the process more efficient and accessible to a wider audience, including those who may have difficulty with traditional payment methods.
- **M-Banking (Mobile Banking);** Mobile banking offers advanced features that significantly enhance transparency and convenience. Customers receive notifications and reminders regarding payments, as well as confirmation of successful payments. This feature not only provides convenience but also builds customer trust, as they have real-time access to

their transaction information. Easy access via smartphone also significantly expands the reach of financial services to the public.

Overall, the use of ATMs and mobile banking represents a strategic step by BMD Syariah Sumoroto in leveraging fintech to make mudharabah products more accessible and usable. This, in turn, contributes to increased sharia financial inclusion, namely the public's ability to access and utilize various sharia financial services.

In mudharabah products, profit sharing is based on a pre-agreed nisbah (profit-sharing ratio) between the bank (as mudharib, or fund manager) and the customer (as shahibul maal, or fund owner). This profit is calculated based on the actual profitability of the funded business or bank investment.

Here's how financial technology (fintech) supports profit-sharing mechanisms:

1. **Backend System (Core Banking System):**
    - **Profit Calculation:** Mudharabah profit sharing is calculated automatically by the bank's core banking system at specific intervals (e.g., monthly or quarterly). This system calculates the net profit from the mudharabah funds and then distributes it according to an agreed-upon ratio for each customer.
    - **Distribution Automation:** After the calculation, the core banking system automatically distributes the customer's profit portion to their respective mudharabah accounts.
2. **The Role of Fintech (M-Banking and ATM) as an Interface:**
    - **Transparency Information Through M-Banking:**
        - **Profit Sharing Notification:** After the profits are distributed to customer accounts by the core banking system, the M-Banking application can send a notification to customers that their mudharabah profits have been entered into their accounts.
        - **Access Financial Reports/Balances:** Customers can access their mobile banking app to view details of their mudharabah account balances, including any additional funds from profit sharing. Some apps even provide more detailed account statement reports, showing specific profit sharing transactions.
        - **Profit Sharing History:** M-Banking can also save the history of profit sharing from period to period, making it easier for customers to track accumulated profits.
    - **Access and Withdraw Funds Through M-Banking and ATM:**
        - **Fund Transfer:** Profits deposited into a customer's mudharabah account can be directly transferred to another account (for example, their regular savings account) via mobile banking. This provides flexibility and easy access to funds.

- **Cash Withdrawal:** If customers need cash, profits that have been deposited into their accounts can be withdrawn via ATM (if the mudharabah account is linked to an ATM card or there is a cardless withdrawal feature via M-Banking).

In short:

In this context, financial technology serves as a bridge and a tool for transparency. While the calculation and distribution of mudharabah profit sharing is handled by the bank's core banking system, based on Sharia principles and agreements, mobile banking and ATMs enable customers to:

- Receive real-time information about profit sharing.
- See transparently the amount of profit sharing received.
- Access and manage these profit funds easily and efficiently, both for transfers and cash withdrawals.

This directly increases Islamic financial inclusion because it becomes easier for customers to manage their mudharabah funds, obtain clear information, and access benefits practically, without having to always come to a physical bank branch office.

In addition, the number of customers using mudharabah products since BMD Syariah Sumoroto began adopting financial technology, this can be seen from the developments influenced by the region, the number of customers at the Ponorogo branch is generally low at around 300 customers, while in the Ngawi and North Madiun areas, many access it with the number of customers per branch reaching 500.

Challenges to sharia financial inclusion in mudharabah products at BMD Syariah Sumoroto arise from low levels of public literacy and understanding, as well as limited access to institutions, particularly in remote areas of Ponorogo. Furthermore, the insignificant development of fintech at BMD Syariah Sumoroto, influenced by a lack of Human Resources (HR), is a major obstacle, due to the absence of personnel specifically focused on this area. This indicates a gap in internal expertise and capacity to manage and develop digitalization initiatives. Furthermore, the limited number of other banks implementing mudharabah product systems also poses a challenge. This means that BMD Syariah Sumoroto may have few references or benchmarks from the market, and potentially faces difficulties in adapting or integrating its system with external parties unfamiliar with this product digitally. Although the implementation of mudharabah digitalization has been practiced, suboptimal oversight indicates weaknesses in ensuring the effectiveness and security of the digital system, which could pose operational and compliance risks.

However, behind these challenges, there are significant opportunities that BMD Syariah Sumoroto can exploit to increase sharia financial inclusion through the use of fintech. For example, the very limited number of other Sharia Savings and Loan Cooperatives (KSP) that use mudharabah products in the Ponorogo area creates a significant market gap for BMD Syariah

Sumoroto to become a pioneer. With a digitalized system, BMD Syariah Sumoroto has a strong competitive advantage. The ability to offer mudharabah products digitally can attract customers seeking convenience and efficiency in transactions, especially in this digital era. By focusing on strengthening supervision and developing competent human resources in the field of sharia financial technology, BMD Syariah Sumoroto can strengthen its position in the market and capitalize on this opportunity for sustainable growth.

In response to the rapid development of financial technology, BMD Syariah Sumoroto has high hopes of integrating itself with digital transformation to support broader Islamic financial inclusion. The emphasis on the use of mobile banking and ATMs as operational standards, in line with digitalization in the real world, demonstrates BMD's commitment to ensuring all transactions are carried out systematically. It is hoped that this innovation will not only facilitate existing members but also serve as a bridge to reach new customers. By adopting an all-digital system, such as the possibility of digital cash deposits or the use of digital platforms or tools that facilitate new member registration, BMD Syariah Sumoroto strives to eliminate geographical and time barriers, eliminating the need for prospective members to physically visit the office to join or enjoy services. This approach is a proactive step to keep up with the times and ensure that BMD's services remain relevant and efficient in the digital era.

BMD Syariah Sumoroto's hope for the future development of financial technology is the creation of a fully system-driven ecosystem that will serve as the backbone of efforts to increase Islamic financial inclusion. By utilizing technology for digital transformation, BMD is not only oriented towards internal efficiency, but also towards expanding its reach and improving the quality of service for customers. Features such as digital cash deposits and easy member registration without having to come to the office through innovation are a manifestation of its vision and mission. This demonstrates that BMD Syariah Sumoroto not only wants to keep up with developments but also becomes a key player in driving the digitalization of Islamic finance at the local level. Thus, it is hoped that it will create greater accessibility to Islamic financial products and services, reach previously difficult-to-reach segments of society, and ultimately strengthen the foundation of the Islamic economy in the Ponorogo region.

CONCLUSION

The application of financial technology (fintech) in increasing Islamic financial inclusion with a review through mudharabah products, with the initial step of BMD Syariah Sumoroto's operation by developing a server managed by the IT division without the assistance of a third party, this aims to initiate significant steps in integrating digital solutions to its operations to improve operational efficiency and competitiveness between financial institutions. Furthermore, the management process carried out by BMD Syariah Sumoroto for the use of fintech in mudharabah products to improve the quality of member services by simplifying the installment

system so that the database is accumulated or summarized, this aims to facilitate payments that have been registered by the system so that no further supervision is required.

The types of financial technology (fintech) implementation at BMD Syariah Sumoroto in mudharabah products consist of ATM (Automated Teller Machine) and M-Banking used by BMD Syariah Sumoroto customers for transactions. In addition, challenges in sharia financial inclusion occur due to low literacy and public understanding and limited access to institutions, especially in remote areas in Ponorogo. In addition, the development of fintech has not been significant at BMD Syariah Sumoroto which is influenced by such as a lack of Human Resources (HR), the lack of other banks that implement the mudharabah product system is also a challenge as well as suboptimal supervision which indicates weaknesses.

In addition to the challenges, BMD Syariah Sumoroto also has a significant opportunity to increase sharia financial inclusion, such as the very limited number of other Sharia Savings and Loan Cooperatives (KSP) that use mudharabah products in the Ponorogo area, this creates a significant market gap, and the ability to offer mudharabah products digitally can attract customers who seek convenience and efficiency in transactions. And BMD Syariah Sumoroto Ponorogo's hope for the development of financial technology in the future is the creation of a fully by-system ecosystem, which will be the backbone in efforts to increase sharia financial inclusion.

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