

MINIMIZING DEFAULT THROUGH SYARIAH FINTECH IN ORDER TO PROVIDE ACCESS TO FUNDING FOR BUSINESS ACTORS

Nurhilmiyah^{1*}
Hasim Purba²
Zulkarnain Sitompul³
T. Keizerina Devi⁴

^{*1} Student at Doctoral Program in Law, Graduate School, Universitas Sumatera Utara

^{2,4} Lecturer at Doctoral Program in Law, Graduate School, Universitas Sumatera Utara

³ Lecturer at Doctoral Program in Law, Graduate School, Universitas Indonesia

^{*1}email: nurhilmiyah@students.usu.ac.id

Abstract: One of the main problems experienced by information technology-based co-funding services is the high amount of loan interest from the organizer. This resulted in a pile of interest that never finished and eventually became a default and was determined to be in default. The beneficiary fails to pay the funds along with interest. This is considered burdensome and it is necessary to find alternative funding services that do not charge high interest to users. This article aims to solve the problem of minimizing default through Islamic financial technology to provide access for business actors. The concept of financing through syariah fintech companies is a solution and answer for business actors, especially MSMEs, regarding the complexity of capital and without determining interest from the lender. All will be determined through an agreement that has been agreed between the funder and the recipient of funds. The agreed agreement is also not the same from one another, which is based on the allocation of funds from the loan applicant. The difference between Islamic and conventional fintech in reducing risk can be clearly seen. That is, if in conventional fintech is to raise interest as a form of prudence. So that the absence of interest will be the main attraction for syariah fintech. The method used in this paper is literature research. The result is the minimization of defaults by fund recipients through Islamic financial technology to provide financial access for business actors.

Keywords: *Default, Syariah Fintech, To Provide Access, Business Actors.*

Introduction

According to Article 1 of the Financial Services Authority Regulation Number 10/POJK.05/2022 concerning Information Technology-Based Joint Funding Services, or widely known by the public as online loans, is the implementation of financial services to bring together funders and recipients of funds in conducting conventional funding or based on syariah principles directly through an electronic system using the internet.

Syariah banking is a system based on a principle of Islamic law and guided by Islamic economics. Indonesia is home to 260 million people, and a country with 90% of the population Moslem by faith. Despite the large Moslem population, it is noteworthy that Syariah banking penetration in Indonesia is a mere 5.3%, which is strikingly lower compared to its peers. (Indonesia & Indonesia, 2019). In Indonesia, laws and regulations regarding Islamic banking have been regulated in Law Number 7 of 1992 concerning Banking, amended by Law Number 10 of 1998

concerning Amendments to Law Number 7 of 1992. Then in 2008 Law Number 21 of 2008 concerning Syariah Banking was born. After that, Law Number 21 of 2011 concerning the Financial Services Authority was issued, and the latest is Law Number 4 of 2023 concerning the Development and Strengthening of the Financial Sector.

According to Article 1 of the Law on the Development and Strengthening of the Financial Sector (P2SK), Islamic banking is Syariah Banking is everything that concerns Islamic banks and syariah business units, including institutions, business activities, and ways and processes in carrying out business activities.

In addition to banking, there is also a non-bank financial industry that is also engaged in the line of financial services. The three most widely used financial services are financial technology applications, mobile banking, and internet banking. The above data shows that conventional marketing strategies will not be able to accommodate the Islamic banking market. On the other hand, digitalization has become a necessity to penetrate the Islamic banking market today. Globally, 63% of banking customers use digital services.(Wahyuni, 2022)

People are often trapped in products labeled syariah without looking at the operational aspects. It is not wrong to see a muamalah program labeled Syariah as halal, but there is something more important than the syariah narrative, namely the nature of Syariah itself, namely that a muamalah act must avoid transactions that are ribawi, maysir, gharar, risywah, tadlis, israf, halal. However, in fintech transactions, syariah values must also pay attention to aspects of accountability, fairness in transactions, information transparency, fairness, equality, social piety so that the level of syariah / halal is higher. So syariah has different levels depending on how much the elements of shari'a are fulfilled.(Aziz, 2020)

Literature Review

There are three points will be discussed in the topic Minimizing Default Through Syariah Fintech In Order To Provide Access To Funding For Business Actors. First, the idea to minimize defaults, second its implementation through Islamic financial technology, third to provide access to funding for business actors.

The Civil Code stipulates defaults in Articles 1238, 1243, 1244, 1245, 1246, 1247, 1248, 1249, 1250, and 1251 of the Civil Code. Default according to Article 1238 of the Civil Code (KUHPercivil) is a condition in which the debtor is declared negligent by a warrant, or by a deed of that kind, or by virtue of the strength of the engagement itself, that is, if this engagement results in the debtor must be considered negligent by the lapse of the specified time.

According to Mariam Daruz Badruzaman, what is meant by default if the debtor "due to his fault" does not carry out what is agreed then the debtor defaults or defaults. According to M. Yahya Harahap, default can also be intended as the implementation of obligations that are not timely or carried out improperly. Meanwhile, according to Subekti, suggesting that default is negligence or negligence which can be: 1). not doing what he has been able or doing. 2). Carry out what He has promised, but not as promised. 3). Do what was promised but too late. 5). do an act that according to the agreement cannot be done. Based on the explanation above, the definition of default itself can be defined as not doing achievements, doing achievements but not appropriate, doing achievements but late, and doing something that cannot be done according to agreements that have been determined by certain parties in an engagement, both engagements born from agreements and engagements arising from law.(Adati et al., 2018).

Based on the data obtained, in May 2023, online loans or fintech peer to peer (P2P) lending recorded growth with outstanding financing of 28.11% yoy to IDR 51.46 trillion. This growth was followed by an increase in bad loans or the 90-day Default Rate (TWP90). In May 2023, TWP90 rose to 3.36%, which is higher than the previous month's 2.82%. This shows that the problem of

high interest makes it difficult for MSMEs to pay their principal loans.(Muhammad Ibrahim, 2023). Of course, a solution must be thought of so that business actors, especially MSMEs, do not experience defaults which indicate unhealthy cash flows in and out of business funding.

The types of fintech in Indonesia are divided into 2 categories by the Financial Services Authority (OJK), there is fintech 2.0 for digital financial services (financial institutions or banks) and fintech 3.0 for technology startups that have financial innovations in products and services. Meanwhile, according to the international body that conducts policy recommendations and supervision on the global financial system or the Financial Stability Board (FSB) divides Fintech into 4 categories: a). peer-to-peer lending (P2PL), is a category of fintech type P2P is bridging between investors (lenders) and borrowers (borrowers) who are met through one online platform, investors will get benefitsgan berupa bunga dari dana yang dipinjamkan. For example, Kredivo, AkuLaku, DanaCepat, etc.

b). Market aggregator, is a type of fintech that uses a comparison platform for a product service (price, features, and benefits), the platform will adjust consumer financial data and can be used as a determinant in decision making. For example, Lifepal, Cekaja, Cermati, KreditGogo, and others.

c). payment, learing and settlement. Fintech that provides online payment services through electronic money / digital money. Service providers are carried out by banks and non-bank financial institutions. Types of online payments, there are chip-based e-money, for example: Mandiri e-money, Flazz BCA, Brizzi BRI, and server-based e-swallows (Example: Gopay, Ovo, Dana, LinkAja, ShopeePay, and so on).

d. Risk and Investment Management, is a financial planner who provides education related to risk and investment models that are suitable for the financial condition of customers / consumers (for example: Bibit, TanamDuit, NgaturDuit, Keuanganku, and others).(Santoso &; Edwin Zusrony, 2020).

The discussion on this topic leads to the type of fintech peer-to-peer lending or better known as online loans. Especially syariah online loans or syariah fintech. The syariah online loans registered with the Financial Services Authority are as follows: Investree Radhika Jaya (Investree), Ammana Fintek Syariah (Ammana.id), Duha Madani Syariah (Duha Syariah), Qazwa Mitra Hasanah (Qazwa), Kapital Boost Indonesia (Kapitalboost), Piranti Alphabet Perkasa (Papitupi Syariah).(List of Syariah Online Loans Official and Registered with OJK, 2022).

Business capital is like fresh blood for business actors, especially MSMEs. The rapid growth of applications in the field of Islamic economics and the many positive annual reports from startups in particular point to prospective growth markets and economic opportunities. The potential user base is increasing because, for example, 85% of Germans are willing to share their physical goods online, and thus offer opportunities to generate income in the future. In addition, the possibility of reducing individual consumption by sharing will open up new opportunities for sustainability-driven entrepreneurship. The growth of division models that are currently very rarely applied in three dimensions is expected to be strong in the future, for example, with any kind of mobility (ships, planes, scooters, trains, along with already very popular cars and bicycles), household appliances (kitchen tools or work tools); and sports (sports equipment such as surfboards or golf equipment. (Ardiansyah, 2019)

How to get business capital to move back the wheels of the MSME business that has been undertaken.1). utilization of capital from personal savings, 2). mortgage assets, 3). apply for a capital loan to a cooperative, 4). selling dropship systems to help business capital, 5). apply for loans to e-commerce and digital wallets, 6). unsecured credit loan options, 7). obtaining loans from the government, 8). Meeting investors to get an injection of funds, 9). obtaining loan funds from peer-to-peer lending, 10). apply for multipurpose financing at the bank.(Tips for Getting MSME Business Capital, 2022). Of the ten ways to obtain business capital from fintech for MSMEs above,

the closest to this topic is number 5, applying for loans to e-commerce and digital wallets, number 6 unsecured credit loan options, and number 9 getting loan funds from peer-to-peer lending.

Method

The writing approach is based on consideration of the results of literature review or conceptional review of actual issues. With the use of the term writing approach, it is expected that the degree of analysis and argumentation that is built is stronger, more focused, and sharper. (Irwansyah, 2021) This article is written using normative legal research, which is a type of legal research that uses documentation studies or literature studies. This article uses primary legal material in the form of the UUD 1945 Constitution, laws and regulations related to this topic. Secondary legal materials are textbooks, journal articles from accredited journals and reputable international journals, other scientific articles, and expert opinions.

Qualitative research carries out research activities objectively on objective reality against the subjective reality of the studied. Thus the implementation of research itself is not subjective, but still carried out objectively scientifically. In this case subjectivity applies to the reality under study, in the sense that the reality is seen from the point of view of those studied. Qualitative research is more concerned with the accuracy and adequacy of data. The emphasis in qualitative research is data validity, that is, the conformity between what is recorded as data and what is actually the background under study, not on the consistency among several observations here that the research method must serve the researcher and not the researcher who is the servant of the research method. (Hendrarso, 2011)

Result and Discussion

Previously, the definition of online loans provided by the old financial services authority regulations, namely the Financial Services Authority Regulation Number 77 / POJK.01 / 2016 concerning Information Technology-Based Money Lending and Borrowing Services is the implementation of financial services to bring together lenders and loan recipients in the context of making loan and borrowing agreements in rupiah directly through an electronic system using the internet network.

Table 1.

Differences between POJK No. 77 of 2016 and POJK No. 10 of 2022

No	Elements in the definition of online loans	POJK No. 7 of 2016	POJK No. 10 of 2022
1.	Platform form	Lending and borrowing services	Co-funding services
2.	The parties	Users (lenders and borrowers)	Funders and recipients of funds
3.	Principle	Not mentioned	Conventional principles or principles of syariah

Sumber: POJK No. 77 of 2016 and POJK No. 10 of 2022

Table 2

Similarities between POJK No. 77 of 2016 and POJK No. 10 of 2022

No	Elements in the definition of online loans	POJK No. 7 of 2016	POJK No. 10 of 2022
1.	Service functions	Where the parties meet	
2.	How to do	Directly through an electronic system with an internet network	

Sumber: POJK No. 77 of 2016 and POJK No. 10 of 2022

It can be seen in the table above that the latest regulation on online loans strengthens the existence of syariah principles. So that two alternatives are provided that can be used in online loans, conventional principles and syariah principles.

Syariah fintech in Indonesia has opportunities and challenges which include: a). The Services and Finance Authority (OJK) provides opportunities for syariah fintech players to officially register their fintech at the OJK but on the other hand the licensing and minimum capital for the establishment of syariah fintech, causing syariah fintech registered with the OJK to only 4 namely Ammana, Investree, Dana Syariah and ALAMI. b) syariah fintech provides technological convenience for investment and donation activities, but on the other hand the lack of public knowledge to operate syariah fintech, c) cases and phenomena of conventional fintech that occur in the community make people assume that there is no difference between syariah fintech and conventional fintech d). the majority of Indonesia's population adheres to Islam. Currently there are more than 207 million Muslims in Indonesia, but on the other hand the lack of human resources who master transaction contracts based on syariah principles is still an obstacle. e) The opening of opportunities for the entry of technological developments in Indonesia, but making future technology competition more rapid.(Hiyanti et al., 2020)

Conclusion

Minimizing Default Through Syariah Fintech In Order To Provide Access To Funding For Business Actors Syariah fintech is one solution to the application of high interest rates on conventional online loans. In contrast to syariah online loans that do not apply riba and provide technological convenience for investment and donation activities. But on the other hand, there is a lack of public knowledge to operate syariah fintech. Especially in minimizing the occurrence of defaults on online loans as often heard everywhere today. For this reason, the optimization of syariah fintech can be a funding solution for MSME business actors in Indonesia.

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