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Comparison Analysis of Sharia Financial Technology With Conventional Financial Technology in Indonesia

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Abstract

According to national digital research center (NDRC), financial technology describe innovation in field finance with use technology latest. As institution finance, financial technology must guard performance so that can operate with optimal. The purpose of this study is to compare the financial performance of sharia financial technology with conventional financial technology in Indonesia in 2021 and 2022 using ROA, ROE, TKB90, and TWP90. The analysis technique used in this study is the independent sample t-test. The results of this study indicate that there is no significant difference between the ROA and ROE of sharia financial technology and conventional financial technology. Whereas TKB90 and TWP90 sharia financial technology and conventional financial technology there are significant differences, where sharia financial technology has better quality than conventional financial technology.

Keywords : *Fintech, Performance, Sharia, Conventional, T-Test*

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1. INTRODUCTION

Indonesia is a country that ranks fourth on the list of the most populous countries in the world according to the World Population Review Report with a population of 275 million in 2022. Indonesia is known as a country whose people are religious. The state guarantees the freedom of every citizen to embrace their own religion and worship according to their respective religious beliefs. This is stated in Law no. 39 of 1999 concerning Human Rights. Article 22 paragraph 1 emphasizes that everyone is free to embrace their own religion and to worship according to their religion and belief (Ministry of Religion, 2022).

Based on Internetworldstats data as of March 2021, there are 212.35 million internet users in Indonesia. This figure places Indonesia in third place with the most users in Asia. This fact shows how fast and easy it is for the Indonesian people to adapt to the development of the internet. Matter this makes Indonesia a promising market area for global economic actors engaged in internet technology (Wiyono, 2020). So many new ideas emerged to innovate technology-based business, which covers sector financial or normal called financial technology (fintech). According to national digital research center (NDRC), financial technology describe innovation in field finance with use technology latest (Yudhira, 2021). Financial technology peer to peer lending (fintech p2pl) is a type of fintech needed by society. The easy process and services that are available quickly, simply and online attract a lot of public attention (Wiyono, 2020). The Financial Services Authority (OJK) defines that sharia financial technology peer to peer lending (p2pl) is a financial service based on sharia principles that brings together lenders and loan recipients in order to enter into contracts through an electronic system using the internet network (OJK, 2021).

Initially, financial technology (fintech) entered Indonesia with the conventional financial system in 2015 which was marked by the formation of the Indonesian Fintech Association (AFI). However, over time, financial technology entered using the sharia

financial system in 2018. Appearance fintech Sharia expected become solution For create system finance Which in accordance with principle sharia (Yudha et al., 2020). The emergence of sharia peer to peer lending technology, of course, has become a trigger for competition between financial technology providers. This requires the company to improve its performance. The emergence of sharia fintech has attracted a lot of attention from the Indonesian people because it is free from usury. Allah says in the Qur'an surah Al-Baqarah verses 275-276 which means:

> "*Those who eat usury cannot stand up, but are like the standing of a person who has been possessed by a demon because he is mad. That is because they say that buying and selling is the same as usury. In fact, Allah has justified buying and selling and forbidding usury. Whoever gets a warning from his Lord, then he stops, then what he has earned before becomes his and his business is (up to) Allah. Whoever repeats, then they are residents of hell, they are eternal in it. And Allah destroys usury and nourishes alms. Allah does not like everyone who remains in disbelief and wallows in sin*."

As institution finance, financial technology peer to peer lending (fintech p2pl) must guard performance so that can operate with optimal. Moreover, sharia p2pl fintech must compete with conventional p2pl fintech which appeared first with a greater number of operators. One of the factors that must be considered by fintech p2pl organizers in order to continue to survive is its financial performance. Financial performance is the achievement of a company in a certain period that shows the condition of the financial health of the company (Wijaya, 2020). The financial performance of a company is a consideration for various interested parties such as investors, employees, and the public (Muchlish & Umardani, 2016). The indicators of the financial performance of financial technology providers are ROA, ROE, TKB90, and TWP90.

2. RESEARCH METHODOLOGY

Types and Data Sources

This type of research is quantitative research. The type of data used is secondary data, namely time series data which takes time samples from 2021 and 2022 using monthly data. The data used is peer to peer lending financial technology performance data consisting of ROA, ROE, TKB90, and TWP90 which have been calculated by the financial services authority (OJK).

Data analysis

Model analysis data for study this done with use analysis descriptive and independent sample t-test. The purpose of testing the hypothesis in this study is to determine whether or not the hypothesis that has been made is accepted (Rindawati, 2007).

Variabel Definition

Financial analysis is needed for several parties, because with the help of financial analysis the position of a company will be known compared to other companies in the same industry group. To analyze the financial performance of a company, several types of ratios are needed, including:

a. Profitability Ratio

Profitability is a measure of a company's success in gaining profit or profits. The profitability ratio measures the success of a company based on the return on sales and investment (Rahayu, 2020). The profitability ratios that will be used for this study include the following:

1) Return On Assets (ROA)

ROA is an indicator that shows if the ROA ratio increases, assets have been used optimally to earn profit (Effendi, 2021). Ratio This emphasize on ability company for produce profit through use whole asset which managed. By Because That ROA used as tool for measure performance company. ROA reflects the company's ability to manage assets effectively (Anwar, 2016). The more tall ROA so the more tall level profit company and the more good company performance (Rindawati, 2007). The amount of return on assets shows the company's ability to generate existing profits for ordinary shareholders with all the assets they have (Saefullah et al., 2018). This will increase the attractiveness of the company for investors. The formula used is:

$$ROA = \frac{Net\ Profit}{Total\ Assets}\ X\ 100\%$$

2) Return On Equity (ROE)

Return on equity (ROE) measure ability company produce profit which there is for para holder the stock (Rahayu, 2020). This

ROE ratio is widely observed by shareholders and investors who will buy shares. Therefore, ROE is an important indicator for shareholders and potential investors to measure a company's ability to obtain net income related to the distribution of profits that the company gets to investors based on the number of shares of each investor (Rindawati, 2007). The formula used is:

$$ROE = \frac{Profit\ After\ Tax}{Owner'sEquity}\ X\ 100\%$$

b. TKB90 and TWP90

Payment success rate 90 (TKB90) measures the success rate of peer to peer lending fintech companies in facilitating the settlement of loan obligations within a period of up to 90 days from the due date (OJK, 2022). TKB90 is calculated by the following formula:

$$TKB90 = 100\% - TWP90$$

TKB90 can show a return on capital along with a return according to the agreed interest or profit sharing agreed at the beginning of the agreement. The bigger the TKB90, the better the performance and the lower the risk. If the fintech has TKB90 of 100%, then all borrowers manage to pay off properly within 90 days from the due date (OJK, 2022).

TWP90 measure default or no fulfillment obligation which determined in agreement on 90 day since date fall tempo (OJK, 2022). In the banking world, TWP90 is commonly referred to as NPL (Non Performing Loan). This NPL illustrates the amount of default rate borne by a bank in a certain period (Wijaya, 2018). The TWP90 formula is as follows:

$$TWP90 = \frac{posisi\ akhir\ wanprestasi\ di\ atas\ 90\ hari}{total\ posisi\ akhir}\ X\ 100\%$$

3. RESEARCH RESULTS AND DISCUSSION

Based on the table 1 will explain the comparative analysis of the financial performance of Islamic financial technology with conventional financial technology in Indonesia based on return on assets (ROA), return on equity (ROE), success rate of paying 90 (TKB90), and default rate (TWP90).

Table2: Independent Sample T-Test Test Results

Ratio	Fintech Sharia		Fintech conventional		T-Test for Equality of Means	
	Means	*std. Deviation*	*Means*	*std. Deviation*	*t*	*Prob.*
ROA	-1.21%	6.96%	0.05%	3.24%	-0.802287	0.4265
ROE	-4.87%	22.77%	0.03%	5.54%	-1.023548	0.3114
TKB90	99.46%	0.34%	97.73%	0.56%	13.03046	0.0000
TWP90	0.54%	0.34%	2.27%	0.56%	-13.02870	0.0000

Source: Data processed by Eviews 32, 2023

Comparison of Sharia Financial Technology Financial Performance with Conventional Financial Technology Based on Return On Assets (ROA)

The results of the analysis of the financial performance of sharia fintech and conventional fintech as measured by ROA show that the mean conventional fintech is greater than the mean Islamic fintech. Where the mean conventional fintech is 0.05% and sharia fintech is -1.21%. The mean value can be interpreted as a number that represents the data set or all existing data and is used to compare values from two different groups. Therefore, based on these data it can be seen that the financial performance of conventional fintech is of better quality when viewed from the mean value. Because the higher the ROA or return on assets, the better the company's performance (Rosada, 2013). However, based on the results of the independent sample t-test of the financial performance of conventional fintech and sharia fintech, there is no significant difference. Indicated by a probability value of 0.4265 greater than 0.05. These results indicate that the ability of conventional fintech and sharia fintech in managing their assets to generate profits is no different.

Comparison of Sharia Financial Technology Financial Performance with Conventional Financial Technology Based on Return On Equity (ROE)

The results of the analysis of the financial performance of sharia fintech and conventional fintech as measured by the ROE ratio show that the mean conventional fintech is greater than the mean sharia fintech. Where sharia fintech has an average (mean) of -4.87% and conventional fintech is 0.03%. The mean value can be interpreted as a number representing the data set or all existing data, and the mean value can also be used to compare values from two different groups. Therefore, based on these data, the financial performance of conventional fintech is of

better quality than sharia fintech. Because the higher the ROE value, the better the quality. However, based on the results of the independent sample t-test of the financial performance of sharia fintech and conventional fintech, there is no significant difference. Shown by the probability value of 0.3114 is greater than 0.05. These results indicate that sharia fintech and conventional fintech have the same ability to generate profits on their own capital (Rindawati, 2007).

Comparison of Sharia Financial Technology Financial Performance with Conventional Financial Technology Based on Success Rate of Paying 90 (TKB90)

The results of the analysis of the financial performance of sharia fintech and conventional fintech as measured by the TKB90 ratio show that the mean sharia fintech is greater than the mean conventional fintech. Where sharia fintech has an average (mean) of 99.46% and conventional fintech of 97.73%. The mean value can be interpreted as a number that represents the data set or all existing data, and the mean value can also be used to compare values from two different groups. Therefore, based on the mean value, it can be seen that the financial performance of sharia fintech is better in quality than conventional fintech. The bigger the TKB90, the better the performance and the lower the risk (OJK, 2022). Based on the results of the independent sample t-test of the financial performance of sharia fintech and conventional fintech, there is a significant difference. Indicated by a probability value of 0.0000 which is less than 0.05. This is because the ability to pay for sharia fintech is higher than conventional fintech. Where the TKB90 value shows a measure of the success of the borrowers in returning the loan funds to the party who lent them. Therefore, the performance of sharia fintech is better in quality than conventional fintech based on TKB90.

The quality of the success rate of sharia fintech payments is better than conventional fintech because it has a clear contract. In article 21 of the Supreme Court Regulation Number 2 of 2008 concerning the compilation of Sharia Economic Law, it is stated that contracts are carried out based on principles, including voluntary, keeping promises, prudence, unchanged, mutual benefit, equality, transparency, capability, convenience, good faith, and lawful reasons.

Comparison of Sharia Financial Technology Financial Performance With Conventional Financial Technology Based on the Level of Default above 90 days (TWP90)

The results of the financial performance of sharia fintech and conventional fintech based on TWP90 show that the mean sharia fintech is smaller than the mean conventional fintech. Where sharia fintech has an average (mean) of 0.54% and conventional fintech is 2.27%. The mean value can be interpreted as a number that represents the dataset or all existing data, and the average value (mean) can also be used to compare values from two different groups. Therefore, based on these data, the financial performance of sharia fintech is better than conventional fintech, because the lower the level of default, the better (OJK, 2022). Even so, the quality of conventional fintech TWP90 is still not bad, because if you look at the payment success rate (TKB90) it is still at a value above 90%. Based on the results of the independent sample t-test of the financial performance of sharia fintech and conventional fintech, there is a significant difference. Indicated by a probability value of 0.0000 which is less than 0.05. This means that conventional fintech has a higher level of default compared to sharia fintech. Therefore, sharia fintech has better quality performance compared to conventional fintech.

4. CONCLUSION

Based on data processing and the results of data analysis that refer to the problems and research objectives regarding comparative analysis of sharia financial technology with conventional financial technology in Indonesia, several research conclusions can be formulated as follows:

a. There is no significant difference between the profitability ratios represented by the ROA and ROE ratio variables between sharia financial technology and conventional financial technology. This shows that the ability of sharia fintech and conventional fintech in managing their assets and capital to generate profits is no different.
b. There is a significant difference between the TKB90 and TWP90 ratios between sharia financial technology and conventional financial technology. The quality of TKB90 and TWP90 of sharia financial technology is better than conventional financial technology, which means that the level of success in paying and the level of

default in settlement of obligations in sharia financial technology is better than conventional financial technology

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