

Sharia Fintech Prospects (P2p Lending) on MSME Financing In Indonesia

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Abstract

This study aims to determine the business prospects of Sharia Fintech Lending in Indonesia. In practice, this research uses quantitative methods with trend analysis. The results of the study show that Islamic Fintech Lending has large and wide financing opportunities in Indonesia. This is evident from the results of research showing that the average increase in Islamic Fintech Lending financing is 45%, very high compared to the average increase in conventional bank financing of 0.68%, Islamic Bank 0.42%, Conventional Fintech Lending 11%. This means that even though Sharia Fintech Lending is in the beginner category, it has been able to attract public interest, besides the number of Indonesians who are predominantly Muslim, it is an opportunity for the development of Sharia Fintech Lending. The results of this study are expected to be able to provide a reference for policy makers and Sharia fintech business players, to be able to improve the performance of Sharia fintech lending in Indonesia.

Keywords: Fintech Lending Sharia, Financing, MSME, P2P

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1. INTRODUCTION

In the industrial era 4.0, technological developments are so rapid. All human activities are becoming easier, starting from daily needs, transportation, information, payment processing, financing, all can be done easily and quickly. The presence of Financial Technology (Fintech) is a special attraction for the community, the ease and speed of transactions makes people increasingly dependent on technology. Smart phones are the main means of accessing various transactions and applications. Not a few consumers and producers switch from conventional buying and selling to digital electronics through internet media. Business is becoming easier and not limited by place, space and time. Manufacturers, traders, consumers, and sources of financing can meet in cyberspace without limits for 24 hours, without the hassle of queuing or leaving home. Manufacturers and traders are able to reach customers all over the world. As the business expands, the profits are expected to increase.

Along with the development of people's lifestyles that tend to use online transactions, several MSMEs are also entering the online business world, such as Go food, grab food, Wahyoo, Ruangguru, Tanihub, Igrow and various other types of startups that are starting to develop. quickly. Kominfo noted that only 17.1% of Indonesian MSMEs sell online. In detail, the Ministry of Communication and Information noted: there were 9.61 million MSMEs selling online during 2017-2018. In 2018 there were 4.91 million MSMEs go-online, higher than the target of 2.67 million. This means that there are still many online MSME business opportunities. The Ministry of Cooperatives and SMEs has also collaborated with several startups such as Shopee, Tokopedia, Buka lapak, blibli.com, and shopping.com to encourage MSMEs to go online. Annur In line with the development of MSMEs through various existing startups, funding constraints are an obstacle for the development of MSMEs. Around 60-70% of MSMEs do not have access or banking financing. Some of the causes include geographical barriers, not many banks are able to

reach remote and remote areas (LPPI BI, 2015;19). In general, MSME business actors are not bankable, apart from funding on a small scale, banks have difficulty providing financing because MSMEs are considered a risky business.

The presence of financial technology is expected to increase financial inclusion and reach people who cannot be reached by banks. Since the beginning of the 2019 semester, OJK has noted that the fintech lending industry has disbursed loans of Rp. 44.81 trillion, an increase of 97.68% compared to the beginning of 2019. Commissioner of PT. People's Capital Indonesia states there is a need for Rp. 1,000 trillion that has not been met by the conventional banking system to be channeled to MSMEs (cnbcindonesia.com). This condition is a great opportunity for the development of fintech lending startups and great hope for the development of MSMEs in general in Indonesia.

Based on data from the Central Statistics Agency (BPS) in 2010 the total population of Muslim Indonesia reached 209.1 million people and is expected to reach 229.62 million in 2020. This condition provides a great opportunity for the development of the Indonesian Sharia economy, including Sharia lending technology in the market. Indonesian market and even the world. Sharia Fintech has a big role to play in supporting and strengthening the Sharia economy in Indonesia. Sharia fintech lending races and competes between funding carried out by conventional fintech lending, Islamic banks and conventional banks. Data as of December 26, 2019, there are 152 conventional fintech lending and 12 Sharia fintech lending units. (OJK, 2019 :7)

From the description above, it can be concluded that with the development of technology, financing can be accessed easily and quickly. MSMEs as a business unit that has been constrained by financing problems provide great opportunities for the development of fintech in Indonesia. Of the population who are predominantly Muslim, it is only natural that Sharia fintech lending becomes an alternative source of public financing, unfortunately the existence of Sharia fintech is only 7.3%, so the author wants to know how the Prospects of Sharia Fintech P2P Lending in MSME Financing in Indonesia.

2. LITERATUR REVIEW

The issue of Fintech has been widely researched, various methods are used to answer various kinds of fintech problems. The existence of fintech, which is still in a new category in Indonesia, really needs attention and evaluation from various parties, especially regulators. Various conveniences can be felt, but there are not a few problems experienced by fintech actors and consumers, even not a few losses experienced by the community due to the presence of several illegal fintechs. The government needs to support the development of financial technology, especially Sharia fintech which should grow faster in this Muslim-majority country, in fact up to 2019 the existence of Sharia fintech is only around 7.3% (OJK Statistics, December 2019). The following are some previous studies related to the development of Fintech in Indonesia.

Rusydiana (2019), in the research *How to Develop Sharia Fintech Industry Indonesia? Interpretive Structural Model Approach*. The results show that the problems faced by Islamic fintech are the lack of policy instruments that maintain the fintech work process, the availability of fintech human resources, and the strategy offered is how to manage and analyze data in the era of big data, digital marketing, how to create systems transactions with ease, innovating fintech products, improving technology infrastructure, Cooperation, collaboration and investment with relevant stakeholders. The stakeholders are the government or regulators, educational institutions (universities) as well as existing industries (banks and other financial institutions).

Firmansyah & Anwar (2019), revealed these problems in the research *"Islamic Financial Technology (Fintech): Its Challengers or Prospect"*. shows that there are many challenges faced by Islamic Fintech companies, one of which is regulation. For the development of fintech, there must be favorable regulations and academics should be able to explore fintech by balancing theory and practice. Traditionally or offline transactions, the growth of Islamic banks tends to stagnate. Several Islamic banks have begun to gradually improve technologically, such as the presence of mobile banking. Some of the customer's financial activities can be done online through the mobile banking application

Muchlis (2018), conducted a SWOT Analysis of Financial Technology (Fintech) Islamic Banking

Financing in Indonesia (Case Study of 4 Islamic Banks in Medan City). In this study Muchlis analyzes applications created by Islamic banking in order to utilize FinTech in an effort to accelerate the financing process. The results show that Islamic banking by utilizing fintech can accelerate and grow Islamic banking assets. As more and more legal and illegal fintech appear and several cases of crime that harm consumers, investment and financing through Fintech P2P Lending need to get security guarantees.

Wimboh, Irwan et al (2018), in his research, "What determine loan rate and default status in financial technology online direct lending? Evidence from Indonesia" states that to avoid fierce competition between P2P lending and traditional financial institutions, there must be attention from the government and service authorities. In finance, it is necessary to ensure consumer protection and business transparency for both debtors and creditors, as a tool to increase oversight of the P2P lending industry which can attract higher loan amounts and lower borrowing costs.

Regarding P2P Lending regulations, Fajrina (2018) in his research "Peer to Peer Lending POJK, PBI, and DSN MUI Fatwa" states that transactions made online will be more difficult to track if they cause problems, therefore OJK and Bank Indonesia should conduct anticipation by complicating the registration process. Without permission from the two relevant agencies, the practice of peer to peer lending is considered illegal. Islamic banks inevitably have to keep up with technological developments if they don't want their customers to leave, Islamic banks have a great opportunity to enter fintech. M. Farid (2018), in his research "Sharia Banking and Fintech Financial Technology in Indonesia" stated that it is appropriate that Islamic banking in addition to seeking profit from existing profit sharing, also becomes an agent of spreading good news or da'wah in the midst of society, in terms of in the fields of economics, finance and banking. So that people become more aware, care and get used to the economy in the sharia corridor.

Consumer behavior in reality depends on environmental conditions, with the advancement of technology, the higher the demands of financial industry consumers for speed, convenience and accuracy in transactions. Rahmawati (2018), in her research "Analysis of Demand and Consumer Behavior of Islamic Fintech Crowdfunding Models" emphasizes that consumers want speed, convenience,

lower costs, and ease of use of financial services. Managers or entrepreneurs in the fintech industry in the sharia crowdfunding scheme must be able to adapt to shifts in consumer preferences by continuously innovating. To find out what sharia products are produced from halal-safe-easy-fast-reliable financial technology products and how is the SWOT analysis of Islamic financial technology, Styarningsih (2018) conducted a study with the theme "SWOT Analysis of Sharia Financial Technology Implementation at PT Telkom Indonesia ". The results of this study inform that Telkom's customer base has the potential to become a Sharia Fintech market, this is supported by Telkom's great ability (technology, network channels and human resources) in reaching the Muslim community to provide Sharia Fintech services and solutions to synergize the potential of ZISWAF in Indonesia through a synergy program. with related parties.

From various previous research results that have been described and from several studies it can be concluded that several previous studies discussed fintech that focused on regulation, fintech growth in Indonesia, fintech opportunities and challenges, fintech developments in banking, demand and supply of Islamic fintech, and technology. and Islamic Fintech HR. Some of these problems are very different from what the author is currently studying. This research is related to how the prospect of sharia fintech lending business in supporting MSME financing, in the midst of competition with conventional fintech lending, Islamic bank financing and conventional bank financing.

3. RESEARCH METHODS

This research is descriptive quantitative research using trend analysis, with documentation method. This study intends to analyze how the prospects for Islamic Fintech Lending in MSME financing in Indonesia. The population in this study is Statistical Data on Financing for MSMEs via Online from November 2018 to October 2019. Quantitative data needed in this study is statistical data on financing for MSMEs carried out by Islamic and conventional Fintech Lending, as well as financing carried out by Islamic and conventional banks for 12 months from November 2018 to October 2019. The source of this data is obtained from data from the Financial Services Authority which consists of: a) Fintech Lending Statistics for the November 2019 period b) Sharia

Banking Statistics for the October 2019 period, c) Indonesian Banking Statistics for the October 2019 period, d) Papers from reputable national and international journals. e) Official websites from OJK, BI, Katadata.com, Cooperatives and SMEs. f) Several related reference books.

4. RESULT

To find out how the development of Islamic fintech lending compared to others, trend analysis is used for each type of financing as follows:

Tabel 4.1 - Trend of Increased Conventional Fintech Lending (FL.KONV)

Month	Financing (Rp. B)	Increased Financing
Dec 2018	22.632	
Jan 2019	25.982	15%
Feb 2019	29.267	13%
March 2019	33.111	13%
Apr 2019	36.928	12%
May 2019	40.803	10%
June 2019	44.411	9%
July 2019	49.355	11%
August 2019	54.134	10%
Sept 2019	59.727	10%
Oct 2019	67.293	13%
Nov 2019	73.231	9%

Data source : Data processed from OJK Fintech Lending Statistics for November 2019 Periode



Data source : Table 4.11 is processed

Conventional Fintech Lending financing graphically and the trend shows an increase, the average Conventional Fintech Lending financing is Rp. 44,739.50 M with an average increase of 11%.

Tabel 4.2-Trends of Increased Islamic Fintech Lending (FL.SYAR)

Month	Financing (Rp. B)	Increased Financing
Dec 2018	34	
Jan 2019	39	15%
Feb 2019	24	-38%
March 2019	37	54%
Aprl 2019	100	170%
May 2019	95	-5%
June 2019	257	171%
July 2019	405	58%
August 2019	482	19%
Sept 2019	642	33%
Oct 2019	766	19%
Nov 2019	776	1%

Data source : Data processed from OJK Fintech Lending Statistics for November 2019 Periode



The Islamic fintech lending financing graphically shows an increasing trend. The average sharia fintech lending financing is Rp. 304,75 Billion with an average increase of 45%.

Tabel 4.3-Trends of Increased financing Conventional Bank (PB.KONV)

Month	Financing (Rp. B)	Increased Financing
Dec. 2018	969.972	
Jan 2019	953.034	-1,75%
Feb 2019	963.217	1,07%
March 2019	978.871	1,63%
April 2019	990.660	1,20%
May 2019	1.005.522	1,50%
June 2019	1.019.776	1,42%
July 2019	1.018.414	-1,013%
August 2019	1.035.500	1,68%
Sept 2019	1.039.620	0,40%
Oct 2019	1.042.162	0,24%
Nov 2019	1.044.764	0,25%

Data source : Data processed by Indonesian Banking Statistics for the November 2019 Period



Data source : Table 4.3 is processed

Conventional Bank Financing graphically and the trend shows an increase, the average conventional bank financing is Rp. 1.005.126 Billion with an average increase of 0.68%.

Tabel 4.4-Trends of Increased financing Sharia Bank (PB.SYAR)

Month	Financing (Rp. B)	Increased Financing
Dec. 2018	69.397	
Jan 2019	67.959	-2,07%
Feb 2019	67.793	-0,24%
March 2019	68.989	1.76%
April 2019	69.774	1,14%
May 2019	70.801	1,47%
June 2019	70.551	-0,35%
July 2019	70.551	0,00%
August 2019	70.473	-0,11%
Sept 2019	67.795	-3,80%
Oct 2019	71.975	6,17%
Nov 2019	72.439	0,64%

Data source : Data processed by Sharia Banking Statistics for the November 2019 Period



Data source : Table 4.1 is processed

Islamic Bank financing graphically and shows an increase, the average Islamic bank financing is Rp. 69.874,75 Billion with an average increase of 0,42%

Table 4.5 Increased Fintech and Bank Financing (Conventional and Sharia)

Month	FL.KON V	FL.SYA R	PB.KON V	PB.SYA R
Dec. 2018				
Jan 2019	14,80%	14,71%	-1,75%	-2,07%
Feb 2019	12,64%	-38,46%	1,07%	-0,24%
March 2019	13,13%	54,17%	1,63%	1,76%
April 2019	11,53%	170,27%	1,20%	1,14%
May 2019	10,49%	-5,00%	1,50%	1,47%
June 2019	8,84%	170,53%	1,42%	-0,35%
July 2019	11,13%	57,59%	-1,013%	0,00%
August 2019	9,68%	19,01%	1,68%	-0,11%
Sept 2019	10,33%	33,20%	0,40%	-3,80%
Oct 2019	12,67%	19,31%	0,24%	6,17%
Nov 2019	8,82%	1,31%	0,25%	0,64%

Data Source: Table 4.2,4.2,4.3,4.4 processed



Data Source : Table 4.5 processed

The overall increase in financing from various financing sources, both fintech lending and banks, can be seen in table 4.15, and the increase in Islamic Fintech Lending financing shows sharp fluctuations, although in nominal terms it is the lowest. From Figure 4-15, it can be seen that the Sharia Fintech lending (FL.SYAR) has a clearer contraction, compared to the financing graph of Conventional Banks and Islamic Banks (PB.KONV & PB.SYAR) which is very sloping and has almost no development and is stagnant at less than 1%. As for conventional Fintech lending (FL.KONV), although the movement is not so volatile, the increase is higher than conventional bank financing and Islamic banks. Here's the analysis for the whole

- Average Financing : 1) Conventional Bank Rp. 1.005.126 B; 2) Sharia Bank Rp. 69.874,75 B ; 3) Conventional Fintech Lending Rp. 44.739,50 B ; 4) Sharia Fintech Lending Rp. 44.739,50
- Nominally, the average financing shows a contrasting difference, Conventional Bank

Financing occupies the highest rank, Sharia Fintech financing ranks the lowest, namely in the range of hundreds of billions of rupiah. This is because the Indonesian population has long been accustomed to interacting with conventional banking, while Islamic banking was only present in 1991, fintech lending only started operating in Indonesia in 2016. From the beginning, the difference is clear that the average fintech lending is still far behind conventional bank and bank financing. Sharia, especially Sharia fintech lending which as a business entity still has 12 units and 152 conventional fintech lending units in November 2019, spread across several regions of Indonesia.

5. CONCLUSION

Sharia fintech lending has good business prospects. Sharia fintech lending has several advantages and development opportunities as follows: 1) The increase in Islamic Fintech Lending Financing is an average of 45%, very high when compared to Conventional Banks of 0.68%; Islamic Banks 0.42%, Conventional Fintech Lending 11%; it means that Sharia fintech lending even though its existence is in the beginner category, has been able to attract public interest. From Figure 4-15, it shows a very fluctuating trend with sharp and stable increases and decreases in the range of more than 1%. Meanwhile, the increase in conventional financing, although it looks consistent, is stagnant at less than 1%, this indicates community saturation or the difficulty of MSMEs penetrating bank (not bankable); 2) The increasing number of halal products has an impact on the selection of halal financing, namely the financing of Islamic financial institutions and Sharia fintech lending.; 3) The total population of Indonesia in 2019 was 87.2%, which is an opportunity for the development of halal products including sharia financing, both offline (through Islamic banking) or online (fintech lending). This is also in accordance with Porter's approach in M Aaron 2017, which states that . The fewer the number of suppliers in an industry, and the more dependent the industry is on them, the more power suppliers have over profitability.; 4) Changes in the normal habits of people's lives due to Covid, who prefer to transact online and avoid cash transactions, are also an opportunity for the development of Islamic fintech lending.

Reflection Of Tauhid

The existence and development of Syrian Fintech Lending is a new hope and solution for the financing problems of small entrepreneurs in Indonesia. It is undeniable that small entrepreneurs are the most vulnerable to being ensnared by loan sharks. Along with the development of technology, moneylenders also upgrade themselves to become sophisticated loan sharks through several illegal fintech lending. Various facilities are offered by online loan sharks to attract debtors. When debtors experience difficulties in paying, they do not hesitate to terrorize and embarrass the debtor through telephone, SMS, or other social media. Allah firmly and clearly protects his servants from the abominations and losses committed by moneylenders through warnings to stay away from usury as stated in the QS. Al-Baqarah verse 275

Meaning: *"Those who consume interest will stand 'on Judgment Day' like those driven to madness by Satan's touch. That is because they say, 'Trade is no different than interest.' But Allah has permitted trading and forbidden interest. Whoever refrains—after having received warning from their Lord—may keep their previous gains, and their case is left to Allah. As for those who persist, it is they who will be the residents of the Fire. They will be there forever.."* (QS Al-Baqarah: 275)

In this verse, Allah also provides an opportunity for forgiveness for those who repent from usury, and do not repeat it.

Sharia Fintech Lending As an online marketplace that brings together creditors and debtors, it is a form of mutual help between people who have excess funds to those who need funds, this is in accordance with God's command in QS Az-Zhukruf verse 32

Meaning : *"Is it they who distribute your Lord's mercy? We 'alone' have distributed their 'very' livelihood among them in this worldly life and raised some of them in rank above others so that some may employ others in service. 'But' your Lord's mercy is far better than whatever 'wealth' they amass."* (QS Az-Zhukruf:32)

Sharia Fintech Lending is able to include all parties or entities throughout Indonesia and even overseas to be able to enjoy easy, fast, transparent financing that is not limited by space and time. In any situation, humans are commanded by Allah to always learn, understand what is happening and develop, as Allah commands in QS. Al-Alaq verses 1-5:

Meaning “1. O Prophet, in the Name of your Lord Who created; 2. created humans from a clinging clot; 3. Read! And your Lord is the Most Generous, 4. Who taught by the pen, 5. taught humanity what they knew not” (QS. Az Zhukruf:32)

Revolutionizing the Islamic Finance Industry with Technology, in order to meet the needs and lifestyles of humans in this era of covid 19, shows that the basic legal sources of Islamic Economics Al-Quran and hadith can be applied throughout the ages with various accompanying technological developments, and the value of Islamic economics is inclusive for all. individuals who do not discriminate against any class. Islamic Economic Principles and Values provide goodness for all humans and the natural surroundings (Rahmatan lil alamin).

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