

Analysis of Comparison of Islamic Banks with Financial Technology (Fintech) In Disbursements of Micro-Financing Based on Requirements, Services Speed and Margin (Case Study of Micro-financing at Bank Mandiri Syariah and Micro-Credit Uangteman.com)

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Abstract:

The dynamics of the use of digital technology in the industrial revolution era 4.0 has had an impact on the financial sector. One of them is the development of financial technology (fintech) in the form of online loan services. Furthermore, the flagship product from fintech is lending to micro and small entrepreneurs. Likewise, Islamic banks that have a focus on financing to micro and small entrepreneurs must be able to compete with fintech services in the era of the industrial revolution 4.0 that is happening at this time. The purpose of this study is to analyze the different mechanisms of micro-financing distribution between Bank Mandiri Syariah and microcredit UangTeman.com. The method used is qualitative, which is to compare the requirements, mechanisms, and margins imposed on the customers and the information obtained through secondary data, namely standard and operational procedures. Based on the results of the study, the requirements and procedures for granting loans to micro and small entrepreneurs at Bank Mandiri Syariah are longer compared to UangTeman.com. While the fines for late payment in installments and interest rates on UangTeman.com are higher than the fines and margins of Bank Mandiri Syariah micro-financing. Therefore to be able to improve products and services for micro and small entrepreneurs, Bank Mandiri Syariah conducts a review of business models and business

Introduction

Globalization in the millennium era has had a significant impact on all aspects of people's lives, especially economic aspects. In the era of the industrial revolution 4.0, the progress and dynamics of technology and the internet became a necessity. Therefore the implication of industrial revolution 4.0 is the large role of technology and the internet in supporting all activities of human life. Furthermore, the use of internet-based digital technology in Indonesia has a very large impact on several existing sectors, one of which is the business sector or the business industry which can then present an online trading model or e-commerce (Hiyanti, Nugroho, Sukmadilaga, & Fitrijanti, 2019; Nugroho, 2020; Tribudhi & Nugroho, 2019). The impact of the rapid development of science and technology not only has an impact on the trade industry but also has an impact on the financial industry. The financial industry is one industry that has an important role in the economy of a country and continues to experience very rapid dynamics. This is marked by the increasing number of new financial institutions established each year, both conventional financial institutions and Islamic-based financial institutions. The financial institutions are bank financial institutions and non-bank financial institutions such as insurance, savings and loan cooperatives, and leasing companies (Isnaini, 2017; Miftakhul Jannah & Nugroho, 2019).

The development or dynamics of financial technology (fintech) is very rapid in all sectors, both in the form of start-up payments, lending, financial planning (personal finance), retail investment, financing (crowdfunding), remittances, financial research, and others. Nevertheless, according to Muzdalifa et al., (2018), the development of fintech in Indonesia is still dominated by fintech for the payment business (43%), loans (17%), and the rest is in the form of aggregators, crowdfunding and others. Furthermore, fintech is not only found in developed countries but also in developing countries, like in Indonesia today. The existence of fintech in the era of the industrial revolution 4.0 is now a necessity, so it is expected to have a good impact, such as advancing the economy, besides that fintech is also expected to provide convenience in transactions, so that transactions are more practical and easier. The fintech transactions include payments, transfers, buying and selling of shares, and borrowing money (Terminanto, 2020).

According to Nugroho (2020), the use of digital technology in people's daily lives has changed people's behavior in almost all aspects, including activities and online trading activities (e-commerce), online-based transportation, electronic books, electronic tourism support services, and also financial technology (fintech). The use and use of digital information technology have helped the Indonesian people in the running the economy more effectively and efficiently than before, especially in the financial sector (Nugroho, 2020; Nugroho & Ali, 2020). Positive public response to digital technology has become a preliminary study for the banking world to improve and enhance the quality and security of financial technology information systems and become strategic initiatives from banks. Furthermore, to follow changes in the behavior of the public and consumers in this digital era, the banking industry must be able to keep abreast of information technology developments to create digital-based products and services. Financial transactions through fintech include payments, investments, money lending, transfers, financial plans, and other financial products and services. Currently, there are 142 companies engaged in the field of fintech operating in Indonesia. Some fintech companies that have existed in Indonesia today, such as CekAja, UangTeman, Borrowing, CekPremi, Bareksa, Kejora, Doku, Veritrans, Kartuku (Santi, Budiharto, & Saptano, 2017). Likewise, Vashishta & Kapoor (2012) states that electronic data processing (EDP) technology has now been developed into fintech. Furthermore, EDP has helped banks a lot in the speed and accuracy of data processing business operations and marketing of their products. In line with the opinion above, the application of information systems is very influential in the banking industry, where the application of information systems in the banking industry has tremendous implications. That is because the banking industry is one of the industries having a degree of dependence on the activities of collecting, processing, analyzing, and delivering reports (information) needed to meet the needs of its customers (Chrismanto, 2017).

Furthermore, fintech is defined as a technological innovation in financial services that can produce business models, applications, processes or products related to the provision of financial services and have a significant impact on reducing face to face processes between service providers or products with customers and prospective customers. Likewise, payments, transfers, clearing, and settlement can also be made with digital technology without the need to come to the bank's branch office. Other digital services that can be used by the public in connection with mobile payments (either by banks or non-bank financial institutions), digital wallets, digital currencies, and the use of distributed ledger technology for payment infrastructure (Ali, Barrdear, Clews, & Southgate, 2014). The business processes and business models aim to increase financial inclusion and ensure affordable consumer access to payment services and ensure the smooth functioning of the payment system. This model can also contribute to managing transactions as well as large transfers and settlements between financial institutions.

Also, the development of information technology in terms of internet users in Indonesia is growing rapidly. This is indicated from the survey data conducted by APJII, (2019), that internet facility users in Indonesia in 2018 have reached 171.17 million people or 64.80% of Indonesia's total population of 264.16 million people. While in 2016, internet users 132.70 million people. This shows that the addition of internet users in 2018 reached 28.99% from 2016 (APJII, 2018). Furthermore, according to a survey conducted by Haryanto (2019) related to internet users based on age, it can be seen that the age range between 10 years and 44 years is the majority of internet users who incidentally are of productive age. On the other hand, Indonesia as a developing country that is growing rapidly, its economy is supported by a majority of micro and small entrepreneurs. It refers to statements from Nugroho & Ali (2020), Nugroho et al., (2019), and Nugroho & Tamala (2018) that the portion of micro, small and medium entrepreneurs in Indonesia reaches 99%. Also, the existence of micro and small entrepreneurs throughout the world also has a significant contribution to the real sector so that economic growth in the country is better (Herliansyah et al., 2020).

Digital financial services or fintech have regulations that govern them. This is indicated by the existence of regulations from the Financial Services Authority (OJK) No. 77/POJK.01/2016, about Information Technology-Based Money Lending and Borrowing Services (LPMUBTI). Under these provisions, OJK regulates various things that must be followed for commercial service providers lending from users to users. Loan provider services from users and to users commonly referred to as peer to peer lending (P2P lending). The purpose of the regulation is to protect the interests of consumers related to the security of funds and data, as well as national interests related to the prevention of money laundering and funding for terrorism, as well as financial

system stability. Furthermore, two aspects distinguish between P2P lending and bank loans. In channeling loans to micro and small entrepreneurs and the community at large. First is the interest rate; this is because P2P lending has a target in the micro-credit segment that is riskier, and without collateral, the interest rate will be higher than that of the bank. Second, the value of loans that can be given P2P lending is limited to a maximum of only Rp2 billion.

The importance of the existence of micro and small entrepreneurs for the economy in Indonesia, the government must have a concern for its development and sustainability. One obstacle faced by micro and small entrepreneurs is the difficulty of finding capital to increase turnover and advance their business. Difficult to find entrepreneur capital for micro and small entrepreneurs because of the limited assets owned to be used as collateral for credit or financing in the bank. The current development of the fintech industry, they are targeting micro and small entrepreneurs to be given loans without collateral. Also, the submission process until the disbursement is relatively faster with micro-financing from banks. However, there is a potential that the interest they charge on micro and small entrepreneurs will be high due to the high risk. However, high-interest rates have the potential to attract micro and small entrepreneurs to repay their loans.

Referring to the above phenomenon, the problem formulation in this article is as follows:

- How do you compare the micro-credit requirements at UangTeman.com with fintech micro-financing requirements at Bank Mandiri Syariah ?;
- How do the procedures for providing micro-credit to UangTeman.com provide micro-financing procedures for Bank Mandiri Syariah ?;
- How do micro-credit interest rates compare to UangTeman.com fintech with micro-financing margins at Bank Mandiri Syariah ?.

The distribution of loans to micro and small entrepreneurs has different characteristics from the big entrepreneurs. This is due to the limitations of micro and small entrepreneurs in the bookkeeping and recording of their business, and also the speed of the process in their approval is required. Therefore the purpose of this article is to analyze the differences in lending services to micro and small entrepreneurs between UangTeman.Com fintech and Bank Mandiri Syariah. The results of this study are expected to be used as input for practitioners in lending services to micro and small entrepreneurs, both fintech stakeholders and Islamic banks. Also, it can contribute in the form of references to further researchers who have interests and topics in the field of fintech, Islamic banks, and loans to micro and small entrepreneurs.

Literature Review

The need for capital loans for micro and small entrepreneurs as well as middle and lower class people is one of their vital needs. That is because their source of income is non-fixed income. The source of their income comes from the results of operations every day whose income can not be ascertained how much. Unlike the income of employees or permanent workers who can be ascertained each month in the list or the salary slip or can be called a fixed income (Nugroho & Malik, 2020). Based on the uncertain income, they need loans to cover their needs when income is declining and cannot meet their daily needs or sudden needs. Therefore the need for loans to micro and small entrepreneurs aims to cover their needs as a result of irregular income received by micro and small entrepreneurs or called smoothing income (Beisland & Mersland, 2014). Besides that, according to Goldberg (2005), Labie et al., (2015), and Odell (2010), financial products both loans and savings for micro and small entrepreneurs and low-income people have good implications for improving their welfare. With a note, its use is following the products and services that are right on target. Referring to the income characteristics of micro and small entrepreneurs that fluctuate or the amount of uncertainty, the use of these loans is not only to increase capital but can also be a substitute for their working capital. That is because their capital has been used for other purposes such as children's school needs, the need to pay for hospitals, spiritual needs, and so on that are not directly related to their business (Ashta, 2009). With high uncertainty over irregularities in income sources, it is relatively difficult to estimate the ability to repay customer loan installments. Moreover, accompanied by the characteristics of micro and small entrepreneurs who do not have adequate books and financial reports so that it adds complexity in analyzing the feasibility of approving loans to micro and small entrepreneurs. Therefore lending to micro and small entrepreneurs, the feasibility analysis is dominated by the element of trust and willingness to pay, which aims to avoid the existence of moral hazard from borrowers in the future (Hudon & Traca, 2011; Nugroho, 2015). On the other hand, business processes and business models for loan products and services for micro and small entrepreneurs are simplicity and speed. Therefore lending to micro and small entrepreneurs or low-income people has a relatively higher risk when compared to large entrepreneurs.

The era of the industrial revolution 4.0 is currently disrupting the financial sector and banks due to changes in consumer behavior. Changes in consumer behavior are the increasing needs and desires of the public and the number of service providers or internet providers that have an impact on demand for products and services in the financial sector based on digital services (digital platforms) (Kholis, 2018; Nugroho, 2020; Rahmawati et al., 2018). Likewise, with loan products to micro and small entrepreneurs, many digital platforms

now offer loans through online or financial technology (fintech). Online loans are money lending facilities by financial service providers that operate online. Online loans that are directly looking for and without collateral are alternative solutions for people whose notes are micro and small entrepreneurs who need cash without having to submit it face to face. These loan service providers are financial service providers that operate online with the help of information technology. The large number of fintech companies that have sprung up is due to lifestyle changes that occur in Indonesian society. This change is seen in the massive use of the internet and information technology for all needs, including when borrowing money. People no longer need to go to the bank and apply directly to get a loan. All requirements and procedures that originally had to be done face-to-face were also not needed anymore. Credit applicants can submit conditions online. Creditworthiness interviews are conducted by telephone. Simply access the fintech service provider website, financial transactions such as loans to transfer funds can be done from anywhere and at any time. In line with the facilities provided by fintech providers and changes in consumer behavior due to the industrial revolution 4.0, resulting in the emergence of many fintech start-ups in Indonesia (Sofyan, 2018). Also, the large market share in Indonesia and good prospects are attractive to both domestic and foreign investors to invest in fintech companies in Indonesia. (Armuji, 2019). Sharia's perspective on the existence of fintech is regulated in a regulation issued by the Indonesian Ulema Council (MUI) in the form of a fatwa. The fatwa of the National Sharia Council-MUI No.117/DSN-MUI/II/2018, concerning Information Technology-Based Financing Services Based on Sharia Principles states that the provisions relating to general guidelines for information technology-based financing services are as follows:

- Providing information, technology-based Financing Services must not conflict with Sharia principles, which include avoiding usury, gharar, maysir, tadlis, dharar, zulm, and haram;
- The standard contract made by the Organizer must fulfill the principles of balance, fairness, and fairness by sharia and the applicable laws and regulations;
- Contracts used by the parties in the administration of information technology-based Financing Services can be in the form of agreements that are in line with the characteristics of financing services, including al-bai 'contract, ijarah, mudharabah, musharaka, wakalah bi al ujah, and qardh;
- The use of electronic signatures in electronic certificates carried out by the Provider must be carried out with the condition that their validity and authentication are guaranteed under the applicable laws and regulations;
- Providers may charge a fee (ujrah) based on the ijarah principle for the provision of infrastructure and facilities for Information Technology-Based Financing Services; and
- If the financing information or services offered through electronic media or disclosed in an electronic document are different from the reality, then the injured party has the right to discontinue the transaction.

The existence of Islamic banks in the financial system in Indonesia is a new player when viewed from the perspective of the establishment of the bank. As is known, the first Islamic bank in Indonesia is Bank Muamalat, which was founded in 1992. Nevertheless, the function of Islamic banks based on Islamic principles has the potential to contribute greatly to the economy in Indonesia. That is because the operations of Islamic banks are based on the principle of the prohibition of "Maghrib" in the business activities of Islamic banks (figure 1)



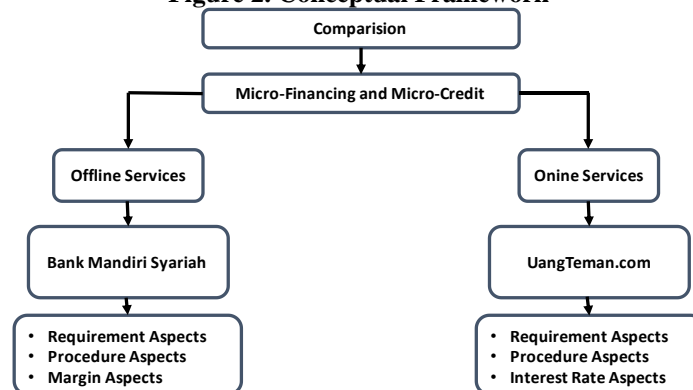
Sumber: Masyita (2015) dan Nugroho & Husnadi et al., (2017)

Following Figure 1 above, the Islamic banks have five pillars that can prevent an economic crisis caused by the element of greed which includes: (1) Prohibiting usury; (2) Prohibiting the existence of gambling and speculation as well as transactions that are not yet clear-destined-maysir & gharar; (3) Prohibiting transactions in sectors that are prohibited by haram; (4) Transactions based on profit sharing principle, and (5) Business transactions based on assets. Thus based on the five aspects or pillars, the existence of Islamic banks in supporting financial and business transactions in a country can prevent economic crises. Indonesia, as the largest Muslim population in the world, has constraints in increasing the market share of Islamic banks. This is indicated by the relatively low market share, namely in June 2018 of 5.70% (Otoritas Jasa Keuangan, 2011). In

mid-2018, Indonesia experiences a slight economic pressure where the US dollar exchange rate rises, causing a fall in the value of the rupiah, where 1 US dollar is almost Rp. 15,000. There are several opinions from several economists including Bank Indonesia Governor Perry Warjiyo stating that if the sharia economy is more advanced and has a dominant market share in the country, it will be able to help maintain the stability of the rupiah exchange rate from global speculators interference so that it can help Bank Indonesia in maintaining stability finance (“Perry: Ekonomi Syariah Kurangi Gangguan Nilai Tukar | Republika Online Mobile,” 2018). Furthermore, the existence of Islamic banking as a bank that cares about social problems, and is able as a solution for micro and small entrepreneurs in finding capital to improve their financial capacity and income. The impact of Islamic banks is a bank that is pro micro, small, and medium enterprises (MSMEs) is that each Islamic bank must have financial products that are pro MSMEs. (Wajdi Dusuki, 2008). Then, according to Ayyagari et al., (2011), the MSME sector has a major contribution to the economy of all countries in the world and even becomes the backbone of the economy. The contribution of MSME to a country's economy is not only in developing countries but also in developed countries, MSME contributes 43.5% of workers globally so that the MSME sector is a business sector that can create jobs to reduce unemployment.

On the other hand, the MSME sector has significant challenges in finding capital to develop its business (Beck & Demirguc-Kunt, 2006). SMEs have limited access to finance because of the high risk of the business and also the lack of collateral used as collateral so that banks reject their loan applications. Islamic banks are pro to the MSME sector, should be able to provide financial products and services that meet their needs. Thus the more focused, Islamic banks in the MSME segment, it will have an impact on increasing revenue and performance of Islamic banks. Furthermore, based on the formulation of the problem, research objectives, and literature review, the research framework in this article is as follows:

Figure 2. Conceptual Framework



Method

The place of this research at PT. Digital Alpha Indonesia has its address at Pakuwon Tower Office Building, Kota Kasablanka Lt 28 Unit A-J, Jln. Casablanca Raya Kav 88 Menteng Dalam, Tebet, South Jakarta 12870, and Bank Mandiri Syariah KCP Cimone, Jl. Raya Merdeka No.308 Pabuaran, Karawaci, Tangerang City, Banten 15114. This study uses a type of field research using qualitative descriptive methods. The population and sample in this study are UangTeman.com online credit service providers and Bank Mandiri Syariah Cimone sub-branches.

Results and Discussion

Miro Terms of Distribution of Micro Financing Versus Micro Credit

▪ Bank Mandiri Syariah

In channeling financing to micro and small entrepreneurs at Bank Mandiri Syariah, customers need to submit several loan conditions, namely:

1. Photocopy of ID Card/Identity of the Applicant and Husband and Wife;
2. Photocopy of Family Card;
3. Photocopy of Marriage Certificate/Divorce; 4x6 Photos (Color and Latest) = 1 Sheet (Married Couple);
4. Photocopy of Tax Card;
5. Photocopy of the latest properties taxes payment and Proof of the Payment;
6. Collateral worth at least 100% of the loan amount (Choose Only One), in the form:
 - a. Car certificate BPKB Mobil dan FC STNK;
 - b. Home certificate;
 - c. Land certificate;
 - d. Deposit certificate.

Also, the distribution of micro and small financing in Bank Mandiri Syariah is intended not only for entrepreneurs with a fixed income but also for employees with a fixed income. Therefore the requirements are also different, as follows::

1. Additional requirements for entrepreneurs:
 - a. Two-year minimum experienced;
 - b. Business Certificate from the Local Village;
 - c. Shopping/Sales records;
 - d. Photocopy of Savings Account in the Last 3 Months (if any).
2. Additional requirements for employees:
 - a. References letter;
 - b. Salary slip for the last three months/certificate of income;
 - c. Photocopy of salary account mutations in the last three months.

▪ **UangTeman.Com**

While the credit distribution services contained in the UangTeman.com application site require the following matters:

1. Individual users are at least 21 years old and have the legal capacity, rights, power and authority needed to agree to the Terms and Conditions set forth by UangTeman.com;
2. Individual users of Indonesian citizenship; and
3. User in the form of an Indonesian legal entity;
4. UangTeman.com, based on certain considerations, can approve those of you who are under 21 years old.

Referring to the requirements that are required for customers both from Bank Mandiri Syariah and UangTeman.com, Bank Mandiri Syariah requires complete document requirements. This is following the principles of death or prudence that is applied based on internal company regulations where there must be three pillars in channeling financing to comply or comply with risk, operational, and business aspects. Whereas fintech companies, in this case, UangTeman.com, only require a resident card (KTP), a business certificate for micro-entrepreneurs, and a salary slip for employees and a selfie photo as a condition for applying for a loan. Based on this, the requirements provided by Bank Mandiri Syariah make it difficult for micro and small entrepreneurs where the distribution of financing to customers in the micro and small segments must consider their abilities. Refer to research conducted by Oktavianti & Hakim (2017), micro and small entrepreneurs need simplicity in requirements, so there is not a need for too many administrative documents. Furthermore, collateral requirements are also burdensome for micro-entrepreneurs, where many of them do not yet have assets to be used as collateral (Kara, 2013; Wardhana, 2017). Therefore UangTeman.Com fintech services can be more affordable for micro and small entrepreneurs in terms of requirements. Furthermore, Bank Mandiri Syariah should review the requirements for micro and small entrepreneurs so that their products and services can be of interest to the public.

Procedures and Mechanisms of Micro Financing Versus Micro Credit Services

▪ **Bank Mandiri Syariah**

1. Bank Mandiri Syariah disbursement of micro and small financing, Bank Mandiri Syariah applies the principle of a feasibility study (feasible study) based on the 5C's principle, which includes:
 - a. Character, character analysis is important to know the customer's willingness to pay to avoid a moral hazard in the future when the customer has received the loan money. As for knowing the prospective customer has a good character and is responsible for paying installments, then there are two analysis mechanisms, namely:
 - 1) On-site is analyzing the character directly to the location of residence and place of business to ensure that prospective borrowers have a good reputation in the community. One way is to ask questions related to the behavior and attitudes of prospective customers to the surrounding neighbors and also community leaders such as the local RT and RW;
 - 2) Off-site is analyzing characters through existing documents such as Bank Indonesia Checking (BI-Checking). BI Checking is Historical Individual Debtor Information (IDI), which records smooth or bad credit payments (collectibility). BI Checking becomes the second stage after the customer collects the general requirements for submitting financing to Bank Mandiri Syariah. BI Checking is taken into consideration by financial institutions for granting loan applications to customers whether the customer itself has a history of loans to financial institutions or not and whether the customer is smooth in repaying loans to financial institutions. BI Checking of employees in addition to checking the history of loans to financial institutions, namely salary slips that have been notified to financial institutions whether they are appropriate or not as attached by the customer and BI Checking of employers, namely

- surveys for business sites of customers who apply for loans after everything is done there a team of analysts at Bank Mandiri Syariah who confirmed whether the customer was worthy or not to get financing from Bank Mandiri Syariah.
- b. Capacity means the customer's ability to run a business and repay loans taken. In analyzing the capacity of bank customers, they can assess the aspects of production, marketing aspects, financial aspects, and income aspects owned by customers. Several ways are taken in knowing the financial capabilities of prospective customers, among others:
 - 1) Analyzing financial statements, in the financial statements of prospective customers will be able to find out the source of funds, by looking at the cash flow statement. In the overall cash flow statement can be known cash conditions of cash from prospective customers by comparing the source of funds obtained and the use of funds;
 - 2) Checking payroll slips and savings accounts, other ways that can be done by Islamic banks if prospective customer employees, the bank can request a photocopy of paychecks of the last three months and supported by a savings account for at least the last three months, it will be able to be analyzed about the source of funds and the use of prospective customer funds;
 - 3) Survey of business location and residence of prospective customers, this survey was conducted to determine the business of prospective customers by making direct observations.
 - c. Collateral means assets that have been given by the borrower to the bank. Any financing provided must be based on the belief that the customer can return the obligations as promised. In analyzing collateral, banks can assess the types of collateral submitted, collateral ownership, the ratio of collateral to the amount of loan money, and guarantees from third parties.
 - d. Capital, capital is the amount of capital needed by the borrower. In analyzing capital, banks can judge by what can be seen through the source of capital and the business ownership status of the prospective customer. The ways taken by banks to find out the capital of prospective customers, among others:
 - 1) Financial reports, financial statements from prospective customers can be used to find out the company's capital. Ratio analysis in this financial statement is carried out if the prospective customer is a company, whereas for individuals it can be in the form of sales records and salary slips if the employee;
 - 2) Advances paid in obtaining financing. The greater the advance paid by prospective customers, the more convincing for the bank that the financing to be distributed has good or smooth prospects.
 - e. Condition of economy, condition of the economy, or the condition of the economy means the condition of the business or the prospects of the customer's business. In analyzing the condition of the economy the bank can analyze the effects of government policies such as macroeconomic conditions on the customer's business.
2. For late installment payments, Bank Mandiri Syariah has sanctions in the form of fines to be paid by customers if they make late installments on loan applications. Bank Mandiri Syariah sanctions customers who are negligent in making loan repayments as a deterrent tool for the customer so that the customer cannot repeat the delay in installment payments as the initial agreement between the customer and the bank itself. But sanctions in the form of fines carried out by Bank Mandiri Syariah are not included in the profits of Bank Mandiri Syariah. It will be distributed to amil zakat institutions as social funds.
- UangTeman.com
 1. The way to apply for a loan can be through UangTeman, that is by way of the website or by downloading the UangTeman.com mobile application on Google Playstore or the App store, after completing the download. Consumers can start making loans to UangTeman.com as follows:
 - a. Click the "Submit LOAN" button to start applying for a loan at UangTeman.com through the website or cellphone;
 - b. Completion of supporting documents such as ID card, selfie photo, and salary slip (employment) or business certificate (entrepreneurs). The more complete the customer documents, the faster the disbursement process at UangTeman.com;
 - c. After the requirements have been fulfilled the customer (consumer) will get a notification telling whether the status of the consumer loan is approved or rejected by UangTeman.com;
 - d. Consumers check your loan status via SMS by entering no. Mobile registered in the loan status check column on the website and UangTeman.com mobile application;
 - e. If the consumer loan is approved, the UangTeman.com verification team will contact the consumer within 3x24 hours. If the data and documents have been verified, the customer will be re-contacted for loan disbursement;

- f. After the prospective customer's loan application is approved, the consumer will receive a notification in the form of an email and the consumer must sign the agreement digitally via the email notification to disburse the loan;
 - g. Loan funds will immediately be disbursed to the account that was registered when applying for a loan at UangTeman.com.
2. Delay in installment payments, late payment at the fintech loan provider UangTeman.com will apply when the consumer does not pay off your obligation to pay on the due date on the date of each month, after 23:00 WIB. This fee will automatically be added to the number of bills the consumer must pay. Consumers will be charged a billing service fee of 10% of the total bill. This fee will automatically be added to the number of bills that consumers will pay.

Referring to the procedure and mechanism for applying for microfinance, Bank Mandiri Syariah has a longer procedure compared to UangTeman.com. Bank Mandiri Syariah only conducts a survey and analysis process after the customer gives the complete requirements. While the requirements needed are more when compared with UangTeman.com requirements. Furthermore, UangTeman.com can make a loan approval or refusal decision within 3x24 hours after the customer provides a photocopy of KTP, Business Certificate or Salary Slip, and a selfie photo online. Furthermore, the maximum loan limit at UangTeman.com is IDR 8 million. Thus Bank Mandiri Syariah must be able to adjust business processes and business models for the distribution of current financing analysis and also conduct a review of the number of unsecured loans that can be given to micro-entrepreneur customers while still taking into account the risks that will occur. However, the fines imposed by Fintech UangTeman.com are relatively high at 10% of the bill. In contrast, the fines imposed by Bank Mandiri Syariah are relatively low and aim at reminding and deterring the effect of delinquent customers. That is because the fines applied by Bank Mandiri Syariah are under sharia principles which are not intended to seek profit (Pato, 2015).

Micro Financing Margins Versus Interest Rates

- Bank Mandiri Syariah

In the distribution of financing to Bank Mandiri Syariah micro-entrepreneurs, the majority use murabahah contracts. Furthermore, the margin charged to customers is at an equal expected rate of 18% per year. With an example of a simulation of installment financing is as follows:

Amount (Rupiah)	One year	Two year	Three year	Four year	Five year
11.000.000	1.030.068	571.203	420.664	347.164	304.434
12.000.000	1.123.710	623.131	458.906	378.725	332.110
13.000.000	1.217.353	675.058	497.149	410.285	359.785

Source: Bank Mandiri Syariah KCP Cimone, Tangerang

- UangTeman.com

UangTeman.com is an online loan platform licensed and supervised by the Indonesian Financial Services Authority under the name PT Digital Alpha Indonesia in the Republic of Indonesia. UangTeman.com is a company that is legally established and regulated according to Indonesian law. UangTeman.com can provide loans with a maximum of up to Rp8 million, and UangTeman.com charges a service fee of 1% per day, but if the customer repays on time when borrowing a second time, the service fee drops to 0.9% per day. Then, for the third time lending, the service fee drops again to 0.8% per day, and the fourth time onwards becomes 0.75% per day. The additional requirement that consumers who want to apply for a loan must be at least 21 years old to be able to make loans. If the consumer is under 21 years, the system will automatically be refused the loan application.

Referring to the imposition of interest provided by UangTeman.com, the interest to be paid by loan customers who are micro-entrepreneurs is relatively high, which is between 0.75% per day to 1% per day of the total loan granted. Whereas Bank Mandiri Syariah charges interest at an expected rate of 18% per year. The high-interest rate charged by fintech providers should be subject to supervision from the Financial Services Authority (OJK) so that micro and small entrepreneurs and low-income people are not harmed and deeply indebted (Guérin, Labie, & Morvant-Roux, 2018; Schicks, 2014). Also, the imposition of interest to micro-entrepreneur customers by conventional fintech is not only for profit-seeking. Still, it is oriented to maintain business continuity by charging a reasonable interest rate.

Conclusion

The distribution of financing and microcredit between Bank Mandiri Syariah and UangTeman.com has the difference that Bank Mandiri Syariah has a long procedure in analyzing prospective customers. While UangTeman.com is shorter. Besides, the requirements that must be completed by customers to apply for microfinance at Bank Mandiri Syariah are more numerous than UangTeman.com, which only requires a

photocopy of ID Card, Business Certificate, or Salary Slip, and a selfie photo. However, UangTeman.com charges a high daily interest rate to its customers. Therefore, for Islamic banks to compete with fintech, Islamic banks must conduct a review of their products and services according to the needs and desires of consumers at this time without reducing the principle of prudence (prudence). Based on this research, the Islamic bank must be able to adjust the mechanism of financing distribution so that it is faster and the requirements for applying for financing are not too much by the principles of micro-financing distribution, namely speed, and simplicity

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