



## Fintech For Sharia Micro Finance Institution: Qualitative Analysis toward Utilization of Financial Technology in BPRS and BMT

Trimulato<sup>a\*</sup>

<sup>a</sup> Alauddin Makassar State Islamic University (UIN), South Sulawesi

\* E-mail: [trimsiuii@yahoo.co.id](mailto:trimsiuii@yahoo.co.id)

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### ABSTRACT:

**Purpose:** The article aims to highlight the pattern of existing financial technology utilized BPRS and BMT. Describing the growth of sharia micro financial institution in BPRS and BMT is main process in this study.

**Design/Methodology/Approach:** Qualitative used consistently as approach. To support that approach, analytical interpretation used to understand data.

**Findings:** The results of this paper indicate that BPRS experienced good growth.

Third Party Funds grew by 19.144% and financing grew by 14.862%, while the number of offices decreased by 0.222%. The BMT experienced 72.418 percent of receivables growth, 52.885 percent financing, and assets and placements grew below 40 percent. The pattern of financial technology (fintech) is very good for the development of sharia micro financial institutions such as BMT and BPRS. All existing fintech forms can be applied, such as crowdfunding, peer to peer, payment and BMT and BPRS can serve as an intermediary for people who want to invest in sharia-compliant instruments/business.

**Originality/Value:** A set of novelty that can be stated from the article is that the study successfully identified in which the Fintech can be applied extensively in large typical financial—macro and micro financial industries.

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## INTRODUCTION

In Indonesia, the thought development on the necessary to apply the principles of Islam in economic activity emerged in 1974. Precisely initiated in a seminar "Indonesia-Middle East Relations" organized by the Institute of Social Sciences (LSIK). Islam formulates a totally different economic system from the prevailing systems. It has its roots in shari'a which is the source of world view as well as its goals and strategies. Different from the secular systems that govern the world today, while the Islamic economic goal (*maqashid ash-shariah*) is not merely material. Instead they are based on their own conceptions of human well-being (*falah*) and good life (*thayyibah life*), which provide crucial value for socio-economic brotherhood and justice and guide a balanced satisfaction both in the needs matter and spirit of all mankind.<sup>1</sup>

Islamic economics is defined as a branch of science that helps realize human well-being through the allocation and distribution of scarce resources, in line with Islamic teachings, without limiting individual freedom or creating macro and ecological imbalances. In addition, Islamic economics as the application of guidance and sharia rules that prevent injustice in obtaining and using material resources to meet human needs and to carry out its obligations to Allah and society.<sup>2</sup> Everyone is treated equally in an opportunity, no differences between individuals or groups or classes in society. Every individual should have equal opportunity to live properly, learn, work, work, security, health insurance, and other human rights fulfillment opportunities. Welfare and development outcomes are distributed to everyone and do not accumulate to a particular group.<sup>3</sup>

The domestic economy is our real economy, there will be no interference from other countries so that if there is economic problems with other countries then it does not give any impact for this country. Proven if there is a global economic crisis the domestic economy becomes a concern and solution to overcome, because it is not affected. So should the economy in the real sector, especially the domestic level should be a common concern, especially for the government. Opportunities remain open from a number of advantages that now exist in the Indonesian economy, such as large domestic markets, widespread investment opportunities, and a number of excellent products in the export market. The existence of government intervention in the Islamic economy to the economy is needed, because the State becomes a container for the welfare of the ummah. In individual ownership is not absolute, but ownership is limited by several things. In some circumstances, the state has

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<sup>1</sup> Umer Chapra, *Islam Dan Tantangan Ekonomi* (Jakarta: Penerbit Risalah Gusti, 1999), h. 9.

<sup>2</sup> Sholahuddin, *Asas-Asas Ekonomi Islam* (Jakarta: Penerbit Rajawali Pers., 2007), h. 5.

<sup>3</sup> Munrokhim Misanam, *Ekonomi Islam* (Jakarta: Penerbit Rajawali Pers, 2008), h. 68.

the right of intervention to ownership, the right to restrict or regulate that ownership in the life of the society.<sup>4</sup> The domestic economy in its development is also needed by the parties that provide convenience in the capital so that community empowerment can be created. Strongly supported by the existence of Sharia Financial Institutions in the form of BPRS and BMT which is an extension of sharia banking, and its operation in the micro level will require the domestic economy. The economics of Islam as a justice economy welfare all peoples with the use of natural resources to sustain the State's economy, also involving the domestic economy as a factor of economic success.

In order to encourage community empowerment, especially lower middle income and micro, small and medium enterprises (SMEs), comprehensive support from financial institutions is required. So far, SMEs have constrained access to finance to formal financial institutions. To overcome these obstacles, the community has grown and developed many non-bank financial institutions that conduct business development services and community empowerment activities, both established by the government or the community. These institutions are known as microfinance institutions (LKMS). However, many MFIs are not yet legal entities and have business licenses. In order to provide a strong legal basis for the operation of the LKMS, on January 8, 2013 has been enacted Law Number 1 Year 2013 on Microfinance Institutions. Microfinance Institutions (LKMS) are financial institutions specifically established to provide business development services and community empowerment, either through loans or financing in micro-scale enterprises to members and communities, savings management, as well as providing business development consulting services that not only seek profit.

The Financial Services Authority (OJK) issued operating licenses for the ten Sharia Micro Financial Institutions. The existence of 10 Islamic Sharia Islamic Institutions is expected to empower and improve the welfare of society, especially in boarding schools and surrounding areas. The establishment of this Sharia Micro Financial Institutions is part of OJK's financial inclusion program that includes role models such as the caretaker cleric in Islamic boarding. "(Shariah micro financial institutions) is expected to improve access to finance to small communities," said Chairman of the Board of Commissioners OJK, Wimboh Santoso. Wimboh said the establishment of Sharia micro financial institutions is one of the efforts to overcome the imbalance and poverty in the community that is in line with the current Government program. In addition, sharia micro financial institutions aims to improve welfare through community empowerment in Islamic boarding school environment. "The main characteristic is not collecting funds from the public, but the source of funds

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<sup>4</sup> Abdul Al-Mishri Sami', *Pilar-Pilar Ekonomi Islam* (Yogyakarta: Pustaka Pelajar, 2006), h. 46.

comes from donors, and channeling financing with low yields, equivalent to 3 percent," said Wimboh.

Bank Indonesia (BI) encourages the role of Sharia-based Micro Financial Institutions (LKMS) to boost regional and national economies. Previously, Shari'ah-based LKMS were divided into two types, under the Ministry of Cooperatives and MSMEs called Koperasi Simpan Pinjam and Syariah Financing (KSPPS), and were under the supervision of OJK or called the Sharia Micro Finance Institution (LKMS). BI Deputy Governor Rosmaya Hadi said that sharia-based LKMS have several potentials such as general co-operatives, which are operated from, by and for members and prospective members, close member locations, and board members, so easy access to information about customers is easy. In addition, shariah-based LKMS also apply the joint liability pattern, and loan and financing requirements are easily classified as non-tied to the rigidity of loan terms. Nevertheless, continued Rosmaya, in its development, Sharia-based LKMS face obstacles. Some of them are the quality and capacity of human resources managers are still low related to the concepts of developing sharia economy. Limited capital, and access to capital is also difficult. Not only that, the institutional readiness to financial reporting is also quite strict, majority management is still traditional, does not have a mature business plan and is still vulnerable to management intervention. LKMS also do not have similar institutions LPS, and competition is increasingly tight with banks, especially in terms of financing.

The development of sharia economy and financing in Indonesia is inseparable from the important role of financial intermediary institutions, where Sharia-based Microfinance Institutions become one of the intermediary institutions that have great potential to encourage the economic empowerment of the community both in terms of number and volume of business. Similarly, discussions raised in the Seminar Generate the Role of Sharia-Based Micro Finance Institution in Economic Empowerment of People opened by Deputy Governor of Bank Indonesia, Rosmaya Hadi on Wednesday (7/11) in Surabaya. The seminar was organized as a series of Sharia Forum Indonesia Sharia Economic Festival (ISEF) 2017 which was held on Fostering Inclusive Economic Growth and Improving Resilience through Closer Collaboration and Coordination. Sharia-based Microfinance Institutions have some potential such as those belonging to, by and to members and prospective members, the location of the offices of members, and the board members of the Board of Directors, knowing the members privately so that easy access to information about customers is easy. In addition, Shari'ah-based Microfinance Institutions also apply joint borrowing schemes, and loan and financing requirements are relatively easy that are not tied to the rigidity of loan terms. Efforts to support the development of Sharia-based Microfinance Institutions have been undertaken by the Government, including through funding assistance by the

Revolving Fund Management Agency (LDB) and coaching from the Ministry of Cooperatives and Small and Medium Enterprises. Meanwhile, at the Provincial level, especially the East Java Provincial Government, has also channeled grants for functional microfinance institutions to become Sharia-based Employee Cooperatives (Kopwan). Nevertheless, the development effort still needs to be further improved to encourage its contribution to the economy.

Although the proportion of micro enterprises dominates the structure of the national economy, their opportunities or access to financing sources originating from formal banking and financial institutions are still very limited. They are regarded as a group that is not bankable, so it is considered unfit to receive credit disbursement. Therefore, under these conditions, encouraging the development of Islamic microfinance institutions (LKMS) has become an urgent need, in an effort to increase the financial access for such marginalized groups. Moreover, in concept, sharia economy has a very real partisanship towards the development of micro-enterprises owned by the community. In general, this micro financing has been done by sharia economic and financial institutions through three channels. First, through sharia cooperative / Baitul Maal wat Tamwil (BMT). It is undeniable that the role of this institution is very significant as the spearhead of micro community empowerment. The growth is also remarkable, especially in the last two decades. While the third, through Islamic banking institutions, namely by BPRS (Sharia Bank Financing) and by unit / micro division of BUS (Sharia Commercial Bank) / UUS (Sharia Business Unit). Based on available data, the proportion of BPRS financing for micro, small and medium enterprises (SMEs) reached 84.8 percent, while the proportion of SME financing of BUS / UUS reached about 64 percent.

The role of sharia financial institutions to improve the economy of the community, thus requiring support to be enjoyed by the community. Limitations owned specially associated capital owned to make services Islamic financial institutions have not so broad and limited. Technological advances also can not be utilized by sharia financial institutions. Currently, financial teckhnology (fintech) is developing. Can be utilized by sharia financial institutions to be able to improve services and inclusions of Islamic finance in general. Fintech adaptation to the characteristics and limitations of Sharia microfinance institutions. Likewise sharia financial institutions should not be anti with technological advances but utilize for more advanced. Financial Technology or better known as FinTech is one of the innovations in the financial sector. In the modern era today, not just an online motorcycle or online shop. However, it has touched all aspects of people's lives. the existence of FinTech currently in Indonesia is expected to facilitate the public in accessing financial products and facilitate the public in transacting. FinTech companies in Indonesia itself tend to be crowded by start up companies and potentially big. National Digital Research Center in Dublin, Ireland defines financial technology as "Innovation in

Financial Service". Fintech's business scope in Indonesia covers several types such as FinTech in payment, lending, Investment, crowdfunding and others. Utilization of startup financial technology is expected to touch banking and Islamic finance in order to improve financial inclusion especially in the sharia sector. On a micro scale, I have observed some of the usefulness of FinTech that can be tailored to Sharia Micro financial Institutions (LKMS) as in Cooperatives. Amid the limited human resources, LKMS can also synergize with FinTech's startups in order to improve the quality of technology in LKMS. Possible risks. Because the business potential that can be harmonized through FinTech will facilitate the community in providing services in electronic money, virtual money, and others. So that in this micro finance institution FinTech can take advantage as new trend developing.

Microfinance business actors are required to address the current growing digitalization trend by mastering and adopting a digitalization system so that the performance of microfinance institutions can continue to grow and follow the development of Financial Technology (FinTech) or innovation in financial services. Director of the NBF Financial Services Industry, Moch. Muchlasin, said that microfinance business actors must be able to adapt to the development of FinTech in order to continue to grow and increase the scale of their business. He pointed to the fact that the increasing number of digital applications in the life of society and now people are shopping and transacting already take advantage of digital applications, on the contrary offline ways are shrinking. "Only by relying on cellular phones, anyone can do business transactions, for example in this building most of the handicraft products are transacted online so in order not to be left behind, micro business actors absolutely follow the times," he said. Assistant Deputy for Supervision of the Ministry of Cooperatives and SMEs, Asep Kamarudin reveals the digitalization system has also colored the world of cooperatives in the country. For example, the cooperative is now able to hold Annual Members Meeting (RAT) online that is held RAT by utilizing digital media. He explained that regulation is needed that will be the basis for the implementation of the microfinance microfinance system in the cooperative. "We will design rules and guidelines in support of the digitalization of cooperatives." Currently there are many cooperatives that apply digitization in the financial system. There are some who do the attraction activity and save the funds using digital money. This way is very beneficial to the cooperative because it is more efficient and effective. "The Chairman of KSPPS BTM, Achmad Suud hopes that Sharia cooperatives and microfinance institutions can immediately improve themselves and master the digital system so as to maximally contribute in strengthening the national economy. will also make the Cooperative and LKMS more credible and more trusted by the community," he said.



From the above description the authors feel interested to do deepening about the pattern of financial technology (fintech) in accordance with the characteristics of Islamic microfinance institutions. The formulation of the problem is how the development of microfinance institutions of sharia? and what is the pattern of financial technology that is compatible with sharia micro finance institution? Research purposes are to know the performance of sharia microfinance institutions, and to know the pattern of fintech in accordance with the character of sharia micro financial institutions.

Before the authors do follow-up of this paper the authors cite some previous research relevant to the theme conveyed that is related to technology in line with Islamic financial institutions, as well as the progress of Islamic microfinance institutions. As a material difference with previous research. Hani Werdi Apriyanti in her research entitled *The Development of Sharia Banking Industry in Indonesia: Analysis of opportunities and Challenges* states that the sharia banking industry must take advantage of various opportunities, namely by providing innovation products based on Information and Communication Technology (ICT) to provide a variety of options and expand the reach of the community . However, until now the innovation of sharia banking products is still very limited. In addition, other things that are not less important to support the development of Islamic Banking in Indonesia is to take advantage of economic growth opportunities, and increase the availability of Islamic bank funds. By exploiting these opportunities, sharia banking industry in Indonesia can grow and have competitiveness.<sup>5</sup> Ade Wirman Syafei, et al in their research entitled *Implementation of Technology (System) Based on sharia banking in Indonesia* concluded that the technology should be adopted by sharia banking is a technology based on Islam, which include: Making the main goal of sharia banking is the achievement maqashid syariah. One of them by making the financing mudharabah or musyarakah more dominant than murabahah financing that had been the highest portion. Making human resource of sharia banking is a figure worthy of exemplary. In addition to excel in running the activities of sharia banking, morality and attitude noble. Prioritize employees who have sharia banking education background or have worked in sharia banking. Equip employees with a variety of training and knowledge of Islamic religion is stronges.<sup>6</sup>

Ali Mursid and Entot Suhartono in their research entitled *Determinant Factors of Customers in Selection of sharia banking* mentioned based on the results of the previous analysis and discussion, it can be concluded that information technology positively affect the customer consideration variables in

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<sup>5</sup> Hani Apriyanti Werdi, "Perkembangan Industri Perbankan Syariah Di Indonesia : Analisis Peluang Dan Tantangan" Vol. 1, no. 1 (2017): h. 16.

<sup>6</sup> Ade Syafei Wirman, "Penerapan Teknologi (Sistem) Berbasis Islam Pada Bank Syariah Di Indonesia," *Jurnal Al-Azhar Indonesia: Seri Pranata Sosial* Vol. 2, no. 1 (2013): h. 6.

deciding to choose sharia banking. The better the existing technology facilities, then the customer will consider to choose a sharia banking. Likewise, the quality of service has a positive effect on customer consideration variables in deciding to choose sharia banking. The better the quality of services offered, the more likely customers to choose sharia banking. In addition, religious motives have a positive effect on customer consideration variables to choose sharia banking. The better the implementation of sharia, the more customers will consider to choose sharia banking.<sup>7</sup>

Isma Ilmi Hayati Ginting and Ilyda Sudardja, their research titled Development Strategy Baitul Maal Wat Tamwil in Medan City stated that internal factors that influence the development of KSPS BMT Amanah Ray is promotion, capital, integrated information technology system, profit sharing system is quite competitive, training and development, syariah product development, work experience, bookkeeping system, location, sharia system, administration fee. And external factors are rent, training, soft loans, loans, partnerships, competition, unstable economic conditions, laws, development policies, the existence of the formal sector. Government support can be used to fix the technology and information systems used to better provide good services to the community.<sup>8</sup>

Deloitte's research titled "Digital Financial Services in Indonesia" mentions, digital financial services will make access to the financial system is increasing so as to provide benefits to the national economy. According to a World Bank study, the inclusion of an inclusion financial system facility of 1 percent could increase GDP growth per capita by 0.03 percent. This economic growth then generates new employment growth. A 20 percent increase in financial inclusion through digital services will generate 1.7 million new jobs. Increased banking access also makes business, especially small and medium enterprises (SMEs), become easier. New entrepreneurs are now emerging as it is easy to sell goods via the internet. Traders do not have to have a shop or a conventional store first to sell their products. They can sell through various media such as social media, websites to special applications. Imanuel Adhitya Wulanata Chrismastianto in his study entitled SWOT Analysis of Financial Technology Implementation on Quality of Banking Services in Indonesia explained that the financial technology has a good level of effectiveness to improve the quality of banking services in Indonesia, so that the banking

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<sup>7</sup> Ali Mursid and Suhartono Entot, "Faktor Determinan Nasabah Dalam Pemilihan Bank Syariah," *Jurnal Dinamika Manajemen* Vol. 5, no. 1 (2014): h. 7.

<sup>8</sup> Isma Hayati Ginting Ilmi, "Analisis Strategi Pengembangan Baitul Maal Wat Tamwil Di Kota Medan," *Jurnal Ekonomi Dan Keuangan* Vol. 2, no. 11 (2014): h. 683.



management can implement it to reach all levels of Indonesian society, especially for people living in 3T (Outside, Outermost, and Remote) areas.<sup>9</sup>

Financial Technology, now known as 'fintech' can be defined as computer programs and other technologies used to support or activate banking and financial services. Fintech is a business that aims to provide financial services by utilizing modern software and technology. Fintech is a combination of financial technology that describes the emerging financial services sector in the 21st century. Initially, the term applied to technology is applied to the back-end of established consumers and trading financial institutions. Since the end of the first decade of the 21st century, this term has been extended to include technological innovations in the financial sector, including innovations in education and financial intelligence, retail banking, investment and even crypto currencies such as bitcoin. Fintech is an economic industry made up of companies that use technology to make financial services more efficient. It is quite difficult to define the Fintech concept, because the definition changes over time. Also because the traditional banking organization is hampered to develop due to the legacy of the operational system, the capacity to innovate, the agility and technological expertise. Fintech is generally a startup business that was founded with the aim of disrupting existing financial systems and companies but less relying on and optimizing the use of software technology.

Fintech Indonesia has several variants, including startup payments, financial research, retail investment, lending & crowdfunding, financial planning (personal finance), and remittance. Fintech is a term abbreviated from the word 'financial' and 'technology' in which it means an innovation in the field of financial services. The innovations offered by Fintech are extensive and in many segments, be it B2B (Business to Business) to B2C (Business to Consumer). Fintech influences the habits of community transactions to be more practical and effective. Fintech also helps people to gain access to financial products and increase financial literacy. The benefits of Fintech greatly affect the lifestyle of the economic community. The combination of effectiveness and technology has a positive impact on society in general. There are several benefits of Fintech in the community, the first benefit is, Fintech can help new developments in the field of technology startup that is mushrooming. This can help expand employment and promote economic growth.

Following are 4 Fintech classifications according to Bank Indonesia: Crowdfunding and Peer to Peer Lending, Market Aggregator, Risk and Investment Management, and Payment, Settlement and Clearing. *Crowdfunding*. In this classification, Fintech is useful as a mediator who finds investors with

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<sup>9</sup> Imanuel Wulanata Christmastianto Adhitya, "Analisis SWOT Implementasi Teknologi Finansial Terhadap Kualitas Layanan Perbankan Di Indonesia," *Jurnal Ekonomi Dan Bisnis* Vol. 20, no. 1 (2017): h. 142.

capital seekers, like the marketplace in e-commerce terms. Crowdfunding (massive or joint-based financing) and peer to peer (P2P) lending is overseen by OJK (Financial Services Authority). Crowdfunding is very useful for fundraising such as to fund a work, helping disaster victims and others. With Fintech, fundraising can be done online, so the raising will be easier and more efficient. *Peer to Peer Lending*, Lending is a Fintech service that helps the SMEs community so they can borrow funds easily even if they do not have an account at the bank. Capital is certainly a very significant issue of course to develop the business and meet the financial needs of the community. *Market Aggregator*, Fintech will act as a financial product comparison, where Fintech will collect and collect financial data for reference by users. This classification can also be called the namacomparison site or financial aggregator. For example, if a consumer wishes to select a mortgage product, the Fintech platform will adjust the consumer's personal financial data and provide a selection of mortgage products according to the personal data entered. This choice will be given in accordance with the desires and financial abilities and consumer preferences. *Risk and Investment Management*, the concept offered by Fintech in this classification has functions such as financial planner in the form of digital. Users will be assisted to get the most suitable investment product according to the preference given. In addition to risk management and investment, in this classification, there is also asset management, where Fintech will assist the operations of a business so it is more practical. Fintech is engaged in the field of financial planning is also classified in this type of classification.

*Payment, Settlement and Clearing*, Fintech Types incorporated in this classification are payments such as payment gateway and e-wallet. This classification is overseen by BI (Bank Indonesia) as this payment process also includes the velocity of money which will be the responsibility of Bank Indonesia. As mentioned above, payment gateway is one example of the fourth classification. Payment gateway is a bridge between customer and e-commerce (online buying and selling company) focused on payment system. With Fintech in the form of payment gateway, customers can choose the preferred payment method. To support the implementation of fintech in Indonesia, particularly related to consumer protection, Bank Indonesia has also issued regulations on the implementation of payment transactions, through Bank Indonesia Regulation no. 18/40 / PBI / 2016 on the Implementation of Payment Transaction Processing. The regulation is a form of Bank Indonesia's commitment to support the implementation of secure and efficient e-commerce transaction payments. Under the aforementioned provision, Bank Indonesia regulates, grants and supervises the implementation of payment system services performed by Principals, Issuers, Acquirers, Clearing Organizer, Final Settlement Provider, and Fund Transfer Provider. Bank Indonesia's innovations in the payment system are expected to continue to improve the development of

technological-based financial innovations in Indonesia, while maintaining consumer protection and risk mitigation. Bank Indonesia Fintech Office was established with four main objectives. First, to facilitate the development of innovations in technology-based financial ecosystems in Indonesia. Second, to prepare Indonesia to optimize the development of technology in order to develop the economy. Third, improve the competitiveness of Indonesia's financial technology-based industries. Fourth, absorbing information and providing feedback to support the formulation of Bank Indonesia policy, in response to technology-based developments. To achieve this primary goal, Fintech Office will operate with 4 functions, namely catalyst function or facilitator, business intelligence function, assessment function, and coordination and communication function. Bank Indonesia Fintech Office is also equipped with a regulatory sandbox, which allows the fintech business unit to perform limited activities, of course, after meeting the criteria setting by Bank Indonesia Regulations of Fintech. *First*, Fintech regulations in Indonesia are governed by the Financial Services Authority (POJK) Regulation No.77 of 2016.

However, this regulation is more conventional because it uses the term interest (but has a principle of democratic freedom and contract) that is inconsistent with sharia principles. *Secondly*, Fintech Peer To Peer Lending has been recognized since the POJK 77 December 2016 yesterday. its is an off balance sheet type, making it difficult to assess / determine which fintech sharia is healthy or unhealthy. POJK 77 is off balance sheet, so whoever the existing peer to peer lending fintech organizer can not lend money. Pure is just an intermediary. Both are prohibited to issue debt securities in any form, so purely only from equity. So as not to disrupt other existing financial industry, especially conventional banks and capital markets.

Sharia Fintech, Sharia financial literacy in 2016 was only 8.11 percent with an inclusive index of 11.6 percent. The aim of the Government's National Inclusive Financial Strategy (SNKI) is for 75 percent of Indonesians to have access to financial products by 2019. FinTech's support and FinTech sharia are expected to make more financial literate families. slowly entering into sharia financial system. Seeing this change, of course, customers should learn more about shariah signs in Fintech area, starting from contract, terms, pillars, law, tax administration, accounting to audit. From the contract side, Fintech is not contradictory to Shariah as long as it follows the principles of legitimacy of a contract, as well as complying with the requirements and the rules and laws applicable. Basically Fintech must refer to one of the principles of muamalah namely 'an taradhin or the principle of willingness of the parties who commit the contract. This principle emphasizes the equal opportunity for the parties to declare the process of ijab and qabul (Darsono et al, 2016). Requirements that must be met is that there must be an object ('aqid), subject (mu'qud' alaihi) and

the desire to do *aqad* (*sighat*) and harmonious to be manifestation is the price / wages and benefits. The law must also accompany, for example in the form of laws, fatwas and halal certification. In the Civil Code, the principle of willingness is stated in Article 1320, which states that: "In order for a legitimate covenant to take place, four conditions must be fulfilled: their binding agreement, the ability to make a covenant, a particular matter, an unlawful cause." In running the FinTech business, this article is also binding. The development of shariah law can be seen from the recent issuance of sharia certification by the National Sharia Council-Majelis Ulama Indonesia (DSN-MUI) for "PayTren". This is a new breakthrough in the world of Fintech Sharia in Indonesia which is expected to accelerate the achievement of PayTren target to reach 10 Million users in 2021 as well as many benefits to the wider community.

One of sharia fintech in the field of payment returns its sharia certificate to DSN-MUI after foreign acquisition, one fintech sharia in the same field is in the process of BI permit. One fintech in the Peer to Peer Financing field that has been granted OJK permission in the shariah recommendation process of DSN, and one fintech in the same field in the OJK licensing process and DSN recommendations. Thomas Philippon, researcher of the National Bureau for Economic Research, in his research "The Fintech Opportunity" reminds the monetary authorities, the financial services authorities, and of course the DSN-MUI as the fatwa authority can also take lessons to anticipate the development of fintech, that the existing regulations must be adjusted immediately technology advances. One example that was busy in Indonesia is setting up the maximum cost of top-up transactions of electronic money. The Plenary Meeting of DSN-MUI has just approved the Sharia Electronic Money Finance, one of which regulates it. The important difference that is unique to the Sharia Electronic Money is the value of money should not be lost even though the card is lost. The implications of the provisions of this fatwa are twofold. First, Sharia Electronic Money must be registered so that Know Your Customer principles are met while reducing the risk of misuse. Second, the cardholder's data and the money value are stored on the server so that the value is maintained. Another minor difference is the cost of top-up transactions and the "on us" cash withdrawal on the device owned by the publisher is free of charge. While "off us" that is on the device does not belong to the issuer may be charged. Syariah electronic money uses a *wadiah* contract that is entitled to deposit so that it may not be used by the issuer except with the owner's permission. The amount of float funds ie deposits that have not been used by the owner of the fund is limited to the maximum amount. If this fund with the owner's permission is used by the publisher, then the *qard* agreement is enforced. Interestingly in practice there were three parties involved. First, Electronic Money publishers as the party receiving *wadiah* or *qard*. Second, the cardholder as the owner of the funds that gives *wadiah* or *qard*. Third, the merchant is the seller of goods and

services that receive payments from the cardholder. Thus, the publisher is not the same party as the seller of goods and services. In practice it is merchants who provide discounts or promotions to cardholders, not publishers who provide discounts, promotions or other benefits. With the changing times, DSN-MUI as the fatwa authority to anticipate the right sharia law and correct by examining the depth of practice that occurred. Without a proper understanding of his practice, his fatwa may be inappropriate even though his proposition is correct (*karimconsulting.com*).

This is an example of the proposed accounting treatment for Mudharabah Fintech in the early stages of the transaction. Investor (*Shahibul Maal*) approves and provides Mudharabah financing capital investment to the Manager (*Mudharib*) through a startup campaign with an estimated profit sharing ratio already displayed. Agreement between investor with startup using wakalah bil ujroh. When the investor agrees to grant the capital, the funds are transferred through the escrow account / virtual account, and the investor acknowledges it as the Mudharabah Investment Fund. Journal recorded by the investor is: Mudharabah Investment Fund in Cash and from the startup side of the fund is recognized as deposit with Cash journal on Titipan Fund. So also on the side of Mudharib, when receiving funds from investors through startup, then the journal is Syirkah Temporer Fund on the credit side. One of the proposed accounting treatment for Waqaf FinTech is as follows. Waqif (the berwaqaf) agreed to channel waqaf funds to Nadzir through startup, the contract between Waqif with startup is wakalah bil ujroh. When Waqif distributed waqf funds through escrow / virtual account accounts, Waqif acknowledged the disbursement of waqaf funds. On the startup side acknowledged as Waqaf Funds Deposit until funds were transferred to Nadzir. On the Nadzir side, when receiving waqaf funds it is recognized as Cash on Waqf Fund Receipts, which Waqaf Fund Receipts are reported in a separate report specifically on the Report of Receipts and Disbursements of Waqf Funds. Audit. In terms of auditing, the role of Electronic Data Process (EDP) will be more important when digitization in business processes becomes more dominant. OJK requires the operation of FinTech to provide an audit trail of all its activities in information technology-based electronics systems. Audit track records are useful for monitoring, law enforcement, dispute resolution. verificate Sharia Micro Finance Institutions (BPRS and BMT).

Implementation of an BPR conducting business based on sharia principles is further stipulated in accordance with Decree of the Director of Bank Indonesia. 32/36 / KEP / DIR / 1999 dated May 12, 1999 concerning Rural Banks Based on Sharia Principles. In this case, technically an BPRS can be interpreted as a financial institution as a conventional BPR, and what distinguishes it is its operations that use Islamic principles of sharia. The presence of BPRS strongly supports the development of domestic market to

SMEs, as the same function with sharia banking is the mobilization of public funds. BPRS presence in the community closer when compared with sharia banking, seen the type of business undertaken by the BPRS is for businesses whose turnover time of funds in the short term by giving priority to medium and small scale businesses. The operational strategy of the BPRS is not awaiting the arrival of demand for facilities, but is active by conducting socialization/research to small-scale enterprises that need to be assisted with additional capital, thus having good business prospects. So that BPRS is more active in its operations in capital for micro, small and medium enterprises. The routine efforts of BPRS are to actively read and review market share, saturation level and competitive level of products to be financed. Supervision is also conducted on businesses that get capital so that the existence of capital can be assured really used optimally in the real sector business and in accordance with the principles of sharia system. As long as the contract is still in effect, the BPRS will continue to monitor the business that obtained the capital, until the end of the contract and receive profit and loss sharing, testing and other checking.

The attention of the SRB to the development of the domestic market in SMEs is evident from the various objectives to be achieved. The desired objectives with the establishment of BPRS are:<sup>10</sup> 1] Improving the economic welfare of the community, especially the weak economic class society that generally resides in rural areas; 2] Increase employment, especially at the sub-district level, so as to reduce the flow of urbanization; 3] To foster the spirit of Ukhuwah Islamiyah through economic activities in order to increase per capita income towards an adequate quality of life. 4] Increase domestic market share (domestic economy).

The functions of Baitul Maal Wattamwil (BMT), BMT consists of two terms, namely baitul maal and baitul tamwil. Baitul maal is more directed to the efforts of collecting and distributing non-profit funds, such as: zakat, infaq and sadqah. While baitul tamwil as a business collection and distribution of funds commercially. These efforts become an unfavorable part of the BMT as an institution supporting the economic activities of small communities based on sharia. Institutionally BMT is accompanied or supported by Small Business Incubation Center (PINBUK). PINBUK as the primary institution because it is carrying a broader mission, which incubate a small business. In practice, PINBUK hatches BMTs, and in turn BMT hatches small businesses.<sup>11</sup> The existence of BMT is like the life of the community where the BMT is located, with this way BMT able to accommodate the economic interests of the

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<sup>10</sup> Warkum Sumitro, *Asas-Asas Perbankan Islam Dan Lembaga-Lembaga Terkait (BMUI & Takaful) Di Indonesia* (Jakarta: Rajagrafindo Persada, 1996), h. 119.

<sup>11</sup> M. Dawam Raharjo, *Islam Dan Transformasi Sosial-Ekonomi* (Yogyakarta: Pustaka Pelajar, 1999), h. 431.



community. As a sharia financial institution in direct contact with the lives of small enough people, science or material, the BMT has an important task in carrying out Islamic mission in all aspects of community life. BMT is needed for the community to empower the people's economy both for international market and domestic market, and to overcome the economic problem that can hinder the development of SMEs.

The functions of BMT, which is to move people from non-sharia economic practices. Active socialization in the middle of society about the importance of Islamic economic system. Conducting coaching and funding of small businesses. BMT must be active in performing functions as microfinance institutions, for example by way of assistance, penpembinaan, counseling, and supervision of efforts nasabah or the general public. And can eliminate the bad culture that often occurs in small communities. That is the existence of dependence on loan sharks or borrowing with interest that is burdensome society. BMTs should provide better service to the community and provide ease in financing without procedures that can complicate the fund applicants. BMT will maintain the economic justice of society with equal distribution.<sup>12</sup> BMT as a financial institution grown from the role of the wider community, there are no economic, social and even religious limits. All components of society can play an active role in the development of a fairer and more important financial system capable of reaching even the smallest level of employers.

BMT is a business organization that also acts as a social. As a social institution, Baitul Maal has similar functions and roles with the Amil Zakat Institute (LAZ) or the government-owned Amil Zakat Board, therefore, this Baitul Maal should be encouraged to be able to play professionally into an established LAZ. The functions include at least zakat fund raising, infaq, alms wakaf, and other social sources and charities, as well as zakat pentasyarufan efforts to the most appropriate golongan in accordance with the provisions of asnabiah (Law 38/1999). As a business agency BMT focuses its business activities on the financial sector, namely saving and borrowing with the pattern of sharia. This business is like a banking business that raises funds from members of the community and distributes it to the halal and profitable sectors of the economy. The difference with banks lies in the object of funds, if the bank can withdraw funds from the public unconditionally, then the BMT can only withdraw funds from the public on condition of becoming a member or a prospective member. However, it is wide open for BMTs to develop their business lands in the real sector and other financial sectors, which are prohibited

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<sup>12</sup> Heri Sudarsono, *Konsep Ekonomi Islam* (Yogyakarta: Ekonisia, 2007), h. 93.

by bank financial institutions. Because BMT is not a bank, it is not subject to rules of banking.<sup>13</sup>

## METHODS

The type of research used in this paper is to use literature study obtained from several sources. This research is descriptive qualitative which means to describe a research subject. In this case is the growth of BPRS and BMT in Indonesia, Then design financial technology (fintech) for BPRS and BMT, with presentation of fintech already exist in Sharia financial institution at this time. The type of data used in this paper is the qualitative data sourced from the primary data and secondary data. Primary data in the form of data sources that directly provide data to researchers or data obtained directly from the field (the object of research), while secondary data is data sources that do not directly provide data to data collectors (researchers) or data taken by researchers as supporters of research scientific research by doing literature studies (search through books, articles, journals, magazines, internet and other sources). The data used by the author include: 1] The theories that researchers take from various literatures. 2] Collection of data from the results presented from an institution.

The limitations of this paper are focused on the development of BPRS and BMT in Indonesia, as well as the design patterns of the form of financial technology principles for syariah micro finance institutions namely BPRS and BMT. By adjusting to the fintech principles applied to the Islamic finance industry. Data collection techniques required in this paper is to use several methods, namely: Library Studies, This method is used to explore the theoretical basics associated with financial technology, as well as related to Islamic economics, related Islamic financial institutions, as well as the role of sharia financial institutions, especially BPRS and BMT. Observations, Any data obtained from various sources was observed and analyzed in relation to the growth conditions of the BPRS and BMT as well as related data on the fintech femininity of existing syariah financial institutions.

The method of data analysis used is by using descriptive qualitative approach that is by describing the development of BPRS and BMT, and describe the pattern of financial technology applicable at syariah financial institution which regulate about fintech syariah. Then the adjustment of fintech types for sharia micro finance institutions such as BPRS and BMT. Qualitative research is a research procedure that produces descriptive data in the form of written or oral words of the people and circumstances observed. Qualitative

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<sup>13</sup> Muhammad Ridwan, *Sistem Dan Prosedur Pendirian Baitul Mal Wa-Tammil (BMT)* (Yogyakarta: Citra Media, 2006), h. 2.

research is a research method used to examine the condition of natural objects, (as opposed to experiences) where researchers are as a key instrument, data collection techniques are done in triangulation (combined), data analysis is inductive and the results of qualitative research is more meaningful than generalization.<sup>14</sup>

## RESULTS AND DISCUSSION

### The Development of BPRS in Indonesia

**Tabel 1.**  
Growth of BPR Syariah, Period 2017-2018

NO`	INDIKATORS	FEBRUARY 2017	FEBRUARY 2018	GROWTH
1	Total Third Party Funds	5,999,577	7,148,155	19,144 %
2	Total Financing	6,872,177	7,893,550	14,862 %
3	Number of Banks	166	167	0,221 %
4	Number of Offices	451	450	-0,221 %
5	Number of Employes	4,489	4,726	5,279 %

**Source:** OJK: Statistics of Sharia Banking on February 2018 (*processed*)

From the above data shows the growth of the Sharia Banking (BPRS) in the period from February 2017 to February 2018, several indicators indicate the growth in the BPRS, the largest growth in Third Party Fund (DPK) which grew by 19.144 percent. The next largest growth in the indicator is financing that grew by 14.862 percent, then the growth of employment amounted to 5.729 percent. The indicator of the number of banks grew by 0.221 percent. While the indicator of the number of offices decreased by -0.221 percent or closure of one unit of the BPRS office.

### The Development of Baitul Maal Wattamwil (BMT) in Indonesia

**Tabel 2.**

The Growth Position of Sharia Micro Finance Institution

NO	INDICATORS	FEBRUARY	FEBRUARY	GROWTH
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<sup>14</sup> Farizal, "Pengembangan Kompetensi SDM Perbankan Syariah Melalui Corporate University" (Forum Riset Perbankan Syariah II, Yogyakarta: Universitas Muhammadiyah Yogyakarta, 2010), h. 60.

		2017	2018	
1	ASSET	83,46	115,55	38,449 %
2	PLACEMENT OF FUNDS	28,68	40,12	39,888 %
3	RECEIVABLES	20,63	35,57	72,418 %
4	FINANCING	8,15	12,46	52,883 %

**Source:** OJK, Monthly Statistics of Sharia Non-Banking Industry February 2018 (*processed*)\* In Billion Rupiah

The above data shows the growth of Sharia Micro finance Institutions in the period February 2017 to February 2018 shows growth of some Indicators. The largest growth experienced in the indicator of receivables grew by 72.418 percent. Then Net subsequent financing (which means showing *mudharabah* and *musyarakah*), which grew by 52.883 percent. The asset growth and placement of funds grew below 40 percent. The exact number of BMT is unknown because many of them are not registered and operate informally, while others have been registered as cooperatives. Unofficial estimates mention the number between 4,500 and 5,500 throughout Indonesia. However, BMTs that have been registered as cooperatives (but not yet regulated) are 1,197 sharia financial services cooperatives (KJKS) and 2,163 units of sharia cooperatives (Sharia Business Unit) by the end of 2014. This is in accordance with the information provided by the Ministry of Cooperatives and Indonesian SMEs.<sup>15</sup>

### **The implementation of Financial Technology for Sharia Micro Finance Institutions (BMT and BPRS)**

The limitations of Shariah microfinance institutions from the capital side and access to services to the community do not make BMT and BPRS to deny technological progress that continues to grow. BMT and BPRS can synergize and cooperate with the existing fintech industry to improve service quality and in order to improve the inclusion of sharia finance.

As the type of fintech is already ie; *First, crowdfunding*, or commonly referred to as unjustification of funds from the public through online mechanisms for a purpose both for commercial purposes and for social activities. BMT and BPRS can do just that, both can make online fund raising for commercial activities or for social activities. Both work together with other parties. For example, for funds raised for the social can be in the form of their own activities or channeled to other social institutions such as BAZNAS, LAZISMU, LAZISNU, and others. For commercial purposes the funds can be used for the improvement of own business or in cooperation with other parties. *Second, Peer to Peer (P2P)*, which is an online granting activity without meeting between those

<sup>15</sup> Bappenas, *Masterplan Arsitektur Keuangan Syariah Indonesia* (Jakarta, 2015), h. 94.

who provide funds with those receiving the funds. Currently the form of BMT and BPRS activities is channeling financing, through Peer to peer this both can cooperate with fintech or star up, so that both funds can be channeled for financing in line with the principles of sharia. So the position of BMT and BPRS that channel funds through startup. In order for financing in BMT and BPRS and growing. Form of cooperation with startup with akad wakalah. *Third, Payment*, this form of fintech has been done by BPRS and BMT proved some payment will need of society can be done in BMT and BPRS like electric bill, bill, water, phone bill, buy credit, electric token and so forth. In this fintech the access needs to be enlarged or expanded, so the payments are more reproduced such as payment / purchase of train tickets, airline ticket purchases, payments from online sale, payment of school, and others tailored to the needs and interests of the growing community.

*Fourth, Investor Facility*, at this fintech BMT and BPRS become a place for people who want to berinvestasi on syariah instrument. Currently there are several companies that open online investment opportunities in accordance with sharia, BMT and BPRS can be a bridge of investment activities by offering as a facilitator of investment, especially for its customers. For example, there is now Igrow investment in plantation sector, should the people can make such investment through BMT and BPRS, just adjust the form of the investment should be according to sharia. So BMT and BPRS in addition to offers / sell products can also supply as investment facilities on the other party.

## CONCLUSION

The growth of the BPRS in the period February 2018 to February 2018 has experienced excellent growth on several indicators. Third Party Fund grew by 19.144 percent, Financing grew by 14.862 percent. The number of workers is 5.279 percent, and the number of banks grew by 0.222 percent, while the number of bank offices decreased by -0.22 percent or closed one closing office. The growth of sharia financial institutions experienced excellent growth, the largest growth in the indicator Accounts grew by 72.418 percent. then financing grew by 52.885 percent, then fund placement grew by 39.888 percent and the smallest growth in assets grew by 38.449 percent. The number of sharia micro finance institutions (BMT) is between between 4,500 and 5,500 Units, consisting of 1,197 Sharia Financial Services Cooperatives (KJKS) and 2,163 Sharia Business Units from Sharia Cooperatives.

Sharia Micro finance institutions such as BMT and BPRS can take advantage of the current growing financial technology, to increase corporate profits and to expand the inclusion of Islamic finance. BMT and BPRS can benefit from existing fintech products such as crowdfunding, for social or commercial activities. Peer to Peer Products (P2P) can be done by BMT and BPRS through cooperation with star ups without building their own system to

distribute financing to those who need it. Payment, payment system already exist BMT and BPRS at this time only access is still limited, need to be enlarged fore the payment of not just electricity bill and telephone but can more widely for other payment which can be done in BMT and BPRS according to society requirement. Last BMT and BPRS in the presence of fintech can be a facilitator for people who want to pass investment in companies that are in line with the principles of sharia syatem.[]

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