



Black-or-White of Online Lending in Indonesia: Conventional Platform or Sharia Scheme (A Netnography Study)

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Abstract

The numbers of Islamic fintech online loans providers continue to grow during the Covid-19 outbreak. The goal of this research is to look into Islamic fintech-based online loan transactions from an Islamic law and accounting perspective. This study used the interpretive netnography approach, with documentation technique serving as the data collection method, and explanation building tact as the data analysis method. This study found that the use of conventional online loan schemes was having negative consequences, such as an increase in occurrences of despair and suicide among borrowers. Sharia fintech, through its profitless online lending scheme, may reduce the bad effects of the conventional scheme. From the praxis perspective, this research aids to raise public knowledge on avoiding the use of unlawful conventional online loan mechanism. In the future, this research is expected to improve the development of online loans and Islamic fintech research.

Keywords: Islamic fintech, netnography, accountability, p2p lending, sharia financial accounting

Introduction

Financial Services Authority reports that during the pandemic period, total sharia and conventional fintech lending disbursements in Indonesia are Rp13.579 billion as of December 31, 2021 (OJK, 2021). Around 16.5 per cent of total online lending, value belongs to sharia fintech lending platforms, while the conventional online lending providers have the rest of the total value or Rp11,363.15 billion (OJK, 2021). In general, the total outstanding value has experienced a decrease of 12.89% from the previous year of 2020 (OJK, 2020). The numbers show that fintech lending sector is receiving unfavourable feedback from the public (Hiyanti et al., 2020). However, people still flock to learn about and apply fintech in their purchasing and selling operations (OJK, 2019). The decline strengthens Saputra's (2019) argument that Indonesia's regulatory framework for fintech has failed to give legal protection to borrowers, and as consequence, the online lending providers will start losing their attentive customers and eventually public trust. Wulandari (2018) appends that under the current fintech framework, online loan providers are not obligated to ensure the safety of their customers. This fact makes the

consequence, the online lending providers will start losing their attentive customers and eventually public trust. Wulandari (2018) appends that under the current fintech framework, online loan providers are not obligated to ensure the safety of their customers. This fact makes the relationship between fintech companies and borrowers become lopsided (Wahyuni & Turisno, 2019). The lack of legislative tools oftentimes triggers unpleasant practices by conventional peer-to-peer lending firms in collecting the overdue online loan in the form of the personal information breach and spread of borrowers' disgrace (OJK, 2021a; Saputra, 2019). This inconvenient situation is exacerbated by the traditional online lending requirements, which are intrinsically related to the term usury and the greediness of those behind the loan scheme (Sitompul, 2019; Suryono et al., 2019). The nature of humanity is covered with avarice when it comes to gaining wealth; according to the Prophet Muhammad, May Peace be Upon Him: "*Even if man acquired a valley full of golds, he would still crave another valley full of them*" (Hadith of Bukhari). Islam, as a supplement to religious texts, is applicable at any period. Regardless of how advanced technology has become, Islam continues to serve as a guide for human life (Hiyanti et al., 2020; Tuasikal, 2010). Furthermore, Arafah & Nugroho (2016) envisage that existing conventional fintech lending impediments can be alleviated by sharia principles aiming to give benefits based on Islamic principles of humanity. Sharia fintech, in the form of an online peer-to-peer lending scheme, is present to uphold the principle of aiding one another honestly, particularly those in debt (Aziz, 2020; Yarli, 2018).

Previous studies offer variations of opinion about Islamic law and online loan transactions. According to Rachmat (2019), transactions made through online loan applications are not made to assist others but to profit from usury. In contrast to Rachmat (2019) and Zakiyah (2019) claims that transactions made through online loan applications are lawful as long as they are not harmful to one another and are made with good intentions. Sharia fintech, on the other hand, is facing several problems that impede its development in Indonesia. Because debt is a double-edged sword, Cahyadi (2014) stresses the significance of responsibility in debt management to minimize difficulties that may occur due to debt transactions and sustain undesirable intents and habits, such as fraud or data manipulation. Thus, the need to improve transparency regarding the online loan scheme via sharia fintech becomes no further than highly urgent. Unfortunately, due to a lack of clarity in Islamic law on online loan transaction schemes and accountability, as well as the problems faced by Islamic fintech in growing their wings, Indonesian scholars rarely discuss these issues. In a nutshell, our study fills the gap in previous studies by establishing three main objectives to be encountered: (1) identifying why people become caught in the conventional "*pinjol*" scheme (*the black-side*), (2) investigating how the challenges of Islamic fintech lending as an alternative solution for financial funding look like (*the white-side*), and (3) unravelling how accountable the sharia lending transactions are.

Research Method

Using the Islamic interpretive paradigm proposed by Triyuwono (2004) to view the world of P2P lending, the study looks up the conformity of online loans to Islamic law as well as the accountability of digital lending and information regarding online loan applications from the perspective of the borrower, such as how the borrower feels after making

transactions on “*pinjol*” applications. Based on the mentioned reasonings, the nature of the phenomena that occur establishes the study goals that must be met (Kamayanti, 2020). In a nutshell, this study focuses on elaboration to come up with answers and perspectives on the issues that may arise (Kamayanti, 2020; Qadri & Firmansyah, 2020). Thus, our research should follow the qualitative-interpretive research inquiry to achieve the objectives (Qadri & Jauhari, 2020).

To fulfil research purposes, we implemented the modified netnography as the methodology to proceed with the research. The netnography technique, according to Mulawarman et al. (2021), is an anthropology-based internet research strategy for further examining interactions in virtual communities. To perform netnography, researchers must follow multiple data collection and analysis stages (Kozinets, 2010; Mulawarman et al., 2021). We opted not to heed the complete procedure since we may not be obliged to fall into the methodological pitfall of adopting the procedural designs while losing sight of the study's purpose (Kamayanti, 2016, 2020). Therefore, we modified the netnographic procedures to align with the necessity of strengthening the reflexivity of our findings. The modified processes consisted of two stages: data collection and analysis. *In the first stage*, we employed the netnographic observation to gather data from the selected social media site to research human behavior in the online environment (Kozinets, 2010; Kristina, 2021), as well as individual engagements with websites (Mulawarman et al., 2021; Qadri, 2019). We adopted netnographic observation because netizens eventually are unaware that their remarks are being recorded and analyzed; hence, the netnographic approach is useful for organically observing their behaviour (Kozinets, 2010; Santoso & Soeherman, 2021).

Furthermore, data gathered by direct observation or interview method may be inaccurate since the source may offer data based on the results intended by the source rather than the real facts (Mulawarman et al., 2021; Santoso & Soeherman, 2021). Materials needed for this study came from the internet, including publications, official websites, and “*pinjol*” victims' social media. Therefore, those study objects necessitated internet media as the data source for performing observations.

In this study, observations were focused on the community of conventional “*pinjol*” victims by lurking on Whatsapp groups and Twitter of those who are engaged in traditional online loans and news sites that describe “*pinjol*” victim agonies. We were aware of Whatsapp group member privacy and have tackled the issue by hiding or blurring the respondents personal information like names and phone numbers when presenting the findings as suggested by Kozinet (2010) and Mulawarman et al. (2021). Observations on these online sites, which were spanned from January 2019 to August 2021, were likely to uncover phenomena connected to the reality of peer-to-peer lending victims, as well as victims' responses to the stranglehold of digital loan interest, which traps them in a cycle of inability to pay and dread from debt collectors. By monitoring reliable publications on the internet, observations and literature studies were also conducted together. All of the material searched on the internet refers to the horror stories traditional “*pinjol*” clients tell about the repayment of debt principal and interest, which can sometimes surpass the principal amount. Other online materials searched were works of literature related to the sharia “*pinjol*” challenges as the substitute products of traditional “*pinjol*”, Quran verses on the prohibition of the usury act, and the Islamic accountability for fintech.

The next stage is to analyze the internet data that has been obtained, as shown in Figure 1. We made Santoso & Soeherman (2021) work as the foundation of data analysis. They updated Kozinet's (2010) netnography approach for data analysis, which condensed the netnography's analytical procedures into three primary notches: classifying, conceptualizing, and narrative. Following Santoso and Soeherman's path, we improved their analytical steps (Santoso & Soeherman, 2021) by adopting Qadri & Jauhari's (2020) technique for examining the data. As a result, we divided our data analysis steps into three stages, including (1) a conceptualization of the research objectives; (2) an interpretation of how to relate the data to the research aims (explanation-building); and (3) elaboration of the considerations for perceiving the research findings (analytical generalization). The first stage was to identify the qualities of the appropriate research issues. The terms "what," "how," or "why" may be used in research inquiries on a current sequence of occurrences over which the researcher has limited influence (Hidayat & Qadri, 2020). The second step established a link between research findings and research topics. The explanation-building approach was implemented in this stage to construct a complete explanation of the topic being examined (Qadri & Jauhari, 2020; Wasantari & Qadri, 2021). Utilizing the explanation-building procedure was the most effective way to refine research findings (Yin, 2018) for answering the first (the black-side of "pinjol") and second (the white-side of sharia P2P lending) research question.

The analytical generalization was the final technique for abstracting what we have learned from research findings by putting the conceptual framework of the study into action (Qadri & Jauhari, 2020; Yin, 2018). Researchers mulled over the research findings to see whether they were relevant to the study's goals. Afterwards, we utilized Kamarudin & Auzair's (2020) accountability framework as the theoretical lens to abstract the conceptual foundation of the sharia "pinjol" transparency. The Islamic accountability framework by Kamarudin & Auzair (2020) entailed a structural framework to explain the

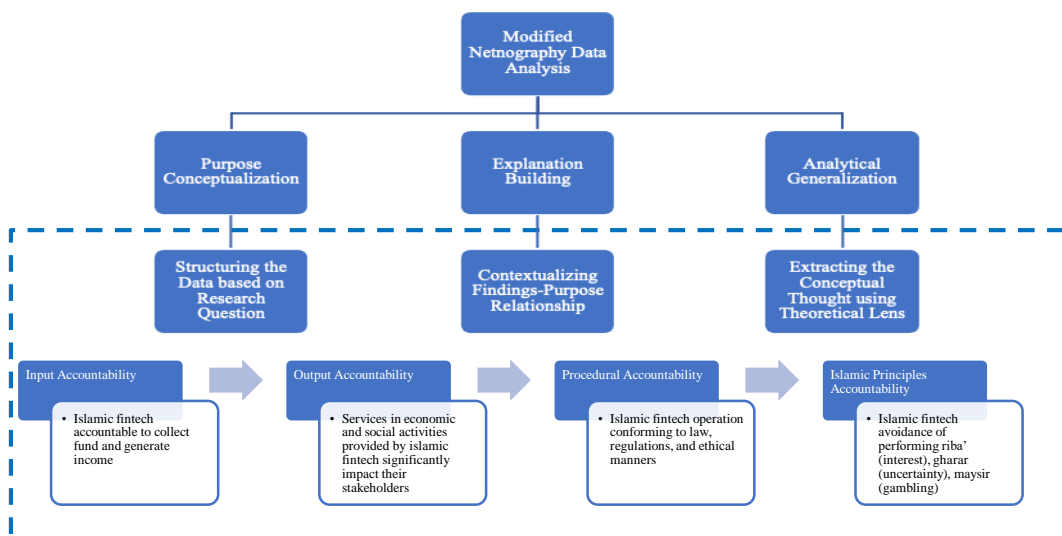


Figure 1. The Data Analysis Framework

Source: Qadri and Jauhari (2020); Kamarudin and Auzair (2020)

“reflection” side of research findings. The Islamic view of fintech accountability comprises four intertwined angles, which are accountability for input, output, procedural, and

Islamic principles and values. Figure 1. also summarizes the four sides of the Islamic accountability framework used in this study. To pinpoint the Islamic principles of accountability, researchers interpreted sharia fintech-based loan transactions from the standpoint of the Islamic teachings by looking for justifications from Quranic passages and trustworthy hadiths on the sharia “pinjol” scheme.

Result and Discussion

The first research objective: black-side of why society is always entangled in “pinjol” contract can be explained as follows. Due to the high number of Indonesians who are hesitant to take out bank loans, internet loan applications are favoured for company financing in the country (Budiyanti, 2019). According to Panginan dan Irwansyah (2020), the widespread use of online loan applications is aided by the development of systems, adequate infrastructure, and the availability of an internet network, which allows online buying and selling transactions to be completed faster than face-to-face transactions. Apart from the criteria mentioned earlier, another element that drives consumers to utilize online lending services is the simple and quick loan application procedure, which may be considered the primary driver (Tjandra, 2020). Compared to borrowing from a bank, the time, documentation, parties involved, dangers, and collateral necessary for a loan are all significantly different yet more affordable.

Pay-your-debt-or-be-dead is the logic of “pinjol” debt collection. There were 86 fintech peer-to-peer lending businesses and illegitimate digital loans as of April 21, 2021, according to data from the “Waspada Investasi” task force, which is entrusted with dealing with numerous concerns linked to violations of legislation related to investment management (Ratriani, 2021). With the rise in unauthorized internet borrowing, more people are becoming trapped in enticing convenience and suffocating interest (Budiyanti, 2019). Figure 2. shows the victims of online loans who defaulted, resulting in debt collectors terrorizing them with ominous threats and ever-increasing debt.

www.detik.com – June 3, 2021	www.detik.com – October 4, 2021
<p>Afifah, an honorary teacher in Semarang, is embroiled in a <i>Pinjol</i> debt that has ballooned from Rp3.7 million to Rp206 million.</p>	<p>24 debt collectors tortured a kindergarten teacher from Malang to the point that she nearly committed suicide.</p>
	

Figure 2. Victims of “Pinjol’s” Terrorism

Source: www.detik.com

The complete story of the victims in Figure 2. is described as follows. The preys in Figure 2. are victims of an emergency, hence they will surely identify a source of cash that can supply finances swiftly and conveniently. The prey first borrowed money from only a single online lending business, and the victim in need of cash did not thoroughly read the terms of the contract. The debt, as it appears, must be repaid within seven days, which, understandably, causes the victim to worry because they have no idea how to pay back the loan.

The victim then began digging a deeper hole by borrowing from another online lending provider, but most of the loans inevitably defaulted, causing the loan amount to increase dramatically due to hefty interest and late payment penalties. Not only that, such a worse situation is followed by terror from debt collectors, who not only disrupt the victim's life by threatening but also target others in the victim's immediate vicinity. This is what leads to the victim's dismissal from his job since the victim's workplace is likewise fearful of the presence of the debt collector.

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- Debt Collector 1 : You are in debt to the point of death!
- Borrower : Don't worry, sir, I will pay, as long as you take it here
- Debt Collector 1 : You've seen this! I'm about to humiliate you by myself.
O illegitimate child, I'm going to sell your pride! You owe money you can't afford to pay back.
- Debt Collector 2 : I'll inform your coworkers and even your boss about your embarrassment if you don't pay your debt!
I'll be waiting for you at 3 p.m. this afternoon, and if you don't pay, I'll use your information to apply for another loan to replace the monies you've squandered!
Not bad, ten applications on your behalf so that your family can't sleep at night since they're being pursued by debt! I'll make your family a fugitive of other online debt collectors if you dare to fool around!
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Figure 3. "Pinjol" Ribald Debt Collection Manner

Source: Instagram and Twitter

Figure 3. illustrates how debt collectors intimidate online loan consumers when it comes to collecting loans. Bill collectors are not afraid to use harsh language, intimidate, and even threaten the victim's kid if he does not pay his debt. Let us just be attentive to the tension between debt collectors and the borrowers to experience the negative vibe from Figure 3.

This is certainly a breach of loan collecting principles. The government's present focus is how to prevent debt collectors from collecting in this manner. This type of debt collection behaviour is what leads borrowers to dig holes and conceal holes in order to avoid debt collector threats. Furthermore, the government's primary focus is the abolition of online loan firms that use debt collectors who do not follow established collection procedures.

The other black story of traditional "pinjol" is that borrower became unhappy and chose to terminate his life in the process of the debt collectors' filthy and repulsive behaviours, along with the mounting pile of unpaid bills (Figure 4). This decision may be taken when the borrower believes there is no other way out of the predicament. Indeed, we are obligated to pay our debts if we have any. The challenge here, though, is how to retrieve the loan. There are restrictions and protocols which should be followed for collecting debts in a good manner. Indonesian Financial Services Authority (OJK), via regulation number POJK-77/POJK.01/2016, specifies the guidelines and procedures which should be obeyed by loan providers for collecting their receivables. In essence, the debt collector in Figure 4. breaks the rules that have been established. Threats that lead to the borrower eventually opting to take his life, regardless of the situation, are not justifiable.

www.okezone.com

January 11, 2019:

On Mampang Prapatan street in Tegal Parang, South Jakarta, a cab driver called Zulfadhli was discovered dead with his neck tied to a rope. Zulfadhli's handwriting was discovered on a sheet of paper. The guy, who was born in Padang in 1984, said in his letter that he was in debt and was being hounded by internet loan lenders.

Sopir Taksi Bunuh Diri

Pada Jumat (11/1/19), seorang sopir taksi bernama Zulfadhli ditemukan tewas dengan kondisi leher terjerat seutas tali di Jalan Mampang Prapatan, Tegal Parang, Jakarta Selatan. Penyidik mendapati selembar kertas bertulisan tangan Zulfadhli. Dalam suratnya, pria kelahiran Padang tahun 1984 itu menuliskan bahwa ia sedang terlilit utang dan dikejar-kejar oleh rentenir atau pinjaman online.

October 24, 2020:

Because he was caught in an internet loan debt of Rp20 million, a guy with the initials KS (25 years) was resolved to commit suicide in the restroom of a minimarket on Jalan Buaran Raya, Duren Sawit, East Jakarta, by slicing his hand with a cutter knife.

Percobaan Bunuh Diri Jakarta Timur

Pada Sabtu (24/10/20) malam, seorang pria berinisial KS (25) nekad melakukan percobaan bunuh diri di kamar mandi sebuah minimarket di Jalan Buaran Raya, Duren Sawit, Jakarta Timur dengan cara menyayat tangannya dengan pisau cutter karena terlilit utang pinjol sebesar Rp20 juta.

Figure 4. The Detrimental Consequences of "Pinjol"

Source: www.okezone.com

If this is the case, then there is something wrong with the online lending service provider's debt collecting approach.

The second research objective: the white-side of sharia fintech outlook and contention is described as follows. Through regulation number POJK-01/POJK.07/2013, the Indonesian Financial Services Authority has imposed game rules for financial service industry actors. Financial services company actors are forbidden from disclosing data and/or information about their customers to third parties in any way, as per Article 31 of POJK-01/POJK.07/2013. The authority regulates fintech lending and borrowing transactions in particular through regulation number POJK-77/POJK.01/2016, which asserts in article 26 that online loan service providers should indeed retain the secrecy, truthfulness, and provision of personal data, transaction details, and financial data that they manage from the time the data is collected until obsoleted. Administrative sanctions in the form of written warnings, fines, and restrictions on commercial operations will be levied if they are found to have violated these regulatory requirements, and the authority will staunchly rescind the operating license for online loan services if they are convicted of violating the rules declared by the authority (Choirunnisa, 2019).

Yuono (2021) emphasizes that, from a legal standpoint, debt collectors' threats and distribution of personal data can be prosecuted. The rules governing these actions include (1) the Criminal Code (KUHP), article 368, paragraph 1 and article 369, paragraph 1 regarding threats with a maximum sentence of four years in prison, (2) the Law No. 19 of 2016 on Electronic Information and Technology, article 29 and article 45b pertaining threats through electronic media with a maximum punishment of four years in prison, and (3) the Law No. 19 of 2016, article 27, paragraph 3 concerning the dissemination of personal data with a mandatory punishment of four years behind bars and/or a maximum fine of one billion rupiahs.

According to Mujahidin (2019), Islamic fintech in the area of digital loans as of now has many advantages, including the majority of Indonesia's population is Muslim, and 64 per cent of Indonesia's population is underbanked. These attractions could increase the target number of prospective sharia fintech users, develop the sharia economy both globally and domestically, and support the Islamic financial technology platforms which have been widely available in Indonesia. On the other hand, the government and the Indonesian Ulema Council are fully dedicated to expanding the Islamic economy, which will boost the capacity for collecting *Zakat*, *Infaq*, *Shadaqah*, and *Wakaf* (ZISWAF) monies. Not only that, but according to Mujahidin (2019), Islamic financial rules exist in Indonesia and are supportive, but Islamic fintech regulations are still in the works and, therefore, will create chances for strengthening the sharia financing growth.

Figure 5. depicts how easy it is to invest in Sharia-based housing financing projects utilizing DanaSyariah, a Sharia Fintech application. Those in need of finances should merely fill in the money required for a home building project on the DanaSyariah website, and the yield will be calculated in real-time. With this level of simplicity, Sharia-based funding will expand even more quickly in the future. In reality, people have given positive feedback to the Sharia fintech, claiming, *"This house Sharia finance plan is undoubtedly excellent and beyond my expectations." Because it is founded on Islam, the system is extremely recognizable."*

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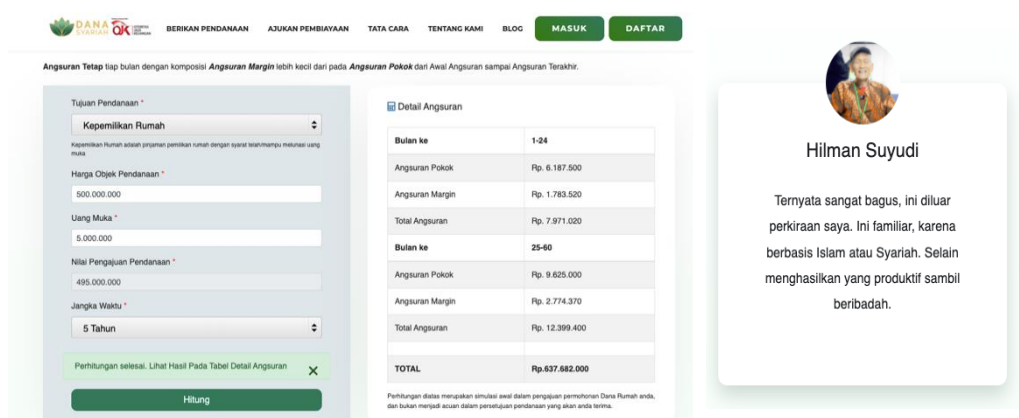


Figure 5. Islamic Funding Scheme for Housing Project

Source: www.danasyariah.id

With all of these potentials, Islamic fintech will still have to deal with problems in the form of online loans. Rusydiana (2018) states that the lack of policy instruments that regulate the fintech work process is one of the obstacles and hurdles faced in the growth of sharia fintech in the form of online loan applications. Currently, sharia fintech is governed by broad laws that aren't entirely consistent with sharia principles (Roro & Shomad, 2018). Indonesian financial services regulators have yet to develop explicit legislation governing Islamic fintech. The issuance of a fatwa by the Indonesian Ulema Council (MUI) Number DSN-117/2018, which stipulates that sharia fintech financing services in the form of online loan applications must carry out their services following sharia principles to avoid usury, maisir, and gharar, helped to alleviate the lack of regulations from the OJK and Bank Indonesia (Aulia et al., 2020). The MUI's fatwa is a stepping stone for the development of sharia fintech in the Indonesian fintech industry (Aulia et al., 2020).

Figure 6. depicts a scene from a tale about a Sharia "pinjol" that employs a Sharia-based debt plan or *qardh* contract to compete with traditional digital lending. A Sharia-based debt system is distinguished from the traditional one by the absence of any additions to the main obligation, such as a late payment penalty. From Figure 6. we can conclude that Alami, a Sharia fintech, does not levy a penalty if the borrower fails to repay the amount within the given time frame. Sharia loan user, who is also an entrepreneur, gave a good testimonial from using Alami's lending scheme, stating that "the credit application procedure went quickly, and considerably aided the smooth running of the business." *Sharia and trust.*"

Compared to traditional fintech lending providers, the licensing procedure for sharia fintech is much more complex. Roro & Shomad (2019) reveals that the present sharia fintech registration process was carried out in the same way as traditional fintech registration procedures, notably based on POJK-77/2016. As part of the renewal of POJK-77/2016, the OJK is actively working on sharia-based fintech lending policies. In this fashion, sharia fintech is now compelled to operate using traditional peer-to-peer lending systems and to be governed by socioeconomic concepts that are manifestly incompatible with sharia principles. One of the issues for sharia fintech firms that offer online lending functionalities is ensuring Sharia compliance. Mujahidin (2019) describes several provisions that can be used as qualitative measures to assess sharia compliance for sharia

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Figure 6. Sharia “Pinjol” White-Story Claim

Source: www.alamisharia.co.id

fintech service providers, namely: contracts used by service providers for financing allocation must accede to Sharia principles, economic transactions must be reported fairly according to accounting standards, the company's work environment must follow the Islamic teachings, and finances must originate from sources that are legal under Islamic law, and the Sharia Supervisory Board must oversee entire operational operations of service providers.

However, the main challenges in the development of the Islamic financial technology field are the following: a lack of legislative tools to protect the fintech work process and a paucity of human resources for fintech (Rusydziana, 2018). Firmansyah & Anwar (2019) explain further that the major obstacle that Islamic Fintech startups confront is the regulatory framework. “Financial Service Authority and Bank of Indonesia play key roles in regulating Islamic fintech without releasing any particular provisions,” Aulia et al. (2020) explained. Several hurdles to Islamic fintech are discussed by Yarli (2018), including differences in the contracts used in a sharia-based fintech company and the dual population system owned by users, which makes it difficult for sharia fintech entities to monitor data on loan applicants with large capital necessities for fintech firms. He also argued that internet coverage in Indonesia is still lacking in the process of increasing technological advancement in the fintech field and the absence of information for those who want to use sharia fintech services (Yarli, 2018).

The third research purpose: sharia “pinjol” accountability view, is achieved by dividing the accountability view explanation into four perspectives: input, output, procedural, and Islamic principle accountability, following Kamarudin & Auzair (2020) framework. The first perspective of input accountability is substantiated as follows. Online loan providers are only a platform for distributing people's finances, whether in the form of *zakat* (mandatory levy on the ownership of certain goods) or in the manner of *qardh*

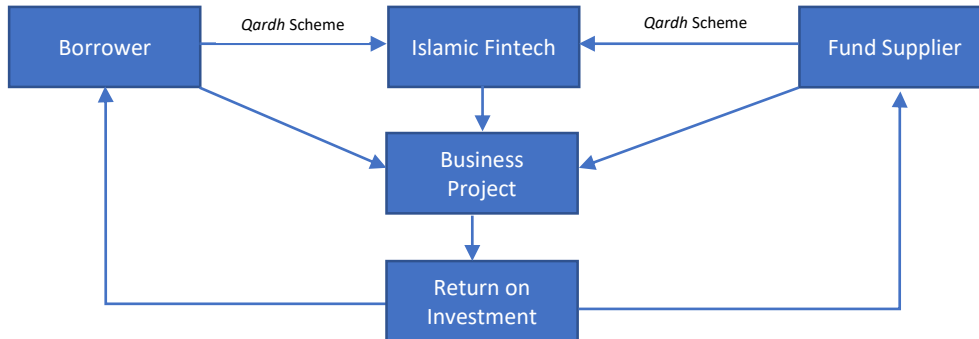


Figure 7. The *Qardh* Financing Mechanism

Source: [Wiyono and Maulamin \(2013\)](#)

(profitless loans). The traditional "*pinjol*" scheme is similar to *akad qardh* in sharia perspective, but without taking profit in the form of interest rate of return ([Roro & Shomad, 2018](#)). [Figure 7](#) summarizes Islamic fintech's work process for delivering P2P lending to its customers under the *qardh* contract, or profitless loan arrangement. In this scenario, the online loan servicer ascertains individuals eligible for the sharia-based loan scheme, while the online lending supplier provides funding for individuals under the scheme via its P2P lending system ([Wiyono & Maulamin, 2013](#)). In addition, the supplier is not required to remove the promised profit derived from the borrower's business as part of the sharia "*pinjol*" plan ([Wiyono & Maulamin, 2013](#); [Yolanda, 2016](#)).

The *akad qardh* or profitless loan scheme, entails economic value that will be used to question the accountability of Islamic fintech providers in managing the fund. The fintech is the intermediary between the lending supplier and borrower. The input accountability regarding fintech's role may be in the form of the transparent process of funds received from the lending supplier and the fund allocated to and collected from the borrower. Sharia fintech, like Alami, publishes financial statements on its website so that both parties, borrower and financier, can trace the money managed by the P2P lending provider. However, due to weak debriefing on delayed payments and lenient credit arrangements on its products and services, fintech companies typically have deficient financial management, particularly concerning governing cash flow ([Jenner, 2016](#); [Kamaruddin & Auzair, 2020](#)).

The output accountability of Islamic fintech P2P lending can be achieved with the appearance of the following reasonings. The Sharia fintech may support the P2P lending ecosystem by improving its digital business's economic and social impacts. The profitless loan and zero-sanction scheme offered by Islamic fintech on *akad qardh* or profitless loan scheme help the debtor develop his business without worrying debt collector's harsh approach ([Hiyanti et al., 2020](#); [Rusydiana, 2018](#)). We are relieved to begin putting our confidence in fintech sharia online lending services because of a lack of evidence from the internet regarding the tragic narrative of the sharia "*pinjol*" debt collection tactic. Instead, authorized Islamic fintech got positive testimony from the borrower's perspective and the fund supplier's viewpoint ([Baber, 2019](#); [Ratriani, 2021](#)). These facts prove that the output accountability of Islamic fintech can significantly influence the social life of its stakeholders ([Kamaruddin & Auzair, 2020](#)).

The *qardh* based loan is built upon the Islamic notion of “*ta’awanu bil birri wat-taqwa*” or assisting each other out in terms of decency and piety. However, despite its positive influence on the socioeconomic life of its stakeholders, most Islamic fintech servicers in the South East Asia region started as regular non-profits with little financial management skills and experience (Kamaruddin & Auzair, 2020; Miskam et al., 2019; Rusydiana, 2018). This flaw may have an impact on Islamic fintech's reputation. Thus, the big challenge for the sharia fintech, especially those which focus on P2P lending schemes, is to improve procedural accountability by improving its internal structure's financial skills and competence. Consequently, providing a faithful representation of fintech financial statements becomes more urgent in this digital economy era to maintain the high expectation of transparent Islamic fintech transactions. To ensure procedural accountability, Islamic fintech operation alienates with company mission, state regulation, business ethics, and related financial accounting standards (Kamaruddin & Auzair, 2020).

The procedural accountability of Islamic fintech lending in Indonesia may be actualized from the perspective of Sharia accounting standards. In Indonesia, the measurement, recognition, and presentation of the financial statements of Islamic financial institutions may be conducted using the accrual principle. To implement the principle, Islamic financial transactions reporting should follow several accounting standards (PSAK), such as PSAK 101 on Presentation of Islamic Financial Statements and PSAK 108 on Accounting for Islamic Accounting Transactions. Sharia accounting reports must include past transactions and responsibilities for future cash payments and resources that reflect future cash inflows. Because *qardh* funds are not corporate assets, *qardh* financing is recognized at the amount of money lent when it is incurred, while excess earnings from profitless loans are recorded as income once they are incurred. The amount of money granted by Islamic fintech at the time of financing payment in the form of non-cash assets is then used to calculate *qardh* lending in the form of cash. Unless mutually agreed upon, expenses made during *qardh* financing cannot be considered as part of profitless debt financing. Thus, sharia fintech-based lending applications can be termed financially accountable if they satisfy the requirements stipulated in Indonesia's sharia accounting standards (Hidayah & Nawirah, 2019).

Apart from accounting views, the Islamic principles of accountability can be achieved if the sharia fintech can guarantee that the Islamic financial funding provided is not crossing the line of *Allah Subhanahu Wata’ala’s* prohibitions as laid down in the Qur'an, such as the prohibition of usury and the granting of trade permissions (Noor et al., 2019). The ban in Islamic financial transactions is essentially the prohibition of excessive loan repayment. In addition, Islam explicitly prohibits usury in all forms and motives, as stated in the Qur'an: “*If you are believers, fear Allah and abandon the balance of the usury (that has not been collected). Know that if you do not (leave the rest of usury), Allah and His Messenger will battle you. And if you repent (of accepting usury), the principal of your riches will be returned to you: you will not be persecuted, and you will not be mistreated.*” (Q.S. Al-Baqarah: 278-279).

The online lending scheme, in form of *akad qardh* or profitless loan, provided by Islamic fintech must follow the sharia rules which interdict the usury, as stated in the Quran of Al-Baqarah: 278-279, and hence the contractual loan terms and condition should be well defined in the lending application (Aziz, 2020; Hiyanti et al., 2020). The benefits of

Islamic fintech lending include aiding micro, small, and medium-sized enterprises (MSME) actors, offering a business capital alternative for MSMEs who cannot receive bank loans, and being usury-free (Baber, 2019; Baihaqi, 2018). Other transactions provided by sharia fintech, like *akad murabahah* or purchase commitment scheme and *akad istishna* or contract for house financing, must have aligned with Islamic sharia rules in practice (Burhanuddin & Abdi, 2019). The avoidance of transactions due to the element of usury and the presence of justice in transactions demonstrates compliance (Hiyanti et al., 2020).

In reality, however, sharia fintech imposes additional costs or penalties if the borrower fails to repay the loan within the time frame agreed upon at the time of the transaction (Rusydia, 2018; Wulandari, 2018). Even though this amount is not excessive, some sharia fintech charges a late fee of Rp0. According to *Majma' Al-Fiqh Al-Islami*, the imposition of this late charge is prohibited, whether with or without prior restrictions, because included in the aspects of usury that are prohibited (Wulandari, 2018). Furthermore, the prohibition on penalties for debts not paid on time has been clarified in the Qur'an: *"If (the debtor) is in difficulty, give him a break until he is able to pay. And if you only knew, giving (part or all of the debt) is better for you."* [Al-Baqarah, Q.S., 280].

Furthermore, researchers have discovered no complaints about sharing personal data or harsh debt collection by debt collectors on online loans based on sharia fintech in terms of user privacy. In a podcast at the Indonesian Sharia Economic Study Forum, Wijaya (2020) stated, *"But, of course, in this scenario, consumer protection comes first, right? How about when there's a project? It has to be assessed in that way, absolutely, to see how much risk is still avoided while being sharia-compliant."* Thus, implementing debt collection through Sharia fintech has essentially followed Islamic law based on Wijaya (2020) argument. Consequently, the benefits of Islamic fintech-based borrowing outweigh the negatives for the borrower, and therefore, the Islamic fintech P2P lending scheme may be used as a replacement of the conventional online lending scheme.

Conclusion

Traditional fintech has had a deleterious influence on society, such as online loan applications. One of them is debt collectors' improper behaviour in collecting debts from borrowers, which has led to multiple incidents of despair and suicide among borrowers who cannot deal with debt collectors. Given that most of Indonesia's population is Muslim, Sharia fintech is a huge possibility in the country. The difficulty facing sharia fintech today, on the other hand, is that there are no legal laws controlling sharia fintech activities, therefore it is still regulated by conventional fintech legal norms. Islamic fintech, on the other hand, has helped SMEs and other real-world customers expand their businesses. One type of sharia fintech is an online loan application that aims to make it simpler for consumers to get financing with minimal restrictions and a quick turnaround time. Sharia fintech employs a variety of contracts in their transactions, including *qardh*, *wakalah bi al-ujrah*, and *murabahah* contracts. In practice, sharia fintech companies like Alami and DanaSyariah have created contracts that fulfil Islamic law. Therefore, Islamic fintech-based online financing offers more advantages than drawbacks in terms of bringing ease to people's lives. Indeed, Islamic law, the MUI fatwa, and relevant authority laws apply to sharia fintech-based online borrowing. Moreover, Sharia fintech-based peer-to-peer lending applications are deemed to be accountable if they meet all of the

criteria in Indonesia sharia accounting standards for measuring, recognizing, recording, presenting, and disclosing *qardh* liabilities.

Specific limitations should be noted when interpreting the findings of this study. First, the side story of user experience in using sharia online loan applications in Indonesia is still scant. The netnography will be overlocked into its maximum potential when the netizens start unveiling the ugly truth of implementing the sharia P2P lending scheme. Islamic teaching is flawless, but not the person who implements it. Therefore, the following research agenda should focus on a single case study to scrutinize the challenges faced by Islamic fintech in managing the funds.

The study contributes to increasing public awareness of the practices and effects of sharia digital loans; hence individuals can avoid using illicit classical peer-to-peer lending applications. Our research also recommends that before using the digital lending apps, individuals should consider the transparency of sharia fintech fund management using our accountability concept. Our research will be useful in the future for the growth of research on online loans and Islamic fintech, as well as enriching the sharia P2P lending pieces of literature from the perspective of a developing country.

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