

# CHAPTER I

## INTRODUCTION

### A. Background of Study

Today, the digital economy is emerging as a major player in the Indonesian economy. This has the potential to see Indonesia rank sixth in the world in terms of the number of internet users.<sup>1</sup>The Survey conducted by the Association of Indonesian Internet Service Providers (APJII) per 2018, there were 171.17 million people from the total population of Indonesia, which amounted to 264.16 million people who use the internet or about 64.8% of Internet Users in Indonesia.<sup>2</sup> The digital economy also proves its contribution to increase Indonesia's GDP, which is 7.3 percent<sup>3</sup> even projected that in 2025 digital economic transactions could reach Rp. 1,417 Trillion.<sup>4</sup> One of the main players in the development of the country's digital economy is FinTech.

Financial technology or commonly called FinTech is a combination of "Finance" and "Technology", that can also be said as integration of IT technology into the financial world<sup>5</sup>. According to Bank Indonesia Regulation number 19/12 / PBI / 2017 regarding the implementation of Financial Technology, the business model is in the form, *payment systems, Market Supports, Investment and risk management, loans (p2p), financing*

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<sup>1</sup> Wicak Hidayat, "Indonesian Internet Number Six World Users" Economic article (accessed by writer on Wednesday, August 4, 2019 at 16.38 on the website [www.Menkominfo.co.id](http://www.Menkominfo.co.id))

<sup>2</sup> Penetration & Profile of Indonesian Internet User Behavior, 2018 survey, Association of Indonesian Internet Service Providers

<sup>3</sup> Eddy Cahyono, "Ekonomi Digital : The New Face of Indonesia's Economy" (published on Tuesday, 29th January 2019 accessed on Sunday, 1st September 2019, 09.45 from website [www.setneg.go.id](http://www.setneg.go.id).)

<sup>4</sup> Syahril Siddik, "2025 digital transactions can reach 2025 T" (CNBC Indonesia, published on 08 April 2019 and accessed on 2nd August 2019 09.18 WIB from website [www.cnbcindonesia.com](http://www.cnbcindonesia.com))

<sup>5</sup> T. Nakashima, "Creating Credit by Making use of Mobility with FinTech and IoT, *IATSS Research (2018)*,.2018.06.001

*and provision of capital and other financial services.*<sup>6</sup> *Fintech offers sophisticated, non-collateral financing solutions for borrowers and offers flexible alternative options for real investment with the advantage of fast time and competitive returns (Yield)*<sup>7</sup>.

Peer to Peer (P2P) is one of the fintech industries in Indonesia, said to be the online lending platform that connects between funders and lenders via digital.<sup>8</sup> Borrowers provide information regarding their personal financial condition and lenders assess the risk of the company and then they are allowed to choose their funding preferences.<sup>9</sup> As of October 2019, there were a total of 144 FinTech companies registered and licensed in the OJK, increased compared to 2018 with only 32 companies, but only 5% p2p of sharia exists even though Indonesia has a great opportunity for sharia finance considering the largest Muslim population<sup>10</sup>.

Islamic Peer to Peer Financing are alternatives for financier and financing recipients to carry out its activities based on sharia compliance. Research by Utama and Ilahiyat found that the concept of Islamic Peer to Peer is an alternative for muslim to use, that uses an investment scheme without any risk transfer costs for MSMEs so that the acceleration is maximum.<sup>11</sup> This shows that the activities of Islamic Peer-To-Peer Financing are based

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<sup>6</sup> Muhammad Nafik Hadi Ryandono “Fintech waqf : Solusi Permodalan Perusahaan Startup Wirausaha Muda” *Jurnal Studi Pemuda, Volume 7 Nomor 2 tahun 2018*

<sup>7</sup> Yuliyanti M Manan, “Sitem Integrasi Proteksi & Manajemen Resiko Platform Fintech peer to peer (P2P) Lending dan Payment Gateway untuk Meningkatkan Akselerasi Pertumbuhan UMKM 3.0” *IHTIFAZ, Journal of Islamic Economics, Finance and Banking, Vol. 2, No. 1, Juni 2019*

<sup>8</sup> Monica Rosavina, *et. al* “P2P Lending adoption by SMEs in Indonesia” *Qualitative Research in Financial Markets, Vol. 11 No. 2, pp.260 - 279*

<sup>9</sup> Iang Galloway, “Peer-to-peer lending and community development finance” *Community Investment, Volume 21, Issue 3, Winter 2009/2010*

<sup>10</sup> Dimas, “Menelisik Peer to Peer (P2P) Lending Syariah di Indonesia” Economic Article (uploaded on 22 Maret 2019 14:55 updated on 22 Maret 2019 15:10 and accessed on Wednesday, August 4, 2019 at 10:12 am through the website [www.kompasiana.com](http://www.kompasiana.com))

<sup>11</sup> S.Utama and I.Ilahiyah, “Pengembangan Model Low Cost Islamic Peer to Peer Financing berbasis Financial Technology untuk Akselerasi Kinerja UMKM” *Islamic Economics Journal Volume 4, Nomor , Desember 2018*

on real economics and the risks are shared in accordance with the principles of muamalah.

But the number of Indonesian Fintech Syariah is still low as compared to conventional fintech. As stated earlier, there are 144 total fintech registered and licensed in authority of Indonesian financial services (OJK), for conventional fintech there are 119 for total and sharia fintech there are only 12 for total.<sup>12</sup> This shows that Indonesian people with a majority muslim population should have the potential to use the Islamic fintech industry. This is supported by research conducted by Muh. Rum, that religiosity is the dominant factor making decisions by customers,<sup>13</sup> revealed that fintech sharia, specifically Islamic Peer to Peer Financing, can indirectly be the preferred platform for public to choose as alternative to invest or to be invested here. Moreover, few studies about Islamic FinTech users behavior still rare, particularly in Indonesia

To fill this gap, it is necessary to have a study to discuss the behavioral factors of community decision making to participate as users in the Fintech Industry, especially Islamic Peer-To-Peer Financing, either to be a financier or recipient of financing. This is a step in supporting the development of Islamic FinTech Industry in Indonesia. In this thesis the author seeks to find factors that influence these behaviors to participate using Islamic Peer-To-Peer Financing by taking a study of the objects of the five famous P2P platform users as : Ethis<sup>14</sup>, Ammana<sup>15</sup>, Dana Syariah<sup>16</sup>, ALAMI<sup>17</sup>, dan DayaQazwa<sup>18</sup>.

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<sup>12</sup> [www.ojk.go.id](http://www.ojk.go.id), FinTech Lending Statistics for November 2019

<sup>13</sup> Muh Rum, "keputusan Penggunaan Layanan Bank Syariah Berdasarkan Religiusitas dan Profesionalitas" *Jurnal Ekonomika Vol. 4 No. 10 Desember 2015*

<sup>14</sup> [www.ethis.co.id](http://www.ethis.co.id)

<sup>15</sup> <https://ammana.id/>

<sup>16</sup> [www.danasyariah.id](http://www.danasyariah.id)

<sup>17</sup> [www.alamisharia.co.id](http://www.alamisharia.co.id)

<sup>18</sup> <https://qazwa.id/>

## **B. Problem Formulation**

From the background explanation above, the authors formulated two research problems including :

1. What are the factors that influence a person's behavior to participate in the Islamic Peer to Peer Financing Platform?
2. How significant the influence of these factors on a person's participation in using Islamic Platform Peer to Peer Financing?

## **C. Research Purpose**

Based on problems above, the study has the following objectives :

1. To examine the factors that influence the behavior of user to use Islamic Peer to Peer Financing.
2. How significant the influence of these factors on a person's participation in using Islamic Platform Peer to Peer Financing.

## **D. Research Limitation**

The limitations of this research are :

1. This research only objectes to the five well-known Peer to Peer Financing platforms in Indonesia, namely : Ethis.co.id, Danasyariah.id, Ammana.id, Alamisharia.co.id and Qazwa.id.
2. The study took a sample of community behavior that has an Instagram social media account and became a Follower on these platforms.

## **E. Benefits of Research**

Research by title“factors influencing behavior to participate in Islamic peer to peer financing platform” this is a contemporary research that a little research resembled, so hopefully this research can be utilized by several relevant stakeholders including :

1. Theoretical Benefits
  - a. This research is expected to contribute to the outcome of the world of financial technology, especially Islamic Peer to Peer Financing in Indonesia.

- b. Through this research, it can be a reference for future researchers who are researching about Peer to Peer Lending and Islamic Peer to Peer Financing.
2. Practical Benefits
    - a. For platform users, this research is expected to provide new knowledge related to the behavior of platform users.
  3. Policy Maker
    - a. Giving knowledge and insight to the regulator of financial technology especially the Islamic Peer to Peer Platform.