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## Revitalization of The Role of Mosques and Local Wisdom in Facing The Rising of Fintech Lending in Urban Society

Ali Tantowi<sup>1</sup>

<sup>1</sup>STAK Cilegon (alitantowi21@gmail.com)

### ABSTRACT

Pinjaman Online (Pinjol) has become a new trend in finance for Indonesians in recent years. There are also many problems along with the birth of illegal Pinjol with its practices and modes, especially after the Covid-19 pandemic. Meanwhile, there are also many Muslims who are trapped by illegal Pinjol and get terrorized when there are delays in bill installments or repayments. This paper intends to elaborate on the extent to which the role of mosques and local wisdom can overcome this problem. This paper is based on a case study in Cilegon city, Banten and also uses content analysis through literature search and field study. The results concluded that there are differences in services between conventional and sharia Pinjol, where sharia Pinjol offers financing for commercial purposes, and does not lend money socially. In addition, it is also known that the correct term for the practices that occur in the community is FinTech Financing, not FinTech Lending. Seeing that many people are trapped by Pinjol, it is also necessary to strengthen the Mosque in financial empowerment and literacy with four important roles: digital financial literacy education, collecting social funds, channeling them to those in need through loans with Qardhul Hasan contracts, and creating digital applications that provide interest-free loans to reach a wider audience.

Kata Kunci : *Pinjol, FinTech Lending, Financing, Masjid.*

### Introduction

Mosques in the Islamic history were not only used as places for performing ritual activities but also functioned as media for education, propagation, a temporary shelter for poor Muslim people and even the center of Islamic government at that time.<sup>1</sup> Because of its vital role in Islam, the first thing that Muhammad built when he and his companions moved to Madinah was building a mosque which is now known as Masjid Nabawi.<sup>2</sup> Why didn't he build his own house or palace? The palace is a symbol of the worldly bureaucracy which is secular and profane while the mosque is a transcendent symbol of the afterlife which is religious and sacred.

There are examples of the role of mosques in empowering the economy of their congregation in the history and traditions of Muslims since the time of the Prophet Muhammad and friends, namely the establishment of the *Baitul Maal wat Tamwil* (BMT). Mosque-based community economic

<sup>1</sup> Yatim. (2001). *Sejarah Peradaban Islam, Dirasah Islamiah II* (12th ed.). PT. Raja Grafindo Persada. page. 26

<sup>2</sup> Haekal (1982), *Sejarah Hidup Muhammad*, (8<sup>th</sup> ed). Tirtamas, 1982). Page 214

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empowerment has bright prospects because it is supported by the condition of the community which continues to undergo transformation towards modernity. All that remains is to prepare personnel in the field of management who are experts, honest and sincere.<sup>3</sup>

Thus the establishment of mosque business unit (koperasi), internet cafes, health clinics and convenience stores around the mosque is a concrete form of reviving this economic aspect, as business opportunities for Muslim people. In several places, mosques have been built with 2 or 3 floors, the upper floor is for worship, while the first floor is a multi-purpose building for wedding halls, offices and shops that are used for business. Data was also found, in several places in the market mosques were built to provide opportunities for traders and market visitors so that at the time of prayer, as an obligation that has a certain time.<sup>4</sup>

From the aforementioned data, mosques have proven that they have a significant role in empowering Muslim economy. Because of this, the mosque should also take a part in solving financial problems that many Muslim face due to the spread of FinTech Lending (PINJOL or Pinjaman Online) which has begun since 2016 and has raised social problems in the last few years. Therefore, this paper aims to elaborate the possible role of mosques in facing this significant issue because Many Muslim people become the victims who were bullied that make them stressed and even commit suicide. After the Introduction, this paper consists of 4 (four) more sections; research methods, literature review, results and discussion, and conclusion.

## Literature Review

The term FinTech was introduced by Bower and Christensen. FinTech itself is short for Financial Technology (financial technology), which is the adoption of advances in information technology in the financial services industry. In the FinTech era, all financial activities are digitized with internet-based transaction modes and can be accessed by websites or smart devices known as smartphones. The FinTech market is growing rapidly along with the growth of startups or information technology-based businesses that can directly transact with customers or suppliers without going through direct banking services. The evolution of financial technology has been developing for a long time and the first generation is known as "FinTech 1.0" which started around 1866's.<sup>5</sup>

The development of FinTech in Indonesia is still in its early stages (Barata, 2019). In Southeast Asia itself, Indonesia is one of the countries where the FinTech market is growing rapidly. For daily retail payment transactions, Gopay and OVO are popular choices, especially among millennials. The development of the use of digital media for transaction activities in Indonesia has been strongly influenced by five unicorns (Gojek, Bukalapak, Tokopedia, traveloka and ovvo). All unicorn startups involve financial technology in their business transactions. For example, Gojek

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<sup>3</sup> Muhamad Muhib Alwi, (Oktober 2015).Optimalisasi Fungsi Masjid Dalam Pemberdayaan Ekonomi Masyarakat", *Jurnal Al-Tatwir*. 2 (1), 133-152

<sup>4</sup> Ahmad Rifa'i. (2022). Revitalisasi fungsi masjid dalam kehidupan masyarakat modern . *Universum : Jurnal Keislaman Dan Kebudayaan*, 10(02), 155–163.

<sup>5</sup> Arner, D. W., Barberis, J., & Buckley, R. P. (2015). The Evolution of FinTech: A New PostCrisis Paradigm? from <http://hub.hku.hk/handle/10722/221450>; Wulan, V. R. (2017). Financial Technology (Fintech) A New Transaction In Future. *Journal of Electrical Engineering and Computer Sciences (JEECS)*, 2(1), 177-182.

besides serving online transportation services also serves an online payment system, Gopay. Furthermore, Gopay which is intended for payments for Gojek services has developed and can be used to pay for other services.

International supervisor and provider of global financial system policy recommendations, the Financial Stability Board (FSB) divides FinTech into 4 (four) categories based on the type of innovation: 1) Payment, Settlement, and Clearing, 2) Market Aggregator, 3) Risk and Investment Management, and 4) Crowdfunding and Peer to Peer (P2p) Lending.<sup>6</sup> The development of the types of FinTech transactions that apply in Indonesia are also divided into four types, namely: 1) Digital Payments, 2) Personal Finance, 3) Alternative Loans, and 4) Alternative Financing). Most of the financial technology services in the Indonesian market are digital payments with total transactions reaching US\$32,442 million in 2019.<sup>7</sup>

### **FinTech Lending In Indonesia**

According to OJK Regulation No.77/POJK.01/2016, fintech lending/peer-to-peer lending/P2P lending is a service for lending and borrowing money in the rupiah currency directly between lenders (lenders) and borrowers (loan recipients) who using information technology. This virtual money loan service is then better known to the public as Online Loans (PINJOL). FinTech lending also provides financial services such as bringing together lenders (lenders) with borrowers (loan recipients) to enter into agreements with loan transactions directly through the IT system. The term Fintech lending is also referred to as Layanan Pinjam Meminjam Uang Berbasis Teknologi LPMUBTI (Technology-Based Borrowing and Borrowing Services).<sup>8</sup>

Online loans offer services to consumers who need small amounts of money to be able to get loans without having to go to the bank by providing collateral or collateral and difficult conditions. PINJOL is considered more efficient because it saves time and effort and is seen as suitable for the needs of the Indonesian people. In addition, applying for a loan can be done very easily and doesn't need to take a long time. Because of this practicality, the development of PINJOL is very rife because in just two years, there have been thousands of PINJOL service providers.<sup>9</sup>

In addition to the positive side, PINJOL also has a negative side that must be watched out for because it will harm consumers who become customers. Among the negative sides is the spread of borrower's personal data because during the registration process, consumers must fill in personal data online and be recorded by the service provider. In addition, during the data verification process, PINJOL will freely access personal data on the prospective customer's smartphone, such as copying

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<sup>6</sup> Abdillah, Leon, An Overview of Indonesian Fintech Application (December 23, 2019). The First International Conference on Communication, Information Technology and Youth Study (I-CITYS2019), Bayview Hotel Melaka, Melaka (Malacca), Malaysia, 2019.

<sup>7</sup> Abdillah, Leon, An Overview of Indonesian Fintech Application (December 23, 2019). The First International Conference on Communication, Information Technology and Youth Study (I-CITYS2019), Bayview Hotel Melaka, Melaka (Malacca), Malaysia, 2019.

<sup>8</sup> <https://www.ojk.go.id/id/kanal/iknb/financial-technology/Default.aspx>

<sup>9</sup> Abdurrazaq Triansyah, Putri Nur Siti Julianti, Nadyva Fakhriyah, Andi M Afif, Peran Otoritas Jasa Keuangan Dalam Perlindungan Hukum Bagi Pengguna Pinjaman Online Ilegal (Studi Kasus Pinjol Ilegal di Yogyakarta), Vol. 5 No.2 Juli-Desember 2022, hal. 1090-1104

all telephone contacts. This is a high risk for customers, because PINJOL can misuse this personal data.<sup>10</sup>

### Islamic Fintech Lending

Sharia FinTech lending is a loan service that complies with Sharia that does not contain elements of usury, deception and gambling. This has been discussed and decided in the MUI fatwa. MUI is of the opinion that Conventional FinTech is unlawful if it lends money with interest or interest because this is considered usury. The Muslim community is encouraged to benefit from using Sharia PINJOL which has been recognized by the OJK so that its existence is legal.

### Types of Akad (Financial Contracts)

Usually the type of contract used in the transaction is Qardh, wakalah bil ujroh, murobahah, musyarokah and mudhorobah. Qardh is a contract used in interest-free lending activities (Qardh) which is also characterized by elements of good faith, benevolence and generosity (Ihsan). Qardh is a loan contract from a lender (Muqridh) to a certain party (Muqtaridh) which must be returned in the same amount as the loan. Muqridh can request loan guarantees in the form of goods or anything from Muqtaridh. Loan repayments can be made in installments or all at once. Wakalah bil ujroh contract is the granting of power from one person to another to carry out an action with legal conditions by using wages. A murabaha contract is a type of contract used between the creditor and the debtor to use services or products according to the request of the debtor by knowing the basic costs and benefits that have been agreed upon. A mudharabah contract is a profit sharing transaction (profit and loss sharing) in which one party (Rab al Maal) provides funds and the other party (Mudarib or Ameer) has management expertise to carry out a business activity. Whereas a musyarokah contract is a cooperation contract between two or more people in which all parties act as investors and also as managers. This contract is also known as syirkah.

### Digital Technology, The Role of Mosques and Local Wisdom

In their research concerning mosques and FinTech done in 2021, Umi Khaerah pati, Pujiyono and Pranoto argued that Islamic or Sharia FinTech can be a solution in digitizing the operation of Zakat Management organizations which belong to mosques in the covid-19 pandemic era. They can collect, manage and utilize Ziswaf (zakat, infaq, sedekah and wakaf) digitally by using Sharia FinTech, not conventional FinTech because they still offer element of gambling and usury such as getting interest from bonds issued by banks or government.<sup>11</sup> However, this study focused on the possibility of using FinTech by mosques in collecting Ziswaf like what Baznas (Badan Amil Zakat Nasional-) and other Islamic charity Organisations do. It didn't discuss whether the available Islamic FinTechs in Indonesia meet the need of Indonesian Muslims, especially when they need to borrow money. In addition, the focus of the study is on how Islamic charity organizations digitally

<sup>10</sup> Trisna Dewi, D. A., & Darmawan, N. K. S. (2021). Perlindungan Hukum Bagi Pengguna Pinjaman Online Terkait Bunga Pinjaman Dan Hak-Hak Pribadi Pengguna. *Acta Comitas*,6(02), 259. <https://doi.org/10.24843/ac.2021.v06.i02.p04>

<sup>11</sup> UK Pati, P Pujiyono, P Pranoto, Sharia Fintech As A Sharia Compliance Solution In The Optimization Of Electronic-Based Mosque's Ziswaf Management, *Padjadjaran Jurnal Ilmu Hukum*, Vol 8, No 1 (2021), page. 47-70

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collect charity funds but it doesn't elaborate how they distribute the collected charity funds to the poor or the people who are in need.

Marifah Yuliani in her paper in 2019 argues that mosques can be revitalized as the economic center of the people by establishing an economic division such as Baitul Maal Wa Tamwil (BMT) that can help eradicate usury at all levels of society using *qardhul hasan* savings. The mosques can give *qardhul hasan* loans (interest free) which are taken from mosque funds which are collected from the community savings. In addition, he suggests that using technology-based startups through cyberspace/internet and social media as well as applications on mobile phones will make the distribution of the funds easy and smart.<sup>12</sup> However, this paper doesn't discuss social fundraising which is more promising for giving interest free loans.

Sopi Aprilia Widiyanti and Wilodati Wilodati in 2022 found that local wisdom in Sundanese tribe which is known as *perelek* has succeeded in maintaining social solidarity among the community by helping people who are in need in their surrounding. *Perelek* is a social activity or program which collects charity funds by giving an amount of rice which is usually put in a piece of bamboo. In Kuta Village, *perelek* strengthens ties of brotherhood and friendship among the villagers.<sup>13</sup> However, the study doesn't discuss the involvement of mosque in managing the program. In addition, the focus of the study is only in rural areas and doesn't discuss the possibility of applying it in urban areas.

## Research Method

The research method used for this research is qualitative research. Qualitative research is research conducted to answer problems that require in-depth understanding in the context of time and situation concerned, carried out fairly and naturally in accordance with objective conditions in the field without the existence of manipulation, as well as the type of data collected, especially qualitative data. FinTech Lending platforms which are discussed here are those that provide money lending services that are spread on the Internet media and these are also registered in the OJK.

The nature of the research uses descriptive research, namely research that is used to describe, explain and answer questions about phenomena and events that are happening right now. This study uses a conceptual approach namely creating the concept of strengthening the role of mosques in solving social and economic problems that emerge due to the spread of FinTech lending. This study uses a type of primary data such as reports from OJK related to FinTech Platforms, Websites, contract types and company names and also uses secondary data source that comes from journals, books, reports that are library materials (library research). The research data collection technique was carried out by studying the literature on the data study. Searching research data can be done by reading, viewing, listening, as well as tracing research data through internet media

## Result and Discussion

Social reality is a fact or phenomenon of social life or events that occur in society. As social beings, humans have the urge to establish relationships or interact with other people. This is a social need that exists in every human being. Social problems often arise when people interact with one

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<sup>12</sup> Marifah Yuliani, Konsep Divisi Ekonomi Masjid Berbasis Teknologi Industri 4.0, Jurnal Al Qardh, Volume 4, Desember 2019, page. 99-114

<sup>13</sup> Sopi Aprilia Widiyanti and Wilodati Wilodati, *Perelek Culture: A Sharing Effort In Kuta Village*, Jurnal Pendidikan Sosiologi Dan Humaniora Volume 14, Issue 01, Page 79-88

another. This is caused by deficiencies in human beings and economic factors such as poverty, psychological factors, biological factors such as disease, and culture.<sup>14</sup>

Understanding the social reality of society is very important to find solutions and policies for problems that occur; This understanding will provide a comprehensive picture of the actual situation. Society develops from time to time dynamically based on its needs. The development of information technology is driven by human needs in order to achieve work efficiency and increase the value of economic production which then makes people feel comfortable and safe. However, behind this convenience, social problems arise which have implications for the decline in the quality of social life such as the many cases of fraud, suicide, and so on.

Islam is a moderate religion that balances the life of the world and the hereafter. In social relations, humanity often takes precedence over religion or religiosity. In terms of Islamic economics, Islamic teachings are between capitalism and socialism. The tendency of people to choose conventional FinTech lending platforms (as suggested by the MUI) is not because of their denial of Islamic teachings, but because of their daily needs. This happened because their needs had not been accommodated by Sharia FinTech lending. The same thing happened when the MUI issued a fatwa against conventional bank interest in 2004. This fatwa did not significantly increase the amount of money deposited by new customers at Islamic banks.

### The Domination of Conventional FinTechs

The number of Fintech Lending service providers licensed at the OJK as of January 5 2023 is 102 companies. Of the total number, only 7 (seven) providers or 6.86% are sharia-based services.<sup>15</sup> This number has decreased compared to the number as of August 2019, where there were 127 registered and licensed FinTechs at the OJK. In 2019, the number operated conventionally was 122 or 96.06%, operated conventionally & sharia as many as 4 or 3.94 %, and only 9 or 7.87% operate according to sharia.<sup>16</sup> From the data above, the number of declines was 19.68% where 25 FinTech providers were no longer registered.

List of Sharia FinTech Lending

NO	Platform	Website	Company
1	Ammana.id	<a href="http://ammana.id">http://ammana.id</a>	PT Ammana Fintek Syariah
2	Alami	<a href="http://p2p.alamisharia.co.id">p2p.alamisharia.co.id</a>	PT Alami Fintek Sharia
3	Dana syariah	<a href="http://danasyariah.id">http://danasyariah.id</a>	PT Dana Syariah Indonesia
4	Duha syariah	<a href="http://duhasyariah.com">http://duhasyariah.com</a>	PT Duha Madani Syariah
5	Qazwa.id	<a href="http://qazwa.id">qazwa.id</a>	PT Qazwa Mitra Hasanah
6	Papitupi syariah	<a href="http://papitupisyariah.com">http://papitupisyariah.com</a>	PT Piranti Alphabet Perkasa
7	Ethis	<a href="http://Ethis.co.id">Ethis.co.id</a>	PT Ethis Fintek Indonesia

<sup>14</sup> Suheli, Ahmad. "Realisasi Agama Islam Dalam Kehidupan Sosial." OSF Preprints, 5 Feb. 2021. Web.

<sup>15</sup> <https://www.ojk.go.id/id/kanal/iknb/financial-technology/Documents/Penyelenggara%20Fintech-%20Lending%20Berizin%20per%205%20Januari%202023.pdf>

<sup>16</sup> Abdillah, Leon, An Overview of Indonesian Fintech Application (December 23, 2019). The First International Conference on Communication, Information Technology and Youth Study (I-CITYS2019), Bayview Hotel Melaka, Melaka (Malacca), Malaysia, 2019.

From the data above, we can see that the development of PINJOL in Indonesia is slow and even backwards. This high disparity is understandable because our society is still comfortable with conventional PINJOLs because of the practicality of getting cash quickly even though they have to pay interest. It is this reality that makes conventional PINJOL far more acceptable to the public so that their number dominates the market at around 93.14%. This number will be even greater when compared to illegal PINJOL, of which there are more than 4,000 providers. Thus, it is only natural for companies to close their sharia PINJOL services and continue to develop their conventional services, as happened with PT Investree Radhika Jaya.<sup>17</sup>

#### Services and Kinds of Financial Transactions

NO	Platform	Services	Financial Contracts
1	Ammana.id	Funding and financing	Mudharabah, Musyarakah
2	Alami	Funding	Qardh, Wakalah bil Ujroh
3	Dana Syariah	financing for housing and construction	Murabahah
4	Duha Syariah	Financing	Murabahah, wakalah bil ujroh
5	qazwa.id	Funding and financing	Murabahah
6	Papitupi Syariah	Funding and financing	Murabahah
7	Ethis	Funding and financing	Musyarakah, Wakalah bil Ujroh

The data above shows that almost all types of contracts used are profit oriented, such as murabaha, mudharabah and musyarakah contracts (profit oriented). There is only one Sharia FinTech that uses a debt contract, Qardh, namely Alami. Even so, there are still funds that must be provided with a wakalah bil ujroh (representational in return) contract which must be determined in advance. For example, A proposes a debt or financing of Rp. 500,000,000 with a Qardh contract and will return it within three months; in the approval process, A is expected to return around Rp. 518,750,000. The excess of the principal debt is considered as wages to the FinTech in the process of making bills that have been authorized by the parties who are the funders.<sup>18</sup> Likewise, the parties who become funders will be promised reciprocity. If B becomes a lender of Rp. 500,000,000 within three months, then the estimated surplus is Rp. 15,987,500.<sup>19</sup> From the accounts payable transaction process between A and B, the FinTech as a mediator gets a billing fee of Rp. 2,365,000. Estimated excess funds or benefits offered by the Natural Fintech may reduce the meaning of Qardh as a loan agreement without the slightest interest and will be considered as a strategy to avoid usury. A wakalah bil ujroh contract like this has also been used by FinTech Investree whose services were later closed.

From the information above, there is no Sharia PINJOL in Indonesia that provides cash loans with a Qardh contract so that customers do not pay the slightest excess. The contract does not

<sup>17</sup> <https://www.ojk.go.id/id/kanal/iknb/financial-technology/Pages/Penyelenggara-Fintech-Lending-Berizin-di-OJK-per-5-Januari-2023.aspx>

<sup>18</sup> <https://alamisharia.co.id/pembiayaan/>, accessed in 29 januari, 2023

<sup>19</sup> <https://alamisharia.co.id/pendanaan/>, accessed in 29 januari, 2023

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provide material benefits to the service provider because the basis is helping or charity (charity). Usually institutions that provide loan services with this type of contract have sources of funds collected from waqf, ifak and alms.<sup>20</sup>

Thus, the Sharia PINJOL that is developing in Indonesia is the one that provides the financing because from this service the service provider gains profit. This is understandable because if PINJOL Syariah lends cash and consumers pay the interest, then this is considered usury which is prohibited in Islamic teachings. Therefore, PINJOL Syariah only provides financing services for business development, building property or to purchase goods needed by consumers with mudhorobah, musyarokah and murobahah. Profit sharing from these activities is an advantage for service providers. If a consumer wants to get a loan but wants to continue through PINJOL Syariah, then he will buy goods and sell the goods to other people to get cash. Of course, this method is impractical and the value of the selling price of the item is reduced from the price it was originally purchased.

### **The Spread of Illegal FinTech Lending**

When compared to the number of FinTech Lending (Online Loans-PINJOL) registered with the OJK, the number of illegal Fintechs that do not have a permit is far greater. In October, 2022 alone, there were around 4,352 illegal FinTechs that had been disciplined.<sup>21</sup> This number does not include unreported and prosecuted Fintech. PINJOL that have been prosecuted and banned from circulating usually change their name to another name so that it is difficult to detect. The ease of changing the name shows that this service provider has no intention of getting good branding but only wants to make a profit by trapping people who have little knowledge in finance.

The spread of illegal PINJOL has resulted in various forms of law violations and has also injured human rights and dignity. The forms of violation that are often found are very high interest rates, discrepancies with the initial loan agreement, billing is done in various ways such as through relatives and colleagues of the customer, threats, harsh words and even harassment are used when billing, spreading personal data such as photos KTP and customer debt information to the contact list owned by the customer's gadget, accessing personal data on the customer's gadget, the location of the provider's office is unclear, unclear admin fees, applications change names without the customer's knowledge, interest on loans continues to grow when they fail to pay, and so on.

### **Emerging Social Problems**

This illegal FinTech has worried the Indonesian people because it has trapped consumers who lack literacy in the financial sector. OJK has received 19,711 complaints from the public who feel disturbed by their presence. The condition of people who are in need of loans, especially during the Corona Virus pandemic 19, was used by unscrupulous PINJOLs to make a profit by providing

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<sup>20</sup> Citaningati, P., Kamaluddin, K., & Haeba, I. (2022). Implementation of the Qardhul Hasan Agreement at Indonesian Islamic Financial Institutions. *FITRAH: Jurnal Kajian Ilmu-ilmu Keislaman*, 8(2), 237-256. doi:<https://doi.org/10.24952/fitrah.v8i2.5903>

<sup>21</sup> <https://www.cnbcindonesia.com/tech/20221113154348-37-387435/daftar-pinjol-ilegal-terbaru-2022-jangan-sampaiterjerat#:~:text=Dengan%20temuan%20tersebut%20sudah%20ada,Menurut%20Ketua%20SWI%20Tongam%20L..>

loans easily. Usually these illegal PINJOLs set very high interest rates, unlimited fines and will carry out psychological terror or intimidation when collecting debt installments.<sup>22</sup>

When customers are unable to pay, illegal lenders often use violent tactics and harsh words to demand payment. In many cases, the customer's personal data and debt problems are shared with family, friends and office colleagues via cell phone short messages. They spread personal information about customers who are late paying debts. The practice was severe enough that customers became depressed. This then prompted many of their customers to commit suicide. There have been at least 13 (thirteen) recorded suicide cases reported since 2019. They come from various professions, such as drivers, nurses, bank employees, housewives and so on.<sup>23</sup>

The rise of PINJOL services is actually an easy thing to understand because it is closely related to people's poor condition and needs. The number of Indonesians who are categorized as poor in March 2022 is 26.16 million people.<sup>24</sup> PINJOL is an easy place to borrow money because there is no need for complicated procedures by coming to a lending institution and sometimes having to provide guarantees to creditors. However, in practice, consumers are not keen to see whether the PINJOL institution they are dealing with is legal, whether the PINJOL is in accordance with Islamic teachings.

Low literacy in the financial sector and lack of knowledge about religion have caused many people to become trapped in PINJOL. What they think about is how to get enough money instantly just by using a smartphone. In addition, the requirements offered are also very easy, by simply submitting a copy of their National Identity Card (KTP), they can easily withdraw loan funds. They do all of this without looking at the company's provisions in terms of interest rates, fines and others. In some cases, they pay off PINJOL debts by borrowing from other PINJOL services. People are not aware that doing so will only increase the amount of debt.<sup>25</sup> Moreover, The awareness of the Indonesian Muslim community to use Islamic financial services such as Sharia banks and Sharia PINJOL is still very low.<sup>26</sup>

### Gotong Royong as Social Capital

Indonesia is known as a generous nation in the world and this is social capital which is very important in developing people's welfare for the sake of social justice. According to the Charities Aid Foundation, the participation rate of the Indonesian people in making donations reaches 84

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<sup>22</sup> <https://ojk.go.id/id/berita-dan-kegiatan/info-terkini/Documents/Pages/Infografis-OJK-Bersama-Kementerian-atau-Lembaga-Terkait-Berkomitmen-Berantas-Pinjol-Ilegal/OJK%20BERSAMA%20KEMENTERIAN%20ATAU%20LEMBAGA%20TERKAIT%20BERKOMITMEN%20BERANTAS%20PINJOL%20ILEGAL.pdf>

<sup>23</sup> <https://www.trenasia.com/sejumlah-kasus-bunuh-diri-gara-gara-gagal-bayar-pinjol-ilegal-di-indonesia>

<sup>24</sup> <https://www.bps.go.id/pressrelease/2022/07/15/1930/persentase-penduduk-miskin-maret-2022-turun-menjadi-9-54-persen.html>

<sup>25</sup> Shafa, F. (2021). 5 Alasan Seseorang Memilih Meminjam di Pinjol, Ada yang Mau Cepat Kaya. *popmama.com*. <https://www.popmama.com/life/health/faela-shafa/alasan-seseorang-memilih-meminjam-di-pinjol/1>

<sup>26</sup> Muhammad Rezky Nugraha, Mohammad Dafid Andriyanto, Muhammad Yuha Danur Qinthara, Vega Wafaretta, Analisis Faktor Penghambat Pertumbuhan Bank Syariah di Indonesia, *Prosiding National Seminar on Accounting, Finance, and Economics (NSAFE)*, 2022, Vol. 2 No. 7, Hal 290-293

percent and voluntary acts of helping people is 63 percent. With this high score, Indonesia has become the most generous country in the world five times in a row. This achievement has long been supported by the local wisdom of Indonesian culture known as *gotong royong*. The increase in philanthropic activity is also driven by Islamic teachings which are always echoed by religious leaders by reminding them to pay *zakat*, give alms and *infaq*, as an effort to help people in need.<sup>27</sup>

The tradition of *gotong royong* has also proven to be able to survive in the digital era. The use of digital platforms has helped increase various philanthropic activities with mass fundraising. This increase was driven by the Covid-19 pandemic, which limited social distancing and other limitations. Online donations increased by 72% during the pandemic. Mass engagement in online donations is also facilitated through various grassroots crowdfunding campaigns set up to raise funds to help the community and relief efforts during the Covid-19 crisis.<sup>28</sup> The difficult conditions of the people did not dampen the spirit of the Indonesian people to help others.

### Reviving Local Wisdom in Urban Societies

One attempt of reviving local wisdom in an urban society has emerged in Cilegon city, Banten Province. Driven by the awareness of difficult economic situations due to the Covid-19 pandemic in the late 2021, some residents of Metro Villa housing complex initiated a fund raising program to help some residents in need and improve social awareness of surrounding neighbors. They planned to help the residents who lost their jobs by giving free interest loans to pay school tuitions, daily needs and make a small business.

In the beginning, the initiators are a bit pessimistic because living in an urban area is often described as selfish lifestyle where the residents don't like social interaction and tend to have low care to their neighbors. To socialize the program successfully, they make the mosque as the center of the program. They involved the neighborhood leaders and Al-Hidayah mosque officials to manage the program and decided to name the program as *perelek* which is taken from Sundanese culture. *Perelek* reflects the culture of cooperation (*gotong royong*) which is also found in other tribes such as *jimpitan* in Javanese tribes.

To make it more simple and efficient, the initiators didn't ask the residents to donate in the form of rice like in *perelek* tradition, but they request every house to donate at least Rp. 2.000 on each Friday. The money should be put in a plastic cup which is hung in front of their house on every Friday. The Collection of this charity funds is managed by the mosque officials once a week. They chose that small amount of money in order not to burden the residents because they also have to pay a monthly maintenance and security fee which costs Rp. 75.000. Therefore, they only expected to get at least Rp. 200.000 per week which is taken from 100 houses surrounding the mosque. The response was very positive and beyond the expectation; they can collect more than a million every week. Not only Muslims but also non-Muslims participate in this program and are willing to donate some money.

When the report of illegal FinTechs and many suicide cases of illegal FinTech victims became a trending topic in mass and social media, the initiators of the program offer the residents who need money for any urgent reasons to get free interest loans from the mosque. This policy is taken as an attempt to make people away from using illegal FinTech that can harm their lives.

<sup>27</sup> [https://www.cafonline.org/docs/default-source/about-us-research/caf\\_world\\_giving\\_index\\_2022\\_210922-final.pdf](https://www.cafonline.org/docs/default-source/about-us-research/caf_world_giving_index_2022_210922-final.pdf), accessed in January 29, 2023

<sup>28</sup> <https://members.wingsweb.org/news/71630>, accessed in 29 Januari, 2023

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Implementation of management and accountability for the management of Infaq shodaqoh funds can run well even with various limitations. Even though it has not been able to increase economic empowerment and the welfare of citizens, this culture is able to provide compensation to people in need.

### Mosques for Social Justice

Social justice is fairness in terms of the distribution of wealth, opportunities and privileges in society. In Western and Asian cultures, the concept of social justice often refers to the process of ensuring that individuals fulfill their social roles and receive their rights from society. In the current social justice movement, the emphasis is on removing barriers to social mobility, creating safety nets, and economic justice.<sup>29</sup> The importance of social justice in building the Indonesian nation has been demonstrated by the nation's founding fathers who have placed it in the fifth principle of Pancasila, the ideology of Indonesian state.

Islam is a religion that emphasizes social solidarity and the importance of helping one another, especially those in need.<sup>30</sup> This enthusiasm is needed in dealing with the phenomenon of the rise of victims who are trapped in PINJOL debt. Their deteriorating condition will get worse and even encourage them to end their lives. It is not enough just to give advices; they must be supported materially by their brothers and sisters in their religion. They must quickly be given help before they lose hope. The most concrete action is to involve mosques as the center of Muslim activities to solve both social and spiritual problems.

To revitalize the roles of mosques in order to deal with social problems caused by FinTech, there are four steps we can do; the first is that mosques are used to educate Muslim people, especially for the managers of mosques, about Islamic economics to improve their digital financial literacy. According to Jefriyanto and Riyanto's research in 2021, people who are active as Mosque Prosperity Council (Dewan Kemakmuran Masjid, DKM) in the Jakarta area and surroundings have a good understanding and have good interest in fintech, whereas their understanding and knowledge on Islamic fintech are low. However, they have high interest towards the use of sharia fintech in mosque environment.<sup>31</sup>

The second step is raising social funds such as Ziswaf and charity funds such as *perek* which can be done regularly. The third is distributing the funds to the people in need by giving free interest loans or *Qardhul Hasan* contract. The fourth is creating a digital application or a real Islamic FinTech lending that gives free interest load to reach wider scope. The spirit of mutual assistance among fellow Muslims must be increased to achieve social justice.

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<sup>29</sup> Kitching, G. N. (2001). *Seeking Social Justice Through Globalization Escaping a Nationalist Perspective*. University Park, Pa: Pennsylvania State University Press. hal. 3–10

<sup>30</sup> Saputra, Teguh. 2022. "Konsep Ta'awun Dalam Al-Qur'an Sebagai Penguat Tauhid Dan Solidaritas Sosial ". *Al-Mutharahah: Jurnal Penelitian Dan Kajian Sosial Keagamaan* 19 (2), 184-200. <https://doi.org/10.46781/al-mutharahah.v19i2.517>.

<sup>31</sup> Jefriyanto., & Riyanto, D. (2021). Tingkat Pemahaman dan Minat Pengurus Dewan Kemakmuran Masjid Terhadap Financial Technology (Fintech) Syariah. *Jurnal Ilmiah Ekonomi Islam*, 7(01), 75-80. doi:<http://dx.doi.org/10.29040/jiei.v7i1.1857>

The MUI has indeed issued a fatwa regarding the prohibition of conventional FinTech lending platforms that apply interest,<sup>32</sup> especially the illegal ones which clearly violates the law and disrespect humanity values. However, this is not enough, MUI should encourage Islamic institutions to create real Islamic FinTechs which provide Qardh contract loan services which can be an alternative solution for the Indonesian Muslim community. According to Aminah Nuriah and Ulumuddin Nurul Fakhri, there are some Islamic FinTech models that can be used by mosques to reach wider consumers. The first is crowdfunding FinTech model. The second is Fintech Lending model. The third is bank infaq model.<sup>33</sup>

As an important step, mosques can cooperate with Micro Waqf Banks (Bank Mikro Waqaf, BWM). The government has inaugurated BWM in 2017 as a sharia microfinance institution and has been registered and supervised by OJK. This institution aims to provide access to capital for those who do not yet have the ability to access services at formal financial institutions.<sup>34</sup> Unfortunately, the presence of Micro Waqf Banks is still limited and cannot be found in all corners of Indonesia; the majority are still focused on the people of Java Island and also parts of Sumatra. As for Kalimantan, it is only available in the city of Banjarmasin and also Samarinda. In addition, for the island of Sulawesi, BWM can be found in Makassar and in the city of Mabon for Eastern Indonesia. BWM has become an institution with a cooperative legal entity in Islamic boarding schools to distribute capital loan funds to people who are customers without providing collateral and without interest with Qardh. Customers are charged a profit sharing margin of 3 percent per year in order to cover BWM's operational costs.<sup>35</sup>

Therefore, to have a broader positive impact in dispelling conventional FinTech Lending which is contrary to the spirit of Islamic teachings, mosques should create Sharia FinTech Lending applications that specifically provide loans with Qardh and also accommodate infaq, alms, waqf funds. The application can later be accessed by people who need it widely. Of course, the aid must be strictly selected so that it does not fall on the wrong target.

## Conclusion

The majority of Muslim communities in Indonesia prefer conventional FinTech lending that Islamic FinTechs because the conventional ones offer more simple and easier ways to access and they don't have enough financial digital literacy. Eventhough MUI has issued a fatwa regarding the prohibition of conventional FinTech products, it didn't give significant effects on the growth of Islamic FinTech Lending. It happens because the procedures of Islamic FinTech are considered impractical and not suitable with their need which is getting loans. Moreover, Islamic FinTechs focuses more on the commercial sector and none of them accommodate the social sector such as giving free interest loans. Therefore, the term of 'FinTech lending' is not suitable and should be replaced by 'FinTech Financing' like what Malaysian Muslim do. To solve social problems caused by

<sup>32</sup> See Fatwa MUI No. 117/DSN-MUI/II/2018

<sup>33</sup> Nuriyah, Aminah, and Ulumuddin Nurul Fakhri. 2022. "Designing of Digital-Based Islamic Social Finance Model through Role of Mosque". *Jurnal Ekonomi & Keuangan Islam* 8 (1):77-93. <https://doi.org/10.20885/jeki.vol8.iss1.art6>.

<sup>34</sup> <https://www.ojk.go.id/id/berita-dan-kegiatan/info-terkini/Documents/Pages/Infografis-Bank-Wakaf-Mikro-Mendorong-Ekonomi-Umat/INFOGRAFIS%20BWM-3.pdf>

<sup>35</sup> <https://www.cnnindonesia.com/ekonomi/20211112101105-83-720126/alternatif-pendanaan-ditengah-fatwa-haram-pinjol-mui>.

FinTech, we can revitalize the roles of mosques and local wisdom in terms of community empowerment by doing four things; the first is educating Muslim people by having digital financial literacy; the second is raising social funds such as Ziswaf and charity funds such as perelek which can be done regularly; the third is distributing the funds to the people in need by giving free interest loans or Qardhul Hasan contract. The fourth is creating a digital application or a real Islamic FinTech lending that gives free interest load to reach wider scope. The spirit of mutual assistance among fellow Muslims must be increased to achieve social justice.[]

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