

## Digital Financial Literacy: Peer-To-Peer (P2P) Lending of Microenterprise in Cibuntu Village



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**ABSTRACT:** The society began to look for information about Fintech Peer-To-Peer (P2P) Lending or online loans that became known to the public after news emerged of the rampant illegal online loan entanglements. Online loans are attached to a negative stigma, on the other hand online loan platforms are needed by the community. In line with the government's goals, the purpose of Community Service (PKM) activities is to increase understanding, insight, digital financial knowledge regarding Fintech P2P Lending for MSME groups in the Cibuntu Bekasi, South Tangerang West Java Indonesia. The material provided includes the development of Fintech P2P Lending in Indonesia. Second, explaining the benefits and risks and how to choose an online loan platform that is registered and licensed at the Financial Services Authority (OJK). Third, provide an explanation of the consequences and legal protection for ordinary people so they don't worry when facing legal problems with illegal online loan companies. Fourth, the existence of the Investment Alert Task Force which was formed by the government in the context of preventing and handling allegations of unlawful acts by illegal online loan companies. The hope of this activity is that the community and MSME actors can choose legal online loan platforms and avoid illegal online loan entanglements.

**KEYWORDS:** Fintech, Online Loans, Digital Financial, Community Service

### I. INTRODUCTION

The Covid-19 pandemic hit the micro, small and medium enterprise (MSMEs) sector, which in turn contributed to a decline in the national economy. MSMEs need financial assistance due to the Covid-19 Pandemic. There is a gap in MSME financing from banks which requires a lot of transaction costs, formal legal documents which are generally not owned/available but are inadequate. The availability of financing products for MSMEs is still too large for MSMEs whose working capital requirements are relatively small (Lyons et al., 2021). In the midst of the Covid-19 pandemic, access to funding for MSMEs has become even more crucial to ensure they can survive and develop their business.

The main problems that are quite an obstacle in the MSME business include limited capital (Siswanti & Widigdo, 2022). Applying for additional business capital loans at conventional financial institutions requires relatively longer terms and time. Documents prepared include a statement letter that the business has been running for 2 years, age is in the range of 21-60 years, has never obtained a credit facility, identity card, marriage certificate, taxpayer identity number, business certificate from RT/RW/Lurah and has savings at an institution those finances. With such conditions, micro-enterprises are not the target of lending.

This background led to the emergence of the Fintech Peer-To-Peer (P2P) Lending company for the first time in Indonesia in 2014 as an alternative choice for the public/MSMEs to apply for business loans. The government through the Financial Services Authority (OJK) made rules as the legal basis for the implementation of Fintech P2P Lending through OJK Regulation Number 77/POJK.01/2016 concerning Information Technology-Based Money Lending Services (LPMUBTI) with the aim of providing a legal umbrella for the user community. Fintech Lending or Fintech P2P Lending or LPMUBTI is an innovation in the financial sector by utilizing technology that allows lenders and loan recipients to carry out lending and borrowing transactions without having to meet in person (Batunanggar, 2019; Milian et al., 2019).

Indonesian people call Fintech P2P Lending an online loan. Known as online loans because Fintech P2P lending companies create online platforms that provide facilities for bringing together fund owners (lenders) to give loans directly to borrowers (borrowers) with high yields. Borrowers can also apply for credit directly to the owner of the funds with relatively easy conditions and the process is faster than borrowing from conventional financial institutions. Online loans can act as a complement as well as a substitute for conventional bank loans (Hodula, 2021). OJK noted that as of March 2022 the total

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outstanding distribution of Fintech P2P Lending loans to MSMEs has reached IDR 13.2 trillion. Customers who are unfamiliar with digital services will need assistance in terms of increasing their understanding (literacy) of digital finance. Digital financial literacy is needed so that the user community is not trapped in illegal online loan offers and can take advantage of other digital financial platforms that are registered and licensed at the OJK (Siswanti & Widigdo, 2022). The Katadata Insight Center (KIC) survey together with the Ministry of Communication and Informatics (Kominfo) shows that the digital literacy index of Indonesian society in 2021 is in the moderate category, namely 3.49 out of 5 (Burhan, 2022).

According to data from the Bekasi City Office of Cooperatives and SMEs, the number of MSME actors in Bekasi is 1,702 specifically in the Cikarang District, consisting of 84 Small Businesses and 1,618 Micro Enterprises. MSMEs experienced a decline in sales of 30 percent. Meanwhile, data from the Indonesian Cooperative Community Movement and UMK Bekasi Indonesia as the coordinator for MSME business actors stated that the number of MSMEs in the Cibuntu Village was 569 MSMEs. The large number of MSMEs in the Cibuntu Village is one of the considerations in carrying out community service in the Cibuntu Village. These community service partners are MSMEs in the Cibuntu Village who have various types of businesses ranging from food, beverage, catering, snacks, crafts and processed products. Participants in this community service activity were dominated by women, only 4 out of 24 SMEs were male. Judging from the data obtained by the Service Team, most MSME actors are in the age range above 31 to 50 years. The income from the micro businesses they run is low, where most are in the range of 1 to 3 million rupiah per month. Based on the results of the initial survey, it was found that 71% of the participants' working capital financing sources came from personal funds, 25% of which used financing services from financial institutions. Meanwhile, only 4% used online loan platforms, as seen from Figure 1.1 below.

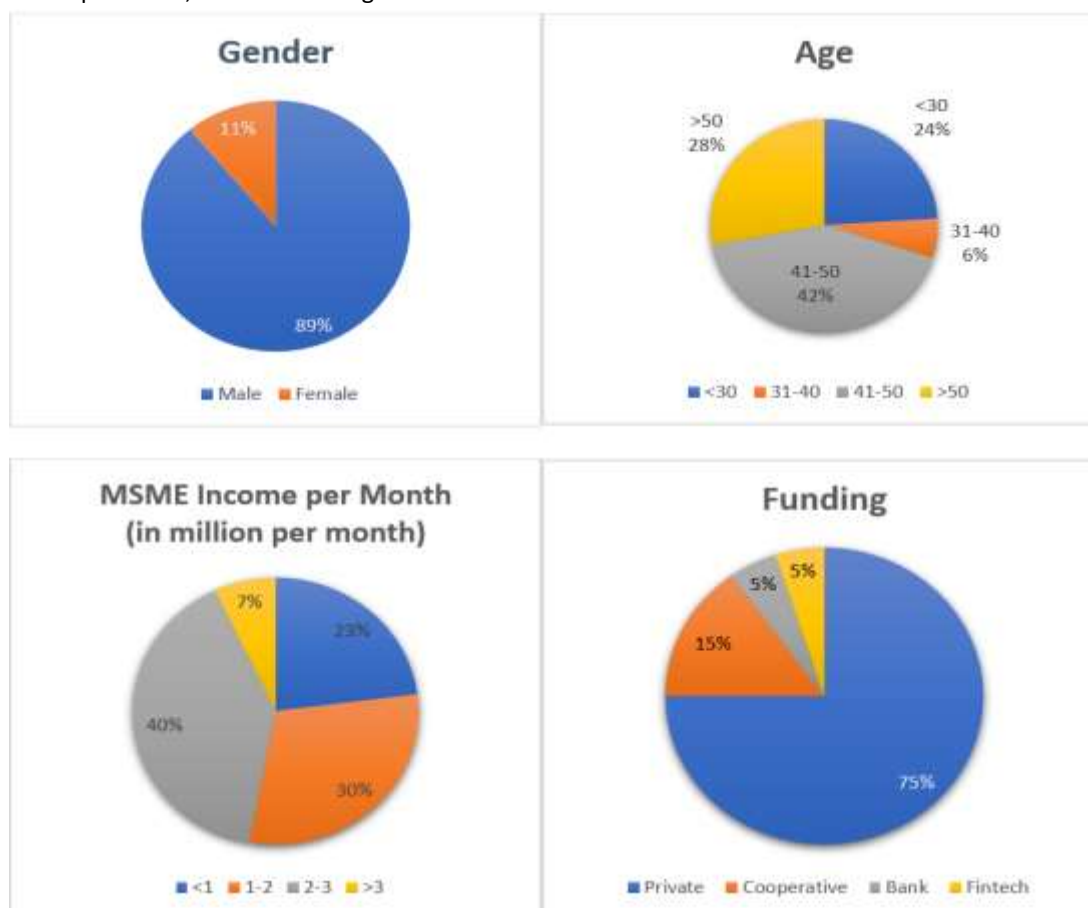


Figure 1. Overview of the Participants

The problems faced by partners include not being reached by conventional banking financing because of the complicated process and strict banking requirements that MSMEs cannot fulfill, such as guarantees and legality. This can be seen from the majority of financing or capital using personal funds. The next problem is the partner's limited knowledge of the use of Fintech P2P Lending digital financial services. The purpose of this Community Service activity is to increase understanding, insight, knowledge and digital financial skills including regarding Fintech P2P Lending in the MSME Group community in Cibuntu Village, Cibuntu City.

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### II. METHODS

The current pandemic conditions make it very difficult to obtain loans, especially for MSMEs, which are mostly still unbankable. If this is not matched by seeking loans from Fintech P2P Lending to increase capital, they will not be able to continue their business. The benefits of applying technology in financial practices in Indonesia, such as online lending platforms, have not been fully felt by the community, especially by micro and small business actors who are not yet literate (Lestari et al., 2021). The online lending platform as a digital finance model is expected to be a driving force for MSME actors and the unbanked community to access formal financial services, compared to informal channels with higher costs (Winarto, 2020).

Some of the problems in the MSME Group in Cibuntu Village, Bekasi City are: (1) they still don't understand digital finance (2) they can't distinguish between legal and illegal online loans (3) they don't know how to apply for online loans through applications on gadgets (4) do not yet have an understanding of the legal consequences for victims of illegal online loans. The implementation of PKM FEB UP activities was carried out at the Cibuntu Village Hall. The opening of the activity was carried out by the Cibuntu Mayor and continued with the presentation of the speakers.

From these partner problems, the Community Service Team conducted a socialization method regarding the application and utilization of Fintech P2P Lending as an alternative financing for MSMEs that cannot be reached by conventional banking. Exposure regarding understanding of conducting question and answer interactions with participants. The material provided first is the development of Fintech P2P Lending in Indonesia. Second, explaining the benefits and risks and how to choose an online loan platform that is registered and licensed at the OJK. Third, provide an explanation of the consequences and legal protection for the general public so they don't worry when facing legal problems with illegal online loan companies. Fourth, the existence of the Investment Alert Task Force which was formed by the government in the context of preventing and handling allegations of unlawful acts by illegal online loan companies.

This community service activity is also carried out by practicing on how to register and make transactions on one of the Fintech platform organizers that has been registered with the OJK. The existence of practice and assistance to MSMEs in the Cibuntu Village regarding the application of digital services will help MSMEs which are not reached by conventional financial services such as banks and BPRs. Assistance is also carried out by the Service Team so that partners in conducting online loan transactions can carefully choose providers who are legal and wise in utilizing capital from Fintech services so that they are not entangled in high interest and the capital obtained will be used effectively to develop their business. In addition, partners are also provided with socialization materials relating to regulation and legal protection for Fintech customers to avoid efforts to violate the law by unscrupulous Fintech operators such as intimidating billing and imposition of high interest rates.

### RESULTS

Indonesia is an archipelago country with the most population in Asia, with more than 260 million people spread across 17,000 islands and spread from west to east and from north to south. Such geographical conditions raise challenges and problems related to the equitable aspects of development and economic development. The problems faced by one of them is the distribution of banking services in Indonesia in carrying out their duties to improve the standard of living of many people is one of the problems. because it is believed that this will support poverty alleviation programs and reduce the gap in people's economic capabilities (Priyonggojati, 2019).

The large number of Indonesian people who use Fintech P2 Lending services has led to the rapid development of this industry and the need to regulate Fintech P2P Lending for the benefit of society in general. Fintech P2P Lending is regulated in the Financial Services Authority Regulation (POJK) No 77/POJK.01/2016 concerning Information Technology-Based Money Lending Services . (Lubis, 2022) The current pandemic conditions are very difficult to obtain loans especially for MSMEs, most of which are still unbankable, if they are not matched by seeking loans from Fintech P2P Lending to increase capital, they cannot continue business continuity. Considering the benefits of Fintech P2P Lending, it can fill the gap between MSME financing needs and the provision of funding from banks. The advantages of Fintech P2P Lending are: Serving Indonesian people who cannot be served by the traditional financial industry due to strict banking regulations and the limitations of the traditional banking industry in serving the community. Becoming a funding alternative to traditional financial industry services where people need alternative financing that is more democratic and transparent (Abbasi et al., 2021; Suryono et al., 2021).

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The Community Service Team provides socialization on the application of digital financial services Fintech Peer-to-Peer (P2P) Lending to MSMEs in the Cibuntu Village who are indeed unable to access capital through conventional financial services such as banks or BPRs. The presence of these digital financial services must be utilized by MSMEs, especially for MSME actors in the Cibuntu Village. Considering that most of the MSME capital in the Cibuntu Village comes from private funds as much as 71%, this will limit business development for MSMEs. Meanwhile, sources of financing from BPRs or cooperatives account for 17%, sources from banks account for 4% and 1% comes from Fintech as shown in Figure 1.1. This can be a consideration for the Service Team to be able to provide outreach to MSME actors in the Cibuntu Village so that they can take advantage of sources of capital from Fintech Peer-to-Peer (P2P) Lending. One of the obstacles regarding the minimal use of capital from Fintech is due to limited understanding and information about Fintech digital financial services. The Service Team can provide dissemination of the use of Fintech by directly providing examples of the practice of selecting and registering legal Fintech operators. In addition, the Service Team will provide assistance to MSMEs that make online loan transactions. The existence of assistance will provide understanding and knowledge to MSMEs so they can choose legal Fintech providers and can take advantage of loans as business capital. So that MSME actors will be able to take advantage of these loans for business interests and development. This will be able to increase the income and welfare of MSMEs in the Cibuntu Village.

### **The Development Of The Fintech Peer-To-Peer Lending Industry In Indonesia**

According to data on the OJK website as of April 22 2022, the number of Fintech P2P Lending companies that are licensed and registered with the OJK is currently 102 companies. The accumulated number of lender accounts is 874,982 entity units. Meanwhile, the accumulated number of borrower accounts is 80.337 million entity units with the accumulated amount of funds disbursed of Rp. 350.211 trillion rupiah.

This condition indicates that the community's need to obtain capital loans is very high. Of course this is very disproportionate where the number of lenders is only 1.01% of the number of loan recipients. This opportunity is exploited by illegal Fintech P2P Lending companies. Taking advantage of the narrowness of the illegal Fintech P2P Lending community, it sets high interest rates, fees or large transaction fees. When billing, some unscrupulous organizers used intimidation against borrowers. OJK took action to protect customers by closing illegal Fintech P2P Lending. As of April 22, 2022, the number of companies that were closed reached 3,989, but this did not stop them from remaining. The continued emergence of new illegal Fintech P2P Lending companies is due to technological conveniences that free individuals or companies to upload and publish applications/sites/website servers abroad with the aim of not being tracked by the authorities.

As a result, many people are victims of this illegal Fintech P2P Lending company. The factor that causes many people to become victims of illegal Fintech organizers is the low level of digital financial literacy in Indonesian society, so that people do not really understand what a Fintech P2P Lending company is. There is an urgent need due to financial difficulties, so they often do not check the legality of Fintech P2P Lending companies.

### **Illegal Online Loans**

The PKM FEB UP team then explained the characteristics of illegal online loans. First, the company is not registered and has official permission from the OJK. On illegal platform pages, the identity of the management and clear office addresses are not stated. Unlimited information about loan interest, loan costs and total principal returns. There are requirements to be able to access all data on the device. There is no complaint service. The operational mechanism for online loans usually starts with a funding agent who looks for customers by making offers via short messages to private network communication channels or what is known as SMS blasting.

The PKM FEB UP team practiced how to check whether the online loan was legal or not using a device by accessing the <https://www.ojk.go.id> page. The steps are to choose to click IKBN, then click Fintech. Information about Fintech will appear on that page, as well as a List of Licensed Fintech Operators. The list that was last updated by the OJK was April 22, 2022 which stated that there were only 102 Fintech P2P Lending Companies or online loans that were registered and had OJK permits. OJK will update the information if there is a change in the amount as shown in Figure 3.2.



Figure 3.2 Steps To Access A Legal Fintech P2p Lending Company On The OJK Website

**The Presence of Investment Alert Task Force**

The government has formed the OJK Investment Alert Task Force in the context of preventing and handling allegations of unlawful acts by illegal investment companies including illegal online loans. The IATF handles illegal online loans jointly by all members of the Investment Alert Task Force from 12 ministries/agencies consisting of OJK, Bank Indonesia, Ministry of Trade, Ministry of Communication and Information, Ministry of Home Affairs, Ministry of Cooperatives and MSMEs, Ministry of Religion, Ministry of Education and Culture, Research and Technology, Attorney General's Office, National Police, Ministry of Investment/BKPM and Center for Financial Transaction Analysis Reporting/PPATK).

The Investment Alert Task Force of OJK is not a law enforcement officer so it cannot carry out legal proceedings. The IATF OJK takes repressive measures by carrying out supervision and will announce to the public, if there are indications of online loan companies, the next action is to stop and block sites/websites/applications and submit information reports to Indonesian Police Criminal Investigation Agency. The Investment Alert Task Force OF OJK always carries out preventive activities by educating the public. Such as the PKM FEB UP activity, this was carried out because the Ministry of Education and Culture, Research, Technology and Higher Education, through universities, has also become a spokesperson for The IATF OJK in carrying out digital financial literacy for the community.

**Legal Protection**

Problems in digital financial services or Financial Technology (Fintech P2P) Lending are increasingly in the public spotlight. Various cases of violations by Fintech organizers have begun to appear in the mass media. There are also various types of violations by Fintech operators, including intimidating billing (Article 368 of the Criminal Code and Article 29 in conjunction with 45 of the ITE Law), dissemination of legal protection of personal data and sanctions for violations of personal data are regulated in Article 32 in conjunction with Article 48 of Law No. 11 of 2008 concerning Information and Electronic Transactions, but specifically regarding legal protection and sanctions for violations of personal data in online loan services, it has been stated in the Financial Services Authority Regulation Number 77/POJK.01/2016 concerning Information Technology-Based Money Lending Services, as confirmed in Article 26 that the operator is responsible for maintaining the confidentiality, integrity and availability of the user's personal data and in its utilization must obtain approval from the owner of the personal data unless otherwise stipulated by the provisions of laws and regulations.



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Sanctions for violations of personal data refer to Article 47 paragraph (1), namely administrative sanctions in the form of written warnings, fines, obligations to pay a certain amount of money, restrictions on business activities and revocation of permits. In addition, lending transactions through illegal online loans are prone to fraud (Article 378 of the Criminal Code) and acts of sexual harassment through electronic media (Article 27 Paragraph 1 in conjunction with 45 Paragraph 1 of the ITE Law) which allegedly occurred in this matter. The common law community certainly feels worried about facing these legal problems.

Protection of users of digital financial services based on Article 29 POJK 77/2016, organizers are required to apply the basic principles of user protection namely, transparency, fair treatment, reliability, confidentiality and data security, as well as simple, fast and affordable settlement of User disputes. Fintech organizers can be subject to sanctions if they violate the provisions of Article 43 and Article 47 POJK 77/2016.

### CONCLUSIONS

MSMEs in the CIBUNTU Village have understood and increased their understanding of the use of Financial Technology (Fintech P2P) Lending. So that it can be used as an alternative financing for MSMEs. This will increase the capital, income and welfare of MSMEs. There are already rules governing the implementation of Fintech, including the Criminal Code, the Consumer Protection Law, the ITE Law and OJK Regulations. Suggestions from the Service Team are that there are rules governing billing and interest rates that are detrimental to customers.

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