VOLUME 4, NO. 2, DECEMBER 2021
REVIEW OF ISLAMIC ECONOMICS AND FINANCE
Journal homepage: https://ejournal.upi.edu/index.php/rief/index

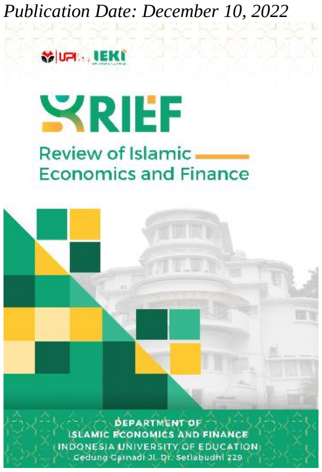
Strategies to Minimize Illegal Digital Lending Practices During the Pandemic Through Islamic Financial Literacy

Liani Putri Indrianti*, Nuraeni, Ismi Siti Rabbani, Soni Herdiansyah and Farah Rifa Rosyada
Universitas Pendidikan Indonesia, Indonesia

Article Info

Paper Type:
Research Paper

Received: August 10, 2021
Revised: September 10, 2021
Accepted: November 27, 2023
First Available online: November 30, 2022
Publication Date: December 10, 2022



Cite this document:

Indrianti, L. P., Nuraeni, N., Rabbani, I. S., Herdiansyah, S., & Rosyada, F. R. (2021). Strategies to minimize illegal digital lending practices during the pandemic through Islamic financial literacy. *Review of Islamic Economics and Finance*, *4*(2), pp. 167-180.

Abstract

Purpose *– Financial technology lending or digital lending services arguably has the potential to play an important role in the economic recovery during the pandemic time. However, a number of irresponsible people have illegally exploited the service for their selfish gain. This has resulted in many people whose rights have been jeopardized by the services. This study seeks to find out which of the three aspects, namely literacy, regulation, and implementation, serves as the root of the problem of the widespread practices of illegal digital lending among Indonesians. In addition, the study investigated whether Islamic financial literacy as a solution aspect can serve as the right strategy to minimize the practices of illegal digital lending.*

Methodology *- The Analytical Hierarchy Process (AHP) was used to explore the expert judgment of regulators, practitioners, and academicians on illegal digital lending. Moreover, experts' agreement were calculated using Kendall's Coefficient of Concordance.*

Findings *- The study found that the most significant aspect of problem was the literacy dimension, reaching a perfect agreement. Moreover, the aspect of regulation was found to be the most significant aspect of solution, reaching a moderate agreement. Based on the respondents' agreement, the Islamic finance literacy indicator of the literacy dimension was more recommended than the regulation dimension as an effective strategy to minimize the practices of illegal digital lending amidst the pandemic. Still, the OJK as the authoritative financial service regulator needs to closely and strictly monitor the practices of financial technology.*

Keywords: *Financial technology, Digital lending, Sharia financial literacy*

*Corresponding author: lianiputriindrianti@upi.edu

1. INTRODUCTION

The Indonesian economy is currently under pressure and is facing serious challenges due to the Covid-19 pandemic. Fortunately, this does not pose a problem for the digital financial industries. In fact, open financial access or financial inclusion has successfully been one of the keys of development in the digitalized era, especially during the pandemic, which has resulted in an economic slowdown (see: https://www.bi.go.id/id/fungsi-utama/stabilitas-sistem-keuangan/keuangan-inklusif/default.aspx).

The presence of financial technology has the potential to play a role in economic recovery. The technology has the characteristics of a low-touch economy, customer-based, social capital-based, the use of data science, and is driven by young professionals (Marginingsih, 2021). The financial technology industry is one of the innovations in financial services in the technology era. It is also the most developed industry in Indonesia, applying the concept of payment digitalization (Muzdalifa et al., 2018). One of the financial technology services accessible to the public at large is digital lending or fintech lending (henceforth digital lending) (Situmorang et al., 2020). Digital lending is the provision of financial services which brings together the lenders and the borrowers to make a lending contract directly in the rupiah through an electronic system. It is also called a Technology- Based Lending Service (LPMUBTI) (see: https://www.ojk.go.id/id/kanal/iknb/Default.aspx).

There seems to be a strong public interest in digital lending. This, among others, can be seen from the growth of the loan distribution during the pandemic, a critical time where conventional banking loan has had negative growth. The Indonesian Financial Service Authority (OJK) reports that nationally the accumulated loan distribution until December 2020 has reached the total amount of Rp. 155 trillion, a 91.3% increase compared to the same period in the previous year (Lisnawati, 2021). The rapid growth of digital lending services is also due to the huge market size of Indonesian customers. Moreover, a large number of Indonesian, who are not bankable, have opted for illegal digital lending, which is simpler and quicker in its application process. (Budiyanti, 2019).

Table 1 below shows the OJK reports,that by July 2021 there have been 112 conventional digital lending providers and 9 Islamic digital lending providers.

Table 1. Overview of Digital Lending Providers

Descriptions	Number of Providers (Units)	Total of Aset (billion Rp)	Total Liabilitty (billion Rp)	Total of Equity (billion Rp)
1. Conventional Providers	112	4.229,85	1.839,84	2.390,01
2. Islamic Providers	9	107,33	50,54	56,78
Total	121	4.337,18	1.890,38	2.446,80
		Period: July 2021		

Source: (https://www.ojk.go.id/id/kanal/iknb/financial-technology/Default.aspx)

The OJK has repeatedly urged the public to use only the digital lending services that are legally registered with the OJK. Still, many people ignore it. As such, this became a loophole that has been illegally exploited by some irresponsible fintech lending players for their selfish gain. This, in practice, has put the public at large, or to be more precise the victims, in a vicious cycle of debt of digital lending. The reasons behind the public's entrapment by the lure of digital lending are arguably the easy access to technology, economic hardship, and lack of knowledge (low literacy level).

To mitigate the mushrooming of illegal digital lending, the so-called investment Alert Taskforce (SWI) set up by the OJK, has so far blocked 3.193 illegal digital lending companies, which run their businesses through websites or applications. From January to June 18, 2021, the SWI has closed 447 illegal digital lending-related entities that operated their businesses using websites, applications, Facebook, Instagram, and filesharing (Lisnawati, 2021). Based on the statistics by cekrekening.id, a special website of the Ministery of Communication and Information designated as a platform for the public to report on their complaint on alleged or suspicious bank accounts, on June 2020 there were 294 complaints. By Mei 2021, the number had skyrocketed to 2.403 (see: https://aptika.kominfo.go.id/2021/07/). Users of digital lending services reserve their legal rights as customers which should be respected and upheld by the digital lending companies. In reality, however, this is not the case. A large number of reports have shown that some digital lending companies engaged in the abusive practices of consumers' personal data breach and spread. They are also reported to have often resorted to threats, unwarranted accusations, and even sexual harassment in the debt collection process. Legally speaking, these are clear violations of Article 29 paragraph (1) and Article 30 of the Law Number 30 Year 1999 on Human Rights and Article 8 Year 1999 on Consumer Protection (Ober et al., 2020).

It is alleged that the public's low financial inclusion literacy is one of the major reasons for the public being trapped by illegal digital lending. Despite Indonesia's financial inclusion growth, currently, at 76 percent, public literacy on digital lending is still low, currently at 38 percent (see: https://www.liputan6.com/bisnis/read/4563495/literasi-rendah-bikin-masyarakat-terjebak pinjaman-online-ilegal). Moreover, in practice, there are many problems surrounding the practices of digital lending both on the parts of the digital lending companies and the customers. It is alleged that many digital lending companies are not legally registered with the OJK and the Electronic Sistem Provider (PSE). One way to overcome the problem is the active role of the OJK as the regulator to closely monitor the digital lending businesses. In addition, a special statute (law) and related regulations on the digital lending business are required. It is hoped that the law and regulations would minimize problems related to the practices of the fintech lending business (Hidayat et al., 2020).

Speaking of Islamic Finance, Indonesia has a large potential for Islamic Finance. However, due to the public's low literacy level on Islamic Finance, such potentials have not been optimally exploited. A staggering fact about Islamic Finance literacy has shown that it is predicted that only 2 out of 10.000 people in Indonesia have a good literacy on Islamic Finance. Therefore, strategic programs have to be implemented to develop Islamic Finance, especially the promotion of Islamic Finance to improve the public's literacy and preference for Islamic Finance (Nasution & Fatira, 2019).

Coordinated preventive efforts must also be implemented by relevant parties to ensure better and optimum implementation and activities of financial technology services especially digital lending without jeopardizing the interests of any parties involved.

Therefore, a study on the various aspects of illegal digital lending is crucial to minimize problems caused by such practice, namely:

1. Literacy related problems
2. Regulations related problems
3. Implementation-related problems of the providers and/or users of financial technology lending or P2P lending)

The study aimed to investigate the root of the problem or the priority problem of illegal digital lending. The study also intended to check whether or not Islamic finance literacy can serve as one of the aspects of the solution to minimize the practices of illegal digital lending.

2. LITERATURE REVIEW

2.1. Financial Technology

Generally speaking, financial technology can be defined as a technological innovation in the financial transaction service (Narastri, 2020). Based on the regulation of the Indonesian Central Bank (henceforth, BI) number 19/12/PBI/2017 on Financial Technology states that financial technology is the use of technology in the financial system which produces services, products, technologies, and/or new business model and may affect the monetary stability, the financial system stability, and /or the efficiency, smooth operation, and reliability of the payment system. In addition, according to the BI regulation Number 19/12/PBI/2017 on Financial Technology, the objectives of the financial technology implementation is to encourage innovations in the financial sector while implementing consumers protection and risk management dan prudence to control the monetary stability, financial system stability and to create an efficient, smooth, and reliable payment system (Peraturan Bank Indonesia Nomor 19/12/PBI/2017, 2017).

The term fintech (sometimes: Fintech, Fin-tech, or FinTech) is a newly coined word signifying a modern relationship especially between related technologies of the Internet such as cloud computing and mobile internet with the established activities of financial service industry business (Gomber et al., 2017).

In general, fintech refers to the innovators and disruptors in the financial sector which utilize access to communication, especially the Internet and automatic information processing. Fintech companies consist mainly of micro, small, and medium companies with small equities but have a clear idea of how to introduce new financial services or improve the existing ones (Saksonova & Kuzmina-Merlino, 2017). Such companies possess a new business model which promises more flexibilities, security, efficiency, dan opportunities than the one owned by the established financial services. Fintech is defined as the application of digital technology to financial problems. Moreover, fintech is also an industry consisting of companies that utilize the technology to create a more efficient financial system and delivery. (Santi, Budiharto & Saptono, 2019).

2.2. Fintech Lending

Fintech lending also known as fintech peer-to-peer lending or information technology- based lending services (LPMUBTI) is one of the innovations in the financial sector which enables lenders and borrowers to conduct a transaction without the need for physical presence. The lending transaction is carried out using a system provided by the provider of fintech lending in the forms of, among others, software or web pages. Fintech Lending is limited to the lending service innovation on lending transactions. They can only serve as an intermediary which connects the loan providers (lenders) to the loan receivers (borrowers), who first have to register and provide required personal details prior to the provision of loan or loan applications.

Dorfleitner (2017) defines peer-to-peer lending as a main innovation in the banking sector. In the last few years, the number of platforms offering the services has steadily increased. Moreover, Hsueh and Darnall (2017) defines peer-to-peer Lending as an Internet-based business model created to satisfy the needs of loans between financial intermediaries. The platform is designed for small and medium companies who have trouble meeting the loan requirements of the banks. Peer-to-peer lending offers a relatively lower cost and higher efficiency than the traditional bank-based loan. Thus, peer-to-peer lending is a business model which connects loan providers with loan receivers through a platform and which is more profitable than the traditional loan platform.

2.3. Islamic Financial Technology

Islamic Finance is a technological service system based on Islamic law. It is based on the rules of (prohibitions of) giving and taking a loan with interests and making an illegal investment, both not yet covered in the conventional system. Moreover, in the financing sector, Islamic Fintech closely resembles that of the conventional one. Islamic Fintech is a financial service and solution provided by Islamic law-based technological companies or startups. Rules and regulations regarding Islamic fintech are also produced by the National Sharia Board of the Islamic Council of Scholars (DSN-MUI) (Basya, Pratama & Pratikto, 2020).

Islamic fintech is also defined as a combination of finance and technology in the process of financial service and investment based on the teachings of Islam. Essentially, Islam consists of rules which serve as a model and are based on Islamic principles. Such rules for example prohibit gambling (maysir), uncertainty (gharar), interests or usury (riba), concealing defects of objects of transactions (tadlis), damage, detriment, harm, or loss inflicted by an individual on others or even on one's self (dharar), unjust acts of exploitation, oppression, and wrongdoing (zhulm), and doing anything explicitly forbidden by Islam (haram) (Setiani et al., 2020).

2.4. Islamic Financial Literacy

Literacy is the knowledge and skills someone has in a particular field or the expertise which eventually contributes to his/her welfare. Previous studies have shown that the literacy/ knowledge someone has on a particular object will influence the person’s perception and preference of the object. As regards knowledge, it can be grouped into two categories, namely objective knowledge and knowledge-based assessment. Objective knowledge is the knowledge that some has one particular object/thing. In the study, objective knowledge is the knowledge of the public on Islamic financial products or Islamic financial literacy (Mattila & Wirtz, 2002).

The OJK states that financial literacy is a series of processes to improve the knowledge, competence, and skills of the consumers and the public at large to enable them to manage their finance better (Otoritas Jasa Keuangan, 2017). Financial literacy has the objectives of improving someone’s literacy (from less literate or illiterate to well literate) and increasing the number of users of financial service products. This aims to enable them to decide on the financial products and services that suit their needs. It is also aimed at helping them understand the benefits and risks associated with financial products and services. They are also expected to be able to know their rights and obligations and have a solid understanding that the financial products and services that they choose would improve their welfare. Financial literacy has become a national program aimed to improve the prosperity and welfare of society.

Islamic financial literacy is the literacy of understanding and implementing the Islamic financial concept and then using and managing their available finance to reach the expected targets, which are in accordance with the Islamic principles. Islamic financial literacy is the literacy of understanding and implementing the Islamic financial concept and then using and managing their available finance to reach the expected targets, which are in accrodance with the Islamic principles (Adiyanto et al., 2021).

The benefits of Islamic financial literacy among others are (Kusumaningtuti S. Soetiono, 2018).

1. The public are able to choose and make use of Islamic financial products and services that suit their needs
2. The public is able to make Islamic financial planning better.
3. The public is protected from investment in illegal financial instruments.
4. The public can have a better understanding of the benefits and risks associated with Islamic financial products and services.

3. METHODOLOGY

The object of the study consisted of three dimensions, namely regulation dimension, literacy dimensin, and implementation dimension. The subject of the study was experts who study or practice digital lending. In the study, the selection of the respondents was conducted using the purposive sampling method. The method is a way to choose respondents based on certain criteria which are used in research (Sekaran & Bougie, 2016).

There were seven respondents of the study consisting of two regulators (BI or OJK), three academicians (lecturers), and two practitioners (fintech practitioners). The study employed Analytic Hierarchy Process (AHP) method. AHP is a method to break down an unstructured complex situation into several hierarchical components by giving subjective values on the importance of each variable and determine the variable of the highest priority which affects the result in that particular situation (Parhusip, 2019). The method aims to analyze the views of the regulators, academicians, and practitioners who have a solid understanding of illegal digital lending. In this study, superdecision and Microsoft Excell softwares were used. (Parhusip, 2019). The method aims to analyze the views of the regulators, academicians, and practitioners who have a solid understanding of illegal digital lending. In this study, superdecision and Microsoft Excell softwares were used.

The steps of analysis of the results of AHP method were as follows:

1. Geometric Mean
   Geometric mean was used to find out the results of respondents' answers and decide on the results of a group's opinion. Questions of pairwise comparison were compared and combined to get an agreement between the opinion. Raters' agreement was a value showing agreement among all respondents (R1-Rn) on a particular problem in a cluster.
2. Raters' Agreement
   Raters' agreement is a value showing agreement level among respondents (R1-Rn) on a particular problem in a cluster. The instrument used to measure raters' agreement was the

Kendall"s Coefficient of Concordance (W;0<W≤1). When W=1, it means a perfect agreement. It means that experts reach a perfect agreement. When W=0 or close to 0, it shows that there is an inconsistency between the answers or the answers vary (see table 2)

Table 2. Kendall's Coefficient of Concordance

W	Interpretation
0	No Agreement
0,10	Weak Agreement
0,30	Moderate Agreement
0,60	Strong Agreement
1,00	Perfect Agreement

Source: Tanjung & Devi, (2013)

4. RESULTS AND DISCUSSION

4.1. Results of the Problem Aspects

1. The Regulation Dimension
   The dimension consists of three indicators, namely: 1) The existing regulations and legal framework are not fully enforced yet to control the practices of illegal digital lending; 2) The procedure for fintech lending establishment and obtaining legality of fintech lending are considered complicated in terms of its bureaucracy and requirements, and 3) Lack of monitoring and follow up actions against violations of illegal digital lending and the rights of consumers of fintech lending.

   Based on the Geometric Mean (GmK) values obtained from 7 respondents, of the three indicators, the highest one was the regulations and legal framework which are not yet fully enforced to control the illegal digital lending with the value of 0.38666. Lack of monitoring and follow-up action against illegal digital lending and the complicated procedure of obtaining a permit and legality of fintech lending came second and third with the values of 0,31288 and 0,26380 respectively.
2. Literacy Dimension
   The dimension consists of three indicators, namely: 1) Lack of knowledge of the public regarding the legality of companies engaged in financial technology business; 2) Lack of awareness and understanding of the public regarding digital lending; and 3) Low level of trust of the public towards Islamic finance.

   Based on the GmK values, of the three indicators above, the highest indicator was the lack of public knowledge on the legality of fintech, reaching the value of 0,39319. Low awareness and understanding of digital lending and low level of trust towards Islamic finance were the second and third with the value of 0,35413 and 0,21464 respectively.
3. The Implementation Dimension
   The dimension consists of three indicators, namely: 1) The interest rates and fines were not following the relevant rules set by the OJK; 2) Massive fraud in the implementation of illegal digital lending; dan 3) Inhuman practices of debt collection to the debtor by the illegal digital lending companies.

Based on the GmK values, of the three indicators above, the highest indicator was the interest rates and fines which were not following the relevant regulations of the OJK with the value of 0,38689. The mushrooming of illegal digital lending fraud and the inhuman method of debt collection came second and third with the values of 0,29299 dan 0,26537 respectively.

4. Overall Problems

Overall, the indicator regarded as the most problematic was the regulations and legal frameworks which were not yet effective to minimize illegal digital lending with the value of 0,18080. The indicator regarded as the least problematic one was the low level of trust of the public towards Islamic finance with the value of 0,05433. Figure 1 summarizes the overall problems.

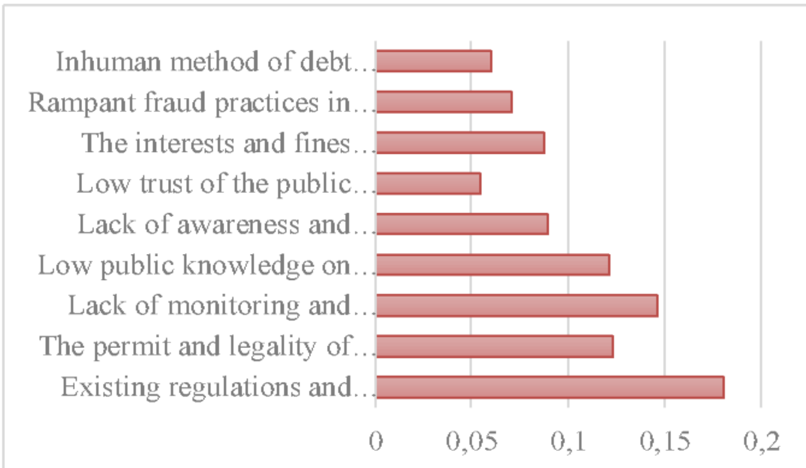


Figure 1. Geometric Mean (GmK) of the Oveall Problems
Source: Authors (2021)

4.2. Results of the Aspect of Solution

1. The Regulation Dimension

There were 3 solutions formulated in the dimension, namely: 1) Involving the Indonesian house of representatives, the Ministery of Law and Human Rights, and the Ministery of Communication and Information in creating stronger regulations; 2) Evaluating and improving the existing mechanism of permit issuance and of obtaining legality of the fintech lending to make it more effective and efficient; and 3) Supporting the accelerated development of Islamic finance as an accessible lending alternative for the public.

Based on the GmK values, of the three indicators above, the most prioritized solution was involving the Indonesian house of representatives, the Ministery of Law and Human Rights, and the Ministery of Communication and Information in creating stronger regulations with the value of 0,39721. The other two solutions came next, each with the values of 0,329323 and 0,23955 respectively.

2. The Literacy Dimension

There were three solutions formulated in the dimension, namely: 1) Increasing the education and literacy level (of the public) on digital lending by involving the government, relevant institutions, and the public; 2) Campaigning on the social media on illegal digital lending; and

3) Increasing the level of trust of the public on the Islamic finance through the empowerment of the society using Islamic financial management.

Based on the GmK values, of the three indicators above, the most prioritized solution was increasing the education and literacy level on digital lending by involving the government, relevant institutions, and the public with the value of 0,36698. The other two solutions came next each with the values of 0,31544 and 0.29936 respectively.

3. The Implementation Dimension

There were 3 solutions formulated in the dimension, namely: 1) Information regarding the interest rates and fines implemented by the digital lending has to be made more transparent and comply with the relevant regulations of the OJK and Islam; 2) digital lending companies should run honest business practices which comply with the existing regulations; and 3) digital lending companies are expected to provide sufficient protection of the consumer's personal data privacy.

Based on the GmK values, of the three indicators above, the most prioritized solution was that information regarding the interest and fines of the digital lending has to be made more transparent and in accordance with the relevant regulations of the OJK and Islam with the value of 0,35471. It was followed by the other two solutions each with the values of 0,34792 and 0,27996 respectively.

4. Overall Solution Priorities

In general, there were 9 solutions. They were then rated by raters. Of all the questions given to the experts, the most prioritized solution was involving the Indonesian House of Representatives, the Ministry of Law and Human Rights, and the Ministry of Communication and Information in setting strict regulations, with the highest value of 0,18574. Meanwhile, the least prioritized solution was to encourage the digital lending companies to provide the customers with adequate protection on personal data with the lowest value of 0,05169. Figure 2 summarizes the overall solution priorities.

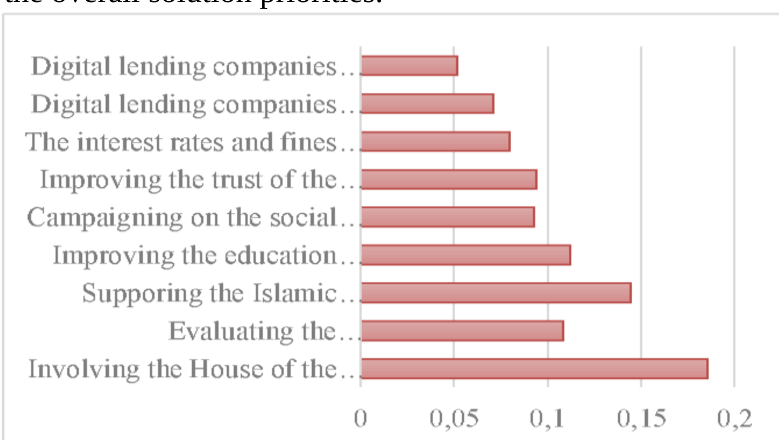


Figure 2. Geometric Mean (GmK) based on the Overall Solution Priorities
Source: Authors (2021)

4.3. Results of Experts Agreements

Experts agreement in the study was calculated through the rater's agreement using Kendall's Coefficient or W value. The experts agreements on the aspects of problem and solution is discussed below.

1. Aspect of Problem

   Table 3 shows that the dimension of literacy reached a perfect agreement. The regulation dimension came second, reaching a strong agreement. Agreement among the experts on the regulation dimension was proven by the most problematic aspect. On the implementation dimension, there was a moderate agreement. This was due to the variations of scores given by the respondents. However, in general, on the aspect of problem, the respondens reached an agreement but with a weak score.

Table 3. Kendall's Coefficient or W Values of Aspect of Problem

No.	Dimensions	W	Notes
1.	Regulation	0.948888889	Strong Agreement
2.	Literacy	1.228888889	Perfect Agreement
3.	Implementation	0.326666667	Moderate Agreement
4.	Overall	0.108888889	Weak Agreement

Source: Authors (2021)

2. Aspect of Solution

   Table 4 shows results of experts agreement on the aspect of solution.

Table 4.Kendall's Coefficient or W Values of Aspect of Solution

No.	Dimensions	W	Notes
1.	Regulation	0.575555556	Moderate Agreement
2.	Literacy	0.108888889	Weak Agreement
3.	Implementation	0.56	Moderate Agreement
4.	Overall	0.048222222	No Agreement

Source: Authors (2021)

Table 4 shows that on the dimensions of regulations and implementation, the experts reached a moderate agreement. Agreement among experts on the regulation dimension was proven by the most solutive aspect. On the literacy dimension, there was weak agreement. This can be seen from the varied scores provided by the respondents. In general, with regards to the aspect of solution, the respondents did not come to an agreement regarding their evaluation.

4.4. Strategy of Islamic Financial Literacy to Minimize the illegal Digital Lending

Results of the study have shown that the literacy dimension was the most prioritized aspect of problem based on the perfect agreement reached among the experts. Accordingly, it is recommended that sharia financial literacy be the strategy implemented to minimize the mushrooming practices of illegal digital lending, especially during the pandemic time. Although the experts preferred the regulation dimension over the literacy dimension of the aspect of solution, it is however believed that it would take a considerable amount of time to realize it. Therefore, it is recommended instead that the aspect of problems is used to overcome the problem as has been agreed upon by the experts.

Various countries have successfully implemented the financial literacy movement/initiatives. It is widely believed that financial literacy initiatives play an equally important role as other national strategic programs. Financial literacy has been a priority program in many countries such as Canada, Australia, India, the USA, and the UK. In Indonesia, the financial literacy initiative has been a long-term national program. Islamic financial literacy is a strategic program to support the government (OJK) to realize the national program of developing and improving financial literacy, which was started at the end of 2013 (Nasution & Fatira, 2019).

Islamic financial literacy aims to expand and improve the knowledge, understanding, and roles of the public in the use of Islamic products and services. It is hoped that Islamic financial literacy can improve the public’s knowledge and change their attitude on financial management for the better. Thus, they would be able to choose halal and profitable transactions. This would eventually help them avoid illegal transactions.

Islamic financial literacy is based on Islamic law (sharia). Thus, Islamic finance is universal in nature and applicable in all possible social settings regardless of ethnic, religious, racial, and communal backgrounds. In addition, Islamic finance is well equipped with a set of noble principles believed to have been able to support the prosperity of the public/society. Among the principles are the prohibitions of interest (riba), sharing of risks, adherence to contractual obligations, win-win solutions, justice, and sharia-based practices. Therefore, it argued that Islamic financial literacy is an alternative solution to minimize illegal digital lending.

5. CONCLUSION

The study has shown that the most prioritized aspect of the problem was the literacy dimension. With regards to the aspect of solution, the most prioritized one was the regulation dimension, having a moderate agreement. Thus, it is recommended that sharia financial literacy be the strategy implemented to minimize the mushrooming practices of illegal digital lending, especially during the pandemic. This is based on the belief that sharia finance has universal characteristics and its principles are believed to have the capacity to improve the prosperity of society.

The study has also shown that the OJK needs to monitor closely the practices of financial technology including fintech lending to overcome the illegal digital lending practices. Moreover, it has also been shown that academicians should study digital lending in-depth and educate the public about it. This will eventually help the public avoid the trap of illegal digital lending. Finally, practitioners of financial technology are recommended to ensure that their practices adhere closely to the available regulations. This will help avoid jeopardizing the interests of any parties involved in such practices.

REFERENCES

Adiyanto, M. R., Purnomo, A. S. D., & Setyo, A. (2021). Dampak tingkat literasi keuangan syariah terhadap minat menggunakan produk keuangan syariah. *Jurnal Administrasi Kantor*, *9*(1), 1-12.

Basya, M. M., Pratama, R. S. I., & Pratikto, M. I. S. (2020). Strategi pengembangan fintech Syariah dengan pendekatan business model canvas di Indonesia. *OECONOMICUS Journal of Economics*, *4*(2), 180-196. https://doi.org/10.15642/oje.2020.4.2.180-196

Budiyanti, E. (2019). Upaya mengatasi layanan pinjaman online ilegal. *Jurnal Pusat Penelitian Badan Jurnal Pusat Penelitian Badan*, *11*(4), 19-24.

Dorfleitner, G., Hornuf, L., Schmitt, M., & Weber, M. (2017). The fintech market in Germany. *SSRN Electronic Journal*, 13-46. https://doi.org/10.2139/ssrn.2885931

Gomber, P., Koch, J., & Siering, M. (2017). Digital finance and fintech: Current research and future research directions. *Journal of Business Economics*, *87*, 537-580. https://doi.org/10.1007/s11573-017-0852-x

Hidayat, R., Wulandari, H., Cahyaning, Y., Firmansyah, A. D., Hartono, B., Yusril, R., & Rakhmawati, N. A. (2020). Analisa permasalahan berbagai platform pinjaman daring (peer-to-peer lending) dan penanganannya di Indonesia. *Inspiration: Jurnal Teknologi Informasi Dan Komunikasi*, *10*(1), 45-56. https://doi.org/10.35585/inspir.v10i1.2538

Hsueh, L., & Darnall, N. (2017). Alternative and nonregulatory approaches to environmental governance. *Journal of Public Administration Research and Theory*, 1-7. https://doi.org/10.1093/jopart/muw042

Kusumaningtuti S. S., & Setiawan, C. (2018). *Literasi dan inklusi keuangan Indonesia*. Rajawali Press.

Lisnawati. (2021). Pentingnya Edukasi Masyarakat Mengenai Pinjaman Online Ilegal.

Marginingsih, R. (2021). Financial technology (Fintech) in the future of national financial inclusion Covid-19 pandemic. *Jurnal Akuntansi dan Keuangan*, *8*(1), 56-64.

Mattila, A. S., & Wirtz, J. (2002). The impact of knowledge types on the consumer search process: An investigation in the context of credence services. *International Journal of Service Industry Management*, *13*(3-4), 214-230. https://doi.org/10.1108/09564230210431947

Muzdalifa, I., Rahma, I. A., Novalia, B. G., & Rafsanjani, H. (2018). Peran fintech dalam meningkatkan keuangan inklusif pada UMKM di Indonesia (pendekatan keuangan syariah). *Jurnal Masharif Al-Syariah: Jurnal Ekonomi Dan Perbankan Syariah*, *3*(1), 1-24. https://doi.org/10.30651/jms.v3i1.1618

Narastri, M. dan A. K. (2020). Financial technology (Fintech) di Indonesia ditinjau dari perspektif Islam. *Indonesian Interdisciplinary Journal of Sharia Economics (IIJSE)*, *2*(2), 155-170. https://doi.org/10.31538/iijse.v2i2.513

Nasution, A. W., & Fatira, M. (2019). Analisis faktor kesadaran literasi keuangan syariah mahasiswa keuangan dan perbankan syariah. *EQUILIBRIUM: Jurnal Ekonomi Syariah, 7*(1), 40-63.

Ober, R., Guna, A., & Primawardani, Y. (2020). Perlindungan hak pengguna layanan pinjaman online dalam perspektif hak asasi manusia (protection of the rights of online loan customers from a human rights perspective). *Jurnal HAM*, *11*(3), 353-367.

Otoritas Jasa Keuangan. (2017). *Strategi nasional literasi keuangan Indonesia*. Toiha Putra.

Parhusip, J. (2019). Penerapan metode analytical hierarchy process (AHP) pada desain sistem pendukung keputusan pemilihan calon penerima bantuan pangan non tunai (BPNT) di Kota Palangka Raya. *Jurnal Teknologi Informasi: Jurnal Keilmuan dan Aplikasi Bidang Teknik Informatika*, *13(*2), 18-29. https://doi.org/10.47111/jti.v13i2.251

Saksonova, S., & Kuzmina-Merlino, I. (2017). Fintech as financial innovation - The possibilities and problems of implementation. *European Research Studies Journal*, *20*(3), 961–973. https://doi.org/10.35808/ersj/757

Santi, E., Budiharto, B., & Saptono, H. (2017). Pengawasan otoritas jasa keuangan terhadap financial technology (peraturan otoritas jasa keuangan nomor 77/pojk.01/2016). *Diponegoro Law Journal*, *6*(3), 1-20. https://doi.org/10.14710/dlj.2017.19683

Sekaran, U., & Bougie, R. (2016). *Research methods for business a skill-building approach*. John Wiley & Sons.

Setiani, D. D., Nivanty, H., Lutfiah, W., & Rahmawati, L. (2020). Fintech syariah: manfaat dan problematika penerapan pada UMKM. *Jurnal Masharif Al-Syariah: Jurnal Ekonomi Dan Perbankan Syariah*, *5*(1), 75-90.

Situmorang, N., Simangungsong, M., & Debora. (2020). Pengawasan otoritas jasa keuagan terhadap simpan pinjam online (fintech). *Jurnal Hukum PATIK*, *9*(3), 147-159. https://doi.org/10.51622/patik.v9i3.240

Tanjung, H., & Devi, D. (2013). *Islamic economic research methodology*. Gramata Publishing