Risk And Performance In Technology Service Platform Of Online Peer-To-Peer (P2P) Mode

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Abstract — One of the most recent popular financial technology business platforms is P2P lending. The ease of access and requirements in applying for loans means that P2P lending financial services are considered to provide solutions for the community. Existence of P2P lending raises a number of issues for consumers’ privacy and data protection. This article aims to examine the arrangements for the practice of fintech services with the P2P lending platform and analyze the risk and performance of P2P lending mode. The results showed that ineffectiveness of the implementation of P2P lending rules, especially in Indonesia, is influenced by norms of substance that have not comprehensively regulated the amount of interest and the mechanism of debt collection, and communication mode of the community as consumers and business actors. Ease prioritizes convenience compared to security in financial transactions. The non-existence of rules is considered an obstacle to a technology innovation that tends to emphasize pre-business arrangements.

Keywords — P2P Lending, financial technology, risk and performance, platform.

1 INTRODUCTION

DIGITAL revolution has produced a number of innovations in the field of technology, one of which is innovation in the financial sector or called Financial Technology (hereinafter referred to as Fintech). The positive impact of Fintech’s presence provides easy access to the broader needs of the community in accessing financial industry services. The special characteristics of Fintech that distinguishes from conventional financial institutions include: the speed of access to information, the lack of administrative document needs to obtain products and the minimum barriers to shipping methods like conventional financial institutions, convergence between the telecommunications and financial sectors, low costs and easy requirements to join, and limitless operating mechanism for crossing national borders easily (Brummer & Gorflne, (Oct., 2014),). According to the OJK, the loan interest rates of legal fintech companies reached 19 percent per month above the average of financial institutions (Hukum Online , 2018). This high interest rate risk has the potential to cause problem loans to the community. The third legal issue is the potential misuse of consumer personal data. Technological sophistication facilitates fintech companies to freely access debtor personal data which includes telephone contacts and customer telephone history without the need to make direct contact. In the practice of P2P Lending, the use of personal data is used as a media in debtor debt collection. As a result, fintech companies can contact their colleagues or relatives related to debtor debt collection. Furthermore, in the debt collection process, fintech companies P2P lending often uses a third party (desk collection) that sometimes often acts intimidating against customers. Hence, this paper aims to.

2 RESEARCH METHODS

Detailed submission guidelines can be found on the author This research belongs to the type of doctrinal legal research. Doctrine has been defined as a synthesis of interpretative rules, principles, norms, guidelines and values that explain, coherent or justify a part of a larger legal system (Hutchison & Duncan, 2012). The scope of the doctrine applied in this article includes legal concepts and principles of cases, provisions and rules regarding P2P lending business models that exist in Indonesia.

3 RESULT ANALYSIS

3.1 Performance of Fintech business in Indonesia

The Fintech business is based on the LASIC Principle which consists of five components, namely low margin, light assets, easy to measure, innovative, and easy to apply (Lee & Jinrui , 2015). The popularity of financial technology is in the main spotlight in the financial industry in Indonesia. This phenomenon is shown by the emergence of a fintech start-up company that grew significantly as a new business entity among the community. Start-up companies Financial technology can be seen as one technology-based business model that can compete or collaborate harmoniously with financial institutions. Some examples of successful Fintech companies in the world include: ZhongAn (a joint venture between Alibaba Group Holding, Tencent Holdings and Ping An Insurance that utilizes big data in providing online property insurance), Wealthfront (investment management service company), and Kreditech (service company financial loan provider credit) (Buckley & Webster, 2016). The scope of financial services provided by financial technology companies includes: investment (crowd funding), loan credit services (P2P lending), payment (digital wallet), insurance (risk management), cross-process (big data analysis), and infrastructure (security ) One of the service platforms of financial technology companies that are popular in Indonesian society is Peer To peer lending. For low-income people (MBR), credit card facilities or unsecured credit will be very difficult to obtain (Appy et al., 2017), but with P2P lending these obstacles can be eliminated by the existence of information technology that channeled direct investment to individuals and Micro, Small and Medium Enterprises (MSMEs). Based on data from the Financial Services Authority (hereinafter referred to as OJK) in November 2017 (https://www.hukumonline.com), Fintech’s cash to peer lending platform (hereinafter referred to as P2P lending) reaches Rp1.9 trillion or shows a growth trend of 20 percent every month. In the early period of 2018, 33 fintech P2P companies, including sharia fintech, have been registered with OJK. While 119 fintech companies are included in the waiting list. The large number of credit borrowers in fintech companies Peer to peer lending reached 260,000 people with a loan value of Rp 2.56 trillion, sourced from providers of funds as many as 101,000 people (Hukum Online, 2019).
2018). However, on the one hand, Fintech services with the P2P Lending platform have a tendency to higher credit risk because the company does not comprehensively check the track record of the prospective debtor in determining the feasibility of the potential debtor to pay. The second problem is the determination of interest rates by the Fintech P2P Lending Company which is very large compared to the provisions set by banks and conventional financial institutions.

3.2 Risk in Financial Technology Scheme with the P2P Lending Platform

The terminology of loan transactions in electronic network systems is analogous to peer to peer because the mechanism is carried out by fellow lay people not through the intermediation process of banking institutions or other financial institutions. The development of P2P lending services based on digital platforms cannot be separated from the network effects (Parker, 2016). With the existence of a network effect in the practice of organizing P2P Lending businesses, it gives the probability of more flexible access for investors, funders and borrowers to carry out accounts payable online. The mechanism for channeling and managing funds in the Financial Technology business of Peer to Peer Lending (P2PL) is very different from banks and multi-finance companies. The center of P2P lending activities is in the application software made by start-up organizer companies that become a means of transaction in meeting consumer needs for financial access services. P2P lending service provider companies do not collect and distribute loans directly to the public with their capital. However, the role of the platform in P2P lending is not entirely passive. The company that holds the platform only serves as a provider of online media transactions that bring together lender creditors with borrowing debtors. The website owned by the organizer P2P Lending is a marketplace lending that will bring together lenders and loan recipients (Putri, 2018). Risk assessment, checking the balance of demand and the preparation of operational standards are carried out by P2P lending companies on the site. When running its business, Fintech company with a P2P Lending platform must guarantee that prospective borrowers have reasonable criteria in applying for loan loans. So that the platform provider can bridge the creditor to look for prospective debtors, regulate the flow of transactions and administration and make billing to the debtor, when a default occurs. Platform provider company revenues are obtained from fees for approved loans and payment services to investors based on fixed amounts or loan interest rates. So that it can be stated that in the P2P Lending agreement there are three parties involved, among others: the recipient of the loan (debtor), the lender (creditor) and the organizer. The beginning of the P2P Lending agreement began with offers made by the organizers of Information Technology-based money lending services and continued with receipts made by prospective customers. The mechanism of supply and acceptance in the loan lending agreement in digital applications (P2P Lending) is very different from the conventional lending agreement. In peer lending, the bidding process until credit receipts are made online through the fintech company's website platform. The application in applying for a P2P Lending loan consists of several stages: First, the prospective debtor enters the website of the digital platform provider fintech company, then registers by filling out the form provided on the website. The next stage, the platform provider will select, verify and analyze the loan qualifications submitted by the prospective debtor. This is the duty of the Fintech P2P Lending company to find credible and trusted prospective lenders for applying for loans. The basis of the assessment carried out by the provider of the platform is to give a rating to the prospective borrower debtor followed up with a notification to the creditor provider of funds that contains the subject of the recipient of the funds. So that the creditor can know the recipient's subjects transparently. Determination of interest rates is determined by the platform organizer based on competition between lenders' creditors. Lenders to make investments come true by selling their loans (at a cost) to other lenders at the platform organizer (Milne & Parbooteah, 2016).

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<td>Aspects</td>
<td>Conventional lending</td>
<td>P2P</td>
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<tr>
<td>Loan amount</td>
<td>high</td>
<td>low</td>
</tr>
<tr>
<td>collateral</td>
<td>yes</td>
<td>no</td>
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<tr>
<td>Party involved</td>
<td>Borrower, bank</td>
<td>Borrower, lender, platform</td>
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<td>Regulation</td>
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After the selection process, the fintech P2P Lending company will display profiles of prospective debtors that have been selected by the organizer to the lenders. Then the lender will determine the prospective loan recipient by clicking the button available on the P2P Lending platform. In the final stage, the application for the loan application submitted by the stated debtor will be posted on the website of the company providing the P2P Lending platform. With this, the debtor can withdraw the pinajman funds and counter the achievements of the loan providers and the P2P Lending Platform company. Relations between parties on P2P lending practices are bound in the format of the standard agreement provided by the platform provider. Before the agreement of the parties occurs, usually the P2P lending electronic system Provider provides a special feature that contains a number of provisions that can be read by creditors and debtors who receive loans as a basis for making decisions.

3.3 Enforcement toward Fraud in Technological Innovation

Law has a challenge to create a balance between the conduciveness of the business world that has evolved through digital networks and the assurance of legal protection between the parties in P2P Lending business practices. In responding to the potential risks posed by the P2P Lending digital financial services above, the Financial Services Authority (hereinafter referred to as the OJK) issues No. 77/POJK.01/2016 concerning Information Technology-Based Money Lending and Lending Services on 28 December 2016 (Lathif & Habibaty, 2019). The focus of the regulation in the regulation is fintech companies that provide lending and borrowing services through digital technology (P2P Lending). Technological innovation has indirectly changed the structure of the financial industry which offers new opportunities for the community, but on the one hand it also creates risks that have not been predicted by previous laws. A new approach must be taken by the financial regulator in issuing policies and supervising the practice of P2P lending as a new economic model that grows significantly and ensures maximum legal protection for consumers.
4 CONCLUSIONS
The phenomenon of the rapid development of financial technology with the P2P lending platform is a challenge for the Government as a regulator in an effort to support changes in the pattern of financial sector business that has been integrated in the digital system with legal protection for the community. Based on the results of the above analysis, the researchers concluded that the POJK Regulation No.77/Pojk.01/2016 is not maximized. This is caused by the content of the norms that have been compiled not yet in a comprehensive manner in providing guaranteed security for P2P lending for consumers of service users. This is indicated by the existence of a legal vacuum governing loan interest rates, the absence of a standard debt collection mechanism and the method of resolving consumer disputes. The norm content that is regulated as a whole in the regulation is still partial in nature by emphasizing the procedural pre-operation of the business, where it becomes one of the drivers of P2P lending business people who are reluctant to register officially. OJK, as the supervisor, also experienced problems due to the limited supervision infrastructure and scope of control that was only intended for P2P lending companies registered in the system. The government should also take preventive steps in the form of financial literacy education in the community in making digital loans in order to reduce the risk of losses that could potentially be experienced by consumers using P2P lending services. The approach used by the Government of Indonesia only refers to the rule-based regulatory regime. Changes in the approach should be carried out by the Government of the Republic of Indonesia by changing towards a principal based regulation regime. Changes in the approach should be carried out by the Government of the Republic of Indonesia by changing towards a principal based regulation regime in order to provide a proportion that is proportional to providing easy access to business for fintech business actors and achieving comprehensive consumer protection.

REFERENCES