

“Bank titil” : The Benefits and How It is in Islamic Economic Perspectives

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Abstract

The purpose of this research is to find how the superiority of the mobile bank or *bank titil* in the community and how it is viewed from an Islamic economic perspective. This research is a field research conducted using a qualitative approach. The snowball sampling technique was used to obtain the informants who use the services of a *bank titil*. Data from the key informants are then analyzed using three steps that occur simultaneously, namely data reduction, data presentation (*display*), and drawing conclusions/verification. The result of this research is that superiority of a mobile bank or *bank titil* in the community is related to the convenience in transaction provided by a mobile bank or *bank titil*. First, it is simple requirements. The second is fast disbursement. Third, there is no collateral or guarantee must be given to the titil bank as an official bank institutions are required. However, with the facilities provided by a mobile bank or *bank titil*, its practice basically contains harms which makes residents remain in a circle of poverty because of their dependence on the services of the mobile bank or *bank titil*.

Keywords: mobile bank, *bank titil*, Islamic economic

INTRODUCTION

Time changes have made human to take adaptation in for example their life styles and patterns of life in the community. The current development has led Muslims to move away from the guidelines of life of the Al-Qur'an and Hadith. It is supposed that understanding on Islamic values must be kept in everyone's heart so that they can implement the values in their everyday life including economic life (Hakim, 2012). Economic is considerably the most important aspect in people's life. People rely on work to fulfil their daily needs by either doing their own

business or working on others' business from which they will get money that is has an important role in fulfilling their needs. In other words, money is the driving force of a country's economy (Kasmir, 2012). In relation to money in society, poverty is a classic problem faced by a country. Poverty can indicate inability of the government to provide jobs for the people. The government is thus considered as fail in carrying out economic development and welfare of the community (Hidayati, et al, 2020).

The Central Bureau of Statistics (BPS) shows poverty in Central Java has increased from 10.58% in September 2019 to 11.41% in March 2020. Meanwhile, the number of poor people in the city of Pekalongan was high during 2017 to 2019, namely 2,251,000 in 2017, 2,052,000 in 2018, and 2,021,000 in 2019. The number of poor is still considerably high since it reaches 6.6% in 2019. The data can sufficiently indicate the people having financial difficulty in Central Java in particularly Pekalongan are still many. Thus financial institutions, both conventional banks and Islamic banks, have a great opportunity to take role. However, people tend to choose moneylenders that currently use the guise name of "bank" (Irma N & Dede, 2020). Such bank is often referred to as mobile bank or '*bank titil*' in local term. This mobile bank has penetrated the community by marketing their offer through traditional markets and addresses those who need quick funds.

Some research have been conducted on *bank titil*. This includes the research conducted by Hidayati et al (2020) that addressed efforts to prevent public from practices of *bank titil*. Another study by Hou et al (2020) examined whether *bank titil* which is considered as a non-formal bank will mess up the formal bank business process in China. Allen et al (2018) discussed how the public did not understand about non-formal banks that have operated in the midst of the community. Another research conducted by Rahmatullailay (2020) shows how *bank titil* establishes socio-economic relationships in the midst of society. This research focuses on

what are the benefits of *bank titil* for the community and how it is in the perspective of Islamic economic.

LITERATURE REVIEW

Bank Keliling

Proses offered by the bank's mobile bank or mobile *bank titil* make getting a position in the structure of society. Especially in the middle to lower society who are allegedly using mobile bank services to meet their needs. The phenomenon was also seen in the village of Sidorejo Tirta Pekalongan where majority of the residents work in garment companies and receive weekly income that is not enough to cover their needs in the following week, such as children's school fees and daily needs.

Along the times, changes in patterns and lifestyles require people to have larger finance. However, less income they earn leads them to take debt. There were some studies on *bank titil* such as Rahoyo dan Graduation (2019), Pertiwi (2018), Rinda dan Renea (2020), Irma dan Dede (2020), Hidayati et al (2020), Allen et al (2018). This research focused on what are the advantages of *bank titil* and how it is in the perspective of Islamic economic. These differentiate it from previous studies and are interesting phenomenon to be researched.

Bank Titil

The advantages and application of sharia principles in Islamic Commercial Banks have not attracted the attention of the lower middle class to finance from Islamic Commercial Banks. The community still uses other financing alternatives that have been around for a long time or are considered as easier to access. One of the financing alternatives is loan sharks. The fact is that these moneylenders do not use real identity but use the name of bank (Irma & Dede, 2020). One of them is called mobile bank that is termed in Javanese as *bank titil* (Sakinah, 2016). *Bank*

titil is a community business in the financial sector that resembles a bank. Some are legal and some are not. In practice, this mobile bank provides convenience to its customers since it collects and distributes funds by visiting customers directly at homes, offers easy requirements, fast processing, and no collaterals. People are looking for alternatives to meet their needs quickly in condition when their needs and consumption increase and the economic situation is increasingly uncertain by borrowing money from non-bank institutions such as *bank titil* or small banks.

Islamic economic

Islamic economic is an economic system that has characteristics and identities as differentiators from conventional economic. In Islamic economic, ethics is used as a basis for carrying out all activities. Interest is omitted since it is usury that has been forbidden in the Qur'an and Hadith. This is to protect the welfare of humans in relation to morals, society and the economy. Therefore, there must be financial institutions based on sharia principles (Rohmah TH, 2017). The Islamic Banking Industry has a strategic role in community economic development. Sharia banking is everything that is related to Islamic Commercial Banks and Sharia Business Units which include institutions and processes for their business activities based on sharia principles. Sharia Commercial Bank itself is a bank whose business activities are to provide services in payment traffic and based on sharia principles. The principles of sharia here include the principle of profit sharing that is mutually beneficial for both parties, prioritizes the value of togetherness, avoids usury and speculative motives in each transaction and the most important is equal distribution of social welfare (Apriyanti HW, 2017). Policies issued by Islamic banks are now also made flexible, as evidenced by the terms and guarantees that have been made easier (Irma & Dede, 2020).

METHODOLOGY

Population and Sample

According to Sugiyono (2013) population is a group of people, events or objects to be studied. While the sample is part of the population. In this study the population is all people in the village of Sidorejo Tirto Pekalongan, and the sample is housewives who carry out business activities and have debts from mobile bank (*bank titil*). They are *Nur Kholidah, 55 years old*, *Suzi, 26 years*, and *Piis, 37 years*.

Data Collection and Analysis Techniques

The technique used to collect the data in this research is in-depth interviews. In-depth interview is the process of obtaining information for research purposes by means of face-to-face in questioning and answering between the interviewer and the informant or the person being interviewed, with or without interview guidance, where the interviewer and the informant are involved in social life. It is relatively long. Furthermore, it can be conducted in either structured or unstructured and can be carried out either face to face or by telephone (Sugiyono, 2006). Another technique used is observation. The reason to do observations was to present a realistic picture of behavior or events, to answer questions, to understand human behavior, and to evaluate certain aspects of feedback on measurements. The information obtained by observations was space (place), actor, activity, object, action, event or event, time, and feeling. Bungin (2007) suggests several forms of observation that can be used in qualitative research, namely participatory observation, unstructured observation, and unstructured group observation.

RESULTS AND DISCUSSION

Advantages of *Bank Titil* for the People in Sidorejo Tirto Village

Sidorejo Tirto Village is one of the villages in Pekalongan district where the majority of the people work as laborer in garment industry. They rely on the income from the job to meet their needs each week. However, the salary they receive every week was not enough to meet their needs in the following week. In the rise of mobile banks or *bank titil* in today's society, the community in Sidorejo Tirto Village especially the residents of the neighborhood of RT 01/01 used *bank titil* services widely. This phenomena was apparent during the observation. Many mobile bank officers were seen to visit the residents' house to collect installments each week. Even there were people gathered to wait for mobile bank officers provide loans in groups and to pay off the installments. About this Kholidah (55 years old) stated that many Sidorejo villagers used mobile bank services.

"Here many use the bank services, Ms. Amah, Ms. Piis, Ms. Sina. Then to the east there are Ms. Taslikha, Ms. Warkyah, Ms. Darsanah, etc. Not to mention those who participate in weekly mobile bank groups with at least 10 members." (Nur Kholidah, 55 years old)

Mobile banks or *bank titil* are very popular among the people of Sidorejo Tirto village because if there were new customers who want to take financing, the old customers would notify the officers. *Bank titil* would then approach the new customers. They would explain the procedure and steps along with the amount that must be paid according to the agreement of both parties. For this reason, *bank titil* seems to be the solution for financial-related problems that all residents experience as indicated by the following source:

"Yesterday I borrowed money for the first time from a bank titil that came to my house. I just need to tell someone who had borrowed from a titil bank and she then asked the

bank to come to the house and explained the procedure. I need to give a valid KTP only.” (Suzi, 26 years old)

The use of *bank titil* services was the choice of middle to lower class of people in getting loans for financing daily needs, consumptive needs, and business purposes. They did not look for financing from official banks that are guaranteed by the Institution of Saving Insurance (LPS). Their reasons were the same, namely requirements are simple, no collateral is needed and the process is quick compared to that of official banks even though the interest rate charged by *bank titil* is relatively higher. In addition, inability to pay the installments of their loan from an official bank might risk them to let their collateral that is usually a valuable goods. This was also the reason for them to use the services of mobile bank or small bank.

“I do not have courage to borrow from a bank. I am afraid I may not be able to pay the installments, if at the bank you can find it, sis, if it is true then I no longer have any money” (Piis, 37 years).

“I will never borrow from an official bank because the reason is clear, namely it requires a collateral. In fact, I don't have any valuables that can be collateral other than my house. I'm afraid that if for example I can't pay in the installments, I will lose my house. So I prefer bank titil as the solution for my business and needs, sis ”(Nur Kholidah, 55 years old)

Existence of these conveniences and the large number of mobile banks or *bank titil* in the community enable a person to get financing from several mobile banks or *bank titil*. As described by Nur Kholidah (55 years), she got financing from several *bank titils*. From mobile banks that lend money individually, they borrowed from five *bank titils*. Meanwhile, from *bank titils* that lend money in group for business purposes, they also use PNM Mekar's services.

“To be honest, there are many bank problems. There are five mobile banks that will be here in a week. Because the loan is only around 500,000, so it's only for food and necessities. Not to mention that they also have group loans. What clear is that I used the money to buy cloth to keep my business running. Because the group loan is for those who must have a business.”(Nur Kholidah, 55 years old).

Overview of Mobile Bank (*Bank Titil*) in Islamic Economic Perspective.

Practices in providing credit by bank should be accompanied by things that can support the application of financing. However, not many people know that the convenience provided in such practice has hidden purpose. This is related to the amount of usury contained in the provision of credit. Moreover, lower middle class target bank that provides convenience in giving its loans.

The amount of usury contained in this financing does not reduce their intention to leave such financing, instead the number of customers increase. The financing that is in great demand is the one with easy repayment each week, which is the services provided by mobile banks or *bank titil*. It is easy for customers to pay installments and they also are not bothered by the number of installments that must be paid each week.

“I’m not burdened by the installments that I have to pay each week because in my opinion I have been helped by them. Let's just say that I have been assisted by them and the interest is the wages for those who have helped me” (Nur Kholidah, 55 years).

"Loans from a bank, cooperative or something like that are surely to have interest, otherwise no one wants to lend it easily. Moreover, this bank titil asks only KTP as the requirement" (Darsanah, 55 years).

" Yes, just think it as the wage for those who are bothered to collect money, with me should not pay the installments myself to the bank, let alone the banks must use collateral "(Suzi, 26 years)

From the interviews to the informants, it can be concluded that they did not have a problem with the installments they had to pay each week. They think that with an easy process they can receive financing from a mobile bank or a *bank titil*. Then the interest is a form of wage for the bank that is willing to visit around the residents' houses. However, basically the convenience provided by this mobile bank or *bank titil* has a price that must be paid, which is a higher interest rate than that of formal banks, especially Islamic Commercial Banks.

The imposition of bank interest set by mobile bank in borrowing money or capital transactions is never justified in Islam because it is against the principles of sharia. The application of usury in economic activities is haraam even though people do not feel burdened by the stipulated interest or usury. The punishment of this prohibition is because it is against the principle of justice and is not in accordance with the teachings of the Islamic Religion. By not obeying the teachings of the Islamic religion, it will certainly cause a lot of fade. Prohibition of usury has also been described in the Qur'an. One of them is in QS. Ali- Imran: 130

يَا أَيُّهَا الَّذِينَ آمَنُوا آتُوا الْرِبَاَ أضعفا مضاعفة واتقوا الله لعلكم تفلحون

Meaning: O ye who believe, do not eat Riba with a double and fear Allah and that ye may prosper (QS. Ali-Imran: 130)

Riba that is in the intention is Nasi'ah Riba which according to some scholars is haraam, although it is not multiplied. Usury Nasiah is the overpayment required by the person providing the loan.

CONCLUSION

Based on research conducted in Sidorejo Tirto village, Pekalongan district, it can be concluded that the superiority of mobile banks or *bank titils* in the community is related to the convenience they provide in their transactions. First, it is easy requirements by simply submitting a KTP for getting individual loans. KTP of husband and wife, family cards, and having a business are the requirements for getting group credit which is managed by PNM Mekar. The second is fast disbursement. If the terms and installments have been agreed by both parties, the loan will be disbursed immediately. Third, there is no collateral or guarantee must be given to the *bank titil* as an official bank usually asks.

This is what makes mobile banks or *bank titils* are always in demand and have a distinctive position in the community. In addition, the absence of other options when needed instantly makes people to always rely on mobile banks as the solution for their financial-related problems. They feel as being helped by receiving loan from a mobile bank. However, facilities provided by a mobile bank or *bank titil* basically contain harms that make residents remain in a circle of poverty because of their dependence on the services of the mobile bank or *bank titil*.

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