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# Increasing Digital Sharia Banking Transactions in Completing Society Needs via EDC Machine and *Laku Pandai* (Personal Agent)

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## ABSTRACT

This conceptual paper is show that muslim society is more aware of the importance of sharia banking as a necessity. The Muslim society pays attention more to the usury consequences and risks when they are dealing with conventional banks because the interest provided by conventional banks is considered as a usury. Awareness of usury risks and sins against became one of the factors why Islamic banking increase in the majority Muslim society. However, the main problem of sharia banking is the access into public which is still very slow. It is compared with the conventional bank which has existed longer than sharia bank. This factor of access also influences the growth of sharia banking which is more slowly than the interest of the Muslim community in sharia banking. Sharia banking does not need to be glued to the old concept of adding access points (accessibility) by opening branches. The opening of branch office need high cost. Branch or subsidiaries are as operating expenses. The addition of accessibility by utilizing a handy EDC (Electronic Data Center) machine can be operated in mobile at the desired area or with personal agent (*Laku Pandai*) at much more affordable cost compared with the opening of new office, branch, and ATM machine. These two strategies significantly improve the accessibility of sharia banking that society needs. Sharia banking will become easier, faster and closer so that it will increase sharia banking transactions to fulfill the needs of the community.

**Keywords:** *sharia banking transactions, EDC machine, Laku Pandai*

## 1. INTRODUCTION

The Muslims are demanding to live in the frame and corridor of obedience to Allah Ta'ala. In Islam, a Muslim is thought about what is banned or forbidden to eat (the false), among the form of eating the property in a false way such as taking transaction with the method of usury. In the Qur'an Surah Ali Imran verse 130, it is explained that "O ye who believe, do not consume usury in multiples and fear Allah to make your fortune [1].

Ushul fiqh argues that a ban on something is a command to stop doing that. In this case the prohibition of consuming usury means the order to stop working on usury. The law of prohibition is forbidden. In Arabic, the word "*Riba*" (usury) can contain additional absolute meaning or it means as *Ziyadah* / additional. In another sense of linguistic, usury also means grow enlarged of dams. As according to technical terms, usury means the taking of additional property or capital in a vanity [2].

Muslim communities who are reluctant to deal with banks for fear of usury usually use bank transaction only as a traffic fund such as money transfers or other transactions

that can only be done in banking [3]. Increasing the Islamic awareness provides an initiative for Muslims to transact in a financial system that is in line with their religious beliefs, namely Islamic banks or sharia banks [4]. Islamic banking provides interest-free services to its customers. Interest (usury) is prohibited in Islam, such as in the bank (Sharia) is not allowed to make payments or withdrawal of interest in all forms of transactions. A unique feature offered by sharia banks is profit-and-loss-sharing (profit-and-loss-sharing) systems.

The enactment of Law no. 10, 1998 has opened a wider opportunity for sharia banks to grow. This law does not even mention sharia banks side by side with conventional banks in article by article, but also states in detail the principles of Islamic banking products, such as Murabahah, Salam, Istisna, Mudharabah, Musyarakah and Ijarah; whereas in Law no. 7, 1992 about banking, the name of sharia was not mentioned at all [5].

Sharia banking as well as sharia financial institutions are more lively with the support for the development of sharia banking which is also shown by the "dual banking system" [6]. The community needs a strong, transparent, fair and committed sharia bank to help the improvement of the customers' economy and business [7]. Although the development has reached a fairly rapid growth but with a total customer reached 15 million people for sharia banking alone, of course this number is still very far compared with conventional banks that have a total customer reaches 80 million people [8].

Based on the blueprint for the development of national Sharia banking in Indonesian banks, the target of sharia banking market share is 5%, but until 2016 the market share for 5% has not been achieved [9]. The Financial Services Authority (OJK) that oversees the sharia banks up to now continues to make improvements of the banking progress itself, many policies are set to improve and to promote Islamic banking especially in Indonesia. To that end, sharia banking is expected to encourage economic activities of community groups who have not enjoyed financial services such as rural society [10]. According to Ahmad Yunus, the community which is used Sharia banking services consider several things such as in choosing a bank mostly based on consideration of accessibility or ease of access, the number of office and ATM networks, banking services and sharia aspects. For people who are far from such accessibility, rural communities still use sharia banking services [11]. In addition to the EDC, sharia banking can also recruit personal agents (*Laku Pandai*) who stay in remote area which is far from the accessibility of sharia banking. This personal agent is not an employee of sharia banking but a partner who has certain agreement with sharia requirement to be a kind of representative of sharia banking. The public can perform transaction features similar to a sharia banking branch, although not entirely the same as deposits of money, withdrawals, payments or other transactions.

## 2. METHODOLOGY

This research uses qualitative descriptive research approach [12]. First, adjust qualitative methods more precisely; second, this method presents directly the essence of a study [13]. According to Moleong, qualitative descriptive research is a research procedure that produces descriptive data that can be observed directly to explain things or problems that occur and described in accordance with the focus of research problems [14]. Meanwhile Garna mentions that a qualitative approach is characterized by a research objective that seeks to understand the symptoms that cannot be precisely measured" [15]. Thus, the biases, values, and assessments of the researcher are stated explicitly in the research report such as the openness which is considered useful [16].

So that the purpose of this research can be achieved [17]. Qualitative research can be said that it is a kind of descriptive in the sense of research interested and prioritize on the process, meaning, and understanding obtained through word or picture [18].

Meanwhile, Suryabrata mentioned that "secondary data is usually in the form of document" [19]. The research instrument in qualitative research tradition is human/person ie researcher own by using tool aids. As stated also that "People (researchers) as an instrument has a weapon that can be used flexibly [20]. qualitative data analysis according to Miles and Huberman as quoted Sugiyono is making the conclusion and verification [21]. he whole process is aimed in making the problem validly answered although the findings may be different from the problem formulation after the research [22].

## 3. RESULTS AND DISCUSSION

The use of EDC and personal agents by sharia banks to increase actual transactions is in line with Branchless Banking policies launched by Bank Indonesia. It is done to improve banking services beyond the conventional form of banks in order to serve unbankable people who are not served for some reason by the Bank.



Figure 1 EDC machine

EDC stands for Electronic Data Capture which the function is to have a kind of transaction on Debit/Cash/Credit card from ATM card holder or other card. EDC machine (pict) is also a payment engine, purchase and transfer, in general the use of EDC machine is almost the same as the ATM [23].

The price of ATM machines ranges from USD 10,000-15,000 [24] (equivalent to 140,000.000-210,000,000 at an exchange rate of 14,000 / USD) compared to the price of EDC machines with prices only around millions of rupiah [25]. This means that the procurement of one ATM machine can be converted into a procurement of hundreds of EDC machines in the form a wider accessibility. There is proof of payment in the form of EDC, do not worry for the gyro funds in the bank which could adversely affect the credibility of customers [26]. Electronic non-cash payment systems can easily be done with EDC machines for various purposes. The public can easily access electronic payments if the facilities are available [27].

The problem of internet signal difficulties can be overcome by using GSM technology [28] and cellular phone chip because cellular signal has to be acknowledged more broadly than internet signal. This breakthrough in order to improve the access of financial services that can be done quickly, for example, based on information technology [29]. Security is very important so that it can cause the trust from customers for having transaction using EDC machines [30]. Security is obtained from good procedures such as PINs and other necessary safeguards and honesty from merchants, bank bankrupt or no security EDC machines will undermine trust to transact.

Trust is an inseparable thing that the sharia banks need to strengthen themselves if taking this strategy [31]. Trust is also built with, for example, the speed of sharia banking technicians when fraud occurs in EDC. Do not let the merchant (the EDC holder) is disappointed because the response is often too late so that consumers are hampered to make payments by debit card or credit card Via EDC. This condition can cause some consumers who do not bring cash

money will cancel the purchase because the EDC machine in the merchant does not work [32].

Branchless banking in the concept that can be adopted by Islamic banks is one of the Business Correspondent Based Models, namely: Business Correspondent Based Models Branchless banking models use third parties or personal agents to handle various banking service features such as account opening, Transaction management, as well as other services such as cash withdrawal, any payment, purchase etc because many potential customer settlements are located in remote areas and away from offices or bank service including ATM services [33].

The efforts to improve financial inclusion in Indonesia which done by Bank Indonesia and OJK are issued a number of regulations on financial services, electronic money (LKD), and smart manners. Bank Indonesia issued a regulation concerning electronic money in 2009 in the form of PBI. 11/12 / PBI / 2009 along with amendments in 2014 with PBI No. 16/8 / PBI / 2014 and 2016 with PBI no. 18/17 / PBI / 2016. The amendment allows more banks to provide digital financial services as well as increasing transaction limits for registered users [34].

The number of electronic money accounts registered to LKD agents only increased from 1.15 million accounts in 2015 to 1.24 million in 2016. In addition, only 8% of the public knows about LKD providers and only 0.4% of the population above 15 years old who have a digital financial account [35]. Similar trends are also happening with Laku pandai (agents) services. The number of agents experienced a rapid increase from 60,000 agents in 2015 to 160,000 agents in 2016. Most agencies also state that agency efforts are growing [36]. This indicates that there is sufficient profitability and sustainability received by the agent of the agency business for the expansion of Laku Pandai for sharia banking [37]. In fact, Laku Pandai encourages financial inclusion while encouraging the use of non-cash [38]. BCA runs this program with an investment of Rp 10.6 billion to employ 3,000 agents. Meanwhile, to establish 3,000 new offices, an investment of Rp 3 trillion is needed [39].

Personal agents for sharia banking is close to the customer in accordance with the provisions of a smart, well-behaved service which is intended to approach the domicile of customers, even in remote areas though. Easy To use BRI Link smart service, customers only need to have ATM card only, without having to look for ATMs that are not necessarily reachable by the society [40]. The main objective of increasing accessibility via Laku Pandai or personal agents is to increase access points for Islamic banking [41].

Habib Ahmed and Salleh said that financial inclusion was considered as a key tool for poverty alleviation. Financial inclusion is generally focused on the upper middle class can actually be applied to low-income communities [42]. All of these objectives can be achieved with the personal optimization of agents or smart acts. Sharia banks with limited capacity in terms of capital, systems, products and human resources tend to operate in big cities and cities where there is a better business for them. Smart practice is an agent who is an intermediary whose job is to carry out financial transactions with customers. The transfer of part of the work to another party does not mean that the

responsibility is lost in providing protection for the rights and interests of the customer.

The organizing bank shall oversee and notify the risks and explain the secrets of the bank such as savings of the BSA, the Smart Claim system, the prudential principles and all aspects of the banking to the agent concerned and also ensure that the agent communicates to the customer Banks are required to explain and emphasize the importance of the precautionary principle and its risks to the agent's banking activity.

#### 4. CONCLUSION

EDC machines can be a unique choice in enhancing the accessibility of sharia banking. This condition is easy where the sophistication of small EDC machines can be easily carried out and moved anywhere (mobile). However it is different from ATM machines or Islamic banking offices. The nature of this mobility is very important in creating services for non-cash transactions to regions that can not be reached by ATM machines or bank offices. The concept of increasing transactions and the accessibility of sharia banking through personal agents is a concept to reach regional or community of unbankable person. This group is usually domiciled in remote or inland areas that are not covered by banking services. Community of unbankable persons/people to be able to access banking services requires special time and effort due to lack of access.

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