

## Islamic Economic Analysis Reviewing Top Up Transparency Practices and Effective Flat Installment Systems in Banking

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### Abstract

The background of the writing is because there are customers who are stuck with the facilities provided by the bank, namely top up (addition of loans) and Effective Flat Installments which it is not known what exactly the two facilities are. by the bank first, the customer will receive a new schedule and a new loan limit. Of course, the bank will choose the criteria for customers who will be given top up facilities, namely the history of installment payments is relatively smooth, this is precisely the root of the problem that many customers experience who do not understand about top ups and an effective flat installment system. Lack of transparency about what will be done by the customer in the future imposed by the bank to the customer so that the customer bears a lot of losses caused by the top up and the effective flat installment system. This research is a qualitative research with an evaluative-normative approach. The purpose of this study was to determine the extent to which the transparency applied by the banking sector for top-up loans, as well as the application of the flat installment system was effectively implemented. application of the principle of transparency in implementing Bank Indonesia regulations and how the practice of transparency is viewed from the Islamic economy.

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## 1. Introduction

Banking is a financial intermediary institution or financial intermediary institution, namely a business entity that carries out activities to collect funds from the public in the form of deposits and redistribute them to other people in need in the form of credit or financing and provide services in payment traffic. As a financial institution, banks are institutions that are loaded with regulations, so it is said that banking is the most heavy regulated industry in the world.

Banks are institutions whose existence really needs public trust or fiduciary relations. As a trust institution, banks should provide information about the products

offered to their prospective customers, this has been regulated in Bank Indonesia Regulation number 7/6/PBI/2005 concerning Transparency of Bank Product Information and the Use of Customer Personal Data, especially in article 4, namely:

1. The Bank is required to provide complete and clear written information in Indonesian regarding the characteristics of each Bank Product.
2. The information as intended in paragraph (1) must be submitted to the Customer in writing and/or orally.
3. In providing information as referred to in paragraph (1) and paragraph (2), the Bank is prohibited from providing misleading and/or unethical information.

This research is motivated by the existence of customers who are trapped with the facilities provided by the bank, namely top up (additional loans) and an effective flat installment system where customers do not have to bother paying off the remaining loans that should be repaid, the repayment funds are bailed out by the bank first, customers will receive a new schedule and a new loan ceiling. Of course, the bank will choose the criteria for customers who will be given a top up facility (additional loan), including a history of installment payments that are relatively smooth. This is precisely the root of the problem experienced by many customers who do not understand about the addition of loans (top up) offered by the bank or the customer itself, which ends in disaster for customers, such as research conducted by Bobby Setyo Putro, Sihabuddin, Hamidah, *The Application of the Principle of Transparency in Mudharabah Financing Products in Sharia Banks (Study at Bank Syariah Mandiri Kepanjen Branch)*. Effective flat installments are installments where the customer must pay interest first at the beginning of the installment and the principal installment is smaller at the beginning than the loan interest.

The lack of transparency applied by the bank to customers who generally have minimal knowledge so that customers bear a lot of losses caused by the top up and the effective flat installment system. There is no transparent explanation from the bank where the customer borrows funds (credit) about what the customer will live in the future after the top up (additional funds) and the installment system. From these problems, transparency to customers is very important because customers will know what their rights and obligations are, which in general most customers do not know what top up (additional loans) and flat installment systems are effective. Transparency to customers is very important to prevent misunderstandings that can cause losses to both parties, especially to customers.

From these problems, banks should comply with Bank Indonesia regulation number 7/6/PBI/2005 which among others concerns the calculation of interest or profit sharing and profit margins. Islamic economics based on sharia values and principles can be applied in all aspects of business life and transactions of the ummah.

This desire is based on an awareness to implement Islam in its entirety and totality as affirmed by Allah SWT in surah al-Baqarah verse 85. Law No

21 of 2008 which explains Riba, Maisir, Gharar, Haram, Zalim.<sup>2</sup> Every transaction in Islam must be based on the principle of willingness between the two parties. They must have the same information so that no party feels cheated because there is a condition that is unknown to one party (a situation where one party does not know the information known to the other party or *tadlis*).

The problem identification in this study is:

1. Customers who do not understand the implementation of new loan addition facilities (top up), as well as an effective flat installment system
2. Transparency to customers by banks
3. The implementation of Bank Indonesia Regulation Number: 7/6/PBI/2005 concerning transparency of product information and transparency practices is reviewed from the perspective of Islamic economics.

The purpose of this study is to find out how to apply the Transparency Principle in implementing Bank Indonesia Regulation Number: 7/6/PBI/2005 concerning transparency of bank product information. and how the application of transparency is reviewed from the perspective of Islamic economics. The benefits that can be taken from the results of this study are: The research is expected to produce an analysis of Islamic economics reviewing the practice of transparency of top up (additional loans), an effective flat system in banking. In addition, the urgency of this research is to analyze how the application of the principle of transparency in implementing bank Indonesia regulation Number: 7/6/PBI/2005 concerning transparency of bank product information and how the implementation of Top up transparency and the effective flat installment system is reviewed from the perspective of Islamic economics.

## **2. Research Method**

This research is a qualitative research with an evaluative-normative approach. The evaluative approach is the determination of the price or value of several policies. Meanwhile, the normative approach is used to propose action directions that can solve policy problems. This research was conducted using three methods of data collection through interviews, observations and documentation. The interview process was conducted with conventional bank customers in Ponorogo as a data collection technique to find problems that must be researched, while to find out the extent of transparency, top ups, and effective flat installment systems that have been implemented. Observation is used to review the extent of the level of transparency applied by conventional banks to customers as the subject of this study. Meanwhile, a

document is a form of event record that has been successfully captured both through images, videos, and writing. The researcher used this documentation, to find out the activities during the research while with customers in the Ponorogo area.

The main data source in this study is the entire research object consisting of human resources, objects, documents, conventional bank customers in Ponorogo, Bank Practitioners, which are supported by opinions, photos, and other related documents. This study uses primary data sources and is supported by secondary data sources from the results of document reviews related to Top Up transparency at banks where customers transact.

In qualitative research, the data in the field and the data reported by the researcher will be declared valid if there is no difference when checking the validity. To obtain valid data, it is necessary to carry out data validity checking techniques using, first triangulation, the weakness of qualitative research includes the high level of subjectivity of the views of research participants. Therefore, triangulation is needed so that the qualitative research results are balanced. To test credibility, it is done by checking data that has been obtained through several different data sources, checking the data that has been obtained to the same source with different techniques. Second, Examination of research results: discussion related to data collection techniques and using supporting reference materials that prove the data that has been found by the researcher for example: data from interviews with conventional bank customers needs to be supported by interview recordings and supported by photographs. Third, Detailed description, this detailed description technique requires researchers to report the results of their research as carefully as possible which describes the context in which the research was held, namely in the Ponorogo district area.

### **3. Results**

Compliance with Bank Indonesia Regulation Number: 7/6/PBI/2005 concerning Transparency of Bank Product Information Customers are parties who use bank services, including those who do not have an account but use Bank services to conduct financial transactions. Bank products are banking products and/or services including products and/or services of non-Bank financial institutions marketed by the Bank as a marketing agent.

The selection of bank products by customers is often based on the aspect of information regarding the benefits to be obtained from the bank products provided, the bank has not explained in a balanced manner the benefits, risks and costs attached to a bank product. Therefore, it is not uncommon for disputes between banks and customers to arise due to a gap in information regarding the characteristics of bank products offered by banks to customers.

As a result, the right of customers to obtain complete, accurate, up-to-date and intact information is not fulfilled. On the other hand, the lack of adequate information about bank products allows for irregularities in banking business activities that can be detrimental to customers, so transparency of information about bank products is needed to improve good governance in the banking sector.

Banks are required to implement information transparency regarding Bank Products. In implementing information transparency regarding Products, the Bank is obliged to establish policies and have written procedures. And the Board of Directors of the Bank is responsible for the implementation of information transparency policies and procedures regarding the Bank's Products.

#### **4. Discussion**

##### **Transparency of Bank Product Information**

After getting information from customers in the field, the problem faced was the lack of clarity of information disclosed by the bank to customers. This concerns the issue of adding loans (top up) and the effective flat installment system that has not been explained to customers. This problem is as mentioned by customer A who explained

"I got a loan from the bank with an approved period of 24 months, after paying twelve months of installments, on time, I was added again (additional loan) without spending money to cover the rest of the loan, instead I was added money, but I felt that something was covered by the bank because the remaining principal of my loan was still a lot."

The same thing also happened to customer B who also said almost the same thing who transacted at a different bank. The rise of top up facilities that occur without clarity (transparency) from the bank is very detrimental to customers. As for customer C, he revealed the same thing as the previous customer. That "the addition of loans is very burdensome for customers, information is incomplete, inaccurate and as if there will be information that is covered up".

Bank Indonesia Regulation Number: 7/6/PBI/2005 concerning Transparency of Bank Product Information and also the conditions for muamalah which must be free from fraud and gharar. Regarding transparency, the Bank is required to provide complete and clear written information in Indonesian regarding the characteristics of each Bank product. The information as referred to above must be submitted to the Customer in writing and/or In providing information as referred to in the Bank, it is prohibited to provide misleading and/or unethical information.

Information regarding the characteristics of the Bank's Products as referred to in Article 4 at least includes:

1. Bank Product Name

2. Types of Bank Products
3. Benefits and risks inherent in Bank Products
4. Terms and procedures for using Bank Products
5. Charges attached to Bank Products
6. Calculation of interest or profit sharing and profit margin
7. Validity period of the Bank Product
8. Issuer/originator of Bank Products

The Bank is obliged to notify the Customer of any changes, additions, and/or reductions in the characteristics of the Bank's Products. Notification must be submitted to every Customer who is using the Bank's Products no later than 7 (seven) working days before the effective date of changes, additions and/or subtractions to the characteristics of the Bank's Products. The Bank shall not include information and/or descriptions regarding the characteristics of the Bank's Products whose location and/or shape are difficult to see and/or cannot be read clearly and/or whose disclosure is difficult to understand. This is in accordance with research conducted by Destri Budi Nugraheni on customer protection of mortgage financing products BTN Syariah Yogyakarta Branch, a survey conducted by the Indonesia Consumer Institution Foundation in 2015. The number of complaints from banking customers, especially those related to the arbitrary attitude of banks in the application of interest-bearing interest and bank debt collectors.

Islamic economics requires openness or transparency in muamalah and does not contain elements as mentioned in the explanation of article 2 of Law No. 21 of 2008, namely:

1. Riba, which is an increase in income in a non-syah (bathil) manner.
2. Maisir, that is, a transaction that depends on an uncertain and speculative circumstance.
3. Gharar, that is, transactions whose object is unclear, not owned and whose existence is unknown.
4. Haram, namely transactions whose motorcycle taxis are prohibited in sharia.
5. Tyranny, namely transactions that cause injustice to other parties.

## **5. Conclusions and Suggestions**

### **Conclusion**

This study concludes that, first, the application of the principle of transparency carried out by banks in general is not in accordance with Bank Indonesia regulation Number: 7/6/PBI/2005 concerning the transparency of bank product information on top up loans and the clarity of the installment system in its delivery to customers has not been transparently conveyed to customers so that customers are not harmed. Lack

of knowledge on the part of customers about the Top Up facility and the effective flat installment system offered by the bank that they must understand when transacting with the bank. Second, the Principle of Transparency in Bank Indonesia Regulation Number: 7/6/PBI/2005 concerning the transparency of bank product information is in accordance with Islamic Economics based on sharia values and principles.

### **Suggestion**

Based on this conclusion, the researcher recommends several things, namely, first, the bank is obliged to notify the Customer of any changes, additions, and/or reductions in the characteristics of the Bank's Products. Notification must be submitted to every Customer who is using the Bank's Products no later than 7 (seven) working days before the effective date of changes, additions and/or subtractions to the characteristics of the Bank's Products. Second, the bank should not include information and/or information about the characteristics of the Bank's Products that are difficult to see and/or the shape of the Bank is difficult to see and/or cannot be read clearly and/or whose disclosure is difficult to understand.

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