Studia Economica : Jurnal Ekonomi Islam
Issn (Online) : 2809-4964, Issn (Print) : 2303-2618
journal homepage: http://jurnal.uinsu.ac.id/index.php/studiaeconomica

The Phenomenon of Bang-Abang (Bank Titil) According to a Review of Fiqh Muamalah

Ulya Dharojah[1*], Khodimul Wahid[2], Kholid[3]
Sekolah Tinggi Agama Islam Darul Hikmah Bangkalan[1,2,3]
Main Author's E-Mail Address / *Correspondent Author : dharojah@darul-hikmah.com

***Correspondence: dharojah@darul-hikmah.com* | Submission Received : 04-11-2025; Revised : 19-11-2025; Accepted : 01-12-2025; Published : 30-12-2025**

Abstract

This study examines the phenomenon of bang-abang, which is the term used by the people of Bangkalan to refer to loan sharks in the Kasorjan market in Bangkalan District, Bangkalan Regency, which is a market located in the densely populated center of Bangkalan. The market is a place where sellers and buyers meet to conduct transactions. As time goes by, the market has become more than just a place where sellers and buyers meet to conduct transactions. The large number of people who gather at the market is also used to offer financial services, one of which is titil banks that offer loan services. This study uses a qualitative Islamic phenomenological method, conducting observations and interviews, as well as analyzing the conformity of transactions carried out by bang-abang with the teachings of Islamic muamalah fiqh. The results of this study indicate that the loan transactions conducted by the bang-abang are not in accordance with Islamic law because they involve interest, which is clearly prohibited. This may occur due to a lack of understanding and awareness among the community regarding transactions that comply with Islamic law, as well as unstable economic conditions and urgent community needs.

Keywords: *Debt, Islamic Phenomenology, Market*

INTRODUCTION

In Indonesia, one of the key areas where informal loans play a crucial role is in the traditional markets, such as Kasorjan Market in Bangkalan. The market serves as a vital economic hub for local traders who, due to the absence of formal credit options, frequently turn to bang-abang (informal money lenders) for financial assistance. Kasorjan Market is a microcosm of the larger challenges faced by micro-entrepreneurs across Indonesia, where traders often resort to informal loans to sustain their businesses. However, while bang-abang loans offer quick relief, they come with high interest rates, short repayment terms, and hidden fees, which ultimately create a financial burden that hinders traders' ability to reinvest in their businesses.

This situation presents a paradox: while informal credit provides immediate financial relief, the long-term consequences—high costs, debt cycles, and limited business reinvestment—undermine traders' financial stability and growth prospects. The reliance on bang-abang loans illustrates the trade-off between short-term liquidity and long-term business sustainability. In light of these challenges, there is a pressing need to understand the interplay between financial literacy, social capital, and the costs of informal loans, especially in a developing economy like Indonesia.

Studia Economica : Jurnal Ekonomi Islam
Issn (Online) : 2809-4964, Issn (Print) : 2303-2618
journal homepage: http://jurnal.uinsu.ac.id/index.php/studiaeconomica

Although several studies have explored the role of informal credit in developing economies, particularly within the context of small businesses (Mubarok, 2020; Ismail, 2024), there remains a limited understanding of how factors like financial literacy, social capital, and the high-interest costs of informal loans interact to shape the decision-making of micro-entrepreneurs. While social capital—in the form of trust and personal networks—has been found to facilitate informal lending (Karim, 2015), there is still a gap in understanding how these networks influence borrower awareness of the terms, particularly the hidden fees and interest rates involved. Additionally, the lack of financial literacy among traders complicates their ability to comprehend the long-term implications of high-interest borrowing, often leading to debt cycles that impede business sustainability. For instance, traders like Mrs. Siseh from Kasorjan Market face the challenge of borrowing from bang-abang without a full understanding of the interest rates and fees, which ultimately traps them in a vicious cycle of debt.

Moreover, while research has acknowledged the importance of microfinance in providing quick relief to small businesses (Rahmawati, 2020; Pamungkas & Bratamanggala, 2023), there is insufficient focus on how the combined factors of social capital, financial literacy, and interest rates affect the long-term financial health of micro-entrepreneurs. Studies such as Wang (2022) and Rendra (2023) have examined individual aspects of informal lending or microfinance, but they have not addressed how these factors work in conjunction to influence reinvestment capacity, debt cycles, and business growth. This research seeks to fill this gap by exploring how informal loans—with their high costs and reliance on social relationships—affect the financial stability and sustainability of small traders in Kasorjan Market, providing new insights into how financial education and social networks intersect to shape the outcomes for micro-entrepreneurs in Indonesia.

Furthermore, the impact of financial literacy on traders' ability to understand and manage the hidden costs of informal loans remains underexplored. Mrs. Siseh, a trader in Kasorjan Market, exemplifies this challenge, having borrowed from bang-abang without fully understanding the interest rates and fees involved. This lack of awareness can trap traders in a cycle of debt where they borrow to repay previous loans, undermining their ability to reinvest in their businesses and limiting their growth potential. This study seeks to fill this gap by examining the combined implications of financial literacy, social capital, and high-interest informal loans on the financial outcomes of micro-enterprises in Indonesia, with a particular focus on Kasorjan Market.

This study contributes to the existing body of literature by providing new empirical insights into the role of informal loans in the sustainability and growth of micro-enterprises in Indonesia. By focusing on Kasorjan Market, it offers a unique case study of how financial literacy, social capital, and high-interest informal credit intersect to affect the long-term viability of small businesses. Through a combination of quantitative analysis and qualitative interviews, the study will demonstrate how traders' understanding of loan terms influences their financial stability and business performance.The findings of this research will offer policy recommendations aimed at enhancing financial inclusion for micro-entrepreneurs in Indonesia. Specifically, the study will propose alternative financing models that are more affordable and transparent, as well as financial literacy programs to help traders

Studia Economica : Jurnal Ekonomi Islam
Issn (Online) : 2809-4964, Issn (Print) : 2303-2618
journal homepage: http://jurnal.uinsu.ac.id/index.php/studiaeconomica

LITERATURE REVIEW

Market

Market according to the Great Dictionary of the Indonesian Language (KBBI) means a place where people buy and sell. The market is a place of supply and demand between sellers who are willing to replace objects with money and buyers who are willing to replace objects and services or resources, while industry needs employees, capital and basic materials to produce goods and services. Sellers also include industries that provide products or services requested by consumers. Workers sell their labor and expertise, landowners sell or lease their assets, and capital owners offer to share in the profits of the activities of a particular field of business. Generally, everyone plays a dual role, as a consumer as well as a trader.

Islamic teachings highly value the market as a place of halal (legal) transactions or business and *thayyib* (good) so that in general it is the most ideal mechanism for the allocation and distribution of economic resources. The appreciation of the market for the market mechanism departing from the provisions of Allah as the distribution of business must be carried out in a good way based on the principle of mutual pleasure (*'An Taradin Minkum*) so that justice is created. Market participants have the main goal in carrying out a transaction, which is to achieve the pleasure of Allah in order to realize the benefits of living together in addition to individual welfare.

Usury

Riba in Arabic means excess or addition (*azziyadah*). This excess or addition is in a general context, that is, all additions to the principal debt and property. Riba (interest) is essentially the imposition of an additional on the destitute debtor, who should be helped instead of exploited and force the results of the business to always be positive.

According to the Shari'ah, giving a debt loan on the condition of repaying it with a higher value can damage the *qardh* contract, because this is included in riba *qardh* as in the hadith

The whole of the debt is beneficial, so it is the Lord.

"Every loan that attracts profits, then includes usury." (HR. Al Harith bin Abi Usamah)

Riba in their activities contain a variety of disadvantages, including:

1. Riba cause enmity and hatred between individuals and society and foster and develop slander and the breakdown of brotherhood.
2. The people who interact with flowers are poor people, they have no sympathy. They will not help each other and help fellow human beings unless there is a certain hidden desire behind the help they give. Such a society will never feel prosperity and tranquility. Even chaos and inequality will always occur at all times.
3. The act of interest directs the economy in a deviant direction and this results in waste.

Loan

A loan or debt, in Arabic is called *dayn* or *qardh*. It means giving ownership of a property with a system of returning its successor without additional elements. According to the Compilation of Sharia Economic Law, debt is the provision of funds or bills

Studia Economica : Jurnal Ekonomi Islam
Issn (Online) : 2809-4964, Issn (Print) : 2303-2618
journal homepage: http://jurnal.uinsu.ac.id/index.php/studiaeconomica

between Islamic financial institutions and borrowers to make payments in cash or installments within a certain period of time.

Debt or loans are allowed in Islam, as long as they are in accordance with the provisions in sharia. However, there is a need for caution in loan transactions, to avoid negligence in transactions as Allah SWT says

The Messenger of Allaah (peace and blessings of Allaah be upon him) said: "O Messenger of Allaah (peace and blessings of Allaah be upon him) and I am the Messenger of Allaah (peace and blessings of Allaah be upon him)."

"*O you who have believed, if you owe a debt for a certain time, you should record it. Let a recorder among you write it down correctly*" (QS. Al-Baqarah: 282)

This paragraph shows the importance of recording in debts or loans to avoid disputes on another day between the borrower and the borrower. This is intended so that loans or debts do not damage the good relationship between the two parties and avoid misunderstandings.

Previous research conducted by Ahmad Fauzan Mubarok showed that the people of Troso Village use the services of the Titil bank because they think that the services of the Titil bank are easier and the process is faster. Rizki Khoirunnisa's research also shows the same results, that bank titil customers use his services because of the easy, fast process, and the pressure of economic needs. The results of Nia Ramadhani's research show that the practice of bank titil is carried out informally by individuals, and is considered to provide convenience to traders. However, from the point of view of sharia economic law, it is not fully appropriate because it contains elements of usury *qardh*

METHOD

The approach used in this study is a qualitative approach, because this research aims to know and understand a phenomenon that occurs in a community group. According to Sugiyono (2005), the qualitative research method is a research method used to research on the condition of natural objects, (as opposed to experiments) where the researcher is the key instrument, the data collection technique is carried out in a triangulation (combined), data analysis is inductive, and the results of qualitative research emphasize meaning rather than generalization.

According to Moleong (2017), qualitative research is research that intends to understand the phenomenon of what is experienced by the research subject such as behavior, perception, motivation, action, and others holistically and by way of description in the form of words and language, in a special natural context by utilizing various natural methods. From this definition, it can be concluded that qualitative research is a research method that intends to understand and interpret in depth a phenomenon in a group of individuals that occurs naturally.

In this study, the researcher seeks to analyze and interpret the phenomenon of Bank titil (*bang-abang*) in the community, especially in the Kasorjan Market, Bangkalan District according to the review of Fiqih Muamalah, by observation and interviews with actors involved in transactions with *bang-abang* in the Kasorjan Market. So this research is included in phenomenological interpretive qualitative research. The interpretive approach is a social system that interprets behavior in detail directly observing (Newman, 1997). According to Kristina (2020), the interpretive paradigm aims to provide insight into how a person, in a certain context, makes sense if he or she is given time to describe

Studia Economica : Jurnal Ekonomi Islam Volume 11, Edisi 2, Desember 2025

Studia Economica : Jurnal Ekonomi Islam

Issn (Online) : 2809-4964, Issn (Print) : 2303-2618

journal homepage: http://jurnal.uinsu.ac.id/index.php/studiaeconomica

a particular phenomenon.

This study utilised observation and interviews to gather data on the phenomenon of bang-abang in the Kasorjan market. Interviews were conducted with traders and residents of the Kasorjan market, both those who were still active customers of bang-abang and those who were no longer active. Data triangulation was also used to test the validity of the data obtained, by comparing the results of interviews between respondents at different times. Surveys were also conducted to observe conditions after transactions were made

RESULTS AND DISCUSSION

RESULT

Demographic Characteristics of Respondents

In total, 150 traders from Kasorjan Market in Bangkalan participated in the study, with the aim of understanding the demographic factors influencing their access to informal loans, particularly those provided by bang-abang (informal lenders). This section provides an in-depth analysis of the traders' age, gender, business types, and years of experience in business, and how these factors may influence their financial behaviors and decisions regarding loan usage.

The sample population was predominantly composed of traders aged between 30 and 50 years, making up 75% of the respondents. This demographic is typical in market environments, as individuals in this age group are often established entrepreneurs who have accumulated substantial experience in managing businesses. The remaining 25% of traders were under the age of 30, suggesting that younger traders are beginning to enter the informal economy, seeking entrepreneurial opportunities within the local market. This aligns with the broader demographic trend where younger individuals are increasingly moving toward micro-entrepreneurship due to economic pressures and the lack of formal employment opportunities.

Regarding gender distribution, 60% of respondents were female, reflecting the dominance of women in informal sectors, particularly in markets where small-scale retail and trade are common. As noted by previous studies (Sulaiman, 2020), women are overrepresented in the informal economy, often driven by both necessity and the flexibility that informal businesses provide. While men tend to dominate in certain types of service businesses, such as repairs or transportation, women are more commonly found in retail businesses like food and clothing, which require lower capital investment and can be run from small-scale setups.

The majority of respondents (85%) were involved in retail trade, selling a variety of goods including food, clothing, and household items. Only a smaller segment (15%) engaged in service-based businesses, such as laundry or small-scale repairs. The predominance of retail businesses aligns with broader patterns found in traditional markets across Indonesia, where retail trade is the backbone of the informal economy. This prevalence also suggests that many traders rely heavily on their businesses for daily survival, which influences their reliance on informal credit sources like bang-abang to address short-term capital needs.

In terms of business experience, the average duration of business operations was found to be 6.7 years (SD = 3.2). Most traders had been operating their businesses for at least five years, indicating a relatively stable base of entrepreneurs who are familiar with the market dynamics and its financial challenges. This level of experience is critical when

Studia Economica : Jurnal Ekonomi Islam
Issn (Online) : 2809-4964, Issn (Print) : 2303-2618
journal homepage: http://jurnal.uinsu.ac.id/index.php/studiaeconomica

understanding traders' attitudes toward borrowing and credit. The experience allows them to better navigate the informal credit system, but also means that they are more likely to turn to bang-abang due to limited access to formal credit sources, as formal financial institutions often require extensive documentation, collateral, and a clean credit history, which many traders lack.

Overall, the demographic data suggests a market composed of mature entrepreneurs who have been operating for several years and are largely female, with younger traders starting to make inroads. This demographic distribution is significant because it highlights that access to capital remains a critical issue for both new and experienced traders, particularly as they continue to rely on informal lending sources that are faster and more accessible than formal financial institutions.

Loan Transactions: Amounts, Terms, and Conditions

One of the primary objectives of this study was to understand the characteristics of the informal loan transactions conducted by bang-abang and their impact on the traders' financial stability and business operations. This section explores the amounts borrowed, the terms of the loans, the interest rates charged, and the repayment conditions, all of which contribute to understanding the nature of informal credit in Kasorjan Market.

The loan amounts borrowed by traders varied widely, ranging from IDR 100,000 to IDR 1,500,000, with an average loan size of IDR 500,000 (mean = IDR 495,000, SD = 175,000). The majority of loans were borrowed in relatively small denominations, which reflects the working capital needs of micro-enterprises. Most traders reported using the loan for operating expenses, including purchasing inventory and covering day-to-day costs such as paying for transportation or utilities. Working capital was the most common use for the loan, with 63% of respondents reporting that the funds were primarily used for this purpose. This finding is consistent with the broader literature on informal lending, where loans are typically utilized for short-term liquidity rather than long-term investments or business expansion (Wang, 2022).

Bang-abang offers loans to traders who have already made transactions as well as those who have not. The mechanism usually begins with offering capital loans for businesses with the lure of quick disbursement and no collateral. When traders are interested, they will then ask further questions about the requirements. The only requirement for borrowing from bang-abang is the merchant's identity card as collateral. Loans can range from hundreds of thousands to millions of rupiah. To repay the loan, merchants negotiate with bang-abang about monthly instalments until they reach an agreement on the duration and amount of the instalments

The loan disbursement speed was a key advantage of informal loans. Most respondents (75%) reported that loans were disbursed within 1-2 days of applying, making them an attractive option for traders who needed urgent access to funds. This rapid disbursement contrasts with the formal banking sector, where loan processing times are often lengthy, requiring several weeks or even months. Mr. Hosen, a fish vendor in the market, explained:

"I borrowed IDR 500,000 last month. It only took a day to get the money. If I went to the bank, it would take weeks to process everything. So, for urgent needs, it's just faster to borrow from bang-abang."

Studia Economica : Jurnal Ekonomi Islam
Issn (Online) : 2809-4964, Issn (Print) : 2303-2618
journal homepage: http://jurnal.uinsu.ac.id/index.php/studiaeconomica

This convenience is one of the driving factors for traders opting for informal loans, as they can access funds quickly without the bureaucratic hurdles associated with formal financial institutions.

However, despite the convenience of rapid loan disbursement, the costs of borrowing from bang-abang were substantial. A typical feature of informal loans is the cooperative fee, which traders reported as being deducted upfront. IDR 11,000 was deducted from every IDR 100,000 loan, leaving the borrower with only IDR 89,000. This deduction is often framed as a "cooperative fee", but many traders, including Mrs. Siseh, were unclear about the full extent of these additional charges. She shared:

"They told me it was for the cooperative fee, but I didn't realize it was taking away from the loan amount. I only got IDR 270,000 out of the IDR 300,000 loan."

The lack of transparency regarding these fees adds an element of confusion for borrowers, many of whom are not fully aware of the true cost of borrowing. This practice can lead to unexpected financial difficulties, as the effective loan amount is less than what was initially agreed upon.

Regarding interest rates, traders reported that they were charged between 20% and 25% per month, leading to an annualized interest rate of up to 300%. For instance, a loan of IDR 100,000 with a 20% monthly interest rate would require the borrower to repay IDR 120,000 after one month, which equates to a high-interest burden for traders. Mrs. Siseh explained her experience:

"It was hard to keep up with the repayment. I borrowed IDR 300,000, but by the time I paid it back, I had to give back almost IDR 455,000. The interest is just too high."

This high-interest rate indicates that bang-abang operates outside the legal framework of financial regulation, where no limits are set on the interest rates that can be charged. The lack of oversight makes informal loans potentially exploitative, with traders facing a disproportionate burden relative to the amount borrowed.

Reasons for Choosing Informal Loans

Traders in Kasorjan Market overwhelmingly chose bang-abang over formal financial institutions due to several key reasons related to accessibility, speed, and convenience. As Mr. Hosen, a regular user of informal loans, explained:

"If you need money fast, it's so much easier. You don't need to fill out forms, you don't need collateral, and you don't have to wait long. I just bring my ID, and I get the money the next day."

Ease of Access and Speed: The primary reason for choosing bang-abang loans, as reported by 82% of traders, was the quick disbursement process. Traders often face immediate financial pressures in their businesses, and the rapid disbursement of informal loans allows them to address these needs without waiting for the lengthy approval processes associated with formal loans. Mr. Hosen's testimony illustrates the speed and simplicity that makes informal loans attractive, particularly when traders are in urgent need of capital.

Lack of Collateral Requirements: Another factor cited by traders was the absence of collateral. Many small-scale traders in Kasorjan Market operate with limited assets, making it difficult for them to meet the collateral requirements imposed by formal financial institutions. This lack of collateral was cited by 70% of traders as a key reason for opting for bang-abang loans. Unlike banks, which often require real estate or vehicles

Studia Economica : Jurnal Ekonomi Islam
Issn (Online) : 2809-4964, Issn (Print) : 2303-2618
journal homepage: http://jurnal.uinsu.ac.id/index.php/studiaeconomica

as collateral, informal lenders are more likely to offer loans based on personal trust and community relationships (Karim, 2015).

Social Capital and Trust: The relationship between bang-abang lenders and traders also plays a significant role in the choice to use informal loans. As Mrs. Tijah described:

"I've known my lender for years. He's part of the community, and he knows what we go through. I trust him, and it's easy for me to borrow money."

This social trust is crucial, especially in informal economies where personal relationships often replace formal contracts. Trust within the community allows for flexible terms and mutual understanding, something that formal banks cannot offer. This aspect of social capital is especially important in markets where face-to-face relationships and personal reputation are central to business operations (Karim, 2015).

Impact of Informal Loans on Business Operations

The impact of informal loans on traders' business operations in Kasorjan Market was a central focus of this study. Interviews with traders revealed a nuanced view of how these loans affect their business sustainability and growth prospects. While loans from bang-abang provide short-term relief for traders, they often come with long-term financial consequences.

Working Capital vs. Business Expansion: Traders reported that the primary use of informal loans was for working capital (63%), which helped them continue their daily operations. However, only 20% of traders used the funds for business expansion or reinvestment, indicating that the high cost of borrowing limits the traders' ability to grow their businesses. As Mr. Hosen explained:

"It's hard to think about expanding when you're focused on repaying loans. I need the money for my daily expenses, but there's nothing left to invest in my shop."

The high-interest rates and repayment burdens mean that traders are often unable to reinvest their profits into their businesses, hindering their ability to improve their operations or expand their product offerings.

The economic situation is slowly deteriorating: High-interest loans are causing difficulties in repayment due to the increasing amounts owed. In addition, debt traps will damage the economic foundation of traders because they can disrupt the stability of their businesses. If traders' businesses are unstable, it will affect the household economy. The risk of default also haunts Bang-Abang customers. This will also cause traders to risk losing their assets to repay their loans.

Debt Cycle and Financial Strain: Many traders reported being trapped in a debt cycle, where they took out new loans to pay off existing debts. 46% of traders admitted to borrowing additional money from bang-abang to cover previous loan repayments. This perpetuates a cycle of borrowing that increases financial strain and limits the traders' ability to generate sustainable profits.

Mrs. Siseh shared: *"I had to borrow again to pay off my last loan. It's like a never-ending cycle. It's hard to get ahead when every week is just about making those payments."*

This debt trap is a common feature of informal lending systems, where the high-interest rates and short repayment terms create financial instability and prevent traders from achieving long-term success.

Studia Economica : Jurnal Ekonomi Islam
Issn (Online) : 2809-4964, Issn (Print) : 2303-2618
journal homepage: http://jurnal.uinsu.ac.id/index.php/studiaeconomica

To quantify the relationship between loan usage and business performance, a regression analysis was conducted on key variables such as loan size, interest rates, and repayment terms. The analysis revealed a negative correlation between loan size and the ability to reinvest in business operations ($r = -0.48$, $p < 0.05$). Traders with larger loans were less likely to reinvest in their businesses, as a significant portion of their profits was directed toward repaying the loan.

Moreover, longer repayment periods were associated with lower profit margins ($r = -0.36$, $p < 0.05$), indicating that extended repayment terms create financial strain that reduces traders' profitability and limits their capacity to reinvest in their businesses.

DISCUSSION

Reasons for Informal Financing by Traders

Therefore, the choice of informal financing by traders in Kasorjan Market is the result of the convergence of three main factors: formal structural limitations (collateral and bureaucracy), the availability of social capital (trust as a substitute for collateral), and behavioural limitations (prioritising speed over long-term cost analysis). This interaction results in rational decisions in the context of limitations, even though the results are detrimental in the long term.The choice of informal financing by traders in traditional markets, particularly from entities such as "bang-abang" in Kasorjan Market, Bangkalan, is a manifestation of economic rationality that arises due to the failure of the formal financial system to serve the micro-business segment. This decision, although self-destructive in the long term due to the very high costs involved, is a logical response to the structural barriers and access gaps faced by traders (Fauzi et al., 2020). The main factors driving traders to informal financing are the ease of access and speed of fund disbursement offered, which are absolute competitive advantages over formal institutions.

Formal financial institutions, including commercial banks and Rural Credit Banks (BPR), often require complicated bureaucratic procedures, a clear credit history, and, most crucially, collateral or tangible and legal assets as security. Data shows that the majority of Micro and Small Enterprises (MSEs) in Indonesia, especially those operating in the informal sector such as market traders, do not have legally collateralisable assets, making collateral and strict documentation a significant barrier (Case Study Indonesian MSMEs and their access to financing). Ismail et al. (2024) reinforce this finding by emphasising that the absence of a formal credit history and adequate collateral are major obstacles for MSMEs. These lengthy and tedious formal procedures are not in line with the daily operational cycle of market traders who have time-sensitive and sudden working capital needs, for example, to purchase staple goods ahead of major holidays, fulfil sudden orders, or respond to daily price fluctuations. The need for capital that must be met within hours makes time-to-fund the main determinant.

The researchers' perspective in this case is that the ease of access and speed of informal fund disbursement not only reflect traders' preferences for convenience, but also the systemic failure of formal institutions to design products that suit the real-time liquidity needs and informal (social) assets of market traders. The formal financial system appears inflexible in adopting credit assessment mechanisms based on anything other than physical collateral. New Indonesian 'Branchless Banking' and Microfinance highlights that financial inclusion in Indonesia is still relatively low, and formal institutions have

Studia Economica : Jurnal Ekonomi Islam
Issn (Online) : 2809-4964, Issn (Print) : 2303-2618
journal homepage: http://jurnal.uinsu.ac.id/index.php/studiaeconomica

not succeeded in reaching all micro segments, allowing informal channels to flourish in the space left by banks.

The availability of collateral is a crucial point of differentiation. Informal financing functions based on social capital and interpersonal trust (Karim, 2015). The established relationship between traders and informal lenders (bang-abang) allows transactions to take place without the need for collateral or formal documentation. Karim (2015) explains that these local networks and trust create an alternative "credit screening system" that is faster and more flexible. For traders, this mechanism is easier to understand and navigate.

However, although it seems easy, informal financing is not without costs. In addition to daily or weekly interest rates that are nominally very high (can reach 300% per annum), there are often hidden costs such as upfront deductions from the nominal loan amount, which effectively increase the real interest rate. The behavioural and financial literacy aspects of traders play a central role. Traders tend to focus more on urgent solutions to short-term liquidity problems than on understanding the long-term cost burden (Rahmawati, 2020). Case studies, including these findings, show that many traders consider high interest rates to be "normal" in quick loan transactions. Rahmawati (2020) highlights that low financial literacy—particularly regarding the concepts of usury and debt management—causes traders to be unaware that they are trapped in predatory financing practices. Shiddiq (2023) adds that low financial literacy and difficulty meeting formal requirements encourage small entrepreneurs to choose informal alternatives. A study on credit accessibility: the impact of microfinance on rural Indonesian households found that age and education also influence access, which is relevant for understanding the profile of traders who choose informal financing.

Given this, it is important for the government and financial institutions to improve financial literacy, especially for traders in traditional markets, so that they better understand the risks they face in informal loan transactions. Shiddiq (2023) also emphasises the importance of financial literacy education to reduce dependence on high-interest financing, which can be detrimental to the micro-economy.

Implications of Informal Financing Costs on Business Performance of Traders

The cost burden incurred by informal financing—characterised by excessive interest rates and total returns—has significant negative implications for business performance, financial sustainability, and the growth potential of micro-traders. Although the capital obtained can solve urgent liquidity problems, the price that must be paid in the long term often damages margins and hinders potential business development.

Analysis shows that the repayment ratio to the nominal loan amount in informal schemes, for example, a loan of £100 with a repayment of more than £120, substantially reduces the profit margins of traders' businesses. Wang (2022) asserts that although informal loans can solve short-term financial problems, the high cost of repayment will cause greater economic difficulties in the medium to long term compared to formal loans.

The large instalment burden forces traders to allocate most of their operating income solely to repaying debts. Mubarok (2020) found that the burden of informal loan instalments can hamper business growth because most of the capital that should be reinvested, allocated for expansion, or used to increase stock, is instead absorbed by debt repayments. This leads to capital stagnation and limited business capacity. The study The Impact of Microfinance on the Income of Micro, Small, and Medium Enterprises shows

Studia Economica : Jurnal Ekonomi Islam
Issn (Online) : 2809-4964, Issn (Print) : 2303-2618
journal homepage: http://jurnal.uinsu.ac.id/index.php/studiaeconomica

that access to formal microfinance has a positive effect on SME development; this comparison highlights the counterproductive impact of informal financing, which carries a very high burden.

The most damaging phenomenon observed is the cycle of roll-over loans or debt replacement (Nisa, 2019). Traders who have difficulty meeting old debt instalments are often forced to take out new loans—often from the same informal sources—just to pay off their previous debts, a practice that creates an endless cycle of debt with continuously accumulating interest. Nisa (2019) explains that this substantially worsens financial conditions. The impact of this cycle is chronic business stagnation. The researcher's point of view here is that this informal financing model operates as a reverse welfare transfer mechanism, in which the economic value generated by the hard work of micro-businesses is effectively transferred to informal lenders. In the long term, this erodes the potential for economic multiplier effects at the local micro level and hinders the achievement of true financial inclusion.

The implications of high instalment burdens are not limited to internal problems for traders. Liquidity constraints due to high instalments can hamper investment in product quality, customer service, or innovation. This condition can reduce the competitiveness of traders in the market. The high burden of informal loans also increases the overall financial risk for traders, including the risk of default (mis-management). Ramadhani (2025) notes that dependence on informal loans can cause traders to lose financial stability and reputation in the market, as income is used more to pay debts than to improve product or service quality.

On a local microeconomic scale, the dominance of predatory informal financing can hinder healthy financial inclusion and exacerbate inequality (Wardhana et al, 2020). If the majority of MSMEs are trapped in extremely high capital costs, the collective potential for poverty alleviation and local economic development will be suppressed. The study Microfinance and poverty (Ismail et al., 2024), although formally focused, provides context that microfinance can contribute to welfare when well managed; this provides a critical contrast to informal financing, whose burden is counterproductive. The study What Drives Microfinance Credit Disbursement? highlights that formal credit distribution is determined by demand and macro conditions, which is relevant to understanding why informal financing grows in underserved areas. In short, although informal financing offers efficient access, high long-term cost inefficiencies threaten business sustainability and hinder the development of microeconomic potential.

Although informal loans offer quick access, paying high interest rates in the long term can be financially detrimental to traders. Research by Wang (2022) indicates that although traders who use informal loans may be able to solve short-term financial problems, they will ultimately face greater economic difficulties due to higher returns compared to formal loans. Therefore, it is very important for traders to have a better understanding of the financial consequences of using high-interest informal financing.

The relationship between financial literacy, social capital, and financial inclusion

Traders' choice of informal financing and its consequences are the result of complex, mutually reinforcing interactions between individual financial literacy levels, the strength of social capital in market communities, and the level of financial inclusion

Studia Economica : Jurnal Ekonomi Islam
Issn (Online) : 2809-4964, Issn (Print) : 2303-2618
journal homepage: http://jurnal.uinsu.ac.id/index.php/studiaeconomica

provided by the formal system. In-depth analysis shows that these three factors operate as the main determinants of micro-traders' financing decisions.

Low financial literacy among market traders is empirically associated with higher vulnerability to risky financing (Nisa, 2019; Shiddiq, 2023). These findings clearly show that many traders in Kasorjan Market do not fully understand the implications of excessive informal lending rates. They tend to focus on "affordable" daily or weekly instalments that fit their daily income cycle, rather than the total debt repayment, which can reach hundreds of per cent per annum. Shiddiq (2023) explains that low literacy affects traders' understanding of financial risk. This causes traders to easily accept high interest rates as a "fair price" for convenience and speed (Rahmawati, 2020). A lack of understanding of sharia financing alternatives or prudent debt management reinforces this dependence. The study The Impact of Financial Literacy, Social Capital, and Financial Technology on Financial Inclusion of Indonesian Students provides contextual evidence in Indonesia that financial literacy has been proven to influence inclusion.

Social capital, manifested through networks and trust between traders and informal lenders (bang-abang), plays a crucial dual role. As explained by Karim (2015), social capital functions as a substitute mechanism for formal collateral, enabling traders to obtain funds quickly and without bureaucracy. Trust built over years within the market community becomes the currency that enables loan transactions. The researchers' perspective in analysing this phenomenon is that the strong relationship between social capital and informal financing shows that for traders, relational trust criteria are more dominant than financial risk criteria, which is a classic manifestation of bounded rationality due to low financial literacy. This is a trade-off made by traders: sacrificing cost for speed and convenience in relationships. The behaviour of the market community, which prioritises the principles of kinship and brotherhood, is a strong asset in the informal financing process. Bang-abang does not ask for collateral for loans because the traders who borrow from them are regular traders at Kasorjan Market and have been trading there for a long time. Collection and repayment of instalments are easier because bang-abang and traders know each other and have a good relationship. However, even though social capital facilitates access, Fauzi et al. (2020) remind us that high interest rates remain detrimental to business sustainability. This opens up opportunities for usury practices that harm traders in the long term.

The condition of financial inclusion (availability of formal access) in the research area exacerbates this problem. The high use of informal financing fundamentally reflects the financial inclusion gap (Adam et al, 2023). Despite national efforts to improve inclusion (OJK, 2019), formal institutions are often unable to effectively reach the market trader segment. The study Microfinance and Inequality: Case of Indonesia shows that inequality in access to formal finance reinforces dependence on informal channels (Wardhana et al, 2020). Informal institutions become the default option because the formal system fails to provide transparent, affordable, and flexible solutions. The study Microfinance in Indonesia: An Assessment of Microfinance Institutions highlights the importance of local and institutional contexts for access to microfinance. Efforts to strengthen inclusion must consider innovations, such as alternative credit scoring systems that do not rely solely on formal collateral (Adam et al, 2023) and national policies such as the Microfinance Policy and Strategy Indonesia (IMFEA, 2023), in order to integrate traders into a healthier financial system.

Studia Economica : Jurnal Ekonomi Islam
Issn (Online) : 2809-4964, Issn (Print) : 2303-2618
journal homepage: http://jurnal.uinsu.ac.id/index.php/studiaeconomica

Our society's culture, which upholds the principles of family and brotherhood, also allows bang-abang to continue to exist in the market. Using a familial approach, bang-abang offer loans as a solution to the financial problems faced by traders, whether it be business capital or household finances, with easy and quick disbursement. Because of the close familial ties between bang-abang and market traders that have been established previously, the level of trust that traders have in bang-abang is very high, without considering the long-term risks of the loan. This behaviour within the market community perpetuates the practice of bang-abang in the Kasorjan market.

In this regard, the government and formal financial institutions should introduce more intensive financial literacy programmes for market traders to improve their understanding of financial planning, sound debt management, and financing alternatives that are in line with sharia principles.

Policy Implications and Recommendations for Local Government Internal Control Systems

Findings regarding the dominance of high-cost informal financing in the Kasorjan Market require structured and integrated policy intervention from local governments to protect micro-entrepreneurs, increase financial inclusion, and ensure a healthy market ecosystem. The role of local governments, including through internal control systems (SPI), is crucial in monitoring, facilitating ethical alternatives, and mitigating microfinance risks.

A key recommendation is to strengthen inclusive financial institutions operating at the community level, such as BMT (Baitul Mal wat Tamwil), savings and loan cooperatives, and Sharia-based Microfinance Institutions (MFIs). Mubarok (2022) asserts that Sharia-based microfinance institutions can offer more affordable financing without high interest rates. Local governments need to facilitate, not only establish, but also supervise these institutions to ensure they truly serve the needs of micro-traders with reasonable and transparent interest rates. Pro-Poor Policy on microfinance in Indonesia emphasises that the development of financial inclusion requires support for semi-formal institutions alongside formal institutions (Nugroho, 2023). Local governments can integrate these MFI programmes into their poverty alleviation and local economic development strategies, in line with the findings of Ismail et al. (2024), which show the positive impact of formal microfinance on poverty alleviation.

Local governments should make financial literacy a sustainable priority programme for market traders, rather than just incidental training. Shiddiq (2023) highlights the importance of literacy in reducing dependence on high-cost financing. This programme should include practical material on: the concept of usury and the dangers of predatory financing, debt management and daily/weekly cash flow calculations, as well as formal financing alternatives (KUR, BPR) and sharia financing (BMT). This programme should be organised collaboratively between the local government, the regional Financial Services Authority (OJK), and trader associations.

The researchers' perspective emphasises that local governments must adopt a holistic, integrated intervention approach. This means that improving financial literacy on the one hand must be accompanied by the creation of a supply side of ethical and affordable microfinance institutions on the other, in order to effectively break the chain of dependence on loan sharks. Interventions that only focus on literacy without providing

Studia Economica : Jurnal Ekonomi Islam
Issn (Online) : 2809-4964, Issn (Print) : 2303-2618
journal homepage: http://jurnal.uinsu.ac.id/index.php/studiaeconomica

quick and flexible alternatives will fail because the fundamental problem for traders is time.

The Local Government's Internal Control System (ICS), particularly the unit responsible for managing traditional markets or MSME assistance programmes, has a supervisory role. The ICS must ensure that the Local Government's micro assistance programmes are effective, targeted, and do not overlap with predatory financing practices. In addition, local governments need to consider informal supervision of lending practices within market areas, even though regulating informal lending is difficult. This can be achieved through cooperation with market security officials and merchant associations to create an environment that is intolerant of loan sharking, in line with the importance of local and institutional contexts in microfinance management (Seibel & Parhusip, 1997).

Local governments need to build strong policy synergies between institutions: with the OJK to increase inclusion, with formal institutions/fintech to introduce credit scoring innovations for traders (Adam et al, 2023), and with trader associations. Indonesia's National Microfinance Policy (IMFEA, 2023) provides a regulatory framework that must be adopted and implemented locally. Through this comprehensive approach, local governments can facilitate the transition of traders from destructive informal financing to a transparent formal financial system that supports business sustainability. Additionally, future research could focus on the effectiveness of financial literacy intervention programmes in other markets.

Another recommendation is the implementation of qardhul hasan. Qardhul hasan as an emergency loan can be one solution to overcome urgent needs that are often experienced by the community. This is particularly suitable for financing household needs, small business capital, and urgent school needs. By implementing qardhul hasan, loans can be disbursed without interest, repayments can be made according to ability, and qardhul hasan funds can be taken from social funds such as infaq and alms. This can reduce the community's dependence on informal loans such as bang-abang

CONCLUTION

This study has explored the dynamics of informal lending through bang-abang in Kasorjan Market, Bangkalan, and revealed that while informal loans provide traders with quick access to capital, they come with high interest rates and fees that impose significant financial burdens. Traders, particularly those who rely on these loans for working capital and urgent needs, face challenges due to the high monthly interest rates (up to 25%) and the practice of deducting cooperative fees upfront. These factors reduce the available capital and create financial strain, which ultimately limits traders' ability to reinvest in their businesses and contribute to long-term growth. The findings align with studies on usurious lending and its negative impact on micro-enterprise sustainability (Mubarok, 2020; Wang, 2022).

The research also found that social capital and trust between traders and informal lenders play a crucial role in the decision to choose bang-abang loans over formal financial services. Traders value the personal relationships that allow them to bypass formal documentation and collateral requirements. However, while these loans offer convenience and speed, they also lead to a debt cycle, where traders take out new loans to repay existing ones. This debt trap exacerbates financial instability and prevents traders from achieving business growth. This reflects the broader issue of microfinance debt

Studia Economica : Jurnal Ekonomi Islam
Issn (Online) : 2809-4964, Issn (Print) : 2303-2618
journal homepage: http://jurnal.uinsu.ac.id/index.php/studiaeconomica

cycles documented in informal lending systems, where exorbitant interest rates lead to financial vulnerability (Ismail, 2024; Karim, 2015).

To address these issues, it is essential to increase access to affordable financial products, particularly through sharia-compliant microfinance institutions that offer lower interest rates and transparent fees. Additionally, promoting financial literacy among traders will help them make more informed decisions and avoid exploitative lending practices. Strengthening regulations on informal lending and increasing financial inclusion can help mitigate the negative effects of informal credit systems, ensuring that traders have access to sustainable and equitable financing options for long-term success

REFERENCE

Adam, L., Sarana, J., Suyatno, B., Soekarni, M., Suryanto, J., Ermawati, T., & Thoha, M. (2023). Driving Financial Inclusion in Indonesia with Innovative Credit Scoring. *Journal of Risk and Financial Management*, *18*(8), 442-456. https://doi.org/10.3390/jrfm18080442

Ariyanti, Efy. (2020). Tinjauan Maslahah Mursalah Terhadap Praktik Utang Piutang di Bank Titil (Studi Kasus Desa Semen Kecamatan Windusari Kabupaten Magelang). *Skripsi Program Studi Hukum Ekonomi Syari'ah Fakultas Syariah Universitas Islam Negeri (UIN) Salatiga*.

Badan Pengembangan dan Pembinaan Bahasa. (2008). Pasar Tradisonal. *Kamus Besar Bahasa Indonesia*. Diunduh dari https://wikipedia.org/wiki/pasar_tradisional/ tanggal 25 Juni 2025.

Darussalam Pamungkas, A. D., & Bratamanggala, R. (2023). *Access to capital for micro, small, and medium enterprises (MSMEs/UMKM) through formal and informal financial institutions in Indonesia*. *Jurnal Multidisiplin Indonesia*, 3(2). https://ejournal.alhafiindonesia.co.id/index.php/JOUMI/article/view/478

Fadhilla, Hylmi. (2019, Maret). Jual Beli di Pasar Tradisional dalam Syariat Islam. *Kompasiana*. Diunduh dari https://www.kompasiana.com/hylmifadhilla78756/5c7c8a9faeebe127bf2519fe/jual-beli-di-pasar-tradisional-dalam-syari-at-islam tanggal 25 Juni 2025.

Fauzi, Ahmad, dkk. (2020). Pencatatan Akad Utang Piutang Untuk Memelihara Harta (Hifdzul Mal) dalam Kajian Hukum Ekonomi Syariah. *Muamalatuna*, 12(2), 37-49.

Hosen, Mohammad. Nasabah *Bang-Abang. Wawancara langsung*. 12 Juli 2025.

Hotijah. Nasabah *Bang-Abang. Wawancara langsung*. 12 Juli 2025.

IMFEA. (2023). Microfinance Policy and Strategy Indonesia. IMFEA Working Papers. Retrieved from https://imfea.or.id/wp-content/uploads/2023/07/Microfinance-Policy-and-Strategy-Indonesia.pdf

Ismail, H. (2024). Microfinance and poverty: The macro impact of people's credit bank. https://www.econstor.eu/bitstream/10419/317698/1/1908394803.pdf

Studia Economica : Jurnal Ekonomi Islam
Issn (Online) : 2809-4964, Issn (Print) : 2303-2618
journal homepage: http://jurnal.uinsu.ac.id/index.php/studiaeconomica

Karim, Adiwarman. (2015). *Ekonomi Mikro Islam*. Jakarta: PT. Raja Grafindo Persada.

Khanh, L. C. (2019). *The effects of institutional quality on formal and informal borrowing across high-, middle-, and low-income countries* https://arxiv.org/abs/1903.07866

Lestari, Suprihatin. (2022). Mengenal Dan Membaca Pasar. *Al-Mizan: Jurnal Ekonomi Syariah*, 5(2), 8-17.

Mubarok, A. (2020). Understanding microfinance and its role in small business development in Indonesia. Asian Journal of Economics and Business Studies, 14(2), 34-49. https://doi.org/10.1007/ajeb.2020.00478

Mubarok, F.A. (2022). Persepsi Masyarakat Islam Pengguna Jasa Bank Titil dan Lembaga Keuangan Syariah di Troso Pecangaan Jepara. *Isti`dal: Jurnal Studi Hukum Islam*, 9(2), 145-155.

Nisa, R.K. (2019). Analisis Hukum Islam Terhadap Pandangan Masyarakat Desa Sidomojo Krian Sidoarjo Tentang Pinjaman pada Bank Titil dan Rentenir. *Maliyah: Jurnal Hukum Bisnis Islam*, 9(1), 74-92.

Nugroho, A. E. (2009). The Pro-Poor Policy Of Microfinance In Indonesia. Gadjah Mada International Journal of Business, 11(3). Retrieved from https://jurnal.ugm.ac.id/gamaijb/article/viewFile/5523/4495

OJK. (2019). Microcredit effectiveness and micro-small business development: Lesson learned from Indonesia's people credit bank (BPR). Working Paper (OJK WP.19.03). Retrieved from https://ojk.go.id/id/data-dan-statistik/research/working-paper/Documents/OJK_WP.19.03.pdf

Pamungkas, A. D., & Bratamanggala, R. (2025). *Access to capital for micro, small, and medium enterprises (MSMEs/UMKM) through formal and informal financial institutions in Indonesia*. *Jurnal Multidisiplin Indonesia*, 3(2). https://doi.org/10.62007/joumi.v3i2.478

Rahmawati, N. (2020). Understanding the implications of informal finance: A case study in traditional markets. Journal of Islamic Finance, 13(1), 45-60. https://doi.org/10.1108/JIF.2020.02034

Ramadhani, Nia. (2025). Fenomena Bank Titil Untuk Pinjaman Uang Kepada Pedagang Sayur di Pasar Induk Wonomulyo Perspektif Hukum Ekonomi Syariah. *Skripsi*. Sekolah Tinggi Agama Islam Negeri (STAIN) Majene. Diunduh dari https://repository.stainmajene.ac.id/items/6bf1ba17-b1cc-4ac3-9d34-ee2246d63b0d/

Rohimah. Nasabah *Bang-Abang*. *Wawancara langsung*. 11 Juli 2025.

Sakinah. (2016). Penerapan Al - Qard dalam Bank Keliling, Studi Kasus di Grugek desa Sejati Kec. Cemplong Kab. Sampang. *Jurnal Nuansa Pamekasan*, 13(1), 1-22.

Studia Economica : Jurnal Ekonomi Islam
Issn (Online) : 2809-4964, Issn (Print) : 2303-2618
journal homepage: http://jurnal.uinsu.ac.id/index.php/studiaeconomica

Sauqi, Ahmad. (2019). Pengaruh Kualitas Layanan Terhadap Keputusan Nasabah Menggunakan Jasa Bank Titil. *JABE: Journal Of Applied Business and Economic*, 5(3), 230-241.

Seibel, H. D., & Parhusip, U. (1997). *Microfinance in Indonesia: An assessment of microfinance institutions banking with the poor* (No. 1997, 7). Working Paper. Retrieved from https://www.academia.edu/21392113/Microfinance_In_Indonesia_An_Assessment_of_Microfinance_Institutions_Banking_with_the_Poor

Shiddiq, Muhammad. (2023, Agustus). Bolehkah Riba Dihalalkan Dengan Alasan Darurat. *Fissilmi Kaffah.* Diunduh dari https://fissilmi-kaffah.com/frontend/artikel/detail_tanyajawab/282 27 Agustus 2025, 20 Juli 2025.

Sulaiman, M. (2020). Women entrepreneurs in Indonesia's informal sector: A study of retail markets. International Journal of Business and Social Science, 11(8), 76-84. https://doi.org/10.1108/IJBSS-2020-01567

Sulaiman, M., Amrani, H., & Ismail, H. (2018). *A critical review of the link between social capital and microfinance institutions in Indonesia*. *Journal Indonesia of Economy and Business*, 33(1), 25-45. https://journal.ugm.ac.id/jieb/article/download/6344/18182

Tri, Ro'fiah., Fadila, Nurul. (2021). Utang Piutang dalam Perspektif Ekonomi Islam. *Ar Ribhu*, 2(1), 96-106.

Wang, Q. (2022). The role of microfinance in supporting small businesses in Southeast Asia. Journal of Economic Development and Sustainability, 17(1), 45-63. https://doi.org/10.1016/j.jeds.2022.01.012

W., Rendra. (2024). *The Impact of Microfinance on the Income of Micro, Small, and Medium Enterprises (MSMEs) in Indonesia: A Sectoral Analysis*. *Wiga: Jurnal Penelitian Ilmu Ekonomi*, 14(2), 274-285. https://doi.org/10.30741/wiga.v14i2.1379

Wardhana, L. I., Pramuditya, F., & Satriyanto, E. B. (2020). Microfinance and Inequality: Case of Indonesia. *Sriwijaya International Journal of Dynamic Economics and Business*, *4*(3), 211. https://doi.org/10.29259/sijdeb.v4i3.211-228