

CHAPTER I INTRODUCTION

A. Background

The success of a country is dependent on its economic growth. Banking is one of the pillars of the financial sector and improving people's living standards through national stability and economic prosperity. According to Article 4 of Law Number 10 of 1998 Amendments to Law Number 7 of 1992 concerning Banking, banks have the main responsibility for saving and distributing public funds to assist the implementation of national development. This is carried out to strengthen equality, economic growth, and national stability to increase society's welfare.

The banking function is in line with fulfilling human needs. Every human being has various kinds of demands that must be met to live a decent and healthy life. To fulfill these needs, humans are naturally encouraged to work and do everything to fulfill their needs, especially the need for money.¹ People's need for money is currently supported by financial institutions that offer credit, both formal and informal.² Formal financial institutions are organizations that carry out the functions of a financial institution and have a legal basis. The other characteristics of financial institutions are the administrative procedures and requirements are complex and prioritize legal

¹ Eesha Sharma, Stephanie Tully, and Cynthia Cryder, 2021, "Psychological Ownership of (Borrowed) Money", *Journal of Marketing Research*, Vol. 58, No. 3, p. 497.

² Asenath Kotugan Fada Silong and Yiorgos Gadankis, 2019, "Credit Sources, Access and Factors Influencing Credit Demand Among Rural Livestock Farmers in Nigeria", *Agricultural Finance Review*, Vol. 80, No. 1, p. 78.

aspects, high administrative costs, and low interest. Meanwhile, Informal institutions are organizations that perform financial institution tasks without being supported by the law. Informal institutions mainly operate in rural areas or lower-class communities in Indonesia. Even though it does not have legal standing, informal status cannot be considered completely unlawful,³ for example, Plecit Bank. Its existence, which is not supported by the government, does not necessarily mean that Plecit Bank will be replaced.

A Plecit Bank is an agency that issues money, especially providing loans to people in need by going from house to house to offer loans.⁴ Plecit Bank's target is middle to lower-class people who are registered as having any type of business, from vegetable sellers, grocery stores, tailors, and the like. Some people believe that a Plecit Bank's presence could decrease poverty by enhancing the local economy. But on the other hand, their actions have disturbed society, because they provide loans with high interest and continually persuade society to borrow money from them.⁵ To overcome this problem, the Government of Kulon Progo Regency has issued Regional Regulation of Kulon Progo Regency Number 16 of 2021 on the Protection, Empowerment, and Arrangement of People's Markets and the Arrangement of Shopping Centers and Supermarkets. In Article 34 Paragraph 3 (b) it has

³ Komang Adi Kurniawan S., A. A. Ketut Jayawarsa, and Anantawikrama Tungga Atmadja, 2019, "Resurrection as A Fading Implication of Accountability In Financial Management For Village Credit Institution", *International Journal of Business, Economics, and Law*, Vol. 19, No. 5, p. 259.

⁴ Adinda Prissilia, Wahyu Gunawan, and Ahmad Buchari, 2022, "Bank Keliling Function for Society at Pasir Ipis Lembangin West Bandung Districts", *International Journal of Social Science Review*, Vol. 3, No. 2, p.1.

⁵ Rahoyo and Rr. Lulus Prapti NSS, 2019, "Bank Keliling Pemburu Rente Dan Involusi Usaha Pedagang Pasar", *Majalah Ilmiah Solusi*, Vol. 17, No. 4, p. 167.

been made clear that the practice of loan sharks is prohibited in the market and its area.⁶ However, this is inversely proportional to the fact that loan sharks, or what are more often called Plecit Bank are present in the society of Kulon Progo Regency in line with a large number of requests, one of which is in the Samigaluh sub-district area.

Samigaluh sub-district is one of the sub-districts in Kulon Progo Regency which has a high poverty rate. The Coordinating Ministry for Human Development and Culture reported that the poverty rate in Kulon Progo Regency, Special Region of Yogyakarta reached approximately 90,020 people.⁷ The Kulon Progo Regency Government said that around 15,000 people or 3.44 percent are classified as living in severe poverty.⁸ One of the four sub-districts that contribute to the highest poverty rate is Samigaluh.

High poverty has been balanced with government programs that can support the society's economy. There is a government program by lending business capital to society. The government's efforts to eradicate poverty often clash with society's pragmatism which results in unhealthy socio-economic conditions, one of which is by making loans to Plecit Bank. In fact, this has not been able to release the society's dependence on Plecit Banks.

⁶ Article 34 Paragraph 3 (b) of Regional Regulation of Kulon Progo Regency Number 16 of 2021 concerning the Protection, Empowerment, and Arrangement of People's Markets and Arrangement of Shopping Centers, and Supermarkets.

⁷ Jogja Antara News, 2022, *Bappeda Kulon Progo Lakukan Verval Data Kemiskinan Ekstrem*, <https://jogja.antaranews.com/berita/585437/bappeda-kulon-progo-lakukan-verval-data-kemiskinan-ekstrem>, (accessed on 10 September 2023, 11:22 p.m)

⁸ People Representative Council of Indonesia, 2023, *Kunjungi Kapanewon Samigaluh, Komisi VIII Harap Ada Peningkatan Kesejahteraan Masyarakat Kulon Progo*, <https://www.dpr.go.id/berita/detail/id/44420/t/Kunjungi+Kapanewon+Samigaluh%2C+Komisi+VI+II+Harap+Ada+Peningkatan+Kesejahteraan+Masyarakat+Kulon+Progo>, (accessed on 10 September 10 2023, 11:30 p.m.)

Plecit Banks in Samigaluh are easily found in traditional markets, small traders, and residential areas.

Nowadays, a lot of Samigaluh societies are even dependent on borrowing money from the Plecit Bank. They think Plecit Bank provides an alternate option as their financial demands grow. Credit from Plecit Bank is financially beneficial for small communities because the requirements required to borrow from banks as formal financial institutions are very difficult and complicated.⁹ Moreover, Plecit Bank can provide very humane services in accordance with people's tastes. There are few financial institutions that can reach small groups of people with a model like Plecit Bank.

With such urgent needs, people have no choice but to obtain funds quickly.¹⁰ This can be seen from the growing frequency of Plecit Bank which is increasingly widespread in the society in Samigaluh. They often wear black clothes and ride motorbikes either alone or with a partner. They go around looking for customers from grocery stores, food stalls, and even people's homes. Not infrequently, they make a small shop as their base camp. At this shop, many customers are waiting for their presence to either apply for a loan or pay loan installments. The spread of Plecit Bank in Samigaluh can even be felt by the fact that they can be found at any time on every street in Samigaluh.

⁹ Happy Sista Devy, Rizky Amalia, and Annisa Qurrota A'yun, 2021, ““Bank Tital”: The Benefits and How It Is in Islamic Economic Perspective”, *Journal of Management and Business Environment*, Vol. 2, No. 2, p. 168.

¹⁰ Aang Gunaepi, Ryan Bianda, and Muhammad Misbakul Munir, 2023, “Mobile Bank in The Perspective of The Islamic Economy”, *Journal of World Science*, Vol. 2, No.3, p. 343.

Plecit Bank loans at first glance look quite attractive because they do not harm society and can even solve all people's economic difficulties. However, on the other hand, Plecit Bank also has a bad reputation because they charge exorbitant interest on their customers' loans. Some people feel constrained by plecit bank

because of the high interest rates paid by the borrowing society. Apart from that, society feels cheated because the installments made by Plecit Bank do not follow the agreements made previously. The loan that was supposed to be repaid in ten installments was instead repaid in 11 installments. An initial loan of two million rupiah can result in a return of four million rupiah or even more, depending on the payments and agreements made. Even private banks use the method of handing over money first before entering into and signing an agreement with their customers to gain profits.¹¹

This creates moral and economic confusion. Plecit Bank exists to help society's economy, but on the other hands it can result in inefficient business or losses. The interest rates and bank fines set every day are far from the profits obtained, thus creating a paradox with poverty alleviation initiatives.

¹¹ Ratna Kartikawati and Zuraini Jamil Osman, 2021, "Personal Loan Agreement Between Small Traders and "Plecit Bank" at Traditional Market Banyumas, Central Java; A Study from the Perspective of Moral Judgement", *Kosmik Hukum*, Vol. 21, No. 2, p. 128.

B. Problems Formulation

Based on the background already explained, the author formulates research problems, namely:

1. How is the existence of Plecit Bank according to law in Indonesia?
2. What is the impact of Plecit Bank practices on the welfare of society in Samigaluh?

C. Objectives of Research

The objectives of the research based on the background that has been described include:

1. To identify the existence of Plecit Bank according to law in Indonesia.
2. To analyze the impact of Plecit Bank practices on the welfare of society in Samigaluh.

D. Benefits of Research

There are some benefits of this research, as follows:

1. Theoretical Aspect

The research is expected to provide information and contribute to the development of the science of commercial law on the issue of Plecit Bank in Indonesia.

2. Practical Aspect

Can offer some suggestions to various parties, especially the government, in determining the policies to create appropriate legal products in regulating the Plecit Bank in Indonesia.