

Technology Disaster: Impact and Influence of Online Loans on Students' Social Environment

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Abstract: Online loans or pinjol are money lending services made by financial service providers as a form of technological advancement. Services with a borrowing system with a *Peer To Peer Lending* system that brings together creditors and debtors online. Online loans have become a favorite place for all people to borrow money. The easy and fast application system makes this online loan a lot of access. The requirements only use ID cards and *selfie* photos, in contrast to conventional banks that use various requirements including collateral. The consequences of this pinjol facility are hefty interest rates and fines. The research focuses on students who are trapped in online loans. Students who are considered intellectuals who think critically have fallen into the pinjol circle. Students relatively often use online loans to fulfill tertiary needs which include fashion, beauty, online gambling, and other consumptive needs. A high debt burden can trigger stress because it is faced with the reality of not having readiness in money management. High interest rates and fines put pressure and affect the social environment of students. Social impacts can have an impact on the behavioral attitudes accepted by victims by the surrounding community. As a result, many students end their lives or commit suicide because they cannot bear such a heavy burden. There have been many Indonesian suicides caused by online loans. The interest given by the pinjol platform causes the nominal loan to be borrowed even higher. This technological disaster, if not resolved immediately, will cause more victims to be trapped in the negative impact of pinjol. The social aspects that arise emphasize the influence of the surrounding environment in making financial decisions. The use of online loans in society has become commonplace and natural, making other people not hesitate to access them.

Keywords: Impact, Consumptive, Social environment, Students, Online loans

Introduction

The development of technology and globalization has a lot of influence on life in various aspects today, for example in the fields of information technology, economics, medical, education etc. These developments bring good and bad impacts to the social environment. One example is the phenomenon of online loans or commonly called pinjol which is currently rife, online loans have penetrated all sectors of society. According to data from the Ministry of Finance, online loans are mostly accessed from the middle to lower

class.¹ According to The National Digital Research Center (NDRC), online lending is included in Fintech (Financial Technology) which is defined as a new innovation in the financial sector by making it easier for users to access.² In Indonesia, for example, 18 million Indonesians or around 5% of Indonesia's population of around 279 million

¹ Tantri Dewayani, "Responding to Online Loans, a Gift or a Calamity," *Ministry of Finance of the Republic of Indonesia*, 2021, <https://www.djkn.kemenkeu.go.id/kanwil-jabar/baca-artikel/14040/Menyikapi-Pinjaman-Online-Anugerah-atau-Musibah.html>.

² Hendra Kusuma and Wiwiek Kusumaning Asmoro, "The Development of Financial Technology (Fintech) Based on Islamic Economic Perspective," *ISTITHMAR: Journal of Islamic Economic Development* 4, no. 2 (2021): 141-63, <https://doi.org/10.30762/itr.v4i2.3044>.

people are in debt to online loans.³ Online loans in attracting public interest are using the lure of easy access and quick disbursement of money. The collateral used is simply using a KTP and *selfie* photo. With easy requirements and processes, pinjol is increasingly favored by the public, especially students. Many online loan platforms have spread in Indonesia, both official/legal and unofficial/illegal. The difference between legal and illegal pinjol is that legal pinjol is under the supervision of the Financial Services Authority (OJK) while illegal is not supervised by the agency.

Online loans according to OJK representatives show a positive graph in encouraging productive and MSMEs, this is motivated by funding that is accessible to MSMEs that are still *unbankable*, but in the data of 91 participants in the *Unes Law Review* pinjol journal shows data on participants who are entangled in the pinjol cycle, which is heavily influenced by culture and lifestyles that are not suitable or consumptive needs, namely as much as 64% of the 23% of users of the pinjol platform. This fact has the potential to get entangled in high interest rates and get threats by debt *collectors* or *debt collectors*.⁴ The phenomenon of pinjol is often heard to have a lot of risk impact, in Depok, there was news of an older brother killing his younger brother to take control of the victim's property, and the motive for this murder was that the suspect was in debt to pinjol⁵, this has a big impact on the social environment because it harms many individuals because pinjol triggers financial pressure problems, affects social and mental well-being. This research will look at pinjol as part of the social structure that creates inequality of authority, in Ralf Dahrendorf's conflict theory will be studied regarding pinjol

which can be a social phenomenon among students.

Pinjol as a technological disaster and creating inequality of authority is caused by the insignificant supervision system and law enforcement against pinjol service providers. Government Regulation on *Peer to Peer Lending* Financial Services Authority Regulation Number 77/POJK.01/2016 concerning Information Technology-Based Money Lending and SEOJK Number 18/SEJOK.01/2017 concerning Governance and Technology Risk Management in this Service have not been able to reach the interests of legal protection of users of this service.⁶ In the absence of clear legal protection in the consumer protection of the financial services sector, students as a vulnerable group and lack of financial literacy are pushed into a risky cycle so that in this research, the problems to be studied will focus on exploring who is the main target of online loan services and understanding why this can happen, as well as exploring the impact that the development of online loan technology has on social life. It is hoped that this research can provide an understanding of how pinjol affects the social environment of students through its negative impacts so that it can become an educational material to be more vigilant and understand the risks associated with the use of financial technology.

Materials and Methods

Study Area

The study area in this research is the social environment of university students, with a research focus on how online lending as one of the technological disaster phenomena affects the social conditions of university students. Students are often the main target of online loan services due to their great need for money, but not balanced with a clear income. This research will thoroughly study how the phenomenon of online loans affects stress levels, social interaction

³ Radio Republik Indonesia, "OJK Data, Five Percent of Indonesians Indebted to Pinjol," 2024, <https://www.rri.co.id/tanpa-kategori/620613/data-ojk-lima-persen-penduduk-indonesia-berhutang-di-pinjol>.

⁴ Sharda Abrianti et al., "The Impact of Online Loans on Society: Welfare or Misery? (A Study of Community Views in the Bintaro Area, South Tangerang)" 6, no. 4 (2024): 10420-31.

⁵ Anggi Wayuningtyas, "Sad! UI Student Relatively Kills Friend After Getting entangled in Pinjol," *Kompasiana*, 2023, <https://www.kompasiana.com/anggiwahyu28/652c6d1dedff765fe51cb722/miris-mahasiswa-ui-rela-bunuh-teman-setelah-terjerat-pinjol>

⁶ Eunike Sabrina Damanik, "Information Technology-Based Money Lending and Consumer Protection," *Maleo Law Journal* 6, no. 2 (2022): 151-67.

patterns, and social dynamics among students, so as to see the long-term impact on financial stability and relationships between individuals in the campus environment.

Procedure

This research uses the *literature review* method, *literature review* is a review of theories, findings, and other research materials related to a particular topic, which are used as references in research. Through *literature review*, researchers collect relevant information about the development of knowledge related to the issue under study, avoid duplication of research, and build a research framework. This method includes analyzing and summarizing the comparison of research results with one another.⁷ Data sources were obtained through journal articles on *Google Scholar* with the keywords social disaster of online loans in social life and the impact of online loans on students. Based on the search results obtained, the data will be comminuted, analyzed, examined according to the research objectives, after which a discussion will be carried out and conclusions drawn. Literature studies in research can still be categorized into scientific work because data collection uses research methodology strategies. The research variables are not standardized, the data is obtained through in-depth analysis by the researcher and then put into sub-chapters to answer the formulation of the research problem.

Results and Discussion

Online lending is a facility created by financial service providers as a form of technological advancement in the form of lending and borrowing services with the *Peer To Peer Lending* system. This system is a system that brings creditors and debtors together online. In the service facility, everything is technology-based, so the stages in online lending starting from loan application, approval, and disbursement of funds

are carried out online.⁸ Service providers provide easy access facilities by providing administrative requirements that are not as complicated as conventional banks. Conventional bank requirements and verification are not only the collection of many files such as KTP, pay slips, bank statements, business financial statements if any, as well as document checks to location surveys which require a long time at least two weeks waiting period. Whereas in online loan services, the process is done in a maximum of one day and only requires an ID card and *selfie*.⁹ Based on data from the Financial Services Authority (OJK), there are 18 million Indonesians and the majority of borrowers come from Java with a percentage of 73% and the remaining 26.66% from outside Java. The number of active borrowers on the online lending platform was revealed in the *Indonesia Financial Sector Development Qualtal IV/2023* report.¹⁰

Dr. Friderica Widyasari Dewi, Executive Head of Supervision of Financial Services Business Conduct, Education, and Consumer Protection of the Financial Services Authority (OJK), in her presentation at the *Bisnis Indonesia Goes to Campus* event at Gadjah Mada University, said that many young people in Indonesia, especially students, are trapped by loan sharks. Students are indeed included in the vulnerable group, this is based on the many needs that must be met but do not yet have income. Even the needs in question are not only primary needs, but also lifestyle needs based on consumptive behavior. The reason for accessing pinjol is because they need quick funds, and these funds are used for the needs of buying skincare, makeup, luxury food and other hedon life support. Students seem to be carried away by this convenience and forget about the costs of repaying the loan. As a result, they have difficulty paying because they do not have *passive income* or

⁷ Ministry of Health Poltekkes Semarang, "Literature Review," n.d., <https://library.poltekkes-smg.ac.id/library/index.php?p=literatur-review>.

⁸ Muhammad Guntur Fauzi, Adrielita Manalu, and Yolanda B Theresia, "Legal Protection for People Who Make Illegal Online Loans," *Lex Suprema* 4, no. 1 (2022): 1069-86.

⁹ Indonesia Joint Funding Fintech Association, "The Difference Between Applying for a Fund Loan to a Bank and to a Funding Fintech," n.d., <https://afpi.or.id/articles/detail/pinjaman-dana-ke-bank-dan-ke-fintech-pendanaan>.

¹⁰ Yusriyyatur Rohmah and K Khodijah, "Risks and Social Impacts of Gambling and Online Loans on Teenagers," *Dimensia: Journal of Sociological Studies* 13, no. 1 (2024): 85-92.

clear income. Digging a hole to close a hole is one way to avoid collectors. As a result, students will feel disturbed by threats from pinjol service providers. Collectors usually also collect from the borrower's family or closest friends. This will make the victim embarrassed, because the closest environment already knows if he has debt in pinjol. Students who do not have good financial management and literacy are easily tempted by all the offers made by online loan services without thinking about the impact of their behavior.¹¹ The use of this service does provide effectiveness and has a positive side, but if it is not accompanied by wise decisions and behavior, it can have severe potential risks for students.

The Impact of Online Loans on Students

Cases that often occur to pinjol customers are experiencing defaults, in practice pinjol service providers will contact borrowers by continuing to collect, this action is carried out via email, calling, even to provide collection terror to all customer contacts. This has a psychological impact on customers, because they bear the shame of others knowing that they are in debt because according to some people being in debt is a disgrace.¹² Service providers who do this can be categorized as violating the law. Law No.8 of 1999 concerning consumer protection provides a description of the legal basis that protects consumer rights, including obtaining transparent information about the lending system to the interest and penalties provided,¹³ although customers are still responsible for paying their debts, transparency of information is a regulation that pinjol service providers need to obey. Through OJK Regulation No. 77/POJK.01/2016 concerning information technology-based money lending and borrowing services, OJK has also regulated to provide transparency to customers, and regulate ethical settlement efforts by not using intimidation or threats. However, this is also not easy to

overcome, because pinjol on the internet is very widespread of various kinds, the regulation only applies to pinjol that is official / legal or under the auspices of OJK, OJK cannot be responsible for fraud that occurs in illegal pinjol. To check the list of authorized pinjol names, a search can be made on the official website of the Financial Services Authority (OJK).¹⁴

The consequences of pinjol service facilities are relatively large interest rates and fines, in addition to the positive impact provided by pinjol, this needs to be responded wisely. Do not let us be carried away by the convenience provided to override the responsibility to repay the debt. A high debt burden can trigger stress because it is faced with a reality that does not have readiness in money management. High interest rates and fines put pressure and affect the social environment of students.¹⁵ Social impacts can have an impact on the behavioral attitudes that victims receive by the surrounding community. As a result, many students end their lives or commit suicide because they cannot bear such a heavy burden. There have been many Indonesian suicides caused by online loans. The interest provided by this pinjol platform causes the nominal loan to be borrowed even higher. This technological disaster, if not resolved immediately, will cause more victims to be trapped in the pinjol circle. The social aspect that emerges emphasizes the influence of the surrounding environment in making financial decisions. The use of online loans in society has become commonplace and natural, making other people not hesitate to access them. The higher consumptive pattern, especially the need to support a luxurious lifestyle, shows a trend of shifting priorities in allocating funds. This is what creates the risk of sacrificing long-term financial balance, where funds that should be allocated for investment or long-term savings are instead used to pay off loans.

Discussion

The development of information technology has advanced the financial sector with the emergence

¹¹ Riyan Hidayat et al., "The Impact of Online Loans on Uym Students," *Journal of Economic and Digital Business* 1, no. 1 (2024): 1-6.

¹² "Financial Technology Peer to Peer Lending" 7, no. 5 (2022).

¹³ President of the Republic of Indonesia, *UNDANG-UNDANG REPUBLIK INDONESIA NUMBER 8 TAHUN 1999*, n.d., <https://jdih.kemenkeu.go.id/fulltext/1999/8TAHUN-1999UU.htm>.

¹⁴ Guntur Fauzi, Manalu, and Theresia, "Legal Protection for People Who Make Illegal Online Loans."

¹⁵ Oktavianus Paden et al., "Analysis of the Risk Impact of Online Loans on Students," *Journal of Scientific Information Systems* 4, no. 1 (2024): 98-113, <https://doi.org/10.46306/sm.v4i1.82>.

of *Fintech*. The presence of this facility has a positive impact by providing convenience with all its access. However, there are consequences that trigger negative impacts if done by students who do not have good financial management and literacy. Because it is necessary to know that the convenience that exists in pinjol is also accompanied by interest rates and fines that are greater than loans at conventional banks.

Ralf Dahrendorf's conflict theory analyzes the power imbalance between pinjol service providers and students. Students who tend not to understand money management are potentially vulnerable groups who receive social and psychological impacts. This debt system with large interest and fines has the effect of causing students to get into debt again in the hope of paying off the previous debt. Digging holes to close holes by getting into debt again is a phenomenon that creates a prolonged economic burden.¹⁶

Conclusions

This research shows that university students are a vulnerable group that is at high risk of becoming entangled in the pinjol phenomenon. This is influenced by limited access to lending sources for students and relatively uncomplicated requirements. The lack of financial education of students regarding money management makes them a vulnerable group, subordinate to pinjol service providers. This phenomenon has a major impact on students' lives, such as the psychological impact in the form of stress and anxiety that arises from the pressure of debt burden to affect their social environment in the form of exclusion and feelings of marginalization due to the negative consequences of pinjol. Suggestions from this study are the creation of stricter consumer protection regulations and more widespread financial education. The hope is that students know that the development of better information technology does not have a negative impact because students already understand financial

management and can make decisions more wisely so that it can improve students' social welfare.

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