

## THE DYNAMICS OF ONLINE LENDING: A QUALITATIVE APPROACH TO MONEY MANAGEMENT AND RISK MANAGEMENT, STUDY CASE OF FEBI UIN K.H. ABDURRAHMAN WAHID PEKALONGAN STUDENTS

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**ABSTRAK:** Penelitian ini dilakukan mengkaji bagaimana keberadaan finansial teknologi pinjaman online dalam memberikan kemudahan dalam mendapatkan pendanaan namun dibalik kemudahan tersebut tersimpan dampak negatif. Tujuan dari penelitian ini adalah untuk menyelidiki pengelolaan uang dan manajemen risiko yang dilakukan konsumen saat melakukan pinjaman online. Penelitian ini menggunakan metode kualitatif melalui wawancara dengan subjek penelitian yang memenuhi kriteria peneliti. Hasil penelitian menunjukkan bahwa Sebagian besar nasabah tidak menerapkan money management dan management resiko dalam melakukan pinjaman online. Pemenuhan kebutuhan hidup yang mendesak serta kebutuhan konsumtif yang tidak perlu juga menjadi alasan melakukan peminjaman secara online. Peminjaman online dipilih karena kemudahan akses dan kecepatan pemrosesan. Alasan tersebut juga mendasari nasabah untuk memilih aplikasi pinjaman online tanpa memperhatikan aspek legalitasnya. Fokus akan tersedianya dana untuk memenuhi kebutuhan nasabah cepat menjadikan nasabah tidak memperhatikan resiko dengan mengabaikan pengelolaan keuangan/money management sehingga hal ini memperbesar resiko akan gagal bayar.

**Kata kunci:** Pinjaman Online, Managemen Resiko, Money Management.

**ABSTRACT:** This research was conducted to examine how the existence of online financial lending technology provides convenience in obtaining funding but behind this convenience is a negative impact. The purpose of this study is to investigate the money management and risk management that consumers do when making online loans. This study uses qualitative methods through interviews with research subjects who meet the researcher's criteria. The results showed that most customers did not apply money management and risk management in making online loans. Fulfillment of urgent life needs and unnecessary consumptive needs are also reasons for borrowing online. Online lending was chosen because of the ease of access and processing speed. This reason also underlies customers to choose online loan applications without paying attention to their legality aspects. The focus on the availability of funds to meet customer needs quickly makes customers not pay attention to risks by ignoring financial management/money management so that this increases the risk of default.

**Keywords:** Online Loan, Risk Management, Money Management.

### 1. INTRODUCTION

Along with the development of the current era of globalization, technology cannot stop various activities of society. In the same way, the financial sector is starting to use electronic system platforms. The adaptation of financial technology is one of the advances in finance today. Online lending is one of the financial platforms offered by fintech companies (Ani et al., 2019). The financial sector receives many conveniences from Fintech, such as the ability to carry out banking activities such as lending funds quickly, efficiently and effectively.

Financial technology is one of the many non-bank financial services that can be accessed by people who need funds. However, due to compulsion and easy access to information related to nonbank financial services and delivery, consumers without considering the consequences want to get funds that do not meet the requirements (Faried & Dewi, 2020). In Indonesia, FinTech issues have changed the economy and the way people transact (Kodriyah et al., n.d.). The practicality and ease of accessing online loan services has resulted in consumers being negligent of the impact of large installment interest and the risk of failing to repay the loan provided. The risk is that there are many things to consider, such as high interest rates, the possibility of leaking personal data when applying for online loans, and frequent fraud.

However, the existing risks do not make people's interest in online loans decline. The Financial Services Authority (OJK) report shows that there were 10.91 million active pinjol recipient accounts aged 19-34 years with a loan value of IDR 26.87 trillion in June 2023, up 25.9% from 8.67 million recipients the previous year (year-on-year). In second place, there are borrowers aged 35 to 54 with loans amounting to IDR17.98 trillion in June 2023. The number of pinjol recipients over the age of 54 was 686,354, with a disbursement of IDR2 trillion, an increase of 3.2% compared to May 2023 (m-to-m), but a decrease of 54.3% on an annual basis (yoy). This data shows that the majority of online loan consumers are gen y and gen z with an age range of 19-34 with bad credit or 90-day default rate (TWP90) reaching 2.89% in 2023.

Age 19-34 is the age of transition from adolescence to adulthood. Adolescence is a period of exploration/development and self-discovery. So adolescence is an age of immaturity in mindset and daily behavior including financial behavior (Fhadila, 2017). Teenagers prefer to shop, spend all the money they have just to fulfill social or social needs, and follow the most popular fashion trends among teenagers. This change in lifestyle is caused by the times and technological advances (Pulungan et al., 2018). This behavior will certainly have a greater risk effect.

The lack of financial education, usage assistance and risk management from customers makes the number of default rates or bad credit indicates the low risk management applied in making online loans (Ani et al., 2019). So strategic steps are needed in managing the risks arising from the possibility of default. By applying good money management and discipline in managing finances

The interest in researching the topic of how many gen z are entangled in online lending arises from the awareness of the importance of understanding the social and economic impacts of the phenomenon. Through this research, it is hoped that the factors that encourage gen z to utilize online loans will be revealed, as well as the direct and indirect implications for the sustainability of their welfare. With a deeper understanding, countermeasures and protections for consumers and society at large can be designed and implemented more effectively.

This research aims to investigate the phenomenon of an increasing number of young people becoming entangled in online lending practices. This research aims to gain an understanding of the components that make young people vulnerable to online lending, as well as the social, economic and psychological impacts it has. In addition, it aims to find ways and solutions to prevent and address the problem of online lending involving young people, particularly in terms of government regulation, financial education and

social support. It is also hoped that this research will provide a foundation for better policies to protect young people from online lending.

This research is of great significance as it reveals the possible repercussions of the high number of young people falling prey to online lending. By understanding this phenomenon, the research can provide a better understanding of the causes and consequences of this financial problem on the lives of the nation's next generation. The strength of this research lies in its in-depth analytical approach to the factors that influence young people to take out online loans, as well as offering solutions or policy recommendations that can help mitigate this problem effectively. As such, this research not only provides valuable insights, but also makes a meaningful contribution to efforts to improve young people's financial well-being and sustainability.

## **2. METHOD**

### **2.1 Research Type and Approach**

This research used a qualitative and exploratory methodology. Through a literature review, data and information are collected. Money management and risk management using pinjol are described and explained clearly, systematically, analytically, objectively, and critically through descriptive and exploratory analysis methodologies. The first stage of the qualitative method is to collect the necessary data, followed by classification, description, and exploration (Hermawan Adinugraha et al., 2023).

### **2.2 Data Collection Technique**

The information used in this study was obtained from primary sources. These primary sources consist of various sources, including books, scientific journals, mass media news, and the internet, which are considered to meet the standards and credibility at the country and international levels. The selection of these primary sources was carried out based on efficiency and effectiveness to support the research process (Dr. Umar Sidiq & Dr. Moh. Miftachul Choiri, 2019).

### **2.3 Data Processing and Analysis**

To generate accurate data, a selection process has been used to carefully study the data. After ensuring that enough data was collected, the next step was to create a problem to be researched. A solution idea, which serves as a remedy, emerges from the problem. In this study, an analytical technique was used. This technique involved content analysis of secondary data sources according to the requirements and needs of the researcher. Focus group discussion (FGD) activities were then used to discuss the results of the data analysis. Planning, execution, and drafting were the steps required to complete this research.

## **3. RESULT AND DISCUSSION**

### **3.1 Teoritical Framework Of Online Loan, money management dan Risk management**

Online lending is a technology platform that connects loan seekers with digital lenders. Online lending provides the hope of a promising return for every lender even if they need a small amount of capital. Transparently and effectively, these online loan companies can lend to almost anyone for any amount of money. Online lending offers a solution for people in Indonesia who cannot get a loan from a brick-and-mortar lender.

conventional banks. It also offers an alternative to loans through official institutions such as banks, governments, cooperatives, and credit services, whose processing is more complex. This is clearly different from the nature of bank loans that apply the 5C principles, namely Character, Capacity, Capital, Collateral, and Condition as a reference for eligibility. However, online loans must still consider the company's NPL performance (Tampubolon, 2019).

Financial Behavior refers to the way a person manages, uses, and treats their financial resources. Responsible financial behavior will make you better at using and managing your money. Budgeting, investing, managing expenses, saving money, and paying obligations on time are some examples (Rosita Nury & Ika Prajawati, 2022). Decision-making in paying off debt involves several important factors that influence a person's decision. First, one must consider current and future financial capabilities. This includes analyzing income, regular expenses, and also potential changes in the financial situation that can affect a person's ability to pay his debt. In addition, the ethical aspect also plays an important role in the decision-making process. One must still consider their social and moral obligations to comply with repayment obligations and honor agreements made with lenders. This includes ensuring that debt repayments are made on time and in accordance with existing agreements. In addition, one also has the responsibility of ensuring that debt repayment does not come at the expense of their primary needs or their long-term financial well-being. By paying attention to these factors, one can take responsible steps in repaying their debts, maintaining financial integrity, and building a good reputation in their financial relationships (Alfiana & Handini, 2023).

Identifying, measuring, integrating and controlling risk is a process called risk management. The purpose of risk management is to ensure that decisions about risks taken meet strategic and financial objectives (Nelly & Siregar, 2022). Human life always contains risk. Risks are things that cannot be predicted and can result in losses. Uncertainty always carries risk. The level of risk cannot be measured directly. Instead, it indicates the level of risk taken, which cannot be tested empirically. Living things will inevitably try to anticipate and manage risks. To anticipate and manage risks like humans, organizations must establish risk management. Identification, assessment, and designation

The source and impact of risk on an organization is the goal of risk management itself (Rosita Nury & Ika Prajawati, 2022). Effective debt management strategies are an important part of sustainable financial management. Good debt management can help meet your financial needs and reduce debt-related risks. In this context, we will discuss why the use of a wise debt management strategy is essential to reduce financial risks. By considering these elements, it is expected to create a smart debt management plan to maximize financial performance and reduce financial risks. Implementing these strategies requires expertise in overall financial management and in-depth market analysis. A wise debt management strategy is essential in financial management to minimize the financial risks that may be faced (Menzies et al., 2020). Companies can reduce potentially harmful financial risks by understanding and implementing the right debt management strategy.

Previous research is the researcher's attempt to find new analogies and inspiration for subsequent research. It also helps the researcher position the study and demonstrate its originality. In this section, researchers list previous research findings related to the research to be conducted, then they summarize the findings, whether they have been published or not. These are some previous studies that are still related to the subject studied by the author. Through a qualitative approach, the research aims to explore the patterns of online loan usage among young people and how they perceive the associated risks. This kind of research makes it possible to gain deep insights into how young people use online loans in their daily lives, including the reasons behind taking out loans, financial management strategies, and the psychological impacts that may occur. Moreover, by understanding the risk perceptions that young people have towards online lending, this research can provide valuable insights for relevant parties, such as educational institutions and regulators, to develop appropriate financial education policies and programs. Thus, this research not only provides an in-depth understanding of the dynamics of online lending among young people but also has the

potential to contribute to efforts to improve financial literacy and financial well-being among educators.

Previous research proposed by (Fetesond & Cakranegara, 2022). found that students' knowledge of finance has a significant impact on their decision to make online loans. On the other hand, another study, as reported by (Noviarini et al., 2021) found that there is a significant positive correlation between students' knowledge of finance and their level of tolerance for risk and anxiety. This means that debt default rates and tolerance can also be significantly reduced by increasing financial knowledge. Thus, employment opportunities and demand will also increase as BI supervision is based on tolerance and recognition of the risk of defaulting on online loans. Therefore, this study will examine the relationship between improving financial literacy and reducing irrational and impulsive buying patterns and people's propensity to accept online loans.

### **3.2 Dynamics of Online Loan Development Compared to Conventional Banks**

After conducting interviews with several students of the State Islamic University (UIN) K.H. Abdurrahman Wahid Pekalongan who made online loans, the results showed the reasons why the interviewees tended to choose to borrow online loans. According to Aulia, online loans are preferred over banks in borrowing because of the ease of accessing online loans. The same thing was also expressed by Vienna and Rahma where online loans offer a faster process compared to conventional banks. Only with internet access and some complementary documents such as KTP, you can apply for loans via the internet or online quickly and easily, according to Rahma. According to her, the simpler requirements and approval processes of online loan providers make them attractive to those who need funds quickly without having to go through complicated processes and long waiting times as is usually the case at banks. Hence, convenience, ease of access and speed in obtaining funds are

the main reasons why people prefer to borrow loans online.

The fast and uncomplicated process of accessing online loans is the reason why people tend to choose to borrow online loans compared to borrowing from banks. Online lending platforms offer a faster and less complicated process compared to conventional banks. With just internet access and some basic documents, such as an ID card and simple financial information, one can apply for an online loan easily and quickly, without even leaving home. In addition, the more relaxed requirements and faster approval process from online lenders make it an attractive option for those who need funds immediately without having to go through the complicated process and long waiting time that usually happens at banks. Therefore, convenience and speed in obtaining funds are the main reasons why people prefer to borrow online loans. This is in line with research conducted (Putri & Iriani, 2020) which shows that ease of access affects Shopee PayLater online loan users.

### **3.3 Implementation of Money Management for Online Loan Customers**

In terms of money management, according to Vina, the acquisition of funds made in online loans is done to meet daily needs. Meanwhile, Lukky revealed that the use of funds obtained from online loans is used for urgent needs only, online loans are used as an alternative if something unexpected happens. Meanwhile, according to Yuni, she uses online loan funds to buy consumptive goods whose nature is desire. According to her, funds for daily needs are definitely there and have been allocated beforehand, but funds for things that are desires have not been fulfilled. Therefore, online loan funds are used to fulfill things that are desires.

It is explained that customers use the money from online loans for various daily needs, including consumptive needs such as shopping for luxury goods, urgent needs such as health costs or sudden daily needs, and even to pay off other existing debts. So in terms of money management, online loan customers are used for consumptive, urgent

and desire things. The funds obtained by online loans are not used for productive purposes that produce but for consumptive purposes that actually reduce the benefits and value of money. This is in line with research conducted by (Mardikaningsih et al., 2020) which shows that there is a desire for students to use online loan services and their consumptive behavior.

In terms of legality, some customers revealed that for them, the decision to use a loan provider application is not fully influenced by the legality of the loan provider company. They pay more attention to the results they get. Some of them admitted that awareness of the legality of the company was less considered, as they were more focused on immediate financial needs. For some customers, the urgency of obtaining funds tends to overcome legal considerations. Although there is an understanding of the risks associated with using online loan applications that are not officially registered. These results are also in line with the findings of (Nabilla Nurdina & Ima Amailah, 2023) which show that the public does not pay much attention to the legality of online loan applications.

### **3.4 Implementation of Online Loan Customer Risk Management**

In terms of mitigation with risk management, some customers revealed that they did not really think about the risk of failing to repay their loans. Aulia revealed that she was more considering solutions to meet financial problems for the present first. So this means that customers have a tendency to ignore mitigation of the possibility of defaulting on online loans due to their main focus.

only on getting a loan quickly. Vina also explained that in an emergency or when urgent funds are needed, thinking is only centered on instant solutions without considering the long-term consequences. Then this will certainly increase the risk in the event of default because there is no preparation planned to mitigate the risk. In line with research (Prajogo & Rusno, 2022) which shows that customers do not really care about the risk of online loans.

The choice of online loans by customers is due to the ease of a fast and uncomplicated process in accessing loans. Compulsion and urgent needs are also driving factors for making loans online. The use of online loan money for consumptive needs and urgent needs is the reason customers consider the ease of access and speed of loan processing. So this makes customers not pay attention to the risk management aspects of online loans because their thoughts are only focused on solutions for the short term. Lack of financial education makes them not realize how important it is to manage loans wisely and consider their ability to repay. Dependence on immediate needs often trumps rational consideration of the financial risks involved, thus triggering a continuous cycle of debt. This is in line with research (Sheila & Hartiningrum, 2022) which reveals that the ease of online loans makes customers tend to ignore the risks of online loans.

## **4. CONCLUSION**

From the results and discussion, it can be concluded that many people choose to borrow online loans instead of borrowing from banks because of the easier and faster process offered by online lending platforms. The main factors influencing this decision are convenience and speed in getting funds. The legality of the lending company is not a priority for some customers, who focus more on practical outcomes such as easy processes and requirements that can be met. The use of funds from online loans varies, ranging from consumptive to urgent purposes, even to paying off other debts. However, the tendency to overlook the risk of defaulting on online loans is often due to a focus on immediate needs without considering the long-term consequences. Lack of financial

education also plays a role in not understanding the importance of managing loans wisely, which can trigger a continuous cycle of debt.

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