



From Hope To Burden: A Mixed Methods Analysis Of The Psychosocial Impact And Financial Stress Of Online Loan Borrowers In Jakarta

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ABSTRACT

The use of online lending (pinjol) often leads to urgent psychosocial pressure and financial stress for borrowers. As a result, many borrowers become trapped in a cycle of debt that leads to immediate financial strain, decreased quality of life, and mental and social health problems. Therefore, this study aims to analyze the psychosocial impacts and measure the level of financial stress experienced by pinjol borrowers in Jakarta. Mixed methods approach with an exploratory sequential design with a total of 166 respondents. The study offers an integrated analysis of psychological, social, and economic aspects within a single framework, focusing on the urban context that has not been widely explored. Findings indicate that most respondents experienced psychological pressure, with 53% reporting anxiety and 43% experiencing social pressure due to societal stigma. More than 48% of respondents reported high levels of financial stress, with 51% citing non-transparent interest rates and aggressive debt collection practices as contributing factors. The psychosocial impacts of online lending as well as high interest rates and repetitive debt cycles often lead to emotional strain, helplessness, and ongoing stress. Borrowers who lack financial literacy are more vulnerable to risky lending practices.

INTRODUCTION

The growth of online lending, or FinTech lending, began in Indonesia in 2006 and has expanded rapidly over the past two decades (Irimia-Diéguez et al., 2023; Leniwati et al., 2021; Annas & Ansori, 2021). As part of the broader digital financial transformation, financial technology (FinTech) has revolutionized access to credit by offering innovative solutions that are more accessible and user-friendly than traditional banking systems (Thakor, 2020).

One of the key advantages of online loans is their streamlined application process that involves minimal bureaucracy and documentation (Wijaya et al., 2025). This makes them particularly appealing during periods of economic downturn when many individuals face job losses, reduced working hours, or layoffs (Kurniawan & Faisal, 2024). Borrowers are attracted to online lending platforms because of their fast-processing times, simplified procedures, and relatively quick approvals, often within hours or days. Unlike traditional banks, these platforms typically do not require collateral or extensive paperwork, which makes them more suitable for a wider segment of the population.

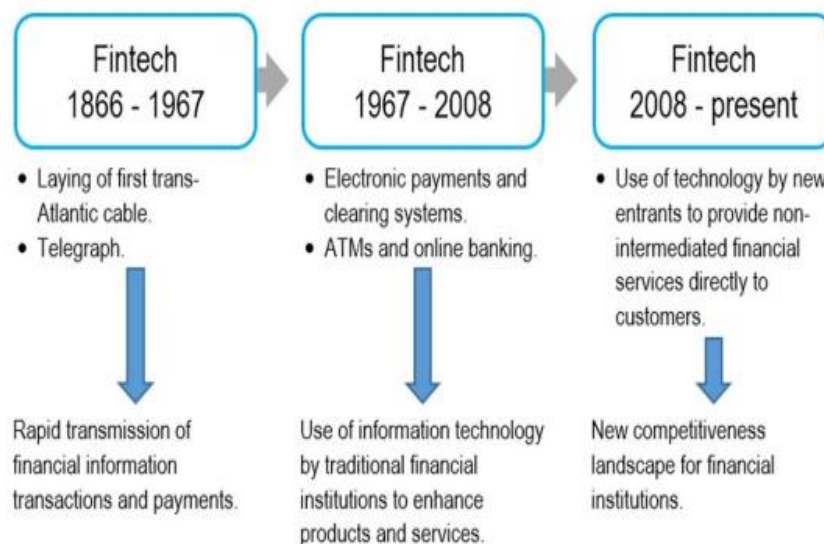
However, convenience is associated with a significant risk. Many borrowers fail to consider the implications of high interest rates and short repayment periods (Vučinić & Luburić, 2022). Additionally, unclear administrative fees and late payment penalties further complicate the borrowing process (Arvante, 2022). According to Kurniawan, (2020), these factors often lead borrowers into a vicious debt cycle in which they are forced to take out new loans to repay existing ones. Therefore, experts have identified various risks associated with financial technology, including financial, legal, security, and operational risks, which pose significant challenges for financial institutions (Ryu & Ko, 2020). For example, peer-to-peer (P2P) lending platforms often serve borrowers, such as individuals and medium-sized enterprises who are generally categorized as high-risk borrowers. These borrowers may have previously been rejected by banks and other traditional financial institutions due to stricter credit risk assessment criteria (Lenz, 2016; Ryu & Ko, 2020).

This growing trend not only affects borrowers' financial stability but also has serious psychosocial consequences. High interest burdens have been linked to deteriorating mental and emotional well-being among borrowers (Arvante, 2022). The rise in online loan usage has been attributed to increasing consumption-oriented digital behavior among users, coupled with weak regulatory oversight of FinTech lending platforms.

Furthermore, banking institutions' reluctance to engage in small-scale, unsecured transactions has contributed to the popularity of online lending. Banks often avoid such transactions because of the lack of collateral, low transaction volumes, and risk of non-performing loans (Samreth et al., 2021). This gap in service provision leaves vulnerable populations dependent on less regulated fintech lenders, thus increasing their exposure to predatory lending practices.

Financial Technology as a Catalyst for Innovation

Financial Technology (FinTech) is a technology-driven innovation in financial services that has the potential to create new business models, applications, processes, and products. These innovations can significantly transform the delivery of financial services, making them more user-friendly, efficient, transparent, and automated (Sahay, 2020; Dorfleitner et al., 2017; McKinsey & Company, 2023; Schueffel, 2018)). Such technological advancements not only enhance firms' access to financing, but also open new opportunities for investors (Buchak et al., 2018; Bollaert et al., 2021). FinTech represents a key form of digital innovation and transformation that bridges the gap between finance and technology (Irimia-Diéguez et al., 2023; Leniwati et al., 2021; Magyar Nemzeti bank, 2020; Mittal & Gupta, 2023; McKinsey & Company, 2023).

Figure1: Three phases of fintech (Thakor, 2020)

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This perspective aligns with the view of Nuryakin et al., (2019), who state that the implementation of financial technology can enhance several key aspects of the financial system, including decentralization, diversification, efficiency, and transparency.

Process of P2P Lending

The peer-to-peer (P2P) lending process typically follows a structured digital workflow that facilitates direct interactions between borrowers and lenders on online platforms (Syofyan et al., 2025) . This model leverages technology to streamline credit delivery while minimizing operational costs and eliminating traditional financial intermediaries, such as banks. Loans from P2P platforms reduce borrowers' credit obligations charged by traditional financial institutions, making them a valuable resource for those seeking to manage their financial obligations (Dawood et al., 2021). The key stages of the P2P lending process are as follows:

1. **Registration and Profile Creation:** Both borrowers and lenders are required to complete a registration process on the peer-to-peer (P2P) lending platform. During this stage, users must submit personal identification documents, financial information, and relevant corporate documentation in the case of business entities. This step ensures adherence to Know Your Customer (KYC) and Anti-Money Laundering (AML) regulatory requirements.
2. **Credit Assessment and Risk Scoring:** Following registration, borrowers undergo an automated credit evaluation process. The platform uses a range of data points, including income level, employment history, credit score, and digital footprints, such as social media activity, to assess creditworthiness. Based on this analysis, each borrower is assigned a risk profile or rating that determines their eligibility for a loan as well as the applicable interest rate.
3. **Loan Listing and Funding:** Eligible borrowers may submit a loan application specifying the requested amount and intended use of funds. Upon approval, a loan request is published on the platform for potential lenders to review. Individual or institutional investors may then choose to fund either the full amount or a portion of the loan depending on the borrower's risk profile and the expected return on investment.
4. **Fund Disbursement:** Once loan has been fully funded, the platform disburses funds directly into the borrower's designated bank account. Some platforms may implement additional verification procedures prior to disbursements to ensure compliance and minimize fraud risk.
5. **Repayment and Platform Management:** Borrowers are required to repay the loan in installments over the agreed repayment period, which includes both the principal and the

interest. The platform administers the repayment schedule, collects payments from borrowers, and distributes the proceeds to the respective lenders, typically after deducting the service or facilitation fee.

6. **Default Handling and Recovery:** In instances of delayed or defaulted payments, the platform initiates recovery protocols. These may include automated reminders, direct communication via phone calls, or engagement with third-party debt-collection agencies. Certain platforms also maintain insurance mechanisms or reserve funds designed to offset potential losses incurred by lenders owing to borrower defaults.

This end-to-end digital process enables greater financial inclusion by providing access to credit to underserved populations, particularly microentrepreneurs and small businesses, which lack access to formal banking services.

Borrowers initiate the loan application process through P2P lending platforms. The platform conducts an initial credit assessment and assigns a loan grade that indicates the borrower's credit risk. Investors (prospective lenders) then submit bids on the loan listings, specifying the amount they are willing to lend and the proposed interest rate. The platform consolidates qualifying offers into a single loan agreement (Thakor, 2019). Thus, the entire process is conducted directly through online platforms (Khoirunisa et al., 2020).

The online loan model in Indonesia is known as Financial Technology peer-to-peer (P2P) lending, which connects lenders and borrowers directly through internet-based platforms. Also referred to as "marketplace lending", P2P Lending facilitates loans to individuals and businesses via online platforms that act as intermediaries, eliminating the need for traditional banking institutions (Thakor, 2019).

However, the peer-to-peer lending model in Indonesia introduces new challenges. Therefore, the Indonesian Crowdfunding Fintech Association (Asosiasi Fintech Pendanaan Bersama Indonesia, AFPI) aims to determine whether peer-to-peer debt financing complies with competition laws in Indonesia. These regulations are not governed by the Financial Services Authority (Otoritas Jasa Keuangan, OJK). The Financial Conduct Authority (FCA) introduced new regulations limiting loan interest rates to a maximum of 0.3% per day based on SE OJK No.19/SEOJK.06/2023. This regulatory change is expected to benefit more than one million borrowers (Rizko Ramadoni & Nur Widhiyanti, 2020).

LITERATURE REVIEW

The rapid growth of online lending platforms, commonly known as *Pinjaman Online (Pinjol)*, has significantly altered the access to credit in Indonesia and other emerging economies. Although these platforms offer convenience and speed, they also introduce new risks and challenges, particularly for the financially vulnerable populations. A growing body of literature highlights the multidimensional effects of online lending, particularly its psychosocial consequences, financial stress implications, and broader impacts on mental and physical health technology (Irimia-Diéguez et al., 2023; Leniwati et al., 2021).

Psychosocial Impacts of Online Lending

Psychosocial well-being refers to the interplay between individual psychological states and social environment. Research has shown that individuals who borrow through unregulated digital lending platforms often experience heightened levels of anxiety, shame, and social stigma (Arvante, 2022). The lack of face-to-face interaction in online lending can reduce borrowers' awareness of the long-term consequences of debt, leading to impulsive borrowing behaviors (Buchak et al., 2018). Moreover, aggressive debt collection practices, including public shaming via social media and mobile apps, have been linked to severe emotional distress and feelings of helplessness among borrowers (Kurniawan & Faisal, 2024).

Financial Stress and Its Consequences

Financial stress arises when individuals struggle to meet their financial obligations, which often leads to deteriorating mental health and reduced quality of life (Vučinić & Luburić, 2022). In the context of *Pinjols*, high interest rates, hidden fees, and short repayment periods contribute significantly to financial strain. According to Kajal Mittal et al., (2025), emphasize that many borrowers underestimate these costs due to limited financial literacy, increasing their vulnerability to over-indebtedness. (Samreth et al., (2021). further note that this cycle of debt can lead to repeated borrowing, exacerbating stress and reducing borrowers’ ability to manage basic living expenses.

Risk Management in Digital Finance

Effective financial risk management is crucial to mitigate the negative outcomes associated with online lending. Traditional banks typically employ rigorous credit assessments and collateral requirements to minimize the risk of default. However, most Fintech lenders rely on algorithm-based credit scoring systems that may not fully capture a borrower's financial resilience or stability (Thakor, 2020). As noted by Schueffel, (2018), while automation enhances efficiency, it can also result in inadequate risk assessment and the overexposure of high-risk borrowers. Therefore, there is a pressing need for stronger regulatory frameworks and borrower education programmes to promote responsible lending and borrowing.

Mental and Physical Health Implications

The cumulative effects of financial stress and psychosocial pressure often manifest as deteriorating mental and physical health. Studies indicate that chronic financial stress is correlated with increased rates of depression, insomnia, and cardiovascular diseases (Arvante, 2022). Furthermore, borrowers experiencing social isolation or family conflict due to debt are at higher risk of developing anxiety disorders and other psychological conditions. Bollaert et al., (2021), argued that policymakers must recognize the health burden associated with digital overindebtedness and integrate mental health support into consumer protection strategies.

In Indonesia, licensed P2P lending platforms are officially recognized and regulated by the Financial Services Authority (OJK), ensuring compliance with financial regulations, transparency in lending practices, and the implementation of consumer protection mechanisms. By contrast, unlicensed or illegal platforms operate outside the regulatory framework, often lacking transparency, employing predatory lending tactics, and exposing borrowers to significant financial and psychosocial risks. Legal P2P lending offers a more regulated and consumer-friendly experience, whereas illegal P2P lending poses significant risks due to a lack of oversight and potential for exploitation.

Figure 2 P2P lending Process (OJK)

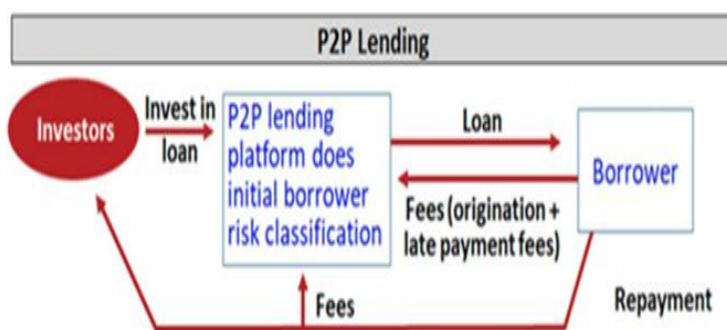


Figure 2: P2P Lending Process (OJK)

Table 1: Key Differences of Legal P2P & Illegal P2P Lending

Feature	Legal P2P Lending (OJK-Licensed)	Illegal P2P Lending (Unlicensed)
Registration/Licensing	Registered and licensed by OJK	Not registered or licensed by OJK
Regulation & Supervision	Supervised by OJK for consumer protection and compliance	No regulator oversight
Interest Rates & Fees	Generally more transparent and regulated	Often charge high, opaque interest rates and fees
Loan Terms & Conditions	Standardized and clearly defined	Can be complex, unclear, and often disadvantageous to the borrower
Debt Collection Practices	Follow ethical debt collection procedures	May engage in aggressive or even violent debt collection methods
Risk	Lower risk of fraud and abuse due to OJK oversight	Higher risk of fraud, deceptive practices, and unfair terms

Sourced by OJK

METHODS

This study employs a mixed-methods approach with an Exploratory Sequential Design, where emphasis is placed more on qualitative data than on quantitative data. Qualitative data collection is conducted first, followed by quantitative data collection (Candra Susanto et al., 2024; Vidya Avianti; Ulfa Aulia, 2022; Vebrianto et al., 2020). The exploratory design is useful for exploring relationships when research variables are not yet known, developing new instruments based on initial qualitative analysis, generalizing qualitative findings, and refining or testing emerging theories (Harrison & Reilly, 2011). This design was chosen because the study aims to understand a complex and underexplored phenomenon: the psychosocial impact and financial stress caused by online lending platforms (pinjols) in Jakarta. The approach consists of two main stages: an exploratory qualitative stage as the foundation, followed by a quantitative stage that expands the findings into broader and more generalizable analysis

In the initial qualitative phase, the study commenced with semi-structured interviews and Focus Group Discussions (FGDs) involving representatives from diverse demographic backgrounds, including small business owners, university students, housewives, salaried workers, and other active users of online lending platforms (pinjols). Participants were selected through purposive sampling based on predetermined criteria such as socioeconomic background, frequency of Pinjol usage, and variation in personal experiences. The interviews employed open-ended questions to explore participants' subjective experiences related to psychological distress, social stigma, and economic pressures associated with online borrowing (Cresswell, 2018; Deborah, 2012).

Additionally, an FGD was conducted with a small group of participants to examine the dynamics of social interaction and collective perceptions surrounding the phenomenon of pinjol (Shabina et al., 2024). This approach allows for the exploration of shared attitudes, normative beliefs, and group-level interpretations of online lending practices.

To enhance the data triangulation, participant observations were also conducted. Observational efforts have focused on borrowers' behaviors within their natural social environments, including patterns of interaction with pinjol applications, emotional responses to payment reminders or debt collection notifications, and observable changes in communication dynamics with family members or peers due to financial stress. Field notes were systematically recorded to document behavioral and contextual insights (Miles et al., 1994). By employing an Exploratory Sequential Design, this study not only generated valid and reliable data but also provided rich contextual insights into the phenomenon under investigation. The combination of in-depth interviews, Focus Group Discussions

(FGDs), participant observation, and quantitative instruments enabled a comprehensive exploration of the interrelationships among the psychological, social, and economic dimensions of pinjol usage. Such a multi-method approach is essential for formulating targeted policy recommendations and designing effective psychosocial interventions for vulnerable groups that rely on online lending platforms.

RESULTS

Demographic Profile and Data Analysis

The tabulated data analysis revealed a comprehensive sample of 166 participants with diverse socioeconomic backgrounds. The gender distribution demonstrated a moderate male predominance, with 92 males (55%) compared to 74 female participants (45%).

Age demographics indicate that most respondents fall within the economically active population bracket of 20-40 years, representing 86 individuals or 52% of the total sample. The middle-aged cohort (40-60 years) constituted 63 participants (38% of the population), while senior participants (> 60 years) accounted for 17 individuals (10% of the sample).

Educational attainment analysis demonstrated that bachelor's degree holders represented the largest segment with 69 participants (42%), followed by secondary education graduates numbering 58 individuals (35%). Diploma holders and master's degree recipients showed relatively equal representation in 21 (13%) and 18 participants (11%), respectively.

Income distribution patterns reveal that the predominant earning bracket ranges between 5-8 million rupiah, encompassing 64 participants or 39% of the sample. The subsequent income category of 3-5 million rupiah included 40 respondents (24%), while those earning 8-10 million rupiah represented 26 individuals (16%). High-income earners above 10 million rupiah constituted 17 participants (10%), whereas lower-income groups earning 1-3 million rupiah accounted for 14 individuals (8%). The lowest income segment, earning less than 1 million rupiah, comprises five participants or 3% of the total population and the composition provides a representative cross-section of various socioeconomic strata.

Profile of Online Lending Borrowers

The demographic profile section maps the characteristics of online borrowers across key sociodemographic variables. These include respondents' age, educational background, monthly income level, Occupational Status, Receipt of Loan Funds, and frequency of online loan usage. This profiling aims to provide a comprehensive overview of the typical borrower's background and financial behavior in relation to online lending platforms (Pinjol).

Table 2: Profile of Online Lending Borrowers

Table Demographics		
Sex		
Male	35	45%
Female	42	55%
Age		
20 - 40	51	66%
41 - 60	24	31%
> 60	2	3%
Education		
>S2	5	6%
S1	32	42%
D3	11	14%
Senior High School	28	36%
Junior High School	1	1%
Profession		
Student	8	10%
Housewife	5	6%
Freelance	8	10%
Government Employee	1	1%
Private Sector Employee	40	52%
Teacher	1	1%
Retiree	1	1%
Entrepreneur	13	17%
Income		
< Rp 1 mio	3	4%
Rp 1 - 3 mio	12	16%
Rp 3 - 5 mio	23	30%
Rp 5 - 8 mio	25	32%
Rp 8 - 10 mio	10	13%
> 10 mio	4	5%

A total of 77 respondents who used online lending services demonstrated distinct demographic patterns. The gender distribution revealed a female predominance, with 42 female participants representing 55% of the online borrower population.

Age stratification indicates that most online lending users fall within the economically productive age range of 20-40 years, comprising 51 respondents or 51% of the sample. This demographic concentration aligns with the financial accessibility needs of the working-age population.

Educational background analysis shows that bachelor's degree holders constitute the largest segment of online borrowers, with 32 participants representing 42% of the user base. This educational profile suggests that online lending services attract individuals with tertiary educational qualifications.

Occupational diversity characterizes the respondent pool, although private sector employees without fixed-income streams represent the dominant employment category, accounting for 40 participants or 52% of online lending users. This occupational pattern indicates that individuals with irregular income sources are likely to seek alternative financing through digital platforms.

The income distribution analysis reveals that the highest concentration of online borrowers falls within the 5–8-million-rupiah monthly earnings bracket, encompassing 25 respondents or 32% of the user population. This income threshold suggests that middle-income earners constitute the primary demographic for online lending services.

A description of the analysis of online borrowers from the results of data processing as follows:

1. The age of borrowers between 20-25 years was nine people or 12%; age 26-30 was 17 people or 22%; age 31-35 was 12 people or 16%; age 36-40 was 13 people or 17%, age 41-45 was nine people or 12%, age 46-50 was five people or 6%, age 51-56 was six people or 8%, age 56-60 was four people or 5%; and age over 60 years was two people or 3%. From the above data, it can be concluded that most online loans are made by people aged between 26 and 30 years (17 people, or 22 %).
2. Education Background: It was found that among online borrowers, five (6%) held a master's degree (S2), 32 (42%) had a bachelor's degree (S1), 11 (14%) had a diploma degree (D3), 28 (36%) had completed high school or equivalent education (SMA/ sederajat), and one (1%) had completed junior high school or equivalent education (SMP/ sederajat). Based on these data, it can be concluded that individuals with a bachelor's degree (S1) represent the largest group of online loan users, accounting for 32 individuals (42%).
3. Income: Based on the respondents' income levels, it was found that three individuals (4%) earned less than one million. Among those earning between 1 and 3 million, there were 12 individuals (16%). For incomes ranging from three to five million, 23 individuals (30%) were identified. Those earning between 5 million and 8 million accounted for 25 individuals (32%), while 10 individuals (13%) reported incomes between 8 million and 10 million. Finally, 4 individuals (5%) had incomes exceeding 10 million. The group with incomes between five and eight million dominated online borrowing, comprising 25 individuals (32%).
4. Based on the occupation of respondents who use online loan services, students make up 10% (8 people) and housewives make up 6% (5 people). The remaining respondents were freelancers/GCG workers (eight people, or 10%), ASN workers (one person, or 1%), private employees (40 people, or 52%), teachers (one person, or 1%), retirees (one person, or 1%), and entrepreneurs (13 people, or 17%). Private employees comprise the largest group of online borrowers, with 40 people (52 %).
5. Receipt of Loan Fund: Based on its usage, online loans are used for education expenses by 13 people or 11%, household expenses by 27 people or 22%, personal consumption by 34 people or 28%, business capital by 25 people or 21%, and repayment of other debts by 17 people or 14%. transportation costs for college for 1 person or 1%), urgent needs for 1 person

- or 1%), purchasing phone credit/data for 1 person or 1%), major motorcycle repairs for 1 person or 1%), and medical bills for 1 person or 1%). The most common use was for personal needs (34 people, 28 %).
6. Frequent Online Lending: The number of respondents who borrowed 1-2 times was 35 (45%), between 3-5 times was 27 (35%), and more than 5 times was 15 (19%). The highest average of respondents borrowing between 1-2 times was 45%.

Focus Group Discussions (FGDs)

The primary objective of the focus group discussion (FGD) was to explore the lived experiences, perceptions, and behavioral patterns of diverse socioeconomic groups regarding their engagement with online lending platforms (pinjols). Participants included students, housewives, private sector employees, educators, and micro, small, and medium enterprises (UMKM) entrepreneurs. Through guided discussion, the FGD aimed to generate in-depth insights into the motivations for borrowing, perceived benefits and risks, psychological and social impacts, and coping strategies related to online loan usage (Ozili, 2018; Ryu & Ko, 2020).

This approach aligns with the growing interest in understanding how digital financial services influence financial behavior across different demographic segments (Arner et al., 2015). Given the increasing reliance on peer-to-peer (P2P) lending among individuals excluded from traditional banking systems, it is crucial to examine user perspectives to inform inclusive financial policies (Kura Bashir & Muhammad, 2023). The findings are intended to support the development of targeted interventions addressing the challenges associated with digital credit access among vulnerable populations, particularly in emerging economies such as Indonesia.

In conducting the Focus Group Discussion (FGD), the researcher aims to explore the experiences of online borrowers; understand the emotional, social, and economic changes following the utilization of online loans; and examine psychosocial pressures and financial stress.

Based on the indicators presented, the researcher posed questions to 7 (seven) FGD participants in accordance with established FGD guidelines. Subsequently, the researcher synthesized various responses from diverse participants into several response clusters. The FGD is facilitated by a designated moderator

Rationale for Online Borrowing

Moderator: What are the primary reasons for choosing online loans to meet your financial needs and when did you first begin utilizing online lending services? Please elaborate.

Online Borrower: The urgent need for instant financial solutions drove this decision, as we perceived fewer stringent requirements and absence of credit bureau checking, making online lending platforms more appealing to borrowers.

Utilization of Online Loans

Moderator: What specific needs were addressed after online loans were obtained?

Online Borrowers: Most borrowers utilize funds for household expenses, while others use them to settle overdue debts, educational expenses, and personal necessities.

Psychological Impact on Online Borrowers

Moderator: What did you feel after receiving an online loan? Do you experience anxiety about future billing from creditors?

Online Borrower: Anxiety is present, particularly when the payment deadline approach and available funds are insufficient to cover obligations. Creditors typically initiate contact even before due dates, sometimes exceeding four calls daily. This creates a harassment-like environment, pressuring immediate repayment of both the principal and substantial interest charges. When payments exceed deadlines, the

situation becomes more intimidating, as creditors may visit borrowers' residences and seize property to enforce the repayment of overdue loans beyond the stipulated timeframe.

Social Impact and Financial Stress on Online Borrowers

Moderator: Do you experience negative stigma from your environment, including the family and surrounding community? How does the financial burden increase following online loan utilization?

Online Borrower: Particularly within the family environment, online loans provide no tangible benefits as one must consider both interest and principal repayment, creating a substantial burden on household economics. This frequently leads to domestic conflicts, consequently making neighbors aware of the problems being experienced.

DISCUSSION

From the focus group discussion findings, the researcher can conclude that borrowers experience a domino effect when they realize that they must not only pay installments but also bear substantial late payment penalties.

Online loans extensively promoted through social media platforms, such as TikTok, offer borrowing convenience without credit bureau checking or collateral requirements typically mandated by banks. Online lending platforms require only identity card photocopies, and selfies photographs that hold the identity card.

Consequently, funds are transferred to online borrowers' accounts within 24 h. Because of this accessibility, borrowers often engage in multiple borrowing instances, sometimes taking a second loan to cover the first. This pattern is common among online borrowers. When payment delays occur, creditors frequently engage in intimidation tactics and may visit borrowers' residences if installment payments are delayed more than three times.

The research reveals that online lending creates a cycle of financial dependency characterized by high interest rates, aggressive collection practices, and significant psychosocial stress, ultimately undermining borrowers' financial stability and social relationships.

CONCLUSION

The findings from the Focus Group Discussion (FGD) reveal significant insights into the motivations and experiences of individuals who opt for online loan services. The primary reason cited by borrowers for selecting online loans was the immediacy of financial needs, coupled with ease of access, highlighted by minimal documentation requirements, absence of BI checking, and lack of collateral. These factors make online lending particularly appealing to financially vulnerable individuals or those excluded from formal banking systems.

However, the use of online loans often leads to a range of psychological effects, including increased levels of anxiety and emotional distress. Borrowers frequently reported being subjected to persistent and intrusive communication from creditors even before payment deadlines. Such pressure intensifies upon late payments, where threats and home visits by collectors contribute to a sense of harassment and fear, significantly increasing psychological burden.

In addition to mental health effects, online borrowing has notable social consequences. Participants reported experiencing stigmatization within their families and communities due to financial difficulties. The inability to meet repayment obligations often results in domestic conflicts and strained interpersonal relationships. Moreover, the public nature of debt collection

practices, such as creditor visits and social media exposure, exacerbates feelings of shame and isolation.

Online loans tend to create a cycle of indebtedness rather than offer sustainable solutions. Many borrowers' resort to taking out new loans to repay previous ones, leading to compounding debt burdens. High interest rates and severe penalties for late payments further deepen financial instability, often trapping borrowers in a vicious cycle that negatively affects household economic wellbeing.

In summary, while online lending platforms provide quick and accessible financial solutions for urgent needs, they also impose substantial psychosocial and economic risks on borrowers. These findings underscore the necessity for greater regulation, consumer education, and protective policies to safeguard vulnerable populations from the adverse consequences of unregulated online lending practices.

LIMITATION

It is important to acknowledge that this study has several limitations. Although it employed a mixed-methods approach, the primary focus was on qualitative aspects to explore the reasons, experiences, and social and psychological effects of using online lending services. Consequently, the quantitative data collected is supplementary and cannot be used for extensive correlational analysis or statistical generalization. Recognizing these limitations is crucial when evaluating the study's conclusions.

The results cannot be generalized to the entire population of Indonesians who use online loan services, as the qualitative data were obtained through focus group discussions (FGDs) with a small number of participants. The objectivity of the data may be affected by participant responses, which could be influenced by selective memory or a desire to provide socially acceptable answers. Additionally, the respondents' subjectivity when discussing their experiences introduces potential bias, highlighting the need for caution in interpreting the results. Given these constraints, further research is recommended to address these issues. This could involve using a more comprehensive quantitative strategy or a well-balanced combination of quantitative and qualitative methods. Such an approach would enhance the findings and provide a more thorough and representative understanding of online loan usage.

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