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Online Loans: A Solution or a Problem? Perspectives on Education and Society

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ABSTRACT

The phenomenon of online loans, as one of the innovations in financial technology, has significantly impacted society, particularly younger generations, by offering quick and easy access to finances. This study aims to analyse the effects of online loans on financial literacy, social awareness, and character education, while also identifying educational measures to mitigate their negative impacts. Using a descriptive qualitative approach and thematic analysis, this research explores various aspects of individual behaviour related to online loans based on literature and previous studies. The findings reveal that university students are among the groups most vulnerable to consumptive behaviour due to low financial literacy, as highlighted by (Susanti & Hidayat 2020). Furthermore, aggressive debt collection methods often impact users' mental health, as confirmed by (Rahmawati et al. 2022). The study underscores the importance of incorporating financial literacy into formal education systems as a mitigation strategy, as proposed by (Iskandar & Putri 2024), and supports an interdisciplinary approach that integrates digital and financial literacy. The primary conclusion of this research is the need for stricter regulations and more comprehensive education to create a society that uses financial technology wisely. This study contributes to policy development and educational practices in the digital era to mitigate the negative impacts of online loans.

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1. INTRODUCTION

The phenomenon of online loans has, in recent years, become a topic of global concern, including in Indonesia. Online loans offer financial accessibility for individuals in need, particularly in the digital era. However, behind the convenience they provide, online loans also present various social challenges, including increased risks of financial dependency, consumptive behaviour, and detrimental psychological impacts due to high interest rates and aggressive debt collection methods. From an educational and social perspective, it is essential to examine the impact of online loans on financial literacy, social awareness, and character education, especially among younger generations. The rapid development of financial technology (fintech) has brought innovations to the financial sector, enabling faster and easier access to loans through digital applications. Online loans, often referred to as peer-to-peer lending, have become an alternative solution for individuals facing barriers to accessing traditional financial institutions. This phenomenon not only affects the economic aspects of society but also has broader implications for education and social awareness (Putri et al. 2021); (Santoso & Wulandari 2020); (Prihadi et al. 2019).

The ease of obtaining online loans often leads individuals, including students, to fall into risky consumptive behaviour. A study by (Susanti & Hidayat 2020) revealed that a lack of financial literacy is one of the main factors driving the high number of online loan users among university students. This indicates an urgent need to improve financial education to create a society that is more prudent in managing personal finances. Financial education not only serves as a tool to reduce dependency on online loans but also as a strategy to enhance digital literacy in the era of Industry 4.0 (Firman & Aziz 2019). Moreover, the existence of online loans is often associated with ethical and moral issues in society. Several studies have shown that unethical debt collection methods, such as intimidation and the misuse of personal data, adversely affect users' mental health (Rahmawati et al. 2022); (Hamzah et al. 2021). This poses a significant challenge in the context of social education, where moral and ethical values must be instilled early to prevent the negative impacts of irresponsible use of financial technology. As highlighted by (Nugraha et al. 2021), character education plays a crucial role in shaping responsible behaviour towards the use of financial technology.

In a broader social context, online loans also impact economic disparities. Research by (Widodo 2020) emphasised that most online loan users come from lower-middle-income groups with limited access to formal credit. This indicates that online loans have become a temporary solution for vulnerable groups; however, without adequate educational intervention and regulation, the risk of economic losses becomes increasingly significant. Research by (Syahrizal & Fatimah 2022) underscored that marginalised groups tend to fall victim to exploitative high-interest practices that are not properly controlled. Therefore, it is crucial to deeply examine the role of education in fostering social awareness of the risks and benefits of online loans (Sari et al. 2018); (Hartono et al. 2023).

In the field of education, the phenomenon of online loans creates an opportunity to introduce financial literacy as an integral part of formal curricula. As proposed by (Karim et al. 2019), financial literacy can be taught through an interdisciplinary approach involving economic, technological, and social education. This approach not only helps students understand financial risks but also equips them with the skills to make wise decisions in personal financial contexts. Recent studies by (Iskandar & Putri 2024) have shown that integrating financial literacy into formal education can reduce dependency on online loans among adolescents. A comprehensive educational approach is needed to enhance financial literacy, particularly among younger generations, while ensuring that the use of financial technology supports sustainable social and economic development (Halim et al. 2023).

This study is expected to provide an important contribution to the field of social humanities education, offering new insights into how financial technology can be integrated into educational efforts to create a more resilient and responsible society. As stated by (Yuniarti 2020), education is the key to addressing challenges in the digital era, including the management of personal finances through technology. The primary objective of this research is to explore whether online loans function as a solution or a problem in society, particularly from educational and social perspectives. This study aims to provide a deeper understanding of how online loans influence individual behaviour, particularly among university students, and to identify educational measures that can mitigate their negative impacts. Additionally, this research seeks to offer relevant solutions for policymakers in effectively regulating online loan platforms while considering educational and social awareness aspects (Rahayu & Fitria 2022); (Hasanah & Kurniawan 2022). Thus, it is essential to redefine the role of education in shaping a financially and digitally literate society, enabling the prudent use of online loans without causing harmful consequences. This research not only highlights the importance of financial literacy but also emphasises the need for a holistic educational approach that integrates technological, economic, and social dimensions (Suryani 2021); (Ahmad et al. 2023).

2. METHOD

This study employs a descriptive qualitative approach to gain an in-depth understanding of the phenomenon of online loans and their impact on financial literacy, social awareness, and character education. A qualitative approach, utilising data sourced from literature and previous research journals, was chosen to enable the researchers to comprehensively capture the complexity of social phenomena. The primary focus of this research is to analyse how online loans influence individual behaviour, particularly among university students, and to identify the role of education in mitigating their negative effects. Additionally, this study aims to understand how financial technology, in the context of online loans, can be integrated into financial literacy and character education.

The data analysis method employed in this research is thematic analysis, which involves the identification, analysis, and interpretation of patterns or themes emerging from qualitative data. These themes are further examined to identify interrelations and broader implications within the context of education and society. During the analysis process, an inductive approach is used, allowing the researchers to build theories grounded in the data. This iterative process involves repeatedly revisiting the data to ensure that the findings and interpretations remain consistent with the original information. The use of primary data in this study, derived from a review of literature, enables the researchers to gather and analyse relevant information from various credible sources, such as scholarly journals, books, and case studies on online loans.

This qualitative approach enables the researchers to capture the complex dynamics related to the phenomenon of online loans, including aspects that cannot be quantified. The study is expected to provide richer and more profound insights into the impact of online loans on financial literacy and character education. The methods adopted in this research are designed to ensure that the findings are not only valid and reliable but also relevant and beneficial for the development of policies and educational practices in the digital era.

3. RESULTS AND DISCUSSION

The phenomenon of online loans has become one of the primary manifestations of financial technology (fintech) development, bringing significant changes to societal behaviour. Research findings indicate that the ease of access and quick disbursement process are the main attractions of online loans, especially for younger generations. Analysis reveals that students are among the most vulnerable groups to the negative impacts of online loans. This aligns with the study by (Susanti & Hidayat 2020), which states that a lack of financial literacy is a dominant factor driving consumer behaviour among students. Low financial literacy leaves many students unaware of the risks of high-interest rates and potential exploitation of personal data, which are common in online lending practices (Rahmawati et al. 2022). Furthermore, this study finds that aggressive debt collection methods by online loan providers often negatively impact users' mental health, as confirmed by (Hamzah et al. 2021).

The convenience of online loans has a dual nature. On one hand, these platforms offer solutions for individuals unable to access traditional banking services (Widodo 2020). On the other hand, online loans exacerbate economic disparities as high-interest rates often burden middle- to lower-income groups (Syahrizal & Fatimah 2022). The study also finds that most users come from marginalised groups with limited knowledge of safer financing alternatives. This underscores the need for educational interventions, both formal and informal, to raise public financial awareness.

The study highlights the importance of financial literacy as a mitigation strategy against reliance on online loans. Financial literacy, which includes knowledge of debt management, effective interest rates, and digital data risks, can be taught through formal curriculum approaches, as proposed by (Karim et al. 2019). Integrating financial literacy into formal education systems has a positive impact in reducing dependence on online loans, particularly among teenagers (Iskandar & Putri 2024). The findings of this research strengthen the argument that character education, which emphasises ethical and moral values, is a strategic step in mitigating the negative impacts of online loans, as discussed by (Nugraha et al. 2021).

In terms of regulation, this research finds that existing policies have not been entirely effective in protecting consumers from exploitative practices. For example, the lack of clarity regarding maximum interest rate regulations creates opportunities for loan providers to impose burdensome interest rates. Research by (Hasanah & Kurniawan 2022) suggests that stricter regulations are needed to ensure transparency and fairness in online lending practices. These findings are consistent with our study, which highlights that users often do not fully understand the terms and conditions, particularly regarding loan interest and late payment penalties.

The study also finds that integrating digital literacy with financial literacy can provide a holistic approach to improving financial awareness among younger generations. Digital literacy helps individuals understand digital data risks, while financial literacy provides knowledge about personal financial management. (Firman & Aziz 2019) suggest that collaboration between educational institutions and fintech companies can be an innovative solution to enhance national financial literacy. This study reinforces that argument by emphasising the importance of an interdisciplinary approach in education.

The results of this study indicate that the use of online loans, particularly among students, promotes consumer behaviour due to the ease of access offered by digital platforms. The study by (Susanti & Hidayat 2020) confirms that low levels of financial literacy are a major factor driving the high number of online loan users among students. A total of 78% of respondents admitted to using online loans for consumptive needs, such as purchasing gadgets or electronic items.

Table 1. Correlation Between Financial Literacy and Consumer Behaviour

No	Level of Financial Literacy	Use of Online Loans for Consumption
1	Low	78%
2	Medium	52%
3	High	18%

Source: (Susanti & Hidayat 2020).

The table above shows that the lower a person's financial literacy, the higher their tendency to use online loans for consumptive purposes. These findings are in line with (Firman & Aziz 2019), who state that technology-based financial education can reduce dependence on online loans.

Aggressive collection methods employed by some online loan platforms have raised significant ethical and moral concerns. (Rahmawati et al. 2022) found that 63% of users experienced intimidation during the collection process, negatively affecting their mental health. This study indicates that 45% of respondents reported high levels of anxiety due to threats from lenders.

Table 2. Psychological Impacts of Aggressive Collection

No	Psychological Impact	Percentage of Respondents
1	High Anxiety Levels	45%
2	Mild Depression	28%
3	Loss of Trust	20%

Source : (Rahmawati et al. 2022).

These implications underscore the need for stricter regulations on online loan collection methods. As noted by Nugraha et al. (2021), character education rooted in morality can help individuals address these challenges. This study also finds that lower-income groups are more vulnerable to using online loans as temporary financial solutions. Widodo (2020) notes that 62% of online loan users come from this economic group, with limited access to formal credit being the primary reason for their choice.

Table 3. Distribution of Online Loan Users by Income

No	Kelompok Pendapatan	Persentase Pengguna
1	Rendah (≤ Rp2.000.000)	62%
2	Menengah (Rp2.000.001–Rp5.000.000)	34%
3	Tinggi (> Rp5.000.000)	4%

Source: (Widodo 2020).

Improving financial literacy among marginalised groups should be prioritised to reduce this dependency, as proposed by (Syahrizal & Fatimah 2022). Additionally, this study identifies several limitations that warrant attention in future research. One of these is the lack of primary data derived from direct interviews with online loan users. Another limitation is the narrow geographical scope, which only includes specific groups and does not represent a wider population. Therefore, future research is encouraged to adopt a mixed-method approach involving both quantitative and qualitative data to obtain more comprehensive results. Furthermore, focusing on communities with varying levels of financial literacy could provide additional insights into the behavioural patterns of online loan users. Suggestions for future studies include using a quantitative approach with direct surveys to obtain more representative primary data. Longitudinal studies are also recommended to evaluate the long-term impact of financial literacy on consumer behaviour, along with examining additional variables such as gender and cultural aspects influencing online loan behaviour.

4. CONCLUSION

Online lending has emerged as a globally relevant topic in recent years, including in Indonesia. This innovation facilitates financial access, especially for individuals who lack access to traditional financial institutions. However, it also presents various challenges, such as consumerism, financial dependency, and psychological impacts resulting from high interest rates and aggressive debt collection methods. Research indicates that low financial literacy, particularly among students, is one of the main drivers behind the widespread use of these services. For instance, (Susanti & Hidayat 2020) reported that 78% of students with low financial literacy utilised online loans for consumption purposes, compared to only 18% of those with high financial literacy.

The negative impacts of online lending extend to ethical concerns, including the misuse of personal data and intimidation by service providers, which affect users' mental health (Rahmawati et al. 2022). From a social perspective, these platforms often serve as a temporary solution for lower-income groups. However, the high interest rates charged by these services exacerbate economic disparities (Widodo 2020). (Syahrizal & Fatimah 2022) emphasise that marginalised groups are more vulnerable to financial exploitation through these platforms.

In the context of education, this phenomenon highlights the need to enhance financial literacy through formal curricula. (Karim et al. 2019) propose an interdisciplinary approach that integrates economic, social, and technological education to equip students with financial management skills. This aligns with the findings of (Iskandar & Putri 2024), who demonstrated that formal financial literacy education can reduce dependency on online loans. Furthermore, (Firman & Aziz 2019) stress the importance of integrating digital literacy to educate users about the risks associated with financial technology. Regulation is another key concern. (Hasanah & Kurniawan 2022) point out that unclear rules on interest rates heighten the risk of consumer exploitation. This research underscores the need for stricter policies to ensure transparency and fairness in online lending services.

As a mitigation strategy, character education that instils ethical and moral values from an early age is crucial in shaping responsible behaviour towards financial technology. (Nugraha et al. 2021) argue that such education can help individuals understand the risks and benefits of financial technology more prudently. This study recommends collaboration between educational institutions, the government, and the fintech sector to create a holistic approach to improving financial literacy, ultimately supporting sustainable social and economic development. This research aims to explore how online lending influences financial and social behaviour within society, as well as to identify the role of education in mitigating its negative impacts. Using a qualitative descriptive approach and thematic analysis, this study contributes to a deeper understanding of the phenomenon, offering relevant solutions for policymakers and education practitioners to foster a more resilient and responsible society.

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