

# The impact of online loans on communication and consumptive behavior of Indonesian women

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**Abstract.** Illegal online loans in Indonesia have become a significant issue, with many victims experiencing harassment and threats from lenders. This study aims to explore the communication experiences of victims of online loans in Indonesia using a qualitative research method. The study will use interviews and focus groups to collect data from victims of online loans, with a focus on the types of communication they received from lenders, the frequency of communication, and the impact of the communication on their mental health. The study will also explore the effectiveness of existing policies and regulations related to online loans. The study is expected to provide insights into the communication experiences of victims of online loans in Indonesia and the impact on their mental health. The study will also contribute to developing policies and regulations that protect borrowers from harassment and threats from lenders.

**Keywords:** online loans; mental health; communication experience.

## 1. Introduction

The advent of novel technological advancements has facilitated lenders in offering loans with enhanced efficiency and convenience [1], thus resulting in a surge in the utilization of online lending services. The loan sector has been significantly influenced by technology through many means. The development of cutting-edge technology has made it possible to examine creditworthiness more thoroughly by giving lenders access to various data points about borrowers' financial behaviours [2]. This enhanced access enables lenders to make more knowledgeable decisions regarding lending. The financial technology (fintech) sector and the concept of embedded finance are increasingly gaining traction within the financial services industry, presenting challenges and possibilities for various stakeholders. The utilization of artificial intelligence facilitates enhanced loan monitoring and intervention prospects.

Fintech plays a significant role in facilitating peer-to-peer (P2P) lending platforms, enabling individuals to engage in cross-border lending activities [3]. Online platforms allow lenders to operate more efficiently and at lower costs than traditional banks. Technology has made lending faster and more accessible, but it has also led to increased illegal practices like harassment and intimidation by some lenders. Policymakers need to create regulations that protect borrowers from such practices while preserving the benefits of technology in the lending industry.

Online loans in Indonesia have introduced both opportunities and challenges for borrowers. On the positive side, these loans have significantly improved financial inclusion by providing access to credit for individuals who lack traditional banking services, thereby enabling greater participation in economic activities [4]. Their convenience is another significant advantage, as borrowers can apply for loans anytime and anywhere, with many online platforms offering quick approval processes and same-day disbursements. This ease of access has made online loans favourable for those needing urgent financial assistance. Additionally, the growth of fintech loans has played a role in stimulating economic growth by promoting financial inclusivity and supporting small businesses [5]. Online loans also come with significant risks. One major issue is the high interest rates, which can make these loans extremely costly for borrowers who fail to repay them on time. This challenge is compounded by the typically short repayment periods associated with online loans, often leaving borrowers struggling to meet deadlines. As a result, many borrowers find themselves trapped in a cycle of debt, paying excessive amounts in interest that far exceed the original loan amount [6]. These risks highlight the need for regulatory measures to address predatory practices while preserving the benefits of online lending in fostering economic inclusion and growth [7].

This research explores the communication experiences of online borrowers in Indonesia using a descriptive qualitative approach. Qualitative research focuses on understanding social realities, attitudes, beliefs, and motivations through non-numerical data. It is particularly useful for studying complex phenomena and uncovering deeper insights into individuals' experiences and perspectives. Data collection methods include interviews, focus groups, observations, and document analysis. The analysis involves coding, categorization, and thematic analysis to identify patterns and themes, providing a comprehensive understanding of borrowers' experiences.

## **2. Literature Review**

Online loans in Indonesia have become increasingly popular due to their convenience and accessibility; this growth has also led to a rise in illicit lending practices, exposing borrowers—particularly women—to risks such as harassment and intimidation. Many borrowers face threats, digital gender-based violence, and unauthorized exposure of personal information by lenders, significantly affecting their mental health and leading to anxiety and depression. Women are especially vulnerable, as studies like [8] show, experiencing frequent intimidation, violence, and data misuse. The Indonesian Financial Services Authority (OJK) has introduced measures such as promoting registered online loan services and providing reporting mechanisms for victims to combat these issues. Lower financial literacy, especially among women, increases vulnerability to predatory loan schemes. Media Indonesia highlights that women are disproportionately affected due to limited financial knowledge, making them more susceptible to scams. Online loans offer

advantages like quick fund disbursement and access for underserved populations [9], but borrowers must engage only with OJK-licensed institutions to avoid risks. Predatory practices such as high interest rates, aggressive collections, and data misuse further emphasize the need for stricter regulations and financial education. By enhancing oversight and empowering borrowers with financial knowledge, Indonesia can create a safer and more equitable online lending system while preserving its benefits.

### **3. Methods**

This study employs a qualitative research method using a case study approach to gain an in-depth understanding of specific phenomena or cases. The case study method allows for a thorough investigation of social entities such as individuals, households, organizations, or communities, emphasizing contextual factors and interconnected processes [10]. Key attributes of this approach include a comprehensive examination of bounded events, holistic perspectives, and contextualized investigations to ensure nuanced insights. Data collection methods include interviews, observations, and document analysis, facilitating a detailed exploration of the phenomenon. Interviews may be structured or unstructured and conducted through various mediums, while observations capture behaviours and interactions systematically. Document analysis examines textual or visual materials for contextual and historical relevance. Secondary data, such as existing research or reports, can complement primary data to enrich findings. Data collected undergoes transcription, classification, and thematic or narrative analysis to fully understand the case. Multiple data sources enhance research credibility through triangulation, ensuring reliable and comprehensive outcomes.

### **4. Results and Discussion**

Online loans have emerged as a viable option for individuals seeking expedient and convenient access to financial resources. Nevertheless, despite the convenience offered, it is imperative to acknowledge the potential risks associated with this, particularly with regard to women. Due to a variety of reasons, including their economic vulnerability, societal roles, and potential for empowerment, women are frequently the target of Internet lending schemes [11]. Online lending practices often target women due to several socio-economic factors. Microfinance programs primarily focus on women to enhance their economic mobility and well-being. However, this targeting can unintentionally reinforce gender inequality, as seen in the feminist critique of such initiatives. In patriarchal societies, women may lack control over financial resources, even when they access microloans, reflecting the complex reality of women's empowerment efforts, such as those in Bangladesh. Gender differences also emerge in subprime financing, where women are disproportionately targeted for loans, deepening their economic vulnerability. The gender gap in financial inclusion highlights barriers like limited decision-making roles and community dynamics that restrict women's access to finance. While expanding women's access to financial services is

often viewed as a pathway to empowerment and gender equality, it is crucial to critically analyze these practices to address gender disparities and build inclusive financial systems.

Online loans significantly benefit women-owned home businesses by offering accessible and practical financial services. With simple application processes and fast disbursement, these loans are easily available through smartphones, enabling women to secure funds within hours. This accessibility helps women expand their businesses, fostering small business growth and contributing to overall economic development. Moreover, online loans can enhance the quality of life for women and their families by improving access to needed resources. By promoting financial inclusion, these loans empower women entrepreneurs and protect them from harmful practices like loan sharking and illegal lending, particularly when sourced from trusted platforms. Online loans can therefore help women-owned home enterprises by facilitating easier access to capital and fostering company expansion. But it's crucial to remember that securing funding and business support is still difficult for women, to enhance gender equity in access to financing and business support, measures must be taken.

Numerous instances of fraudulent activities and acts of violence have afflicted women who find themselves victimized by Internet lending schemes. Furthermore, women seeking to obtain internet loans frequently have unfavourable communication encounters. Online loans are specifically structured to ensnare borrowers in a cycle of indebtedness. As a result of the limited duration, a significant proportion of borrowers find themselves unable to repay the loan within the designated timeframe, thereby incurring interest charges that exceed the principal amount borrowed. Online loans are characterized [12] by exorbitant annual percentage rates (APRs), often exceeding 400% or more. Lenders typically need borrowers to consent to pre-authorized electronic withdrawals from a designated bank account, subsequently executing withdrawals that may fall short of the complete payment amount or solely cover the interest portion, leaving the principal balance unaffected.

Online lending in Indonesia presents both opportunities and challenges, particularly for women. While the convenience and quick application process make these loans appealing—especially for those facing barriers to conventional credit—they also expose borrowers to significant risks. If a borrower's account lacks sufficient funds for repayment, they may incur additional fees. Fraudsters often exploit this system by sending fake loan offers through mail, email, or text messages, mimicking legitimate lenders to steal personal or financial data for identity theft or fraud. In some extreme cases, physical violence is used as a means of coercion when payments are not made.

Women are particularly vulnerable to the adverse effects of online lending. They frequently face harassment, intimidation, and even gender-based violence, including threats from lenders. These distressing encounters can lead to anxiety, depression, and trauma. The lack of financial awareness among women in Indonesia further exacerbates their susceptibility to predatory loan practices. Additionally, women-owned businesses often struggle to access formal credit products due to financial and systemic barriers, pushing many toward online loans. The absence of robust consumer protection in Indonesia's online lending sector enables predatory practices, disproportionately impacting women. Policymakers and lenders must implement measures to safeguard borrowers, particularly women, from harassment and exploitation. Enhancing financial literacy among women is also critical to help them make informed financial decisions and avoid falling into debt cycles. Indonesia can create a more secure and equitable lending environment by addressing these challenges.

Internet loans can have serious negative effects on individuals' lives. Unregulated lending often leads to excessive debt and financial strain, causing stress and emotional distress among borrowers. Mismanagement of online loans can harm social relationships, especially when repayment challenges arise. Borrowers also face risks of data breaches, where personal information may be misused, increasing vulnerability to fraud. The impact on families can be severe, with issues ranging from household disputes to, in extreme cases, suicide. Some unregistered lenders use unethical collection practices like intimidation and physical aggression, further harming borrowers.

Online loans pose security risks such as identity theft and unauthorized use of financial information. Mental health issues like stress, anxiety, and depression are common when borrowers struggle with repayments. These challenges can lead to sleep problems, physical health issues such as headaches and high blood pressure, and behavioural changes like social withdrawal. Family conflicts and suicidal thoughts, in extreme cases, underline the urgent need for mental health support. Unregulated loans also affect communication behaviours and mental well-being. Borrowers subjected to aggressive collection practices may face humiliation, embarrassment, and social withdrawal. These pressures often exacerbate psychological distress, causing depression and physical health problems. To mitigate these risks, borrowers should select reputable lenders that comply with Financial Services Authority (OJK) regulations, act responsibly, and manage loans carefully. Responsible borrowing is crucial to safeguarding mental health and avoiding harmful consequences [13].

## **5. Conclusion**

Online lending is growing in Indonesia, offering benefits like financial access and inclusion, especially for women entrepreneurs. It also brings risks, including fraud and harmful communication practices that can harm borrowers' mental well-being, particularly women facing societal and gender biases. Addressing these issues requires stronger regulations to protect borrowers, promote ethical practices, and ensure fair treatment. Educational campaigns can also help borrowers recognize and avoid scams. By supporting gender equality and financial inclusion, online lending can become a safer and more empowering tool for economic growth.

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