The Impact of Online-based Loans in Sidenreng Rappang Regency: A Review of Loan Decisions and Fund Utilization

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ABSTRACT

This qualitative study aims to analyze the factors influencing the public's decisions to use online-based loan services, the forms of fund utilization, and their impact on the economic conditions of the community in Sidenreng Rappang Regency. Online-based loans have become one of the significant financial innovations in the digital era, offering convenience and flexibility for people to access financial services. This study aims to analyze the factors influencing the decisions of the Sidenreng Rappang Regency community in using online-based loan services and their impact on fund utilization and the local economy. The research was conducted using a descriptive qualitative approach, involving 30 respondents residing in the Maritengngae District. The results show that ease of access, speed of the process, and simple requirements are the main factors in the community's decision to borrow online. The funds were mainly used for daily needs, business capital, and emergencies. The economic impact of online loans was positive for most respondents, although some felt burdened by high-interest rates and increased financial pressure. This study suggests improving financial literacy and strengthening regulations to minimize risks for consumers.

Keywords: online loans, fintech, local economy, financial decisions, Sidenreng Rappang Regency

INTRODUCTION

Technological advancements in the era of the Industrial Revolution 4.0 have significantly impacted various life sectors, including financial services. Innovations in the financial sector, known as financial technology (fintech), allow the public to access financial services more easily and quickly. One increasingly popular form of fintech is online-based loan services (Arifin, 2018). This service has provided a new alternative for people to meet their financial needs, especially in areas with limited access to conventional financial institutions.

Previous research has shown that fintech, especially in the form of online-based loan services, offers various conveniences for its users. Easier requirements, fast application processes, and no need for collateral are some of the advantages revealed by Ngafifi (2014) in his research. However, behind these conveniences, there are risks that cannot be ignored, such as relatively high-interest rates and aggressive debt collection. This is one of the main challenges faced by users of this service, especially in rural areas or among communities with limited financial literacy.

This phenomenon is also seen in Sidenreng Rappang Regency, where online-based loan services are increasingly in demand by the community. The limited access to traditional financial institutions, such as banks, makes the community more inclined to use fintech services to meet their urgent needs. This is in line with findings from previous research showing that areas with limited access to banking tend to rely more on technology-based financial services (Hidayat, 2019).

This study aims to analyze in more depth the factors influencing the decision of the Sidenreng Rappang Regency community to use online-based loan services. In addition, this research will also explore the forms of fund utilization and their impact on the economic conditions of the community in the area. Thus, this study is expected to contribute to understanding how online-based loan services affect the financial well-being of the community and provide recommendations for more effective policy development in regulating fintech use at the local level.

Furthermore, this study will also review the differences between users of online-based loan services in urban and rural areas and how factors such as education level, income, and access to information influence their decisions. In line with research conducted by Supriyadi (2020), which found that financial literacy significantly influences the public's decision to utilize fintech services, this study will assess whether similar findings apply in Sidenreng Rappang Regency.

By analyzing the various factors influencing the public's decisions and their impact on economic conditions, this study is expected to provide a comprehensive view of fintech use in the area and serve as a basis for further research.

LITERATURE REVIEW

Online loans, also known as Information Technology-Based Lending Services (LPMUBTI), are innovations in financial services that allow lenders and borrowers to transact digitally. This service utilizes internet technology to facilitate access to financing without requiring physical meetings, either through applications or websites. According to the Indonesian Dictionary, credit is the provision of money or goods with the agreement that the borrower must return it within a specified period with agreed-upon interest (KBBI, 2008). Online loans operate on a similar principle but with a faster and easier process than conventional loans, as they do not require physical collateral and only require basic documents such as an Identity Card (KTP) or salary slip (POJK, 2016).

Online loans are increasingly in demand because they offer many conveniences for users. One of the main advantages is the quick disbursement of funds, where funds can be disbursed within one to two days or even on the same day. Additionally, the simple application requirements are a particular attraction, as potential borrowers only need to fulfill simple documents such as KTP and personal photos without requiring collateral (Onlinepajak.com, 2024). Users also feel benefited because the funds obtained can be used for various needs, ranging from daily living expenses, business capital, to urgent needs such as medical expenses or vehicle repairs (Supriyanto, 2019).

However, although online loans offer various conveniences, there are some drawbacks to be aware of. The loan amounts offered are generally smaller compared to conventional loans, usually ranging from Rp 500,000 to Rp 3 million. Additionally, the interest rates charged tend to be high, ranging from 0.7% to 1% per day, which can reach 30% in one month (Onlinepajak.com, 2024). This high-interest rate often becomes a burden for borrowers who cannot repay the loan on time. Moreover, there is a risk of personal data theft as online loan applications usually request access to various information on the user's phone, such as contacts and photo galleries, which can be misused by irresponsible parties (Arianti, 2021).

The main factor causing people to choose online loans is the urgent need for cash, especially amid rising living costs. Many people use online loans to cover daily needs, business capital, or even educational expenses (Arianti, 2021). These loans also become a quick solution for those needing immediate funds, considering the simpler application process compared to traditional financial institutions (Supriyanto, 2019). However, it is essential for borrowers to understand the associated risks, such as high-interest rates and potential financial problems in the future (Onlinepajak.com, 2024).

Overall, online loans provide convenient access to financing with a faster process and lighter requirements compared to conventional loans. However, it is crucial for the public to be wise in using this service, understanding the applicable terms and conditions, and ensuring the ability to manage repayments to avoid getting trapped in more significant financial problems in the future (Arianti, 2021).

RESEARCH METHODS

This study uses a descriptive qualitative approach to explore the phenomenon of online-based loans in Sidenreng Rappang Regency. The research location is in Maritengngae District, with a research sample of 30 respondents selected purposively. Data were collected through semi-structured interviews, observation, and documentation. Triangulation techniques were used to test data validity, comparing interview results with observations and related documents.

RESULTS

This research identified several main factors influencing the decisions of Sidenreng Rappang Regency residents to use online loans, namely:

1. Ease of Access

The majority of respondents gave positive ratings to the ease of access to online loan services, with an average score of 4.3 out of 5. This indicates that one of the main factors attracting people to use this service is the ability to access it anytime and anywhere. High accessibility allows users to apply for loans without being tied to a specific time or place, which is very convenient, especially for those with limited mobility or needing urgent funds. This ease of access is a competitive advantage that makes online loan services increasingly popular among the community.

2. Process Speed

Respondents highly appreciated the speed of the online loan process, with an average score of 4.2 out of 5. This reflects their satisfaction with the quick disbursement time after the application is approved. For many respondents, the ability to obtain funds quickly is one of the main reasons for using this service, especially in urgent situations that require emergency funds. This speed provides a sense of security and convenience, especially for those facing urgent needs, making online loan services an effective and efficient solution for addressing financial problems in urgent situations.

3. Simple Requirements

The requirements for obtaining online loans were rated as very easy by the respondents, with an average score of 4.4 out of 5. Generally, the requirements only involve basic documents such as an Identity Card (KTP) and other personal information. The simplicity of the application process is one of the main factors driving people to choose online loan services. With uncomplicated requirements, users can access funds quickly without going through lengthy and complicated procedures, making it an attractive option, especially for those needing immediate and practical financial solutions.

4. Forms of Fund Utilization

The utilization of online loan funds shows significant variation among the community, reflecting diverse financial needs. A total of 40% of respondents used the loan funds to meet daily needs, such as purchasing food, paying bills, and other routine expenses. This indicates that online loans have become a quick solution for those who require additional funds to cover shortfalls in their monthly budgets. Additionally, 33.33% of respondents utilized the loans as capital for small businesses, highlighting the role of online loans in supporting economic growth at the micro level. Meanwhile, emergencies such as home or vehicle repairs also served as important reasons, with 30% of respondents choosing to use the funds for unexpected situations, making these services a practical option for urgent needs.

5. Economic Impact

The majority of respondents (26.67%) reported that online loan services had a positive impact on their economic condition. Online loans helped them meet their daily living needs and provided quick access to the capital needed for small business development. This shows that, for many people, online loans have become an essential tool for maintaining financial stability and expanding business opportunities. However, on the other hand, some respondents felt that these loans actually increased their long-term financial burden. This is primarily due to the high-interest rates, which make repayments more challenging and may add to financial pressure over time.

DISCUSSION

The research findings indicate that ease of access and the speed of the process are key factors in the public's decision to use online loans. This is consistent with findings from previous studies (Shaikh, 2016; Gomber, 2017), which stated that fintech provides the convenience expected by financial service users. From an economic impact perspective, online-based loans offer financial benefits to a portion of the population. However, risks must be considered, such as increased financial burdens due to high-interest rates and aggressive debt collection practices (Lusardi, 2015). The use of loan funds for consumptive needs can lead to future financial problems if not managed properly.

The discussion of these research results shows that ease of access and the speed of the process are the primary factors in the public's decision to use online loans. These findings are consistent with previous studies by Shaikh (2016) and Gomber (2017), which also stated that financial technology (fintech) simplifies access to financial services, meeting users' expectations for efficiency and convenience. The streamlined processes provided by fintech, such as online loans, are key reasons why these services are becoming increasingly popular among the public.

From an economic impact perspective, online-based loans indeed provide financial benefits to the majority of respondents, particularly in terms of meeting daily needs and supporting small business development. However, the research also highlights risks that must be considered, such as the increased financial burden from high-interest rates and aggressive debt collection practices. This aligns with Lusardi’s (2015) findings, which warned that using loan-based financial services, if not managed properly, could result in future financial difficulties. The use of loan funds for consumptive purposes, for example, can exacerbate personal financial conditions if not accompanied by careful planning and wise management.

CONCLUSION

Online-based loan services in Sidenreng Rappang Regency influence public financial decisions through ease of access, lenient requirements, and fast processes. Fund utilization varies, but most are used for daily needs and business capital. Although these services positively impact the local economy, the public must remain cautious of long-term financial risks, such as high-interest rates.

RECOMMENDATIONS

1. The government and relevant institutions need to strengthen regulations and oversight of online loan service providers to protect consumers from harmful practices.
2. The public needs to improve financial literacy to use these services wisely and avoid the traps of high-interest rates and aggressive debt collection.
3. Further research is needed to understand the long-term impact of online loans on the welfare of communities in other regions and to find solutions to minimize risks for consumers.

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