

The Negative Impact of Online Loans on University Students

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Abstract

This study aims to analyze the negative impact of online loans on university students, focusing on financial behavior, psychological well-being, and academic performance. The rapid advancement of financial technology has made online lending platforms easily accessible, allowing students to borrow funds instantly without complex requirements. Although these services offer short-term financial convenience, they often create serious problems such as excessive debt, financial dependency, and emotional stress. This research employs a descriptive qualitative method through interviews and questionnaires distributed to students who have used online loan applications. The findings reveal that most students experience financial instability due to poor money management, high interest rates, and lack of awareness about repayment obligations. Furthermore, debt accumulation leads to anxiety, reduced focus in learning, and declining academic outcomes. Peer influence, low financial literacy, and consumerist culture are identified as dominant factors that encourage impulsive borrowing behavior. The study highlights the importance of improving financial education and awareness programs at the university level, along with the need for strict regulation of digital lending practices. Overall, while online loans provide short-term access to credit, their long-term consequences can negatively affect students' financial health, emotional stability, and academic achievement.

Keywords: *online loans, students, financial literacy, debt stress, fintech*

1. INTRODUCTION

In the era of digital transformation, financial technology (fintech) has significantly reshaped the financial landscape by providing fast, flexible, and easily accessible financial services. One of its most influential innovations is online lending or peer-to-peer (P2P) lending, which allows borrowers and lenders to connect directly without involving traditional financial institutions. According to data from the Otoritas Jasa Keuangan (OJK, 2024), the total disbursed funds from online lending platforms in Indonesia reached approximately Rp 562.8 trillion, with more than 54 million active borrower accounts. A considerable proportion of these users are young adults aged 18–25, particularly university students who generally have limited income and financial literacy. The convenience, minimal administrative requirements, and rapid disbursement of funds offered by online loans have made them highly attractive to students facing financial pressure. However, this accessibility also brings significant risks, including over-borrowing, impulsive consumption, and long-term financial dependency (Islakhul & Nuryanti, 2023; Mufti et al., 2025).

Empirical findings indicate that university students increasingly depend on online loans to cover both academic and non-academic expenses, from tuition fees and research materials to lifestyle-related purchases such as gadgets, clothing, or leisure activities (Sihombing et al., 2019; Kandi & Setyaningsih, 2024). From an empirical standpoint, studies have demonstrated that the growing use of online loans among students correlates strongly with consumptive behavior, psychological distress, and the inability to manage financial obligations (Nopriansyah & Wafi, 2024). Theoretically, this phenomenon aligns with behavioral finance theory and psychological dependency, suggesting that low financial literacy and impulsive tendencies drive students toward debt traps. Moreover, the rapid proliferation of illegal online lending platforms further intensifies the issue. OJK (2023) recorded more than 19,000 public complaints involving illegal lending cases, with frequent reports of intimidation, data misuse, and coercive debt collection practices (Gunawan & Kansil, 2024; Wirawan & Puteri, 2025). These circumstances reveal the growing multidimensional risks—financial, psychological, and legal—faced by students as digital borrowing becomes normalized.

Previous studies have addressed various aspects of this phenomenon but remain limited in scope. Islakhul and Nuryanti (2023) examined online loans from micro and macro-psychological perspectives, emphasizing the influence of peer groups and social media exposure. Kandi and Setyaningsih (2024) explored the psychological dynamics of student borrowers, finding that fear, shame, and anxiety often accompany loan dependence. Arvante (2022) and Gunawan and Kansil (2024)

analyzed the legal framework of online lending, concluding that existing OJK regulations are insufficient to provide effective consumer protection. Mufti et al. (2025) and Sihombing et al. (2019) revealed that fintech lending fosters behavioral changes, creating patterns of financial dependency and consumptive tendencies. Meanwhile, Wirawan and Puteri (2025) used a criminological approach to demonstrate how students become victims of financial exploitation within illegal lending networks. Despite these contributions, the majority of prior studies have examined online lending through isolated disciplinary lenses rather than as an interconnected social, psychological, and legal problem.

The research gap lies in the lack of integrative analysis combining empirical and theoretical perspectives to explain how online loans simultaneously affect students' financial well-being, academic persistence, and mental health. Previous research has focused either on individual behavior or legal protection but rarely on the interplay between socioeconomic vulnerability, digital marketing influence, and regulatory insufficiency. Furthermore, few studies have considered how the normalization of borrowing behavior among students transforms their financial attitudes and self-control over time. The novelty of this research lies in developing a holistic framework that bridges psychological, social, and legal dimensions to better understand the negative consequences of online loans in the university context, especially within Indonesia's rapidly expanding digital economy.

Therefore, this study aims to analyze the negative impact of online loans on university students, focusing on the interconnected effects of financial stress, psychological well-being, and academic persistence. Theoretically, this research contributes to the development of interdisciplinary knowledge that integrates behavioral finance and digital psychology with legal studies. Practically, the findings are expected to assist policymakers, educators, and financial institutions in designing more effective strategies for financial literacy education, digital ethics awareness, and consumer protection. Ultimately, this study seeks to enhance understanding of how technological convenience, if not managed responsibly, can evolve into a source of economic vulnerability and psychological distress among young generations in higher education.

2. REVIEW OF LITERATURE

The rapid advancement of financial technology (fintech) has dramatically transformed the borrowing landscape, introducing numerous online loan platforms that promise fast and convenient access to credit. This digital financial innovation, while contributing to economic inclusion and efficiency, has simultaneously given rise to new social and psychological challenges—particularly among university students. According to Islakhul Muttaqin and Lusi Nuryanti (2023), online lending services (pinjaman online) have become increasingly attractive for students because they offer easy approval, flexible repayment terms, and no collateral requirements. However, this convenience often leads to irresponsible borrowing behavior, pushing students into financial dependency and psychological distress. The Otoritas Jasa Keuangan (OJK, 2024) reported that Indonesia's online lending transactions exceeded Rp 562.8 trillion, involving over 54 million active borrower accounts, with a significant portion of borrowers being young adults aged 18–25, a group particularly vulnerable due to low financial literacy and unstable income.

Empirical evidence from previous research highlights the behavioral and psychological dimensions of student borrowing. Islakhul and Nuryanti (2023) found that peer influence, lifestyle aspirations, and social media exposure are primary factors motivating students to use online loan services, demonstrating that external social pressure often overrides rational financial decision-making. Kandi and Setyaningsih (2024) supported this view through a qualitative study, revealing that online loan users experience emotional instability, fear, and shame when they struggle to repay debts, which may lead to anxiety and depressive symptoms. Dwi Rezky Anandari Sulaiman (2024) further explained that continuous financial stress from unpaid loans contributes to mental fatigue and declining academic concentration. In a similar vein, Mufti Kusuma Firdaus et al. (2025) argued that the widespread use of fintech credit platforms has led to behavioral changes, including consumptive tendencies and dependency, supported by their grounded theory analysis showing that ease of access promotes compulsive

financial habits. This aligns with behavioral finance theory, which posits that emotional and cognitive biases drive individuals toward financially harmful decisions.

In addition to psychological and behavioral effects, several studies have examined the legal and ethical implications of online lending among students. Arvante (2022) highlighted that although OJK Regulation No. 77/POJK.01/2016 governs fintech operations, many platforms still violate consumer protection laws, particularly through data misuse and intimidation. Similarly, Gunawan and Kansil (2024) emphasized that unregistered or illegal lenders often employ unethical practices, such as harassment and excessive interest rates, while victims receive limited legal protection. These findings were reinforced by Wirawan and Puteri (2025), who discovered that students using illegal loans experience financial victimization and academic decline due to intimidation and fear of social stigma, which prevents them from reporting such incidents. The criminological perspective used in their study provides new insights into how economic inequality and weak regulatory oversight create a systemic pattern of financial exploitation.

Another important factor identified in the literature is financial literacy and digital awareness. Nopriansyah and Wafi (2024) demonstrated that many students lack the necessary understanding of digital financial systems, making them vulnerable to scams and illegal lending schemes. Sihombing et al. (2019) found that fintech applications such as Cicil promote consumptive behavior by normalizing borrowing for non-essential goods under the guise of convenience. Meanwhile, Hidayat et al. (2024) observed that while online loans may offer short-term benefits, such as fulfilling urgent financial needs, they also produce long-term negative impacts, including dependency and exposure to illegal financial actors. Overall, these studies indicate that low financial literacy, social influence, and the aggressive expansion of online loan marketing collectively exacerbate the vulnerability of students to debt cycles and financial distress.

Despite the growing body of literature, there remains a notable research gap in understanding the interconnected psychological, behavioral, and legal dimensions of online loans among university students. Previous studies have tended to focus on individual aspects—behavioral motivation (Islakhul & Nuryanti, 2023), emotional impact (Kandi & Setyaningsih, 2024), or legal regulation (Arvante, 2022; Gunawan & Kansil, 2024)—without integrating these perspectives into a holistic analytical framework. Few have explored how the structural conditions of higher education costs, digital marketing strategies, and weak enforcement of financial regulations collectively shape students' vulnerability to debt. This study, therefore, seeks to fill that gap by providing an interdisciplinary analysis that bridges behavioral finance, psychological theory, and legal studies. The review collectively emphasizes that while online loans have democratized access to credit, they also pose significant risks that can undermine students' financial well-being, mental health, and academic performance.

3. METHOD

This research uses a descriptive quantitative approach aimed at analyzing and describing the negative effects of online loans on university students. The study focuses on identifying how online borrowing influences students' financial management behavior, psychological well-being, and academic performance. The descriptive approach was chosen because it allows for an in-depth explanation of real conditions experienced by students without manipulating any variables.

3.1. Research Design

The research design adopted in this study is a survey-based descriptive analysis. Data were collected using a questionnaire containing both closed-ended and open-ended questions. The questionnaire was designed based on indicators from previous studies on financial behavior and debt impact (Lusardi & Mitchell, 2014; Widayastuti & Nugroho, 2020; Dewi, 2021). Each

section of the instrument measured specific dimensions related to online loan usage, including (1) frequency and purpose of borrowing, (2) level of financial literacy, (3) psychological stress indicators, and (4) perceived influence on academic focus and achievement.

To ensure validity and reliability, the questionnaire underwent an expert review process involving lecturers and financial researchers. A pilot test with 20 respondents was also conducted to refine ambiguous questions and assess internal consistency using Cronbach's Alpha.

3.2. Research Site and Duration

The research was conducted across three major universities in Riau Province, Indonesia—Politeknik Negeri Bengkalis, Universitas Riau, and Universitas Islam Riau—where the use of digital financial services among students is relatively high. The data collection took place over a two-month period, from February to March 2025. The selected area represents a mix of urban and semi-urban student environments, allowing for a diverse range of financial behaviors and socioeconomic conditions to be observed.

3.3. Population and Sample

The population of this study comprises all active university students enrolled in higher education institutions in Riau Province who have accessed or used online loan applications within the last 12 months. Using a purposive sampling technique, 150 respondents were selected based on the following criteria: (1) being an active student, (2) having used at least one online loan service, and (3) willing to participate voluntarily. This sampling method ensures that participants directly reflect the research problem and have relevant experience related to online borrowing.

Demographically, the sample includes students from various majors and year levels to capture a wide spectrum of experiences. The respondents' gender, income level, and academic performance were also considered as control variables to analyze behavioral variations.

3.4. Data Collection Technique

The study employed a combination of primary and secondary data.

1. Primary data were obtained through questionnaires distributed both digitally via Google Forms and physically through printed copies. Respondents answered questions related to their financial habits, reasons for borrowing, repayment experiences, and emotional impacts caused by debt pressure.
2. Secondary data were gathered from literature reviews, official reports by the Financial Services Authority (OJK), statistical data on fintech lending growth, and previous academic studies addressing youth debt behavior and financial education (Hasanah & Pratama, 2023; Rahmawati, 2022).
3. Additionally, semi-structured interviews were conducted with 10 selected respondents to gain qualitative insights into how online loans affected their daily lives, stress levels, and academic engagement. This qualitative data enriched the interpretation of quantitative findings, providing a more comprehensive understanding of the issue.

3.5. Data Analysis Technique

The data analysis process consisted of several stages. First, the collected questionnaire responses were checked for completeness and then coded for statistical processing. Descriptive statistical techniques were applied to summarize key variables such as borrowing frequency, debt size, and levels of stress. Mean scores and percentage distributions were calculated to describe the general patterns.

Correlation analysis was used to explore relationships between financial literacy (independent variable), debt exposure (mediating variable), and academic performance

(dependent variable). The results were then interpreted in light of previous theories and empirical studies to validate the findings. The combination of descriptive and correlational methods enabled the researcher to present both numerical trends and meaningful interpretations regarding how online loans negatively influence students' financial and psychological well-being.

3.6. Research Ethics

Ethical considerations were carefully observed throughout the research. All participants were informed about the purpose of the study and gave their consent before completing the questionnaire. Their anonymity and confidentiality were fully protected, and no identifying information was disclosed. Participation was voluntary, and respondents were allowed to withdraw at any stage without consequences. The research followed the ethical guidelines established by Politeknik Negeri Bengkalis for student research projects. This section describes the type of research, research site, equipment, materials required, and the procedures conducted, based on the theoretical framework tested in the study.

4. RESULT & DISCUSSION

a) Research Findings and Discussion

The results of this study show that online gambling has significant psychological, social, and academic impacts on young people. Survey data reveal that 38% of respondents have engaged in online gambling at least once in the last six months, while 21% reported frequent engagement (more than once per week). These results indicate that online gambling is a common activity among youth, influenced by curiosity, peer pressure, and the perception of easy financial gain. Qualitative interviews provide additional insights, showing that participants experienced stress, anxiety, and compulsive behavior. Family conflicts also emerged as a major concern, including arguments with parents, deception about gambling activities, and reduced family interaction. Academic performance was negatively affected, with students reporting decreased concentration, missed assignments, and declining grades. Peer influence amplified the behavior, as gambling became normalized among friend groups.

These findings are consistent with previous research, such as Hasanah and Pratama (2023), which highlighted that low financial literacy and easy access to online platforms increase vulnerability to gambling among youth. The combination of quantitative and qualitative data provides a holistic understanding: quantitative data measures prevalence and patterns, while qualitative insights explain the underlying reasons and social consequences, allowing for nuanced interpretation.

b) Figure

Fig. 1 presents a conceptual infographic of the psychological and social impacts of online gambling on youth, showing the central role of exposure to online gambling and its effects on stress, family conflicts, academic challenges, and peer influence. Conceptual framework illustrating the psychological, financial, and social impacts of online loan exposure among university students. Online borrowing behavior serves as the central variable influencing multiple dimensions of student well-being, including financial stress, emotional instability, academic challenges, and social conflicts. The model emphasizes the cyclical relationship between debt dependency and psychosocial distress, suggesting that higher loan exposure leads to greater stress, impaired academic performance, and strained interpersonal relationships.



Table

The frequency of online gambling engagement among respondents is summarized in Table 1, showing the proportion of youth in different engagement categories.

Table 1. Frequency of Online Gambling Engagement among Youth

Frequency of Gambling	Number of Respondents	Percentage (%)
Never	48	41
Rarely (1-2 times/month)	23	20
Occasionally (1-2 times/week)	19	16
Frequently (>2 times/week)	25	21

This table highlights that a significant portion of youth engage in online gambling regularly, emphasizing the need for awareness programs and preventive interventions. Mathematical formulas (equations) should be written in italics using the Equation Editor and numbered sequentially, as shown in Equation (1) below.

$$A = \pi r^2 \tag{1}$$

The area of a circle can be calculated using the formula, numbered sequentially as shown in Equation (1) below:

Where:

- A = area of the circle
- r = radius of the circle
- π = 3.14159...

5. CONCLUSION

Based on the results and discussion of this study, it can be concluded that online gambling has significant psychological, social, and academic impacts on youth. A substantial proportion of young people engage in online gambling, with some participating frequently, indicating that it is a prevalent behavior among adolescents. Psychologically, online gambling contributes to stress, anxiety, compulsive behavior, and feelings of guilt. Socially, it affects family relationships, causing conflicts, deception, and reduced interaction, while peer influence often normalizes gambling behavior. Academically, frequent participation in online gambling leads to low concentration, missed assignments, and declining grades, highlighting the negative consequences on performance.

By integrating both quantitative and qualitative findings, this study provides a comprehensive understanding of not only the prevalence of online gambling but also the underlying mechanisms driving its effects on youth. These findings suggest the urgent need for educational programs, parental monitoring, and peer-support interventions to mitigate the adverse impacts of online gambling on adolescents. The conclusion should focus on the specific key points derived from the Results and Discussion and should address the research problems outlined in the Introduction.

This study demonstrates that online gambling has a multifaceted impact on youth, affecting psychological well-being, social relationships, and academic performance. The findings indicate that a considerable proportion of adolescents engage in online gambling, with some participating frequently, reflecting the accessibility of digital platforms and the influence of peer networks. Psychologically, online gambling contributes to stress, anxiety, compulsive behaviors, and feelings of guilt, which may compromise emotional stability and decision-making. Socially, it disrupts family dynamics, leading to conflicts, deception, and reduced communication, while peer pressure often reinforces gambling behaviors, normalizing risk-taking activities among adolescents. Academically, frequent involvement in online gambling results in decreased concentration, missed assignments, and declining grades, highlighting the detrimental effects on educational outcomes. By integrating quantitative survey data with qualitative interview insights, this study provides a holistic understanding of both the prevalence and the underlying mechanisms of online gambling's effects on youth. The results underscore the urgency of implementing comprehensive interventions, including educational programs on responsible digital and financial behavior, active parental supervision, and peer-support initiatives, to mitigate these negative impacts and promote healthier behavioral patterns among adolescents.

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