

## A LEGAL ANALYSIS AND SOCIO-ECONOMIC IMPACT OF ONLINE LENDING (FINTECH LENDING) IN INDONESIA: A LITERATURE REVIEW

Gunawan Widjaja

Senior Lecturer, Faculty of Law Universitas 17 Agustus 1945 Jakarta,  
widjaja\_gunawan@yahoo.com

### Abstract

The development of financial technology in Indonesia, particularly information technology-based financing services (*fintech lending*), has experienced exponential growth but has also brought about serious consequences regarding legal aspects and socio-economic impacts. This study aims to analyse the effectiveness of *fintech lending* regulations in protecting consumers and to identify the positive and negative socio-economic impacts of online lending practices in Indonesia. The research method employed a literature review using a normative and conceptual approach. The findings indicate that although Indonesia has a comprehensive legal framework comprising the Consumer Protection Act, the Personal Data Protection Act, and OJK regulations relating to *fintech lending*, implementation and enforcement still face serious challenges, particularly in the enforcement of laws against illegal *fintech operations*, the protection of personal data, and unethical debt collection practices. From a socio-economic perspective, *fintech lending* has positive impacts in the form of increased financial inclusion and access to finance for MSMEs, but it also gives rise to significant negative impacts such as *over-indebtedness*, *debt traps*, psychological pressure, reduced productivity, social stigma, and even the risk of mental health issues and suicide. The gap between the objectives of financial inclusion and the reality on the ground is clearly evident in the dominance of consumer finance over productive finance, as well as the surge in cases of illegal online lending, which continues to rise despite tighter regulations. This study recommends strengthening coordination between regulatory bodies, more rigorous law enforcement against illegal *fintech*, improving public financial and legal literacy, and strict oversight of personal data protection so that *fintech lending* can function as a means of economic empowerment without compromising legal certainty and social welfare.

**Keywords:** *fintech lending*, online lending, legal analysis, socio-economic impact, financial inclusion, consumer protection, Indonesia

### Introduction

The development of financial technology in Indonesia has experienced exponential growth over the past five years, particularly in the sector of information technology-based funding services, or *fintech lending*. The outstanding balance of *peer-to-peer fintech lending* as of September 2024 reached Rp74.48 trillion, with an annual growth rate of 33.73 per cent *year-on-year* (Indonesian Fintech Funding Association [AFPI], 2024). By November 2025, *fintech lending* had reached Rp94.85 trillion, with a *year-on-year* growth of 25.45%, demonstrating that this industry has become the fastest-

growing financial institution in Indonesia (Ratnayutika et al., 2024). These figures indicate a significant transformation in the patterns of financial access for the public, who previously found it difficult to access conventional financial institutions.

Fintech lending has emerged as a financial inclusion solution for the unbanked population who lack access to traditional banking. Online lending platforms enable rapid access to finance through simple procedures requiring only an ID card and video verification. This ease of access creates a paradox between the ease of obtaining loans and the public's lack of preparedness in managing digital financial risks (Yu & Zhao, 2019). Millennials and Generation Z, aged 18–35, constitute the dominant user group, with the 26–35 age group reporting the highest number of cases involving illegal online lending, totalling 6,348 complaints in 2024 (Kholidiah & Inayati, 2024). However, the rapid growth of fintech lending has also brought serious consequences relating to illegal online lending practices that cause massive harm to the public. In the first three months of 2025, 1,081 people were reported to have fallen victim to illegal online lending, with women accounting for the majority at 61 per cent. Throughout 2024, the Pasti Task Force recorded a total of 16,231 complaints relating to illegal online lending and investment, of which 15,162 cases stemmed solely from illegal online lending. The surge in complaints about illegal online lending reached a new record of 13,999 entities reported between January and September 2025, reflecting an unchecked explosion of digital crime in the financial sector (Zaki & Wardana, 2025).

Public losses resulting from illegal investments and online lending have reached Rp120.79 trillion, a drastic increase from Rp2.54 trillion in 2021. In the first half of 2025, the OJK shut down 1,556 illegal online lending platforms and blocked 66,271 accounts, with total reported financial losses amounting to Rp4.1 trillion. This phenomenon demonstrates that whilst legal fintech lending provides benefits in terms of financial inclusion, unchecked illegal practices are exploiting the economic circumstances of low-income households desperate for rapid access to liquidity (Rahmalillah et al., 2026).

The socio-economic impact of illegal online lending is highly detrimental and multifaceted. Default due to high interest rates triggers psychological distress such as stress, anxiety and even depression among consumers. Victims' social relationships become strained because illegal online lenders often disclose personal data to friends, relatives or work colleagues, thereby damaging their reputation (Wahyuni et al., 2025). Social stigma also arises, with victims often viewed negatively by society as they are perceived as unable to manage their finances. The economic impact includes an increasingly heavy financial burden due to high, increasingly suffocating interest rates, a decline in productivity, and a rise in poverty (Varrel, 2024). Intimidation during debt collection and the misuse of personal data disrupt the economic, social, and psychological well-being of those in debt to illegal online lenders. Most tragically, between 2020 and 2024, 61 people took their own lives due to being trapped in online loan debt, seven of whom were toddlers (Rahmalillah et al., 2026). These figures

demonstrate that illegal online lending is not merely an economic issue but also a serious threat to mental health and life safety.

The public's low level of financial literacy is a key factor driving the uptake of online loans without an adequate understanding of the risks involved. Research shows that individuals with high levels of financial literacy tend to be more cautious, critical, and less likely to use online loans (Una, 2026). Conversely, positive perceptions of ease of access, speed of service and payment flexibility are key drivers of interest, particularly amongst those with low financial literacy. Financial literacy and the urgency of need account for 41.3% of the decision to use online loans, whilst the remainder is influenced by other external factors (Maulana et al., 2026).

In the regulatory context, the Indonesian government has drawn up various policies to strengthen consumer protection in the fintech lending sector. Law No. 27 of 2022 on Personal Data Protection is the key piece of legislation that imposes criminal sanctions on those who breach personal data protection (Wu & Kao, 2022). POJK No. 77/POJK.01/2016 regulates information technology-based money lending and borrowing services, emphasising the obligation of operators to obtain consent from data subjects before processing their data. POJK No. 10/POJK.05/2022 strengthens consumer protection in the financial services sector, including fintech lending, by establishing similar obligations regarding the processing of personal data (Rizki, 2019).

The OJK's new regulations on fintech lending, due to come into force in 2024, aim to restructure the fintech lending ecosystem to make it more transparent, secure and fair. From 31 July 2025, all fintech lending operators will be required to report borrower and loan data to the Financial Information Service System (SLIK). The OJK has also set a maximum interest rate cap on loans effective from 1 January 2025, with the consumer sector capped at 0.3% per day for tenors of up to six months. Operators must employ strict credit scoring methods and may only grant loans to borrowers who do not have more than three active loans with other fintech lending platforms.

Although regulations have been strengthened, legal issues persist regarding the weak enforcement of laws against illegal fintech and overlapping regulations. Legal challenges include the fact that the Personal Data Protection Authority has not yet been established and the absence of implementing regulations under Government Regulations (PP) or Presidential Regulations (Perpres), leading to uncertainty regarding operational standards. The potential for overlapping authority with the OJK, as well as the high costs of cyber security infrastructure and the complexity of credit scoring algorithm systems, make it difficult to apply the principle of full transparency (Zamani et al., 2023). The preventive and repressive legal protections provided by the Personal Data Protection Act (UU PDP) are not yet optimal, as practical implementation remains limited (Yudha et al., 2025).

The gap between legal norms and implementation is a critical issue requiring in-depth analysis based on the latest scientific literature. Previous research indicates that

although the Personal Data Protection Act (UU PDP) and the OJK Regulation (POJK) provide a comprehensive legal framework, the implementation of personal data protection in fintech lending still faces significant challenges (Yu & Zhao, 2019). The gap between the objectives of financial inclusion and the reality on the ground is clearly evident from the surge in cases of illegal online lending, which continue to rise despite tighter regulations (Rahmalillah et al., 2026). The novelty of this study lies in its integrative analysis, which simultaneously combines legal aspects and socio-economic impacts based on a systematic literature review.

Consequently, this article aims to analyse the legal aspects and socio-economic impacts of fintech lending in Indonesia through a literature review using normative and conceptual methods. The research questions raised include how effective fintech lending regulations are in protecting consumers and what the positive and negative socio-economic impacts of online lending practices are. The research assumptions are that there is a significant gap between the regulations that have been established and their actual implementation in the field, and that the socio-economic impacts of illegal online lending are predominantly negative rather than positive, particularly for low-income communities. The results of this analysis are expected to provide policy implications for strengthening regulation, supervision and public financial literacy education.

### **Research Methodology**

This study employs a literature review using a normative and conceptual approach to analyse the legal aspects and socio-economic impacts of online lending (fintech lending) in Indonesia. Data sources were obtained from academic literature, including national and international journals, textbooks, legislation, and other relevant documents (Zed, 2008). Data collection was carried out through a documentary study by systematically reviewing secondary sources relevant to the research topic. Data analysis was conducted using qualitative descriptive methods, employing literature synthesis to identify trends, patterns, and gaps between regulatory theory and practical implementation in the field. A normative approach was used to analyse the legal framework for fintech lending, including the Personal Data Protection Act, POJK No. 10/POJK.05/2022, and other subsidiary regulations, whilst a conceptual approach was applied to examine the socio-economic impacts based on empirical findings from previous research. Data validity was tested using source validity techniques by selecting literature published by reputable institutions and journals that had undergone a peer-review process. This study is novel in that it simultaneously integrates legal analysis and socio-economic impact within a single systematic review, which has not previously been undertaken comprehensively in the Indonesian scientific literature (Eliyah & Aslan, 2025)

## Results and Discussion

### Legal Analysis of Fintech Lending in Indonesia

Fintech lending in Indonesia is clearly regulated by the applicable laws and regulations. Fintech lending, or Information Technology-Based Crowdfunding Services, refers to the provision of money-lending services via an electronic system between lenders and borrowers (Ratnayutika et al., 2024) . This platform represents a development in the digital economy that combines the financial sector with technology, enabling rapid access to financing through a simple procedure requiring only an ID card and video verification (OJK, 2024b). The key characteristics of fintech lending include an automated approval process based on credit scoring algorithms, loan limits ranging from several hundred thousand to hundreds of millions of rupiah, and relatively short loan tenors ranging from 1 day to 12 months (Sitompul, 2018) .

The legal framework governing fintech lending in Indonesia comprises several key, complementary regulations. Law No. 8 of 1999 on Consumer Protection serves as the primary legal basis for protecting consumers in fintech lending transactions by emphasising the obligation of providers to provide clear, accurate and honest information regarding financial products and services (Saifullah et al., 2023) . Law No. 27 of 2022 on Personal Data Protection is the primary regulation establishing criminal sanctions for breaches of personal data protection in the provision of fintech lending services (Sulubara & Iskandar, 2025) . POJK No. 77/POJK.01/2016 regulates information technology-based money lending and borrowing services, emphasising the obligation of operators to obtain consent from data subjects before processing their data .

POJK No. 10/POJK.05/2022 strengthens consumer protection in the financial services sector, including fintech lending, by establishing similar obligations regarding the processing of personal data (Saifullah et al., 2023) . The latest regulation, POJK No. 40 of 2024 on Information Technology-Based Funding Services, which came into force at the end of 2024, replaces the previous POJK and strengthens provisions regarding governance, consumer protection, maximum interest rates and fees, as well as minimum capital requirements for fintech lending operators. POJK 40/2024 also stipulates that the minimum capital requirement for fintech lending operators will be gradually increased from Rp1 billion to Rp2.5 billion by 2025 and will rise to Rp12.5 billion by 2028 as part of efforts to strengthen governance and the stability of the industry .

Legal and licensing aspects are key criteria for distinguishing between legal and illegal fintech platforms in Indonesia. The OJK publishes an official list of registered or licensed fintech lending firms in the Fintech Directory, which is publicly accessible to the public. As of May 2025, the number of OJK-licensed fintech lending firms stood at 96 following the revocation of PT Ringan Teknologi Indonesia's licence (Puschmann, 2017) . The OJK's registration and supervision mechanisms include administrative requirements such as complete company documentation, proof of minimum equity, an information technology security system that meets standards, and a commitment to

consumer protection principles (OJK, 2024c). Operators that have obtained a business licence are required to have a minimum equity of at least Rp7.5 billion from the date POJK 40/2024 comes into force and Rp12.5 billion from 4 July 2025 (Rizki, 2019).

Legal protection for consumers in fintech lending covers three main aspects, namely transparency of interest rates and fees, personal data protection, and dispute resolution mechanisms. Transparency regarding interest rates and fees is regulated through maximum economic benefit limits or daily interest rate caps set by the OJK, whereby for consumer loans with a tenor of less than 6 months, the rate remains at 0.3 per cent per calendar day from 1 January 2024 (Zaki & Wardana, 2025). The daily maximum limit for consumer loans with a tenor of over 6 months has been reduced to 0.2 per cent from the previous 0.3 per cent as of 1 January 2025. Gradually, by 2026, the interest rate will be further reduced to 0.1 per cent per day as part of efforts to minimise the risk of over-indebtedness (Rahmalillah et al., 2026).

The protection of personal data is a crucial issue in fintech lending due to the potential for data misuse, which could lead to debt collection practices that are unethical and/or unlawful (Sulubara & Iskandar, 2025). Pursuant to the provisions of Article 20 of the Personal Data Protection Act, fintech companies, as data controllers, are required to have a legal basis for processing personal data, which must include the explicit consent of the DATA SUBJECT. The main forms of implementation include changing the consent mechanism from 'opt-out' (automatic consent) to 'opt-in' (explicit and separate consent), fulfilling transparency obligations through updates to privacy policies that are easy to understand, and applying technical security standards for data encryption (Yudha et al., 2025). Fintech companies operating in Indonesia must ensure that they obtain explicit consent from users before their data can be transferred to third parties (Puschmann, 2017).

Dispute resolution mechanisms between consumers and fintech lending providers can be carried out through internal or external channels. Providers are required to have a dedicated unit to handle consumer complaints, with a maximum resolution time of 20 working days from the date the complaint is received. If internal resolution is unsuccessful, consumers may submit a dispute to the OJK via the Public Complaints Portal Application or to a non-unit dispute resolution body such as the Consumer Dispute Resolution Board (BPSK). The OJK also implements supervisory and oversight mechanisms, including periodic inspections, evaluation of financial reports, and assessment of compliance with applicable regulations.

The legal issues arising from fintech lending practices in Indonesia are highly complex and multidimensional. Weak law enforcement against illegal fintech firms is a major problem, as the OJK lacks the authority to take action against illegal fintech lending corporations, given that it is neither the supervisor nor the regulator of such entities. The OJK is limited to attempting to block websites or applications used by illegal fintech lending platforms by submitting requests to the Ministry of

Communication and Information Technology (Yulianti et al., 2024) . Furthermore, the regulation does not specifically address criminal penalties or administrative sanctions for illegal fintech lending entities that commit violations in their business activities; consequently, there is no provision regarding corporate criminal liability (Yuan & Xu, 2020) .

Regulatory overlap is another legal issue causing legal uncertainty in fintech lending practices. Indonesia itself does not yet have a specific Fintech Act, but only technical regulations issued by the Bank of Indonesia (BI) or the Financial Services Authority (OJK); consequently, regulation remains weak, from the supervisory system right through to law enforcement against fraudulent companies (Puschmann, 2017) . Even these regulations, which are still of an internal nature, lack binding force over illegal fintech entities, as Bank Indonesia Regulations (PBI) and OJK Regulations (POJK) have limited legal effect, are not enforceable, and tend to be of an administrative nature. The sanctions stipulated in PBI and POJK are administrative sanctions in the form of the revocation of business licences; this measure, of course, does not act as a deterrent for Fintech operators (Rahmalillah et al., 2026) .

The public's lack of legal literacy is a factor that exacerbates the legal problems surrounding fintech lending in Indonesia. Further analysis indicates that although regulations governing online lending services, such as POJK No. 10/POJK.05/2022, are in place, there are still many illegal entities operating outside the official supervisory system. This situation highlights the need for more rigorous law enforcement, improved public financial literacy, and a strengthened role for the OJK and the Investment Vigilance Task Force in combating illegal fintech practices. This indicates that, although regulations have been issued, law enforcement against illegal fintech still faces various obstacles, some of which include limited inter-agency coordination, limited legal authority, and the practices of illegal business operators who often.

A critical analysis of the gap between legal norms and their implementation reveals that existing regulations are not yet sufficient to serve as a basis for tackling illegal fintech lending, which continues to exist and causes harm to consumers as customers (Yuan & Xu, 2020) . Previous research indicates that although the Personal Data Protection Act (UU PDP) and the OJK Regulation (POJK) provide a comprehensive legal framework, the implementation of personal data protection in fintech lending still faces significant challenges due to the absence of a Personal Data Protection Authority. Legal challenges include the absence of implementing regulations under Government Regulations (PP) or Presidential Regulations (Perpres), which leads to uncertainty regarding operational standards and the potential for overlapping authority with the OJK. The potential for overlapping authority with the OJK, coupled with the high costs of cyber security infrastructure and the complexity of credit scoring algorithm systems, hinders the application of the principle of full transparency (Zamani et al., 2023) .

An evaluation of the effectiveness of regulations based on previous studies indicates that law enforcement remains fragmented across various institutions; consequently, legal certainty and effective consumer protection require stronger coordination amongst regulatory authorities. Existing regulations provide legal protection, both preventative and punitive, through transparency obligations, oversight mechanisms and sanctions; however, law enforcement remains fragmented across various institutions (Wahyuni et al., 2025) . Legal certainty and effective consumer protection require stronger coordination amongst regulatory authorities, clearer boundaries regarding data access, and stricter accountability for online lending providers. Strengthening the application of consumer protection principles is vital to ensuring fairness, security and legal balance in digital financial transactions (Varrel, 2024) .

A comparison between the regulations that have been established and their actual implementation on the ground reveals a significant gap in the enforcement against illegal fintech activities. These various issues stem from ineffective supervision of the fintech industry, as the Financial Services Authority's role in oversight and legal protection is deemed insufficiently active, thereby continuing to give rise to problems that may impact financial inclusion. Furthermore, the continued weakness of legal protection for fintech service users highlights the inadequacy of legal regulations (Puschmann, 2017). A cross-study review indicates that research findings show that Financial Services Authority Regulation No. 77/POJK.01/2016 and Law No. 8 of 1999 have not been implemented in technology-based lending agreements at several fintech lending platform companies in Indonesia (Sartika & Larasati, 2023) .

Consequently, although Indonesia has a comprehensive legal framework for fintech lending, its implementation and enforcement still face a number of serious challenges. The preventive and repressive legal protections provided by the Personal Data Protection Act (PDP Act) remain sub-optimal, as practical implementation is still limited. The gap between the objectives of financial inclusion and the reality on the ground is clearly evident from the surge in cases of illegal online lending, which continue to rise despite tighter regulations. Regulatory reform is required that is more integrated, with strengthened inter-agency coordination, the establishment of a personal data protection authority, and an enhancement of the OJK's enforcement capacity to effectively crack down on illegal fintech operations.

### **The Socio-Economic Impact of Fintech Lending in Indonesia**

Fintech lending has had a significant positive impact on improving financial inclusion for Indonesians who were previously unreachable by conventional financial institutions. Data from the OJK shows that P2P fintech lending has helped to improve access to credit, particularly for the unbanked and underbanked (Rahmalillah et al., 2026). Currently, P2P lending disbursements have reached idr9,600 trillion, reflecting

the role of fintech in channelling finance to segments of the population not yet served by financial institutions, including banks (Rahmalillah et al., 2026) . Fintech acts as an enabler of financial inclusion in Indonesia by reaching micro-segments that are difficult for banks to access due to limited collateral and the absence of a formal credit history (Wu & Kao, 2022) .

The main positive impact of fintech lending is evident in the increased access to finance for MSMEs that remain underserved by the conventional banking system. The AFPI anticipates that the outlook for loan disbursement within the P2P lending fintech industry will improve by 2025, particularly in supporting MSME operators. Data from the OJK indicates that there are still 46 million MSMEs in Indonesia that do not yet have full access to bank financing (Rizki, 2019). The OJK has noted a trend of increasing funding disbursements from banks to the P2P lending fintech sector, which has now become one of the strategic channels for expanding financing, particularly to the MSME sector. Synergy between banks and fintech represents a strategic business opportunity to strengthen the banking sector's intermediation function, particularly in reaching the SME segment that has not yet been optimally served (Wu & Kao, 2022) .

The positive impact of P2P lending on Indonesia's economic growth has been empirically proven by various studies. Research indicates that P2P lending has a positive and significant impact on Indonesia's economic growth. These findings suggest that fintech, particularly P2P lending, plays a crucial role in driving economic growth in Indonesia (Sitompul, 2018). Innovation in the financial technology sector has become the main driving force behind financial inclusion in Indonesia, particularly for MSMEs. Fintech provides fast, efficient access to working capital without complex bureaucracy, enabling MSMEs to expand their operations, increase stock levels, or make urgent investments (Wu & Kao, 2022) .

Other positive economic impacts include an increase in purchasing power and living standards through easier access to finance. A mutually beneficial relationship exists between P2P lending providers and the public, whereby companies can reap profits whilst the public can improve their purchasing power and standard of living. The Indonesian public has responded positively to the emergence of P2P lending fintech as it facilitates various financial transactions, such as time efficiency and comprehensive services (Afrianto & Jamaludin, 2025). The growth of P2P lending fintech in Indonesia opens up more economic opportunities and improves the overall welfare of the public, as it enables greater financial inclusion and easier access to financial services (Napatipulu et al., 2025) .

However, the negative impacts of fintech lending are also very serious and cause massive harm to the public. One negative impact of fintech in Indonesia is the misappropriation of customer funds, as there are numerous financial products issued by fintech companies that lack clear authorisation and are not registered with the OJK (Alam, 2023) . Many people find themselves trapped in debt and struggle to repay their

loans due to the high interest rates charged. Furthermore, customers are also required to pay late payment penalties and other fines that are, in fact, unreasonable. The existence of these online loans has become a contentious issue due to the low level of financial literacy amongst the Indonesian public (Putera et al., 2026).

The most critical negative economic impact is debt entanglement and the debt trap that ensnares low-income communities. The rise in defaults and debt entanglement in online lending reflects a failure in credit risk management, primarily due to weak lending limits and an imbalance between platforms and borrowers. Findings indicate that Indonesia still lacks adequate regulation, particularly regarding real-time cross-platform credit data integration, which facilitates a cycle of 'debt'. Credit characteristics on online lending platforms are characterised by a higher debt-to-income ratio compared to the expenditure-to-income ratio. This traps online borrowers in an unsustainable debt burden, leaving them unable to meet their instalment payments (Pratama, 2025).

The increasing financial burden caused by high interest rates is the primary economic impact that harms consumers. The total amount to be repaid is significantly higher than the amount borrowed, meaning that the public, as online loan customers, suffer financial losses from these services. In online lending, administrative fees lack transparency, putting customers at risk of having to repay more than the amount agreed upon initially. If borrowers fail to meet their obligations, illegal online lenders resort to threats and intimidation with the assistance of debt collection agencies (Oemardi & Sudiro, 2024). Although the loan amounts are perceived to be only between Rp1 million and Rp2 million, online lenders can obtain all the customer's data, the value of which may exceed that amount (Oemardi & Sudiro, 2024).

The social impact arising from illegal online lending is highly detrimental and multifaceted. The social consequences of defaulting on illegal online loans include psychological distress such as stress, anxiety and even depression. Victims' social relationships become strained because illegal online lenders often disclose personal data to friends, relatives or work colleagues, thereby damaging their reputation. Social stigma also arises, with victims often viewed negatively by society as they are perceived as unable to manage their finances (Putera et al., 2026). Dependence on online lending can lead to psychological and social problems, including stress caused by debt pressure, disruptions in family relationships, and a decline in social trust due to the negative stigma attached to defaulting borrowers (Varrel, 2024).

Severe psychological impacts, including anxiety, depression and even suicide attempts, pose a serious threat to victims of illegal online lending. Research indicates that people burdened by debt are more likely to suffer from depression and anxiety. Studies have shown that people trapped in debt are eight times more likely to attempt suicide (Kholidiah & Inayati, 2024). This situation can lead to various psychological problems such as chronic stress, anxiety, sleep difficulties, and even severe depression

(Una, 2026). In more extreme cases, the pressure from online lending can cause feelings of shame, an excessive fear of social stigma, and may even trigger thoughts of suicide (Sartika & Larasati, 2023).

Empirical data reveals alarming figures regarding the psychological impact of illegal online lending on the public's mental health. The data shows that online lending is the type of credit most frequently linked to mental health disorders. This means that more than half of those who use online lending services experience mental health problems. It is not uncommon for borrowers to develop mental health disorders, with some ultimately choosing to take their own lives. Between 2020 and 2024, 61 people took their own lives due to being trapped in online loan debt, seven of whom were toddlers (Rahmalillah et al., 2026). Forensic clinical psychologists have assessed that victims of online lending who experience such severe mental distress that they contemplate suicide require treatment to alleviate their anxiety and depression (Kholidiah & Inayati, 2024).

Other social impacts include a decline in productivity and an increase in poverty due to an increasingly heavy financial burden. The economic impacts of illegal online lending include an increasingly heavy financial burden caused by high interest rates that further trap borrowers, reduced productivity, and increased poverty (Putera et al., 2026). The health of individuals with excessive debt can be affected by financial pressure, both mentally and physically. This can affect performance at work, often leading to decisions to commit crimes and fraud in the workplace (Pratama, 2025). Customers of fintech lending services who are mired in debt experience constant stress as they are constantly preoccupied with their debt burden and the intimidating pressure of debt collection (Napitupulu et al., 2025).

Unethical and intimidating debt collection practices have become a social issue that is causing great concern amongst the public. Threats against borrowers who cannot repay their debts include the disclosure and public dissemination of personal secrets or the shaming of debtors via social media and other means (Misdarti, 2025). Debt collectors issue threats ranging from court proceedings and imprisonment to the prospect of being sacked from one's job. If these threats and intimidation persist, they can lead to frustration and even suicidal attempts. Social psychologists state that the effects of online lending and the associated harassment can cause psychological disorders such as confusion, panic, acute anxiety, and even a loss of rationality (Pratama, 2025).

The misuse of personal data and breaches of privacy are extremely serious social consequences of fintech lending practices. The emergence of illegal fintech lending platforms has given rise to significant legal and social problems, including a lack of transparency, misuse of personal data, and unethical debt collection practices (Misdarti, 2025). As soon as someone downloads an online loan app, the illegal online lender can automatically collect their personal information. People often grant all the permissions

requested by an app, even though they should not do so (Oemardi & Sudiro, 2024) . Online lending also poses serious problems for the public, particularly with the proliferation of illegal online lending, which can lead to legal risks, but can also have serious social consequences, such as harmful intimidation, sensitive privacy breaches, and psychological pressure on borrowers (MAYDA, 2024) .

Consequently, the correlation between fintech lending and public welfare varies depending on the level of financial literacy. The effectiveness of fintech lending is strongly believed to be influenced by the public's level of financial literacy (Sulubara & Iskandar, 2025) . The research findings indicate that fintech lending has a positive and significant impact on financial inclusion, which translates to improved public access to finance. However, fintech lending has both positive and negative impacts on society, whilst also providing benefits to the public. Fintech is changing the way people access financial services, but it also creates the risk of over-indebtedness if not managed properly (Alam, 2023) .

An assessment of the gap between financial inclusion objectives and on-the-ground realities reveals significant disparities in fintech lending practices. Although its popularity is on the rise, fintech lending services in Indonesia are often criticised for failing to educate the public on debt management, resulting in many customers becoming trapped in substantial debt (Napitupulu et al., 2025) . The OJK notes that the percentage or share of lending to the productive sector or SMEs out of the total P2P fintech lending disbursements as of November 2024 stood at only 30.91 per cent (Ratnayutika et al., 2024) . This indicates that whilst legal fintech lending provides benefits in terms of financial inclusion, unstoppable illegal practices are propping up the economies of low-income communities desperate for rapid liquidity (Zaki & Wardana, 2025) . The disparity between the objectives of financial inclusion and the reality on the ground is clearly evident in the dominance of consumer lending over productive lending.

The role of financial literacy and the urgency of need are determining factors in whether the impact of fintech lending is positive or negative. Research indicates that individuals with high levels of financial literacy tend to be more cautious, critical, and less likely to use online loans (Manurung et al., 2025) . Financial literacy and the urgency of need account for 41.3% of the decision to use online loans, whilst the remainder is influenced by other external factors. An individual's decision to use online loans is determined jointly by financial literacy and the level of urgency of need (MAYDA, 2024). This indicates that an individual's decision to use online loans depends not only on their financial understanding but also on the level of urgency of their need.

## **Conclusion**

Fintech lending in Indonesia is developing as a digital financing instrument that broadens public access to finance, particularly for the unbanked, underbanked, and

MSME operators who find it difficult to access formal bank credit. However, from a legal perspective, this development has not yet been fully matched by effective law enforcement, regulatory harmonisation, and robust consumer protection, particularly in the face of the proliferation of illegal online loans, the misuse of personal data, onerous standard clauses, and intimidating debt collection practices. These conditions indicate that regulations such as the Consumer Protection Act, the Personal Data Protection Act, and the OJK Regulation on fintech lending still face a significant gap between legal norms and their implementation on the ground.

From a socio-economic perspective, fintech lending has two sides that coexist. On the one hand, these services offer benefits such as ease of access to funds, accelerated business financing, transaction efficiency, and a contribution to national financial inclusion. On the other hand, online lending practices, particularly illegal ones, give rise to serious negative impacts, such as over-indebtedness, debt traps, psychological pressure, family conflicts, reduced productivity, social stigma, and an increased risk of mental health issues and suicide among victims unable to repay their debts. Consequently, the socio-economic impact of fintech lending is largely determined by the legality of the platforms, users' level of financial literacy, and the quality of state oversight.

Based on this study, it can be affirmed that the future of fintech lending in Indonesia depends not only on technological innovation and industry growth, but also on the state's ability to establish a robust, adaptive and public-protection-oriented legal framework. Strengthening inter-agency coordination, enforcing the law against illegal online lending platforms, improving financial and legal literacy, and overseeing the protection of personal data must be prioritised so that fintech lending truly functions as a means of economic empowerment, rather than as a source of new social vulnerability. Therefore, a balanced approach combining regulation and education is required to ensure that the goal of financial inclusion is achieved without compromising legal certainty, justice and social welfare.

## References

- Afrianto, T., & Jamaludin, A. (2025). Menyoroti Maraknya Penipuan Investasi Bodong di Era Digital dalam Bentuk Pinjaman Online Ilegal dengan Modus Pinjaman Cepat dan Bunga yang Rendah di Indonesia. *Jurnal Hukum Lex Generalis*, 6(7). <https://doi.org/10.56370/jhlg.v6i7.2070>
- Alam, S. S. (2023). Dampak riba pada bunga pinjaman online terhadap psikologis masyarakat. *An Nuqud Journal of Islamic Economics*, 2(2), 1–15.
- Eliyah, E., & Aslan, A. (2025). STAKE'S EVALUATION MODEL: METODE PENELITIAN. *Prosiding Seminar Nasional Indonesia*, 3(2), Article 2.
- Kholidiah, K., & Inayati, T. (2024). Bijak Dalam Pengambilan Keputusan Pinjaman Online (Pinjol). *JMM - Jurnal Masyarakat Merdeka*, 7(1), 56–62. <https://doi.org/10.51213/jmm.v7i1.150>

- Manurung, G. M., Ali, H., Manurung, A. H. M., & Sangapan, L. H. (2025). Kebiasaan Berutang di Era Digital: Kontribusi Budaya Hemat dan Akses Pinjaman Online terhadap Kesehatan Keuangan Rumah Tangga. *Journal of Capital Markets and Banking*, 13(2), 72–95. <https://doi.org/10.63607/jcmb.v13i2.15>
- Maulana, M. I., Ikhsan, M. H., Firdaus, M. B., & Tarina, D. D. Y. (2026). Kepastian Hukum dan Perlindungan Konsumen FinTech pada Layanan Pinjaman Online di Indonesia: Studi Putusan No 1206 K/PDT/2024. *Al-Zayn: Jurnal Ilmu Sosial & Hukum*, 4(1), 707–720. <https://doi.org/10.61104/alz.v4i1.3117>
- MAYDA, A. (2024, Desember 20). ANALISIS YURIDIS AKIBAT PERBUATAN MELAWAN HUKUM DALAM LAYANAN PINJAMAN ONLINE [Skripsi]. FAKULTAS HUKUM. <https://digilib.unila.ac.id/81164/>
- Misdarti, M. (2025). Pengaruh E-Commerce, E-Money, Pinjaman Online, Impor Barang Konsumsi, Inflasi dan Suku Bunga terhadap Pengeluaran Konsumsi Rumah Tangga di Indonesia [Other, Universitas Jambi]. [https://doi.org/10/8/FULL\\_SKRIPSI\\_MISDARTI\\_C1A020027.pdf](https://doi.org/10/8/FULL_SKRIPSI_MISDARTI_C1A020027.pdf)
- Napitupulu, D. R. W., Pakpahan, D. S., & Arifin, D. (2025). Tanggung Jawab Hukum Platform Fintech Dalam Menanggulangi Risiko Fraud dan Kejahatan Siber. *Blantika: Multidisciplinary Journal*, 3(4), 502–512. <https://doi.org/10.57096/blantika.v3i4.355>
- Oemardi, A. C., & Sudiro, A. A. (2024). Peran Pemerintah Dalam Mendukung Perekonomian Masyarakat Berpenghasilan Rendah Melalui Layanan Pinjaman Online. *Binamulia Hukum*, 13(2), 345–360. <https://doi.org/10.37893/jbh.v13i2.951>
- Pratama, M. A. Y. (2025). PINJAMAN ONLINE SYARIAH SEBAGAI ALTERNATIF ATAS MARAKNYA PINJAMAN ONLINE ILEGAL: Analisis Konseptual dan Regulasi di Indonesia. *MAQASHID*, 8(1), 41–56. <https://doi.org/10.35897/maqashid.v8i1.1890>
- Puschmann, T. (2017). Fintech. *Business & Information Systems Engineering*, 59(1), 69–76. <https://doi.org/10.1007/s12599-017-0464-6>
- Putera, A. P., Hartanto, & Saefullah. (2026). Kebijakan Hukum Pidana Terhadap Fenomena Pinjaman Online Ilegal Perspektif Perlindungan Konsumen Dan Pencegahan Kejahatan Ekonomi. *Al-Zayn: Jurnal Ilmu Sosial & Hukum*, 4(1), 6773–6784. <https://doi.org/10.61104/alz.v4i1.4211>
- Rahmalillah, A., Wusiat, Malik, A., & Zuhrah. (2026). Rekonstruksi Kewenangan Ojk Terhadap Pinjaman Online (PINJOL) Ilegal Akibat Kelemahan Regulasi Fintech di Indonesia. *Al-Zayn: Jurnal Ilmu Sosial & Hukum*, 4(1), 1370–1381. <https://doi.org/10.61104/alz.v4i1.3251>
- Ratnayutika, N. P., Yuwono, N. K. N., Choiriyah, A. L. F., & Putra, T. D. (2024). PERLINDUNGAN HUKUM TERHADAP KORBAN DESK COLLECTOR FINTECH ILEGAL. *Lex Et Lustitia*, 1(2), 61–69. <https://doi.org/10.70079/lel.v1i2.69>
- Rizki, M. J. (2019). *Pasal-pasal Pidana yang Bisa Jerat Perusahaan Fintech Ilegal*. Hukumonline.
- Saifullah, S., Supriyadi, A. P., Bahagiati, K., & Al Munawar, F. A. (2023). The evaluation of the Indonesian fintech law from the perspective of regulatory technology paradigms to mitigate illegal fintech. *Jurisdictie: Jurnal Hukum Dan Syariah*, 14(2), 233–264.

- Sartika, K. D., & Larasati, D. (2023). Literature Review: Dampak Fenomena Pinjaman Online Ilegal di Indonesia. *Innovative: Journal Of Social Science Research*, 3(6), 2940–2948.
- Sitompul, M. G. (2018). Urgensi Legalitas Financial Technology (Fintech): Peer to Peer (P2p) Lending Di Indonesia. *Jurnal Yuridis UNAJA*, 1(2), 68–79. <https://doi.org/10.5281/jyu.v1i2.428>
- Sulubara, S. M., & Iskandar, I. (2025). Regulasi dan Lisensi Mengenai Perlindungan Hukum Investor di Platform Fintech Peer-To-Peer Lending dalam Hukum Konvensional. *JURNAL HUKUM, POLITIK DAN ILMU SOSIAL*, 4(3), 157–168. <https://doi.org/10.55606/jhpi.v3i4.4499>
- Una, B. K. (2026). *Pinjaman Online di Indonesia: Menjembatani Keuangan ataukah Perangkap Digital?* Deepublish.
- Varrel, Y. (2024). ANALISA DAMPAK PINJAMAN ONLINE TERHADAP TINGKAT DEPRESI MASYARAKAT KOTA MEDAN DALAM PERSPEKTIF TEORI BUNUH DIRI EMILE DURKHEIM. [https://www.researchgate.net/profile/Yehezkiel-Hutasoit/publication/392474165\\_Analisis\\_Penggunaan\\_Pinjaman\\_Online\\_menurut\\_sudut\\_pandang\\_Emile\\_Durkheim/links/6843d277c33afe388acaa3a1/Analisis-Penggunaan-Pinjaman-Online-menurut-sudut-pandang-Emile-Durkheim.pdf](https://www.researchgate.net/profile/Yehezkiel-Hutasoit/publication/392474165_Analisis_Penggunaan_Pinjaman_Online_menurut_sudut_pandang_Emile_Durkheim/links/6843d277c33afe388acaa3a1/Analisis-Penggunaan-Pinjaman-Online-menurut-sudut-pandang-Emile-Durkheim.pdf)
- Wahyuni, S., Widiyati, S., Yuliusman, & Gowon, M. (2025). ANALISIS FAKTOR-FAKTOR YANG MEMPENGARUHI KEPUTUSAN MASYARAKAT DALAM MENGGUNAKAN LAYANAN PINJAMAN ONLINE. *Journal Central Publisher*, 3(6), 3796–3814. <https://doi.org/10.60145/jcp.v3i6.669>
- Wu, A.-C., & Kao, D.-D. (2022). Mapping the Sustainable Human-Resource Challenges in Southeast Asia's FinTech Sector. *Journal of Risk and Financial Management*, 15(7). <https://doi.org/10.3390/jrfm15070307>
- Yu, X., & Zhao, Y. (2019). Dualism in data protection: Balancing the right to personal data and the data property right. *Computer Law & Security Review*, 35(5), 105318. <https://doi.org/10.1016/j.clsr.2019.04.001>
- Yuan, K., & Xu, D. (2020). Legal Governance on Fintech Risks: Effects and Lessons from China. *Asian Journal of Law and Society*, 7(2), 275–304. <https://doi.org/10.1017/als.2020.14>
- Yudha, Sahril, I., & Atmadja, D. A. R. W. (2025). Perlindungan Data Pribadi Konsumen, Dokumen dan Tanda Tangan Elektronik yang Dipergunakan oleh Pihak Ketiga dalam Transaksi E-Commerce. *CENDEKIA : Jurnal Penelitian Dan Pengkajian Ilmiah*, 2(2), 173–189. <https://doi.org/10.62335/cendekia.v2i2.897>
- Yulianti, G., Chaidir, M., & Pramono, A. S. (2024). PERAN TEKNOLOGI KEUANGAN (FINTECH) DALAM MENDORONG PERTUMBUHAN EKONOMI DAN INKLUSI KEUANGAN DI INDONESIA: TANTANGAN DAN PELUANG. *Citizen : Jurnal Ilmiah Multidisiplin Indonesia*, 4(4), 349–355. <https://doi.org/10.53866/jimi.v4i4.649>
- Zaki, M. Z. M., & Wardana, A. (2025). INDEPENDENSI OTORITAS JASA KEUANGAN (OJK) DALAM RANGKA PENGAWASAN LEMBAGA JASA KEUANGAN DI INDONESIA. *Jurnal Al-Mashrafiyah Perbankan Syariah*, 4(2), 20–34.
- Zamani, E. D., Smyth, C., Gupta, S., & Dennehy, D. (2023). Artificial intelligence and big data analytics for supply chain resilience: A systematic literature review. *Annals*

*of Operations Research*, 327(2), 605–632. <https://doi.org/10.1007/s10479-022-04983-y>

Zed, M. (2008). *Metode Penelitian Kepustakaan*. Yayasan Pustaka Obor Indonesia.

Asosiasi Fintech Pendanaan Bersama Indonesia. (2024). *Asosiasi optimis fintech P2P lending mampu jaga pertumbuhan penyaluran pinjaman dua digit pada 2025*.