

# Dynamics of Debt Behavior on Online Lending Application Users: Systematic Review

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## Dynamics of Debt Behavior on Online Lending Application Users: Systematic Review

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### ARTICLE INFO

### ABSTRACT

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### KEYWORDS

Debt; debt behavior; online lending;

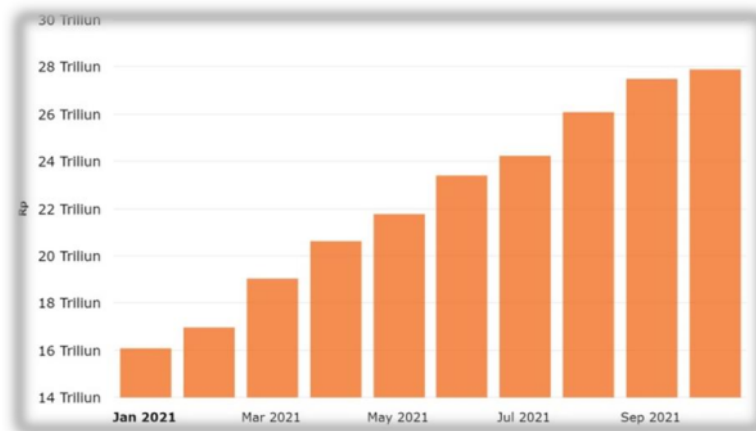
The increasingly life demands make people easy to do debt. One of the best way for people to get amount of money is through online lending application. This study aims to identify the dynamic of debt behavior on online lending application users through systematic literature review. Online database used in this study including Google Scholar, ScienceDirect, and SpringerLink. Based on review, we have found 30 articles that are compatible to this study. 5 of 30 articles are strongly selected to be reviewed. The criteria of these selected articles are International and National based research, full text is available and published from 2015-2022. Evaluation method PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analysis) is used in this study. Result found that debt behavior on online lending application users caused by lower economic situation, social environment influence, and function factor of environment. A future study suggest to explore the negative impact of debt behavior experienced by lending application users.

## INTRODUCTION

In this digital era, technology plays an important role in human life. Every human activity is connected to technology. The advance of technology facilitate a convenience in assist every human needs. One of facilitation provided by technology is financial technology.

Financial technology (fintech) is a new innovation in financial sector that provides convenience in financial transactions through information technology application features (Leong & Sung, 2018). The transaction processes in financial technology (fintech) include the process of buying and selling shares, payment transactions, money transfers, purchasing investments, financial planning, and also providing online debt. Online debt is an online money lending that provided by a financial service provider that is integrated with information technology, starting from the application process, approval, to disbursement of funds online or via SMS and/or telephone confirmation (Hasela, in Arvante, 2022). There are five the most popular fintech lending applications used in Indonesia like Modalku, Uang Teman, Kredivo, TaniFund, and Shopee PayLater (SPay Later).

In Indonesia, people who do online debt categorized as the most active online debt users. Based on the results of online debt statistics in Indonesia released by the Financial Services Authority (Otoritas Jasa Keuangan or OJK) in 2021, the total of outstanding debts in October 2021 reached IDR 27.9 billion. This nominal increased 1.45% compared to September 2021 which reached IDR 27.5 billion. In fact, there is a significant increase in every month started from January 2021 to October 2021 (Katadata.co.id., 2021). The result shows that there is a high interest in Indonesian people to take a debt through fintech lending applications.



Source: KataData.id (2021)

Debt behavior is one of the fundamental reason for people to take online debt (Nurmalina & Sulastrri, 2019). There are several factors that cause debt behavior. Nurmalina & Sulastrri (2019) in their research found that the desire for debt caused by planned needs and sudden needs that exceeded income or financial supplies. Meanwhile, Jamilakhon, Singh, Subramaniam, and Suppramaniam (2020) in their research found that the occurrence of debt behavior due to attitudes, peer influence, power, and also for tuition fee.

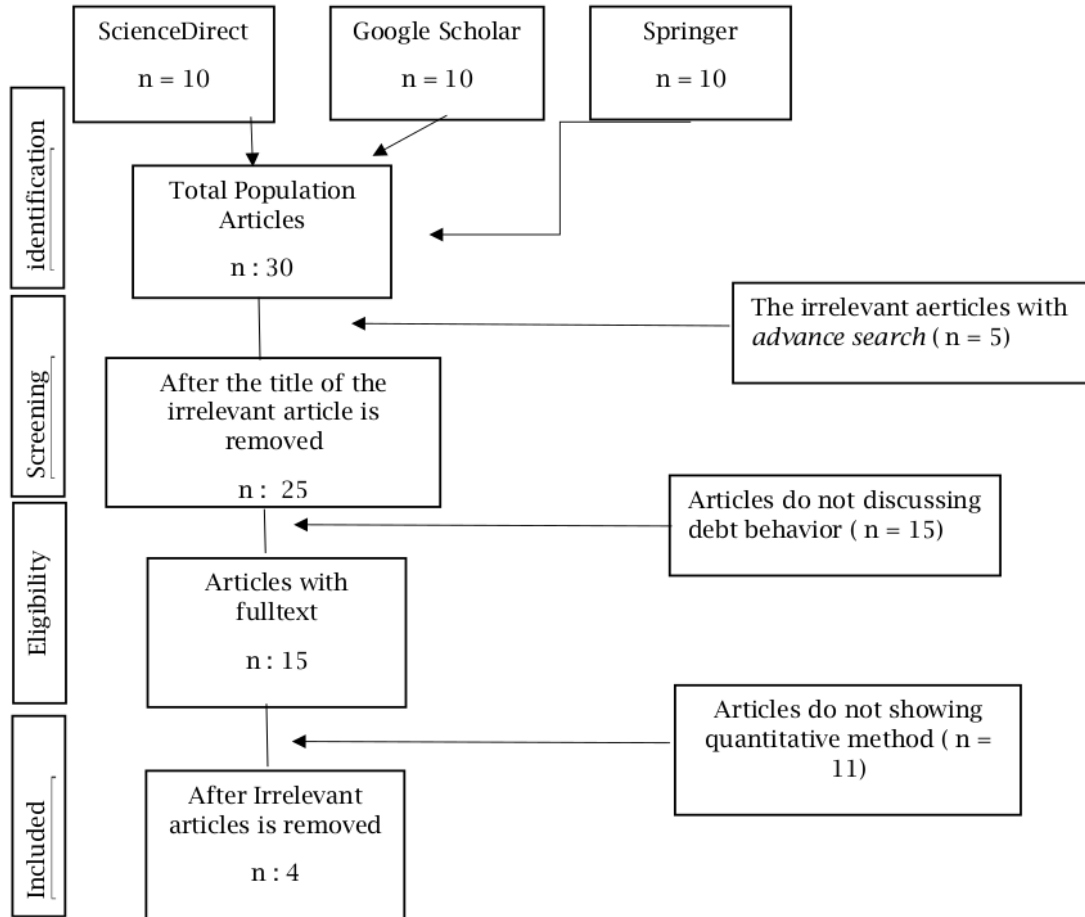
The development of the debt process and debt behavior goes through several stages, such as in conventional debt it requires careful planning and requires more effort when filing data, but with the development of time, changes also occur in the debt sector, from conventional to fintech lendings. so this research leads to debt behavior that appears on fintech lencing users. Meanwhile, researches based on existing debt mostly examined from law and economic perspective. But, there is only a few studies that examined online debt behavior from the perspective of psychology. Therefore, we conclude that this study is important to do so that the public can find out how the dynamics of people who do debt from a psychological perspective. This study using a systematic literature review approach in order to get a comprehensive picture of the dynamics of people who do debt through a systematic review.

## METHOD

The method used in this study is a Systematic Literature Review (Selcuk, 2019) which will focus on debt behavior of online loan application users. The data used from electronic jurnal conducted in April 2022 to identify peer-reviewed articles with english language. The database used in writing this article includes google scholar, SpingerLink and Science Direct, by using the search terms financial technology, fintech lending, debt behavior, and with a time span of searching for related articles to filtering selected articles for 2 weeks. The articles was published within last 8 years, form 2015-2022. The keyword that used in this search was are " debt OR debt behavior OR online loans". The search was carried out using scientific databases, including Google Scholar, Sciencedirect, Spingerlink. The articles found will go through a screening process by applying the following criteria articles in the form of peer-reviewed (published in journals) The study is empirical, not from literature study, Quantitative design approach, The article discusses about debt behavior

The following table shows the screening and selection process for articles that will be used in the discussion.

**Table 1.** PRISMA Flow Diagram for Literature Search



The articles that selected for topics are filtered through inclusion criteria such as the year of publication of the latest articles so that the data obtained are the latest data from 2015-2022, then the articles are the results of research conducted by several countries as a whole with a total participation of more than 40 participants. Focused discuss topic is about the habit of debt, and its effect on the parties concerned. Meanwhile, by exclusion, this article avoids selecting a study with a small number of participants and a small coverage area.

In searching for articles, researchers used a screening method which from selected articles, examined and reviewed the results of their research, so that it was clear that the 5 selected articles would later be articles that were appropriate both in terms of research theme, year of research, number of research participants, location of coverage. research and discussion. This is to reduce bias in writing articles from the many research topics related to financial technology itself.

**RESULTS AND DISCUSSION**

**Table 2.** Articles Discovered by the Researchers

Article Title and Author	Research Location	Research Design	Main Finding
Tapping and waving to debt: Mobile payments and credit card behavior. Meyll & Walter, (2019)	United State	Quantitative	Users of non-cash payments are less financially literate and have a higher level of financial risk tolerance and have debt behavior
What makes users willing or hesitant to use Fintech?: the moderating effect of user type, Ryu, (2018)	South Korea	Quantitative	The risk effects obtained from the use of fintech (legal, security, operational, and financial risks) are less perceived, so that respondents are more willing to continue using fintech
What determines customers' continuance intention of FinTech ? Evidence from YuEbao Wang et al., (2019)	China	Quantitative	The quality of the system helps people reduce service uncertainty is one of the reasons YuEbao users continue to use fintech
A Shift Towards Household Lending During The Fintech Era: The Role Of Financial Literacy And Credit Information Sharing, Le, (2021)	Latin America, Asia Pacific, Europe, Middle East, North America and Africa	Quantitative	Financial literacy plays an important role in household loans than corporate loans

Research conducted by Meyll & Walter, (2019) resulted in new knowledge about the behavior of using credit cards which tends to increase in line with the high use of payments using smartphone technology (cashless payments with mobile wallets). Forms of payment such as using a smartphone to pay for products purchased, or services used, by scanning barcodes, or using sensors. This Study was began with introducing 3 behavior that came from credit card users. First users only making payments with the minimum amount, second users will paying late fees or payments that exceeded the limit, and third users will face the large amount of interest payment (Lin J. et al., 2016).

Meyll & Walter's research (2019) uses research data from the 2015 National Financial Capability Study (NFCS), which includes information about individual credit card behavior and also uses specific questions that ask respondents whether they use their smartphones to pay for products or services directly. . With a sample of 25,000 households in the United States, the findings show that this renewable payment method affects overall individual spending by showing that non-cash payments using smartphones are strongly associated with the accumulation of individual credit card debt. Outline, found that users of cashless payments are less financially literate and have a higher level of financial risk tolerance and have debt behavior. The results of the calculation, 36.2% of respondents showed at least one of three credit card behavior. 54.7% of individuals under 35 years of age use smartphones to make non-cash payments, and it turns out that there are more male than female users and have higher levels of education and income. Even so, the non-cash payment coefficient is indicated by 4.9 percentage points. and it turns out that users are more male than female and have higher levels of education and income. Even so, the non-

cash payment coefficient is indicated by 4.9 percentage points. and it turns out that users are more male than female and have higher levels of education and income. Even so, the non-cash payment coefficient is indicated by 4.9 percentage points.

Finance is crucial if individuals cannot manage it well. In it is clear that with continued innovation in technology, it does not always bring good impact. The increase in a consumptive lifestyle is one of the negative impacts, so it is necessary to follow up and a good understanding in maximizing further innovation, technological sophistication, or progress. world, for each individual. The hope is for those who are willing and are learning new things to be able to consciously know every step taken, the advantages and disadvantages, to the risks involved.

Next is an article from Ryu, (2018) who conducts research in South Korea which discusses the factors that influence the use of fintech (financial technology) which is a renewable development from a combination of the financial and technology fields. Adopting the Reason-Action (TRA) theory as a way to find out the gap between the specific positive factors (benefits) and negative factors (risks) that affect the use of this fintech for its users. This research was conducted with 243 user participants who have experience with fintech through a survey and processed using the Partial least squares (PLS) method.

This participant data was collected through Embrain Co. (www.embrain.com), which is the largest market research company in South Korea, with more than 1.8 million panels in Asia. Discussing the results directly, it turns out that this survey shows that the benefits felt by fintech users have a significant positive effect on the intention to continue using fintech ( $\beta$ .0.548,  $po$ 0.01) while the risk effects obtained from using fintech (legal, security, operational, and financial risks) financial) is perceived as smaller, so that respondents are more willing to continue using fintech.

This finding has a straight line with the research of Meyll & Walter, (2019), that this fintech service brings greater benefits far than the risks. So, indeed more individual users feel comfortable in using it. Meanwhile, for those who do not have a strong grip on self-control, will feel the various risks of this technological advancement.

In addition, there are several factors that also influence individuals to continue using this fintech service. One of them is seen from the research by Wang et al., (2019) which resulted in the finding that trust in YuEbao (one of the fintech services in China) and YuEbao's structural guarantees play an important role for users to continue using YuEbao services. So as users, Chinese people are smart enough to know what are the convenience factors in using this fintech service. It is also known that herding behavior positively affects YuEbao users' perception of structural guarantees. However, its users are not confident enough to disseminate the use of this service, given the risks that may arise.

This research conducted in China, carrying the theory of continuance intention influenced by two dimensions, namely customer trust in services and customer trust in the environment. This study obtained 319 respondents as YuEbao users and conducted a survey using a questionnaire which was then analyzed by modeling the partial least squares structural equation (PLS). -SEM). The final result of this research is that the quality of the system helps people reduce service uncertainty, which is one of the reasons why people continue to use these services. It can be underlined that up to this study, all of them had the same findings.

This technological advancement does not only involve finance in the household. In a study by Le, (2021) conducted worldwide, it discusses the factors that influence the growth of household loans relative to corporate loans, with a focus on credit information sharing, financial literacy, and the development of fintech loans. Data on household loans and corporate loans. in 41 countries. Using the fixed effects model by adding indicators for geographic areas and year dummy variables to achieve this objective, data on credit to non-financial companies and households were obtained from the Credit Statistics Database stored at the Bank for International Settlements, data on credit information sharing was obtained from the Doing Business Database which held at the World Bank, financial literacy data,

These 41 countries are then divided into 6 geographic regions, namely, Latin America, Asia Pacific, Europe, Middle East, North America, and Africa. In his research, the result is a new finding that financial literacy plays an important role in household credit rather than corporate credit. Thus, household credit is increasingly being expanded in countries with greater levels of financial literacy and increased sharing of credit information. It is clear that in fact, the use of fintech on a large scale by many people at large results in high credit. Financially, this is a success for the brand that owns this fintech service company. However, the velocity of money in the country has also increased. Overall, many studies show that technological advances in the financial sector, known as fintech, which includes cashless payments, are new breakthroughs that bring many conveniences, and advantages in their use. So, these things are the reason why many people use this fintech service. Nevertheless, it is undeniable that some things that are excessively used will have negative effects, which in this case, become a risk for the user. There are legal risks, security threats, operational and financial disruptions in using this fintech service without knowledge, control, and responsibility for the actions taken.

## CONCLUSION

The digital era has become an era of rapid development in several sectors in order to provide convenience opportunities for humans in carrying out daily activities. One of them is the development of financial technology (Fintech), as a form of financial innovation development with the help of technology. Several features of Fintech have an impact on human development such as buying and selling shares, mobile-based payment transactions and providing online loan services. The convenience of the services provided also gives people the opportunity to make loans by borrowing from one of the online loan services provided. Debt behavior is based on urgent needs that exceed income, or non-fulfillment of plans for regulated needs. Based on the explanation, it was found that debt behavior that appears in online loan application users is based on several important things, such as the perception of the ease received by online loan application users to borrow money.

The convenience offered by fintech lending provides flexibility for users to plan loans with easy terms, besides the role of online loans is the same as a credit card that can be paid at the end when buying goods or services will further increase public enthusiasm for using online loan services. Pragmatic understanding is also the basis for users to get into debt through online loans by understanding that the benefits (benefits) obtained from borrowing online loans are more promising than conventional loans which allow more risks. The development of this pragmatic understanding will also increase the trust of online application users, taking into account the level of user trust in online loan services is getting higher followed by environmental trust in online loan applications.

Fintech lending, which has become the primadonna in the development of state finances and financial circulation, has proven to provide rapid economic growth in several countries, both developing and developed countries, it is undeniable that some things that are excessively used will have negative effects, which in this case, become a risk for the users. There are legal risks, security threats, operational and financial disruptions in using this fintech service without knowledge, control, and responsibility for the actions taken

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## Conflict of Interest:

The author declares there is no potential conflict of interest.

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