

LEGAL SOCIALIZATION ON THE RISE OF ONLINE LOANS IN LAWEYAN VILLAGE, SURAKARTA

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Abstract

In the current era of rapidly advancing information technology, online lending applications have emerged as a popular alternative for individuals seeking to fulfill their financial needs. This phenomenon has become increasingly relevant in everyday life, where speed and ease of access serve as significant advantages. This community engagement activity was conducted in the Laweyan Sub-district of Surakarta City, with participants primarily drawn from the productive age demographic within the local area. The method employed in this Community Service initiative involved a combination of workshops and lectures, culminating in an interactive question-and-answer session. This session provided community members with the opportunity to raise inquiries related to the theme of the session or to explore topics beyond the predefined scope. The primary outcome of this activity was to disseminate information regarding the potential adverse impacts of online lending practices. Furthermore, the program aimed to equip the local community with practical strategies to mitigate the risks associated with online loans and

online gambling. Through this initiative, residents of Laweyan Sub-district were empowered with knowledge and preventive measures to safeguard their financial well-being in the digital era.

KEYWORDS: PREVENTION; HANDLING, ONLINE LOANS

Introduction

In today's era of rapidly advancing information technology, online loan applications have become one of the most popular alternatives for individuals seeking to fulfill their financial needs. This phenomenon has gained increasing relevance in daily life, where speed and ease of access offer significant advantages. However, this convenience is often accompanied by certain challenges and risks that can have serious impacts on individuals' financial conditions and overall well-being. One of the key developments emerging from the integration of information technology in the economic sector is the rise of Financial Technology (Fintech). Fintech is designed to simplify and provide solutions to various economic problems, including the innovation of safer and more practical financial transaction processes—enabling greater accessibility for all users. (Christmastianto, 2017) Fintech has the potential to promote financial system stability by increasing the reliability and efficiency of economic processes, particularly through the incorporation of digital economy principles (Endang Dwi Ari Surjaningsih, 2019).

In carrying out its business activities, Fintech offers several types of services that contribute significantly to the development of the digital economy. First, Fintech operates in the **payment sector**, providing services that facilitate the digital transfer and receipt of funds. These services enable transactions to be conducted quickly, securely, and efficiently, reducing reliance on physical cash and promoting greater financial inclusion. Second, Fintech engages in crowdfunding and peer-to-peer (P2P) lending, offering platforms that connect individuals seeking loans with those willing to provide them. This service model eliminates the need for traditional financial intermediaries and opens access to funding for individuals and small businesses who may otherwise face barriers in obtaining loans from conventional banks. Third, Fintech provides risk management and investment services, including digital financial planning tools that assist users in managing their finances with greater ease and speed. These platforms help consumers make informed financial decisions through automated analysis and tailored investment recommendations. Fourth, Fintech includes market aggregator services, which collect and analyze data to support consumers in their decision-making processes. These services allow users to compare products, prices, and services—helping them choose the most suitable options based on comprehensive and transparent information.

However, behind the convenience offered by online lending platforms, there are significant risks that potential users must fully understand. High interest rates, hidden fees, and unethical lending practices can trigger serious financial problems. Therefore, it is essential to cultivate a deeper understanding of how to wisely select and utilize online loan applications. The primary objective of this community service activity is to equip the

participating women with knowledge and awareness about legal and OJK-licensed (Financial Services Authority of Indonesia) loan applications. By enhancing their financial literacy, the program aims to empower them to make informed and responsible financial decisions.

Methods

The method was used to deliver legal counseling materials that are cognitive in nature, yet presented in an engaging and enjoyable manner (Endang Purwaningsih, dkk. 2018.). In addition, the community engagement activity employed a combination of approaches, including workshops and lectures, followed by a question-and-answer session at the end of the event. This interactive session provided participants with the opportunity to ask questions related to the main theme of the session or to raise issues beyond the predetermined topic. The implementation of this community service activity was carried out in three stages. First, the preparation stage, during which the community service team conducted a preliminary survey to assess the local conditions regarding the impact of and awareness about illegal online loans among the residents. Second, the execution stage, which involved conducting outreach to the community by providing information about the regulations governing online lending practices, as well as raising awareness of both the positive and negative impacts of online loans. Third, the implementation stage, where the knowledge gained from the outreach activities is expected to be applied in both community and family settings to promote more responsible financial behavior (Ismani dkk, , 2010).

Results and Discussion



A significant number of individuals utilizing online lending Fintech platforms have indicated that these services serve as an attractive alternative financial solution, offering ease of use, time efficiency, and alignment with their specific financial needs. This trend is closely linked to the rapid advancement of information technology, which has been

effectively harnessed by online lending Fintech platforms. These platforms enable expedited loan application processes, faster approval decisions, and quicker fund disbursements, in contrast to traditional financial institutions such as banks. Additionally, online lending Fintech platforms are capable of offering loan amounts that are closely tailored to the borrower's needs, often without requiring collateral. This aspect further enhances the appeal of online lending platforms, making them a compelling financial option for many individuals (Lidwina, 2020).

POJK No. 77/POJK.01/2016 concerning Information Technology-Based Lending Services is one of the legal foundations for the operation of online lending activities. Legal protection for debtors using online lending services must be a top priority to ensure a sense of security for the debtors themselves. In order to protect debtors from online lending providers who fail to uphold their rights, the Financial Services Authority (OJK), as the institution responsible for regulating financial services in Indonesia, mandates that businesses or providers of online lending services intending to operate or conduct activities in Indonesia must register and obtain authorization. This requirement is stipulated in Article 7 of POJK No. 77/POJK.01/2016.



Negative Impacts of Illegal Online Lending Services

The existence of illegal online lending companies undoubtedly brings about negative consequences. First, illegal online lending services can be used as a vehicle for committing financial crimes, such as money laundering or terrorism financing. These platforms, operating outside the regulatory framework, may facilitate illicit financial flows that undermine the integrity of the financial system and contribute to the financing of illegal activities. Second, abuse of user data and information is another significant concern. Users, often unaware, may unknowingly provide sensitive personal data during the registration process, which is then stored and misused by these companies. In many cases, these illegal lenders access and store not only the basic personal details but also the data contained within users' smartphones, such as contacts, photos, and even banking

information. This unauthorized data collection puts individuals at high risk of privacy violations, identity theft, and financial fraud. (ekonomi.kompas.com., 28 Juli 2018).

Third, there is a **loss of potential tax revenue**. The tax potential from illegal online lending services is substantial, given that the number of these unregistered services far exceeds those that are officially registered with the Financial Services Authority (OJK). The failure to properly regulate and tax these illegal platforms deprives the government of significant revenue, which could otherwise be allocated to public services and infrastructure development.

Fourth, many individuals are still unaware of the risks associated with online lending services. As a result, when engaging in credit transactions, borrowers often fail to carefully review the terms and conditions of the loan agreement. This lack of awareness leads to individuals becoming trapped in high-interest rates. The commission or interest on illegal online loans typically exceeds 40% of the principal debt, in addition to a daily fine of IDR 50,000. (mediaindonesia.com, 18 Februari 2019)

Fifth, the Non-Performing Loan (NPL) rate for online loans in 2018 reached 1.45%. This indicates that even legal online lending services carry inherent risks, and therefore, illegal platforms are likely to be even more hazardous.

Sixth, there has been a significant increase in reports from individuals who have fallen victim to unethical debt collection practices by online lending companies. This issue arises primarily due to the lack of public awareness regarding the legal status of these online lending services (www.tribunnews.com, 19 Februari 2019).

The handling of online lending cases is usually directly managed by the police (Polri). However, in practice, police investigators collaborate with other agencies outside the police force, such as OJK, BI, or other institutions that are experts in the field. The efforts of the police in addressing illegal online lending that occurs in society include: pre-emptive efforts, where all ranks actively conduct education, socialization, and digital literacy for the public regarding the dangers of using illegal online lending services. The next pre-emptive effort includes early detection of unlicensed illegal online lending platforms, monitoring, and coordinating with related parties. Preventive efforts include conducting cyber patrols on social media. Additionally, the police have coordinated with ministries/agencies to limit the scope of financial transactions and the use of illegal hardware devices. Another preventive effort includes encouraging related parties to tighten the supervision of illegal online lending regulations in Indonesia. Repressive efforts are carried out by law enforcement by forming a special task force to address illegal online lending in coordination with relevant stakeholders. Subsequently, repressive efforts involve quick action against illegal online lending platforms and the development of cases to pursue the perpetrators and the masterminds behind the illegal online lending schemes.

Efforts to Overcome Illegal Online Loan Services

To address the proliferation of illegal online lending services, several efforts are required. First, there needs to be a synergy of cooperation between the Ministry of Communication and Information Technology (Kominfo), the Financial Services Authority (OJK), and the police in overseeing online lending services (mediaindonesia.com., 18 Februari 2019). Currently, the OJK through its task force has taken preventive measures against illegal online lending services. This is done by announcing a list of illegal online lending services to the public, then submitting a request for blocking through Kominfo to cut off their financial access, and subsequently reporting to the police (economy.okezone.com., 17 Februari 2019)

Second, the enhancement of digital literacy among the public. Given that the negative impacts of illegal online lending services are most significant for the public, there is a need for literacy efforts regarding digital/technology-based loans. The public needs to understand the terms, risks, and legal protections associated with online lending transactions. People must be smart and cautious before engaging in online loan transactions, especially with illegal online lending services that are not registered with the OJK. Currently, the Indonesian Peer-to-Peer Lending Fintech Association (AFPBI) has conducted literacy programs in various regions to help the public understand how to choose safe online lending services (mediaindonesia.com., 18 Februari 2019).

Third, the need for regulations regarding protection for consumers of illegal online lending services. Based on POJK No. 77/POJK.01/2016 concerning Technology-Based Money Lending Services and POJK No. 13/POJK.02/2018 concerning Digital Financial Innovation in the Financial Services Sector, OJK can only impose sanctions on online lending companies that are officially registered with OJK (legal). However, OJK cannot impose any sanctions, other than closing the company, on illegal online lending services. In fact, many people suffer losses from investing or borrowing through illegal online lending companies. This calls for specific regulations or policies concerning consumer protection for those using illegal online lending services.

Fourth, the need for an evaluation of the licensing or registration mechanism for online lending companies with OJK. Similar to the rules regarding sanctions, based on POJK No. 77/POJK.01/2016 concerning Technology-Based Money Lending Services and POJK No. 13/POJK.02/2018 concerning Digital Financial Innovation in the Financial Services Sector, OJK is also only authorized to oversee companies that have been registered with OJK. The existence of illegal online lending companies may arise due to a difficult licensing mechanism with OJK. This should be a consideration for OJK to evaluate the licensing or registration mechanism for online lending companies.

Among all these efforts, the role of OJK and the government is crucial in addressing illegal online lending services. However, regarding the need for specific regulations to address illegal online lending services, OJK and the government require support from the People's Representative Council of the Republic of Indonesia (DPR RI). In this regard, DPR RI, particularly Commission XI, can perform legislative and supervisory functions to support the creation of specific regulations to address illegal online lending services.

Conclusion

The purpose of this community service activity is to minimize the spread of illegal online lending (pinjol) and online gambling (judol) while providing education to the community. The goal is to prevent the residents of Laweyan sub-district, Surakarta City, from falling into the trap of addiction to borrowing through illegal pinjol platforms, which can lead to various severe consequences. These include depression, excessive anxiety, prolonged stress, physical and mental harm, even leading to mental disorders and suicidal thoughts.

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