

ANALYSIS OF THE DEVELOPMENT OF ONLINE LOANS AND GEN Z INCOME IN INDONESIA IN THE ERA OF THE INDUSTRIAL REVOLUTION 4.0

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Abstract: *The unrest and complaints against fintech or PM-Fintech have recently been very lively on social media, for example on Twitter, Instagram, and Facebook. There are many netizens who report the presence of callers from various fintech companies to the list of contact numbers. So that this study has the aim of conducting a descriptive economic analysis of legal and illegal online loan institutions from 2017-2021, conducting a descriptive economic analysis of the development of crime that occurs due to illegal loans in Indonesia in 2020-2021, analyzing factors that affect GEN Z making online loans. The methods used in this study are quantitative and quality research or commonly referred to as the Mix Method. The result of this research is that the development of online loan companies is increasing every year but for those registered with the ojk is decreasing, the development of Online Loan Crime is increasing rapidly, this is seen from the many complaints to the OJK and the news circulating, lifestyle factors do not have an effect and are significant on Online Loans, the Needs Factor has a positive and significant effect on Online Loans, Access to Financial Institutions has a positive and significant effect on Online Loans.*

Keywords: *Fintech, Online Loans, Gen Z,*

INTRODUCTION

Globalization today feels very fast developing, even in some developed countries it has entered the 5.0 era. Currently, Indonesia, which is still just starting the industrial era 4.0, has felt how the role of technology and digital has replaced the role of humans. In 2020, the Ministry of Communication and Information (Kemenkominfo) of the Republic of Indonesia (RI) noted that there were around 197.3 million internet users in Indonesia. Or as much as 73.7% of the total Indonesian population, this can be used as a sign that all human activities can be carried out using the internet network or onlien starting from the online market (e-commerce), online banks (e-banking or m-banking), online learning (either formal classes, courses or tutoring), and others. The most users of the internet today are of productive age.

Indonesia is dominated by the productive age population, namely the age of 15-64 years, this can be seen in figure 1-1 where the population aged 0-14 years is 65.5 million people, the productive age is 15-64 years old as many as 189.6 million people and other non-productive age which is 65-75 + years as many as 17.9 million people. The productive age in Indonesia is the most common age, which is about 70% more than the total population of Indonesia. Based on the appropriate thing if it is said that the most internet users are the productive age because in this productive age, humans are free to experiment life according to the path and activities they choose. One of the activities that has become a routine activity of the productive age in using the

internet is a change in behavior, one of which is consumption behavior which has become more consumptive because many marketplaces are starting to build.

With so many fintech start-ups, they are currently aggressively competing by providing many promos, both carried out by payment fintech, e-commerce services, to online credit services. And even worse, they have also started to develop their respective paylater features, which means that even though it is e-commerce, now they can also provide credit (loans) in shopping on the e-commerce (such as shopeepay paylater). Likewise with fintech payments, they also provide paylater features such as OVO paylater, DANA paylater, and GOPAY paylater. Nowadays they are not only a means of payment or a substitute for physical money, but they also seem to provide access to credit without a credit card. Although their goal is to increase customers or increase the number of transactions used, it seems that indirectly these innovations actually entangle the public by making it easier to provide loans to be more consumptive. Moreover, the condition is only with a photo of personal identity. Even though in this era, making money is difficult, this is even easier to spend money. From this explanation, we can know that online loan services are a business with good prospects so far, at least until the Indonesian people already have sufficient income, or until the public is aware of the pitfalls of online loans. Loan companies that are relieved should be difficult to register with the Financial Services Authority called the OJK.

Many online loan companies are not registered with the Financial Services Authority called Illegal Loans. From 2018-2021, there are 3,516 Illegal Pinjol that have been stopped. This is based on the greed of the community in dealing with the entire role of illegal online loans; Currently, fintech still does not have detailed rules, so the risk and security are still a problem, for this reason, illegal online loans have many negative impacts. The first negative impact of illegal online loans is the reduced potential tax revenue for the government because they are not registered and there is no reporting to the government. The second is that the OJK has no right to follow up on violations committed by illegal fintech lending because they are not registered, so if there is a violation either committed by the borrower or the lender, then the OJK does not have the right to it. The third disadvantage is that it will reduce the level of public trust in online loans, resulting in a decrease in transactions in legal or registered online loans, especially now that fintech is growing rapidly. The fourth negative impact is that the government cannot know the flow and transaction of the money, where the funds come from, whose target consumers are, and others. The fifth negative impact is losses for borrowers and relatives of borrowers who receive terror from debt collectors.

BIBLIOGRAPHY REVIEW

In his book entitled the Purchasing power of money, Irving Fisher introduced the theory of the demand for money with a velocity approach. This approach explains that the money spent is the same as the money received. That is, the function of money here is only as a medium of exchange, Fisher also revealed that the demand for money is a very liquid interest for the motive of the transaction. In simple terms, Fisher introduced the equation of money demand transactions: $MV = PT$ Where the value of the goods sold will be multiplied by the average price of the goods (P) must be equal to the volume of money present in society (M) multiplied by the number of times the average turnover of money (V). The volume of transactions (T) in a certain period is determined by the level of public output (national income) and can also be considered to have a certain value in one year.

The theory proposed by Marshall-Pigou is generally like in other classical theories, namely by relying on money as a common medium of exchange. Therefore, classical theory in general

sees the need for demand for money in society as the need for liquid means of exchange for transaction purposes. The main difference between this theory and Fisher lies in the pressure in Cambridge's money demand theory on the behavior of individuals in allocating their wealth between various possible forms of wealth, one of which is in the form of money. This behavior is influenced by the consideration of the profit and loss of the holder of wealth in the form of money. Cambridge's theory emphasizes more behavioral factors (profit and loss considerations) that link a person's demand for money to the volume of his planned transactions. Cambridge's theory reveals that the demand for money, in addition to being influenced by transaction volume and institutional factors (Fisher), is also influenced by interest rates, the amount of wealth of citizens and predictions/expectations from the community regarding the future.

There are several factors that will influence individuals in acting as consumers consisting of (Kotler & Armstrong, 2008): 1. Cultural Factors Cultural factors consist of culture, and social class. Culture can influence a person in acting whose biases are led by instincts, human beings usually behave according to what is learned in their environment. So that a person's behavior in different environments is likely to have differences between each other. A social class is a society whose members tend to have similar values, behaviors and interests. Social class is measured as a combination of occupation, income, education, wealth, and other variables.

2. Social Factors Consumer behavior will be influenced by social factors such as small groups, families, roles and social status of consumers. A person's behavior is influenced by many small groups, such as family, friends, and is organized. 3. Personal Factors The decision of an individual as a consumer will be influenced by personal characteristics such as the age and stage of life of the buyer, job title, economic circumstances, lifestyle, and personality. Age also influences an individual's decisions, because an individual's needs and tastes will change according to age. In addition, a person's work will affect the goods and services he buys. On the other hand, economic conditions have a big influence on the products they will buy, greatly affecting the choice of products according to the ability of a person's economic status. A person's lifestyle will reflect the life pattern of an individual, lifestyle will influence interests that are usually influenced by the level of income they have. 4. Psychological Factors A person's purchasing choices are influenced by four main psychological factors, namely motivation, perception, learning, and belief and stance. Motivation is a need that can be quite pressing to lead a person to find a way and satisfy that need. Some needs are biogenic in nature, these needs arise from a certain physiology, such as thirst, hunger, discomfort and so on. While other needs are psychogenic, namely needs that arise from physiological conditions.

Putra (2016) shows that there are significant differences in the characteristics of generation Z with other generations, one of the main distinguishing factors is the mastery of information and technology. Generation Z and technology are things that have become part of life, because generation Z was born where access to information, specifically the internet has become a global culture, thus influencing values, views and goals in life. The emergence of generation Z also poses new challenges to management practices in organizations, especially for human resource management practices.

Yadav and Rai (2017) found generation Z grew up with technology, specifically internet technology. Generation Z uses internet technology to open up wider communication through the use of social media. Generation Z is the highest online consumer and is tied to online communication. Andrea et al. (2016) found millennials (including generation Z) to be overconfident individuals, able to communicate well, be creative, and think about future careers. Cseh-Papp et al. (2017) also found that Generation Z is a generation that attaches importance to careers and personal relationships, and has high self-confidence.

METHOD

The types of data used by the authors are qualitative and quantitative. Qualitative data is data that cannot be measured on a numerical scale. The data sources of this study are primary data and secondary data. Primary data can be done by conducting direct research in the form of distributing questionnaires, interviews directly to users. The collection technique used in this study is the Non probability sampling technique. That each member of the population has an opportunity to be used as data or samples. The data analysis technique in this study used Partial Least Square (PLS). PLS is a structural equation modeling (SEM) with an approach based on variance or component-based structural equation modeling.

RESULT

SEM-PLS Analysis Research Results

1. Convergent Validity On Online Loans

The construct indicators on the Online Loan variable amount to 6 construct indicators. Based on the results of data analysis, convergent validity values were obtained through the loading factor in the table below:

Table 4.1
Convergent Validity of Online Loans

| Indicators | Loading Factor | Rule Of Thumb | Information |
|------------|----------------|---------------|-------------|
| Y_P1 | 0,669 | 0,70 | Not Meeting |
| Y_P2 | 0,705 | 0,70 | Meet |
| Y_P3 | 0,785 | 0,70 | Meet |
| Y_P4 | 0,851 | 0,70 | Meet |
| Y_P5 | 0,710 | 0,70 | Meet |
| Y_P6 | 0,813 | 0,70 | Meet |

Source : PLS Processing Results Data

Based on the table above, it can be seen that in the online loan variable with 6 question indicators, there is only 1 question indicator that is not met the criteria, namely in the first question, namely "Online loans are online-based money lending applications" with a Loading factor value of $0.669 <$ from the Rule Of Thumb value of 0.70

2. Convergent Validity On Lifestyle

The construct indicators on the Lifestyle variable amount to 6 construct indicators. Based on the results of data analysis, the value of convergent validity is obtained through the loading factor in the table below:

Table 4.2
Convergent Validity Lifestyle

| Indicators | Loading Factor | Rule Of Thumb | Information |
|------------|----------------|---------------|-------------|
| X1_P1 | 0,560 | 0,70 | Not Meeting |
| X1_P2 | 0,736 | 0,70 | Meet |
| X1_P3 | 0,808 | 0,70 | Meet |
| X1_P4 | 0,730 | 0,70 | Meet |
| X1_P5 | 0,540 | 0,70 | Not Meeting |
| X1_P6 | 0,702 | 0,70 | Meet |

Source : PLS Processing Results Data

Based on the table above, it can be seen that in the online loan variable with 6 question indicators, there are only 2 question indicators that are not met the criteria, namely in the first question, namely "Lifestyle is important in social relations in Indonesia" with a value of 0.560 and the fifth question with the question "Habits for socialite life make the choice to use online loans" with a value of 0.540 where both values are smaller than rule of thumb value of 0.70.

3. Convergent Validity On Needs

The construct indicators on the Needs variable amount to 6 construct indicators. Based on the results of data analysis, the value of convergent validity is obtained through the loading factor in the table below:

Table 4.3
Convergent Validity needs

| Indicator | Loading Factor | Rule Of Thumb | Information |
|-----------|----------------|---------------|-------------|
| X2_P1 | 0,575 | 0,70 | Not Meeting |
| X2_P1 | 0,552 | 0,70 | Not Meeting |
| X2_P1 | 0,868 | 0,70 | Meet |
| X2_P1 | 0,706 | 0,70 | Meet |
| X2_P1 | 0,818 | 0,70 | Meet |
| X2_P1 | 0,770 | 0,70 | Meet |

Source : PLS Processing Results Data

Based on the table above, it can be seen that in the online loan variable with 6 question indicators, there are only 2 question indicators that meet the criteria, namely in the first question, namely "Making an online loan to meet daily needs" with a value of 0.575 and in the second question, namely "Making an online loan to meet paying other online loan debts" with a value of 0.552 where both values are smaller than the value of the Rule Of Thumb 0, 70.

4. Convergent Validity on Financial Institution Access

Construct indicators on the Financial Institution Access variable amount to 6 construct indicators. Based on the results of data analysis, the value of convergent validity is obtained through the loading factor in the table below:

Table 4.4
Convergent Validity of Financial Institution Access Factors

| Indicator | Loading Factor | Rule Of Thumb | Information |
|-----------|----------------|---------------|-------------|
| X3_P1 | 0,737 | 0,70 | Not Meeting |
| X3_P2 | 0,263 | 0,70 | Not Meeting |
| X3_P3 | 0,739 | 0,70 | Meet |
| X3_P4 | 0,850 | 0,70 | Meet |
| X3_P5 | 0,757 | 0,70 | Meet |
| X3_P6 | -0,108 | 0,70 | Not Meeting |

Source : PLS Processing Results Data

Based on the table above, it can be seen that in the online loan variable with 6 question indicators, there are only 2 question indicators that meet the criteria, namely in the third question, namely "Online Loan Services are more practical to get a money loan" with a value of

0.263 and in the sixth question, namely "Easy requirements to make online loans very echoed by the public" with a value of -0.108 where both values are smaller than the value of the Rule Of Thumb 0.70.

Data analysis results:

1. Influence of Lifestyle Factors on Online Loans ($X_1 \rightarrow Y$) The results of the Lifestyle Factor hypothesis test have an influence on Online Loans based on tables 4-12 showing that a statistical t value of 1.129 was obtained, while the table t value at a significant level of 0.05% was obtained at 1.99547 based on a total sample of 68 respondents. So it can be concluded that $t \text{ statistics} > t \text{ table}$ ($1.129 < 1.99547$), to corroborate the results of this analysis can also use P Value, provided that $p < 0.05$, based on the results of data analysis showing a value of $0.259 > 0.05$. The provision was accepted by H_0 , so it was concluded that lifestyle factors did not have an effect and were significant on Online Loans.

Effect of Needs Factor on Online Loans ($X_2 \rightarrow Y$) The results of the hypothesis test on the Use of Needs have an influence on online loans based on tables 4-12 showing that a statistical t value of 2.838 was obtained, while the table t value at a significant level of 5% was obtained by 1.99547 based on a total sample of 68 respondents. So it can be concluded that $t \text{ statistics} < t \text{ table}$ ($2.838 > 1.99547$), to corroborate the results of this analysis can also use P Value, provided that $p < 0.05$, based on the results of data analysis showing values of $0.005 < 0.05$. The provision was rejected by H_0 , so it was concluded that the Needs Factor had a positive and significant effect on Online Loans.

The Effect of Financial Institutions' Access Factors on Changes in Behavior ($X_3 \rightarrow Y$) The results of the social environment factor hypothesis test have an influence on online loans based on tables 4-12 showing that a statistical t value of 3.918 was obtained while the table t value at a significant level of 5% was obtained by 1.99547 based on a total sample of 68 respondents. So it can be concluded that $t \text{ statistics} < t \text{ table}$ ($3.918 > 1.99547$), to corroborate the results of this analysis can also use P Value, provided that $p < 0.05$, based on the results of data analysis showing values of $0.000 < 0.05$. The provisions reject H_0 , it is concluded that Access to Financial Institutions has a positive and significant effect on Online Loans

CONCLUSION

Based on the results of the research and discussion that have been described above, the following conclusions can be drawn: 1. The development of online loan companies is increasing every year but the number of companies registered with the OJK is decreasing. 2. The development of Online Loan Crime is increasing rapidly, this is seen from the many complaints from the OJK and the news circulating 3. Lifestyle factors have no effect and are significant on Online Loans. 4. The Needs Factor has a positive and significant effect on Online Loans. 5. Access to Financial Institutions has a positive and significant effect on Online Loans.

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