

Online Loans during the Covid-19 Pandemic for the Batam Community

Jasman^{*1}, Nofri Yudi Arifin², Albertus Laurensius Setyabudhi³, Okta Veza⁴

^{1,2,3,4}Ibnu Sina University, Jl. Teuku Umar, Lubuk Baja, Kota Batam

e-mail: ^{*1}jasman@uis.ac.id

Abstract

This research will discuss online loans, online loans are digital financial service innovations that are very touching for people in need, especially during the Covid-19 pandemic. October 2021 data shows online loans have disbursed nearly billions of rupiah to the people of Batam. So that research on the impact of pinjol during the pandemic for the people of Batam is important. This research uses a qualitative research type by using a literature study type of research. The results of this study indicate that online loans have a good impact in helping the difficulty of funds for the people of Batam. However, this study also found that online loans have negative impacts that must be watched out for, including: the rise of illegal online loans, high interest rates and acts of terror and defamation that stalk users of this service.

Keywords— Online loans, Covid-19, Community.

PRELIMINARY

The Covid-19 pandemic has had such a severe impact on the economic sector in various countries and regions, including in Indonesia. This is further exacerbated by the policies of various countries in combating this epidemic, which has made the community's economy worse. Activity restrictions due to the Covid-19 pandemic have also caused economic losses nationally.

The Covid-19 pandemic has brought very bad risks to the national economy. Indonesia itself has taken various steps to reduce the impact of the Covid-19 pandemic on the community. Several steps have been taken, such as lowering the BI 7-Day Reverse Repo Rate by 25 basis points to 4.75%, the Deposit Facility interest rate to 4%, and the Landing Facility interest rate to 5.50%. This step was taken to provide a boost to economic growth in the midst of the Covid-19 pandemic. These measures were also taken to ensure controlled inflation and maintained external stability.

The business world itself is now starting to crumble. Many economic input and output processes have stalled. Many companies have closed their factories due to the declining purchasing power of the people. Layoffs also occurred in various sectors and in various regions. Small communities of SMEs, farmers, fishermen and laborers who expect daily income are even more severely affected. This of course creates food insecurity and a hunger crisis.

Currently, to help people get out of economic problems, many online loan services (Pinjol) offer loans with low interest rates. This Pinjol can be easily accessed only with a National Identity Card (KTP) and a mobile phone. In the current pandemic period, pinjol is considered a helper for the community, because it is able to provide funds to easily meet daily needs. With the various facilities available in the loan, it is hoped that the community's economy can grow.

In Batam itself, as of October 2021, loan service users have reached billions of rupiah. But on the other hand, many Acehnese are also trapped due to the use of this online loan service. Therefore, this study will explain how the impact of online loans during the Covid-19 pandemic on the people of Batam.

RESEARCH METHODS

This study uses a qualitative research type, where the data obtained will be described in the research results. By using relevant data, the results of this study will be interpreted through valid results. This research model is a literature review, where the findings and research materials obtained will be used as the basis for this research activity.

In solving existing problems, researchers use secondary data types obtained from various sources, such as: books, articles, journals, proceedings and accurate information from trusted and relevant websites, so that in the end they are able to answer the existing problems.

RESULTS AND DISCUSSION

The Effect of Online Loans on Society

Online loans are a financial service for the community, the result of technological advances in the national economy. This service is expected to improve people's welfare with an ongoing economic cycle. The rapid growth of pinjol in this country is also due to the potential of the Indonesian people, which is quite large in population, plus the current pandemic conditions that make it difficult for many people's economies.

Online loans are part of the development of financial technology, where this is part of the use of technology in the financial system that produces new products, services and technologies and or business models that can affect monetary system stability, financial system stability, efficiency, smoothness, security and reliability of the payment system.

Online loans have also been proven to provide convenience to consumers, both in terms of service access, terms and speed. Loans are also a quick way out for those who need fast funds for various purposes without having to come to a financial institution with various conditions and even collateral.

Ease of Online Loans for Batam People

The digital era 4.0 is marked by the entry of digitalization in human life activities. The simplest thing that can be seen from this change is the widespread use of smartphones in society. With the use of this smartphone, various important activities can now be done through one touch, including financial activities.

Online loans are products issued by non-bank financial institutions that are now rife in the community. Pinjol is a product of technological advances in financial activities in the digital 4.0 era. Pinjol is part of innovation in the financial sector or often called fintech. The conditions are so easy to get access to financial loans, enabling various levels of society to be helped with fresh capital from providing institutions, even from students. In fact, with easy access to online loans, loans are often considered a "credit card" for students.

Online loans are financial innovations that keep up with the times. Access to credit is at the heart of business and economic growth. This is part of an effort to revive the economy and ensure people have access to finance to run their businesses. Without credit, entrepreneurs and society cannot put innovative ideas into action.

Advances in technology and the availability of data are changing the way consumers and small businesses get funding. Taking advantage of these developments, online marketplace lenders are offering consumers and small businesses faster credit. Over the past ten years, online market lending companies have evolved from a platform that connects individual borrowers with individual lenders, to a sophisticated network featuring.

A loan or credit is the trust of the owner of the fund to repay a certain amount of funds in the hope of repaying it in the future. If a company obtains financing in the form of a loan, then some of the funds are lent by a financial institution, and the company is obliged to pay it off within the agreed period in installments, including principal and interest on the loan (Kurniawan & Wijaya, 2020).

In Batam itself, many people know about online loans. With ID card and bank account, The general public can withdraw funds in millions of rupiah. The ease of these conditions is enough to help the people of Aceh, especially since the loan does not require collateral or guarantees for the amount of funds borrowed. In fact, cooperatives located in several areas in Aceh are now aggressively changing the online-based lending system following the existing trend. The increasing demand for online loans from the Batam community is also reflected in the high volume of Batam community loans which reached billions of rupiah in October 2021. In addition to the increasing need for funds in the pandemic era, it is difficult to access funds to banks. For some people and MSEs, borrowing is an alternative for the Batam community to overcome financial constraints. Small communities can also feel better about credit loans with the availability of loans, where previously credit services required long terms, time-consuming implementation and guarantees for banking institutions.

Dangers of Online Loans

In the rules of the lending and borrowing game, the customer must pay according to the time and agreement. If the customer pays according to the agreement, then there is no bill, only a reminder. Billing occurs when payment commitments are not realized. Usually the service provider company will authorize debt collectors to collect loans from service users.

The convenience of online loans through technological developments has indeed made life more practical and effective. Pinjol alone makes people feel addicted to the facilities offered. With the convenience of technology, service providers will also find it easy to make billing in an unpleasant way. This is because service providers can access user location, phone contacts, make and manage user phone calls, send and access SMS, access photo galleries, media, and other files on mobile devices which should be the privacy of service users. Some of the dangers that target users of this service include the following.

First, the number of illegal online loans.

With the advent of lending through financial technology, conventional finance began to shift. The growing development of the financial sector has led to progress in terms of lending money. However, not all fintech implementing finance companies have been registered. The Financial Services Authority (OJK) revealed, as of 2021, there were 138 fintech lending (pinjol) officially licensed/registered at OJK.

very high but access to it is very easy. In addition, illegal loans usually change names frequently, but the interest on the loans continues to grow. Billing not only to service users, but also to emergency contacts through threats and defamation. It is even followed by misuse of data by spreading personal data to other parties which have been proven to be used to borrow funds in other loan applications. Another thing that is hidden from illegal loans is that the debt is not written off even if the borrower has paid it off.

Some of the factors causing the increase in illegal loans are the lack of regulation on total interest rates, the lack of maximum legal rules for illegal loans, the absence of criminal provisions for illegal loans, the difficulty of monitoring illegal loans, the lack of public literacy about loans and various fintech products, high public interest and easy access to loan applications.

Enforcement of regulations involving violations of illegal lending companies is also still not optimal. There are several causes for this problem, namely that most people do not report violations of their rights to the OJK. Most people do not have sufficient information about the institution responsible for the case. In addition, there are other factors such as the lack of socialization of the relevant agencies to identify illegal loans (through registration and permits at the OJK), which limits public awareness. Therefore, people often use illegal online loan services instead of licensed services. Even illegal lending companies without permission have a higher risk of violating the rights of service users, such as misuse of personal data and collection of payments through intimidation.

Second, higher interest rates.

With a simple and fast process to get a loan, online loans are considered more SME and community friendly than banks, but in general loans have higher interest rates than existing conventional financial institutions.

Interest and penalties are charged up to 1 to 4% per day, plus a surcharge of 40% of the loan value. The repayment period is also short, not in accordance with the agreement, making unethical collections such as violence, intimidation and harassment, and not having a complaint service or a clear office identity (RRI, 2021). High interest rates will certainly add to the burden on the people of Aceh, especially in the midst of the current pandemic, people are facing various uncertainties.

The amount of interest and fines on online loans is the result of low public literacy and reluctance to understand the agreements in online loan applications, so that when making credit transactions, people as borrowers often do not see in detail the terms or contents of the credit agreement.

Third, terror and defamation.

Easy and fast access from mobile applications makes people tempted to linger in the midst of various necessities of life. This is exacerbated by the public's low understanding of lending and borrowing so that personal data is very vulnerable to theft, so that collections carried out by intimidation are very vulnerable. In some cases, even within a week of borrowing, less than a week later they were intimidated by threats that the children of service users would be harmed. The community finally dug a hole to close the hole to cover the debt on one loan by borrowing money from another online loan. In addition to the cases above, there are various types of acts of violence and defamation carried out by online loans. Even the collectors did not hesitate to spread slander so that borrowers of funds would pay off their debts. Recently, service providers slandered loan customers as drug dealers, so the police stepped in. Pinjol's violence and slander is not an easy thing to do. The psychological impact left behind will greatly affect the personality of service users.

CONCLUSION

Online loans are like a knife that has two sides. On the one hand, online loans have a good impact because they can help the community's needs quickly, even in the Batam area as of October 2021 billions of rupiah have been distributed to the community. But on the other hand, online

loans can add to problems for service users, such as the rise of illegal online loans, high interest rates and violence to defamation of service users. Therefore, the literacy of the Acehnese people about online loans is very much needed so that people are not trapped in the bad effects of borrowing. In addition, clear regulations and strict supervision by the OJK are very important so that the public is protected, especially regarding privacy which can interfere with aspects of people's lives and psychology, especially in the midst of the economic crisis during the Covid-19 pandemic.

SUGGESTION

A more comprehensive study is needed regarding the impact of online loans during the Covid-19 pandemic on the people of Aceh by distributing questionnaires and interviews to research samples, so that the data obtained is more accurate and can be used as a reference for service users.

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