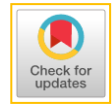


# The Protection Policies on Predatory Digital Credit Traps Students: Lessons from Indonesia



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## ABSTRACT

This study examines the increasing practice of illegal online lending that targets university students and places them in financially vulnerable conditions. The rapid growth of digital lending services has expanded access to credit, but it has also enabled predatory schemes that exploit students with limited income and insufficient financial literacy. This research aims to analyze the factors that encourage student involvement in illegal online lending, identify the operational patterns adopted by unlawful lenders, and formulate effective measures for risk protection. The study uses a sociolegal approach that combines normative legal analysis with empirical data gathered through questionnaires and interviews with students. The findings show that, first, many students understand that online loans do not offer sustainable solutions to financial difficulties, yet many remain unable to distinguish lawful platforms from unlawful services. Second, financial pressure, immediate access to funds, persuasive digital promotion, and limited awareness of legal risks significantly increase student exposure to illegal lending. Third, illegal lenders impose excessive charges, misuse personal data, employ coercive collection methods, and generate financial instability, psychological distress, and declining academic performance. This study concludes that student vulnerability to illegal online lending reflects a structural problem that requires stronger regulation, university-based protection mechanisms, and continuous financial literacy programs.



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## Introduction

Financial technology integrates financial services with digital innovation and creates a more modern and efficient business model than conventional financial practices. In the past, payment transactions generally required direct meetings and cash exchanges, whereas current digital systems allow users to complete transactions remotely within seconds. This transformation also appears in the rapid growth of nonbank digital platforms that offer quick and unsecured lending services commonly known as online loans. Borrowing and lending remain fundamental economic activities that continue to shape daily social and commercial relations. Parties may conclude loan agreements directly or indirectly

through written or unwritten arrangements. Before the emergence of online lending platforms, people usually depended on banks or formal financial institutions and had to complete lengthy administrative procedures and multiple eligibility requirements before receiving loan disbursement.<sup>1</sup>

Online loans constitute a digital financial service that enables lenders and borrowers to enter loan agreements in national currency through internet based electronic systems. Authorized business entities operate these platforms to provide financing services without requiring direct physical meetings between the parties. Technological advancement in the financial sector has accelerated the emergence of online lending and transformed credit services into faster, more accessible, and more efficient mechanisms. Online lending platforms commonly attract users by offering simplified procedures, rapid approval, and flexible administrative requirements when compared with conventional financial institutions. Online loans also differ significantly from traditional bank credit schemes. Many digital lending services provide unsecured loans without demanding physical collateral from borrowers. In contrast, banks generally apply collateral based lending standards, although some institutions offer limited unsecured credit facilities subject to stricter eligibility requirements. Consequently, online lending has developed into an alternative financing option for individuals who need immediate funds but encounter obstacles in accessing conventional banking services.<sup>2</sup>

The Financial Services Authority recorded substantial growth in online lending activity during the 2020 to 2025 period, which reflects the rapid expansion of digital credit services within the national economy. In December 2023, the authority reported 18.07 million active users of online loan applications, indicating that a large segment of society increasingly relied on technology based financing services. Most active users were located in Java, which accounted for 73.34 percent of the total, while regions outside Java represented 26.66 percent. This distribution demonstrates that digital financial access remains concentrated in areas supported by stronger infrastructure, denser populations, and wider internet connectivity. In January 2024, online lending platforms disbursed IDR 22.07 trillion in loans. Although this amount declined by 2.22 percent from IDR 22.57 trillion in the previous month, the volume of lending activity remained high and showed continued public demand for short term credit facilities. During the same month, lending providers served 9.94 million borrower accounts nationwide. The number

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<sup>1</sup> Sharon Cowan and others, 'Data , Disclosure and Duties : Balancing Privacy and Safeguarding in the Context of UK University Student Sexual Misconduct Complaints', *Legal Studies*, 44.2024 (2024), 478–97 <https://doi.org/10.1017/lst.2024.9>

<sup>2</sup> Learning Eval-, Matias J Cafaro and Bernadette M Delgado, 'Board 312: Implementing an Ecosystem to Expand Capabilities and Opportunities for STEM-Scholars Implementing Ecosystems to Expand Capabilities and Opportunities for STEM-Scholars', in *2023 Annual Conference & Exposition*, 2023, pp. 1–7. <https://peer.asee.org/42868>

of borrower accounts decreased by 1.2 percent compared with the previous month, yet borrowing activity continued at a significant level. Java remained the dominant region with 7.63 million borrower accounts, equal to 76.77 percent of total national borrowers. These developments show that online lending has transformed from a secondary financing option into a major source of credit access for many citizens. The continued dominance of Java also indicates persistent regional disparities in digital literacy, economic opportunity, and technological readiness. Therefore, regulators and policymakers need to strengthen consumer protection, improve supervisory mechanisms, and expand equitable digital financial access across all regions.<sup>3</sup>

The rapid expansion of online loan services in Indonesia has increasingly pushed many individuals into recurring debt cycles that are difficult to break. The accessibility of these platforms, characterized by quick approval processes and minimal verification, often encourages repeated borrowing, especially among those facing immediate financial pressures.<sup>4</sup> High interest rates, hidden fees, and limited understanding of loan terms further exacerbate the risk of borrowers becoming dependent on new loans to repay existing ones.<sup>5</sup> College students represent one of the most vulnerable groups within this phenomenon which is the low income population. Socio-economic pressures, peer influence, and social media exposure frequently normalize online borrowing as part of daily financial management.<sup>6</sup> At the same time, low financial literacy and limited institutional support heighten their susceptibility to predatory lending practices.<sup>7</sup> Beyond the financial burden, online loans also pose risks such as unethical debt collection methods and the misuse of personal data, which can lead to broader psychological and academic consequences.<sup>8</sup> These conditions underscore the urgency of strengthening legal and

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<sup>3</sup> Eddy Junarsin and others, 'Does Fintech Lending Expansion Disturb Financial System Stability? Evidence from Indonesia', *Heliyon*, 9.9 (2023), e18384 <https://doi.org/https://doi.org/10.1016/j.heliyon.2023.e18384>

<sup>4</sup> Mabsuti and Robby Nurtresna, 'Perlindungan Hukum Terhadap Konsumen Pinjaman Online', *Bureaucracy Journal: Indonesia Journal of Law and Social-Political Governance*, 2.1 (2022), 235–43 <https://doi.org/10.53363/bureau.v2i1.90>

<sup>5</sup> Amira and Dian Sugiarti, 'Sharia Economic Perspective on Online Loans Among Millenials', in *The 6th International Seminar on Business, Economics, Social Science, and Technology (ISBEST) 2023*, 2023, III, 317–21 <https://doi.org/10.33830/isbest.v3i1.1476>

<sup>6</sup> Yan Zhang and others, 'Risk Factors for College Students ' Online Lending between Different Genders-A Cross-Sectional Study In', *Frontiers in Psychology*, 14.January (2023), 1–6 <https://doi.org/10.3389/fpsyg.2023.965049>

<sup>7</sup> Made Ayu and others, 'Understanding Financial Behavior Among Students : A Literature Review on the Risks of Falling into Online Loan Debt', *Journal of Sustainable Business and Management*, 4.2 (2024), 53–63 <https://doi.org/10.52432/justbest.4.2.53-63>

<sup>8</sup> Logan Gunadi Wirawan, Ni Made and Martini Puteri, 'The Impact of Illegal Online Loans on Student Financial Well- Being and Academic Persistence', *Penelitian Ilmu Pengetahuan Sosial*, 2.1 (2025), 32–47 <https://doi.org/10.61511/pips.v2i1.2025.1781>

institutional mechanisms to protect college students from becoming trapped in long-term financial vulnerability.<sup>9</sup>

From a regulatory perspective, Indonesia has established several legal instruments that can mitigate the risks arising from online lending activities. The government has enacted statutes and sectoral regulations to supervise digital financial services, protect consumers, and maintain market integrity. Although these instruments demonstrate legislative responsiveness to technological change, their implementation still faces challenges related to coordination, enforcement capacity, legal awareness, and the rapid evolution of digital lending models. As a result, the existence of regulations alone has not fully prevented unlawful practices, abusive debt collection, misuse of personal data, or the operation of illegal lending platforms.<sup>10</sup> The Financial Services Authority issued Regulation Number 77 of 2016 to govern information technology based lending services. This regulation introduced a formal legal framework for peer to peer lending activities by requiring platform registration, licensing, corporate governance standards, risk management obligations, and regulatory supervision. The regulation marked an important early step in recognizing digital lending as part of the formal financial sector. However, the growth of more complex lending schemes and stronger consumer protection demands later required regulatory refinement.<sup>11</sup>

The Financial Services Authority subsequently issued Regulation Number 22 of 2023 to strengthen consumer protection throughout the financial services sector. This regulation requires financial service providers to ensure transparency of information, fair treatment, responsible marketing conduct, accessible complaint handling, and effective dispute resolution. Through these provisions, regulators sought to address recurring problems such as hidden charges, misleading promotions, and weak accountability mechanisms that often harmed borrowers. Indonesia also relies on the Consumer Protection Law of 1999, which guarantees the right of consumers to receive accurate information, obtain fair treatment, and seek compensation for losses caused by unlawful business conduct. This statute provides a broader legal basis for borrowers to challenge unfair contractual terms or deceptive lending practices. In addition, the Electronic Information and Transactions Law recognizes the legality of electronic transactions and regulates conduct within digital platforms, while the Financial Services Authority Law grants supervisory authority over financial institutions and related activities. Despite this relatively comprehensive framework, legislative issues remain

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<sup>9</sup> Bu Qingyun, 'Risks in Online College Student Lending in China and Coordinated Regulation', *Science Insights*, 42.2 (2023), 807–11 <https://doi.org/10.15354/si.23.re122> Funding:

<sup>10</sup> Oktavianus Paden and others, 'Analisis Dampak Resiko Pinjaman Online Terhadap Mahasiswa', *Jurnal Simasi: Jurnal Ilmiah Sistem Informasi*, 4.1 (2024), 98–113 <https://doi.org/10.46306/sm.v4i1>

<sup>11</sup> Ryan Randy Suryono, Indra Budi and Betty Purwandari, 'Detection of Fintech P2P Lending Issues in Indonesia', *Heliyon*, 7.4 (2021), e06782 <https://doi.org/https://doi.org/10.1016/j.heliyon.2021.e06782>

significant. Regulatory overlap between institutions, limited sanctions against illegal operators, low public literacy, and cross border digital operations often weaken enforcement effectiveness. Therefore, Indonesia needs stronger harmonization of laws, faster regulatory adaptation, integrated supervision, and more effective legal remedies to ensure that online lending develops within a fair, secure, and accountable legal environment.<sup>12</sup>

Although national-wide regulations on online loans have already existed to solve the on-going issues in Indonesia, a university-level regulations on online loans, especially in UNNES, are still needed to ensure the protection of UNNES students who are trapped in this cycle. A lot of researches tend to view college students as users of digital financial services, without linking it to the university's structural role as a public institution which has administrative authority, personal data management, and responsibility toward its students' welfare. This research gap implicates on the lack of policy formulation on academic institution based illegal online loan mitigation, especially in university environment.

In this context, Semarang State University holds a strategic role not only as a higher education provider but also as a public institution responsible for implementing the constitutional mandate to fulfill the right to education. The university served more than fifty-five thousand students in 2024, which reflects the broad scope of its responsibility in safeguarding student welfare and ensuring educational continuity. The institution must therefore provide not only academic services but also a secure environment that protects students from economic, social, and technological risks that may disrupt their studies. This responsibility became increasingly important during the 2020 to 2025 period, when digital lending services expanded rapidly throughout Indonesia. National data recorded 18.07 million active online loan users in December 2023, which indicates the growing reliance of society on instant digital credit facilities. Most users were located in Java, representing 73.34 percent of the national total. In January 2024, online lending providers distributed IDR 22.07 trillion through 9.94 million borrower accounts, and 76.77 percent of those accounts were concentrated in Java. These figures show that students in Central Java, including those at Semarang State University, operate within a region that experiences the highest intensity of digital lending activity.<sup>13</sup>

University students frequently face financial pressure arising from tuition obligations, housing expenses, transportation costs, academic materials, and daily living needs. Students who experience delays in family support or lack stable

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<sup>12</sup> Mudjahidin, Alifiansyah Arrizqy Hidayat and Andre Parvian Aristio, 'Conceptual Model of Use Behavior for Peer-to-Peer Lending in Indonesia', *Procedia Computer Science*, 197 (2022), 215–22 <https://doi.org/https://doi.org/10.1016/j.procs.2021.12.134>

<sup>13</sup> Danang Puji, 'Geoforum Studentification in the Global South : Neoliberal University Reform and Speculative Housing in Semarang , Indonesia', *Geoforum*, 170.January (2026), 104541 <https://doi.org/10.1016/j.geoforum.2026.104541>

income often become more vulnerable to digital loan offers that promise immediate approval and simple requirements.<sup>14</sup> Their high level of digital engagement also increases exposure to aggressive promotion through social media and mobile applications. Semarang State University manages several important aspects of student life, including tuition administration, scholarship distribution, student identity records, and institutional digital communication systems. The university must strengthen governance in these areas to reduce the risk of personal data misuse, deceptive lending promotion, and debt dependency among students. The institution should implement financial literacy programs, emergency assistance schemes, counseling services, secure data protection measures, and complaint mechanisms for affected students. Through these measures, the university can protect students from digital financial exploitation while maintaining equal access to education and supporting academic success.<sup>15</sup>

Previous studies have examined online lending from various perspectives. Mudjahidin Hidayat, Alifiansyah Arrizqy Aristio, Andre Parvian (2022)<sup>16</sup> found that digital payday lenders frequently use persuasive advertising strategies, high trust online environments, and opaque disclosures that can mislead financially vulnerable consumers and normalize risky borrowing behavior. Suryono (2021)<sup>17</sup> demonstrated that digital finance expands access to credit and consumption opportunities, but simultaneously increases the likelihood of household financial distress and debt traps when borrowing occurs without adequate safeguards. Junarsin (2023)<sup>18</sup> argued that the rapid evolution of lending markets from conventional banking to platform-based finance has transformed credit access, while also creating new governance, transparency, and regulatory challenges. Recent educational research (2022)<sup>19</sup> further emphasized that students increasingly encounter financial pressure in digital environments, making young adults more susceptible to risky borrowing decisions when institutional support remains weak. However, previous studies have not specifically addressed the vulnerability of university students to illegal online lending and the preventive role of higher education institutions in protecting students from recurring debt, data exploitation, and academic disruption.

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<sup>14</sup> Ya-ling Chang, 'Beyond Common Sense: An Inquiry into Neoliberalism and English as the Medium of Instruction in Taiwanese Higher Education', *Higher Education Policy*, 2025 <https://doi.org/10.1057/s41307-025-00398-z>

<sup>15</sup> Bimo Setyo Nugroho, 'Why Do They Take Online Loans? (Study on Higher Students in East Java, Indonesia)', *Journal of Applied Economics in Developing Countries*, 9.1 (2024), 10–16 <https://doi.org/10.20961/jaecd.v9i1.84511>

<sup>16</sup> Mudjahidin, Hidayat and Aristio.

<sup>17</sup> Suryono, Budi and Purwandari.

<sup>18</sup> Junarsin and others.

<sup>19</sup> Muhammad Talhah and others, 'The Indonesian Journal of the Social Sciences Pilot Study and Data Examination for the Teaching Composition of Higher Order Thinking Skills ( HOTS ) in the Field of Sirah on Islamic Education Teachers', *Jurnal Ilmiah Peuradeun*, 10.3 (2022) <https://doi.org/https://doi.org/10.26811/peuradeun.v10i3.694>

To address this gap, this study aims to examine mitigation strategies for students' vulnerability to illegal online lending schemes through a university-level policy framework. From an academic perspective, this study contributes to the advancement of legal discourse on student protection in the digital economy by incorporating perspectives on data protection, the right to education, and institutional responsibility. From a policy perspective, this study provides practical recommendations for public universities in developing structural and protection-oriented prevention efforts.

## Research Method

This research applies a qualitative method to examine the risks of online lending for university students and to formulate effective mitigation policies. The study adopts a sociolegal research design that integrates empirical inquiry with normative legal analysis. This design allows the researcher to evaluate online lending as both a regulatory issue and a social phenomenon that influences student welfare, financial behavior, and educational continuity. The research concentrates on three central issues, namely the patterns and motives of online loan offers, the factors that encourage students to use online loans, and the negative consequences that arise from such borrowing practices. The study uses a sociolegal approach because statutory interpretation alone cannot fully explain the practical problems associated with online lending. Legal norms regulate lending activities, consumer rights, personal data protection, and institutional supervision, yet many disputes emerge from weak enforcement, limited legal awareness, and unequal bargaining positions between lenders and borrowers. The research therefore connects legal provisions with the realities experienced by students as actual or potential users of digital lending services.<sup>20</sup>

The research uses primary and secondary data sources. The researcher collected primary data through questionnaires distributed to students of Semarang State University from various faculties and academic programs. The questionnaire gathered information concerning student knowledge, perceptions, borrowing behavior, awareness of lawful and unlawful lending platforms, and expectations regarding institutional protection. This process enabled the researcher to identify patterns of vulnerability and student needs in a systematic manner. The researcher obtained secondary data through a literature study. The study reviewed legislation, regulatory policies, official reports, academic journals, books, prior research, and other relevant documents concerning financial technology,

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<sup>20</sup> Abubakar Abubakar, 'Identification of Some Distinctive Values of Acehese Malee (Shyness) for Character Education', *Jurnal Ilmiah Peuradeun*, 7.1 (2019) <https://doi.org/https://doi.org/10.26811/peuradeun.v7i1.224>

consumer protection, and higher education governance. These materials provided theoretical foundations and legal context for the empirical findings.<sup>21</sup>

The researcher organized the collected data in narrative form and supported the presentation with tables and diagrams when necessary. The analysis applied qualitative interpretation, inductive reasoning, and legal hermeneutics. The researcher first identified factual patterns from questionnaire responses, then compared those findings with existing legal norms and policy frameworks, and finally interpreted the gap between law and practice. Through this analytical process, the study produced conclusions regarding the causes and impacts of student exposure to online lending and formulated policy recommendations for preventive protection within the university environment.<sup>22</sup>

## Results and Discussion

### *Online Loan Services and the Vulnerability Protection Policy for College Students*

Understanding the relationship between online lending and student vulnerability is essential to explain how financial exploitation develops in higher education environments. Student vulnerability often emerges through the interaction of lifestyle pressure, consumerism, and limited financial capacity. Many students seek to follow social trends, maintain peer acceptance, and purchase nonessential goods such as gadgets, fashion products, and entertainment services in addition to academic needs. Social media exposure frequently strengthens these consumption patterns by presenting idealized lifestyles and material success. When available income cannot support such spending, students search for quick financial solutions. Online lending platforms attract students by offering rapid approval, simple procedures, and immediate fund disbursement. This convenience encourages impulsive borrowing decisions and increases the risk of debt dependence, financial instability, and disrupted academic performance.<sup>23</sup>

According to previous research, college students who engage in consumptive behavior have a greater desire to apply for online loans. This can be triggered by several factors that support consumptive behavior, such as discounts, which can directly lead to an addiction to consumptive behavior. Then, there is a sense of attraction to a product, from its form to its packaging, to support one's appearance. Therefore, various methods are used to purchase expensive branded products to keep up with the times. Most likely, the price of the product is not the main

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<sup>21</sup> Muhamad Nastain, Irwan Abdullah and Zuly Qodir, 'The Indonesian Journal of the Social Sciences Cultural Barrier in the Regeneration Process of Islamic Political Party in Indonesia', *Jurnal Ilmiah Peuradeun*, 12.2 (2024) <https://doi.org/https://doi.org/10.26811/peuradeun.v12i2.1104>

<sup>22</sup> Naeem AllahRakha, 'Data Protection Conflicts and Procedural Fairness in Cross-Border Digital Dispute Resolution', *Journal of Sustainable Development and Regulatory Issues*, 4.1 (2026), 247-77 <https://doi.org/https://doi.org/10.53955/jsderi.v4i1.162>

<sup>23</sup> Ratna Noviani, Heru Nugroho and Elok Santi Jesica, 'Grab It Fast! Entrepreneurial Self and Hyper-Consumerism in the Students ' Prosumption of Online Lending Services in Indonesia', *SAGE Journals*, 15.3 (2025), 1-14 <https://doi.org/10.1177/21582440251358990>

consideration when purchasing an item. Therefore, to purchase quality products that reflect social status symbols, the method often used by college students is to take out online loans.<sup>24</sup>

In line with consumptive behavior, materialism is also a significant factor in the increasing interest of college students in applying for online loans. College students, who are often shaped by social and cultural influences that are oriented towards consumption, aspire to continuously acquire new products and maintain a lifestyle that is in line with current trends. College students also tend to compare themselves to their peers with more expensive material group.<sup>25</sup> However, their limited financial resources create a gap between their desires and their actual purchasing power, making online loans an attractive and easily accessible way to bridge this gap. Individuals who exhibit these characteristics tend to take out loans when their income is insufficient to support their consumption patterns.<sup>26</sup> This indicates that the vulnerability of the students toward online loan services is not only based on the college students' individual financial needs, but there is also a socio-economic aspect went in play to influence them to get loan from online loan services due to the pressure to be able to look as nice as wanted outside of their range of income.

Easy access to online lending increases student vulnerability. Mobile applications and websites offer rapid approval, simple requirements, and immediate funds. Many students choose these services over conventional banks. Providers also use targeted social media advertising that encourages impulsive borrowing and increases the risk of recurring debt obligations.<sup>27</sup> With the ease of applying for online loans, borrowers often use these platforms to meet various daily needs.<sup>28</sup> Students who normalize debt as part of personal financial management often regard online loans as a regular funding source rather than an emergency option. This perception, combined with easy access to digital lending services, contributes to rising borrowing levels among students. Rapid approval processes, simple requirements, and constant digital promotion encourage repeated use of online credit facilities. As reliance on these services increases,

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<sup>24</sup> Nugroho.

<sup>25</sup> Bin Gao, Bo Jiang and Juan Zhang, 'Materialism and Envy as Mediators between Upward Social Comparison on Social Network Sites and Online Compulsive Buying among College Students', *Frontiers in Psychology*, 14.March (2023), 1–8 <https://doi.org/10.3389/fpsyg.2023.1085344>

<sup>26</sup> Fery Riyanto and others, 'Behavioral Factors Determining Interest in Using Online Loans Generation Z: A Study in Indonesia', *Jurnal Penelitian Ekonomi Dan Bisnis*, 10.1 (2025), 55–65 <https://doi.org/10.33633/jpeb.v10i1.12147>

<sup>27</sup> Poppy Amanda Putri and Kasmanto Rinaldi, 'The Problems of Illegal Online Loans Based on the Victim ' s Perspective : A Case Study', *International Journal of Advances in Social and Economics*, 4.3 (2022), 102–6 <https://doi.org/10.33122/ijase.v4i3.215>

<sup>28</sup> Fauzan Azima and Yohannes Kurniawan, 'An Analysis of Factors Influencing the Use of Online Loan Applications among University Students in Jakarta', *Edelweiss Applied Science and Technology*, 9.5 (2025), 3134–48 <https://doi.org/10.55214/25768484.v9i5.7654>

students become more vulnerable to persistent debt cycles that are difficult to escape. Long term consequences may include weakened financial stability, reduced savings capacity, and disruption of academic priorities. These conditions show that online lending involves not only convenience but also structural factors that intensify student vulnerability.<sup>29</sup>

Low financial literacy increases student vulnerability to online loans. Many students fail to understand interest burdens, hidden charges, and long-term debt consequences. Digital lenders exploit this weakness through persuasive promotion and easy access. Impulsivity and social influence further weaken judgment, leading students to uninformed borrowing decisions.<sup>30</sup> These findings are parallel to the questionnaire result on how college students view the dangers of online loans but still unaware on how to avoid those dangers.

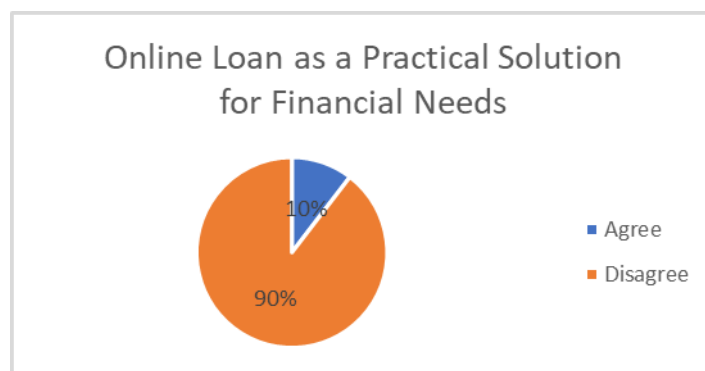


Chart 1. Online Loan as a Practical Solution for Financial Needs

The first pie chart illustrates that a significant proportion of college students who participated in the questionnaire demonstrate a general awareness that online loans do not constitute a practical or sustainable solution to the financial difficulties they face. This is reflected in the finding that approximately 90% of respondents agreed that online loan services are not an effective means of addressing their financial problems.

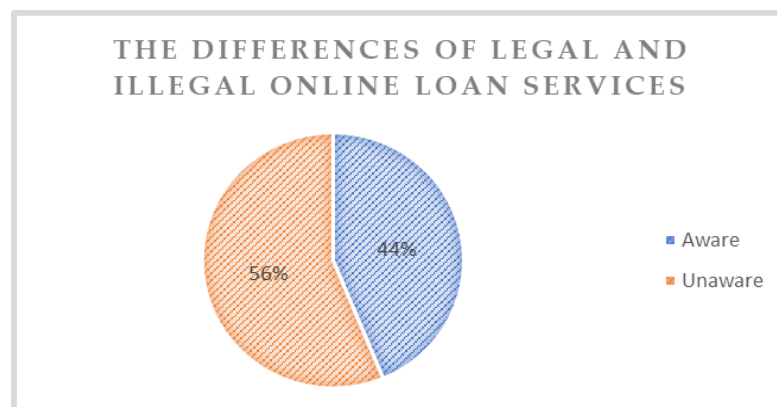


Chart 2. College Students' Awareness Level of Legal and Illegal Online Loan Characteristics

<sup>29</sup> Ahmad Hidayah, 'Membongkar Sisi Gelap Fintech Peer-to-Peer Lending (Pinjaman Online) Pada Mahasiswa Di Yogyakarta', *Journal of Humanity Studies*, 1.1 (2022), 1-17 <https://doi.org/10.22202/jhs.2022.v1i1.6189>

<sup>30</sup> Riyanto and others.

However, a notable contrast emerges in the second pie chart. Despite this relatively high level of awareness, a substantial portion of respondents still lack the ability to distinguish between legal and illegal online loan services. Specifically, around 56% of the respondents representing more than half of the sample indicated that they do not know how to differentiate between the two. This discrepancy highlights a critical gap between general awareness and practical financial literacy. While students may recognize the risks associated with online loans in principle, their limited understanding of how to identify legitimate and illegitimate services leaves them vulnerable to exploitation. If not addressed, this gap may pose significant risks in the future, particularly as students may inadvertently engage with illegal providers due to their inability to make informed distinctions.

Financial pressure and social expectations significantly increase student vulnerability to online loans. Many students borrow to pay tuition fees, housing costs, daily living expenses, and academic participation costs such as competitions or organizational activities. Rising education expenses and limited family support often intensify this pressure. Students who seek financial independence may also turn to online lending as an immediate solution. However, limited financial experience frequently prevents students from fully understanding repayment obligations, interest accumulation, and long-term debt consequences. Students who live away from home face even greater vulnerability because they manage expenses independently and often lack emergency support. Lending providers exploit these conditions, especially during tuition payment periods or other financially demanding times. Questionnaire results also confirmed that financial necessity strongly influences student borrowing decisions.

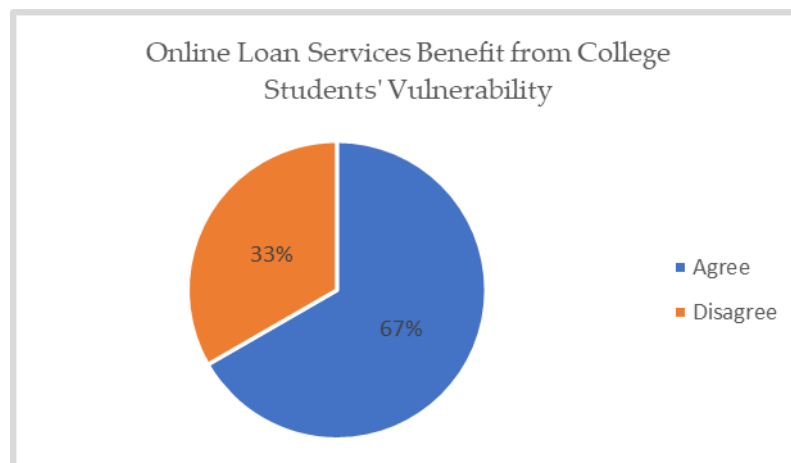


Chart 3. Online Loan Services Benefit from College Students' Vulnerability

More than 60% of college students agreed that online loan services tend to exploit the vulnerabilities of students as a target group. This perception reflects a growing awareness among respondents that such services are designed to take advantage of financial distress and limited alternatives faced by college students. Furthermore, respondents also recognized that online loans should not be relied upon as a solution during emergencies, as their use may exacerbate existing

financial difficulties rather than resolve them. Instead, they acknowledged the availability of alternative sources of financial support that are relatively safer and more sustainable. The participants of the study consistently emphasized that resorting to online loan services in urgent situations is not advisable, particularly due to the way these services capitalize on their vulnerable circumstances.

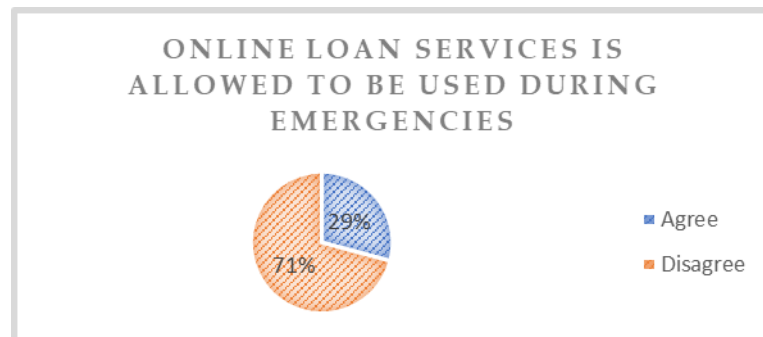


Chart 4. Online Loan Services is allowed to be used during Emergencies

Approximately 71% of college students expressed disagreement with the use of online loan services as a coping mechanism during periods of financial difficulty. This response indicates a significant level of awareness among students regarding the potential risks associated with such services, particularly when used repeatedly. The recurring use of online loans is widely perceived to lead to various adverse consequences that may worsen, rather than alleviate, financial conditions. In this context, the impacts of illegal online loan practices on college students should not be viewed solely as individual financial problems, but rather as issues that also implicate the broader institutional responsibility of universities in ensuring student protection. Therefore, identifying and analyzing the range of impacts experienced by student borrowers becomes essential, as it serves as a critical foundation for the formulation of mitigation policies as well as the development of protective mechanisms at the university level.

Students who become involved in illegal online lending schemes may experience serious financial consequences, particularly debt cycle entrapment. Illegal lenders commonly impose excessive daily and annual interest charges, add hidden fees, and conceal repayment terms from borrowers. Limited financial knowledge often prevents students from understanding the full cost of borrowing before accepting the loan. As repayment obligations increase, many students seek new loans to cover previous debts, which creates a continuous cycle of dependency. This pattern has affected university students in several institutions. In 2022, reports indicated that 116 students from Bogor Agricultural University out of 300 respondents became borrowers and victims of online loan fraud. In 2023, 58 students from Yogyakarta State University were also reported to have become trapped in online lending schemes. These cases show that illegal online loans create substantial financial risks for students.<sup>31</sup> This incident shows that the ease of disbursing

<sup>31</sup> Dwi Rezky Anandari Sulaiman, 'Studi Literatur : Risiko Psikologis Penggunaan Fintech Lending Pada Mahasiswa', *Jurnal MediaTIK: Jurnal Media Pendidikan Teknik Informatika Dan Komputer*, 7.2 (2024), 197–201 <https://doi.org/10.59562/mediatik.v7i2.2894>

loan funds without considering the high interest rates for debt repayment is the main cause of the cases experienced by college students.

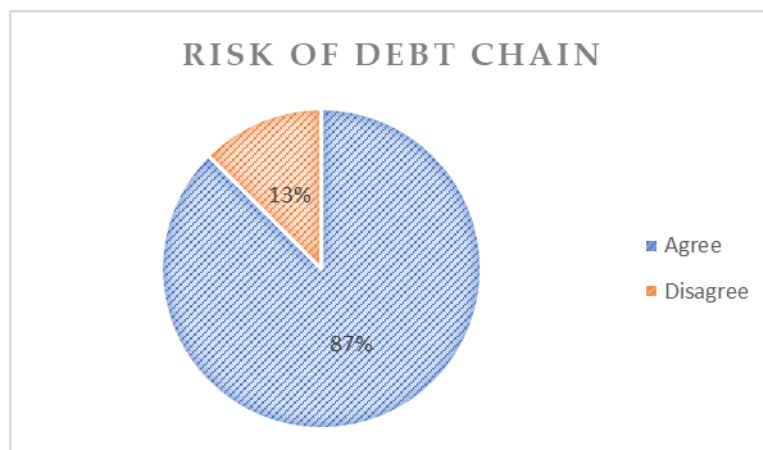


Chart 5. College Students' Awareness Level of Debt Chain Risk from Online Loan Services

Based on the results of the questionnaire, college students generally acknowledge that the use of online loans has the potential to trap borrowers in a persistent and self-perpetuating cycle of debt. This cycle often arises due to the imposition of excessively high interest rates, coupled with various hidden fees that are not transparently disclosed at the outset of the loan agreement. As a result, borrowers are frequently required to repay amounts that significantly exceed the initial loan, making it increasingly difficult to settle their obligations. Consequently, many individuals resort to taking out additional loans to cover existing debts, thereby reinforcing a continuous pattern of financial dependency and deepening their vulnerability.

This is supported by research findings that college students who need money quickly because they have no other financial alternatives, such as savings or family assistance, can easily obtain loans due to the ease of access to loan applications and approvals through online lending platforms. The increase in the use of these loans is also evident among college students in Kupang City, which makes this phenomenon the focus of attention in this study. One case that reflects the vulnerability of college students to loan debt was revealed in Kupang City. A video that went viral on social media showed a student who was trapped in debt of up to IDR 18 million, even though he initially only borrowed IDR 600,000. Similar cases have also occurred in various regions in Indonesia, as reported by CNN Indonesia, where the total loan debt trapping college students reached IDR 450 billion. This phenomenon highlights the gap in financial literacy and risk understanding among college students. High interest rates and the potential for debt traps are major issues. Loan interest rates in Indonesia can reach 0.8% per day or equivalent to 292% per year, far exceeding conventional loan interest rates. This situation can lead to a spiral of debt that is difficult to control, especially for college students

who generally do not have a steady income.<sup>32</sup> Both the empirical and non-empirical findings insinuate that the impact of online loan services rooted from something that is more systematic and universal than the need to have more money and income but their economic rights.

Students trapped in online loans often experience declining mental health and serious psychological distress. Unpaid debts continue to increase through high interest charges, administrative costs, and late payment penalties, which create financial pressure that many students cannot easily resolve. This burden frequently generates anxiety, emotional exhaustion, and persistent stress. At the same time, financial problems reduce concentration, weaken motivation to study, and lower academic performance, thereby intensifying psychological strain. Students may also fear aggressive collection practices, harassment, or intimidation from lenders. Many experience shame, guilt, and feelings of personal failure because they cannot manage their obligations. These pressures can produce sleep disturbance, restlessness, excessive worry, hopelessness, and social withdrawal. If these conditions continue, they may obstruct academic progress, damage social relationships, and disrupt the educational development that should remain the primary focus of student life.<sup>33</sup> This condition indicates that the impact of online loan practices extends beyond financial harm, affecting the psychological well-being and overall development of college students. Online loans negatively affect student academic performance. Students who borrow more frequently often achieve lower academic results because debt pressure reduces concentration and motivation. Many must allocate additional time to work and repay loans, leaving less time for study. Financial instability also decreases participation in academic activities and learning engagement.<sup>34</sup>

Students trapped in online loans may commit criminal acts when severe financial pressure creates desperation. Escalating debt obligations and persistent collection demands can drive students to seek money through unlawful means. In one reported case, a private university student in Sleman Regency was arrested for breaking into a friend's rented room and stealing electronic items, including a laptop and mobile phone. The student stated that he committed the offense to repay personal debts totaling IDR 5,000,000, most of which originated from online loans. This case illustrates how uncontrolled debt pressure can push financially

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<sup>32</sup> Merling Tonia Litron Litos Conthes Messakh and Delsyia Tresnawaty Ufi, 'Financial Counseling: Financial Ethics and Consumer Psychology to Reduce the Risk of Online Loans for Kupang Students', *Apostolos: Journal of Theology and Christian Education*, 4.2 (2024), 152–69 <https://doi.org/10.52960/a.v4i2>

<sup>33</sup> Sipa Tias Yuliani and Usep Saepul Mustakim, 'Dampak Pinjaman Online Terhadap Mahasiswa Di Kecamatan Cimanuk', *Socius: Jurnal Penelitian Ilmu-Ilmu Sosial*, 2.January (2025), 40–45 <https://doi.org/10.5281/zenodo.14623806> Dampak

<sup>34</sup> Indah Mahaputri Sarira, Robert Kurniawan Ruslak Hammar and Manuel Lambi, 'Pengaruh Pinjaman Online Terhadap Prestasi Kuliah Mahasiswa Penerima KIP-Kuliah Di Program Studi S1 Manajemen Universitas Caritas Indonesia', *INNOVATIVE: Journal Of Social Science Research*, 5.4 (2025), 7236–45 <https://doi.org/10.31004/innovative.v5i4.20150>

distressed students toward criminal behavior.<sup>35</sup> In addition, there was a murder case involving two public university college students in the Depok area. The student committed premeditated murder against his junior, and after the motive was revealed, it was because he was overwhelmed by online loan debts and jealous of his junior's success. After killing his junior, the student stole valuable items belonging to the victim, such as phones and laptops.<sup>36</sup>

### ***The Protection Policies on Predatory Digital Credit Traps Students***

The government and universities must implement preventive and corrective measures to prevent further victimization arising from online lending among students. Questionnaire results show that nearly eighty percent of students support special protection policies for student borrowers and university regulations on online loan risk mitigation. These findings demonstrate a clear need for legal certainty and institutional safeguards as digital lending use continues to increase in campus environments. Policymakers should incorporate these measures into binding legal frameworks at national and institutional levels. The government must strengthen licensing supervision, business feasibility assessments, consumer protection standards, personal data security, and risk management requirements.<sup>37</sup> A regulatory framework to test the business model, risk profile, and operational readiness is also done by Financial Services Authority, which is an effective live feasibility assessment.<sup>38</sup> Financial Services Authority itself has regulated a standardized consumer protection and according to its regulation, which is POJK 6/POJK.07/2022 on consumer and community protection, it imposes principles of transparency, fair treatment, reliability, complaint handling, and dispute resolution for fintech providers.<sup>39</sup>

Based on the Financial Services Authority regulations (POJK 77/2016; SEOJK 14/2014; SEOJK 18/2017; POJK 13/2018) enforces providers to ensure confidentiality, integrity, and security of consumer personal data, prohibit sharing with third parties without consent, and mandate IT security and access controls.<sup>40 41</sup>

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<sup>35</sup> Jauh Hari Wawan, 'Mahasiswa Di Sleman Nekat Bobol Kontrakan Teman Negara Terlilit Pinjol', *Detikjogja*, 2025.

<sup>36</sup> Enny Ratnawati, 'Altaf Mahasiswa UI Yang Bunuh Junior Gara-Gara Terlilit Utang Pinjol Dituntut Hukuman Mati', *Infobanknews*, 2024.

<sup>37</sup> Afif Noor and others, 'Regulating Fintech Lending in Indonesia: A Study of Regulation of Financial Services Authority', *Qubahan Academic Journal*, 3.4 (2022), 42–50 <https://doi.org/10.48161/Issn.2709-8206>

<sup>38</sup> Siti Yuniarti and Abdul Rasyid, 'Consumer Protection in Lending Fintech Transaction in Indonesia: Opportunities and Challenges', *Journal of Physics: Conference Series*, 1477 (2021) <https://doi.org/10.1088/1742-6596/1477/5/052016>

<sup>39</sup> Iim Saputra Noptabi, Serlika Aprita and Mona Wulandari, 'Legal Protection of Personal Data Financial Technology Based Online Loans from the Consumer Protection Act', *Walisongo Law Review*, 4.1 (2022), 121–34 <https://doi.org/10.21580/walrev.2022.4.1.11135>

<sup>40</sup> Rahmadi Indra Tektona, 'Legal Implications of Consumer Personal Data Misuse by OJK Licensed Fintech Lending Operators', *Arena Hukum: Jurnal Ilmu Hukum*, 17.1 (2024), 43–63 [https://doi.org/10.21776/ub\\_arenahukum2024\\_01701\\_3](https://doi.org/10.21776/ub_arenahukum2024_01701_3)

These align with the broader data protection regulations in the ITE Law and Minister of Communication and Information Regulation No. 20 of 2016 on personal data in electronic systems, which also bind fintech platforms.<sup>42</sup> Legal online loan service providers are obligated to be transparent about all the fees that the debtors need to pay. Therefore, hidden fees are no longer an issue for the debtors.<sup>43</sup> Also, the limitations on the amount of interests and fine are also obligated, and mentioned explicitly in an easy-to-understand contract.<sup>44</sup>

The government must enforce strict action against illegal online lending services because these entities operate through concealed and unlawful practices that threaten public welfare. Law enforcement agencies, the Ministry of Communication and Information, and the Financial Services Authority must strengthen coordination through immediate blocking of suspicious domains, unlawful applications, and unauthorized digital platforms. The state must undertake these measures as part of its obligation to protect consumers and reduce the expansion of illegal lending networks. Administrative restrictions and rapid access termination can limit operational space for unlawful lenders and reduce the number of future victims. Authorities must also monitor payment channels, supervise savings and loan providers, and prohibit transactions linked to illegal platforms. In addition, prosecutors must apply criminal law against perpetrators who commit intimidation, digital harassment, fraud, or unlawful dissemination of personal data.<sup>45</sup>

The harmonization is needed to regulate the fragments between regulation on debt collection and data protection in the many national regulations to bridge them, to fill in the vacuum of norm and authority overlap between law enforcer and the Financial Services Authority, also to avoid the criminalization of victim,

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<sup>41</sup> Diana Setiawati and others, 'Perlindungan Hukum Fintech Leading Illegal Berdasarkan Peraturan Otoritas Jasa Keuangan Nomor 77 / Pojk . 01 / 2016', *Borobudur Law and Society Journal*, 2.2 (2021), 19–25 <https://doi.org/10.31603/7961>

<sup>42</sup> Zaenal Arifin and others, 'Peran Otoritas Jasa Keuangan Dalam Pengawasan Jasa Layanan Keuangan Berbasis Financial Technology Peer to Peer Lending Masyarakat , Tidak Sedikit Pelaku Penyedia Pinjaman Uang Online Atau Fintech Yang Tidak Atas Izin Atau Tidak Terdaftar Dan Diawasi Oleh', *Jurnal USM Law Review*, 6.2 (2023), 3–7 <https://doi.org/10.26623/julr.v6i2.7170>

<sup>43</sup> Iman Imanuddin and R R Dewi Anggraeni, 'Construction of Consumer Protection Against Illegal Online Loan Transactions as a Mean of Ius Constituedum in Indonesia', *Jurnal Ius Kajian Hukum Dan Keadilan*, 11.3 (2023) <https://doi.org/10.29303/ius.v11i3.1312>

<sup>44</sup> Astuti Tri Andayani, 'Pengawasan Transaksi Pinjaman Online Oleh Otoritas Jasa Keuangan (OJK) Berdasarkan POJK Nomor 77/POJK.01/2016 Tentang Layanan Pinjam Meminjam Uang Berbasis Teknologi Informasi', *Consensus: Jurnal Ilmu Hukum*, 4.1 (2025), 29–38 <https://doi.org/10.46839/consensus.v4i1.1454>

<sup>45</sup> Mikea Manitra Ramalina Ranaivo, 'Illegal Online Loan (Pinjol) in Indonesia: Ethical and Human Rights Perspectives', *Recht Studiosum Law Review*, 3.1 (2024), 58–76 <https://doi.org/10.32734/rslr.v3i1.16206>

intimidation normalization, and data leakage.<sup>46</sup> Once it's harmonized, a limitation on what could be defined as debt collection needs to be done. The limitation is on what the definition of legal and abusive collection are, time limitation, communication media, which subjects who are allowed to be contacted, its link to due process and consumer's protection, redefining the what's classified as intimidation, also strengthening the punishment on data distribution and misconduct by illegal online loan service providers.<sup>47</sup> This harmonization also needs to note the human rights violation that the victims faced as the main standard of law enforcement and the supervision of fintech sector. Since in the perspective of human rights, aggressive and intimidating debt collecting practices by illegal online loan service providers is a human rights violation especially for their rights to personal dignity and privacy. According to Law No.39 of 1999 on Human Rights, sharing the debtor's personal information and pictures with insults or sexualized edits attacks their honor and dignity and their families.<sup>48</sup> Accessing all contacts, pictures, and applications on a phone and using them for public shaming or threats is framed as a violation of privacy and personal data rights, both for debtors and all the involved parties.<sup>49</sup>

The government should establish a national program and campaign entitled Anti-Illegal Online Loan for university students through coordinated action involving the Ministry of Higher Education, the Financial Services Authority, and the National Cyber and Crypto Agency.<sup>50</sup> This program should aim to prevent illegal online lending structurally, strengthen financial and digital literacy, and protect student personal data and cyber security. The Ministry of Higher Education should integrate financial literacy and digital risk awareness into academic curricula. The communication authority should supervise digital content and block access to illegal lending platforms.<sup>51</sup> The Financial Services Authority should

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<sup>46</sup> C. -G. Stănescu, 'A Critical Assessment of the Need for Harmonization of the Legal Framework Concerning Abusive Informal Debt Collection Practices in the European Union Is Harmonization Possible and How Can It Best Be Attained?', *Journal of Consumer Policy*, 44.2021 (2021), 531–57 <https://doi.org/10.1007/s10603-021-09495-z>

<sup>47</sup> Brandon Sparks, Skye Stephens and Sydney Trendell, 'Image-Based Sexual Abuse: Victim-Perpetrator Overlap and Risk-Related Correlates of Coerced Sexting, Non-Consensual Dissemination of Intimate Images, and Cyberflashing', *Computers in Human Behavior*, 148. April (2023), 107879 <https://doi.org/10.1016/j.chb.2023.107879>

<sup>48</sup> Angkasa Angkasa, Filep Wamafma and Ogiandhafiz Juanda, 'Illegal Online Loans in Indonesia: Between the Law Enforcement and Protection of Victim', *Lex Scientia Law Review*, 7.1 (2023), 119–78 <https://doi.org/10.15294/lesrev.v7i1.67558>

<sup>49</sup> Suwinto Johan, 'Financial Technology Company's Debt Collection Method: A Legal Aspect', *Unnes Law Journal*, 8.1 (2022), 19–20 <https://doi.org/10.15294/ulj.v7i1.52173>

<sup>50</sup> Hosam A Althibyani and Abdulrahman M Al-zahrani, 'Investigating the Effect of Students' Knowledge, Beliefs, and Digital Citizenship Skills on the Prevention of Cybercrime', *Sustainability*, 15.11512 (2023) <https://doi.org/10.3390/su15111512>

<sup>51</sup> Christine Sanggenafa, Rif'iy Qomarrullah and Muhammad Sawir, 'Edukasi Keamanan Data Pribadi Pencegahan Jerat Pinjol Bagi Kalangan Mahasiswa Di Kota Jayapura', *Pelayanan Unggulan: Jurnal Pengabdian Masyarakat Terapan*, 2.3 (2025), 73–84 <https://doi.org/10.62951/unggulan.v2i3.2067>

educate students on lawful and unlawful lenders and provide a dedicated reporting channel. The cyber security agency should strengthen data protection and deliver cyber safety education. The campaign should also provide freshman guidance manuals, a one door information portal, and collaboration with student organizations to build a safe digital financial environment.<sup>52</sup>

This program is similar to the Income-Contingent Loan, college students pay back the debt when they're already financially stable or with the easy instalment plan which is organized by the national company through education credit.<sup>53</sup> Income-Contingent Loan is enforced with the idea to increase access and equity for college students to include everyone from every economic class to be able to participate in higher education and achieve a college degree. Income-Contingent Loan will also relieve immediate financial barriers by covering tuition and sometimes living costs and also complement limited public funding when fiscal space is tight.<sup>54</sup> While Income-Contingent Loan helps with long term, income-linked repayment schemes and might take longer to receive, emergency student funds fill the gap for that. An emergency student fund is also needed which gives financial help without interest for emergencies (health emergency, family emergency, and during other hard times).<sup>55</sup>

The funding for the emergency student fund can be taken from government budgets (APBN/APBD) since the constitution and national education system law mandate at least 20% of APBN/APBD for education to cover scholarships and other programs such as KIP and BOS to help the fund reaches targeted students; third party philanthropy, zakat, waqf, and CSR through agencies created both on national and university level (BAZNAS, LASIZMU, UPZ); and community donations, especially from parental, alumni, and community-based funds.<sup>56</sup> The existence of country-based education funding is not only functioned as funding mechanisms, but also as a structural instrument of protection for college students

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<sup>52</sup> Rama Rosadi, 'Online Loans : A Solution or a Problem ? Perspectives on Education and Society', *International Journal of Public Administration Policy*, 1.1 (2025), 31–38 <https://doi.org/10.58290/ijpap.v1i1.15>

<sup>53</sup> Wirawan, Made and Puteri.

<sup>54</sup> Muhamad Aryasandha Balapradana and others, 'Kebijakan Skema Studentloan Sebagai Upaya Peningkatan Aksesibilitas Pendidikan Tinggi Mahasiswa Kurang Mampu Studi Komparasi Indonesia', *Bandung Conference Series: Law Studies*, 5.2 (2025), 623–30 <https://doi.org/10.29313/bcsls.v5i2.18509>

<sup>55</sup> Elizabeth Bell and others, 'How Did Colleges Disburse Emergency Aid During COVID-19? An Implementation Analysis of the Higher Education Emergency Relief Fund', *Educational Researcher*, 52.5 (2023), 259–71 <https://doi.org/10.3102/0013189X231161318>

<sup>56</sup> Ilham Suriadi and Hamdi Abdul Karim, 'Challenges and Effective Strategies in Managing Education Financing', in *International Conference on Management of Islamic Education* (Universitas Islam Negeri Sjech M. Djamil, 2025), pp. 59–72 <https://doi.org/10.30983/icmie/>

from exploitative financing services.<sup>57</sup> Therefore, the implementation needs to be placed in the state obligation framework to guarantee a predictable-public subsidies, equity-based targeting of aid, a regulation of private/innovative mechanisms, and financially fair and safe access to education, due to access to quality and equal education is an important aspect in state's strategy to eradicate poverty structurally.<sup>58</sup>

As mentioned earlier, one of the reasons why college students are trapped in the debt cycle is due to the lack of money and the disparity between the cost of living and an available financial support, then a policy on paid internship and part-time jobs is needed to provide a legal, safe, and sustainable source of income and to support the transition for college students to the labor world without sacrificing the right of education. The type and model of the part-time work can be done through college agencies such as the library, the research center, or the administration office.<sup>59</sup> A model for internship and part-time job outside of campus is allowed for students as well as long as it's paid, with proportional workload, and working hours that doesn't clash with their academic activities.<sup>60</sup> Recent studies also emphasized that excessive work hours lead to academic challenges, sleep deprivation, and emotional fatigue, while moderate hours can stabilize finances without harming their academic life.<sup>61</sup> <sup>62</sup> This policy will be supervised by the university and ministry, also a creation for reporting channel is needed for evaluation on the implementation of the program.<sup>63</sup>

At the internal level, universities must implement anticipatory policies to protect students from online lending traps, particularly illegal lending practices. Higher education institutions bear a strategic responsibility to establish preventive systems that reduce student exposure to financial exploitation and maintain academic

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<sup>57</sup> Mega Yesi Okta Fihana, 'Strategi Dan Konsep Teoritis Dalam Pembiayaan Pendidikan Di Indonesia', *Nusantara: Jurnal Pendidikan Indonesia*, 4.1 (2024), 189–208 <https://doi.org/10.14421/njpi.2024.v4i1-12>

<sup>58</sup> Suriadi and Karim.

<sup>59</sup> Kwame Omono Asamoah and others, 'A Blockchain-Based Crowdsourcing Loan Platform for Funding Higher Education in Developing Countries', *IEEE Access*, 11.February (2023), 24162–74 <https://doi.org/10.1109/ACCESS.2023.3252917>

<sup>60</sup> Theresa Thies, 'International Students in Higher Education : The Effect of Student Employment on Academic Performance and Study Progress', *Higher Education*, 86.4 (2023), 933–51 <https://doi.org/10.1007/s10734-022-00950-5>

<sup>61</sup> Ms Mehar Dawar, 'The Role of Part-Time Work on College Student ' s Time Management , Academic Performance , and Well- Being', *International Journal for Multidisciplinary Research*, 7.3 (2025), 1–33 <https://doi.org/10.36948/ijfmr.2025.v07i03.44245>

<sup>62</sup> S.V Asmitha and J. Maheswari, 'Impact of Part-Time Jobs on the Academic Performance of College Students: A Multidimensional Approach', *International Journal of Management and Development Studies*, 14.9 (2025), 35–47 <https://doi.org/10.53983/ijmnds.v14n9.007>

<sup>63</sup> Denis Odlin, Maureen Benson-rea and Bridgette Sullivan-taylor, 'Student Internships and Work Placements : Approaches to Risk Management in Higher Education', *Higher Education*, 83.1 (2022), 1409–29 <https://doi.org/10.1007/s10734-021-00749-w> Student

continuity. Previous studies on governance in higher education show that effective student protection requires institutional, structured, and prevention-oriented policies rather than reactive measures adopted after losses occur. Universities should therefore enact internal regulations, strengthen risk awareness programs, and provide accessible support mechanisms.<sup>64</sup> These policy instruments can prevent more students from becoming victims of unlawful online lending practices.

Universities must implement financial literacy programs to strengthen student capacity in managing personal finances and recognizing lending risks. Institutions should integrate financial literacy materials into general education courses, workshops, seminars, and other academic activities. Universities should also invite practitioners and experts from the Financial Services Authority, Bank Indonesia, and related institutions to provide practical guidance. These programs must not focus solely on theoretical knowledge, but should develop practical skills such as budgeting, debt management, responsible borrowing, savings planning, and financial decision making. Through continuous literacy programs, universities can reduce student vulnerability to unlawful online lending practices.<sup>65</sup>

A study done by Woolley in 2024 noted that a single-session workshop for college students significantly improved their scores on financial literacy also self-reported confidence in the next 6 months, including loans, investment, and retirement.<sup>66</sup> Not only conventional, offline workshop, but online workshop for college students also increase their interests in financial world, with that also their financial literacy, by using two-way workshop activities.<sup>67</sup> The integration of financial literacy into the university curriculum accords with the national higher education policy framework that encourages competency based learning, practical experience, and responsiveness to social and economic change. Indonesian higher education policy places universities not only as centers of knowledge production but also as institutions responsible for preparing students to face real economic challenges. Through curricular integration, universities can equip students with practical competencies in financial planning, budgeting, debt management, economic analysis, and evidence-based decision making. These skills are

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<sup>64</sup> Moh Saman and others, 'Prevention of Radicalism and Terrorism in Higher Education: Regulation and Implementation', *Indonesian Journal of Advocacy and Legal Service*, 5.1 (2023), 241–60 <https://doi.org/10.15294/ijals.v5i2.29929>

<sup>65</sup> Alok Jindal and Sudhanshu Singh, 'A Study on Financial Literacy among College Students', *International Journal of Scientific Research in Engineering and Management*, 9.6 (2025), 1–6 <https://doi.org/10.55041/IJSREM50872>

<sup>66</sup> Parker A Woolley and others, 'Integrating a Personal Finance Workshop to Enhance Financial Literacy Among Senior Medical Students: A Single Institution's Experience', *Advances in Medical Education and Practice*, 15.September (2024), 885–91 <https://doi.org/10.2147/AMEP.S474002>

<sup>67</sup> Atul K Saxena, Mohamed Jamaloodeen and Adrian Heinz, 'Finance & Banking Studies Outcome-Based Education: Innovative Co-Curricular Workshops on Options to Improve Financial Literacy in Colleges', *International Journal of Finance and Banking Studies*, 12.4 (2023), 34–45 <https://doi.org/10.20525/ijfbs.v12i4.3128>

increasingly necessary as students interact with complex digital financial services, including online lending platforms.<sup>68</sup>

From a legal perspective, this integration is consistent with the constitutional mandate to promote public welfare through education and with national legislation that defines education as a means to develop capable, independent, and responsible citizens. The higher education regulatory framework in Indonesia also requires universities to develop graduate competencies that combine knowledge, skills, and ethical responsibility. Financial literacy education therefore supports statutory objectives by strengthening student independence and reducing vulnerability to exploitative financial practices. This policy also responds to contemporary regulatory challenges in the financial sector. Indonesian authorities have issued various consumer protection and financial services regulations, yet many students remain exposed to illegal lending because legal compliance alone cannot replace preventive education. Universities can bridge this gap by translating regulatory values into practical student competencies. Students who understand interest calculation, contractual obligations, privacy risks, and dispute mechanisms are better prepared to assess lending offers critically and reject unlawful schemes. The combination of financial literacy and numeracy further strengthens analytical capacity. Students who can interpret data, evaluate costs, estimate repayment burdens, and compare financial alternatives are more likely to make rational decisions. As a result, curricular integration does not merely enrich academic content, but also functions as a preventive legal policy that supports consumer protection, strengthens economic resilience, and prepares graduates to participate responsibly in Indonesia's digital economy.<sup>69</sup>

Universities should implement an Early Warning System to identify students who show signs of financial distress and vulnerability to illegal online lending. The system can use indicators such as late tuition payments, declining attendance, poor academic performance, and repeated financial assistance requests.<sup>70</sup> When the system flags a student as high risk, it should notify academic advisors, student affairs offices, and counseling units for immediate intervention. Universities can then provide emergency funding, tuition assistance, financial counseling, or academic support. The system may also direct students to psychological services

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<sup>68</sup> Anita Humaida Kulsum and others, 'Integrasi Literasi Finansial Dan Matematika Melalui Praktik Ekonomi Lokal Di Era Kurikulum Merdeka', *Mandalika Mathematics and Education Journal*, 7.4 (2025), 1600–1613 <https://doi.org/10.29303/jm.v7i4.10535>

<sup>69</sup> Jaspreet Kaur and Mohit Gupta, 'Relationship between Numeracy Skills and Financial Literacy : A Review Jaspreet Kaur and Mohit Gupta', *International Journal of Financial Mangement and Economics*, 8.1 (2025), 130–38 <https://doi.org/10.33545/26179210.2025.v8.i1.464> Abstract

<sup>70</sup> Rui Liu, 'Early Warning Model of College Students ' Psychological Crises Based on Big Data Mining and SEM', *International Journal of Information Technologies and Systems Approach*, 16.2 (2023), 1–17 <https://doi.org/10.4018/IJITSA.316164>

when financial pressure causes anxiety, stress, or emotional difficulties.<sup>71</sup> The system itself cannot detect whether or not a college student is a victim of illegal online loan or not but it's able to detect signals of college students suffering from financial stress, anxiety, depression, and academic disruption through monitoring from the psychology reps of the university and since illegal online loans are able to make college students suffer from many mental illness, Early Warning System is the perfect system to detect those signals. When the system flags the college students who suffered from mental illness early, it will connect them to psychological first aid and social support that will lead them to financial counseling and literacy programs targeting online-loan harms.<sup>72</sup>

Universities should establish a student financial service unit to provide integrated support for students facing economic difficulties and risks from illegal online lending. This unit should deliver advocacy services for students who become victims of unlawful lending practices and connect them with external institutions such as complaint centers, law enforcement agencies, legal aid providers, and financial assistance programs. The unit should also collect anonymous case data to support better university policies, emergency funding schemes, and preventive regulations.<sup>73</sup> In addition, the unit should cooperate with community literacy organizations to raise awareness. Well-designed emergency funds can help students resolve urgent financial problems and continue their studies.<sup>74</sup> This unit will also include an in-house legal clinic, especially when the case leads to a legal dispute which will help college students solve the dispute quickly and correctly without harming them. Forming a dedicated college students financial service unit should integrate confidential reporting, legal referral, psychological counseling, and financial/digital literacy, and use case data to advocate for stronger institutional and state responses. Moreover, these programs which mixed financial, academic, and socio-emotional support after

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<sup>71</sup> Ade Eka Permana and Eko Budi Santoso, 'Student Retention Early Warning Procedures : A Case Study of Higher Education Institution Management', *International Journal of Economics, Business, and Accounting Research*, 9.3 (2025), 811–27 <https://doi.org/10.29040/ijebar.v9i3.18216>

<sup>72</sup> Fan Xia, 'The Early Warning and Prevention and Control Mechanism of Campus Loan for College Students in Higher Vocational Colleges from the Perspective of 3F Hypothetical Crisis Communication Theory ---- Based on the Survey of Students ' Online Loans in Wuhan Polyt', in *The 2021 International Conference on Culture, Design, and Social Development*, 2022, DCXXXIV, 236–41 <https://doi.org/10.2991/assehr.k.220109.048>

<sup>73</sup> Jeimee Estrada-Miller, Hillary Olson and Gary Painter, 'Program Design to Ease Administrative Burden in Times of Crisis: An Evaluation of Two Emergency Aid Programs in Los Angeles', *Social Policy Administration*, 59.7 (2025), 1225–40 <https://doi.org/10.1111/spol.13125>

<sup>74</sup> Nancy Conneely, Aaron Taylor and LeAndra Ross, 'Professional Judgment and Emergency Fund Programs: An Opportunity to Improve', *Journal of Student Financial Aid*, 51.1 (2022), 1–7 <https://doi.org/10.55504/0884-9153.1782>

repeated bad events have been noted to show high retention and graduation rates among low-income students.<sup>75</sup>

Universities should adopt a tuition fee relaxation policy for economically disadvantaged students and students affected by disasters or crime. This policy functions as a structural preventive instrument against debt cycles caused by illegal online lending. In many cases, urgent tuition payment obligations and short payment deadlines push students to seek instant funds without considering high interest charges, intimidation during debt collection, or misuse of personal data. A clear, rapid, and needs based tuition relief mechanism can remove one of the main pressures that drives students to use risky online loans. Through this policy, universities can protect vulnerable students and preserve educational continuity.<sup>76</sup> Moreover, tuition fee relaxation also function as a form of institutional protection for college students who face a sudden fragility due to something that is out of their control, such as natural disaster or being a crime victim. Natural disasters and major shocks minimize enrollment, retention, and graduation, especially for disadvantaged students.<sup>77</sup>

Effective responses include financial support and flexible fee policies to maintain access to higher education.<sup>78</sup> For example, during the COVID-19 pandemic, difficulties in paying tuition were recognized as a right and protection issue, regulations on tuition fee relief are explicitly framed as legal protection for the right to education.<sup>79</sup> Without the intervention from the policy, college students are in a risk from suffering a double financial exploitation, which is becoming a victim of the initial event (high tuition fee) and also victim of abusive illegal online loan practices. Therefore, this policy places university not only as an academic institution, but also as a social protection actor that is actively preventing criminalization, stigmatization, and online loan debt for college students. In the framework of prevention from illegal online loan in college, tuition fee relief has to be understood as a rights-based preventive policy, which states that access to

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<sup>75</sup> Rizki Hasanah and others, 'The Utilization of Zakat Based on Qawa ' Id Fiqhiyyah as a Solution to the Issues of Illegal Online Loans International Journal of Community Engagement Payungi', *International Journal of Community Engagement Payungi*, 5.1 (2025), 57–67 <https://doi.org/10.58879/ijcep.v5i1.78>

<sup>76</sup> Cameron Sublett and Jason Taylor, 'Net Tuition , Unmet Financial Need , and Cooling Out : A National Study of Degree Aspirations Among First-Time Community College Students', *Community College Review*, 49.9 (2021), 389–412 <https://doi.org/10.1177/00915521211026681>

<sup>77</sup> Jing Wang, 'Heliyon Impact of Natural Disasters on Student Enrollment in Higher Education Programs: A Systematic Review', *Heliyon*, 10.6 (2024), e27705 <https://doi.org/10.1016/j.heliyon.2024.e27705>

<sup>78</sup> Eytayo Opabola and Carmine Galasso, 'Informing Disaster-Risk Management Policies for Education Infrastructure Using Scenario-Based Recovery Analyses', *Nature Communications*, 15.325 (2024), 1–13 <https://doi.org/10.1038/s41467-023-42407-y>

<sup>79</sup> Adam Adi Prawira, Mochammad Ramadhan Saputra and Diky Riansyah, 'Uang Kuliah Tunggal Berbasis Asuransi Sebagai Kebijakan Hukum Mengenai Hak Atas Pendidikan', *Jurnal Lex Renaissance*, 6.4 (2021), 861–75 <https://doi.org/10.20885/JLR.vol6.iss4.art15>

education should not be conditioned on the college student's ability to suddenly assume the burden of financial. This policy integrates with report system, financial counselling, and emergency assistance referral will strengthen university role in creating a safe college students protection ecosystem both economically and digitally.<sup>80</sup>

In this case, a strict standard on college students' data protection is needed. University is forbidden from sharing college students' data to a third-party without an explicit consent. This policy should include a mechanism of a clear data managing and supervision, which includes internal access limitation, explicitly specific agreement procedure, also administration sanction for any form of violation. A good internal access limitation should only allowed access to authorized personnel who needs the data for their tasks, with technical and organizational security controls.<sup>81</sup> An explicit, specific agreement procedure is also needed due to significant gaps, guesswork, and insufficiency around type and degree of student consent which leaves students unaware of what they agree to. The agreement is recommended to be written, specific stating purposes, data types, and third parties in the agreement and not vague umbrella purposes. Data protection laws in many countries, such as Malaysia and Tanzania, impose fines and other penalties for non-compliance, and universities are expected to mirror this with internal sanctions to ensure seriousness and deterrence.<sup>82</sup> A stronger, enforceable sanction is needed so that protection is not undermined and will not allow repeated breaches. College students' data protection is understood as a structural prevention instrument on illegal online loan practices which often benefit from data leakage for offering, intimidation, and abusive debt collecting.<sup>83</sup>

## Conclusion

This study leads to three principal conclusions. First, the rapid growth of online lending in Indonesia has created serious risks for students as a vulnerable group, especially through illegal lending practices. Student vulnerability arises not only from consumptive behavior and limited financial literacy, but also from tuition pressure, living costs, easy digital access, and weak institutional protection. These conditions often result in recurring debt, financial instability, psychological

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<sup>80</sup> Elissa Mollakuqe and Vesna Dimitrova, 'Comparative Analysis of Identity Management , Access Control , and Authorization Practices in Public and Private', *Open Research Europe*, 4.23 (2024), 1–14 <https://doi.org/10.12688/openreseurope.16634.2>

<sup>81</sup> Jeffrey C Sun, 'Gaps , Guesswork , and Ghosts Lurking in Technology Integration : Laws and Policies Applicable to Student Privacy', *British Journal of Education Technology*, 54.6 (2023), 1604–18 <https://doi.org/10.1111/bjet.13379>

<sup>82</sup> Camilia Indah Novia Taufik and Agus Juhana, 'The Privacy Paradox of Students ' Personal Data Security in the Digital Age', *Jurnal Sains Teknologi Dan Sistem Informasi*, 5.1 (2025), 1–6 <https://doi.org/10.54259/satesi.v5i1.3417>

<sup>83</sup> Doreen F Mwamlangala, 'Are Universities Compliant ? A Study of Tanzania ' s Person Al Data Protection Act in Higher Learning Institutions', *African Journal of Law and Practice*, 1.2 (2025), 66–83 <https://doi.org/10.61538/afjlp.v1i2.1791>

distress, and declining academic performance. Second, a repressive legal approach alone cannot effectively address this problem. Although many students understand the dangers of online loans, the absence of structured preventive policies limits their capacity to mitigate risks. The government must therefore strengthen supervision, enforce sanctions against illegal lenders, and harmonize financial, cyber, and personal data regulations while expanding safer financing alternatives for students. Third, public universities hold a strategic role in prevention and protection. Higher education institutions should implement mandatory financial literacy programs, early warning systems, student financial service units, tuition fee relief for vulnerable students, and strong data protection standards. Preventing illegal online lending must be understood as part of the broader obligation to protect the right to education and student welfare.

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