

## **Public Comprehension on Online Loan Usage (Pinjol): The Effect of Advertisement, Islamic Financial Literacy, And Lifestyle**

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### **Abstract**

*This study aims to analyze the influence of online loan advertisement, Islamic financial literacy, and lifestyle on public's comprehension and decision in online loan making. This research uses a quantitative approach with Muslim consumers in the Greater Jakarta (Jabodetabek) area as the target population. Data were collected through a questionnaire distributed via Google Form, involving 195 respondents. The data were analyzed using Structural Equation Modeling–Partial Least Square (SEM–PLS). The results show that online loan advertisement (X1) and lifestyle (X3) have a significant and positive influence on public decision in making online loans. However, Islamic financial literacy (X2) does not have significant influence on public decision in making online loans.*

**Keywords:** *Online Loan Advertisement, Islamic Financial Literacy, Lifestyle*

**JEL Classification:** *G53, M37, D91*

## **1. INTRODUCTION**

Consumerism and hedonism have caused so many problems in people's financial life. The growth of technology became one of the factors to ease their behavior of overconsumption. One of many things that facilitate this issue is online loans, or pinjol. Although pinjol is currently under the supervision of OJK, it has caused so many problems and troubles because of the emergence of many illegal loans (novika *et al.*, 2022).

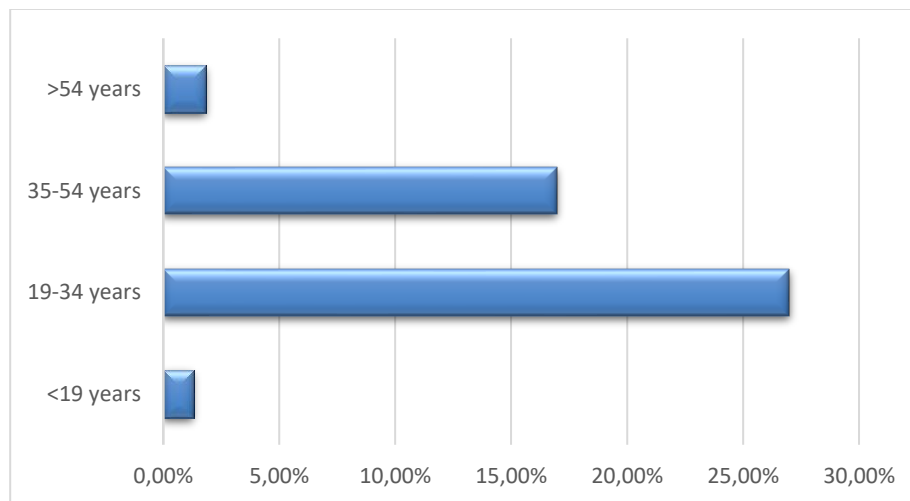
The amount of illegal online loans in Indonesia has been increasing a lot to the extent where they appeared in almost all cities in Indonesia (Subagiyo *et al.*, 2022; Devi *et al.*, 2023). The use of online loans, especially illegal ones has become something concerning as years goes by. There are some examples on how bad these loans were affecting people. In 2018 to 2021, Satgas Waspada Investasi (SWI) has found around 3.365 illegal loans that is not assigned in OJK (Otoritas Jasa Keuangan). From the data mentioned, 39,5% consumer complained about the ways they were charged, which didn't align with the rules, which where debt collector who commit harm and inhumane ways to their client played the role. They were threatened and terrorized (novika *et al.*, 2022).

The worst situation online loans could lead to is suicide. This is caused by inhumane ways of debt collector in charging their loans. It is mentioned that they often accessed their personal information from their device, such as their pictures, social medias, IMEI, e-mail, e-commerce, and so on. The irresponsible debt collector used this data to threaten them. It also reached to a point where they did sexual harassment to female consumer both verbally and in cyber way. They also threatened their friends and families and could ruin their social relationships (Hidayah *et al.*, 2023; Devi, 2023).

In further context, it is also emphasized that online loans are financial products offered by non-bank financial institutions that continue to serve community. These

financial institutions provides a convenient money lending facility integrated with information technology, allowing the information from application to fund disbursement to be conducted online through SMS and/or telephone (Angkasa *et al.*, 2023). In 2017, there are around 28 financial institution facilities that provides online loans under the supervision of OJK (Widjaja, 2022). Some examples are AdaKami, EasyCash, Kredivo, and many more, which is often appears on ads in certain applications. In peer-to-peer lending, or as known as P2P lending, enables borrowers and lenders to trade directly via the internet without using banks or other financial intermediaries (Wang *et al.*, 2015).

The use of social media and the growth of technology become one of many reasons of why the use of online loans, and furthermore, illegal online loans grow rapidly. Starting from young students to adult for some various reasons. From trying to follow the current lifestyle to surviving from financial loss. In younger generations, following up with current life style and impulsive buying, especially in e-commerce can be the problem.



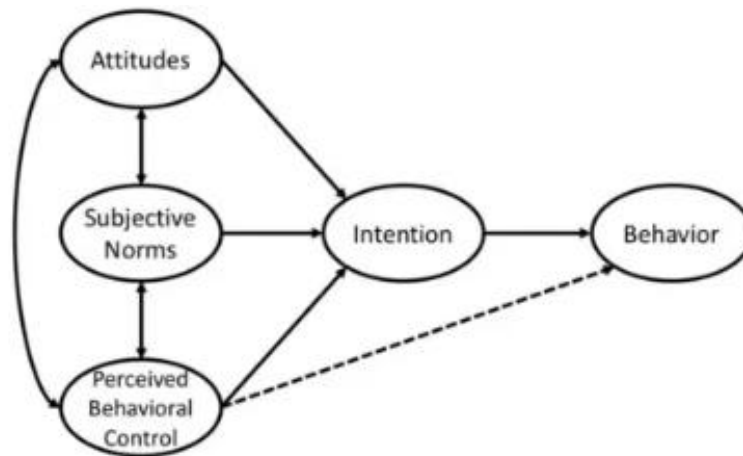
**Figure 1.** Graph of Online Loans Usage for Gen Zs and Millennials

As for generations that are exposed the most to online loans and it's influence in making the decision, Gen Z and Millennials are two generations that get the most exposure to online loans facilities, information, and access. This also caused by how these two generations are two generations who are very likely to have easy access to technology in their hand. The graph above shows how most of online loans users are from these generations. Therefore, this study will take both generations for its research purposes.

## **2. LITERATURE REVIEW**

### **2.1. Background Theory**

The author used consumer behavior theory in making this thesis. This theory defined consumer behavior as a study on how an individual, a group of people, and an organization fulfill their need by choosing, buying, and use their goods and services. This shows that consumer behavior does not only influence by their desire, but also in psychological factors (Sahnan *et al.*, 2023).



**Figure 1.** Theory of Planned Behaviour

TPB, or Theory of Planned Behavior is a framework developed by Icek Ajzen in the late 1980s to explain how human behavior is influenced by individual intentions. There are few components of TPB, and here is how they are when they are applied to online loans.

### **1. Attitude Towards the Behavior**

Online loans that lie under the supervision of OJK and was done precisely like the contract can lead into positive attitudes. Creating SME, quick access to funds, and so on. On the other hand, negative attitudes towards online loans are more highlighted in most cases. Negative attitudes from online loans arises from high fees and potential debts traps. Stated by Delima *et al.*, (2022), after several informants was interviewed regarding this matter, their reasons of making online loans is because the need for fast and easy funds.

### **2. Subjective Norms**

There are several factors that influence people in making decisions of making online loans. For example, the influence of friends, family, and social circles. The research that has been done by Ilmu *et al.*, (2024) showed how a person's perception often shaped by opinions, support, and advice from people around them such as family, relatives, or friends like mentioned above. This means, if their surroundings or important people in their life support the use of online loans, they are more likely to adopt this behavior. These subjective norms influence the intention of using online loans facility and having the most significant impact with perceived behavioral control (Ali *et al.*, 2020).

### **3. Perceived Behavioral Control (PBC)**

Taking from the same reference, it is mentioned that PBC reflects an individual's belief in managing and execute their ability in accessing matters, in this case, online loans (Ilmu *et al.*, 2024). What boosted their confidence in their capability is self-assurance which directly affected their decision to take online loans.

#### **2.1.1. Demographic**

The demographic characteristic of respondents is used to understand the factors of online loans usage in Jabodetabek better. The demographic factor of this research includes age, educational level, educational level, income level, online loans usage, and

type of loans used. These demographic factors help to determine whether the non-demographic factors such as financial literacy, advertisement exposure, and lifestyle influence the decision to make online loans.

### **1. Ages**

Differences between each generations became a variable for this study to learn about the diversity of their mindset and decision regarding online loan matters, and how are lifestyle, advertisement and their comprehension on financial literacy. This age refers to the respondent age group, categorized into 18-25 years, 26-35 years, and 36+ years. Younger generations might be more exposed to financial literacy and advertisement, while the older generations might have different financial priorities. According to Widjaja (2022; Ali *et al.*, 2020), younger generations are more likely to engage in online loans, due to impulsive spending behaviors and easy access to digital platforms.

### **2. Educational Level**

Education become an important aspect when it comes to making decision, in this case, making online loans. An individual who are exposed to better education will most likely to consider when it comes to making loans, unlike an individual who is not exposed a lot to educations. A study done by Nasution *et al.*, (2024) confirms that education became one of some factors that influence people in making decisions. This variable is categorized into certain group, which contains high school, undergraduate, and postgraduate.

### **3. Income Level**

This research will also study the relevance of an individual's income and their decision in making loans. This section is categorized into lower, middle, and upper class. A person's income can influence their borrowing behavior, as those with lower income may make online loans to cover their urgent needs. But it is also stated by Leong & Nirmala, (2024) that middle-income individuals uses online loans services to cover their lifestyle and make loans for unnecessary spending and advertisement influence. By understanding income distribution, it helps to determine whether online loans are used for financial survival or for an individual's convenience.

### **4. Online Loan Usage History**

This factor is used to identify individuals' history in making loans. Whether they're a first-time user, frequent user, or has never used online loans. Borrow history is crucial in analyzing financial behavior as individuals who are frequently making online loans are most likely to be at risk of financial dependency and over-indebtedness. When the debt is out of due, their financial situation would be affected (Ramlawati *et al.*, 2022), and avoid making loans were advice.

### **5. Type of Loan Used**

As mentioned in earlier chapters, online loans services are divided into two, which consist legal online loans (online loan services that lies under supervision of OJK), and illegal online loans (that operates without supervision from OJK). Sigalingging *et al.*, (2024) mentioned illegal online loans services who operate without permission or supervision from the competent authority make regulation and law enforcement difficult.

#### **2.1.2. Non-Demographist**

Aside of demographic factors, this study also examines behavioral and external influences that affect online loan usage. The factors mentioned below determines how consumers engage with online lending services and what drives their borrowing decisions.

## 1. Advertisement

As technologies develop overtime, this kind of behavior will adjust with the growth of technologies itself. As mentioned in (Fang, 2024), E-commerce livestreaming presents more advantages than traditional online shopping, leading consumers to encounter even more irresistible reasons for impulsive buying. Technologies also allow users to make purchases through their cellphones without the need to use cash. There are some examples of electronic money, such example of this is *Go-pay*. In a study done by Syamlan & Aisy (2022), it is mentioned on how easy it is to use electronic money, simply by giving the money to certain agents available and stored in electronic form. The use of electronic money is said to be halal, under a circumstance where it doesn't take certain discount which could lead into usuary.

Also sourced from Syamlan & Aisy (2022), the shariah rulings did not determined the interest in people when it comes to using electronic money.

The Qur'an also mentioned something regarding to consumerism, since Islam teaches to take things just enough. As explained in Surah Al-A'raf verse 31, it is mentioned that:

يٰۤاَيُّهَا اٰدَمُ خُذُوْا زِيْنَتَكُمْ عِنْدَ كُلِّ مَسْجِدٍ وَكُلُوْا وَشَرِبُوْا وَّلَا تُسْرِفُوْا اِنَّهٗ لَا يُحِبُّ الْمُسْرِفِيْنَ ﴿٣١﴾

*"O children of Adam, take your adornment at every masjid, and eat and drink, but be not excessive. Indeed, He likes not those who commit excess."*

From the verse above, it is clear that Islam itself has teach the importance of keeping everything in the right portion. One of the ways to keep things in balance is by not consuming or taking things too much to avoid excess.

## 2. Islamic Financial Literacy

Financial literacy is important since it determine an individual's understanding and their decision making in finance. Financial literacy (Kahar Muzakkar *et al.*, 2024) made positive influence in financial technology, specifically, P2P Lending. Unfortunately, there haven't many studies that discuss about this matter although this issue is very important. This paper also mentioned how financial literacy, not only includes understanding of financial products that align with sharia principle, but also the importance of the obedience of applying it into daily activities which, of course, experience financial circumstances.

However, Islam has rulings that can't be denied when it comes to financial situations. This leads to deeper discussions when financing matter is discussed, which could be contrast with conventional financial economics.

Islamic financial activities are based on underlying principles that money is not regarded as productive assets of commodities/tradable goods (Setiawati *et al.*, 2018). This study also highlights that Muslims can only benefit from activities that comply with sharia rules. They are not allowed to sell what they do not own, such as short-selling practices, and also mentioned the law of usury prohibition. One of the importance of Islamic financial literacy is to make certain borders to Muslim in their use of assets and money.

The importance of reading, and understanding the importance of role of financial literacy is obvious in Islamic view. In general, the Qur'an stated how important it is when it comes to knowledge and understanding of existing things in life. It is mentioned in Qur'an, surah Al-Mujadilah, verses 11:

يٰۤاَيُّهَا الَّذِيْنَ اٰمَنُوْا اِذَا قِيْلَ لَكُمْ تَفَسَّحُوْا فَاَفْسَحُوْا يَفْسَحِ اللّٰهُ لَكُمْ وَاِذَا قِيْلَ اَنْشُرُوْا فَاَنْشُرُوْا فَاَنْشُرُوْا بِرَفْعِ اللّٰهِ

الَّذِينَ آمَنُوا مِنْكُمْ وَالَّذِينَ أُوتُوا الْعِلْمَ دَرَجَاتٍ وَاللَّهُ بِمَا تَعْمَلُونَ خَبِيرٌ ﴿١١﴾

*“O you who have believed, when you are told, “Space yourselves” in assemblies, then make space; Allah will make space for you. And when you are told, “Arise,” then arise; Allah will raise those who have believed among you and those who were given knowledge, by degrees. And Allah is Acquainted with what you do.”*

In addition to a general financial literacy, (Lusardi & Mitchell, 2023) stated that young adult showed a very low financial literacy, with the data shown, only one-third part of the individuals who are able to answer all three questions correctly. Young adult is a generation that make important financial decisions with long-lasting consequences, including taking out student loans, contributing (or not) to a pension, managing credit card debt, buying a house, and raising a family. Their lack of awareness and understanding to financial literacy could lead into their concerning circumstances in the future.

### **3. Lifestyle**

People have different types of urgencies that pushed them to make such decisions such as using online loans to fulfil them. Typically, people have different purposes in their lives. People’s urgencies can start from medical urgencies, paying taxes, house renovations, unexpected bills, education, and so on. But for this urgency itself, people prioritize different thing depending on their environment and lifestyle. Sometimes, people mistook their consumerism as urgencies.

Factors like lifestyle also played role in this matter. People who surround themselves with unhealthy environment would seek for validations which lead them into purchasing unnecessary things to fill their emotional needs instead of what actually important to them (Angela & Paramita, 2020).

Quoting from (Dalal, 2014), socialization can affect the choices of individual consumers. A major component of the social dimension of consumption is emulation. People learn from peers, parents, the educational system, neighbors, and the media about group norms and the acceptability of types and levels of consumption. Quoting from Investopedia, the definition of consumption itself is the idea that increasing the consumption of goods and services purchased in the market is always a desirable goal, and that a person’s well-being and happiness depend fundamentally on obtaining consumer goods and material possessions.

One of many factors in the raise of use of online loans is impulsive buying. Quoting from (Guo *et al.*, 2024), impulsive purchases are divided into three types: pure impulsive purchases, initiating impulse purchases, and planned impulse purchases. The most primitive one is pure impulsive purchase behavior. In this type of impulsive purchase behavior, they have not considered the specific situation or whether the product is needed or its performance before the shopping behavior occurs.

The Quran mentioned something about this matter in surah Al-Isra verse 27:

إِنَّ الْمُبَذِّرِينَ كَانُوا إِخْوَانَ الشَّيْطَانِ ۗ وَكَانَ الشَّيْطَانُ لِرَبِّهِ كَفُورًا ﴿٢٧﴾

*“Indeed, the wasteful are brothers of the devils, and ever has Satan been to his Lord ungrateful.”*

### **4. Online Loans**

As said on previous chapters, online loans are services that is provided by fintech companies and online platform to lend some amount of money. Although there are online

loans that provides safety to the users, there are online loans that didn't established under the supervision of OJK. However, many consumer do not understand the terms and condition of loans, including their additional fees, and interest rates (Sigalingging *et al.*, 2024).

Online loans are often come with *riba* (charging interest, or making unjust gains in business or trade). The Holy Qur'an mentioned about this matter a lot. One of the verses that discussed about *riba* is surah Al-Baqarah, verse 275. It is mentioned that:

الَّذِينَ يَأْكُلُونَ الرِّبَا لَا يَقُومُونَ إِلَّا كَمَا يَقُومُ الَّذِي يَتَخَبَّطُهُ الشَّيْطَانُ مِنَ الْمَسِّ ذَلِكَ بِأَنَّهُمْ قَالُوا إِنَّمَا الْبَيْعُ مِثْلُ الرِّبَا وَأَحَلَّ اللَّهُ الْبَيْعَ وَحَرَّمَ الرِّبَا فَمَنْ جَاءَهُ مَوْعِظَةٌ مِنْ رَبِّهِ فَانْتَهَى فَلَهُ مَا سَلَفَ وَأَمْرُهُ إِلَى اللَّهِ وَمَنْ عَادَ فَأُولَئِكَ أَصْحَابُ النَّارِ هُمْ فِيهَا خَالِدُونَ ﴿٢٧٥﴾

*“Those who consume interest cannot stand [on the Day of Resurrection] except as one stands who is being beaten by Satan into insanity. That is because they say, “Trade is [just] like interest.” But Allah has permitted trade and has forbidden interest. So, whoever has received an admonition from his Lord and desists may have what is past, and his affair rests with Allah. But whoever returns to [dealing in interest or usury] – those are the companions of the Fire; they will abide eternally therein.”*

## 2.2. Previous Studies

In previous researches before, one of the main focuses of what becomes factors in the use of online loans are literacy. A study from (Zelyn Jayanti Margaretha Ratuarat *et al.*, 2024) showed how low Indonesian's literacy regarding financial matters. This shows in *Survei Nasional Literasi Keuangan (SNLIK)* that was done by OJK in 2022. It is shown that their index is 49,68%, which raises from 2019 which only shown 38,03%. This study also shows that students' knowledge regarding literacy matters is still considered low. This affected their decision in their finance.

Additionally, (Leong & Nirmala, 2024) mentioned that consumerism that was encouraged by the development of technology. The excessive consumptive behavior could lead into unnecessary spending, which could end up forming bad habit in their spending. For example, fulfilling unnecessary self-need just to get acknowledgement from their peers. This includes the use of goods and services.

There are also several factors that influences people to do impulsive buying. (Guo *et al.*, 2024) mentioned that there are several internal influencing factors that influence this unhealthy behavior. They are often closely related to consumer's personal needs, emotions, and personality traits. Self-centered costumers also have more tendencies to do impulsive buying since they care a lot about how socials perceive them since they pay more attention to products and services that can enhance their personal image and social status. Several examples to this matter are expensive branded clothes when they don't necessarily need new clothes, or a customer that purchased new high-brand devices to gain unnecessary prestige. Society's perception plays a big role here.

Another variable that influenced this matter is online loans advertisement. Online loan advertisement often pop-up on social media or applications that has in-app advertisement. A research by Ramadhan *et al.*, (2023) mentioned that online loan application advertisements that often appear on social media and the response to their influence by informants. Based on their research, online loans advertisement was quite influential to the informant, since the advertisement that kept popping up encourage them

to make loans.

There are several factors that affected this matter mentioned in one of the previous research, one of them (Nasution *et al.*, 2024) mentioned about three factors, such as income, job, and education that influences them to make online loans. When people are not exposed to proper educations, proper jobs or fulfilling salary, this could influence them to make loans. This study mentioned that people who has work as a contract employee might not have a stable income unlike people who worked as permanent workers. This also applied on people who doesn't have proper education, so the information they received regarding financial matters are limited. Thus, these three influenced people in their decisions in making online loans.

Since all previous studies above mentioned about factors that influenced people to make loans, it is also important to know about protection in using online loans. Since education and literacy affected people in making their decision to make loans, they also affected people in their awareness of their safety. Sigalingging *et al.*, (2024) mentioned that currently, online loan consumer protection is generally regulated by the Law No. 8 of 1999 on Consumer Protection in Indonesia which mandates that consumers have the right to obtain comfort, security, and safety in consuming goods and/or services.

In this study, it is also mentioned the growth of online loans itself is caused by the high demand of fast and accessible loans. However, illegal loans that does not register a company and immediately operate without any legal restrictions and violate legal regulation. In legal systems, legal protection is provided to protect individuals or groups from actions or situations that are unfair and detrimental. It ensures that everyone get fairness and justice in various aspects of life, be it in social, economic, political, or personal relationships (Sigalingging *et al.*, 2024).

The patterns of their choice could also be influenced by their society. (Widjaja, 2022) mentioned that one of their causes to make loans are the influence of their environment, whether or not they realized their actions could make significant effect to others. Social groups, such as family, colleagues, friends, neighbors, circles of friends, dominantly influence individual's decision to change their lifestyle, habit and behavior. Psychological factors, such as motivations, perceptions, attitudes, studies and believes also became factors of consumer's decision in making online loans.

Previously, Hidayah *et al.*, (2023) studied that lifestyle gave significant influence to consumptive behavior. If consumer raised their lifestyle, it could lead into higher consumptive behavior. Advertisement also influenced consumer to make consumptive behavior, since advertisement serves visualization that was shown in brochure, banner, and so on. Advertisements are also shown in social media, which influence consumer to seek more information to goods and services that caught their attention. Other things that pushes customer to have this behavior is lifestyle, as mentioned in (Angela & Paramita, 2020).

Although online loans and usury are known to be prohibited in Islam, some Muslims are still using the service, ignoring the fact that these things are indeed not align with Islamic rulings. When we talked about familiarity, conventional banks are more likely to be familiar to citizens compared to Islamic bank. Islamic bank is also not develop as much as Islamic banks in other Muslim countries (Harahap & Risfandy, 2022), despite Indonesia being one of the largest Muslim populated countries. Harahap and Risfandy also mentioned how *riba* is defined differently depends on the Islamic organization they followed. NU (*Nahdlatul Ulama*) stated that bank interest is not the same as *riba*, so the NU does not specify whether or not *riba* is halal or haram.

### 3. METHODOLOGY

This study uses a quantitative descriptive method. The quantitative descriptive research method is a method whose purpose is to make an objective description of a situation using numbers, which starts from data collection, explanation of the data and the results (Suharsimi, 2006). In this study, the types of data used are:

- a) Primary data is data obtained directly in the field by the person conducting the research. In this study, the researcher distributed an online questionnaire to respondents who met the criteria in this study.
- b) Secondary Data is data obtained by other parties where researchers can find the source of the data they are looking for through other related data. Here, the researcher obtained data from journals, theses, and articles by previous researchers.

This research focused on a quantitative explanatory research design to analyze the relationship between advertisement, financial literacy, lifestyle and online loan usage in Jabodetabek. The research aims to examine the factors influencing individuals' decision to use online loans services particularly in the context of digital advertisements, financial awareness, and lifestyle choices. This study employs a survey method where data is collected through structured questionnaires distributed to respondents in Jabodetabek. The population of this research consist individuals who have been exposed to online loan services, whether its legal or illegal. The sampling technique used is purposive sampling, where respondents are selected based on specific criteria, such as having knowledge of financial literacy, encountering online loans advertisements, or having taken online loans in the past. The sample size will be determined using Slovin's formula to ensure statistical accuracy. This research is conducted through online questionnaire with Likert-scale items.

Quantitative data analysis, often statistical, is conducted to evaluate hypotheses established in the study. Although that the researches include demographic variables for the research, the purpose of the demographic questions in the questionnaire itself is to put limit to the research, and not necessarily affected the main purpose of the research itself. This research focused on a quantitative explanatory research design to analyze the relationship between advertisement, financial literacy, lifestyle and online loan usage in Jabodetabek. The research aims to examine the factors influencing individuals' decision to use online loans services particularly in the context of digital advertisements, financial awareness, and lifestyle choices. This study employs a survey method where data is collected through structured questionnaires distributed to respondents in Jabodetabek. The population of this research consist individuals who have been exposed to online loan services, whether its legal or illegal. The sampling technique used is purposive sampling, where respondents are selected based on specific criteria, such as having knowledge of financial literacy, encountering online loans advertisements, or having taken online loans in the past. The sample size will be determined using Slovin's formula to ensure statistical accuracy. This research is conducted through online questionnaire with Likert-scale items.

This research collects data with the respondent criteria being people who has used online loan services and reside in Jabodetabek. This study is aimed to see the factors and reasons why an individual made loans based on given variables. This research consists of 150 individuals selected using purposive sampling of the criterion of Muslims who has exposed to online loans, and has used online loans, either using legal or illegal services.

The researchers use ratio, ordinal and Likert scale in measuring the variables.

The author would like to attach a table that will breakdown all variables and questions related to them for the questionnaire.

1. Independent Variables

An independent variable is a variable that can influence or cause changes in or originates from, dependent variables. There are several independent variables the researcher examined in this study. Which are Advertisement, Islamic Financial Literacy, and Lifestyle (X).

2. Dependent Variables

Dependent Variables are those variables that are influenced by or are outcomes of independent variables. The dependent variable researchers use in this study is Online Loans (Y).

**Table 1.** Variable Operational Definition

| Variable                               | Definition  | Indicators   | Reference  |
|--|---|--|--|
| <b>Advertisement (X1)</b>              | The exposure and influence of online loan advertisements on consumer behavior.  | <ul style="list-style-type: none"> <li>- <b>Ad exposure</b><br/>(Frequency of individuals in seeing online loan ads)</li> <li>- <b>Ad content Perception</b><br/>(How persuasive ads are)</li> <li>- <b>Emotional Appeal</b><br/>(Whether ads create urgencies or excitements)</li> </ul>                                      | (Nomleni & Timo, 2024)                                 |
| <b>Islamic Financial Literacy (X2)</b> | An individuals' ability to comprehend financial concepts, manage money, and make informed borrowed decisions under Islamic rulings. | <ul style="list-style-type: none"> <li>- <b>Understanding of Loans</b><br/>(Awareness of interest rates, loans terms, and risks under Islamic values).</li> <li>- <b>Budgeting Skills</b><br/>(Ability to manage expenses)</li> <li>- <b>Awareness of OJK Regulation</b><br/>(Knowledge of legal vs. illegal loans)</li> </ul> | (Utama, Indra, 2024)<br>(Hidayat <i>et al.</i> , 2022) |
| <b>Lifestyle (X3)</b>                  | Consumer spending habits and influences that affects their financial decision.  | <ul style="list-style-type: none"> <li>- <b>Consumerism Level</b><br/>(Frequency of individuals' non-essential spending)</li> <li>- <b>Social Influence</b><br/>(Impact of friends and family on financial decision)</li> <li>- <b>Technological Influence</b><br/>(E-commerce and digital finance impact)</li> </ul>          | (Leong & Nirmala, 2024)                                |
| <b>Online Loan Usage (Y)</b>           | The frequency, purpose, and repayment behavior  | <ul style="list-style-type: none"> <li>- <b>Loan Frequency</b><br/>(How often loans are taken)</li> </ul>  | (Sigalingging <i>et al.</i> , 2024)                    |

| Variable | Definition                      | Indicators   | Reference |
|----------|---------------------------------|--|-----------|
|          | of individuals in making loans. | <ul style="list-style-type: none"> <li>- <b>Loan Purpose</b><br/>(Emergency vs. non-essential spending)</li> <li>- <b>Repayment Behavior</b><br/>(Timeliness of repayments)</li> <li>- <b>Type of Loan Used</b><br/>(Legal vs. Illegal loans)</li> </ul> |           |

This research used a quantitative method to collect the data. The researcher will take samples of people using questions that are related to all the hypothesis regarding their use and knowledge of online loans. The researcher will use Partial Least Squares Structural Equation Modeling (SEM-PLS) technique using SmartPLS.3 software. By making the criteria of subjects certain, the researcher will use purposive sampling in making this research.

SEM-PLS is a statistical technique used to analyze complex relationships between observed and latent variables. Particularly, when prediction is the primary goal and data requirements are less stringent than in covariance-based SEM. In many previous studies, this technique is used to calculate consumer behavior and pattern, make it easier for them to run the data, especially if the sample is little to medium.

#### 4. RESULT AND DISCUSSION

##### 4.1. Result

Although the author uses demographic questions for the respondents, the author did not use them as variables that affected individuals in making choices when it comes to online loan usage. The purpose of collecting the respondents' demographic data is to limit the respondents, and to find out about the number of respondents that fit into the criteria, which is from Gen Y and Gen Z generations, and only from Jabodetabek Area. The main focus of this research is their comprehension on online loans, whether or not they have use it or not.

However, descriptive data is included in this research. Below is the descriptive data of 195 respondents who are fit to the criteria of the researcher's questionnaire. This step is often served as the initial step in statistical analytics.

**Table 2.** Descriptive Data

| Characteristics      | Description               | Number (Person) | Percentage |
|----------------------|---------------------------|-----------------|------------|
| <b>Age</b>           | 18–24                     | 155             | 79.49%     |
|                      | 25–34                     | 33              | 16.92%     |
|                      | 35–45                     | 7               | 3.59%      |
| <b>Gender</b>        | Female                    | 143             | 73.33%     |
|                      | Male                      | 52              | 26.67%     |
| <b>Montly Income</b> | 1.500.000 – 3.000.000 IDR | 79              | 40.51%     |
|                      | < 1.500.000 IDR           | 58              | 29.74%     |
|                      | > 5.000.000 IDR           | 38              | 19.49%     |

|                           |                                  |                         |        |
|---------------------------|----------------------------------|-------------------------|--------|
|                           | 3.000.000 – 5.000.000 IDR        | 20                      | 10.26% |
| <b>Latest Education</b>   | High School (SMA)                | 102                     | 52.31% |
|                           | Bachelor's Degree (S1)           | 77                      | 39.49% |
|                           | Postgraduate (S2)                | 6                       | 3.08%  |
|                           | Diploma 3 (D3)                   | 6                       | 3.08%  |
|                           | Diploma 1 (D1)                   | 3                       | 1.54%  |
|                           | Diploma 2 (D2)                   | 1                       | 0.51%  |
|                           | <b>Online Loan Usage History</b> | Never used online loans | 136    |
| Used legal online loans   |                                  | 58                      | 29.74% |
| Used illegal online loans |                                  | 1                       | 0.51%  |

*Source: Primary Data (2025)*

The data presented in this table outlined the demographic characteristics of the respondents, categorized by gender, age, income, and online loan usage record. In terms of gender, the majority of the respondents are female, which consist more than a half from the entire respondents. 141 females that became the research's respondents comprising 73,3% of the sample, while male only represents 26,7%, which is only 51 people.

The predominant group when it comes to age-wise is 18-24 years old, in which consist of 79, 58% of the respondents. Followed by 25-34 age group that covers 16,75% of the respondents, and 35-45 age groups at 3,66%. These figures indicate a significant representation of Gen Z (1997-2012), accounting more than 50% of the sample.

Some other demographic variables like monthly income showed that most respondents get their income in the range of 1.500.000-3.000.000, which is 41,36% of the respondents. Followed by <1.500.000 at 28,8%, >5.000.000 at 19,37%, and 3.000.000-5.000.000 at 10,47%. This table also showed the amount of people categorized from their last education group. Most respondents' last education is in high school, which consist 46,99% of the respondents, which is nearly half of the sample itself. Followed by bachelor degree at 37,35%, and all three diplomas calculated to be 9,63%. Respondents from master degree only covers 4,82% of the samples.

The last demographic variables the author used is online loan usage record. This variable is dominated by respondents that never use online loan both in legal and illegal services, which consist almost a half of the collected respondents, at 69,63%. Followed by two other said record, which is legal online loan usage at 29,28%, and only 0,52% in illegal online loan usage. The amount of respondent that has used illegal online loan usage is only one person, which makes the percentage of this part is very small.

## **4.2. Analysis**

### **Descriptive Analysis**

Descriptive analysis is used to describe the condition of the variables studied. It is needed to analyse the data that has been collected and provide a description of the data to make general conclusions or generalizations.

The author would attach few tables below to illustrate respondents' understanding and comprehension when it comes to online loan, which also consist of variables that might affected the respondents to at least consider using online loan usage. The first given table will illustrate the respondents' perception of advertisement regarding online loan.

**Table 3.** Descriptive Advertisement Indicators

| <b>ADVERTISEMENTS (X1)</b> |   | <b>AVERAGE</b> |
|----------------------------|---|----------------|
| <b>X1A</b>                 | Online loan advertisements convincing to me personally.               | 3,2            |
| <b>X1B</b>                 | I've considered making online loans after seeing the advertisement.   | 2,5            |
| <b>X1C</b>                 | Online loan advertisement used convincing statements to influence me. | 3,5            |

*Source: Processed Primary Data (2025)*

Based on the exposure of online loan advertisement (X1A), their perception on how convincing online loan advertisements (X1B) is, only 11.40% of respondents agreed that to them, the choice of words online loan advertisements use is convincing. The average for the respondents' choice in Likert scale is 3,2. It is also showed that most respondents did not consider to use online loans even after their exposure to advertisements (X1B). In addition to this, they also don't think that advertisements use statements that influence them to make online loans (X1C). It is shown that most people are less likely to be influenced by online loans when it comes to advertisement exposure.

**Table 1.** Descriptive Islamic Financial Literacy Indicators

| <b>ISLAMIC FINANCIAL LITERACY (X2)</b> |   | <b>AVE</b> |
|--|---|------------|
| <b>X2A</b>                             | I understand the importance of using financial services that comply with Sharia principles. | 3,5        |

*Source: Processed Primary Data (2025)*

Public comprehension on Islamic Financial Literacy is defined in this table. In this table, it is shown that only one indicator that showed valid loadings of all previous removed indicators. In this variable, which showed insignificant factors to the research, it is shown that in 3,5 is the average result of the respondents' choice.

**Table 2.** Descriptive Lifestyle Indicators

| <b>LIFESTYLE (X3)</b> |  | <b>AVE</b> |
|-----------------------|--|------------|
| <b>X3A</b>            | It's hard for me to determine my priority in shopping. | 3,5        |

| <b>LIFESTYLE (X3)</b> |  | <b>AVE</b> |
|-----------------------|--|------------|
| <b>X3B</b>            | My expense in lifestyle is bigger than my income.                    | 3,5        |
| <b>X3C</b>            | I followed trendy lifestyles that influence me to make online loans. | 3,5        |
| <b>X3D</b>            | Advertisement in e-commerce influenced me to make online loans.      | 3,5        |
| <b>X3E</b>            | Lifestyle I've seen online influenced me to make online loans.       | 3,5        |
| <b>X3F</b>            | Celebrities' lifestyle influenced me to make online loans.           | 3,5        |

*Source: Processed Primary Data (2025)*

Based on the table given above, it is shown that most of people disagreeing when it comes to difficulties in making their priority list (X3A). On our given demographic table, most respondents' income is in the range of 1.500.000-3.000.000. It is also shown that most respondents didn't have habits of spending their money more than their income (X3B). This is shown in the table that 50.8% respondents disagree with the given statement. This indicates their healthy spending behavior when it comes to lifestyle.

Followed by how advertisement in e-commerce affected respondents' decision in making loans (X3C), only 8.2% of the samples were influenced by the advertisements on lifestyle. This table also shown that lifestyle that has been shown online (X3E) only affected a little amount of people from the samples. This also includes how celebrities' lifestyle influenced them to make online loans (X3F), in which, only 19.3% of the respondents are influenced with their lifestyle.

It is shown in the table above that the average result from the Likert scale choices from this variable is similar per each indicator, which is 3,5.

**Table 3.** Descriptive Online Loans Indicators

| <b>ONLINE LOANS (Y1)</b> |   | <b>AVE</b> |
|--------------------------|---|------------|
| <b>Y1A</b>               | I will consider making online loans if necessary.                       | 3,5        |
| <b>Y1B</b>               | I feel like online loans can be a solution in emergency situation.      | 3,5        |
| <b>Y1D</b>               | I believe that online loans should only be used in emergency situation. | 3,5        |
| <b>Y1E</b>               | I believe my personal data is safe when I make online loans.            | 3,5        |

*Source: Processed Primary Data (2025)*

Given the data for the dependent variables, which is Online Loans, it is presented that most respondents are collectively agree that online loans are supposed to be avoided. Started with consideration of making online loans when it comes necessary (Y1A), it is shown that most respondents never plan to consider using online loans even in emergency situation. Nearly half of the samples who chose strongly disagree and disagree reached

49.5%.

Followed by their mindset regarding decisions in making online loan, and that online loan should be used only in emergency situation (Y1B). There's an ambiguity in the questionnaire's question in this part, so most likely, respondents' understanding in this might be different from one another. To some, this question might mean to not making online loan regardless, to some other respondents, they might agree to the statements that online loan usage should be limited and only used when it's emergency. Hence, there's 43.8% that strongly disagree and disagree with this statement, and there's 48% that agreed with the question.

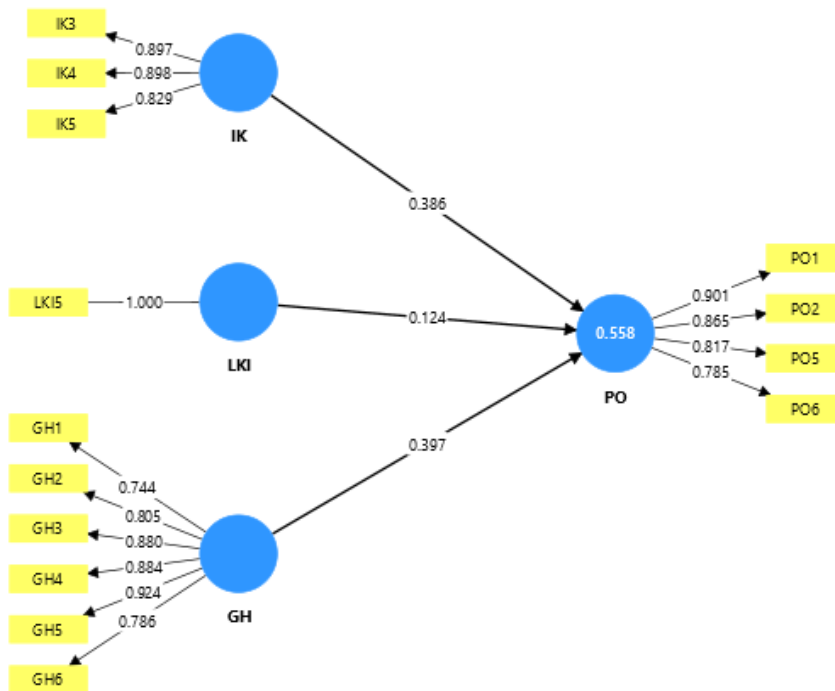
Regarding the high risk of online loan usage (Y1C), the majority of the samples agreed that online loans can be very risky. If we add up respondents who are agree and strongly agree with this, we can get 83% of the total sample. That's nearly everyone that became the sample of this research. Still related to the usage of online loan in emergency situation, this question is similar to (Y1B), but with detailed information to the question. This indicator from (Y1D) make 65% respondents that agree on the statement, that online loans should be limited only for emergency use only.

The last indicator in this variable is respondents' trust to the online loan services when it comes to their data safety (Y1E). 66% of the respondents agree that they don't feel that online loan services provide security to their data. This indicates that most of them who has never use online loans have a concern that their data is not going to be safe, thus making most of the respondents never make online loan, or ever consider making one.

## **Measurement Model Analysis (Outer Model)**

### **Convergent Validity Test**

As said in the earlier chapters, the validity test aims to determine the accuracy or correctness of an instrument as a measuring tool for research variables. If the instrument is valid, the measurement results are most likely to be valid. The first stage the researcher did to test if the instruments are valid is to run the data from the questionnaire, approximately 30 respondents. The validity test also involves two separate instruments: convergent validity and discriminant validity. Convergent validity assesses whether the outer loading of each construct is at least 0.5, indicating that the statements in the questionnaire accurately reflect the construct. Discriminant validity confirms that statements on latent variables are distinct and not interchangeable (Hair *et al.*, 2019).



**Figure 2.** Validity Test

**Table 4.** Outer Loading Value

| Latent Variables           | Indicators | Outer Loadings | Outer Loadings (Eliminated) |
|----------------------------|------------|----------------|-----------------------------|
| Online Loan Advertisement  | X1a        | 0.934          | 0,897                       |
|                            | X1b        | 0.825          | 0,898                       |
|                            | X1c        | 0.912          | 0,829                       |
|                            | X1d        | 0.270          | -                           |
| Islamic Financial Literacy | X2a        | 0.852          | -                           |
|                            | X2b        | 0.919          | -                           |
|                            | X2c        | 0.359          | -                           |
|                            | X2d        | 0.859          | 1,000                       |
| Lifestyle                  | X3a        | 0.781          | 0,744                       |
|                            | X3b        | 0.957          | 0,805                       |
|                            | X3c        | 0.890          | 0,880                       |
|                            | X3d        | 0.895          | 0,884                       |
|                            | X3e        | 0.931          | 0,924                       |
|                            | X3f        | 0.911          | 0,786                       |
| Online Loans               | Y1a        | 0.697          | 0,901                       |
|                            | Y1b        | 0.799          | 0,865                       |
|                            | Y1c        | 0.680          | -                           |
|                            | Y1d        | 0.765          | 0,817                       |
|                            | Y1e        | 0.643          | 0,785                       |

Source: Data Processed (2025)

Based on the figure above, there are several indicators that did not fit into the requirements. However, by removing indicators that is below 0.5, like X1d in Online Loan Advertisement, will ruin the Average Variance Extracted (AVE) result. Thus, the author decided to keep these indicators as it is. However, even when higher outer loading value is more ideal, 0.6 outer loadings on Online Loans variables is still considered acceptable if it contributes to the construct being measured (Hair *et al.*, 2019).

Average Variance Extracted (AVE) is a metric used in confirmatory factor analysis (CFA) to evaluate the convergent validity of latent constructs. AVE measures the proportion of variance captured by the latent construct relative to the variance caused by measurement error. If the AVE value is greater than 0.5 for all constructs, we can conclude that the constructs in the model have good convergent validity. This indicates that the indicators used in the study effectively reflect the latent constructs being measured (Hair *et al.*, 2019). However, constructs with AVE values less than 0.5 may lack sufficient convergent validity. This indicates that the need for further examination or model modification to improve the construct's validity.

**Table 5.** Average Variant Extracted Value

|                                   | Average variance extracted (AVE) | Description |
|-----------------------------------|----------------------------------|-------------|
| <b>Lifestyle</b>                  | <b>0.803</b>                     | Valid       |
| <b>Online Loan Advertisement</b>  | <b>0.615</b>                     | Valid       |
| <b>Islamic Financial Literacy</b> | <b>0.609</b>                     | Valid       |
| <b>Online Loan</b>                | <b>0.517</b>                     | Valid       |

*Source: Processed Data (2025)*

The table shown above indicates that all AVE values for each variable exceed the minimum required threshold of 0.5 after several elimination. This confirms that the data this research use satisfy the second criterion for convergent validity. Specifically, the AVE values are 0.803 for lifestyle, 0.615 for Online Loan Advertisement, 0.609 for Islamic Financial Literacy, and 0.517 for Online Loan. Since these values are above 0.5, this indicates that each constructs had good validity in explaining the variance of its indicators.

This study demonstrates that the construct in the SEM-PLS model meet the criteria for convergent validity. This means that the indicators effectively reflect the intended theoretical constructs. Although there are some weak structures in the outer loadings, the researcher has valid reasons to keep them in order to make the AVE in balance. This strong construct validity enhances the credibility and reliability of the data, analysis results, and conclusions. Overall, these findings increase confidence in the model and its implication for the research.

### **Discriminant Validity Test**

This part is assessed to ensured that each research variable or indicator is uniquely valid, relating specifically to its intended variables or indicators and not to others. A study demonstrates good discriminant validity if the cross-loading results show that the indicators of each construct have higher values for their respective constructs than for any other constructs.

Based on the results shown in the table above, the cross-loading test values for

each construct are greater when correlated with their respective indicators than with other constructs. Therefore, it can be concluded that the discriminant validity test for this study has good results and meets the criteria. This research demonstrates good discriminant validity and meets the necessary standards.

**Table 6.** Cross Loadings Value

| Item       | Online<br>Advertisement | Loan | Islamic<br>Literacy | Financial | Lifestyle    | Online<br>Loans |
|------------|-------------------------|------|---------------------|-----------|--------------|-----------------|
| <b>X1a</b> | <b>0.934</b>            |      | 0.326               |           | 0.705        | 0.511           |
| <b>X1b</b> | <b>0.825</b>            |      | 0.234               |           | 0.338        | 0.511           |
| <b>X1c</b> | <b>0.912</b>            |      | 0.422               |           | 0.536        | 0.577           |
| <b>X1d</b> | <b>0.27</b>             |      | 0.143               |           | 0.325        | 0.058           |
| <b>X2a</b> | 0.349                   |      | <b>0.852</b>        |           | 0.227        | 0.775           |
| <b>X2b</b> | 0.414                   |      | <b>0.919</b>        |           | 0.648        | 0.706           |
| <b>X2c</b> | 0.014                   |      | <b>0.359</b>        |           | 0.338        | 0.363           |
| <b>X2d</b> | 0.267                   |      | <b>0.859</b>        |           | 0.49         | 0.564           |
| <b>X3a</b> | 0.472                   |      | 0.367               |           | <b>0.781</b> | 0.56            |
| <b>X3b</b> | 0.428                   |      | 0.48                |           | <b>0.957</b> | 0.542           |
| <b>X3c</b> | 0.456                   |      | 0.446               |           | <b>0.89</b>  | 0.438           |
| <b>X3d</b> | 0.592                   |      | 0.536               |           | <b>0.895</b> | 0.558           |
| <b>X3e</b> | 0.547                   |      | 0.579               |           | <b>0.931</b> | 0.629           |
| <b>X3f</b> | 0.694                   |      | 0.452               |           | <b>0.911</b> | 0.545           |
| <b>Y1a</b> | 0.419                   |      | 0.567               |           | 0.721        | <b>0.697</b>    |
| <b>Y1b</b> | 0.429                   |      | 0.791               |           | 0.418        | <b>0.799</b>    |
| <b>Y1c</b> | 0.045                   |      | 0.663               |           | 0.275        | <b>0.68</b>     |
| <b>Y1d</b> | 0.469                   |      | 0.442               |           | 0.161        | <b>0.765</b>    |
| <b>Y1e</b> | 0.756                   |      | 0.361               |           | 0.575        | <b>0.643</b>    |

*Source: Processed Data (2025)*

Based on the result shown in the table above, it is shown that most of the cross-loading test values for each construct are greater when correlated with their respective indicators than with other constructs. However, like mentioned in earlier, cross-loading test in Islamic Financial Literacy is considered weak in (X2c), as well as an indicator in Online Loan Advertisement (X1d). The author has explained about this matter in earlier paragraphs, that removing these indicators would lead into bad results in AVE.

Therefore, it can be concluded that the discriminant validity test for this study has good results and meets the criteria. This research demonstrates good discriminant validity and meets the necessary standards.

### **Reliability Test**

This test is conducted to evaluate the accuracy of an indicator measured by each indicator (Hair *et al.*, 2019). In researches, the most commonly used criterion for measuring the reliability of a variable is Cronbach's Alpha, which assesses the internal

consistency of a set of items or indicators forming a construct. Additionally, other alternatives include using Composite Reliability ( $\rho_a$ ) and Composite Reliability ( $\rho_c$ ), which consider the correlations between indicators and provide a more accurate estimate of reliability in certain contexts. The recommended threshold for both metrics is above 0.7, indicating that the indicators have sufficient internal consistency to be considered reliable.

**Table 7.** The Cronbach's Alpha and Composite Reliability Value

|                                   | <b>Cronbach's alpha</b> | <b>Composite reliability (<math>\rho_a</math>)</b> | <b>Composite reliability (<math>\rho_c</math>)</b> |
|-----------------------------------|-------------------------|--|--|
| <b>Lifestyle</b>                  | 0.95                    | 0.955  | 0.96   |
| <b>Online Loan Advertisement</b>  | 0.766                   | 0.882  | 0.849  |
| <b>Islamic Financial Literacy</b> | 0.75                    | 0.835  | 0.851  |
| <b>Online Loans</b>               | 0.766                   | 0.777  | 0.842  |

*Source: Processed Data (2025)*

Based on the SEM-PLS analysis of data the researcher has collected, it is shown that the data demonstrates strong internal consistency and reliability across all variables, as indicated by Cronbach's alpha,  $\rho_a$ , and  $\rho_c$  values.

The construct of Lifestyle has a Cronbach's alpha of 0.950,  $\rho_a$  of 0.955, and  $\rho_c$  of 0.960. This construct is the highest compared to other variables' construct. This indicates high internal consistency and reliability. For Online Loan Advertisement, it is shown that the construct of it has Cronbach's alpha of 0.766,  $\rho_a$  of 0.882, and  $\rho_c$  0.849. This indicates good internal consistency and reliability. Both of its composite reliability is also strong. Thus, this indicate that this construct is a well-measured construct.

For Islamic Financial Literacy's construct, it has a Cronbach's alpha of 0.750,  $\rho_a$  of 0.83, and  $\rho_c$  of 0.851. In previous tables, it is shown that there is one weak indicator in this variable. However, other indicators showed strong values, thus making this construct strong. Similar to Online Loans Advertisement constructs, this construct exhibits good internal consistency. This suggests that this construct is reliably measured.

The last from this construct is Online Loans, which has a Cronbach's alpha of 0.766,  $\rho_a$  of 0.777, and  $\rho_c$  of 0.842. Online Loans also demonstrates good internal consistency and reliability. While  $\rho_a$  (0.777) is slightly lower compared to the other construct, it is still well within acceptable limits. Overall, this construct is considered as reliable construct.

### **R-Square**

The R-Square test is a value owned by the dependent variable (Y) and aims to see how large the percentage of dependent variables (Y) is by the independent variables (X). The result of the R-Square test to this study is presented below:

**Table 8.** R-Square Table

| ONLINE LOAN | R-square | R-square adjusted |
|-------------|----------|-------------------|
|             | 0.661    | 0.656             |

*Source: Processed Data (2025)*

Based on the table above, the result of the R-Square Test is 0.661, and the adjusted test is 0.656. It can be concluded that the value of the dependent variable (Y) in this study, namely Online Loan, is influenced by 66.1% by the independent variables, such as Online Loan Advertisement, Islamic Financial Literacy, and Lifestyle. And the rest of the value (33.9%) is influenced by other factors that were not presented in this study. In SEM-PLS, if the value is above 0.26, it means that the model is good.

### Path Coefficient

The path coefficient is a value that explains the direction of the variable relationship, whether the hypothetical relationship in this study has a negative or positive relationship. If the value is in the range of 0 to 1, it means that it has a positive relationship. On the other hand, if the result value is in the range of 0 to -1, it means that it has a negative relationship. The results of the path coefficients test are presented below:

**Table 9.** Path Coefficients

|           | Path Coefficients |
|-----------|-------------------|
| LS -> OL  | 0.401             |
| OLA -> OL | 0.371             |
| IFL -> OL | 0.142             |

*Source: Processed Data (2025)*

Based on the table above, the path coefficient in this study shows that all variables show a positive relationship with the dependent variable, namely Online Loan.

### Hypothesis Testing

The T-statistic test aims to determine the significance of a variable. Meanwhile, the p-values are used to determine the likelihood that the proposed hypothesis aligns with the research result. According to (Hair *et al.*, 2019), the significance value of value of the t-statistic must be above 1.96, and p-values must be less than 5% or 0.05. The following are the results of the T-statistics test:

**Table 10.** Hypothesis Testing

|           | Original sample (O) | Sample mean (M) | Standard deviation (STDEV) | T statistics ( O/STDEV) | P values | Result   | Hypothesis           |
|-----------|---------------------|-----------------|----------------------------|-------------------------|----------|----------|----------------------|
| LS -> OL  | 0.401               | 0.395           | 0.068                      | 5.856                   | 0.000    | Accepted | Positive Significant |
| OLA -> OL | 0.371               | 0.375           | 0.071                      | 5.249                   | 0.000    | Accepted | Positive Significant |

|                      |       |       |       |              |              |                 |                                 |
|----------------------|-------|-------|-------|--------------|--------------|-----------------|---------------------------------|
| <b>IFL - &gt; OL</b> | 0.142 | 0.102 | 0.123 | <b>1.150</b> | <b>0.250</b> | <b>Rejected</b> | <b>Positive not Significant</b> |
|----------------------|-------|-------|-------|--------------|--------------|-----------------|---------------------------------|

The hypothesis testing results indicate that Lifestyle and Online Loan Advertisement significantly influence the Online Loan Usage, as evidenced by T statistics above 1.96 and p values below 0.05. However, the influence of Islamic Financial Literacy on Online Loan Usage is not significant in this study, as indicated by the T statistics below 1.96 and the P value is above 0.05.

**Table 11.** Model Fit Analysis

|               | <b>Saturated Model</b> | <b>Estimated Model</b> |
|---------------|------------------------|------------------------|
| <b>SRMR</b>   | 0.073                  | 0.073                  |
| <b>d_ ULS</b> | 1.004                  | 1.004                  |
| <b>d_ G</b>   | 0.342                  | 0.342                  |

*Source: Processed Data (2025)*

The saturated model for this research in SRMR is 0.073 for both the saturated and estimated models, which indicates good model fit. However, the d\_ ULS values for these models are both 1.004. These values are not usual in SEM-PLS, and lower values means better fit. Although this happened, it should not be a problem if SRMR is acceptable. This also applied on d\_ G model, which shown 0.342 in both saturated and estimated model. Although the number showed a problem, it is still acceptable because the SRMR showed a good model fit for this research.

## **5. CONCLUSION AND RECOMMENDATION**

Based on the results of this study, it can be concluded that advertising has a positive effect on the use of online loans, indicating that promotional exposure plays an important role in encouraging individuals to utilize online lending services. In contrast, Islamic financial literacy is found to have an insignificant effect on online loan usage, suggesting that the level of understanding of Islamic financial principles does not substantially influence individuals' decisions to use online loans. Meanwhile, lifestyle and urgency factors have a positive effect on online loan usage, implying that consumption patterns, social influences, and immediate financial needs significantly drive the tendency to use online loan services.

Based on these findings, several recommendations can be proposed. For online loan providers and regulatory authorities, particularly the Financial Services Authority (OJK), stricter regulations and more intensive supervision are needed to control both legal and illegal online loan services. For the public, especially in the Jabodetabek area, it is recommended to apply Islamic financial literacy principles in daily financial decision-making and to carefully consider potential risks before using online loans. Finally, future researchers are encouraged to incorporate additional variables and alternative approaches to further explore the factors influencing online loan usage, particularly to better understand why Islamic financial literacy does not significantly affect individuals' attitudes toward online borrowing.

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