

CONSUMERS' PERSPECTIVES ON FINTECH LENDING IN INDONESIA: ANALYSIS OF HERDING BEHAVIOR AND PHYSIOLOGICAL NEEDS

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Abstract

Financial technology is a technological innovation in financial services that is currently developing sector in Indonesia. This study focuses on fintech, which provides online loan financial services called fintech lending. The research gap on peer-to-peer lending was found in the study investigating one of the peer-to-peer lending problems and the existence of information asymmetry. Based on the research gap, this study analyzes the herding behavior of consumers as borrowers. It analyzes consumers' perspectives as borrowers on technological innovation in peer-to-peer lending in making decisions to fulfill basic physiological needs. The study relays to descriptive qualitative research. It analyzes the social situation that leads to phenomenology. Purposive sampling and snowball sampling were used in this study. There were 31 participants involved in this study that belonged to individuals who have made online loans with the peer-to-peer lending system. A qualitative open-ended question questionnaire was used to collect the data. The finding of this study shows that as many as 70.97% of the 31 respondents use fintech lending applications from recommendations of a friend or relative. In the current phenomenon, consumers imitate people who previously used fintech lending applications. Therefore, the result is in line with the concept of Herding Behavior that respondents select to use the fintech lending application because of an invitation and recommendation from a friend or relative. In addition, most respondents aged 20-30 years who are unmarried use fintech lending applications to fulfill lifestyle needs, while respondents aged 20-40 who are married use fintech lending applications to fulfill basic and business needs.

Keywords: Financial Technology, Fintech Lending, Herding Behavior, Peer-To-Peer Lending.

I. INTRODUCTION

The role of technology influences developments in the financial sector. Technological innovation in the currently developing financial services sector through financial technology. Fintech or Financial technology is a financial service that combines a platform with an innovative business model with five attributes: low margin, light assets, scalable, innovative, and easy compliance [1]. Through this innovation, providers of financial services, such as providing investment and loan facilities, incorporate Internet technology as a platform. The growth potential of financial technology in Indonesia will continue to grow in line with the large population of people who have yet to maximize fintech through smartphones [2]. This research focuses on fintech, which provides loan financial services called fintech lending. Prior to fintech lending, people made conventional loans through banks or individually. Fintech lending is currently developing into Peer to peer lending. OJK explained that Fintech Lending/Peer-to-Peer Lending / Fintech lending is a lending and borrowing service in the rupiah currency directly between creditors/lenders (lenders) and debtors/borrowers (loan recipients) based on information technology. Fintech lending is also called Technology-Based Borrowing and Borrowing Services (LPMUBTI) [3].

The peer-to-peer lending mechanism is almost the same as the e-commerce Marketplace. Marketplace lending is a place or provider of fintech lending that brings together lenders and borrowers with platform-based intermediaries. In 2005, Peer to peer lending was first introduced in the United States [4]. The peer-to-peer lending mechanism combines a match between the funds invested by the lender and the consumer as the borrower. The parties involved in Peer to peer lending are consumers as borrowers, investors as lenders, and marketplace lending as intermediaries for fintech lending transactions. Research gaps regarding Peer-to-peer lending exist in research that investigates one of the problems of peer-to-peer lending: the existence of information asymmetry between the first and subsequent repeated borrowing [5]. According to Shun Cai et al., first-time loan requests can differ significantly from repeat borrowing regarding information availability, lender decisions, and other matters [5].

Based on the research gap, this study focuses on considerations for decision-making when borrowers use financial services peer-to-peer lending, which is then associated with herding behavior found in respondents as well as analysis of physiological needs in Maslow's hierarchy of needs theory. An example of a case that occurred in June 2021, an honorary teacher in Semarang was entangled in hundreds of millions of debts on dozens of fintech lending applications. The debt meets daily needs because they are experiencing financial difficulties. As a result of intimidating billing, the honorary teacher experienced mental pressure and felt suicidal. This research will also analyze the herding behavior of consumers as borrowers. Herding behavior is an individual's tendency to imitate a larger group's actions (rational or irrational) [4]. The current phenomenon is that most consumers do fintech lending

because they imitate people who have used fintech lending applications. The purpose of this research is to find out how Herding behavior affects borrowers who use peer-to-peer lending information systems and how the consumers' perspective as borrowers on technological innovation in Peer to peer lending in making decisions to fulfill basic (physiological) needs.

II. LITERATURE REVIEW

According to OJK, information technology-based lending and borrowing services or Peer to peer lending is the provision of financial services to bring together lenders and loan recipients in the context of entering into loan agreements in the rupiah currency directly through an electronic system using the internet network [3]. Peer-to-peer lending transaction mechanism put forward by Bachmann et al., Lenders can offer loans at interest rates obtained from financial information. Meanwhile, for borrowers, Peer to peer lending is a way to receive loans without involving the decision process of financial institutions and believing that system conditions are better than the banking system [6].

According to Turban, information is data that has been processed, organized, or put into context to have meaning and value for the recipient [7]. Meanwhile, an information system is any organized combination of people, hardware, software, communication networks, data sources, and organized policies and procedures that store, retrieve, modify, and segregate information within an organization[8]. Meanwhile, according to Gelinas & Dull, an information system is a manufactured system consisting of integrated computer-based components and manual components built to collect, store and manage data and provide output information to users [9].

Decision-making is choosing one path from several paths [10]. To improve decision-making ability, one must understand one's values and abilities. These values are opinions about what is right and what is wrong. Values give meaning to life by directing a person to set priorities, decide goals and determine which behavior is more useful or less important [10].

Maslow's hierarchy of needs theory was put forward by Abraham Maslow in 1943. According to Halim, this theory explains a hierarchy of needs, showing five levels of human wants and needs [11]. The five basic human needs include:

1. Physiological needs
Basic human needs, such as hunger, thirst, and shelter.
2. Security needs
The need for safety and protection from danger, threats, and dismissal from work.
3. Social needs
The need for love and satisfaction in relationships with other people, satisfaction and a feeling of belonging and acceptance in a group, a sense of kinship, friendship, and affection.
4. The need for appreciation
The need for status and position, self-respect, reputation, and achievement.
5. Self-actualization needs
The need for self-fulfillment to use one's potential, self-development to the fullest extent possible, creativity, self-expression, and do what is most suitable, and complete one's work.

Herding behavior is an individual's tendency to imitate the actions of a larger group [4]. Herding behavior is divided into 2 properties: rational and irrational [12]. Herding behavior, which is rational, can provide benefits, while herding behavior which is its nature irrationality, can cause losses.

III. RESEARCH METHODS

The research approach used is descriptive qualitative research. The main instrument in qualitative approach research is the researcher by observing, asking, listening, and taking research data [13]. Retrieval of research data using open-ended question questionnaires and follow-up interviews. This study analyzes social situations that lead to phenomenology, namely exploring personal experiences and focusing on individual perceptions of experience. The phenomenological approach is used to study human phenomena without questioning their causes, actual reality, and appearance [14].

Qualitative research has no term population because the data is taken from social situations whose research results cannot be generalized to a population. Samples in qualitative research are called informants or participants, while samples in quantitative research are called respondents [13]. Qualitative research sampling is not based on statistical calculations, and the selected sample serves to obtain maximum information, not to be generalized [13]. The sampling for this study used purposive sampling and snowball sampling techniques, namely selecting certain people who were considered to provide the necessary data; then, based on the data obtained from these samples, the researcher determined that other samples considered would provide more complete data [13]. The number of participants in qualitative research is not determined by how much the information taken is sufficient if the data is

saturated or added with new participant information that does not provide meaningful new information [13]. Participants in this study were individuals who had conducted fintech lending with a Peer to peer lending system of 31 participants, consisting of 10 male participants and 21 female participants. Data collection was taken from a qualitative open-statement questionnaire.

IV. RESULTS AND DISCUSSION

A. Findings regarding information on the number of fintech lending applications/platforms used

Based on the results of reducing the questionnaire data by 31 respondents, findings can be obtained regarding information on the number of fintech lending applications/platforms used as follows.

TABLE I. FINTECH LENDING APPLICATIONS/PLATFORMS

Total Use of Fintech Lending Applications/Platforms	Number of Respondents
1	21
2	5
3	2
>3	3*
Total Respondents	31

*Number of fintech lending applications/platforms used: 4, 10, 12

Table 1 shows that at one time in conducting fintech lending, as many as 21 respondents were using 1 application/platform, 5 respondents using as many as 2 applications/platforms, 2 respondents using as many as 3 applications/platforms, and 3 respondents using more than 3 applications/platform fintech lending applications/platforms, each of which has as many as 4 applications, 10 applications, up to 12 applications. From a total of 31 respondents, it can be concluded that 67.7% use 1 application/platform, and 32.3% use more than 1 application/platform at once in conducting fintech lending. The reasons given by respondents regarding the use of more than 1 fintech lending application were:

1. Fintech lending applications/platforms have different uses, such as fintech lending, that offers credit in goods and money.
2. A fintech lending application/platform is used to close the previous fintech lending.
3. Each fintech lending application/platform has limits or limitations regarding how many loans consumers can submit as borrowers.
4. There is an unfulfilled need if you use more than 1 fintech lending application/platform.

B. Findings regarding sources of information obtained by respondents regarding fintech lending

The findings of sources of information obtained by respondents regarding fintech lending indicate herding behavior among consumers as borrowers. Out of 31 respondents, 22 knew about fintech lending applications through information or recommendations from a person/friend/family, and the remaining 9 respondents found out from social media advertisements and themselves. Here is the number of sources of information in percentage.

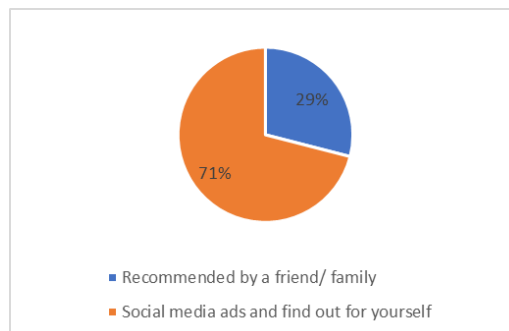


FIGURE 1. SOURCES OF INFORMATION OBTAINED BY RESPONDENTS REGARDING FINTECH LENDING

C. Findings regarding information on using fintech lending to fulfill basic/physiological needs.

The use of Fintech lending aims to fulfill needs, one of which is basic/physiological needs. Options for basic/physiological needs provided in the questionnaire include capital needs, food, clothing, housing,

electricity/water/phone bills, internet quota packages, formal education, non-formal education, entertainment (vacation/recreation), and online entertainment (cable TV subscriptions). paid channels), online shopping, online games, paying off other debts, and other daily needs. Based on the results of the questionnaire, the choice of needs chosen by the respondents was as follows:

1. As many as 14 respondents with an age range of 20-30 years are unmarried. 60% of the 14 respondents use fintech lending applications for online shopping.
2. There was 1 respondent aged 31-40 years was unmarried using the fintech lending application for business/capital needs.
3. Of a total of 16 respondents who are married with an age range of 20-40 years, 43.75 % use the fintech lending application for business/capital needs, as much as 37.5% for other basic needs, and only 18.75% use the fintech lending application for online shopping.

D. Findings regarding information on the appropriateness of using fintech lending to fulfill physiological needs

Based on the questionnaire data, information was obtained that out of 31 respondents, as much as 83.9 % agreed that the fintech lending used had provided benefits in meeting needs. As much as 16.1% disagreed that the fintech lending used had provided benefits in fulfilling basic/physiological needs. As many as 16.1% or 5 respondents answered that they did not provide benefits in meeting physiological needs because they received bad treatment during billing, such as psychological pressure and material losses. As many as 16.1% or 5 of these respondents simultaneously used more than 3 loan applications, namely 3, 4, 10, and 12.

E. Discussion

In research by Xiao-Liang et al. on herding behavior, consumers imitate the behavior of previous people through online reviews on social media, which influences decision-making [15]. In this study, herding behavior is analyzed from a perspective other than online reviews. Based on findings regarding sources of information obtained by respondents regarding fintech lending, 71% or 22 people out of 31 respondents know about fintech lending applications from information/recommendations from someone. It follows the concept of Herding behavior, where respondents choose to use fintech lending applications because of invitations & recommendations from a friend/relative. It is aligned with research. The herding behavior contained in this study leads to a rational nature. Herding behavior, which is its nature Rationale, can provide benefits [12]. It is supported by findings regarding the suitability of using fintech lending to fulfill basic needs. As much as 83.9 % agreed that the fintech lending used had provided benefits in meeting needs, and 16.1% disagreed that the fintech lending used had provided benefits/benefits in meeting basic/physiological needs. It can be concluded that the respondent's herding behavior provides benefits for meeting basic needs.

The most basic level of human needs put forward by Abraham Maslow is physiological needs. According to Maslow's Hierarchy of Needs theory, these needs include the fulfillment of food, clothing, shelter, and other basic needs. In this study, the physiological needs include food, clothing, housing, electricity/water/phone bills, internet quota packages, formal education, entertainment, online shopping, paying off previous debts, capital needs, and other daily needs. Based on findings regarding information on the use of fintech lending to fulfill basic/physiological needs, the majority of respondents aged 20-30 years who are not married use fintech lending applications to fulfill lifestyle needs, while respondents aged 20-40 years who are married use fintech applications. Lending to meet basic needs and business/capital needs. Other findings regarding the number of fintech lending applications/platforms used, as many as 67.7% of respondents used 1 application/platform, and 32.3% used more than 1 application/platform at once in conducting fintech lending. It is because each fintech lending application has different uses; it is used to cover previous credit/debt in other applications; each fintech lending has rules regarding borrowing limits and needs that are not fulfilled if only using 1 fintech application lending. Consumers, as borrowers, use current fintech lending applications to fulfill their basic/physiological needs.

V. CONCLUSION

The current phenomenon is consumers imitating people who previously used fintech lending applications. Based on research data that has been reduced and analyzed, it is known that the majority of respondents with an age range of 20-30 years who are not married use fintech lending applications to fulfill lifestyle needs, while respondents with an age range of 20-40 years who are married use fintech lending applications to meet basic needs and business/capital needs. In addition, as many as 71% or 22 of 31 respondents knew about fintech lending applications from information/recommendations from someone. It follows the concept of Herding behavior; respondents use fintech lending applications because of invitations & recommendations from a friend/relative.

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