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Analysis of the Impact of Online Loan Usage from the Perspective of Islamic Economics (Case Study on Students of Jambi University)

Muhammad Alreza[1], Lucky Enggrani Fitri [2], Ridhwan [3]
[1,2,3] Jambi University
Email : bintanga077@gmail.com[1], lucky_fitri@unja.ac.id[2], ridhwan@unja.ac.id[3]

Abstrak

This study aims to analyze the factors and impacts of online loans from the perspective of Islamic economics. The research was conducted by analyzing primary data obtained through interviews with informants and presented using data reduction techniques. This is a qualitative study. The results show that there are both positive and negative findings regarding online loans from the perspective of Islamic economics.

Keywords: Online loan factors, online loan impacts, Islamic economics

Introduction

Currently, technological development is advancing rapidly and becoming increasingly sophisticated—something that has become an integral part of human life, bringing significant changes. Many benefits have been gained, in line with the creation of technology which aims to assist humans in carrying out their daily lives and to make various tasks easier (Utami et al., 2023). With technological advancements, almost everything can now be done using electronic tools, making processes faster and more efficient, and easing human labor. As a result, society has become increasingly interested in using internet-based technologies supported by various innovations across different sectors, including the trade sector.

As living beings, humans have many daily needs. In line with this, human needs based on their intensity are categorized into three types: primary needs, secondary needs, and tertiary needs. Due to the variety of needs in daily life, humans inevitably engage in consumption activities. These consumption activities are carried out to fulfill their daily necessities (Muh. Syarifuddin, 2016).

Individuals often seek satisfaction by consuming goods not based on their needs, but rather to fulfill their desires. This phenomenon is commonly referred to as consumptive behavior (Lestri, 2018). Consumptive behavior refers to the tendency to purchase goods or use services solely to gain personal satisfaction, without considering the utility or urgency of those goods or services.

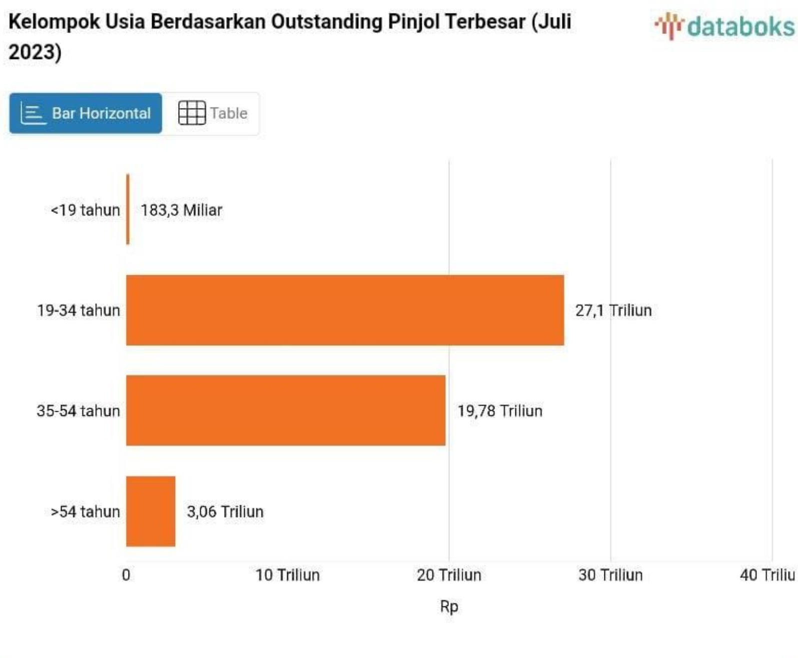
This behavior can become deeply rooted in the lifestyle of youth, particularly university students, and can lead to various problems in their lives. The economic impact that students may experience includes the inability to manage their finances properly. Psychologically, they may experience stress or pressure when their desires are not fulfilled. Socially, they may continuously follow popular trends or attributes without having the confidence to be themselves (Effendi, 2016).

The use of e-money in Indonesia continues to increase in line with technological advancements, with many people shifting toward cashless transactions—namely, the use of electronic money (e-money) embedded in smartphones. Smartphones are designed to assist humans in carrying out their daily activities and completing tasks more efficiently (Widiasanti et al., 2023).

This development has had a significant impact on both the economy and the lifestyle of university students. Financial Technology (fintech) is the term that has emerged from this progress. Fintech refers to innovations in the financial sector that simplify financial transactions for users, according to the National Digital Research Centre (NDRC). Fintech processes include stock trading, payments, peer-to-peer lending, fund transfers, retail investments, and personal financial planning.

These fintech processes have led to the rise of online loan applications or websites, which are now widespread—not only among adults or employees, but also accessible to students. Online loans offer convenience for students to apply for loans to meet either their needs or desires. Due to their easy requirements, online loans have become a kind of "credit card" for students, since most students do not yet have jobs or pay slips, making them ineligible for traditional credit cards (Magdalena et al., 2019).

Figure 1. Age Groups Using Online Loans



Source: *Databoks, 2023*

Students with unstable economic backgrounds tend to be drawn to online loans. As shown in Figure 1.1 regarding the age groups that use online loans, university students fall within the 19 to 34 age group, which has a significantly higher percentage compared to other age groups. Moreover, students are not required to meet the lender in person, as the entire process can be done online by fulfilling simple requirements—using an ID card (KTP) and a student ID card (KTM) as collateral, without the need to submit a payslip.

Generally, online loans use an installment method with low interest rates for repayment. With such ease and a high borrowing limit of up to IDR 5,000,000, online loans have become one of the ways students fulfill their needs or desires. However, these factors may trigger consumptive behavior among students, as they are able to fulfill their wants freely with large funding support and easy requirements—often without considering the long-term consequences. In addition to the low interest rates, the repayment period (tenor) is also relatively long—up to two years. This, however, contradicts Q.S. Al-Baqarah verse 275, which means:

"Allah has permitted trade and has forbidden usury (riba)."

The above verse clearly explains that Allah forbids usury (riba). As Muslims, it is clear that riba is prohibited and should be avoided.

It was reported that hundreds of students at IPB (Bogor Agricultural University) were trapped in online loan schemes (Republika.com, 2022). From observations conducted among students of the Islamic Economics Study Program at Jambi University, one student was identified as exhibiting consumptive behavior, referred to as AM. AM was categorized as displaying consumptive behavior because they frequently overspent, were easily tempted by products, disregarded the usefulness of items, shopped continuously, and tended to be wasteful—treating shopping as a part of their lifestyle.

This is what led to the emergence of consumptive behavior in AM, where they were unable to control their spending habits. Meanwhile, AM was unaware that such behavior could lead to many negative consequences. AM's consumptive behavior stemmed from an inability to manage their desires, using online loans to fund excessive spending. However, they later found it difficult to repay the debt, which led to being pursued by online loan sharks.

The impacts that occur have a significant effect on the students' psychological well-being and other aspects of their lives. Some students have even chosen to take on part-time jobs, especially supported by the online learning system, which makes them less bound to the traditional academic schedule. Future planning regarding the continuation of their studies is closely related to the payment of tuition fees (UKT), the need to complete assignments, research expenses, courses for job preparation after graduation, graduation fees, and other financial needs. Therefore, financial readiness to support these needs must be ensured.

According to Nababan and Sadalia (2013), and Wijayanti et al. (2016), the longer a person spends in college, the more positively it affects their level of financial literacy. The phenomenon of perceived ease of use refers to an individual's belief in using an information technology system with minimal or even no effort. As a result, if a person finds the system easy to use, they are likely to use it; otherwise, they will not.

Perceived trust is defined as a person's willingness to rely on a business partner, believing that the partner possesses both credibility and integrity. Perceived trust significantly influences the decision to carry out online transactions using platforms like Kredivo. Similarly, Kurniawan et al. (2020) state that perceived trust affects the perceived usefulness of peer-to-peer lending systems.

Research Methodology

This study uses a qualitative descriptive research method. According to Djam'an Satori (2011), qualitative research is conducted when the researcher seeks to explore phenomena that cannot be quantified and are descriptive in nature—such as the process of a work procedure, a formula in a recipe, interpretations of various concepts, characteristics of goods and services, images, styles, cultural customs, physical models of artifacts, and so on.

Based on the explanations from several experts, it can be concluded that qualitative descriptive research is a series of activities aimed at obtaining data as it naturally occurs, without manipulation of conditions, with the results placing more emphasis on meaning. In this study, the researcher applies a qualitative descriptive method, which serves as a plan and structure of inquiry to answer questions regarding the factors that encourage students to use online loans, the impacts of online loan usage among students in Jambi City, and strategies to overcome the impacts of online loans, specifically among 2019 cohort students of the Islamic Economics Study Program. Moreover, this research also follows an inductive approach.

Results and Discussion

In this study, the researcher conducted interviews supported by recorded evidence and written notes taken during the interview sessions. A total of 10 informants who had used online loans—both legal and illegal—were interviewed. The informants requested that their personal identities remain confidential.

Factors Driving Jambi University Students to Use Online Loans
In this context, various factors play a role in encouraging students to apply for or take out online loans, whether through legal or illegal platforms.
The researcher aimed to explore the underlying reasons behind students' decisions to engage in online lending, whether legal or illegal. The following statements were derived from interview excerpts with the 10 informants: "If I'm asked this, I can only explain that the reason I took out an online loan was just to have some emergency savings. I'm a university student living away from home, so the money my parents send isn't always consistent—sometimes it comes at the beginning of the month, sometimes at the end. And since I'm already in my final semester, I have a lot of unexpected expenses. So, like it or not, I had to borrow because I didn't have any other options. Even if I wanted to borrow from my roommates, they're also students living away from home. Once the money from my parents comes in, I use it to pay off my loan installments. The loan I took was from a legal platform." (Interview, October 3, 2024).

Based on the excerpt from the interview with the first informant, it can be concluded that the informant, as a final-year student, needed more money to meet living expenses and academic needs. However, the money sent by the student's parents was inconsistent in both timing and amount, which led the student to borrow money using legal online loans. Next, the interview with the second informant resulted in the following excerpt: "Actually, the reason I took out a loan was quite a foolish one. I've been wanting an Apple phone for a long time, but because it's so expensive, I forced myself to find extra money through an online loan. I took the risk of borrowing because I really wanted that phone. The loan I took was from a legal platform." *(Interview, October 5, 2024)*.

Based on the interview above, it was found that the factor driving the student to take out an online loan was to fulfill a personal desire to buy a new Apple phone, which was expensive. In order to get the extra money needed to buy the phone, the informant decided to borrow from an online loan platform.

Next, the interview with the third informant resulted in the following excerpt: "The reason I used an online loan was to get extra capital to start my small business, which is a chocolate banana food business. Since I had some free time, I decided to try opening this business. Because I'm still in college and the money I had saved up wasn't enough to start the business, I borrowed money through an online loan. Fortunately, my business has been doing well, so there's no problem with paying the monthly installments. The loan I took was from a legal platform." (Interview, October 2, 2024).

Based on the interview above, it was found that the factor driving the student to take out an online loan was to obtain additional capital for a business venture, allowing the student to utilize free time after class. Due to a lack of sufficient funds, the informant decided to borrow money from an online loan platform.

Next, the interview with the fourth informant resulted in the following excerpt: "I borrowed money the other day because I was in a tight spot. My parents' money transfer was delayed, and I didn't borrow much—just enough to cover my living expenses for one week. The money from my parents didn't arrive until the middle of the month. I applied for a loan from a legal online loan app." (Interview, October 6, 2024).

Based on the interview above, it was found that the factor driving the student to take out an online loan was to cover living expenses for one week due to the delay in the parents' money transfer, which was typically sent at the beginning of the month but was delayed by one week. Next, the interview with the fifth informant resulted in the following excerpt: "I used the online loan to buy a new phone because the one I was using broke. Since I also work as an online driver after class, I really needed a new phone to help me with my work. The loan I took was legal, and I've been able to pay it off regularly because of my work as an online driver." *(Interview, October 3, 2024).*

Based on the interview above, it was found that the factor driving the student to take out an online loan was to buy a new phone to support their work, as the informant works as an online driver after class. Next, the interview with the sixth informant resulted in the following excerpt: "I took the loan to repair my motorcycle because it was damaged and was affecting my ability to attend classes. Since my parents' money transfer for the repairs couldn't be sent on time, I decided to borrow money from a legal online loan platform. I repaid the loan as soon as I received the money from my parents." *(Interview, October 4, 2024)*.

Based on the interview above, it was found that the factor driving the student to take out an online loan was the urgent need to repair their motorcycle, which is used for transportation to class. Next, the interview with the seventh informant resulted in the following excerpt: "I'm a slot gambling addict. Since I didn't have any more money, I borrowed from an illegal online loan platform with the hope that this last amount would be enough for the deposit. I was obsessed with gambling, hoping to win, but I ended up losing everything and was left with debt. For payment, I even had to sell my fan and save extra money from my monthly allowance."*(Interview, October 5, 2024)*.

Based on the interview above, it was found that the factor driving the student to take out an online loan was an addiction to online gambling. Due to a lack of capital for deposits, the informant borrowed money from an online loan platform. Next, the interview with the eighth informant resulted in the following excerpt: "I used the online loan to buy a bag that was the same as my friend's because I really liked the model. I checked the price on an online shop, and it turned out to be quite expensive. Since I didn't have enough money to buy it, I decided to apply for an online loan. The loan I took was legal, but I sometimes missed the payment due date, so I had to save extra money from my monthly allowance to pay it off." (Interview, October 4, 2024).

Based on the interview above, it was found that the factor driving the student to take out an online loan was the desire to have the same bag as their friend. Since the money they had was insufficient to buy the bag, the informant decided to take out an online loan. Next, the interview with the ninth informant resulted in the following excerpt: "I took the loan to repair my laptop. The hard drive was damaged, and since my parents' money transfer for the repairs couldn't be sent in the near future, I decided to borrow money from an online loan platform. I urgently needed the laptop repaired because I had assignments that were close to the deadline. The loan I took was legal, and I repaid it as soon as I received the money from my parents." *(Interview, October 7, 2024)*.

Based on the interview above, it was found that the factor driving the student to take out an online loan was the need to repair their laptop, which was essential for their academic work. Since the parents' money transfer for the repair was delayed, the informant decided to borrow from an online loan platform.

Next, the interview with the tenth informant resulted in the following excerpt: "I'm a big fan of K-pop idols, and at that time, they released exclusive merchandise that was sold in a limited edition. I really wanted to have this merchandise, but since I didn't have enough money, I decided to borrow from an online loan platform. The loan I took was legal, and I often missed the payment deadlines, so I had to be extra frugal until I paid off the loan." *(Interview, October 8, 2024)*.

Based on the interview above, it was found that the factor driving the student to take out an online loan was the desire to purchase exclusive K-pop merchandise from their favorite idol group. This desire led the informant to take out an online loan. From the interviews with the informants about the factors that motivate students to use online loans, it can be concluded that there are both positive and negative factors. Positive factors include helping with urgent needs such as repairing laptops, vehicle repairs, and covering living expenses. Negative factors include fulfilling unnecessary desires, even using loans to fund online gambling. Based on the explanations above, it can be concluded that the factors driving students to take out online loans can be classified into two categories: productive and consumptive factors.

Productive Factors:

1. Used as capital to start a small business.
2. Buying a phone to support work as an online motorcycle driver.
3. Repairing a vehicle to assist with academic activities.
4. Repairing a broken laptop to make it usable again to support academic activities.

Consumptive Factors:

1. Buying an expensive phone just for the purpose of flexing without considering the ability to pay the installments.
2. Buying a bag that is not really needed/fulfilling a temporary desire.
3. Seeking capital for a deposit to engage in online gambling.
4. Buying items that do not bring any benefit.

Impact of Online Loan Usage for Students at Universitas Jambi

Online loans obviously have significant impacts on those who take them. In this case, the impact can be either positive or negative, with one of the most immediate impacts being felt directly by the borrowers themselves.

In this study, the researcher conducted interviews to understand the impact of online loan usage among students at Universitas Jambi. The interviewees are 10 individuals who have used online loans, both legal and illegal.

The first interview was conducted with an informant who has experienced direct effects from using online loans. The following is the result of the interview with the first informant:

"The impact I felt directly was that it helped me a lot because I am a final-year student, and sometimes the money needed for urgent situations is very high, and transfers from my parents are not always on time when those urgent needs arise. My purpose for borrowing was to have savings in case of emergencies." (Interview, October 3, 2024).

From the interview, it can be concluded that the informant felt helped by being able to save and use the loan money for emergencies, as they are a final-year student with frequent urgent financial needs. Additionally, they are a student living away from home and are heavily reliant on parental money transfers.

Next, the researcher conducted an interview with the second informant regarding the impact of online loans on students at Universitas Jambi. The following is the result of the interview:

"At first, I was happy because I was able to get the phone I wanted, but after the installments started, I began feeling stressed and overwhelmed about how to pay off this debt. I got myself into debt just to fulfill my temporary desires without thinking about the long-term consequences. I had to cut back on my daily meals just to pay the monthly installments, and sometimes I had to borrow from one source to pay another." (Interview, October 5, 2024).

From the interview, it can be concluded that the informant experienced negative impacts due to borrowing online loans to fulfill a temporary desire to own a new phone, without considering the monthly installments that they would need to pay.

Next, the researcher conducted an interview with the third informant regarding the impact of online loans on students at Universitas Jambi. The following is the result of the interview:

"I felt really helped by the online loan because it provided extra capital to start my small business selling chocolate bananas for extra pocket money and to make use of my free time after classes. Thankfully, my business is running quite smoothly, and I've been able to handle my monthly bills." (Interview, October 2, 2024).

From this interview, it can be concluded that the informant felt very helped by the availability of online loans. This is evidenced by the fact that the informant obtained extra capital to start a small business selling chocolate bananas to supplement their pocket money and make use of their free time after classes.

Next, the researcher conducted an interview with another informant regarding the impact of online loans on students at Universitas Jambi. The following is the result of the interview:

"I felt helped by the online loan because at that time my parent's transfer was delayed for a week. To cover my living expenses for that week, I borrowed a small amount, which did not burden me, as it was only for the needs of that week. And I didn't miss any payments; as soon as the transfer came in, I paid the bill immediately." (Interview, October 6, 2024).

From this interview, it can be concluded that the informant felt sufficiently helped by the online loan. This was because the informant's parents' transfer was delayed for a week, and the informant borrowed money from an online loan to cover the living expenses for that week.

Next, the researcher conducted another interview with an informant regarding the impact of online loans on students at Universitas Jambi. The results of this interview are as follows:

"Regarding the impact of this online loan, I clearly feel very helped in replacing my damaged phone, which is an essential tool for my work as an online motorcycle taxi driver after class. This loan provided easy access to help me replace my damaged phone. I have been able to pay my monthly installments smoothly, supported by my job, which allows me to pay off the loan." (Interview, October 3, 2024)

The interview with the informant explains that the informant, who works part-time as an online motorcycle taxi driver, feels greatly helped by the online loan to replace their damaged phone, which is used to support their work as an online driver.

Next, the researcher interviewed the next informant regarding the impact of online loans on students at Universitas Jambi. The following is the result of the interview:

"I was definitely quite helped because of the repair costs for my motorcycle, which I use as transportation for my college activities. The damage to my motorcycle was unexpected, and the money I asked from my parents was not available in time, so I decided to borrow from an online loan. I was able to make the payments smoothly because once my parents' transfer arrived, I paid off the bill." (Interview, October 4, 2024).

From this interview, it was found that the informant felt greatly helped by the online loan. The urgent need to repair the motorcycle used for college transportation was the reason for taking the loan.

Next, the researcher conducted an interview with the next informant regarding the impact of online loans on students at Universitas Jambi. The following is the result of the interview:

"I regret and feel burdened by the loan I took. I've been stressed and overwhelmed by the monthly installments I have to pay because my initial intention for borrowing was unclear, which was to fund my online gambling deposit. I even had to sell my fan and cut back on my food expenses to pay the installments." (Interview, October 5, 2024)

From the interview, it was found that the informant got trapped in online loans due to their addiction to online gambling. The informant took out the loan to fund an online gambling deposit with the hope of winning, but instead, they ended up with debt that needs to be paid off each month.

Next, the researcher interviewed the next informant regarding the impact of online loans on students at Universitas Jambi. The following is the result of the interview:

"I feel burdened by the installment loan I took to buy the same bag as my friend. If only I could have controlled my ego not to buy that bag, I wouldn't be stressing and worrying about the installments I have to pay every month." (Interview, October 4, 2024)

This interview reveals that the informant feels burdened and stressed by the monthly installments. To fulfill a temporary desire, the informant took out an online loan without considering the ability to pay the monthly installments.

Next, the researcher conducted an interview with the ninth informant regarding the impact of online loans on students at Universitas Jambi. The following is the result of the interview:

"I've been very helped by this online loan. The need to repair my laptop, which I use for my college work, was the reason I took out the loan. Since the transfer from my parents wasn't available in the near future, this loan really helped me get my laptop repaired quickly, especially since I had urgent assignments to complete." (Interview, October 7, 2024).

The interview reveals that the informant felt very helped by the online loan. The urgent need to repair the laptop for college work was addressed with the loan, especially since assignments were waiting to be completed.

Next, the researcher interviewed the tenth informant regarding the impact of online loans on students at Universitas Jambi. The following is the result of the interview:

"At first, I felt happy with the merchandise I got, but then I became stressed about the monthly bills due to the rising interest from my late payments. I didn't expect that the delay would cause the interest to keep growing, which is why I've had to be extremely frugal until I pay off the loan." (Interview, October 8, 2024)

From the interview, it was found that the informant felt momentary happiness after getting what they wanted, but did not consider the growing interest due to late payments.

Based on the interview results from the informants, it can be explained that the impact of online loans can be both positive and negative. These impacts are directly felt by the borrowers themselves. The impact can be categorized into two main aspects:

1. Positive Impacts: It can be very helpful if used strategically, such as buying tools for work, providing capital for small businesses, or covering urgent needs, while keeping in mind the monthly installment payments.
2. Negative Impacts: If the borrowed money is not managed properly, or if borrowers do not consider their ability to pay the monthly installments, it may lead to significant interest accumulation. Negative outcomes include borrowing for unimportant items like smartphones for flaunting, buying things that aren't necessary, and even getting trapped in online gambling debts.

In conclusion, the impact of online loans varies, with both positive and negative outcomes.

Financial Impact

1. Helps in starting a business to increase income.
2. Helps in obtaining goods to support work.
3. High interest rates that can increase financial burden.
4. Increasing debt if not paid on time, which can lead to financial difficulties.
5. Buying expensive items with online loans can create dependence on loans and hinder the ability to manage finances independently.

When linked to current economic activities, online loans have interest and penalties if the borrower is late in making payments after the due date. As a result, the borrower ends up paying more than the amount initially borrowed. The borrower is also at risk of paying unreasonable penalties if payments are delayed. In principle, online loans are allowed as long as they adhere to the rules of Qiradh. However, in online loans, the Shighot (agreement) of Qiradh is unclear. This is evident from the lack of transparency when applying for loans. The borrower will only be aware of the risks, penalties, and additional costs after the loan application process is completed and if they experience late payments (Uyun & Luthfia, 2023).

In addition, the interest rates applied by online loans are very high, especially in illegal online loans. The interest on online loans is even higher than that of conventional banks. The interest for legal online loans is capped at 0.8% per day, which equals 24% per month or 144% annually. In comparison, banks charge 20% to 30% per year. This clearly involves elements of usury (riba), which is prohibited according to Al-Baqarah (2:275). The verse states: "Allah has permitted trade and has forbidden usury." Furthermore, Asroru Niam, the chairman of the MUI Fatwa Commission, stated that "Online and offline borrowing services that involve usury are haram, even if conducted with mutual consent."

Psychological Impact

1. Becoming more motivated to work because there are installments to be paid.

2. Stress from debt that cannot be managed properly can lead to increased stress and anxiety.
3. Losing control: dependence on online loans can make someone feel they have lost control over their finances and their life.

The inability of students to manage their finances, combined with a consumptive lifestyle, hedonistic tendencies, and a lack of financial literacy, causes them to use loan products irresponsibly (Uyun & Luthfia, 2023).

Moreover, the ease and speed of the online loan process lead students to overlook the risks that are not explained by the loan providers, especially when payments are late or missed. Many students who fall into the trap of online loans are driven by a consumptive lifestyle, even nearing hedonism. To support their consumptive habits, students have no hesitation in borrowing money from online loan applications, whether legal or illegal. As a result, many of them, in order to pay off their online loans, end up borrowing from other online loan applications, causing their debt to grow exponentially.

Online loans taken by students for temporary pleasures clearly do not align with Islamic principles. Islam encourages its followers to live simply, with contentment and gratitude. This is reflected in QS. Al Furqan (25):63, which says: "And the servants of the Most Merciful are those who walk upon the earth easily, and when the ignorant address them [with harsh speech], they say peace." This verse encourages Muslims to be humble and not arrogant. Furthermore, in QS. Al Furqan (25):67: "And those who, when they spend, are neither extravagant nor stingy, but hold a just balance between those [extremes]." This verse teaches not to be excessive in spending wealth nor to be miserly.

Online Loans from an Islamic Economic Perspective

From an Islamic economic standpoint, the basic concept of Islamic finance is the obligation for institutions to be directly connected to the real economy, regulated by the principles of risk sharing or profit and loss sharing. In general, the ideal principles of Islamic finance can be more specifically explained with the following examples:

1. Loans with interest rates, which are considered usury (riba) and are prohibited, should be replaced with Islamic financing contracts, such as leasing (ijarah) or buying and selling (ba'i).
2. Transactions that involve prohibited elements in Islamic contracts, such as gharar, including transactions involving forbidden items in Islam.
3. Islamic finance statistics should ideally be supervised by an expert in religious knowledge or a specialist in Islamic finance. (Yudha, 2021).

One of the principles in Islamic economics is the prohibition of riba in its various forms. Business activities should not contain the following elements: (Farid, 2020).

1. Riba – the unjust or invalid increase in income, including transactions involving the exchange of similar items with differing qualities, quantities, or delivery times (fadhl), or in loan transactions that require the borrower to return more than the principal due to the passage of time (nasi'ah).
2. Maysir – transactions dependent on uncertain conditions, with speculative or gambling elements.

3. Gharar – transactions where the object is unclear, not owned, not known to exist, or cannot be delivered at the time of the transaction unless specifically regulated in shariah.
4. Haram – transactions involving objects prohibited in shariah.
5. Zalim – transactions that cause injustice to the other party.

Regarding online loans, in Islamic law, it can be classified as qardh (a loan). Online loans are also regulated by the Indonesian Ulama Council (MUI) through the National Sharia Board (DSN) Fatwa No. 117/DSN-MUI/II/2018 regarding financing services based on information technology according to sharia principles. This fatwa explains that financing services based on information technology and sharia principles are financial services that connect or facilitate the relationship between lenders and borrowers for the purpose of carrying out financing contracts through electronic systems using the internet.

The fatwa specifies that online loans can be allowed or considered halal, as long as the contract is based on sharia principles without elements of riba. The MUI allows online loans with contracts such as al-ba'i (sale), ijarah (leasing), mudharabah (profit-sharing), musyarakah (partnership), wakalah bil ujrah (agency with compensation), and qardh (loan). Online loans are generally based on the qardh contract. As outlined in the MUI Fatwa No. 117/DSN-MUI/II/2018, the qardh contract is a loan agreement where the borrower is required to repay the money received according to the agreed terms and time. Meanwhile, the MUI prohibits online loans based on the following contracts:

1. Riba – an increase given in exchange for ribawi items (riba fadhl) or an increase agreed upon the principal debt as compensation for a delay in payment (riba nasi'ah). As mentioned in the Quran, Surah Al-Baqarah, verse 275: "*Those who consume usury will not stand except as stand one whom the Devil has driven to madness by [his] touch. That is because they say, 'Trade is just like usury.' But Allah has permitted trade and has forbidden usury...*"
2. Gharar – uncertainty in a contract, whether concerning the quality or quantity of the contract's object or its delivery. As mentioned in a hadith: "*The Prophet (peace be upon him) prohibited selling by way of al-hashah and gharar sales.*" (Narrated in Sunan Nasa'i No. 4442)
3. Maysir – any contract conducted with unclear objectives, improper calculation, speculation, or chance.
4. Tadlis – the act of concealing defects in the contract object by the seller to deceive the buyer into thinking the object is free from defects. As mentioned in Surah Al-Baqarah, verse 42: "*And do not mix the truth with falsehood or conceal the truth while you know [it].*"
5. Dharar – actions that cause harm or disadvantage to another party. As narrated in a hadith:
   "*The Prophet (peace be upon him) said: 'Do not harm yourself or others.'*" (Hadith from Ibn Majah, Ahmad, Malik, al-Hakim, and al-Dar al-Quthni)
6. Zhulm – actions that cause harm, take, or obstruct the rights of others unlawfully according to shariah, and can be considered a form of oppression.

7. Haram – transactions involving objects prohibited in shariah.

The Indonesian Ulama Council (MUI) also established that online loan providers may charge fees (ujrah) based on the ijarah principle for the provision of systems and infrastructure for information technology-based financing services. If the information or services offered do not align with reality or are misleading, the harmed party has the right to cancel the transaction.

From the perspective of Islamic economic review, this aspect cannot be fulfilled in online loans. It can be concluded that online loans are prohibited because they contain elements of riba. According to the MUI fatwa, it is explained that the points regarding the prohibition of loans with the aforementioned contracts clarify that these prohibited contracts are present in online loans. However, based on the findings from interviews, there is a positive side obtained, as some informants reported benefiting from and being able to manage the money from online loans.

Conclusion

Based on the research and discussions explained in the previous chapters, it can be concluded that:

1. Driving Factors: Students use online loans for productive purposes (business capital, vehicle/laptop repairs, purchasing a phone for online motorcycle taxi services) as well as consumptive purposes (lifestyle, gambling deposits, non-essential items).
2. Impacts: Financially, online loans assist with business and work-related needs, but high interest rates and late payments add to the debt burden. Psychologically, loans motivate work but also cause stress, anxiety, and feelings of losing control.
3. Islamic Legal Perspective: Online loans contain elements of riba and unclear contracts, making them prohibited according to the MUI fatwa, although some informants experience temporary benefits.

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