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The Effect of Interest Rate, Effort Expectancy, and Performance Expectancy on Interest in Using Online Loans

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Ara Christin Napitupulu, Walad Altsani H.R

Department of Economics Development, Faculty of Economics and Business, Universitas Sumatera Utara
Prof. T. M. Hanafiah Street, SH USU Campus, Medan, Sumatera Utara, Indonesia

achrisrin3@gmail.com, waladekonomi@gmail.com

Abstract

This study aims to determine the influence of Interest Rate, Effort Expectancy, and Performance Expectancy on Interest In Using Online Loans. The type of research used is descriptive quantitative. The population used in this study were North Sumatra University students who have used online loans. The research method used is quantitaive methods and data collection techniques using survey methods with questionnaires. The sampling technique in this study used non-probability sampling with purpossive sampling using 50 respondents as a sample from the study. This test was carried out using the SmartPLS version 4 program. The results showed that the Interest Rate had negative and significant effect on the interest in using online loans, Effort Expectancy and Performance Expectancy variables each had a positive and significant effect on the interest in using online loans.

Keywords: interest rate; effort expectancy; performance expectancy; interest; online loans.

1. Introduction

In today's digital era, technology has transformed people's activities from communication to finance. The existence of technology has enabled every activity to be more flexible, faster, and more accessible from anywhere and anytime. The existence of online financial services where individuals are no longer limited to conventional financial transactions that require a direct visit to a bank or financial institution [1]. The emergence of financial technology proof that digital technology has penetrated the financial sector. Fintech itself is a term used to describe all types of technological innovations that enable or improve the provision of financial services. One of example is online lending [2].

Online lending has become quite popular phenomenon in Indonesia. Currently, online lending is experiencing rapid growth in Indonesia. As of the end of November 2023, there were 119,047,013 online borrowers. This number has increased by 114,687,565 borrowers when compared to the beginning of its launch in 2018. Similarly, the value of outstanding loans reached a total of Rp59,381.73 billion by the end of November 2023. This outstanding amount also increased by Rp54,340.62 billion when compared to 2018 . These two aspects can show the high public interest in using online loans. Online loans have become an alternative financial service that is favoured by various groups, including the younger generation whose daily activities cannot be separated from the internet. This enthusiasm is shown in the total outstanding loan value where the younger generation, which is the age group of less than 19 years old to 34 years old, dominates, reaching 54.76% of the total outstanding personal loans of Rp53,676.99 billion or reaching Rp29,395 billion Rupiah in November 2023 [3].

The young generation, the majority of whom are students, are the target of online loans [4]. Research from Nadia (in Nury & Prajawati, 2022) states that online loan applications make it easier for every student who wants to borrow funds for their lecture activities or wants to buy goods online but does not have enough funds [5]. Online loans are an alternative solution for students who need funds because they can get relatively large loans with a long loan period [6]. Muttaqin and Nuryanti (2023) found the phenomenon of students using online loans to fulfil needs that are actually consumptive, not urgent or productive needs [3]. Of course, consumptive credit can increase the risk of bad credit, because loan repayments may be difficult to make if the money borrowed is used for purposes that do not support income generation. OJK states that the student group has consistently been one

of the biggest contributors to the value of bad debts. The ease of applying for loans online has led many students to fall into the trap of online loans. Just by showing their ID card and providing a guarantor's contact details, one can get the loan they applied for. This study focuses on the effects of interest rate, effort expectancy, and performance expectancy on Indonesia's lender's intention to use online loans on North Sumatra university students who have used online loans.

2. Literature Review

2.1. Interest in Using Online Loans

Online loans refer to money lending services provided by online-based financial institutions. These loans provide convenience with fast disbursement and without the need for collateral, becoming an alternative option for individuals who need cash without the need to meet in person. Interest in using electronic loan services such as online loans is the level of desire of an individual to conduct information technology-based money lending and borrowing service transactions. Variable indicators of interest in using online loan services based on the theory developed by Venkatesh et al. (2012) where these indicators are [7]:
- Intention to use in the future.
- Intention to always use in everyday life.
- Intention to use the system as often as possible.

2.2. Interest Rate

Interest rates in the context of loans have the definition of interest given to borrowers or the price to be paid by borrowing customers. Interest rates are also a factor that affects credit demand, it is said that credit demand has a negative relationship with interest rates, where the higher the interest rate, the lower the demand for credit requested and vice versa. [8] The indicators used to measure credit interest rates in Tobing and Herman (2020) are [9]:
- Interest rate
- Interest rate setting
- Interest charging
- Comparison of interest rates
- Interest rate provision

H_1: Interest Rate has a negative effect on interest in using online loans

2.3. Effort Expectancy

Technology adoption will be easily accepted by users if they find it easy to use the features of the technology. Effort expectancy is defined as the level of convenience associated with the use of technology by consumers. The indicators used to measure effort expectancy according to Venkatesh et al. (2012) [7]:
1. Perceived ease of use
2. Complexity
3. Ease of Use

H_2: Effort Expectancy has a positive effect on interest in using online loans

2.4. Performance Expectancy

Performance expectancy is defined as the extent to which the use of a technology will provide benefits to consumers in carrying out certain activities [7]. From the explanation above, it can be concluded that performance expectancy can be interpreted as a view of the extent to which a person believes and has hopes that using this technology can improve his performance in completing work. The indicators used to measure performance expectancy are according to (Venkatesh et al, 2012) [7]:
- Perceived usefulness
- Extrinsic motivation
- Job fit
- Relative advantage
- Outcome expectation

H_3: Performance Expectancy has a positive effect on interest in using online loans

3. Method

The research method used in this research is quantitative method. This type of research is a descriptive approach carried out to find out the value of each variable, either one or more variables without making a relationship or comparison with other variables which aims to provide a description of an objective state where in this case the P2P lending industry is still relatively new and most of previous studies had been focusing on the borrowers' side whereas the lender's side was minimally highlighted.

This study used a survey method to collect data and information directly from respondents using questionnaire. Data processing and analysis was processed using partial least square-structural equation modeling (PLS-SEM) with the use of SmartPLS 4.0 software. The advantages of SEM according to Hair (2017) include several reasons, namely that it can estimate complex relationships between several variables and the results of this method obtain more precise measurements of the observed concepts [10].

This study uses one dependent variable and three independent variables. The dependent variable in this study is the interest in using online loans, while the independent variables in this study are Interest Rates (X_1), Effort Expectancy (X_2), and Performance Expectancy (X_3).

$$\text{Interest in online loans} = \gamma1 \text{ Interest Rate} + \gamma2 \text{ Effort Expectancy} + \gamma3 \text{ Performance Expectancy} + \zeta$$

Description:
η = endogenous variable
$\gamma1$ = path coefficient for η and $\xi1$
$\gamma2$ = path coefficient for η and $\xi2$
$\gamma3$ = path coefficient for η and $\xi3$
ζ = level of measurement error (inner residual variable)

4. Results and Discussion

This research data collection was carried out using a questionnaire technique using google form from 20 May to 27 May 2024. The questionnaire form was distributed to students at the University of North Sumatra. Respondent data received up to the specified time was 27% male and 23% female with the age range of respondents aged 19-22 years. All respondents are active lenders who have have experience borrowing online. Based on the survey results, the most widely used platforms are Kredivo (38%), Spinjam (28%), Akulaku (16%), Adakami (10%), and Cicil (8%).

Table 1. Realibility Test

Latent Variable	Cronbach's Alpha	Composite Realibility	Results
Interest Rate	0.952	0.963	Reliable
Effort Expectancy	0.927	0.945	Reliable
Performance Expectancy	0.938	0.952	Reliable
Behavioral Intention	0.940	0.954	Reliable

Source: Researcher Processed Data

Based on Table 1, it is known that the Cronbach's Alpha and Composite Realibility values for the Interest Rate variable are 0.952 and 0.963, respectively, for the Effort Expectancy variable are 0.927 and 0.945, for the Performance Expectancy variable are 0.938 and 0.952, and for the Interest in online loans variable are 0.940 and 0.954. Based on this data, it can be seen that each variable has a Cronbach's Alpha and Composite Realibility value above 0.70, this shows that all variables have fulfilled the reliability requirements or are declared reliable.

Based on the results of validity testing based on the Outer Loadings value in Table 2, it is obtained that the Outer Loadings value of all indicators of each variable is above 0.70, this value indicates that all variables have met the validity requirements based on the Convergent Validity value or are declared valid.

Based on Table 3, it can be seen that the coefficient of determination or R-square for the Interest in online loans variable is 0.420. Based on the existing criteria, the R-square value for the Interest variable is less than 0.67 $(0.33 < 0.42 < 0.67)$, so Interest Rate, Effort Expectancy, and Performance Expectancy variables have a moderate relationship with the Interest in online loans variable. This value also means that changes in Interest in online loans can be explained by the variables of Interest Rates, Effort Expectancy, and Performance Expectancy by 42%. The remaining 58% of interest is influenced by other variables not examined in the study.

Table 2. Validity Test

Variable	Indicator	Outer Loading	Results
Imterest Rate	SB1	0.887	Valid
	SB2	0.899	Valid
	SB3	0.915	Valid
	SB4	0.946	Valid
	SB5	0.936	Valid
Effort Expectancy	EE1	0.824	Valid
	EE2	0.888	Valid
	EE3	0.905	Valid
	EE4	0.845	Valid
	EE5	0.933	Valid
Performance Expectancy	PE1	0.892	Valid
	PE2	0.910	Valid
	PE3	0.911	Valid
	PE4	0.883	Valid
	PE5	0.875	Valid
Behavioural Intention	BI1	0.901	Valid
	BI2	0.903	Valid
	BI3	0.873	Valid
	BI4	0.904	Valid
	BI5	0.906	Valid

Source: Researcher Processed Data

Table 3. R-Square Test

Variable	R-Square
Interest in online loans	0.420

Source: Researcher Processed Data

Based on table 4, interest rates have an effect size value (f2) on interest in online loans (η) of 0.171, which means that interest rates have a moderate influence on interest in online loans, namely with a relationship of 17.1% as an exogenous variable in the research model. Effort Expectancy has an effect size value (f2) on interest in online loans (η) of 0.207. This can be interpreted that Effort Expectancy have a moderate influence on interest in online loans (η), namely 20.7% as an exogenous variable in the research model. Meanwhile, Performance Expectancy has an effect size value (f2) on Interest in online loans (η) of 0.214. This can be interpreted that performance expectancy have a moderate influence on interest in online loans (η), namely 21.4% as an exogenous variable in the research model.

Table 5. Hypothesis Test

	Original Sample (O)	T Statistics (|O/STDEV|)	P Values
Interest Rate -> Interest in online loans	-0.332	3.474	0.000
Effort Expectancy-> Interest in online loans	0.349	2.527	0.006
Performance Expectancy-> Interest in online loans	0.369	2.654	0.004

Source: Researcher Processed Data

Based on table 5, the relationship between each variable can be explained as follows The path coefficient of Interest Rate on Interest (η) is negative, namely -0.332 with a significant p value (probability) (0.000 < 0.050), meaning that there is a significant negative relationship between Interest Rate and Interest in online loans (η). The path coefficient of Effort Expectancy on Interest (η) is positive, namely 0.349 with a significant p value (probability) (0.006 < 0.050), meaning that there is a significant positive relationship between Effort Expectancy and Interest in online loans (η). The path coefficient of Performance Expectancy on Interest (η) is positive, namely 0.369 with a significant p value (probability) (0.004 <0.050), meaning that there is a significant positive relationship between Performance Expectancy on Interest in online loans (η).

5. Conclusion

Based on the results of research and discussion conducted by researchers, the following conclusions can be drawn. The path coefficient of Interest Rate ($\xi 1$) is negative at -0.332 with a significant P Value of 0.000 <0.05 which is significant so this means that there is a significant negative relationship between Interest Rate ($\xi 1$) and Interest in interest in online loans (η). Where increasing in interest rates can reduce interest in online loans. The path coefficient of Effort Expectancy ($\xi 2$) is positive, namely 0.349 with a significant P-Value of 0.006 <0.05, which is significant so that this means that there is a significant positive relationship between Effort Expectancy ($\xi 2$) and Interest in online loans (η). Where the increasing effort expectancy will be able to increase interest in online loans.

The path coefficient of Performance Expectancy ($\xi 3$) is positive, namely 0.369 with a significant P-Value of 0.004 <0.05 significant so that this indicates a significant positive relationship between Performance Expectancy ($\xi 3$) on interest in online loans. Where the increasing performance expectancy will increase loan (η). Varibles of Interest Rate ($\xi 1$), Effort Expectancy ($\xi 2$), and Performance Expectancy ($\xi 3$) are able to provide a relationship to interest (η) together by 42%, the remaining 58% is attributed to other factors not included in the study.

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