Fraud Analysis on Illegal Online Lending Using Habermas' Theory of the Public Sphere

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THIS ARTICLE IS AVAILABLE IN:
https://ojs.unud.ac.id/index.php/jiab

DOI:
10.24843/JIAB.2022.v17.i01.p03

CITATION:
Shonhadji N. (2022). Fraud Analysis on Illegal Online Lending Using Habermas' Theory of the Public Sphere. *Jurnal Ilmiah Akuntansi dan Bisnis*, *17(1),* 33-49.

ARTICLE HISTORY
Received:
24 August 2021

Revised:
24 November 2021

Accepted:
22 November 2021

Abstract
This study aims to investigate and expose the fraudulent practices conducted by P2P lending service providers in illegal online loan schemes, through the lens of Habermas' critical theory. The research was conducted in areas affected by illegal online lending practices, with informants consisting of users and victims of fraud from Surabaya, Sidoarjo, and Pasuruan, East Java. This qualitative study adopts a Radical Humanist Paradigm approach. The findings indicate that Habermas' theory of the public sphere provides a useful framework for understanding the mechanisms of fraud employed by illegal financial technology lenders. The study underscores the need for clearer regulations governing P2P lending transactions conducted via online platforms, as well as stricter sanctions for perpetrators of illegal online loan fraud, as part of raising public awareness and ensuring consumer protection.

Keywords: fraud, online loans, Habermas

Introduction
Public unrest and issues surrounding illegal online lending services often arise after the loan is approved and disbursed by illegal peer-to-peer (P2P) lending providers. These problems stem from deliberate fraud perpetrated by such companies, which entrap borrowers through deceptive practices. These include charging exorbitant interest rates of up to 30% per month, imposing daily fines for late payments ranging from 10% to 30% of the loan principal, and levying undisclosed administrative fees. Additionally, these providers often falsify office identities and addresses, misuse personal data for illegal purposes, and change application names without notifying customers. Such fraudulent actions make it difficult for borrowers to make timely repayments, all while their outstanding debt continues to grow (Budiyanti, 2019; Ozcelik, 2020; Suseno & Yeti, 2021).

These fraudulent practices particularly affect borrowers who initially sought loans with good intentions to support their businesses. However, the misconduct of illegal P2P lending services often leaves borrowers financially stranded, worsening their economic conditions. This situation raises significant concerns about protecting customers, especially micro, small, and medium-sized enterprises (MSMEs), from such fraudulent schemes (Raden & Bambang, 2019; Romānova & Kudinska, 2016). P2P lending fintech companies offer unsecured financing to MSMEs, using advanced credit analysis systems. They provide flexibility to investors by offering alternative investment options, leveraging online platforms that promise quick access and competitive returns (Cheng & Guo, 2020; Davis, Maddock, & Foo, 2017). However, the widespread prevalence of illegal online lending practices in Indonesia, which continues to disturb the community, underscores the need for further investigation. Despite the increasing number of fintech providers, only about 15% are registered in the Financial Services Authority's (OJK) database. This is despite the issuance of Financial Services Authority Regulation Number 77/POJK.01/2016, which governs fintech business operations in Indonesia.

The lack of robust educational infrastructure and security measures against illegal online lending has sparked debate among practitioners, academics, and regulators as they seek effective solutions (Manan, 2019; Pollari, 2016; Stewart & Jürjens, 2018). Advances in information technology, particularly the integration of digital business platforms with Android's Play Store, have made it easier for illegal P2P lending operators to deceive and exploit customers through fraudulent accounting practices (Manan, 2019; Saksonova & Kuzmina-Merlino, 2017; Teten, 2021). The phenomenon of illegal online lending, often involving fraudulent activity, is of particular interest from the perspective of Habermas' critical theory (Jaduk, 2017).

Habermas' public sphere theory is especially relevant to analyzing illegal P2P lending practices, as these services use the internet as a public sphere for committing fraud. Although the digital infrastructure supporting these transactions appears well-defined, loopholes persist that leave customers vulnerable. To mitigate these risks, regulators and stakeholders must develop systems that ensure the public sphere is secure, reliable, and conducive to supporting economic activities (Ferrari, 2016; Wang, Han, Li, & Liu, 2021). The challenge of resolving illegal online loan cases is compounded by the seemingly endless proliferation of new cases once one is resolved. This study, therefore, seeks to explore and expose these fraudulent practices as a form of social critique.

According to Habermas (1962), the public sphere provides a platform for discourse and debate, often driven by economic inequality. In this space, rational argumentation and critical discussion are paramount, with the strength of the argument valued over the identity of the speaker (Habermas, 2010). The public sphere emerged alongside early finance and trade capitalism, wherein lenders—referred to as bourgeois merchants by Habermas—exchanged material economic information. Habermas (1962) asserts that in bourgeois circles, deliberation and the exchange of arguments foster the development of public opinion. In the context of the liberal model of the public sphere, online media plays a critical role in reinforcing commercial interests and economic capital (Jaduk, 2017). Based on this framework, this study seeks to examine fraud in illegal online lending through the lens of Habermas' critical theory. The primary objective of this research is to analyze fraudulent practices in illegal online lending using Habermas' critical thinking approach.

Online loan applications can be classified into various categories, with fintech applications falling into four main operational business processes: payments, consulting services, financing, and compliance. This study examines the technologies developed in the online loan service industry and explores how these innovations contribute to creating business value. The first significant fintech product, widely adopted by developers, is a cashless payment tool. Online lenders in the payment sector facilitate loan applications, serving as a payment medium for purchased goods. This payment model has gained widespread popularity and is a primary alternative for customers, enabling smoother transactions (Duma & Gligor, 2018; Saksonova & Kuzmina-Merlino, 2017). The presence of online lenders in payment services can increase purchasing power by up to 30%, demonstrating how digital payments enhance economic activities while maintaining security and convenience (Davis et al., 2017; Lee & Shin, 2018).

In the consulting services sector, online loans extend to investment consulting, asset management, insurance, customer support, and management decision-making. Fintech has disrupted traditional consulting services, transforming the industry. Research by Saksonova and Kuzmina-Merlino (2017) and Pollari (2016) indicates that asset management and insurance companies are particularly concerned about how online loans will impact their businesses. Leong, Tan, Xiao, Tan, and Sun (2017) found that 74% of insurance companies and 51% of asset managers expect disruption in their industries. The rapid development of technologies such as the Internet of Things, artificial intelligence, big data, and automation within loan platforms is driving digital innovation in consulting services. Investment consulting, once reliant on conventional brokers, has now shifted towards online lender platforms that aid investors in making informed decisions (Ferrari, 2016; Gomber, Koch, & Siering, 2017; Wang et al., 2021).

The internet functions as a public medium that facilitates the exchange of information and enables economic actors to conduct transactions seamlessly, without geographical or temporal limitations. The fintech P2P lending industry extends beyond merely sharing information and fosters discussions on economic phenomena, engaging citizens in dialogues about consumer-related issues. Habermas (1962) introduced this concept of the public sphere in his work The Structural Transformation of the Public Sphere, which discusses the erosion of public rationality in 19th-century England and Germany (Midgley, 2012). According to Habermas, although the public sphere was meant to encourage rational processes, it was dominated by a bourgeois class that curtailed freedom and exerted control (Habermas, 2010). This dominance mirrors the current exploitation of the internet by capital owners, who engage in fraudulent practices such as illegal online lending, creating anxiety among the public. In line with the evolution of internet technology, Habermas contends that the internet as a public sphere plays an essential role in shaping discourse. Goode (2005) supports this, highlighting the internet's potential to facilitate economic transparency through its inclusive and accessible platform for information exchange (Goode, 2005; Jaduk, 2017). The public sphere, as described by Habermas, is an inclusive space where individuals collectively form public opinion on socio-political and economic matters (Habermas, 2010; Midgley, 2012).

The concept of raising awareness and liberation, as understood through Habermas' language paradigm, can be applied to the interaction between illegal online loan services and MSME customers. Within the framework of the fraud diamond theory, this interaction extends beyond a mere system mechanism and enters the realm of the lifeworld concept. From the system mechanism perspective, fraudulent practices in P2P lending are driven by economic factors (money) and power dynamics (principal pressure and regulations). In contrast, the lifeworld concept emphasizes raising consciousness among P2P lenders, encouraging them to refrain from fraud and white-collar crime through a beyond-compliance approach. This reflective process, grounded in ethics and morality, aligns with the fraud diamond theory, and serves as a foundation for liberation efforts, which this study aims to explore (Jaduk, 2017; Rengganis, Sari, Budiasih, Wirajaya, & Suprasto, 2019; Shonhadji, 2020). By applying Habermas' theory to accounting research, this study will highlight the role of humans as both individuals and social beings, fostering the development of humanist values.

Research indicates that fraud is more likely to occur when individuals experience pressure. Weak internal controls, lack of supervision, and poor governance create opportunities for perpetrators to rationalize fraudulent actions. The fraud diamond framework enhances fraud prevention and detection by introducing a fourth element—individual capability—alongside pressure, opportunity, and rationalization. Rengganis et al. (2019) argue that large-scale fraud, involving billions, cannot occur without the involvement of individuals with the necessary skills. While pressure, opportunity, and rationalization may provide the conditions for fraud, the perpetrator must possess the capability to identify and exploit these opportunities. According to Rengganis et al. (2019), the fraud diamond theory outlines four elements of fraud. First, pressure refers to an internal or external force compelling an individual to commit fraud. Second, opportunity arises when weaknesses in a system can be exploited. Third, rationalization allows the fraudster to justify the crime in proportion to the perceived risk. Finally, capability refers to the skills and traits that enable the individual to carry out the fraud (Shonhadji, 2020).

The fraud diamond presents these four interconnected elements, with capability playing a pivotal role in the execution of fraud. This framework broadens the understanding of opportunities by incorporating environmental and situational factors, which are essential considerations in auditing standards. The relationship between the fraud diamond and Habermas' public sphere theory becomes apparent in the context of illegal online lending. Fraudulent practices by P2P lending providers exploit the internet, a public space that should be regulated and protected by the state. However, as (Habermas, 1962) suggests in relation to material economic activities, government intervention is necessary to safeguard public spaces from such exploitation.

Research Methodology

This study's conceptual framework is based on the research methodologies of Jaduk (2017) and Shonhadji (2020), with modifications tailored to the research objectives. The novelty of this study lies in its application of Habermas' public sphere theory as a critical tool for analyzing fraud in illegal online lending practices. The research process, illustrated in Figure 1, involves several stages. The quasi-ignorance stage is the preparatory phase, during which a literature review, documentation study, and mapping of the four elements of the fraud diamond theory (Pressure, Opportunity, Rationalization, and Capability) are conducted. The formation and extension of critical theorems stage involves in-depth interviews with informants and the expansion of the fraud diamond theory through the lens of Habermas' public sphere theory. In the consciousness and enlightenment stage, the study reflects on the integration of Habermas' public sphere theory with the fraud diamond to propose strategies for raising awareness and promoting ethical behavior. The selection of appropriate strategies stage involves drawing conclusions, evaluating findings, and synthesizing insights into the reality of fraud in illegal P2P lending.

This qualitative research employs a Critical Paradigm approach, specifically the Radical Humanist Paradigm, to examine the phenomenon of illegal online loans in P2P lending services. The Radical Humanist Paradigm posits that meaningful change arises from raising consciousness and promoting enlightenment. The choice of the critical paradigm serves a dual purpose: first, to understand the nature of illegal online lending practices within P2P lending services, and second, to identify strategies for improvement.

This research focuses on the case of illegal online lending practices. The data used consists of documented interview results from informants. The informants in this study include micro, small, and medium enterprise (MSME) business owners, as well as private sector employees, who are both users and victims of fraud from illegal online loan schemes. These individuals are located in Surabaya, Sidoarjo, and Pasuruan, East Java. Informants were selected based on their accessibility for in-depth interviews. The chosen respondents had engaged in transactions with illegal online lenders for more than six months and had used more than five different illegal online loan applications. These selection criteria are essential to gain insights into how illegal online loan companies perpetrate fraud, deception, and intimidation. Given that the interviews were conducted during the Covid-19 pandemic, all health protocols mandated by the government were strictly followed.

The expected outcome of these interviews is the revelation of the significant risks posed to customers by illegal online loans. These risks were examined and disclosed through field data collection. The critical dialectical method employed in this study builds upon the data analysis techniques developed by Habermas (2010) and

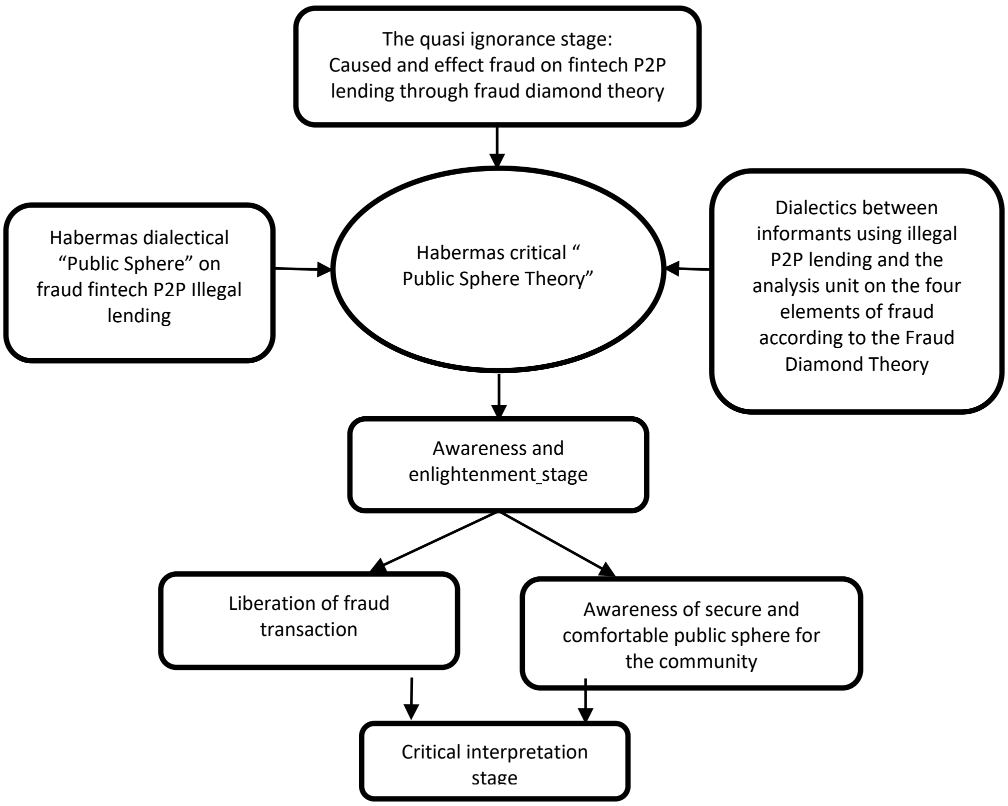

Figure 1. Research Framework

Source : Prosseced Data, 2021

Jaduk (2017). Shonhadji (2020) outlines the process beginning with data collection through interviews with informants, followed by a three-stage data analysis process. The first stage, data reduction (preliminary tracing), involves refining, categorizing, and organizing the data while eliminating irrelevant information. This process ensures that the data used to present research findings is accurate and verifiable.

The second stage, data presentation (advanced search), involves analyzing the information from informants about fraudulent practices in illegal online loans using dialectical analysis. This stage integrates the arguments provided by informants, examining the fraudulent practices through the four elements of the fraud diamond theory: pressure, capability, opportunity, and rationalization.

The final stage, drawing conclusions (final search), presents the results of the critical dialectical process in a narrative format. This narrative is then interpreted using Habermas' public sphere theory to facilitate a clearer understanding of the realities of illegal online lending practices. In this concluding stage, researchers verify their findings, which helps increase confidence in the conclusions drawn from the data analysis.

Results and Discussion

Fraudulent practices commonly associated with illegal online loans include several key violations: (a) deliberately disregarding regulations set by the Financial Services Authority (OJK) regarding licensing requirements for P2P lending operations; (b) imposing significantly higher interest rates and penalties on loans, turning customers into a "cash cow" by exceeding the interest rate limits established by the OJK; (c) employing unethical and illegal methods in debt collection, often resorting to coercion, threats, and inhumane tactics that violate legal norms; and (d) operating without a clear physical office, with many of these companies conducting their business from abroad to evade legal enforcement.

Suseno and Yeti (2021) and Teten (2021) concur that illegal online loan transactions are rife with fraud, posing significant harm to the public. This research utilizes the fraud diamond theory to analyze this phenomenon. The fraud diamond theory builds on and refines the earlier fraud triangle theory by incorporating the additional element of individual capability. According to data released by the Financial Services Authority (OJK) in 2020, 125 financial technology (fintech) companies, listed on the official website www.ojk.go.id, have been identified as frequently engaging in fraudulent practices. Interviews and observations conducted for this study confirm that the informants also reported being victims of deception and fraud perpetrated by the following illegal online loan companies.

Table 1. History of Using Illegal online Loan Applications Mr. Teguh

Informant	Illegal online Loan Applications	Transaction Histories
Mr. Teguh	ALI Uang (Developer: Yuanzhiyan)	Feb-20
	Dokter Dana (Developer: Doctor Dana Limited)	Apr-20
	Dompet Harimau (Developer: Kyle Levine)	Apr-20
	Jalur Laba (Developer: Zeli)	Jun-20
	Uang Cepat (Developer: Cepat Uang)	Aug-20
	Uang Banyak (Developer: Wannxiao)	Aug-20
	DANAQ (Developer: Wenkai Zeng)	Aug-20

	Cash Go (Developer: Tajuan Chretien)	Oct-20

Source: results of interviews with informant, January 2021.

Mr. Teguh initiated illegal online loan transactions in February amounting to IDR 4.000.000, but in April 2020, the loan amount grew to IDR 8.400.000. Mr. Teguh began to panic and be confused until finally to cover the debt he had to register for an illegal online loan application during the period from February to October 2020 as many as eight applications. The amount of debt at that time had reached IDR 53.000.000.

Table 2. History of Using Illegal online Loan Applications Mrs. Nirmala

Informant	Illegal online Loan Applications	Transaction Histories
Nirmala	Cash Room (Developer: DanaRoom)	Apr-20
	Cashbus (Developer: Jackma)	May-20
	Pinjaman Pro (Developer: KSP Modal Usaha)	May-20
	UANG (Developer: Ou Hu)	Jun-20
	PinjamanMu (Developer: Wangsan)	Jun-20
	Uang Cepat (Developer: Cepat Uang)	Jun-20
	Uang Banyak (Developer: Wannxiao)	Sep-20
	Pinjaman Pintar (Developer: Cash Instant)	Sep-20

Source: results of interviews with informant, January 2021.

Mrs. Nirmala started using the online loan application in April 2020, when she needed money for her business working capital of IDR 10.000.000. During the COVID-19 pandemic season, funds were needed to maintain the continuity of her business. She did not realize that within three months her debts had grown to IDR 32.000.000 just because she was in arrears three times until in the end she used more than seven illegal online loan applications to cover one arrears to another. Her biggest misfortune happened in September 2020, her debt became 64 million and she does not know how to pay it off.

Table 3. History of Using Illegal online Loan Applications Mrs. Maria

Informant	Illegal online Loan Applications	Transaction Histories
Maria	KSP Dana Kilat Pinjaman (Developer: A Kang)	Jul-20
	Rupiah Rush (Developer: Zhangxz)	Aug-20
	Digi Dana (Developer: Aeffendi572)	Sep-20
	KTA Kilat (Developer: Xiewenjun)	Sep-20
	Dompet Kredit (Developer: Jocelyn Johnson)	Sep-20
	Keuangan Singa (Developer: Amy Rockefeller)	Sep-20
	Dana Rupiah (Developer: TopAppShopz)	Oct-20
	DANAQ (Developer: Wenkai Zeng)	Nov-20
	Dana Indah (Developer: Richard Hargrave)	Dec-20
	Pinjaman Kelapa (Developer: Kelapa)	Jan-21

Source: results of interviews with informant, March 2021

Mrs. Maria started using online loan applications in July 2020, for her business working capital, aggressive online loan marketing has persuaded Mrs. Maria to borrow IDR 10.000.000, but when it was realized, it was only IDR 8.500.000, the reason being for administrative costs of IDR 1.500.000. Mrs. Maria could not refuse because the money was directly transferred to her bank account with the transaction process only 15 minutes, through proof of self-photo while holding an identity card (KTP). The following month there were arrears so that Mrs. Maria was confused about paying it. In the end, Mrs. Maria was stuck from one online loan application to another. Mrs. Maria's interview results stated that her debt until January 2021 grew to IDR 57.000.000 without clarity on how to pay it off.

Table 4. History of Using Illegal online Loan Applications Mrs. Renti

Informant	Illegal online Loan Applications	Transaction Histories
Renti	Apel Kaya (Developer: Tergesa-gesa)	Aug-20
	Gudang Uang (Developer: DMI Internet)	Aug-20
	Ada Dana (Developer: Sumber Berkah Usaha)	Sep-20
	Mitra Pedagang (Developer: Rizka Nuhung)	Oct-20
	Pasar Tunai (Developer: Pinjaman Go)	Oct-20
	Data Tepat (Developer: Antoini Man)	Nov-20
	Depot Pinjaman (Developer: PT Kedai Uang)	Dec-20
	Dokter Dana (Developer: Doctor Dana Ltd)	Jan-21
	Solusi Cepat (Developer: Cepat Go)	Feb-21

Source: results of interviews with informant, March 2021

Renti got to know an online loan application from her friend, when she needed money for her business working capital, Renti took advantage of the illegal online loan application. He borrowed IDR 8.000.000, but only the remaining IDR 7.000.000 was for the administrative costs required by the online loan service. Renti was also affected by the manipulation carried out by illegal online loans, it was known that in February 2021 the debt became IDR 51.000.000.

Table 5. History of Using Illegal online Loan Applications Rendy

Informant	Illegal online Loan Applications	Transaction Histories
Rendy	Saku Hijau (Developer: KSP Dana Pengembangan Perikanan)	Mar-20
	Pinjam Sini (Developer: Finance Mobile Crew)	Mar-20
	Keuangan Singa (Developer: Amy Rockefeller)	Apr-20
	Dana Rupiah (Developer: TopAppShopz)	May-20
	Saku Cepat (Developer: Komang)	Jun-20
	Cash laba (Developer: Cash-AJK)	Jul-20
	Mudah Dana (Developer: PT Mudah Dana)	Aug-20
	Mudah Dana (Developer: PT Mudah Dana)	Aug-20
	Saku Cepat (Developer: Komang)	Sep-20
	Saku Cepat (Developer: Komang)	Dec-20

Source: results of interviews with informant, January 2021

Unlike many victims of illegal online loan manipulation and fraud, Rendy, a private employee, initially used these loan applications to cover his living expenses. He borrowed IDR 5,000,000 from an illegal online lender, but only received IDR 4,200,000 after the deduction of administrative fees, according to the loan provider. Rendy experienced delays in repaying the loan, incurring a fine of IDR 50,000 per day for each day of delay. Unaware of the growing penalties, his total debt had ballooned to IDR 41,000,000 by December 2020. As of January 2021, when the interview took place, he was still unable to repay his debt, lamenting the fact that he had fallen victim to an illegal online loan scam.

The increasing number of fraudulent practices by illegal online lenders has caused widespread public distress. Numerous complaints and reports on fraudulent activities by these services have surfaced in online media. Many individuals are unsure how to avoid scams carried out through telemarketing and internet-based illegal lending, where financial criminals offer fast loans with exorbitant interest rates (Teten, 2021). These schemes not only exploit customers with unfair loan terms but also steal personal information for further fraudulent activities. One such victim, Mrs. Maria, shared her experience:

> "At the beginning of January, I borrowed IDR 10,000,000 for a six-month term with a stated monthly interest rate of 1%. However, I only received IDR 8,500,000 in my account without any prior confirmation. Less than a month later, I was asked to pay an installment of IDR 500,000. If I failed to pay, I would incur a daily fine with an interest rate of 5% per day. For example, a four-day delay would result in a fine of IDR 100,000 in addition to the installment payment. This put me in a difficult position, and I eventually found myself trapped in a cycle of fraud, borrowing from one illegal online lender to pay off another. Initially, I borrowed IDR 8,500,000, but by January 2021, my total debt had grown to IDR 57,000,000."

The fraudulent practices carried out by illegal online lenders can have devastating effects on victims, sometimes taking years to restore their financial reputations. Mrs. Renti, a private employee and another victim of such schemes, described her ordeal:

> "I was introduced to online loan services by a friend who had used them before. I downloaded the application and was contacted by someone claiming to be an employee of the loan provider. I was asked to take a selfie with my ID card and send it via WhatsApp. Later, I discovered that the photo had been edited and used to circulate inappropriate images to several of my contacts. I felt embarrassed and confused by the actions of the person who claimed to represent the loan company."

Similarly, Mrs. Nirmala, also a private employee, found that her personal photos had been shared in a WhatsApp group without her consent, causing significant emotional distress and shame. The ethical violations and criminal actions associated with illegal online lending are deeply unsettling for the public. Rendy, another victim, recounted how debt collectors had visited him at work, using abusive language and even threatening to share compromising photos. This incident left him panicked and humiliated in front of his colleagues.

The growing number of fraud cases involving illegal online loan services has become a major concern for the public (Raden & Bambang, 2019). This study aims to explore these fraudulent practices using Habermas' critical thinking framework. By applying the fraud diamond theory, which consists of four elements—Pressure, Opportunity, Rationalization, and Capability—this research seeks to uncover how fraud occurs in illegal online lending (P2P lending). Pressure refers to the internal or external forces that compel individuals to commit fraud (Omarini, 2018). Opportunity arises from gaps or weaknesses in regulatory systems that allow illegal lenders to exploit these vulnerabilities. Rationalization reflects the belief that Indonesia's large consumer lending market justifies aggressive and illegal business practices. Lastly, Capability refers to the lenders' ability to commit fraud, supported by strong capital resources and the open nature of the internet, which facilitates deceptive practices.

The pressure to commit fraud is driven by a sense of need or incentive. In the context of the Fourth Industrial Revolution and the COVID-19 pandemic, the use of online platforms for financial transactions has surged. Both bank and non-bank financial institutions have expanded their services to meet the growing demand for speed and convenience. This technological shift has also affected lending, with capital owners utilizing digital platforms to reach customers. The pandemic has added further strain, as individuals and businesses increasingly seek financial support for both consumption and working capital. This demand has fueled the rise of illegal online lenders, who take advantage of these needs by offering easy access to funds with deceptive terms and exorbitant fees. Furthermore, Indonesia’s large population presents a lucrative market for these illegal lenders, who exploit the urgent need for funds by trapping borrowers in predatory loan agreements that are nearly impossible to escape.

Pressure on illegal online loan providers comes from capital owners who invest their funds with expectations of substantial returns. These investors seek large profits in a short period, which creates pressure on illegal online loan providers to engage in fraudulent practices. To meet these demands, providers systematically deceive customers by charging exorbitant interest rates, excessive administrative fees, and imposing penalties on late payments. This results in many customers being unable to repay the loan principal, as their payments only cover interest and penalties.

Another source of pressure for illegal online loan providers is the high demand for their services. These providers recognize that many individuals rely on the loans they offer. Aware that their operations may eventually face legal issues and bankruptcy, they attempt to maximize profits before being shut down. This sense of impending failure drives illegal providers to commit fraud to extract as much profit as possible. Despite numerous regulatory challenges from the Financial Services Authority and consumer protection agencies, illegal online loan providers continue to exploit gaps in oversight. In response to public complaints, regulators have taken action to close down identified illegal operators.

One indicator of opportunity in fraudulent practices is the existence of regulatory weaknesses and gaps in online loan governance. Illegal providers exploit these loopholes to defraud customers. The analysis of customer protection policies, including the design of fraud detection systems for online loans, reveals how these providers manipulate the system (Manan, 2019; Pollari, 2016). The issuance of regulations, such as POJK Number 77 of 2016 concerning Information Technology-Based Lending and Borrowing Services (LPUMBTI), addresses the need for stronger governance in the fintech sector. However, illegal providers still find ways to capitalize on the opportunity for large transactions with potential customers, aiming to maximize profits through deceptive practices.

The indicator of rationalization reflects the excessive desire of illegal online loan providers to maximize profits. They aggressively market their services through online platforms and text messages, often misleading customers by advertising low-interest rates. Once customers download the loan application, their personal information, including contact lists, is secretly accessed and later used to coerce and threaten them when repayment issues arise (Huda, Sarno, & Ahmad, 2016; Ozili., 2018). The drive to dominate the online lending market, especially given Indonesia's large population, further fuels these providers' fraudulent actions. The online lending market, which began to expand in 2015, has grown significantly during the COVID-19 pandemic, as more transactions have moved online.

The indicator of capability in the fraud diamond theory emphasizes the role of personal traits and abilities in enabling fraudulent practices. Fraud committed by illegal online loan providers would not occur without individuals who possess the necessary capabilities. Many of these providers are foreign nationals who employ local citizens to manage operations on the ground. The lack of understanding among some Indonesian operators about online lending opens the door to fraud. While pressure and rationalization may motivate someone to commit fraud, the individual must have the capability to recognize and seize the opportunity repeatedly. The key question then becomes: "Who can turn the opportunity of fraud into reality in the case of illegal online lending?"

Assessing the capabilities of fraud perpetrators and responding to concerns about illegal online lending requires continuous vigilance. Capability assessments must be regularly updated for two reasons. First, illegal online loan providers may develop new capabilities over time, especially as they seek to expand their operations. Even if they lack the knowledge or resources to commit fraud in a particular area, there is no guarantee that they will not acquire the necessary skills in the future. As their ability to defraud customers grows, additional oversight and controls are needed. Second, organizational processes and environments change over time, which may create new opportunities for fraud. For example, a company that recently implemented a complex information technology system may find that less tech-savvy employees are now unable to exploit the system. Conversely, employees with strong IT skills may become more adept at using the new system to commit fraud against customers.

The concept of raising consciousness in Habermas's theory originates from his public sphere framework, which asserts:

> "The bourgeois sphere may be conceived above all as the sphere of private people coming together as a public; they soon claimed the sphere regulated from above against the public authorities themselves, to engage them in a debate over the general rules governing relations

> in the basically privatized but publicly relevant sphere of commodity exchange and social labor" (Habermas, 1962).

According to Habermas's public sphere theory, fraudulent practices by illegal online loan providers arise because these investors or service providers (the bourgeoisie) believe they hold power and can act without restraint. They justify their actions by claiming that their business is essential, especially during the COVID-19 pandemic, when many businesses rely on capital loans to survive the economic crisis. Habermas views the internet as a public sphere without boundaries, one that should be regulated and controlled by the state. The government's role in creating regulations to protect the public in online transactions is crucial; otherwise, capitalists, or the bourgeoisie, will exploit this space to conduct illegal loan transactions that harm society.

This perspective is echoed by Mr. Teguh, one of the victims of illegal lending practices, who stated:

> "The government should be able to protect us, the victims of fraud and theft by illegal online loan services. Many, like me, don't know what legal channels are available or what protections exist. We are left with no choice but to repay loans far exceeding the principal. I hope the government can intervene, stop these illegal transactions, and prosecute those responsible. If this is not addressed swiftly, the number of victims will continue to rise."

Habermas (1962) further emphasizes that in the public sphere, the bourgeoisie embodies dual identities: as capital owners seeking to maximize profits, and as private individuals fulfilling personal needs. In online media, these two roles are exploited by illegal loan providers, using the public sphere to perpetrate fraud, largely due to weak government oversight. Habermas observes:

> "The fully developed bourgeois public sphere was based on the fictitious identity of two roles assumed by privatized individuals who came together to form a public: the role of property owners and the role of human beings pure and simple" (Habermas, 1962).

This suggests that the public sphere in online media, which should ideally support individuals needing capital, has been co-opted by illegal online loan companies operating under false pretenses. These companies lack clear business profiles, physical addresses, and proper licensing from the Financial Services Authority. According to Habermas, the public sphere should be rooted in genuine identities, not fictitious ones. It should serve as a space for practical, moral discourse that fosters rational and critical debate to resolve economic challenges, rather than creating further economic harm, as seen in the fraudulent practices of illegal online loan providers.

Habermas (1962) further notes:

> "This focuses the attention of an anonymous and dispersed public on select topics and information, allowing citizens to concentrate on the same critically filtered issues and journalistic pieces at any given time.

> The price we pay for the growth in egalitarianism offered by the internet is decentralized access to unedited stories. In this medium, contributions by intellectuals lose their power to create focus" (Habermas, 1962).

The internet, as a decentralized public sphere, has drawn public attention to the fraudulent activities of illegal online loan providers. However, for the egalitarian growth that Habermas envisions, the state must regulate and oversee this space. The critique of the current use of online media for fraudulent lending practices is linked to the governance and risk management of financial technology (fintech) businesses in Indonesia. This critique can be divided into two key areas: 1) the regulatory domain of the Financial Services Authority (OJK), and 2) the domain of fintech providers.

A critical analysis of the OJK's regulatory domain reveals several gaps. There is no dedicated supervisory unit or certification process for the online lending business, despite the complexity and variations in P2P lending platforms, underscoring the need for standard governance and risk management practices. Additionally, low public literacy regarding the risks associated with online lending leaves consumers vulnerable to fraud. Another issue is the Financial Information Service System Database (SLIK), which does not adequately cover MSMEs in terms of legal licensing or business feasibility. There is also a lack of standardized procedures for electronic signatures and digital financial transactions, as well as insufficient regulations for issuing digital certificates. Given the growing sophistication of information technology, regulatory oversight must also include robust IT-based audit management tools.

In the fintech provider domain, critical weaknesses include the lack of effective internal IT risk management systems, inadequate public education on fintech lending, and ineffective promotional strategies. Moreover, the existence of numerous unregistered and uncertified fintech companies further exacerbates the issues surrounding fraudulent online lending practices.

Conclusion

This study aims to analyze fraud in illegal online loans using Habermas' critical thinking framework. Employing a qualitative approach grounded in the critical paradigm, specifically the radical humanist perspective, it examines the phenomenon of illegal online loans in peer-to-peer (P2P) lending services. The findings suggest that the pressure to commit fraud in illegal online lending stems from the public's need for loans—whether for consumption or business capital—through online applications during the COVID-19 pandemic. Weak regulations governing non-banking financial transactions in online services create gaps and opportunities that enable loan providers to engage in fraudulent practices for maximum profit.

According to Habermas, raising consciousness begins with intellectuals mobilizing knowledgeable actors, including the government, to address public unrest caused by fraud from illegal online loan providers. This process starts with the creation of clear, firm regulations governing illegal online lending practices. Additionally, regulators must establish a strong legal framework to combat fraudulent activity and protect customers victimized by these schemes.

A limitation of this study is the absence of a dialectical analysis that fully captures the interactions between informants, regulators, and illegal online loan providers to explore the causal relationships underlying the issue. This research focuses solely on Habermas' critical analysis, as framed by his public sphere theory, in conjunction with the four elements of the fraud diamond theory. Future research should aim to develop a comprehensive interview methodology to uncover deeper insights into the causal relationships related to fraud in illegal online lending, incorporating input from all relevant stakeholders.

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