CHALLENGING INDONESIA'S FINANCIAL LITERACY NARRATIVE: THE ROLE OF BEHAVIORAL BIAS IN ACQUIRING ONLINE LOAN AND BUY-NOW PAY-LATER (BNPL) SERVICES

Rosita Widjojo[1*], Reni Mutiarani Saraswati[2], Silvi Hafianti[3]
[1)2)3)] Universitas Bio Scientia Internasional Indonesia (i3L University), Jakarta, Indonesia

Abstract
The rapid growth of online loans and Buy-Now Pay-Later (BNPL) services in Indonesia requires a deeper understanding of the factors driving consumer borrowing decisions beyond traditional financial knowledge. This study investigates the influence of two key behavioral biases: overconfidence and anchoring bias, on individuals' decisions to engage with digital lending platforms. Focusing on a sample of 258 middle- to lower-income individuals in the Greater Jakarta area in Indonesia, the research employed Partial Least Squares Structural Equation Modeling (PLS-SEM) on cross-sectional, self-reported survey data to empirically test the relative association of these biases and financial literacy with the decision to use online loans/BNPL. The results demonstrate that all three factors are statistically significant predictors of the decision to use online loans/BNPL services. Anchoring bias was found to have the most substantial and significant effect, indicating that borrowers' decisions are strongly influenced by initial numeric cues, such as introductory rates or pre-filled loan amounts. Both overconfidence bias and financial literacy also show significant, though comparatively smaller, influence. These findings challenge the conventional narrative that financial knowledge alone is sufficient for responsible financial behavior, suggesting that within this sample, anchoring bias is more strongly associated with digital lending decisions than financial literacy. The study concludes by encouraging a paradigm shift in consumer protection and financial education, recommending targeted programs that prioritise psychological awareness and behavioral interventions to mitigate biases, and to promote a holistic approach to financial well-being.

Keywords
Anchoring bias, Buy-Now Pay-Later (BNPL), Digital lending, Financial literacy, Online loans, Overconfidence bias, SEM-PLS

JEL Classification
G40, I31, M40, R28

[*] Corresponding author, **Rosita Widjojo** – rosita.widjojo@i3l.ac.id