

ABSTRACT

The development of digital technology has brought about various innovations in many aspects of life, including in the financial sector. Ideally, peer to peer lending provides benefits by opening new opportunities for people who want to apply for loans without complicated requirements. However, in reality, the presence of peer to peer lending has made individuals prefer to be in debt rather than save. As a result, these individuals have a tendency to continue to be in debt. This phenomenon is known as “propensity towards indebtedness”.

This study focuses on the behavioral factors influencing the propensity towards indebtedness among users of peer-to-peer lending services in West Java. The factors examined in this research include emotions, materialism, risk perception, and financial literacy. The primary objective of this study is to uncover how these factors influence the propensity towards indebtedness among users of peer to peer lending services in West Java.

The population in this research consists of peer to peer lending users residing in the West Java region. Data collection is conducted through an online questionnaire via Google Form platform. The collected data is analyzed using structural equation modeling with the partial least squares method.

Research findings show that emotions and financial literacy have a significant and negative influence on the propensity towards indebtedness among peer-to-peer lending users in West Java. Conversely, materialism and risk perception have a significant and positive influence. The variables of emotions, materialism, risk perception, and financial literacy simultaneously have a significant impact on the propensity towards indebtedness.

Based on the research findings, future researchers are advised to expand the scope of the study and include the variable of self-control. For the people of West Java, it is recommended to manage finances wisely, reduce materialism, control impulsive spending, and enhance financial literacy. Peer to peer lending companies are advised to create consumer risk profiles based on consumer behavior factors. The West Java Provincial Government is expected to reduce the propensity towards indebtedness in the community by implementing educational programs to improve financial literacy.

Keywords: *behavioural factor; propensity towards indebtedness, emotion, materialism, risk perception, and financial literacy.*