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Behavioral Factors Influencing Borrowing Intention Toward Online Lending Applications: A Prospect Theory Perspective

Kashari[1*], Wanda Khairun Nasirin[2], Yasintha Wahida Tiana[3]

[1,2,3]Universitas Teuku Umar

**Corresponding author, E-mail: Kashari@utu.ac.id*

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ABSTRACT

This study examines the factors influencing borrowing intention toward online lending applications based on Prospect Theory. A quantitative approach was employed using a structured online questionnaire distributed through Google Forms. Data were collected from 300 respondents selected using purposive sampling, consisting of individuals who had previously used or were familiar with online lending applications. The data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS 3.0. The findings indicate that financial literacy positively and significantly affects perceived benefit, borrowing attitude, and borrowing intention. Perceived benefit also positively influences borrowing attitude and borrowing intention, while borrowing attitude significantly enhances borrowing intention. These findings demonstrate that Prospect Theory effectively explains borrowers' behavioral intentions toward online lending applications by emphasizing the roles of financial literacy, perceived benefit, and borrowing attitude in shaping borrowing decisions. Theoretically, this study extends the application of Prospect Theory to digital borrowing by demonstrating that financial literacy shapes borrowing intention both directly and through perceived benefit and borrowing attitude, while practically highlighting the importance of financial education and transparent digital lending design in promoting informed borrowing decisions.

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INTRODUCTION

The rapid advancement of financial technology (FinTech) has fundamentally transformed the provision of financial services, particularly through the emergence of online lending applications. These platforms provide consumers with fast, convenient, and accessible financing alternatives compared with conventional banking institutions. Supported by increasing smart phone penetration and digital financial ecosystems, online lending applications have become an important source of short-term financing for individuals and small businesses. Their ability to simplify loan applications, accelerate approval processes, and facilitate digital transactions has significantly expanded financial inclusion, particularly among populations underserved by traditional financial institutions (Uthaileang and Kiattisin, 2023; Nasambu and Kumar, 2025).

Despite these advantages, the rapid growth of online lending has also generated substantial behavioral and financial challenges. Borrowing decisions through digital platforms are often made under conditions of uncertainty, where borrowers must evaluate potential benefits alongside financial risks such as high interest rates, hidden fees, repayment obligations, and over-indebtedness. These decisions are not always based on rational economic calculations but are frequently influenced by psychological perceptions and subjective evaluations of gains and losses (Edwards, 1996; Ogunmokun, Mafimisebi and Obembe, 2023). Consequently, understanding the behavioral factors that influence borrowing intention has become increasingly important for both researchers and financial service providers.

Behavioral finance offers an appropriate perspective for explaining financial decision-making under uncertainty. Among behavioral theories, Prospect Theory developed by Kahneman and Tversky has become one of the most influential frameworks for explaining how individuals evaluate risky financial choices. Unlike traditional expected utility theory, Prospect Theory argues that individuals assess outcomes relative to a reference point rather than absolute wealth, while simultaneously exhibiting different attitudes toward potential gains and losses (Levy, 1992; Edwards, 1996). Individuals tend to make decisions based on perceived benefits and subjective evaluations rather than purely objective probabilities, making Prospect Theory particularly suitable for explaining borrowing behavior in digital lending environments characterized by uncertainty and perceived financial risks.

The importance of financial literacy has also received considerable attention in recent financial behavior literature. Financial literacy enables individuals to understand financial products, evaluate borrowing alternatives, and make more informed financial decisions. Higher levels of financial knowledge reduce information asymmetry and improve consumers' confidence when interacting with digital financial services. Rostamkalaei, Riding and Saridakis (2024) demonstrated that financial knowledge significantly reduces borrower discouragement by improving consumers' confidence in credit-related decision-making. Similarly, Bhuvaneshwari and K (2025) found that financial knowledge positively contributes to financial behavior and financial satisfaction in digital lending services. Uthaileang and Kiattisin (2023) likewise reported that digital financial literacy strengthens individuals' capabilities to utilize online financial services effectively.

Besides financial literacy, perceived benefit plays an essential role in shaping borrowing behavior. Borrowers are more likely to use online lending applications when they perceive meaningful advantages such as convenience, rapid loan approval, accessibility, flexible repayment, and simplified application procedures. Prospect Theory suggests that individuals tend to pursue decisions that maximize perceived gains relative to their reference point (Levy, 1992; Edwards, 1996). Roy (2026) further demonstrated that perceived usefulness represents one of the strongest behavioral determinants influencing financial decisions within marketplace lending platforms. Likewise, Nasambu and Kumar (2025) reported that users continue utilizing digital lending applications because they perceive substantial functional benefits despite concerns regarding borrowing costs.

Borrowing attitude also represents an important psychological factor influencing borrowing intention. A positive evaluation toward borrowing reflects consumers' favorable beliefs regarding the usefulness and appropriateness of utilizing online lending applications. Harini (2025) identified borrower attitudes and financial literacy as important determinants of responsible borrowing behavior and repayment compliance in Indonesian peer-to-peer lending. Similarly, Bhuvaneshwari and K (2025) emphasized that financial attitudes substantially influence financial decision-making and behavioral outcomes in digital lending environments. These findings indicate that consumers with positive borrowing attitudes are more likely to develop stronger intentions to utilize online lending services.

Although previous studies have investigated online lending behavior from various perspectives, several research gaps remain. Existing studies predominantly emphasize technology adoption, trust, continuance intention, financial satisfaction, or repayment behavior (Chen, Lou and Slyke, 2015; Lin and Huang, 2021; Nasambu and Kumar, 2025; Roy, 2026), whereas limited empirical attention has been devoted to examining borrowing intention through the lens of behavioral finance, particularly Prospect Theory. Furthermore, prior studies frequently incorporate technological acceptance models or consumer behavior theories but rarely integrate financial literacy, perceived benefit, and borrowing attitude into a unified behavioral framework for explaining borrowing intention toward online lending applications.

Therefore, this study aims to examine the behavioral factors influencing borrowing intention toward online lending applications using Prospect Theory as the primary theoretical foundation. Specifically, this research investigates the effects of financial literacy on perceived benefit, borrowing attitude, and borrowing intention, while also examining the influence of perceived benefit on borrowing attitude and borrowing intention, as well as the effect of borrowing attitude on borrowing intention. The findings are expected to enrich the behavioral finance literature concerning digital lending adoption while providing practical insights for FinTech providers and policymakers in designing financial education programs and developing responsible digital lending services that encourage informed borrowing decisions.

LITERATURE REVIEW & HYPOTHESIS DEVELOPMENT

Theoretical Foundation

Prospect Theory was originally developed by Daniel Kahneman and Amos Tversky to explain how individuals make decisions under conditions of risk and uncertainty (Kahneman and Tversky, 2012). Unlike traditional economic theories that assume individuals always make rational decisions, Prospect Theory argues that people evaluate alternatives based on perceived gains and losses relative to a reference point rather than objective outcomes (Levy, 1992; Edwards, 1996). The theory suggests that individuals are more likely to choose alternatives that provide greater perceived benefits while minimizing potential losses, making it particularly relevant for explaining financial decision-making in uncertain environments. Prospect Theory has been widely applied in financial research, including investment behavior, credit risk assessment, and digital financial services, demonstrating that perceptions of risk and benefit substantially influence individuals' financial choices (Bateman, Stevens and Lai, 2015; Lu *et al.*, 2021; Ogunmokun, Mafimisebi and Obembe, 2023).

The rapid growth of online lending applications has further strengthened the relevance of Prospect Theory in explaining borrowers' behavioral intentions. Previous studies have shown that financial literacy improves individuals' ability to evaluate digital financial services and make informed borrowing decisions (Uthaileang and Kiattisin, 2023; Rostamkalaei, Riding and Saridakis, 2024; Bhuvaneshwari and K, 2025). Moreover, perceived benefits such as convenience, accessibility, and efficiency encourage favorable evaluations of online lending platforms and increase users' willingness to utilize these services (Nasambu and Kumar, 2025; Roy, 2026). Based on this theoretical perspective, the present study adopts Prospect Theory as the primary foundation to examine how financial literacy influences perceived benefit, borrowing attitude, and borrowing intention, as well as how perceived benefit and borrowing attitude shape borrowers' intention to use online lending applications.

Hypothesis Development

Financial Literacy and Perceived Benefit

Financial literacy refers to an individual's knowledge and understanding of financial concepts, products, and decision-making processes that enable informed financial choices. Within the perspective of Prospect Theory, individuals evaluate financial decisions by comparing the perceived benefits and potential outcomes of available alternatives under conditions of uncertainty (Levy, 1992; Edwards, 1996). Consumers with higher financial literacy are better able to understand loan features, repayment mechanisms, interest rates, and financial obligations, allowing them to recognize the practical benefits offered by online lending applications. As a result, financially literate individuals are more likely to perceive digital lending services as beneficial tools for managing short-term financial needs.

Previous studies consistently support the positive relationship between financial literacy and favorable evaluations of digital financial services. Bhuvaneshwari and K (2025) found that financial knowledge significantly enhances financial behavior and decision-making within digital lending environments. Similarly, Uthaileang and Kiattisin (2023) reported that digital financial literacy improves users' capabilities to utilize online financial services effectively. Rostamkalaei, Riding and Saridakis (2024) also demonstrated that greater financial knowledge increases borrowers' confidence when making credit-related decisions. Therefore, higher financial literacy is expected to increase borrowers' perceived benefits of using online lending applications.

***H_1:** Financial literacy positively and significantly affects perceived benefit.*

Financial Literacy and Borrowing Attitude

Borrowing attitude reflects an individual's overall positive or negative evaluation of borrowing through online lending applications. According to Prospect Theory, individuals' evaluations of financial decisions are influenced by their ability to assess expected outcomes and perceived gains relative to potential losses (Edwards, 1996). Financially literate individuals possess greater knowledge regarding loan products, repayment responsibilities, and financial planning, enabling them to develop more informed and rational attitudes toward borrowing decisions.

Empirical evidence supports this relationship. Bhuvaneshwari and K (2025) demonstrated that financial knowledge significantly influences financial attitudes and decision-making in digital lending contexts. Likewise, Harini (2025) identified financial literacy as an important determinant of responsible borrowing behavior and positive borrower attitudes in Indonesian peer-to-peer lending. Uthaileang and Kiattisin (2023) similarly reported that financial literacy strengthens users' confidence and motivation to utilize digital financial services appropriately. Therefore, greater financial literacy is expected to foster more favorable borrowing attitudes toward online lending applications.

***H_2:** Financial literacy positively and significantly affects borrowing attitude.*

Perceived Benefit and Borrowing Attitude

Perceived benefit refers to borrowers' beliefs that online lending applications provide valuable advantages, including convenience, accessibility, rapid approval, flexible transactions, and efficient financing services. Prospect Theory suggests that individuals are more likely to develop favorable evaluations toward alternatives that offer higher perceived gains than potential losses (Levy, 1992; Edwards, 1996). When borrowers perceive meaningful benefits from digital lending platforms, they are more likely to develop positive attitudes toward borrowing through these applications.

Previous studies provide empirical support for this relationship. Nasambu and Kumar (2025) found that borrowers prioritize the functional benefits and overall user experience of digital lending applications when evaluating their continued usage. Roy (2026) similarly identified perceived usefulness as one of the strongest behavioral determinants influencing borrowers' decisions within marketplace lending platforms. Furthermore, Bhuvaneshwari and K (2025) reported that favorable evaluations of digital financial services positively influence financial decision-making behavior. Therefore, higher perceived benefit is expected to strengthen borrowers' positive attitudes toward online lending applications.

***H_3:** Perceived benefit positively and significantly affects borrowing attitude.*

Perceived Benefit and Borrowing Intention

Borrowing intention represents an individual's willingness to borrow funds through online lending applications in the future. Prospect Theory explains that individuals are inclined to choose financial alternatives that maximize perceived benefits while minimizing perceived disadvantages (Edwards, 1996; Ogunmokun, Mafimisebi and Obembe, 2023). Borrowers who perceive online lending applications as convenient, efficient, and useful are more likely to intend to utilize these services when financial needs arise.

Empirical studies consistently support this relationship. Nasambu and Kumar (2025) reported that borrowers continue using digital lending applications because they perceive substantial functional benefits despite borrowing costs. Roy (2026) also demonstrated that perceived usefulness is the strongest predictor of borrowers' behavioral intentions within marketplace lending platforms. Likewise, Chen, Lou and Slyke (2015) emphasized that favorable perceptions regarding online lending platforms positively influence users' willingness to participate in digital lending activities. Therefore, greater perceived benefit is expected to increase borrowers' intention to use online lending applications.

***H_4:** Perceived benefit positively and significantly affects borrowing intention.*

Borrowing Attitude and Borrowing Intention

Borrowing attitude reflects borrowers' overall evaluation of obtaining loans through online lending applications. According to Prospect Theory, individuals who evaluate potential outcomes favorably are more likely to choose corresponding financial behaviors (Levy, 1992). A positive borrowing attitude indicates that consumers believe online lending applications represent appropriate and beneficial financial solutions, thereby encouraging stronger behavioral intentions.

Previous research supports this proposition. Harini (2025) concluded that positive borrower attitudes are closely associated with responsible borrowing behavior and stronger financial commitment in peer-to-peer lending. Bhuvaneshwari and K (2025) similarly found that financial attitudes significantly influence users' financial behavior and decision-making in digital lending environments. Moreover, Roy (2026) reported that behavioral factors remain important predictors of borrowers' intentions within digital lending platforms. Therefore,

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borrowers with more favorable borrowing attitudes are expected to demonstrate stronger borrowing intentions.

***H_5*:** *Borrowing attitude positively and significantly affects borrowing intention.*

Financial Literacy and Borrowing Intention

Financial literacy enables consumers to evaluate borrowing alternatives more effectively and make informed financial decisions. From the perspective of Prospect Theory, individuals with greater financial knowledge are better equipped to evaluate the potential benefits and consequences associated with financial choices under uncertainty (Edwards, 1996). Consequently, financially literate individuals can make more confident borrowing decisions when they perceive online lending applications as suitable financial solutions.

Empirical evidence consistently confirms the direct influence of financial literacy on financial decision-making. Rostamkalaei, Riding and Saridakis (2024) found that financial knowledge significantly improves borrowers' confidence in seeking credit by reducing borrower discouragement. Uthaileang and Kiattisin (2023) also demonstrated that digital financial literacy enhances users' capability to adopt online financial services. Furthermore, Bhuvaneshwari and K (2025) reported that financial knowledge positively influences financial behavior and financial decision-making within digital lending ecosystems. Therefore, higher financial literacy is expected to directly increase borrowers' intention to use online lending applications.

Although financial literacy may directly influence borrowing intention by enhancing individuals' ability to understand loan terms, assess financial consequences, and evaluate available credit alternatives, its influence may also operate through borrowers' perceptions and attitudes. Financially literate individuals may perceive greater benefits from online lending when they understand how these services can address financial needs, while such informed evaluations may subsequently shape more favorable borrowing attitudes. Therefore, examining both the direct effect of financial literacy on borrowing intention and its indirect pathways through perceived benefit and borrowing attitude provides a more comprehensive explanation of the mechanism underlying borrowing decisions.

***H_6*:** *Financial literacy positively and significantly affects borrowing intention.*

RESEARCH METHODS

This study employed a quantitative research approach to examine the factors influencing customers' borrowing intention toward online lending applications based on the Prospect Theory framework. Data were collected through a structured questionnaire distributed online using Google Forms to respondents who had previously used or were familiar with online lending applications in Indonesia (Google, no date). A purposive sampling technique was applied to ensure that respondents possessed relevant experience with online lending services. A total of 300 valid responses were obtained and included in the final analysis.

The questionnaire consisted of measurement items representing four latent constructs: Financial Literacy (FL), Perceived Benefit (PB), Borrowing Attitude (BA), and Borrowing Intention (BI). All indicators were measured using a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree).

The collected data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS 3.0. This analytical technique was selected because it is appropriate for examining predictive relationships among latent constructs and for empirically validating the behavioral relationships proposed by Prospect Theory (Kahneman and Tversky, 2012; Ringle, Wende and Becker, 2024). Furthermore, PLS-SEM enables simultaneous

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assessment of the measurement model and the structural model to determine the significance of the proposed research hypotheses.

Table 1. Respondent Profile

Characteristics	Category	Frequency	Percentage (%)
Gender	Male	136	45,3
	Female	164	54,7
	Total	300	100
Age	17–25 years	112	37,3
	26–35 years	104	34,7
	36–45 years	53	17,7
	>45 years	31	10,3
	Total	300	100
Education	Senior High School	52	17,3
	Diploma	43	14,3
	Bachelor's Degree	156	52
	Postgraduate	49	16,4
	Total	300	100
Occupation	Student	58	19,3
	Private Employee	136	45,3
	Civil Servant	29	9,7
	Entrepreneur	48	16
	Others	29	9,7
	Total	300	100
Monthly Income	< IDR 3.000.000	67	22,3
	IDR 3.000.000–5.999.999	108	36
	IDR 6.000.000–9.999.999	79	26,3
	≥ IDR 10.000.000	46	15,4
	Total	300	100
Preferred Online Lending Application	Kredivo	82	27,3
	Akulaku	69	23
	Indodana	47	15,7
	Kredit Pintar	39	13
	Easycash	28	9,3
	Other online lending applications	35	11,7
	Total	300	100

Source: Processed Data (2026)

DATA ANALYSIS RESULTS & DISCUSSION

Measurement Model Assessment

The reliability and validity of the measurement model were evaluated using outer loadings, internal consistency reliability, convergent validity, discriminant validity, and collinearity assessment. As presented in Table 2, all indicator loadings range from 0,870 to 0,946; exceeding the recommended threshold of 0,700 indicating that all measurement items possess satisfactory indicator reliability and adequately represent their respective latent constructs (Haryono, 2016).

Table 2. Outer Loadings

	Borrowing Attitude (BA)	Borrowing Intention (BI)	Financial Literacy (FL)	Perceived Benefit (PB)
BA1	0,883			
BA2	0,898			
BA3	0,917			
BA4	0,923			
BA5	0,904			
BI1		0,929		
BI2		0,946		
BI3		0,934		
FL1			0,905	
FL2			0,884	
FL3			0,896	
FL4			0,901	
PB1				0,870
PB2				0,870
PB3				0,874
PB4				0,879
PB5				0,873

Source: Processed Data (2026)

The internal consistency reliability and convergent validity results are presented in Table 3. All constructs demonstrate excellent reliability, with Cronbach's Alpha values ranging from 0,919 to 0,945; rho_A values between 0,919 and 0,946; and Composite Reliability values ranging from 0,941 to 0,958; all exceeding the recommended value of 0,700 (Haryono, 2016). Furthermore, the Average Variance Extracted (AVE) values range from 0,763 to 0,877; indicating that each construct explains more than 50,0% of the variance of its indicators. These findings confirm that the measurement model possesses satisfactory internal consistency reliability and convergent validity (Haryono, 2016; Hair Jr *et al.*, 2021; Hair Jr. *et al.*, 2021).

Table 3. Construct Reliability and Validity

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Borrowing Attitude (BA)	0,945	0,946	0,958	0,820
Borrowing Intention (BI)	0,930	0,930	0,955	0,877
Financial Literacy (FL)	0,919	0,919	0,942	0,804
Perceived Benefit (PB)	0,922	0,922	0,941	0,763

Source: Processed Data (2026)

Discriminant validity was subsequently evaluated using the Fornell-Larcker Criterion, as shown in Table 4. The square root of the AVE for each construct is greater than its correlations with other constructs, confirming that each latent variable is empirically distinct from the others. Therefore, the discriminant validity requirement has been satisfactorily achieved.

Table 4. Fornell-Larcker Criterion

E-ISSN: 2988-0211 | Vol. 4, No. 2, 2026, pp. 115-130 DOI: 10.63901/ijebam.v4i2.180

	Borrowing Attitude (BA)	Borrowing Intention (BI)	Financial Literacy (FL)	Perceived Benefit (PB)
Borrowing Attitude (BA)	0,905			
Borrowing Intention (BI)	0,842	0,936		
Financial Literacy (FL)	0,780	0,809	0,896	
Perceived Benefit (PB)	0,788	0,840	0,720	0,873

Source: Processed Data (2026)

Collinearity was assessed through outer variance inflation factor (Outer VIF) values, presented in table 5. The VIF values range from 2,706 to 4,278; all remaining below the recommended threshold of 5,000. These results indicate that multicollinearity is not a concern and that all measurement indicators can be retained for further structural model analysis.

Table 5. Outer VIF Values

	VIF
BA1	3,137
BA2	3,472
BA3	4,111
BA4	4,278
BA5	3,592
BI1	3,462
BI2	4,278
BI3	3,674
FL1	3,217
FL2	2,706
FL3	3,007
FL4	3,066
PB1	2,752
PB2	2,711
PB3	2,879
PB4	2,916
PB5	2,853

Source: Processed Data (2026)

Structural Model Assessment

The explanatory power of the proposed research model was evaluated using the Adjusted R^2 values presented in Table 6. The adjusted R^2 value for Perceived Benefit is 0,517; indicating that Financial Literacy explains 51,7% of the variance in perceived benefit. Borrowing Attitude records an adjusted R^2 value of 0,713; suggesting that Financial Literacy and Perceived Benefit jointly explain 71,3% of the variance in borrowing attitude. Meanwhile, Borrowing Intention demonstrates an adjusted R^2 value of 0,819; indicating that Financial Literacy, Perceived Benefit, and Borrowing Attitude collectively explain 81,9% of the variance in individuals' borrowing intention toward online lending applications. Overall, these findings demonstrate that the proposed research model possesses substantial explanatory power.

E-ISSN: 2988-0211 | Vol. 4, No. 2, 2026, pp. 115-130 DOI: 10.63901/ijebam.v4i2.180

Table 6. R Square

	R Square	R Square Adjusted
Borrowing Attitude (BA)	0,715	0,713
Borrowing Intention (BI)	0,820	0,819
Perceived Benefit (PB)	0,518	0,517

Source: Processed Data (2026)

The overall model fit was subsequently evaluated using the fit indices presented in Table 7. The Standardized Root Mean Square Residual (SRMR) value of 0,032 is below the recommended threshold of 0,080, indicating a good model fit. Furthermore, the Normed Fit Index (NFI) value of 0,937 exceeds the recommended value of 0,900; suggesting that the proposed structural model adequately fits the observed data. Collectively, these results indicate that the proposed model demonstrates satisfactory goodness-of-fit and is appropriate for hypothesis testing.

Table 7. Fit Summary

	Saturated Model	Estimated Model
SRMR	0,032	0,032
d_ULS	0,158	0,158
d_G	0,184	0,184
Chi-Square	331,898	331,898
NFI	0,937	0,937

Source: Processed Data (2026)

Hypothesis Testing

The structural relationships among the research constructs were examined using the bootstrapping procedure in SmartPLS, and the results are presented in Table 8 and Figure 1. The findings reveal that all proposed hypotheses are positive and statistically significant ($p < 0.001$).

Table 8. Path Coefficients

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Financial Literacy (FL) -> Perceived Benefit (PB)	0,720	0,719	0,026	27,381	0,000
Financial Literacy (FL) -> Borrowing Attitude (BA)	0,441	0,441	0,047	9,389	0,000
Perceived Benefit (PB) -> Borrowing Attitude (BA)	0,471	0,472	0,044	10,686	0,000
Perceived Benefit (PB) -> Borrowing Intention (BI)	0,385	0,383	0,044	8,848	0,000
Borrowing Attitude (BA) -> Borrowing Intention (BI)	0,317	0,321	0,049	6,429	0,000
Financial Literacy (FL) -> Borrowing Intention (BI)	0,284	0,282	0,044	6,452	0,000

Source: Processed Data (2026)

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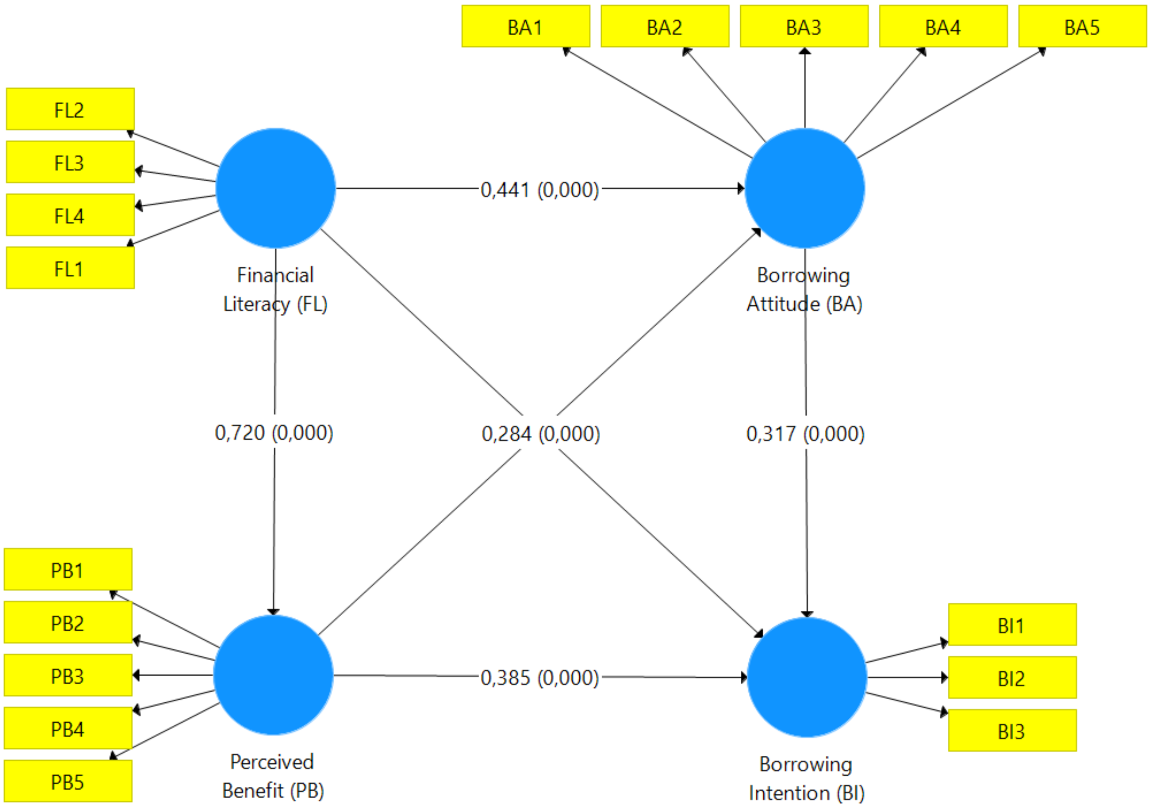

Figure 1. Bootstrapping

Source: Processed Data (2026)

Specifically, Financial Literacy positively influences Perceived Benefit (O = 0,720; t = 27,381; p = 0,000), supporting H1. Financial Literacy also has a significant positive effect on Borrowing Attitude (O = 0,441; t = 9,389; p = 0,000), confirming H2. Furthermore, Perceived Benefit positively affects Borrowing Attitude (O = 0,471; t = 10,686; p = 0,000), supporting H3. The results also demonstrate that Perceived Benefit significantly enhances Borrowing Intention (O = 0,385; t = 8,848; p = 0,000), confirming H4. Likewise, Borrowing Attitude positively influences Borrowing Intention (O = 0,317; t = 6,429; p = 0,000), supporting H5. Finally, Financial Literacy has a direct positive effect on Borrowing Intention (O = 0,284; t = 6,452; p = 0,000), confirming H6. These findings indicate that all proposed hypotheses are empirically supported, demonstrating the important roles of financial literacy, perceived benefit, and borrowing attitude in explaining individuals' borrowing intention toward online lending applications.

Discussion

The findings demonstrate that financial literacy positively and significantly influences perceived benefit, thereby supporting H1. The path coefficient of 0,720 indicates that financial literacy is the strongest predictor within the proposed research model. This finding suggests that respondents with higher levels of financial literacy are better able to recognize the practical advantages offered by online lending applications, including convenience, accessibility, transaction efficiency, and faster access to financial services. From the perspective of Prospect Theory, individuals evaluate financial decisions by comparing perceived gains and potential outcomes under conditions of uncertainty (Levy, 1992; Kahneman and Tversky, 2012). Financially literate individuals are therefore more capable of identifying the benefits associated with digital lending platforms, resulting in stronger perceptions of usefulness and value. This

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finding is consistent with previous studies conducted by (Uthaileang and Kiattisin, 2023; Rostamkalaei, Riding and Saridakis, 2024; Bhuvaneshwari and K, 2025), all of which concluded that financial literacy enhances consumers' evaluations of digital financial services and supports more informed financial decision-making.

The empirical results also indicate that financial literacy positively and significantly affects borrowing attitude, supporting H2. Individuals possessing greater financial knowledge tend to develop more favorable attitudes toward borrowing through online lending applications because they understand loan mechanisms, repayment obligations, interest calculations, and financial planning more comprehensively. Prospect Theory explains that individuals evaluate financial alternatives by considering expected gains relative to potential consequences. Consequently, borrowers with stronger financial literacy are more confident in evaluating online lending services and are more likely to form positive attitudes toward responsible borrowing. These findings corroborate previous studies by (Uthaileang and Kiattisin, 2023; Bhuvaneshwari and K, 2025; Harini, 2025), which consistently reported that financial literacy strengthens financial attitudes and encourages more rational borrowing behavior within digital financial ecosystems.

The results further reveal that perceived benefit positively and significantly influences borrowing attitude, confirming H3. This finding indicates that borrowers who perceive online lending applications as providing meaningful benefits—including rapid loan approval, convenience, accessibility, and efficient financial transactions—are more likely to develop favorable attitudes toward borrowing through these platforms. Prospect Theory suggests that individuals tend to prefer alternatives that maximize perceived gains while minimizing potential losses. Therefore, when users perceive that online lending applications provide substantial advantages, their overall evaluation of borrowing becomes increasingly positive. This result is in line with the findings of Nasambu and Kumar (2025), who emphasized that borrowers value the functional benefits and convenience of digital lending services, as well as (Bhuvaneshwari and K, 2025; Roy, 2026), who identified perceived usefulness and favorable service evaluations as important determinants of borrowing behavior.

The findings also confirm that perceived benefit positively and significantly affects borrowing intention, thereby supporting H4. Respondents who recognize greater benefits from online lending applications demonstrate stronger intentions to utilize these services when financial needs arise. This outcome suggests that perceived advantages such as convenience, accessibility, transaction speed, and service efficiency encourage borrowers to consider online lending applications as viable financing alternatives. Consistent with Prospect Theory, individuals are inclined to select alternatives that provide greater expected benefits relative to perceived costs or uncertainties. This empirical evidence supports previous findings reported by (Nasambu and Kumar, 2025; Roy, 2026), who concluded that perceived usefulness and functional value are among the strongest determinants of borrowers' behavioral intentions. Likewise, Chen, Lou and Slyke (2015) demonstrated that positive evaluations of online lending platforms significantly encourage users' intentions to participate in digital lending activities.

The analysis additionally demonstrates that borrowing attitude positively and significantly influences borrowing intention, supporting H5. Borrowers who hold favorable attitudes toward online lending applications are more willing to use these platforms in the future. A positive borrowing attitude reflects confidence that online lending applications represent practical, accessible, and beneficial financial solutions capable of addressing short-term financial needs. Prospect Theory explains that favorable evaluations of available alternatives increase individuals' likelihood of selecting corresponding behaviors (Edwards, 1996; Kahneman and Tversky, 2012). Therefore, positive attitudes naturally translate into

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stronger borrowing intentions. This finding is consistent with prior studies by (Bhuvaneshwari and K, 2025; Harini, 2025), all of which concluded that positive financial attitudes significantly contribute to responsible borrowing behavior and stronger behavioral intentions toward digital lending services.

Finally, the findings reveal that financial literacy positively and significantly affects borrowing intention, confirming H6. This result indicates that financial literacy not only shapes borrowers' perceptions and attitudes but also directly encourages their intention to utilize online lending applications. Individuals possessing greater financial knowledge are more capable of evaluating available financial alternatives, understanding borrowing terms, and making informed credit decisions. Consequently, they exhibit greater confidence in using online lending platforms when such services align with their financial objectives. This finding supports the propositions of Prospect Theory that better-informed individuals evaluate financial opportunities more effectively under uncertainty. The result is consistent with previous studies conducted by (Uthaileang and Kiattisin, 2023; Rostamkalaei, Riding and Saridakis, 2024; Bhuvaneshwari and K, 2025), all of which reported that financial literacy plays a significant role in strengthening consumers' financial decision-making and adoption of digital financial services.

A comparison of the structural paths provides additional insight into the relative importance of the proposed relationships. Financial Literacy → Perceived Benefit represents the strongest direct relationship in the model ($\beta = 0.720$, $f^2 = 1.076$), whereas Financial Literacy → Borrowing Intention represents the weakest direct relationship ($\beta = 0.284$, $f^2 = 0.162$). This pattern suggests that financial literacy exerts its most pronounced influence by shaping borrowers' perceptions of the benefits of online lending rather than directly determining their borrowing intention. Importantly, the relatively smaller direct effect of financial literacy on borrowing intention does not imply a limited overall role of financial literacy. The total indirect effect of financial literacy on borrowing intention is 0.525, compared with a direct effect of 0.284, indicating that perceived benefit and borrowing attitude constitute important mechanisms through which financial literacy translates into borrowing intention.

Overall, the present study reinforces the applicability of Prospect Theory in explaining borrowing behavior within the context of online lending applications (Levy, 1992; Edwards, 1996; Kahneman and Tversky, 2012). The findings demonstrate that financial literacy serves as a fundamental antecedent influencing perceived benefit, borrowing attitude, and borrowing intention, while perceived benefit further strengthens both borrowers' attitudes and intentions. Furthermore, borrowing attitude significantly encourages individuals' willingness to utilize online lending applications. These results extend previous research on digital financial behavior by demonstrating that borrowers' evaluations of perceived gains derived from financial knowledge are essential mechanisms driving behavioral intention toward online lending services. Consequently, the proposed model provides empirical evidence that cognitive financial capability and perceived benefits jointly shape responsible borrowing behavior in the rapidly growing digital lending ecosystem.

CONCLUSION

This study examined the factors influencing borrowers' intention to use online lending applications from the perspective of Prospect Theory. The empirical findings demonstrate that all proposed hypotheses are supported. Financial literacy positively influences perceived benefit, borrowing attitude, and borrowing intention. Furthermore, perceived benefit significantly enhances both borrowing attitude and borrowing intention, while borrowing attitude positively affects borrowing intention. These findings confirm that individuals with higher financial literacy are more capable of recognizing the benefits offered by online lending applications, which subsequently encourages favorable borrowing attitudes and stronger intentions to utilize digital lending services. Overall, the study extends the application of Prospect Theory by demonstrating that financial knowledge and perceived benefits jointly explain borrowers' behavioral intentions within the context of online lending applications.

From a managerial perspective, online lending providers should prioritize initiatives that improve users' financial literacy through educational content, transparent loan information, financial planning tools, and interactive learning features embedded within their applications. Enhancing customers' understanding of loan products, repayment mechanisms, and responsible borrowing practices can strengthen perceived benefits and foster more positive borrowing attitudes. In addition, platform providers should continuously improve application usability, simplify the borrowing process, provide clear information regarding interest rates and repayment schedules, and communicate the practical advantages of digital lending services. These strategies are expected to increase customers' confidence, encourage responsible borrowing behavior, and strengthen their intention to continue using online lending applications.

This study has several limitations that provide opportunities for future research. First, the study employed a cross-sectional design; therefore, changes in borrowers' perceptions and intentions over time could not be observed. Second, the respondents consisted of individuals with prior experience using online lending applications, which may limit the generalizability of the findings to other population groups. Third, the proposed model focused on financial literacy, perceived benefit, borrowing attitude, and borrowing intention based on Prospect Theory, while other factors such as trust, perceived risk, financial self-efficacy, social influence, regulatory awareness, and digital financial inclusion were not incorporated. Future studies are therefore encouraged to examine these additional variables, apply longitudinal research designs, and involve more diverse respondent groups to obtain a more comprehensive understanding of borrowing behavior in digital lending ecosystems.

Fourth, because the study relied on self-reported measures collected through a single cross-sectional survey, common method bias cannot be completely ruled out. Future studies should consider combining self-reported measures with objective behavioral data, temporal separation, or other procedural and statistical remedies to reduce potential common method effects.

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