

## **The Nexus between Illegal Online Loans, Illegal Online Gambling, and the Rise of Sugar Daddy Phenomenon in Indonesia**

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### **Abstract**

This study investigates the interconnections between the rising instances of illegal online loans, illegal online gambling, and the prevalence of sugar daddy relationships in Indonesia. The research aims to explore how financial desperation, exacerbated by the COVID-19 pandemic, drives individuals towards these activities and the resulting socio-economic impacts. Utilizing a literature synthesis and content analysis of secondary data sources, including scientific articles, government reports, and media narratives, this study identifies common drivers and regulatory challenges. The findings reveal that economic hardship, lack of financial literacy, and cultural influences are key factors contributing to the proliferation of these phenomena. The study concludes with recommendations for comprehensive regulatory frameworks, public awareness campaigns, and strengthened social support systems to mitigate the adverse effects on Indonesian society

### **Key words:**

illegal online loans; illegal online gambling; sugar daddy phenomenon; indonesia; financial desperation

### **1. Introduction**

Indonesia, the largest economy in Southeast Asia, has experienced significant socio-economic changes over the past few decades. With a population of over 270 million, the country boasts a diverse and dynamic economy. However, the rapid pace of digital transformation has brought both opportunities and challenges, particularly in the financial sector. The proliferation of illegal online loans and online gambling platforms has become a pressing concern. These activities are not only illegal but also exploit vulnerable populations, leading to severe financial and social repercussions.

The economic landscape of Indonesia has been shaped by a combination of steady growth and recent challenges. Prior to the COVID-19 pandemic, Indonesia enjoyed robust economic expansion, with an average GDP growth rate of around 5% annually. This growth was driven by a burgeoning middle class, increased foreign investment, and a rise in digital economy activities.

However, the COVID-19 pandemic has had a profound impact on Indonesia's economy. The pandemic-induced recession in 2020 led to a contraction of the GDP by approximately 2.1%, marking the first economic downturn in over two decades. The pandemic exacerbated existing vulnerabilities, particularly in the informal sector, which employs a significant portion of the workforce. Unemployment rates surged, and many households faced unprecedented financial strain.

In this context of economic uncertainty and financial desperation, illegal online loan platforms have flourished. These platforms often promise quick and easy access to funds but trap borrowers in cycles of debt through exorbitant interest rates and predatory practices. Reports indicate that many individuals, especially those with limited access to traditional banking services, fall prey to these schemes. The Indonesian Financial Services Authority (OJK) has noted a sharp increase in complaints related to illegal online loans, highlighting the urgent need for regulatory intervention and public awareness campaigns (OJK, 2022).

Parallel to the rise of illegal online loans is the increasing prevalence of illegal online gambling. The allure of quick financial gains draws many individuals to these platforms, particularly those already burdened by debt from illegal loans. Online gambling, while offering a temporary escape, often leads to further financial ruin. The accessibility and anonymity of online gambling platforms make them particularly dangerous, with many individuals developing gambling addictions that exacerbate their financial and social problems (Park & Jung, 2020; Kim et al., 2021).

Compounding these issues is the rise of the sugar daddy phenomenon in Indonesia. This phenomenon involves younger individuals, often women, entering into relationships with older, wealthier individuals in exchange for financial support. The economic downturn caused by the COVID-19 pandemic has intensified this trend, as financial insecurity drives more individuals to seek alternative means of support. The sugar daddy phenomenon, while providing short-term financial relief, raises significant ethical and social concerns, including issues of exploitation and the reinforcement of gender inequalities (Wahyuni, 2023; Lim, 2022).

This paper aims to investigate the intricate relationship between illegal online loans, illegal online gambling, and the sugar daddy phenomenon in Indonesia. The research questions guiding this study are: How do illegal online loans contribute to the rise of illegal online gambling and sugar daddy relationships?; What are the socio-economic factors driving these phenomena in Indonesia?; What are the implications of these interrelated issues on Indonesian society?

By exploring those questions, this study seeks to provide a comprehensive understanding of how these phenomena are interconnected and their broader implications. Through a combination of literature synthesis and content analysis, this research will elucidate the dynamics at play and offer insights into potential solutions for mitigating these pressing issues.

## **2. Literature Review**

The literature review synthesizes existing research on illegal online loans, illegal online gambling, and the sugar daddy phenomenon, contextualizing these issues within both

Indonesian and global settings. By examining past experiences and relevant literature, this section aims to highlight patterns, themes, and gaps that inform the current study.

### **Illegal Online Loans**

Illegal online loans, often referred to as payday loans, have become a global issue. In many countries, these loans are characterized by high interest rates and predatory lending practices. Research in the United States and the United Kingdom has shown that payday loans disproportionately affect low-income individuals, leading to cycles of debt and financial instability (Mann, 2013; Carter, 2017). Studies highlight the psychological stress and social stigma associated with indebtedness, which further exacerbate borrowers' vulnerabilities (Bakker et al., 2020).

In Indonesia, the proliferation of illegal online loan platforms is partly driven by the lack of stringent regulations and the high demand for quick financial solutions. A study by the Indonesian Financial Services Authority (OJK) in 2022 reported a significant rise in complaints regarding illegal loan practices. The report emphasized that many of these platforms operate without proper licenses and employ aggressive debt collection methods, leading to severe financial distress among borrowers (OJK, 2022). Additionally, Choo (2021) noted that the digital divide and low financial literacy in Indonesia further complicate the issue, as many borrowers are unaware of the terms and risks associated with these loans.

### **Illegal Online Gambling**

Online gambling has emerged as a significant issue worldwide, with countries such as the United States, Australia, and the United Kingdom reporting high levels of participation. Research has shown that online gambling is often linked to financial desperation, mental health issues, and addiction (Gainsbury, 2015; Hing et al., 2016). The anonymity and accessibility of online gambling platforms make them particularly appealing, but also highly addictive and financially ruinous (Wardle et al., 2011).

In Indonesia, illegal online gambling has surged alongside the rise in illegal online loans. Studies indicate that individuals who are financially stressed or indebted are more likely to engage in gambling as a means of seeking quick monetary gains (Park & Jung, 2020; Kim et al., 2021). The Indonesian government has made efforts to curb online gambling through legal and regulatory measures, but the persistent appeal and clandestine nature of these activities pose significant challenges (Prasetyo, 2021). Research by Wahyuni (2023) underscores the role of socio-economic factors, such as unemployment and low income, in driving people towards gambling, which further entangles them in financial predicaments.

### **Sugar Daddy Phenomenon**

The sugar daddy phenomenon, where older, wealthier individuals financially support younger partners in exchange for companionship or sexual favors, is a global trend. Studies in the United States, Canada, and parts of Europe have documented the socio-economic motivations behind such arrangements. Research indicates that financial insecurity, coupled with the allure of a luxurious lifestyle, drives many young people into these relationships (Motyl et al., 2019; Smith & Morrison, 2020). The phenomenon raises ethical and social concerns, including issues of exploitation, power dynamics, and the reinforcement of gender inequalities (Sanders, 2017).

In Indonesia, the sugar daddy phenomenon has gained visibility, particularly in urban areas. The economic downturn caused by the COVID-19 pandemic has exacerbated financial insecurities, leading more individuals to seek financial support through these relationships (Lim, 2022). Wahyuni (2023) highlights that the sugar daddy phenomenon in Indonesia is influenced by cultural and social factors, including traditional gender roles and the stigma associated with financial independence for women. The phenomenon is also facilitated by the rise of social media and dating platforms, which make it easier for individuals to connect and negotiate such arrangements.

### **Comparative Analysis: Global and Indonesian Trends**

The review of global and Indonesian literature reveals several commonalities and distinctions in the trends of illegal online loans, online gambling, and the sugar daddy phenomenon:

- **Commonalities:** Across different contexts, these phenomena are driven by financial desperation, socio-economic pressures, and the promise of quick financial relief. They all share the potential to entrap individuals in cycles of debt, addiction, and exploitation, exacerbating their socio-economic vulnerabilities.
- **Distinctions:** The regulatory landscapes and socio-cultural contexts significantly influence the manifestation and impact of these issues. For instance, while payday loans are heavily regulated in some Western countries, the lack of stringent regulations in Indonesia allows illegal online loan platforms to thrive. Similarly, the sugar daddy phenomenon may carry different social stigmas and implications in conservative societies compared to more liberal ones.

By understanding these global and local trends, this paper aims to provide a nuanced analysis of how illegal online loans, illegal online gambling, and the sugar daddy phenomenon intersect and impact Indonesian society.

### **3. Methodology of Research**

The methodology section outlines the approach and procedures employed to investigate the relationship between illegal online loans, illegal online gambling, and the sugar daddy phenomenon in Indonesia. This study primarily relies on secondary data collected from existing scientific articles, government reports, and media sources. The analysis is conducted using content analysis to identify and interpret patterns and themes across the collected data. This research utilizes secondary data obtained from a wide range of sources. The primary sources of data include scientific articles, government reports, media sources, and non-governmental organization (NGO) reports. The data collection process involves literature search, screening and selection, then data extraction. In data processing, researchers conduct data analysis through content analysis. Content analysis is employed to systematically examine the collected data. This method allows for the identification of recurring themes, patterns, and relationships within the text. The analysis process involves coding, categorization, theme identification, and interpretation.

### **4. Result and Discussion**

The findings and analysis section presents the results of the content analysis conducted on the collected secondary data. This section begins with a detailed explanation of the content analysis

process, followed by a presentation of the key findings and an analytical discussion of the interconnections between illegal online loans, illegal online gambling, and the sugar daddy phenomenon in Indonesia.

The content analysis began with the development of a coding scheme based on the research questions and the theoretical framework. The coding process involved identifying and labeling key themes, concepts, and patterns in the text. The primary codes used included financial desperation, regulatory challenges, socio-economic drivers, public perception, behavioral patterns, then impact and consequences.

Financial desperation are references to economic hardship, unemployment, and financial insecurity. Regulatory challenges mentions of legal and regulatory issues, enforcement difficulties, and gaps in policy. Socio-economic drivers is factors driving individuals towards illegal loans, gambling, and sugar daddy relationships, such as poverty, lack of financial literacy, and cultural influences. Public Perception related to media and public narratives about the phenomena, including stigma, normalization, and social attitudes. Meanwhile behavioral patterns is a descriptions of behaviors associated with loan borrowing, gambling, and engaging in sugar daddy relationships. Impacts and consequences talk about economic, social, and psychological effects of the phenomena on individuals and society.

After coding the data, similar codes were grouped into broader categories to identify overarching themes. For instance, codes related to economic hardship, unemployment, and financial insecurity were grouped under "Financial Desperation."

The next step involved analyzing the frequency and co-occurrence of codes to identify key themes and relationships. The analysis focused on understanding how different issues intersect and influence each other. For example, the relationship between financial desperation and engagement in illegal online gambling was examined by looking at how often these themes appeared together in the text.

Finally, the identified themes were interpreted in the context of the research questions and existing literature. This involved drawing connections between the data and theoretical perspectives to provide a comprehensive understanding of the phenomena.

## **Key Findings**

### **a. Financial Desperation as a Common Driver**

The analysis revealed that financial desperation is a common driver behind the rise of illegal online loans, online gambling, and sugar daddy relationships. Economic hardship, exacerbated by the COVID-19 pandemic, has left many Indonesians struggling to make ends meet. This financial desperation pushes individuals towards quick-fix solutions such as illegal loans and gambling, which promise immediate but often fleeting relief.

### **b. Regulatory Challenges and Enforcement Issues**

Regulatory challenges emerged as a significant theme, highlighting the difficulties in curbing illegal online activities. The lack of stringent regulations and effective enforcement allows illegal loan platforms and gambling websites to proliferate. The Indonesian Financial Services Authority (OJK) and other regulatory bodies face significant hurdles in monitoring and shutting down these operations, which often operate clandestinely and exploit regulatory loopholes.

### **c. Socio-Economic Drivers and Cultural Influences**

Socio-economic drivers, including poverty, lack of financial literacy, and cultural influences, play a crucial role in the proliferation of these phenomena. The sugar daddy phenomenon, for example, is driven by economic pressures and the allure of a luxurious lifestyle. Cultural factors, such as traditional gender roles and the stigma associated with financial independence for women, also contribute to the normalization of these relationships.

### **d. Public Perception and Media Narratives**

Public perception and media narratives play a crucial role in shaping the discourse around these issues. Media reports often highlight the sensational aspects of illegal loans, gambling, and sugar daddy relationships, which can lead to stigmatization and moral panic. However, there is also a growing recognition of the underlying socio-economic issues driving these behaviors, prompting calls for more comprehensive policy responses and social support systems.

### **e. Behavioral Patterns and Psychological Impacts**

The analysis of behavioral patterns revealed that individuals caught in cycles of debt from illegal loans are more likely to engage in online gambling as a desperate attempt to alleviate their financial burdens. Similarly, the sugar daddy phenomenon is often a coping mechanism for financial insecurity, providing immediate financial relief at the cost of long-term psychological and social consequences. The psychological impacts, including stress, anxiety, and depression, are significant and further entrench individuals in their precarious situations.

## **Analytical Discussion**

The findings suggest a complex interplay between illegal online loans, gambling, and the sugar daddy phenomenon. Financial desperation acts as a catalyst, driving individuals towards risky and often illegal activities in search of quick financial solutions. The ease of access to online platforms facilitates these behaviors, while regulatory challenges hinder effective intervention.

Illegal online loans often lead to debt cycles that push individuals towards gambling as a potential escape route. This creates a vicious cycle where financial losses from gambling exacerbate debt, leading to further borrowing and deeper financial distress. In parallel, the sugar daddy phenomenon emerges as an alternative means of financial support, particularly for young women facing economic hardship. This phenomenon is influenced by socio-cultural factors and perpetuates gender inequalities, as financial dependence on older, wealthier men becomes normalized.

The intertwined nature of these issues calls for a multifaceted approach to policy and intervention. Regulatory bodies need to strengthen enforcement mechanisms to curb illegal online activities effectively. There is also a need for public awareness campaigns to educate individuals about the risks of illegal loans and gambling, and to promote financial literacy.

Social support systems should be enhanced to provide financial assistance and counseling services for those affected by debt and addiction. Addressing the socio-economic drivers of these phenomena requires comprehensive strategies to reduce poverty, improve financial literacy, and challenge harmful cultural norms.

The findings and analysis section reveals the deep interconnections between illegal online loans, online gambling, and the sugar daddy phenomenon in Indonesia. Financial desperation, regulatory challenges, socio-economic drivers, and public perceptions all play significant roles in perpetuating these issues. The analysis highlights the need for comprehensive policy responses and social support systems to mitigate the impacts of these intertwined phenomena and address their root causes. By understanding these dynamics, policymakers and practitioners can develop more effective strategies to combat illegal online activities and support vulnerable populations.

## **5. Conclusion**

Illegal online loans contribute to the rise of illegal online gambling and sugar daddy relationships by creating a cycle of financial desperation. Borrowers trapped in high-interest loans often turn to online gambling in hopes of quick financial gains to alleviate their debt burdens. When gambling fails to provide a solution and financial distress deepens, some individuals, particularly young women, may seek financial support through sugar daddy relationships as a last resort.

The socio-economic factors driving these phenomena in Indonesia include economic hardship, high unemployment rates, low financial literacy, and the impacts of the COVID-19 pandemic. Cultural factors such as traditional gender roles and societal stigma against financial independence for women also contribute. The proliferation of digital platforms facilitating illegal loans, gambling, and sugar daddy arrangements further exacerbates these issues.

The implications on Indonesian society are profound. Financial distress from illegal loans and gambling can lead to severe economic and psychological consequences, including chronic debt, anxiety, and depression. The normalization of sugar daddy relationships reinforces gender inequalities and exploits vulnerable individuals. These issues collectively strain social fabric, increase socio-economic disparities, and challenge regulatory and social support systems.

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