

Determinants to Credit Decision of Low-Income Muslim During Pandemic Crisis

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Article Info:

Keywords:

Credit Decision;
Debt;
Financial Behavior;
Emotion Bias;
Herd Behavior;
Pandemic Crisis;

Article History:

Received : February 2, 2022
Revised : June 30, 2022
Accepted : July 21, 2022
Available online : November 18, 2022

Article Doi:

<http://dx.doi.org/10.22441/jiess.2022.v3i2.004>

Abstract:

Pandemic crisis sets many challenges to the economy, including depriving income and consumption level. In a suburbs Muslim area in Metro City, Indonesia, RT038/RW008 called the "Pinggiran Ledeng" ("skirt of irrigation"), henceforth Pingled, lived about 50 households. All of them are muslim and classified as low-income households, while 35 households are strangled in interest-rate bearing debt. This group has lost their source of income at a significant rate, and must sustain daily need using unavoidable interest-rate bearing debt. Their creditors are private loans harks and/or registered financial institutions. This paper aims to unveil what makes them underwent credit-decision in crisis settings. Understanding these components are equally important as to alleviate their economic burden through goods and cash subsidies, because poor financial behavior is a common gate to a vicious cycle of debt trap and endless poverty. This research finds the following: (1) during a crisis, emotion bias, attitude, and herding are positively significant to explain how Pingled community members take interest-rate bearing debt. Secondly, the major determinant is herding behavior, and to lesser degree are attitude and bias. Practical and policy implications are provided.

Introduction

Institutions hold significant influence over individual behavior. For religious individuals, their faith, holy book, religious leaders, and other symbols hold authority and significantly impact their financial decisions, including taking on interest-bearing debt. For example, in the 13th century, the Catholic Church enforced excommunication for usurers' dead bodies to discourage society's practices. Behavioral finance reveals that religious individuals' financial decisions can differ from non-religious individuals in the same situation. Religion is an influential institution for influencing financial behavior, whether for good or bad circumstances.

In Islam, debt is not nullified and is recognized as a tool for consumption smoothing, especially during calamities. The debt is called *Qardhul Hassan*, must be interest-free, and creditors cannot demand collateral or repayment. Although debtors are still obliged to repay, interest-rate-bearing debt is prohibited. Interest-rate is counterproductive to social and economic development, leading to income disparity and costs to inclusion. Islam promotes risk-sharing instruments as practical tools to manage financial duress. Therefore, a pandemic crisis cannot be a reason for a Muslim to be entangled with debt.

The pandemic has caused significant economic challenges by reducing income and consumption. In developing countries, debt traps have become a real issue, affecting low-income households. In an Indonesian

suburb called Pinggir Ledeng, 50 households classified as low-income, with 35 households struggling with interest-rate-bearing debt, have lost their primary source of income. They must sustain daily needs through unavoidable debt and borrow from private loan sharks or financial institutions, even after losing their collateralized assets.

Particularly during the age of uncertainty, that responsible and cautious financial behavior is imperative in order to survive and keep personal economy afloat. An individual with full control over his/her assets is pivotal for improving welfare (Mudzingiri et al., 2018). But what makes this group accepting credit while they do not know if they could service the interest payment? What are their line of thoughts in taking credit-decision? Understanding these components are equally important as to alleviate their economic burden through goods and cash subsidies, because poor financial behavior is a common gate to a vicious cycle of debt trap and endless poverty.

Literature Reviews

There are various studies linking literacy and behavior, that one's understanding on financial products will empower them to have control onto the assets management (Çera et al., 2021; Diepstraten & van der Crujisen, 2019; Rousseau & Venter, 2016; Yong et al., 2018). Conceptually, behavior is a mixed result of knowledge and other factors, such as psychological characters, that dominant one's decision-making process. Knowledge, summed in terms "literacy", allows one to be more aware on risks thus will attempt to manage and mitigate risks from happening. An individual who are less literate or highly literate would prone to fall into falsify decision. For instance, a person who knows spending for consumption would never look into investment, of which investment is perceived to be expensive and unaffordable. A sophisticated investor could be drawn into highly technical trading strategies without putting concern on the fundamental aspects of investment. These groups understands and calculated risks and returns concept, yet judge it with full of subjectivity.

There is no obvious link between literacy and education and social background. Education and parental status -usually determined by welfare and parental income/job- does not necessarily a cause for a more literate individual. Studies by Chen & Volp (1998); Lusardi & Mitchell (2014); Mandell & Klein (2009) concludes that a person with higher education and inherit social status do not determine literacy and thus one's responsible behavior. Moreover, someone from working class may show good literacy and responsible behavior. Therefore, although knowledge and literacy are synonymous, the source of knowledge may come from everywhere and not necessarily carry the same meaning with highly educated and affluent person.

One aspect in financial behavior is the psychological nature of irrationalities, anger, fear, selfishness, and greedy in managing one's assets and liabilities. Ideally, in the age of crisis, consumers should be more careful in spending, avoid impulsive expenses, and immediate saving for "the rainy days". But in reality, consumers are impulsive, and often times savings is too late. As reaction, credit is seen to be the solution for odd times, impetuous consumption, bias towards risks, and lack of self-control (Van Raaij, 2016). Thus, in today's sophisticated digital and technological infrastructures, personal rentiers have transformed into credit cards and online loans (pinjaman online) and mesmerizes into our daily as a powerful institution which rules and controls the life of debtor.

People have become more tolerant and law has legalized interest-bearing debt and make it now easier to access than before (Chien & Devaney, 2001). Such shift in attitude towards credit for consumption mainly fed by the technology and legislation products that make it faster and at low cost to process. Besides, human suffers from herd behavior (Van Raaij, 2016). Attitude dimension constitutes moral, cultural, and personal values to affect one's financial decisions (Yap et al., 2018). Thus, when their peer demands new gen of smartphones, or certain trends for bicycle or motorcycle brand, a person would be on urge to fulfill the society pressure. Attitude may also, but inconclusive, determine overconfidence and over reaction which led to bias. A study by Chen and Yong highlights that the importance of attitude towards financial behavior, that it has greater influenced to behavior than literacy (Yong et al., 2018).

Another variable is emotion bias. Present bias shows that creditors are focus on today's, and worry less about tomorrow. As it is precisely explained by Van Raaij (2016) that "present benefits of a loan are overestimated while future costs of debt are underestimated". Some people are prophetic, and most people are myopic. The difficulties in discounting the future (tangible and intangible) costs are the catalyst to experience emotion bias. Attitude may or may not lead to emotion bias, but situation and time pressures correlate. There are four aspects of bias, they are: (1) excessive optimism, (2) overconfidence, (3) confirmation, and (4) illusion of Silaya (2022). Studies by Bacha & Azouzi (2019); Ongena & Popov (2016); Paulus & Angela (2012) have showed a positive relationship between emotion bias and credit-decision.

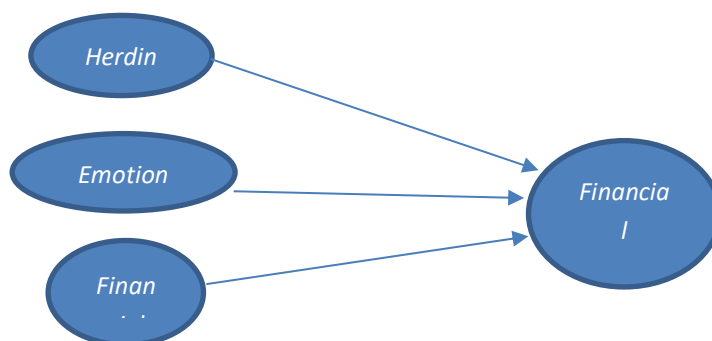
Locus of control (or peer-reference) is a concept that captures individual beliefs about behavior and life events (Cobb-Clark et al., 2016). There are two types that are external and internal locus of control (Arifin et al., 2017). Internal locus of control acknowledges that the controller is him/her, and external locus of control is his/her friends/family and other peer references (Mien & Thao, 2015). In other words, internal locus of control is the emotion within the self which sometimes put a bias into decision. A good environment and peer reference, thence herding, are the external forces which shape a certain attitude and thence behavior (Budiono, 2020). Herding is a result of mimicking or imitating other person who is seen as reference (Chien & Devaney, 2001; Van Raaij, 2016). The concept of herding is popularized by Thorstein Veblen in 1899, where he called it as emulation. Pecuniary emulation is a process of impulsive and unnecessary spendings, whereby people are in race for reputability on the basis of an invidious comparison for self-esteem and envy of others (Veblen, 2017). Despite its old, such concept is still observed in today's setting, where people are exactly in race for higher social status or to becoming alike his/her idol, instead of self-development.

Market is full of herd behavior. There were instances whereby banks went bankrupt because of rush -an event where customers run to withdraw their deposits- due to certain rumors on the bank. In capital market, herding causes bubbles, and it is a reason for the bubble to burst too. In marketing, herding manifested into word-of-mouth that is now transformed and evolved into a digitalized setting called "social media". Whoever has the control over the speaker, subsequently he/she has the authority to influence the crowd. It shows the power of authority over the human mind (Shiller, 2015). Herding conceptualizes what they believe into somewhat what is achieved. A collective information is believed to be correct, although it contradicts the facts, instinct, rationale, or even faith.

There are great number of occasions that the Qur'an speaks negatively about herding behavior. For instance, the stories of the people of the cities which mentioned in Qur'an chapter Al-A'raf verses 59 to 64 about people's of Prophet Noah (a.s.); verses 65 to 72 of people's of Prophet Hud (a.s.); verses 73 to 79 about people's of Prophet Salih (a.s.); verses 80 to 82 about people's of Prophet Lut (a.s.), and verses 85 to 95 about people's of Prophet Syu'ayb (a.s.). These people's of Prophets were condemned as they follow al mala' ulladhinas takbaru, or particular group who "fill" or supply news to the rest of society. They may not be the head or leader of the society, but they are the group's powerful influencer. These influencers were followed by the people's of nations, that made up their decision to reject the words of God delivered by the Prophets.

Both emotion bias and herding represent the anchor, for which a person look up to in decision making process. Study by Susanto & Anastasia (2019) shows that herding has positive affect on one's financial decision. Our variable of interest in this paper is financial behavior. It uncovers how individual make up decision. Behavior has two mirrors: cognitive psychology and its limits of arbitrage. There are four measurement indicators of financial behavior, namely; Consumption, Cash-flow Management, Saving and Investment, and Debt Management (Dew & Xiao, 2011).

The research framework is as follows:



Methodology

This study employs Structural Equation Modeling Partial Least Square (SEM-PLS). SEM-PLS is a second-generation multivariate data analysis method (SEM) that is intended for data-rich and theory-skeletal study (Hair Jr. et al., 2021). SEM-PLS is employed because it has advantage of no assumptions about data distribution (Swastika, 2020; Wong, 2013a). Furthermore, it is also attributed to a number of advantages, among others, are: (1) applicable to non-normal data, (2) small sample sizes (Wong, 2013b), and (3) formative indicators Hair et al. (2019) which is suitable for the research. As for analysis software, the research employed the SmartPLS Version 2.0.M3.

This study underwent the following steps:

- (1) model specification;
- (2) outer model evaluation. This is done by checking the quality of outer model through: (a) validity tests, which are; Convergent Validity, Discriminant Validity, and Average Variance Extracted (AVE), and (b) reliability tests using Composite Reliability Coefficient and Cronbach's Alpha;
- (3) inner model evaluation. The t-statistics and R-Square for measuring the relationships amongst the variables and goodness of fit of the model.

The first model, i.e. the debtor group, is taking answers from 35 respondents, who meets the following criteria: (1) respondent must currently indebted, and (2) income under USD 140/month (or roughly Rp. 2.000.000/month) as it is below the regional minimal wage. The questionnaires are in form of Likert Scale of 1-5 (1 is extremely disagree, and 5 is extremely agree), distributed in papers and were collected in person (or door-to-door) from the 31st of July to 7th of August 2022. This mechanism will allow respondents to answer privately and ask questions to researcher if they had doubts in the questionnaires. Prior data collection, the questionnaires have been tested to 20 respondents with 45 indicators. From the first trial, it is evaluated that only 20 indicators that are valid and reliable, thus is used as instruments for the study. The questionnaires are in form of statement where respondents could choose 1 to 5 (1 is extremely disagree, and 5 is extremely agree) likert scale.

Questionnaire:

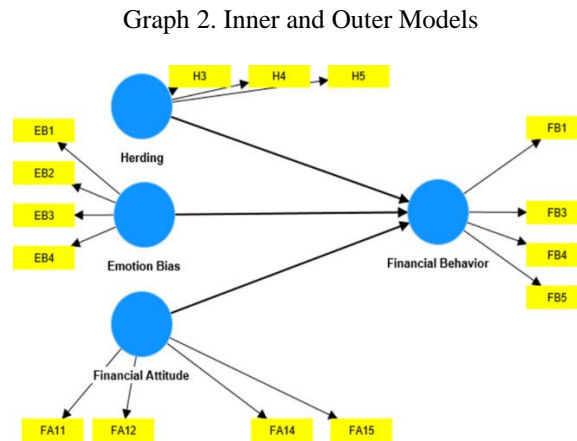
No	Pernyataan (Bahasa)	Statement (English)
H1	Saya dalam membuat keputusan berutang selalu mengikuti orang lain yang juga ikut utang	I, in making credit decision, has been always refer to others who are also creditors.
H2	Saya akan lebih cepat membuat keputusan utang karena memang dari awal saya sudah berniat untuk berutang	I, in making credit decision, will decide faster because I already intent to take credit since beginning.
H3	Saya akan bereaksi lebih cepat dalam mengambil utang jika saya menerima informasi dari orang lain yang telah berutang sebelumnya	I, in making credit decision, will take credit when I received information from fellow creditors.
H4	Saya dalam membuat keputusan utang sering mengikuti saran pihak lain yang memiliki riwayat dalam berutang	I, in making credit decision, will follow recommendation from other party whose known to be also creditors.
H5	Saya akan ikut utang jika terdapat hadiah/hal yang sangat menguntungkan dari berutang	I will take debt when there is promotions/gifts from accepting credit.
EB1	Saya dalam mengambil utang cenderung untuk selalu menghindari hal yang menurut saya buruk	I, in taking credit, will always prefer to avoid bad things.
EB2	Saya cenderung ikut utang karena alasan yang sama dari utang yang pernah saya lakukan sebelumnya	I will tend to take credit because of similar reason with debt I committed before.
EB3	Saya akan bereaksi cepat untuk membuat keputusan berutang saat terjadi kesulitan	I will react faster to take credit decision when I face difficulties.

EB4	<i>Saya sering dihindangi rasa takut ketika usaha yang menggunakan modal dari utang mengalami kerugian</i>	<i>I often feel fear when my business is using credit/debt faces loss.</i>
EB5	<i>Saya akan selalu menghindari kerugian yang sama yang pernah saya lakukan</i>	<i>I will always avoid the same loss I experienced before.</i>
FA11	<i>Saya ikut utang karena kepercayaan tinggi saya akan kesuksesan masa lalu yang saya miliki</i>	<i>I take debt because of high confidence on my success story in the past.</i>
FA12	<i>Saya ikut utang karena saya merasa percaya sudah familiar (biasa) dengan seluk beluk dalam kegiatan utang</i>	<i>I take debt because I feel certain and familiar with all credit process.</i>
FA13	<i>Saya merasa percaya dan yakin dapat mengatasi semua masalah yang akan timbul kedepannya dari utang tersebut</i>	<i>I feel confidence and certain to overcome all potential troubles arising from credit.</i>
FA14	<i>Saya sangat percaya diri akan kemampuan menganalisis yang akurat dan tepat dalam memulai usaha</i>	<i>I am confidence on my analysis ability to be accurate and precise before starting business.</i>
FA15	<i>Saya sangat percaya diri karena mempunyai pengetahuan bisnis yang jauh lebih baik dibandingkan dengan lainnya</i>	<i>I am confidence because I have better business knowledge than others.</i>
FB1	<i>Saya memiliki pengetahuan yang berkaitan dengan utang dan bisnis</i>	<i>I am knowledgeable regarding things connected to debt and business.</i>
FB2	<i>Saya memiliki pengetahuan tentang bagaimana mengelola keuangan dengan baik</i>	<i>I am knowledgeable regarding a sound financial management.</i>
FB3	<i>Saya memiliki pengetahuan tentang cara bagaimana menginvestasikan uang dengan mengikuti utang</i>	<i>I am knowledgeable regarding using credit for investment.</i>
FB4	<i>Saya memiliki pengetahuan tentang bagaimana membuat anggaran uang yang baik</i>	<i>I am knowledgeable regarding good money allocation or budgeting.</i>
FB5	<i>Saya melakukan bisnis/usaha menggunakan utang karena berdasarkan perasaan</i>	<i>I take credit for financing business because feelings.</i>

Result & Discussion

This study employs Structured Equation Modelling Partial Least Square (SEM-PLS), using software SmartPLS version 4. In SEM PLS, there are two key findings from both inner (or structural) and outer (measurement) models. The first phase is to assess the model. In order to assess the model, we must check both validity and reliability. To assess validity, SEM-PLS will check reflective measurement models through convergent and discriminant validity, as well as the internal (consistency) reliability. Convergent validity is examined through outer loadings of the indicators and AVE (Average Variance Extracted) from each construct. The rule of thumb for convergence is $AVE > 0.50$. As for discriminant validity, this was evaluated by the Fornell-

Larcker Criterion (Hair Jr et al., 2017). Internal reliability is assessed through Cronbach’s alpha and Composite reliability. The findings could be summed up as follows:



Graph 2 is the final outer model after we dropped few questionnaires to improve the general of convergent validity and path-coefficients.

Table 2. The First Matrix of Outer Loadings

	<i>Emotion Bias</i>	<i>Financial Attitude</i>	<i>Financial Behavior</i>	<i>Herding</i>
<i>EB1</i>	0.791			
<i>EB2</i>	0.570			
<i>EB3</i>	0.623			
<i>EB4</i>	0.552			
<i>EB5</i>	0.197			
<i>FA11</i>		0.776		
<i>FA12</i>		0.354		
<i>FA13</i>		0.298		
<i>FA14</i>		0.527		
<i>FA15</i>		0.710		
<i>FB1</i>			0.576	
<i>FB2</i>			0.166	
<i>FB3</i>			0.823	
<i>FB4</i>			0.804	
<i>FB5</i>			0.880	
<i>H1</i>				0.048
<i>H2</i>				0.044
<i>H3</i>				0.664
<i>H4</i>				0.830
<i>H5</i>				0.822

Source: Data Processed

As we can see, there are indicators with outer loadings < 0.5 (as the rule of thumb, coefficient > 0.5). They are namely, Herding 1, 2; Emotion Bias 5; Financial Attitude 12, 13; and Financial Behavior 2; of which all of them must be dropped. After dropping these indicators, we run the PLS Algorithm and reached the following:

Table 3. The Final Matrix of Outer Loadings

	<i>Emotion Bias</i>	<i>Financial Attitude</i>	<i>Financial Behavior</i>	<i>Herding</i>
<i>EB1</i>	0.826			
<i>EB2</i>	0.578			
<i>EB3</i>	0.578			
<i>EB4</i>	0.507			
<i>FA11</i>		0.801		
<i>FA14</i>		0.597		
<i>FA15</i>		0.746		
<i>FB1</i>			0.621	
<i>FB3</i>			0.812	
<i>FB4</i>			0.778	
<i>FB5</i>			0.891	
<i>H3</i>				0.712
<i>H4</i>				0.831
<i>H5</i>				0.812

Source: Data Processed

From the final matrix, the outer loadings are now greater than 0.5. We must put into consideration the AVE of construct. As Table 5 inferred, the emotion bias has number less than 0.5. Thus, specific to emotion bias, it has a mixed convergent validity. Whilst for the discriminant validity, all Fornell-Larcker criterion of the variable in Table 4 are larger than other cross loadings. Therefore, it can be concluded that, despite a mixed convergent validity result of particularly emotion bias, all variables are valid.

Table 4. The Discriminant Validity (Fornell-Larcker Criterion)

	<i>Emotion Bias</i>	<i>Financial Attitude</i>	<i>Financial Behavior</i>	<i>Herding</i>
<i>Emotion Bias</i>	0.634			
<i>Financial Attitude</i>	0.448	0.720		
<i>Financial Behavior</i>	0.506	0.603	0.782	
<i>Herding</i>	0.489	0.365	0.673	0.787

Source: Data Processed

The rules of thumb for assessing internal reliability in Table 5 are that the Composite Reliability (ρ_c) and AVE must be larger than 0.5, and the ρ_a must be greater than 0.7. The Cronbach's alpha must be > 0.6 . Thus, Table 5 shows the following; while it can be concluded that financial behavior and herding have satisfied the rules of thumb for reliability; mixed findings are seen in the emotion bias and financial attitude variables. Nevertheless, emotion bias has a submarginal cronbach's alpha and AVE, and its $\rho_c > 0.7$. As for financial attitude, the cronbach's alpha is submarginal while the ρ_a is far from 0.7, yet the other two indicators are above the rules of thumb. Thus, we may conclude that despite the emotion bias and financial attitude have somewhat degree of internal consistency reliability.

Table 5. Internal Reliability

	<i>Cronbach's alpha</i>	<i>Composite reliability (ρ_a)</i>	<i>Composite reliability (ρ_c)</i>	<i>Average variance extracted (AVE)</i>
<i>Emotion Bias</i>	0.552	0.604	0.721	0.402
<i>Financial Attitude</i>	0.523	0.535	0.761	0.518

<i>Financial Behavior</i>	0.783	0.814	0.861	0.611
<i>Herding</i>	0.708	0.740	0.829	0.619

Source: Data Processed

The second phase is to measure the inner model and path coefficients assessment. One of the early measures is whether or not the model suffers multicollinearity. The rule of thumb for no multicollinearity is that VIF must be less than 5. From Table 6, it indicates that there is no VIF criterion which is greater than 5, all is below the threshold value. Thus, this model statistically does not suffer from problem of multicollinearity.

Table 6. Collinearity -VIF Inner Model

	<i>Emotion Bias</i>	<i>Financial Attitude</i>	<i>Financial Behavior</i>	<i>Herding</i>
<i>Emotion Bias</i>				1.478
<i>Financial Attitude</i>				1.297
<i>Financial Behavior</i>				
<i>Herding</i>				1.363

Source: Data Processed

Table 6 shows the R-square coefficient is 0,606. It signifies that the financial behavior model could be explained by the exogenous variables as much as 60,6%. The other 39,4% is explained by other variables outside the model.

Table 6. R-Square

	<i>R-square</i>	<i>R-square adjusted</i>
<i>Financial Behavior</i>	0.606	0.567

Source: Data Processed

If r-square assessed the overall quality of a model, thus f-squared measures the effect of each exogenous variable towards the endogenous variable. In general, coefficient of 0.02, 0.15, and 0.35 indicates small, medium, or large effects of exogenous variable towards endogenous variable. Table 7 depicts the f-square, where it can be concluded that herding has the largest effect on financial behavior, followed by financial attitude (second), and emotion bias (last).

Table 7. f-squared

	<i>Emotion Bias</i>	<i>Financial Attitude</i>	<i>Financial Behavior</i>	<i>Herding</i>
<i>Emotion Bias</i>				0.016
<i>Financial Attitude</i>				0.285
<i>Financial Behavior</i>				
<i>Herding</i>				0.440

Source: Data Processed

Table 8 shows the path coefficients. Path coefficients confirms the f-squared information, that herding, financial attitude, and emotion bias, are statistically significant affecting financial behavior. Emotion bias, financial attitude, and herding, are all positively significant towards credit decision. It means that low income muslim group might be less bias towards taking interest-bearing debts -they are rationale in assessing credit situation, but their credit decision resorts to herding behavior and acceptance towards interest-bearing debt itself.

Table 8. Path Coefficient

<i>Path coefficients</i>

<i>Emotion Bias -> Financial Behavior</i>	0.097
<i>Financial Attitude -> Financial Behavior</i>	0.382
<i>Herding -> Financial Behavior</i>	0.486

Source: Data Processed

Emotion bias and financial attitude are two exogenous variables that, although is poor and moderate, positively affect credit-decision of the members of Pingle community. Although emotion and attitude are somewhat related, there is no statistical evidence to proof correlation between the two variables. As matter of fact, emotion bias has weak relationship in credit-decision. Thus, it can be well interpreted that situation and time preference do not led one's emotion to race in accepting debt, and emotion does not correlated with attitude. Rather, the Pingle community members aware of risks and its calculation, but display positive attitude, i.e. the norms, what is believed to be right and wrong, in taking credit/interest-bearing debt. This result is in line with other research by Chien & Devaney (2001); Pradita et al. (2018); Van Raaij (2016), but offer a different dimension altogether.

Herding is one of characters of human that distinct its homo economicus as a social man. A person tends to follow and imitate others for various reasons. One of the reasons is because it is "*slavishly following the whims of fashion in spending*" (Fisher, 1930). When there is an urgency to be not secluded from a social group, he/she will attempt to meet the standard to be accepted into the group, and consumption is one of the measures. To be a "cool kid", for instance, a teenager must have the newest gadget, drive a branded vehicle, and make a hairdo everyday so he/she looks stylish, etc. Therefore, impulsive consumptions become necessary.

This situation is also observed in the Pingle community. Despite the fact that they are low income, and majority of them does not have properties or valuable assets, their consumptions are considerably high. At one occasion when the researcher was collecting data, a food street vendor passed by. One of the attendances immediately stopped the vendor to buy a food, where snacks and drinks were actually provided. The impulsivity is measured by how fast she took the buying decision. Moreover spendings for social gatherings, such as birthday celebrations, and various gatherings, are always happening within the community. It transforms private events to become community gatherings. Perhaps, it is a mechanism for this group to beam their light of existence in the society. There is an urgent need to be acknowledged as an important member of the whole. That the social image -they are exist and presence as a significant and cohesive group- is somewhat keeping them to habitually performing big celebrations and thus significantly increase their propensity to consume.

The structure of slums, that houses are built in joint walls, with no backyard, and smaller size, may also contributes to the observed herding behavior of Pingle group. Such infrastructure design would allow peer or social pressures stronger, as they could not have privacy or choose a quieter life. An individual may be forced to become socially active by this buildings structure. Neighbors could listen to one's whispers, thus to commemorate simple things, such as birthday or welcoming a nascent baby, may become impossible. When neighbors listen, there is an immediate repercussion to celebrate it by throwing a big party inviting everyone inside and outside the neighborhood. There is even a social saying that goes "people of Pingle love celebration, that they celebrate everything -including when a baby teeth grows".

People follows others too because they are lack of relevant and reliable information. Simply stated, they are lack of self-esteem so they follow others. Herding, thus, becomes a justification as what the crowd's believes is "correct". The Pingle community may have faith, but they see what their peers do, so that is why they see interest-bearing debt as accepted instrument. Herding behavior in the Pingle community is driven by social pressures, lack of information, and a desire to be accepted by their peers. While this behavior may be irrational, it is a common characteristic of human behavior that can be observed in many different contexts. As it is observed today, social media carries a powerful mechanism that spread views and ideologies, and establishes the authority to the influencers. Herding, thus, shear religion principles and faith mechanism. As a result, human action is a series of irrationalities.

Conclusion

This research finds the following: (1) during a crisis, emotion bias, attitude, and herding are positively significant to explain how Pingle community members take interest-rate bearing debt. Secondly, the major determinant is herding behavior, and to lesser degree are attitude and bias. It confirms the characteristics of the members, that they are "active social group". Active social group centralizes on how majority action-reaction as the perceived truth, thus suffers from herd behavior. Bias may have the least impact to credit-decision, as they understand a basic risks and calculation. However, their positive attitude towards accepting debt is one area of concern. While taking

interest-rate bearing debt is strictly forbidden by Islam, of which all members of Pingled community are Muslim, they do not object the instrument. Instead, such finding indicates these muslim group is experiencing a paradigm shift from condemning interest-bearing debt vehemently to accepting it openly.

This study suggests the following practical implication and policy recommendations. One is for practical implication, is that there must be a patron within the group who collectively reinforce savings as habits. Saving as habits is an important counter-approach towards heavy impulsive consumptions amongst the community members. As habit must be enforced, community must be in consensus towards a new culture of “spend less and start saving”. Another practical implication would be to start taking daily financial note. Financial note works as reminder and a way to self-reflect and self-contemplate for financial achievement day-by-day. Without which, spending goes easier and earning would be felt to be insignificant and less valuable. Financial note documents earnings per day, and expenditures that point what, when, and how much his/her consumption daily.

As for policy recommendation, Islamic principles toward financial/money management must be again re-institutionalized and massively socialized into this muslim group. By re-institutionalization, government could launch assistance programs to steer the use of zakat, infaq, and waqf which this low income muslim group deserved. Zakat could be effectively serving as the lifeline during a crisis period, like today. Infaq and waqf could be effectively generate an alternative stream of income for this group, so it potentially provides jobs opportunities and additional income for them. Assistance programs could be handled well through collaborative community service mechanism amongst academics at universities and local government official. Shifting paradigm to correct motivation and awareness should be the immediate target for government. This group must receive spiritual, psychological, and financial guides from all stakeholders so to avoid the future socio-economic costs of debt trap for the city.

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