

Enhancing Financial Literacy to Mitigate the Impact of Online Gambling and Illegal Online Lending: Evidence from a Community Service Program in Kerinci Regency

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Abstract: The rapid expansion of digital financial platforms has increased community exposure to online gambling and illegal online lending, particularly in rural and semi-rural areas. Low levels of financial literacy have intensified community vulnerability to these digital financial risks, leading to household financial instability and social challenges. This study aims to examine the implementation and outcomes of a community service program designed to strengthen financial literacy as a preventive instrument against online gambling and illegal online lending in Kerinci Regency, Indonesia. The program employed a community-based approach and was implemented across seven villages: Pelak Gedang, Bunga Tanjung, Pauh Tinggi, Baru Semerah, Sungai Lebu, Pulau Tengah, and Ujung Pasir. The implementation stages included planning, preliminary assessment, participatory financial literacy education, community engagement, and qualitative evaluation. Educational activities focused on household financial planning, responsible debt management, identification of illegal online lending schemes, and awareness of the financial and social risks of online gambling. The results indicate that the program successfully improved community financial awareness, enhanced understanding of digital financial risks, and strengthened preventive attitudes toward high-risk financial behaviors. Participants demonstrated better financial decision-making, increased caution toward illegal online lending, and stronger resistance to online gambling practices. The village-based participatory approach also fostered collective awareness and ethical financial behavior at the community level. This community service program provides practical evidence that financial literacy education can play a strategic role in mitigating digital financial risks and promoting sustainable financial well-being in the digital era.

Keywords: Financial Literacy; Online Gambling; Illegal Online Lending; Community Service; Digital Financial Risk; Kerinci Regency.

INTRODUCTION

The rapid advancement of digital technology has significantly transformed socio-economic interactions across societies. While digitalization has enhanced access to information and financial services, it has simultaneously generated new socio-economic challenges, particularly the proliferation of online gambling, illegal online lending platforms, and excessive online gaming consumption. These phenomena are no longer confined to urban areas but have increasingly penetrated rural and semi-rural regions, including Kabupaten Kerinci, Indonesia. Without adequate financial knowledge and critical awareness, communities are becoming increasingly vulnerable to the negative consequences of digital financial exploitation (Lusardi & Mitchell, 2014).

Online gambling represents a growing social and economic concern due to its addictive nature and unrestricted digital accessibility. Empirical studies indicate that participation in online gambling is strongly associated with financial distress, over-indebtedness, and psychological stress at the household level (Hakansson & Widinghoff, 2020). Similarly, illegal online lending platforms offer instant financial solutions but often impose

excessive interest rates, hidden fees, and unethical debt collection practices. These practices exacerbate financial vulnerability, particularly among low-income and financially underserved communities (De Clercq, 2019).

A critical factor underlying the widespread exposure to online gambling and illegal online loans is low financial literacy. Financial literacy encompasses individuals' knowledge, skills, attitudes, and behaviors related to effective financial management, including the ability to evaluate risks and make informed financial decisions (De Clercq, 2019). Individuals with limited financial literacy are more susceptible to high-risk financial behaviors, including speculative gambling and irresponsible borrowing. (Lusardi & Mitchell, 2014) demonstrate that insufficient financial literacy is strongly correlated with poor financial decision-making and long-term financial insecurity.

In the context of Kabupaten Kerinci, the majority of the population relies on agriculture, micro-enterprises, and informal economic activities. Economic uncertainty, combined with increasing digital exposure, often drives individuals to seek

short-term financial relief through online gambling or illegal digital loans. Without adequate financial education, these practices frequently lead to chronic debt cycles and deteriorating household welfare. Previous studies confirm that communities with low financial literacy levels exhibit weaker financial resilience when facing modern financial products and digital financial risks (Antara *et al.*, 2016).

Existing literature emphasizes that financial literacy education plays a strategic role in shaping responsible financial behavior and strengthening household financial resilience. Well-designed financial literacy programs have been shown to improve budgeting skills, income management, and risk awareness, thereby reducing engagement in harmful financial activities (Alrisqi *et al.*, 2025). Moreover, within the framework of ethical and Islamic finance, financial literacy also contributes to moral awareness and social responsibility in financial decision-making, discouraging exploitative and speculative behaviors (Mahri & Nurasyiah, 2020).

Given these challenges, community service initiatives focusing on financial literacy are highly relevant and urgently needed in Kabupaten Kerinci. This community engagement program positions financial literacy as a preventive instrument to mitigate the negative impacts of online gambling, illegal online lending, and excessive online gaming. By enhancing financial awareness, ethical judgment, and practical financial management skills, the program aims to promote sustainable household financial stability and improve overall community welfare.

PROBLEM IDENTIFICATION

Based on the socio-economic conditions and digital financial challenges faced by communities in Kerinci Regency, several key problems were identified as the foundation of this community service program.

1. Low Level of Financial Literacy among the Community. A significant proportion of community members in Kerinci Regency demonstrate limited understanding of basic financial concepts, such as budgeting, saving, debt management, and financial risk assessment. This low level of financial literacy reduces individuals' ability to evaluate the long-term consequences of their financial decisions, particularly in the digital financial environment. Previous studies confirm that insufficient financial literacy is closely associated with poor financial behavior and increased financial vulnerability.
2. High Vulnerability to Online Gambling Practices. The increasing accessibility of smartphones and internet services has facilitated the rapid spread of online gambling platforms. Many community members are exposed to online gambling without adequate awareness of its addictive nature and financial risks. This condition encourages speculative behavior, short-term financial thinking, and potential addiction, which may lead to financial distress and household instability.
3. Limited Awareness of the Risks of Illegal Online Lending. Illegal online lending platforms are widely promoted through digital media and offer instant financial solutions with minimal requirements. However, many community members lack sufficient knowledge regarding the legal, financial, and ethical risks associated with these platforms, including excessive interest rates, hidden fees, misuse of personal data, and abusive debt collection practices. This lack of awareness increases the likelihood of debt traps and long-term financial hardship.
4. Weak Financial Planning and Household Financial Management. The absence of proper financial planning practices, such as income allocation, emergency fund preparation, and expenditure control, has weakened household financial resilience. In times of economic pressure, this condition often pushes individuals toward risky financial alternatives, including online gambling and illegal loans, as short-term coping mechanisms.
5. Limited Access to Structured Financial Education Programs. Prior to this community service initiative, structured and systematic financial literacy programs focusing on digital financial risks were limited in Kerinci Regency. Most community members had not received targeted education addressing online gambling, illegal online lending, and responsible digital financial behavior, resulting in a persistent gap between digital access and financial capability.
6. Lack of Ethical and Preventive Financial Awareness. Financial decision-making among the community has not been sufficiently guided by ethical considerations and long-term

financial sustainability. The absence of preventive financial awareness contributes to the normalization of high-risk financial behaviors, which contradict principles of responsible finance and socio-economic well-being, particularly within the ethical and Islamic finance perspective.

METHODS OF IMPLEMENTATION

This community service program adopted a community-based financial literacy approach aimed at strengthening public awareness and preventive capacity against online gambling and illegal online lending. The program was implemented across seven villages in Kerinci Regency, namely Pelak Gedang Village, Bunga Tanjung Village, Pauh Tinggi Village, Baru Semerah Village, Sungai Lebu Village, Pulau Tengah Village, and Ujung Pasir Village. These villages were selected based on their socio-economic characteristics, digital exposure, and accessibility for community engagement activities. The implementation of the program was carried out through several interrelated stages, as described below.

Planning and Program Design

The initial stage involved identifying community needs related to financial literacy and digital financial risks. This stage included internal discussions among the community service team to formulate program objectives, educational materials, and delivery methods. The program content focused on basic financial literacy concepts, household financial management, risk awareness related to online gambling and illegal online lending, and ethical financial decision-making. Coordination with village authorities and community leaders was conducted to ensure the relevance and acceptance of the program within each village context.

Site Selection and Preliminary Assessment

Following the planning phase, a preliminary assessment was conducted in the seven selected villages to understand local socio-economic conditions and financial behavior patterns. Informal observations and discussions with community representatives were carried out to identify dominant financial challenges, levels of digital access, and common financial practices. The findings from this stage were used to adjust the educational materials to local needs and to determine appropriate communication strategies.

Implementation of Financial Literacy Activities

The core activities of the program were implemented through face-to-face educational sessions, interactive discussions, and practical demonstrations. The sessions covered topics such as financial planning, budgeting, responsible debt management, identification of illegal online lending schemes, and the financial and social risks of online gambling. The program emphasized preventive education by encouraging participants to critically evaluate digital financial offers and to adopt responsible financial behaviors. Each activity was designed to be participatory, allowing community members to share experiences and ask questions related to their financial challenges.

Community Engagement and Participatio

Community participation was a key element of the program. Residents from the seven villages actively engaged in discussions, group reflections, and case-based learning activities. This participatory approach aimed to enhance understanding, build trust, and foster collective awareness regarding digital financial risks. Local community leaders were also involved to reinforce key messages and encourage sustainable behavioral change.

Monitoring and Evaluation

The final stage involved monitoring and evaluating the implementation process and immediate outcomes of the program. Participant feedback was collected through informal discussions and reflective sessions to assess changes in knowledge and awareness. Observations of participant engagement and responsiveness were used as qualitative indicators of program effectiveness. The evaluation results provided insights into the strengths and limitations of the program and served as a basis for recommendations for future financial literacy initiatives.

Results of the Community Service Program

This section presents the results of the community service program implemented across seven villages in Kerinci Regency. The outcomes are described based on village-level implementation to reflect contextual differences in community responses, levels of engagement, and financial awareness development. Overall, the program demonstrated positive impacts on financial literacy, risk awareness, and preventive attitudes toward online gambling and illegal online lending.

PELAK GEDANG VILLAGE

In Pelak Gedang Village, the program revealed that most participants initially had limited understanding of household financial planning and digital financial risks. Following the financial literacy sessions, participants demonstrated improved awareness of budgeting practices and the importance of distinguishing between productive

and consumptive financial behavior. Discussions on online gambling highlighted its long-term financial consequences, leading to increased community concern regarding its addictive nature. Participants also showed enhanced ability to identify characteristics of illegal online lending platforms, particularly related to excessive interest rates and unethical collection practices.



Figure 1: Pelak Gedang Village

Bunga Tanjung Village

The implementation in Bunga Tanjung Village indicated a relatively high exposure to digital platforms among community members. Prior to the program, online gambling and informal digital borrowing were often perceived as common and acceptable practices. After the intervention, participants exhibited greater critical awareness

toward digital financial offers and expressed stronger resistance to engaging in online gambling activities. The program also encouraged participants to adopt basic financial planning strategies, such as income allocation and expenditure control, as preventive measures against financial instability.



Figure 2: Bunga Tanjung Village

Pauh Tinggi Village

In Pauh Tinggi Village, the program results showed a significant improvement in participants' understanding of responsible debt management. Many participants acknowledged previously relying on short-term borrowing without considering repayment capacity. Through the

literacy sessions, participants gained practical knowledge on evaluating borrowing needs, understanding loan terms, and avoiding illegal online lending schemes. The discussions also fostered awareness of the social and psychological impacts of online gambling, reinforcing the importance of preventive financial behavior.



Figure 3: Pauh Tinggi Village

Baru Semerah Village

The activities conducted in Baru Semerah Village highlighted the role of financial literacy in strengthening household financial resilience. Participants demonstrated increased awareness of the importance of emergency funds and long-term financial planning. The program also contributed

to a shift in participants' attitudes toward online gambling, which was increasingly recognized as a financial risk rather than a source of entertainment. Community discussions indicated a growing commitment to promoting responsible financial behavior within families and social networks.



Figure 4: Baru Semerah Village

Sungai Lebu Village

In Sungai Lebu Village, the program outcomes emphasized improved recognition of digital financial risks. Participants showed enhanced ability to differentiate between legal and illegal online lending platforms and expressed heightened

concern regarding data privacy and unethical debt collection practices. The participatory discussions enabled community members to share experiences and collectively reflect on financial challenges, fostering a shared preventive mindset toward risky digital financial activities.



Figure 5: Sungai Lebu Village

Pulau Tengah Village

The results in Pulau Tengah Village demonstrated strong community engagement and active participation throughout the program. Participants exhibited noticeable improvement in financial decision-making awareness, particularly in managing household income and prioritizing

essential expenditures. The sessions on online gambling prevention were well received, with participants acknowledging the negative impact of gambling on family welfare and social harmony. The program also strengthened ethical financial awareness, encouraging participants to align financial behavior with long-term well-being.



Figure 6: Pulau Tengah Village

Ujung Pasir Village

In Ujung Pasir Village, the program contributed to increased financial confidence among participants. Community members reported a better understanding of financial risks associated with digital platforms and a greater willingness to avoid

illegal online lending. The literacy sessions encouraged reflective financial practices and collective discussion on preventive strategies, such as peer monitoring and community-based information sharing to reduce exposure to harmful financial activities.



Figure 7: Ujung Pasir Village

CONCLUSION

This community service program demonstrates that financial literacy functions as an effective preventive instrument in addressing the growing challenges of online gambling and illegal online lending within rural and semi-rural communities in Kerinci Regency. The implementation of structured and participatory financial literacy activities across seven villages Pelak Gedang, Bunga Tanjung, Pauh Tinggi, Baru Semerah, Sungai Lebu, Pulau Tengah, and Ujung Pasir successfully enhanced community awareness, financial knowledge, and preventive attitudes

toward digital financial risks. The results indicate that improved financial literacy contributed to better household financial planning, increased awareness of responsible debt management, and stronger resistance to high-risk financial behaviors. Community members demonstrated a clearer understanding of the financial and social consequences of online gambling and illegal online lending, which supported more cautious and informed financial decision-making. Furthermore, the village-based and participatory approach strengthened community engagement and ensured that the program addressed local financial

challenges effectively. Collective discussions and practical learning activities fostered ethical financial behavior and promoted long-term financial sustainability at the household and community levels. In conclusion, this community service initiative provides practical evidence that community-centered financial literacy programs can play a strategic role in reducing vulnerability to digital financial risks. The program offers a replicable model for future financial literacy interventions aimed at enhancing financial well-being, social resilience, and economic stability in the digital era.

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Source of support: Nil; **Conflict of interest:** Nil.

Cite this article as:

Mua'rrif, Z. I., Muhammad, A. A., Toni, H., Sumanti, E., Pitriani, & Rasidin, M. "Enhancing Financial Literacy to Mitigate the Impact of Online Gambling and Illegal Online Lending: Evidence from a Community Service Program in Kerinci Regency." *Sarcouncil Journal of Humanities and Cultural Studies* 2.4 (2023): pp 12-18.