

## Research Article

# The Urgency of Financial Technology Literacy for the Community

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## Abstract.

Information technology-based money lending services are considered to have contributed to the development and the national economy. Financial technology (Fintech) refers to the definition of the National Digital Research Center (NDRC), namely financial innovation in the scope of financial services, combining finance and modern technology. However, the 2022 OJK survey results illustrate that only 10.9% of people use digital financial technology platforms, which is very low compared to other financial institutions. This shows the lack of literacy regarding financial technology in society. Firstly, this research aims to increase financial technology literacy for the community (MSMEs), and secondly to protect financial technology users in the community (MSMEs). This study uses a qualitative method with a descriptive analysis approach. The results of the study show steps to increase literacy according to POJK Number 77/POJK.01/2016 the scope for increasing financial literacy includes planning and implementation of: 1. Financial education; and 2. Development of infrastructure that supports financial literacy for consumers and/or the public, and protection for users of technology-based money lending services as follows; a. transparency; b. fair treatment; c. reliability; d. data confidentiality and security; and e. settlement of user disputes in a simple, fast, and affordable way.

**Keywords:** financial technology, literacy, society

## 1. INTRODUCTION

In the era of digital economic development, the community continues to develop innovations in providing services in lending and borrowing activities, one of which is marked by the provision of Information Technology-Based Borrowing and Borrowing Services which are considered to have contributed to development and the national economy. The use of technology is growing rapidly in meeting human needs to obtain information and various other electronic services. This is because by using technology everything feels more effective and efficient in its use(1). By utilizing technology, every transaction activity will help people get a service that is easier. Rapidly developing technology in the financial sector has led to many start-up companies engaged in financial technology.

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Financial technology(Fintech) refers to the definition of the National Digital Research Center (NDRC), namely as a financial innovation in the scope of financial services, while this innovation combines finance and modern technology. Various products from financial technology are designed to make it easier for the public to access products from Fintech in the form of loans, collective fundraising, online payments, capital, investment and other fintech products.(2)

Micro, small and medium enterprises are forms of small-scale people’s economic activity and meet the criteria for net worth or annual sales results. MSMEs are one of the business fields that can develop and be consistent in the national economy(3). The development of SMEs is influenced by several factors, one of which is capital. Capital is a fund that comes from business owners but not all MSMEs have sufficient capital. Information Technology-Based Borrowing and Borrowing Services are expected to be one of the solutions to help micro, small and medium enterprises (MSMEs) in obtaining access to funding. However, from the graph below it can be seen that the level of financial technology literacy in society is still very low compared to financial institutions such as banking, insurance, multiplication, and microfinance institutions. This shows that there is low public awareness of the importance of financial technology literacy for businesses.

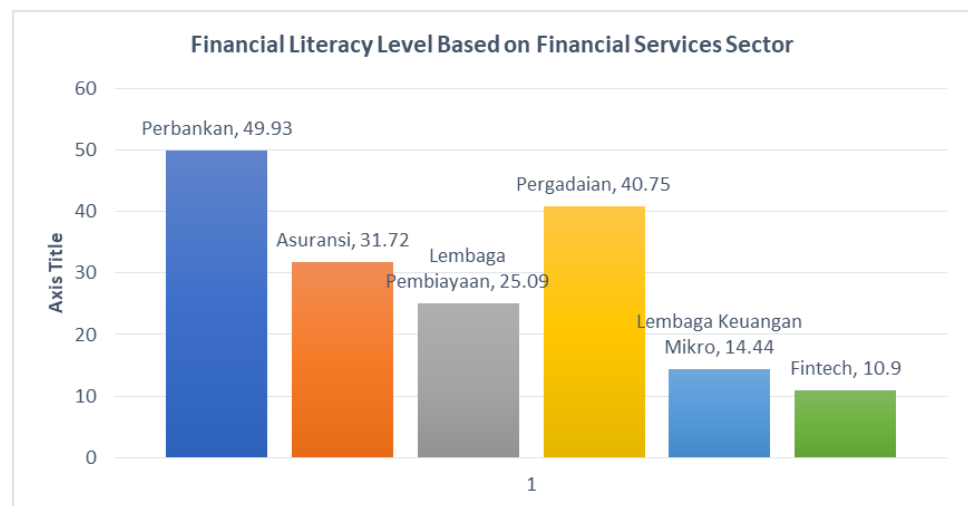


Figure 1: Financial Literacy Survey. Source: OJK, 2022.

Seeing this, financial technology provides convenience opportunities to provide fast, effective and efficient services. However, this is not widely known by MSMEs, this is due to the low level of public knowledge of financial technology products, the public, especially MSMEs, are still afraid to use fintech, so there is no motivation for the community to use financial technology.

In Triyani Budyastuti's research it contains According to the Minister of Cooperatives and Small and Medium Enterprises, Teten Masduki, fintech is very important for small and medium businesses. Indonesia's digital financial literacy level is only 35.5%. Teten also acknowledged that around 16% of MSMEs are connected to digital platforms, or around 10.2 million MSMEs.(4).

Financial literacy according to the OJK is knowledge, skills and beliefs that influence attitudes and behavior to improve decision making and financial management for prosperity. In Yuyun Yuniati Yuningsih's research, et al that financial literacy is a combination of financial awareness, knowledge, skills, attitudes, and behaviors needed to make sound financial decisions and ultimately achieve individual financial well-being(5). So that if the level of community financial technology knowledge is high, then it can help increase the use of financial technology, one of which is applying for MSME business capital easily, effectively and efficiently. According to Mochammad Fajar and Cintia Widya Larasati, Fintech makes it easy to use and utilize various digital financial services, including payments, loans, investments, and insurance. By using Fintech, you can make payment transactions without having to meet face to face, get loans without having to visit a bank branch, choose and know the financial products that best suit your needs, make investments easily, and get consultations regarding financial planning.(6)

Based on the problems above, the purpose of this research is first to increase financial technology literacy for the community (MSMEs), secondly to protect financial technology users in the community (MSMEs).

## 2. METHOD

This study uses a qualitative method with a descriptive analysis approach. This method was chosen by the researcher because this method is used when researching a natural object where the researcher is the main instrument. And a qualitative approach with descriptive methods was chosen because the research conducted will focus on the influence of understanding financial technology by MSMEs to increase financial technology literacy (7). Qualitative analysis is research procedure that produces data in the form of words either orally or in writing .(1)The research method is mostly carried out with literature reviews from various sources, especially from the Financial Services Authority.(8)

The data collection methods used are observation and documentation. The qualitative data analysis technique used is collecting data through observation and documentation study then reducing the data and presenting the data and drawing conclusions. (7).

### 3. RESULTS

Financial literacy is one of the most important aspects that must be owned by anyone regardless of age, especially in this digital age. Financial literacy is not only important for individuals, but also influences the economic progress of a country. That is why one of the indicators of a country experiencing progress is marked by the existence of public awareness of the importance of financial literacy.(9)The higher the level of one's financial literacy, the greater the achievement of the goal of planning and selecting better financial products and services. That way, the quality of life can automatically increase. Related to financial technology (fintech) in its development will have an impact on the behavior of fintech users in the process of financial transactions. As of March 9, 2023, the total number of fintech peer-to-peer lending or fintech lending providers licensed at the OJK is 102 companies, meaning that there are already many digital form platforms that can be accessed by MSMEs, one of which is financing products to increase business capital, but the level of use of digital platforms is still very low. The importance of knowledge about financial technology for the community (MSMEs) to help business development and so that people are not wrong in making financial decisions with the aim of reducing losses for these MSMEs. The need for financial technology literacy which aims to provide proper education about fintech, provide education about fintech services and products as well as information about the legality and security of financial technology. According to the legislation and OJK supervision, Fintech industry players need to educate the public about legal products and services so that people are protected from fraud and financial crimes. Fintech education is part of the duties and functions of the Financial Services Authority (OJK) as a regulatory party.(10)Indonesian digital financial services are carried out under Indonesian law through the Financial Services Authority Regulation (POJK) Number 13/POJK.02/2018 concerning Digital Financial Innovation in the Financial Services Sector and POJK Number 77/POJK.01/2016 concerning Technology-Based Money Lending Services Information (LPMUMBTI) as an umbrella provision for the supervision and regulation of the Fintech industry. The following is the literacy level of the first community; Well literate, the second is Sufficient literate, the third is Less literate and the fourth is Not literate.

With different literacy, the approach method used is a. geographic approach, target approach and c. sectoral approach in accordance with the needs of the community. According to OJK, the scope for increasing financial literacy includes the planning and implementation of: 1. Financial education; and 2. Development of infrastructure that supports financial literacy for consumers and/or the public.(11)

POJK Number 77/POJK.01/2016 describes the protection of users of technology-based money lending services as follows; a. transparency; b. fair treatment; c. reliability; d. data confidentiality and security; and e. settlement of User disputes in a simple, fast, and affordable way. The research results of Nanik Eprianti et al., illustrate that by planning and implementing financial literacy which focuses on providing knowledge and insight to the community to increase knowledge and insight regarding contracts and financial technology financing products by providing tips and tricks to become smart customers in accordance with sharia principles. And the results of the activities can increase public understanding, namely reducing the use of illegal emok banks and loans as well as increasing public trust in fintech products and increasing the role of society in the development of sharia-based online financial services.(12)

Financial education and intensive infrastructure development can increase financial technology literacy for the community (MSMEs) with the aim of increasing the community's role in using financial technology. This is also in line with the research results of Mochammad Fajar dkk, that Fintech must be able to provide socialization and education to the public regarding legal products and services in accordance with applicable legal provisions in order to avoid fraud and financial crime.(6), and supported by research by Puput Siti Hijir showing that the higher financial knowledge, the better one's financial and financial behavior will increase the use, utilization and understanding of financial products and services(13).

## 4. CONCLUSION

In increasing the role of the community (MSMEs) using financial technology, financial literacy is very important for the community. Four levels of literacy possessed by society, first Well literate, secondly Sufficient literate, third Less literate dan fourth Not literate. Efforts to increase community literacy need to be carried out with a comprehensive strategy and using approach methods that are appropriate to what the community needs. A targeted approach is needed to identify forms of access that are of interest and appropriate for certain community groups as well as financial products and services that suit the needs and capabilities of the community (12). Steps to increase literacy

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