

Chapter 1

INTRODUCTION

1.1. Research Background

Global economics has lately emerged as a significant issue of discussion for global society. Financial inclusion is an important issue that has been highlighted. Inclusionary financial activity is one of the most important global goals (P Wewengkang et al., 2021). Financial inclusion became a political issue in the United Kingdom for the first time in 1977. It had become a worldwide concern by 2010, and the Global Partnership for Financial Inclusion (GPFI) was formed. According to the World Bank, financial inclusion is defined as individuals or businesses having access to financial service products for their needs, such as transactions, payments, savings, credit, and insurance, that are provided in a sustainable way.

Financial inclusion has several advantages, including reduced poverty, increased development or equitable income distribution, and increased financial system stability. According to Hardiyanto & Arianti (2019), financial inclusion can improve financial system stability. Financial inclusion has a positive impact since it promotes the diversity of banking assets, the stability of the savings base, and monetary policy transmission. According to Kabakova & Plaksenkov (2018), high socio-demographic and political factors in the absence of economic development; high social, technological, and economic factors in the absence of political development; and political and economic factors in the absence of social and technological development are the three types of factors that influence financial inclusion..

Financial inclusion in Indonesia has been greatly enhanced, with the help of constant financial technology improvements, and has now permeated all circles (P Wewengkang et al., 2021). It proves by the program that is made by the government which called SNKI (National Strategy for Financial Inclusion). This program is expected, by the society especially students, to help them get access to service institution services finance based on their needs easily.

Currently, the value of financial inclusion index in Indonesia has reached 76,19%, this value has exceeded the target of the National Financial Inclusion Strategy (SNKI) which is 75% (OJK, 2019). However, this condition is still not ideal, because people use financial products without an adequate understanding of their management. According to data from the OJK, the financial literacy index in Indonesia only achieved 38.03%. According to Simanjuntak (2019), the financial literacy of students in Indonesia is only 23.4%, which means that the literacy rate of students in Indonesia is very low. This demonstrates that students who use financial goods lack expertise and comprehension of these items. Students will encounter increased complexity in financial goods, services, and marketplaces as the nation's next generation of young people. Not only that, but pupils will be more likely to face financial challenges in the future.

Financial literacy may serve to enhance the quality of financial services while also contributing to a country's economic growth and development (P Wewengkang et al., 2021). Financial literacy can help the needs of individuals and financial products, people to manage their personal finances well. Financial literacy is a concern in Indonesia, since the average level of financial literacy among Indonesians remains below the government's aim (Adrianto, 2021). Generally, students only learn from trial and error, but that has not been able to make them as smart economic actors in today's life. As a result, learning in higher education is critical in the process of developing student financial literacy. Survey conducted in 2019 by the OJK of West Sumatera, the financial literacy index of West Sumatra residents was only 34.55% and the financial inclusion index was only 66.75% or slightly above Jambi and far below North Sumatra which had reached 93% (Wahyudi, 2021). This is due to a lack of understanding of financial goods and services in West Sumatra. Therefore, there is a need for a strong synergy between stakeholders to continue to create various initiatives to improve the level of financial literacy and inclusion among students, especially West Sumatra.

The improvement of financial inclusion is also not apart from the development of financial technology. Globalization has made the rapid improvement in all sector of life, including the technology. In addition of Covid-19 Pandemic, which has been spreading around the world since the latest of 2019 until now, to tackle the coronavirus pandemic, numerous technological advancements and applications have been created. The pandemic has ramifications for the design, development, and application of technology (He et al., 2021). This causes internet users in Indonesia to increase every year. By the end of 2016, there were 132 million active internet users who used the internet to access social media, e-commerce, and business (Firmansyah & Ramdani, 2018). It also allows society to access any of online store platform where people can buy anything just by sitting in their place without need to go to the offline store.

The development of financial technology at this time makes it very easy for people to make transactions. So that when traveling, people don't need to worry if they don't bring cash, because at this time payments can easily be made by cards or transactions using e-banking and also digital money by scanning barcodes such as QRIS. In other hand, by the improvement of financial technology use in society is supposed to help people easily in term of accessing financial services such as access to get credit from the bank or any other financial services. Therefore, as the times progress, technology is increasingly needed for the wider community. The acceptance model of information technology has developed along with the times (Purnamasari et al., 2020). This model was developed because of the need for an ideal measurement model, and the need to provide information about what factors can affect the successful implementation of a new technology. TAM (Technology Adoption Model) is one model that is often tested for its usefulness whether it will be accepted by technology users. Davis first proposed TAM in 1989 with the goal of better knowledge of the user acceptance process and providing a theoretical foundation for practical user acceptability testing.

The TAM model has been used by several researchers to predict consumer intentions to use mobile banking and consumer acceptance of online shopping. Therefore, TAM is useful to see the success of implementing technology in payment transactions. However, the improvement of financial technology is not balanced with the financial literacy of society. When it comes to spending their money, those with minimal financial literacy are easily deceived (Lestari, 2015). People with great financial literacy, on the other hand, will use financial goods and services that best match their needs. They may therefore better arrange their money, avoid investing in dangerous financial instruments, and understand the benefits and risks of various commodities and financial services (Noor et al., 2020).

Financial technology and financial literacy are closely related to increasing the financial inclusion index. The growth of financial inclusion, aided by technology advancements, wields enormous power over the financial industry, particularly for company activity. The financial sector revolution is playing a significant role in upgrading financial services, which will influence the financial system's stability. Technological advancements are predicted to contribute to the acceleration of access to financial services, as well as enhance the number of accesses for the poor. In addition, financial technology also needs to be balanced with financial literacy. In the Revised SNLKI (2017), it is stated that public financial literacy will have a positive effect on the financial inclusion of the community. If people have good literacy, people can easily make decisions about the selection and use of financial products and services that suit their needs, and understand the benefits and risks of financial products and services. Based on the national financial inclusion strategy (SKNI), the target for financial inclusion for the Indonesian people has increased. However, the level of financial inclusion of the population is not followed by a significant increase in the level of financial literacy of the population.

Based on the research conducted by P Wewengkang et al (2021), entitled "The Effect of Financial Technology Use and Financial Literacy Towards Financial Inclusion in Manado",

the results obtained that both variables simultaneously have an influence on financial inclusion, but if we look further, financial technology has no effect on financial inclusion in Manado. Further research has also been carried out by (Simanjuntak, 2019) entitled "The Effect of Financial Literacy and Financial Technology on Student Financial Inclusion in North Sumatra". This study discovered that both factors have an impact on the financial inclusion of students in North Sumatra at the same time, and that both variables have a positive and substantial impact on the financial inclusion of students in North Sumatra. Researcher is interested in examining how financial literacy impacts student financial inclusion and if financial technology will effect financial inclusion based on prior research and the aims of the problem. This is why the author picked West Sumatra as the study's sample group, namely early-adults who already work. Therefore the topic of the research is **“The Influence of Financial Technology Use and Financial Literacy on Financial Inclusion in Padang”**

1.2. Research Question

Based on the description of the background of the problem, the formulation of this problem are as follows :

1. How is the influence of the financial technology use on financial inclusion in Padang?
2. How is the influence of the financial literacy on financial inclusion in Padang?

1.3. Research Objectives

Based on the formulation of the problem above, the objectives of this study are as follows :

1. To find out the influence of financial technology on financial inclusion in Padang,
2. To find out the influence of financial literacy on financial inclusion in Padang.

1.4. Research Benefits

1. Theoretical Benefits

This study is designed to be useful as a reference source and consideration for the relevant research or discussion to this research, as well as contributing to education

sector dan also policy makers, especially the government in term to making the policy regarding to the topic.

2. Empirical Benefits

This study's findings are likely to be utilized as input and information that can assist lecturer and student of majoring management for the better performance.

1.5. Scope of The Research

Based on the concerns outlined in the background, the author narrows the scope of this study to the independent variables of financial technology and financial literacy, and the dependent variable of financial inclusion. Meanwhile, the object of this research is early adults in Padang City who already have income. Questionnaires are going to distributed to early adults who work and live in Padang, West Sumatra.

1.6. Systematic of The Research

Systematics of writing in this study is made to provide an overall picture of the research. As for the systematic of this research, it consists of five chapters, namely as follows :

CHAPTER 1 : INTRODUCTION

This chapter explains the problem's history, conceptualization, research objectives, research utilization, research scope, and research methodology.

CHAPTER 2 : LITERATURE REVIEW

This chapter discusses the theories related to the problem discussed in this study. This chapter will also discuss previous research, hypothesis development, and conceptual framework models that will be guided at the data processing stage.

CHAPTER 3 : RESEARCH METHOD

This chapter covers population and samples, sampling techniques, data kinds and sources, measurement scales, operational definitions, variable measurements, and data analysis methods used to prove hypotheses.

CHAPTER 4 : RESULT AND DISCUSSION

This chapter examines the outcomes of the study questionnaire distribution method, general descriptive of respondents, and data analysis used to prove hypotheses.

CHAPTER 5 : CONCLUSION

This chapter presents the findings of the study that was undertaken, the implication of the research results, the limitations of the research, and suggestion.

