

CHAPTER I

INTRODUCTION

1.1 Background

The technological advance has changed the way people to use the internet. It is not only for searching something but also give chance to people to use internet more than it such as people can use for payment, lending, transaction and others. They can use the smartphone for payment, transaction and others. Those activities are combining with internet and economic activities which is called financial technology (fintech).

Financial technology is also known as FinTech, is a line of business based on using software to provide financial services. Financial technology companies are generally start-ups founded with the purpose of disrupting incumbent financial systems and corporations that rely less on software. Fintech is combining between internet and technology to support the financial services.

The evolution of Fintech has started from 1920. John Maynard Keynes argued “Merchant could order product by phone and travels his health across the globe without exertion or trouble”. Then, Paul Volcker in 2009 argued “The Automatic Teller Machine (ATM) is the most important financial innovation”. Jack Ma and Jamie Dimon in 2013 and 2015 argued “Internet finance led purely by outsiders” and “hundreds of start-ups offers various alternative to traditional banking”. They gave their opinion and its become the evolution of financial technology. (Hadad, 2017)

Christensen and Bower (1995) stated an innovation that successfully transforms an existing system or market, by introducing the recognition,

accessibility, convenience and economical cost known as disruptive innovation. Disruptive innovation will create the new market or new line of business which eventually disrupts an existing market and displacing established market leading firms, products, and alliances. This innovation can take longer time to develop but if it once deployed in market, it gives a faster penetration and high degree of impact on established markets.

Nowadays, the development of fintech is rapidly growth especially in financial sector. Fintech is supported the new firms to provide financial services independetly. It means the new firms are out of the conventional financial institution. Everyone who has the inovation and create the application of financial services based on technology, they can enter to fintech industry. There are changing from bank driven to consumer driven which mean there will be much places to some new firms in financial sector. Now, Fintech is a world issue that absorbs attention of economic actors, especialy in the financial services industry. Until 2015, Silicon Valley Bank noted the volume of investment in fintech in the world reached more than US 12 billion.

Indonesia is the biggest population country in southeast asian and the fourth in the world. Indonesia is one of the biggest market for fintech. According to Indonesia's Fintech Association (IFA), the amount of fintech in Indonesia growth as 78% in 2015-2016. Until november 2016, IFA noted around 135 until 140 start-up have ran in Indonesia

Based on Financial Services Authority (OJK), the development of fintech will support three target of master plan financial services Indonesia 2015-2019. First, contribute which is optimizing the role of the financial services sector in

supporting the perceptions of national economic growth. Second, stable system which maintains the stability of the financial system as a foundation for sustainable development. Third, inclusive, which open access to finance so as to improve the welfare of the community.

In the past years, there were several start-up exist which response for financial technology in Indonesia. It starts from start-up payment, lending, personal finance, ritel investment, crowdfunding, remittance, and etc. In 2016, the Central Bank of Indonesia has established Bank of Indonesia Fintech Office to create the rules or regulations to manage the course of this new sector safely and comfortably. According to Financial Services Authority (OJK), fintech actors in Indonesia are still dominant in business payment. it is about 42.22%. Then, lending is about 17.78%, Agregator is about 12.59% crowdfunding and personal or financial planning are about 8.15%, and others is 11.11%. The data is shown in diagram below. (Hadad, 2017)

One of the city in Indonesia is Bukittinggi. Bukittinggi si located in West Sumatera. The total area of the city of Bukittinggi is 25.239 km² and the total population is 122.621 people. Bukitinggi is the second largest economy in West Sumatera. Bukittinggi is also known as a leading tourist city in West Sumatera. There are a lot of tourist consist of domestic and foreigners who come to Bukittinggi beacuse Bukittinggi have several destination for tourism such as Jam Gadang, Pasar Atas, Pasar Aur Kuning, Sianok Valley and others. Pasar Atas is one of the tourist market which can attract people to come to this market. And Pasar Aur kuning which is one of the biggest wholesale market in Sumatera. The condition give impact indirectly to economic condition of Bukittinggi. It can be

seen from the data of GDP regional. According to BPS data, in 2011, the economic growth of Bukittinggi was 6,12%. In 2012, the economic growth of Bukittinggi was 6.55%. in 2013, the economic growth of Bukittinggi was 6,28%. In 2014, the economic growth of Bukittinggi was 6,20%. In 2015, the economic growth of Bukittinggi was 6.12%. and in 2016, the economic growth of Bukittinggi was 6.04%. (BPS, <https://bukittinggikota.bps.go.id/satictable.html>, 2011)

The economic activities in Bukittinggi depend on trade and tourism. Pasar Atas is located near from Jam gadang become the center of the city crowd. There are many sellers of handicrafts and embroidery as well as snacks souvenir typical of West Sumatera. Then, Pasar Aur Kuning which is the biggest wholesale market in Sumatera. There are many people come to this market to buy product which will be sold again in another city. Then, there are destination which can attract tourist to come to Bukittinggi such as Jam Gadang, Sianok canyon, Lubang Jepang, Panorama, Zoo, Rumah Gadang. Based on the condition, there will push people become an entrepreneurs and the transaction will happen between the seller and consumers.

Fintech is the combining between technology and financial services which give an easier way to do payment, transaction, and other financial activities. According to bukittinggi condition, the writer wants to know how the readiness people especially in Bukittinggi toward Fintech and how the perception of people in Bukittinggi to Fintech. Based on the background and explanation above, the writer wants to take **“Literacy of Financial Technology (Fintech) and its Implementation in Bukittinggi”** as a title of this thesis.

1.2 Research Problem

Based on the explanation above, the problems of this research as follow as:

1. How is literacy of financial technology (fintech) and its implementation in Bukittinggi

1.3 Research Objectives.

The reasearch objective in this reseacrh is

1. To know how is literacy of financial technology (fintech) and it simplenentation in bukittinggi.

1.4 Research Advantages

This study hopefully gives advantages for

1. For author, to fulfill the requirements of the bachelor degree in faculty of economy, Andalas University
2. To know how is literacy of financial technology (fintech) and its implementation in bukittinggi.
3. For government, to give explanation and recommendation to government which do the policy of Financial technology.
4. For community, to give people more knowledge about Fintech and the usage of fintech in their daily life.
5. For students, this research is expected to be referenced for study and next research.



1.5 Scope of Study

Financial technology is the innovation in financial industry. Fintech is combining between internet and technology information in financial services. Scope of this study is literacy of financial technology (Fintech) and its implementation in Bukittinggi. In this research, the data will be used is primary data. The technique of data collections are survey which use questionnaire and interview 100 of respondents. The respondents are people who live in Bukittinggi.

1.6 Systematic Writing

The organization of this thesis consists of 6 chapters. The contents of this thesis will be explained in each chapter

Chapter I: Introduction

This chapter consists of the background, Research Problem, Research Objectives, Research advantages, scope of study, and systematic writing.

Chapter II: Literature Review

This chapter consists some theoretical framework and literaure review which are related to perception and fintech. Furthermore, there are some previous research and hypothesis that support this research.

Chapter III: Research Methodology

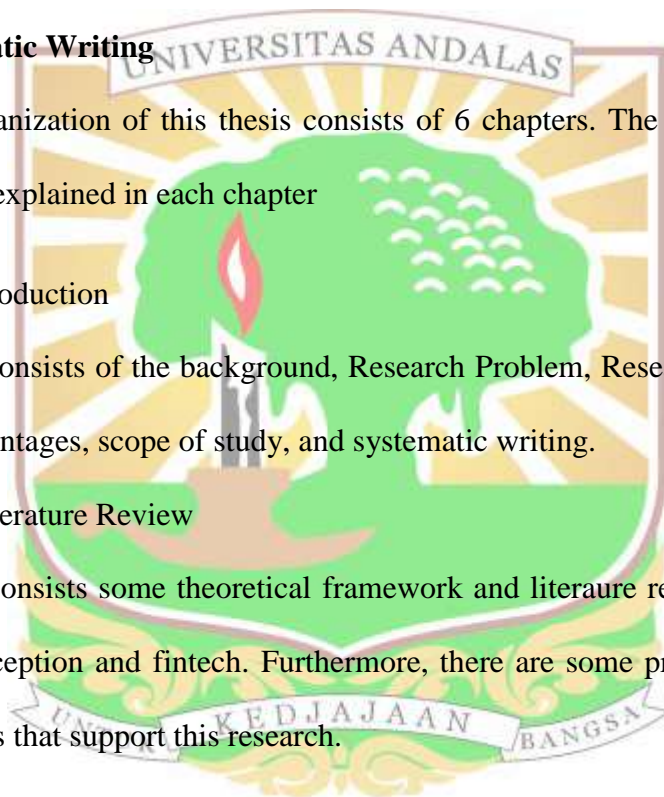
This chapter consists of the type of data, methodology, variables, and other supporting concept used to test the analysis

Chapter IV: Overview

This chapter consists of description of Bukittinggi city. .

Chapter V: Empirical Result and Analysis

This chapter consists of empirical result and analysis of this research.



Chapter VI: Conclusion and Recommendation

This chapter consists of the conclusion of this research and also recommendation.

