

# CHAPTER 1 INTRODUCTION

## 1.1 Background

The rapid development of technology requires every individual to move quickly, effectively, and efficiently in everyday life. Where all aspects that used to be conventional have begun to shift, now they are slowly starting to change towards digital, especially at prices that can be reduced by using technology. Technology is used by almost every segment of society for information-seeking, communication, commerce, transportation, entertainment, and finance. Until an application known as financial technology (fintech) appears, organizations working in the financial sector, including banks, will compete to create applications connected to sophisticated technology to offer the best service and win over the competition.

Guillaume de Gantes, Partner, Indonesia, McKinsey & Company, said that based on research conducted on 17,000 people in 15 countries in Asia, Indonesia was the fastest country in adopting digital. "The digitalization process in Indonesia is at a pretty good level compared to Brazil and China," said Guillaume de Gantes in his explanation quoted on the website ([keuangan.kontan.co.id](http://keuangan.kontan.co.id)). Financial technology (Fintech) is an adaptation of the financial industry to technology where previously physical interactions are now digital. The National Digital Research Center (NDRC) defines fintech as financial industry innovation. Of course, the latest technology is incorporated into this financial innovation. Finances are responsible for

optimizing the use of technology to modify, accelerate or hone many features of today's financial services, including payment procedures, funds transfers, loans, fundraising, and asset management.

Mobile banking is one of the most widely used areas of financial technology today. In Indonesia, 80% of respondents to the MEF report stated that they had used mobile banking services (Daily Social, 2016). Customers of a bank can carry out almost all forms of financial transactions online, especially through applications thanks to mobile banking applications. Like an ATM, customers can check accounts, transfer money between accounts, and pay regular monthly payments (such as electricity, telephone, etc.) using their bank accounts via mobile banking facilities. Customers who use this service can get various benefits, especially when considering the time and effort saved because internet banking transactions are, of course, queue-free and can be completed from anywhere as long as the customer can be connected to an internet network.

Commercial banks have recently started using Internet-based banking systems to streamline operations and cut costs. Along with advances in financial technology, several banks are now providing internet banking services. One of them is the National Pension Savings Bank (BTPN). However, Indonesia's mobile banking application has experienced new developments thanks to bank BTPN. "Jenius" is the name of the financial application released by Bank BTPN. Because the Jenius application offers convenience in making decisions that have a financial impact in addition to

internet banking services, Bank BTPN is considered to have reached a milestone.

However, despite the fact that the Jenius mobile banking application has many functions, consumers often mention its many drawbacks. Kaskus account owner named FreezyChameleon (2016) became one of the users who complained about the use of Jenius mobile banking. He admits that the application often needs to improve, which makes consumers think twice about using Jenius mobile banking for transactions.

The phenomenon that occurred in cases of widespread loss of customer funds, genius closed a number of accesses in Indonesia quoted from (republika.co.id). PT Bank BTPN\_Tbk closed several accesses using the Jenius application, Bank BTPN. This is considering the rampant cases of loss of customer funds. The Digital Banking Head of PT Bank BTPN said the company invites the public to understand the importance of digital security through the "Jenius Safe" program, which aims to increase public literacy. At the same time, this maintains the security of confidential personal data, especially in the digital realm. The closure was carried out because the company found that these incidents occurred due to social engineering practices. Cases of fraud occur with customers because they are manipulated through social engineering by perpetrators, thus submitting crucial data that perpetrators use. Jenius is equipped with a layered security system to ensure transaction security and data storage. PT Bank BTPN\_Tbk also uses international standard technology, layered data isolation, and protection and is supervised by Bank Indonesia and the Financial Services Authority (OJK).

So the Jenius program is safe to educate the public about personal data security so that they can avoid cybercrime that continues to grow.

Therefore, the rapid development in this era of globalization needs insight and knowledge about careful and careful financial management. Everyone must be competent and knowledgeable enough to manage their finances and property. Financial inclusion has received much attention in Indonesia, helped by continuous innovations in financial technology that are penetrating many areas of society. This is closely related to the growth of the world population and the accelerated development of financial markets. One of the main priorities in the world, especially in Indonesia, is financial inclusion activities. What is meant by "financial inclusion" is the provision of easy access and elimination of obstacles in using or obtaining services from official financial institutions for all levels of society, especially for groups that have limited access to these services.

Several variables, including financial literacy, financial knowledge, skills, attitudes, and behavior, influence financial inclusion. Money management is one of those additional elements (behavioral finance). Behavioral finance builds on various concepts and assumptions from behavioral economics to eliminate errors in investment decision-making. The interaction of traits, emotions, interests, and other factors inherent in humans as intellectual and social beings influences their choices. An important requirement for someone planning to invest is adequate financial literacy, which will ensure that their financial choices are wise and have clear goals. Financial literacy is related to information about how to predict investment

opportunities, so knowledge is needed about a variety of products, and financial services, awareness of the risks associated with financial products, customer protection, and financial management skills. The government, the Financial Services Authority, related ministries/institutions, the Financial Services Industry, and various other parties continuously strive to improve public financial literacy.

The SNKI (National Inclusive Financial Strategy) program is expected to make it easier for every level of society, especially students, to utilize the services of financial service institutions according to their needs. Indonesians currently have relatively little financial knowledge. Financial knowledge includes understanding how to manage and control one's finances successfully. Financial literacy components are general financial understanding, loan savings, insurance, and investment. Financial literacy aims to increase one's awareness of the basics of finance so that one can manage expenses more effectively in the future and help others maintain a stable and unchanging financial situation. Financial literacy is similar to the increase in the financial inclusion of the population, which is considered good in Indonesia. Based on the findings of the Financial Services Authority, this cannot indicate that financial inclusion will occur after financial literacy. One might suspect that there are still many Indonesians who can easily access and use financial services but do not have a deep understanding of them. Furthermore, the government's role is urgently needed to increase public awareness of using financial services and products so that Indonesia can achieve its financial inclusion goals.

Based on the 2022 SNLIK results, the Indonesian people's financial literacy index was 49.68 percent, an increase compared to 2019, which was only 38.03 percent. Meanwhile, this year's financial inclusion index reached 85.10 percent, an increase compared to the previous SNLIK period in 2019, which was 76.19 percent. This shows that the gap between literacy levels and inclusion levels is decreasing, from 38.16 percent in 2019 to 35.42 percent in 2022.

**Table 1.1 Comparison Index Literacy and Inclusion Finance Year 2019 and 2022**

<b>Index</b>	<b>2019</b>	<b>2022</b>
Literacy	38.03%	49.68%
Inclusion	76.19%	85.10%
Gaps	38.16%	35.42%

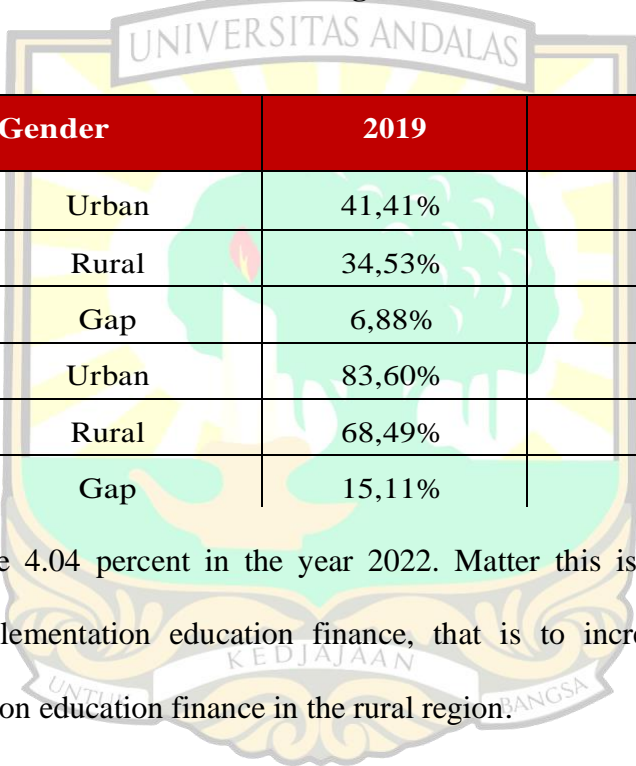
From side gender, For the First time, index literacy finance woman more tall, namely 50.33 percent, compared to men, 49.05 percent. From 2020 to 2022, OJK will make women a target priority in the direction of strategic literacy finance. On the other hand, the male financial inclusion index is higher at 86.28 percent, compared index inclusion finance woman in number 83.88 percent.

**Table 1.2 Comparison Index Literacy Finance Based on Gender**

	<b>Gender</b>	<b>2019</b>	<b>2022</b>
Literacy	Man	39.94%	49.05%
	Woman	36.13%	50.33%
Inclusion	Man	77.24%	86.28%
	Woman	75.15%	83.88%

The financial literacy and inclusion indexes for urban areas are 50.52 percent and 86.73 percent, higher than in rural areas, which are equal to 48.43 percent and 82.69 percent. However, the financial literacy index gap is increasing, shrinking from 6.88 percent in the year 2019 become 2.10 percent in the year 2022, And index gaps include finance. Also, the more shrunk from 15.11 percent in the year 2019

**Table 1.3 Comparison Level, Literacy inclusion Finance, Based on Level Region**



	Gender	2019	2022
Literacy	Urban	41,41%	50,52%
	Rural	34,53%	48,43%
	Gap	6,88%	2,10%
Inklusion	Urban	83,60%	86,73%
	Rural	68,49%	82,69%
	Gap	15,11%	4,04%

Become 4.04 percent in the year 2022. Matter this is in line with strategy implementation education finance, that is to increase quantity implementation education finance in the rural region.

SNLIK 2022 also measures the level of Islamic financial literacy and inclusion. Results show that the index literacy finance sharia public Indonesia increased from 8.93 percent in the year 2019 become 9.14 percent in the year 2022. Temporary that, level inclusion finance sharia Also shows enhancement to 12.12 percent in 2022 from 9.10 percent in the survey period year 2019.

**Table 1.4 Comparison Index Literacy and Inclusion Finance**

<b>Sharia Index</b>	<b>2019</b>	<b>2022</b>
Literacy	8.93%	9.14%
Inclusion	9.10%	12.12%

**Sharia**

The increase in the financial literacy and inclusion index is the result of a collaborative effort well established between OJK, related ministries/institutions, the Financial Services Industry, and various other parties, both within the National Council for Inclusive Finance and The Team for the Acceleration of Regional Financial Access (TPAKD) whose number has increased from 171 in the year 2019 become 462 TPAKD in the year 2022.

The pandemic at the beginning year 2020 became the Wrong pusher for accelerating digital transformation in financial education that enables financial education to be done more massively and borderless. The mix of financial education strategies in a comprehensive manner stare advance (offline) And online and strengthening alliance strategies will become strategy key in accelerating the enhancement of literacy And inclusion finance.

The 2022 SNLIK results are one of the main factors for OJK and stakeholders other inside compile policy, strategy, and designing products/services that finance in accordance with consumer needs as well as in framework increase well-being public.



In 2023, OJK will focus on increasing the financial literacy of the Indonesian people poured in Direction Strategic Literacy Finance Year 2023 is Build Literacy Finance Public Village through Alliance Strategic with Ministries/Agencies Related, Device Village And mover PKK Village, and Student KKN.

Target priority literacy finance year 2023 is student, MSME, persons with disabilities, and 3T local communities (Forefront, Outermost, and Disadvantaged). Meanwhile, the priority targets for financial inclusion in 2023 are the women segment, students, students MSME, public in region rural, and sector service finance sharia quoted from (ojk.go.id).

## **1.2 Formulation of the problem**

Based on the background above, there is a research gap regarding the effect of financial literacy and user's perception on fintech toward financial inclusion in genius customers. Several research questions can be formulated as follows:

1. Does financial literacy affect financial inclusion in genius customers?
2. Does user's perception on fintech affect financial inclusion in genius customers?

## **1.3 Research purposes**

The following are some of the objectives of this study including:

1. To test the effect of financial literacy on financial inclusion in genius

customers.

2. To test the effect of user's perception on fintech toward financial inclusion in genius customers.

#### **1.4 Benefits of research**

The following are some of the expected benefits of this research including:

1. For Writers

This research provides benefits for writers to be able to add insight regarding financial inclusion, financial literacy, and the level of understanding of financial technology.

2. For Academics

This research is expected to add to the literature and experience about financial literacy and financial inclusion or library materials and scientific sources for further research. It can add insight and experience, especially for students majoring in accounting.

3. For Customers

This research is expected to add knowledge and information for customers to increase their knowledge of financial literacy and financial inclusion so that, in the future, they will have a better understanding of this.

## 1.5 The scope of research

In conducting this research, the authors limit the scope of the research, namely only examining the effect of financial literacy and financial inclusion on the use of jenius by customers.

## 1.6 Writing system

The following is a writing systematics, whereas a whole, this research consists of five, namely:

### CHAPTER I

#### INTRODUCTION

Introduction consisting of background, problem formulation, research objectives, research benefits, research scope, and research systematics.

### CHAPTER II

#### THEORETICAL FOUNDATION

This chapter contains theories that support research to be carried out by researchers, which contain essential discussions in research theory.

### CHAPTER III

#### RESEARCH METHOD

This chapter contains the time and area of research, research methods, variables, population and sample, data and data sources, and data analysis techniques.

### CHAPTER IV

#### RESEARCH RESULTS AND DISCUSSION

This chapter describes the results and discussion of the research conducted. This chapter will explain the

general description of the research and analysis of research data calculations.

## **CHAPTER V CLOSING**

This chapter is the last chapter of the fundamental research, which contains a description of the conclusions from the discussion of problem analysis and suggestions given by the author on the problems raised in the research.

