

FINANCIAL TECHNOLOGY (FINTECH): ITS ROLE IN CHANGING PEOPLE'S MONEY MANAGEMENT BEHAVIOR

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ABSTRACT

The Fintech phenomenon has significantly changed the way people manage and interact with their personal finances. The adoption of financial technology has influenced consumer behavior, risk management, access to financial services, and the financial stability of society as a whole. This research aims to investigate the impact and role of financial technology (Fintech) in changing people's money management patterns. This research uses a qualitative approach with descriptive methods. The research results show that the development of Financial Technology (Fintech) in Indonesia has a significant impact on people's financial management behavior and business transformation. The growth of Fintech, such as digital payments, online loans and digital investments, provides wider access to individuals and businesses. Digital investment apps increase financial literacy, while online loans provide opportunities for small entrepreneurs. Fintech is also influencing traditional businesses by integrating technology to increase efficiency. The use of Market Comparison in fintech provides better access to various investment options. However, regulatory and consumer protection challenges still need to be addressed. Overall, this research shows that Fintech is shaping the modern financial landscape and encouraging society's adaptation to technological changes in Indonesia.

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1. INTRODUCTION

Nowadays, the development of the internet and technology has created a wave of innovation in various industrial sectors that depend on technology (Purwanto et al, 2022). This speed of development is triggered by increasing human needs and increasingly high mobility, triggering demand for facilities that can accommodate these needs (Nurcahya & Dewi, 2019). One sector that has produced significant innovation in dealing with this dynamic is the financial sector, which has given birth to Financial Technology (Fintech). Fintech represents a marriage between financial systems and technology, presenting modern solutions for various aspects of finance (Raharjo, 2021). In Indonesia, the growth of fintech has given rise to various innovations, especially in financial services such as payment transaction tools, money storage and lending.

By 2023, Indonesia will have become one of the leading fintech markets in Southeast Asia, with impressive developments in financial technology (fintech). The fintech revolution has fundamentally changed the way business is conducted in this country. The rapid adoption of fintech in Indonesia is proof of society's shift from the conventional financial system towards the use of fintech. This transition is based on the speed and ease of access offered by fintech in meeting various needs related to the financial system (Safitri, 2021). With the emergence of fintech applications, people can quickly and efficiently make transactions, save funds, and even obtain loans without the need to involve complicated processes generally associated with traditional financial institutions. This phenomenon reflects society's adaptability to technological changes in managing their personal finances, illustrating a new era where fintech plays a role as a major catalyst in changing the financial landscape (Kennedy & Harefa, 2018).

The Fintech ecosystem in Indonesia is an innovative foundation that shapes the modern financial landscape. Comprehensive and diverse, this ecosystem covers a wide range of sectors, from digital payments to online lending, peer-to-peer (P2P) investing, digital insurance, and more (Yudha, 2021). Breakthroughs in financial technology have changed consumer behavior and encouraged people to switch from traditional financial services to more responsive Fintech solutions (Febriani & Dewi, 2019). The expansion of Fintech in Indonesia is creating an ecosystem that is not only broad in its scope but also deep

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in the variety of services offered. Starting from the convenience of digital payments that facilitate daily transactions to innovations in online loans that provide fast access to capital, as well as P2P investment models that open up new opportunities for investors and business people (Noviyanti & Erawati, 2021).

Financial management behavior reflects an individual's ability to effectively manage their financial resources. This involves a series of wise decisions in collecting, saving and using money with clear goals (Yusuf & Al Arif, 2015). Financial management is not just about collecting money, but also involves being wise in spending and using funds so that they are not consumptive. Individuals who have good financial management behavior can carry out their financial activities in a more planned manner, avoid unnecessary debt, and build a solid financial foundation (Wahyuni, 2017).

More than that, financial management behavior also includes investment aspects. The ability to allocate a portion of income to invest can have a positive long-term impact on one's finances. Careful investment can increase the value of wealth gradually, help protect against inflation, and provide financial security in the future (Sugiharti & Maula, 2019). Therefore, financial management behavior is not just a practical skill, but a strong foundation for achieving a better standard of living and sustainable financial health in the long term (Djou, 2019). By understanding and honing these behaviors, people can actively participate in shaping their personal finances, reduce the risk of financial instability, and achieve more ambitious financial goals.

Literature Review

1. Financial Technology (Fintech)

What is meant by Financial Technology (Fintech) according to The National Digital Research Center (NDRC) is an innovation in the financial sector as a service innovation in non-bank financial institutions that utilizes information technology as a tool to reach consumers (Muchlis, 2018). Bank Indonesia also provides a definition of Financial Technology (Fintech) which is regulated in Article 1 Number 1 1 of Bank Indonesia Regulation Number 19/12/PBI/2017 concerning the Implementation of Financial Technology that Financial Technology is the use of technology in the financial system that produces service products, technology and /or new business models and can have an impact on monetary stability, financial system stability, and/or efficiency, smoothness, security and reliability of payment systems (Marginingsih, 20210). So it can be interpreted simply that fintech is innovation in financial services that utilizes information technology The significant development of Fintech in Indonesia is expected to encourage national economic growth. The types of fintech include:

- a) Digital Payment Fintech digital payment companies provide services in the form of online transaction payments so that the process becomes more practical, faster and cheaper. Companies providing this service generally take the form of virtual wallets which are equipped with various features to facilitate online transactions between consumers and business owners or between business actors (B2B).
- b) Peer To Peer Lending and Crowd Funding Fintech P2P lending companies facilitate parties who need loan funds with parties who want to invest by providing loans. Loans provided by Fintech P2P lending companies in Indonesia vary greatly, ranging from business capital loans, motor vehicle loans, unsecured loans (KTA), public housing loans (KPR) to wedding loan loans, maternity loans, house renovation loans and travel loans. Umrah. Borrowers are given the authority to choose the term and loan amount tailored to the borrower's needs. The loan amount varies depending on company policy.
- c) Account Aggregator For consumers who need and use transaction services from various banking accounts, this type of Fintech Account Aggregator will offer services that can accommodate all these transactions through just one platform. Users of this platform are given the convenience of verifying transactions because the process is fast and short. The mechanism is that consumers who have multiple banking accounts can register their accounts on this platform, which can then be used to monitor all banking transactions through one platform.
- d) Information and Feeder Site This type of Fintech company provides services regarding the information needed by potential consumers who want to use a product and service in the financial services sector. The information provided can include information such as credit cards, interest rates, mutual funds, insurance premiums, and so on. Information regarding these matters is obtained from information provided by PUJK in the fields of banking, capital markets, insurance, financial institutions, and so on.

- e) Personal Finance The need for financial planning is currently very much needed by society. Against this backdrop, several fintech companies in Indonesia are developing types of Fintech that can accommodate this. Personal finance fintech companies through their platforms can help consumers from making good financial reports to choosing wise fund processing.

2. Behavioral Finance

According to Suryanto (2017), financial behavior is a way that every person treats, manages and uses the financial resources they have. Meanwhile, according to Kholilah & Iramani (2013), financial behavior is a person's ability to manage, namely planning, budgeting, checking management, controlling, searching and storing daily financial funds. Hasan et al (2022), explain that financial behavior is a series of financial management activities starting from planning, extracting cost resources, bookkeeping, spending, monitoring and accountability and financial reporting so that financial institutions can run effectively and efficiently.

Financial behavior or financial behavior aims to manage finances by making various policies in procurement, use of finance to realize planning activities, accountability and financial supervision itself. Some of the functions and objectives of financial behavior management are as follows:

- a) Financial planning by making income and expenditure plans and other activities for a certain period.
- b) Financial budgeting is a follow-up action to financial planning by making detailed expenditure and income.
- c) Financial management by maximizing existing funds in various ways.
- d) Saving finances by collecting funds and storing and securing these funds.
- e) Financial control takes the form of evaluating and improving finances and the financial system.
- f) Financial audit, carrying out an internal audit of existing finances to prevent irregularities.
- g) Financial reporting, providing information about financial conditions as well as evaluation material.

2. METHOD

This research will adopt a qualitative method, an approach characterized by the research objective of understanding certain phenomena or symptoms without the need for quantitative measurements, especially when these symptoms are difficult to measure precisely. The focus of this research is centered on public service ethics and the principles of good governance. Data collection will be carried out using general methods commonly used in qualitative approaches, including observation, in-depth interviews and document study, as explained by Sugiyono (2011).

3. RESULTS AND DISCUSSION

Fintech, short for financial technology, involves various services and products that utilize technology to provide innovative and efficient financial solutions (Junitasari et al, 2023). In Indonesia, fintech development has experienced rapid growth since the early 2010s, driven by factors such as high smartphone penetration and lack of access to traditional banking services (Ihwanudin et al, 2023). By 2023, the fintech ecosystem in Indonesia has grown to be diverse, involving sectors such as digital payments, online lending, peer-to-peer (P2P) investment, digital insurance, and more. However, the changes brought about by the fintech revolution have not only affected the provision of financial services; conversely, the impact is also felt in the way the entire business operates (Widiana et al, 2023). The following is the role of fintech in changing community management behavior

Change in payment method

One of the biggest transformations in the world of finance is the change in the way payments are made, which is now led by digital wallets such as GoPay, OVO and DANA. These digital wallets have revolutionized the way people pay for goods and services, shifting the traditional paradigm of using cash. Even small merchants can now easily accept digital payments, reducing reliance on cash transactions which tend to be more complex. This convenience not only provides convenience to consumers but also opens up opportunities for the growth of small and medium businesses.

Additionally, advances in blockchain technology have paved the way for the development of cryptocurrencies. Although regulations against cryptocurrencies still exist, several businesses in Indonesia have started accepting payments in crypto. This creates the foundation for greater potential in integrating cryptocurrencies in the Indonesian economy. Although still in its infancy, the acceptance of

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crypto payments shows the potential to diversify payment methods and expand people's financial options. The application of this technology provides an illustration of a shift towards a financial ecosystem that is more digital, efficient and responsive to global change.

Access to Online Loans and Capital

The online lending industry in Indonesia has experienced rapid growth, marked by the diversity of Peer-to-Peer (P2P) lending platforms that offer loans with a fast and simple process. This phenomenon opens the door for small and medium-sized entrepreneurs to gain easy access to capital, allowing them to grow their businesses without being too constrained by strict credit requirements. The speed of processing, more flexible terms, and ease of access offered by P2P lending platforms have helped simplify the loan application process, support the growth of the small business sector, and reduce the financial barriers often faced by businesses just starting out.

However, along with this positive growth, the online lending industry also faces challenges and risks. Easy-to-obtain credit can be a high potential credit risk, and regulators are starting to pay attention to the imbalance between industry growth and consumer protection. Regulatory measures are becoming increasingly important to ensure the sustainability of the industry and protect the interests of all parties involved. In this context, the role of regulation is crucial to create a balanced environment, where the growth of the online lending industry can go hand in hand with adequate consumer protection.

Digital Investment

Investment has undergone a significant transformation with the emergence of digital investment applications such as Ajaib and Bareksa in Indonesia. This innovation provides individuals with easier access to investing in the stock market, mutual funds and various other financial instruments. These apps simplify the investment process, making the investing experience faster, easier and more affordable. With the advent of digital investment options, individuals can now diversify their portfolios without the need for in-depth financial knowledge, opening the door to broader participation in capital markets.

This change not only creates new accessibility, but also changes the paradigm of how people manage and plan their finances. Many people are now more educated investors, taking advantage of the information and analysis provided by digital investment apps to make smarter investment decisions. By leveraging technology, individuals can monitor their portfolio performance in real-time, optimize investment strategies, and build long-term wealth more efficiently. These changes reflect a shift towards greater financial inclusion and investment literacy among society, having a positive impact on individual behavior and approaches to personal financial management.

Changes in traditional business

The influence of fintech is not limited to the fintech ecosystem itself, but also penetrates traditional businesses by triggering changes in their operational models. Many companies across various sectors have started adopting financial technology to increase efficiency and provide innovative solutions in their services. For example, retail companies have widely integrated digital payment systems and e-commerce platforms into their operations. The adoption of this financial technology allows customers to carry out transactions more easily and quickly, increasing efficiency and optimizing the shopping experience. Additionally, traditional businesses in the financial sector, such as banks and other financial institutions, have also leveraged fintech to provide more responsive and accessible services to their customers.

These changes mark a transformation in the way traditional businesses operate, reflecting adaptation to technological developments and changing consumer preferences. With fintech integration, companies can increase their competitiveness in an increasingly connected and digital market. As these changes take place, collaboration between fintech and traditional businesses becomes increasingly important to create an ecosystem that can provide maximum benefits to customers and increase overall business productivity.

Financial planning

In financial planning, fintech with the Market Comparison type has a significant role in providing the public with wider access to various investment options. Fintech platforms that provide market comparison services enable individuals to compare various products and investment options available in the financial markets. Through sophisticated algorithms and data analysis, this fintech can provide accurate and up-to-date information on various financial instruments, including shares, bonds, mutual funds and other investment products.

With the help of fintech Market Comparison, people can easily evaluate the risks, potential returns and other characteristics of each investment option. This convenience allows individuals to make

investment decisions that are more informed and aligned with their financial goals. Additionally, this type of fintech often presents information in an easy-to-understand manner, making it easier for people to understand the complexities of financial markets. Thus, Market Comparison in fintech not only provides better access to various investment options but also contributes to increasing financial literacy among the public.

4. CONCLUSION

Financial Technology (Fintech) in Indonesia has had a significant transformational impact on various aspects of society and the business world. Fintech is not only changing the way financial services are provided, but also influencing the financial management behavior of individuals and businesses. The growth of fintech is reflected in the diversification of services, including digital payments, online lending, peer-to-peer (P2P) investing, and digital insurance. The importance of financial literacy is increasingly emphasized with the adoption of fintech, especially through digital investment applications that provide people with easy access to investing in the stock market and other financial instruments. Meanwhile, the transformation in the online lending industry provides small entrepreneurs with opportunities to gain access to capital quickly, but also presents risks that need to be addressed through appropriate regulation. Apart from influencing the financial sector, fintech's influence is also seeping into traditional businesses. The integration of fintech in the operations of companies has increased efficiency and brought innovative solutions to their services. Additionally, fintech is playing a role in changing the way payments are made and enabling retail companies to optimize customer experiences through digital payments and e-commerce. In the midst of this dynamic development, the use of fintech, especially through Market Comparison, gives the public wider access to various investment options, supporting future financial planning. However, challenges such as credit risk and consumer protection must also be given attention, and careful regulation is key to maintaining a balance between industry growth and financial security. Thus, the overall changes that have occurred mark a new era in financial management, where fintech has an integral role in shaping the financial habits and mindset of the Indonesian people.

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