CHAPTER II
LITERATURE REVIEW

2.1 Introduction

Digital transformation has made an impact on the financial sector (Zavolokina, 2016). Technology in the financial sector, commonly known as financial technology (fintech), is now attracting the attention of researchers not only in the fields of economics and business but in the field of computer science, especially information systems (Gai et al., 2018). Fintech has been competing with traditional financial services, offering customer-centric services and using internet technology to make access easier (Gomber et al., 2017). Currently, fintech business models address funding, payments, wealth management, capital markets, and insurance services (Lee and Shin, 2018). The online lending platform (OLP) fintech industry is growing rapidly, especially in Indonesia (OJK, 2019b). Indonesia is a country with a very high development of the fintech industry (after China) because fintech originated to facilitate more loans to small and medium enterprises (SMEs) across the archipelago (Davis et al., 2017). Although Indonesia has several challenges,such as geography and infrastructure development, regulators have faced additional problems such as moral hazard, platform viability, and borrower eligibility (Suryono et al., 2019)

2.2 Theory of the Study

2.2.1 Economic Theory

According to Alexander W. Butler (2016) Few studies in the P2P lending literature have explored macroeconomic activity relationships and the explanatory power of economic theories. According to Jessica Foo (2017) Economic theory suggests that credit markets are correlated with macroeconomic activity as they are used to channel an economy's savings into other more productive uses. Jagtiani and Lemieux (2018) presumed that Fintech lenders penetrate areas not reached by conventional banks and confirmed the reach of Lending Club2 to domains where local market credit was not accessible to borrowers through traditional lending channels.

2.3 Dependent Variable

According to Sugiyono (2017) suggests that the dependent variable is often called the output variable, criteria, consequences. The dependent variable is the variable that is affected or which is the result because of the independent variables. Then the dependent variable in this study is: "Interest in Using Online Loans (Y).

2.4 Independent Variable I

According to Sugiyono (2017) suggests that the independent variable is often called the stimulus variable, or predictor. This variable is a variable that influences or becomes the cause of the change or the emergence of the dependent (bound) variable. Then the independent variable in this study is: "Financial Knowledge (X1)".

2.5 Independent Variable II

According to Fraenkel and illen (1990) said that independent variable is the variable which was chosen by the investigator to the study in order to assess their possible effects on one or more variables. Then the independent variable in this study is: "Financial Behavior (X2)".

2.6 Independent Variable III

According to Fred N. Kerilinger (1992) Independent variables are variables in an experiment that are manipulated by researchers. The dependent variable is a variable that is not manipulated by the researcher and gives the effect that the researcher has suspected from the start. Then the independent variable in this study is: "Financial Attitude (X3)".

2.7 Hypothesis Development

2.7.1 Effect of Financial Knowledge on Interest in Using Online Loans

H_1: There is a significant positive relationship between Financial Knowledge and Interest in Using Online Loans

2.7.2 Effect of Financial Behavior on Interest in Using Online Loans

H_2: There is a significant positive relationship between Financial Behavior and Interest in Using Online Loans.

2.7.3 Effect of Financial Attitude on Interest in Using Online Loans

H_3: There is a significant positive relationship between Financial Attitude and Interest in Using Online Loans.

2.8 Framework

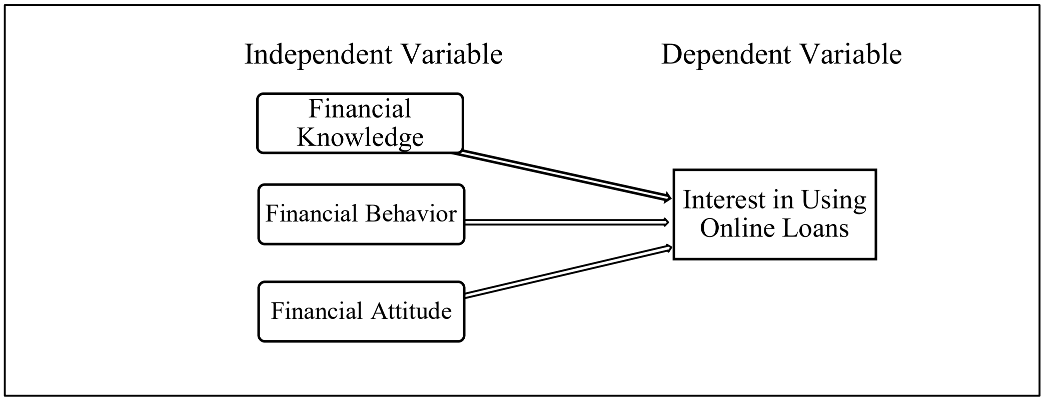

Figure 2.1 Conceptual Framework Between Independent Variables and Dependent Variable

This study has three independent variables and one dependent variable where the independent variable is financial knowledge, financial behavior, financial attitude and the dependent variable is interest in using online loans.