

CHAPTER 1

INTRODUCTION

1.1 Introduction

This chapter is a review of an introduction which includes an overview of the preparation according to the title. Moreover, this segment will clarify the study's context, statement of the issue, inquiry, goal of research, study's importance, study's constraint, practical explanation of each factor, and summary of the chapter.

In this section, the investigator shall receive elucidation regarding the underpinning of fiscal acumen and monetary technology, which wield influence over the encompassment of finances amongst students at State Polytechnic of Sriwijaya. This background of research is essential to be highlighted as a strong foundation in determining the title in this study.

1.2 Background of Study

Financial Inclusion, as elucidated by the Financial Services Authority in the year 2016, pertains to the facilitation of entry to a variety of establishments, commodities, and fiscal amenities that correspond with the concerns and capabilities of the populace, thereby facilitating the enhancement of individuals' well-being. The advancement of financial inclusion necessitates the significant involvement of financial literacy and financial technology, given their pivotal roles.

Based on the speech of the Minister of Finance Sri Mulyani Indrawati in giving remarks at the High Level Dialogue (Seminar) on Promoting Digital Financial Inclusion and Literacy for MSMEs at the Nusa Dua Bali Convention Center, March 2023, Indonesia's financial inclusion index has only reached 82.5%. Meanwhile, neighboring countries such as Malaysia, Singapore and Thailand have the highest financial inclusion index. Malaysia 88.37%, Singapore 97.55%, Thailand 95.58%.

As per the results from the National Financial Literacy and Inclusion Survey 2022 executed by the Financial Services Authority, a discrepancy between the degrees of financial incorporation and the financial comprehension indicator in Indonesia throughout the year 2022 is evident, it means that many people already have access and even have financial products, but as long as they have or don't understand the benefits and risks, in the end, people feel disadvantaged. This means that more people just use financial products without well understand the function.

Due to considered well literacy ability and the using of technology, college student was chosen as the object of research. Therefore, college student is quite familiar with financial literacy and the development of information technology. The technological advancement in question has the potential to streamline information retrieval processes, facilitate seamless financial transactions, and promote broader financial inclusivity for students.

In accordance with preceding research, it has been ascertained that the existence of monetary acumen and financial technology exerts a noteworthy influence on the condition of fiscal incorporation. However, an incongruity in the degrees of monetary proficiency, utilization of financial technology, and the scope of fiscal inclusion continues to endure (Ismi & Heksawan, 2020). According to Shen, Chen, Pauline and John (2021), opine that the utilization of financial technology products demonstrates a noteworthy correlation with financial inclusion. The adoption of financial technology products has generated the capacity to facilitate and expand the accessibility of financial services, thereby fostering greater financial inclusion.

Given this situation, it is considered crucial to conduct an inquiry concerning the student body at Sriwijaya State Polytechnic to clarify the connection between comprehension of financial matters and financial innovation, along with their influence on the administration of student

monetary resources, consequently fostering increased inclusiveness (Shen et al., 2018).

1.2.1 Background of Financial Literacy

The role of financial literacy is significant in the contemporary global economy. Financial literacy proves valuable in the process of decision-making, formulation of financial plans, choices related to investments, amassing of wealth, exploration of loan alternatives, and strategizing for savings. Financial management stands as the pivotal factor in attaining contentment and achieving a prosperous lifestyle.

As per the Financial Services Authority (OJK) in 2007, enhancing financial knowledge stands as a means to attain stability within the financial system, reduce poverty levels, improve people's welfare, and create more inclusive development.

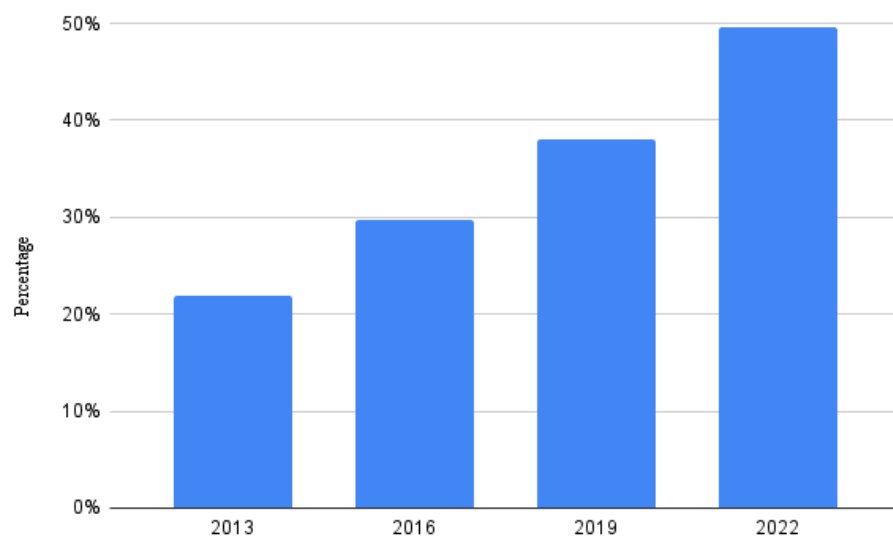
Financial literacy can directly influence wealth creation, the stock market, debt management, retirement planning with the aim of improving people's welfare. However, there are also some experts who argue that financial literacy also has no direct effect (Pahlevan, Sharif et al., 2020).

Financial literacy is characterized as the proficiency in employing skills related to the management of financial resources to ensure enduring fiscal stability. The significance of financial literacy is pivotal to the persistence of society. The greater an individual's level of financial literacy, the more adept their fiscal administration shall be. Therefore, financial literacy is needed by everyone, especially in this case students as the nation's next generation.

Financial literacy pertains to a collection of acquired information, skills, and beliefs that influence an individual's fiscal outlook and behavior, aiming to improve the effectiveness of decision-making and the capacity for financial management, ultimately resulting in the achievement of prosperity (National Survey on Financial Literacy and Inclusion 2022).

The provided results align with the implementation of the 2022 National Financial Literacy Survey, encompassing a total of 14,634 participants across 34 provinces. The data collection employed a combination of in-person interviews and face-to-face interactions facilitated by the Computer Assisted Personal Interviewing (CAPI) system.

Figure 1. 1 Indonesia Financial Literacy Index 2013 - 2022



Source: National Financial Literacy and Inclusion Survey 2022 held by the Financial Services Authority

1.2.2 Background of Financial Technology

In Indonesia, the advent of the digital age is characterized by the growing utilization of the internet among the populace. As per a survey conducted by the Indonesian Internet Service Provider Association (APJII) in the second trimester of 2020, the internet penetration percentage in Indonesia was recorded at 73.7%, encompassing approximately 196.71 million users. Therefore, today's modern society tends to be more frequent and familiar in using technology. The using of the internet has become a habit of today's society in various ways in life, such as buying food, ordering transportation, sending goods, ordering

tickets, and doing business. Because of technology, humans feel that their activities are more helpful and efficient (Rahman & Salam, 2018).

Developments in financial technology have driven increased inclusion finance, and this technology has now penetrated into various fields, by the way encouragement from financial technology as well as financial literacy, development of inclusion finance has become faster and has even begun to penetrate into village areas modern to traditional villages (Purwanto et al., 2021). In a few years. Recently, dynamics have occurred, Specifically, the swift advancement of information technology, alterations in societal inclinations, and the expansion of the middle class, and increasingly the complexity of financial products and services (Marginingsih, 2021).

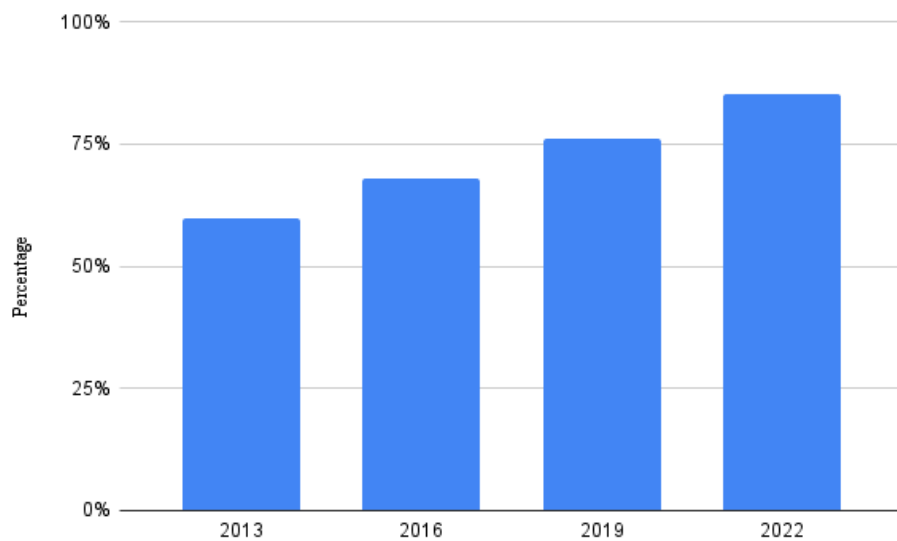
Diverse research outcomes have examined the repercussions of financial technology on the incorporation of financial systems. Erlianta et al. (2021) and Kirana & Havidz (2020) ascertained that financial technology exerts a favorable impact on financial inclusion. Likewise, Shen et al. (2018) and Hussei (2020) conducted subsequent research and determined that financial technology significantly contributes to financial inclusion. Romadhon & Rahmadi (2020) procured research findings that validate the influence of financial technology on financial inclusion. Conversely, Sari & Kautsar (2020) carried out distinct research and deduced that there exists no substantiation to uphold the influence of financial technology on financial inclusion.

1.2.3 Background of Financial Inclusion

Financial inclusion pertains to offering easily reachable access points for individuals to participate in financial goods or services within established financial establishments, customized to the distinct demands and capabilities of the community, with the ultimate goal of advancing communal welfare (National Survey on Financial Literacy and Inclusion 2022).

The outcomes disclosed herein relate to the implementation of the 2022 Nationwide Financial Enclosure Examination, encompassing a sample magnitude of 14,634 persons originating from 34 distinct regions. The investigation was carried out via in-person or direct interpersonal discussions, aided by the Computer Assisted Personal Interaction system.

Figure 1. 2 Indonesia Financial Inclusion Index 2013 - 2022



Source: National Financial Literacy and Inclusion Survey 2022 held by the Financial Services Authority

1.3 Problem Statement

Derived from information supplied by the Ministry of External Relations of the Indonesian Republic, Indonesia's Financial Inclusion Index remains the lowest among ASEAN nations, despite witnessing yearly advancements in the levels of inclusion and literacy. In 2022, Indonesia's Financial Inclusion Index stood at 82.5%, while countries within the ASEAN region, such as Malaysia, Singapore, and Thailand, achieved significantly higher rates of 88.37%, 97.55%, and 95.58%, respectively.

Per the 2022 National Financial Literacy and Inclusion Survey (SNLIK) carried out by the Financial Services Authority (OJK), financial

literacy and inclusiveness measures within Indonesia have undergone amelioration. Nevertheless, in contrast to alternative ASEAN nations, Indonesia's financial literacy indicator maintains a comparatively limited standing. As a result, Indonesia is continuously striving to augment its financial literacy indicator and financial inclusiveness by means of the perpetual deployment of educational initiatives and financial technology.

Table 1. 1 Comparison of Financial Literacy and Inclusion Index for 2019 and 2022

Index	2019	2022
Literacy	38.03%	49.68%
Inclusion	76.19%	85.10%
Gap	38.16%	35.42%

Source: National Financial Literacy and Inclusion Survey 2022 held by the Financial Services Authority

In 2022, Indonesia is projected to achieve a financial literacy rate of 49.68 percent, indicating a notable improvement compared to the previous rate of 38.03 percent in 2019. As a result, this indicates that the gap between financial incorporation and financial knowledge will widen to 35.42% in the year 2022. A significant disparity exists between financial literacy and inclusion, whereby numerous individuals possess access to financial products yet lack comprehension of their associated advantages and risks, ultimately resulting in a sense of disadvantage among these individuals. This means that more people use financial products than understand them.

Frequently occurring financial issues involve imprudent dispositions towards financial management and an absence of cognizance regarding the significance of acquiring knowledge. Here, financial technology has an important role as catalyst for accelerating the flow of the information to create various financial product and services. Students are one of the priority targets for financial literacy. Students act as agents

of change. As an intellectual community, the role of students is very important needed and important in changing the nation. Students as educated and educated resources should have well literacy in the using of financial product and service.

This study investigates the association between a person's comprehension of financial principles and their utilization of technologically-enabled financial services, specifically focusing on how these factors contribute to the inclusion of students in financial systems. The aim of this investigation is to analyze the correlation between monetary acumen and the inclusion of students in financial domains, alongside the influence of financial technology on the incorporation of students into financial activities. To accomplish this, the investigation utilizes the Financial Literacy Theory of Financial Inclusion and the Theory of Change as the underpinning theoretical structures. The theory are used as a reference and guide in carrying out and compiling this research.

State Polytechnic of Sriwijaya is located in Palembang, South Sumatera, Indonesia. According to data from the Higher Education Database, the number of students at the State Polytechnic of Sriwijaya is 9,756 students. By using Krejcie and Morgan Table, the sample size to be taken is 368 students at the Sriwijaya State Polytechnic.

This study will be carried out for two months by distributing questionnaires to State Polytechnic of Sriwijaya student as samples of this study. This investigation constitutes a quantitative inquiry employing primary information. The approach to data acquisition was executed through a method of simple random sampling, wherein questionnaires were disseminated utilizing Google Forms. These questionnaires were subsequently distributed across social media platforms such as Instagram and WhatsApp. Moreover, the amassed dataset will undergo processing through cross-sectional analysis, thereby accommodating the concurrent examination of two variables.

1.4 Research Questions

1. What is the relationship between financial literacy and student financial inclusion in State Polytechnic of Sriwijaya?
2. What is the relationship between financial technology and student financial inclusion in State Polytechnic of Sriwijaya?

1.5 Research Objectives

The research aim within this investigation embodies the intended outcome that aligns with the researcher's anticipations for accomplishments in the research endeavor. The research aim is commonly articulated in everyday language, encompassing verbiage or declarations that are intelligible to individuals unacquainted with the particular discipline. This segment could be interconnected with the hypothesis. Broadly speaking, the study's goal centers on examining the impact of Financial Literacy and Financial Technology on Student Financial Inclusion at State Polytechnic of Sriwijaya.

1.5.1 General Objectives

This investigation will analyze the impact of Financial Literacy and Financial Technology on the inclusion of students in the realm of finances within the State Polytechnic of Sriwijaya.

1.5.2 Specific Objectives

The precise aims of this investigation are to substantiate the impact of the subsequent variables that influence the inclusion of students in financial matters.

1. To examine the relationship between financial literacy and student financial inclusion in State Polytechnic of Sriwijaya.
2. To examine the relationship between financial literacy and student financial inclusion in State Polytechnic of Sriwijaya

1.6 Significance of Study

The Research's Significance pertains to the influence and contribution of an investigation to a specific research domain. It is also significant to explain who will get benefit from the result of research.

1.6.1 Theoretically Significance

The main goals of this inquiry encompass enhancing the current comprehension of monetary acumen and the influence of financial technology on the inclusion of students in financial matters. Furthermore, this research acts as a valuable asset and structure for forthcoming investigators who are scrutinizing the effects of financial literacy and financial technology on the inclusion of students in financial contexts.

1.6.2 Practically Significance

1. For Government

For the government, this study will have a significant is to be used as a contribution of thought in the form of suggestions and additional data aimed at enhancing the degree of financial understanding within the community and financial technology orchestrated by financial service establishments. It will additionally function as substance for contemplation for the subsequent execution of monetary knowledge and monetary technology, which can subsequently enhance quality, thereby facilitating the elevation of Indonesia's financial inclusion index goal.

2. For Other Researchers

This study will have a significant to future researcher. This study can be used as a reference by further developing the variables, factors, or samples studied, future researchers can make this research a guide and reference in making research.

1.7 Limitation of Study

The constraint of the study lies in the methodology, which impacts the outcomes of the conducted research. Research limitations are usually used to explain the applications used in practice and also to state unexpected challenges that arose during research (Theofanidis et al., 2018).

The limitation of this study is the sample size which only comes from the student population at the State Polytechnic of Sriwijaya. The limitations of this research are also due to the difficulty of access to request a direct statement regarding the total number of students in State Polytechnic of Sriwijaya. Because of this, the researcher took the total population from the Higher Education System website. State Polytechnic of Sriwijaya was chosen by researchers because it was a place where researchers studied previously so that they had easy access in collecting questionnaire data later. This investigation employs a multi-variate regression analysis to manipulate the questionnaire data, rendering it more accessible for investigators to conduct this study, constrained by the assignment's specified deadline.

Utilizing information derived from the Higher Education Database of 2022, the aggregate count of enrolled individuals at the State Polytechnic of Sriwijaya is 9,756 students. In accordance with the guidelines presented in the Krejcie and Morgan Table, the requisite sample dimension stands at 368 students within the premises of the Sriwijaya State Polytechnic. As outlined in the work of Sekaran & Bougie (2016), certain determinants exert influence over determinations pertaining to the magnitude of the sample, wherein temporal limitations stand as one of the contributing factors.

In this study, time constraints becomes the factor that affecting decisions on sample size, which is the researcher got 114 respondents for two weeks. It means that 30.9% of respondents give the feedback.

According to Roscoe (1975) cited by Sekaran & Bougie (2016), sample sizes exceeding 30 but falling short of 500 are suitable for the majority of research endeavors. An essential prerequisite involves a minimum sample size of 30 for every category. Sample sizes surpassing 30 yet remaining below 500 are applicable for the majority of behavioral investigations, with a sample size surpassing 500 potentially resulting in a Type II error.

1.8 Operational Definition

1.8.1 Financial Literacy

This study investigates the association between a person's comprehension of fiscal principles and their utilization of technologically enabled financial services, specifically focusing on how these factors contribute to the inclusion of students in financial systems. The aim of this investigation is to analyze the correlation between comprehension of fiscal matters and the involvement of students in fiscal matters, along with the influence of fiscal technology on student fiscal involvement. To attain this objective, the investigation utilizes the Financial Literacy Theory of Fiscal Inclusion and the Theory of Change (SF 2018-21) as its conceptual frameworks.

1.8.2 Financial Technology

Financial technology, also known as fintech, encompasses groundbreaking advancements that facilitate the provision of financial services utilizing diverse platforms, including the internet. Financial technology is defined as a digitalized payment system. In addition, financial technology can also be interpreted as an effort in developing financial products and service (Philippon, 2019).

1.8.3 Financial Inclusion

Financial inclusion is delineated as a circumstance wherein the populace can proficiently utilize accessible monetary amenities and

cultivate comprehension regarding the advantages garnered from the acquisition of financial access.

As per the 2015 report by the World Bank, financial inclusiveness is delineated as a circumstance wherein individuals possess convenient and economically viable entry to diverse formal financial commodities and amenities, with the intention of enhancing the well-being of individuals.

1.9 Chapter Summary

The present section functions as the foundation upon which the investigation is constructed, incorporating the study's context, statement of the issue, research goals, research inquiry, study's importance, extent, study's constraints, elucidation of crucial terminologies, and synopsis. The succeeding chapter shall propel this research further. The research proposal for this study will comprise and be structured into three chapters which each chapter will be presented as follows;

CHAPTER I INTRODUCTION

This chapter includes information regarding the opening segment, study context, issue declaration, research query, research aim, study importance, study constraint, essential term explications, and chapter summarizing.

CHAPTER II LITERATURE REVIEW

This chapter including of the information of the review of previous study which consist of relevant theoretical and literature review that are relevant to the research. This chapter comprises of empirical review and findings, theory of study, conceptual framework, hypothesis development, and chapter summary.

CHAPTER III RESEARCH METHODOLOGY

This chapter encompasses comprehensive details elucidating the research paradigm, quantitative and qualitative research approach, research design, research process, sampling procedure, unit of analysis,

method of sampling, justification for non-probability sampling, sample size, research instrument development, questionnaire design, measurement item, validity and reliability, pilot testing, data collection method, data analysis technique, descriptive analysis, correlation analysis, and chapter summary.