



The Role of Financial Literacy and Fintech in Sharia Financial Inclusion: A Case Study in Babadan Ponorogo

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Abstract

Introduction: Financial inclusion is the availability of public access to financial services products that suit their needs. Islamic financial literacy and financial technology are factors that can affect the level of financial inclusion. If Islamic financial literacy and financial technology increase, Islamic financial inclusion will also increase. However, in reality, the results of interviews with several people in Babadan District, Ponorogo Regency, show that increasing Islamic financial inclusion is not accompanied by good Islamic financial literacy and financial technology. The purpose of this study is to analyze the influence of Islamic financial literacy and financial technology on Islamic financial inclusion. This study uses a quantitative research approach. The sampling technique in this study is probability sampling. Sampling in this study, using the Slovin formula, a sample of 100 respondents was obtained. The results of the study show that Islamic financial literacy has no effect on Islamic financial inclusion. This is evidenced by the results of the t-test. Financial technology has a significant positive effect on Islamic financial inclusion. Islamic financial literacy and financial technology simultaneously have a significant positive effect on Islamic financial inclusion. The regression model is declared feasible because it can significantly explain variations in dependent variables.

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INTRODUCTION

Since Indonesia conducted its first population census in 1961, the number of Indonesia's population has continued to increase. Although the number of Indonesia's population continues to grow, the majority of the poor population is decreasing from year to year. The government has a vision to encourage economic growth, support poverty alleviation programs, create financial system stability, and reduce disparities between individuals and between regions through increased access to financial services for all communities. In Indonesia, financial inclusion is focused on improving the development of financial technology (Natsir et al., 2023). Financial inclusion is the availability of access to various financial institutions, products, and services in accordance with the ability and needs of the community in order to improve people's welfare. Financial inclusion is an important thing that must be done in every country, especially Indonesia (Hamdi et al., 2023). The goal of financial inclusion is to enable easy public access to the services of formal financial institutions that are flexible and easy to use. As well as removing barriers in accessing and receiving services, especially for community groups that have limited access to formal financial services such as people living in rural areas and in areas with low levels of financial literacy (Salwa et al., 2022).

The 2019 National Survey on Financial Literacy and Inclusion (SNLIK) showed a financial literacy index of 38.03% and a financial inclusion index of 76.19%. In 2023, the financial inclusion rate in Indonesia is 88.7%, an increase from 85.1% in 2022. This achievement is 0.7% higher than the target set for 2023 of 88% (Segara, 2021). The financial inclusion rate is targeted to reach 90% by the end of 2024. Coordinating Minister for Economic Affairs Airlangga Hartanto explained that the increase in financial inclusion was driven by several indicators, such as QRIS services of 30.41 million merchants, 54.6 million deposit accounts, and 150.6 million electronic money (Menko Airlangga, 2023).

Knowledge of financial literacy is indispensable in making decisions related to finance. Financial literacy refers to a person's ability to understand financial concepts and products, including how to manage money, understand financial risks, and make financial decisions. Financial intelligence is an important aspect that every individual must have in order to be able to manage their personal finances properly (Safira et al., 2020). In rural areas, the level of financial literacy in the community is still relatively low. Rural communities often find it difficult to access formal financial services. This can be caused by geographical factors, lack of infrastructure, and lack of education. However, on the other hand, villages have a lot of potential to improve the economic education of their communities (Kusuma et al., 2024). This potential can be harnessed through various programs with the participation of the government and financial institutions. In addition, for a company, financial literacy is also needed to minimize the occurrence of fraud.

The results of SNLIK in 2022 show that the financial literacy index of the Indonesian people is 49.68% and financial inclusion is 85.10% (Segara, 2021). The results of research by the Katadata Insight Center (KIC) show that the financial literacy index in Indonesia will be 69.7% in 2023. This value increased compared to the financial literacy index in 2022 (Santika, n.d.). Based on the results of SNLIK, even though the level of financial literacy has increased,

but the level of financial literacy in Indonesia is still relatively low. The lack of financial literacy level of the community shows that the community's ability to manage and make financial decisions is still low. This will have an impact on financial decisions in the community.

To encourage increased financial inclusion, various strategies are carried out by keeping up with the times. One of them is by utilizing the internet network. The use of the internet for digital financial services or commonly called financial technology (Citra, 2024). Financial technology is an innovation in the field of technology that enables the provision of financial services digitally. Financial technology is a form of application of financial information technology that first appeared in 2004 by Zopa. The financial technology industry is one of the innovations in the field of financial services that is popular in today's digital era and technology with the concept of digitizing payments (Yolanda, 2022). Financial technology is the use of technology in the financial system that produces products, services, technology, and can have an impact on monetary stability, financial system stability, and also the security and reliability of the payment system (Solikhatun & Ridlwan, 2022).

According to data from the Indonesian Central Securities Depository (KSEI), as of June 2023, financial technology managed funds reached Rp.28.64 trillion. This value increased by 10% compared to December 2022 which was worth Rp.26.02 trillion. When compared to June 2022 which was worth Rp.22.09 trillion, financial technology managed funds as of June 2023 shot up 29.6% (Malik, n.d.). Regarding the profile of financial technology users, the results of the 2021 Annual Members Survey show that 59% of financial technology users are individuals domiciled in the Greater Jakarta area. Based on the report of the results of the Aftech survey, there are many local fintech startups that have not expanded their market to rural areas (Asosiasi FinTech Indonesia (AFTECH), 2021).

In this case, financial inclusion can be influenced by several factors such as financial literacy and financial technology. Financial inclusion that is not accompanied by financial literacy will not result in good financial management. The community needs to be provided with education and training on financial management in order to make optimal use of financial services (Hidayah, 2021). Meanwhile, financial inclusion that is not accompanied by financial technology will tend to be more limited and less efficient. Financial technology has changed the way Islamic financial services are more effective. The combination of good Islamic financial literacy and financial technology can increase Islamic financial inclusion, namely wider participation in the Islamic financial system (Hakim & Hapsari, 2022).

The research was conducted on the community in Babadan District. Many rural communities do not have enough knowledge about financial products and services. This can lead to improper financial decision-making, such as getting stuck in high-interest debt, getting caught up in fraudulent investments, and even getting caught up in online gambling games. This underscores the importance of broader and effective financial education, especially in rural areas, to ensure that people not only have access to financial institutions, but are also able to manage their finances wisely.

RESEARCH METHOD

This study uses a quantitative research approach. The population and sample in this study are people in Babadan District. The population in this study is 70,619 people. The sampling technique in this study with probability sampling is a sampling technique that provides an equal opportunity for each member of the population to be selected as a sample (Yanti et al., 2024). In probability sampling, sampling is done randomly from the existing population. From a population of 70,619 people, sampling was carried out using the Slovin formula, the sample obtained amounted to 100 respondents (Machali, 2021). The data in this study was obtained through questionnaires that were distributed to respondents in the form of google forms. To get a score from each respondent's answer, the researcher used a 4-point likert scale (Iriani, 2022). In this study, the author processed the data with the help of Microsoft Exel and IBM SPSS 26 programs. The data testing technique uses the Validity Test and Reliability Test, Normality Test, Multicollinearity Test, Heteroscedasticity Test, Regression Analysis, which is an analysis used to find the pattern of the relationship between one bound variable and more than one independent variable, and the Hypothesis Test.

The hypotheses used are:

- H₁:** Islamic financial literacy has affected on Sharia financial inclusioin Babadan District, Ponorogo Regency.
- H₂:** Financial technology has an effect on on Sharia financial inclusioin Babadan District, Ponorogo Regency.
- H₃:** Islamic financial literacy and financial technology have an effect on Sharia financial inclusion in Babadan District, Ponorogo Regency.

RESULT AND DISCUSSION

1. Instrument Test Results

Based on the results of the Validity and Reliability Test, it can be seen that the distribution of data is valid and reliable. The calculation of statistical data can be seen in Table 1, Table 2, and Table 3. Based on Table 1, Table 2, and Table 3 it can be seen that the statement items in the variables of sharia financial literacy, financial technology, and Islamic financial inclusion can be declared valid because of the $r > r_{table}$ value.

Table 1. Results of the Sharia Financial Literacy Validity Test

No	Statement	r_{count}	r_{table}	Information
1	X _{1.1}	0.565	0.195	Valid
2	X _{1.2}	0.554	0.195	Valid
3	X _{1.3}	0.480	0.195	Valid
4	X _{1.4}	0.419	0.195	Valid
5	X _{1.5}	0.579	0.195	Valid
6	X _{1.6}	0.489	0.195	Valid

Table 2. Financial Technology Validity Test Results

No	Statement	r _{count}	r _{table}	Information
1	X _{2.1}	0.462	0.195	Valid
2	X _{2.2}	0.453	0.195	Valid
3	X _{2.3}	0.440	0.195	Valid
4	X _{2.4}	0.491	0.195	Valid
5	X _{2.5}	0.465	0.195	Valid
6	X _{2.6}	0.477	0.195	Valid
7	X _{2.7}	0.477	0.195	Valid
8	X _{2.8}	0.479	0.195	Valid
9	X _{2.9}	0.231	0.195	Valid

Table 3. Results of the Validity Test of Sharia Financial Inclusion

No	Statement	r _{count}	r _{table}	Information
1	Y.1	0.543	0.195	Valid
2	Y.2	0.586	0.195	Valid
3	Y.3	0.557	0.195	Valid
4	Y.4	0.508	0.195	Valid
5	Y.5	0.397	0.195	Valid
6	Y.6	0.465	0.195	Valid
7	Y.7	0.503	0.195	Valid
8	Y.8	0.350	0.195	Valid
9	Y.9	0.272	0.195	Valid

Table 4. Reliability Test Results

Variabel	Combach's Alpha	N of Items
Sharia Financial Literacy (X1)	0.445	6
Financial Technology (X2)	0.496	9
Sharia Financial Inclusion (Y)	0.541	9

Based on Table 4, it can be seen that the statement items on the variables of Sharia financial literacy, financial technology, and Islamic financial inclusion have a Cronbach's Alpha value of > 0.6.

2. Classic Assumption Test

a. Normality Test

The statistical test used in this study is the Kolmogrov-Smirnov test. The criteria for drawing conclusions are: (1) If the sig value > 0.05, H₀ is accepted (data is normally distributed). (2) If the value of sig < 0.05 then H₁ is accepted (data is not normally distributed).

Table 5. Normality Test Results

One-Sample Kolmogorov-Smirnov Test	
	Unstandardized Residual
Asymp. Sig. (2-tailed)	0.200 ^{c,d}

Based on Table 5, it can be seen that the sig value is $0.200 > 0.05$, so it can be concluded that H_0 is accepted, meaning that the data is normally distributed. Thus the assumption of normality has been fulfilled.

b. Multicollinearity Test

A good regression model should not have correlations between independent variables. To find out whether or not there is multicollinearity, the Variance Inflation Factor (VIF) is used. If the value of all independent variables is $VIF < 10$ then H_0 is accepted, meaning that multiple linear regression equations do not occur in the case of multicollinearity.

Table 6. Multicollinearity Test Results

Model	Collinearity Statistics	
	Tolerance	VIF
FL	0.987	1.013
FT	0.987	1.013

Based on Table 6, it can be seen that the variables of Islamic financial literacy (X1) and financial technology (X2) have a VIF value of $1.013 < 10$, so it can be concluded that H_0 is accepted, meaning that multiple linear regression equations do not occur in multicollinearity cases.

c. Heteroscedasticity Test

To test the presence or absence of heteroscedasticity, it is to use the Glejser test which is carried out by regressing the free variables to their residual absolute values. If the sig (p-value) of all independent variables > 0.05 then H_0 is accepted, meaning that the residual variant is homogeneous (heteroscedasticity does not occur).

Table 7. Heteroscedasticity Test Result

Model	Sig
FL	0.412
FT	0.177

Based on Table 7, it can be seen that the variable of Islamic financial literacy (X1) value of sig = $0.412 > 0.05$ and financial technology (X2) value of sig = $0.177 > 0.05$. It can be concluded that H_0 is accepted, meaning that there are no cases of heteroscedasticity.

3. Hypothesis Testing Results

a. T test

From the results of the t-test table 1.8, the sig value of the sharia financial literacy variable is $0.329 > 0.05$, so H_0 is accepted and H_1 is rejected. This shows that the variable

of Islamic financial literacy does not have a significant influence on the variable of Islamic financial inclusion.

Table 8. Test Result t	
Model	Sig
FL	0.329
FT	0.000

From the results of the t-test Table 8, the sig value of the sharia financial literacy variable is $0.329 > 0.05$, so H_0 is accepted and H_1 is rejected. This shows that the variable of Islamic financial literacy does not have a significant influence on the variable of Islamic financial inclusion.

The results of the t-test of the financial technology variable obtained a sig value of $0.000 < 0.05$, therefore H_0 was rejected and H_2 was accepted. This shows that the financial technology variable has a significant influence on the variable of Islamic financial inclusion.

b. Test F

Table 9. Test Result F	
Model	Sig
Regression	0.000

Based on Table 9, the results of the F test show that the sig value obtained is $0.000 < 0.05$, so that H_0 is rejected. It can be concluded that the variables of Islamic financial literacy and financial technology simultaneously affect the variables of Islamic financial inclusion.

c. Coefficient of Determination (R^2)

Table 10. Test Results R^2		
Model	R Square	Adjusted R Square
1	0.658	0.650

Based on Table 10, there is a strong correlation between Islamic financial literacy (X_1) and financial technology (X_2) to Islamic financial inclusion (Y), with an R-squared value of 0.658, with an Adjusted R Square value of 0.650 or 65%. This shows that the magnitude of the influence of Islamic financial literacy (X_1) and financial technology (X_2) on Islamic financial inclusion (Y) is 65% and the rest is influenced by other factors that are not found in the model used.

Based on the results of the t-test of the variable of Islamic financial literacy, a sig value of $0.329 > 0.05$ was obtained, therefore H_0 was accepted and H_1 was rejected because the sig value was greater than 0.05. This shows that the variable of Islamic financial literacy does not have a significant effect on the variable of Islamic financial inclusion in the community in Babadan District. The results of the above research are strengthened by the results of previous research from Muhammad Qomarul Rijal and Rachma Indrarini with the title "The Influence

of Financial Literacy on Sharia Financial Inclusion". The results of the study show that financial literacy does not have a significant effect on Islamic financial inclusion (Rijal & Indrarini, n.d.).

Based on the results of the t-test of the financial technology variable, a sig value of $0.000 < 0.05$ was obtained, therefore H_0 was rejected and H_2 was accepted because the sig value was less than 0.05. This shows that the financial technology variable has a significant positive effect on the variable of Islamic financial inclusion in the community in Babadan District, Ponorogo Regency. The results of the above research are strengthened by the results of a previous research from Ranti Kartika Dewi with the title "The Influence of Financial Literacy and Financial Technology on the Financial Inclusion of the Community of Banda Aceh City". The results of the study show that financial technology has a significant positive effect on the financial inclusion of the community in Banda Aceh City (Dewi, 2022). This shows that the higher the level of financial technology, the higher the level of financial inclusion in society.

Based on the results of the F test, the variable of Islamic financial literacy and financial technology obtained a sig value of $0.000 < 0.05$, therefore H_0 was rejected and H_3 was accepted because the sig value was less than 0.05. It can be found that the variables of Islamic financial literacy and financial technology simultaneously have a significant effect on the variables of Islamic financial inclusion in the community in Babadan District, Ponorogo Regency. Based on the results of the above research, it can be concluded that Islamic financial literacy and financial technology simultaneously have a close relationship with Islamic financial inclusion. Factors that can affect Islamic financial inclusion are Islamic financial literacy and financial technology.

CONCLUSION

Based on the formulation of the problem and the results of the hypothesis proposed with the multiple linear regression analysis model, it can be concluded that:

1. Sharia financial literacy does not have a significant effect on Islamic financial inclusion in the community in Babadan District, Ponorogo Regency. This is evidenced by the results of the t-test which obtained a sig value of $0.329 > 0.05$ so that H_0 was accepted and H_1 was rejected. So it can be concluded that sharia financial literacy does not have a significant impact on sharia financial inclusion.
2. Financial technology has a significant positive effect on Islamic financial inclusion in the community in Babadan District, Ponorogo Regency. This is evidenced by the results of the F test which obtained a sig value of $0.000 < 0.05$ so that H_0 was rejected and H_2 was accepted. So it can be concluded that financial technology has a significant positive effect on Islamic financial inclusion.
3. Islamic financial literacy and financial technology simultaneously have a significant positive effect on the inclusion of sharia finance in the community in Babadan District, Ponorogo Regency. This is evidenced by the results of the F test which obtained a value of $0.000 < 0.05$ so that H_0 was rejected and H_3 was accepted. So it can be concluded that Islamic financial literacy and financial technology simultaneously have a significant positive effect on Islamic financial inclusion.

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