Financial Protection and Literacy to Financial Inclusion Usage Electronic Transaction

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ABSTRACT

The purpose of this study was to verify the relationship between financial literacy and financial inclusion using the DOI and RALC theoretical approaches. In the use of financial technology in Indonesia. The data used is primary data obtained by distributing questionnaires through google form. Data analysis using the SEM-PLS software. Total data 403 respondents. Financial Literacy and Digital Consumer Protection have a positive effect on Inclusive Finance. The originality of this research is that this research is the first attempt in using fintech with DOI and RALC theoretical approaches.

Keyword: *Financial Literacy, Digital Consumer Protection, Financial Inclusion, Fintech*

Background

The growth of technology in finances related to financial inclusion. Financial inclusion is financial service access provider towards all the population (Ozili, 2018). Thus, if a financial product/service can easily be accessed by everyone, it will encourage the development and spread of Fintech in the society. With financial inclusion's growth, it can drive a nation's economic status so it can reduce poverty and minimize social problems. Rakhmindyarto & Syaifullah (2012) stated that with the reduction of poverty and social problems because of financial inclusion can be implemented by providing credit facilities or microcredit for both individuals or UMKM. With financial inclusion' growth, it is hoped that people will be able to save in the bank and be able to manage their finances easily.

The development of financial inclusion in Indonesia is still considered the lowest compared to other ASEAN countries. Antarnews.com (Suwati, 2020) stated that based on Global Financial Data released by the World Bank, Singapore is an ASEAN country with the highest level of financial inclusion, with 97,9%. Meanwhile Indonesia has an inclusion rate of 48,9%. Based on an article published by merdeka.com (Intan Umbari Prihation, 2020) stated that Indonesia's financial inclusion in 2019 was 76,19%. But Indonesia is still lagging behind Thailand with a financial inclusion rate of 82%, Malaysia at 85%, and Singapore at 98%. This is due to public trust and the lack of understanding of the Indonesian people towards finance.

Several factors that can influence the increase in financial inclusion are financial literacy. According to Kusuma (2020) financial literacy is a fundamental factor to help economic growth and financial stability. With the growth of finance among the community will also increase the community's ability to access financial products/services (Okello Candiya Bongomin et al., 2017). Other factor that can affect financial inclusion is digital consumer protection. According to Tiwok (2013) digital consumer protection is a transparent attitude in business behaviour, providing important information about their product/services, and treating consumers fairly and ethically. With trust in service providers, someone will be interested in using financial products/services. This is in accordance with research done by Veronica & Rodhiah (2021) about Trust will increase the purchase or use of available products/services.

This research are using two basic theory, which is Restricted Access/Limited Control (RALC) and Diffusion of Innovation (DOI). RALC Theory arises due to the ease with which a person can access someone's personal data, so that restrictions must be put in place to prevent the misuse of personal data for someone's interests. DOI Theory talks about how a new innovation can develop and be accepted by the community, depending on the existing information channels in the community.

Based on the background of this research, the researcher uses Financial Literacy and Digital Consumer Protection as variables that can affect the development of Financial Inclusion. This research is a replica of the previous research done by Bongomin et al (2020) using the RALC Theory. Novelty of this research, the model used is by using the RALC and DOI theory. The sample is people who use electronic money as transactions in Indonesia.

Theoretical Review

***Restricted Access/Limited Control* (RALC).** Moor (1990) states that Restricted Access/Limited Control (RALC) is that every individual or group has privacy if and only if in certain situations or circumstances related to information about individuals or groups is protected from interference, observation, and supervision by others. This theory shows that there is limited access to personal data that prevents the use of private data for the benefit of oneself or others. A service provider must be wise in using customer privacy data.

***Diffusion of Innovation* (DOI)** is a theory that explains how, why, and how quickly a new idea or technology spreads into the social sector (Ottosson, 2018). This theory explains that the entry of a new technological innovation is influenced by the size of the channel that is passed so that the technology can arrive and be accepted by the community quickly. In this study, the channel that affects whether or not the spread occurs is influenced by financial literacy, the higher the public's knowledge about finance, the faster a new financial technology innovation can be accepted by the public so that financial inclusion develops Vice versa.

Financial Literacy is a someone's awareness, insight, and understanding of the concept of finance. (Shih & Ke, 2014). To access electronic money according to DOI theory, sooner or later someone wants to access electronic money depending on the size of the existing information channels. In this case the channel in question is someone's knowledge and understanding of financial concepts. The higher of one's understanding of financial concepts, the faster a new innovation can be absorbed by social groups.

Digital Consumer Protection. *Digital consumer protection* ensures that consumers receive correct information, treated fairly and not deceptively, are easy to file complaints in the event of a problem, and are able to safeguard their personal information. (Rutledge & Symonds, 2010). Without this security, it can lead to unauthorized use. For example, money is lost and personal data is used by other people. Based on the RALC theory, in maintaining the security of customers' personal data, there are access restrictions. This is because with more advanced technology becomes, the easier it is to access someone's data. So that service providers must be wise in providing customer personal data to others and using customer personal data.

Financial Inclusion is an ease of accessing financial products and services, to meet the needs of individuals or companies in a responsible manner. (Ozili, 2018). Financial inclusion can be defined as the efficient delivery of banking services at affordable costs for people with low incomes. (Dev, 2006). Financial inclusion is a safe place for individuals to save their money for the future and maintain financial stability, because the high level of use of bank deposits will contribute to banking finance in difficult times. (Han & Melecky, 2014).

Relationship Between Variables

Financial Literacy **toward** ***Financial Inclusion.*** Based on research conducted by Lusardi et al (2017), it is stated that financial literacy can be a good investment for every individual to make a better life. With the knowledge and skills that each individual has regarding finance, it helps them in choosing products/services that are easy to use, safe to use and relevant. Bongomin et al (2020) state that knowledge and skills, which are financial literacy, help us evaluate the available financial products/services to maximize the use of these financial products/services.

H1: *Financial Literacy* has a positive effect on *Financial Inclusion.*

Digital Consumer Protection **dan** ***Financial Inclusion.*** Based on research conducted by Johnson (2019), it is stated that by requiring all financial institutions to clearly inform financial products/services. The same statement was expressed by ZYWICKI (2016) which stated that institutions must ensure that every consumer has access to find information about financial products/services honestly and easily understood. From the statement above, it can be concluded that as a result of easy access to information about the products/services provided, each individual becomes convinced to use the available financial products/services. In accessing financial products/services, consumers have the right to decide for themselves which financial products/services they want to use and are willing to buy.

H2: *Digital Consumer Protection* has a positive effect on *Financial Inclusion.*

Based on the statements described above, the framework for this research is as follows:

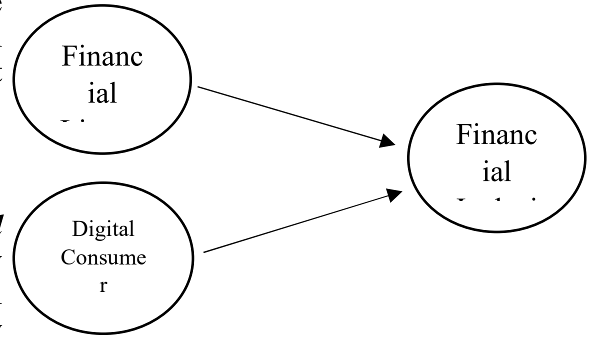

Figure 1
Theoretical Framework

Methodology

The design used in this research is quantitative design. The sampling technique used in this study was non-probability sampling and the sampling technique used was convenience sampling. Data was collected using a questionnaire distributed online using Google Forms. The data obtained are 431 respondents, but only 403 respondents can be used. Data was processed using SmartPLS 3.3.3 software. The sample in this study are Indonesian people who use electronic money as a transaction tool. The majority who filled out this questionnaire were men with a percentage of 57.3%, the most age range was at the age of less than 25 years with a percentage of 67.7%, the final education was in undergraduate with a percentage of 46.9%, the type of occupation of the respondents was students with a percentage of 38.2%, an average monthly income of less than five million with a percentage of 48.6%, a minimum transaction in using electronic money of less than one million with a percentage of 49.1%, duration of using electronic money more than two twelve months with a percentage of 76.6%. The use of electronic money for respondents as a means of payment with a percentage of 87.3%, and the reason for using electronic money is because it is practical with a percentage of 81.3%.

Table 1
Variable Measurement Indicator

Variable	Item	Source

Financial Literacy	*8 items*	(Bongomin et al., 2016)
Digital Consumer Protection	*11 items*	(Bongomin & Ntayi, 2020)
Financial Inclusion	*17 items*	(Bongomin & Ntayi, 2020)

Result

Validity, Hair et al (2019) stated that every variables each variable is valid if it has an Average Variance Extracted (AVE) value above 0.5 for the construct being reviewed. The results of the AVE tested on each variables are Financial Literacy (0.553), Digital Consumer Protection (0.606), Financial Inclusion (0.555). based on the test results, it can be said that the AVE value of each variable is above 0.5. So it can be declared valid.

Reliability, is determined by determining the value of Composite Reliability and Cronbach's Alpha. A construct can be declared valid if the Composite Reliability is higher than 0.70 while Cronbach's Alpha is above 0.60 (Hair et al., 2019). Based on the results of statistical tests, the results of Composite Reliability and Cronbach's Alpha on each variables are Financial Literacy (0.908 and 0.884), Digital Consumer Protection (0.944 and 0.935), Financial Inclusion (0.955 and 0.949). Based on the test results, that the three variables meet the reliability test requirement.

T-Statistic Result, Hair et al (2014) stated that the benchmark can be assessed at a t-value above 1.96 or a p-value below 0.05. The results of the t-statistics for each variable can be seen in Table 2 as follows :

Table 2
Hypothesis Test Results (T-Statisic)

Variable	*Original Sample* (O)	*T Statistics* (|O/STDEV|)	*P Values*
FL→ FI	0.158	3.196	0.001
DCP→FI	0.640	15.453	0

The results of the first test (H1) show that the relationship between Financial Literacy and Financial Inclusion is significant with a t-statistic value of 3.196 and p-values of 0.001. Both variables have a positive relationship with the original sample of 0.158. This shows that hypothesis 1 is accepted.

The results of the second test (H2) show that the relationship between Digital Consumer Protection and Financial Inclusion has a significant relationship with a t-statistic value of 15,453 and a p-value of 0. Both variables have a positive relationship with the original sample of 0.640. this shows that hypothesis 2 is accepted.

Coefficient of Determination Test, the coefficient of determination in this study is seen through the value of R Square. The value of R Square in this study is 0.541. This shows that Financial Inclusion can be explained by the variables Financial Literacy and Digital Consumer Protection by 54.1% and 45.9% can be explained by other variables that are not in the research model.

Discussion

Based on the results of research that has been carried out, it shows that there is an influence of Financial Literacy on Financial Inclusion in Indonesian people who use electronic money. FL-7 as the most influential indicator, namely being able to utilize financial products/services well and FI-5, namely the availability of digital money services according to needs. It can be concluded that the community's ability to utilize financial products/services properly and supported by the availability of financial services that are in accordance with their needs will increase financial inclusion.

Based on the results of statistical tests that have been carried out, it shows that there is an influence of Digital Consumer Protection on Financial Inclusion. DCP-9 as the most influential indicator, namely digital financial service providers have strict internal controls to protect transactions and FI-5, namely the availability of digital money services according to needs. It can be concluded that customers will be interested in using any product/service if the availability of digital money services is in accordance with their needs and is supported by having strict controls so that customers feel safe when making transactions using financial products/services. So that financial inclusion will increase.

Conclusion

The study was conducted to determine the effect of Financial Literacy on Financial Inclusion with Digital Consumer Protection as a mediation either partially or simultaneously. Research data was collected through questionnaires distributed online to people in Indonesia who use electronic money.

Like research in general, there are several limitations in conducting research, including the following: 1) The variables studied are limited to Financial Literacy as an independent variable, while there are still many factors that can affect Financial Inclusion. 2) The research is limited to 403 respondents from the Indonesian people who use electronic money, so that respondents are less able to represent the Indonesian people who use electronic money as a whole. 3) There is a possibility that the respondent did not answer according to the actual situation. 4) The mediation variable in this study is limited to Digital Consumer Protection, while there are still many mediating variables that can affect Financial Inclusion. 5) The object of this research is too broad, namely electronic money without any criteria.

For further research, it can explore more variables that can affect financial inclusion (such as: financial knowledge, financial behaviour, and other variables) because when viewed through the R-Square value in this study, which is 53.3%. Based on the R-Square, it can be said that using financial literacy and digital consumer protection variables can explain the financial inclusion variable by 53.3% while 46.7% can be explained using other variables outside of this study. In addition, further research can increase the number of respondents and expand the object of research not only users of electronic money.

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