



THE INFLUENCE OF FINANCIAL LITERACY, PERCEIVED BENEFITS, AND SOCIAL INFLUENCES ON INTEREST IN USE OF ILLEGAL FINTECH LENDING

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Abstract

The increasing presence of fintech in social life reflects the annual changes in people's lifestyles, as the surrounding environment is predominantly occupied by information technology users who consider it a necessity for their daily lives. The objective of this study was to examine the influence of financial literacy, perceived benefits, and social influences on individuals' inclination to engage in illegal lending through fintech platforms. This research adopts a quantitative approach, with a sample size of 100 students from the Faculty of Economics and Business at UPN "Veteran" East Java. The data analysis technique employed in this study is Partial Least Squares (PLS). The findings indicate that social influence does not enhance the relationship between the interest in using illegal fintech platforms. However, both financial literacy and perceived usefulness demonstrate a positive impact on individuals' inclination to engage in illegal fintech lending.

Keywords: Financial Literacy, Perceived Benefits, Social Influence, and Interest in Using Illegal Fintech

INTRODUCTION

Conventional finance is a financing involves complicated policies within a company. However, with the emergence of financial technology lending (fintech lending), financing and investments can be implemented easily and practically. According to (Hiyanti et al., 2020). Fintech Lending is an innovative financial service that eliminates the need for paper money by transitioning to digital finance. The growth of fintech lending has been exceptionally rapid, with a larger number of companies engaged in this sector compared to other fintech areas. Additionally, fintech, as a technological innovation in financial transaction services (Narastri, 2022), has been well-received and widely embraced by the public. However, like many other innovations, fintech lending has a dual nature, akin to a knife, which can have both positive and negative impacts on its users.

Fintech lending has become increasingly prevalent in the community, but it also comes with risks. There have been cases where individuals fell into the trap of illegal fintech providers, accumulating a debt of IDR 40 million from 24 different loan applications. These illegal fintech lenders even hacked into the victims' contacts on their cellphones, threatening their loved ones, resulting in victims being ostracized and even losing their jobs (Azanella, 2021). Another significant concern in the development of fintech in Indonesia is the existence of numerous illegal online loan fintech providers operating without official permits from the Financial Services Authority. The ease of access and simplified administrative requirements of online loans have attracted people, making them more interested in borrowing online compared to formal financial services (Rusno, 2021). However, illegal fintech companies often engage in violations such as leaking customers' personal

data and resorting to extreme measures like terrorizing customers during loan collection (Amalina, 2019).

Social influence refers to the pressure or impact exerted by external parties on an individual's perception of trustworthiness in using technology (Aribawa, 2021). In this context, external influences play a significant role in shaping someone's interest in adopting fintech services. Therefore, social influence represents the level of trust an individual places in a technology, influenced by the opinions and recommendations of others. The millennial generation, known for its openness to new ideas, highly values recommendations and input from peers. When a significant number of people around millennials are already using fintech and providing positive feedback and encouragement, it piques their interest and motivates them to embrace fintech services themselves (Wang & Chou, 2018).

METHOD

Theory of Financial Behaviour

Ricciardi, V. & Simon, (2018) explain that behavioral finance is an interdisciplinary field of knowledge that inherently and continuously integrates insights from various disciplines, avoiding isolated discussions. The discipline recognizes three primary aspects influencing a person's financial behavior: psychological, sociological, and financial factors. Aspiring students of behavioral finance must possess knowledge in all these areas psychological, sociological, and financial.

Theory Of Planned Behaviour

The Theory of Planned Behavior (TPB) is a theory that predicts human behavior and allows for consideration and planning of human actions. This behavioral theory focuses on identifying a person's beliefs regarding their control over the outcomes of their behavior. TPB distinguishes three types of beliefs, namely behavioral beliefs, normative beliefs, and control beliefs. These beliefs play a significant role in shaping an individual's behavior.

Fintech

Financial Technology (fintech) is a rapidly expanding and dynamic industry within the financial services sector, utilizing technology to provide easy access to financial services for people. Fintech encompasses several types of innovations, one of which is fintech lending.

Financial Behaviour Theory

Interest in Using the Financial Technology Payment System is the desire or interest that encourages a person to use the Financial Technology Payment System in completing transactions.

Financial Literacy

Financial literacy is the ability to read, analyze, manage and communicate about personal financial conditions that affect material well-being. This includes the ability to discern financial choices, discuss money and financial issues without (or despite) discomfort, plan for the future and respond competently to life events that affect day-to-day financial decisions, including events in the general economy (Latifiana, 2017).

Perceived Benefits

According to (Venkatesh & Davis, 2018), this concept describes the advantages of a system for its users, encompassing aspects like productivity, task performance, effectiveness, task significance, and overall usefulness. As a result, individuals believe that using technology can offer numerous benefits and make their activities easier to accomplish. Perceived usefulness refers to the belief that the utilization of technology or systems will enhance work performance. Some indicators of perceived usefulness include quicker work, improved job performance, increased productivity, and enhanced ease in performing tasks.

Social Influences

According to Wang and Chou (Haryono & Brahmana, 2018), social influence refers to an individual's strategy of persuading others to influence their decision-making and behavior. This influence is exerted by people close to them, such as family, friends, and colleagues in the work environment. Meanwhile, according to Venkatesh and Tong & Xu (Hum, Agus, & Iip, 2017), social influence involves someone who instills confidence and assurance in customers when they consider using a product or service.

METHOD

General Organization of the Paper ← 11pt, Times New Roman, bold, Italic

This study employs a quantitative approach, focusing on three research objects: financial literacy, perceived benefits, and social influence. The dependent variable in this study is "Interest in Fintech Use," which refers to the motivation or inclination that drives individuals to engage in fintech activities.

As for the independent variables, the study includes three variables. Firstly, financial literacy (X_1) is the ability to make better financial decisions and attain more significant profits. Secondly, perceived benefits (X_2) is defined as an individual's belief in how using a new system will enhance their job performance. Lastly, social influence (X_3) involves an individual's strategies to persuade and influence others, which is reinforced by the support of close individuals like family, friends, and colleagues in the work environment.

The population of this study comprises students from the Faculty of Economics and Business at

UPN "Veteran" East Java in the year 2023. The criteria for selecting the population were individuals aged between 18 to 26 years. The sample for this study consists of 100 respondents who meet the specified criteria. The sample determination technique employed was probability sampling with a random sampling method. Data collection was conducted using the questionnaire method, and for data analysis, the researchers utilized Partial Least Square (PLS) with the SmartPLS version 3 software.

RESULTS AND DISCUSSION ← 11pt, bold, UPPERCASE

Outer Model

Convergent Validity

In evaluating convergent validity from examining individual item reliability, it can be seen from the standardized loading factor. Standardize loading factor describes the magnitude of the correlation between each measurement item (indicator) and the construct. The following is the outer loading value of each indicator on the research variables:

Table 1. Convergent Validity

Variabel	Indicator	Loading Value	Description
Financial Literacy	X1.1	0,975	Valid
	X1.2	0,935	Valid
	X1.3	0,966	Valid
	X1.4	0,878	Valid
	X1.5	0,856	Valid
Perceived Benefits	X2.1	0,914	Valid
	X2.2	0,928	Valid
	X2.3	0,823	Valid
	X2.4	0,887	Valid
Social Influences	X3.1	0,627	Valid
	X3.2	0,708	Valid
	X3.3	0,909	Valid
Interest in Use of Illegal Fintech Lendings	Y.1	0,521	Valid
	Y.2	0,856	Valid
	Y.3	0,840	Valid
	Y.4	0,919	Valid
	Y.5	0,974	Valid
	Y.6	0,860	Valid

Sources : SmartPLS, 2023

Based on the data presented in table 1 above, it is known that each of the research variable indicators has an outer loading value of > 0.7. However, it seems that there are still a number of

indicators that have an outer loading value < 0.7 . According to Chin, as quoted by Imam Ghozali, the outer loading value between $0.5 - 0.6$ is considered sufficient to meet the requirements of convergent validity. 5 The data above shows that there are no variable indicators whose outer loading values are below 0.5 , so that all indicators are declared feasible or valid for research use and can be used for further analysis.

Discriminant Validity

Discriminant Validity is looking at and comparing discriminant validity and the square root of average extracted (AVE). If the AVE square root value of each construct is greater than the correlation value between the construct and the other constructs in the model, then it is said to have good discriminant validity and the expected AVE value is > 0.5 .

Table 2. Discriminant Validity

Variabel	AVE Value	Description
Financial Literacy	0,853	Valid
Perceived Benefits	0,790	Valid
Social Influences	0,574	Valid
Interest in Use of Illegal Fintech Lendings	0,707	Valid

Sources : SmartPLS, 2023

Based on the data presented in table 2 above, it is known that the AVE value of the financial literacy variable, perceived usefulness, social influence, interest in using fintech > 0.5 . Thus it can be stated that each variable has good discriminant validity.

Composite Reliability

Composite Reliability is an index that shows the extent to which a measuring device can be trusted to be relied on. Data that has composite reliability > 0.7 has high reliability. Composite reliability of the indicator block that measures a construct can be evaluated with two kinds of measures, namely internal consistency and Cronbach's Alpha.

Table 3. Composite Reliability

Variabel	Composite Value	Description
Financial Literacy	0,966	Reliable
Perceived Benefits	0,938	Reliable
Social Influences	0,797	Reliable
Interest in Use of Illegal Fintech Lendings	0,934	Reliable

Sources : SmartPLS, 2023

Based on the data presented in table 3 above, it can be seen that the composite reliability value of all research variables is > 0.7. These results indicate that each variable has met composite reliability so that it can be concluded that all variables have a high level of reliability.

Inner Model

R Square (R²)

Based on the data processing that has been done, the RSquare value is obtained as follows:

Table 4. R-Square Value

Model	R Square Value	Adjusted R Square Value
The Influence of Financial Literacy, Perceived Benefits, and Social Influences in Use of Illegal Fintech Lending	0,671	0,661

Source : SmartPLS, 2023

Based on the data presented in table 4 above, it can be seen that the RSquare value for the Interest in Using Illegal Fintech variable is 0.671. The acquisition of this value explains that the percentage of interest in using Illegal Fintech can be explained by financial literacy, perceived usefulness, and social influence of 67.1%.

Path Analysis or Path Coefficients

Based on the data processing that has been done, the results can be used to answer the hypothesis in this study. Hypothesis testing in this study was carried out by looking at the T-Statistics values and P-Values. The research hypothesis can be declared accepted if the P-Values <0.05. The following are the results of hypothesis testing obtained in this study:

Table 5. Path Analysis Value

Model	Original Sample (Regression Value)	T Statistics	Sig Value (P-Values)	Description
Influence of Financial Literacy on Interest in Use of Illegal Fintech Lendings	-0,129	2,166	0,031	Significant Influence
Influence of Perceived Benefits on Interest in Use of Illegal Fintech	0,797	25,213	0,000	Significant Influence

Lendings				
Influence of Social Influence on Interest in Use of Illegal Fintech Lendings	0,080	1,117	0,264	No Significant Influence

Sources : SmartPLS, 2023

Based on the data presented in table 5 above, it can be seen that of the three hypotheses proposed in this study, one X variable, namely Social Influence, was rejected because it had a P-Values > 0.05 . Social Influence (X_3) has a P-value of $0.264 > \alpha (0.05)$, which means that Social Influence (X_3) has no significant influence on Interest in Using Illegal Fintech (Y). Financial Literacy (X_1) has a P-value of $0.031 < \alpha (0.05)$, which means that Financial Literacy (X_1) has a significant influence on Interest in Using Illegal Fintech (Y). So that it can be stated that Social Influence has an insignificant effect on Interest in Using Illegal Fintech. For the variable Perceived Benefits (X_2), the Hypothesis is accepted because it has a P-value of $0.000 < \alpha (0.05)$ which means Perceived Benefits (X_2) has a significant influence on Interest in Using Illegal Fintech. (Y).

Manuscript should be typed using word processors (Microsoft Word or Open Office) software. The font used throughout the paper is Times New Roman. The paper size is A4 (i.e., 210 x 297 mm), one-column format with a 2.5 cm margin at the top, a 2.5 cm margin at the bottom, 2.5 cm margin on the left, and 2.5 cm margin on the right. Lines are one-half spaced, justified. Page numbers should be included in the text located in header section of each page. Use of pronouns such as I, we etc is to be avoided.

RESULTS AND DISCUSSION

Based on the tests that have been carried out with the title, problems and research hypotheses, it will be reviewed according to the criteria for each variable as follows:

The Effect of Financial Literacy (X_1) on Interest in Using Illegal Fintech (Y).

The discussion of this research is to see whether there is an effect of financial literacy on interest in using illegal fintech. Hypothesis one shows that financial literacy has an effect on Interest in Using Illegal Fintech. This is in accordance with the results of the financial literacy variable t test (X_1), obtained a significance value of $0.031 < 0.05$, it can be concluded that H_0 is rejected and H_a is accepted

The Effect of Perceived Benefits (X_2) on Interest in Using Illegal Fintech (Y).

The discussion of this research is to see whether there is an influence of perceived benefits on interest in using illegal fintech. Hypothesis two shows that perceived benefits have an effect on

Intention to Use Illegal Fintech. This is in accordance with the results of the t-test for the perceived benefit variable (X_2), obtained a significance value of $0.000 < 0.05$, so it can be concluded that H_0 is accepted and H_a is rejected.

The Effect of Social Influence (X_3) on Interest in Using Illegal Fintech (Y).

The discussion of this research is to see whether there is a social influence on the Interest in Using Illegal Fintech. The fourth hypothesis shows that social influence has no effect on Intention to Use Illegal Fintech. This is in accordance with the results of the social influence variable t test (X_3), obtained a significance value of $0.264 > 0.05$, it can be concluded that H_0 is rejected and H_a is accepted.

Conclusions should answer the objectives of research. Tells how your work advances the field from the present state of knowledge. Without clear Conclusions, reviewers and readers will find it difficult to judge the work, and whether or not it merits publication in the journal. Do not repeat the Abstract, or just list experimental results. Provide a clear scientific justification for your work, and indicate possible applications and extensions. You should also suggest future experiments and/or point out those that are underway.

CONCLUSION

Based on the research findings and discussions concerning financial literacy, perceived benefits, and social influence on the interest in using illegal fintech, the following conclusions can be drawn: Firstly, financial literacy significantly influences the interest in using illegal fintech. Secondly, perceived benefits also has a significant impact on the interest in using illegal fintech. However, thirdly, it was found that social influence does not have a significant effect on the intention to use illegal fintech.

ADVICE

Based on the conclusions that have been made, the advice that will be given in this study is that researchers can further develop by examining other factors that can influence Interest in Using Illegal Fintech. Because financial literacy and perceived benefits have an influence on the interest in using illegal fintech, Illegal Fintech should improve the interest borne by customers so that customers do not experience payment difficulties and Illegal Fintech also receives regular payments if the interest given is not too high.

IMPLICATION

Theoretical Implication

1. Financial literacy significantly influences the interest in using illegal fintech. It is crucial to enhance a person's responsiveness and sensitivity, especially in the financial sector, as it provides knowledge, confidence, and the necessary skills to utilize fintech services. This aligns with the objectives of the Financial Services Authority (OJK) to achieve high financial literacy levels in the sector.
2. Perceived benefits also has a significant impact on the interest in using illegal fintech. The ease and speed of obtaining an urgent loan through illegal fintech compared to traditional bank loans make it an appealing option for individuals. Illegal fintech providers pay attention to customer interests, ensuring that the process does not burden the customers.
3. On the other hand, social influence does not have a significant impact on the interest in using illegal fintech. Knowledge and experience in using technology have a greater influence on students' interest in adopting illegal fintech services, reducing the influence of social factors. Understanding the associated risks makes them less susceptible to external influences from their social circles.

Practical Implication

The results of this study are used against parties related to interest in using illegal fintech. The Financial Services Authority (OJK) is trying to maximize official permission for online loan providers to prevent leakage of customer personal data.

LIMITATION

The limitations of this study, which future researchers should take into account, are as follows: Firstly, the research on interest in using illegal fintech among students of the Faculty of Economics and Business at UPN Veterans, East Java, may not encompass the entire spectrum of interests in this area. Thus, there might be certain interests in using illegal fintech that were not adequately captured in this study. Secondly, the study only considers three independent variables: financial literacy, perceived usefulness, and social influence. However, it is essential to acknowledge that there are numerous other factors or variables that could be more relevant and influential in understanding the subject matter. Thirdly, the data collection technique utilized in this study involved the use of questionnaires. As a result, the data obtained may have some bias. The bias could stem from differences in how respondents perceived the context of the questions in the questionnaire or how their answers may not entirely represent the actual situation. Future research should endeavor to address these limitations to gain a more comprehensive and accurate understanding of interest in using illegal fintech among students in the mentioned faculty..

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