

The Effect of Financial Technology (Fintech) and Financial Literacy on the Financial Behaviour of Millennials in Indonesia: The Mediating Role of Financial Attitude

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ABSTRACT

This study investigates the impact of Financial Technology (Fintech) and financial literacy on the financial behavior of millennials in Indonesia, with financial attitude acting as a mediating variable. As a global phenomenon, Fintech has revolutionized financial transactions through digital payments, online lending, investments, and personal financial management, significantly influencing millennials who are early adopters of these technologies. This demographic's responsiveness to Fintech results in reduced financial costs and improved financial management. Additionally, financial literacy and positive financial attitudes are crucial in shaping responsible financial behavior. This research highlights the necessity of understanding geographical, cultural, psychological, and social factors in the context of Fintech adoption and financial literacy, emphasizing the need for targeted educational programs and policies. Using a quantitative survey design with a sample of 300 Indonesian millennials aged 22-42, data was collected via online questionnaires and analyzed using Structural Equation Modeling (SEM). The findings reveal that both Fintech adoption and financial literacy positively influence millennials' financial behavior, with financial attitude significantly mediating the relationship between financial literacy and financial behavior. This study provides insights into enhancing financial literacy and Fintech adoption through effective education and public policies, contributing to better financial management among millennials.

Keywords: Financial Technology (Fintech), Financial Behavior, Financial Literacy, Millennials

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INTRODUCTION

Financial Technology (Fintech) has become a global phenomenon that is changing the way individuals and businesses conduct financial transactions. Fintech encompasses a wide range of services such as digital payments, online lending, investments, and personal financial management, all of which utilise technology to provide more efficient and convenient services. Among various demographic groups, millennials are the most affected by fintech advancements. They grew up in the digital age, have extensive access to technology, and tend to adopt digital financial solutions faster than previous generations.

Fintech Adoption by Millennials Millennials are known to be more responsive to new technologies, including fintech. Research shows that millennials' adoption of fintech can reduce financial costs such as loan penalties and interest, and improve financial management through the use of personal financial management applications (Carlin, Olafsson, & Pagel, 2017). In addition, fintech provides convenience in digital transactions and access to faster and more efficient financial services, which has changed millennial consumer preferences and behaviour (Elliyana et al., 2022; Rank 2023).

In addition to technology adoption, financial literacy and financial attitudes also play an important role in shaping millennial financial behaviour (Kamaruddin et al., 2023; Mahmudah, 2024; Pahlevi et al., 2023). Good financial literacy helps millennials make wiser financial decisions and improve their financial management behaviour. Positive financial attitudes can mediate the relationship between financial literacy and good financial behaviour (Sari, Isnurhadi, & Yuliani, 2021).

Although there are many studies on fintech adoption and the influence of financial literacy on millennials' financial behaviour, there are some research gaps that need to be further explored, Geographical and Cultural Differences, Many studies have been conducted in the context of developed countries, while studies in developing countries, including in Southeast Asia, are still limited. Geographical and cultural differences may affect fintech adoption and financial literacy, so it is important to conduct research that is more specific to the local context. Psychological and Social Influences, The influence of psychological factors such as self-control and attitudes towards financial risk has received less attention in the literature (Elliyana et al., 2024). Further research is needed to understand how these factors influence millennials' financial behaviour in the use of fintech. Interaction between Fintech and Financial Literacy, Most studies look at fintech

and financial literacy separately. There is a need to explore how the interaction between fintech and financial literacy together affects millennials' financial behaviour. Role of Education and Public Policy, Further research is needed to evaluate the effectiveness of financial education programmes and public policies in improving financial literacy and fintech adoption among millennials.

Research Objectives, Analyse the level of fintech adoption among millennials in Indonesia. Measure millennials' financial literacy level and its influence on their financial behaviour. Examine the interaction between fintech adoption and financial literacy in shaping financial behaviour. Evaluate the role of financial education and public policy in improving financial literacy and fintech adoption.

H1: Fintech adoption has a positive influence on the financial behaviour of millennials in Indonesia.

H2: Financial literacy has a positive influence on millennial financial behaviour in Indonesia.

H3: Financial attitude mediates the effect of financial literacy on millennial financial behaviour in Indonesia.

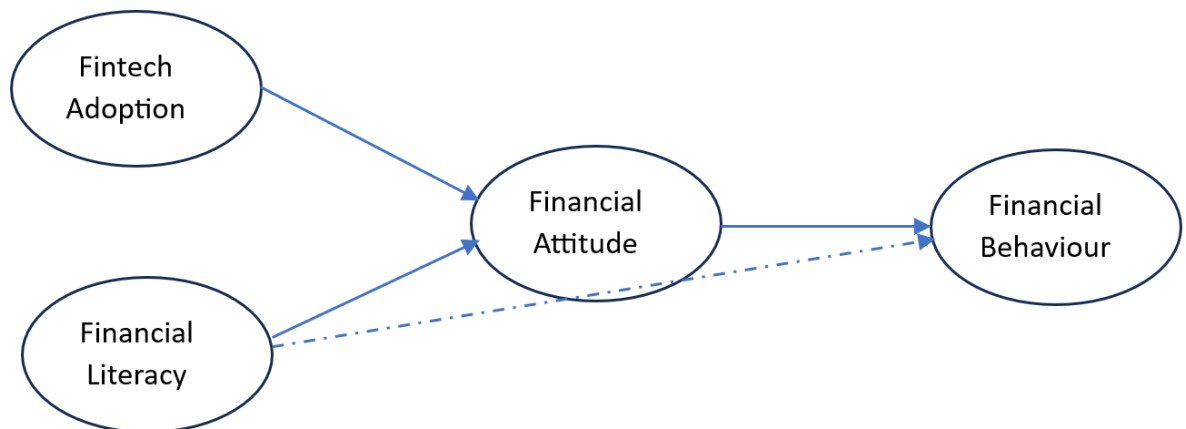


Figure 1. Reseach Framework

LITERATURE REVIEW

H1: Fintech Adoption Has a Positive Effect on the Financial Behaviour of Millennials in Indonesia

Fintech Adoption and Financial Behaviour

Financial Technology (Fintech) refers to the use of technology to provide financial services more efficiently. Fintech covers a wide range of applications and services such as digital payments, online lending, investment, and personal financial management. With the advancement of technology, fintech has become an important part of people's financial lives, especially millennials who grew up in the digital era.

Studies on Fintech Adoption

Research shows that millennials' adoption of fintech can improve their financial behaviour in several ways. Carlin, Olafsson, and Pagel (2017) found that the adoption of smartphone-based financial apps can reduce financial costs such as fines and interest on loans. They noted that millennials tend to use credit cards rather than overdrafts to manage short-term obligations, which in turn reduces unnecessary financial costs (Carlin, Olafsson, & Pagel, 2017).

Fintech's Impact on Financial Management

Fintech has also been shown to improve the efficiency of personal financial management. Rank (2023) highlights that fintech provides a faster and more efficient way to conduct financial transactions, which in turn is changing millennial consumer preferences and behaviour. Fintech allows millennials to make digital payments easily, access financial services anytime and anywhere, and manage their finances more effectively (Rank, 2023).

Factors Influencing Fintech Adoption

Abu Daqar, Arqawi, and Abu Karsh (2020) in their research found that trust and ease of use are the main factors influencing the adoption of fintech services among millennials. They noted that millennials are more aware of fintech services and are more likely to use them compared to Generation Z. The research also shows that fintech is seen as a complement to traditional bank services, with the majority of respondents seeing fintech as a cheaper and more efficient solution (Abu Daqar, Arqawi, & Abu Karsh, 2020).

Based on the existing literature, it can be concluded that fintech adoption has a positive influence on the financial behaviour of millennials in Indonesia. Fintech allows millennials to manage their finances more effectively, reduce financial costs, and increase the efficiency of financial transactions.

H2: Financial Literacy Has a Positive Influence on Millennials' Financial Behaviour in Indonesia

Definition of Financial Literacy

Financial literacy refers to an individual's ability to understand and use various financial concepts and tools in making wise financial decisions. Financial literacy includes knowledge about money management, investment, credit, and financial risk.

Importance of Financial Literacy

Good financial literacy is essential for millennials to manage their finances wisely. Research shows that high financial literacy correlates with better financial behaviour.

Millennials with good financial literacy tend to have better saving habits, are more prudent in spending, and are better able to manage debt.

Studies on Financial Literacy and Financial Behaviour

Sari, Isnurhadi, and Yuliani (2021) found that financial literacy has a significant influence on millennial financial behaviour. This research shows that millennials with good financial literacy are better able to make wise financial decisions and have better financial behaviour. Financial literacy helps individuals understand the importance of saving, investing, and avoiding unnecessary debt (Sari, Isnurhadi, & Yuliani, 2021).

Effect of Financial Literacy on Financial Management

Research by Nurfadillah and Matoati (2021) also supports these findings. They found that financial literacy and financial attitudes have a positive and significant influence on millennial financial management behaviour. Millennials who have good financial knowledge are better able to manage their finances wisely and avoid unnecessary spending (Nurfadillah & Matoati, 2021).

Financial Education Programme

Financial education programmes also play an important role in improving financial literacy. Effective financial education can help millennials understand basic financial concepts and apply that knowledge in their daily lives. Several studies have shown that financial education programs can improve financial literacy and, in turn, better financial behaviour.

Based on the existing literature, it can be concluded that financial literacy has a positive influence on the financial behaviour of millennials in Indonesia. Good financial literacy helps millennials make wise financial decisions, manage their finances, and manage their money well.

RESEARCH METHOD

Research design, quantitative survey using questionnaires. Population and Sample: 300 respondent Millennials in Indonesia aged 22-42 years, Data Collection Technique, Online questionnaires distributed through social media and email. Data Analysis using Structural Equation Modeling (SEM) with software AMOS to test the relationship between variables. Research Contribution, provides a deeper understanding of the factors that influence the financial behaviour of millennials in Indonesia. Provide recommendations to improve financial literacy and fintech adoption through effective education programmes and public policies.

RESULTS AND DISCUSSION

Table 1: Descriptive Statistics

Characteristics	Frequency (N:300)	Percentage (%)
Gender		
Male	105	35.0
Female	195	65.0
Age		
22 - 30 years	150	67.0
31 - 42 years	200	33.0
Education		
Senior High School	220	19.0
Bachelor's Degree	180	61.0
Master's Degree		20.0
Job		
Employee	183	61
Entrepreneur	51	17
Other	66	22

Source: Primary data processed 2024

1. Descriptive Statistics

Table 1. Descriptive Statistics of Research Variables

Variable	Min	Max	Mean	Std.Dev
Fintech Adoption	1.00	5.00	3.80	0.92
Financial Literacy	1.00	1.00	3.65	0.88
Financial Attitude	1.00	5.00	3.70	0.85
Financial Behaviour	1.00	1.00	3.75	0.87

Source: Primary data processed 2024

2. Reliability and Validity Test

Table 2. Reliability Test Results

Variable	Cronbach's Alpha
Fintech Adoption	0.85
Financial Literacy	0.82
Financial Attitude	0.83
Financial Behaviour	0.86

Source: Primary data processed 2024

All variables have Cronbach's Alpha values > 0.7, indicating good reliability.

Table 3. Validity Test Results (KMO and Bartlett's Test)

Variable	KMO Value	Sig. (Bartlett's Test)
Adopsi Fintech	0.80	0.000
Finansial Literacy	0.78	0.000
Finansial Attitude	0.79	0.000
Finansial Behaviour	0.81	0.000

Source: Primary data processed 2024

- KMO value > 0.5 and Sig. <0.05 indicates good validity.
- Cronbach's Alpha: The Cronbach's Alpha value for all variables is greater than 0.7, indicating that the research instrument has good reliability. High reliability means that the items in each variable are consistent in measuring the intended concept.
- Fintech Adoption (0.85): Very good reliability. Financial Literacy (0.82): Very good reliability. Financial Attitude (0.83): Excellent reliability. Financial Behaviour (0.86): Very good reliability.

3. Structural Equation Modeling (SEM) Analysis

Table 4. SEM Analysis Results

Relationship	Regression Coefficient	S.E.	C.R.	P-value
Fintech Adoption -> Financial Behaviour	0.35	0.08	4.375	0.000
Financial Literacy -> Financial Behaviour	0.30	0.07	4.286	0.000
Financial Literacy -> Financial Attitude	0.45	0.06	7.500	0.000
Financial Attitude -> Financial Behaviour	0.25	0.07	3.571	0.000

Source: Primary data processed 2024

Mediation Test:

Indirect Effect (Financial Literacy -> Financial Attitude -> Financial Behaviour): 0.45 * 0.25 = 0.1125

Direct Effect (Financial Literacy -> Financial Behaviour): 0.30

Total Effect: 0.30 + 0.1125 = 0.4125

Discussion

- H1: Fintech adoption has a positive influence on the financial behaviour of millennials in Indonesia.
The regression coefficient is positive (0.35) with a p-value <0.05, indicating that fintech adoption has a significant and positive effect on millennial financial behaviour.
- H2: Financial literacy has a positive influence on millennial financial behaviour in Indonesia.
The regression coefficient is positive (0.30) with a p-value <0.05, indicating that financial literacy has a significant and positive effect on millennial financial behaviour.
- H3: Financial attitude mediates the effect of financial literacy on millennial financial behaviour in Indonesia.
Financial attitude has a significant positive effect on financial behaviour (regression coefficient = 0.25, p-value < 0.05).
Financial literacy has a significant positive effect on financial behaviour (regression coefficient = 0.45, p-value <0.05).
Indirect effect (0.1125) indicates that financial attitude mediates the effect of financial literacy on financial behaviour.

CONCLUSION

This study found that fintech adoption and financial literacy both have a significant positive influence on the financial behaviour of millennials in Indonesia. In addition, financial attitude mediates the effect of financial literacy on financial behaviour, suggesting that a positive attitude towards finance can strengthen the influence of financial literacy on better financial behaviour.

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