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Implementation of Financial Technology to Increase Interest of Saving the Millennial Generation of Sharia

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ABSTRACT

This study aims to determine of how the implementation of Islamic finance increases the interest in saving the sharia millennial generation at the Hasyim Asy'ari Tebuireng University, Jombang in Indonesia. Financial technology is the latest breakthrough in modern Islamic financial technology that provides convenience for the public in terms of financial transactions. The method adopted in this research is descriptive quantitative method using data in the form of numbers which are then described. The results in this study indicate that the significant influence of the financial technology variable on the interest in saving Islamic millennial genesis. From the statements filled in by respondents, it shows that many respondents choose to agree (4) and strongly agree (5) from the statements which meaning that financial technology can increase the interest in saving the sharia millennial generation.

Keywords: Financial technology, Interest of saving, Millennial generation, Peer to peer lending

JEL Codes: D14; G20; P20

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INTRODUCTION

Financial Technology (Fintech) is a term used to denote companies that offer modern technology in the financial sector. These companies have been a real trend since 2010. Fintech companies are mostly micro, small, or medium enterprises that have a lot of equity but have clear ideas on how to introduce or how to improve existing services in financial markets. Generally, these are fintech start-ups, their number is steadily increasing (with some estimates that their number has surpassed ten thousand companies). As a rule, venture investment and crowdfunding are used to finance fintech companies (Saksonova & Kuzmina-Merlino, 2017).

The potential for the digital economy in Indonesia is enormous and it is important to develop it. The speed of innovation has resulted in various changes in all aspects of life, in this case, the financial sector, including the payment system, where these changes have been shorter, resulting in narrower response time for the authority to make policies. Fintech globally illustrates rapidly that fintech is growing in various sectors, from start-up payments, financing, personal finance, retail investment, financing, remittances, financial research, and others.

The fintech concept adapts to technological developments combined with the financial sector in banking institutions so that it is expected to facilitate a more practical, modern financial transaction process, including digital-based financial services that are currently developing in

Indonesia. These services are payment channel systems, digital banking, online digital insurance, Peer Peer (P2P) Lending, and crowdfunding (Siregar, 2016). The application of financial technology is to increase the efficiency of operational activities and the quality of bank services to its customers because the use of financial technology is in line with the growing public need for online-based financial services and the use of internet media for access to digital data.

Banks are expected not only to make developments in the technology sector as institutions in the service sector that serve customers, but Islamic banks must be able to increase their portfolios in terms of raising funds and financing to support bank profitability so that they can have a long-term investment, namely by maximizing the use of fintech in service.

The target of using fintech is modern society, the definition of modern society here is a society that can accept and use the latest technology in everyday life. The millennial generation is a part of modern society. Which this generation is very sensitive to technological developments and always tries to keep up with any changes. The millennial generation is the group after Generation X (Gen-X). There is no definite time limit for the beginning and end of this group. Experts and researchers usually use the early 1980s as the beginning of the birth of this group and the mid-1990s to early 2000s as the end of birth.

Yakob (2009) stated that the term for this new generation of millennials is called generation Z. Some the characteristics of this Z generation, such as people want freedom in action from choosing to freedom of expression, are very happy to do customization and personalization. Therefore, the presence of this Z generation will become a new supervisor and commentator as well as a driver for changing a library.

According to Absher and Amidjaya (2008), the millennial generation is a generation that was born between 1982 and 2002. Generations in this millennial era include: google generation, net generation, generation Z, echo boomers, and the dumbest generation. Therefore, the millennial generation of society can be characterized by the increasing use of communication tools, media, and information technology used. For example, the internet, email, SMS, IM, MP3 Player, HP, Youtube, and so forth.

Generation Z era society relies heavily on instantaneous speed, so real-time is the main requirement for connecting with this generation Z. Ease of information can be obtained by the internet. Millennials are innovators, because they seek, study and work in an innovative environment that relies heavily on technology to make changes in various aspects of their lives. What characterizes this generation Z is all technology-related.

LITERATURE REVIEW

Financial technology or financial technology is a term used to denote companies that offer modern technology in the financial sector. Fintech is a new sector in the financial industry that combines all the technologies used in the financial sector to facilitate trade, business enterprises, or interactions and services provided to retail consumers (Micu & Micu, 2016).

FinTech with financial services such as crowdfunding, mobile payments, and financial transfer services caused a revolution in the banking business, wherewith crowdfunding one can easily obtain funds from all over the world. Broadly speaking, the following is the role of information technology, namely as follows: (i) Information technology replaces the role of humans, in this case, information technology automates an activity or process; (ii) Technology strengthens the role of humans, namely by presenting information on a process; (iii) Information technology in restructuring the role of humans, in this case, technology plays a role in making changes to a set of processes. The following are some forms of interaction in the FinTech business process:

Table 1. Fintech Business Process Interaction

Business process	Forms of Interaction
Payment (digital wallets, P2P payments)	C2C
Investment (equity crowdfunding, P2P lending)	
Financing (crowdfunding, micro-loans, credit facilities)	B2C
Insurance (risk management)	
Cross-process (big data analysis, predictive modeling)	B2C
Infrastructure (security)	

Meanwhile, in principle, the interest in saving behavior is often initiated and influenced by the many stimuli from outside himself, both in the form of marketing stimuli and the environment (Triana et al., 2016). Someone's interest in saving is part of the motivation or motivation from within the individual which causes him to act to save.

Interest is a desire that arises from oneself without coercion from others to achieve a certain goal. According to Anoraga (1995), interest is a sense of liking (pleasure) and a sense of being attracted to an object or activity without being told and usually, there is a tendency to look for the object that you like. Interest is better known as the decision to use or purchase certain services/products. The purchase decision is a process of deciding on a purchase which includes determining what to buy or not to make a purchase and the decision is obtained from previous activities, namely the needs and funds owned (Assauri, 2013). Factors that influence interest in saving are cultural, social, personal, and psychological factors.

Generation Y (millennial generation) is a generation born in the 80-90s era. Many popular terms about this generation; connected or digital generation or gen why which is synonymous with bold, innovative, creative, and modern characters. Millennials are the modern generation who actively work, research, and think innovatively about organizations, have a sense of optimism and a willingness to work competitively, openly, and flexibly. On the other hand, the Baby Boomers/X generation (the generation born in the 65-89s era) were raised in an organization with a hierarchical organizational structure and a flat management structure so that the system of cooperation that arises in the organization is based on the demands of work (teamwork-based job roles).

Unlike the Baby Boomers generation, the millennial generation has very different expectations regarding economic, environmental, and socio-political issues. Millennials evenly have a better education than Baby Boomers, they are quite familiar with technology, even most of them are very tech-savvy. With high self-confidence, millennials can work creatively and always have positive energy in various fields, one of which is the socio-political field.

Previous research that examines the use of technology to increase interest in saving in the banking world as in the study of Varlamova et al. (2020), that in Russia digital technology by the financial sector, namely banks, is believed to be able to encourage inclusion in the financial industry. Besides, the ownership of cell phones and the ability to access the internet will motivate people to use banking services.

Andespa (2017) in his study of 250 Islamic banking customers in West Sumatra found that consumers in deciding to buy a product are influenced by technology. Likewise, Rusdianto & Ibrahim (2017) research on 100 Sharia commercial bank customers in Pati City. The results of the study suggest that the technology used by Islamic banks is still very limited, thus affecting customer preferences for Islamic banks.

Research on Sharia bank customers in Palopo City describes that the use of information technology by the world of Islamic banking is an advantage so that it can build public trust. Not only that, customers want every transaction to be completed simply, practically, and quickly.

And this can all be accommodated when Islamic banks adopt information technology in the form of electronic banking (Iriani, 2018).

Darmawan et al. (2019) in their study examine the public's interest in making transactions at Bank Jateng Sharia. The research subjects were 170 savings customers who were collected using the purposive sampling technique. The results showed that customer service had a positive and significant effect on saving decisions. Customers want the speed of service, and this speed can be realized if it is supported by the technology used by the bank. The support of fast-growing the internet technology will make it easier for banks to provide the best service to customers.

METHOD

This research adopted a descriptive study with quantitative approach. The Data were obtained from a sample of the study population then analyzed using statistical methods. The data collection method used is the questionnaire method using Google Form as a tool. Data analysis techniques involved statistical data processing formulas using a ready-to-use program Statistic Product and Service Solution (SPSS) version 23.0 using simple regression. By doing data validity tests descriptive analysis tests and classical assumption tests. This research was conducted at the University of Hasyim Asy'ari (Unhasy) Jombang, where this campus is a campus-based on Islam and at the same time is in a boarding school environment where the majority of students are boarding school students. Thus, the researchers categorized Unhasy Tebuireng students as the sharia millennial generation. Research subjects in this study took a sample of 150 students.

RESULTS AND DISCUSSION

The implementation of Financial Technology (Fintech) is intended so that Unhasy students follow technological developments and are not left behind with existing developments. It does not rule out that the image of a non-social santri will change to a slang santri who are technology literate and able to use technology properly and correctly. Besides, a frugal lifestyle or what is often called a minimalist lifestyle will be realized when the interest in saving from the sharia millennial generation emerges from an early age. Most students still depend on their income and income from their parents, so living frugally is necessary.

Besides that, saving is also one of the easiest forms of investment. The number of financial institutions around the research location is both conventional financial institutions and Islamic financial institutions, which are general and micro-financial institutions. This makes it easy for every student to access and choose which financial institution is following the wishes and needs of each student. Based on the statistical analysis carried out, it can be seen how much influence financial technology (fintech) has on the interest in saving the sharia millennial generation. The results of the statistical analysis can be written in the following equation:

$$Y = a + bX \quad \dots\dots\dots (1)$$

$$Y = 15,597 + 0.664X$$

Based on the estimation results, the effect of fintech on interest in saving can be explained by the coefficient of variable X. The full meaning of the coefficient of the variable can be explained in Table 2. Based on Table 2, it can be explained in general that the independent variables in this study, namely financial technology have a positive effect on saving interest in the sharia millennial generation.

Table 2. Simple Linear Regression Estimation Coefficient

Variable	Coefficient	Mean
Constant	15,597	If it is considered that there is no financial technology, the interest in saving the millennial generation is 15,597
Financial Technology (Fintech)	0.644	If there is an increase in the financial technology variable by 1%, the interest in saving the sharia millennial generation will increase by an average of 0.644%.

Hypothesis testing is done to test statistically the main hypothesis proposed in this study. The test is done partially. A partial test is conducted to test whether there is a significant effect of the independent variables on the dependent variable. In more detail, the hypothesis test can be seen in the Table 3.

Table 3. Coefficient of Estimated Simple Linear Regression

Hypothesis testing	t test	P value
Financial Technology	10,565	0.000

Based on Table 3, it can be explained that statistically, the results of hypothesis testing show significant results. With this data, it explains that the sharia millennial generation cannot be separated from financial transactions using modern technology (fintech). Because in the era of the industrial revolution 4.0, all aspects of life are related to one another and also depend on each other with modern integrated technology. For example, when the sharia millennial generation will buy pulses or data packages, it must be related to financial technology, when using e-commerce applications.

The increasing number of purchases of goods online (online shopping), which is increasingly becoming a lifestyle trend for the millennial generation, cannot be separated from payments through bank transfers either manually or using mobile banking. Besides, online payments can also be made using an electronic wallet, which is a form of financial technology such as Ovo, Go pay, Dana, Links, and so forth.

This electronic wallet must be filled regularly because when it is used for transactions, the balance will be reduced. This e-wallet filling is done through top-up either by transferring from a bank account or through merchants who cooperate with the electronic wallet company. The more often someone makes online transactions, the more often that person will save at the bank. Because all online transactions are related to financial institutions, especially banking, as Iriani (2018) study states that electronic banking will improve banking services to the public.

Here the function of banking institutions is not only as an institution that aims to attract public funds in the form of savings and deposits and channel them back in the form of financing and credit, but the function of banks as providers of financial services is very visible. Because saving can not only be done in a bank but in an electronic wallet it can also set aside some money from the difference in transactions that have been done more easily.

Financial technology can increase the interest in saving the sharia millennial generation by 42.6%, which is a large number and the rest is another variable outside of financial technology that can increase the interest in saving the sharia millennial generation. The results of this study are relevant to the study Andespa (2017); Rusdianto and Ibrahim (2017); Varlamova et al. (2020) that technology will affect the positive attitude of society. Awareness of the importance of the benefits of financial technology in everyday life will provide convenience and satisfaction in conducting business activities such as transactions in the banking world.

Besides, fintech also has many advantages, namely, fintech is supported by technology and innovation to reach customers who cannot access the banking system in general. Fintech can serve more personally and reach people in remote areas. It is more efficient because it can

reduce operational costs so that it can provide higher service facilities and benefits, as in the study of (Darmawan et al., 2019).

CONCLUSION

Based on the results of descriptive analysis, it is concluded that the implementation of financial technology (fintech) can increase the interest in saving the sharia millennial generation. This is evidenced by the results of research which show that the effect of financial technology is 42.6% on the interest in saving the sharia millennial generation and the rest is influenced by other factors outside the research. This is supported by the many sharia millennial generations who choose to strongly agree with the statement about the benefits of fintech in the questionnaire.

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