



PREFERENCE AND LITERACY: FISHERMEN AND MARINE FARMERS IN SMALL ISLANDS REGION TO USE FINTECH

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Abstract

The aimed of the study was to explore knowledge as proxy to literacy to the preference to use fintech by fishermen and marine farmers in Kei Islands, Maluku Indonesia. Data collected used purposive sampling with total 318 samples used by questionnaires, we then use smartPLS to analysis data using path analysis. The result showed that knowledge has positive direct and significant effect on the preference to use fintech, moreover, the more familiar fishermen and marine farmer to ICT, higher preference to use fintech, also more options available to fintech can increase the intention to get finance by MSMEs. This important to have empirical information on MSMEs in small islands region on their view to use fintech as a baseline to plan further effective plans to help MSMEs to develop their business.

Keywords: fintech; MSMEs; coastal communities; fishermen; marine farmers

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INTRODUCTION

Fintech (financial technology) is critical in delivering financial services to micro, small, and medium-sized businesses (MSMEs). Traditional banking institutions' rigors rules and lengthy processes have historically made it difficult for SMEs to get finance. Fintech firms, on the other hand, provide digital solutions that can make financial services more accessible, economical, and easy for SMEs. First, fintech platforms make it simpler for MSMEs to access various types of finance, such as loans, crowdfunding, and invoice factoring. Fintech financing platforms frequently provide faster approval timelines and more flexible conditions, making it simpler for MSMEs to obtain the capital they require to expand their operations. Second, by offering real-time data analysis, fraud detection, and identity verification, fintech solutions may assist MSMEs in managing financial risks. These products safeguard SMEs from fraudulent activity by ensuring the security of financial transactions. Fintech plays an important role in delivering financial services to MSMEs. Fintech businesses may provide more accessible, inexpensive, and easy financial solutions to MSMEs by utilizing technology.

However, according to statistics from the 2019 Indonesia Financial Services Authority Survey showed that, the finance literacy index in Indonesia is around 38.03%. The low degree of public financial literacy demonstrates that the community's capacity to manage and make financial decisions is still relatively low. This is problem due to fact that understanding of strong financial management may aid its users when making judgements about financial products. Financial literacy is a collection of information and abilities that enables an individual to make prudent financial choices (Manurung & Rizky, 2009). Moreover, inclusive banking can provide numerous benefits to citizens, regulators, governments, and other stakeholders, including increasing economic efficiency, improving financial system stability, reducing shadow banking, developing new markets for banks, increasing human development indexes, and making positive contributions to local and national economies, enhance community's welfare which eventually results in a reduction in the poverty rate. The

notion also supported by (Sharma, 2016), which demonstrates a favourable association between economic development and many characteristics of financial inclusion, including banking penetration, availability of banking services, and deposit utilisation.

Financial technology development must be matched with an increase in financial literacy to pick and consider the sorts of financial goods and services to be utilised (Morgan & Trinh, 2019). It is critical to comprehend how communities's financial knowledge and the amount to which their information impacts decision making (Lusardi, 2019). One of the driving forces for the introduction of financial literacy is the significance of the current generation understanding the fundamental ideas of financial decisions before making critical financial decisions, especially in this age of technology advancement. Currently, technology advancements, notably in the financial sector, financial literacy must be enhanced to pick and examine various sorts of financial goods and services to be used.

Nevertheless, the MSMEs have several challenges when doing daily business activities (Coffie et al., 2021), due to MSMEs do not yet offer electronic transaction instruments such as e-wallets (Rahmana & Suparto, 2019). In addition to not optimising fintech services for transaction simplicity, corporate players have not optimised fintech services to fulfil finance demands (Suryanto & Rasmini, 2018). Fintech has the potential to solve MSMEs finance challenges. Thus far, they have frequently been denied financing from banks since their firm is deemed less bankable (Cahyadi & Diatmika, 2021); (Arinda, 2015); (Kaunang, 2013).

MSMEs are characterised using simple or manual technology, which facilitates the transfer of technology, the availability of readily available raw materials, the transmission of basic skills from one generation to the next, the availability of a wide range of market opportunities, a labour-intensive or labour-intensive production process, the marketing of most of their products on the local or domestic market, and the exportability of some others. This evidence also found in Kei Islands region, where fishermen and marine farmers basically conducted their business traditionally, in which managing their business included. Therefore, the aimed of the study was to explore knowledge as proxy to literacy on their impact to the preference to use fintech by fishermen and marine farmers in Kei Islands, Maluku Indonesia.

Financial literacy has been regarded as a significant source of information for financial decision making (Ye & Kulathunga, 2019) that may aid company stakeholders in making financial decisions and selecting financial products (Okello Candiya Bongomin et al., 2017). Financial literacy happens when a person possesses skills or talents that enable him to attain his goals by utilising available resources (Swiecka et al., 2020). Financial literacy is the capacity to read, understand, manage, and communicate about financial situations that influence one's well-being. Individuals, families, businesses, and the national economy may all benefit from improved financial literacy. Financial literacy refers to a person's competence and understanding in handling funds. When an entrepreneur has a sufficient level of financial literacy, it is almost assured that they are capable and competent in operating the firm. Finance is critical in gauging corporate performance in the business environment. Growing sales and clients may have an impact on the size of the firm and doing so may entail entrepreneurs with strong financial abilities. Fintech can enhance financial capabilities using innovative technology with a variety of applications, as well as promote and facilitate financial education (Panos & Wilson, 2020). In addition to receiving knowledge on financial services via mobile displays or other digital applications, fintech users with a positive perception would prefer to use the service more often than those with a negative perception (Nurhayani et al., 2024; Perwitasari, 2022; Ryu, 2018).

The OJK report in partnership with the Asian Development Bank underlines the significance of Fintech in promoting the financial inclusion of micro, small, and medium-sized enterprises. OJK expects Fintech to be a means of getting finance for MSMEs due to the still substantial credit gap for MSMEs from the formal financial sector. It is envisaged that Fintech can satisfy the credit demands of MSMEs or individual entrepreneurs who have trouble gaining access to bank credit. Fintech model business concept with potential influence on inclusion MSME finance resembles a project financing model in that it enables MSMEs to access a broader pool of possible investors by facilitating the combination of multiple or numerous investors interested in funding a specific project. Fintech reduces urban-rural income gaps (Ding et al., 2022) and boosts household income (Zhang et al., 2018). When changes and dynamics of Fintech aren't handled well, it could cause problems in our financial system and economy. This includes how it affects MSMEs that have trouble getting help with capital. Stability is still important and should continue to be a major concern, even as Fintech and digital financial services play a bigger role in the economy. So, it is a necessity of better strategies and a breakthrough to make sure that these forces don't have unintended effects. Fintech makes it easier and more efficient for MSMEs to deal with their money (Winarto, 2020).

Micro, Small, and Medium Enterprises (MSMEs) are a business sector that operates in a variety of industries that serve all of society's requirements (Astuti et al., 2019). According to data from the Ministry of Cooperatives and SMEs of the Republic of Indonesia, there were 66,194,057 business players in Indonesia in

2018. With up to 99% ownership of all business units in the Indonesian area. Nevertheless, MSMEs employ 116,978,631 Indonesians, accounting for 97% of the total workforce. MSMEs may be established in a variety of ways, one of which is via the use of technology. The present usage of technology makes it difficult for MSMEs to manage their businesses and thrive.

The contribution of Fintech to the viability of MSE firms as Fintech users is anticipated to be substantial. Similarly, the synergy of Fintech users, in this case, MSE owners, interested in utilizing Fintech due to the belief that it provides economic benefits for firms (Wiyono and Kirana, 2020). Fintech provides more affordable financial services, simpler and quicker financial transactions, and a reduction in information disparity in financial services. MSME leaders affect the use of Fintech. This study also addresses the perceived simplicity of utilizing Fintech payment applications as a factor driving the adoption of fintech by MSMEs in Ghana (Coffie et al., 2021). (Yang & Zhang, 2020) discovered empirical evidence that Fintech promotes the sustainable expansion of micro and small companies in China, a country with a high level of economic development and a government that continues to foster digital financial inclusion in MSMEs.

The fact that more people own financial products and services shows that they know more about money because of the growth of Fintech (Winarto, 2020). Along with the growth of financial technology, this influences how Fintech can be used to help MSME business owners run their businesses. Fintech is important for MSME owners to use because of developments in Fintech, consumers, convenience, and safety. Fintech makes it easy for small and medium-sized businesses to borrow money, which helps MSMEs grow. One of them is giving loans online, so all SME owners must do is upload the documents they need online.

Fintech innovates by utilizing modern technology to create new added value in the financial services sector, incorporating the digital economy. This approach promotes increased reliability and efficiency, ultimately influencing the stability of the financial system (Disemadi, 2021). The financial services sector employs technological innovation (Wijaya & Herwastoeti, 2022). Innovation that combines financial services and technological speed makes it easier for customers to access financial services (Afnesia & Ayunda, 2021; Fitriani & Zainuddin, 2022). According to several studies, fintech can be used as an alternative form of finance.

Fintech-based money lending and borrowing services will be very useful in increasing people's access to various financial service products online, especially with various parties that do not need to know each other (Alwi, 2018). Both businesses and individuals can benefit greatly from leveraging technology to simplify the provision of financial services. The service delivery procedure is quite economical, apart from being swift and effective (Cahyadi & Diatmika, 2021). However, online loans often come with associated difficulties. The Indonesian MSE sector is underdeveloped due to financing issues. Apart from that, MSMEs are unable to compete with e-commerce business players because of the ease of transactions, which encourages clients to migrate to e-commerce services (Graha, 2019).

There are still funding constraints for micro, small, and medium enterprises (MSMEs), making it difficult for them to expand operations and create marketable goods. When it comes to conventional financial institutions like banks, most MSMEs are dissatisfied with the services they receive. Some MSMEs are forced to rely on the services of conventional microfinance banks to meet their needs, despite the significant weaknesses and risks associated with these institutions. In many areas of business, societal concerns are discussed. Small and medium enterprises (SMEs) are often seen as a powerful tool for reducing poverty in Indonesia. According to surveys and studies, the majority of businesses are classified as MSMEs, so the role of fintech is very important for the performance of micro businesses (INDEF, 2019).

The positive potential of fintech as a way for MSMEs to boost their business in the mean of accessing financing stream more efficiently needs to be proposed more widely, however, due to the access and limited literacy of using these services provides a great challenge to implement. Therefore, the study aimed to explore knowledge as a proxy to literacy to the preference to use fintech by fishermen and marine farmers in Kei Islands, Maluku Indonesia. This important to have empirical information on MSMEs in small islands region on their view to use fintech as a baseline to plan further effective plans to help MSMEs to develop their business.

METHOD

Out of 320 fishermen, marine farmers, and potential user of fintech in the Kei Islands were eligible to participate in this study, there were 318 valid samples to be process further. This study is a quantitative investigation employing interviews and a questionnaire-based tool. According to (Ghozali & Latan, 2015), validity is the extent to which study conclusions (1) accurately represent the data collected (internal validity) and (2) may be extended to other situations (external validity). The objective of validity testing is to determine whether the statement items included in the study accurately measure the research variables. Testing validity involves examining content validity and construct validity. This questionnaire is designed to collect data

used to explain the factors at hand. This study employs SmartPls 4.0 to assess the level of validity. Content validity refers to the extent to which an instrument's measurements accurately reflect all the characteristics of the variable. Content validity is judgemental. Non-Probability Sampling employs Purposive Sampling since the population is sampled based on criteria to suit the objectives of this enquiry.

The construct of the questionnaire used in this study was derived from various sources such as (Gerrans et al., 2022; Jünger & Mietzner, 2020; Panos & Wilson, 2020). This study looked at both the direct and the indirect effects using path analysis. This study paradigm can considerably benefit from the application of PLS to confirm previously identified causal relationships (Ringle et al., 2005). The bootstrap method is utilized to determine the significance degree of the results (Gil-Garcia, 2008).

Many factors may make business owners hesitant to adopt fintech. Some business owners may be unaware about fintech and its advantages. They may be content with conventional banking techniques and see no need to investigate new technologies. Second, security concerns: Fintech platforms may include the exchange of sensitive financial data with third-party service providers, which might cause security concerns. Owners of businesses may be concerned about the security of their financial data and the possibility of data breaches. Thirdly, some fintech systems might be difficult to use and require a certain amount of technical proficiency. It may be difficult for business owners who are unfamiliar with technology to navigate these sites. The cost of some fintech platforms' services can be an issue for small firms with restricted budgets. If they have a long-standing relationship with traditional financial institutions, business owners may be reluctant to trust new, relatively unknown fintech companies.

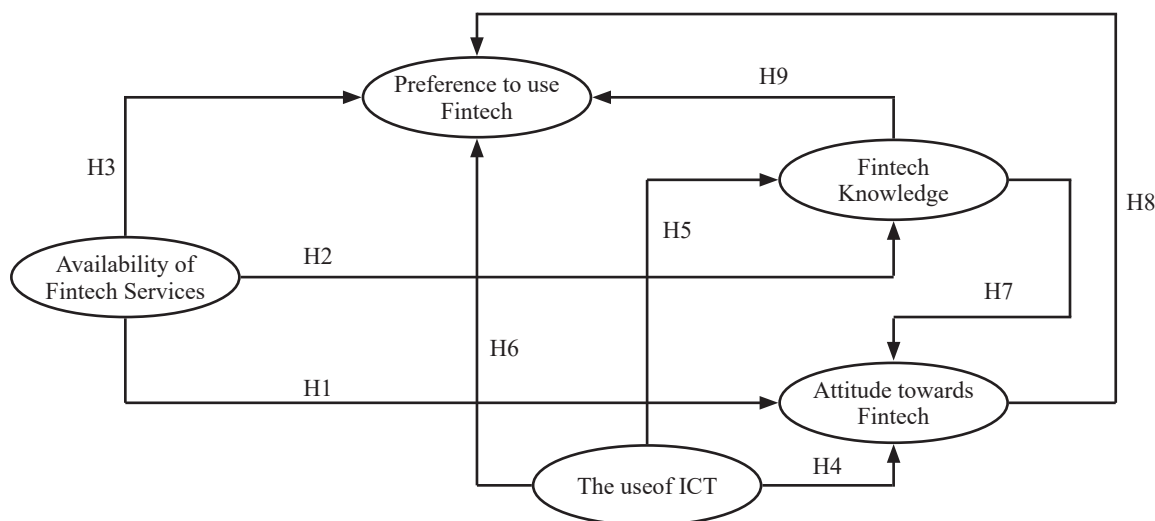


Figure 1. Proposed Model

However, fintech can provide additional benefits for MSMEs, such as access to funding. Fintech companies have disrupted traditional banking by offering MSMEs with alternative financing options. Fintech platforms provide quick and simple access to loans, lines of credit, invoice financing, and other financial products, making it easier for MSMEs to manage their cash flow and expand. Moreover, fintech can increase access to financial data for MSMEs. Fintech has facilitated the access to and analysis of financial data for MSMEs. By delivering real-time data analytics and reporting, fintech platforms empower MSMEs to make more educated financial decisions and effectively manage risk. In general, fintech can increase MSMEs' access to funding by lowering costs, enhancing efficiency, and upgrading the customer experience.

Thus, we assume that fintech can provide more benefits compared to liabilities for MSMEs. The higher the knowledge and literacy of MSMEs, the more MSMEs prefer to use fintech. MSMEs' preference for fintech is also influenced by MSMEs' level of introduction to ICT (information communication and technology) and basic knowledge of the functions of financial institutions in general. Thus, the conceptual framework and hypotheses of this study are as follows: (H1) Availability fintech services has significant and positive impact on positive attitude towards fintech; (H2) Availability fintech services has significant and positive impact on positive knowledge on fintech; (H3) Availability fintech services has significant and positive impact on preference to use fintech; (H4) The familiarity in the use of ICT has significant and positive impact on positive attitude towards fintech; (H5) The familiarity in the use of ICT has significant and positive impact on positive

knowledge on fintech; (H6) The familiarity in the use of ICT has significant and positive impact on preference to use fintech; (H7) Knowledge on fintech has significant and positive impact on positive attitude towards fintech; (H8) Attitude towards fintech has significant and positive impact on preference to use fintech; (H9) Knowledge on fintech has significant and positive impact on preference to use fintech.

RESULTS

Respondents to this poll were 72.9 percent male, while 27.10 percent were female. Moreover, around 61.8% of them were between the ages of 20 and 40. In addition, 46.2% of poll respondents had completed high school, while 40.8% held college degrees. While around 79.60 percent of respondents were business owners. For group of respondents based on their role use of fintech, there are two categories: non-fintech users and current fintech users. The majority of non-current non-users were fisherman, accounting for approximately 55.4% of the non-current non-users. 72.3% of respondents had a median monthly income was less than 1 million to 3 million IDR.

Table 1. Measurement model

Construct	Items	Loadings	CR	AVE
Positive attitude towards fintech	A1	0,809	0.778	0.690
	A2	0,847		
	A3	0,836		
Availability fintech services	AV1	0.904	0.941	0.773
	AV2	0.913		
	AV3	0.922		
	AV4	0.905		
	AV5	0.799		
	AV6	0.825		
Knowledge on fintech	K1	0.848	0.886	0.690
	K2	0.891		
	K3	0.889		
	K4	0.799		
	K5	0.712		
Preference to use fintech	P1	0.917	0.960	0.807
	P2	0.927		
	P3	0.936		
	P4	0.837		
	P5	0.848		
	P6	0.929		
	P7	0.887		
The familiarity in the use of ICT	U1	0.885	0.949	0.798
	U2	0.919		
	U3	0.917		
	U4	0.921		
	U5	0.879		
	U6	0.834		

In this sequence of research, the suitability of a model is determined by examining its composite reliability and extracted average variance. Table 1 displays the results of the model fitting procedure for this investigation. Each construct's AVE value must be greater than 0.70 and less than 0.50 for the model to be regarded credible. As demonstrated in Table 2, the fact that the correlations between each construct are less than the average variance recovered by the indicators used to evaluate that construct is indicative of the constructs' discriminant validity.

Table 2. Discriminant Validity of Constructs

	Positive attitude towards fintech	Availability fintech services	Knowledge on fintech	Preference to use fintech	The familiarity in the use of ICT
Positive attitude towards fintech	0.831				
Availability fintech services	0.369	0.879			
Knowledge on fintech	0.448	0.425	0.831		
Preference to use fintech	0.316	0.834	0.434	0.898	
The familiarity in the use of ICT	0.312	0.751	0.421	0.669	0.893

Table 3. Path Coefficients

	Coefficient	P values	Hypothesis	Decision
Availability Fintech → Attitude to Fintech	0.264	0.031	1st	Accepted
Availability Fintech → Knowledge	0.270	0.035	2nd	Accepted
Availability Fintech → Preference use Fintech	0.854	0.000	3rd	Accepted
user ICT → Attitude to Financing	-0.046	0.697	4th	Rejected
user ICT → Knowledge	0.242	0.060	5th	Rejected
user ICT → Preference use Fintech	-0.004	0.943	6th	Rejected
Knowledge → Attitude to Fintech	0.432	0.000	7th	Accepted
Attitude to Fintech → Preference use Fintech	-0.057	0.239	8th	Rejected
Knowledge → Preference use Fintech	0.105	0.012	9th	Accepted

Note: *p < 0.05; ** p < 0.01.

Table 3 presents data that validates the validity of hypothesis 1 to 3 as it demonstrates that the availability of financial technology services has a significant and favorable effect on users' positive views towards financial technology, their comprehension of financial technology, and, ultimately, their preferences to use financial technology. Regarding Hypothesis No. 5, it resulted interesting result where the familiarity in the use of ICT has significant and positive impact on positive knowledge on fintech, however, the same impact has no significant effect on preference to use fintech as hypothesis 4 and hypothesis 6 were rejected. Moreover, the result also indicated that knowledge of fintech has a substantial and beneficial influence on a positive attitude towards fintech and a preference for using fintech, whereas attitude towards fintech has no significant and positive impact on preference to use fintech (Figure 2).

Given that the value of R squared is 0.703%, it is reasonable to conclude that more than 70% of the model's variables can be explained. The results not only demonstrate the direct relationship between the criteria that were utilized to support our conclusions but also the indirect relationship that exists between the two.

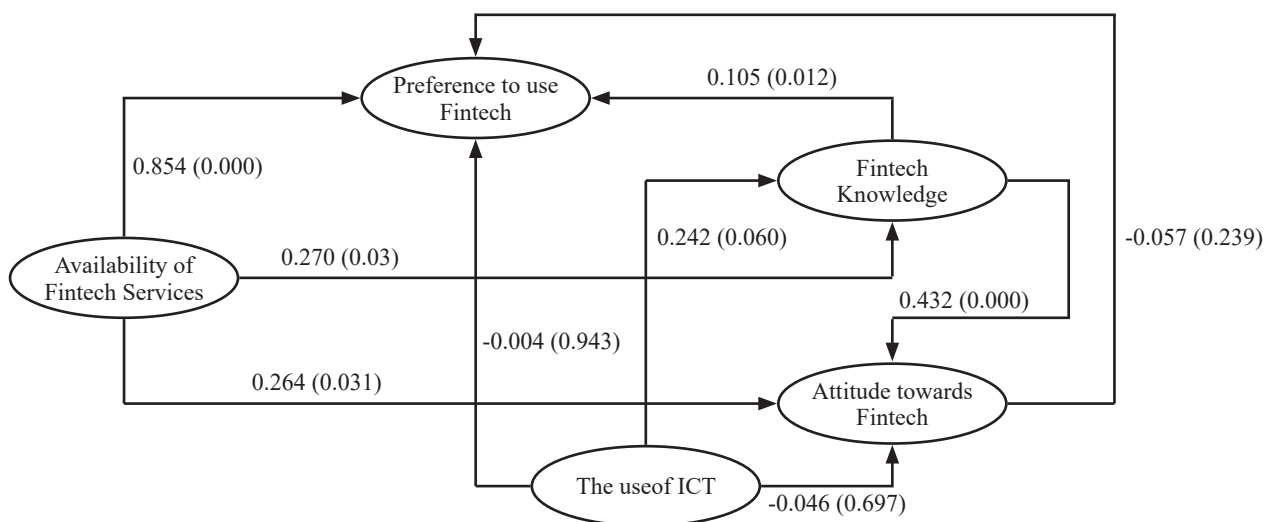


Figure 2. Path Model

DISCUSSION

Micro, Small, and Medium-Sized Businesses (MSMEs) are one of the enterprises that are proliferating in Indonesia, particularly in Kei Islands and the existence of Fintech provides a substantial output for MSMEs. MSME performers have begun to flourish and develop in accordance with their individual inventiveness as they strive to have their products recognised nationally and worldwide. This sector contributes significantly to the movement of income circulated in society, with a total of 57 million MSMEs operating in several business categories in Indonesia. This is the relatively substantial contribution of small and medium-sized businesses to Indonesia (Nurchaya & Dewi, 2019). Increasing the productivity and creativity of micro, small, and medium-sized enterprises (MSMEs) is crucial to combating poverty, which in turn increases people's competitiveness.

Fintech usage is becoming less demanding over time. Micro, small and medium-sized enterprises (MSMEs) view fintech as a business partner because to the numerous advantages it offers. The ease that initially motivated MSME actors to adopt fintech has shown to be effective. Many conveniences influence the business. Conveniences like promotional features and delivery services have a daily impact on their business. Obviously, this influences the company's business, which will expand as a result. The absence of fraud after using fintech also has an effect. As a result of the existence of fintech, all transactions are now recorded digitally, which has a significant influence. Obviously, this may facilitate the matching of transactions and stocktaking for MSME participants. If there is no internal alignment inside the MSME actors' organisations, the benefits and effects have not occurred. The familiarity of their employees with this technology is advantageous for MSMEs.

Knowledge and action can have a complex and nuanced relationship. On the one hand, knowledge can be an effective catalyst for action. When we have a thorough awareness of a topic or problem, we are more likely to take action to address it. However, knowledge alone does not necessarily result in action. Many things may prohibit us from acting on our knowledge. The link between knowledge and behaviour is ultimately complex and context dependent. Knowledge can be a powerful catalyst for action, but it is not always sufficient. To effectively transfer knowledge into action, it may be necessary to address social, cultural, and psychological hurdles that impede action. As this study found, knowledge can result in higher preference to use fintech by MSMEs. Therefore, the implementation of financial literacy is the need for the current generation either younger or an adult in important to increase understanding the fundamentals of financial decision-making prior to making significant financial decisions, especially in the contemporary technological era. In the current era of technological advancements in the financial sector, it is necessary to increase financial literacy to pick and evaluate the numerous types of financial products and services available for use (Morgan & Trinh, 2019).

As evidence by in China, a country with a high level of economic development and a government that continues to foster digital financial inclusion in MSMEs, Yang and Zhang (2020) discovered empirical evidence that suggests Fintech encourages the sustainable expansion of micro and small companies in China. China is a country that has both characteristics. Due to the relevance of literacy and knowledge for the use of fintech by MSMEs in this region, it is vital to increase MSMEs' socialisation. Several parties have engaged in Fintech socialisation efforts on multiple occasions. Undertook financial technology socialisation, focusing on online loans. Suryanto et al. (2020) performed education for micro, small, and medium-sized enterprises (MSMEs) to maximise the benefits of the fintech industry further (Haloho et al., 2021; Sinaga et al., 2019). Socialized micro and small business actors regarding the usage of fintech in financial management. The more knowledge and literacy of both financing and fintech by MSMEs, the greater the prospects for the use of fintech by micro and small business players, hence accelerating the growth of MSMEs in the Kei Islands region and Indonesia in general.

In general, younger generations have a tendency to have a higher preference for fintech and ICT, as they are more likely to be comfortable using digital technologies for financial transactions and other activities. This makes it more likely that younger generations will have a higher preference for fintech and ICT. They are also more likely to be early users of new financial technology services, such as internet banking, mobile payments, and digital wallets. In which would be more challenging for MSMEs especially in small islands region, where most them are not tech savvy and an adult, therefore more socialisation is important. Those with higher incomes typically have a greater preference for fintech and other forms of information and communication technology (ICT), likely because they have more complex financial needs and require more sophisticated financial tools in order to properly manage their finances.

A person's level of education may also play a role in their preferences regarding fintech and ICT. Those who have completed higher levels of education may have a greater likelihood of understanding the benefits of digital technologies for financial transactions and may also have a greater willingness to experiment with new fintech services. Geography location is another factor that can influence preferences for fintech and information and communication technology. Those who live in places where traditional banking services are more difficult to get or less dependable may have a higher preference for fintech services since these services offer options for financial transactions that are more convenient and more reliable. In general, preferences about financial technology and information and communication technology (ICT) can be influenced by a wide range of criteria, such as age, income, educational level, and geographic region. It is expected that preferences for fintech and information and communication technology will continue to expand across a variety of demographics and geographies as digital technologies continue to play an increasingly crucial role in the provision of financial services.

CONCLUSION

Access to the financial resources that are necessary for the growth and success of micro-businesses can be facilitated by inclusive fintech, the application of which seeks to deliver financial services to underserved and underrepresented communities. Micro-entrepreneurs, however, need to have the financial literacy skills necessary to comprehend how to make use of these services for them to be effective. Inclusive fintech companies may assist microentrepreneurs make better financial decisions, more effectively manage their finances, and take advantage of the opportunities that come with access to financial services if they improve the financial literacy of microentrepreneurs. Companies that specialize in inclusive fintech can offer training and education programs that teach micro-entrepreneurs how to utilise digital banking tools, obtain financing, and manage their cash flow. These programs can also assist micro-entrepreneurs grow their businesses. In addition to this, they are able to offer customised financial guidance and support in order to assist micro-entrepreneurs in making the most of the financial resources at their disposal. Micro-businesses will be able to acquire the financial tools they need to expand and succeed if financial literacy is increased and access to inclusive fintech services is made available to them. This will ultimately contribute to the expansion and development of the communities in which they are located as well as the economy.

This study have limitation in terms on the sample of the study, where most of sample of this study were fishermen and marine farmers, so the rate of perception and literacy would be limited and vary to other MSMEs group. In addition, the location of the study was on small islands regions, means it also possessed distinct characteristic from other region, therefore the result is tailored to similar region but would be different to mainland area. However, this provides frontiers view of fintech in small islands regions especially in remote area. Thus, result of this study will enrich the literature regarding fintech development in small islands region and countries.

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