



## **CAN INDONESIA BECOME A CASHLESS SOCIETY THROUGH DIGITALIZATION AND FINANCIAL LITERACY?**

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**Abstract:** After the Covid-19 pandemic, it cannot be denied that online shopping has increased shopping behavior patterns using non-cash money. This is due to restrictions on community activities and cash is considered to be a trigger for the spread of the Covid19 virus. This research looks at the phenomenon of using cash as an impact of the Covid-19 pandemic, whether it triggers an increase in non-cash financial literacy and whether government programs for people's movement to use non-cash money can form a non-cash society as a form of effective use of non-cash money or even trigger consumer behavior with minimal understanding non-cash financial literacy. This research uses a qualitative, phenomenal approach by collecting data through interviews with 50 informants with criteria aged 19-21 years and to triangulate the data, interviews were conducted with 2 employees of Bank BSI Jombang and BRI Pulung Ponorogo who have expertise in the banking sector. Based on the research results, it is stated that cashless users aged 19-21 years, influence consumer behavior but have not yet been balanced with detailed knowledge of digital financial literacy and still the function of non-cash money is mostly on shopping behavior so that digital financial skills in non-cash only limited to debits and credits in the cash flow of bank accounts. There is a difference between women and men in usage, namely that men study the products they will buy using cashless and are not easily influenced by promotions compared to women who easily use cashless

without studying the details of the products they will buy so they are easily influenced by promotions. It can be used as a basis for policy making in the economic and banking sectors.

**Keywords:** Non-cash money, digital skills, digital money literacy, cashless society

## INTRODUCTION

Data detected cases of covid 19 on March 20 2020 and on April 9 2020 began to spread in 34 provinces. DKI Jakarta, West Java and Central Java are the 3 provinces that have experienced the largest cases of covid in Indonesia. Indonesia is a developing country with many limitations in the health sector in terms of infrastructure including the medical team. The increasing use of non-cash money in Indonesia during the Covid19 pandemic was influenced by many factors, apart from breaking the chain of distribution of the Covid19 virus because cash was also considered a trigger for the spread of Covid19. But unfortunately the use of non-cash money is suspected to be forced by studying the use of non-cash money still not too detailed, lack of socialization from the banking sector and also the lack of a culture of reading in Indonesia. Several studies state that Indonesian people are among countries whose citizens are lazy to read. The low reading culture in Indonesia tends to easily occur hoaxes and prefers what is heard rather than reading especially first to understand.

Humans now live surrounded by technology, and their reliance on it is unbreakable. Financial technology is one of the technological developments in finance. People need to be aware of it in order to cope with it. (Delina, 2023) declared that knowledge of financial products,

organizations, and concepts related to money management constitutes financial literacy. Thanks to the rapid expansion of the internet and the progress of information technology, people can now transact and obtain services online much more easily. As a result, it motivates consumers to utilize additional online financial services. Fintech is the abbreviation for the digital financial services known as financial technology. In light of this, individuals need to act wisely in the digitalization era by utilizing the simplicity and efficiency of digital interactions and transactions.

The impact of minimal reading also has an effect on financial literacy and the ability to use cashless, in addition to the lack of socialization of non-cash money literacy so that a lot of fraud occurs. Low information on understanding data immigration, as well as difficulties understanding digital financial processes in transferring data. For young people who are used to understanding more easily than the elderly, there are still obstacles in digital data immigration. Digital and financial literacy is the key to creating a cashless society. As a result of the COVID19 pandemic, cashless is more popular than currency. Moreover, the government has been encouraging cashless transactions through Bank of Indonesia (BI) with the National Non-Cash Movement (GNNT) since 2014. The aim is to create a safe, efficient and smooth payment system. The trigger for the effectiveness and efficiency of the national financial system.

GNNT is even called a program to form a cashless society ecosystem. In the lives of Indonesian people in their daily financial transactions, many people still use currency as the most popular means of payment, especially for the elderly compared to young people who

feel more comfortable and practical using non-cash money. This is the reason for selecting informant aged 19-21 years because they are Generation Z which is considered sensitive to cyber and digital worlds but is easily influenced by consumer behavior. It is undeniable that the financial literacy of the Indonesian people is still relatively low, the use of cashless is more for online shopping. during the Covid19 pandemic until now, without being balanced with deeper knowledge and understanding in the use of money so that it is easy to be influenced by promos in market places. Buying products that are only fulfilling desires and without careful planning is a characteristic of low financial literacy. Money in the general concept in Indonesian society tends to process transactions and exchange using cash. The use of cashless is still very dominant in transactions starting during the Covid19 pandemic until now.

The convenience of cashless has many conveniences and presents promotions on various products, thereby triggering an increase in the use of non-cash in transactions in online shopping. Online shopping has also increased as a result of the Covid19 pandemic by using cashless transactions seasoned with product promos so that it influences consumer behavior in consumptive behavior. As is well known, the goal of developing non-cash money in Indonesia is to create a payment system that is safe, efficient and smooth. As well as triggers for the effectiveness and efficiency of the national financial system. Based on the 2022 National Financial Literacy and Inclusion Survey (SNLKK) by the Financial Services Authority (OJK), the financial literacy index in Indonesia has only reached 50%, even though its financial inclusion has reached 85%. Based on this

background, this research examines: Can Indonesia Become a Cashless Society through Digitalization and Financial Literacy?

## **LITERATURE REVIEW**

Financial literacy can be interpreted as financial knowledge, with the goal of achieving prosperity (Lusardi and Mitchell, 2007). Financial literacy can also be said as a person's ability to obtain, understand, and evaluate relevant information for decision making by understanding the resulting financial consequences (Khrisna, 2010). The Financial Services Authority defines that financial literacy is a series of processes or activities to increase the knowledge, skills and confidence of consumers and the general public so that they are able to manage their personal finances better. OJK states that the vision of financial literacy is to realize Indonesian people who have a high level of financial literacy so that people can choose and utilize financial products and services to improve their welfare. Proficiency (literacy) is an important thing that must be owned to achieve its goals. Krishna, Rofaida, and Sari (2010) explained that financial literacy helps individuals avoid financial problems. Financial limitations can cause stress and low self-confidence. The definition of financial literacy, in Vitt et al. (2000) is the ability to read, analyze, manage and communicate about personal financial conditions that will affect material well-being. Lusardi and Mitchell, 2009 (in Lilia Post Riani's research) this phenomenon in their research on the complexity of economic decision making which focuses on having financial knowledge will encourage business success and readiness for retirement.

The variable of ownership of financial knowledge, hereinafter referred to as financial literacy, is divided into 2 stages, namely the basic stage and the advanced stage. Indicators of basic financial literacy include knowledge of mathematical calculations, interest rates, inflation, the time value of money and deceptive values of money. Financial literacy can be defined in a broad or narrow sense, the broad definition is adopting an understanding of the economy and how economic conditions influence household decisions (Wortnington in Capuano and Ramsey, 2011). Information-based decisions are recognized as an instrument to achieve the expected outcomes. The important thing to note here is that financial literacy only enables a person to make decisions based on relevant information. Financial literacy does not guarantee that the right decisions are made. This is because a person does not always make decisions based on economic rationale (Wilson & Zhang in Carolynne L J Mason & Richard M S Wilson: 2000).

Financial management in everyday life cannot be separated from one's financial literacy in making the right financial decisions (Orton, 2007). And the mission of financial literacy is to educate the Indonesian people in the field of finance so they can manage finances intelligently, and increase access to information and use of financial products and services through the development of infrastructure to support financial literacy. (<http://www.ojk.go.id/id/kanal/edukasi-dan-perlindungan-konsumen>) . Bhushan and Medury (2013) explain that financial literacy is very important for several reasons. Consumers who are financially literate can go through difficult financial times due to the fact that they may have accumulated savings, bought insurance and diversified their

investments. Financial literacy is also directly correlated with positive financial behaviors such as paying bills on time, loan installments, saving before they run out and using credit cards wisely. Financial literacy occurs when an individual who is capable or (literate) is someone who has a set of skills and abilities that make that person able to take advantage of existing resources to achieve goals. Udonquak in 2010 stated that in order to sustain economic growth a high level of financial literacy is needed because a high level of use of financial products and services will be able to stimulate demand for financial products and services in a sustainable manner.

Scholarly interest in comprehending the impact of digital technology on innovation management is growing as the technology becomes more and more integrated into daily life (Leonardi, P. M., 2020). (Bogers, M. L. A. M., R. Garud, L. D. W. Thomas, P. Tuertscher, 2022) although digital technology has systemic, multilevel, and diverse implications for innovation management, our understanding of this significant phenomena is currently fragmented, and we need a "unified perspective and overarching framework that can inform future theoretical and empirical studies." A primary obstacle in creating the necessary comprehensive framework that covers the intricate relationship between innovation management and digital technology is the conceptual ambiguity around the constructs that serve as the framework's foundation. Because of this, there is confusion because several notions have been employed, sometimes interchangeably, to refer to different aspects of the relationship between digital technology and innovation (Appio, F. P., F. Frattini, A. M. Petruzzelli, 2021).

Furthermore, the “debate on the impact of digital technology adoption for innovation management is still inconclusive,” as recently stated by (Lanzolla, G., D. Pesce, 2021). To prevent building research on "increasingly unstable ground," the growth of scholarship at the nexus of digital technology and innovation management necessitates the definition of distinct conceptual boundaries and a shared vocabulary (Rafay, 2020). Two key concepts used in relation to digital technology and the innovation process are "digitalization" and "digitization." However, there isn't a strong consensus on how to conceptualize any of these two crucial constructs, and their definitions are frequently implied. Consequently, research on innovation management has used the same construct to various occurrences. For example, the term "digitization" has been used to describe a wide range of occurrences, such as the development of a digital product (Hopp, C., D. Antons, J. Kaminski, 2018) and the application of digital technology in the process of developing new products (Marion, T. J., 2021). Similarly, the term "digitalization" has been used to describe procedures for gathering, producing, and analyzing data in order to generate value and facilitate innovation (Cappa, F., R. Oriani, E. Peruffo, 2021); the pursuit of digital innovation, specifically the development of original digital products (Pesce et al., 2021); and the application of digital technology in the process of innovation (Lanzolla, G., D. Pesce, 2021).

There is a lack of consensus about the appropriate use of different constructs for different phenomena, which could lead to conceptual overlap in studies on innovation management. For example, (Lanzolla, G., D. Pesce, 2021) referred to the employment of digital



technology in the innovation process as "digitalization of the innovation function," while (Marion, T. J., 2021) referred to "the digitalization of New Product Development" (*italics added*). Furthermore, this conceptual commonality is evident throughout management studies in general, as we demonstrate in this work. (Marion, T. J., M. H. Meyer, 2015) for example, used the term "digitalization of artifacts" in the information systems literature to describe the process of integrating chips and sensors into physical products. On the other hand, used the term "digitalization of products" to refer to the integration of digital technology into physical products during product innovation (*italics added*).

## **METHODS**

This research uses a type of case study approach, arguing that this type of approach can be used to investigate and understand an incident or problem that has occurred by gathering various kinds of information which is then processed to obtain a solution so that the problem revealed can be resolved. This method is very appropriate for analyzing certain events in a certain place and a certain time. This study uses a qualitative method with a phenomenological approach on the grounds that the research data is based on post-pandemic phenomena and the circumstances that occurred after the Covid19 pandemic impact on the use of cashless which is a trend for young people. Cashless convenience is an effective and practical option for the current generation Z. Data collection is based on open interviews in order to obtain more detailed information from informant. The reason for choosing the age range of 19-21 informants, totaling 50 people, is to

see the current phenomenon, especially post-pandemic covid19, more and more young people are using non-cash money to make transactions and this age range is the age group that easily understands the use of digital non-cash money. The results that emerge from the results of interview data with research results.

## **RESULT AND DISCUSSION**

**Based on the 5 questions to the 50 informant below, it can be described in a descriptive analysis:**

1. Does using cashless make you proficient in using non-cash money?

Results: 50 informant stated that the meaning of the word proficient was more in the use of digital tools in the use of cashless, they tended to spend more money in the form of online shopping, not saving or for investment. Consumptive behavior increased because it was influenced by trends, promos, testimonials from celebrities. However, they are good at managing finances it's even more difficult, especially during the covid 19 pandemic, almost all shopping transactions use cashless, forcing to get used to using non-cash money for transactions.

2. Do you understand financial literacy?

Results: 50 informant stated that they did not understand the meaning of financial literacy, both in terms of definition and meaning.

3. How long have you been using cashless?

Results: Of the 50 informant, 45 people have used non-cash money, ranging from 3-5 years, before the Covid 19 pandemic until now and 5 informant used non-cash money because they were forced to

manage lecture administration and other transactions, around 2 years during the Covid 19 pandemic to now .

4. Does the use of cashless make you a consumer?

Results: From 50 informant: 50 informant stated that by using cashless which facilitates transactions with many promos on online shopping, it often affects shopping for products that are not needs but desires which in the end the product purchased is not a useful product. Informant stated that the use of cashless without any guidance or education from their parents, they unconsciously spend on things that are not useful. Meanwhile, the banking sector does not educate or socialize about financial literacy. The banking sector only focuses on financial products that can enjoy the superiority of the product. female students, male informant stated that to shop online they had to find information regarding the product to be purchased online, they really had to know the benefits and uses and not be easily influenced by product promotions.

5. Is cashless easier than cash?

Results: 50 informant stated that cashless is more practical and not easy to pickpocket, but there are problems if there is no internet signal or internet data package because the use of cashless is very dependent on the power of the internet for transactions. But it is also vulnerable to data hacking in the event of fraud or criminal banking. In contrast to cash does not require an internet signal and money looks real.

**Answers to 6 questions to 2 bank employees (Mr. Agus Mujiono and Mr. Abidin):**

1. Are Indonesian people ready to become a cashless society?

Answer: Indonesian people are not ready for a cashless society because financial literacy is still low, the majority are at the economic level of the micro segment with a low level of education too. Jombang and Ponorogo are district-scale areas so the majority still use cash more, although some UMKM businesses starting to use cashless a lot for transaction needs. From the number of cashless users, the majority are young women. It is used for trade transactions and online shopping.

2. Is there an effect of the covid 19 pandemic on the use of non-cash money?

Jombang and Ponorogo are among those affected by the Covid 19 level 5 cases in East Java, resulting in an increase in the use of non-cash money, especially among business people. The impact of the Covid 19 pandemic has been recognized as having an impact on cashless usage until now. People are catalyzed using non-cash with mobile banking tools from banks, for the reason that it is safer and more secure because during the covid 19 pandemic there were restrictions on community activities and cash was considered to be the trigger for the spread of the covid 19 virus. Using cashless with mobile banking tools is considered more practical.

3. Does the age group affect the ability to use non-cash money?

The age group is very influential on the use of cashless because it is linear with the means used for non-cash transactions. Younger age groups tend to understand skills more quickly in using cashless. Due to the factor of being used to using devices and the use of non-cash money related to mobile banking tools.

4. What is the understanding of the financial literacy of the Indonesian people after the covid 19 pandemic?

Understanding of financial literacy is starting to increase, especially supported by government and banking policies in the promotion of financial products, but the numbers are not yet significant. Many Indonesians still use cash in a number of daily and business transaction activities.

5. Do banks conduct education and socialization on the use of non-cash money in Indonesia?

Banking conducts education and socialization, such as conducting onsite, namely conducting transactions at the bank or off site through social media, print media and electronic media.

6. What difficulties often occur in the use of non-cash money encountered by banks and users of non-cash money?

Cashless requires application facilities using internet signals or mobile banking. Constraints that occur in the facility or tool occur errors or obstacles to social engineering targets.

From data processing based on interview results, it can be analyzed that the majority of Indonesian people still do not have a sufficient level of literacy or are not qualified in financial management, especially in the use of cashless. Per capita economic development originating from national income originating from the business activities of business people must be accompanied by significant financial literacy. The data above shows that on average Indonesian people still do not have a high or adequate level of financial literacy. As explained by Lusardi and Mitchell (2007) define financial literacy

as financial knowledge and the ability to apply it in everyday life with the aim of achieving prosperity.

However, what happens is that the use of cashless tends to lead to consumptive behavior. The lack of ability to process finances, the difficulty of distinguishing between needs and wants caused by the influence of online shopping promos and banking products in using cashless without being offset by financial literacy, it will be difficult to achieve prosperity. Based on the results of an interview with Mr. Agus Mujiono, BRI employee Pulung Ponorogo stated that Indonesian people are still at a low level of financial literacy because most Indonesian people are still at the micro segment economic level with a low level of education.

Based on the results of Mr. Abidin's interview, a BSI Jombang employee stated that the majority of cashless users were young people aged 18-45 years. The average age is 17 years old and has started to have an ID card, starting to use cashless in various transactions. For ages 18-21 years, they tend to use online shopping. Micro and medium businesses are also starting to use digital finance a lot in their business transactions, the Covid 19 pandemic factor has become originator of the use of digital money and online transactions to date. Unfortunately, at this age there tends to be a wasteful use of money in the sense that money is spent on consumptive behavior. Parents only provide facilities but still teach little about money management. Meanwhile, banks tend to focus on banking products so that there is an increase in customers so that Financial management is more in the hands of bank account holders because this is the responsibility of each person.

The reality of an understanding of cashless finance which is very prominent can be analyzed in Indonesia, before the covid 19 pandemic, the use of currency which is more familiar and very representative of Indonesian characteristics where there are still more direct trades and transactions. Understanding currency is easier to learn quickly with models the shape, color and denomination of money so it tends to be in the process of remembering. Even currency is more visible when cash is reduced. Unlike digital money which doesn't appear in reality except by using a digital financial process to find out the amount of money left in the account. For the digital financial process using internet signal and will be an obstacle when there is a problem with internet signal or internet data which must be had when checking accounts and the condition of balances in bank accounts.

During the Covid 19 pandemic, the use of currency was reduced and the increase in digital money was mostly carried out in transactions and trade. The increased use of digital money or better known as cashless was considered more practical and did not have to leave the house when making transactions such as online shopping or online trading. Cashless really needs power in managing money, managing money by prioritizing needs and being able to reduce unnecessary desires, save more or invest in something that is beneficial for the future. However, what happens is the use of cashless is not matched by qualified financial literacy skills. Good financial literacy is needed to support various economic functions, especially for business actors who must be smart in managing money. Actors who have loans from banks must be able to manage finances. , don't let bank debt go unresolved and the business doesn't go well so it's vulnerable to bankruptcy. The

more people who are aware of financial literacy, including understanding the function of uses related to products from financial services, the more existing financial transactions will increase, and finally they will be able to increase the movement of the micro and macro economic cycles that influence each other.

However, indicators of financial literacy cannot be standardized, because financial services usually have their own indicators to assess the ability of each customer. However, a simple example can be considered from the perspective of each individual. Apart from that, financial literacy also has a huge impact on the economy. This is due to an increase in the number of people who are aware of financial products and services, which in turn is accompanied by an increase in the utilization of financial products and services, so that they are able to move the wheels of the economy faster. Becoming a new conflict between banks and the cashless user community, banks are required to increase the number of customers but banks are unable to educate in detail and sustainably to invite people who are sensitive to financial literacy. Meanwhile, people who are still less literate and lazy to read, there are social demands in the form of influence trend, the spread of transactions using cashless will impact the use of cashless only on fulfilling increasing consumer desires. The influence of education is also suspected as a trigger for low financial literacy in Indonesia in using cashless because most Indonesian people, especially micro and small businesses, still use cash transactions a lot. Traditional markets still make transactions with cash which are considered easier in terms of numbers money and does not require internal signals or mobile banking tools.



The 50 responses consisting of 25 students and 25 female students, it is known that 25 female students stated that they use more money to shop online without reading the details to understand the use of cashless when buying a product, whether the product purchased is what is expected. according to what is needed. The effect of using social media accounts to create content or stories on social media is very influential in online shopping as a form of social recognition among generation Z. Female students who tend to be psychologically affected when shopping online, especially when there are lots of promos given to market places and social media, tend to ask beforehand or read product references when shopping online. Of the 25 students, there are 20 students who are more careful in using cashless due to several factors and factors that have no income influence the use of cashless. 5 Students who stated that cashless was very useful and more practical to use for transactions and they stated that the use of cashless was affected by promos and friends in their environment. The findings of this study are in accordance with the opinion of Chen and Volpe (1998) who found that in terms of financial literacy in general, the level of women is lower than that of men. Lalonde and Schmidt (2010) reinforces the findings which state that financial literacy is a form of general knowledge in males higher than females.

The increase in people's per capita income must be balanced with the provision of adequate education so that the level of literacy of the Indonesian people towards the financial services industry is also increasing. This can be studied in economic theory regarding saving and consumption. The consumption function is closely related between consumption (C) and income (Y) while the savings function is related

between savings (S) and income (Y). If linking consumption and saving functions, it is influenced by income. This is because these two things are closely related. Consumption is the activity of using household goods and services with the aim of meeting daily needs from the income earned. What is happening at the moment, cashless is used more on the consumption function which is a desire, not a need. 50 informant are students who do not have income and depends on the parents' income. Online shopping by informant is taken from pocket money given by parents or spending college money that needs to be paid so that the desired product does not run out in a hurry. There is the convenience of taking debt from promo applications such as shopee pay later and convenience shopping in market places it triggers generation Z to be good at making money, in the sense of looking for debt to be able to shop online or use cashless for healing or self-rewards which ends up just spending money without thinking about saving. Even when you still have money left in your bank account, you will be easily tempted unt to spend it. 50 informant often regret buying products that are not needed and feel concerned about the financial situation of their parents, but the influence of the environment, friends, promos and lack of parental guidance on financial management because parents' education is still minimal in financial management as well.

It is understandable that banking policies are unable to continuously educate customers about financial literacy. The benefits of banking products and services provided by banks are temporary, when there are problems or during administrative transactions regarding banking to customers. And then it is the customers who must

have responsibility for financial management. And the problem is that customers who are young, haven't worked and use cashless without the support of good financial literacy, will become financial problems that occur in each individual which also have an impact on parental expenses and income. Qualified and sustainable finance will have a good future in financial management. There are two long-term benefits that can be obtained, namely increasing literacy that was previously owned or less literate to be well literate, and increasing the number of users of financial products or services supported by awareness of digital skills and financial literacy that has been trained since children use cashless, including role models of parents who also have good financial literacy skills. The role of banking is not only to pursue the target of increasing the number of customers and to be successful in selling banking products and services.

There is a government policy to educate and socialize financial literacy which is important. Because Indonesia is currently experiencing an age explosion productive and demographic bonus, if you only pursue the formation of a cashless society but what happens is a lot of consumption instead of saving, it will also have an impact on national income and the Indonesian economy. So, based on these benefits, the community as an individual is proven to be able to provide financial services and products that suit the needs of the community. Later, people will also understand the benefits and risks that occur in using money. Humans will always be influenced by needs and desires. The emergence of conflicts in fulfilling needs and desires also has an impact on financial management. Needs will always be met for survival, while wants are fulfillments that do not have to be

fulfilled and are greatly influenced by subjective psychological matters. The ability to manage finances with an understanding of making decisions before making a transaction which involves expenses.

Understanding and being able to distinguish between needs and wants will greatly impact spending. Financial literacy is defined as a person's ability to obtain, understand, and evaluate relevant information for decision making by understanding the resulting financial consequences (Carolynne L J Mason & Richard MS Wilson: 2000). Based on psychological theory, the age of 18-21 is the age of late adolescence and entering early adulthood. The influence of the outside environment greatly influences mindsets and behavior for this generation which is often called generation Z. During the 19 pandemic, digital influences in the field of communication and social media also influenced the behavior of Indonesian people, especially generation Z, who have digital skills to surf online. Generation Z, which is easily influenced by promos in market places, has also had an impact on increasing the use of cashless for transactions. Based on the results of research through open interviews with 50 informant aged 18-21 years, all stated that they use cashless for online shopping transactions.

Indonesia is still a developing country with a high unemployment rate without being matched by job opportunities in the workforce. The level of consumption continues to increase compared to awareness of saving. There is still a lack of financial literacy that is influenced by education, the influence of trends, the influence of social media in the formation of a new culture in Indonesia so what happens Currently, after the Covid 19 pandemic, it is undeniable that cashless is more

widely used to fulfill desires based on psychological factors. Indonesia still cannot become a fully cashless society because it is also undeniable that the use of cash is more widely used than cashless. The new social culture that everything things that are broadcast on social media, market places and platforms that affect the communication and behavior of the Indonesian people, if they don't follow trends that are currently viral then they are considered to be less updated and outdated. Like the OJK statement on its website that the public really needs to get an understanding of the benefits and risks of financial products and services. Financial Literacy also provides great benefits for the financial services sector. Financial institutions and the community need each other so that the higher the level of community financial literacy, the more people will take advantage of financial products and services. (<https://www.ojk.go.id/en/kanal/edukasi-dan-consumer-protection/Pages/financial-literacy.aspx>).

Implementation of education in the context of increasing public finances is urgently needed because based on a survey conducted by OJK in 2013, the level of financial literacy of the Indonesian population is divided into four parts, namely:

1. Well literate (21.84%), namely having knowledge and confidence about financial service institutions and financial service products, including features, benefits and risks, rights and obligations related to financial products and services, and having skills in using financial products and services.
2. Sufficient literate (75.69%), has knowledge and confidence about financial service institutions and financial products and

services, including features, benefits and risks, rights and obligations related to financial products and services.

3. Less literate (2.06%), only having knowledge about financial service institutions, financial products and services.
4. Not literate (0.41%), do not have knowledge and confidence in financial service institutions and financial products and services, and do not have skills in using financial products and services. (<https://www.ojk.go.id/en/kanal/edukasi-dan-consumer-protection/Pages/financial-literacy.aspx>).

Based on the results of interviews with 50 informant and also comparing the results of data and interviews with 2 banking employees, the reality on the ground is still at the stage: Less literate only has knowledge about financial service institutions, financial products and services, as evidenced by the use of cashless consumption, not saving and It is undeniable that the Indonesian population uses cash more as a transaction tool which is still considered easy and unaffected by internet signals and mobile banking tools, does not have knowledge and confidence in financial service institutions and financial products and services, and does not have skills in using products and services. financial services. And this situation is a resident of Indonesia with a not literate type.

This was also corroborated by the statements of 2 banking employees that it is still difficult for Indonesia to form a cashless society because the Indonesian population is still at the less literate and not literate stages. The financial literacy of the Indonesian population has entered the Well literate (21.84%) and Sufficient Literate (75.69%) stages. Looking at the data from the SNLIK results (National Survey of

Financial Literacy and Inclusion) in 2022 it shows that the financial literacy index of the Indonesian people is 49.68 percent, an increase compared to 2019 which was only 38.03 percent. While the financial inclusion index this year reached 85.10 percent, an increase compared to the previous SNLIK period in 2019, which was 76.19 percent. This shows that the gap between literacy levels and inclusion levels is decreasing, from 38.16 percent in 2019 to 35.42 percent in 2022. (<https://www.ojk.go.id/id/berita-dan-activity/infolatest/Pages/Infographic-National-Survey-Literacy-and-Financial-Inclusion-Year-2022.aspx>). The gap has an impact on decreasing literacy levels until 2022.

### **Policy Recommendation**

Based on the results of our research, it is expected to provide contributions and follow-up input to be recommended to the government and banks, as follows:

#### **For Government:**

1. Indonesia is a developing country and is the 4th most populous country in the world with a demographic bonus that is predicted to continue until 2040. The demographic bonus in question is the period when the productive age population (15-64 years) will be larger than the non-productive age population (65 years and over) with a proportion of more than 60% of the total population of Indonesia. The abundance of productive human resources will not be productive if there are no jobs in accordance with the skills and fields they master. Therefore, the government is preparing various job opportunities and opening investment faucets both domestically and abroad. The demographic bonus is a strategic opportunity for

Indonesia to carry out various accelerated developments with the support of abundant productive age human resources (HR). Moreover, in 2030 there is a big agenda for sustainable development (Sustainable Development Goals). In line with that, the government has also launched the Golden Indonesia Vision in 2045 with the hope of creating a quality productive generation. The duty of the state is to intervene, to create jobs through investment. So investment using both domestic and foreign funds, including inviting foreign capital to Indonesia, is actually meant to create jobs for productive generations. If the demographic bonus fails to be utilized, it will be very dangerous when entering the aging population or a period when the number of old people is greater than the productive number.

2. Optimizing the demographic bonus, so as not to get stuck in middle or minimal income, is definitely not as easy as turning the palm of the hand, requires hard work, precise government policies along with the support of all related elements including the Indonesian people. The large amount of unemployment will have an impact on increasing Indonesia's welfare and economy. Indonesia is still not a producing country, it can be analyzed in terms of production and consumption comparison, the level of production is still low compared to the level of consumption. Consumption of goods and services is still obtained by fulfilling imports which are higher than exports. This situation needs to be considered by the government in anticipating cashless developments in society Indonesia is still lacking in financial literacy. Based on the results of our research, the use of cashless is still dominant in the consumption of goods and



services. The entrepreneurial movement is driven by the government by providing convenience in giving business credit and business development opportunities are still uneven among business actors, especially micro and small business actors. The government has also provided facilities for the development of halal-certified products for small business actors, but is still constrained by socialization and education in providing an understanding of halal certification. Because the buyer's market micro and small business actors still use a lot of cash. Traditional markets still often use cash because it is easier to calculate and easy to understand in terms of the amount of money in transactions without the need to use digital tools or internet signals in transactions, compared to modern markets where facilitate transactions using cashless (<https://ejournal.uinsatu.ac.id/index.php/reinforce/article/view/5488>).

3. Business actors in traditional markets who are on average not generation Z are more skilled at using digital tools and banking products. Even though micro, small and medium business actors have conducted cashless transactions, the number of business actors still has to adjust to the conditions of the Indonesian people who more familiar with the use of cash in transactions. Business actors who have used cashless transactions, business actors must first have a bank account with banking terms and policies applied, as well as their consumers. Based on the above explanation and the reality of the facts on the ground, it can be analyzed that Indonesia still cannot haste in the formation of a cashless society, it takes a lot of processes, a symbiosis of mutualism between the government and

banking in educating and socializing the importance of financial literacy.

4. Government policies are needed in the form of regulations or laws because there are no restrictions based on government regulations or advertising laws on social media and other platforms to reduce the influence of online shopping. There are no special applications for using cashless for customers aged 17-20 years, not yet working and do not have personal income so expenses can be managed in using cashless. Because based on the results of the research we conducted, it turned out that there were no differences in the areas of Jombang, Ponorogo and Mojokerto regarding the use of cashless which tended to be used for spending online shopping. online that are influenced by trends, celebrity testimonials and Youtubers and advertisements on social media.
5. The need for the role of parents in teaching responsible financial management to children, not only verbally and non-verbally, but also with examples applied to families in financial management, openness in family financial management can trigger children's sensitivity to other people's income and expenses. The role of the Government and banking is to continuously socialize and educate the public so that the wider community can intelligently determine financial products and services that suit their needs and the public must correctly understand the benefits and ability to manage risks, know their rights and obligations and believe that products and selected financial services can improve people's welfare. It is necessary to carry out ongoing research using a variety of research

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methods in order to add to the repertoire of scientific insights,  
especially in the fields of economics and banking.

### **For Banking**

1. Although Bank of Indonesia (BI) has launched the National Non-Cash Movement (GNNT) on 14 August 2014 which aims to create a safe, efficient and smooth payment system, it can encourage the national financial system to work effectively and efficiently. It takes quite a long time and gradually with pay attention to the condition of the Indonesian people in terms of income, understanding of banking, use of mobile banking tools, digital tools, internet signals and habits of using cash that are familiar to Indonesians. Even though cashless is considered more practical, it requires opening a bank account first and the amount of the balance in the policy. use of mobile banking.
2. The banking sector is gradually promoting community services through direct education when making bank account transactions, through social media, print media as well as other digital media. Even though it takes a long time to form people's behavior that is sensitive to financial management which will have an impact on financial conditions in the future and also have an impact on the Indonesian economy.
3. The "Let's Save" movement is still very minimally socialized by banks and the government. Banking parties to invite savings still use promotions with the lure of luxury prizes, although if examined in more detail, the winner of the luxury prize must be a customer who has a larger amount of savings balance than customers who only have minimal balances in their bank accounts. The use of digital

tools, platforms and social media that can affect consumer behavior because promotions and marketing strategies advertise the many conveniences of online shopping and the use of cashless is a trap without realizing it and becoming addicted to buying useless products, sometimes just following trends. Indonesian society is still minimal in financial literacy, consuming more and being lazy to save will become a vicious circle that has an impact on future life. Self-awareness of the importance of financial literacy must be developed from an early age from home with role models in financial management, supported by government programs, banking and all levels of society which synergize with each other with a symbiosis of sustainable mutualism that will have an impact on the welfare of Indonesia in the future.

## **CONCLUSION**

The impact of the Covid 19 pandemic has changed the pattern of trade transactions in Indonesia, which previously used mostly cash to use non-cash or cashless money. Cash is considered to be the originator of the spread of the Covid 19 virus and the implementation of restrictions on community activities requires people to get used to online transactions and using cashless money. The increasing use of cashless to date has also changed the habits and patterns of consumer behavior in Indonesia. Generation Z is the community that uses the most digital tools. The influence of social media, promos in market places and testimonials from celebrities are able to influence the increase in online shopping transactions.

Generation Z is more sensitive than other generations so that the use of cashless is responded to more quickly. It is easy to use cashless in a practical, fast and easy way to deal with cashless problems. However, cashless is still very dependent on the internet, cashless processing activities must use the internet and Indonesia is still often constrained by networks that are still 4G if there are problems with the internet. Financial literacy is also able to make a person manage and also take every opportunity to be able to get a more prosperous life in the future. In addition, financial literacy is able to assist each individual in making the main decisions related to making decisions to invest or save. Financial difficulties are not only a function of income alone (low income). Financial difficulties can also arise if there is an error in financial management (miss management) such as an error in controlling expenses and income or the absence of financial planning.

Good financial literacy is needed by all levels of society, including business people. By having good financial literacy, they will be able to better manage each of their business financial funds by utilizing various existing financial reports. In order for the general public to be able to determine financial products and services that suit their needs, the public must correctly understand the benefits and risks, know their rights and obligations and believe that the selected financial products and services can improve people's welfare.

There is still a lack of financial literacy that is influenced by education, the influence of trends, the influence of social media in the formation of a new culture in Indonesia so what happens Currently, after the Covid 19 pandemic, it is undeniable that cashless is more widely used to fulfill desires based on psychological factors. Indonesia

still cannot become a fully cashless society because it is also undeniable that the use of cash is more widely used than cashless. It is hoped that there will continue to be ongoing research with different research methods in order to add to the scientific repertoire that will benefit society, the government and also the banking sector so that the Indonesian population will become more digitally competent and sensitive to financial literacy, smarter in financial management which will have a huge impact on the future.

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