

Financial Technology, Transaction Efficiency and Financial Satisfaction: The Mediating Role of Financial Achievement

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ABSTRACT

Financial technology has emerged as a powerful platform for financial activities and transactions. This study aims to investigate the role of financial technology in explaining financial satisfaction and transaction efficiency. This research also highlights the mediating role of financial achievement in its relation to financial technology, transaction efficiency, and financial satisfaction. This study adopted a quantitative study undergoing a path analysis. The research sample was approximately 250 students, which was determined purposively at the Islamic Economics Department of IAIN Tulungagung. The underlying rationale is that the course provided in the department focused on the micro and macroeconomics and the financial industry today. The findings of this study indicate that financial technology plays a crucial role in affecting transaction efficiency, financial achievement, and financial satisfaction. The study also confirms the act of financial achievement in mediating the relationship between financial technology and financial satisfaction as well as financial technology and transaction efficiency.

Keywords: Credit Distribution, Exchange Rate, Inflation rate, Interest Rate, FinTech, Transaction Efficiency

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INTRODUCTION

The use of the internet has entered all aspects of life in Indonesian and the world community. The data by the Indonesian Internet Service Providers Association (APJII) revealed that out of 264.16 million Indonesians, 171.17 million people are internet users or approximately 64.8 percent of Indonesia's population uses the internet. This number has increased by 27 million people, or a gain of 10.12 percent from 2017 (APJII, 2020). Humans increasingly depend on technology to improve the quality of life. In the current era of 4.0, all financial systems have switched to digital mode, all levels of society are accustomed to using smartphones to make digital transactions (Karo & Luna, 2019). Innovations in the form of hardware and software make a significant change in people's lives, one can easily make transactions through financial applications instead of having to the bank (Lee & Trimi, 2018).

The combination of e-finance, social networking, big data analytics, internet technology, artificial intelligence, and social media drives financial progress to create innovations, namely

financial technology (FinTech). FinTech includes personal financial consulting services, insurtech, BigData, virtual currency, crowdfunding, and cybersecurity (Suryono, 2019; Suryono et al., 2020). The focus of FinTech services is on payment and loan services such as banks. According to the sector, the most widely used FinTech users in Indonesia are payment services at 43 percent. Almost all spectrum of services provided by FinTech has covered the services provided by traditional financial institutions. Almost all incumbent companies' business sectors are threatened by market share and profit margins by FinTech companies (Bofondi & Gobbi, 2017).

The adoption of FinTech has several benefits, especially for financial management. The new FinTech business model promises more efficiency, opportunity, flexibility, and security than traditional financial services (Suryono, 2019). FinTech is conducted online to reduce transaction costs and without time limits because it can be done quickly and easily (Iskandar, 2019). The financial management that individuals expect is good financial management, apart from being efficient in the transaction process. It also has to provide promising feedback for the quantity of finance. A person's satisfaction with their financial condition will increase if the management is good and correct (Kirbiš et.al., 2017). Financial satisfaction is created by how broad the individual's knowledge is about managing their finances. One of the factors in using FinTech is an increase in business performance. Improved performance makes individuals achieve financial satisfaction (Sari & Septyarini, 2013).

FinTech manages users' personal finances, such as payments, credit, savings, investments, etc. The results of proper financial management make individuals feel prosperous. The welfare in question is a form of financial achievement (Rinofah & Sari, 2019). Individuals must have a plan related to financial management, not only for transactions or making payments but also for investments and savings planning. Regarding financial satisfaction and financial achievement, individuals really need to think carefully about their financial management steps in order to be free from poverty. The more references to financial transactions known, the more directed the individual will be in making financial decisions.

Since the crucial role of FinTech in daily human life, however, few studies have investigated FinTech in any systematic way for individual purposes. The growing body of literature focuses on the impact of FinTech from organizational perspectives such as Bank and Insurance company as well as economic growth (Phan et al., 2020; Liu et al., 2018; Iskandar, 2019). This paper aims to contribute to the existing literature on FinTech from users' sides. Second, this present study explores the influence of the increasingly widespread use of FinTech today, especially for personal financial management. The financial management that individuals expect is in a better direction, such as transaction efficiency, financial satisfaction, and financial results.

LITERATURE REVIEW

Financial technology or FinTech is a technology applied to the financial industry, where it operates using digital technology connected to the internet. Wijayanti and Riza (2017) explained that the convergence of financial services and information technology has triggered a change in the current financial industry known as FinTech. The non-financial business phenomenon is the practice of FinTech as a service provider, such as payments, investments without the need to cooperate with banks, and remittances. These non-financial services are included in the Non-Bank Financial Industry. The current manual transaction system has been diverted from the online transaction system.

Previous research related to fintech proposed by Iskandar (2019) regarding the historical development of FinTech found a significant positive relationship between GDP per capita and the use of new technology and smartphones in financial transactions and payment processing. Fintech has a positive effect on society, so researchers will examine whether the use that is considered positive has a positive impact on users' personal finances. Sari and Septyarini (2013)

examined the effect of financial technology on financial satisfaction. The study results explain that the use of financial technology can increase the financial satisfaction of small companies in Yogyakarta.

Additionally, studies on sharia FinTech users in Indonesia show that the public feels the use of sharia fintech in conducting various transactions. They are satisfied with sharia FinTech products because they use digital technology and sharia principles. The existence of Islamic FinTech changes their perceptions and behavior to continue to use products in various transactions and businesses. The role and benefits of Islamic fintech are measured using user satisfaction on sharia fintech products based on the Technology Acceptance Model (TAM) construct, perceived ease of use (PEoU), perceived usefulness (PU), and attitudes are determinants of user satisfaction in sharia fintech products (Wijayanti & Riza, 2017).

Accordingly, Arifin (2018) research on financial satisfaction and the financial behavior of workers in Jakarta, Indonesia, found that financial knowledge and financial attitudes positively influence financial behavior. Likewise, financial behavior mediates the relationship between financial knowledge and financial attitudes on financial satisfaction. Aliyah and Nurdin (2019) studied the effect of technology-based financial services on public financial literacy. The study results found that there was a positive influence on perceived usefulness and perceived ease of use on financial literacy.

Meanwhile, Armilia and Isbanah (2019) in a study that aims to examine factors that affect financial satisfaction of fintech users, states that financial attitudes affect financial behavior, financial knowledge does not affect financial behavior, financial behavior affects financial satisfaction, financial attitudes do not affect financial satisfaction, financial knowledge affect financial satisfaction, financial behavior mediates financial attitudes towards financial behavior, but financial behavior does not mediate financial knowledge about financial satisfaction.

The hypotheses tested in this study are: (1) fintech has a significant effect on transaction efficiency; (2) fintech has a significant effect on financial satisfaction; (3) fintech has a significant effect on financial results; (4) Financial performance has a significant effect on transaction efficiency; (5) financial performance has a significant effect on financial satisfaction; (6) fintech has a significant effect on transaction efficiency through financial results and (7) fintech has a significant effect on financial satisfaction through financial results.

METHOD

This study's population were students of Islamic Economics at the State Islamic Institute (IAIN) Tulungagung. Students majoring in Sharia Economics were chosen because the course in the department focused on the micro and macro economies and economic support institutions and the financial industry today. Students of this department are considered to be more familiar with the latest innovations in finance. This study used a purposive sampling method with several criteria. First, active students of the Islamic Economics Department IAIN Tulungagung academic year 2019-2020; and users of a form of FinTech. Based on the results of sampling from 2590 active undergraduate and postgraduate students, approximately 250 students were obtained with the criteria mentioned above.

The data source used in this study consists of secondary data and primary data. Secondary data were obtained from books, journals and articles. Primary data were obtained through online questionnaires using a google form, which was distributed to respondents. Data analysis using SPSS application with systematics: validity test, reliability test, classical assumption test, regression test, hypothesis test, and path analysis. Path analysis is used to test whether there is a mediating role in the intervening variables.

RESULTS AND DISCUSSION

Path Analysis

Table 1 illustrates the causality between variables and a summary of the path analysis used as a basis for path modeling.

Table 1. The Result of Path Analysis

Variable	Causal Influence		Total
	Direct	Indirect (Through Z)	
X toward Y1	0.563	(0.517 x 0.530)	0.563
X toward Y2	0.373	(0.517 x 0.540)	0.279

Source: Data Processed (2020)

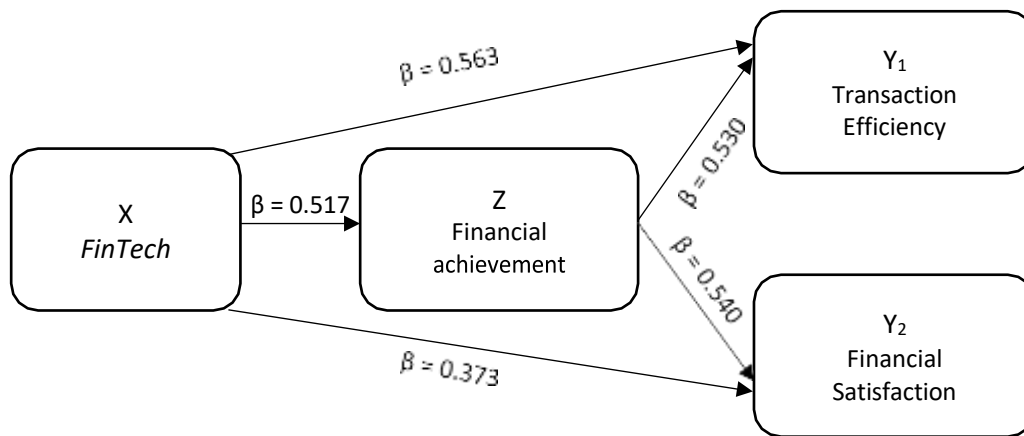


Figure 1. Path Analysis

The Influence of Fintech on Transaction Efficiency

Based on the preliminary calculation, it can be stated that FinTech supports the realization of transaction efficiency. This result is in line with the opinion of Mulyadi (2007) that efficiency in transactions is the determination of the method (effort, work) in running something without wasting time, energy and costs. This study also supports the findings of Rahardjo et al. (2019) that Fintech has an important role in the financial performance of the public at MSMEs, namely in the form of increasing efficiency both from operations and efficiency enjoyed by its members. FinTech can also be used as a market place in production or buying and selling. The use of FinTech has its own opportunities and challenges, opportunities from the application of FinTech, namely in the form of market expansion and its challenges, low human resources and low capacity of adequate internet networks.

This finding also supports the previous work of Iskandar (2019), that FinTech payment services allow consumers, sellers and other related parties to get information and carry out payment activities quickly, easily, without limitation of time and place. However, FinTech also has risks, as in the study of Rahmanto and Nasrulloh (2019), FinTech has several inherent risks, namely financial risk and technology risk. Risk management can be managed in various ways according to the costs required and efficiency in management

Fintech and Financial Satisfaction

The results of the study confirm that FinTech encourages customer satisfaction in transactions. This is relevant to Sari and Septyarini (2013) that financial satisfaction is driven by

FinTech because it can improve business performance and good financial conditions so as to encourage financial satisfaction. Financial satisfaction is satisfaction with sales results, financial performance, and financial condition. This finding also supports the preliminary result from Wijayanti and Riza (2017), who found that people feel the usefulness of FinTech sharia in conducting various transactions. They are satisfied with sharia FinTech products, and the existence of sharia FinTech changes their perceptions and behavior to continue to use products in various transactions and businesses.

The role and benefits of Islamic FinTech are measured using user satisfaction on Islamic FinTech products. Based on the construct of the Technology Acceptance Model (TAM). The results are the same as research by Armilia and Isbanah (2019), that FinTech affects financial behavior. FinTech is a good financial management tool. This data indicates that there is financial satisfaction that FinTech users have. Financial satisfaction is a state of financial condition that is financially sound so that you feel happy and free from worrying about your financial condition.

Fintech and Financial Achievement

The results of this study show that FinTech affects basic knowledge about finance, cash flow, and credit management, savings management, investment, and financial management. This result is relevant to the study of Beverly et al. (2003) that the financial management process in order to create financial outcomes focuses on four activities: cash flow management, credit management, savings, and investments. Through FinTech, financial management is better and will allow for an orderly allocation of funds because it can easily and efficiently control expenditure and income.

This research is relevant to Sari and Septyarini (2013) research which remarked that FinTech can improve small businesses' financial performance and financial achievement. Financial achievement variables are measured by a number of questions, including satisfaction with the current financial condition of a small business, management of mobile financial assets, immovable financial assets, and cash flow.

The Influence of Financial Achievement Toward Transaction Efficiency

In relation to the effect of financial performance on transaction efficiency, the results show that there is a significant positive effect. These results support the study of Siregar & BZ, (2017) that the efficiency analysis can be seen through the knowledge and management of village finances, even though several villages appear to be able to make basic budgeting more efficient in the fiscal year. Achieving maximum output with a certain input for the use of the lowest input to achieve a certain output. Efficiency plays a role in the output/input ratio associated with the performance standards or financial targets that have been set. With the existing input and output management, the efficiency of input and output management will be obtained maximally as a form of individual effort to obtain financial results.

The Impact of Financial Achievement on Financial Satisfaction

This significant effect of financial achievement on financial satisfaction means that basic knowledge of finance, cash flow, and credit management, saving arrangements, investment, and financial management effects can affect individual financial satisfaction as indicated by financial adequacy, perceived economic well-being, and perceptions of individual ability to meet financial demands. This research is relevant to the study of Beverly et al. (2003), which states that good personal financial management with various indicators will get financial results.

This study also supports the research of Armilia and Isbanah (2019) that financial attitudes, financial knowledge affect financial satisfaction. Financial satisfaction is a sense of satisfaction in the financial sector. Financial satisfaction is also a sense of satisfaction with the

income received. Individuals feel financial satisfaction with what is conditioned, managed, and achieved even though it is small.

The Impact of Fintech on Transaction Efficiency through Financial Achievement

The positive and significant influence of FinTech variables on transaction efficiency through financial achievement supports the antecedent study of Armilia and Isbanah (2019), which found that financial behavior as financial achievement does not mediate financial knowledge. Likewise, the study of Wijayanti and Riza (2017), states that transaction efficiency is the ease of transaction, if the product is easy to use, the usefulness of FinTech products can be felt. Users believe that FinTech is easy to use and useful in solving their financial problems to increase the user's attitude towards FinTech services.

This study supports the findings of Gerrans et al. (2014), that the effect of FinTech on transaction efficiency is direct through financial achievement. In gaining digital financial access, it makes it easier for small and efficient businesses. Gaining access easily and quickly encourages small businesses to increase sales and revenue. Increasing sales can increase the results achieved for small businesses and lead to satisfaction for small businesses. Financial achievements can be had if small businesses access FinTech.

The Influence of Fintech on Financial Satisfaction through Financial Achievement

FinTech also affects Financial Satisfaction through financial achievements. According to Beverly et al. (2003), managing good finances can also have a good impact on individual financial performance in addition to the intended satisfaction. This research is relevant to the study by Rinofah and Sari (2019) that good financial management practices can be obtained with financial knowledge. If someone has got his financial achievements, this will make him feel satisfied. However, this is not always true because, for satisfaction in financial transactions, individuals do not have to fully manage their finances properly.

The results are the same as research by Sari and Septyarini (2013) that the use of financial technology can increase financial satisfaction. Financial technology can improve small business finances. Financial achievements are needed through FinTech for financial satisfaction. FinTech affects financial satisfaction indirectly, but it can affect financial satisfaction because of the mediating role of financial achievement. Thus, financial performance can mediate the influence of FinTech on financial satisfaction. The criterion for the role of mediating financial achievement is partially mediated, which means that financial results can mediate the relationship between FinTech and financial satisfaction only partially or not fully because FinTech can directly affect financial satisfaction.

CONCLUSION

The use of FinTech affects the efficiency of time, effort, and cost in transactions. FinTech also affects the mindset in managing finances, financial situations and attitudes, the ability to meet long-term needs and emergencies, and managing financial problems. The use of FinTech by students affects basic knowledge of finance, cash flow, and credit management, savings management, investment, and the influence of financial management. Meanwhile, financial achievements in the form of basic knowledge about finance, cash flow, credit management, savings management, investment, and financial management can affect the efficiency of transaction time, energy, and costs. Basic knowledge of finance, cash flow, credit management, saving arrangements, investment, and financial management effects can affect individual financial satisfaction as indicated by financial adequacy, perceived economic well-being, and perceptions of ability to meet financial demands. FinTech directly affects transaction efficiency without going through financial results as a mediating/intervening variable. Meanwhile, FinTech has a direct effect on financial satisfaction without going through financial results as a

mediating/intervening variable. For future researchers, it is recommended to use more varied research subjects from various circles of society so that the results achieved are more optimal.

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