



## The Role Of Fintech In Increasing Access To Economic Growth For Marginalized Communities

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### ABSTRACT

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The development of technology and information presents various service products for the community. Fintech or *Financial Technology* is one of the online services that currently helps the community a lot. This technology is engaged in the financial industry and economy. Various types of Fintech are present to help people's financial and entrepreneurial problems. Easy and fast systems and services, making Fintech increasingly in demand. This research and scientific study aims to identify the challenges faced by these communities and propose financial technology as an alternative. Interestingly, this Fintech system continues to increase in terms of demand. Thus, it is interesting to observe in order to find out the role and successful impact of the emergence of Fintech.

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### A. INTRODUCTION

Marginalized communities face significant challenges in accessing job skills development and employment opportunities, leading to socio-economic inequality and exclusion. Persistent unemployment and underemployment in these societies hinder their social and economic progress, thus contributing to cycles of poverty and marginalization. Addressing this issue requires a comprehensive understanding of the barriers faced by marginalized communities and the development of effective strategies to encourage employability development and create sustainable employment opportunities.

The main problems addressed in this service are the lack of job skills development and limited employment opportunities for the community. It aims to identify specific challenges faced by these communities, explore factors that

contribute to their limited access to job skills development and employment opportunities, and propose strategies to overcome these barriers.<sup>1</sup>

Technological advances have also affected the financial sector in Indonesia. The emergence of various financial service industries seems to be a new trend in the community. Indirectly, this is a manifestation of the development of the business world that continues to move dynamically and renewal. Slowly, the financial sector is becoming one of the most impactful sectors of technology and information development in today's digital era. Collaboration and innovation from the financial industry (business) with technology, has given birth to various technology products and services, one of which is the presence of *Financial Technology (Fintech)*.

Fintech technology continues to experience significant developments and increases. Based on data released by the Financial Services Authority (OJK), the number of registered Fintechs reached 164 companies, with 25 Fintechs. This number increased from November 2019, which reached 144 companies.

According to OJK Licensing Directorate Staff, Audy Ramzie (quoted from Repbulika), a significant increase in the number of Fintech companies every quarter occurs due to high demand from the public and increasing digitalization growth factors.

In carrying out its operational activities, Fintech provides convenience in service. The public can access Fintech only through smartphones and PC media. Fintech utilizes application media and websites in its services. Because of this system, people can make transactions or apply for capital loans more effectively and efficiently. This condition is different from the services provided by conventional banks.

These various facilities and fast services have in fact succeeded in increasing demand or demand and public interest. No wonder that in November 2019, the number of loans through Fintech in Indonesia reached Rp60.41 trillion. The development of Fintech and the ease of services provided are certainly potential for the community to organize entrepreneurial activities. Fintech provides quick and easy capital lending services.<sup>2</sup> This study aims to provide the results of

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<sup>1</sup> Muhammad Ade et al., "Development of Job Skills and Employment Opportunities for Marginalized Communities" 1, no. 03 (2023): 184–94, <https://doi.org/10.58812/ejincs.v1.i03>.

<sup>2</sup> Development of MSME Entrepreneurship, "Proceedings of the National Seminar on Education for the Postgraduate Program of Pgr University Palembang January 10, 2020," 2020, 270–77.

analysis and studies on the role and influence of Fintech for marginalized communities.

Based on previous research conducted by Winarto (2020) shows that Fintech plays a role in financial inclusion in Indonesia through MSMEs in Pekalongan Regency, Batang Regency, and Pemalang Regency. This can be seen from the number of people who use applications and collaborate with various Fintech. Fintech provides convenience in providing loans or access to business financing.

## **B. METHODS**

Research is carried out through the study and analysis of various reading sources on the topics and problems discussed. This type of research belongs to the qualitative type. While the type of writing used is descriptive. The purpose of writing with this descriptive-qualitative method is to make a description, a systematic and accurate picture of the facts, the nature of causal relationships and observed phenomena. Data collection is carried out through various research journals, articles, and secondary data from government agencies. These data are then analyzed and described in each section of this scientific article

## **C. RESULTS AND DISCUSSION**

### **1. Marginalized Communities**

Marginalized communities are groups of individuals or communities that face limited access to resources, services, and economic opportunities. They are often found in remote, rural areas, or in areas far from urban centers. Marginalized communities may experience inequalities in terms of access to banking, financial services, infrastructure, education, healthcare, and business opportunities. This condition can be caused by geographical constraints, lack of adequate infrastructure, or inability to take advantage of technological innovations.

For example, in some rural areas of developing countries, marginalized communities often face difficulties in accessing traditional financial services. Banks or financial institutions may be far from where they live, and limited transportation makes that access difficult. These marginalized communities

may also lack adequate official identification or credit history, which makes it difficult for them to obtain loans or other financial products.

However, with the advent of financial technology (FinTech), this situation has the potential to change. FinTech innovations, such as digital financial services, mobile banking, and digital payments, can provide solutions for marginalized communities. By using mobile devices and increasingly widespread internet access, they can take advantage of affordable and accessible financial services. Technology-based loan services can also help them obtain business capital or financing that was previously difficult to reach.

Studies and research have highlighted the role of FinTech in improving economic access for marginalized communities. For example, a study by the World Bank Group (2018) highlights how digital financial services through FinTech have increased financial inclusion in various countries, including in remote and rural areas. The study shows that easier, cost-effective, and secure access to financial services has had a positive impact on the well-being of marginalized communities.<sup>3</sup>

## **2. Financial Technology (FinTech)**

Along with the times that continue to move forward, many companies in an era like today are trying their luck to switch to the digital world. However, not only companies that have been running and then trying to switch to the digital world but many new companies or startups have emerged with various types and digital products that are interesting and very useful for society in an era like now.<sup>4</sup>

*Fintech* is a business field that provides financial and banking services through the use of technology. The presence of fintech aims to facilitate public access to be connected to financial products and services, including conducting financial transactions. In addition, the presence of fintech is also expected to increase people's financial literacy.

According to Hsueh & Kuo (2017), there are three types of fintech services, namely:

- a) Third-party payment systems

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<sup>3</sup> Ade et al., "Development of Job Skills and Employment Opportunities for Marginalized Communities."

<sup>4</sup> Vivi Febrianti et al., "( INCREASING FINANCIAL INCLUSION IN MSMES ) Lecturer of Pardon Sentot Imam Wahjono By :," no. March (2023).

Such as *cross-border electronic commerce (EC)*, *online-to-offline (O2O)*, payment systems using mobile devices, and platforms that provide services such as payments and bank transfers.

b) Peer-to-Peer (P2P) lending

Is a platform that brings together creditors and debtors (especially individuals and MSMEs) to meet each other's needs.

c) *Crowdfunding*

That is a type of fintech that collects financial support from the public, both online and offline, to finance certain projects.

### 3. Economic Growth

Economic growth is one of the indicators of successful development in an economy. The well-being and progress of an economy is determined by the magnitude of growth indicated by changes in national output. Changes in output in the economy are similar to short-term economic analysis.

According to Adam Smith, the government has three main functions in supporting the economy, namely:

a) Maintain internal security and defense

b) Convenethe judiciary

c) Goodsthat are not provided by the private sector, such as infrastructure and public facilities.

The government needs a budget to carry out its functions properly and the mechanism for organizing the budget is carried out through fiscal policy. Fiscal policy reflects the size, growth, and structure of a country's government.

According to Todaro in the economic growth of a nation there are three main determinants, namely:

a) Acapital cumulation that includes all forms or types of new investments invested in land, physical equipment, and human resources

b) Population growth that increases the size of the labor force in the coming years

c) Ktechnological advancement. According to Kuznets, economic growth is the increase in the capacity in the long run of a country to provide various economic goods to its population. The capacity increase itself occurs by advances or adjustments to technological,

institutional and ideological adjustments to the demands of existing conditions.

In general, economic growth theory can be grouped into two, namely classical economic growth theory and modern economic growth theory. In classical economic growth theory, analysis is based on a belief in the effectiveness of free market mechanisms. Classical economic theory is a theory initiated by economists who lived in the 18th century to the early 20th century. These classical economists included Adam Smith, David Ricardo and W.A. Lewis.<sup>5</sup>

#### **D. CONCLUSION**

Marginalized communities face significant challenges in accessing job skills development and employment opportunities, leading to socio-economic disparities and exclusion. Persistent unemployment and underemployment in these societies hinder their social and economic progress, thus contributing to cycles of poverty and marginalization. Addressing this issue requires a comprehensive understanding of the barriers faced by marginalized communities and the development of effective strategies to encourage employability development and create sustainable employment opportunities.<sup>6</sup>

However, with the advent of financial technology (FinTech), this situation has the potential to change. FinTech innovations, such as digital financial services, mobile banking, and digital payments, can provide solutions for marginalized communities. By using mobile devices and increasingly widespread internet access, they can take advantage of affordable and accessible financial services. Technology-based loan services can also help them obtain business capital or financing that was previously difficult to reach.

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<sup>6</sup> Ade et al., "Development of Job Skills and Employment Opportunities for Marginalized Communities."

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