Strategies to Choose Financial Technology for Households

Ana Mufidah[1](✉), Nely Supeni[2], and Wildan Khsbullah[1]

[1] Department of Management, Faculty of Economics and Business, Universitas Jember, Jember, Indonesia
mufidah.fe@unej.ac.id

[2] Department of Management, Sekolah Tinggi Ilmu Ekonomi (STIE) Mandala, Jember, Indonesia

Abstract. Financial Technology, commonly known as FinTech is one kind of financial innovations services that are gaining popularity in the digital era. FinTech is an innovation in the financial service industry that utilizes the use of technology, which can facilitate the public to process financial transactions and provide convenience in accessing the financial services offered. FinTech has significantly impacted the economy, especially during the COVID-19 pandemic. For instance, the increasing number of borrowers who receive loans from FinTech. Loan distribution through FinTech is quite broad to reach people who have not been exposed by conventional banks. Unfortunately, the benefits offered by FinTech are also accompanied by the rapid emergence of problems experienced by the community that using FinTech services, especially FinTech funding, i.e. peer-to-peer landing. The problems were caused by a large number of illegal FinTech that appears in public, which is a FinTech that is not registered under the financial services authority (Otoritas Jasa Keuangan/OJK). Thus, the public needs to know what strategies must be taken in choosing the funding FinTech to be used, so that it does not cause losses in the future. This study uses a qualitative descriptive analysis research method. The data collection technique used in this study is the literature review, which includes textbooks, mass media articles, and online literature sources related to this study.

Keywords: FinTech · peer-to-peer lending · illegal FinTech

1 Introduction

The rapid development of technology will eventually bring changes to a person's lifestyle and habits. Nowadays, when all financial service facilities use digital technology, people are forced to inevitably must understand the use of digital services. Before technology rapidly developed as it is now, someone who would make a payment transaction had to meet directly or face to face with the interested parties. The transaction then was carried out with cash payments. With the development of technology, direct or face-to-face habits have shifted away because all payment transactions are now carried out digitally with the help of the internet.

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The digitalization of payments is one form of FinTech. FinTech is an abbreviation of Financial Technology. FinTech is one of the innovations in financial services that are gaining popularity in today's digital and technology era. In Indonesia, the idea of digitizing payments and funding is one of the most developed sectors in the FinTech industry. In Indonesia, the public is already quite familiar with the term FinTech. That was motivated by people's interest in things that are fast and instant. For instance, those who usually go to ATMs to transfer money now can just stay at home since money transfers can be done easily using mobile phones. This action was supported by all conventional banks in Indonesia that use and develop their FinTech services.

In Indonesia, the number of FinTech licensed and registered in the financial services authority (Otoritas Jasa Keuangan/OJK) is 116 (OJK, July 2021), but according to CNBC information on October 31st, 2021, it states that there are 7 illegal FinTech lending whose registration marks were canceled by the OJK. So, based on the latest updated data, there are currently 109 FinTech licensed and registered in the OJK.

FinTech has significantly impacted Indonesia's economy, especially during the COVID- 19 pandemic. This impact can be seen through the increasing number of borrowers who receive loans from FinTech. Loan distribution through FinTech is quite broad to reach people who have not been exposed to conventional banks services. Furthermore, the OJK stated that the distribution of FinTech lending from time to time has been increasing (OJK, 2021).

Besides providing money for loan services, there are several services usually offered by FinTech, i.e., electricity prepaid and credit purchase services, vehicle payments services, and insurance services. These various FinTech services are very interesting, especially for people who don't have much time to leave their house. FinTech transactions can be carried out by the public only by using mobile phone facilities and the transactions can be carried out in a fairly short time. In addition, for the case of households that have not been able to access bank or other non-bank services, it is also very helpful for the community. The accumulated value of lending from FinTech lending in Indonesia has reached Rp. 88.4 trillion. The accumulation of FinTech lending in Indonesia can be seen in the following Fig. 1.

FinTech, or financial technology, is defined by Bank Indonesia in Article 1 Number 1 of Bank Indonesia regulation No. 19/12/PBI/2017, which is controlled and declared. FinTech is a technology used in a financial services sector that produces new service products, technology, and/or business models, and can have an impact on conditions such as monetary stability, financial system stability, and/or efficiency, smoothness, security, and payment system reliability, according to the definition. Based on that concept, FinTech is a financial services sector innovation that makes use of technology to make it easier for the public to perform financial transactions and obtain financial services.

FinTech continues to be a stream of new literature that highlights potential research and policy-making directions. FinTech's rise may have an impact on monetary policy transmission as well as the information content of key monetary indicators. Because digitization of money is likely to become the norm in the future, the effectiveness of traditional monetary policy instruments is a topic worth exploring more (Agarwal and Zhang, 2020). According to Agarwal and Chua (2020), studies demonstrate that FinTech

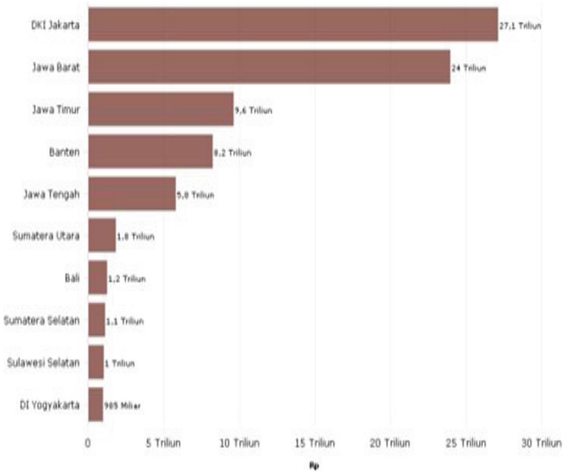

Fig. 1. Distributed accumulated value of FinTech lending in Indonesia: Source: OJK, 2020.

has benefited households by increasing spending and financing. This helps them to spread out their consumption over a longer period of time.

A prior study by Philippon (2015) stated that financial intermediary unit expenses imply an average yearly margin of 1.87%. Despite developments in information technology and changes in the financial industry's organization, intermediation unit costs do not appear to have fallen considerably in recent years. This case demonstrates that, over the last decade, developments in information technology have not helped households.

Agarwal (2020) and Philippon's (2015) research results show that there are still different views about the benefits that households get from technological developments. Thus, further research is still needed regarding the consistency of research results on the benefits of FinTech households. The benefits offered by FinTech, especially FinTech funding are also offset by the emergence of problems caused by the use of FinTech services, especially the illegal ones. As shown in the Fig. 2 consumer complaints to the Indonesian Consumers Foundation (Yayasan Layanan Konsumen Indonesia/YLKI, 2021):

The Fig. 2 shows that the reports that come into YLKI were related to FinTech cases (online loans) are quite large, namely 22% of complaints related to other problems. The data shows that the problems experienced by the community related to FinTech are quite high, especially those related to illegal FinTech. This, of course, must be watched out by the public as FinTech services users to be more careful in using these FinTech services.

We believe that the rise of FinTech over the last decade has significantly altered the lives of many people. With the advancement of modern payment technologies, households have increased their consumption of goods and services while benefiting from the increased convenience and security of virtual bills rather than saving cash. Families that previously had no access to credit can now take advantage of their social networks to borrow from FinTech lenders or through marketplace lending platforms. It may be worsened further by easy access to finance, debt, and arrears within the larger economic system.

Fig. 2. Source: kata data, 2021.

Seeing the phenomena that occur in the community related to the problems they face, we focus this study on FinTech funding, ie., peer-to-peer lending, and pay attention to the results of previous research. Considering the benefits and disadvantages of using FinTech for households, it is necessary to conduct further studies related to the strategy of using FinTech in household finances by looking at the benefits and drawbacks of FinTech funding for households. Thus, this study aims to determine the strategies for choosing the right FinTech funding for households. The results of this study are expected to be able to provide a new discourse for the community on how to determine strategies in choosing FinTech funding.

2 Literature Review

2.1 Financial Technology (FinTech)

In today's digital age, the FinTech business is one of the financial innovations that is gaining traction. The idea of digitizing payments is likely the most developed topic in the FinTech industry in Indonesia. FinTech is defined in Bank Indonesia Regulation No. 19/12/PB1/2017, Article 1 Number 1. FinTech is a technology user in the financial sector that produces new service products, technology, and or business models that can potentially affect the states of money related dependability, stability in the financial system, as well as proficiency, perfection, security, and reliability of payment systems, according to the definition.

FinTech has a variety of services and products that can be utilized by the public. Bank Indonesia classified FinTech into 4 types as follows:

1. Peer-to-Peer (P2P) Lending and Crowdfunding. This FinTech is similar to a financial marketplace. This platform is ready to connect those who require funds with those who can supply funds in the form of capital or investment. P2P financing is frequently referred to as public lending. The cash could come from the community or from the company that created the platform.

2. Risk and investment management. This sort of FinTech is used to keeping track of financial situations and executing financial planning in a more straightforward and practical manner. This type of investment risk management is sometimes already available and may be accessible via a smartphone, with users only needing to input the information needed to manage their funds.
3. Payment, Clearing, and Settlement. This sort of FinTech is used to keeping track of financial situations and executing financial planning in a more straightforward and practical manner. This type of investment risk management is sometimes already available and may be accessible via a smartphone, with users only needing to input the information needed to manage their funds.
4. Market Aggregator. This type of FinTech functions as a portal that collects various types of financial information to be delivered and presented to its users. This type of FinTech typically covers financial information, suggestions, credit cards, and alternative financial ventures. The existence of this type of FinTech is expected to absorb a lot of data before making financial decisions.

Consumers have more access to financial data and apps utilizing smartphones on high- speed networks, while businesses benefit significantly from lower costs, higher performance, and improved alternatives in information storage, computation, and application development (Hikida and Perry, 2019). Decentralization, disintermediation, and open protocols are putting pressure on the once monolithic and exclusive financial services business. As a result, new investment, credit, insurance, and payment choices are becoming available to households in the United States.

In addition, money management refers to the choice of payment instruments and general money management behavior. Payment instruments are vital in financial services. Due to its technological advances, payment instruments have become diverse between countries (Xiao and Tao, 2020).

2.2 Financial Literacy

Financial literacy, as defined by the Organization for Economic Cooperation and Development (OECD), is knowledge and understanding of financial concepts and risks, as well as the skills, motivation, and confidence to apply that knowledge and understanding to make effective financial decisions, improve individual and community financial well-being, and participate in the economy. We can deduce from that remark that financial literacy is extremely important. As a result, it is critical for society to make sound financial judgments.

Lusardi and Tufano (2009) stated that the dearth of customer financial literacy is commonly exploited by lenders by offering products that are not clear so that consumers fall under high-cost debt which makes it tough for them to get out of the debt cycle.

2.3 Financial Inclusion

Financial inclusion, according to the World Bank (2016), is defined as households and companies having access to financial goods and services that are useful and affordable in serving the needs of their community and businesses. It refers to transactions, payments, savings, credit, and insurance that are used properly and sustainably in this scenario. Because they do not have access to banking services, financial inclusion is predicted to lower the number of people who are unbanked or do not have a bank account.

Financial inclusion has always been an important topic at the global and national levels. As one of the efforts to increase economic growth and reduce poverty, the inclusive financial program is deemed necessary to create a financial system that is more accessible to the public. Financial inclusion can be regarded as a process to ensure accessibility, availability, and use of the formal financial system by all economic actors. In financial inclusion, various financial services are available, such as savings, credit, insurance, and payments at prices that all economic actors can afford, especially those with low incomes (Okaro, 2010).

Financial inclusion, according to Bank Indonesia, is an endeavor to remove all current barriers to accessing public financial services through official financial institutions or banks. Financial inclusion aims to boost economic growth by distributing income, reducing poverty, and ensuring financial system stability (Awanti, 2017). Based on this perspective, financial inclusion can be defined as a situation in which anyone can use financial goods or services that are tailored to their specific needs.

2.4 The Purpose and Benefit of Financial Inclusion

Financial inclusion has at least four goals, according to OJK Regulation No. 76/POJK.07/2016. The first goal is to make a product, institution, or financial service more accessible to the general public. Second, it is to supply Financial Service Business Actors (Pelaku Usaha Jasa Keuangan/PUJK) with a variety of financial products or services. The third goal is to improve financial goods or services that can be tailored to the capabilities and demands of the general public. Last but not least, it is to raise the standard of financial products and services.

Meanwhile, according to Bank Indonesia, the benefits of financial inclusion are as follows:

1. Increase economic efficiency;
2. Support financial system stability;
3. Reduce the occurrence of shadow banking or irresponsible finance;
4. Support financial market deepening;
5. Provide new market potential for banking;
6. Support the improvement of Indonesia's Human Development Index (HDI);
7. Contribute positively to the level of sustainable local and national economic growth; and
8. Reduce the level of inequality and rigidity of the low-income population.

2.5 Policies Regarding Credit Cards and Online Loans

Bank Indonesia mainly regulates FinTech which is engaged in payment systems such as e-money, e-wallet, and other types of payment systems. Meanwhile, the OJK regulates FinTech which is engaged in online lending and crowdfunding. Other types of FinTech do not yet have identified regulations. The OJK as the regulatory and supervisory agency for the financial services industry has issued regulations governing peer-to-peer lending (P2P) technology-based non-bank financial institutions.

POJK No. 77/ POJK.01/2016 was issued by the OJK in 2016 on information technology- based lending and borrowing services. These regulations, among others, regulate legal entities that must be owned by online loan service providers, the application of the basic principles of protecting users of online loan services, and dispute resolution. In the regulation, it is explained that every online loan service provider company is required to register and obtain permits as an operator before carrying out its operational activities. If unregistered FinTech operators are found operating, the OJK can issue a letter of recommendation to the Ministry of Communication and Information Technology of the Republic of Indonesia, requesting that they cease operations. The OJK will also terminate the licensing of FinTech operators who violate the obligations and prohibitions in this regulation.

To support financial literacy and inclusion efforts, POJK No. 77/2016 requires registered and licensed FinTech socialization and education activities. FinTech operators are required to conduct socialization in 12 different cities and provinces with the proportion of 6 provinces in Java and 6 provinces outside Java. Meanwhile, licensed organizers are required to conduct socialization 3 times a year with the proportion of 1 time in Java and 2 times outside Java. The training resources include a wide range of topics, including financial management, different types of financial services, and information about financial products and services, such as benefits, costs, dangers, and complaint handling systems.

Furthermore, internet lending is governed by the Indonesian Joint Funding FinTech Association (Asosiasi FinTech Pendanaan Bersama Indonesia /AFPI)'s code of conduct. The code of conduct includes, among others, supporting aspects of transparency and aspects of consumer protection that have not been regulated in POJK No. 77/ POJK.01/2016. The three basic principles set out in the guidelines are (1) transparency of products and methods of offering; (2) prevention of over-indebtedness; and (3) application of the principle of good faith.

The principle of transparency in particular emphasizes the obligation of the operator to convey information related to benefits, risks, costs, rights and obligations, dispute resolution mechanisms, as well as company profiles in an accurate and open manner. Regarding cost transparency, each provider is required to submit all types of costs incurred in the loan. These fees can more or less include service fees or upfront fees, interest, late fees, renewal fees, and others. This provision also regulates the disclosure of information regarding the imposition of fines and fees related to late payments. This principle also contains the obligation of the operator to transparently include the office address according to the domicile certificate, telephone number, and service standards in processing complaints.

The principle of preventing over•borrowing directs the organizers to weigh and assess the capability of potential loan recipients to repay loans. This principle regulates several points, including the prohibition of predatory lending, the credit assessment, and prohibition of data manipulation. On the first point, the practice of predatory lending is explained by AFPI as setting terms, conditions, and charge unreasonably and without looking at the ability to pay the potential borrowers. In line with that, AFPI sets a limit on credit card and loan fees of 0.4% per day and a maximum limit of 100% of the loan principal value even if the borrower is late in paying.

3 Methods

The research approach used in this study is a qualitative descriptive analysis technique. A literature review is used to do the investigation. Data gathering strategies include a literature study approach, which includes textbooks, mass media pieces, and online literature sources relevant to this topic as sources of reference.

4 Result and Discussion

4.1 Illegal Online Loan Development

According to Brigadier General Andries Hermanto, SIK, SH, MSI, the OJK Senior Executive Investigator at the time of socializing on alert for illegal FinTech lending at the Faculty of Economics and Business, Universitas Jember on November 25th, 2021, there are 104 P2P lending FinTech company registered and licensed by the OJK, 772,534 lender entity with active account outstanding of 223.64 thousand, 70,286,048 total borrower entity with active account outstanding of 22.88 million, and 262,933 in trillion rupiahs as total national distribution with outstanding of 27.48 trillion rupiahs.

There are 11 features of illegal FinTech lending or FinTech funding as follows:

1. Don't have official permission;
2. There is no clear management identity and office address;
3. Giving "loans" very easily, the requirements are just ID card, photo of yourself, and account number;
4. Information on interest/borrowing fees and penalties is not clear;
5. Unlimited interest/borrowing fees;
6. Total returns (including fines) are not limited;
7. Access all data on mobile;
8. Terror threats, insults, defamation, and photos/videos distribution;
9. No complaint service;
10. Offer via private communication channels without permission; and
11. The biller does not have a certification issued by AFPI or an AFPI designated party.

Meanwhile, below are 11 features of registered or licensed FinTech P2P lending by the OJK:

1. Registered and supervised by the OJK;
2. The identity of the administrator and office address are clear;
3. Loans are selected;
4. Information on interest/borrowing fees and penalties are transparent;
5. The total loan fee is a maximum of 0.4% per day;
6. Maximum repayment (including penalties) 100% of the principal loan for loans up to 24 months;

7. The only access required from the borrower's phone are only camera, microphone, and location OS;
8. Borrowers who do not pay off after the 90-day deadline will be blacklisted by FinTech lending data center (Pusat data FinTech lending/Pusdafil);
9. Have a consumer complaint service;
10. It is forbidden to make offers through private communication channels without permission; and
11. The biller has a certificate issued by AFPI or an AFPI designated party.

4.2 Constraints to Mitigation Against the Rise of Illegal FinTech

Below are some constraints to mitigation against the rise of illegal FinTech:

1. It is not known the number of illegal online lenders in the community. From 2018 to November 2021, the number of online loan players that have been closed is 3,631 entities;
2. The location of the office online loans perpetrators are unknown and frequent changes to the name of the company/application are made. Nevertheless, the OJK routinely submits a list of registered/licensed online loans through the OJK website. The investment alert task force has also submitted press releases on the list of illegal FinTech lending through the OJK Website on a regular basis;
3. It is very easy to make applications/sites/websites so that when blocking can be done easily in duplication. Nevertheless, the investment alert task force together with the Criminal Investigation Unit of the National QI Police and the Ministry of Communication and Information Technology of the Republic of Indonesia have actively carried out cyber patrols to close applications/sites/websites for Illegal FinTech lending that are still operating; and
4. Illegal FinTech lending use Short Messages Service (SMS)/ WhatsApp (WA) and social media (Facebook/Telegram) to offer loans.

Below are factors that lead the illegal FinTech lenders:

1. Ease of uploading applications/sites/websites; and
2. Eradication difficulties because many server locations are placed overseas.

Below are factors or common features or targeted communities of borrowers or potential victims:

1. The level of community literacy is still low:
   a. Not checking legality
   b. Limited understanding of FinTech lending
2. There is an urgent need due to financial difficulties.

4.3 Financial Literacy and Consumer Consumptive Behaviour in Community

Financial literacy, as defined by the OECD (2016), is the knowledge and understanding of financial concepts and risks, as well as the skills, motivation, and confidence to apply that knowledge and understanding to make effective financial decisions, improve individual and community financial well-being, and participate in the economy. Meanwhile, the

Table 1. Illustration case

Case 1- Tenor 7 Days		Case 2- Tenor 21 Days	
Category	Amount (Rp)	Category	Amount (Rp)
Loan Amount	2.100.000	Loan Amount	1.500.000
Interest	588.000	Interest	31.500
Service Fee	441.000	Service Fee	630.000
Interest Penalty	1.008.000	Interest Penalty	0
Payment Amount	3.696.000	Payment Amount	1.531.500
Number of Receipts	1.659.000	Number of Receipts	870.000

Source: Response of Bank Indonesia, 2019

national financial literacy rate in 2019 was 38.03%, according to the OJK. This low financial literacy causes many mistakes made by the community in making financial decisions, including choosing FinTech to meet their funding needs. Many people make the wrong choice of FinTech which is choosing illegal entities. Because of that, they suffer a lot from the liability to pay high-interest rates on loans and must accept threats and unpleasant actions when they are unable to repay their loans. Financial literacy has a close relationship with household debt conditions. Financial literacy, according to the Organization for Economic Cooperation and Development (OECD), is the combination of awareness, information, abilities, attitudes, and behaviors required to make sound financial decisions and attain individual financial well-being.

In addition, consumptive behavior in the community also influences them to make inappropriate financial decisions by choosing illegal FinTech. They borrow funds, not for essential needs but only to fulfill their consumptive desires, whether it is for prestige or lifestyle. For instance, keep shopping at the mall, eating at restaurants, and so on using borrowed funds. Even though there are those who are due to economic pressure and eventually digging holes and covering holes (in financial terms) which actually put pressure on the illegal FinTech users.

4.4 Factors That Influence How Households Experience Over-indebtedness

Over indebtedness is a situation that occurs when a household cannot fulfil financial obligations or pay bills on time according to the credit agreement (Bank Indonesia response, 2019). According to D'Alessio and Lezzi (2013), over indebtedness occurs due to several things, including a decrease in income, an increase in expenses due to illness, unexpected expenses, high debt costs or changes in family structure (e.g., due to divorce), and financial negligence, stemming from low financial literacy and non-transparent information related to terms and conditions from lenders.

Online loans are often the option of people with low incomes because they provide quick access to the loans with easy terms, especially for illegal FinTech application that has not been registered and have the OJK permission. When they have entered the online loan network system, consumers will continue to receive offers via short messages containing links to download illegal online loan applications. This shows the weak protection of consumer personal data. This continuous offer is exacerbated by the low level of public financial literacy.

On the other hand, legal online loan service providers that have been registered and have received permission from the OJK are more likely to apply the precautionary principles. Consumers must complete a salary slip document, tax ID number, and family card to apply for a loan with a disbursement time of 1–2 days. Legal online loans comply with the AFPI code of ethics and the OJK regulations by setting a maximum interest and service fee of 0.4% per day. This compliance is supported by harsh sanctions for violations, such as expulsion from AFPI membership and revocation of business licenses by the OJK.

This study also investigates how online loan business actors are less transparent in providing information regarding the benefits and risks of the products offered. This is especially found in cases of illegal FinTech lending where people who use illegal FinTech services or illegal FinTech lending often do not understand the mechanism for calculating service fees and interest which affect the amount of loans that are disbursed, and which must be returned. In addition, they also did not know that the organizers charge fees for repaying loans before maturity or for canceling loan applications.

According to Table 1, in the first case, the borrower accessed an online loan of 2.1 million rupiahs with a loan period of 7 days. Of the loan value, the informant only received.

1.66 million rupiahs (equivalent to 79% of the loan principal) because he had to pay an initial service fee of 441 thousand rupiahs. The borrower was also charged an interest rate of 588 thousand rupiahs and an interest penalty of more than 1 million rupiahs during the deadline. The interest penalty is set at the beginning of the credit applications regardless of whether the consumer is late in paying or not. At the end of the loan period, the amount to be returned by the informants was 3.7 million rupiahs, or equivalent to 176% of the loan principal. This shows that this illegal online loan business actor charges a fee and interest of 49% for a seven-day period or 7% per day. The short loan period and high costs made it difficult for informants to pay their debts. In such conditions, the informants tend to close the loan by accessing other loans which further exacerbate the condition of indebtedness.

In the second case, the informant accessed an online loan worth 1.5 million rupiahs with a loan period of 21 days. Of this nominal, only 870 thousand rupiahs were disbursed. Although the interest charged on the loan is quite low, which is 31,500 rupiahs, the informant is charged a cost component in the form of a "service tax" of up to 42%, which is 630 thousand rupiahs. This number is then deducted from the loan principal. This "service tax" can lead to erroneous interpretations because it appears as if it is a component of the tax expense paid, when in fact it is a service fee. At the end of the loan period, the informant was required to repay the loan amounting to 1.53 million rupiahs. In total, the interest costs and online loan services reached 44.1% within a period of 21 days or 2.1% per day.

The Table 1 shows that illegal FinTech is very detrimental to the people who use its services. High interest and other costs to be paid by borrowers are also high. Even though the OJK sets a maximum online loan fee of 0.4% per day for legal loans (registered or licensed by the OJK), in the time of crisis, the borrower was in a depressed financial condition. Thus, borrowers could not make great decisions, even though high costs and short terms were at stake. Borrowers find it difficult to fulfill their debt obligations and increase the burden under illegal online loan borrowers. Meanwhile, in the second case, the borrowers are subject to a high service tax (630 thousand rupiahs) which is deducted from the loan principal at the beginning. This can lead to erroneous interpretations as if it were a component of the tax expense paid, when in fact it is a service charge. In addition, the amount received was only 870 thousand rupiahs, while the total amount to be paid was more than 1.5 million rupiahs. Of course, this condition is detrimental to the borrowers. The lending parties should provide complete and transparent information to prospective borrowers regarding the rules and punishments given to them so that the borrower will not have misunderstandings about the loan that led to mistakes in making financial, especially loan, decisions.

Based on the various data and information obtained, several strategies that the public can address in choosing FinTech services are as follows:

1. Prioritizing to borrow from a FinTech P2P lending that is registered and licensed by the OJK. The public must be careful and ensure that the P2P lending FinTech service that will be used is actually registered in the OJK by opening and viewing the information on the OJK website;
2. Borrow according on your need and abilities. Borrow only as much as you need, keeping in mind the most vital necessities and not only for the sake of style, which will lead to digging and closing holes. In addition, one can borrow money based on one's financial situation. Consider your regular sources of income and expenses, and make sure that your expenses do not surpass your revenue;
3. Borrow for productive purposes, not for consumptive needs; and
4. Understand the benefits, costs, interest, terms, fines, and risks of the online loan to be taken. Find out in as much detail as possible information related to benefits, fees to be paid from the financial services to be used, interest to be paid, loan period, fines, and risks to be paid if beyond predicted things happen.

5 Conclusion

Based on the analysis and discussion that has been carried out, it can be concluded that in determining the right strategies in choosing FinTech funding for households, we can hold on to the following four points:

1. Must know legal and illegal FinTech by finding information through the official website of the OJK;
2. Must know the things behind the rise of illegal lending;
3. Find out in detail related to interest. Borrowing costs, benefits, terms, fines, and risks of online loans to be taken; and
4. Must know the impact of making online loans, especially borrowing from illegal loans.

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Authors' Contributions. The implications of this study are for households, that will use FinTech funding to meet their funding needs, to be careful and selective in choosing the FinTech funding. Choose a legal FinTech funding, which is a FinTech that has been registered and has an operating license from the OJK. The legality of FinTech can be seen through the official OJK website. On the website, it is clearly informed which FinTech is legal and official. If the borrower chooses the wrong FinTech, for example choosing an illegal FinTech, it can bring losses to the borrower. Illegal FinTech will give very high interest to borrowers more than 0.4% per day, and yet it is still accompanied by other costs that are quite high and the organizers do not hesitate to embarrass the borrower by informing that the borrower has debt to all saved contact in the borrower's phone as well as threats that threaten and harm the borrower immaterially. Furthermore, prospective borrowers should look for as detailed information as possible from lenders regarding interest costs, risks, other fees, fines, and loan terms, so that prospective borrowers can obtain sufficient information before deciding whether to borrow from that FinTech funding as a solution for their funding needs or not.

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