

The Importance of Financial Literacy in Preventing Illegal Fintech in MSMEs in Indonesia.

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- **Abstract:** The fintech industry in Indonesia is developed to facilitate more loans for micro, small and medium enterprises (MSMEs) across the archipelago. But, Since early 2018 to present, the Investment Alert Task Force and the Ministry of Communication and Informatics have blocked 3,198 illegal fintech platforms. With technological advances in the financial sector in Indonesia, it also has an impact on the rise of illegal fintech. The purpose of this study is to see the effect of financial literacy on illegal fintech in MSMEs. The data in this study were taken from MSMEs in West Java, Indonesia as many as 300 respondents. The research method used is a quantitative method using questionnaire data. The data analysis method uses simple linear regression with SPSS software. This research model was created to answer research questions that will look at the relationship between financial literacy and illegal fintech in MSMEs in West Java. The results of the analysis above state that financial literacy has a significant effect on illegal fintech. Many people are trapped in illegal fintech because it provides convenience in transactions such as easy and fast loan applications, although not cheap (fine fees and loan interest). Therefore, financial literacy is very important to cut the rampant illegal fintech in Indonesia. This study is the first study to examine specifically the effect of financial literacy on illegal fintech on MSMEs in Indonesia. The findings of this study are very interesting because it is true that financial literacy is a very important variable in eradicating the rise of illegal fintech. So that MSMEs can increase and grow without fraud from illegal fintech.
- **Keywords:** The fintech industry in Indonesia, micro, small and medium enterprises (MSMEs), financial literacy