

FAMILY FINANCIAL REVOLUTION THROUGH DIGITAL FINANCE IN THE LOWER MIDDLE-CLASS COMMUNITY

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Abstract

Digital technology has great potential to revolutionize family finance, especially in rural areas such as Watang Kassa Village, Batulappa District, Pinrang Regency. Digital finance provides solutions for families that previously relied on manual financial record-keeping and traditional financial information systems. With digital technology, people can record and monitor their family finances through digital financial platforms, making family financial management more efficient. Research Objectives: (1) To analyze the level of digital financial literacy among low-income communities and identify the factors influencing it. (2) To evaluate the role of digital financial platforms in helping low-income families manage their finances effectively. (3) To identify the challenges faced by low-income communities in accessing and utilizing digital financial services. (4) To assess the impact of using digital financial technology on family financial management and the well-being of low-income communities. This study employs a Participatory Action Research (PAR) approach. Participatory Action Research is a research method that involves the active participation of the community or group being studied throughout the research process, from planning, implementation, and reflection to corrective actions. The research findings indicate that the community lacks sufficient education regarding financial literacy in the use of digital tools for managing family finances. This lack of education poses a significant challenge in adopting digital finance for financial management among low-income communities. However, with the financial revolution, low-income communities have begun to understand the use of digitalization in managing family finances.

Keywords: *Financial Revolution; Digital Finance; Low-Income Communities*

1. INTRODUCTION

The advancement of digital technology, which has impacted the financial revolution of households, also has the potential to bring significant effects to rural areas (8). Although most of the residents in Watang Kassa Village, Batulappa District, Pinrang Regency, work as farmers or gardeners, with a total population of approximately 1,124 people, the implementation of digital finance can help the village community manage their household finances more efficiently and transparently.

Table 1. Number and Percentage of Population Based on Employment Level
 Watang Kassa Village, 2024

No	Group	Total		Male		Female	
		Number	%	Person	%	Person	%
1	Unemployed/Not Working	388	34.49%	190	16.89%	198	17.60%
2	Household Management	264	23.47%	3	0.27%	261	23.20%
3	Student/College Student	183	16.27%	102	9.07%	81	7.20%
4	Retired	3	0.27%	3	0.27%	0	0.00%
5	Civil Servant	4	0.36%	3	0.27%	1	0.09%
6	Trader	1	0.09%	1	0.09%	0	0.00%
7	Farmer/Gardener	203	18.04%	193	17.16%	10	0.89%

Source: Watang Kassa Village Website, 2025

Financial digitalization provides solutions for families in Watang Kassa Village, who previously relied on manual financial record-keeping and informal financial systems. Access to digital technology enables them to record and monitor income and expenses in real-time, which can help better manage income from agriculture and plantations (9). Additionally, through simple financial digitalization, families in the village can plan for long-term financial needs, including savings for children's education or emergency expenses (1).

Data from the Indonesian Internet Service Providers Association (APJII) shows that 77.02% of Indonesia's population used the internet in 2022, opening up opportunities for rural communities (4), including those in Watang Kassa Village, to gain broader access to digital financial services. The increasingly widespread internet infrastructure facilitates the use of application-based financial services that are affordable for rural communities, including digital banking, electronic payments, and microcredit.

However, like many other regions in Indonesia, Watang Kassa Village faces challenges related to low financial literacy. (10) According to data from the Financial Services Authority (OJK) and Bank Indonesia (5), the understanding of financial products and services among Indonesians remains relatively low, especially in rural areas. Therefore, it is crucial for the government and relevant institutions to provide education on digital financial literacy (3), ensuring that the people of Watang Kassa Village can optimally utilize digital technology while reducing dependence on less secure informal financial systems.

This financial transformation is essential as it enhances financial literacy, simplifies long-term financial planning, and helps families achieve their financial goals (11). However, the adoption rate of financial digitalization among families remains low, particularly in the lower-middle-income group, due to a lack of awareness about the benefits of such technology and limited access to digital tools (6).

By adopting financial digitalization, families in Watang Kassa Village can improve their standard of living through better financial planning (2). Additionally, financial digitalization provides rural communities with access to formal financial services such as savings and credit, which can help them develop their agricultural or plantation businesses. The digital financial transformation in villages like Watang Kassa will be a strategic step in reducing the economic gap between urban and rural areas while accelerating financial inclusion in Indonesia.

1. IMPLEMENTATION METHOD

This study employs the Participatory Action Research (PAR) approach, which is a research model that seeks to connect the research process with social change. The research will be conducted in Watang Kassa Village, Batulappa District, Pinrang Regency. The research is scheduled to take place from December 2024 to January 2025. The data analysis technique used is qualitative descriptive analysis with a Participatory Action Research approach, focusing on:

- a. Identification of problems and initial data collection
- b. Collaborative analysis
- c. Action planning
- d. Implementation and observation
- e. Reflection and evaluation
- f. Revision and continuous action

2. RESULTS AND DISCUSSION

The financial revolution is a major transformation in the way individuals, businesses, and governments manage, distribute, and utilize finances by leveraging technological innovations, policies, or new business models. This revolution is often marked by a shift from traditional systems to more modern, efficient, and inclusive ones.

Digital transformation in the financial industry enables faster, more efficient, and easily accessible services for the public. This change not only affects traditional financial institutions such as banks but also gives rise to various new innovations that reshape the way individuals and businesses manage their finances.

In the ever-evolving digital era, the role of digitalization in driving Indonesia's economic growth has become increasingly significant. Digital transformation has changed the way people access and use financial services—from being previously limited to conventional financial institutions to now being accessible at their fingertips via smartphones. The utilization of digital finance, particularly in family financial management, plays a crucial role in daily life (2).

The Level of Digital Financial Literacy Among the Lower-Middle Class Society

Initial observations were conducted to examine that the community, particularly housewives, still face limitations in digital financial literacy. Many of them have not yet understood how to use financial recording applications, digital wallets, or online banking transactions to manage household finances effectively.

Preliminary data were collected through observations and interviews with local residents to understand the challenges they face in adopting financial digitalization in lower-middle-class families. The research team conducted an interview with a community member, Mrs. Hariati, asking:

"Have you ever heard about financial literacy for family financial record-keeping?"

Response: *"I don't know about financial literacy. Regarding financial record-keeping, I rarely write things down in a book because whenever I need to spend money, I just use it without recording the expenses."*

Based on the interview results, it was found that the respondent was not clearly aware of financial literacy, especially in terms of family financial record-keeping. The respondent revealed that they rarely document expenses in writing, whether in a book or any other medium. This habit stems from the practice of using money directly without prior record-keeping.

According to Lusardi, as cited in Apriliani (15), low financial literacy causes individuals to manage money spontaneously without proper planning. This phenomenon indicates that there is still a lack of awareness in society regarding the importance of financial record-keeping as part of household financial management. Without proper documentation, it becomes difficult for families to control cash flow, identify the largest expenditure categories, or create a more efficient budget.

The interview findings highlight the need for further education on the benefits of financial literacy, particularly in cultivating the habit of daily financial record-keeping. By maintaining records, individuals can better manage their expenses, avoid unnecessary spending, and plan for savings or long-term investments. One possible solution is the adoption of digital financial recording applications, which are more practical and easier to use in daily life.

A subsequent interview was conducted with another respondent, asking:

"What factors contribute to your lack of knowledge about financial literacy?"

Response: *"Perhaps education is a factor. In our village, most people only graduate from middle or high school, and we have limited access to information, so we don't really understand what financial literacy is."*

Low education levels are one of the main factors influencing financial literacy in society, particularly in rural areas. Many individuals only complete their education up to middle or high school, meaning they have not received adequate formal education on financial management. The lack of financial literacy topics in school curricula also results in people being unfamiliar with concepts such as financial planning, investment, and risk management. As a result, they tend to rely on daily experiences to manage their finances without a deeper understanding of effective money management strategies.

Moreover, limited access to information poses another challenge in improving financial literacy. In rural areas, sources of financial information remain scarce, whether from print media, television, or the internet. The lack of financial education campaigns from the government or financial institutions further prevents people from understanding the benefits and risks of modern financial services, such as digital savings or investments. Consequently, many people still rely on traditional money management methods, such as keeping cash at home or participating in informal savings groups (*arisan*), which may not always be effective in the long run.

The Role of Financial Digital Platforms in Assisting Families in the Lower Middle-Class Community

After identifying the issue, the research team collaborated with the village government and the community to gain a deeper understanding of the factors influencing the low level of digital financial literacy. Discussions were conducted with various parties, including the Head of Watang Kassa Village, to determine the specific needs of the community regarding digital-based financial management. An interview was conducted with the Head of Watang Kassa Village, Muhammad Jais.

Interview Questions:

Has the village administration ever conducted socialization related to financial literacy and financial digitalization?

How do financial digital platforms help lower-middle-class families manage their finances?

Interview Response:

"We have never specifically conducted a socialization program regarding financial literacy or digital finance. The use of digital financial services has not been fully adopted by the lower middle-class community due to their limited understanding of these technologies."

Until now, the village administration has never specifically organized a financial literacy or digital finance socialization program for the community. The lack of education on modern financial management has led many residents, especially from lower-middle-class backgrounds, to continue relying on traditional methods for saving and managing their finances. Despite the rapid advancement of financial technology, its utilization at the village level remains limited due to minimal understanding and a lack of initiatives to provide socialization that could help the community grasp the benefits of digitalization in everyday financial management.

On the other hand, financial digital platforms hold significant potential in helping the community manage their finances more effectively. Financial recording applications, digital wallets, and online banking services can facilitate expense management, savings, and transactions without requiring visits to banks or formal financial institutions. However, the lack of knowledge about how to use this technology remains a major obstacle. Therefore, the active role of village officials and relevant institutions is essential in providing education and guidance to the

community, ensuring they can utilize digital platforms safely and effectively in their daily lives.

Based on the analysis results, the research team developed a socialization plan aimed at increasing the understanding of housewives regarding digital finance. The prepared materials included financial literacy concepts and practical guidance on using financial recording applications, conducting secure digital transactions, and strategies for managing household budgets.

The socialization activity was held on February 12, 2025, at the Watang Kassa Village Office, Batulappa District, Pinrang Regency. During this event, the research team provided training on Financial Literacy and Family Financial Digitalization. The session began with an explanation of the basic concepts of digital finance, covering how to use financial recording applications, digital wallets, and online banking transactions. The material was delivered in simple language to ensure that participants, particularly housewives and informal workers, could easily follow the discussion. In addition to theory, participants were also educated on the benefits and risks of using digital financial services, including the importance of protecting personal data to avoid online fraud.

Aside from theoretical presentations, the research team also conducted a live simulation on how to manage household finances using digital technology. Participants were invited to try various financial recording applications and see how digital wallets can simplify daily transactions. This simulation provided a practical experience, greatly helping participants understand how digital financial systems function in real life. Many participants found this beneficial since they had previously relied on manual bookkeeping methods, such as recording expenses in notebooks or relying on memory.

The enthusiasm of the participants was very high, especially during the Q&A session. Many housewives were eager to learn more about securing their financial data and choosing applications that best suited their needs. Some participants also inquired about how to avoid increasing digital fraud cases, particularly those related to illegal online loans and fraudulent transactions. This interactive discussion demonstrated that awareness of digital financial literacy is growing, although there are still many challenges in its implementation in daily life. Some housewives also mentioned that they were unfamiliar with digital financial management since they never recorded their income and expenses, whether manually or digitally, in their daily lives.

Challenges Faced by the Lower-Middle Class in Accessing and Using Digital Financial Services

Financial literacy is the ability to understand and manage finances, supporting economic comprehension. With the advancement of time and technology, financial literacy has evolved into digital financial literacy. Digital financial literacy refers to knowledge and insight into financial service activities and payment methods that utilize technology and are conducted digitally.

Although technology has developed rapidly, with mobile banking services offered by banks in Indonesia—where mobile banking itself can record or track all transactions, both income and expenses—only a small portion of society can access it. This is because accessing such services requires individuals to first become bank customers in order to enjoy the features offered.

However, what about those who do not have a bank account, commonly referred to as the underbanked and unbanked? With technological advancements today, financial management can be accessed through web-based or mobile-based applications. As technology continues to develop rapidly and offers many conveniences, digital financial literacy has become a daily necessity for society.

Specifically, for the residents of Watang Kassa Village, Batulappa District, Pinrang Regency—where the location is quite far from the city, taking more than an hour to reach the village office—the level of understanding of digital financial literacy remains low. This was evident after the digital financial literacy outreach conducted by the Risetmu team from Universitas Muhammadiyah Parepare. The community had previously managed their finances based on instinct or desire, often overlooking more crucial aspects such as financial planning for family health insurance, children's education, and retirement security.

Thanks to digital financial literacy, the residents of Watang Kassa Village have experienced ease in accessing financial products and services through financial institution applications or e-commerce platforms that provide financial services or fintech businesses. It can be concluded that digital financial literacy offers significant benefits in improving the community's economy by enabling easy and fast access to financial sector products and services.

The emergence of various mobile applications for payment methods—where transactions are now shifting from cash-based to cashless—has led to significant changes in societal habits. This shift has brought positive impacts, including fulfilling various needs online. Additionally, it has encouraged people to be more prudent in transactions, as they now have multiple alternatives to obtain goods and services at more affordable prices from sellers operating through e-commerce platforms.

Beyond transaction convenience, digital financial literacy is expected to serve as the best financial management tool for decision-making, expense analysis, expenditure efficiency, and retirement planning. It is hoped that society can understand digital financial literacy to manage household finances wisely and improve economic stability. This conclusion is supported by research survey results, which assess the characteristics of informants, the level of digital financial literacy in the community, the benefits of financial digitalization for households, and the obstacles and challenges faced.

The Impact of Digital Financial Technology Usage on Family Financial Management and the Welfare of the Lower Middle-Class Society

Thanks to digital financial literacy, the people of Watang Kassa Village can experience the convenience of accessing financial products and services, either

through financial institution applications or e-commerce platforms that provide financial services or fintech (financial technology) businesses. It can be concluded that digital financial literacy offers significant benefits in helping to improve the community's economy by providing easy and fast access to financial services and products.

The emergence of various mobile applications for payment methods, which are no longer cash-based but instead require cashless transactions, has brought significant changes to societal habits. This shift has had a positive impact, as people can now fulfill their needs online. Additionally, society has become more financially prudent in making transactions, given the wide range of alternatives available for purchasing goods and services at more affordable prices from sellers on e-commerce platforms.

Beyond transaction convenience, digital financial literacy is expected to support better financial management in decision-making, expenditure analysis, cost efficiency, and retirement planning. Digital financial literacy should be well understood by the community to enable wiser family financial management and improve household economies. This is evident from research survey results, which examine respondent characteristics, digital financial literacy levels, the benefits of financial digitalization for families, as well as the obstacles and challenges encountered.

3. CONCLUSION AND SUGGESTIONS

Conclusion

The financial revolution within families through digitalization has had a significant impact on household financial management, especially for the lower-middle-class community. With the emergence of various financial technologies such as digital wallets, mobile banking, and investment applications, access to financial services has become more convenient. This enables people to manage their income more effectively and enhances their financial literacy. Financial digitalization also offers benefits in terms of more transparent transaction records and more effective expense control. The process of saving and investing has become simpler, making it easier for those who previously faced challenges in these areas. Furthermore, the growing financial inclusion provides opportunities for the lower-middle-class community to access formal financial services, reducing dependence on traditional systems that are less efficient. Therefore, the adoption of financial technology not only contributes to improving the economic well-being of families but also drives overall digital-based economic growth.

Suggestions

The Village Government can collaborate with Financial Institutions and Academics to conduct continuous socialization and provide financial guidance for families or lower-middle-class communities.

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