

RESEARCH ARTICLE

THE IMPORTANT ROLE OF E-COMMERCE IN FORMING COMMUNITY FINANCIAL LITERACY

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ABSTRACT

This research discusses the important role of e-commerce in shaping people's financial literacy. E-commerce has become one of the main pillars of Indonesia's digital economy, and the increased use of this platform has had a significant impact on people's financial behavior and understanding. In this study, we analyzed data from secondary sources, including reports and statistics related to e-commerce site visits and financial transactions. We explore monthly trends and growth in visits to popular e-commerce sites in Indonesia during the first quarter of 2023. In addition, we examine how promotional programs and discounts in e-commerce can influence people's shopping behavior and awareness about saving and investing. The results of this research highlight the importance of e-commerce as a means of education and financial literacy for Indonesian people in the digital era.

KEYWORDS

E-commerce, financial literacy, site visits, financial transactions, financial behavior, digital economy.

1. INTRODUCTION

The background to this research begins with the important role of e-commerce in shaping people's financial literacy. Financial literacy is an individual's ability to understand and manage personal finances well, including knowledge about budget management, investment, use of financial products, and understanding financial risks. In the era of digital and globalization, e-commerce has become the dominant platform for trade and financial transactions. Advances in technology and the internet allow people to easily access various products and services through e-commerce platforms. The use of e-commerce not only facilitates accessibility but also provides a wide and competitive choice in terms of product price and quality.

However, to be able to use e-commerce wisely, adequate financial literacy is required. Financial literacy enables people to understand the risks and benefits of online transactions and purchases, identify profitable offers, and protect themselves from fraud and financial abuse. The importance of financial literacy in the context of e-commerce can influence consumer decisions in shopping and transacting online. People who have good financial literacy tend to be more careful in managing their budgets, making wise purchasing decisions, and using financial products appropriately.

Therefore, this research will dig deeper into the relationship between e-commerce and people's financial literacy. This research will identify whether the use of e-commerce has an effect on increasing financial literacy and how financial literacy can shape consumer behavior in online transactions. It is hoped that the results of this research will provide a deeper understanding of the importance of financial literacy in the e-commerce era and contribute to efforts to increase awareness and understanding of finance among the public.

This research aims to explore the important role of E-commerce in shaping people's financial literacy. In the digital era which is increasingly developing rapidly, E-commerce has become one of the main pillars in financial transactions and investments. However, the increasing use of E-commerce has also raised various problems related to people's financial

literacy. The problems identified include the level of public understanding of the risks and investment opportunities offered by E-commerce platforms, limitations in managing finances wisely, as well as public readiness in dealing with security and privacy aspects in online transactions. This research will investigate how E-commerce plays a role in providing access to financial information and education, the ability to create diverse portfolios and manage risk, as well as efforts to increase financial inclusion and community participation in investment. It is hoped that the results of this research can provide deeper insight into how E-commerce can be an effective means of increasing society's financial literacy as a whole and helping overcome the challenges that arise along with the development of modern financial technology.

2. THEORETICAL BASIS

Portfolio Theory is a concept in economics and finance developed by Harry Markowitz in 1952 (Keskinen et al., 2021). This theory aims to help investors optimize their investment portfolios by considering the relationship between risk and return of various financial assets. In short, portfolio theory holds that by mixing different assets (such as stocks, bonds, mutual funds, etc.) that have different correlations, investors can achieve a certain level of risk that is lower than relying on just one type of asset. Additionally, by selecting assets with low or negative correlation, investors can achieve a better level of diversification, reducing portfolio risk without sacrificing potential returns.

How does portfolio theory relate to E-commerce and people's financial literacy? E-commerce as an Aspect of Diversification: In the context of E-commerce, people can use online investment platforms such as stocks, mutual funds, or cryptocurrencies as part of their portfolio. By investing in various financial assets through E-commerce, people can increase the diversification of their portfolio, reduce exposure to certain risks, and increase the potential for long-term profits.

Market Information and Analysis: E-commerce also provides easy access to various market information and analysis. Through E-commerce platforms, people can monitor and analyze the performance of various assets, find out market trends, and gain the insights needed to make

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smarter investment decisions. Access to Various Financial Instruments: With E-commerce, people can access various financial instruments and investment products that previously may have been difficult to reach. For example, by easily investing in individual stocks, mutual funds, or bonds through E-commerce platforms, people's financial literacy can grow because they have access to a variety of investment options.

Inclusive Investment Opportunities: E-commerce can also expand financial inclusion by providing opportunities for people who previously did not have access to financial markets. By facilitating easier and more affordable investments, E-commerce can help increase financial literacy and participation in investment for wider levels of society. However, it should be noted that financial literacy is essential in implementing portfolio theory correctly. Without an adequate understanding of risk, diversification, and investment objectives, people may make unwise investment decisions. Therefore, efforts to increase the financial literacy of society as a whole must be accompanied by the use of E-commerce as an effective tool to achieve diversification and optimal investment goals.

3. LITERATURE REVIEW

In this literature review section, six previous studies regarding e-commerce will be briefly reviewed. This morning will begin with research about a newly formed venture (capital) company, which faces many challenges, among which competing with competitors is a daunting task (Mishra & Gupta, 2020). To grow and generate profits, startups must extensively seek strategies that create and maintain competitive advantage. E-commerce adoption is considered a very effective strategy to beat competitors and generate profits. In the context of the tourism and hospitality industry, which is an industry that requires intensive information, this research has two main objectives related to e-commerce adoption. First, to investigate the antecedent factors of e-commerce adoption, and second, to collect empirical evidence about the impact of e-commerce adoption on these companies. This research is motivated by the lack of literature on the adoption of e-commerce by start-up companies, especially in the tourism and hospitality industry. Empirical results show that factors related to the market and organization are the main determinants of e-commerce adoption by start-up companies. This study also confirms the increased performance of start-up companies in the tourism and hospitality sector due to the adoption of e-commerce.

Then proceed to research about the phenomenal growth of e-retailing, especially in developing countries like India, providing opportunities for e-retailers (Bhat and Darzi, 2021). Many online retailers are entering the market, creating fierce competition to win customers. E-retailers use quality web services to differentiate their offerings and build positive trust among consumers. This research analyzes how e-service quality factors influence perceptions of usefulness and trust in online shopping. This research also examines the role of perceived usefulness in the relationship between e-service factors and shopping outcomes. The results show that online service quality factors directly influence e-trust, and perceived usefulness mediates the relationship. These findings are useful for website developers and online retailers in designing effective designs to increase trust and perceived usability. This research provides a further understanding of e-commerce by developing a trust-based model of online shopping that explains the factors that influence online shopping attitudes and the role of perceived usefulness in the relationship between these variables.

After that, research conducted a study on fresh food e-commerce platforms which only have a limited market share due to the lack of habitual use of these platforms (Chen et al., 2021). This article explores the factors that influence purchase intent when using fresh food e-commerce platforms. The integrated technology acceptance model (Unified Theory of Acceptance and Use of Technology [UTAUT]) is used as the framework. A questionnaire survey was conducted and analyzed using structural equation modeling. We find that both performance expectations and social influence have a significant positive influence on consumers' purchase intentions using fresh food e-commerce platforms, while perceived risk has a significant negative influence. Perceived trust plays a mediating role between performance expectations and purchase intentions, social influence and purchase intentions, and perceived risk and purchase intentions. Additionally, awareness about food safety is a moderator between perceived trust and purchase intention.

Then, research seeks to make observations regarding important aspects of fashion e-commerce, starting with the emergence of new types of consumer behavior that occur online (Sutinen et al., 2021). These behaviors are diverse and include searching, comparing, ordering, and returning fashion items. This behavior is triggered by various motivations, characterized by different types of perceived risks and different goals, and is carried out through various consumer activities. Therefore, this

research aims to identify and analyze consumer activities to manage the risks associated with fashion e-commerce. This qualitative study identifies and discusses 12 risk management activities carried out by consumers in fashion e-commerce. These activities involve information and code searches, comparisons, order adjustments, and purchase delays. These activities vary in terms of direction (product vs. process) and type of risk managed (economic vs. functional). This study expands current understanding by viewing fashion consumption behavior as a combination of various consumer activities. This study also combines these activities into a tentative framework that helps illuminate the types of risk management activities that consumers can undertake. The activities identified in this research, along with the proposed categorization, provide a framework for managers to consider in segmentation, online store design, and marketing communications development. At a more general level, this study shifts the focus from how consumers perceive risk to how empowered consumers actively manage risk in various ways.

Followed by research about the 2019 coronavirus disease (COVID-19) pandemic which has seriously affected the performance of various types of businesses (Pratap et al., 2022). The pandemic has provided a major structural boost to e-commerce companies by forcing customers to switch to shopping online instead of visiting physical stores. Additionally, customer expectations of e-commerce companies' digital and operational capabilities are also increasing globally. Therefore, it becomes important for e-commerce companies to re-evaluate and realign their business practices to meet evolving customer needs and remain sustainable. This paper presents a comprehensive performance evaluation framework for e-commerce companies based on evolving customer expectations resulting from the COVID-19 pandemic. This framework consists of seven main criteria, which are divided into 25 sub-criteria, including two sustainability factors, namely environmental sustainability and carbon emissions. This evaluation approach is then demonstrated practically by analyzing the cases of three Indian e-commerce companies. The results were obtained using a multi-criteria-based decision-making method (MCDM), namely Fuzzy VIKOR, to overcome the heterogeneity in inherent decision-making problems. Additionally, numerical analysis was conducted to evaluate and rank various e-commerce companies based on customer expectations and satisfaction benchmarks. These findings explain the criteria and sub-criteria that are most important for e-commerce businesses to ensure customer expectations as well as their economic and environmental sustainability.

Lastly, research seeks to make observations regarding significant progress in the field of automatic product description creation (Guo et al., 2023). As the services provided by e-commerce platforms become more diverse, it is important to adjust the dynamically generated description patterns. Product selling points are an important type of product description, where the length should be as short as possible but still convey key information. Additionally, this type of product description should grab the reader's attention. Today, product selling points are usually written by human experts. Therefore, creating and maintaining this kind of content is expensive. These costs can be reduced significantly if product sales points can be generated automatically by machines. In this paper, we report our experience in developing and implementing an intelligent online point of sale extraction (IOSPE) system to serve as a recommendation system in the JD.com e-commerce platform. Additionally, an interactive tool was also released for traders on JD.COM, which also allows them to select and customize selling points with flexibility. Since July 2020, IOSPE has become a core service for 62 major product categories (covering more than four million products). So far, more than 0.1 billion sales points have been generated, thereby significantly improving sales point creation operations and saving human effort. These sales points generated by IOSPE have increased the click rate (CTR) by 1.89% and the average duration spent by customers on the product by more than 2.03% compared to previous practices, which is a significant improvement for the e-commerce platform on a large scale like this.

4. RESEARCH METHODS

The research method that will be used in this study combines a literature study approach with a quantitative descriptive approach using secondary data. The literature study will allow researchers to gather current information about financial literacy, the impact of e-commerce use on consumer behavior, and the relationship between financial literacy and e-commerce use.

5. DISCUSSION

Based on data from SimilarWeb in the first quarter of 2023, Shopee is the e-commerce site with the highest visits in Indonesia. During the January to

March period, Shopee managed to record an average of 157.9 million visits per month, which far exceeded its competitors. In the same period, other e-commerce sites also recorded significant visits, although they tended to decline from January to February 2023. However, the trend of visits rose again in March 2023, especially due to the arrival of the month of Ramadan 1444 Hijriah. In March 2023, Shopee managed to record an increase in visits of around 10% compared to the previous month (month-on-month/mom). Meanwhile, Tokopedia also experienced an increase of around 6% (mom), Lazada rose 13% (mom), and Blibli experienced growth of 5% (mom). However, unlike its four competitors, Bukalapak experienced stagnant visits in March 2023, meaning the number of visits to the site remained the same as the previous month. The e-commerce sector is still the main pillar in supporting the growth of the digital economy in Indonesia in 2023. More than half of the digital economy comes from the e-commerce sector, and it is estimated that e-commerce transactions in that year can reach a striking figure, namely around IDR 600 trillion to IDR 700 trillion, covering all types of e-commerce (Ahdiat, 2023).

5.1 Explanation

Data from SimilarWeb shows that Shopee is the e-commerce site with the highest number of visits in Indonesia in the first quarter of 2023. In the January to March period, Shopee recorded an average of 157.9 million visits per month, outperforming its competitors such as Tokopedia, Lazada, Blibli, and Bukalapak. Even though all e-commerce sites experienced a decline in visits from January to February 2023, the trend of visits increased again in March 2023, especially in connection with the arrival of the month of Ramadan 1444 Hijriah. In March, Shopee managed to record an increase in visits of around 10% compared to the previous month, while Tokopedia, Lazada, and Blibli also experienced an increase in visits of around 6%, 13%, and 5% respectively. On the other hand, Bukalapak experienced stagnant visits, where the number of visits to the site remained the same as the previous month.

The importance of the e-commerce sector in supporting digital economic growth in Indonesia in 2023 was also highlighted. More than half of the digital economy is influenced by the e-commerce sector, and it is estimated that e-commerce transactions reach a significant figure, namely around IDR 600 trillion to IDR 700 trillion, covering all types of e-commerce.

The important role of e-commerce in shaping people's financial literacy, it can be seen from this data that e-commerce has become one of the main elements in the digital transformation of the Indonesian economy. The significant growth in e-commerce transactions shows that people are increasingly relying on online platforms to shop and carry out financial transactions. In this context, e-commerce can act as a means of education and financial literacy for the community. With easy access to various financial products and services offered by e-commerce, people can be more active in understanding how to use and manage their money. Through e-commerce platforms, information about how to shop wisely, compare prices, use credit cards or digital payment methods, and track shopping budgets becomes more easily accessible to the public.

Apart from that, e-commerce also provides opportunities for business people and small traders to participate in the digital economy. By engaging in e-commerce platforms, they can improve their knowledge of financial management, marketing strategies, and understanding of the market and customers. This can help them develop their business sustainably.

However, it is important to remember that increasing financial literacy does not only depend on access to e-commerce platforms. Broader and integrated financial literacy education and campaigns are also important to empower people to manage their finances wisely and avoid excessive financial risks.

Overall, e-commerce has an important role in shaping people's financial literacy by providing access to financial information and services and providing opportunities for small entrepreneurs to grow in the digital economy. However, comprehensive efforts from various parties, including the government, private sector, and community institutions, are needed to increase public understanding and awareness of the importance of financial literacy in facing economic challenges and opportunities in the digital era.

5.2 Author Opinion

E-commerce has an important role in shaping people's financial literacy in various ways and has a significant impact on financial behavior and knowledge. First, e-commerce platforms provide easy and broad access to various financial products and services. Through e-commerce, people can explore various financial product options such as credit cards, loans,

insurance, and investments. Thus, they have the opportunity to understand and compare various financial products, helping them to make better financial decisions according to their needs and financial conditions.

Second, e-commerce provides space for business people and small traders to increase their financial literacy. As part of the digital economy, they can take advantage of various financial tools and features provided by e-commerce platforms to manage their business more efficiently. For example, the use of digital payment methods, tracking income and expenses, and stock management can help them understand the financial performance of their business better. By having access to financial-related information and guidance on e-commerce platforms, small businesses can expand their knowledge about financial management and sustainable business strategies.

Third, transactions via e-commerce can also increase people's financial awareness and discipline. Carrying out online transactions requires an understanding of how to use credit cards and digital payment methods, and managing financial transactions safely. This can encourage people to be more aware and careful in managing their finances, including avoiding excessive spending and dealing with debt wisely.

Fourth, e-commerce often provides promotional programs and special discounts, which can be an opportunity for people to learn about saving and investing in the long term. Programs like these can encourage people to plan purchases wisely, recognize the value of money, and take advantage of offers that suit their needs. By utilizing the right promotional programs, people can develop smart and responsible financial habits.

The important role of e-commerce in shaping people's financial literacy cannot be ignored. By providing access to various financial products and services, supporting small businesses in managing their businesses, increasing financial awareness and discipline, and providing opportunities to learn about saving and investing, e-commerce can help Indonesians become smarter in managing personal finances and participate more actively in the growing digital economy. However, a holistic and collaborative approach from the government, e-commerce companies, financial institutions, and society as a whole is needed to ensure broader and sustainable financial literacy for Indonesian society.

6. CONCLUSION

In conclusion, e-commerce has an important role in shaping people's financial literacy in Indonesia. Through e-commerce platforms, people can easily access various financial products and services, which opens up opportunities to increase their understanding of various financial options. Data on e-commerce site visits and transactions via this platform shows that people are increasingly actively using digital financial services, which in turn can increase financial awareness and discipline.

E-commerce also provides opportunities for small businesses to develop their financial literacy. They can utilize financial features in e-commerce platforms to manage their business efficiently and improve their understanding of financial management and business strategy.

Promotion and discount programs in e-commerce can also provide opportunities for people to learn about saving and wise investments. By taking advantage of appropriate offers, people can develop smart and responsible financial habits.

However, it is important to remember that the role of e-commerce in shaping financial literacy cannot stand alone. Collaborative efforts are needed from various parties, including the government, e-commerce companies, financial institutions, and other community institutions, to empower the community with broader and integrated financial literacy education and campaigns.

Overall, e-commerce is a strong tool for shaping people's financial literacy by providing easy access to various financial products and services, supporting small businesses, increasing financial awareness and discipline, and providing opportunities to learn about saving and investing. With synergy from various parties, financial literacy in Indonesia can continue to increase, leading to a society that is wiser and more efficient in managing personal finances and participating in the rapidly developing digital economy.

SUGGESTION

Further research is recommended to examine the influence of financial literacy programs on e-commerce users in Indonesia. By using quantitative and qualitative methods, this research was able to identify the

effectiveness and impact of financial literacy programs provided by popular e-commerce platforms in the country. Data can be collected through online surveys from active e-commerce users as well as in-depth interviews with selected respondents. Data analysis will involve statistical techniques and thematic analysis to understand the relationship between participation in financial literacy programs and levels of financial understanding and behavior. It is hoped that the research results can guide e-commerce platforms in developing financial literacy programs that are more effective and relevant for the Indonesian people. In addition, this research can provide benefits for financial institutions and governments to develop policies that focus on increasing financial literacy among e-commerce users. By better understanding the impact of financial literacy programs, it is hoped that people can be smarter and more responsive in managing their finances when making transactions on e-commerce platforms, and ultimately, can improve overall financial well-being.

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