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## THE ROLE OF DIGITAL FINANCIAL INCLUSION IN DRIVING VILLAGE ECONOMIC GROWTH: A QUALITATIVE STUDY OF THE VILLAGE COMMUNITY OF BAH TANGAN, SIMALUNGUN REGENCY

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**ABSTRACT:** This descriptive qualitative study analyzes the role of digital financial inclusion through services like mobile banking, e-wallets, and QRIS—in promoting economic growth within the Bah Tangan Village community. The research findings indicate that the use of digital services significantly facilitates transactions, accelerates cash flow, and expands market access, which in turn enhances business productivity and household financial management. Despite facing challenges, digital financial inclusion proves to be a crucial factor in boosting local economic efficiency, inclusivity, and adaptability. Therefore, the study suggests that improving digital literacy and access to technology-based financial services is an effective strategy for promoting more inclusive and sustainable economic development, serving as a vital reference for stakeholders designing educational programs and infrastructure

**Keywords:** *digital financial inclusion, economic growth, digital literacy*

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## INTRODUCTION

Village economic growth plays an important role in realising inclusive and equitable national development. Villages in Indonesia have enormous natural and human resource potential, but still face obstacles in accessing formal financial services, particularly digital financial services. This limited access is one of the causes of slow local economic growth and widens the gap between urban and rural areas (Salsiati, 2025).

With the advancement of information and communication technology, the national financial system has undergone a significant transformation towards digitalisation. Innovations such as e-wallets, QRIS, and mobile banking have played an important role in expanding the reach of financial services and increasing financial inclusion among Indonesians (Fadhilah, 2024). In rural areas, the availability of these digital services has accelerated capital turnover, facilitated transactions for small businesses, and improved local economic efficiency (Nagara, Sukaryono & Sukresna, 2024).

The Indonesian government has also made digital financial inclusion part of its national economic development strategy. Through various programmes initiated by the Financial Services Authority (OJK) and related institutions, the financial inclusion index in rural areas increased from 68.49% in 2019 to 82.7% in 2022. This achievement demonstrates that the digitisation of financial services has had a tangible impact on improving access to finance for rural communities.

However, various challenges remain. Low digital financial literacy, limited technological infrastructure, and the level of public trust in digital financial systems are the main obstacles (Yasrizal & Arimi, 2025). In some rural areas, these obstacles are often more complex than in urban areas, so the potential for utilising digital financial services has not been fully optimised (Aripin, 2024).

Several previous studies have highlighted the importance of digital financial inclusion in strengthening the rural economy. For example, research by Ramadhani and Fitri (2023) shows that the use of digital services such as QRIS and e-wallets

increases transaction efficiency and expands market access for MSME actors in rural areas.

Meanwhile, a study by Handayani and Yusuf (2022) found that digital literacy has a significant effect on the level of community participation in the formal financial system. In addition, research by Puspitasari (2024) confirms that collaboration between village governments and financial institutions is a key factor in accelerating digital economic transformation at the local level. These findings indicate that digital financial inclusion not only opens up economic access but also strengthens the independence of rural communities.

In this context, Bah Tangan Village in Simalungun Regency is an interesting location to study. This village has economic potential based on agriculture and micro-businesses, with a community that is beginning to adapt to developments in the digital economy. These conditions make it possible to identify how digital financial inclusion plays a role in driving local economic growth while also understanding the obstacles faced by the local community.

Seeing the economic development of rural communities increasingly influenced by technological advances, this study focuses on analysing the role of digital financial inclusion in driving economic growth in Bah Tangan Village. The existence of digital services such as mobile banking, e-wallets, and online lending platforms has opened up new opportunities for people to more easily conduct financial transactions, save money, and develop small businesses. However, the utilisation of these services has not been fully realised due to limitations in digital literacy, internet connectivity, and trust in modern financial systems. Therefore, this study uses a qualitative approach to explore in depth how the people of Bah Tangan Village are adapting to the digital financial system, the extent to which this inclusion has had a real impact on increasing village income and economic activity, and the challenges that still face the process of transformation towards a more inclusive digital economy. Thus, the results of this study are expected to provide a comprehensive picture of the relationship between digital financial inclusion and economic growth in rural areas, as well as provide input for stakeholders in strengthening digital-based economic empowerment strategies.

## LITERATURE REVIEW

### *The Concept of Digital Financial Inclusion*

Financial inclusion is a condition in which all levels of society have easy, secure and sustainable access to formal financial services. According to Demirgüç-Kunt et al. (2018), financial inclusion is important for improving community welfare, reducing economic inequality, and promoting equitable economic growth. This concept is not only related to the availability of financial services, but also the community's ability to understand and utilise these services effectively.

With the development of technology, traditional financial inclusion has evolved into digital financial inclusion, which utilises information technology to expand public access to financial services. Bank Indonesia (2023) explains that digital financial inclusion includes the use of mobile banking, e-wallets, QRIS, and fintech lending to facilitate transactions, savings, financing, and investment. This digital inclusion not only improves transaction efficiency but also expands market reach, especially for MSME players in rural areas (Ramadhani & Fitri, 2023).

However, several studies have highlighted challenges in its implementation, such as low digital literacy, limited internet access, and public trust in digital systems (Yasrizal & Arimi, 2025). Thus, the success of digital financial inclusion greatly depends on public literacy, infrastructure support, and policies from financial institutions and the government. Digital financial inclusion is not only about the use of technology, but also about changing people's economic behaviour. People who have access to digital services tend to find it easier to save, obtain financing, and invest, thereby contributing directly to increased local economic productivity (Fadhilah, 2024). Therefore, digital financial inclusion can be considered a catalyst for rural economic growth through increased financial literacy, access to capital, and economic activity efficiency.

### *Village Economic Growth*

Rural economic growth is the process of increasing production capacity and community welfare in rural areas in a sustainable manner. According to Todaro and Smith (2020), local economic growth is characterised by increased community

income, diversification of economic sources, and expansion of employment opportunities. Villages play a strategic role in national development because the majority of Indonesia's population still depends on agriculture, plantations, and micro-enterprises for their livelihoods. Improving the economic capacity of villages not only has an impact on the welfare of individual communities, but also strengthens regional and national economic stability.

Village economic growth is influenced by various factors, including the availability of infrastructure, access to financing, and the role of local economic institutions such as BUMDes, cooperatives, and savings and loan institutions. In addition, technological innovation and access to wider markets also accelerate economic activity. According to Suryana (2023), the ability of rural communities to adopt information technology, such as digital payment systems and online marketing platforms, can increase transaction efficiency, expand market reach, and reduce operational costs, thereby directly driving rural economic growth.

In addition to internal factors, village government policies and institutional support also play an important role. Microfinance institutions that have undergone digital transformation are able to provide faster, more transparent, and more accountable financing, thereby encouraging the growth of MSMEs. Puspitasari (2024) emphasises that the success of village economic growth is not only measured by production or income figures, but also by the village's ability to create an inclusive, adaptive, and sustainable economic ecosystem, where the community can optimally utilise economic opportunities through digital technology and financial services.

#### *The Relationship Between Digital Financial Inclusion and Rural Economic Growth*

Digital financial inclusion and rural economic growth have a reciprocal relationship. Financial digitalisation acts as an enabler for productive economic activities in rural communities, while rural economic growth is an indicator of the success of financial inclusion itself. According to Allen et al. (2023), access to digital financial services increases the efficiency of cash flows, expands business networks, and creates new economic opportunities for low-income communities.

In rural areas, digital services such as e-wallets, QRIS, and mobile banking help small businesses accept cashless payments, expand their markets beyond their local areas, and manage their finances more effectively. This has led to an increase in cash flow in rural areas and strengthened the purchasing power of the community. Additionally, digital platforms also facilitate access to microfinance and investment, which ultimately boosts the productivity of the agricultural sector and MSMEs (Nagara, Sukaryono & Sukresna, 2024).

However, it should be understood that digital financial inclusion does not automatically result in rural economic growth without the support of digital literacy, network infrastructure, and adaptive government policies. Barriers such as low trust in digital financial systems, lack of training in the use of financial applications, and weak local regulatory support can slow down the inclusion process (Aripin, 2024). In other words, the success of financial digitalisation in villages depends on collaboration between the community, village government, and financial institutions to build a sustainable digital ecosystem.

#### *Theoretical Model of Digital Financial Inclusion in Rural Economic Development*

Digital financial inclusion is an effort to expand public access to financial services through technologies such as mobile banking, e-wallets, and digital payment systems. According to the World Bank (2023), financial digitalisation can improve the efficiency of the rural economy by reducing transaction costs and accelerating access to capital for the community. In the context of villages, this innovation serves as a bridge between the traditional economy and a more open and inclusive modern financial system.

This model emphasises that digital literacy plays an important role in the success of financial inclusion. Based on Rogers' theory of diffusion of innovation (2003), technology adoption will be effective if the community understands the benefits and has confidence in the digital system being used. With good literacy, the community can utilise digital financial services to support economic activities such as MSMEs, agriculture and local trade, thereby strengthening the economic independence of villages.

## **METHODOLOGY**

This study uses a descriptive qualitative approach to gain an in-depth understanding of the role of digital financial inclusion in driving economic growth in the community of Bah Tangan Village, Simalungun Regency. This approach was chosen because it allows researchers to explore the experiences, views, and perceptions of the community regarding the use of digital financial services, such as mobile banking, e-wallets, and QRIS, in their daily economic activities.

Data collection was conducted through semi-structured interviews with six informants selected using *purposive sampling*, namely individuals who were directly involved in economic activities and the use of digital services. The interview results were analysed descriptively, examining the main themes that emerged from the informants' experiences to understand the extent to which digital financial inclusion contributed to rural economic growth.

## **RESEARCH RESULT**

Based on interviews with six sources in Bah Tangan Village, it appears that digital financial inclusion is beginning to influence the economic activities of the community, although the level of adoption varies. The sources consisted of Mrs Riska, Mr Nanda, Mr Aji, Mrs Eteng, Mrs Abelia, and Mrs Putri. Most of them stated that digital services such as mobile banking, Dana, OVO, and QRIS facilitate daily transactions, including bill payments, money transfers, and business transactions. This shows that digitalisation is beginning to become part of the village's economic activities, although the transformation is still gradual.

Mrs Riska said that the use of digital wallets facilitates daily transactions, from paying electricity bills to purchasing data packages, to transferring money to family or friends. In addition, she also uses digital services to withdraw cash flexibly without always having to go to the bank. This phenomenon is in line with the concept of innovation diffusion (Rogers, 2003), which states that technology adoption tends to be faster among individuals with digital literacy and an understanding of the benefits of technology.

Thus, rural youth like Mrs Riska act as agents of digital economic change, encouraging others to start trying digital financial services, while accelerating the transformation of economic behaviour in rural areas.

Mr Nanda, a Wi-Fi network provider, emphasised that many small shops and households use the internet to access digital services, but signal limitations remain an obstacle. This finding confirms that technological infrastructure is a key factor in the success of digital financial inclusion, as explained by Nagara, Sukaryono & Sukresna (2024). Network inequality means that some people still rely on cash transactions, so the digital transformation process is gradual and incremental.

Mr Aji, a young farmer, mentioned that the use of e-wallets is still limited, but when selling crops to buyers outside the village, digitisation simplifies the distribution process and speeds up transactions. This phenomenon is in line with research by Handayani & Yusuf (2022), which shows that digital services expand market access and improve microeconomic efficiency. With access to digital services, farmers can reduce the risk of losing cash, accelerate capital turnover, and indirectly increase their income.

Mrs Eteng, a stall trader, stated that QRIS is beginning to be accepted in local markets, particularly by younger buyers. Although some other traders still rely on cash, this finding highlights the importance of digital literacy for adult groups. Adaptation to digital systems not only provides transaction efficiency, but also encourages more planned economic behaviour, for example in daily financial record keeping and business capital management.

MSME entrepreneurs, Mrs Abelia and Mrs Putri, said that digital services make it easier to manage their businesses and expand their markets. Mrs Abelia uses Dana to receive payments for tempeh, while Mrs Putri utilises an e-wallet for purchasing raw materials and receiving orders for fried peanuts from outside the village. These findings support Puspitasari's (2024) research, which emphasises that collaboration between the government, financial institutions, and SMEs accelerates digital economic transformation. SMEs in villages are the sector that most quickly feels the benefits of digitalisation, both in terms of operations and market expansion.

In addition to direct benefits for individuals, village officials revealed that digitisation helps improve transparency and efficiency in village fund management. Social assistance distribution is now carried out digitally, minimising the risk of errors and increasing accountability. These findings show that digital financial inclusion has an impact not only on community economic activities, but also on more modern and efficient village financial management.

Overall, the interview results indicate that digital financial inclusion contributes significantly to the economic growth of Bah Tangan Village through transaction efficiency, market expansion, and MSME empowerment. These findings also reveal a reciprocal relationship between village economic growth and the adoption of digital technology. Wider access to digital services encourages productive economic activity, while increased economic growth is an indicator of successful financial inclusion (Allen et al., 2023).

## **DISCUSSION**

However, several challenges remain, particularly in relation to digital literacy, infrastructure limitations, and public trust in digital services. Adults and the elderly tend to be slower in adopting technology, so digital education and training programmes are key to improving equitable inclusion. With continued support in the form of digital education, internet network improvements, and financial service outreach, Bah Tangan Village has the potential to become a model of successful implementation of inclusive and sustainable digital financial inclusion.

These findings are consistent with literature stating that financial digitalisation not only facilitates transactions but also improves financial literacy, expands access to capital, and drives rural economic transformation (Fadhilah, 2024; Ramadhani & Fitri, 2023; Handayani & Yusuf, 2022).

The results of the interviews show that the level of adoption of digital financial services in Bah Tangan Village is influenced by a combination of individual, technological and social environment factors. Individually, people who have experience using smartphones and are familiar with digital applications tend to adapt more quickly. Technologically, the availability of stable internet networks and digital devices facilitates transactions, while

infrastructure limitations are a significant obstacle for some residents. Social environmental factors, including the support of village officials and peer groups, also encourage the use of digital services, making people feel more confident about conducting cashless transactions.

These findings reinforce the argument in the literature that the success of digital financial inclusion depends not only on the availability of services, but also on the capabilities of the community and the supporting environment (Rogers, 2003; Nagara, Sukaryono & Sukresna, 2024).

The economic impact of digital financial inclusion is becoming increasingly apparent in local business and trade activities. MSME actors and market traders report that the digitisation of transactions accelerates capital flows, simplifies financial record-keeping, and opens up marketing opportunities to consumers outside the village. In addition, digital platforms enable access to microfinance, allowing business actors to develop their businesses without relying entirely on cash capital. This phenomenon is in line with the findings of Ramadhani & Fitri (2023) and Fadhilah (2024), who state that digital services increase transaction efficiency, expand market reach, and contribute to local economic productivity.

On the other hand, the discussion also highlighted challenges that still need to be overcome. Low digital literacy among adults and the elderly, unstable internet connections in some villages, and developing levels of trust in digital systems are all hindering factors. This shows that even though the technology is available, the success of digital financial inclusion requires educational and training interventions, as well as policy support from village governments and financial institutions. With a collaborative strategy ( ), Bah Tangan Village has the potential to become a successful example of digital-based economic transformation, where local economic growth and improved community welfare can be achieved in a sustainable manner.

## **CONCLUSION**

Based on the results of qualitative research on the community of Bah Tangan Village, digital financial inclusion has proven to play an important role in driving the village's economic growth. Digital services such as mobile banking, e-wallets, and QRIS facilitate daily transactions, accelerate capital flows, and expand market reach for MSME players and local traders. These findings indicate that financial digitalisation not only facilitates economic activities but also contributes to increased efficiency, productivity, and economic independence for the village community.

In addition, the success of digital financial inclusion is influenced by several factors, namely digital literacy among the public, the availability of technological infrastructure, and social support, including from village officials and community groups. Although the adoption of digital services tends to be faster among the younger generation, adults and the elderly are also beginning to adapt, indicating that digital financial inclusion has the potential to reach all levels of society with the right guidance and education.

Overall, this study confirms that digital financial inclusion is a catalyst for local economic growth in Bah Tangan Village. With the strengthening of digital literacy, network improvements, and collaborative policies between the village government and financial institutions, Bah Tangan Village has the potential to become a successful model of inclusive, efficient, and sustainable digital-based economic transformation.

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