

The Impact of the Pandemic on the Development of the Fintech Industry in Indonesia

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ABSTRACT

Fintech Indonesia continues to increase during the Covid-19 pandemic. Pandemic Impact The increasingly widespread Covid-19 causes a slowdown in the national economy. Various policies have been carried out by the Indonesian government in dealing with the Covid-19 pandemic, directly have a positive impact but indirectly also have an effect negative, namely, the decline in Indonesia's economic growth. This research uses qualitative descriptive analysis method, data collection using literature study, namely, books, mass media articles, and related journals. Financial technology (fintech) results from a combination of financial services and technology that ultimately transforms business models from conventional to moderate. Initially, paying must face-to-face and carrying a certain amount of cash can now carry out long-distance transactions. Some of the characteristics of fintech are low-touch economy, customer-based and social capital. The role of fintech is to provide a market for business actors, to become a tool for payments, assisting the more efficient implementation of investments, mitigating risks from the system conventional fees, helping those in need to save, borrowing funds, and equity participation. The results of the discussion, the fintech industry in Indonesia is very potential, environment a solid and adaptive business model brings positive trends for fintech. Conducive regulation is the capital to achieve an ideal balance between growth and governance.

Keywords: *Pandemic COVID-19, National Economy, Financial Technology (Fintech), Regulation.*

1. INTRODUCTION

The Indonesian fintech association (Aftech) notes that the Indonesian fintech industry increases during the Covid-19 pandemic. This is because the services offered by fintech are very diverse. Aftech records that in the second quarter of June 2020, the number of fintech startups that are members of Aftech represents approximately 80 percent of the number of licensed fintech operators in Indonesia. The fintech business model in Indonesia In 2016 – 2017 generally only offered online payment and loan systems. However, in 2019 - 2020, the market trend of the community continues to increase in adapting to digitalization, and there are already 23 fintech business models, including digital payments such as e-money, e-wallet, payment gateways, remittances, and others [1].

The official legal basis from the Government and Bank Indonesia, namely:

1. Bank Indonesia Circular Letter No. 18/22/DKSP Regarding Implementation of Financial Services Digital
2. Bank Indonesia Regulation No. 18/17/PBI/2016 Regarding Money Electronic
3. Bank Indonesia Regulation No.18/40/PBI/2016 Regarding the Implementation of Payment Transactions

Four essential transformations that will occur in 2021, namely, the effects of Covid-

19 will continue to influence consumer behavior, the success of fintech is strongly influenced by extensive data management, becoming the beginning of development services integrated, financial inclusion is a priority for the government and fintech actors [2]. A report from a research and analysis company indexable entitled, The

2021 global fintech rankings which discuss the fintech ecosystem in the world, states that Indonesia is ranked 43rd globally, regionally in the Asia Pacific, Indonesia is ranked 9th or one position below Taiwan. [3]. This study uses an opinion approach and focuses on group discussion techniques. The fintech industry in Indonesia is very potential; a conducive regulatory environment is a capital to achieve an ideal balance between growth and governance, creating a responsible digital financial ecosystem and supporting national economic recovery.

2. LITERATURE REVIEW

21 Financial Technology (Fintech) Hiyanti, H., Nugroho, L., Sukmadilaga, C., & Fitrijanti, T. [4] argues that combining technology and finance (fintech) is a new method in the field of financial services where the use of money is no longer physically but electronically. Fintech is here to provide financial solutions for the community that is considered more efficient. The same opinion was also expressed by Winarsih, M., Mutoharoh, M., Tahar, E., & Aziz, IA [5]. Fintech is a technology-based finance service with various services to consider safer, faster, and more practical due to e-cash (money electronic) as a means of payment.

In addition, there are advantages such as transparent management and transactions that can cross borders. That's how digital payments are provided benefits to micro- enterprises, small and medium. According to Bank Indonesia, financial technology is a combined result of financial services with technology that finally changes the business model from conventional to moderate. Initially, in paying must meet face to face and bring some cash and can now do remote transactions—some features of fintech, which is a low-touch economy, customer- based and social capital. Role fintech provides a market for business actors, becomes a tool for payment, assists in implementing more efficient investment, risk mitigation from conventional payment systems, and helps those in need to save, borrow, and invest capital. The Indonesian fintech association (Aftech) is the official platform appointed by the financial services authority (OJK) as an innovation organizer's digital finance association based on PJOK No. 13/2018. To accelerate growth industry and promote national development economy through technology financial.

22 Covid-19 Pandemic

Indonesia.go.id [6] March 2, 2020, two Indonesian citizens

who are domiciled in Depok are stated infected with Covid-19 and became a case first in Indonesia. Ministry of Health, 2020 [7] Coronavirus is a large family of viruses that can cause urinary tract infections respiration, was first discovered in Wuhan, China, in December 2019 then given the name Severe Acute Respiratory Syndrome Coronavirus 2 (SARS-CoV2) and causes disease Coronavirus Disease-2019 (COVID-19). The increasing impact of the Covid-19 pandemic has expanded, causing a slowdown in the national economy. This corresponds to research Yamali, FR, & Putri, RN [8], which states that various policies that the Indonesian government has carried out in dealing with the Covid-19 pandemic live a positive impact but not also have an immediate effect negative that is, the decline in growth Indonesian economy.

3. METHOD

This research uses the method of qualitative descriptive analysis, procedures. The resulting research is in words written or spoken by people, and observable behavior will provide an overview of research results. Data collection using studies literature. The literature used is books, mass media articles, and journals related to this research.

4. DISCUSSION

In responding to the latest developments in the economy, to deal with Covid-19, one of the steps taken by Bank Indonesia is to urge the public to increase non-cash transactions, which is in line with support for working from home (WFH) and social/physical distancing. And continue to support the government through non-cash social assistance programs. [9]

It is undeniable that digital technology in the financial sector or fintech provides convenience for users in transacting. Therefore, this business continues to grow without stopping. This is by research conducted by Marginingsih, R. [10], which states that fintech developments are still positive during the pandemic. However, the use of technology requires a policy in economic stimulus, Nasution, DAD, Erlina, E., & Muda, I. [11]

To rise from the economic downturn, the government is trying to collaborate with fintech, banks, and several leading platforms for innovation and improvement. Financial inclusion in Indonesia, where there are still many people who do not have a bank account.[12]



Figure 1. Fintech innovation cooperation

Micro, Small, and Medium Enterprises (MSMEs) are leading forces driving economic development. The most common problem faced by MSMEs is limited capital and the means to obtain this capital. Yorisca, Y. (2021) [13], [15] Based on data compiled from the Indonesia fintech report, the most widely used service by the Indonesian people is fintech peer-to-peer lending. [12] OJK Regulation No. 77/POJK.01/2016, peer-to-peer lending is a service to borrow money in rupiah currency directly between lenders and borrowers based on information technology. [14] Fund mobilization by fintech services contributed positively in various sectors and was finally able to move the wheels of the national economy [13]

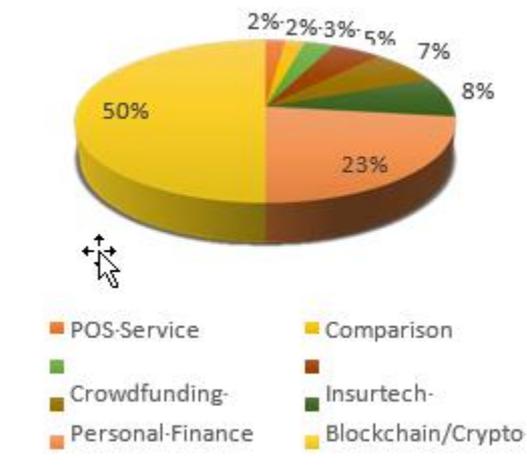


Figure 2. Breakdown of the Indonesian fintech ecosystem

Consumer protection must be taken seriously amid the massive development of fintech in Indonesia; regulations must always be close to innovation. Digital financial services in Indonesia are implemented under the legal umbrella of the Financial Services Authority Regulation (POJK) Number 13/POJK.02/28 regarding digital financial innovation. Education and socialization about fintech products and services are basic things that need to be done to the community. A solid and adaptive business model brings a positive trend for fintech. [16] Bank Indonesia, as the central bank of the Republic of Indonesia, together with relevant authorities, supports fintech and business actors in Indonesia by becoming a facilitator in providing land for payment traffic, intelligent business analysis, monitoring, and assessment of business activities involving fintech.

5. CONCLUSION

In dealing with economic shocks resulting from the Covid-19 pandemic, the government cooperates with the Financial Services Authority (OJK) in terms of regulation and Bank Indonesia (BI) as facilitators to increase financial inclusion in Indonesia. Through support for fintech innovation and Micro, Small, Medium Enterprises (MSMEs) as one of the leading forces driving economic development. During the pandemic, a solid and adaptive business model brings positive trends for fintech.

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