

# TRANSFORMATION OF THE DEVELOPMENT OF FINANCIAL SERVICES INFRASTRUCTURE IN INDONESIA THROUGH FINTECH

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**Abstract:** Evolution technology finance, or fintech, has change sector service Indonesian finance in general significant. This study see how fintech is changing landscape service Indonesian finance, with emphasis on innovation and how matter the influence stability economy, efficiency, and inclusion finance. This study develop understanding comprehensive about fintech innovation and its impact in Indonesia through methodology review literature. Study This use approach study References For compile comprehensive understanding about fintech innovation. Sources literature main involve article journal, report industry, and publications official from authority finance and regulators in Indonesia. Research result disclose that fintech innovation has create change significant in ecosystem service Indonesian finance. In terms of inclusion finance, fintech has give more access wide to previous society difficult reached by the institution finance traditional.

**Keywords:** Fintech, Inclusion finance , economics

## Introduction

Trust public to system formal finance has weakened consequence crisis global finance in 2008. Govt tighten regulations institution finance as response on incident the . Then , the gap very large funding produced by the combination from failure the . Respond circumstances this , business technology finances , often known as fintech companies , emerged as approach replacement For fulfil request public general will service finance . Strength main behind \_ change This is digital technology , which is pervasive to in life everyday life and have an impact on behavior consumer (Kennedy, 2017) .

Technology can too increase customization individuals and speed up the distribution process. As a result , good ecosystem nor market industry changes with fast . So that Indonesia can be a country with largest digital economy , progress technology start enter to digital realm . As an economic regulator , the government must possible all Indonesians, in fact those who live in rural areas and places remote , for feel benefit from breakthroughs This (Munawar et al., 2022)

Fintech, becoming service finance innovative uses \_ technology For lower obstacle come in and facilitate access consumer to products and services finance (BI, 2016). Internet as means access main related tightly with condition technology moment This . Very important For confess that the emergence of Fintech can become catalyst For push enhancement financing for MSMEs, especially those in class intermediate to down , through institution Islamic finance . By Overall,

fintech in Indonesia has Lots hope Because can fulfil need urges that don't can fulfilled by the institution finance conventional (Rusydiana, 2018) .

By overall , fintech in Indonesia own potency big Because can give solution For need urges that don't can provided by the institution finance traditional . Besides , explosion \_ in penetration mobile (70% of the population use cell phone For access the web) in this country has create enhancement fast fintech industry . By Overall , fintech in Indonesia has Lots hope Because can fulfil request urges that don't can fulfilled by the institution finance conventional . Apart from that , growth explosive in penetration 70% of people use cell phones in Indonesia cell phone they For accessing the internet has make ideal conditions for fintech sector for develop (Ningsih et al., 2022) .

This fintech development change business model pattern finance moment This Where weakening the barrier to entry provides role for deep Fintech bring up unregulated behavior that runs the business model worthy company or regulated institutions (Bank Indonesia , 2016). In the beginning, Indonesian fintech only moving on two verticals ie digital payments (e-money) and online loans (peer to peer lending). Now it has grown to include aggregators, innovative credit scoring, financial planners, equity crowdfunding and project financing . Until end second quarter of 2020, between four business model category fintech , online loans are the most dominant at 44%, followed by fintech category Digital Financial Innovation ( IKD ) 24%. Then digital payments 17% and followed service crowdfunding by 1 % . Until end second quarter 2020, total member Participating Aftech in the OJK Regulatory Sandbox increases to 76 operating in 14 clusters (Soerjati et al., 2021) .

Fintech innovation has possible public For involved in possible activities \_ No they consider ten last year . \_ For example , using cell phone clever For do payment , access financing through websites that offer crowdfunding or peer-to-peer lending , or even receive investment advice automatic from intelligence artificial . Researcher Then speak about How development transformation infrastructure service finance changed .

## Method

Researcher use approach descriptive qualitative in study This Because want to describe event, condition, or visible symptoms \_ in development infrastructure service finance in Indonesia. Study This use method based data collection document . Sources literature main involve article journal, report industry, and publications official from authority finance and regulators in Indonesia. Analysis synthesis used For summarize findings main from literature the Research purposes This develop understanding comprehensive about fintech innovation.

## Results and Discussion

### 1.1 . Fintech Development in Indonesia

According to (Pollari, 2016) , fintech refers to companies based partnering technology \_ or compete with institution finance (Chuen & Teo, 2015) defines fintech as product or service finance innovative services provided through technology new . The fintech business is divided in two categories : a) companies technology information and devices helpful and supportive software \_ business in the sector finance , which is also known as provider service banking technology ; and

b) company stub technology or business small and creative that replaces intermediary finance traditional and easy accessible , capable of " disrupting " commercial banks and systems banking. Study has show that innovation company push development economy macro and micro.

(Devi & Rusydiana, 2016) show that competition between fintech and services banking traditional relatively the more intense every year Because Keep going development technology information . By Simultaneously , fintech is improving interest in service modern finance from institution finance purposeful progressive \_ For maintain and strengthen role main they are in the field . Fintech can do it too give modern service quality tall in convenient and effective form \_ For client them anywhere , and anytime . Later , collaboration between institution finance traditional and fintech relative develop Because second party see promising path \_ For development more carry on (Mihardjo et al., 2019) .

Three priority possible development \_ mobilized through fintech explained by (Maulidasari & Yusnaldi, 2019) . The first step is capital mobilization , which is purposeful For increase activity economy marginalized communities \_ such as SMEs and the community income low (MBR). Second , the funds that exist in the community moment This mobilized For finance infrastructure important like electricity and facilities sanitation . Third , collect funds for support development infrastructure sustainable , like funding discoveries important that will increase results fisheries and agriculture .

Fintech activities in Indonesia in 2016 were dominated by 56% by the first group. Based on statistical data, in 2016 the transaction value of Fintech in Indonesia is estimated to have reached USD 14.5 billion. Adequate regulations are needed considering the risks that may arise. Fintech will continue to develop and support the three target themes according to the 2015-2019 Indonesian Financial Services Sector Master Plan, namely: Contributive, optimizing the role of the FSS in supporting accelerated national economic growth; Stable, maintaining financial system stability as a foundation for sustainable development; Inclusive, open financial access so that it can improve people's welfare (Hadad, 2017) .

## 1.2 Synergies from the Fintech Ecosystem

The financial sector needs to continue to produce new technological innovations, especially considering the rapid growth of the fintech industry as a replacement for traditional financial institutions for alternative funding. Therefore, collaboration between the banking sector and start-up businesses must be encouraged. Working together is critical to adding fintech value to the expansion of startups and traditional financial institutions. Apart from that, what is no less important is educating and introducing the public to fintech products and services . By working together, the value of fintech adoption can be increased for the larger population, which is critical to driving the economy to the lower classes (Qolby & Mangundjaya, 2023) .

Fintech with financial services such as crowdfunding, mobile payments, and money transfer services is causing a revolution in startup businesses. With crowdfunding, you can get funds from all over the world easily, even from people you have never met. Fintech also makes it possible to transfer money globally or internationally . Synergy between stakeholders is needed to encourage the role of fintech in financial inclusion (Nugroho & Purwanti, 2017) .

Create synergy fintech business with Industry Defense (Banks and Non-Bank Financial Institutions) is very important For maximizing the role of fintech in Indonesia. Use FinTech functionality is expected can increase efficiency banking and institutional business finance other . this effort can achieved with a number of ways , including : First , collaboration channel information between FinTech and institution existing finances \_ There is with utilize customer data in amount big and channel existing distribution \_ awakened ; Second , collaboration product to be solution for consumer . For do matter this , FinTech companies and banks as well institution finance other must involved in the design process (design thinking) for produce profitable goods (product bundling). second split party in a way balanced (HAPSARI, 2023) .

## Conclusion

The creation of adequate infrastructure for financial services is aided by the ever-growing mobile device and internet connections. The growth of fintech in Indonesia is still in its infancy, with many industries still unexplored and many prospects yet to be fully investigated. Fintech must be able to work together with the current financial sector in order to provide significant benefits to society, in accordance with the principles in the Indonesian Financial Services Sector Masterplan (MPSJKI). To protect the public, regulators must create strategic policies to exploit opportunities and overcome obstacles presented by the fintech industry. Fintech has made progress worldwide in a number of areas, including lending, retail investment, personal finance, payment companies, crowdfunding, remittances and financial research.

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