

## ANALYSIS OF THE IMPACT OF FINANCIAL TECHNOLOGY (FINTECH) ON THE INDONESIAN ECONOMY IN THE NEW NORMAL ERA

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**Abstract:** *This study aims to analyze the impact of Financial Technology (Fintech) on the Indonesian economy in the new normal era. This study uses a quantitative approach with time series data in the form of monthly Fintech statistical reports from June 2020 to June 2022 and monthly SEKI (Indonesian Economic and Financial Statistics) reports from June 2020 to June 2022. The analysis technique of this research uses regression. The results of this study indicate that Fintech has a positive and significant impact on Indonesia's economic growth. This shows that the faster Fintech growth in Indonesia, the more positive the impact on the Indonesian economy. These results implicitly state that one of the ways to improve the Indonesian economy in the New Normal Era is by increasing Fintech.*

**Keywords:** *Financial technology, Indonesian economy, new normal era*

### 1. Introduction

Economic growth means the development of economic activity in which more goods and services are produced by a society and the wealth of society increases, increasing the ability of the country to produce goods and services from one period to another. This capacity increase is due to production factors continuously increasing in quantity and quality (Muqorrobin, 2017).

According to Welianto (2020), there are three factors that influence the economic growth of a society, namely a) Capital accumulation, including new investments in land, equipment and human resources. This occurs when current stocks and income are saved and invested to increase future production, b) Economic growth, coupled with increased employment growth, has traditionally been viewed as a positive factor stimulating economic growth, and as the domestic market expands, more employment, more labor factors of production, and c) technological progress, progress brought about by new and better old ways of doing traditional work, ways of growing rice, making clothes, etc. Classification of technological progress: labor saving and capital saving.

One of the technological developments in the financial sector today is Fintech. Fintech is one of the factors that affect economic growth (Muzdalifa, Rahma, Novalia, & Rafsanjani, 2018). Fintech is a new financial service model developed through information technology innovation. Financial Technology, which is a combination of technology and financial features or it can also be interpreted as innovation in the financial sector with a touch of modern technology (Puschmann, 2017). Quoting from the book *The Future of Fintech*, Bernando Nicoletti's definition of Fintech (2017) is financial technology as an ecosystem not only consisting of startup companies. The term fintech is often associated with startups because of their use of digital software for financial services, which is a modern trend. However, not a few old companies are transforming their business by providing digital-based financial services.

In this case, FinTech is able to replace the role of formal financial institutions such as banks. In terms of payment systems, FinTech plays a role in; 1) Providing a market for business actors, 2) Being a tool for payment, settlement and clearing, 3) Assisting in the implementation of more efficient investments, 4) Mitigating risks from conventional payment systems, and 5) Helping parties in need to save, borrowing funds and equity participation (Hinson, et.al, 2019).

According to the Indonesian government, the new normal is a new order to adapt to COVID-19. According to Achmad Yurianto, the Government's spokesman for the handling of COVID-19, the new normal is a new order, habit and behavior based on adaptation to cultivate clean and healthy living behavior. According to the Head of the Expert Team for the Task Force for the Acceleration of Covid-19 Handling, Wiku Adisasmita, the new normal is a change in behavior to continue carrying out normal activities but by adding health protocols to prevent transmission of Covid-19 (Sparrow, Dartanto, & Hartwig, 2020).

Research on the impact of Fintech on economic growth has been widely carried out by previous studies, namely research (Rahardjo, Ikhwan, & Siharis, 2019; Nurcahya, & Dewi, 2019; Fisabilillah, & Hanifa, 2021; Sihombing, R. 2021) which explains the influence of Fintech on economic growth. Based on the background of the problem and previous studies, this study aims to analyze the impact of Financial Technology (Fintech) on the Indonesian economy in the new normal era.

## **2. Research Method**

This research is a research using a quantitative approach. This type of research is included in causality research that examines the causal effect between independent and dependent so that it can explain the impact of changes in value variations in one variable on changes in value variations in one or more other variables. In this study, the observed variable is the independent variable (X), namely Fintech to the dependent variable (Y), namely economic growth. The population in this study are Fintech companies registered with the OJK. Sampling technique using non-probability samples. While the data collection techniques using documentation techniques. The data used is Fintech data from June 2020 to June 2022.

The data obtained were tried to be normal and free from classical assumptions. The data analysis technique used is simple linear regression with hypothesis testing, namely the T test (partial) and the R<sup>2</sup> test (coefficient of determination). Simple linear regression analysis aims to determine the effect between the independent variable (Independent) and the dependent variable (Dependent).

## **3. Results and Discussion**

### **3.1. Results**

#### **Classic assumption test**

##### **a) Normality test**

The purpose of the normality test is to find out a regression model with independent and dependent variables or even both have a normal distribution or not. A model is said to be normally distributed if the *difference* value and significance value (Sig). > 0.05.

Table 1.

*Kolmogorov-Smirnov . One Sample Normality Test Results*

<b>Significance</b>	<b>Information</b>
.315 <sup>c,d</sup>	Normal Distribution

Source: Data Processing Results, 2022

#### b) Heteroscedasticity Test

To see the presence or absence of heteroscedasticity, it is necessary to look at the scatter plot graph, namely by looking at the points on the graph .

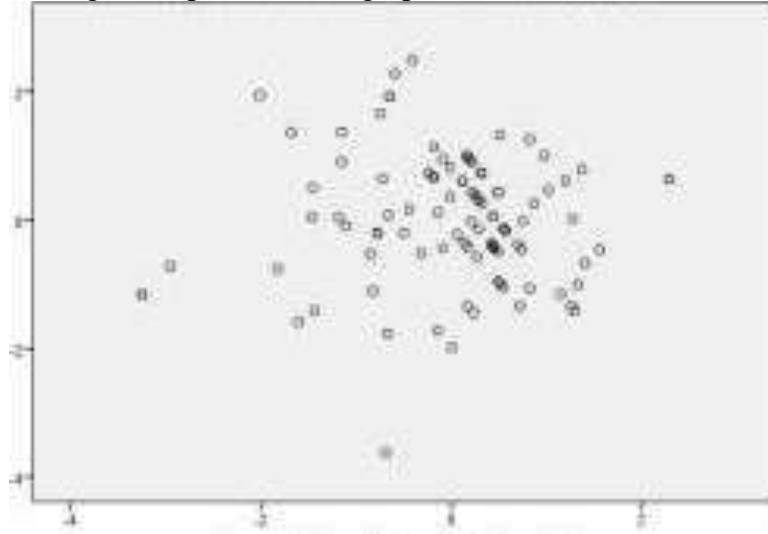


Figure 1.

Heteroscedasticity Test Results

Source: Data Processing Results, 2022

Figure 1 shows that small circles are seen randomly scattered throughout the area either above or below the number 0. That is, heteroscedasticity in the regression model of this study does not occur.

#### c) Multicollinearity Test

To test whether there is a correlation between independent variables in a regression model, a multicollinearity test is carried out. If the *tolerance value* is  $> 0.10$  or  $< 1$  and  $VIF < 10$ , then there is no multicollinearity .

Table 2.

Multicollinearity Test Results

Variable	Collinearity Statistics		Information
	Tolerance	VIF	
Fintech (X)	0.365	3,428	Multicollinearity Free
Economic Growth (Y)	0.355	4,136	Multicollinearity Free

Source: Data Processing Results, 2022

#### Simple Regression Analysis

Table 3.

Simple Regression Test Results

Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	12,456	2,209		3,588	,000
	Fintech	,945	,121	,006	9,237	,000

a. Dependent Variable: Economic Growth

Source: Data Processing, 2022

The regression formulation obtained is:

In Table 3 the value of constant (a) is 12,456 while the value of Fintech (X) is 0.945. Then the regression equation is as follows:  $Y = a + bX$  or  $(Y = 12,456 + 0,945X)$  shows that if Fintech is equal to zero (no change), then economic growth is 9.237 and if Fintech increases by 1 unit, then economic growth will increased by 0.945, meaning that if Fintech increased by 1 unit, then economic growth increased by 0.9237. From the *coefficient table*, it is known that the tcount value is  $9.237 > t$  table is 2.018 with a significant value of  $0.000 < 0.005$  then  $H_0$  is rejected and  $H_a$  is accepted, which means there is a positive and significant influence on Fintech (X) there is Economic Growth in the New Normal Era (Y).

### Hypothesis testing

#### a) Coefficient of Determination ( $R^2$ )

The coefficient of determination is a tool that can be used to measure the extent to which a model is able to explain variations in the dependent variable.

Table 4.

Results of the Coefficient of Determination

**Model Summary**

Model	R	R Square	Adjusted R Square	Std Error of the Estimate
1	.845	.720	.710	1,940

Source: Data Processing Results, 2022

Based on Table 4, the results of the correlation analysis obtained a correlation coefficient (R) of 0.845, which means the relationship of the independent variable Fintech (X) to Economic Growth (Y) is positive and very close. The result of determination obtained a coefficient of determination (R) of 0.720 which means 70.20%, the independent variable (X) explains the dependent variable (Y) or in other words, the independent variable (X) on the rise and fall of tax compliance (Y) is 70, 20% while the remaining 29.80% is influenced by other variables not included in this study.

### 3.2. Discussion

Based on the results of data processing and statistical data analysis, it is explained that Fintech has a positive and significant effect on economic growth. The regression test that has been carried out shows that 70.20 percent of the Fintech variables can explain the economic growth variable and the remaining 29.80 percent is explained by variables outside the model. The results of statistical data analysis clearly provide positive signal that the increase in Fintech in Indonesia will have a positive impact on increasing Indonesia's economic growth in the New Normal Era. This is in line with the government's program that the entry of Fintech and financial literacy in Indonesia will have a good impact on the Indonesian economy in the New Normal Era.

Economic growth is the development of activities in the economy that causes goods and services produced in the community to increase and the prosperity of the community increases in the long term (Xepapadeas, 2005). The results of this study are in line with the classical economic growth theory. Classical economic growth theory was pioneered by Adam Smith, David Ricardo, Malthus, and John Stuart Mill. The classical economic growth theory explains that the factors that influence economic growth are the population, the amount of capital goods, land area and natural wealth as well as the technology used (Acemoglu, (2012).

Fintech is one of the technological developments in the financial sector. The New Normal era adds to the increase in the use of Fintech in Indonesia (Schueffel, 2016) . This New Normal era with Fintech actually experienced a significant increase in lending. The ease and speed of the

process are the reasons why people are increasingly getting to know Fintech to be able to meet their needs (Gai, Qiu, & Sun, 2018). For people who are creditworthy but not unbanked, using this Fintech service will open access to financing and fill the gap in financing needs in Indonesia. Although it is included in the new financial industry category, in reality the existence of Fintech in Indonesia must be seriously considered because of the considerable benefits in providing financial services to the community (Chuang, Liu, & Kao, 2016).

The results of this study are in line with the results of previous studies which explain that there are positive and significant impacts and influences of Fintech on economic growth. Research by Fisabilillah, & Hanifa, (2021) explains that fintech lending has a positive and significant impact on the Indonesian economy. Furthermore, research by Rahardjo, Ikhwan, & Siharis, (2019) found that financial technology (fintech) has an effect on the development of SMEs in Magelang City. In addition, the research of Maulana, & Wiharno, (2022) suggests that Fintech P2P Lending has an effect on Indonesia's Economic Growth.

#### **4. Conclusion**

Based on the results of data collection and processing that has been carried out by the author above regarding the Analysis of the Impact of Financial Technology (Fintech) on the Indonesian Economy in the New Normal Era, it can be concluded that Fintech has a positive and significant impact on Indonesia's economic growth in the New Normal Era. This shows that the faster Fintech growth in Indonesia, the more positive the impact on the Indonesian economy. These results implicitly state that one of the ways to improve the Indonesian economy in the New Normal Era is by increasing Fintech.

Based on this conclusion, the authors provide the author's recommendations regarding the Analysis of the Impact of Financial Technology (Fintech) on the Indonesian Economy in the New Normal Era as follows: 1) For the Financial Services Authority, the Financial Services Authority must increase its efforts in terms of regulation and supervision of Fintech, especially related to providers that registered and licensed by the Financial Services Authority, 2) For the public, the public must be more selective and careful in using Fintech loans so as not to suffer losses due to illegal Fintechs that are not registered with the Financial Services Authority, and 3) For Further Researchers, further research should examine other factors that affect Indonesia's economic growth in the New Normal Era by adding other factors such as natural resources, capital and others.

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