

Chapter 12

An Overview of Financial Technology in Indonesia

Muhammad Anshari

 <https://orcid.org/0000-0002-8160-6682>
Universiti Brunei Darussalam, Brunei

Mohammad Nabil Almunawar

Universiti Brunei Darussalam, Brunei

Masairol Masri

Universiti Brunei Darussalam, Brunei

ABSTRACT

Financial technology (FinTech) has been developing at a tremendous rate all around the globe. This chapter will show how banking and financial system has evolved by financial technology which affected the way of how society is living now. There is a rapid change of FinTech for the past few years in Indonesia. These changes have made an impact to the people in Indonesia. As for the exploration to the rise of FinTech in Indonesia, it is important to understand the development and challenges of FinTech in Indonesia by looking changing Indonesian people's behavior in terms of FinTech's adoption include payment channel system, digital banking, peer-to-peer (P2P) lending, and crowdfunding.

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INTRODUCTION

The fourth industrial revolution (Industry 4.0) will definitely contribute to an extensive and profound impact on almost all business sectors. FinTech is one of the cutting edge technology in Industry 4.0 realms. The integration of key stakeholders such as customers, machines, including information and communication technologies (ICT) are kept connected through Industry 4.0 in order to achieve ever-changing management of complex business processes (Bauer et al., 2015). In relation to the flexibility it offers, Kiel et al. (2018) stated that Industry 4.0 intends to tackle the contemporary challenges by enhancing business competition globally, managing volatile markets and demands which will be needed in dealing with dynamic, challenging requirements.

FinTech is one of the emerging sectors in Industry 4.0. The scope of FinTech is very broad, it covers almost every aspect of the financial system. There are new capabilities and modes in insurance, money transaction, digital security, investment, data analysis, crowdfunding and etc. It offers various user-friendly products that provide a positive customer experience and at the same time reduce transaction costs. FinTech has existed for many years and there is an enormous gap from when our society started establishing the system. Sandel (2016) stated that the existing financial services organizations are making a considerable investment in FinTech, while also investing in and collaborating with promising strategies that can deliver additional value. Globally and Indonesia in particular has seen the growing usage in online trading and online banking that resulted in the expansion of e-commerce. It has changed many aspects of the way society is living now.

Indonesia has become one fastest growing financial system in the world. The financial landscape in Indonesia can be categorized based on funding, lending and performance trends, and drivers. FinTech has created alternative financial ecosystems available both for customers and businesses. It exists to compete with the traditional and established financial sectors in the form of services, products, and deliveries. In the next five years, it is expected that US\$500 billion will be invested to develop the necessary infrastructure for FinTech in Indonesia. Since 2015, FinTech's startups in Indonesia have grown up to 78% with their increasing markets for lending, cards, and payments (Cekindo, 2018). Amarta, GoPay from Go-Jek, Finansialku, Midtrans, T-Cash, and Doku are among visible FinTech companies in Indonesia that offers financial services.

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