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Accelerate Ecosystem Development Financial Services Sector

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Abstract

Introduction: The Fintech business is a financial innovation with a touch of modern technology, which takes advantage of developing information technology to create innovations in the financial services sector, which are faster and easier to use. So that preparation are needed in accelerating the ecosystem of the financial services sector.
Purpose: This article aims to find out how far the acceleration of the financial services sector ecosystem in Indonesia.
Methodology: This article **is** explained by using a normative juridical writing method by conducting a literature study on secondary data and primary legal materials (laws and regulations), Using a statute approach, which is to examine all laws and regulations related to legal issues. Describe the object under study.
Findings: To ensure the optimization of Fintech for economic growth and financial inclusion in Indonesia, OJK and relevant regulators need to maintain a balance between the ease and flexibility of services offered by Fintech with aspects of supervision and consumer protection. Without paying attention to these two things, Fintech can disrupt the stability of the financial system in a country. It must be ensured that consumers using Fintech understand the products and services they use, such as procedures, benefits, costs/obligations, risks, and security aspects. An innovation ecosystem is sustainable when it provides the assets and resources needed to build relationships between partners, promote growth and responsiveness of systems to catalyzing internal and external change, and translate knowledge generated by research organizations to industry investors.
Paper Type: General Review
Keywords: Accelerate; Ecosystem; Financial Sectors.

Introduction

The presence of globalization in the millennium era has had a significant impact on all sectors of human life, one of which is a technology and the internet. Technology and the internet play an essential role in supporting the activities of human life.

Secretary-General of APJII (Association of Indonesian Internet Service Providers) Henri Kasyfi Soemartono explained the 2019-2020 Indonesian Internet User survey results. Indonesian internet users amounted to 73.7%, up from 64.8% in 2018. When combined with the figures from the Central Statistics Agency (BPS) projections, Indonesia's population in 2019 was 266,911,900 million, so that Indonesian internet users are estimated at 196 7 million users.

This data shows that the penetration of digital technology is extensive and has an impact on several sectors, one of which is the business sector which then produces online trade or e-commerce. In addition, the rapid development of technology and the internet does affect not only the trading industry but also the financial industry in Indonesia. This is marked by the presence of financial technology (Fintech).

The Fintech business is a financial innovation with a touch of modern technology, which takes advantage of developing information technology to create innovations in the financial services sector, which are faster and easier to use (Benuf et al., 2019: 147). One business that is engaged in digital financial services is utilizing information technology.

The development of the Fintech business in Indonesia is high-speed; this is evidenced by data from the Financial Services Authority, which states that the number of Fintech companies licensed and registered with the OJK as of April 30, 2020, totaling 161 companies (OJK, 2020). Fintech is overgrowing and advancing internet technology and gadgets such as mobile phones, smartphones, PCs, tablet PCs, and netbooks (Hariyani, 2017: 346). This confirms that the Fintech business is a rapidly growing business in Indonesia.

The President's mission is that Indonesia will create 1,000 Teknoprenuers, with a target E-Commerce market volume of UD$130 billion, to become ASEAN's largest economy by 2020. The strategic issues contained in the National E-Commerce Roadmap are government policies that are believed to fertilize the economic ecosystem effectively. Indonesian digital.

Departing from the description of the problem, the author would like to elaborate further on accelerating the development of the financial services sector ecosystem.

Methodology

The problems described above will be explained using the normative juridical writing method by conducting a literature study on secondary data and primary legal materials (laws and regulations), Using the statute approach, which is to examine all laws and regulations related to legal issues (Priyono, 2019) analyzed descriptively analysis means a method of analysis by describing the object under study (Benuf & Azhar, 2020: 25) in this paper the thing is Fintech. The legal issue discussed in this paper is the regulation and supervision of Fintech in Indonesia. These legal regulations are the primary legal material in this study. In addition, this writing is also based on the results of research that has been done previously.

Results and Discussion

Fintech is an abbreviation of the word Financial Technology, which can be interpreted in Indonesian as financial technology. Fintech can be defined as the use of information technology developments to improve services in the financial industry. According to the National Digital Research Center, Fintech is a term used to describe innovation in financial services. Another definition of Fintech is a variety of business models and technological developments that can improve the financial services industry.

Financial technology (FinTech) is revolutionizing the financial services industry at an unrivaled pace. From mobile payments, Robo-consultation, app-based investment platforms to online banking solutions, FinTech developments impact financial planning, financial well-being, and economic inequality. FinTech has the potential to increase financial capability. Startups and platforms using technology to simplify personal finance and streamline the financial planning process are building the next generation of financial tools and encouraging and facilitating financial education. After the FinTech era, visualization and accessibility/user-friendliness are essential for financial inclusion. (Geogios A. Panos and John O.S.W, 2020).

Companies in the financing and investment sectors also compete by using technological innovations in selling their financial products and services. The types of Fintech in this sector include Peer-to-Peer (P2P) Lending, Crowdfunding, Supply Chain Finance, and others.

A fintech is an essential form of innovation in the fast-growing financial industry, driven by economic equity, favorable regulations, and information technology. Fintech promises a new ecosystem of the financial sector where it can provide quality financial services at low costs and create a more diverse and stable economic environment.

The Fintech Ecosystem is a form of collaboration between the government, financial institutions, and entrepreneurs. In this collaboration, it is expected to form value and a value network based on customer needs and goals, where assets will have value when invested in creating customer value itself. The Fintech ecosystem must be able to generate returns on the costs that have been funded.

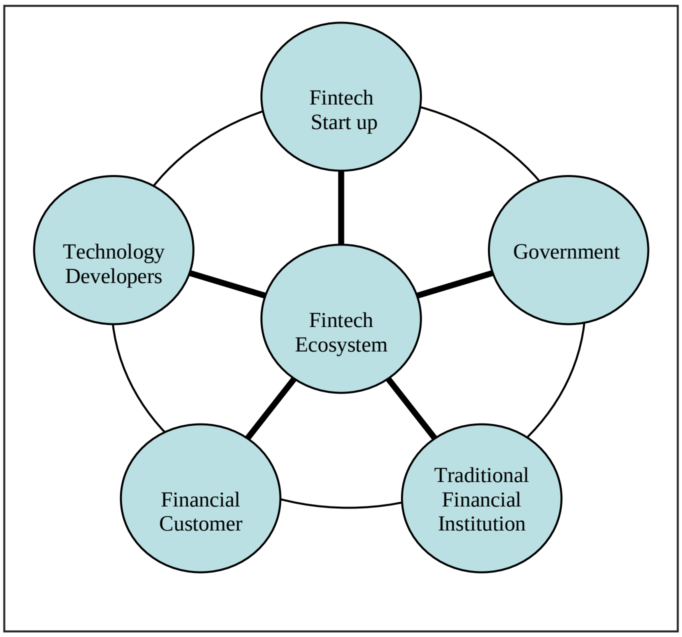
The scope of Fintech includes financial technology. Therefore the Fintech ecosystem must improve the local economy to develop by inviting people who have interests,

interests, talents, are ambitious, and become a place for creative thinking and business activities. The fintech ecosystem enables growth opportunities for many sectors, including software, data analytics, payments, platforms (such as peer-to-peer lending and trading), mobile banking, and algorithmic asset management systems (Astri Rumondang et al., 2019).

With experience in retail, healthcare, automotive, and so on, IT service providers are well-positioned to integrate diverse capabilities and solutions to offer connected services and ensure governance, long-term management, and maintenance. By leveraging the broad expertise and global experience of service providers, incumbents will ensure the delivery of cost-effective, faster, and more innovative solutions to the market.

The following are the elements of the Fintech ecosystem (In Lee, 2017)

Figure1. Fintech Ecosystem Elements



The Fintech ecosystem in technological innovation consists of the following elements:

1) Fintech Startups/Fintech startups (e.g., payments, wealth management, lending, crowdfunding, capital markets, and insurance technology companies)

2) Technology Developers (e.g., big data analytics, cloud computing, cryptocurrency, and social media developers)

3) Government (e.g., financial regulators and legislatures)

4) Financial Customers (e.g., individuals and organizations), and

5) Traditional Financial Institutions (e.g., traditional banks, insurance companies and stockbrokers, and venture capital)

The development of technology and digitalization has also increased the public's need for easy, fast, and flexible activities in the financial services sector. This community needs to encourage financial service actors to continue to innovate and transform from traditional transactions to transactions in digital form. Financial Services Businesses are required to improve standards and innovations to improve standards and innovations to attract and meet the needs of increasingly modern society.

Based on the We Are Social (2016) report, Indonesia is the fourth-largest mobile phone market globally, with 326.3 million connectivity or SIM penetration of 126%. As many as 43% of the Indonesian population already use a smartphone (smartphone). Furthermore, Indonesia has developed into a mobile-first country with 66.0 million out of a total of 88.1 million users accessing the internet via mobile phones or tablets. This triggered the use of social media with platforms such as WhatsApp, Facebook, Blackberry, Line, and Path. This trend has also led to astonishing growth in electronic commerce (e-commerce).

Financial Services Businesses are currently starting to develop innovative products and strengthen technology systems in business. Financial service institutions have carried out Fintech developments and innovations, namely Digital Banking Services, Financing and Investment, and Insurance.

1) Digital Banking Services (Digital Banking)

To simplify and speed up financial transactions, banks in Indonesia have developed digital banking, commonly referred to as Digital Banking Services, banking activities using electronic/digital means. Other digital innovation features include e-wallet and electronic money that can replace the culture of people who carry cash more often. PUJK collaborates and collaborates with Fintech Fintech startup companies that develop digital innovations in the same sector.

2) Financing and Investment Industry

The capital market sector has digitized its products. This digitization includes finding information, registering and opening accounts, and reporting on investment activities. In the financing sector, with digitalization and product innovation development, finance companies provide online services to speed up processes that consumers usually avoid due to the length of time the traditional loan application process takes.

3) Insurance Industry

Insurance companies provide registration services to purchase insurance products online, and there is no need to visit the company or insurance agent. Another feature is the provision of online claim submissions. Digital innovation and development in the insurance industry also provide information that makes it easier for insurance policyholders to obtain information related to the insurance products they use.

The push to establish policies and institutional frameworks that enhance competitiveness in a knowledge-based economy is universal. To this end, political decision-makers from some of the leading economies have adopted an innovation ecosystem approach to intensify efforts at supporting and leveraging knowledge flows across their respective economies. This approach is a sophisticated way of looking at the innovation system as a whole that allows policymakers to pay close attention to the collaborative and interdependent nature of innovation processes and identify the best ways to stimulate productive networks and relationships within and across disciplines and sectors of comparative advantage. Furthermore, the innovation ecosystem approach focuses on the ever-evolving relationship between a broad spectrum of innovation partners and draws attention to how their interactions affect knowledge creation.

The level of knowledge dissemination, the transformation of knowledge into innovation, and the expansion of that innovation (Mercan and Goktas, 2011). Wolfe (2009: 38) explains:

… This approach analyzes not only existing local institutions of economic growth, such as universities, research parks, large anchor companies, and smaller startups but also the dynamics of how they interact with one another… rather than targeting research infrastructure institutions for sectors or In specific specializations, regional innovation systems shift to 'centers' or 'communities for innovation' which allow for more agile responses to moving technology and market conditions. Finally, the regional knowledge ecosystem fuels the regional innovation process by collaborating with several partners, including research, universities, large research-driven companies, startups, investors, and other professionals.

Stanford universities defines an innovation ecosystem as an inter-organizational, political, economic, environmental, and technological system through which an environment conducive to business growth is catalyzed, maintained, and supported. Value is co-created for the innovation ecosystem through events, impacts, and coalitions/networks that emerge from a shared vision of the desired transformation.

An innovation ecosystem comprises individuals, communities, organizations, countless material resources, rules, and policies across large and small businesses, universities, colleges, governments, research institutes and laboratories, and financial markets within a region that works collectively. To enable knowledge flow, support technology development, and bring innovation to market (Wessner, 2007; Washington Economic Development Commission, 2009: 1-2; Jackson, 2011; World Resources Institute, 2011; NSF Directorate for Engineering, 2010). The innovation ecosystem embodies an organic, bottom-up approach to economic development. When its components work together, they can achieve impressive short-term results and long-term economic and social impacts explaining that a thriving innovation ecosystem is characterized by knowledge creation, support organization49, culture entrepreneurship, technology, entrepreneurs, government, and financial experts.

An innovation ecosystem is sustainable when it provides the assets and resources needed to build relationships between partners, promote growth and responsiveness of systems to catalyzing internal and external change, and translate knowledge generated by research organizations to industry investors (Jackson, 2011; TECNA, 2011).

These assets include entrepreneurial capacity, business acumen, risk capital, enterprise R&D, technology commercialization, human capital, physical infrastructure, industrial base, global relations, networking opportunities, existing culture supporting innovation and people's mindsets, policies, and quality of government that supports life. (TECNA, 2011). The list of resources required by entrepreneurs' academic and private sector in the innovation ecosystem can be grouped into six broad categories: networking - achieved by attending events/conferences designed to help entrepreneurs enter.

To ensure the optimization of Fintech for economic growth and financial inclusion in Indonesia, OJK and relevant regulators need to maintain a balance between the ease and flexibility of services offered by Fintech with aspects of supervision and consumer protection. Without paying attention to these two things, Fintech can disrupt the stability of the financial system in a country. It must be ensured that consumers using Fintech understand the products and services they use, such as procedures, benefits, costs/obligations, risks, and security aspects.

Financial regulators in Indonesia have also regulated and supervised Fintech. OJK has issued a regulation related to Fintech, namely OJK Regulation No. 13/POJK.02/2018 concerning Digital Financial Innovation (IKD) in the financial sector. Previously, OJK had issued POJK No.77/POJK.01/2016 regarding Information Technology-Based Lending and Borrowing Services (peer-to-peer lending). As for the provisions relating to aspects of consumer protection, Fintech FSB actors are required to implement the requirements of POJK No. 1/POJK.07/2013 concerning Consumer Protection in the Financial Services Sector. OJK needs to immediately prepare arrangements for Fintech startups other than peer-to-peer lending, especially in products/services related to their authority in the service sector financial services, such as account aggregators and information and feeder sites. This is to ensure the fulfillment of the consumer protection aspect of the service in question.

Taking into account the potential risk mapping study of existing Fintech business processes in Indonesia, there are at least 4 (four) aspects of consumer protection in Fintech that must be a concern for both the government and regulators in the financial services sector, namely: completeness of information and transparency of products/services, handling consumer complaints and dispute resolution, fraud prevention, and service system reliability, and protection of personal data (cybersecurity). Although these four things have been mentioned in existing Fintech arrangements, it is necessary to ensure that this aspect is thoroughly implemented by all Fintech actors. To further enhance efforts to protect Fintech consumers in Indonesia, the OJK and relevant regulators can do the following: supervision and regulation that focuses more on Fintech that has developed and is used in Indonesia strengthen coordination with relevant stakeholders, preparation of dispute resolution mechanisms at Fintech startups, as well as improvement legitimacy of Fintech in Indonesia.

Conclusion

To ensure the optimization of Fintech for economic growth and financial inclusion in Indonesia, OJK and relevant regulators need to maintain a balance between the ease and flexibility of services offered by Fintech with aspects of supervision and consumer protection. Without paying attention to these two things, Fintech has the potential to disrupt the stability of the financial system in a country. It must be ensured that consumer users. The push to establish policies and institutional frameworks that enhance competitiveness in a knowledge-based economy is universal. To this end, political decision-makers from some of the leading economies have adopted an innovation ecosystem approach to intensify efforts at supporting and leveraging knowledge flows across their respective economies.

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