ABSTRACT

The shift in consumer preferences from conventional to digital has encouraged the emergence of technological innovations in the financial sector, namely financial technology (fintech). The development of fintech companies is expected to affect existing financial institutions, especially banking. This study aims to analyze the effect of the development of fintech companies on banking profitability. Independent variables used are the number of fintech companies for all categories (FA), the number of fintech lending transactions (FP) and the number of fintech payment transactions (FP). While the dependent variable used is ROA as a proxy for profitability. This study uses quarterly time series data from 2013 to 2020. The analytical method used is VECM (Vector Error Correction Model).

The results showed that the FA variable had a negative but not significant effect on ROA. This is because the FA variable only shows the number of existing entities and does not explain the overall condition of fintech. In addition, the banking sector is able to adapt new technologies and tends to continue to work with fintech companies rather than compete. Fl and FA variables have a negative and significant effect on ROA. The presence of fintech lending is considered as an alternative loan for people who cannot borrow from banks so that their existence can disrupt the banking credit market share and have an impact on profitability (ROA). Meanwhile, the emergence of fintech payments will disrupt and reduce the market share of electronic money owned by banks, resulting in a decrease in bank ROA.

Keywords: Financial Technology, Fintech Peer-to-peer Lending, Fintech Payment, Profitability, Banking.