

ABSTRACT

Financial technology (fintech) has emerged as a transformative force in the banking industry, enabling improvements in operational efficiency, customer engagement, and profitability. However, despite its increasing relevance, empirical studies that simultaneously assess fintech utilization, development, and quality, particularly in the context of leading markets like Indonesia, remain limited. Guided by the Technological Innovation Theory, this research aims to fill the gap by analyzing the influence of the three globally used measures of fintech on the financial performance of banks listed on the Indonesia Stock Exchange (IDX) during the period 2015 to 2024.

This study examines fintech utilization through the number of digital banking transactions, fintech development based on the annual release of new digital features, and fintech quality as reflected in digital service satisfaction ratings. Bank performance is measured using Return on Assets (ROA) and Return on Equity (ROE). The analysis applies panel data regression using Fixed Effects Model (FEM) and Common Effects Model (CEM) estimators, based on a purposive sample of eight banks observed over a ten-year period, resulting in a total of 80 observations.

The results reveal that fintech utilization and quality have a positive and significant influence on both ROA and ROE, highlighting their importance in enhancing bank profitability. In contrast, fintech development shows a statistically insignificant relationship with both performance indicators. This suggests that frequent innovations may not necessarily improve financial outcomes, as development often involves high upfront investment costs, lacks immediate returns, and must align with market demand to be effective.

Keywords: Fintech, financial technology, fintech utilization, fintech development, fintech quality, bank financial performance, ROA, ROE, digital payment.