



# Financial Tecnology, Between Education and Regulation

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## ABSTRACT

The presence of Financial Technology makes changes in the financial services sector, from before face to face, now through electronic devices, in seconds, "The purpose of this paper is to follow the developments that occur in financial technology, both in terms of viewing and analyzing the phenomena of Financial Technology so that Financial Technology can supervise economic revolution so that it can support the development of financial services industry going forward and continue to guarantee consumer protection in the country. The presence of Financial Technology is an opportunity to continue to improve the development of the financial services sector, including encouraging financial inclusion programs. Discussing the above theme as well as being an important learning to be known more broadly. The results of this paper are that it has seen related institutions such as the FSA for Development & Regulations of Fintech in Indonesia as a for the following: 1) Launching Financial Technology Innovation as a center for developing financial technology innovation and becoming a one-stop contact for Financial Technology to connect and collaborate with various institutions and institutions that support the national digital financial ecosystem. 2). OJK prepares a CA (certificate authority) in the financial services sector as a continuation. 3). Financial technology has a legal basis for attracting investment, efficiency, protecting the interests of consumers, and growing sustainably 4). The application of data and information security standards in the management of Financial Technology will be reviewed together with the needs of the Information Security Reporting Center in the financial services industry 5).

**Keywords:** Financial technology Between Education and Regulation

## INTRODUCTION

Financial Technology (Fintech) is a form of application of information technology in the financial sector. Along with the development of this technology, new companies in the field of finance are emerging that use technology as a basis for business. With them, financial activities are easier to do and can increase Indonesian consumers' awareness of financial-related activities. In addition, the services of these Fintech companies can be made easier to reach many consumers. Services that can be accessed via the internet make Indonesian people who have a place to live in the village area can also make transactions with Fintech products.

In the book The Oxford Dictionary, Financial Technology or better known as Fintech is "Computer programs and other technology used to support or enable banking and financial services" which means Financial Technology is a unit of computer programs and other technologies used to help and facilitate banking and financial services. Meanwhile, according to the National Digital Research Center or NDRC defines Fintech as a term that can be used to refer to innovation in the field of financial services or finance that is given a touch of modern technology to be able to improve and facilitate performance. It can be concluded that Financial Technology, a business segment that uses software technology as a tool to facilitate system

services, especially in the fields of finance, telecommunications and banking that aims to solve financial problems for consumers and Fintech companies, and at the same time financial technology, can be studied and widely used by people who really need financial technology.

The introduction of new technology in finance must be socialized to the public and it is our shared responsibility, especially universities. Based on this, the Islamic Economics and Business Faculty of IAIN Kendari, seeks to educate about Financial Technology with the aim of providing understanding and learning of the use of financial applications.

Fintech's educational activities for academics are carried out by partnering with several financial institutions, both government and private. Understanding of the use of Fintech has a positive contribution in accelerating financial information and communication.

### Previous Research

Previous research conducted by (Chang et al. 2016) [1] entitled "What Motivates Chinese Consumers to Adopt Fintech Services: A Regulatory Focus Theory" aims to explain the two differences of the factors which motivated the adoption of Financial Technology in China. , Charles Dennis, Sue Vaux Halliday, Abeer Bin Ali (2017) [2] entitled "Determinants of Customer Continuance Intention of Online Shopping" Aims to clarify theory and identify factors that can explain the level continuation of e-shopping intentions. An online survey and investigation showed that age differences were a major factor. The findings confirm that perceived benefits, pleasure and social pressure are determinants of the continued use of e-shopping in Saudi Arabia

**Previous research conducted by** (Drovandi et al. 2018) [3] Aims to investigate the factors that cause customer behavior make payments online. In other words this study studies the influence of factors such as product information, price, convenience, product and service quality provided on perceived benefits. The results of this study indicate that the perceived benefits have a large influence on consumers to make payments when shopping online compared to the perceived convenience.

### MATERIALS AND METHODS

What are the regulations regarding fintech in Indonesia? OJK's plans for Fintech Development and Regulation in Indonesia are as follows: 1). Launched the Financial

Technology Innovation Hub as a center for financial technology innovation development and became a one-stop contact for Financial Technology to connect and collaborate with various institutions and institutions that support the digital financial ecosystem. 2). OJK prepares a CA (certificate authority) in the financial services sector as a continuation in terms of the agreement with KOMINFO. 3). to be in accordance with existing regulations in Indonesia, so that later can guarantee that online transactions or e-transactions that are digitally signed can be declared safe and have legal force. 4). Sandbox regulation as a rule that regulates various things at a minimum so that the development of Financial Technology has a legal basis to attract investment, efficiency, protect the interests of consumers and grow sustainably 5). The application of data and information security standards in the management of Financial Technology will be reviewed together with the needs of the Information Security.

In Indonesia, fintech can be said to have been well received. As of January 2018, the number of fintech users in Indonesia has reached around 260,000. This is also supported by the existence of official regulations from the government through Bank Indonesia related to the application of fintech. There are three legal bases that are used as a basis, namely:

- Bank Indonesia Circular No. 18/22 / DKSP regarding the Implementation of Digital Financial Services
- Bank Indonesia Regulation No. 18/40 / PBI / 2016 concerning Implementation of Payment Transaction Processing
- Bank Indonesia Regulation No. 18/17 / PBI / 2016 concerning Electronic Money with the existing legal basis, both fintech providers and users can carry out various financial activities more safely and comfortably. On the other hand, Bank Indonesia also ensures that every fintech product or service provider complies with the established regulations.

After you read this article, of course now you know the ins and outs of fintech and if you are interested in establishing a fintech-based startup company, we can offer a solution for online payroll.

### RESULTS AND DISCUSSION

Discussion about Fintech discusses and gives an overview of basic concepts, arrangements and policies in Indonesia, types, and tips and tricks for choosing a good fintech. The development of technology has now penetrated into the world of finance or finance. Now it has sprung up "Financial Technology" or what is often referred to as "fintech". Fintech is the result of a combination of financial services and technology, which ultimately changes the business model from conventional to moderate. If in the past it had to be initiated by making payments and had to face-to-face, transactions can now be done through long-distance transactions, with a payment system that can be done in seconds via a smartphone.

This convenience makes fintech prima donna financial services. Fintech does not only offer money-lending services to its customers, but many other offers, such as buying and selling shares, payments, fund transfers, retail investment, financial planning and so on. But of the many facilities and applications of fintech providers, there are also its own negative impacts, namely many individuals who take advantage of this opportunity to do and offer illegal fintech services.

Reflecting on this, both the customer and the fintech provider do not want to experience loss or fraud in every transaction. Customers certainly want to get certainty, protection, security and comfort in the transaction. Lack of knowledge from the public about fintech makes many people also choose the wrong. This public discussion activity will discuss and give an overview of the basic concepts, regulations and policies in Indonesia, the types, as well as tips and tricks for choosing a good fintech.

In Indonesia at this time the development of fintech companies is increasingly widespread, but this development is inseparable from financial problems, such as low financial inclusion. This will make fintech an alternative for people who have never touched financial services. Then, because of the financial gap in MSME credit, MSME entrepreneurs seek alternative credit through fintech services. Then the unique demographic bonus in Indonesia also makes the growth of fintech service companies so rapid coupled with the increase in internet infrastructure that is so massive in the last five years.

The development of Financial Technology companies in Indonesia has made OJK must form a special regulation to regulate financial transaction activities that use financial

technology. In 2016, OJK issued POJK Regulation No.77 / POJK.01 / 2016 concerning Information Technology Based Lending and Borrowing Services. This is a guide to the implementation of P2P fintech business. The government regulates business activities, licensing registration, risk mitigation, reporting, and governance of information technology systems related to P2P. This regulation applies to protect consumers and financial institutions. POJK hopes that shareholders, including the government and other related parties, can create a conducive fintech environment.

Meanwhile, Bank Indonesia also issued regulation No.18 / 40 / PBI / 2016 regarding the emergence of the payment transaction process. This regulation regulates payment of e-commerce transactions so that they become safer and more efficient. This regulation also regulates, grants permits, and supervises the application of payment services performed by principals, providers, acquisitions, clearing houses, final settlement providers, and fund transfer providers. Talking about financial transaction activities using financial technology, it is certain that the transactions we do are not free from all legal issues. The fact is that financial technology that is growing rapidly precisely forms a challenge in the legal field with the emergence of the latest forms of violation of the law in the use of financial technology [1].

Then according to Arief RJ Hutahean, said that the task of becoming a fintech lawyer is not easy because if you want to become a fintech lawyer the problems faced in practice are also varied, for example such as how to take care of the process of establishing a fintech company, fintech company licensing, operating a fintech company, and how to make a fintech company run in accordance with applicable rules. In addition, lawyers who focus on the field of financial technology are also faced with the issue of how to buy a fintech company, or how to buy their products without the need to buy the company. Also think about how to replace the director of a fintech company and how to resolve rights and obligations if fintech goes bankrupt.

To support this development, Arief also added to the discussion on the concept of fintech in Indonesia, covering the concept of fintech in general, the division of authority between BI and OJK regarding payment and non-payment, and the concept of regulatory sandboxes and the difference in frameworks based on BI and OJK. Also discussed is the legal perspective of financial technology in

Indonesia, which covers the basic framework of fintech regulations on payments and non-payments. From the discussions that have been carried out, it is hoped that the advocates' views on fintech developments taking place in Indonesia will be increasingly opened [2].

The development of the financial technology industry or fintech in Indonesia is arguably encouraging. This is indicated by the increasing number of players who provide new alternatives for the public to access financial services. Of course, the increasing number of players is also accompanied by the increasing demand from the public to obtain financial services that are easier and safer outside of banking.

Unfortunately, on the other hand, there are still a few people who understand and are aware of the existence of fintech. To provide a closer and complete understanding to all levels of society, the Indonesian Fintech Association (AFTECH) and money friends as the main sponsors held the 2018 Indonesia Fintech Fair which took place in Jakarta.

Ajisatria Suleiman, Director of Public Policy at the Fintech Association of Indonesia stated "Fintech is an alternative financial solution that is open to all walks of life, but not many people understand very well about fintech." "We hope that this exhibition can become a medium for people and fintech industry players to get acquainted understand and of course ultimately use fintech services. This event is also to support the agenda of President Jokowi's administration which targets 75% of financial inclusion to occur in 2019.

Lasted for three days at the Taman Anggrek Mal Atrium Center, Jakarta, Indonesia 2018 Fintech Fair will be attended by 26 Fintech players, 1 technology partner and 1 Property Company. Indonesia Fintech Fair 2018 takes the theme "Fintech Transforming Life", is expected to introduce new services that can transform people's lives. At this event an exhibition / exhibition and talk show / panel discussion was held which was attended by actors from the world of fintech and also the government. The theme of the discussion that was presented also varied, ranging from discussing about e-payment, digital financing, collateral loans, money management, and lifestyle payments [3].

With fintech, access to finance for the community can have many alternatives and have a wider reach. AFTECH Secretary General who is also Co-founder / Chairman of

Bareksa (financial marketplace), Karaniya Dharmasaputra, said that, unlike conventional financial companies and banks, fintech products primarily target the retail segment, the layers of society that have not been served by conventional financial institutions, and transactions micro. AFTECH strongly supports government efforts in conducting Consumer Protection education which covers all behaviors of Financial Service Business Actors. At present, AFTECH has finalized the code of ethics as a clear ethical standard and must be obeyed by all members of the fintech association. Deputy Chairperson of the Indonesian Fintech Association, "Consumer protection is the main thing, especially in the financial industry. Before people use fintech, we want people to know and understand that fintech is concerned with consumer safety. We hope that by knowing that consumers are safe, public trust will grow and create people's desire to use fintech services as a solution to financial needs. The Financial Services Authority as a regulator in the financial services sector is very supportive and fully appreciates the association and all fintech organizers, not only fintech lending, but also other types of fintech in organizing this event because this event is in line and also becomes one of OJK's main objectives in providing and increase protection for consumers in financial services.

How to provide protection to consumers? One of them is conducting socialization activities in various places, so that the public can also find out what Fintech is and in the end the community also benefits from getting easier financial access. Here, OJK continues to encourage increased transparency and disclosure of benefits, risks and costs for products and services of financial service businesses (PUJK), in addition to the responsibility of PUJK to assess the suitability of products and / or services with risks faced by financial consumers [4].

Another challenge besides the above consumer protection principles is the financial literacy of the Indonesian people. Based on the 2016 National Financial Literacy and Inclusion Survey, the current financial literacy index is 29.7%, an increase from the previous one of 21.8% in 2013[30]. Although this figure is relatively small, it is expected to continue to increase going forward. Bank Indonesia, as a monetary, macro prudential and payment system authority, appreciates the existence of fintech products and services that combine financial services with technology, thereby

encouraging changes from conventional business models to become more moderate. If the first payment transaction must be done face to face and bring cash, now it can be done anywhere in cashless and in a fast time. Of course this is in line with efforts to encourage financial inclusion.

"Fintech products and services are also increasingly developed and varied so as to provide options to the community, just how the perpetrators strive to continue to innovate in providing the best service while taking into account Principle prudence and risk mitigation, as well as consumer protection, so as to benefit the wider community," Said Erwin Haryono, Head of the Payment Technology Communication, Cooperation and Communication System Group at Bank Indonesia [5].

The Indonesia Fintech Fair 2018 became the first event of the Indonesian Fintech Association which involved the broad public and was presented by Friends' money as the main sponsor, also sponsored by Google, Our Cash, Home Credit Indonesia, Sinar mas land, Investees, and Rupiah Plus. In addition to targeting thousands of visitors, organizing this event also targets growth public awareness, so that the community can choose fintech services that are right for their needs and are safe.

## CONCLUSION

Before people use fintech, we want people to know and understand that fintech is related to consumer safety. We hope that by knowing that consumers are safe, public trust will grow and create people's desire to use fintech services as a solution for financial needs.

The author feels that the theme this time is also a relative change in regulation. In this case, the rules sent after this will be missed because there are new regulations set by the government, because FinTech regulations in Indonesia have not met the ideal point. So it seems to further raise the theme of clear rules, but is still hotly discussed.

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