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REGULATING WITHOUT BURDENING: CASE STUDY OF FINANCIAL TECHNOLOGY IN INDONESIA

Abstract:

The financial technology (fintech) has a fundamental impact on the economy, particularly for emerging economies through improving financial inclusion and reducing the poverty level, unemployment, and income inequality (Furche et al, 2017). The rapid development of fintech should not be seen as a favourable condition alone. Several research argue that this phenomenon might impact to the existing financial industry, bank for instance (Wong, 2017; Temelkov, 2018) and at some point it will possibly run beyond the reach of regulation. Thus, regulator needs to start right to minimize the potential drawback of the fintech development including the potential disruption to the financial stability.

This research employs the ‘separating apples from oranges’ framework from Minto et al (2017) that consists of four filters in categorizing fintech and aims to: (1) figure out the most significant part to be regulated in the fintech industry in Indonesia; (2) give an advisable input to central bank in mitigating the issue without burden the growth of fintech. It is interesing to have a further look on the fintech development in Indonesia since it gave significant contribution in the national economy. As an ecosystem of fintech, Delloitte (2016) revealed that digital economy in Indonesia led to the 2% annual GDP and 80% growth of small-medium enterprises (SME).

Keywords:

financial technology, central bank, financial regulator, regulation, regulating financial technology

JEL Classification: E58, O10