Financial Performance of Fintech Lending Company after The Covid 19 Pandemic

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Abstract. The purpose of this study is to assess Indonesia's financial technology (Fintech) progress. Utilizing quantitative descriptive analysis is the research methodology. This study employed a quantitative descriptive analysis technique as its research methodology. Gathering and evaluating numerical data is the process of conducting quantitative research. The data acquired is secondary data by examining the literature, literature and fintech data from the Financial Services Authority (OJK). The findings demonstrated that, despite a drop, the financial performance of Indonesia's fintech loan enterprises increased significantly between January 2021 and April 2023. This is to be expected given that the Covid 19 Pandemic caused the country's economy to contract severely. The rising ROA and ROE values of fintech lenders indicate a growing business environment and public interest in MSME enterprises.

Keywords: Financial, Technology, Performance

1 Introduction

Not only is the world economy suffering from the Covid-19 pandemic, but Indonesia is as well. Financial difficulties and job loss are among the issues encountered; this is the worst thing that society goes through. The situation is completely uncertain. Not only financial problems, the education and health sectors were also affected. The economy and health are the two areas that have felt the most impact from this pandemic. The financial technology or fintech business has also been affected. Financial technology thrives and continues to grow every year in Indonesia. Many fintech companies have started to emerge that offer convenience to the community. This exhilarating climate faltered when the COVID-19 pandemic hit. the fintech business has also suffered a blow in its development. The most pronounced effect in the fintech business is the decreased transaction volume and number of users. The negative impacts of the COVID-19 pandemic for the fintech business include termination of employment, unpaid leave, reduced salaries, decreased number of users, decreased productivity due to changes in operational patterns and decreased consumer demand. Meanwhile, the positive impact of the COVID-19 pandemic has made various fintech companies analyze the strategies that must be carried out to survive, including conducting a more stringent selection process for prospective borrowers and MSMEs that have already borrowed funds and collaboration with e-commerce. In order to find out the development of fintech in Indonesia after the covid 19 pandemic, researchers want to know the financial performance of fintech lending companies through financial performance represented through return on assets and return on equity from January 2021 to April 2023

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2 Literature Review And Hypothesis Development

A. Disruptive Innovation

A disruptive innovation is one that successfully alters an established system or market by bringing convenience, affordability, accessibility, and practicality. Joseph Bower and Clayton M. Christensen coined this phrase for the first time in 1995. Harvard Business Review, "Disruptive Technologies: Catching the Wave" (1995). Despite their revolutionary nature and capacity to fundamentally transform markets or systems, disruptive innovations typically target segments of the market that market leaders consider less important or desirable. If the corporate community does not adequately prepare for the introduction of disruptive innovation, it could lead to a collapse similar to that of KODAK and NOKIA. The Financial Services Industry is also affected by the Disruptive Innovation phenomenon, which has changed the financial services industry's global landscape. beginning with the technology of intermediation, the industrial structure, and ending with the consumer marketing model. Due to all of these modifications, a brand-new phenomena known as financial technology (Fintech) emerged.

B. Financial Technology (Fintech)

Fintech, or financial technology, as defined by Bank Indonesia, is the fusion of financial services and technology that gradually shifts the business model from conventional to moderate. Whereas previously, face-to-face meetings required payment and cash, long-distance transactions can now be completed in a matter of seconds by making payments (Safitri, 2020). These days, the term "fintech" is often used to describe technical developments that have the potential to completely change the way financial services are rendered, serve as an inspiration for the creation of novel business models, applications, workflows, and products, all of which will eventually benefit customers. (Victor Murinde et al, 2022).

Fintech refers to the application of contemporary technology advancements in the finance sector. Technology is also to blame for this development in the financial services industry. Fintech aims to reduce costs, provide transparent and effective payment systems, and digitize payment procedures. Many people believe that fintech is the greatest modern invention from a nonfinancial entity. It is a hardware and software combination that has a high degree of convenience in fund mobilization (Kamalah Saadah et al., 2023). Fintech businesses have the power to drastically alter the world economy. In the banking industry, fintech has a lot of opportunity, particularly for tasks pertaining to banking requirements. (Muhammad Faisal Sultan et al., 2023).

The number of licensed players in the fintech sector in Indonesia is growing, as is the range of financial services products available and the level of market acceptance. The Covid-19 pandemic that devastated Indonesia's economy caused a major transition in the country's way of life toward digitalization, especially in the financial sphere. As of March 16, 2021, the Financial Service Authority, commonly known as Otoritas Jasa Keuangan (OJK), had 148 fintech peer-to-peer lending or fintech lending providers registered and licensed. illustrates the significance of Indonesia's fintech boom

Among Fintech's advantages are A). FinTech benefits consumers by offering cheaper costs and better services. B). FinTech offers advantages to product and service vendors, or merchants, such as streamlining the supply chain, cutting down on capital and operating expenses, and stopping the flow of information; C). FinTech aids a nation by promoting the dissemination of economic policies, accelerating the flow of money to boost the general populace's economy, and in the case of Indonesia, promoting the National Financial Inclusion Strategy, or SKNI.FinTech's influence in Indonesia has altered the community's payment system and assisted newly established businesses in lowering their initial high operating and capital expenditures.

Fintech's ability to take the place of traditional financial institutions like banks in the payment system. FinTech plays a part in payment systems by giving businesses access to markets, acting as a tool for payments, settlement, and clearing, assisting in the more effective implementation of investments, reducing the risks associated with traditional payment systems, and supporting individuals who need to save, borrow money, or make capital investments.

Financial technology, also known as fintech, is defined as technological innovation in the financial services industry that can result in business models, applications, processes, or products that have a material impact on the provision of financial services. Additionally, fintech facilitates easier access to financial products and financial literacy for consumers. One of the financial services delivery models that is beginning to gain traction in the current digital era is the financial technology sector, or fintech. The government and general public hope that digital payments can increase the number of people who have access to financial services because they are quickly emerging as one of the most developed sectors in Indonesia's fintech industry.

There are several types of fintech classifications, namely:

1. Crowd funding and peer to peer lending

   A business endeavor or business unit that heavily relies on human capital is called crowd funding. Peer-to-peer lending, also known as P2P lending, is a financial concept that leverages information technology support to facilitate easy borrowing and lending of funds. The provider only offers a channel via which lenders and borrowers can transact online. This first category is a marketplace that serves as a gathering spot for investors and capital seekers in the loan industry. Fintech can reach investors and borrowers all over Indonesia using an easily accessible lending site, for example : Kredivo and Pinjam.co.

2. Market Aggregator

   Market aggregators gather and organize data that consumers can use to inform their decisions. A market aggregator is a website that gathers and compiles financial data for user presentation. To select the ideal financial product, you can compare different financial facts. For instance, you might analyze several KTA goods to determine their benefits and drawbacks when searching for KTA items. Take CekAja and Pay careful attention, for instance.

3. Risk and Investment Management

   Digital financial planning is what risk and investment management offers. To put it another way, the purpose of fintech is to swiftly and easily determine your financial situation and organize your finances. To determine the best financial plan for your needs, simply open the app on your smartphone, enter the necessary information, and save. There's no need to speak with a financial counselor. Take Jojonomics, Finances, Ngatur Duit, and so forth as examples.

4. Payment, Settlement and Clearing

Fintech industry payment, clearing, and settlement through payment system services. The goal of this payment gateway is to streamline and expedite online transactions involving payments. As a result, the general public uses a single smartphone interface to make payments. Examples include Tokopedia, Funds, OVO, Go Pay, and so forth.

C. Financial Literacy

Financial literacy, according to Safitri (2020), is a collection of abilities and knowledge that enables a person to manage all of their financial resources wisely. According to OJK, the primary goal of the financial literacy program is to help Indonesians manage their money wisely. This means that financial education is necessary to overcome the public's lack of understanding of the financial sector and prevent them from being duped into investing in high-yielding short-term securities without taking the associated risks. Financial literacy is necessary to support economic activities since it will enable the creation of massive transactions, which will perfect the economy's wheels

D. Micro, Small and Medium Enterprises (MSMEs)

The definition of Micro, Small, and Medium Enterprises (UMKM) as per Law No. 20/2008 is

1. Microbusinesses are profitable companies run by people or by individual business entities that satisfy the requirements set forth in this law for microbusiness classification.
2. A small business is any independently operating, economically productive enterprise that satisfies the requirements set forth by this law for small businesses. It can be owned, controlled, or integrated directly or indirectly into medium-sized or large business enterprises, but it cannot be classified as a subsidiary or non-branch company.
3. Medium-scale business or A productive economic enterprise that operates independently, owned or controlled by individuals or entities other than subsidiaries or branches of a company that shares ownership, control, or affiliation with small enterprises

Table 1 Criteria of MSMEs

No	Business	Asset Criteria	Turnover Criteria
1	Micro business	maximum 50 million	maximum 300 million
2	Small Enterprises	> 50 million - 500 million	> 300 million - 2.5 billion
3	Medium Enterprises	> 500 million - 10 billion	> 2.5 billion -5 billion

E. Return On Asset (ROA)

Return on assets, or ROA for short, is a form of profitability measure that's typically used to evaluate a company's capacity to generate profits from its assets. With this ratio, the company's capacity is evaluated based on the earnings from the previous period so that it can be applied to the subsequent period or periods. Accordingly, assets, or assets in ROA, are company assets that have been transformed into company assets in order to satisfy all operational needs. These assets may have been acquired through personal cash or from other sources. In addition, ROA can be used to assess if management has been granted incentives or privileges based on the assets at their disposal. This ratio is crucial for anyone assessing businesses that employ capital or finances, it is true. To put it briefly, senior management frequently uses ROA to assess business units in global corporations.

The Benefits of ROA Analysis: There are numerous benefits to ROA analysis that should be understood, such as the following: 1. Comparing industry ratios can benefit from the usage of ROA. It is crucial for strategic planning as a result of its ability to determine the company's place in an industry. 2. If the business has performed accurate accounting tasks, ROA will gauge how efficiently capital is used overall.

F. Return On Equity (ROE)

The return on net income to equity, or return on equity (ROE), is measured in percentage terms. The ability of a company to turn a profit on the capital that shareholders have committed is gauged by return on equity (ROE). The ROE (Return On Equity) methodology compares net profit after taxes to the equity that the company's shareholders have invested, and the result is expressed as a percentage. This ratio illustrates the ability to provide a return on investment based on the book value of shareholders by comparing two or more firms for excellent investment prospects and effective cost management. Since ROE is a significant gauge or indicator of the development of shareholder value, it is highly appealing to current and potential shareholders as well as management. This implies that the firm value increases with a greater ROE ratio, which will undoubtedly entice investors to invest in the business.

3 Research Method

The research methodology used in this study was a quantitative descriptive analysis technique. Gathering and evaluating numerical data is a necessary step in doing quantitative research. It can be applied to establish hypotheses, find trends and averages, look into causality, and extrapolate findings to larger populations. Qualitative research gathers and examines non-numerical data (text, video, or audio), while quantitative research does the opposite. Quantitative research methods are useful in descriptive, correlational, and experimental research. All you're searching for when performing descriptive research is a broad overview of your study factors.

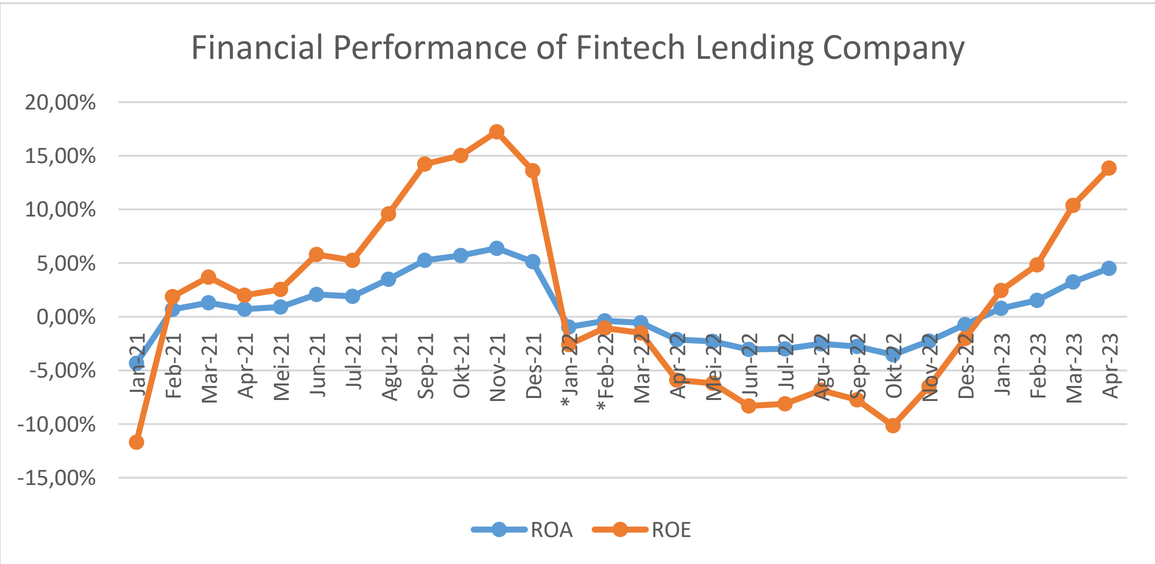
4 Results And Discussion

In order to be cost-effective, all operations in the present digital era must involve technology. Financial institutions are in competition with one another to enhance financial technology innovation in order to gain market share and increase efficiency as a result of digitalization in the industry. Fintech can assist in mitigating problems associated with buying, selling, and payments, such as insufficient time for shopping, needing to visit a bank or ATM to transfer money, or avoiding a location due to subpar service. Put another way, Fintech makes payments and buying and selling processes more effective while remaining inexpensive. Fintech's existence undoubtedly has the power to move economic joints. Fintech is the result of entrepreneurs applying a variety of ingenuity and imagination to meet consumer needs and improve market accessibility within the financial sector. Naturally, the accommodating regulation will bring about legal certainty and a feeling of confidence. The Bank Indonesia Regulation Number 18/40 / PBI / 2016 and its accompanying guidelines on the execution of payment transaction processing are designed to facilitate the adoption of FinTech and E-Commerce in Indonesia. This BI legislation governs a variety of areas, including consumer safety and comfort, the integration of FinTech and E-Commerce technologies, and the preservation of the fair distribution of FinTech industry participants in Indonesia. In addition to rules, the FinTech sector operators in Indonesia need to take other course-related factors into account.

Tabel 1. Financial Performance of Fintech Lending Company Table

Information	***Financial Performance of Fintech Lending Company***						
Rasio / *Ratio*	**Jan-21**	**Feb-21**	**Mar-21**	**Apr-21**	**Mei-21**	**Jun-21**	**Jul-21**
ROA	-4.33%	0.68%	1.32%	0.71%	0.92%	2.08%	1.90%
ROE	-7.36%	1.21%	2.37%	1.28%	1.62%	3.72%	3.37%
Rasio / *Ratio*	**Mar-22**	**Apr-22**	**Mei-22**	**Jun-22**	**Jul-22**	**Agu-22**	**Sep-22**
ROA	-0.56%	-2.11%	-2.29%	-3.05%	-2.99%	-2.51%	-2.76%
ROE	-0.94%	-3.78%	-3.92%	-5.24%	-5.12%	-4.33%	-4.98%
Rasio / *Ratio*	**Agu-21**	**Sep-21**	**Okt-21**	**Nov-21**	**Des-21**	**Jan-22**	**Feb-22**
ROA	3.49%	5.25%	5.70%	6.39%	5.14%	-0.96%	-0.38%
ROE	6.09%	8.99%	9.33%	10.85%	8.48%	-1.65%	-0.67%
Rasio / *Ratio*	**Okt-22**	**Nov-22**	**Des-22**	**Jan-23**	**Feb-23**	**Mar-23**	**Apr-23**
ROA	-3.54%	-2.27%	-0.72%	0.79%	1.53%	3.24%	4.52%
ROE	-6.62%	-4.23%	-1.31%	1.66%	3.29%	7.15%	9.34%

Graph 1. Financial Performance of Fintech Lending Company Graph



The financial performance of Fintech lending can be seen from the Return On

Assets and Return on Equity, based on the graph above it can be seen that there has been a significant change where the ROE in January 2021 was -7.36% experiencing fluctuations of increase and decrease, with the lowest decrease in October 2022 of -6.62%, and again experienced a significant increase until April 2023 reaching an ROE value of 9.34%. Whereas in the ROA Graph there was an increase in ROA in January 2021 where the characteristic was -4.33% experienced a slow increase until it finally fell in January 2022 by -0.96% which then experienced a significant increase starting in October 2022 at -3.54% to a value of 4.52% in April 2023.

5 Conclusion

In Indonesia, fintech is developing really quickly. Peer-to-peer financing is the Fintech that is growing at the quickest rate in Indonesia. Peer-to-peer lending startups in Indonesia have experienced rapid growth due to the increased need for funds from those who are not bankable. Fintech plays a significant part in cooperative performance by raising the effectiveness of cooperative operations as well as the effectiveness that its members experience. Furthermore, Fintech might function as a marketplace for trade or production cooperatives. From the discussion above, it is described that there was a significant increase in Return On Equity from October 2022 to April 2023 as well as the same Return On Assets value in October 2022 to April 2023 experiencing the increase in profit. This indicates that the improving business climate in Indonesia has an impact on the financial performance of Fintech lending, which has increased rapidly. This allows us to see the development of Fintech following the COVID-19 pandemic. Naturally, the majority of MSMEs in Indonesia that borrow money from lending companies have a significant influence on the growth of legal Fintech lending companies. The decline in the Covid-19 pandemic-related death rate, improvements in life quality, societal money circulation, public trust, and the improving and healthier business environment, particularly for MSMEs, all contribute to Indonesia's improving economic circumstances.

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