Financial Technology Performance During the Pandemic Covid-19

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Abstract. Covid-19 is a pandemic that carries a great deal of changes in economic and social aspect. The pandemic has led to a severe global recession ranging from 4.4%-5.2%. In Indonesia, this pandemic has affected the operations of fintech companies. This study aims to explore the impact of the Covid19 pandemic on fintech operations in Indonesia. The sample of the study includes 102 financial technology companies licensed by OJK (Indonesia Financial Services Authority). This research uses the case study method, followed by the analytical tool used on the SPSS, parametric statistics in the different T-tests. This research shows that the performance of Fintech before and during the pandemic is different. The TWP90 increase but still in healthy condition.

1 Introduction

In December 2019, precisely in December, the world was shocked by an event that was suspected to be a case of pneumonia whose etiology is unknown. The virus can spread in humans as well as animals, which will usually attack the respiratory tract in humans with early the world was shocked symptoms of the flu that can cause severe acute respiratory syndrome. On March 11, 2020, WHO announced that the current outbreak was a global pandemic by naming the virus as Covid-19. Due to the protracted and increasingly outbreak of this pandemic, various sectors experienced significant disruptions. Covid-19 pandemic has impacted economic activity around the world (Didier, Huneeus, Larrain, & Schmukle, 2021). Uncertainty about its magnitude and duration resulted in the collapse of economic activity in various countries. The impact of the ongoing Covid-19 pandemic could result in a recession for most of the world economy. The most obvious economic consequence is the fall in sales and profitability of all companies. Revealed that the company's performance deteriorated during the Covid-19 pandemic. (Hu & Zhang, 2021)

One of the most affected besides the health sector is the financial service sector. The world economy experienced a sharp recession, ranging from 4.4%-5.2%. The International Monetary Fund estimates cumulatively that by 2025 the world economy will lose up to $22 trillion. The pandemic has proven to have put pressure on economic and social conditions in the world, including Indonesia. BPS noted that the number of unemployed in August 2020 experienced a sharp increase of 2.67 million people compared to August 2019.

This research focuses on financial service sector especially fintech lending company. Fintech lending were chosen because this company is the driving force of the national economy as an effort to encourage the achievement of public welfare. The impact of the Covid-19 pandemic in the financial sector can pose various risks, including a) credit risk caused if MSMEs are not able to meet their credit obligations; b) credit risk in the form of non-performing loans caused if the customer fails to pay his obligations; and c) liquidity risk, which is the risk borne by the bank if the debtor cannot pay its obligations so that it has an impact on banking cash flow.

Banking which has a role as an intermediation institution, especially in its function as a credit distributor, is currently needed by the whole community. This is done as an effort to encourage national economic growth. (Ningsih & Mahfudz, 2020) revealed that the bank’s intermediation function tends to decline due to the Covid-19 pandemic, both in terms of fund raising and financing. Therefore, fintech as a non-bank financial industry has an important role in digitizing lending to minimize the risk of the spread of Covid-19.

This research was conducted to provide empirical evidence on the phenomenon of the impact of Covid-19 on the development of fintech lending in Indonesia, especially regarding aspects of portfolio quality of fintech lending. The results in this study show that since the Covid-19 virus was confirmed in Indonesia, Covid-19 cases increased significantly. The occurrence of the Covid-19 pandemic has an impact on the level of
portfolio quality of fintech lending. The performance of fintech lending in, especially the second quarter to the fourth quarter experienced significant changes. The results of this study also provide policy advice implications for policy makers in financial sector state-owned enterprises and fintech companies that provide fintech lending services to be more careful in decision making that has an impact on the company's performance. The ongoing and unpredictable Covid-19 pandemic at the end time made the condition of unwillingness even greater. If this cannot be anticipated by the company, the impact of the Covid-19 pandemic will be even greater and more sustainable, threatening business continuity.

2 Literature Review

Empirical studies on the impact of the Covid-19 pandemic on business performance have been developed by researchers during the pandemic in various parts of the world. This opinion is supported by an Empirical Study (Anh & Gan, 2021) which states that during the Covid-19 pandemic, the financial sector has become the hardest hit sector in the Vietnamese stock market. Poor performance in the financial sector during the Covid-19 pandemic was supported by (Demirguc-Kunt, Pedraza, & Claudia, 2020) research. Research on 53 countries shows that the crisis and the role of contrasting loans that banks are expected to use have put the banking system under increasing pressure. significant, with bank stocks underperforming in the domestic market and other non-bank financial firms. (Fu & Mishra, 2020) documented the impact of the pandemic on the adoption of digital finance and fintech using mobile app data from more than 70 countries. They estimate that the spread of Covid-19 and lockdowns from relevant governments has led to an increase of between 24 and 31 percent in the relative daily download rate of financial mobile apps in these countries. (Alber & Dabour, 2020) empirical study in 10 countries during the period from March to June 2020 showed that social distancing could affect digital payments. Thus, the growth of digital payments, especially through fintech, needs to be responded quickly by the competent authorities. The results of (Fu & Mishra, 2020) study based on mobile app data from 71 countries, showed that longer standing fintech showed huge advantages compared to "BigTech" companies. and new fintech providers during this crisis period. The results also provide evidence that businesses combined with existing digital payment infrastructure are better able to offset the adverse economic effects of COVID-19. In Indonesia, an empirical study on fintech conducted by (Fisabilillah & Hamifa, 2021) proved that financial technology peer-to-peer lending has a significant positive impact on economic growth in Indonesia. (Vasenska, et al., 2021) explained that fintech is considered more competitive than the traditional banking system during the Covid-19 crisis in Bulgaria. The use of financial transactions through fintech leads to a risk reduction approach. In addition, financial transactions with fintech can save funds in the form of customer money. (Phan, Narayan, Rahman, & Hutabarat, 2020) using a sample of 41 banks and data from fintech companies in Indonesia showed that the growth of fintech companies had a negative impact on banking performance. The results of the study provide evidence that state-owned banks are relatively more negatively affected by fintech compared to private banks. Other research that has been conducted related to COVID19 and financial technology includes health on anosmia in COVID-19 (Klopfenstein, Kadiane-Oussou, Toko, & Royer, 2020) other research is the impact of the pandemic on various sectors, namely the economic sector in Indonesia (Nasution, Erlina, & Muda, 2020) the impact of the pandemic on MSMEs (Thaha, 2020), the impact of the pandemic on the field of education, namely learning (Mansyur, 2020) up to the policy of dealing with the COVID-19 pandemic including PSBB policies in order to deal with the spread of COVID-19 in Indonesia (Thorik, 2020). Regarding the concept and implementation of fintech in Indonesia (Nizar, 2017). Other research that examines fintech lending includes discussing the protection and safety of consumers of fintech lending users (Hidayat, Alam, & Helmi, 2020) research that examines the regulations governing fintech lending, further research has been conducted on operational financing solutions for small and medium-sized micro enterprises by making fintech lending as an easy and fast financing alternative in various aspects in Indonesia (Nasution, Erlina, & Muda, 2020) research on MSMEs in Indonesia that can be improved one of them with peer to peer lending facilities.

Some previous research are:

a. (Sugiharto, Azimkulovitch, & Misdiyono, 2021) Credit performance of financial service industry during the Covid-19 pandemic. This study concludes that credit performance during the pandemic increased by 1.28%. There was an increase in non-current loans from 19.62% to 23.36%. There was an increase in NPL from 7.95% to 8.29%, and ROA decreased by 16.02%.

b. (Hardiyanti & Aziz, 2021) The impact of the Covid 19 pandemics on the NPL of the of financial service industry in Indonesia. This study shows that when the incidence of the covid-19 pandemic increases by 1%, the ratio will increase by 132%. A Covid-19 pandemic is an extraordinary event that has caused the economy throughout the world, including Indonesia, to experience a sharp decline. The business sector experienced a deterioration in income and profits, reduced employment opportunities because many industries or companies chose to close their businesses to avoid further losses.
3 Methods

This research uses quantitative descriptive, as well as using data accessed from the Financial Services Authority (OJK) Fintech Statistics using default rate 90 or TWP 90 data, starting in March 2019 to December 2021 for fintech lending companies listed in OJK. TWP 90 itself stands for Default Rate can be interpreted as the settlement of negligent obligations made by debtors related to payments made after 90 days from the existence of the due date is in accordance with the previously agreed upon. Paired sample t test is carried out to find the average difference for two samples that are each paired, pairing here means that the subject is the same but gets the same treatment. One example is the treatment before and after (Priyatno, 2012). Normality test proceeds through using the Kolmogorov-Smirnov test, where if: If the value of Sig. < Research Alpha (0.05), then the data is not normally distributed, and if the value of Sig. > Alpha Research (0.05), then the normality is confirmed. Furthermore, in this study, data analysis techniques are carried out by examining the impact of the covid19 pandemic on the lending performance. It proceeds by using a different T-Test (paired sample test). This test shall be enacted for the normally distributed data, with parametric statistics by comparing the Paired Samples Statistics value with the Sig value. (2-tailed). So, the result is if:

T-Test (paired sample test) > Paired Samples Statistics, there is no difference in the Default Rate of fintech lending before and during the Covid19 pandemic in Indonesia. T-Test (paired sample test) < Paired Samples Statistics There is a difference in the Default Rate of fintech lending before and during the Covid19 pandemic in Indonesia.

4 Data Collection

The data collection method used in this research is to use primary data in the form of documentation. This method is a data collection method by taking data from published financial reports for the period March 2019 to June 2021. This method is carried out through a review of the quarterly financial statements and fintech lending statistic reports available on the www.ojk.go.id website. Meanwhile the Covid-19 data available on //covid-19.bps.go.id/

5 Results and Discussion

For TWP90 peer to peer lending data before the COVID19 pandemic is quite volatile, but during the COVID-19 pandemic TWP90 for fluctuating fintech lending tends to rise, the data is shown in Figure 1.

5.1. Description of Research Variables

Before the COVID-19 pandemic from March 2019 to December 2021, the average TWP90 peer to peer lending was only 2.85%, with the highest TWP90 in January 2020 at 3.98% and TWP90 the smallest in June 2019 is 1.57%. Meanwhile, after the COVID-19 pandemic from March 2020 to February 2021, the average TWP90 fintech lending was 5.70% with the highest TWP90 occurring in August 2020 at 8.88% while TWP90 the lowest 1.59% occurred in February 2021. Thus, to test the difference means or not and to find out the difference TWP90 then filled paired sample t test.

5.2. Inferential Statistical Analysis

5.2.1 Normality Test of Data

The TWP90 variables before and during the pandemic have the Sig values of 0.757 and 0.363. The variables indicate the normally distributed data due to the values being greater than 0.05

5.2.2 Paired Sample Test

From the result of the normality test shown in Table 5, the value of Sig. (2-tailed) which is 0.010, is being less
than 0.05. It implies a significant difference in the TWP90 value before and during the pandemic.

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According to the Paired Sample t test, there is a difference in the Default Rate of 90% fintech lending before and during the COVID-19 pandemic in Indonesia. During the pandemic, fintech lending TWP has a higher trend than before the pandemic. This can also be seen from the accumulation of loan distributions that tend to decline after the pandemic, the average growth in lending before the COVID-19 pandemic from March 2019 until February 2020 was 10.08% but after the COVID-19 pandemic, from March 2020 to February 2021, the growth in credit distribution was 4.69%.

The impact of the COVID-19 pandemic on the economy is very massive, especially in Indonesia (Satradinata & Muljono, 2020). In line with that, compared to before this pandemic, there has been a decrease in economic growth of 2.07% in 2020. After the covid 19 pandemic, the government has regulated and managed policies to keep the economy stable through OJK called ‘cyclical policy’ (Asyhadi, 2021), fintech lending including in the IKNB which was affected by the adverse effects of the pandemic, it was further regulated in POJK No. 14/POJK.05/2020 which then changed to POJK No. 58/POJK.05/2020, the policy regarding the determination of asset quality, among them are financing restructuring, determining limits for the delivery of routine or periodic reports, implementation of propriety and capability assessment, and others. However, there are no special regulations on loan restructuring in fintech lending (Yuhartita, 2021). The contribution of this research is that although the COVID-19 pandemic has an impact on all levels of society, fintech lending still survives and remains superior in the field. Non-Bank Financial Industry (IKNB), although the percentage of TWP90 rose, but loans that fall into the current category or called the Success Rate 90 (TKB90) are more dominant with an average of above 90%, so it is still safe and also has a good perspective to use investments with the fintech lending platform, especially in Indonesia.

6 Conclusion

This descriptive study aims to provide empirical evidence on the impact of Covid-19 on the fintech lending in Indonesia. The results provide evidence that the Covid-19 pandemic has an impact on the fintech lending. As for bad loans represented by TWP90 before and during the COVID-19 pandemic based on paired sample tests, it is known to have differences. During the pandemic, the TWP90 tends to be higher. The results of the study provide advice for policy makers to be more careful in making decisions that are impact on the financial performance of the company.

The ongoing and unpredictable Covid-19 pandemic making the condition of uncertainty even greater. If this cannot be anticipated by the company, the impact of the Covid-19 pandemic will be even greater and threatening business continuity.

6.1 Suggestion

This research is limited to descriptive studies on the Covid-19 pandemic and fintech lending. Further research is expected to provide empirical evidence on the relationship between the Covid-19 pandemic, financial performance and fintech lending in various business sectors in Indonesia. The authors also hope that this research can be developed by adding more relevant information, adding research objects, and research scope.

6.2 Research Contribution

This research becomes a provision in the understanding of the performance of fintech. Hopefully, this research shall be a resourceful help to make policy preferences and actions to deal with the pandemic. From the company’s perspective, this research shall use as input and additional information related to the influence and comparison of the performance before and during the pandemic.

References

loans of conventional commercial banks in Indonesia. Banks and Bank Systems, 62-68.


