

The Impact of Innovation Digital Finance on Economic Growth in Indonesia

Yulia Dewi Ariyanti¹, Tiara Ningrum², Sukma Ayu Cahyakinasih³, M. Miftakhur Rohman⁴

^{1,2,3,4} UIN K.H. Abdurrahman Wahid Pekalongan, Indonesia

Email corespondent: yulia.dewi.ariyanti@mhs.uingusdur.ac.id

ABSTRAK: Pengaruh keuangan digital terhadap kinerja bank yang efisien dikaji dalam penelitian ini. Penelitian ini menggunakan metodologi studi tinjauan literatur. Publikasi ilmiah dan sumber-sumber sekunder lainnya menjadi landasannya. Temuan studi ini menunjukkan pengaruh penting teknologi keuangan terhadap kemajuan ekonomi Islam di era digital. Inovasi dalam teknologi keuangan memiliki potensi untuk secara signifikan meningkatkan inklusivitas, efisiensi, dan aksesibilitas keuangan syariah. Teknologi ini mendorong pengembangan produk dan layanan yang lebih sesuai dengan kebutuhan masyarakat dan memudahkan konsumen untuk mengakses berbagai barang dan jasa keuangan syariah tanpa dibatasi waktu dan lokasi.

Kata kunci: inovasi, keuangan digital, pertumbuhan ekonomi.

ABSTRACT: The influence of digital finance on efficient bank performance is examined in this study. This paper employs a literature review study methodology. Scientific publications and other secondary sources serve as its foundation. The study's findings demonstrate the important influence financial technology has on the advancement of Islamic economics in the digital age. Innovation in financial technology has the potential to significantly increase Islamic finance's inclusiveness, efficiency, and accessibility. This technology promotes product and service developments that are more in line with community requirements and makes it easy for consumers to access a variety of Islamic financial goods and services without being limited by time or location.

Keywords: innovation, digital finance, economic growth.

1. INTRODUCTION

Information technology growth is bringing forth a lot of adjustments and modifications. Today, the ability of businesses to adapt to these changes swiftly has a greater impact on their performance. The digitization of services is an urgently needed change in the financial industry. Digitalization goes beyond simply automating manual processes. The term "banking digitization" refers to a wider notion, particularly in relation to meeting the requirements of the banking business model and offering the newest services to support client transaction behavior. The Islamic banking sector is under pressure to advance due to the rise of fintech, or technology-based financial enterprises. Fintech is able to reach clients who are unable to use the regular banking system because of its innovative technologies (Dz., 2018).

Numerous research studies have demonstrated that financial inclusion positively affects a range of development metrics in emerging nations. Financial inclusion boosts growth inclusivity and lessens regional inequities, in addition to having a favorable effect on economic growth. The ability to save and invest in profitable endeavors like education and entrepreneurship helps the impoverished, particularly women, break free from the cycle of poverty. This is made possible by the availability of financial services.

Furthermore, financial inclusion supports a nation's financial stability on a macro level (Sastiono & Nuryakin, 2019).

The following list of fundamental fintech traits reflects the company's commitment to enhancing financial inclusion: First, expanding access and decentralizing the financial system so that unbankable MSMEs and individual communities may participate as funders and recipients of monies in the system thanks to technological advancements; The second is enhancing accountability, openness, and cross-sector collaboration, where technology may give the public access to more information sharing, accountability, traceability, and transparency. improved information sharing, traceability, accountability, and transparency to facilitate collaboration between the public, commercial, and governmental sectors; and third, reduced costs through higher productivity, automation, and speed. Fintech's ability to reach all societal levels makes formal financial services available to them (Marginingsih, 2021).

One of the first innovations to recognize the service gap and the possibilities of technology use was digital banking. banks' ability to use technology, they also gave rise to internet and mobile banking, which have been shown to be successful in overcoming geographical obstacles and extending service coverage. Creativity Along with the public's enjoyment of online marketing strategies, these developments have also been successful in increasing efficiency and providing possibilities for a wider range of banking goods and services. The banking industry has changed its business strategy due to the rapid digitization of the industry, using technology as a component of product innovation in the process of creating new products and services. The presence of an information technology network facilitates tighter, quicker, more cost-effective, and more efficient contact between banks and their clients (Dz., 2018).

The growing array of financial products available to the public is influenced by global economic changes. To do this, the community needs to have a more focused and advanced financial understanding. Financial literacy is defined as "knowledge, skills, and beliefs that affect attitudes and behavior to improve the quality of decision-making and financial management in order to achieve prosperity" (OJK Regulation, Number 76/POJK.07/2016). financial control in order to gain wealth (Amriani et al., 2023).

2. METHOD

2.1 Research Type

This study belongs to the descriptive research category or kind, which aims to provide a detailed description of specific conditions or symptoms. The goals that need to be accomplished form the basis of this categorization. Data sources include journal articles, reference books, and research findings with secondary data (Mursid et al., 2024).

2.2 Data Sources

Library research is a method of collecting data by searching, evaluating and using relevant information from various library sources, both physical (books, journals, reports) and digital (databases, online articles). In the context of research, library research serves as a theoretical foundation and provides empirical evidence to support the arguments or hypotheses proposed (Febrianti et al., 2023).

2.3 Data Research Method

Qualitative research method is a research approach that focuses on an in-depth understanding of a social or cultural phenomenon. This method emphasizes the meaning, experience, and perspective of the research subject rather than statistical generalizations (Hanyfah et al., 2022).

3. RESULT AND DISCUSSION

Innovation, which includes starting new companies or providing improved and more inventive goods and services, is the last phase of the digital transformation process. improved and more inventive goods and services. Technology development, technology integration, and the creation of new technology-driven business models are all examples of innovation in action. technologically aided business models. The ongoing process of digital economic transformation necessitates funding for information and communication technology as well as assistance. All throughout the world, companies and governments are hard at work formulating plans to fully utilize the potential of the digital economy revolution in order to accelerate economic expansion and provide new business and consumer possibilities (Sudiantini et al., 2023).

There are two effects of switching from conventional to digital: good and negative. Increased productivity and efficiency, increased accessibility, increased competitiveness, ease of use of internet services, and an increase in a region's economic worth are all benefits of digital innovation. However, the drawbacks include threats to job security, social inequality, cybercrime's ability to incite public mistrust, and a high rate of plagiarism and other forms of work appropriation (Sudiantini et al., 2023).

Economic activity is positively impacted by information technology, but there are drawbacks as well. For instance, the impact of technological growth will be negative if individuals have poor levels of digital skills. However, the cost of creating and utilizing information technology is high owing to a lack of infrastructure, particularly in developing nations. As a result, several opinions exist about how the digital economy affects economic growth. The contribution of the digital economy to the revival of the economy following the COVID-19 epidemic. Online-based services have the potential to lower mobility, which lowers the danger of transmission and promotes steady economic growth. steady expansion of the economy (Supriyadi & Nahdila, 2023).

Islamic banks are encouraged to innovate in their offerings by the growth of FinTech. The creation of digital investing services that adhere to sharia principles and crowdsourcing financing platforms based on sharia are two examples. Enhanced Transparency and Trust: The Islamic financial industry is using blockchain technology to improve transaction accountability and transparency. This contributes to a rise in public confidence in Islamic financial products. The growth of the Islamic economy has greatly benefited from FinTech, particularly in terms of improved efficiency and accessibility. Islamic financial organizations may reach a wider audience and provide more effective services by leveraging digital technologies. Difficulties with Implementation: Even with all of the advantages, integrating FinTech into the Islamic economy is not without its difficulties. Making sure that all digital financial services and products adhere to Shariah laws is one of the biggest obstacles. Shariah-compliant digital financial services and products are available. Additionally, in many nations, there are still regulations and a deficiency of digital infrastructure (Putera & Nisa, 2024).

As a result, the analysis's findings demonstrate that financial technology has a big influence on how Islamic economics develops in the digital age. Fintech innovations hold immense promise for enhancing the accessibility, efficiency, and inclusivity of Islamic finance. However, there are obstacles associated with adhering to Shariah regulations and safeguarding data security. These issues must be tackled to guarantee that the Islamic economy thrives in the digital age. In order to guarantee that the growth of the Islamic economy is both sustainable and compliant with shariah principles, data security issues must also be resolved.

3.1 The role of innovation development in Indonesia is currently growing very rapidly including, digital payments, peer-to-peer lending, and Fintech.

Digital payments have a big impact on Indonesia's financial innovation, changing the country's financial sector and economy. Digital payments play several key roles in Indonesia's financial innovation landscape. These roles include making financial services more accessible to individuals previously unreached by traditional banks, eliminating the need for cash transactions and streamlining the payment process, and lowering transaction costs. Innovation in technology-driven financial services and solutions is fueled by digital payments. The digital payment system has benefits and drawbacks; while it helps reduce inflation, it does not completely replace cash as a means of payment (Tarantang et al., 2019).

The financial industry has seen several changes as a result of the fintech industry's range of goods, which include money transfer services, mobile payments, crowd funding, and mobile payment solutions. Financial services for crowdfunding make it simple to obtain money from people you've never met as well as from people in other nations. Additionally, fintech services facilitate international money transfers. Fintech offers a PayPal payment solution that allows us to effortlessly purchase things from Indonesia even while we are not in the country by automatically adjusting the currency rate. Among other things, fintech plays a significant role in satisfying customer requirements by enabling anytime, anywhere access to financial data and information. Give small company owners optimism that they can grow their companies to the level of currently operating giant corporations. Globally, the fintech business is growing at an extremely fast pace. This is seen by the proliferation of fintech firms and the widespread interest in fintech investment throughout the globe. Fintech-using companies are drawing interest from Indonesian businesspeople, particularly in that country (Rahmawati et al., 2020).

Peer-to-peer lending falls under the umbrella of financial technology, which is an online lending system that uses technology to facilitate transactions between borrowers and lenders (creditors and debtors). Peer-to-peer lending's quickness and convenience of use are the main factors driving its growth in Indonesia. Peer-to-peer lending makes financing available to people and MSMEs who previously had trouble obtaining bank loans. Peer-to-peer lending removes middlemen, which reduces transaction costs. Peer-to-peer lending has the potential to yield greater profits for lenders. Peer-to-peer lending has grown in importance as a source of finance for MSMEs as a consequence of the ease it offers, supporting the expansion of local economies and businesses. Peer-to-peer lending is a driving force behind the digital transformation of Indonesia's financial sector by promoting financial digitization through technology adoption (Wajuba et al., 2021).

3.2 The potential of digital financial innovation in supporting economic development

Globally, the fintech business is growing at an extremely fast pace. This is seen by the proliferation of fintech firms and the widespread interest in fintech investment throughout the globe. Fintech-using companies are drawing interest from Indonesian businesspeople, particularly in that country. Because Fintech can accommodate micro, small, and medium-sized enterprises, its existence can promote quicker economic growth. The realization of financial inclusivity as a crucial element of community-based economic growth demonstrates this. Theoretically, the financial system's integration of technology would have a bigger effect on the economy. The existence of asymmetric information between financial players has been reduced by the formal financial system alone; thus, the introduction of technology, particularly information technology, has raised the bar for financial services and improved their efficiency. Fintech promotes greater investment and consumption, two factors that are essential for economic growth.

In addition to being the emergence of financial technology innovation, fintech growth may foster the industry's ability to support local financial services and the community's economy. It has been demonstrated that using fintech may promote equitable and sustainable development, increase access to formal financial services, and boost economic growth. Making public services and the development process adaptable to the Fintech revolution is Indonesia's problem (Gusriyani et al., 2024).

The potential for digital finance to increase the nation's financial inclusion is substantial. People who did not previously have access to financial services can now be reached by services like Islamic fintech, mobile banking, and e-wallets. More people will have access to finance and financial services that may spur economic growth, including small business owners and consumers. The future of digital finance seems extremely bright for boosting the economy. Digital finance may be a major force behind more equitable, efficient, and sharia-compliant economic growth through expanding technology innovation, more financial inclusion, suitable regulatory adaptation, and intense international cooperation. Digital finance is anticipated to play a major role in the future development of a more robust and long-lasting Islamic economy (Febrian & Nisa, 2024).

The Islamic banking sector offers enormous prospects for new product and service development, particularly given the expanding demand from a variety of market sectors and the quick advancement of financial technology. There is a fantastic chance to create more inventive and varied financial solutions that adhere to Shariah regulations. Fintech platforms, which employ blockchain technology or artificial intelligence to autonomously manage investment portfolios, are examples of technology-based investment solutions that may appeal to Islamic investors. The financing of assets is one sector with a lot of room for innovation. The infrastructure, real estate, and energy sectors, among other economic sectors, have a variety of financial demands that may be met with the creation of more adaptable and flexible finance structures like cash flow-based financing or project-based financing. The Islamic finance sector may expand and significantly contribute to financial inclusion, economic growth, and general sustainable development by seizing these chances for new product and service innovation. These developments may also improve the standing of the Islamic finance sector in the eyes of the world and increase its influence in the development of a more equitable, open, and long-lasting financial system (Iswanaji et al., 2024).

4. CONCLUSION

The last phase of the digital transformation process is innovation, which entails the creation of new businesses or the provision of better and more creative goods and services. superior and creative products and services. Benefits of digital innovation include enhanced accessibility, higher competitiveness, more productivity and efficiency, ease of use of online services, and increased economic worth of an area. Consequently, there are divergent views on the impact of the digital economy on economic growth. FinTech has a significant positive impact on Islamic economic growth, particularly in terms of improved accessibility and efficiency. By using digital technology, Islamic financial companies may reach a larger audience and offer more efficient services. Digital financial services and solutions that adhere to Shariah are also offered. Consequently, the analysis's conclusions imply that financial technology has a significant impact on how the Islamic economy develops in the digital age. The financial industry and economy of Indonesia are changing significantly as a result of digital payments'

significant influence on financial innovation. The financial innovation environment in Indonesia is significantly influenced by digital payments in several ways. These responsibilities include reducing transaction costs, doing away with the need for cash transactions, streamlining payment procedures, and opening up financial services to those whom traditional banks had previously been unable to serve. Digital payments are the engine of innovation in technology-based financial services and solutions. Fintech goods, such as mobile payment solutions, crowd funding, money transfer services, and mobile payments themselves, have caused a number of developments in the financial sector. The development of fintech can enhance the industry's capacity to assist regional financial services and local economies in addition to the introduction of advances in financial technology. Fintech adoption has been shown to stimulate economic growth, expand access to formal financial services, and support equitable and sustainable development. The Islamic banking industry has a wealth of opportunities for the creation of new goods and services, particularly in light of the expanding demand from a variety of market segments and the quick development of financial technology. Among other economic sectors, the energy, real estate, and infrastructure sectors all have different financial needs that may be satisfied by developing more flexible and adaptive financial structures like project- or cash flow-based finance. By taking advantage of these chances for new product and service innovations, the Islamic finance industry may flourish and make a substantial contribution to financial inclusion, economic growth, and sustainable development in general.

5. REFERENCES

- Amriani, Mas'ud, M., & Amang, B. (2023). Pengaruh Literasi Keuangan Syariah Terhadap Keputusan Penggunaan Inklusi Keuangan Digital Pada Generasi Millennial di Kota Makassar. *Journal on Education*, 05(04), 15637–15651.
- Dz., A. S. (2018). Inklusi Keuangan Perbankan Syariah Berbasis Digital-Banking: Optimalisasi dan Tantangan. *Al-Amwal : Jurnal Ekonomi Dan Perbankan Syari'ah*, 10(1), 63. <https://doi.org/10.24235/amwal.v10i1.2813>
- Febrian, R., & Nisa, F. L. (2024). *ANALISIS PENGARUH KEUANGAN DIGITAL TERHADAP*. 1(2), 171–176.
- Febrianti, I., Tuffahati, J., Rifai, A., Affandi, R. H., Pradita, S., Akmalia, R., & Siahaan, A. (2023). Pengaruh Penggunaan Teknologi Informasi Dalam Manajemen Perencanaan Pendidikan Untuk Meningkatkan Efisiensi Pendidikan. *Academy of Education Journal*, 14(2), 506–522. <https://doi.org/10.47200/aoej.v14i2.1763>
- Gusriyani, M., Hijriyati, S., & Zulfikar. (2024). Inovasi Keuangan Islam Dan Peranan Dalam Mendorong Pembangunan Ekonomi Berkelanjutan. *Musyteri : Neraca Manajemen, Akuntansi, Dan Ekonomi*, 4Gusriyani(9), 27–37.
- Hanyfah, S., Fernandes, G. R., & Budiarmo, I. (2022). Penerapan Metode Kualitatif Deskriptif Untuk Aplikasi Pengolahan Data Pelanggan Pada Car Wash. *Semnas Ristek (Seminar Nasional Riset Dan Inovasi Teknologi)*, 6(1), 339–344. <https://doi.org/10.30998/semnasristek.v6i1.5697>
- Iswanaji, C., Aziz, A., Rizki, M., Zulfikar, A. L., Romli, N. A., Safitri, D., Mahardika, S. G., Kurnia, R., Hasan, D. H., Hariyanti, Nurhasanah, S., Nissa, I. K., Fahrullah, A., Huda, M. W. S., Sugianto, Susanti, S., Nisa, R. K., Fitriyanti, E., Yuniawati, R. I., ... Taufik, A. (2024). *Perkembangan Industri Halal dan Penguatan Lembaga Keuangan Syariah* (Issue Juni).
- Marginingsih, R. (2021). Financial Technology (Fintech) Dalam Inklusi Keuangan

The 1st International Conference on Islamic Economics (ICIE) 2024

- Nasional di Masa Pandemi Covid-19. *Moneter - Jurnal Akuntansi Dan Keuangan*, 8(1), 56–64. <https://doi.org/10.31294/moneter.v8i1.9903>
- Putera, M., & Nisa, F. L. (2024). *Dampak Teknologi Finansial Terhadap Perkembangan Ekonomi Syariah Di Era Digital*. 6(2), 29–34.
- Rahmawati, L., Rahayu, D. D., Nivanty, H., & Lutfiah, W. (2020). Fintech Syariah : Manfaat Dan Problematika Penerapan Pada Umkm. *Jurnal Masharif Al-Syariah: Jurnal Ekonomi Dan Perbankan Syariah*, 5(1), 75–90.
- Sastiono, P., & Nuryakin, C. (2019). Inklusi Keuangan Melalui Program Layanan Keuangan Digital dan Laku Pandai. *Jurnal Ekonomi Dan Pembangunan Indonesia*, 19(2), 242–262. <https://doi.org/10.21002/jepi.2019.15>
- Sudiantini, D., Ayu, M. P., Aswan, M. C. A. S., Prastuti, M. A., & Apriliya Melani. (2023). Transformasi Digital: Dampak, Tantangan, Dan Peluang Untuk Pertumbuhan Ekonomi Digital. *Trending: Jurnal Ekonomi, Akuntansi Dan Manajemen*, 1(3), 21–30.
- Supriyadi, M., & Nahdila, M. (2023). *Dampak ekonomi digital dan tingkat inflasi terhadap pertumbuhan sektor ekonomi di indonesia*. 5(6), 2745–2750.
- Tarantang, J., Awwaliyah, A., Astuti, M., & Munawaroh, M. (2019). Perkembangan Sistem Pembayaran Digital Pada Era Revolusi Industri 4.0 Di Indonesia. *Jurnal Al-Qardh*, 4(1), 60–75. <https://doi.org/10.23971/jaq.v4i1.1442>
- Wajuba, L., Fisabilillah, P., & Hanifa, N. (2021). Analisis Pengaruh Fintech Lending Terhadap Perekonomian Indonesia. *Indonesian Journal of Economics, Entrepreneurship and Innovation*, 1(3), 2721–8287. <https://doi.org/10.31960/ijoeei.v1i3.866>