Does fintech matter for Indonesia's economic growth?

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Abstrak

This paper investigates the role of financial technology (FinTech) in propelling economic growth in Indonesia from 1998 to 2018. The FinTech industry employs a technology-based business model to provide financial services, including lending, payment, investment, and financing services. The study is motivated by endogenous growth theory, which seeks to explain technology as the most important driver of economic growth. The study finds that FinTech startups are positively correlated with Indonesia’s economic growth. FinTech firms in their first year are found to be disruptive, but they fail to have serious consequences on Indonesia’s economic growth; however, they seem to significantly encourage economic growth in their second year. These findings are derived after accounting for other important growth determinants, namely, capital per labor, foreign direct investment (FDI), stock market development, and trade openness.