

THE IMPACT OF BORROWING AND LENDING ACCOUNT GROWTH ON THE PROFITABILITY OF FINTECH LENDING COMPANIES

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ABSTRACT

Background: Fintech lending or online lending services is one of the innovations in the financial industry that is growing rapidly and has a significant impact on the economy in Indonesia, especially for MSMEs. The increase in outstanding online loans in Indonesia is because online loan services are considered easier to apply for than traditional financial services.

Purpose: This study analyzes the impact of increasing borrower and lender accounts, bad loan risk, and macroeconomic conditions on the profitability of fintech lending companies in Indonesia over the past five years.

Design/methodology/approach: This study uses monthly time series data with a research period from January 2019 to December 2023. The type of data used in this study is secondary data obtained from the official websites of Bank Indonesia, OJK, and S&P Global. This study uses the Autoregressive Distributed Lag (ARDL) analysis method using E-views12 software.

Findings/Results: The results show that the firm's profitability tends to increase in the short run when the number of lender accounts increases. At the same time, the non-performing loans, inflation, and interest rates decrease. In the long run, borrower account growth, lender account growth, and Purchasing Manager's Index (PMI) positively affect the profitability of fintech lending companies. The growth of Fintech Lending in Indonesia has experienced rapid growth in the past 5 years, especially in the period 2021-2022. The outstanding online loans increased dramatically due to the COVID-19 pandemic. The development of borrower and lender accounts can positively impact company profitability but also increase the risk of bad loans.

Keywords: Fintech Lending, Return on Assets (ROA), Non-Performing Loan (NPL), Purchasing Manager's Index (PMI), Autoregressive Distributed Lag (ARDL)

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INTRODUCTION

Industrial Revolution 4.0 has had a significant impact on the financial sector, especially with the presence of financial technology (Fintech) that facilitates financial services. According to Machkour and Abriane (2020), Fintech is able to accelerate digital transaction services, reduce personal costs, and change consumer behavior. The presence of Fintech encourages traditional banks to adapt during increasingly fierce competition. According to Yoon et al. (2023), Fintech can improve the performance of banks by increasing the efficiency of financial services and reducing operational costs. Fintech first appeared in the United Kingdom in 2005 through the Zopa platform, which became a pioneer in the fintech P2P lending industry, and a few years later, fintech began to develop in the United States and China (Wuisan 2021). Fintech lending services in Indonesia began to develop in 2016, with several advantages such as a fast and easy loan application process, and without the need for collateral, this service helps to increase the efficiency and productivity of MSMEs in Indonesia (Ningsih (2020); Lestari (2023).

In addition to providing more inclusive access to finance, fintech also helps microenterprises compete more effectively in the digital marketplace (Sharma et al. 2023). Sedera (2020) found that the growth of online lending positively impacts the stability and profitability of rural banks or Bank Perkonomian Rakyat (BPR), which provides services similar to online lending platforms. However, fintech's presence can also threaten the existence of traditional banking institutions. According to Monika et al. (2021), Fintech can have a negative impact on the profitability of Islamic banking, especially due to an increase in operating costs without a commensurate increase in operating income. Purnomo and Khalda (2019) explain that traditional banks can mitigate this threat and negative impact by implementing fintech business models, such as crowdfunding and P2P lending, to meet the needs of their customers.

Financial technology (Fintech) combines information technology and financial services that significantly change the banking industry. According to (Suryanto et al. 2022), Fintech provides more accessible and affordable financial services, especially for people who have difficulty accessing banking services. Bank Indonesia classifies Fintech into four categories: peer-

to-peer (P2P) loans and crowdfunding, managing investment risk, payment, clearing and settlement, and market aggregation. The Financial Technology (Fintech) industry has grown rapidly in recent years, characterized by the increasing use of digital payments like Gopay, OVO, Dana, and Shopeepay, facilitating daily transactions and driving growth in this sector. Apart from digital payments, Fintech is also proliferating in online lending platforms or peer-to-peer (P2P) lending, which connects lenders with borrowers directly through online platforms. P2P Lending provides faster services with easier terms for borrowers, while lenders reap more significant benefits, although risks must be addressed (Sitompul, 2018).

The development of Fintech has an impact on the financial performance of banks, namely reducing bank risk and increasing the stability of bank operations, as well as increasing the efficiency and effectiveness of banks (Wang and Nor, 2022); (Deng et al. 2021). Fintech also improves banks' financial performance and positively impacts financial inclusion (Kristianti and Tulenan, 2021); (Vijayakumar Bharathi et al. 2023). In Indonesia, fintech lending significantly affects economic growth by distributing MSME capital (Maulana and Wiharno, 2022). In addition, in the new normal era, Fintech provides access to financing for the unbanked, which can improve the economy in Indonesia (Utami, 2022). According to research by Widarwati et al. (2024), individuals with higher incomes tend to take out loans, with the majority using these loans for business capital, daily needs, debt repayment, and consumption.

This study analyzes the impact of lending and borrowing growth factors, non-performing loans, and macroeconomic factors such as the Purchasing Manager's Index (PMI), inflation, and interest rates on the profitability of fintech lending companies in Indonesia.

METHODS

This study uses time series data from January 2019 to December 2023. The data type used is secondary data in the form of Fintech Lending data reports published by OJK. The data used in this study includes data obtained from literature review and secondary data, including online loan growth data (Growth of Borrowing and

Growth of Lending) as measured by the growth of accumulated borrower and lender accounts. In addition, this study uses data on the financial performance of Fintech Lending companies

in aggregate, including ROA data as an indicator of company performance and NPL as an indicator of non-performing loans. This study's macroeconomic data, as well as external factors, include PMI, inflation, and BI rate. All macroeconomic data is obtained through the official websites of Bank Indonesia (BI) and S&P Global. To determine the effect of borrowing and lending growth, as well as macroeconomic variables such as Inflation, BI Rate, and Purchasing Manager's Index (PMI) on the profitability of Fintech Lending companies, the Autoregressive Distributed Lag (ARDL) analysis method is used, which is carried out using E-views.

This study uses ARDL analysis conducted by Pesaran et al. (2001). The ARDL method is generally used in research with time series data integrated to different degrees. This model consists of one dependent variable, ROA, and six independent variables: Growth of Borrowing, Growth of Lending, NPL, PMI, Inflation, and BI Rate. Referring to research by Sedera (2020), Monika et al. (2021), Yoon et al. (2023), the model of this study is as follows:

$$ROA = \beta_0 + \beta_1 GoB_{t-1} + \beta_2 GoL_{t-1} + \beta_3 NPL_{t-1} + \beta_4 PMI_{t-1} + \beta_5 INF_{t-1} + \beta_6 IR_{t-1} + \varepsilon_t$$

Where ROA is the dependent variable, which is influenced by the independent variable: ROA (Return on Assets); GoB (Growth of Borrowing); GoL (Growth of Lending); NPL (Non-Performing Loan); PMI (Purchasing Manager's Index); INF (Inflation); IR (BI Rate).

Hypothesis 1: GOB and GOL have a positive effect on the profitability of Fintech Lending companies.

Based on research conducted by Gopal and Schnabl (2020), the growth in the number of lenders on the Fintech Lending platform indirectly has the potential to increase profitability through market expansion. Meanwhile, an increase in borrowers can be risky for companies, as the number of borrowers increases, companies must be more careful in managing risks to maintain company profitability (Babaei et al. 2023).

According to Sedera's research (2020), the Growth of Borrowing is an increase in loan requests made by borrowers. Meanwhile, Growth of Lending is an increase in lending from individuals, the private sector, or other parties during a certain period. Growth in demand for loans (borrowing) is calculated through the accumulation of borrower account data with a growth ratio, as follows:

Meanwhile, lending growth is calculated through accumulated lender account data with the Growth Ratio Formula (Sedera 2020), as follows:

$$GoB = ((\text{Cumulative Borrower Acc } (m_1) - \text{Cumulative Borrower Acc } (m_0)) / \text{Cumulative Borrower Acc } (m_0)) \times 100\%$$

Noted:

Cumulative Borrower Acc (m_0): Cumulative borrower account from the previous month

Cumulative Borrower Acc (m_1): Cumulative borrower account for the current month

Meanwhile, loan growth is calculated from accumulated lender account data using the Growth Ratio formula (Sedera 2020), as follows:

$$GoB = ((\text{Cumulative Lender Acc } (m_1) - \text{Cumulative Lender Acc } (m_0)) / \text{Cumulative Lender Acc } (m_0)) \times 100\%$$

Noted:

Cumulative Lender Acc (m_0): Cumulative Lender account from the previous month

Cumulative Lender Acc (m_1): Cumulative Lender account for the current month

Hypothesis 2: NPL negatively affects the profitability of Fintech Lending companies.

A non-performing loan (NPL) is a loan that defaults because the borrower does not make payments as scheduled over a certain period. The NPL period generally ranges from 90 to 180 days (Segal, 2022). NPLs, also called bad loans, can affect loans in the following period (Ramadhani & Handayani, 2019). Bank Indonesia stipulates regulation Number 6/10/PBI/2004, dated April 12, 2004, concerning the Commercial Bank Health Level Assessment System. The reasonable limit of NPL does not exceed 5%; if it

exceeds 5%, the bank is considered unhealthy (Bank Indonesia 2004). According to research by Jufriadi and Imaduddin (2022), high levels of NPLs can have a negative impact on financial performance. Ihrom and Hersugondo (2022) stated that effective handling of non-performing loans or NPLs is very important to maintain profitability. Non-Performing Loans can be calculated with the formula:

$$\text{NPL Ratio} = (\text{Non-Performing Loans} / \text{Total Loans}) \times 100\%$$

Hypothesis 3: The Purchasing Manager's Index (PMI) positively affects the profitability of Fintech Lending companies.

The Purchasing Manager's Index (PMI) is an economic indicator derived from a monthly survey of private sector companies, particularly in the manufacturing and services sectors, that measures the dominant direction of economic trends in these sectors. The PMI is based on a diffusion index that summarizes whether market conditions are expanding, staying the same, or contracting in the view of

purchasing managers (Kelly and Munichello 2023). Purchasing Manager's Index (PMI) and Return on Assets (ROA) are two important indicators that measure economic health and company performance, but from different perspectives, they are not directly related. PMI is used to see the condition of a country's manufacturing and service sectors. At the same time, ROA is a profitability ratio that measures a company's efficiency in generating profits from its assets. Wang and Yang (2018) explain that positive PMI announcements (above 50), tend to have a positive effect on stock returns, especially in manufacturing stocks.

Hypothesis 4: Inflation and BI Rate negatively affect the profitability of Fintech Lending companies.

According to Bank Indonesia, inflation is a general and continuous increase in the prices of goods and services within a certain period. Based on data obtained from Bank Indonesia, the development of inflation in Indonesia over the past four years has experienced considerable fluctuations. The development of inflation throughout 2020-2021 is the impact of COVID-19,

which has changed all aspects of people's lives (Ratri and Munawar, 2022). Inflation negatively and significantly impacts lending activities, meaning that high inflation can hinder lending (Jufriadi and Imaduddin, 2022). Inflation can affect a firm's profitability by suppressing the firm's profits due to an increase in the cost of raw materials and labor (Narayan, 2020).

According to the official website of OJK (2023), bank interest rates are fees banks provide to customers who buy or sell their products. Interest can also be interpreted as the price that banks must pay to customers (who have deposits) and the price that customers must pay to banks (if customers obtain loan facilities). Higher interest rates increase borrowing costs, reducing consumer interest in borrowing and impacting investment decisions. Windsor et al. (2023) stated that decreasing interest rates tends to reduce banks' Net Interest Margin (NIM) or net interest margin. However, on the other hand, low interest rates can encourage consumer lending and can indirectly benefit banks.

RESULTS

Stationarity Test

The stationarity test is the first step in processing time series data, which aims to ensure that the time series data in this study does not contain a unit root, meaning that the data has a constant mean and variance over time. In this research, the method used in testing stationarity is the unit root test with the Phillips-Perron (PP) test with a significance level ($\alpha = 5\%$). The stationarity test aims to ensure that the time series data in this study does not contain a unit root, which means that the data has a constant mean and variance over time. In addition, the stationarity test is also used to determine the selection of the right time series model in this study.

The stationarity test results show that the GoL, ROA, and PMI variables are stationary at the level. In contrast, the GoB, NPL, Inflation, and BI rate variables are not stationary at this level (Table 1). The test results at the first difference level show that all variables are stationary, so it can be concluded that the estimation of ROA and NPL determinants can be done for both the short and long term using the ARDL approach.

Table 1. Stationarity test result

Variable	Level	Result	1st Difference	Result
GoB	0.0824	Non-Stationary	0	Stationer
GoL	0.0003	Stationery	0.0001	Stationer
ROA	0.0182	Stationery	0	Stationer
NPL	0.191	Non-Stationary	0.0002	Stationer
PMI	0.0402	Stationery	0	Stationer
Inflasi	0.4997	Non-Stationary	0	Stationer
BI Rate	0.6828	Non-Stationary	0.0239	Stationer

Bound Test

The cointegration test is used to determine whether there is a long-term relationship between the independent and dependent variables and whether variables that are not stationary at the level are cointegrated. This method is done by comparing the F-statistic value with its critical value. With the assumption that if the F-statistic value is below the lower bound, it can be concluded that there is no cointegration. If the F-Statistic value is above the upper bound, it can be concluded that there is cointegration. However, the results cannot be concluded if the F-Statistic is between the lower and upper bound (Nizar and Abbas, 2019).

Based on the bound test results, the F-Statistic values on ROA and NPL are more significant than the lower bound and upper bound at the 10% significance level, namely ROA of 3.833638 and NPL of 6.345236, greater than 1.99 and 2.94, so it can be concluded that this study has a long-term balance of the ARDL model formed.

The Classical Assumption Test

The classical assumption test in linear regression is a procedure used to ensure that the linear regression results meet the BLUE (Best Linear Unbiased Estimator) properties, which means that the estimate obtained is the best linear estimate, is unbiased and has the smallest variance among all unbiased linear estimates (Sabrina et al. 2023). This study uses normality tests, heteroscedasticity tests, and autocorrelation tests to ensure no interference in this study, making the regression results more valid. Based on the results of the classical assumption test, which includes the normality test, heteroscedasticity test, and correlation test, it can be concluded that the data is normally distributed in this study, and there are no heteroscedasticity and autocorrelation problems.

Model Stability Test

The model stability test in this research is used to determine the stability of the model to be used; in this study, three tests are used to measure model stability, namely the Ramsey RESET Test (Regression Specification Error Test), which detects specification errors in the linear model, as well as the CUSUM and CUSUM-Q Tests which are used to detect changes in overall regression model parameters over time. In the CUSUM and CUSUM-Q Tests, the graph is plotted against the zero line with a critical limit of 5%; if the CUSUM line is within the critical limit, then the model parameters are considered stable, but if the CUSUM line is outside the critical limit, then this indicates instability in the residual variance. Based on the results of the model stability test, which includes the Ramsey RESET Test, CUSUM, and CUSUM-Q, it can be concluded that the model in this research is stable.

Short-Term ARDL

In the short term, ROA is affected by changes in the Growth of Lending (GOL) variable, where the ROA value increases when GOL increases. Return on Assets (ROA) is one of the main indicators used to measure profitability and reflects how efficiently the company manages its assets to generate profits. Meanwhile, Growth of Lending (GOL), or growth in lending, illustrates how much the increase in lending activity by investors to Fintech Lending companies. Gopal and Schnabl (2020) explain that indirectly, the growth in the number of lenders on the Fintech Lending platform has the potential to increase profitability through market expansion. On the other hand, an increase in the number of lenders on the Fintech Lending platform can increase credit risk, which can affect profitability, as many of the borrowers are MSME players or low-income individuals. Therefore, with the growth of loans, companies must be more careful in managing this risk to maintain profitability (Babaei et al. 2023). Short-Term ARDL Result in Table 2.

Table 2. Short-Term ARDL Result

Variable	Coefficient	Std. Error	t-statistic	Prob.
D(ROA(-1))	0.24659	0.134468	1.833818	0.0757
D(ROA(-2))	0.053456	0.116859	0.457445	0.6503
D(ROA(-3))	0.230958	0.102777	2.247181	0.0314
D(GOB)	-0.07929	0.112941	-0.70201	0.4876
D(GOL)	0.406802	0.093771	4.338245	0.0001
D(GOL(-1))	-0.26138	0.117499	-2.22453	0.0331
D(GOL(-2))	-0.05088	0.10832	-0.46971	0.6417
D(GOL(-3))	-0.16516	0.086733	-1.90423	0.0656
D(NPL)	-0.38852	0.164073	-2.36798	0.0239
D(NPL(-1))	0.552973	0.165266	3.345957	0.0021
D(NPL(-2))	-0.51918	0.161464	-3.21546	0.0029
D(NPL(-3))	0.341285	0.130263	2.619964	0.0132
D(INF)	-0.57317	0.205529	-2.78876	0.0087
D(INF(-1))	-0.53695	0.209422	-2.56396	0.0151
D(IR)	-2.08035	0.544912	-3.81776	0.0006
Cointeq(-1)	-0.80473	0.131986	-6.0971	0
R-Squared	0.73094	Mean dependent var		0.008401
Adjusted R-Squared	0.630042	S.D. dependent var		0.833188

Changes in the value of bad debts (NPL) negatively impact increasing ROA in the short term. When NPL decreases, it will increase the value of ROA; in line with the research of Jufriadi and Imaduddin (2022), high NPL levels can negatively impact financial performance. Ihrom and Hersugondo (2022) state that effectively handling bad debts or NPLs is crucial to maintaining profitability. The change in ROA is also significantly and negatively affected by inflation in the short term. Inflation negatively and significantly impacts lending activity, meaning high inflation can hinder lending (Jufriadi and Imaduddin, 2022). Inflation can affect company profitability by suppressing company profits due to an increase in the cost of raw materials and labor (Narayan, 2020). Apart from inflation, the value of the BI interest rate also has a negative impact on changes in ROA. Higher interest rates impact increasing borrowing costs, reducing consumer interest in borrowing and impacting investment decisions. Windsor et al. (2023) stated that decreasing interest rates reduces banks' Net Interest Margin (NIM). However, on the other hand, low interest rates can encourage consumer loans and can indirectly benefit banks.

The R-squared value is 0.630042, indicating that the independent variables in the model can explain 63% of the variation in the dependent variable, and variables outside the model explain the remaining 37%. Long-term equilibrium in response to the short-

term imbalance due to fluctuations will be adjusted at -0.80473.

Long-Term ARDL

In the long run, Growth of Borrowing (GOB) negatively affects ROA. The coefficient obtained is - 0.38013, which states that when there is an increase in GOB by 1 percent, ROA will decrease by 0.38013 percent. According to Sedera (2020), growth of borrowing (GOB) is a variable that measures the level of loan demand by borrowers in Fintech companies over a certain period. The results of this study are supported by research from Mileris (2015), which explains that an increase in loan demand will increase the risk of bad credit, reducing company profitability. Akter and Roy (2017) explain the importance of implementing a careful lending policy and proper credit analysis to prevent bad debts that can have a negative impact on company profitability.

Meanwhile, the Growth of Lending (GOL) positively affects ROA in the long run. The coefficient obtained is 0.864109, which states that every increase in GOL by 1 percent will increase ROA by 0.864109 percent. According to Sedera (2020), Growth of Lending (GOL) is a variable that measures the increase in lending by investors from individuals, the private sector, or other parties. Growth of Lending (GOL) in this study refers

to an increase in individuals or entities participating as lenders on the Fintech platform. Increased loan growth can positively affect company profitability through greater interest income (Jalloh, 2024).

Purchasing Manager Index (PMI) positively affects ROA in the long run. When there is an increase in PMI by 1 percent, ROA will increase by 2.092072 percent (Table 3). The Purchasing Manager's Index (PMI) and Return on Assets (ROA) are two important indicators that measure economic health and company performance. However, from different perspectives, they do not have a direct relationship. PMI is used to see the condition of a country's manufacturing and service sectors. At the same time, ROA is a profitability ratio that measures a company's efficiency in generating profits from its assets. Wang and Yang (2018) explain that positive PMI announcements (above 50) tend to have a positive effect on stock returns, especially in manufacturing industry stocks. The positive effect of PMI announcements on stock returns usually lasts for three days after the announcement, and a high PMI also indicates an economic expansion that can trigger expectations of an interest rate hike by the central bank to prevent too high inflation.

While non-performing loans (NPLs) or bad credit do not affect ROA in the long run, this result aligns with research (Safitra and Kusno, 2023). NPL is one of the ratios used to measure credit risk, and increasing this ratio will reduce the level of profitability because the company will spend more on credit problems (Putra and Rahyuda, 2021). However, in research, NPL has a positive but insignificant effect on ROA. The increase

in NPL is followed by ROA growth, which causes NPL to have a positive value on ROA, the insignificant value of NPL can occur because the loss from the amount of non-performing loans in banking is compensated for by the existence of an impairment loss reserve (CKPN) for non-performing loans, so that the impact of credit risk can be minimized (Putra and Rahyuda, 2021).

Inflation and interest rates are two macroeconomic indicators that can affect financial performance. However, in this study, inflation has a negative but insignificant effect on ROA, which is not in line with (Safitri and Oktavia 2022), which states that NPL has a negative effect, which can cause a decrease in ROA. Meanwhile, interest rates have a positive and insignificant effect on ROA. Research conducted by Taufiqurrasyid and Diana (2023) also states that the inflation rate and interest rate have no impact on profitability, so the risk of inflation and interest rates will not affect the rise and fall of company profitability. In line with research by Trihardianto and Hartanti (2022), which states that the inflation rate has no significant effect on the profitability (ROA) of State-Owned Banks (BUMN) listed on the Indonesia Stock Exchange (IDX) during the 2016-2020 period. Meanwhile, research by Ruslim and Michael (2019) states that inflation affects the relationship between profitability and firm value because inflation is very sensitive to profitability. Firm value is not only determined by company profits. However, macroeconomic conditions also influence it, and one of them is inflation, which negatively impacts ROA, as Boyd and Champ (2003) research states that profits decrease along with an increase in inflation.

Table 3. Long-Term ARDL Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
GOB	-0.38013	0.177658	-2.13965	0.0399
GOL	0.864109	0.344161	2.51077	0.0171
NPL	0.112255	0.123411	0.909605	0.3696
PMI	2.092072	0.87864	2.381035	0.0232
INF	-0.14648	0.168845	-0.86756	0.3919
IR	0.340682	0.19044	1.788916	0.0828
C	-103.882	44.06328	-2.35757	0.0245

Managerial Implication

Financial Technology, or Fintech in Indonesia, has experienced a significant increase in recent years. Fintech is a solution to overcome the community's limitations in accessing financial services, especially in areas not covered by conventional banking. With the development of digital technology, Fintech in Indonesia can provide financial services that are faster, easier to access, and more affordable. One of Indonesia's most popular types of Fintech is payment services or digital wallets (e-wallets) such as GoPay, OVO, Shopeepay, Dana, and others that dominate the market. Currently, e-wallets are not only used for transactions but also for bill payments, investments, and purchasing microinsurance products. In addition to payment services (e-wallet), Fintech Lending and technology-based lending services have also experienced significant growth in recent years. This growth is driven by increased public interest in Fintech Lending services, which are considered more accessible and efficient than complicated banking services. Fintech Lending is an alternative for the community or small and medium enterprises (MSMEs) in obtaining financing.

This research indicates that while the growth of lender accounts positively impacts short-term profitability, long-term profitability is influenced by both borrower and lender account growth and macroeconomic indicators like the Purchasing Manager's Index (PMI). This finding aligns with Suryanto et al. (2022), who assert that fintech enhances financial accessibility and stability, particularly for micro, small, and medium enterprises (MSMEs). Furthermore, the study's emphasis on Non-Performing Loans (NPLs) as a critical factor affecting profitability corroborates Jufriadi and Imaduddin (2022), who highlight that high NPL levels can adversely impact financial performance, underscoring the necessity for effective risk management in fintech operations.

One primary concern is the need for comprehensive regulations by Bank Indonesia (BI) and the Financial Services Authority (OJK) to safeguard consumers and ensure responsible lending practices. This aligns with the observations made by Suryanto et al. (2022), who emphasize that fintech must provide accessible and affordable financial services while maintaining consumer protection standards. The study also underscores the importance of data security and privacy, reflecting the growing concerns in the literature

about cyber threats in an increasingly digital financial landscape, as noted by Machkour and Abriane (2020). This research also points out that financial literacy remains low in Indonesia, leading to misunderstandings about Fintech services, including interest rates and fees. This issue is echoed in previous research, such as that by Narayan (2020), which highlights how a lack of financial literacy can exacerbate risks associated with borrowing. The prevalence of illegal online lending practices further emphasizes the urgent need for regulatory frameworks that protect consumers and educate them about their rights and responsibilities. This study also advocates for Fintech companies to innovate their products continuously with evolving regulations, a sentiment supported by Monika et al. (2021), who argue that adaptation to regulatory changes is essential for competitiveness in the fintech sector. The emphasis on strengthening risk management, particularly in cybersecurity and operational risks, is crucial for maintaining customer trust and loyalty, directly impacting profitability. This perspective is consistent with findings from Sedera (2020), who asserts that effective risk management strategies are vital for sustaining growth and stability in fintech operations.

With the existence of Fintech, people, especially in areas previously unreachable by banking services, can now access financial services more efficiently. However, the public needs to be educated on financial literacy to avoid the risk of inappropriate use of Fintech Lending. In addition, the public also needs to raise awareness about cybersecurity by being careful when using personal data. An increased understanding of financial technology and caution in its use are the keys to utilizing Fintech effectively and safely.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

Some of the main factors affecting the development of Fintech Lending in Indonesia are the growth of loan demand or Growth of Borrowing (GOB) and the growth of lending or Growth of Lending (GOL). These two variables reflect the increasing interest and activity of the community in using Fintech Lending services. The financial performance of Fintech Lending companies is measured through return on assets (ROA) as an indicator of profitability and non-performing

loans (NPL) as an indicator of credit quality and risk. While macroeconomic conditions as external factors are measured through the Purchasing Manager's Index (PMI) as an indicator of economic health, especially in the manufacturing sector, the inflation rate as a variable that measures people's purchasing power and lending decisions, and the BI Rate as Bank Indonesia's benchmark interest rate that affects the cost of borrowing.

Recommendations

This research uses 2019-2023 data covering the COVID-19 pandemic period. It is hoped that future research can extend the research period to see the influence of macroeconomics, regulation, and technological developments on the growth of Fintech in Indonesia. The data used in this research is only sourced from OJK and BI as secondary data; further research is expected to add primary data that can provide a different perspective on the growth of Fintech Lending, which needs to be reflected in this study. Future research can use the ARDL method, as in this study, by adding the VECM method or Granger Causality Test, which can strengthen the results related to the relationship between variables.

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