



Critical Review of Fintech Management

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ABSTRACT

The purpose of this study is to determine the recognition, measurement, and disclosure in accordance with the implementation of management in Fintech, which is critically reviewed effectively and efficiently from the perspective of Critical Management Studies (CMS). Data collection is done by interviewing techniques and other secondary data support. Respondents in this study were the Financial Services Authority (OJK), the general public (30 respondents). This study used two stages of discussion, namely, using the variables of Good Corporate Governance (GCG) and through a Critical Management Studies (CMS) perspective. Data analysis method uses a critical paradigm by testing the validity of data based on data triangulation and theory. The results of the study found that the implementation of the policy from the regulator (OJK) was not fully maximized, there were still information gaps between the service users and Fintech members. Fintech management is deemed unable to be fully implemented.

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1. Introduction

The global financial crisis that occurred in 2008 had a significant impact, especially regarding public perceptions of banks, public confidence in conventional banks declined. It was based on the background of the history of a combination of financial technology and economics seen since the transition of the analog era to digital, until the financial crisis that occurred in 2008 began to overhaul the trend of the financial world that we have known. Another impact is that when the financial crisis has transformed into an economic crisis, an estimated 8.7 million Americans have lost their jobs. At that time many professionals lost their jobs or were not given adequate compensation for their work. Until finally they applied their abilities through technology.

On the other hand, FinTech's development in Indonesia is one of the fastest, ranking second after Singapore among other ASEAN countries. Based on the World Economic Forum (2015) report, Indonesia is predicted to become one of the largest digital markets in Southeast Asia by 2020, this confirms the opportunity for the development of FinTech. What's interesting is that the FinTech market itself has the spirit to increase the level of financial inclusion by reaching out to people who have difficulty getting access to conventional financial institutions. The problem of FinTech in Indonesia has had an impact not only on the economic aspects of society, but it has transformed as a form of disruptive innovation that changes the style of people's transactions. FinTech can no longer be viewed through one dimension of management perspective, but must be viewed critically from various perspectives that go beyond orthodox (traditional) management studies. First, FinTech management should also be seen from the points of the criteria of Good Corporate Governance (GCG) including transparency, accountability, accountability, independence, fairness. Second, through a Critical Management Studies perspective to discuss the management of FinTech comprehensively.

2. Theoretical Review



A. FinTech in the Perspective of Good Corporate Governance

The application of Good Corporate Governance (GCG) in an organization is one of the most essential things because from this aspect of GCG the management system of an organization can be clearly seen, as stated by Steger and Amman in 2008: "Corporate governance establishes clear structures regarding accountability, responsibility, and transparency, at the head of the company and the definition of the role of boards and management ". There are five pillars of GCG implementation, namely transparency, accountability, responsibility, independence, and justice / equality. To make observations regarding the phenomenon of FinTech based on loans in the aspects of regulation, capital, risk management.

B. FinTech in the Perspective of Critical Management Studies

Critical Management Studies was born from a small conference held in 1989. The conference was attended by academics from Europe and North America who experienced anxiety about the stagnation of management science. Critical Studies of Management is an emancipatory study, in contrast to traditional management studies which generally only emphasize effectiveness and efficiency, as proposed by Kerim Ozcan (2012). If viewed further, the study of Critical Management Studies is certainly inseparable from the tradition of the Frankfurt Critical Theory pioneered by Max Horkheimer, a director of the Frankfurt Institute of Social Sciences (Social Research Institute) founded in 1923. Together with Herbert Marcuse, Theodor Adorno, Walter Benjamin, Erich Fromm and also Jürgen Habermas. This multidisciplinary program moves in the path of critical philosophy that has been pioneered by Hegel and Marx. The problem of positivism in the social sciences is one of the main concerns of Critical Theory, the notion of social sciences is value-free, regardless of social practices and morality, can be used as a tool to predict, be objective, etc. Discussing about the FinTech company as an organization certainly cannot be separated from critical questions from Critical Management Studies. Habermas's idea of deliberative democracy, deliberation in the Habermas concept is a procedure for a decision to be made. A consensus or decision has legitimacy if it has gone through a process of testing or discourse, where all issues are discussed together especially by parties directly related to the issue, in an equal position and without pressure from other parties. This is relevant in drawing up regulations for loan-based FinTech in Indonesia. The model of deliberative democracy is the concept of political public sphere. As quoted by Hardiman, interpreting the political public sphere as the essence of the conditions of communication by which a formation of opinions and discursive aspirations of a public consisting of citizens can take place.

3. Research Methods

This study uses a qualitative approach because it aims to explore information and explain phenomena that occur in the reality of society. According to Sugiyono (2015), qualitative research methods are research methods based on post-positivism philosophy to examine the condition of natural objects. This research belongs to the explanatory research category because it tries to find an explanation of the causes and reasons of a phenomenon / event, examines principles / predictions in a theory, then elaborates and enriches the explanation of the theory .. Also included in descriptive research because it tries to present a picture detail and specific of a situation or relationship. Data analysis techniques used in this study use theories that are relevant to the theme and findings of the study. Following are the steps: Processing and preparing data; Read the entire data; Identify settings; Interpret the topic that appears in the discourse and discourse process itself.

4. Research Results And Discussion

A. Transparency

Regarding loan interest, OJK explained that its platform provided input on interest rates offered by investors and loan recipients taking into account the fairness and development of the national economy. However, in reality many people complained that the interest was too high. OJK reminded the public to fully understand the risks involved in the interest charged, because the OJK did not yet have the authority to regulate the interest rates. While regarding the determination of interest rates, this is one form of risk management. Because generally the people reached are categorized as unbanked, in order to reduce the risk of default, a grading of interest rates is applied. The company in this study belongs to the type of marketplace. Koinworks explained that in the marketplace system borrowers and lenders are free to choose interest rates. The system will take the total amount desired by the borrower with the priority for the best bid. The interest paid by the borrower is the average of the total bids received. This issue should need to be followed by an explanation that is easily understood by the general public so that service users do not feel cheated. Because not all service users understand the technical language of economics and how to read related to financial statements through socialization of financial literacy which is more reachable to the public.

B. Accountability

Regarding regulatory accountability, many respondents stated that they did not know how to complain to the FSA.

C. Responsible

Market segmentation is generally people who are classified as unbanked / unreachable by conventional financial institutions. Because not only people who live in remote areas have difficulty obtaining access to loans to conventional financial institutions, some pioneering businesses in big cities also experience difficulties because their businesses have not yet entered the criteria set by conventional financial institutions. Some parties also apply loans without collateral, this of course has high risks such as delays in repaying loans and defaults. Companies as mediators that bring together investors and borrowers must certainly carry out the performance responsibly towards service users. One of them is protection of investor funds. Loans provided by Fintech generally do not use collateral. Unlike the bank where customer funds are guaranteed by the LPS (Deposit Insurance Corporation), in FinTech the service user funds are not guaranteed by LPS. To minimize the risk of default, companies that are observed are advised that investors diversify their investments.

D. Independence

To ensure that the LPMUBTI company operates independently, the OJK revealed that the borrowers from Fintech must use escrow accounts and virtual accounts as a form of risk mitigation. In the context of repayment of loans, the loan recipient makes payments through the organizer's escrow account to be forwarded to the lender's virtual account. An Escrow account is a checking account at a bank in the name of an organizer that is deposited and used for certain purposes, namely receipt and disbursement of funds from and to service users of IT-based money lending (Information Technology) providers. Organizers are prohibited from raising funds from users in the form of deposits on escrow accounts as stipulated in banking rules.

E. Fairness / Equality

The OJK revealed that OJK will launch FinTech center as a forum to develop the FinTech industrial ecosystem in Indonesia. At FinTech Center there will also be various discussions to develop the FinTech ecosystem in the future. OJK will also issue a regulation on digital financial innovation which is the legal umbrella for FinTech, especially peer-to-peer lending and crowd funding. This rule will become the legal basis for FinTech, which has not been regulated by the OJK, as well as tangible support for the digitalization of financial services institutions in Indonesia.

D. Critical Management Studies

The development of FinTech-based loans (LPMUBTI) in Indonesia is also interesting when viewed from Habermas's theory of deliberative democracy and the public sphere, Deliberation in the Habermas concept is a procedure for producing a decision. According to him, a decision or consensus has legitimacy if it has gone through a process of testing or discourse, where all issues are discussed jointly by parties directly related to the issue, in an equal position and without pressure by other parties. The arena where the discourse can take place is called the public sphere. The hearing forum conducted by the OJK as a regulator, companies and other parties is one example of the implementation of deliberative democracy because there is a discourse process. Democracy is deliberative if the process of giving reasons for a draft public policy is tested first through public consultation / public discourse. And in the process of drafting POJK No. 77 / POJK.01 / 2016 concerning Information Technology Based Lending and Borrowing Services, not only experts involved but also FinTech industry players in Indonesia. In deliberative democracy, one of the most fundamental aspects is increasing the intensity of citizen participation in the process of forming aspirations and opinions so that the policies / laws produced by the government are getting closer to the expectations of those given the policy.

OJK Digital Financial Innovation Center. Infinity is a form of public sphere, because it will function as a forum for discussion and collaboration between industries, regulators, governments, academics, and other innovation hubs. At least this is one of the concrete steps taken by the government in response to the growth of the FinTech industry in Indonesia. As quoted by Hardiman (2009: 134), interpreting the political public sphere as the nature of the conditions of communication by which a formation of opinions and discursive aspirations of a public consisting of citizens can take place.

5. Conclusions

Based on the description of findings and analysis that I have done, the FinTech industry based on loans is an alternative financial facility that can be used by Indonesian people who have difficulty finding business capital because of the difficulty of access to conventional financial institutions, investing with social motives (helping other communities to develop businesses), and others. The development phase of FinTech-based

loans in Indonesia is still in the initial stages, so there are still many opportunities that have not been explored maximally such as expansion outside Java. Some of the respondents revealed that some of the loans they gave were jammed in the middle of the road, this should be used as an evaluation material for Fintech to be more careful in selecting borrowers and assessing risks. Concerning risk mitigation and transparency also needs to be reviewed because many of the service users complain about the transparency of information regarding fees charged, interest, bad credit risk, billing system, borrower valuation mechanism, and others. This proves that the implementation of Good Corporate Governance in the aspects of capital, regulation and risk management is still not optimal in its implementation.

6. References

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