ABSTRACT

The development of digital technology has fundamentally changed the landscape of the banking industry, impacting various aspects such as management, access, and financial performance. Digitalization has become a new challenge for banking companies in facing technological developments and customer expectations. As a result, banking companies are competing to innovate in this digital era. Of course, these innovations will have an impact on financial performance. Looking at the current phenomenon, it is clear that digital technology has begun to be used.

This study aims to provide knowledge about the implementation of digitalization in banking companies that can affect financial performance. In this analysis, it is important to assist banking companies in making decisions regarding the adoption of digital technology implemented in banking products and services. In this research, the author applies a quantitative approach by utilizing secondary data as the data source, which is derived from financial statements and annual reports of banking institutions for the period 2018-2023. This research uses a descriptive analytical approach and calculates profitability ratios using ROA (Return on Assets), ROE (Return on Equity), and NIM (Net Interest Margin), as well as the digital banking index for digitalization calculations. Data is processed using panel data regression analysis. Hypothesis testing is conducted using the T-test with Eviews. The analysis was conducted by measuring financial profitability in the era of digitalization.

The results of this study indicate that digitization has no effect on financial performance (ROA, ROE, and NIM). In the T-test and F-test, it was found that the probability value was >0.05, so H1-H9 were rejected and H0 was accepted. This is because banks still lack the ability to generate profits by allocating assets (ROA), capital (ROE), and assets (NIM) in the development of digitalization in banking services, as well as high supporting costs such as advertising and technology development, and the fact that many customers are still accustomed to conventional banking services compared to digital banking services, and there is still a lack of customer trust in the security of transactions in digital services.

This study is expected to serve as an evaluation for banking companies to continuously develop digital innovations in line with the times so as not to fall behind competitors in digital banking services, understand the needs of their customers, and create comfort and security for their customers. Additionally, for the government, particularly the Financial Services Authority, this research can be used to formulate policies related to regulations and support for security in banking services, and this study can serve as a reference regarding the impact of digitalization on banking financial performance for further research.

Keywords: digitalization, financial performance, banking sector.