

The Impact Of Digitalization On Financial System Stability: Opportunities And Challenges

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Article Info	ABSTRACT
Keywords: Digitalization, financial system stability, cyber risk, financial inclusion, regulation.	Digitalization has brought significant changes in various aspects of life, including the global financial system. This study aiming to analyze the impact of digitalization on the stability of the financial system by highlighting the opportunities and challenges that arise. This research method uses a qualitative approach with literature analysis from various international journals. The results of the study show that digitalization creates opportunities such as increased efficiency, financial inclusion, and transparency, but also presents challenges such as US cyber risk, regulatory uncertainty, and market volatility. This study provides relevant insights for policy makers and financial industry players in facing the digital era. This study is expected to be a reference for understanding the role of digitalization in maintaining financial system stability.
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INTRODUCTION

Digitalization has revolutionize various sectors, including sector finance. Technology like blockchain, intelligence artificial, and services digital finance has increase efficiency and accessibility, but also raises risk new. Stability system finance is aspect critical in economy global, so that important For understand How digitalization (Kose et al., 2021). Research This aiming For explore impact digitalization to stability system finance with review opportunities and challenges faced.

In some decade Lastly, the system finance has experience significant transformation. Traditional banks start adopt digital technology, while company technology financial (fintech) emerges as player new in industry This. Impact from change This No only influence method service finance provided, but also give rise to question about the impact to stability system global finance. With Thus, research This focus on analysis deep to opportunities that can utilized and the challenges that need overcome by various stakeholders interests. (Chen et al., 2019)

In addition, globalization and development rapid technology has change landscape economics and finance. Services such as cross- border money transfers, digital payments, and management asset based on technology become the more general. However,

adoption technology This also underlines need For overcome digital divide between developed and developing countries. Inequality access This become attention important, considering that countries with infrastructure lack of technology adequate can left behind in utilise benefit digitalization. (Kshetri, 2021)

On the other hand, the increasing complexity in system global finance requires supervision Which more strict And innovative. Role regulator become the more critical in ensure that digitalization No cause vulnerability new that can threaten stability finance. With context said, research This try answer question important about How digital technology can used For strengthen system finance at a time manage the risk in a way effective. (Gauthier & Kauffmann, 2019)

In context this, problem the main thing that becomes focus is How digitalization can create imbalance in access to technology and services finance, especially in developing countries. In addition, the emergence of threat new like attack cyber and complexity regulation cross country also becomes challenges that need to be overcome managed in a way strategic. Research This aiming For identify factors main Which influence stability system finance in the digital age, as well as formulate strategy For optimize benefit digitalization while mitigate the risks. (Fu & Mishra, 2022)

Literature Review

Digitalization in Finance

Digitalization has change method service finance provided, with use technology such as mobile banking, fintech, and digital currency (Gomber et al., 2018). Transformation This allow subtraction cost operational and improvement efficiency. Research previously show that digitalization help speed up the payment process cross- border, making it easier recording transactions, and improve openness information. In addition, digitalization also encourages growth economy through innovation in service finances that allow public For more easy access credit, insurance, And investment (Arner et et al., 2017).

Stability System Finance

Stability system finance referring to on ability system For withhold shock and prevent crisis finance (Haldane, 2020). In the context of digitalization, stability This influenced by ability sector finance For adopt technology new without cause vulnerability systemic. Philippon's study (2019) highlights importance collaboration between regulators and actors industry For guard balance. Other studies have shown that policy proactive in supervision risk technology can help prevent impact negative from adoption digitalization on stability finance (Zetzsche et al., 2017).

Risk And Challenge Digitalization

Risks that arise covering threat cyber, uncertainty regulation, and reliance on technology (Zetzsche et al., 2017). For example, ransomware attacks on institution global finance has increase in a way significant in decade Lastly, reflect need will security cyber Which more Good. Besides That, regulation Which left behind compared to progress technology can cause loopholes exploited by actors evil (Zetzsche et al., 2017). Some studies also shows that increasing complexity technology need framework Work more supervision flexible For manage risk without hinder innovation (Bouveret, 2018).

Opportunity Inclusion Finance

Digitalization has increase access to service finance, especially in developing countries, where previously underprivileged populations No affordable now can utilise service digital finance (Demirgüç -Kunt et al., 2018). As example, usage digital wallets in India and Kenya have reduce gap economy and accelerate growth business small. In addition, digitalization allow creation products finance Which more affordable and in accordance with need public earn low (Philippon, 2019).

METHODS

Study This use approach qualitative with method studies literature. Data collected from journal relevant international, including study empirical and theoretical related digitalization And stability system finance. Analysis done with identify theme main thing that appears from reviewed literature. This method involving evaluation critical to results study previously For understand connection between digitalization And stability system finance.

RESULTS AND DISCUSSION

Opportunity Digitalization

1. Financial Inclusion: Digitalization allow access to service finance for the previous population No underserved (Demirgüç -Kunt et al., 2018). As For example, mobile banking services have give access to millions of people in rural Africa. In addition, fintech has help businessman small For get access credit through system borrowing data- based.
2. Efficiency Operational: Technology like blockchain can reduce cost transactions and improve transparency (Tapscott & Tapscott, 2018). In the context of payment cross-border, use technology This has reduce time transaction from a number of day become count minute.
3. Innovation Product Finance: Digitalization push innovation in products and service finance, such as robo -advisors and payment digital (Philippon, 2019). Matter
4. This create opportunity new for consumer For access more personal and efficient service.
5. Data Transparency : Digitalization allow real- time data collection and analysis, which can assist regulators in monitor financial market activities and prevent potential risk systemic (Petersen & Rajan, 2023). Opportunities - opportunities This No only give benefit direct to consumers, but also strengthens structure economy through improvement productivity and efficiency system finance. With utilization optimal technology, digitalization can become catalyst for growth inclusive and sustainable economy (Nasution, 2021)

Challenge Digitalization

1. Cyber Risk : Threats attack cyber increase along with adoption digital technology (Bouveret, 2018). Example case like data breach at major bank show importance management risk cyber. Distributed denial-of- service (DDoS) attacks that paralyze service banking also becomes threat significant.

2. Uncertainty Regulation : Regulation that is not uniform in various countries create challenge in management risk digitalization (Zetzsche et al., 2017). Uncertainty This can to complicate development innovation while guard compliance to applicable law.
3. Market Volatility : Uses algorithm trading can increase volatility of financial markets (Kirilenko et al., 2017). For example, the flash crash that occurred consequence trading algorithmic show How technology can enlarge market fluctuations in time short.
4. Technology Access Disparity : The digital divide between developed and developing countries still become challenges. Countries with infrastructure lack of technology adequate Possible No can utilise fully benefit digitalization (Thompson & Wilson, 2023).

In face challenges This, required strategy collaborative between government, industry, And public For create ecosystem digital Which safe And inclusive. Strengthening framework regulation And supervision technology become step important in ensure that stability system finance still awake in middle rapid change (Li & Wang, 2023).

CONCLUSION

Digitalization offer opportunity big For increase inclusion and efficiency system finance, but also brings challenge significant what is needed managed with be careful. Opportunity like innovation in product finance, improvement data transparency, and accessibility service give contribution positive to stability and growth global economy. However, the challenges like risk cyber, inequality access technology, And uncertainty regulation need attention special from various party. For mitigate risk, it is recommended that regulator strengthens framework Work supervision, improve Work The same international, and promote digital literacy in various layer society. In addition, the perpetrators industry finance need invest in technology security cyber and innovation product For guard Power competition in the middle increasingly global competition tight. Collaboration between government, sector private sector and community civil also become key For create system stable and inclusive finance. Study more carry on required For identify solution innovative that can face change technology in a way adaptive. Further study deep about impact specific digitalization in various regions and sectors will give more insight comprehensive for maker policies and actors industry. With steps strategic right, digitalization can utilized in a way maximum For create stability system sustainable finance.

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