



Research Paper

## The Leadership Is Given Factors: Fintech Impact in Rural Bank Performance

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### Abstract

The small business enterprise sector (SME) has a significant role in the development of the national economy. However, the existence of small businesses is inseparable from a number of problems they face, namely the problem of capital and the difficulty of access to sources of financing from formal financial institutions, especially banks, and the small opportunity to get business opportunities. Rural Banks have a very important role in overcoming capital problems faced by businesses in Indonesia so researchers are motivated to conduct research on Rural Banks in applying financial technology. The Sources of data in this study come from observations and interviews conducted using semi-structured interviews to obtain the necessary information on whether the directors of Rural banks are able to adapt to fintech. With this research, it will answer how the application of fintech will improve the performance of Rural banks through aspects of individual performance and Rural bank performance itself.

**Keywords:** *Rural Bank; Financial Technology; Company Performance; Individual Performance*

### INTRODUCTION

Leadership is believed to be one of the keys to driving an organization that is able to build a new culture in accordance with the changes. Leadership is also believed by many to be closely related to the success of an organization. Leaders in an organization have a dominant position in determining the success or failure of an organization. The performance produced by an organization is a description of the performance provided by the leadership in managing the organization. A good leader will be able to direct, influence, and supervise others to carry out tasks according to his orders so that it is expected to realize the achievement of organizational goals. Therefore the performance of a company depends on the way leaders carry out leadership (Cakir & Adiguzel, 2020).

From the company side fintech, one of the assets that need to be maintained and developed is employee performance assets. As the driving force behind the organization of company activities, job satisfaction, and employee performance are very important for the attention of company leaders and management. The case in this study is a company engaged in the fintech on its application (Kementrian Keuangan Republik Indonesia, 2022).

A good leader would be able to influence, manage, and direct others to perform activities as per his instructions, which is supposed to result in the realization of organizational goals. According to research by (Tian et, al 2023), director performance (leader) will be followed by company performance as well, with the application of fintech in company services can affect company performance. One of the main forces in a company that can create a new culture that is adaptable to change is thought to be leadership. Many people also think that leadership and an organization's success are closely tied. Organizational leaders play a significant role in determining whether a company succeeds or fails. The output of an organization is a description of the output of the manager in charge of the organization especially on Rural Banks.

Rural Banks have a very important role in overcoming capital problems faced by businesses in Indonesia, so researchers are motivated to conduct research on Rural Banks in applying financial

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technology. Rural Bank behavior will be categorized into two, namely behavior that focuses on promotion and behavior that focuses on prevention which is studied through distributing questionnaires according to predetermined indicators so that through this research, an overview can be obtained regarding the performance of business owners in mitigating risks using fintech. With this research, it will answer how the application of fintech will improve the performance of Rural banks through aspects of individual performance and Rural bank performance itself.

### **LITERATURE REVIEW**

According to a study by (Luo, Sun, Yang, & Zhou, 2022) fintech innovation significantly boosts the total factor productivity of actual businesses, drives change, and fosters long-term genuine economic growth. Information and resource allocation are the two key processes via which fintech advancements have an impact on company change. (Thakor, 2019) made a similar claim, stating that fintech is fundamentally altering how traditional financial services are provided, particularly those that have a big impact on the banking sector. Fintech also contributes to the growth of the actual economy (Ahluwalia, Mahto, & Guerrero, 2020). According to earlier research (Chenggang, 2011), science and technology may considerably enhance the actual economy.

Fintech innovation will motivate lenders to work with more creditworthy borrowers and participate more actively in the refinancing market than other financial institutions on the financing side (Buchak, Matvos, Piskorski, & Seru, 2017). Small and medium-sized businesses can directly benefit from the use of fintech, such as equity-based crowdfunding, online peer-to-peer lending, and online e-commerce. Online P2P lending, according to Bachmann Alexander et al. (2011), is described as unsecured lending between lenders and borrowers through online platforms without the participation of financial institutions. This kind of loan market is intended to supplement conventional bank lending and address the lending needs of people and small- to medium-sized businesses (SMEs), which sometimes struggle to obtain financing from these institutions.

Adaptive Leadership, according to (Highsmith, 2011) defines that adaptive leadership is an intelligent and agile leader in modeling the mental management of staff in carrying out organizational processes and being able to respond to the complexity and difficulties of the organization in carrying out its functions. This is necessary, bearing in mind that in an environment that continues to be dynamic, it often faces policy changes and developments that require immediate and rapid adjustments to be made. The mentality of leaders and staff who are able to deal with complexity and difficulties quickly and precisely is a strength in itself for an organization/institution to be able to adapt and survive in competition. Thus, adaptive leadership is the strength and availability of a work team that is fast and reliable in conveying organizational values, continuously learning, and always being able to adapt according to changes in the environment.

Over the past few decades, company performance has consistently been a significant field of research. From a variety of angles, corporate performance has been studied by numerous researchers (Yeniyurt, Wu, Kim, & Cavusgil, 2019). (Minna, 2016) defined performance as the capacity to measure objects to produce outcomes in respect to objectives. Performance can be defined as the actual output or results of a certain activity, its execution, or its capacity to produce results.

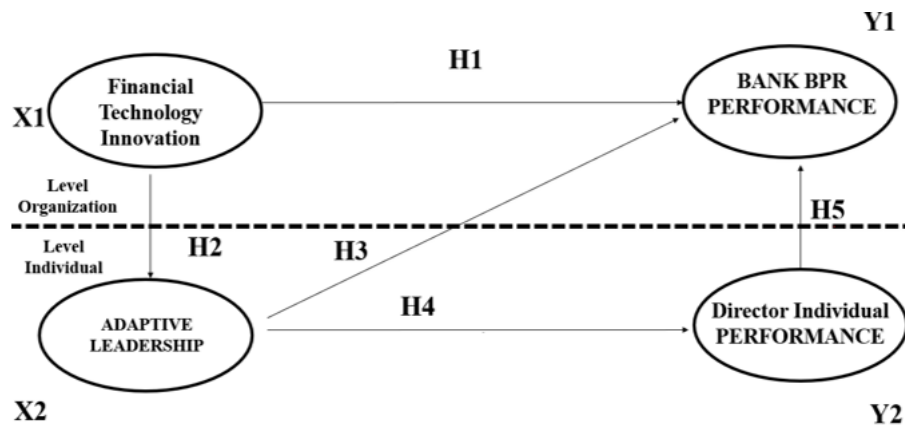
According to Article 1 Paragraph 4 of Law Number 10 of 1998 Concerning Banking, Rural Banks are defined as banks that conduct commercial activities traditionally or based on Sharia Principles but do not offer services in payment traffic as part of those activities. The Regional Government Owned Rural Banks, also known as Regional Rural Banks, are people's credit banks whose capital is wholly or substantially owned by the regions through direct participation originating from regional assets that are separated, as stated in Article 1 Paragraph 5 of

Permendagri Number 22 of 2006.

Individual Performance, according to (Sudarmanto, 2010), defines that performance is the result obtained from the job function and employee activities within a certain period of time,, according to (Dressler, 2010), Individual Performance is an assessment process carried out by the company in order to achieve company goals and also ensure employee morale existing in the company.

## RESEARCH METHOD

The quantitative research approach is a technique used to resolve issues in research, including numerical data and statistical software. A thorough understanding of each of these ideas is necessary in order to appropriately define approaches and types of study, populations and samples, research instruments, data collection techniques, and data analysis in a research proposal and/or report. It is crucial to confirm that the research methodology and data analysis described in research proposals and reports adhere to the standards for publishing scientific articles. In the research model, the authors put forward the idea of the research concept, as shown in the image below.



Source: Data Processed

**Figure 1.** Research Model Scheme

This research is a quantitative and qualitative study in which the data obtained is in the form of a collection of data. There are 3 classic assumptions that will be tested in the research equation model, namely multicollinearity (multicollinearity), heteroscedasticity (heteroscedasticity), and autocorrelation (autocorrelation). If the equation contains multicollinearity, heteroscedasticity, or autocorrelation, then the equation can be corrected by transforming the variables in the form of natural logarithm or first derivative.

In this study itself, the research subjects are members of the company *fintech*, which is in charge of. Company member details *fintech* as follows sequentially are C-Level, Manager, Senior Associate, Associate, Internship Employee. The five informants were chosen because they carried out their duties and functions as members of the Communal Fintech Neo Rural Bank.

Sources of data in this study came from observation and interviews. Interviews are two-way communication to obtain data from informants (Jogiyanto, 2008). Interviews were conducted using semi-structured interviews for the program to obtain the necessary information. The interview was partly structured with a list of questions presented by the researcher as a guide for determining questions to ask informants, as well as turning the data into a scale/number.

## FINDINGS AND DISCUSSION

From the results of data processing using validity and reliability tests, the results can be shown in the processed data above that the Chi Square value index gets a test value of 235,225 with a small cut off value which causes non-fit in the research. In contrast to the other four indices that get positive and good results.

**Table 1.** Validity & Reliability Test Results

<b>Index</b>	<b>Value Test</b>	<b>Cut Off Value</b>	<b>Decision</b>
Chi Square	235.225	Small	Not Fit
CFI	0.951	> 0.85	Fit
RMSEA	0.030	< 0.08	Fit
TLI	0.966	> 0.95	Fit
Significance Probability	0.008	< 0.05	Fit

Source: Data Processed

The CFI index gets a test value of 95% with the condition that the CFI index assessment must have a value of > 0.85, so it is said to be valid and appropriate in the study. In the RMSEA index, a test value of 3% is obtained with the condition that the RMSEA index assessment must have a value of <0.08, so it is said to be valid and appropriate in the study. The TLI index obtained a test value of 96.6% with the condition that the TLI index assessment must have a value of > 0.95, so it is said to be valid and appropriate in the study. As well as on index Probability get a value test of 0.8% with the index assessment requirement Probability, which must have a value of <0.05, it is said to be valid and appropriate in the study. The conclusion from the overall results of data processing can be concluded that the existence of Fintech can improve the performance of Rural Banks with a significance level of 99.2% with an error significance level of 0.8%.

**Table 2.** R Square & R Square Adjusted

<b>Variable</b>	<b>R Square</b>	<b>R Square Adjusted</b>
Financial Technology	0.239	0.241
Rural Bank Performance	0.338	0.337
Adaptive Leadership	0.265	0.262
Director Individual Performance	0.349	0.348

Source: Data Processed

Based on the table above it can be concluded that Financial Technology variable simultaneously influences the variables Rural Bank Performance of 24% when applying Fintech technology; The Rural Bank Performance variable simultaneously influences the variables Director Individual Performance of 33.7%; The Adaptive Leadership variable simultaneously influences the variables Rural Bank Performance of 26%; The Director Individual Performance variable simultaneously has an effect to the Rural Bank Performance Variable of 34%.

The H1 is the relationship between Financial Technology Innovation and Rural Bank Performance. Until now there is still no paper that discusses that relationship. In the H2, the relationship between Fintech Innovation and Adaptive Leadership from the directors of Rural Banks is the same as research conducted by (Juliana, Prabowo, Alamsjah, & Hamsal, 2023) with significant results and mutual influence between adaptive leadership and fintech innovation.

On the H3 is the relationship between Adaptive Leadership from the directors of Rural Banks to the performance of Rural Banks, is the same as research conducted by (Gary & Rubina, 2010)

with significant results and significantly influencing each other between adaptive leadership and director individual performance. In the H4 is the relationship between Adaptive Leadership from Rural Bank directors to individual Rural Bank directors is the same as research conducted by (Gary & Rubina, 2010) with significant results and significantly influencing each other between adaptive leadership and company performance. The last is H5, the relationship between Director Individual Performance expected performance of Rural Banks, is the same as the research conducted by (Yasmin & Utama, 2019) with significant results between director performance and company performance.

## CONCLUSIONS

By identifying the relationships between variables, researchers can evaluate existing theories, make predictions, and develop effective strategies. In addition, the correlation test can help determine the factors that influence the phenomenon under study. In this study there are several variables that will be tested partially with the results of the Variables Fintech Innovation, Rural Bank Performance, Adaptive Leadership, and Director Individual performance each simultaneously and partially influencing each other. Same as research by (Li, He, Tian, & Sun, 2022) FinTech innovation can reduce its risk-taking levels in general; the higher the degree of FinTech innovation a commercial bank has, the lower the risk-taking levels it will bear. Second, the result of the mechanism analysis shows that a bank's FinTech innovation reduces its risk-taking through two channels, namely, increasing operating income and capital adequacy ratio.

## LIMITATION & FURTHER RESEARCH

The limitation of this research is that there is no research that discusses how the productivity/performance of Rural banks applies financial technology, so the limitations of this research motivate researchers to apply financial technology to Rural banks. For further research, it is hoped that it can become a reference material for company management, namely providing an overview to company management regarding the effect of implementation on fintech company performance for investors (shareholders and creditors), namely giving consideration in making investment decisions/ trading right, related to the choice of the right company with application on fintech. For science and subsequent researchers, namely proving the existence of fintech, it will improve company performance. This study is proven and has benefits for BPRs. 249 out of 250 BPR Banks that have worked with Fintech companies can increase their productivity and profits by working with FinTech companies. The data comes from one of the Fintech companies in Indonesia, and it is hoped that this study can also widen connections so that all BPRs apply fintech and work together with Fintech companies.

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