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HUMAN RESOURCE MANAGEMENT COMPETENCIES IN BANKING ORGANIZATIONS IN INDONESIA

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Abstract

Background and purpose: In its development, fintech has entered the 4.0 era where it has developed by facilitating the financial system and it is feared that it could become a threat to the world of conventional banking. Therefore, this study aims to develop competency strategies needed by banks in facing the disruption of the fintech 4.0 era. Design/Methodology/Approach: In this study the research approach used is a quantitative approach (post positivist). Data collection is carried out using research instruments, statistical or quantitative analysis, with the aim of testing predetermined hypotheses. Results: The results show that competency-based practice contributes positively to the bottom line, and that contributions to organizations are related to the roles of individuals not to their jobs. Additionally, efforts designed for employee commitment have the potential to generate positive returns, and that training and development are seen as drivers of future success. Conclusion: Even though banking has similar products with fintech companies, it has a different character where banks have a higher prudential principle. Competency is needed for bank employees in dealing with fintech 4.0, namely E-KYC, Payment Gateway, Big Data, Cloud Infrastructure, Artificial Intelligence and digital signatures besides that it also requires the ability to innovate, a willingness to learn and change, and be able to provide creative encouragement where they work.

Keywords: fintech; banking; Competence

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Introduction

The industrial revolution 4.0 was triggered by rapidly developing technology and information systems that changed the global financial system. Financial technology (fintech), as one of the impacts of the 4.0 industrial revolution, changes people's habits, especially the behavior in conducting financial transactions. At this time, digitalization of financial systems has occurred in various financial service sectors, from banks that have issued digital banks to allow customers to create accounts and carry out various financial transactions only through smartphone applications. Apart from banking, since 2007 several digital financial companies have emerged such as Doku as the first

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electronic payment and risk management service in Indonesia. Apart from Doku in 2014, Tunaiku appeared as the first Fintech Lending in Indonesia. After that began to emerge many new technology-based financial industries called Fintech.

According to Triyono, "financial technology is an activity based on financial services but uses technology". Meanwhile, the National Digital Research Center (NDRC) defines fintech as a term that can be used to refer to innovations in financial or financial services. The innovation in question is financial innovation with a touch of modern technology. Fintech 4.0 is characterized by the existence of an information system and data exchange which includes the use of Big Data, Artificial Intelligence (AI), Internet of Things (IoT), and decentralization as a major part of the development of fintech. This service combines financing services or investment loans. With the fast growth of fintech, the map of competition between fintech and conventional financial services will be tighter, competition will not be sectoral and will instead become free competition. In this era of fintech 4.0, many things have changed, especially the use of technology and artificial intelligence, also known as Artificial Intelligence, which has quite an effect on the banking world. This study aims to develop competency strategies needed by banks in facing the disruption of the fintech 4.0 era with a quantitative approach (post positivist) where the 3 main competencies needed by banks to get through the disruption of the fintech 4.0 era are desingner, programmer and creative thinker., banks must be able to compete and formulate appropriate strategies in response to rapid changes in the financial industry.

1. Literature Review

In practical terms, it is hoped that this research can become one of the ingredients for banks in preparing what competency strategies are needed by bankers in facing the era of financial technology 4.0, especially for the institution of origin of the author, the Financial Services Authority in preparing policies.

Contains a research design, a description of how to conduct research including population and samples, data collection instruments and methods, data analysis techniques. The results present the characteristics of the data and research findings. Innovation according to (Šulyová, Gabryšová, & Vodák, 2021) is "An innovation is turning an idea into a solution that adds value from a customer's perspective" where an innovation is turning an idea into a solution that adds value from the customer's perspective so that it can be said that innovation is a solution that is carried out by considering view of the customer as a basis. From this definition we can see that innovation is something new and useful that sets you apart.

Meanwhile, (Sloane, 2013) said “An innovation is creativity is thinking of something new. Innovation is the implementation of something new. "

According to (Dubois & Rothwell, 2004), competence is a characteristic that is owned and used by individuals in a consistent and precise manner to achieve a desired performance. These characteristics include skills, knowledge, social motives, aspects of self-image, traits, thought patterns, ways of thinking, feelings, and acting. Competence forms the basis of practical competency-based HR management.

Interpretation of the meaning of competence is quite varied. A glimpse of the history of the competency movement may provide a better understanding of the terms it has defined and used in HR management.

Banking competence according to the Banking Professional Certification Institute (LSPP) is generally divided into: Risk Management, Treasury, Audit, Wealth Management, Compliance, Credit, Operations and Funding & Services. Meanwhile, the potential need for banking certification continues to increase with an estimated need for certification in 2019 as many as 1,064,540 people.

According to Hasibuan (2009), a bank is a business entity that collects funds from the public in the form of savings and distributes them to the community in the form of loans and / or other forms to improve the people's standard of living.

Meanwhile, according to Pierson in (Pradnyawati & Widhiastuti, 2020) "Bank is a company which accepts credit, but didn't give credit." A bank is a business entity that accepts credit but does not provide credit). This theory states that the bank is only passive in its operations, accepting only the money deposited.

According to Stuart in (Pradnyawati & Widhiastuti, 2020) "Bank is a company who is satisfied other people by giving a credit with the money they accept as a gamble to the other, eventhough they should supply the new money." fintech is an innovation in the financial services industry that utilizes the use of technology. Fintech products are usually in the form of a system built to carry out specific financial transaction mechanisms.

In principle, fintech is "a fusion between technology and financial services". The use of cellphones as a mobile banking and investment service can be used as an example of combining technology with the financial system to provide financial services that are more accessible to the wider community (Sanicola, 2017). In other words, fintech aims to make it easier for people to access financial products, simplify transactions and also increase financial literacy.

2. Human Resource Management

HR management is a process to help organizations do just that. The way in which organizations manage their people is a potential source of sustainable competitive advantage. (Sherman, Bohlander, & Snell, 1998) noted, “the term 'human resources' implies that people have abilities that drive organizational performance (along with other sources such as money, materials, information, and the like). Other terms such as 'human capital' and 'intellectual assets' all share the idea that people make a difference in how organizations perform ”.

Nobel Prize-winning economist Theodore W. Schultz was the first to use the term human capital in the article "Investing in Human Capital," which appeared in the American Economic Review in 1961 (Davenport, 1999). Jac Fitz-enz, a leader in benchmarking human resource performance, points out that Knowledge, skills, and workforce attitudes separate winning firms from also-rans. It is a complex combination of factors. However, people per se are not the only force behind the inherent might of human capital. If the key to wealth creation was just a head count, then the boring, lowest level people would be as valuable as bright, highest level people. In fact, it is the information that the person possesses and his or her ability and willingness to share that establishes potential value. Data and people are inevitably linked like never before. The one without the other is suboptimized (Fitz-Enz, 2000).

(Fitz-Enz, 2000) also suggests that "the key to maintaining profitable enterprises or a healthy economy is the productivity of our labor force, our human capital". Human capital is a topic of much discussion in organizations today. It has also been the subject of a number of research studies. The terms of human capital are interpreted differently, however, depending on the point of view. For example, (Ulrich, Zenger, & Smallwood, 1999) combined the differences they saw between what employees could and would do into the following measurable definition of human capital: employee capabilities multiplied by employee commitment.

HR professionals must be able to utilize technology and technological tools to support their efforts to create high performing organizations. They also rely on social media to recruit, retain, develop and engage human resources.

We see that competency-based HR management is no longer sufficient to focus on work and work activities. Work-based HR management cannot keep up with the pace of change. Moreover, the focus on work activities does not direct management's attention to desired performance or outcomes, nor does it allow the organization to take advantage of the high productivity of exemplary players.

In contrast, competency-based HR management concentrates first on the person and then on the output or outcome. Enduring competence, while certain work activities and job tasks are temporary. Competency models can complement traditional job descriptions and form the basis for the entire system. When HR happens, an organization uses competency-based HR management. In the application of competency-based HR management views the required outputs and job roles of the organization or requirements from a people-oriented rather than a job-oriented perspective. This approach establishes the basic competencies for all HR management functions.

Competence drives recruitment, selection, placement, orientation, training, performance management, and employee benefits. With all aspects of HR management integrated through competencies, not through traditional thinking about work or work activities, organizations have a competency-based HR system. Exemplary, not entirely successful, performance is the goal of most organizations with competency-based systems. Competence must therefore be valid and reliable in distinguishing exemplary and fully successful players.

Methodology

In this study, the research approach used is a quantitative approach (post positivist). Quantitative research is called the traditional method, because this method has traditionally been a research method (Cresswell, 2017). Quantitative research methods can also be interpreted as a research method based on the philosophy of positivism, which is used to examine a particular sample or population, data collection is carried out using research instruments, statistical or quantitative analysis, with the aim of testing predetermined hypotheses (Sugiyono, 2017).

Post-positivism is also referred to as an interpretive and constructive paradigm, which views social reality as something holistic / whole, dynamic and complex full of meaning and interactive (reciprocal) symptomatic relationships.

This study attempts to describe a phenomenon, namely the Strategy of Preparing Banker HR Competencies in the Disruption of the Era of Financial Technology 4.0 through the process of data collection and data interpretation. As a qualitative research, this research places more emphasis on understanding.

Results and Discussions

Currently, the condition of fintech in Indonesia has developed greatly with the use of information technology supported by E-KYC, Payment Gateway, Big Data, Cloud Infrastructure, Artificial Intelligence and digital signatures based on data from the Indonesian Fintech Association (AFTECH). This increase can be seen from the number of loans in fintech lending from 2018 to 2019 which increased by 259.56% in contrast to the increase in bank credit which only increased by 7% in the same period, which recorded the intermediation function growing by 6.08 percent annually (year-on-year / yoy). Whereas in the previous year the distribution of bank funds to third parties grew by double digits or 11.82 percent yoy. Apart from the amount of loans, according to LPS data, the amount of bank customer deposits decreased by 0.7% even though the number of accounts increased by 0.48%.

The Bank Indonesia Banking Survey shows that new quarterly credit growth slowed down in Q1 - 2020. This is reflected in the weighted net balance (SBD) of new loan requests in the H2020 quarter of 23.7%, lower than 70.6% in the previous quarter and 57 , 8% in Q1 - 2019. By type of use, the slowing growth in demand for new loans came from all types of loans, with the largest decrease in consumption credit types.

In addition, the number of offices and the number of bank employees has decreased due to the decrease in customers coming to the bank. According to Triyono, Head of the Digital Financial Innovation Group (in an in-depth interview, 25 November 2019) “Banks and fintech are something different. it operates in the realm of prudence. Meanwhile, fintech is the realm of innovation. Innovation is not prudent because it is not an intermediary institution. That is what we have to underline that banks are intermediation while fintech is non-intermediation. Therefore, the principle is different. So each of them has their own share, that's the first. But the fact is that there are indeed several bank businesses that have started to be threatened by fintech. One of the most obvious is this transfer of funds, huh? In line with Triyono's response, Tasa N. Barley from the Indonesian Fintech Association (AFTECH) (in an in-depth interview on 5 December 2019) and Hugo Massie from the Indonesian Joint Funding Fintech Association (AFPI) (in an in-depth interview 17 December 2019) also confirmed that

Fintech and Banks have somewhat different characteristics and targets, especially in Fintech Lending, but several banks have also started to enter as lenders for fintech lending. Internet and cellular phone users in Indonesia have a large number coupled with the Covid-19 pandemic, so the use of financial technology and a reduction in face-to-face contact is needed at this time. Banks need to innovate and improve technology to be ready for current market conditions.

Berdasarkan hal tersebut fintech cukup mempengaruhi perbankan terutama pada fintech pembayaran atau *payment gateway*. Selain hal tersebut era fintech 4.0 juga mengharuskan perbankan untuk berubah karena pasar juga berubah selain meningkatnya penggunaan smartphone untuk jasa keuangan dengan adanya pandemi ini maka perbankan harus brkaca pada fintech meningkatkan kembali penggunaan teknologi E-KYC, Payment Gateway, *Big Data*, *Cloud Infrastucture*, *Artificial Intelegence* and digital signatures. Related to the improvement of these technologies, banks need to prepare the competencies needed by bankers in order to close the gap.

Table 1
Estimated Potential Needs For Banking Profession Certification In 2017-2019

Bidang Pekerjaan	2017	2018	2019
Compliance	8.767	9.644	10.608
Internal Audit	9.049	8.226	9.048
Operation	132.504	145.755	160.330
Treasury	5.514	6.066	6.672
Risk Management Specialist	15.272	16.799	18.478
Funding and Services	337.063	371.546	408.700
Credit	81.949	90.144	99.158
Wealth Management	55.928	61.520	67.672
Lainnya	60.312	66.344	72.978
General Banking	147.424	162.166	178.382
Risk Management Umum	25.296	27.826	30.608
Total	879.784	967.764	1.064.540

Based On Table 1, It Shows That Banking Competence According To The Banking Professional Certification Institute (LSPP) Is Generally Divided Into: Risk Management, Treasury, Audit, Wealth Management, Compliance, Credit, Operations And Funding & Services. Meanwhile, The Potential Need For Banking Certification Continues To Increase With An Estimated Need For Certification In 2019 As Many As 1,064,540 People.

Conclusion

In the era of Fintech 4.0, technological developments had quite an effect on the financial services sector and created many new players, especially financial technology companies that were growing very rapidly. This development is inversely proportional to banks which have several products in common. Even though banking has similar products with fintech companies, it has a different character where banks have a higher prudential principle. Some of the sectors that intersect with banking are payment and loans. The high development of fintech products is supported by the use of technological innovation plus the changing Indonesian market which is quite enthusiastic about the development of digital technology. Product innovation and the use of technology by E-KYC, Payment Gateway, Big Data, Cloud Infrastructure, Artificial Intelligence and digital signatures by fintech companies have made fintech grow very rapidly in society, therefore it is necessary to increase competence for banking employees so that they can compete with increased ability to innovate. and employee competence to be able to take advantage of technology, especially E-KYC, Payment Gateway, Big Data, Cloud Infrastructure, Artificial Intelligence and digital signatures in order to innovate through digital products.

The condition of the competency of basic banking capabilities in Indonesia is quite good, however, to be able to compete in the era of fintech 4.0, developing technology capabilities such as blockchain, AI, and RPA for bank employees are still very new to the IT department of Indonesian banks. As in PwC's 2018 digital bank survey More than 40% of respondents rated their current IT organization skills in RPA and AI as poor, with around 56% indicating that IT skills in blockchain were poor. This is an issue that needs to be addressed in the coming years, so that the right investment can be made by Indonesian banks in this technology to gain a competitive edge in the market.

Based on this, one of the competencies that bank employees really need in dealing with fintech 4.0 are E-KYC, Payment Gateway, Big Data, Cloud Infrastructure, Artificial Intelligence and digital signatures. provide a creative boost where they work. explores IT-related processes starting from the work processes carried out by the organization, helping to solve problems related to IT and also developing IT systems in accordance with the needs of the organization and existing demands.

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