


The Role Of Financial Technology And Customer Behavior Mediation Employee Engagement On Sharia Bank Performance In Padang, West Sumatra Province, Indonesia

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Article Info	ABSTRACT
Keywords: Financial Technology, Customer Behavior, Employee Engagement, Sharia Bank Performance	This research examined the factors that affect Sharia Bank Performance of the state-owned Islamic banks in Indonesia. Data were collected by distributing an online questionnaire to a total of 250 Muslim customers. Furthermore, the collected data were analyzed using SEMPLS. The findings indicate that Financial Technology (fintech), Customer Behavior (CB) and Employee Engagement (EM) can enhance Sharia Bank Performance (SBP). This suggested that, in Padang West Sumatra Indonesia, where most of the population is Muslim, businesses prioritizing Shariah compliance through Employee Engagement are more likely to retain customers. This research provides empirical evidence to Islamic banks regarding the significance of Employee Engagement. The study suggests that, based on its findings, the various branch managers in charge of EM should develop, nurture, and maintain attractive EM practices as a system to help boost bank performance. Based on the findings, bank management tends to consider to integrate the Financial Technology, Customer Behavior and Employee Engagement, into the banking business model.
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INTRODUCTION

Indonesia has the largest Muslim population in the world, which is a potential that Sharia banks should be able to achieve through superior business performance. Islamic banks are expected to grow optimally as a representation of one of the most prominent Islamic countries in the economic sector. However, Indonesia has captured only 2% of the global Sharia market for now. Poor performance of Sharia banks will impact public trust in the Sharia-based financial system.

In the domestic market, Islamic Banking is facing several problems, such as low market share growth and issues in operational performance. Low productivity levels, both employees and outlets, impacted the market penetration by only around 3%, which is still relatively low compared to conventional banking. In 2021, the Indonesian government merged 3 State-owned Sharia banks to make the Islamic financial industry more attractive and efficient. This strategic decision was carried out to combine the advantages possessed

by each of these banks in the hope of providing more complete and better services with a broader market and customer reach and a more capable capital capacity to impact competitiveness positively

Fintech refers to the integration of cutting-edge services provided by organizations using information and communication technologies. The integration of finance and technology, enables the utilization of technological advancements to introduce innovative and value-added services to consumers (Lăzăroiu et al., Citation 2020). Fintech is now extensively utilized in e-commerce due to the progress in information and communication technology (Chethiyar et al., Citation 2019). Whether it is mobile payment or portfolio management, fintech is essential. Fintech is essential for the functioning of virtual currencies (Mazambani & Mutambara, Citation 2019). As the utilization of fintech grows, there is a corresponding decrease in human interaction and a reduction in the likelihood of errors.

The advent of fintech has triggered a fundamental change in the financial sector, resulting in novel business frameworks and inventive resolutions. Fintech encompasses a variety of technological solutions designed to enhance financial processes and enhance customer experience (Manish, & Sergeeva, 2022). The emergence of fintech has profoundly transformed conventional financial services such as banking, insurance, and investment, by introducing novel and inventive products and services that were previously unattainable. Fintech has facilitated financial institutions in delivering expedited, cost-effective, and convenient services to their clientele, which stands as a prominent advantage (Elia et al., 2022). For instance, fintech has expedited the advancement of mobile banking and digital wallets, allowing customers to conduct transactions using their smartphones. This development has enhanced the accessibility and convenience of banking, especially for individuals residing in remote regions or experiencing mobility limitations.

In addition, fintech has empowered financial institutions to offer more customized and focused services to their customers, considering their preferences and behavior. Fintech has also facilitated the emergence of novel participants in the market, including fintech startups and online lenders (Singh et al., 2023). These individuals have caused significant upheaval in the conventional financial sector and have posed a threat to the prevailing authority of established financial institutions. Fintech startups have successfully penetrated the market by operating with reduced fixed expenses and employing flexible business models, thereby facilitating the provision of inventive products and services at a comparatively lower price (Rupeika-Apoga & Wendt, 2022).

Business performance is defined as the ability of the business company to achieve its goal. In the Sharia Banking industry, the business's objective is revenue and a positive impact on the community. According to Otto et al (2020), business performance should be measured by the customer satisfaction index. Hamzah and Shamsudin (2020) also concluded that customer satisfaction is crucial for business performance. In terms of Sharia banking, customer satisfaction means that customers can ensure that their banking follows the Shariah rules and compliance. Market share is also one of the parameters to identify whether a business's performance is bad or good. According to Varadarajan (2020),

successful companies can use market insight information to increase their market share. Varialle, et al (2022) found that organizations can improve market share if they can run their innovation strategy correctly.

Fintech innovations have significantly enhanced operational efficiency within banks. By automating processes and integrating advanced technologies, banks can reduce costs and improve service delivery. This efficiency not only benefits the bank's bottom line but also enhances employee productivity as they can focus on more value-added tasks rather than routine operations (Sana Arz Bhutto 2023)

The adoption of fintech solutions has been linked to improved customer satisfaction. Enhanced service delivery through digital platforms allows banks to meet customer needs more effectively, which is crucial for maintaining competitiveness in the market. Satisfied customers often lead to better financial performance for banks (Sana Arz Bhutto 2023)

Employee engagement is critical in the banking sector as it directly influences both productivity and customer satisfaction. Engaged employees are more likely to deliver exceptional service, leading to better customer experiences and improved bank performance (Qazi Shahab Azam, 2023)

Banks can enhance employee engagement through several strategies: (Qazi Shahab Azam, 2023) Positive Work Culture: Creating an environment that fosters open communication and recognizes employee contributions can significantly boost engagement levels, Professional Development: Investing in training and career advancement opportunities demonstrates a commitment to employees' growth, further enhancing their engagement, Empowerment: Allowing employees to participate in decision-making processes can foster a sense of ownership and loyalty, which is essential for high engagement levels

The authors also found a gap in previous studies regarding the relationship between innovation and business performance. Many studies found that innovation impacts business performance, such as research from Hanaysha et al. (2022), Zainal (2022), Christa et al. (2020) and Chege and Wang (2020). Other results concluded that innovation does not impact performance; for example, a study from Ghasemaghahi and Calic (2020) found that data volume, which was previously proved to play a vital role in innovation in the big data era, does not play a critical role in enhancing performance. To fill this gap, this research added Employee Engagement as mediating variables to the relationship between Financial Technology, Customer Behavior and Sharia Bank Performance

This research aims to advance knowledge in the field of business banking and financial services, enhance individual competence, and catalyze radical change in Indonesia's online banking infrastructure by highlighting the importance of efficient communication within the banking sector.

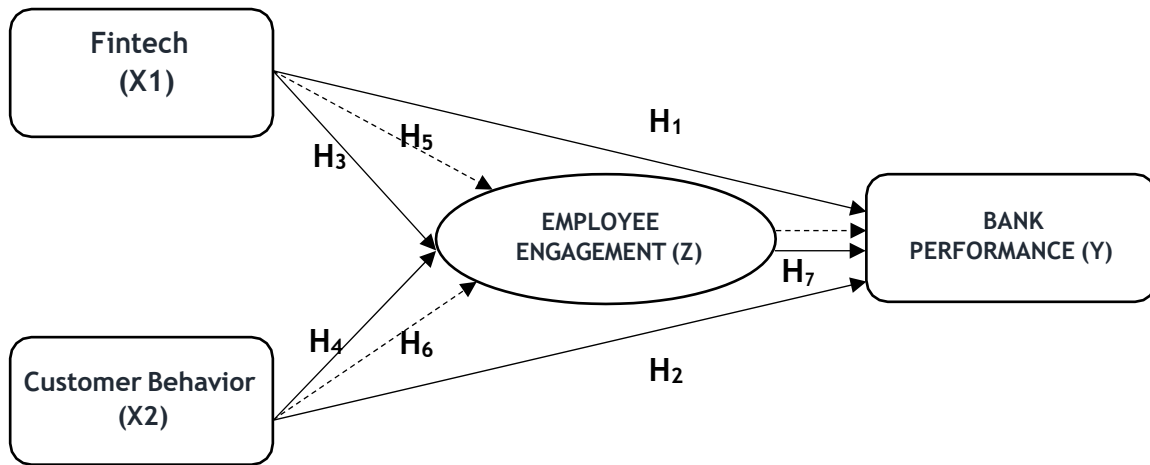


Figure. 1.1 Research And Conceptual Framework

MATERIALS AND METHODS

This research used a quantitative method with the partial least square-structural equation modelling (PLS-SEM) technique. Data was collected from 250 Muslim customers throughout in Padang West Sumatera Province Indonesia. Data was processed using SmartPLS version 4.1.0 to analyze the hypotheses for this study

RESULTS AND DISCUSSION

Partial Least Squares Structural Equation Modelling (PLS-SEM) technique is frequently utilized for hypothesis testing, often in conjunction with the Smart-PLS software. There are several justifications for the utilization of PLS-SEM. PLS-SEM is a statistical methodology that effectively evaluates the existence of measurement error and offers an accurate estimation of mediation effect. In addition, Hair et al. (2021) have acknowledged proficiency of PLS-SEM technique in handling models with diverse levels of complexity. We used SPSS and Smart-PLS to analyze data in this study. Key findings of the study are summarized in table 01, as major roles of Financial Technology (Fintech), Customer Behavior (CB) and Employee Engagement (EM) can enhance Sharia Bank Performance (SBP).

Tabel.1. Test Statistics

Hypotheses	Evaluation Hypothesis Test Direct Effect				
	Path Coefficient	p-Value	Interval		F Square
			Lower	Upper	
H ₁ : FINTECH → SBP	0,452	0,000	0,142	0,422	0,356
H ₂ : FINTECH → EM	0,066	0,321	-	0,299	0,023
			0,112		
H ₃ :CB → SBP	0,412	0,000	0,311	0,686	0,322
H ₄ :CB → EM	0,314	0,000	0,213	0,589	0,112
H ₅ : EM → SBP	0,286	0,000	0,120	0,489	0,155

Hypotheses	Path	p-Value	Interval	F	
Evaluation Hypothesis Test In-Direct Effect					
H ₆ : FINTECH → EM → SBP	0,188	0,011	0,057	0,477	0,023
H ₇ : QCS → EM → SBP	0,142	0,015	0,062	0,492	0,015

Based on Table 1, we can conclude the result of the hypotheses testing below.

H₁: *Fintech* has a significant effect on SBP; The t-statistic value for *Fintech* on SBP ($p < 0.000$),

H₂: *Fintech* has a no-significant effect on EM;The t-statistic value for *Fintech* on EM ($p < 0.221$)

H₃: CB has a significant effect on SBP; The t-statistic value for *Fintech* on SBP ($p < 0.000$), H₄: CB has a significant effect on EM; The t-statistic value for *Fintech* on SBP ($p < 0.000$), H₅: EM has a significant effect on SBP; The t-statistic value for *Fintech* on SBP ($p < 0.000$), H₆: EM mediated the relationship between *Fintech* and SBP The t-statistic value ($p < 0.015$), H₇: EM mediated the relationship between CB and SBP The t-statistic value ($p < 0.012$),

CONCLUSION

Based on the findings in the field, the research concludes as follows: *Fintech* positively affects SBP. *Fintech* does not affect EM, *Fintech* positively affects SBP, CB positively affects SBP, CB positively affects EM, EM positively affects SBP. EM mediated the relationship between *Fintech* and SBP and EM mediated the relationship between CB and SBP. Good EM practices as mediation will make customers increase their transactions with banks leading to increased innovation of bank products and services, opening of more bank branches for easy access, introduction of innovative products and services, provision of more social responsibility to build image, and increase market share and Bank performance. Developing of *Fintech* future study can develop more comprehensive disclosures that are not limited to the number of board members but also qualifications and distribution of placements in branches. The relationship between fintech and bank performance, mediated by employee engagement, is increasingly relevant in today's financial landscape. As fintech continues to evolve, traditional banks are compelled to adapt their strategies, which in turn affects their employees and overall performance. (entomo 2023). The interplay between fintech adoption and bank performance is significantly mediated by employee engagement. As banks embrace fintech innovations, they must also prioritize strategies that enhance employee satisfaction and involvement. This dual focus not only optimizes operational efficiencies but also leads to improved customer satisfaction and overall bank performance. By recognizing the integral role of engaged employees in navigating the fintech landscape, banks can position themselves for sustained success in a competitive industry.

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