CHAPTER I
INTRODUCTION

1.1. Research Backgrounds

The banking sector has been evolving, and it is known as one of the oldest businesses in the world. It has progressed and grown with every passing year for few hundred years. In addition to the technology industry, the banking industry is currently undergoing a major transformation (Mardiya & Trinugroho, 2018). In the past, banks experienced great competition. Where banks fight each other in the struggle for the market, resulting in price wars and products that are almost the same between one bank and another. Over time, in order to compete in other markets, there was an equalization of products between one bank and another.

The impact of this is that there is no product differentiation that can be provided to consumers. Furthermore, banks started to compete to develop its technology where its function is to make cost efficiency so that profits can increase thus can increase their profit margin. Then followed by other banks. As a result, bank products are more or less equally safe, equally fast, and equally cheap hence returning to the status quo position. The competition goes to point of which the services provided to customers that have absolutely nothing to do with the bank's product itself, such as a good branch office and a beautiful looking marketing agents of different sort of types. The rates offered to consumers are increasingly competitive or thinner and the profit margins are thinner for banks. Consumer is not getting the optimal value from bank product innovation.

Technology is making the financial industry becoming dynamic and more efficient in several ways. Learning through digital environment has become both trend and necessities for today's education (Kurniasari., Jusuf., & Gunardi, 2018). The digital start-up, as with other small and medium enterprises, is known to have limitations in assets, processes, and knowledge for them to compete and have a sustainable business (Utomo & Kurniasari, 2016). With the world at fingertips, many people will be able to relate to this, because in some way or the other, everyone are being affected by technology. From ordering food, purchasing daily consumptions, and shopping for clothes, everything is only a tap away. Some of bank business is already consolidating with ecommerce business, such as bank BCA, where consumer can do banking activities while shopping for groceries in one mobile banking application system (Rithmaya, 2016). BCA is creating one ecosystem between two different sectors for Indonesia consumers. It gives BCA an innovation capabilities against its competitors (Wardhana, 2015). However, there are still so many banks that is slow on technology adoption.

Filling the gap in the financial industry is the financial technology companies or Fintech. In recent decade, the development of the financial industry has gave a birth of a new type of financial business, namely Fintech. (Purnomo & Khalda, 2019) Fintech is also the precedent of this transformation process in the financial sector around the world and affecting consumers globally (Leong, 2018). With the

COVID-19 pandemic, the digital transformation process is being move ahead at least five years faster than what it should be. During the pandemic digital bank and its service is becoming a digital extension of traditional bank. (Pakpahan et al., 2020). In Indonesia, the bank that started the Digital Banking transformation was the national bank BTPN. Although this service is still in the form of digital banking and not yet a fintech service, BTPN has started its transformation as a pioneer in digitizing the financial world in Indonesia with its digital banking product name Jenius. This was followed by Bank Bukopin by launching its Digital Bank service QR Wokee in 2018 to curb the growth of Fintech Start-Up companies; DBS Bank with Digibank and many others.

While Neobank is a digital bank that is purely stand-alone (Pakpahan et al., 2020), Such as technology companies that perform banking or Fintech functions but on a much larger scale and apply according to banks even without a single physical branch, they can still reach all corners of the population through cellphones and computers. So the existence of Neobank is 100% online. Currently, Neobanks that are growing rapidly are Bank Jago and Bank Neo Commerce. (G. E. Davis et al., 2017). Neobank has low operating costs due to the absence of branches and cost efficiency provided by technology. This allows Neobank to provide higher interest rates and without the usual fees charged by banks. (Firmansyah et al., 2020) In addition, because the DNA of Neobank, which is customer centric, and usually Neobank can adapt quickly to consumer desires even before the consumer realizes it. This service is highly personalized and adapts by delivering new features very quickly. (G. E. Davis et al., 2017). A survey in the United States states that 90% of customers are satisfied with Neobanks services which can provide 10 new features compared to global banks with only 6 new features in a year. The performance of Neobanks such as Bank Jago and Bank Neo Commerce also increased significantly. Especially with the share price soaring even more as a result of the high level of investor confidence in its business in the future by 310% and 406% since the beginning of 2021 (Bank Indonesia, 2017) The market capitalization value of Bank Jago has also surpassed PT. Astra International, Tbk. and PT. Unilever, Tbk. As race into digital banking, big banks in Indonesia have started to acquire other small banks, such as the acquisition of BCA bank against Royal bank (Erlangga Djumena, 2020)to be transform into BCA Digital Bank. Then Bank Mega Korpora acquired Harda Internasional bank (Maizal Walfajri, 2021). Apart from the banks, other giant players also bought small banks in Indonesia such as the SEA Group (Shopee Group) buying the Economic Welfare bank (BKE) and changing its name to Seabank Indonesia (Syahrizal Sidik, 2021). Then the collaboration between Bukalapak and Standard Charter (Amanda Christabel, 2022). Gojek acquired Bank Jago's 22% stake (Syahrizal Sidik, 2020). As the world's 16th largest economy and fourth most populous country with 274 million people, Indonesia has one of the most promising productive age compare to other countries. With a total of 84% below the age of 54, Indonesia is growing to be a potential economy power house.

Table 1.1 Indonesia GDP Trend 2013-2021

	2013-2015	2016-2018	2019-2021
Population (million)	252	262	273
GDP (USD bn)	888	1007	1296
GDP percapita (USD)	3525	3840	4750
GDP Growth (%)	5.1	5.2	5.5

Source: Bank of Indonesia (2019)

With Indonesia future massive growth and demographic strength according to Indonesia's GDP growth stated in figure above, Indonesia offers a fertile ground for fintech innovation. The majority of consumers still carry out their banking activities at traditional banks so that the income contribution from traditional banks is still very large and the income from digital banks is very small. By maintaining these two sector lines, these banks can carry out a strategy where they continue to work on the customer market while simultaneously exploring the market.

According to the President Director of BCA, Jahja Satriadmaja, in the early 1990s, Indonesia had 200 banks, in which only 7 banks control 70% of the total market share. This reality will be more like what will happen in digital bank mapping, only most of them will dominate the market and not a few will dominate more niche markets. As consumers' growing reliance on mobile payment and banking solutions, financial services industry will likely continue to invest in modern data and analytics tools, artificial intelligence capabilities, and digital platforms.

The focus point of global financial services is within global technology advancement for every country that includes Indonesia. Since 2010, the emerging technologies have impacted almost all the financial sector aspects in Indonesia. The President of Indonesia, President Joko Widodo, stated that Indonesia still has many homework to catch up with the more developed countries in financial technology sector.

These conditions enable to fittingly flourishing in Indonesia mainly due to country's segmented archipelago geographical distinction with more than 17,000 islands with so many different sub-cultures and ethnicity. Under the diversity gap and geographical distance barrier are causing conventional banking business in low rate of market penetration which is a strategic market positioning to cater regency market and remote local market penetration. Traditional purchase transactions are being replaced by high-tech applications and platforms, thus building its own ecosystem not dissecting its market pie with conventional banking sectors. This coming is considered as a major threat to other big banks that has been around for decades. The market share of these banks are being converted in great numbers. This is in-line with the increasing growth in the number of productive age (age group of 15 to 64 years), which continues to increase compared to the total growth in the unproductive age (over 65 years of age) (Figure 1.1). This showed a staggering number of growth that cannot be ignored.

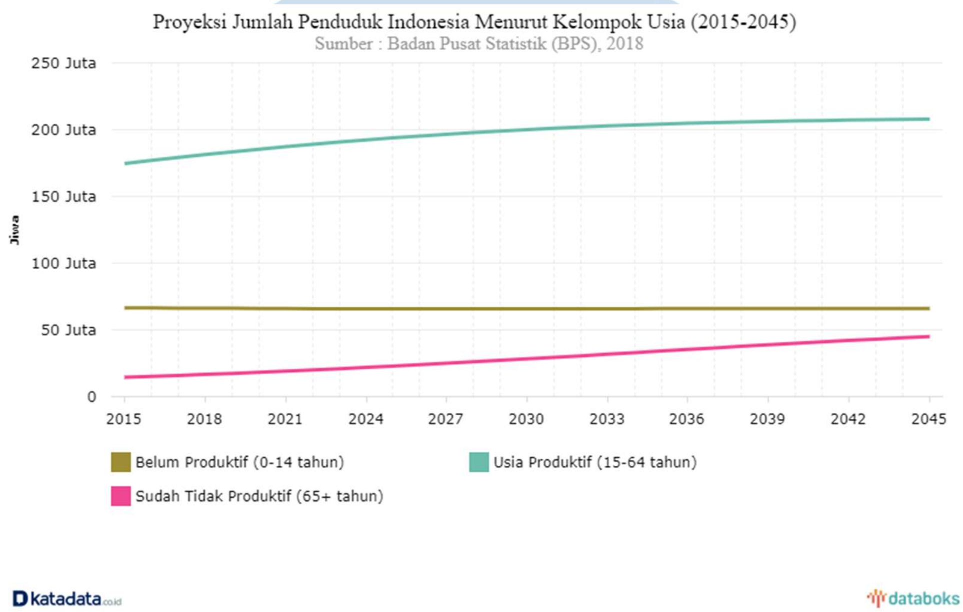

Figure 1.1 Productive Age Population Growth Projection

Source: Badan Pusat Statistik (2018)

The rapid advancement of smartphone technology between 2015 and 2019 carry the increase number of Indonesia's internet users from 92 million to 152 million, a little more than 50% of its population (Pakpahan et al., 2020). This jump of growth in both population and internet users definitely attract investors locally and globally to penetrate into the country's consumers spending, more particularly in financial technology sector. Gojek, a local ride-hailing app that is considered to be country's first unicorn, expands its services by introducing Go-Pay as its e-wallet ecosystem and continues to add more services to its mature app. On the other hand, Telkomsel, country's largest wireless carrier introduces LinkAja to add to e-wallet collection selection (Noor Ardiansah et al., 2020).

Figure 1.2 Indonesian Fintech Map

Source: (Fintechnews, 2020)

According to Indonesia's Financial Services Authority, Otoritas Jasa Keuangan (OJK) in (Fintechnews, 2020), it has licensed a whopping 249 fintech ecosystem companies. Among that collection, 108 of them are to be peer to peer (P2P) lending companies, 65 of them are to be payment category, and 20 are market provisioning with more to grow on the rise. Based on McKinsey's research on 17,000 people in Asian countries found that Indonesia was the fastest country to adopt digital banking, faster than Brazil and China. So far only 5% of Indonesia population use non-banking products. The rest is still dominated by banking companies. Besides that, unlike other countries, Indonesian consumers are considered to have a very high level of loyalty.

As mentioned above, the gap of the economy that is not being cater by the banks are being filled by financial technology companies. New financial ecosystem such as e-money in consumer to consumer (C2C) shopping platforms. As well as, ride shares users' top-up balances from their bank accounts to e-money by transferring fund according to their needs, or more conservative option is to top-up by depositing cash at selective convenience stores such as Indomart's ten on thousands retail chain stores. Another example on how technology ability to help the economy is efficiency in payment. Back then, customer of bank need to go to the teller or ATM machine to transfer fund. The adaptation of cashless transactions by Indonesian society helps to reach out to more clients who live outside of countries major cities with geography that consists of more than 17,000 islands. Not only for buying goods, fintech solves financial challenges, more so on remote areas in transferring funds and making payments from utility bills to paying income taxes that were considered unreachable by conventional banks. Cashless transactions are taking more role today in Indonesia uses cash for 99% of transactions a few years ago. This adaptation / technology development results in higher transaction volume and value from 2013 to 2019 (US$ 333 billion to US$ 563 billion).

Interestingly, with population of 268 million, only 17 million credit cards are issued as of December 31, 2016 (Ministry of Cooperative and SME, 2019). The euphoria of fintech lending and payments have huge opportunities to increase more significantly with no sign of slowing down of moving into cashless society.

With no surprise, Indonesian society is adapting to digital era seamlessly and is increasing to more promising growth. This favorable future of monetary digitalization reduces the role of cash being used on daily basis, especially with the awareness for the past eighteen months since the start of Covid-19 pandemic episode. It is considered there are ample opportunities that Indonesia can rank on top as one of the most prominent countries to change global financial landscape emerging technology. According Digital Economy of nation around the world, the growth of digital economy in Indonesia can be the main pillar of the aggregate Indonesia economy.

As mentioned above, the existence of fintech institutions has bridge the gap and fill the void of financial inclusion to SME in Indonesia. Before the existence of fintech, Small Medium Enterprise (SME) in Indonesia depend on bank loans to grow its working capital or start its business. As the public know, the Know Your Customer (KYC) and Fit-Proper proses to get a loan from the bank is very rigorous and hard to comply. Financial Technology is using different type of algorithm and credit scoring process to enable lending money more quickly without even any collateral. Small and medium enterprises in Indonesia contribute more than 60% of total GDP by its 58 million entrepreneurs. The problem is that only 12% of these entrepreneurs have credit access due to credit history deficiency. The growth of Peer to Peer / P2P loans using fintech platforms must also take into consideration. From personal loans and consumptive loans, the number of borrowers on fintech platform increases from 4.3 million monthly in 2018 to 8.7 million monthly in 2019 during one-year time span (Ministry of Cooperative and SME, 2019). The total loans disbursed through P2P platforms in December 2018 totaled IDR 23 trillion (US$ 1.6 billion), up 645 percent from the previous year.

In 2019, the sum increased by 330 percent from the start of the year to IDR 75 trillion (US$ 2.9 billion), and is expected to reach IDR 223 trillion in 2020, up another 300 percent from December 2019. Basic loan packages are comparable to those offered by the country's many microfinance banks. New form of P2P lending has taken off mostly due to its speed and ease, making it unable to maintain growing at a higher rate than the bank microfinance sector (see Figure below).

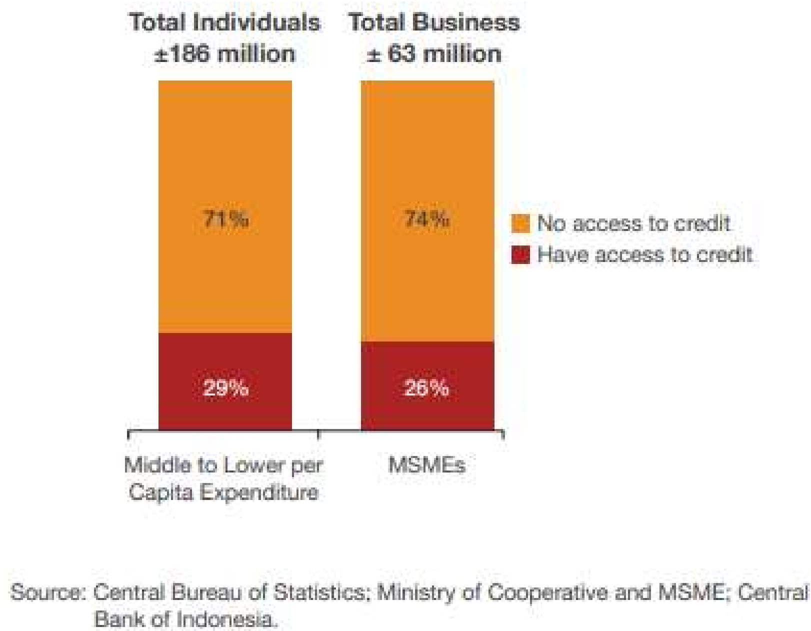

Figure 1.3 Access to Credit for Working Age Middle to Lower Individuals and SMEs

Source: Central Bureau of Statistics; Ministry of Cooperative and SME (2019)

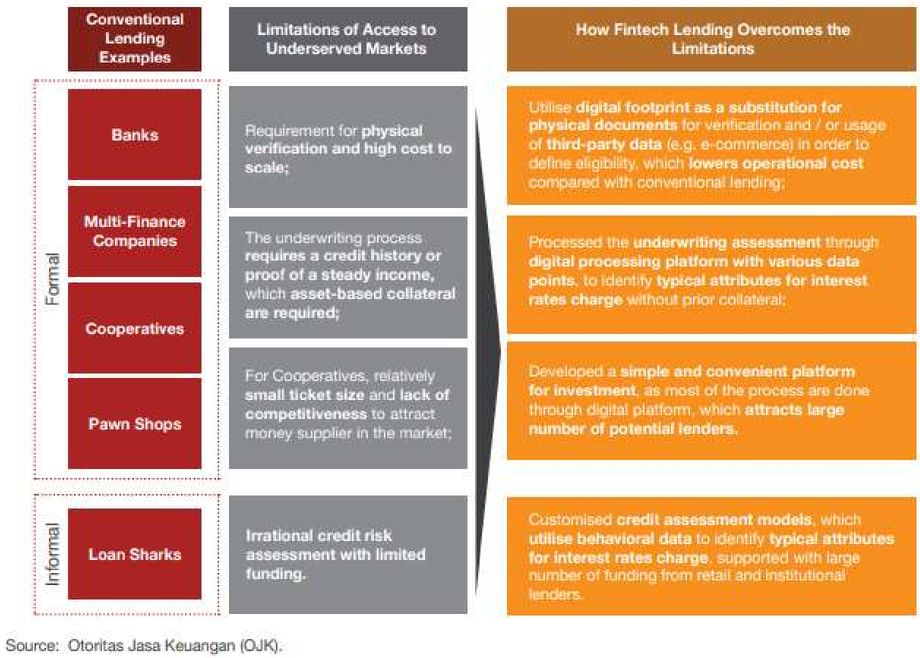

Figure 1.4 How Fintech Lending overcomes Conventional Lending Providers' Limitations

Source: Otoritas Jasa Keuangan (OJK), (2019)

Fintech sector especially lending will continue to grow. The development will affect the growth and support to small and medium businesses in Indonesia. According Digital Economy of nation around the world, the growth of digital economy in Indonesia can be the main pillar of the aggregate Indonesia economy. According to research by Google and Temasek, the digital economy of Indonesia can be the biggest in South East Asia by 2022. "Fintech will bring significance contribution of US$ 40 billion with growth up to 50% year on year to the economy of Indonesia and more than US$ 100 billion in additional economical value creation in new creative digital innovation ecosystem that created along," stated Rizal Edwin

Manangsang, Deputy Assistant of Coordinator on Digital Economy Ministry. (Infobanknews.com, 2021)

Only 12% of the 58 million small and medium firms in Indonesia have access to credit due to a lack of credit history, statements, or collateral, making Indonesia one of the world's most unbankable countries (Ministry of Cooperative and SME, 2019). Even more astonishing, these small and medium firms account for 60.3 percent of Indonesia's overall GDP. Beyond digital payments, another area of significant growth for fintech platforms is loans, where P2P lending is the most popular online option. (Ministry of Cooperative and SME, 2019) Between December 2018 and May 2019 the monthly number of borrowers on fintech platforms increased from 4.3 million to 8.7 million.

Credits generally fall into two categories. Personal or Consumer Credit which is often used by consumers to help their personal and family consumption. And another is Productive Lending, which generally means working capital for micro, small medium sized enterprises (SMEs). (Ministry of Cooperative and SME, 2019) In December 2018 the total loans disbursed through P2P platforms reached IDR 23 trillion (US$ 1.6 billion), up around 645% from the previous year. In 2019 the total rose to IDR 75 trillion (US$ 2.9 billion), up 330% from the start of the year, and IDR 223 trillion in 2020, another 300% since the month of December 2019. Although the basic loan packages are similar to those available through the country's many microfinance banks, P2P lending has taken off largely because of its speed and convenience and thus keep growing which shown in figure below.

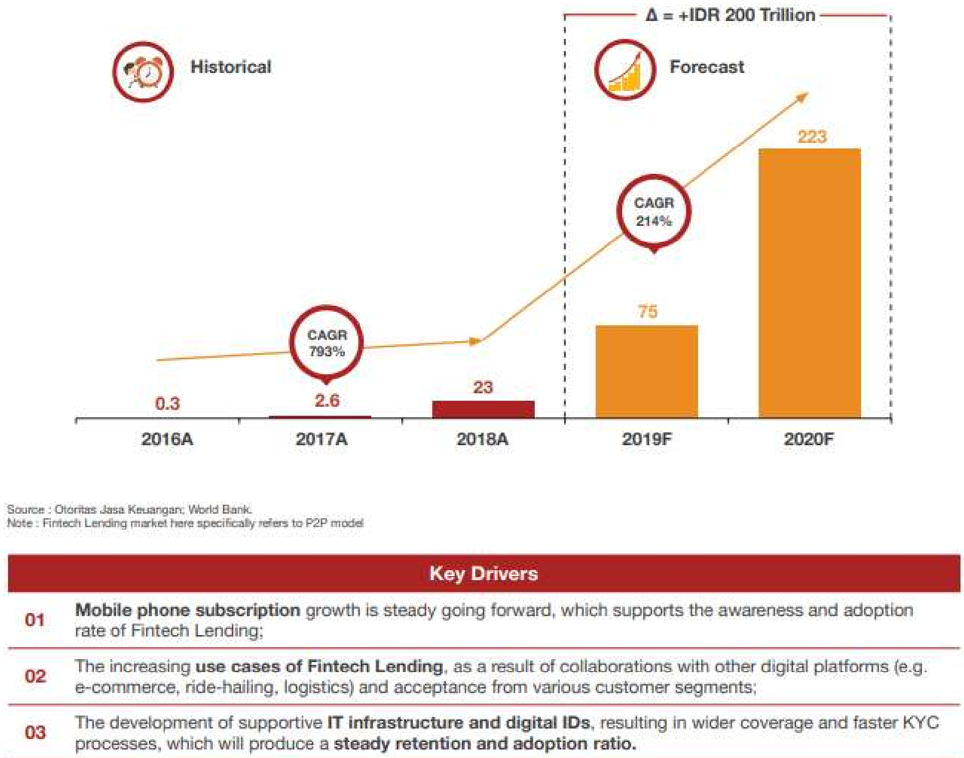

Figure 1.5 Indonesia Growth of Fintech Lending (Amount IDR) 2016 to 2020

Source: OJK and World Bank (2020)

The impact of Covid-19 pandemic on SME in Indonesia has a major negative impact to the sector. The small companies are not able to sustain the closing down of economic activities and lack of cash reserve as shown in figure below.

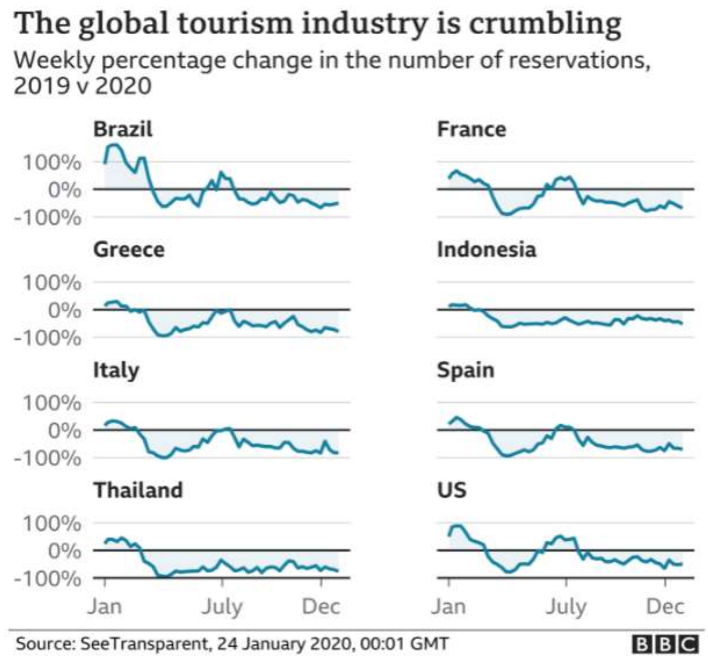

Figure 1.6 Global Tourism 2019 Vs 2020

Source: (bbc.com, 2020)

As bank customers suffer from the impact of the pandemic, so does the banking sector. This was especially felt during 2nd quarter of 2020. However, according to Ernest & Young, survey shows that online shopping behavior boosts significantly contributing more than US$ 3.9 trillion in 2020 because 67% customers are less contempt to travel more than five kilometers for shopping.

Many of the industries that within five kilometers away of shopping usually are local SMEs that only prominent in certain local area. The Covid-19 pandemic has speed-up the transformation of consumer behavior in the financial and banking industry. The current condition has exponentially change the global consumer demand in unprecedented condition before. Consumer demanded that banks to inclusively integrate technology in their product and service function.

Stated by Caroline Freund, the World Bank Global Director for Finance Competitiveness and Innovation also stated that survey has shown the ability of financial technology to adapt with the pandemic situation and expand the knowledge for regulatory body in swiftly making policy adjustment and innovation to help the growth of the industry and protecting consumer risk, investor, and financial stability as a whole.

Moreover, "Fintech payment is helping individual and SME in doing transaction during Physical Social Distancing. E-Wallet transaction goes up and ATM and Debit Card use is dropping", stated Karaniya in Webinar Virtual Innovation Day by Otoritas Jasa Keuangan with AFTECH on 24 Agustus 2020. According to Bank Indonesia, e-money instrument has reached its highest record of 412 million on April 2020, during the Physical Distancing period. According to Asia Pacific e-commerce and Payment Guide 2020, transaction on ATM and Debit Card dropped to 450 million on April compared to 550 million on March 2020. In 9 months period, from October 2019 to June 2020, total of Fund Managed by Bareksa increased by 31% and the total fund managed by the whole industry dropped by 13% (www.ekbis.sindonews.com). Fintech has given positive contribution to National Economy, and offers access the public alternative lending, and can be one pillar to support government economy policy toward digital financial ecosystem of SME in Indonesia, stated Joko Widodo, stated President of the Republic of Indonesia.

Focusing in economy recovery and support digital transformation, Indonesia Fintech Summit 2020 become synergy joint effort between the fintech industry and regulator to ensure the recovery of global demand. Statistic showed that that transaction of e-commerce increased by 400% in 8 months period from March 2020 to December 2020 (Indonesia Financial Services Authority (OJK), 2020) In 2021, cashless payments will be a fundamental requirement embedded to financial industry. Suggesting that digital wallet will persist to stay.

The growth of fintech and the digital economy has been proven to be the backbone and able to support the economy recovery especially during the full lock-down policy applied by the government. During the lock down, the big banks stopped the lending process. The economy is stalled during that period. With fintech being active during these unfortunate period, the SME are able to withstand the devastating blow of the economy shut-down with as much as 52 of 55 fintech companies to direct lending to cater grass-root individual (47,3%) and SME (45,4%) needs (Xiang et al., 2018). Thus mean the interest level of the consumer remain high in demand of fintech lending in 2021 and near future. The pandemic push the need of alternative lending in even greater demand. Nonetheless, the effect of Covid-19 will influence consumer behavior even greater than before.

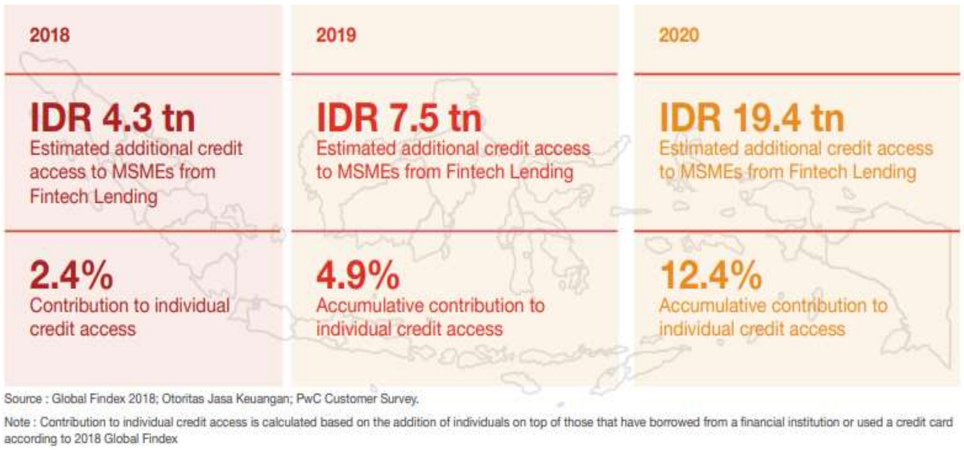

Figure 1.7 SME Credit Disbursement 2018-2020

Source: (OJK, 2020)

Figure 1.9 shows that FinTech lending has clearly helped improve Indonesia's financial inclusion, with people previously not or underserved by formal financial institutions. (OJK, 2020) By the end of 2018, additional credit entries for SMEs were estimated at IDR 4.3 trillion, while additional credit entries reached IDR 7.5 trillion in 2019 and IDR 19.4 trillion in 2020. (Otoritas Jasa Keuangan, 2018) Access to SME credit enables better liquidity management, provides leverage that enables expansion, and thus leads to better business capabilities. Cumulative FinTech loan contributions to personal credit access could increase to 4.9% in 2019 and are expected to increase further to 12.4% by 2020. (Otoritas Jasa Keuangan, 2018).

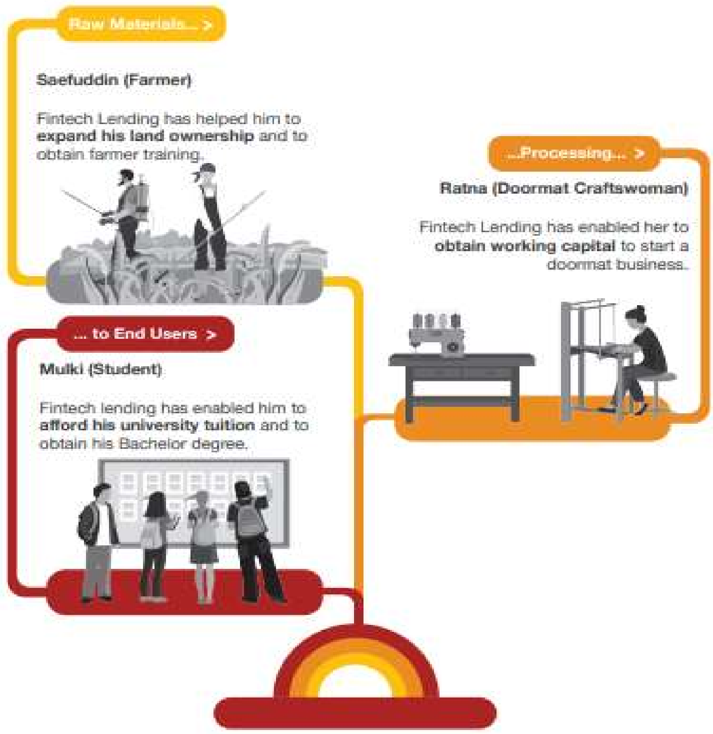

Figure 1.8 Positive Impacts of Fintech Lending to SME Growth

Source: (OJK, 2020)

Figure 1.8 show the process of how fintech sector can help SME industry. The increased credit access for individuals can result in an improvement of their living quality by driving consumptive purchasing power. By taking advantage of fintech lending, many businesses and individuals alike will have increased access to economic participation as they gain access to previously unavailable opportunities. For example, traditional retail businesses that do not have credit history and collateral are not able to have credit facilities from financial institutions to expand their business. In these cases, the fintech lending activities increases credit access to untapped segments and serves as a key driver towards expanding the economic opportunities for all segments of the Indonesian society.

Innovation in the digital era is unstoppable. Nearly three-quarters of Indonesians are residents of cyberspace. According to a report of Digital 2021, in early 2021, the number of internet users reached 202.6 million, or an increase of 15.5% when it is compared to early 2020 (digitalbisa.id, 2021). In line with the increasing number of internet accesses, the digital economy will become a source of economic growth in the future. The tremendous benefits of internet has been felt since the Covid-19 pandemic that was started last year. When many business people were hit by the Covid-19 pandemic, those who have built a digital operating and distribution system survived, even enjoyed a surge in demand, for example, the e-commerce market which has a great number of new customers during the pandemic. E-commerce has also seized opportunities by developing its business model. The market place, which initially only sold goods, has entered the financial transaction business. Not only providing electronic money (e-money) or collaborating with other e-money issuers, e-commerce also offers product purchase installments, and even provides cash loans.

Several previous studies conducted by Nu'man (2017), (Kitenge, Lubala, Daan Van Brusselen, 2018), (Ichoroh, 2021) and (Sutapa et al., 2017) reveal that company performance has several main determining factors, namely human capability (HC), dynamic capability (DC) and consumer orientation (OC). However, research conducted by Rothenberg, (Tang & Hull, 2011) and (Kumar, M., 2018) revealed that human capability (HC) and dynamic capability (DC) have no direct effect on Corporate Performance (CP). (Ferreira, Jorge & Coelho, Arnaldo & Moutinho, 2018) reveal the mediating role of innovation capability (IC) in encouraging existing factors to be able to improve Corporate Performance (CP).

Based on the explanation of the background of the problem and supported theory and findings of the research gap conducted by the researcher, the researcher is interested in conducting research, review and reconfirmation of the relationship of each variable in different situations. These conditions are more or less the correlates to the title of the research: "The Effects of Human Capability, Dynamic Capability and Consumer Orientation on Company Performance: The Mediation Role of Innovation Capability".

1.2. Research Problems

To face an increasingly dynamic competition, an important thing for banks and financial institutions to do is how to strengthen digital-based operating systems and services that are fast, practical, inexpensive, and safe. Besides, it should be noted that the enemies of banks or traditional financial intermediary institutions are not neobanks or fintech or e-commerce, in fact, they can collaborate with them. Although the competition is getting tighter, the digital world is becoming an important arena to approach the market, show existence, and build a brand.

Innovation and transformation has been the key corner stone of business growth during the Covid-19. Digital era is transforming to intelligence era coping with the pandemic with technology as tools. The result is many companies globally proven that transformation or the digitalization of its business able to sustain its growth. Therefore, it is crucial that all players in the financial industry, especially in banking sector, local as well as multinational, must be able to adapt with the digital transformation in a massive scale.

The contribution of fintech to be able to wither the economy recession in 2020 has proven the industry ability to sustain its presence in the future. Since the pandemic Covid-19, it has proven the importance of fintech companies in helping SMEs in Indonesia during the crisis, therefore, this research proposes to build a research model base on the variables and precedents that help the performance of SME. The gap that is found by previous research are further elaborated in these points below:

1. The banks are not able to give enough lending to Indonesia SME that accounted for majority of the whole economy that lead to poor economic status of Indonesia SMEs.
2. Banks are not able to lead a fast transformation in digital banking because the low number of human capabilities in the SME that know very little about digital technology which lead to low perceived ease of use and perceived usefulness according theory of (F. D. Davis et al., 1989) on TAM (Technology Acceptance Model).
3. Consumer low literacy in digital banking and financial technology. Whether as a user in digital banking/fintech, as well as, consumers in

financial technology, for both reasons it is very important for consumer are able to address the issue in their daily activities.

Nonetheless, COVID-19 has also been an opportunity for technology to prove its worth. Across all sector, companies have embraced innovative solutions to help overcome difficulties and maintain operations in the most challenging circumstances thus giving incredible boost of confidence on how successful technology in giving innovative financial solution to SMEs performance in specifics and others advantages in general.

1.3. Research Questions

In order to have a clear objective of the research, the relevant research question must be properly understood. For such purpose, the researcher sets out to properly identify the independent variable and the dependent variable and hence the relationship between those variables. The precedent of dependent variable must be clear. The strength of causality between the variables must be very clear as well, thus readers will have minimum level of misunderstanding of the objective of the research. The independent variables are human capital, customer orientation, and dynamic capabilities. The dependent variables are innovation capabilities and company performance. With understanding the importance of survey question selection, the researcher has raised several relevant questions suggested to address the exploratory process of the research findings:

1. Does Human Capital have positive influence to Innovation Capabilities?

2. Does Dynamic Capabilities have positive influence to Innovation Capabilities?
3. Does Customer Orientation have positive influence to Innovation Capabilities?
4. Does Innovation Capabilities have positive influence to Company Performance?
5. Does Human Capital have positive influence to Company Performance?
6. Does Dynamic Capabilities have positive influence to Company Performance?
7. Does Customer Orientation have positive influence to Company Performance?
8. Does Innovation Capabilities has mediating effects on Human Capital and Company Performance?
9. Does Innovation Capabilities has mediating effects on Dynamic Capabilities and influence Company Performance?
10. Does Innovation Capabilities has mediating effects on Customer Orientation and influence Company Performance?

Based on some of the important exploratory questions listed above, the development of this research can be continue in determining and at the same time expanded to a deeper explanation of the variables that will become the independent construct variables of this research.

1.4. Research Objectives

By 2021, with incredible speed access onto information, fintech have produced new type of promising industry players and reshaped established ones. Base the research background, the research is aiming to study the variables that affect the transformation of traditional banking to financial technology. The researcher developed a model proposing a positive relationship between three constructs: human capabilities, dynamic capabilities, and consumer orientation as independent variables; innovation capabilities as mediating variable to company performance and dependent variable to the three independent constructs; and company performance as dependent variables to the rest of variables.

While technology helps companies to improve the efficiency, flexibility, and speed of financial services, social, political, and economic changes have added even more encouragement of forcing rapid adaptation thru economic shocks and social barriers. Therefore, the purpose of this study is to emphasize the importance and to understand:

1. RO1: To find out the influence of Human Capital as antecedent that influence Innovation Capabilities.
2. RO2: To find out the influence of Dynamic Capabilities as antecedent that influenced Innovation Capabilities.
3. RO3: To find out the influence of Consumer Orientation as antecedent that influenced Innovation Capabilities.

4. RO4: To find out the influence of Innovation Capabilities to Company Performance.
5. RO5: To research the influence of Human Capital to Company Performance.
6. RO6: To research the influence of Dynamic Capabilities to Company Performance.
7. RO7: To research the influence of Consumer Orientation to Company Performance
8. RO8: To find out the influence of Innovation Capabilities as mediating variable to Human Capital variable in its relation to Company Performance.
9. RO9: To find out the influence of Innovation Capabilities as mediating variable to Dynamic Capabilities variable in its relation to Company Performance.
10. RO10: To find out the influence of Innovation Capabilities as mediating variable to Consumer Orientation variable in its relation to Company Performance.

1.5. Research Contributions

Based on the background mentioned above, the researcher suggested for readers to benefits from the research as categorized in three category perspectives. The first research benefit is the benefit to the SMEs. The top priority of an organization is to create maximum profits for the shareholders. In this research, company performance is the main objective that becomes the benchmark for the success of an innovation is the result of the company's performance. (OJK, 2020) Given data result from Indonesia Financial Regulator, credit access for SMEs estimated to be IDR 4.3 trillion, while in 2019 the additional credit access has achieved IDR 7.5 trillion and IDR 19.4 trillion in 2020.

The next benefits are expected to be felt by the SME sector. Since almost 80% of Indonesia population is still pertain an unbankable status, credit access for SMEs allows for better liquidity management and provides leverage that enables expansion, therefore resulting in better business capabilities. (Indonesia Financial Services Authority (OJK), 2020) Accumulative contribution by Fintech Lending to individual credit access may increase up to 4.9% in 2019, and expected to further increase up to 12.4% in 2020. By addressing the large number of SMEs that require access to banking liquidity that is not fulfilled, the presence of financial technology companies is very important for the SME sector in Indonesia. Hence, creating a strong foundation for the financial health of the whole economy.

The third contribution of the research is aim for the banks as the backbone of economy. There is a concerning gap that show a dysfunctionality between the traditional banking with the new digital banking. These legacy banks need to make a better change in order to survive the competition from financial technology company that fill the void that left untouched by the banking industry.

The last contribution is address for the academic practitioner. Academician are the backbone of the education and socialization process for improving the country's human resources. Where this knowledge distribution channel can be the foundation and resource for future generations. Given the research objectives mentioned above, it is crucial for reader to understand the future of digital banking and financial industry. Thus having ability to develop skill-sets and experience that required in financial industry, to materialize on future job opportunities available, having the ability weigh the cost and benefit in incorporating technology in daily activities, and having the know how to make new innovation in financial industry are incredibly important for everyone.