

CHAPTER I

INTRODUCTION

1.1 Overview of Research Objects

1.1.1 Company Profile

Bank Rakyat Indonesia (BRI) is among the largest state-owned banks in Indonesia. Raden Bei Aria Wirjaatmadja established Bank Rakyat Indonesia (BRI) in Purwokerto, Central Java, as De Poerwokertosche Hulp en Spaarbank der Inlandsche Hoofden, a financial institution for national people. The Indo-Pacific (native). The date of incorporation of the institution, December 16, 1895, has been designated as BRI's birthday. In accordance with Article 1 of Government Regulation No. 1 of 1946, BRI was the first Government Bank in the Republic of Indonesia following independence. BRI's operations were temporarily suspended during the 1948 independence war, and it did not resume operations until 1949, after the Renville agreement, when it changed its name to Bank Rakyat Indonesia United. BRI, Bank Tani Nelayan Nederlandsche Maatschappij, and PERPU No. 41 merged in 1960 to form the Farmers and Fishermen Cooperative Bank (BKTN) (NHM). Then, in 1965, BKTN was merged into Bank Indonesia as Bank Indonesia Urusan Tani and Nelayan Cooperative per Presidential Decree No. 9. Out of Perpres No. 17 of 1965 pertaining to a single bank order under Bank Negara Indonesia, the new regulation integrates Bank Indonesia Affairs for Cooperatives, Farmers and Fishermen (ex-BKTN) with the name Bank Negara Indonesia Unit II in the Rural sector, while NHM becomes Bank Negara Indonesia Unit II in the Export-Import (Exim) sector.

Based on Law No. 14 of 1967 regarding Basic Banking Law and Law No. 13 of 1968 regarding Law prioritizing the Central Bank, which essentially functions again as Bank Indonesia as the Central Bank and Bank Negara Indonesia Unit II in the Export and Import Sector, respectively, into Bank Rakyat Indonesia and Bank of Export-Import Indonesia. In addition, Law No. 21 of 1968 reinstated BRI's primary functions as a commercial bank.

Based on Banking Law No. 7 of 1992 and Government Regulation No. 21 of 1992, BRI became a limited liability company on August 1, 1992. At that time,

the Republic of Indonesia retained complete ownership of BRI. In 2003, the Indonesian government decided to sell 30% of the bank's shares. The company's official name, PT. Bank Rakyat Indonesia (Persero) Tbk, is still in use.

There are 19 regional offices (Kanwil) in Indonesia, including the Aceh Regional Office, Medan Regional Office, Padang Regional Office, Pekanbaru Regional Office, Bandar Lampung Regional Office, Palembang Regional Office, DKI Jakarta Regional Office, Jakarta Regional Office 2 (South Jakarta), Regional Office for Jakarta 3 (West Jakarta), Regional Office, Regional Office for Bandung, Regional Office for Semarang, and Regional Office for Surabaya.

1.1.2 BRI Vision and Mission

1. Vision

“To be The Most Valuable Bank in Southeast Asia and Home to the Best Talent”

2. Mission

- We perform the best banking activities by prioritizing services to the micro, small and medium segments to support the community's economy.
- We provide excellent service focusing on customers through professional human resources and a performance-driven culture, reliable and future-ready information technology, and productive conventional and digital networks by applying operational principles and risk management excellence.
- Providing optimal benefits and benefits to interested parties (stakeholders) by observing sustainable finance principles and excellent Good Corporate Governance practice.

Struktur Organisasi – Regional Office Denpasar

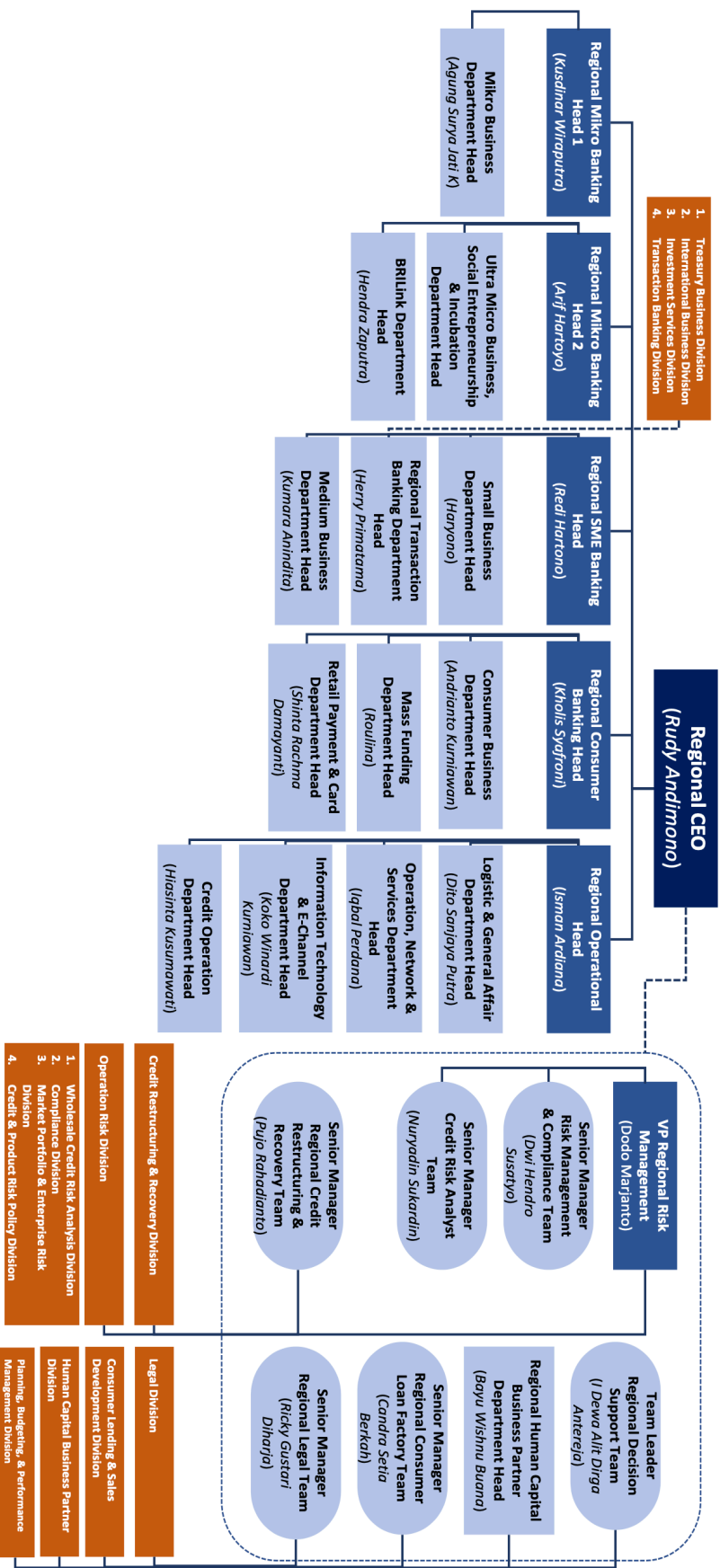


Figure 1.2 organizational structure
 Source :www.bri.co.id (2021)

1.1.4 Bank BRI Products and Services

BRI has several superior digital products that are continuously being developed, here are some digital products from Bank BRI:

1. BRIimo



Figure 1.3 Logo BRI Mobile

Source : ww.bri.co.id (2021)

BRIimo is the latest BRI Internet and Mobile Banking Application based on internet data that makes it easy for customers and non-BRI customers to be able to transact with the latest User Interface and User Experience and other interesting features with the choice of Source of Fund/source of funds for each transaction can use an account Current Account/ Savings.

2. BRI Internet Banking

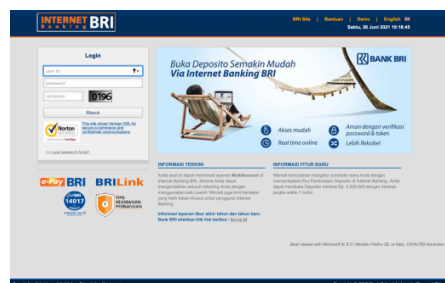


Figure 1.4 BRI Internet banking display

Source : ww.bri.co.id (2021)

IB BRI is an internet banking facility from Bank Rakyat Indonesia (BRI) provided for BRI customers to make online transactions via smartphones or desktops. This facility can be accessed at <https://ib.bri.co.id>.

3. Ceria

Ceria is a digital lending platform developed by Bank BRI using Android applications. All Bank BRI depositors are eligible to apply for the Ceria facility. With Ceria, users will have the opportunity to obtain up to Rp 20 million in facilities at any time and place within 30 minutes. Ceria will provide the simplest and quickest method for customers to conduct online transactions ranging from Rp 500,000 to Rp 20,000,000. Users can select a tenor of up to 12 months without having to worry about repayment. In the employment sector, where robots and machines will eliminate many jobs across the globe, users' savings accounts will be debited automatically. Due to this, the industry adheres to strict deadlines. Ceria is registered with and regulated by the Financial Services Authorization (OJK)

1.2 Research Background

All economic units are required to undergo digital transformation in today's modern ever-evolving technological environment. Digital transformation enables banking institutions to offer new service channels via new electronic platforms (e-banking, virtual banking) and service points (e-branch stores, POS) while also reducing their operating expenses by limiting the number of physical stores and personnel they employ (Kiotsios, Giatsidis, Kamariotou, 2021).

Digital transformation is defined as "the process of improving a unit's structure through the integration of information, information technology, communications, and connectivity technologies." According to, the digital transformation encompasses a broad concept of banking, including document digitization, electronic signatures for transactions, e-learning, teleconferencing, online trading platforms, digital stores, e-statements, and m-payments. Customers are utilizing digital disruptions more frequently, and new types of solutions are emerging in this industry. Thus, the banking industry requires new business models in order to highlight all significant banking processes (Kiotsios, Giatsidis, Kamariotou, 2021).

Faced with the established regulatory standards known as Basel III, banks intend to adopt new technology standards, such as Regulatory Technology

(RegTech), which could facilitate the digital transition. RegTech is an emerging technological trend that employs information technology and digital innovations to facilitate the regulatory management process of a bank. RegTech should be incorporated into the digital transformation strategy of a management function, such as the treasury, for optimal results. Integrated adoption would allow the digital platform to support both strategic management activities and improved regulatory processes within the Treasury. This arrangement brings together commercial and prudential objectives.

There are insufficient data on the level of digital transformation acceptance among Greek bank employees and their secondary trade union. These results can assist the Human Resources Divisions of financial institutions in adjusting their personnel management policies based on research data to mitigate the negative effects of digitizing work, and in developing educational and training programs to facilitate the transition of employees to the new digital age. Reading how employees perceive their bank's digital transformation provides bank administrations with an additional negotiating advantage between employers and participating employees (Kiotsios, Giatsidis, Kamariotou, 2021).

Digital transformation in Indonesia is accelerating at an extraordinary pace. Digital Transformation is the process of utilizing digital technology to create or modify business processes involving culture and customers who will ultimately transform traditional business processes into digital ones. According to the 2013 MIT Sloan Management Review Research Report, 78 percent of executives and managers across all industries believe that digital transformation will be crucial for their organizations. According to a 2014 study by Harvard Business Review Analytics Services, fifty percent of business and technology leaders reported that their organizations had missed out on new business opportunities supported by technology. Digital transformation is a business transformation. This method of transformation differs from others because digital transformation only refers to changes that are supported by digital technology. Including modifications to marketing strategies, business models, operations, products, marketing approaches, and objectives, which are all related to digital issues. Such as alterations to marketing strategies that now utilize social media more than print

advertising, and others. Some definitions of digital transformation include paperless or the absence of paper usage. Several additional businesses are implementing the lack of printed files or have shifted from book printing to digital book or e-book publishing. Therefore, based on the findings of Winarsih, Maya, and khoirul (2021). The fields of management, business, information systems, information technology, and marketing have paid considerable attention to digital transformation. Information and communication technology advancements in the digital age have significant and varied effects on organizations. Changes in traditional business ecosystems have led to the emergence of new business environments known as "digital business ecosystems" (Diener and Spacek 2021). The author's key The principal concern of the author is " Digital Transformation Challenge in Bank Rakyat Indonesia Regional Office Denpasar." Digital Transformation is one of Bank Bri's strategies that has been implemented since 2019, with the expectation that its implementation will optimally encourage business processes and digital development in order to expand the digital ecosystem.

According to Kristophorus and Rina (2020), digital transformation makes use of existing digital technologies such as virtualization technology, mobile computing, cloud computing, and the integration of all organization systems, among others. With some of these definitions, it is possible to conclude that digital transformation is a radical or extraordinary process involving the utilization of digital technology that existed at the time to produce organizational outputs that provide new experiences. This new experience can manifest as a new consumer value, such as ease of transactions, shopping, and communication.

Regulatory changes, changes in the competitive landscape, shifts or changes to digital forms of industry, and changes in consumer behavior are the driving forces behind digital transformation. BRI in accordance with BRI's vision and mission, as well as adaptation from the third to the fourth industry (4.0), namely social, political, cultural, and economic transformations. With this regulatory modification, the fourth industrial revolution will be systemic in numerous sectors and facets of human life. Determining the factors that can influence the

optimization and efficiency of businesses undergoing digital transformation is, therefore, crucial.

According to (Webinar of the Directorate of Human Capital, 2021), BRI has continued to implement its Digital Transformation Strategy, dubbed BRIVolution, since 2015 by focusing on digital technology that makes processes within the organization more efficient and on organizational culture to create the best talent in advancing BRI. Bank By manufacturing their own satellites, BRI develops strategies to improve the quality of its services. BRI is the right decision as one of the company's efforts in achieving its vision, which is to become a leading commercial bank that always prioritizes customer satisfaction with a mission to provide excellent service to customers through a network that is widely distributed and supported by competent human resources professionals and dependable information technology with risk management and Good Corporate practices Excellent governance (GCG).

Good Corporate Governance (GCG) is a principle that directs and controls the company to achieve a balance between the company's power and authority in providing accountability to shareholders and other stakeholders. In comparison to other banks, BRI's ability to reach even remote areas enables BRI Bank to expand its network.

Bank BRI can serve the public in any location. BRI's strategy is the result of deliberation by BRI's internal parties, experts, and talents in their respective fields, which is then formalized by the central BRI and distributed for implementation in every part, region, branch, and subsidiary of the organization. The counseling process must be carried out by a centrally-appointed special team, which then disperses to all parts of the BRI region to make pronouncements and explain how to implement the changes; however, during the pandemic, everything is done digitally via the media platform zoom or something similar so as to create uniformity throughout the entire region. and extensions of BRI (Wiraputra, 2021; review BRI kantor wilayah denpasar, 2021) Based on the preceding analysis, there are issues with the implementation of DTS at the BRI regional office in Denpasar, specifically the use of digital technology. Mrs. Sinta stated, based on the description, that one of the obstacles to implementing DTS to distribute to

consumers and going to introduce the Brimo application was the office wifi network; furthermore, the Brimo application on an unstable network caused the application to take a long time to operate especially in busy hour , and the using of old hardware make the process take more time compare to the newest model (Sinta, 2021)

Table 1.1 Rating and Number of Reviews at BRI Regional Office 2021

BRI Kantor Wilayah	Rating	Jumlah Ulasan
Jakarta 1	3,8	9
Jakarta 2	4,2	42
Jakarta 3	4,0	52
Bandung	4,6	83
Semarang	4,3	63
Jawa Timur	4,3	4
Surabaya	3,3	3
Denpasar	3,1	110
Banjarmasin	3,4	67

Source: Researcher Data Process from Google (2021)

The Bank BRI Denpasar Regional Office has the lowest rating, 3.1, with a total of 110 reviews, as shown in the table above. Of the 110 reviews, there are 48 comments; 17 pertain to service, 11 to lines, 8 to ATMs, 5 to the individual, and 4 to other matters. This is an example of a negative review of the Bank BRI Denpasar Regional Office.

A rating scale or measurement scale is a list used to present a variety of attitudes or characteristics as items.

It can be concluded that the rating scale is a closed survey designed to elicit an evaluation or response from respondents, whether the response is affirmative or negative. The responses or selections of respondents are then compiled into details that serve as research data.

A rating scale is one of the most appropriate types of questions for online or offline service surveys. The respondents responded to this rating scale in accordance with the study conducted. accordance with (Wingkel, 1998).

Therefore, the rating indicates that BRI Kanwil Denpasar has a problem, particularly in the IT sector, as evidenced by Jerry Situmorang's negative review of BRI Kanwil Denpasar's IT services.

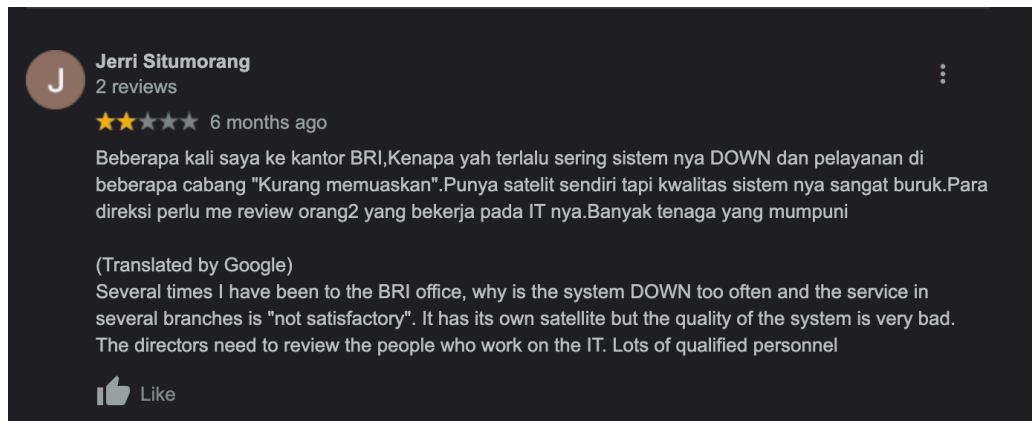


Figure 1.5 review BRI kantor wilayah denpasar
Source: (review BRI kantor wilayah denpasar, 2021)

On the basis of the preceding context, it can be concluded that the digital transformation process is a crucial business process. Digital transformation has become one of the organizational strategies that are devised and implemented by utilizing digital resources to generate new values. A company can benefit from an optimal and efficient digital transformation process, and vice versa. However, there are still a significant number of businesses that have not optimized and optimized their digital transformation processes. If an organization decides to undergo a digital transformation, it must develop a plan to address the positive and negative consequences. The organization's primary strategy must be modified, its human resources must be enhanced, and its infrastructure must be adapted to the occurring changes. Digital capabilities and digital technology must be well-prepared in order for the digital transformation process to proceed without incident.

If the financial services industry adopts new open IT standards, IT systems will operate more effectively and experience less downtime. Banking IT standards will facilitate the upgrading and maintenance of legacy systems. Existing bank software will be frequently modified by them, making upgrading to new versions or new systems a challenging task. and could result in system failure. If banks adhere to standard software, updating or maintaining their existing IT infrastructure should not result in downtime or disruptions.

According Lina and (Siska 2022) People, the challenge stems from the differences in the existing generations, where the older generation needs more

time to learn about DTS in its implementation. Moreover, differences in personal characteristics influence attitudes in changing DTS during the implementation process, which can have a positive impact, such as being quicker to follow changes, or a negative impact, such as being slower to follow changes and preferring the traditional or previous system.

Bank BRI applies its own Operational Standards to every aspect of its operations. However, it is undeniable that none of the standards set by various sections have been able to meet the center's standards due to a number of factors that cause researchers concern; see Digital Transformation Challenge in Bank Rakyat Indonesia Regional Office Denpasar. Researchers are interested in the difficulties faced by the BRI Denpasar office as a result of the aforementioned phenomena.

1.3 Problem Formulation

Based on the formulation of the problem, the research questions is as follows.

1. What factors that challenging in digital transformation at Bank BRI Regional Office Denpasar?
2. What factors that challenging for employeein digital transformation at Bank BRI Regional Office Denpasar?

1.4 Research objective

Based on the formulated problem, the objectives of this research is as follows.

1. To know what factors that challenging in digital transformation at Bank BRI Regional Office Denpasar.
2. To know what factors that challenging for employeein digital transformation at Bank BRI Regional Office Denpasar.

1.5 Research Benefits

The author is hoping to gain several benefits from this research, which are:

- a. Theoretical Benefit
 - Addition of insight or reference material that can be used forprovide views in the same field, especially digital transformation.

- Provide an overview of the conditions of traditional and modern culture as part of the implementation of digital transformation that occurs in real case.

b. Practical benefit.

This research is expected to be useful for:

- Increase knowledge about the challenges of digital transformation for companies, especially in the banking sector or in the future can be used by companies engaged in banking.
- This research is expected to provide benefits for Bank BRI Denpasar Regional Office company to help optimize business management that they will run digitally in the future.

1.6 Writing Systematics

This part of the writing outlines a brief understanding of how the mini-thesis will be structured. It is aimed to help readers understand the contents within this mini-thesis. Each chapter will be explained as follows:

a. CHAPTER 1: INTRODUCTION

The introduction will explain several topics including Research Object Overview, Research Background, Problem Formulation, Research Objectives, Research Benefits, and Systematic Writing.

b. CHAPTER 2: LITERATURE REVIEW

This chapter will outline the theoretical basis that will cover the whole research, as well as theories from previous research that are similar to this research. Further into this chapter will cover the theoretical framework and hypotheses of the research.

c. CHAPTER 3: RESEARCH METHODOLOGY

The research methodology chapter will cover how the research will be done, the resource of the data, and the type of data used in this research. It will also include the information about where the population will be from, the number of the sample, the research variables, data collection method, instrument testing, and data analysis method.

d. CHAPTER 4: RESULTS AND DISCUSSION

This chapter will explain the general description of the research object, results from all instrument testing, as well as hypothesis testing.

e. CHAPTER 5: CONCLUSION

The last chapter will include the conclusion from the overall research, as well as suggestions to stakeholders who are related to this research.