

TRANSFORMATION AND REVITALIZATION OF SERVICE QUALITY IN THE DIGITAL ERA OF REVOLUTIONARY DISRUPTION 4.0

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Abstract: Banking services are currently experiencing changes in the midst of technological advancements that have changed people's behavior to use digital technology in everyday life and have even become a lifestyle, especially for the millennial. This change requires the BPR to carry out a transformation and revitalization of service quality in the era of digital disruption revolution 4.0. The aim of this study was to describe the readiness, strategies, and inhibiting factors faced by Banks in conducting the Transformation and Revitalization of Service Quality in the Digital Era Revolution 4.0. The results of this study from interview, observation, documentation are the preparation in conducting Transformation and Revitalization of Service Quality in the Era of Digital Disruption Revolution 4.0 are done step by step, by implementing partnership and collaboration strategy, internal reinforcement, digital innovation and improving the quality of people, product, and process so banks have the competitiveness and competitive products in the era of digital revolution. Capital and human resources are factors in the development of digital-based product and service innovations that were demanded in the Revolution 4.0 era.

Kata Kunci: Transformasi, Revitalisasi, Kualitas Pelayanan, Era Digital, Revolusi 4.0, Perbankan

Abstrak: Layanan perbankan saat ini mengalami perubahan di tengah kemajuan teknologi yang sudah merubah perilaku masyarakat akan menggunakan teknologi digital dalam kehidupan sehari-hari bahkan sudah menjadi suatu gaya hidup terutama kaum *millennial*, perubahan tersebut menuntut Bank Perkreditan Rakyat harus melakukan transformasi dan revitalisasi kualitas Layanan perbankan di era disrupsi revolusi 4.0 agar tidak terdisrupsi di tengah kemajuan teknologi saat ini. Tujuan dari penelitian ini adalah mendeskripsikan kesiapan, strategi dan faktor penghambat yang dihadapi bank dalam melakukan Transformasi dan Revitalisasi Kualitas Pelayanan di Era Digital Revolusi 4.0. Hasil penelitian yang didapatkan peneliti dari wawancara, observasi, dokumentasi adalah persiapan didalam melakukan Transformasi dan Revitalisasi Kualitas Pelayanan di Era Digital Revolusi 4.0 dilakukan secara bertahap, strategi yang diterapkan adalah dengan melakukan strategi *partnership* dan kolaborasi, penguatan internal, *digital innovation* serta melakukan peningkatan kualitas dari *people, product*, dan *process* sehingga bank dapat memiliki daya saing dan produk yang kompetitif di era revolusi digital. Permodalan dan sumber daya manusia sangat menjadi faktor pada pengembangan inovasi produk dan layanan berbasis digital yang menjadi tuntutan di era Revolusi 4.0.

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Introduction

Bank financial institutions are currently undergoing a very big change, moreover the Rural Bank (BPR) which is a bank financial institution must be able to compete with Bank Financial Institution (LKB) and Non-Bank Financial Institution (LKNB) which are increasing their amount and being active to serve the customers very easily and quickly. Banking institutions must start to change their business model in line with the changes of massive community behavior where the customers always want to get fast service. Technological advancements bring significant changes to the way Banks serve the needs of public financial transactions. If in the past bank customers had to come to the bank office to conduct financial transactions such as depositing money, withdrawing funds, transferring and so on, then in this modern times they can do it anywhere and anytime.

Seeing the condition, it shows a very significant changes in the behavior of bank customers. Practical culture, fast and instant become the daily life practice. Interaction between bank customers only feels that it is enough to interact with technological devices. This resulted the banking services have to be able to adapt to technological developments to follow the desire of the people who are completely instant and fast so that the number of transactions and the use of banking services are in demand by the public.

The existence of banking is currently still considered limited, such as collecting and distributing funds to the public, but not all circles can get financial services provided by banks. This is the weakness for the banking industry, one of them is the Rural Bank (BPR), this makes a gap for the other industries that are not bank financial services institutions can enter and serve the community such as financial technology companies (financial technology). Start-up fintech began to develop quickly which can provide easy access to financial services that are faster and easier. Financial technology companies (fintech) continue to experience developments starting from crowdfunding, peer to peer lending, payment gateways and others. Seeing the development of digital-based services, banks must innovate to provide services to the digital-based community so they are not distracted by fintech services, especially peer to peer lending.

Many challenges faced by Rural Banks (BPR) in the revolutionary 4.0 era make these financial service institutions have to think of future strategies in order to adapt in the midst of intense competition, if banks are not fast in responding to the digital-based services and transforming their services, banks need to be aware to the inclusion of technology-based financial services (financial technology/ fintech) which are currently developing, even fintech providers of various specialties already have licenses and are overseen by the Financial Services Authority (OJK).

Another challenge faced by Rural Banks (BPR) is the existence of branchless banking services which can be said as new innovations that are disruptive and can change the way people conduct banking transactions and create new markets. In line with the provisions issued by Bank Indonesia and OJK 2014 regarding Digital Financial Services (LKD) and Office-less Services in the framework of financial inclusion (Laku Pandai) where commercial banks such as Bank Mandiri, BRI and BNI have begun to implement the service. This will also increase the threat of Rural Banks because they have been working on the lower segment that has not been reached by banks. Branchless Banking service which is a bank without an office by cooperating with other parties as a service agent and using technology to facilitate transactions with banks.

This study was also based on study conducted by previous researchers including (Supeno, 2018), conducted study in order to get an overview of implementation of banking services quality to customers and public who need online banking services in PD. BPR Bank Jombang, East Java with descriptive qualitative

research method, the result of this study showed that to face the tight competition in this disruption era, PD. BPR Bank Jombang East Java had implemented service quality according to the five pillar of service quality dimension by providing products that are needed by customers, providing friendly, fast and easy services through the head, branch and cash office service networks and built digital services through website that provided a lot of convenience to get online information related to bank services. On the study conducted by (Subawa & Widhiasthini, 2018) about Transformation of Consumer Behavior in Industrial Revolution Era 4.0, where the changes of community consumption patterns seemed at the consumerism department, and made consumption as a part of life style by paying attention to prestige and imaging that were inseparable from the changes that happened due to the era of the industrial revolution 4.0 which have an impact on product sales by utilizing technology, such as digital economy, artificial intelligence, big data, and robotic. The result of this study showed that follower culture, image, instant and prestige life style factors that were considered by customers in consuming products. The study conducted by (Marlina & Bimo, 2018) in order to find out the influence of the application of Bank Digitalization by BTN Syariah on service improvement and satisfaction of its customers. The result of this study showed that the use of technology and information are very important at this time. The application of Bank Digitalization in BTN Syariah was proven to service to customers which in turn can increase customer satisfaction. The study conducted (Kolis, 2018) about Banking in the New Digital Era, the result showed that technology development is indeed unstoppable, where it is directly proportional to the desire of humans to get convenience in each of their activities. One of them is financial activities, which are in daily contact directly with banking services. Conventional banking services need high cost, and big enough investment. But with the development of technology, it can all be trimmed with FinTech. Initially, many people thought that FinTech would replace the bank's position in the world economy.

Banking services are currently experiencing changes in the midst of technological advancements that have changed people's behavior to use digital technology in everyday life and have even become a lifestyle, especially for the millennial. Based on the description above, the author is interested in conducting research on Transformation and Revitalization of Service Quality in the Digital Era of Revolutionary Disruption 4.0.

Theoretical Review

Bank

Bank's role is very large in encouraging economic growth in a Country. All business sectors including industry, trade, agriculture, plantation, service, housing sectors and so on need bank as a partner in developing their business. According to UU No 10 of 1998 about Banking describes Bank as a business entity that collects funds from public as a savings and distributes to public as a credit and as other form in order to improve the lives of many people. From that definition can be explained that bank is a company engaged in financial services means banking activities related to financial sector (Kasmir, 2015).

As the development of technology continues to grow more rapidly which will certainly spoil and facilitate human activities, where at this time people's behavior has changed which all want to be fast and can be done wherever and whenever they want. They want all the activities they do with various facilities that are obtained. At this time, everything can be done just by digital application they bring every day such as ordering food, ordering taxi bike and so on that can be obtained easily and quickly by clicking on their digital application. This change penetrated into the banking sector, in 2015 the community was familiar

with technology-based services namely Fintech (Financial Technology). This service will make it easier for bank customers to conduct transactions, all banks, especially commercial banks have implemented digital services such as mobile banking, internet banking and so on that are used by banks to serve the needs of customer transactions.

Bank Perkreditan Rakyat (Rural Bank)

In UU No 7 of 1992 about Banking as amended by UU No 10 of 1998 expressly mentioned that BPR is a bank that conducts business activities conventionally or based on sharia principles which does not provide services in the payment traffic.

The existence of Rural Bank (BPR) very helpful the middle to lower class people to take advantage of access to banking services. This is a segmentation of Rural Banks (BPR) in order to continue their operation because the bank's main income comes from services provided to the public. However, at this time with the rapid development of technology, segmentation will be easily taken by other bank financial institutions and non-bank financial institutions by using their digital services. Digitalization has made a big revolution on the joints of human life because whatever their needs can be obtained from their hands. For banks, digitalization is a must in to be able to compete with other institutions, because customers will definitely choose the service that is capable to give convenience and can be accessed 24 hours in a week.

Service Quality

Service quality is the main key to maintain customers loyalty, rapid business development makes a company must be able to provide the best service to anticipate the competition. The right strategy is needed to face the competition and to be able to survive in markets. The right strategy is needed, especially companies engaged in services. The Companies engaged in the service sector must be able to provide quality services to be able to retain long-term customers and grow the customer loyalty.

According to Martin in (Supeno, 2018) there are four steps in quality service, such as:

1. Convey a positive attitude, attitude is a state of mind of a person that is affected by the tendency of feeling, mind and action. The attitude that is conveyed, usually will be the same as the attitude that was received back. Most failures of implementing customer service are usually caused by attitude.
2. Recognize the customer needs, the best way to recognize the customer needs is trying to put ourselves in their position, look at things from their perspective, and put ourselves in their size.
3. Meet customer needs, the most important factor in providing customer service is to recognize and understand all forms of service that can be provided by the company.
4. Make sure the customer returns again, statistic numbers say that trying to attract new customers is six times more difficult than maintaining existing ones. Therefore handling complaints for full customer satisfaction is the most important thing.

SWOT Analysis

The rise of modern industry began in 1820-1830 which is often called industrial revolution. It will lead to the development of new discoveries in technology, the impact of technological developments will make competition change. In 1990s competition was a mass production activity, the strategy of production activities was aimed more at the company's internal direction with the aim of obtaining product efficiency. Strategy is a tool to achieve goals, according to Chandler (1962) in (Rangkuti, 2004) strategy is a tool to achieve company goals in relation to long-term goals, follow-up programs, as well as priority allocation of

resources. The good understanding of strategy concept and other concepts that are related, largely determine the success of the strategies drawn up such as:

1. Distinctive Competence, the actions taken by the company in order to carry out activities better than its competitors. A company that has strengths that are not easily imitated by competing companies.
2. Competitive Advantage, Specific activities developed by the company to be superior compared to its competitors.

Disruption Era Services

According to (Savitri, 2019) Industrial Revolution 4.0 or also known as Fourth Industrial Revolution (4IR) is the fourth industrial era since the first industrial revolution in the 18th century. This era is characterized by a combination of technologies that blur the boundaries of physical, digital and biological data fields which are collectively referred to as cyber-physical systems (CPS). Fourth Industrial Revolution era is also marked by the emergence of technological breakthroughs in a number of fields, such as Robotics, Artificial Intelligence (AI), Nanotechnology, Quantum Computing, Internet of Things (IoT), Industrial Internet of Things (IIoT), Fifth Generation Wireless Technology (5G), manufacturing additive/3D printing and fully autonomous vehicles.

Disruption is a disorder. The emergence of innovations that made everything good in the past quickly become obsolete and useless. This means it can potentially create unemployment and chaos, as well as disrupt the business of "old players". Disruption is an innovation that will replace the entire old system with new ways. Disruption has the potential to replace old players with new ones and replace old physical technology with digital technology that produces something completely new and efficient, and is also more useful (Kasali, 2017).

BPR Services Transformation and Revitalization

The rapid development of companies engaged in utilizing technology has made companies engaged in services or services have to reform their services. According to Rosabeth Moss Kanter, transformation is a change from the previous to the new one (Hestanto, 2019) while revitalization is a process or a way and action to revive a thing that was previously empowered so that revitalization means making something or doing something vital, while the word vital has a very important meaning or being needed in life and so on (Wikipedia, n.d.)

Research Method

This study used qualitative method, that is designed in general and data is collected in the form of words, images, not numbers like in the quantitative research. The research approach used was descriptive approach which was intended to provide information about the observed data. This qualitative research was conducted to find out more clearly about the existing problems. The problems in this study will develop according to the information obtained in the field. This study was conducted to know the Transformation and Revitalization that have been done by PD.BPR Werdhi Sedana with the aim to be able to compete in the midst of competition in digital products and services in the banking business.

The study was conducted with focus on services business strategy in the revolution era is in the context of obtaining information related to business strategy that has been done by company in transforming and revitalizing services in the midst of rapid technology and information development. BPR owned by the

Government of Gianyar Regency is classified as a financial service institution that performs very well in terms of its awards. However, whether in the 4.0 revolution era where the customer behavior has changed and regulations that limit the business activities of Rural Banks are still able to maintain their customer loyalty by continuing to use the banking services and products offered.

Result and Discussion

Rural Bank industry when living in the dynamic economy ecosystem, full of business competition, dynamic regulation and the existence of technology disruption. Industrial revolution 4.0 has made us realize that the revolution has transformed business process by using information and technology, automation, including artificial intelligence, internet of things and digital economy. In its development, PD BPR Werdhi Sedana has changed to improve their performance. PD. BPR Werdhi Sedana is a bank owned by Government of Gianyar Regency previously named PD Bank Pasar Werdhi Sedana.

Information and technology that continues to develop especially in Banking sector, triggers PD. BPR Werdhi Sedana to improve and innovate and collaborate. It is realized that the development of information technology requires investment readiness and large human resources, gradually PD. BPR Werdhi Sedana continues to make improvements according to current competition demands and will continue to develop products and services to improve the competitiveness and performance of the Bank effectively and efficiently and in accordance with the needs of the customers.

At this moment PD. BPR Werdhi Sedana is in transforming in to digitalization, one of the product development innovation is opening a withdrawal and book-transfer product for saving transactions through a cardless ATM machine that focuses on improving services and the number of customers and increasing the company's fee base income that has been formulated in the Bank's Business Plan for 2020.

The results of interviews with informants who said:

“It is true, the unexpected changes become a phenomenon that will often arise in the industrial revolution 4.0. The changes in the disruption digital era not only in the changes of way or strategy but also in the business fundamental aspect and customer behavior. This of course will impact the banking industry both positive and negative impacts. Digital banking era 4.0 becomes an opportunity to banks to be more innovative, providing services to customers.....Digital development will certainly cause disruption to banks if they are not properly addressed, this is because consumer behavior changes..... transformation and revitalization of services in the disruption digital revolution era 4.0 more than providing digital banking services or digital-based services.....Transformation of Product Oriented becomes Market Oriented, that is providing products that are able to meet the financial needs of the community or market needs, both in terms of benefits and services desired by the community supported by adequate information technology..... The problems are facing the problem of lack of human resource to serve customers optimally, the lack of capital availability to develop business especially in the submission of digital-based services, regulations that are too strict for BPR.....Support from owner is very good, in case of capital and regulation support With the support of excellent service standards by overcoming internal weaknesses owned by increasing human resources in the mastery of information technology.....Really hope that the transformation and revitalization of services in the

digital era can improve competitiveness and increase customer loyalty by meeting customer needs with digital-based services..... Improvement of digital-based services to customers of course will impact the business development.....”

PD. BPR Werdhi Sedana has strategies that are implemented such as increasing the quality of people, product, and process:

1. People

The placement of employees who are reliable in quality and quantity will determine the Bank's success in achieving optimal performance. Development of employees capability by external or internal trainings that support the increasing business such as negotiation and selling skill, time management, motivation and so on. The implementation of service excellent by all staff to customers and prospective customers will increasing their loyalty.

2. Product

New superior products include new types of services that are a new attraction. Saving products with low cost funding will be encouraged by establishing transaction services through ATM and will be a new attraction to customers and prospective customers to increasing saving products. Implementing continues improvement for existing products by monitoring market development and competitors.

3. Process

Integration on implementation of cardless ATM Transactions will speed up the transaction process thereby increasing service levels. Monitoring performance staff and monitoring sales process systems are developed to ensure that every staff be able to reach their own business target.

BPR strategy has an effort to improve competitiveness by doing the following:

1. Digital Innovation

Increasing competitiveness by investing to create digital-based innovation.

2. Internal Reinforcement

Increasing competitiveness by strengthening competitive and comparative advantage.

3. Strategic Partnership

The active role of regulators in connecting BPR with third parties, support synergy and collaboration with Commercial Banks and other institutions in working on market potential and increasing penetration of financial services.

Both internal and external challenges greatly affect BPR in transforming and revitalizing services, where most BPR have a relatively limited capital deposit, while the cost of fund, overhead cost are high so that credit interest rate are less competitive. From the quality of human resource side, has to be increased and the dynamic regulatory requirements make BPR have to prepare everything to be able to compete in this digital era.

The implementation of digital-based services one of them is cardless ATM has been carried out by APMK as a form of ATM expansion to their customers. The operation of ATM cardless is generally an expansion of bank services as an ATM / Debit card issuer and so far has been processed through a new product approval mechanism. The obstacles faced by PD. BPR Werdhi is in the licensing process whereby the more stringent direction of Bank Indonesia's policy towards the implementation of ATM cardless by the Rural Bank.

In this case Bank Indonesia views that the cardless ATM service is the scope of the payment system so it needs to be ensured that the service is held safely and reliably.

The policy set by Bank Indonesia is of particular concern that must be met at this time. BPR that can hold cardless ATMs are BPR with the following criteria:

1. BPR with core capital Rp 50 Billion or more, can implement cardless ATM, meanwhile
2. BPR with core capital Rp 15 Billion to Rp 50 Billion, can implement cardless ATM by collaborating or co-branding (BPR only acts as a marketing agent) cardless with other Banks.

This certainly becomes an obstacle for BPR in terms of carrying out ATM cardless activities independently must meet the capital aspects first, even though in terms of BPR demands must be able to improve its services towards digital-based services to meet the development needs of the customers. Nevertheless taking into the strengths, weaknesses, opportunities and threats owned by PD. BPR Werdhi Sedana then the right strategy to be implemented is a combination. The Weaknesses that still have with the existing opportunities or WO, by optimizing strong support from owners and stakeholders in terms of capital and regulatory support.

Conclusion

Based on the study entitled Transformation and Revitalization of Service Quality in the Disruption Digital Revolution Era 4.0, conclusions can be drawn to answer the problem formulation is as follows:

1. The preparation of banks in carrying out Transformation and Revitalization of Service Quality in the Digital Revolution Era 4.0 has been done in stages, starting with the change in the form of legal entities and standardizing information and technology so that they can support all the plans that have been set. Transforming and revitalizing services in the disruption era 4.0 starting in 2019 BPR had formulated business strategy which led to a process of transformation and revitalization including process of legal entity from Perusahaan Daerah (PD) to Perusahaan Perseroan Daerah (PT Perseroan) according with the provisions governing BUMD accompanied by improvements to the organizational structure that has not been realized in accordance with the target in 2019 this is due to the regulatory process, but to support the achievement of transformation and revitalization, in 2020 the process of transformation and revitalization is still being pursued to be realized with the support of owners and stakeholders so that they will support.
2. The strategies that are implemented by bank such as partnership and collaboration, internal reinforcement, digital innovation and increasing the quality of people, product, and process thereby banks can have competitiveness and competitive products in the current digital revolution era.
3. The low quality of human resources has greatly impacted the development of product and service innovations needed by customers. This will cause difficulty in increasing competitiveness. So that internal reinforcement is very important by strengthening competitive and comparative advantages.
4. The transformation and revitalization of services will have a positive impact on both customers and management. Furthermore, the existence of services by following the needs of the people in the digital era of the current revolution will bring BPR to be able to compete and increase the customer loyalty. For example, how BPR are able to provide fast services both in conventional and digital financial transactions (electronic banking).
5. There are factors that hamper BPR in transforming and revitalizing services, both from internal and external.

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