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Linking the digital finance, e-competence and e-finance quality on Indonesian MSMEs performance in the digital 5.0 era

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A B S T R A C T

In this digital era, digital technology plays an important role in finance for Micro-, Small and Medium-sized Enterprises (MSMEs). This research aims to analyze the relationship between digital finance technology and performance, the e-quality of financial reports and performance, and finally the relationship between e-competence and performance. The research method used in this research is quantitative survey research. This research uses an online questionnaire as a tool to collect data from respondents. Research data was obtained by distributing online questionnaires to 682 MSMEs owners who were determined using a simple random sampling method. The questionnaire was designed to contain statement items and the Likert scale used in this research was a Likert scale. The data analysis method used in this research is structural equation modelling partial least squares (PLS-SEM) with data processing tools, namely SmartPLS 4.0 software. The results of the research analysis show that e-finance has a positive and significant relationship with performance. The e-quality of financial reports has a positive and significant relationship with performance. Finally, e-competence has a positive and significant relationship to performance. E-The quality of the financial reports produced will indicate whether the performance accountability of a government agency is good or not. Accountability for the performance of government agencies that present financial reports by government accounting standards will produce quality financial reports.

1. Introduction

In this digital era, MSMEs make a big and crucial contribution to the macroeconomy. In 2023, Indonesia had around 66 million Micro-, Small, and Medium-sized Enterprises (MSMEs). These MSMEs play a crucial role in the country's economy, contributing 61% of Indonesia's Gross Domestic Product (GDP) and employing around 117 million workers (Central Statistics Agency, 2023). From these figures, there is a huge potential if this business is developed and improved so that it makes a big contribution to the Indonesian economy. According to Abroud et al. (2015), the existence of MSMEs in Indonesia plays an essential role in improving the country's economy. The distribution of MSMEs can be found in every region and their numbers are increasing every year. It is hoped that an increase in the quantity of MSMEs will be in line with their increasing development so that they can contribute to the country's economic and social problems. For the MSME sector to survive in the long term, government attention is needed so that MSMEs can continue to progress and develop. MSMEs are expected to be more productive and competitive. However, Indonesian MSMEs must be aware of increasingly sharp competition. Because MSMEs in Indonesia have a strategic role. Apart from that, MSMEs can absorb labour thereby reducing

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the unemployment rate, forming gross domestic product and being able to become a safety net for people with low incomes. However, the problem that arises in the field is that many business actors still find difficulties in providing credit to banks due to the quality of the financial reports produced. According to Baki and Bağcı (2021), MSMEs are generally family industrial businesses where consumers are in the lower middle class. However, MSMEs tend to be able to survive better when compared to large-scale companies.

In the last few decades, there has been a significant evolution in the financial industry along with the development of technological financial innovation or e-finance. This revolution is creating a profound impact on traditional banking and financial business models. E-finance presents modern and leading financial solutions, utilizing technology to provide more efficient and accessible services. Barniv et al. (2005) explain that disruptive innovation is an innovation that introduces ease of access, practicality and comfort in a previously existing market system. One of the main impacts of e-finance innovation is a paradigm shift in the provision of financial services. E-finance is the maximum use of technology in improving financial services (Fikriyah et al., 2022). Traditional business models involving physical offices, manual processes and complicated bureaucracy are starting to be displaced by e-finance platforms that offer services digitally. This creates a faster, more efficient and often more affordable customer experience. E-finance has also stimulated competition among financial industry players. E-finance providers, often innovative startups, can catch up and take market share more quickly than larger, more rigid traditional financial institutions. With this competition, traditional banks are faced with pressure to increase efficiency, adapt their business models, and provide more responsive services. E-finance's success in embracing financial inclusivity is also noteworthy. By leveraging technology, e-finance can provide more accessible financial services for individuals and businesses who previously had difficulty gaining access to the financial system. Ching et al. (2017) said that companies operating in the financial sector need to rely on technological innovation to increase their markets. This creates new opportunities and increases market penetration, but also demands appropriate regulation to protect consumers. However, e-finance innovation also raises several challenges. Data security and privacy is a major concern, especially as more and more financial transactions are carried out digitally. Traditional financial institutions must prioritize developing robust security systems to address these risks. The impact of e-finance innovation on financial regulation cannot be ignored either. Governments and regulatory agencies must try to find a balance between driving innovation and ensuring stability and consumer protection in an ever-changing financial environment (Abroud et al., 2015).

Currently, Indonesia is one of the developing countries that is seeking progress in the field of technology, one of which is development in the field of financial technology, because this is the reference point for several companies to innovate technology to support the level of success of financial management performance in managing financial reports. In the current digital era, all social activities cannot be separated from the use of technology. Almost all sectors have utilized technological developments to innovate, including the financial sector. Innovation that is present in the financial sector is Financial Technology (E-finance). According to Churet et al. (2014), E-finance is the result of a combination of financial services and technology. BI continued that E-finance was able to change the company's business model from conventional to modern. The presence of e-minance was triggered by changes in people's fast-paced lifestyles and prioritizing the use of information technology. With E-finance, various financial problems can be solved. For example, E-finance services can be a payment tool, help carry out investments more efficiently, and provide a market for business actors (Ching et al.,2017).

In this modern era, the development of information and communication technology has brought significant changes in various aspects of human life. One aspect that was greatly impacted was the banking sector. According to Kurniasih et al. (2002), the digital revolution has changed the way banking operates, especially in terms of customer service and financial management. Two important things that have emerged as a result of this technological development are internet banking and mobile banking. Internet banking is a banking service that allows customers to access their accounts via the Internet. This allows them to carry out various types of transactions such as fund transfers, bill payments, investment management, and others without having to come to a physical bank office. Mobile banking is a similar service that can be accessed via mobile devices, such as smartphones or tablets (Greiner & Wang, 2010). Mobile banking provides easy access to banking services anytime and anywhere, as long as it is connected to the Internet. The influence of Internet banking and mobile banking on banking financial performance has become an important topic in academic research and the attention of the banking industry. This is in line with the fact that digital banking services are increasingly popular throughout the world. Many banks have contributed substantial resources to develop and promote these services to their customers

(Indjikian et al.,2002). With more and more customers switching to Internet banking and mobile banking, questions arise regarding the positive or negative impact of these changes on the overall financial performance of banks. Currently, most banks are faced with a very dynamic environment.

In recent years, there have been significant changes in banking customer behavior. Customers prefer to use digital banking services rather than coming to a physical bank office. This can reduce bank operational costs, as it reduces the need for large physical branch offices and staff. However, there are also costs associated with developing and maintaining internet banking and mobile banking systems. Therefore, it is necessary to understand how these changes in consumer behavior affect banking financial performance. The use of Internet banking and mobile banking has become increasingly popular among banking customers, and this shows how important it is to understand the impact of using these services on banking financial performance. Gomber and Chlistalla (2008) stated that Internet banking hurt banking performance in Jordan. The findings are interesting that in Jordan internet banking hurts the performance of banks in Jordan. The same results were previously obtained in banking in Indonesia (Herbst, 2001). In this research, researchers want to examine the influence of Internet banking on banking performance in Indonesia because not many people have conducted this research in Indonesia. Technological developments also present new opportunities in terms of innovation in banking products and services. Banks that understand the full potential of Internet banking and mobile banking can develop products that better suit customer needs. This can create significant added value and improve banking financial performance (Greiner & Wang, 2010). The influence of Internet banking and mobile banking is also related to aspects of competition in the banking industry. Banks that can adopt technology quickly and effectively can win the competition with traditional banks which may be slow to follow technological changes. Therefore, the influence of Internet banking and mobile banking on banking financial performance also involves strategic and competitive aspects (Fukushima, 2002)

According to Greiner and Wang (2010), quality financial reports are financial reports that have integrity in their presentation. Presenting financial reports with integrity will protect the rights of stakeholders because they can find out the true state of the company and not financial reports that have been manipulated and misleading. The quality of financial reports will be met if the information in the financial reports is free from misleading meanings and material errors. It can also be said to be reliable if the information in the financial reports presents every fact honestly and can be verified (Indjikian et al., 2002). The information contained in financial reports may be relevant, but if the presentation is unreliable then users of the information may not trust the information presented. Several things like this ultimately cause the quality of financial reports to become very important because it is a characteristic requirement for financial reporting so that it can be said to meet the quality so that it can be trusted by its users. The rapid development of technology and increasingly complex business competition demands a greater role for Human Resource Management. The demand for workers with high skills, knowledge and abilities is also increasing. These changes in the business environment have led to recognition of the importance of Human Resources as a source of competitive advantage for organizations. Therefore, Human Resources who have high competence are seen as being able to support improved employee performance and contribute to determining the company's future. Herbst (2001) stated that competence does not only contain skills, knowledge and attitudes but what is important is the application of their skills, knowledge and attitudes according to established performance standards.

2. Literature Review and Hypothesis Development

2.1 Digital Finance Technology (e-finance)

According to Fukushima (2002), e-finance is a combination of financial systems and technology. The development of e-finance in Indonesia has given rise to various application innovations, especially in financial services, such as payment transaction tools, money storage tools, and also money lending tools. The proliferation of e-finance in Indonesia is evidence of society's shift from traditional financial systems to using e-finance. The shift in society is based on the speed and ease of e-finance in accessing various interests related to the financial system. According to Greiner and Wang (2010), the concept of digital financial technology is defined as changing from conventional to moderate, namely combining financial services and existing technological developments. In this case, the principle of transactions which initially had to be carried out directly or face to face, can be carried out remotely. Furthermore, the World Bank explained that e-finances are companies that use technology and financial services to create financial services that are more sophisticated and easily accessible to customers. Furthermore, e-finance is considered to be a financial technology revolution in providing financial services products, which gives rise to new models, financial service applications as well as several things technologically related to financial services. E-finance itself exists to provide convenience and practical things for customers or consumers to access financial services. Several researchers have conducted research on e-finance, including Gomber and Chlistalla (2008) who explain that e-finance is the maximum use of technology in improving financial services. E-finance is a solution because of costs. efficient financial services that can reach the wider community.

According to Greiner and Wang (2010), e-finance is the result of collaboration between financial services and technology which makes business activities modern and practical, where previously transaction activities, both for loans and payments, are carried out directly, but with e-finance, everything can be done anytime and anywhere without having to come in person. E-finance is a modern platform for digital technology that aims to be a safe and practical financial link. Meanwhile, according to Indjikian et al. (2002), E-finance or financial technology is technological progress that creates various new activity models that are easier and safer for consumers to access financial technology. Based on several definitions that have been explained, it can be concluded that e-finance is an innovation, platform or financial application that provides financial services easily, safely and practically which can help society and improve the economy. E-finance also has a role in rapidly expanding the reach of financial services, which is similar to the Sharia financial industry in terms of its role, but the difference is that e-finance prioritizes the use of technology in every transaction, where financial transaction activities are more modern, safe and practical.

2.2 e-Quality of Financial Reports

e-Quality financial reports are information that contains financial records of a company in an accounting period that describes the company's performance, Quality financial reports are shown clearly, correctly and honestly, Greiner and Wang (2010) e-Quality financial reports function in making decisions in economic activities for the actors involved in them. According to Hameedi et al. (2021), the quality of financial reports is seen from the data recorded to form e-financial reports, every transaction flow is carried out recording. So that every transaction carried out is recorded using the correct financial report components and accounting standards. e-Financial reports aim to provide various information related to finance, financial performance and cash flow reports. Financial reports are useful for a large number of users in making economic decisions related to e-financial reports, so it can be said that financial reports can be a source of information in decision-making. Apart from that, financial reports show management (stewardship) or management responsibility for the resources provided, Asmara et al. (2024) apart from that, there are other opinions according to Indjikian et al. (2002) stating that e-financial reports are a reflection of all activities that occur, where these activities run well. So that e-quality financial reports can be used to make decisions

2.3 e-Competence

e-Competencies are the basic characteristics of people and indicate ways of behaving or thinking, equalizing situations and supporting them over a long period. According to Koenig et al. (2008), factors that can influence a person's competency skills are 1. Beliefs and values, 2. Skills, 3. Personality characteristics, 4. Motivation, 5. Emotional issues, 6. Intellectual abilities and 7. Organizational culture. e-Competencies are defined as the personal aspects of a worker that enable him to achieve superior performance. These personal aspects include traits, motives, value systems, attitudes, knowledge and skills where competence will direct behaviour, while behaviour will produce performance (Kim & Choi, 2011). Competency is the action dimension of tasks, where the actions are used by employees to complete their work tasks satisfactorily and what employees provide in different forms and levels of performance. According to Maier et al. (2022), competence is the aspects contained in e-competence, namely knowledge, understanding, skills, values, attitudes, and interests or interests. Competence is the basic characteristic of a person (individual) that influences the way of thinking and acting, makes generalizations about all situations faced and lasts for a long time in humans (Le Corre et al., 2006), e-Competency is a person's ability to complete a job, competence is a factor that greatly influences performance because with good competence a person is more accomplished in completing work according to plan and the results are more satisfying (Koh, 2011), Competence is one of the factors that influences performance. e-Competencies can help organizations to create high performance. Dimensions and indicators of competence according to Le Corre et al. (2006) are 1) Intellectual competence: employee knowledge of task implementation procedures, employee understanding of task implementation procedures, and delivery of ideas to employees. 2) Emotional competence: employee's understanding of other people's limitations, control of employee's emotions, employee's ability to understand their work responsibilities. 3) Social competence: employee's ability to build collaborative networks, employee's ability to influence colleagues, employee's ability to collaborate with other people

2.4 Performance

Performance is the level of success in carrying out tasks, as well as the ability to achieve predetermined goals. Performance is said to be good and successful if the desired goals can be achieved well (Mahendri et al.,2016). Employee performance is the achievement (result) of an employee's work during a certain period compared to various possibilities (standards, targets or criteria) that have been determined in advance and mutually agreed upon (Narayanasamy et al., 2011). A similar thing was stated by Purwanto et al. (2023) that performance comes from the words job performance or performance (work performance or actual achievements achieved by someone). Performance is defined as the quality and quantity of work results achieved by employees in carrying out their duties according to the responsibilities given to them. There are three criteria for evaluating individual performance, namely individual tasks, individual behaviour, and individual characteristics (Maier et al., 2022). Assessing individual performance through task results means assessing the results of individual work. For example, regarding the products produced, the effectiveness of time use, and so on. Assessing individual performance through behaviour is somewhat difficult to do, but can be observed by comparing the behaviour of their co-workers who are equal, or can also be seen from the way they accept tasks and communicate. Meanwhile, assessing individual performance using an individual characteristics approach is by looking at individual characteristics, for example through attitudes, perceptions, and so on. One measure of an organization's success can be measured by its performance (Kusnadi et al., 2016). To be able to realize the expected goals, the company must be supported by the availability of adequate competence from all employees. The company's success is influenced by its performance.

Performance is a description of the level of achievement of implementing program activities or policies in realizing the goals, objectives, vision, mission and organization outlined through an organization's e-strategic planning. Performance can be known and measured if an individual or group has benchmark success criteria or standards set by the organization (Mahendri et al., 2016). According to Margle (2024), Performance is the result of work achieved both in quantity and quality by responsibility, does not violate the law and is by moral ethics. Employee performance can be known or assessed based on technical abilities at work so that the employee will have experience and training before working. Performance is also a work result achieved by a person in carrying out the tasks assigned to him based on skills, abilities, experience and time (Mbuti et al., 2017). Soelaiman in his book Performance provides an understanding of performance as something that is done and produced in the form of products or services, in a certain period and at a certain size by a person or group of people through their skills, abilities, knowledge and experience (Nwanyanwu, 2017). According to McEnrue (1984), employee performance is the result of work during a certain period compared with various possibilities, for example, standards, targets or criteria that have been mutually agreed upon. The indicators are quality of employee work, quantity of employee work, and contribution to the organization. Performance is a description of the level of achievement of an activity program or policy in realizing targets, organizational goals, vision and mission as outlined through an organization's strategic planning. Performance is the result of quality work achieved in carrying out tasks by responsibilities given. Performance indicators according to Narayanasamy et al. (2011) are quantitative or qualitative measures that describe the level of achievement of a predetermined target or objective.

2.5 The relationship between e-finance and performance

The research results of Mahendri et al. (2016) and Moore et al. (2002) show that e-finance has produced innovative and easily accessible financial services, increased banking operational efficiency, and increased accessibility for the public. However, challenges related to data security and regulations need to be considered by the banking sector (McEnrue,1984). One of the developments in e-finance for entrepreneurs is that it makes it easier to obtain capital. Funding will be much more efficient and effective. Even better, the peer-to-peer lending system makes it easier for people to get capital at interest rates. E-finance is a technological innovation aimed at completing and simplifying financial transactions in society (Nwanyanwu, 2017; Mbuti et al., 2017). The existence of e-finance will make it easier for people to access various products in the financial sector and make transactions easier and increase financial literacy. The existence of e-finance also allows MSMEs to expand their market reach. Through e-commerce platforms and digital payments, MSMEs can sell their products online and reach a wider range of consumers, even outside their geographic area. According to Mahendra et al. (2016); Narayanasamy et al. (2011); Nwanyanwu (2017) e-finance has a positive and significant relationship with performance

H_1: *e-finance has a positive and significant relationship with performance.*

2.6 The relationship between the e-quality of financial reports and performance

Research results by Railiene (2015) show that f e-inancial reports influence employee performance, Purcell and Toland (2003) show that the quality of financial reports has a significant effect on government accountability reports. This means that the more the quality of financial reports improves, the more it will show the level of performance accountability of government agencies. In other words, performance accountability can be measured by the quality of the financial reports produced. This is also in line with Teunissen et al. (2021) that appropriate financial reports have become a key component where accountability can be demonstrated, and through financial reports, stakeholders can assess the performance of an agency/organization. The results of this research by Purcell and Toland (2003) show that the presentation of quality financial reports encourages accountability in agency performance and is a condition for the implementation of good governance. Quality of Financial Reports Public sector financial reports are an important component of creating public accountability (Teunissen et al., 2021). Public sector accounting plays a role in submitting financial reports as a form of implementing public accountability. To create accountability, the financial reports submitted must also be of high quality. The quality of financial reports are normative measures that need to be realized in accounting information so that it can fulfill its objectives for planning needs, control and decision making is a necessity for the government to pay attention to the information presented in financial reports.

H_2: *The quality of e-financial reports has a positive and significant relationship with performance.*

2.7 The influence of e-competence on performance

Based on the results of research by Teunissen et al. (2021) and Purcell and Toland (2003), it is said that work e-competency has a positive and significant influence on employee performance. This means that increasing work competency will influence the level of employee performance in the company. Research results show that competence has a positive and significant relationship to performance. The results of the research by Railiene (2015) and Rethans et al. (2002) are interpreted as meaning that increasing worker competency must continue to be carried out in the contractor services sector to be able to realize the performance expected by the company. e-Competence helps increase our productivity in carrying out tasks or work. When we have a good understanding of what needs to be done and the skills required to do it, we can work more efficiently and effectively. e-Competence is one of the important factors that can influence the performance of employees themselves because competence is a fundamental characteristic possessed by a person which allows them to unleash all their potential in carrying out their work, with the competence possessed by employees it is hoped that it can encourage increased performance. When competence is improved, performance will increase (Trivedi et al., 2021). Employees who work in the contractor services sector must have adequate competence because they work in the industry, there are many competing companies so companies operating in the contracting sector must meet the demands of customers and when employees fulfil competencies that support performance which will directly impact performance achievement.

H_3: *Competence has a positive and significant relationship to performance.*

3. Method

The research method used in this research is quantitative survey research. This research uses an online questionnaire as a tool to collect data from respondents. Research data was obtained by distributing online questionnaires to 682 MSMEs owners who were determined using a simple random sampling method. The questionnaire was designed to contain statement items and the Likert scale used in this research was a 7 Likert scale. with the criteria (1) strongly disagree, (2) disagree, (3) moderately disagree, (4) Neutral, (5) moderately agree, (6) agree, (7) Strongly agree. The data analysis method used in this research is structural equation modelling partial least squares (PLS-SEM) with data processing tools, namely SmartPLS 4.0 software. The data analysis stage is the validity test, namely the loading factor value, average variance extracted value and discriminant validity. Reliability test, namely Cronbach alpha value and composite reliability value. Significance tests to test hypotheses and hypothesis testing can be said to be significant when the T-statistics value is greater than 1.96, whereas if the T-statistics value is less than 1.96 then it is considered not significant.

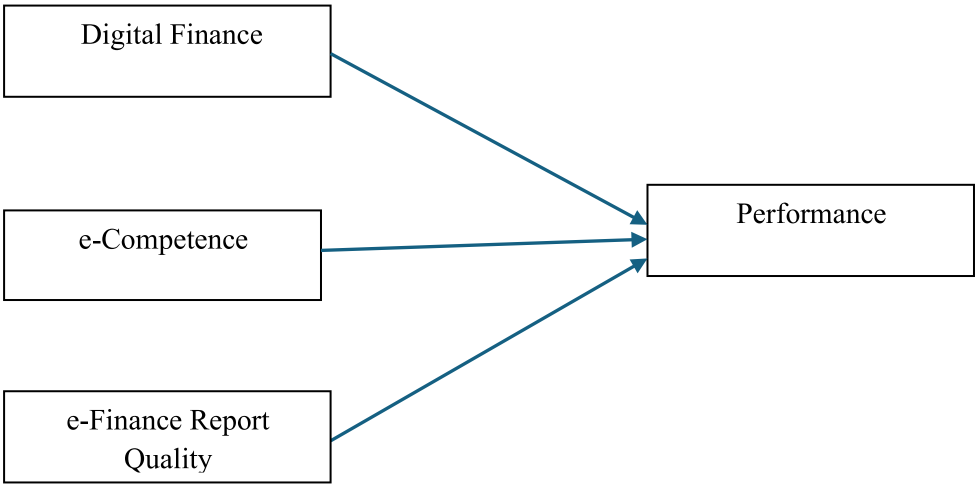

Fig. 1. The proposed study

4. Result and Discussion

4.1 Model Scheme (Partial Least Square (PLS))

In this research, hypothesis testing uses analytical techniques *Least Square* (PLS) with the SmartPLS program. The PLS-SEM model is built based on the conceptual framework shown in Fig. 1. This model explains the correlation between each variable that comes from various theories and previous studies. Each variable is composed of various indicators that are built from the relationship between theories. The analysis model using partial least square (PLS) is shown in Fig. 2 below:

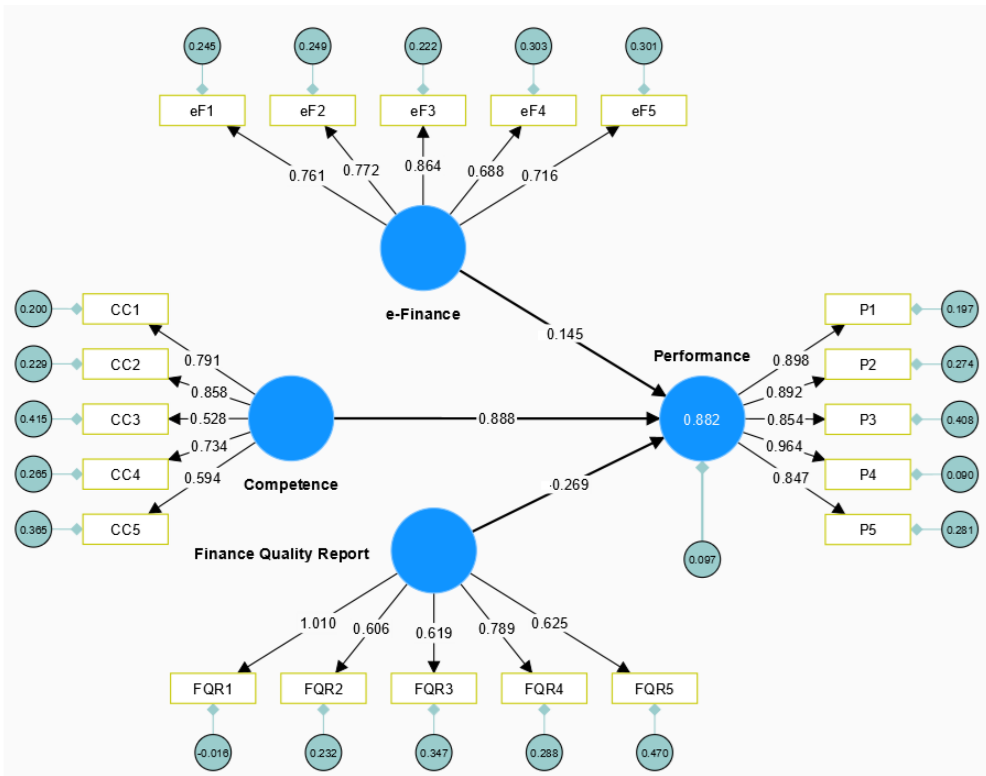

Fig. 2. Inner Model PLS

The PLS-SEM model that has been processed through the SmartPLS software can see the relationship between the values of each indicator with the value of the relationship between exogenous variables and endogenous variables

4.2 Discriminant Validity Testing

This test is carried out by looking at the average value of variance extracted (AVE) for all indicators, the AVE value is greater than > 0.50 for a good model. The results of the PLS-SEM analysis obtained the AVE value as follows:

Table 1
Average Variant Extracted (AVE)

Construct Reliability and Validity	
	Average Variance Extracted (AVE)
e-finance	0.618
e-The quality of financial reports	0.772
e-competence	0.665
Performance	0.765

Based on the PLS-SEM analysis in Table 1, it is known that the AVE value of the e-finance, competence and quality of financial report variables has an AVE value greater than 0.50 and it can be stated that each variable has a valid discriminant

4.3 Composite reliability testing

All variables have satisfactory composite reliability if the value in each variable is greater than > 0.60.

Table 2
Composite Reliability

Construct Reliability and Validity	
	Composite Reliability
Digital finance	0.851
e-The quality of financial reports	0.965
e-Competence	0.865
Performance	0.832

Based on the PLS-SEM analysis in Table 2, the composite reliability value of the e-finance variable, financial report quality, competence and performance have CR values greater than 0.60 so it is concluded that all variables have high composite reliability

4.4 Cronbach Alpha

A variable has a satisfactory Cronbach alpha if it has a value greater than 0.70. The following are the results of the Cronbach alpha values of each variable as shown in table 3.

Table 3
Cronbach Alpha

Construct Reliability and Validity	
	Cronbach's Alpha
Digital finance	0.809
e-The quality of financial reports	0.931
e-Competence	0.819
Performance	0.821

Based on the results of data analysis using the PLS-EM method in Table 3, the Cronbach alpha value for the e-finance variable, financial report quality, competence and performance is > 0.70 so it is concluded that all variables have high-reliability values.

4.5 R-Square

Based on the PLS-SEM data analysis, the R-Square value is obtained as follows

Table 4
Values R-Square

	R Square	R Square Adjusted
Performance	0.882	0.880

Based on the PLS-SEM analysis, the adjusted R-Square value for the performance variable is 0.880, this value indicates that the e-finance variable, quality of work reports and competence have a contribution of 88.80% and the remaining 11.2% is the contribution of other variables. The results of the study indicate that the relationship between e-finance, quality of financial reports and competence is good because the adjusted R-Square value obtained is more than 50%

4.6 Q-Square

The assessment of goodness of fit is known based on the q-square value, in the PLS-SEM analysis the higher the Q-Square value, the model is said to be better or fit to the data. Based on the results of the PLS-SEM analysis, the Q-Suare value was obtained at 0.812 so this research model has goodness of fit.

Hypothesis Test for Direct Influence

The results of the direct influence hypothesis test using PLS-SEM are as follows:

Table 5
Direct T-statistics and P-Values

	T Statistics	P Values	Remark
H1: e-finance - performance	2.938	**0.000**	Supported
H2: e-The quality of financial reports- performance	4.232	**0.000**	Supported
H3: e-Competence - performance	6.5343	**0.000**	Supported

The first hypothesis: the relationship between digital finance and performance

Based on the results of PLS-SEM analysis, it was obtained that the p-value was 0.000 is greater than < 0.050 and the path coefficient value was positive, so it was concluded that e-finance had a positive and significant influence on performance. Technological developments in this sector not only create new opportunities but also challenge long-standing traditions and norms in the banking industry. According to Purcell and Toland (2003), an explanation of the impact of E-finance on banking business models needs to be understood comprehensively. Positive Impact: Efficiency and Accessibility One of the main positive impacts of E-finance on the banking business model is increased efficiency. The use of technologies such as artificial intelligence, big data analysis, and blockchain have made banking processes faster and cheaper. Apart from that, E-finance has also increased accessibility to financial services. Through digital platforms, consumers can easily access banking products, reducing geographical limitations and increasing financial inclusivity (Widiyati & Hasanah, 2022). Competition and Adaptation Despite having a positive impact, the development of E-finance also brings serious challenges to conventional banking business models. E-finance companies that focus on specific financial services, such as peer-to-peer lending, digital payments, and online investments, challenge the traditional role of banks as primary financial service providers (Teunissen et al.,2021). Traditional banks must compete with the speed and innovation of E-finance or risk losing market share. While innovation in financial technology provides huge benefits, there needs to be a clear regulatory framework to protect consumers and maintain the stability of the financial system. Data security is a major concern, and appropriate regulation can help address the security risks associated with the growth of financial technology. The impact of Financial Technology (E-finance) innovation on traditional finance is creating a significant transformation in the way financial institutions operate. Technologies such as artificial intelligence, blockchain and big data analysis have enabled unprecedented efficiencies in financial processes. According to Trivedi et al. (2021), E-finance services such as digital payments, peer-to-peer lending, and robo-advisors reduce reliance on traditional business models, providing consumers with faster, cheaper, and more accessible alternatives.

Challenges to the Sustainability of Traditional Finance Although providing efficiency and convenience, E-finance innovations also pose significant challenges to traditional finance. Banks and other financial institutions must adapt quickly or risk losing market share. The speed of technological change and growing consumer demand create pressure to modernize infrastructure and introduce innovations. According to Purcell and Toland (2003), the sustainability of traditional financial business models depends on the ability to integrate with E-finance solutions and meet increasingly high consumer expectations. Regulatory Implications and Financial Security The impact of E-finance on traditional finance also raises significant implications regarding financial regulation and security (Rethans et al., 2002). Regulators around the world need to face the challenging task of creating a framework that can facilitate innovation without compromising the security of the financial system. Sustainability and public trust in the financial system require smart and adaptive regulatory measures. Increased focus on consumer protection, data privacy, and preventing financial crimes are becoming important in facing the new dynamics brought by E-finance innovation.

E-finance and banks have the same role, namely providers of financial services and products, however, e-finance services offer competitive options compared to banks (Trivedi et al., 2021). The rapid development of e-finance encourages banks to always innovate in terms of digital services so that they are not eroded by the development of e-finance. What banks can do to avoid being affected by the presence of e-finance is to participate in technological innovation to maximize services and evaluate their business models. Considering the massive development of e-finance as a digital financial service, the financial industry must continue to innovate in developing technology so that it is not eroded by the development of E-finance. The presence of e-finance does not change banking financial performance, with the e-finance phenomenon encouraging banks to innovate in technology. Efforts to improve management's financial performance need to invest in information technology and banks must see the opportunity in the presence of e-finance to improve the banking e-finance system. According to Rajgopal and Venkatachalam (2011), it is very important for banks to collaborate with e-finance to coincide with the development of bank services. Zhou et al. (2018) stated that to help consumers who have not been touched by financial institutions, e-finance can be used by banks as partners. Therefore, it is necessary to encourage cooperation between financial companies and the startup industry. Collaboration can be a major factor in creating added value in e-finance for business development between conventional financial institutions and startups.

The second hypothesis: The relationship between e-quality of financial and performance

Based on the results of PLS-SEM analysis, it was obtained that the p-value was 0.000 is greater than < 0.050 and the path coefficient value was positive, so it was concluded that The quality of financial reports had a positive and significant influence on performance. Financial reports which are the basis for measuring the accountability of an agency's performance should be able to provide accurate and clear information as a form of accountability. Financial reports must be able to show information about the performance and accountability of government agencies' performance which is needed because financial reports are needed by the government in making decisions to make management improvements in the administration of government affairs so that they are better and optimal (Juwaini et al., 2022). This is in line with what was stated by Zhou et al. (2018) that financial reports are the government's main accountability tool to the general public and parliament must provide clear information as a form of representation of its performance. A financial report is an accountability report regarding the financial position of a company which is prepared maximally to be used as a reference in preparing plans and in making decisions. The quality of a company's financial reports usually depends on how much the information presented by the company can be useful to all its users, as well as how it prepares financial reports based on a conceptual framework and basic principles according to accounting objectives. According to Zarzycka and Krasodomska (2022), the quality of financial reports is said to be good if the information presented in the report can be understood, and meets the needs of users in making decisions, is free from misleading meanings, material errors and is reliable, so that the financial reports can be compared with previous periods.

The third hypothesis: The relationship between e-competence and the performance

Based on the results of PLS-SEM analysis, it was obtained that the p-value was 0.000 greater than < 0.050 and the path coefficient value was positive, so it was concluded that Competence had a positive and significant influence on performance. This research is in line with the research results of Farouk and Hassan (2014) that competence has a significant influence on performance and the same thing research and that the influence of competence on employee performance has a positive and significant relationship, as is the research result Baki and

Bağcı (2021) and Abroud et al. (2015). Competency has a positive and significant effect on performance. Competence has a positive and significant effect on performance. The results of this research are different from the results of research (Churet et al., 2014), which found that the relationship between competence and performance was positive but not significant. The research results obtained by Ching et al. (2017); and Farouk and Hassan (2014), explain that competency factors including knowledge, skills, work experience and motivation have a positive and significant influence on employee performance. Meanwhile, the level of knowledge is proven to have a dominant and significant effect on performance.

According to Abroad et al. (2015), the strategic relationship between human resources and company performance is a strategic map that explains the company's strategic implementation process. So, it's important to know how to think critically about cause and effect, understand the principles of good measurement, and communicate work results to superiors. So that Good competence can support good work results too. Empirically, competency has a positive and significant influence on performance. These findings state that skills have the strongest influence on the performance of employees with productivity/quantity dimensions. If employee skills are inconsistent or do not develop, then their productivity or work results will be less than optimal. Because competence is the result of a combination of task knowledge and responsibilities and work skills possessed by employees Ching et al. (2017); and Farouk and Hassan (2014) provide the view that every underlying characteristic of a person is related to the effectiveness of an individual's performance in their work or basic characteristics that have a causal/effect relationship with the criteria used as a reference that results in effective or excellent/superior performance in the workplace. According to Baki and Bağcı (2021) and Barniv et al. (2005), competence is a fundamental characteristic possessed by every person or worker, which has a direct impact on or can predict performance well. Barniv et al. (2005)) said that competence is the capacity that exists in every person or worker which can make that person able to fulfil what is implied by work within an organization so that the organization can achieve the expected results. Churet et al. (2014) revealed that competence has a positive and significant influence on employee performance, Barniv et al. (2005) said in their research that competency has a positive and significant influence on employee performance, whereas competence possessed by each employee can provide stimulus or stimulation. Will performance, so that performance will increase by itself. However, the statement is different from the findings of research conducted by Farouk and Hassan (2014) that competence in the research carried out had an influence but was not significant to performance.

5. Research Implications and Benefits

The research results related to the E-finance mechanism model for technological innovation in the Indonesian Financial and Banking Industry have implications from a theoretical, technical and managerial perspective. Managerial implications, this research has implications for the OJK as the party that manages financial and banking services regulations to regulate synergies and collaboration between banking institutions and E-finance companies in Indonesia. The benefits of this research are expected to provide insight and understanding for students, researchers and practitioners who want to develop business models related to E-finance in more depth. Easy access to e-finance can create an inclusive financial ecosystem in a country. Because everyone can access financial services from service provider institutions more easily because they don't need to bother setting a schedule just to visit a branch office. On the other hand, with just an adequate gadget and a valid identity card, they can make time at any time. With services that are more easily accessible, more and more people will have the courage to start their businesses and manage their finances more systematically. Apart from that, they can also get important information about financial education more practically. The benefits of e-finance don't just stop at the individual or community level, you know! The more prosperous people and business actors are, the more money they will have to pass on to the state. One of them is through taxes. So, from this tax, a country can increase the strength of their national economy and the social equality of their society. By fulfilling these two aspects, the country can become more competitive on the international stage and increase resilience in times of uncertainty. So, the risk of a monetary crisis that is detrimental to society will ultimately be reduced.

6. Conclusion

The results of the research analysis show that e-finance has a positive and significant relationship with performance. The quality of financial reports has a positive and significant relationship with performance. Competence has a positive and significant relationship to performance. The quality of the financial reports produced will indicate whether the performance accountability of a government agency is good or not. Accountability for the performance of government agencies that present financial reports by government accounting standards will produce quality financial reports. Suggestions: It is hoped that the results of this research can be used as a reference for conducting further research that does not only focus on the quality of financial reports and performance accountability but can also be developed for other variables that have not been studied. Based on research results, shows that competence has a positive and significant relationship to employee performance. Employee performance can increase because employees are allowed to participate in training that is held outside the office and sometimes the company also provides training, seminars, and opportunities to go to school for employees who want to develop themselves. Competence is an important factor that can influence performance so companies must pay attention to current developments so that the availability of appropriate competencies employees can meet the competitive conditions of the business world. Many factors can influence performance achievement so it is hoped that future researchers can develop this research.

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