Increasing the competitiveness of Rural Banks through an innovation approach in Bogor District

Dimas Ari Darmantyo1), Ratno Ratno2), dan Yustiana Wardhani3)*

Department of Management, Universitas Binaniaga Indonesia, Bogor, Indonesia
1)dim.askurei@gmail.com, 2)ratno.jadi@gmail.com, 3)*yustiana.wardhani@yahoo.com

* Corresponding author

Received: October 15, 2020; Accepted: November 17, 2020; Published: December 31, 2020

To cite this article: Darmantyo, D.A., Ratno, R. & Wardhani, Y. (2020). Increasing the competitiveness of Rural Banks through an innovation approach in Bogor District. The Management Journal of BINANIAGA, 5 (2), 129-144. doi: 10.33062/mjb.v5i2.394

Abstract. Competition in the banking world in increasing the value of its assets is getting tighter. The presence of financial technology adds to the tight competition in the banking world. Rural Banks (BPR) which focuses on small community services and MSMEs must innovate in order to survive in the banking industry. This research aims to find out if there is an influence of product innovation, process innovation, marketing innovation and organizational innovation on business performance, with accidental sampling method to obtain 150 samples of BPR Customers Bogor District, this research uses Structural Equation Modelling (SEM) method to analyze the data obtained. The results showed that, there is a positive influence of product innovation, process innovation, marketing innovation and organizational innovation on business performance. Product innovation variables have a stronger impact on business performance than marketing innovation, organizational innovation and process innovation.

Keywords : Product Innovation, Process Innovation, Marketing Innovation and Business Performance

INTRODUCTION

Problem Background

Competition in the banking world in increasing the value of its assets is getting tighter. The top five positions exchange positions every year. Although there are some banks whose assets rise and fall but when viewed as a whole the growth of banking assets is still of positive value. The Financial Services Authority (OJK) recorded growth of banking assets in March 2018 reaching 8.79% (Otoritas Jasa Keuangan, 2018). The presence of financial technology also adds to the tight competition in the banking world. Rural Banks (BPR) must innovate in order to survive in the banking industry. The Association of Rural Banks (Perbarindo) said the number of rural banks operating in the country is decreasing. Bank Indonesia data shows that in 2010 the number of rural banks reached 1,706 units, in 2011 the number was reduced to 1,669 units, in 2012 it was reduced to 1,653 units and in 2013 it continued to decrease to 1,639 units.

The number of BPR that have gone out of business is a problem that must be resolved immediately. One of the problems that occurred is the lack of sensitivity of the Research and Development section in keeping up with technological developments that cause a decrease in the number of customers in bpr that will have an impact on the decrease in turnover.
BPR products are only in the form of savings and deposits only. BPR presence is indeed focused on serving remote communities that are not reachable by commercial bank services. The existence of BPR is needed by MSMEs which can help MSMEs in remote areas to increase their business through capital loans or even stimulate the growth of MSMEs - new MSMEs in these remote areas. Nowadays, there are many commercial banks that expand their network to remote areas such as BRI. BRI is one of the largest banks in Indonesia will certainly put forward information technology in increasing its market share. BPR needs to innovate in order to compete with BRI or other commercial banks. BPR must have started adjusting from traditional system to technology because rapidly developing technological advances are inevitable. The emergence of several financial technology companies also can not be taken lightly so that the innovations carried out by bpr should be adjusted to the ability of innovation and the right type of innovation so as to improve the competitiveness of rural banks in the banking industry.

Research Objectives

The objectives of this research is to find out if there is an influence of product innovation, process innovation, marketing innovation and organizational innovation on business performance. This research is expected to be an input for the Bogor District government in making a policy and can provide hope for the people of Bogor District to obtain loan capital and stimulate the emergence of new MSMEs.

LITERATURE REVIEW

Understanding Innovation

Hitt et al. (2005) mentioned that innovation is an activity of discovery that produces products of commercial value. There are several advantages that will be gained from innovation. The four advantages are knowledge, brand, ecosystem and culture (Andrew et al., 2007). But the main reason for the need for innovation in an organization is that innovation will make a profit.

Based on Law No.19 of 2002, innovation is a research, development and or engineering activity carried out with the aim of developing practical application of new science values and contexts or new ways to apply existing science and technology into its products or production processes.

Directorate of Innovation and Business Incubator said that there are changes that are not included with innovations, namely:
1. Buy or make simple improvements to existing equipment and software.
2. Changes in product prices caused by changes in production prices.
3. Make customized products based on order, unless the product shows a significant change from the product that the company has ever made.
4. Regular seasonal changes examples of clothing design changes by season.
5. New products or have been through significant changes are innovations for the company but not innovations for wholesalers, retail outlets and transportation or storage companies.

Innovation can be said to be a long and cumulative series of processes that begin with the process of decision making, discovery of thought and new ideas to implementation in the market.
Innovation Capabilities

Innovation can produce not only a new product but can be in the form of new processes, services, production methods and actions so as to improve the company's competitiveness. Every Company in order to survive must be able to innovate continuously because sooner or later the innovation can be imitated by other competitors so that it requires businesses to continue to innovate and get better ideas (Tatiek, 2009). The company needs an ability to apply all creativity and innovation to solve problems called innovation capabilities.

This innovation capability will give potential so that every business can innovate effectively. This innovation capability will determine the success of innovation and success of businesses because the innovation capabilities include strategies, resources, processes, methods, tools, organization and culture (Buergin, 2006). Iddris et al (2016) explained that innovation capability is the company's ability to utilize expertise, knowledge, skills and resources related to the creation of new processes, products, services, administrations or organizational systems in creating economic value for the company so as to increase the company's profits and performance.

To measure innovation capabilities can be seen from several dimensions. According to Saunila (2017) in measuring innovation capabilities are divided into seven dimensions namely External Knowledge, Structures, Regeneration, Leadership, Employee Activity, Work Well-Being and Know-How.

Types of Innovation

The types of innovations are divided into 4 types, according to the Directorate of Innovation and Business Incubators. These four types are Product Innovations that are the introduction of goods or services that are completely new or have gone through significant improvements related to the character or purpose of using the product; Process Innovation is the application of production or delivery methods that are completely new or have gone through significant improvements; Marketing Innovation is the application of new marketing methods or significant improvements to product packaging or design, product placement, product promotion or price; Organizational innovation is the application of new organizational methods to business practices, workplace organizations or external relationships of companies.

Hassan et al. (2013) stated that product innovation is an important strategy in terms of increasing market share and business performance. Product innovation is also one of the important factors in the success of an organization. Tung (2012) stated that product innovation is the introduction of new products in the market with different technologies and more beneficial for consumers than old products. Mulyani (2015) also stated that innovation is the company's ability to bring up new ideas, products, or processes. Atalay et al.(2013) states that product innovation is the introduction and development of different and more quality new types of products and fixes the weaknesses of previous inventions. Hartini (2012) stated that product innovation is one of the impacts of rapid technological change and high product variation will determine the performance of the organization. High innovation both process innovation and product innovation will improve the company's ability to create quality products. Suendro (2010) stated that product innovation is needed to meet market demand, so that product innovation can be used as the company's competitive advantage.

Process innovation is a significant improvement or renewal of the production implementation or delivery method. Significant changes made to production are in terms of engineering, equipment and/or software. Changes in shipping methods are in terms of corporate logistics and include equipment, software and techniques for input sources, allocating supplies within the company, or final product delivery (Organization for Economic Cooperation and Development [OECD], 2005, p.49). The Directorate of Innovation and Business Incubator also stated that process innovation includes equipment, technology and
software improvements as well as delivery methods that bring efficiency to the business. Process innovation is useful to reduce production costs and also to satisfy its customers (Hassan et al., 2013, p.246).

Marketing innovation is the implementation of a new marketing method in terms of packing, design, placement and promotion of products and pricing. In terms of product design, that changes in terms of shape and appearance rather than changing its functions and characteristics. The goal of this innovation is to increase sales, market share and open new markets (OECD, 2005, pp.49–50).

Marketing innovation is intended to meet the needs of the customers for the better by opening new markets with the aim of increasing revenue. These marketing innovations related to the marketing mix include pricing strategies, product package design, product folding and promotional activities (Kotler, 2012).

Organizational Innovation is the implementation of new organizational methods in the business practices of companies, organizations where they work or external relationships. Organizational innovation can improve company performance through reducing administrative costs or transaction costs, improving job satisfaction, reducing supply costs (OECD, 2005, pp.50-51). Organizational innovation is also closely related to the routine in an organization so that it can be concluded that organizational innovation is teamwork, information sharing, coordination, collaboration and learning. (Gunday et al., 2011).

**Innovation Performance**

Innovation performance is very necessary for every company to be able to progress and develop. According to Sofyan(2017) innovation performance is a key to competitive advantage. The ability to innovate has direct consequences for the ability to compete at the individual, corporate, regional and national levels. Therefore, the values created by innovation are often realized with new things that can contribute directly to wealth.

Innovation performance can be measured through several indicators. According to Rajapathirana and Hui (2017) innovation performance is measured using product and service quality indicators, technology competitiveness, speed of introducing products and services as well as product and service updates.

**RESEARCH METHODOLOGY**

**Research Site**

This research was conducted in BPR located in Bogor District. Location selection is done intentionally (purposive). Data sources are obtained through primary data and secondary data. Primary data was obtained through questionnaires distributed to respondents and secondary data was obtained from journal and literature studies.

**Research Variables**

Research variables consist of exogenous variables (independent variables) and endogenous variables (dependent variables). According to Ghozali (2011) exogenous variables are variables that are not influenced by previous variables while endogenous variables are variables that were influenced by previous variables. In this research, exogenous variables consist of product innovation, process innovation, marketing innovation and organizational innovation while endogenous variables are business performance.

This research uses Structural Equation Modelling with estimation method used is Maximum Likehood. Using the Maximum Likehood method, a sample of 100–200 samples is required (Ghozali, 2011). Therefore, in this research, researchers used a sample of 150 respondents. The sampling method used is accidental sampling, which is...
a sampling technique by chance that anyone who meets with researchers can be used as a sample if the person is considered to match the data source (Sugiyono, 2013).

Data Analysis Method

The data analysis method used in this research is SEM (Structural Equation Modeling) operated through AMOS 20.0 program. Stages in SEM modeling are:

1. Model development based on theory
   The structural equation model is based on causality relationships where changes in one variable will result in changes in other variables.

2. Construct path diagrams and structural equations
   a. Validity Test
      Measuring the validity of construction indicators that can be seen from the value of loading factor if the $> 0.50$ then the indicator is declared significant and for indicators whose loading factor value is $< 0.50$ then it must be removed from the analysis.
   b. Reliability Test
      The questionnaire was declared to have high reliability if cronbach's Alpha $> 0.60$.

3. Choose the type of matric input and the proposed model estimate. Structural equation model accommodates matric input in the form of covariance or correlation that is where the raw data of individual observation is inputted into the AMOS program and then the AMOS program will first convert the raw data into covariant matrices or correlation matrices.

4. Assessing Structural Model Identification
   The identification problem is the inability of the proposed model to generate unique estimates. Identification problems can be seen by:
   a. There is a large standard error value for one or more coefficients.
   b. Inability of the program to invert information matrix.
   c. Impossible estimation values such as variance errors that are negative
   d. The presence of a high correlation value $> 0.90$ between estimation coefficients.

5. Assessing criteria goodness of Fit
   a. SEM assumption requirement test
      1) Sample Size
         By using the Maximum Likehood model, a sample of 100 - 200 is required, in this research, researchers used 150 samples.
      2) Normality Test
         Data can be concluded to have a normal distribution if the critical ratio skewness or kurtosis $± < 2.58$.
      3) Evaluation and Outlier
         To see whether or not the outlier can be seen through the mahalanobis distance which is then compared to the value of Chi Square and also look at the numbers p1 and p2 where if it is less than 0.5 then it is considered an outlier.If all values $> 0.5$ then it can be concluded that there is no outlier on the data.
   b. Model Feasibility Test
      The model feasibility criteria (Goodness of Fit) used is:
      1) Likelihood Ratio Chi-Square Statistic
      2) CMIN/DF
      3) RMSEA (Root Mean Square Error of Approximation)
      4) GFI (Goodness of Fit Index)
      5) CFI (Comparative Fit Index)

6. Measurement Model Fit
RESULTS AND DISCUSSIONS

At this stage will be discussed two basic stages in SEM modeling, the first is Measurement Model through Confirmatory Factor Analysis and the second is Causal Model or Structural Equation Model.

1. **Measurement Model**

   Measurement model is a modeling process in research directed to investigate the undimensionality of indicators that explain a factor or a latent variable. In detail for measurement model testing will be described as follows:

   a. **Product Innovation Variables**

   Indicators to measure product innovation are:

   1) The type of products produced by the Bogor District Rural Banks has a variety of variations.

   2) The Bogor District Rural Banks introduces product innovations with completely new attributes to the market.

   3) New products of the Bogor District Rural Banks are innovative in meeting the needs of customers.

   4) The Bogor District Rural Banks adopts new ideas in the development of new products.

   5) The Bogor District Rural Banks introduces new products quickly to the market

   These five indicators will be confirmed by researchers whether those indicators together and strongly constitute a "definition" (and therefore unidimensional) of product innovation variables. Confirmation was done through a model confirmatory factor analysis. The results of confirmatory factor analysis can be seen in Figure 1.

From Amos's computational display above, researchers can interpret the calculation results. The Goodness-of-fit test of the model presented above can be explained as seen in the following table.

<table>
<thead>
<tr>
<th>Goodness of Fit Index</th>
<th>Cut-off Value</th>
<th>Model Result</th>
<th>Remark</th>
</tr>
</thead>
<tbody>
<tr>
<td>$\chi^2$ – Chi-square</td>
<td>$\leq \chi^2$ Tabel</td>
<td>4,853</td>
<td>Good</td>
</tr>
</tbody>
</table>
b. Innovation Process Variables

Indicators for measuring process innovation are:
1) The Bogor District Rural Banks utilizes new tools and technologies effectively and efficiently.
2) The Bogor District Rural Banks learns more about the development of the latest process than competitors.
3) The Bogor District Rural Banks is the first industry to implement a new process.
4) The Bogor District Rural Banks maintains the development of the latest process.
5) The Bogor District Rural Banks considering a very different process to the existing process in this industry.

These five indicators will be confirmed by researchers whether those indicators together and strongly constitute a “definition” (and therefore unidimensional) variable innovation process. Confirmation was done through a model confirmatory factor analysis. The results of confirmatory factor analysis can be seen in Figure 2.

From Amos’s computational display above, researchers can interpret the calculation results. Goodness-of-fit test of the model presented above can be explained as seen in Table 2.

<table>
<thead>
<tr>
<th>Goodness of Fit Index</th>
<th>Cut-off Value</th>
<th>Model Result</th>
<th>Remark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Significance Probability</td>
<td>≥ 0.05</td>
<td>0.434</td>
<td>Good</td>
</tr>
<tr>
<td>RMSEA</td>
<td>≤ 0.08</td>
<td>0.000</td>
<td>Good</td>
</tr>
<tr>
<td>GFI</td>
<td>≥ 0.90</td>
<td>0.988</td>
<td>Good</td>
</tr>
<tr>
<td>AGFI</td>
<td>≥ 0.90</td>
<td>0.964</td>
<td>Good</td>
</tr>
<tr>
<td>CMIN/DF</td>
<td>≤ 2.00</td>
<td>0.971</td>
<td>Good</td>
</tr>
<tr>
<td>TLI</td>
<td>≥ 0.90</td>
<td>1.001</td>
<td>Good</td>
</tr>
<tr>
<td>CFI</td>
<td>≥ 0.90</td>
<td>1.000</td>
<td>Good</td>
</tr>
</tbody>
</table>

Figure 2
Confirmatory Factor Analysis Innovation Processes

Tabel 2
Goodness-of-fit Indicators of Product Innovation

<table>
<thead>
<tr>
<th>Goodness of Fit Index</th>
<th>Cut-off Value</th>
<th>Model Results</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>χ² – Chi-square</td>
<td>≤ χ² Tabel</td>
<td>3.484</td>
<td>Good</td>
</tr>
<tr>
<td>Significance Probability</td>
<td>≥ 0.05</td>
<td>0.626</td>
<td>Good</td>
</tr>
<tr>
<td>RMSEA</td>
<td>≤ 0.08</td>
<td>0.000</td>
<td>Good</td>
</tr>
<tr>
<td>GFI</td>
<td>≥ 0.90</td>
<td>0.991</td>
<td>Good</td>
</tr>
</tbody>
</table>

Dimas Ari Darmantyo, Ratno, and Yustiana Wardhani. Increasing the competitiveness of Rural Banks through an innovation approach in Bogor District
c. Marketing Innovation Variables

Indicators for measuring Process Innovation are:
1) The Bogor District Rural Banks opens branches in various regions.
2) The Bogor District Rural Banks is able to see opportunities in expanding the market network.
3) The Bogor District Rural Banks is able to compete in marketing strategies with other competitors.
4) The Bogor District Rural Banks understands what customers feel for their business continuity.
5) The Bogor District Rural Banks is able to establish good relations with its customers.

These five indicators will be confirmed by researchers whether those indicators together and strongly constitute a “definition” (and therefore unidimensional) of marketing innovation variables. Confirmation was done through a model confirmatory factor analysis. The results of confirmatory factor analysis can be seen in Figure 3.

![Figure 3 Confirmatory Factor Analysis of Marketing Innovation](image)

From the Amos computational display in Figure 3, researchers can interpret the calculation results. The Goodness-of-fit test of the model presented above can be explained as seen in the following table.

<table>
<thead>
<tr>
<th>Goodness of Fit Index</th>
<th>Cut-off Value</th>
<th>Model Results</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>AGFI</td>
<td>≥ 0.90</td>
<td>0.972</td>
<td>Good</td>
</tr>
<tr>
<td>CMIN/DF</td>
<td>≤ 2.00</td>
<td>0.697</td>
<td>Good</td>
</tr>
<tr>
<td>TLI</td>
<td>≥ 0.90</td>
<td>1.008</td>
<td>Good</td>
</tr>
<tr>
<td>CFI</td>
<td>≥ 0.90</td>
<td>1.000</td>
<td>Good</td>
</tr>
</tbody>
</table>

Table 3 Goodness-of-fit Indicates of Marketing Innovation

Dimas Ari Darmantyo, Ratno, and Yustiana Wardhani. Increasing the competitiveness of Rural Banks through an innovation approach in Bogor District
d. Organizational Innovation Variables

Indicators to measure Organizational Innovation are:

1) The Bogor District Rural Banks provides stimulus to members in order to issue ideas, create innovations and conduct initiatives.
2) The Bogor District Rural Banks has flexible facilities and can be modified to facilitate innovation activities in advancing its organization.
3) The Bogor District Rural Banks has members who can manage all information from outside to produce innovations.
4) The Bogor District Rural Banks has teams that always innovate well in all organizational activities.
5) Each division always supports all innovation activities carried out by other divisions.

The five indicators will be confirmed by the researcher whether the indicators together and strongly constitute a "definition" (and therefore unidimensional) of organizational innovation variables. The confirmation is done through a confirmatory factor analysis model. The results of confirmatory factor analysis can be seen in Figure 4.

![Figure 4: Confirmatory Factor Analysis of Organizational Innovation](image)

From the Amos computational display above, the researcher can interpret the calculation results. The Goodness-of-fit test of the model presented above can be summarized as shown in the following table.

<table>
<thead>
<tr>
<th>Goodness of Fit Index</th>
<th>Cut-off Value</th>
<th>Model Results</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>TLI  ≥ 0.90</td>
<td>0.961</td>
<td>Good</td>
<td></td>
</tr>
<tr>
<td>CFI  ≥ 0.90</td>
<td>0.980</td>
<td>Good</td>
<td></td>
</tr>
</tbody>
</table>

**Table 4**

Goodness-of-fit Indicates of Organizational Innovation

<table>
<thead>
<tr>
<th>Goodness of Fit Index</th>
<th>Cut-off Value</th>
<th>Model Results</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>χ² – Chi-square</td>
<td>≤ χ² Table</td>
<td>9,220</td>
<td>Good</td>
</tr>
<tr>
<td>Significance Probability</td>
<td>≥ 0.05</td>
<td>0.101</td>
<td>Good</td>
</tr>
<tr>
<td>RMSEA</td>
<td>≤ 0.08</td>
<td>0.075</td>
<td>Good</td>
</tr>
<tr>
<td>GFI</td>
<td>≥ 0.90</td>
<td>0.976</td>
<td>Good</td>
</tr>
<tr>
<td>AGFI</td>
<td>≥ 0.90</td>
<td>0.929</td>
<td>Good</td>
</tr>
<tr>
<td>CMIN/DF</td>
<td>≤ 2.00</td>
<td>1.844</td>
<td>Good</td>
</tr>
</tbody>
</table>
e. BPR Bussiness Performance Variables

Indicators to measure Bussiness Performance are:
1) The Bogor District Rural Banks is able to generate profits based on its assets.
2) The Bogor District Rural Banks is able to make efficient use of its own capital.
3) The Bogor District Rural Banks is able to increase the percentage of net income.
4) The Bogor District Rural Banks is able to demonstrate product efficiency in generating profits.
5) The Bogor District Rural Banks maintains extensive relationships with various kinds of customers.
6) The Bogor District Rural Banks improves good services.
7) Hospitable and friendly service becomes the "corporate culture" of the Bogor District Rural Banks.
8) Education and training regarding the knowledge and skills of human resources is carried out in order to improve the performance of the Bogor District Rural Banks.

The eight indicators will be confirmed by the researcher whether the indicators together and strongly constitute a "definition" (and therefore are unidimensional) of business performance variables. The confirmation is done through a confirmatory factor analysis model. The results of confirmatory factor analysis can be seen in Figure 5.

<table>
<thead>
<tr>
<th>Goodness of Fit Index</th>
<th>Cut-off Value</th>
<th>Model Results</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>TLI</td>
<td>≥ 0.90</td>
<td>0.982</td>
<td>Good</td>
</tr>
<tr>
<td>CFI</td>
<td>≥ 0.90</td>
<td>0.991</td>
<td>Good</td>
</tr>
</tbody>
</table>

Figure 5
Confirmatory Factor Analysis of Business Performance

From the Amos computational display in Figure 5, the researcher can interpret the calculation results. The Goodness-of-fit test of the model presented above can be summarized as shown in the following table.

<table>
<thead>
<tr>
<th>Goodness of Fit Index</th>
<th>Cut-off Value</th>
<th>Model Results</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>( \chi^2 ) – Chi-square</td>
<td>≤ ( \chi^2 ) Tabel 21,393</td>
<td>21,393</td>
<td>Good</td>
</tr>
<tr>
<td>Significance Probability</td>
<td>≥ 0.05</td>
<td>0,100</td>
<td>Good</td>
</tr>
<tr>
<td>RMSEA</td>
<td>≤ 0.08</td>
<td>0,074</td>
<td>Good</td>
</tr>
</tbody>
</table>

Dimas Ari Darmantyo, Ratno, and Yustiana Wardhani. Increasing the competitiveness of Rural Banks through an innovation approach in Bogor District
2. **Structural Model**

Structural models are used to draw models of causality with tiered relationships. The results for the Model Structure Test can be presented in Table 6.

![Structural Equation Model](image)

**Figure 6**

Structural Equation Model

From the Amos computational display above, the researcher can interpret the calculation results. The Goodness-of-fit test of the model presented above can be summarized as shown in the following table.

<table>
<thead>
<tr>
<th>Goodness of Fit Index</th>
<th>Cut-off Value</th>
<th>Model Results</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>GFI</td>
<td>≥ 0.90</td>
<td>0.928</td>
<td>Good</td>
</tr>
<tr>
<td>AGFI</td>
<td>≥ 0.90</td>
<td>0.991</td>
<td>Good</td>
</tr>
<tr>
<td>CMIN/DF</td>
<td>≤ 2.00</td>
<td>1.070</td>
<td>Good</td>
</tr>
<tr>
<td>TLI</td>
<td>≥ 0.90</td>
<td>0.953</td>
<td>Good</td>
</tr>
<tr>
<td>CFI</td>
<td>≥ 0.90</td>
<td>0.995</td>
<td>Good</td>
</tr>
</tbody>
</table>

From Table 6, it is obtained the Chi-squares value of 7.353 with a probability of $p = 0.136$; RMSEA 0.006; GFI 0.980, AGFI 0.914; CMIN / DF 1.761; TLI 0.964 and CFI 0.990, this means that the model is fit.
Discussion

1. The Influence of Product Innovation on Business Performance

   The estimated value (loading factor) of the influence of product innovation variables on business performance is 0.825. This test shows significant results with a CR value of 3.124 > 1.96 and the p number is 0.011, this figure is far below 0.05 so that \( H_0 \) is rejected and \( H_1 \) is accepted, which means that there is an influence between product innovation on business performance.

   Marketing performance is a measure of the success that a company can achieve in marketing its products in the market (Mulyani, 2015). Nasution (2014) also states that marketing performance is a concept used to measure a company’s performance in the market for a product. Marketing performance is an effort made by companies to determine needs, meet consumer needs and tastes (Leal-Rodríguez and Albort-Morant, 2016). Marketing performance is an achievement achieved by an organization as seen from the results of its marketing work (Maslucha and Sanaji, 2013).

   The Results of this Research are supported by Asashi and Sukaatmadja (2017) who also found product innovation has a positive and significant effect on marketing performance. Product innovation plays a significant role in mediating the effect of market orientation on marketing performance. Physical Research (2016) also states that product innovation has a positive and significant effect on marketing performance at PT. Bisma Narendra in Jakarta. Product innovation contributed 33.5% to marketing performance.

2. The Influence of Process Innovation on Business Performance

   The estimated value (loading factor) of the influence of process innovation variables on business performance is 0.477. This test shows significant results with a CR value of 1.971 > 1.96 and the p number is 0.049, this figure is below 0.05 so that \( H_0 \) is rejected and \( H_1 \) is accepted, which means that there is an influence between process innovation on business performance.

   Process innovation is the implementation of completely new or significantly improved production or delivery methods. Process innovation is useful for reducing production costs and also for satisfying customers (Hassan et al., 2013). Process innovation that has been carried out by BPR in improving its performance is to provide the best possible service by providing friendly service, paying attention to customers and helping to find solutions if a customer complains.

   The Results of this Research are supported by Hamali and Hidayat (2017) and Rashin and Ghina (2018). Both found that process innovation had a positive and significant effect on business performance.

3. Direct Influence of Marketing Innovation on Business Performance

   The estimated value (loading factor) of the influence of marketing innovation variables on business performance is 0.784. This test shows significant results with a CR value of 2.298 > 1.96 and the p number is 0.022, this figure is below 0.05 so that \( H_0 \) is rejected and \( H_1 \) is accepted, which means that there is an influence between Marketing Innovation on business performance.

   Venkatraman and Ramanujam (1986, pp. 803–804) state that the concept of business performance is narrowly centered on the use of results based on financial indicators which are assumed to reflect the fulfillment of the company’s economic goals, this concept refers to financial performance such as market growth, profitability, earnings per share. While the broad concept of business performance, in addition to financial performance indicators, it also includes operational performance indicators (i.e. non-financial).

---

Dimas Ari Darmantyo, Ratno, and Yustiana Wardhani. Increasing the competitiveness of Rural Banks through an innovation approach in Bogor District

Page : 140
Hamali and Hidayat's research (2017) in their research also found that marketing innovation has a positive and significant effect on business performance. Physical Research (2016) Market orientation has a positive and significant effect on marketing performance at PT. Bisma Narendra in Jakarta. Market orientation has an influence contribution of 40.8% on marketing performance.

4. The Influence of Organizational Innovation on Business Performance

The estimated value (loading factor) of the influence of the organizational innovation variable on business performance is 0.742. This test shows significant results with a CR value of 2.193 > 1.96 and the p number is 0.034, this figure is below 0.05 so that H0 is rejected and H1 is accepted, which means that, there is an influence between the Organizational Innovation on business performance.

Hamali and Hidayat's (2017) research results state that organizational innovation has a positive and significant effect on business performance. Innovation in an organization is a stable system, which is the embodiment of cooperation between individuals, to achieve common goals, by holding certain levels and division of tasks. As for the innovations in BPRs, they have run well with the existence of regulated SOPs.

CONCLUSIONS AND SUGGESTIONS

Conclusions
Based on the results of the descriptions and discussions in the previous chapters, it can be concluded that:

1. Product innovation affects the business performance of the Bogor District Rural Banks. This means that the high performance of the organization's business is influenced by product innovation. If product innovation is carried out regularly by organizations, business performance will increase.

2. Process innovation affects the business performance of the Bogor District Rural Banks. This means that the high performance of the organization's business is influenced by process innovation. If process innovation is carried out by the organization, the business performance will increase.

3. Marketing innovation affects the business performance of the Bogor District Rural Banks. This means that the high performance of the organization's business is influenced by marketing innovation. If marketing innovation is increased, it will have an impact on improving business performance.

4. Organizational innovation affects the business performance of the Bogor District Rural Banks. This means that high organizational business performance is influenced by organizational innovation. If organizational innovation is increased, it will have an impact on improving business performance.

Suggestion
Based on the conclusions and implications of the research results as described above, some suggestions that need to be considered are as follows:

1. Rural Banks must increase efforts related to product innovation by always conducting market analysis related to new products which are needed by the target market in the future and innovation is seen as a necessity in marketing because without innovation, the old product will gradually not demanded by the market.

2. Rural Banks improves business related to ensuring policies related to process orientation by utilizing new tools and technology effectively and efficiently, learning more about the latest process development compared to competitors, maintaining up-
to-date process development and taking into account the processes different from the process that has been done before.

3. Rural Banks improves business related to ensuring policies related to market orientation that can be implemented by all employees properly and maintaining product quality so as to be able to open markets widely and compete with competitors' products.

4. Rural Banks must increase efforts related to organizational innovation variables, namely by stimulating members to issue ideas, create innovations and take initiatives, have an innovative team. Mutual support between divisions.

REFERENCES


