
Factors that influence employee's retention rate in financial technology startups in Indonesia

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ABSTRACT

The current human resource management (HR) and brand marketing (Employer Branding) issues are recruiting and retention approaches that 'involve internally and externally encourage a clear vision of what makes a business different and attractive as a business. Sampling is done using probability sampling techniques, namely sampling techniques that provide equal opportunity or opportunity for each member of the population to be selected as a sample. This method is carried out when members of the population are considered homogeneous to financial technology startups employees. The results of this study explain that there are several important factors that can affect employee retention at financial technology startups companies, one of which is compensation and recognition which have a significant effect on employee retention. Motivation is the variable that has the greatest influence on employee retention, apart from having a direct effect on motivation, motivation has also succeeded in being a mediator between compensation for employee retention and recognition of employee retention.

Keywords: Employee Retention; Financial Technology; Startups; Indonesia.

1. INTRODUCTION

The increasing economic situation in the world that is increasing rapidly continues to cause the economy in Indonesia to increase as well. Companies in Indonesia are expected to prepare themselves for business competition in this era. The company must have supporting factors such as effective management, and employees who play an important role as the company's main assets. The progress of a company is determined by the quality of human resources, especially performance through increased employee engagement, so the effectiveness and productivity of the company will also increase, so that the company's goals are achieved. Companies that have employees with high retention will maximize the company (Christian, 2018).

Human resources have important roles and tasks for a company to realize its goals. All problems that occur in the company have a very large impact on the survival of employees. (Mathis & Jackson, 2006) stated that retention is an effort to keep employees in the organization to achieve the organization's

goals. In order to achieve the goals in accordance with the vision and mission, the company must be able to retain employees for a long period of time. (Putra & Rahyuda, 2016), states that retaining employees is the duty and responsibility of the company itself.

The current human resource management (HR) and brand marketing (Employer Branding) issues are recruiting and retention approaches that 'involve internally and externally encourage a clear vision of what makes a business different and attractive as a business (Lievens, 2007) As an efficient organizational strategy to distinguish from rivals and achieve competitive advantage in the labor market, it has been suggested (Collins & Stevens, 2002; Lievens & Highhouse, 2003). Employer branding is often seen as the key solution to reacting to employee recruiting and retention problems. (Martindale & Dowdy, 2010).

Social trends such as globalization, technological upgrading and growing global competition are confronting organizations today. Companies must be able to predict technological progress and

compete internationally with other businesses. Demographic changes, in addition to economic growth, have placed pressure on businesses. The rapid ageing of the working workforce must be tackled in today's society, as fewer young people enter the labor force, even jobs called baby boomers are increasingly withdrawing (Govaerts et al., 2011).

The Global World Economic Forum estimates that Indonesia will be ranked eighth in the global economy by 2020. Standard Chartered Bank supports this argument, which predicts the same thing, though Goldman Sachs predicts that, after China, the United States, India, Brazil, Mexico and Russia, Indonesia will become the world's number seven economic power. This forecast is no joke. E-commerce, which is thought to be the economic force of the future, is an extension of one of the supporters of economic power. Indonesia's internet users reached 47.9 percent of the population in 2015, or as many as 93.4 million people, and are estimated to rise to 140 million users in 2020. While it is estimated that mobile users have reached 142 percent of a total population of 262 million based on data from katadata.co.id in 2017, assuming that one person uses two to three cell phone cards (Deloitte Indonesia Perspectives, 2019). Some firms protested in their respective offices about the high turnover rate, which inevitably left the department of human resources frustrated by this (Kashyap & Rangnekar, 2016).

Company's employees need to be considered in order to maintain the stability of the organization that occurs in it, to keep employees working well, employee welfare must remain a company's concern. Christian (2018) argue that the success of a company depends on how the employee's performance, efficiency, honesty, perseverance and integrity. Failure to manage human resources will lead to disruption in the organization's achievement of objectives, both in the organization's efficiency, benefit and survival (Christian, 2018). Retaining employees is an essential objective of any organization and the secret to an organization's long-term health and success depends on retaining employees and maintaining the high retention of employees will improve the company's productivity and results because, with high retention, turnover will naturally be low (Darmika & Sriathi, 2019).

The average industry turnover rate is above 10% at the moment (Deloitte Indonesia Perspectives, 2019). In the Indonesian context, one of the financial company that is experiencing significant growth is Fintech. This makes Fintech companies a people destination to start their careers in the company. Low employee retention will be costly for the company. Every company strives to maintain employee retention rates as a company operational efficiency.

To increase retention of employees, companies must implement an employee development policy, because the policy is felt to provide work motivation for employees. Employee retention has several impacts, including the impact of turnover, burnout, and employee loyalty. These three impacts are mutually influencing the employee retention program in the company (Mak & Sockel, 2001). Welfare programs for employees in the company can be in the form of compensation and rewards, therefore, many management believe that money is a significant factor in employee retention., while it can also be in the form of a conducive work environment in an organization (Mathis & Jackson, 2011).

(Darmika & Sriathi, 2019) stated the main aim of retention is to avoid the discharge from the company of workers who have experience, since it can have an adverse impact on the competitiveness of the organization. From the principles that have been put forward, retention of employees is a mechanism in which a business may attract future employees to stay loyal to the business for a longer period of time.



Figure 1. Scale of Organization and Collaborative Partners
Source: (Asosiasi Fintech Indonesia, 2019)

Fintech as part of the business today, faces the same challenges related to employee retention rates above. Fintech must compete with other businesses so the company needs a strategy in dealing with the low employee retention rates or high turnover that is experienced by many companies today.

Actually financial technology is not a new phenomenon, starting from 1800 the type of telegraph technology had appeared in the world, until the 1900s automated teller machines, credit cards, online shopping, until the first capital market system was present in the world, even the most e-commerce sites world famous was born at this time the Alibaba company owned by renowned businessman from China, Jack Ma. In the 2000s the development of financial technology has sprung up around the world and has become more sophisticated. The 2000s were a season of financial technology similar to Apple Pay that was established in 2014 to Samsung Pay in 2015 (Febriani & Hermawan, 2018).

One of the main keys to increasing financial inclusion is expanding access to financial institutions. The development of FinTech, which is increasingly known to the wider community, will make financial institutions more accessible to the wider community because of relatively no constraints in infrastructure and time constraints. In addition FinTech products have a variety of products that are diverse and relevant and in accordance with the needs of the community (Rahmanto & Nasrullah, 2019).

The development of financial companies in Indonesia requires management to be able to control the company's operating costs due to increasingly fierce competition. HRD managers must have good retention management. (Malik et al., 2010) it claimed that high retention of employees would influence organizational success in achieving organizational objectives and missions. While (Sumarni, 2011), it mentioned that in terms of improving employee performance, high employee retention is required. If employee retention is poor, turnover may increase, which can have a negative impact on the efficiency and effectiveness of the company. Maintaining high employee retention would improve the company's productivity and results because, of course, turnover will be low with high retention (Yurika, 2011). Low turnover saves the expense of recruiting and selection. Attracting and maintaining talent in a company for a fair period

of time is a major challenge facing public and private companies in Indonesia in all sectors today. Increased employee recruiting and retention rates include the advantages of an efficiently executed talent management plan. Employee retention information can be a source of competitive advantage for businesses. The influence it has on the hiring and retention of valuable personnel is one of the biggest advantages of talent management (Hasani & Sheikhesmaeili, 2016).

The success of any company's retention management depends on a Human Capital Management (HCM) strategy in place to ensure they retain talented employees. The challenges faced by HCM and managers today are getting employees to continue to be involved in company activities and also ensuring the interest of talented employees to join the company and retain talented employees within the company. (Kigo & Hazel, 2016). (Letters, 2011) revealed in his research that the size of employee retention will have an influence on the performance and performance of the company in its efforts to achieve the company's goals or mission. If the employee retention is weak, then employee turnover will increase and have a negative effect on the performance and effectiveness of the company. Maintaining employee retention levels is believed to have an influence on the effectiveness and performance of a company, because with high employee retention, thus employee turnover in a company is low. (Yurika, 2011). From all of the above opinions, it can be concluded that employee retention is the biggest challenge faced by HCM in the modern and digital economy. Retention of employees for a certain period of time in an organization is a major challenge facing public and private corporations in Indonesia today in all sectors.

Another factor that supports the development of employee retention programs is employee motivation. Work motivation is considered to be the most important part in terms of the commitment of employees to their desire to be loyal to the company, it is assumed that employees who have high work motivation, then these individuals have a high organizational commitment to remain in an organization. Motivation is the most important part in encouraging employees to stay loyal and stay in the company (Permata & Rahardja, 2016).

2. METHODOLOGY

The research method is a scientific way to get data with a specific purpose and purpose. The scientific way means a study must be based on scientific characteristics, namely systematic, rational, and empirical. Systematic which means a study must be carried out in accordance with logical steps. Rational, which means a study must be affordable by human reasoning, and empirical namely the ways carried out in a study must be observable by the human senses, so that it can be observed and known in ways that (Saunders et al, 2009). In this study, using quantitative research methods, where the data collected are numbers that will be analysed using statistics (Saunders et al., 2009).

This quantitative method uses the logic of deductive thinking, namely from the general specificity, from the two-step flow of communication that is generally applied to the performance of corn farmer companies as the object of research. As a quantitative study, this study is also independent, where there is a distance between the researcher and the object under study. Data collection method that will be used is through surveys with questionnaire aids that will be carried out to corn company employees. The results of the questionnaire will be described in the form of statistical data. This study was conducted to examine the factors that influence employee retention in one of the Fintech companies in Indonesia, especially on employees of millennial generation, therefore Structural Equation Model (SEM) will be used using the SmartPLS 3 software as an analysis tool in this study.

Population is a field of generalization consisting of objects or topics that have certain attributes and features to be observed and then drawn conclusions decided by researchers. Not only persons, but also artifacts and other natural objects, are the community. The population is also not only a number that resides on the object or subject examined, but also contains all the attributes or characteristics of the subject or object (Sekaran & Bougie, 2013). The population in this study are employees of Fintech-based companies in Jakarta. Based on data obtained from the company, it is known that the number of employees at compan, which is one of the Fintech companies, has 251 employees.

The sample is a part of the population's numbers and characteristics. If the population is big, and researchers do not study everything in the population, for instance because of limited funds, workforce, and time, then researchers may use samples taken from that population (Sekaran & Bougie, 2013). Sampling is done using probability sampling techniques, namely sampling techniques that provide equal opportunity or opportunity for each member of the population to be selected as a sample (Saunders et al., 2009). There are several methods in probability sampling, in this study the method used is simple random sampling. Simple random sampling is a technique for obtaining samples that are directly carried out in the sampling unit. Thus each sampling unit as an element of a remote population has the same opportunity to become a sample or to represent the population (Saunders et al., 2009). This method is carried out when members of the population are considered homogeneous to financial technology startups employees.

As a social researcher, the possibility of errors or bias in research is quite small. The acceptable error rate in this study is 5% ($e = 5\%$) or it can also be said that the study uses a 95% confidence level. Sampling is the process of selecting a sufficient number of samples from a population, so that a study of the sample and understanding of the properties or characteristics of the sample allows generalization of all elements of the population (Sekaran & Bougie, 2013). Sampling involves the following steps: (1) population determination; (2) determination of sample frames; (3) determination of sampling design; (4) determination of sample size; and (5) carrying out the sampling process. According to (J. Hair et al., 2010), to determine the sample size of a population that cannot be calculated is as follows:

1. It is recommended above 30 samples.
2. For business surveys, a sample of around 100 is considered adequate.
3. Or ranges from 15 to 20 times of the independent variable.

According to Saunders et al (2009) there are two sampling techniques that can be used, namely: Probability Sampling is a sampling method that requires an equal opportunity for each element of the population to be selected as a sample member. These techniques include, simple random sampling, proportionate stratified random sampling, disproportionate stratified random sampling, sampling area (cluster). The number of samples used in this study will be determined using (J. Hair et al., 2010) using more than 100 samples as a minimum number in the use of this research. The number of samples in this study will be determined using the Slovin formula (Slovin et al., 1993):

$$n = \frac{N}{1 + Ne^2}$$

$$n = \frac{251}{1 + 251 (0,05)^2}$$

$$n = \frac{251}{1,6275}$$

$$n = 154,22427 = 155$$

From the result to the formula above, the researcher will collect data from 155 ideal respondents so that this research is for more accurate results.

3. RESULT AND DISCUSSION

At this stage is to measure the amount of influence to test the hypothesis, the value of the coefficient of influence between constructs is used to determine the effect directly or indirectly. According to (J. F. Hair et al., 2011) The procedure of creating a predetermined large number of bootstrap samples (eg 5,000) by drawing cases randomly with replacement from the original sample. Each bootstrap sample must have the same number of cases as the original sample. The PLS algorithm estimates the SEM results from each bootstrap sample (for example, 5,000 PLS-SEM estimates). The repeated bootstrap parameter estimates are then used to construct the empirical sampling distribution for each model parameter, and the standard deviation of the empirical sampling distribution is used as a proxy for the empirical standard error rate for that parameter. The obtained path model coefficients form a bootstrap distribution, which can be viewed as an estimate of the sampling distribution. The PLS-SEM results of all bootstrap

samples provide standard errors for each path model coefficient. With this information, the t-test in the study can be conducted to measure the significance of the path model relationship.

One way of understanding this choice is to consider the existing sample to be the best representation of budget hotel employees from the underlying population. This thesis may not have the entire population to sample from others, but the data of this thesis have special population representation. Completely random resampling of this population representation means that it is used as a sample with replacement, resampling by resampling is done because it is the right thing to do, given the model behind the bootstrap is to use a non-parametric maximum likelihood to estimate the cumulative distribution function, then take a sample of independent observations from the estimated cumulative distribution function. The image below will explain path analysis for hypothesis testing as follows:

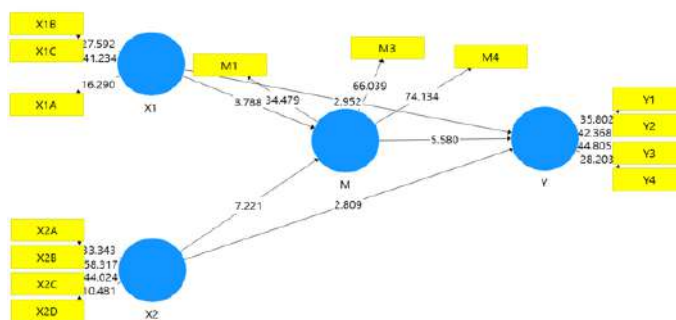


Figure 4.3 Path Analysis

The results of the bootstrapping above to test the hypothesis, all indicator items in all constructs have a statistical value greater than 1.96, the conclusion is that all the indicator items above are able to measure the existing constructs. Meanwhile, to test the effect between variables, the statistical value of the Smart PLS analysis results was compared with the table value. The following is a table that provides the results of the relationships between constructs.

Table 4.6 Hypothesis

Hypothesis	Path Analysis	t Statistics	Sig P Values	Information
H ₁	Compensation -> Employee Retention	2,952	0,003	Accepted
H ₂	Recognition -> Employee Retention	2,809	0,005	Accepted
H ₃	Motivation -> Employee Retention	5,580	0,000	Accepted
H ₄	Compensation -> Motivation -> Employee Retention	3,903	0,000	Accepted
H ₅	Recognition -> Motivation -> Employee Retention	3,822	0,000	Accepted

The results above show that compensation has a positive effect on employee retention with a t value of 2.952 and a p-value of 0.003 <0.05. So it can be said that H0 is rejected and H1 is accepted. In the table above, it is known that recognition has a positive effect on employee performance with a t value of 2.809 and has a significant effect because it has a p-value of 0.005 <0.05. So it can be said that H0 is rejected and H2 is accepted. In the table above, it is known that motivation has a positive influence on employee performance with a t value of 5,580 and has a significant effect because it has a p-value of 0,000 <0.05. So it can be said that H0 is rejected and H3 is accepted.

In the table above, it is known that compensation through motivation has an indirect positive effect on employee performance with a t value of 3.903 and has a significant effect because it has a p-value of 0.000 <0.05. So it can be said that H0 is rejected and H4 is accepted, in this case motivation is successful as a mediation because in the direct effect compensation has a lower t value on its effect on employee retention. In the table above, it is known that recognition through motivation has an indirect positive effect on employee retention with a t value of 3,822 and has a significant effect because it has a p-value of 0,000 <0.05. So it can be said that H0 is rejected and H5 is accepted, in this result motivation is successful as a mediation which has a significant value and has a higher t value than the direct effect of recognition on employee retention.

4. CONCLUSION

Retaining employees is an essential objective of any organization and the secret to an organization's long-term health and success depends on retaining employees and maintaining the high retention of employees will improve the company's productivity and results because, with high retention, turnover will naturally be low. The results of this study explain that there are several important factors that can affect employee retention at financial technology companies, one of which is compensation and recognition which have a significant effect on employee retention. Motivation is the variable that has the greatest influence on employee retention, apart from having a direct effect on motivation, motivation has also succeeded in being a mediator between compensation for employee retention and recognition of employee retention. Low turnover saves the expense of recruiting and selection. Attracting and maintaining talent in a company for a fair period of time is a major challenge facing public and private companies in Indonesia in all sectors today. Increased employee recruiting and retention rates include the advantages of an efficiently executed talent management plan. Employee retention information can be a source of competitive advantage for businesses. The influence it

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