The Effect of Internal and External Environment of Banks Local People's Rights on the Effectiveness and Performance of Rural Bank in the East Java Economic Growth

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Abstract
This study aims to determine the influence of the internal and external environment of rural banks owned by local governments and their impact on the welfare of the people in East Java. The population is the village community of 5 Rural Credit Banks owned by the regional government that channeled village fund allocations in East Java. Using the SEM rule, the number of samples is 250 respondents. The results showed that: 1). The internal environment influences the effectiveness, performance of rural banks, and 3). The internal environment has a negative effect on rural economic growth. 2). The external environment affects the effectiveness, performance of rural banks, and rural economic growth. 7). The effectiveness of rural banks affects the performance of rural banks. 3). The effectiveness of rural banks affects the welfare of rural communities, community economic growth, and community welfare. 4). Village economic growth affects the welfare of the community. 5). The welfare of village communities after the government channeled village funds through rural banks in East Java increased, this is evidenced by the improved living conditions of the community, where villagers now have savings, and each villager has a semi-permanent residence. Suggestions to rural banks, to always improve their performance by increasing the number of village funds distributed annually; Increase the number of villages that are rural bank partners; and improving the ability of rural banks to collect village funds from the government. Further research is recommended to increase the scope of research, taking into account all districts in East Java.

Keywords: internal environment, external environment, rural bank effectiveness, rural bank performance, rural economic growth, community welfare.

I. Introduction

At present the competition of banking players is very tight in fighting over customers. Various approaches taken by banks in collecting and distributing funds. The competition to give the best to the customers carried out by each bank has placed the customer as one of the factors to show marketing performance for the company. The increasing number of banks operating with various facilities and facilities offered makes the community able to make choices according to their needs.

Rural Credit Bank is a bank that carries out business activities carried out conventionally. The Government's policy to make rural banks as Rural Banks and limit rural banks from operating by implementing the principle of full efficiency actually contains good intentions and builds villages. rural banks which are directed specifically to serve rural communities and pay attention to aspects of effectiveness, are expected to be able to be the driving force of the economy in rural areas which are expected to support rural development. The government actually also uses commercial bank instruments to help the economy of rural communities, for example providing a provision that commercial banks must distribute 20% of loans in the form of Small Business Loans. The principle of efficiency is still closely guarded by commercial banks, but this effort seems less flexible for ordinary people.

The emergence of rural banks with strength in the form of proximity to rural communities, in addition to easy and fast loan disbursement procedures will provide a good position for rural banks in rural communities. In addition, the presence of rural banks can be one of the conducive conditions in efforts to overcome this economic crisis. The provision of capital by rural banks can create a relatively strong capital accumulation for the middle and lower business world, which later is expected to structure the national economy based on people's economy or deconglomeration.

2. Literature Review and Hypotheses

Social welfare is an organized system of social services and institutions that aim to help individuals and groups achieve a satisfying standard of living and health and personal and social relations that enable them

to develop their abilities to the fullest extent and improve their welfare in harmony with family and community needs (Erni, 2017).

2.1 Rural bank's internal environment

The internal environment is the environment or condition where the rural bank is located, namely: the overall condition of rural bank's internal resources owned by the Regional Government in East Java (Hitt, 2007). The internal environment variable is operationally measured using 4 (four) empirical indicators adopted from Wheelen et al. (2010); Peter et al. (1996); and Gustaman (2000), namely: human resources, financial resources, production resources, and technological resources (physical resources).

2.2 External environment

The rural bank extrenal environment referred to is the organizational environment that surrounds the rural bank environment which influences the existence / existence of rural government-owned rural banks in East Java (Clark et al., 1994; Tan, and Litschert, 1994). This external environment variable is operationally measured using 4 (four) empirical indicators adopted from Laksmono (2004), namely: procedures for granting credit, human resources professionalism, government support, interest rates

2.3 The effectiveness of rural banks

The effectiveness of rural banks in increasing the income of rural communities is that rural banks can directly increase the development and income of rural communities through the utilization of rural capital loan funds from rural banks (Bagus and Syamsul, 2016). The indicator used to measure the effectiveness of rural banks in increasing the income of rural communities was adopted by Bagus and Syamsul (2016); Kurniawan (2015) as follows: clarity of objectives, clarity of strategy, a system of supervision and control, and level of success of activities.

2.4 Rural bank performance

Rural bank performance is a reflection of the company's work performance in making a profit so that the company's activities can run smoothly so that the company's goals can be achieved. In addition, performance is the result of work that has a strong relationship with the strategic objectives of the organization or company, customer satisfaction and economic contribution. (Moeheriono, 2012; Irham Fahmi, 2013). This rural bank performance variable is operationally measured using 4 (four) indicators developed by Suryaningrat (2014), namely: the number of funds channeled, the growth rate of funds channeled, partner growth (regions distributed), and ability to collect profits.

2.5 Rural Economic Growth

Rural economic growth is economic growth in rural areas with an increase in community income that occurs in rural areas. Economic growth can occur due to the allocation of village funds (Suryaningrat, 2014). This rural economic growth variable is operationally measured using 5 (five) indicators developed by Suryaningrat (2014), namely: economic facilities, education level, health level, income level, and village infrastructure.

2.6 Village Community Welfare

Community welfare (social) includes various efforts developed to improve the standard of living of human beings, be it in the physical, mental, emotional, social, economic and spiritual fields. This social welfare variable is operationally measured using 4 (four) indicators developed by Nasikun (1993), namely: level of family income, level of family education, level of family health, and housing conditions and facilities owned in the household.

2.7 Theoretical Framework

The relationship between the variables used is seen as Figure. 1 and each relationship of the independent variable with the dependent variable represent the hypothesis.
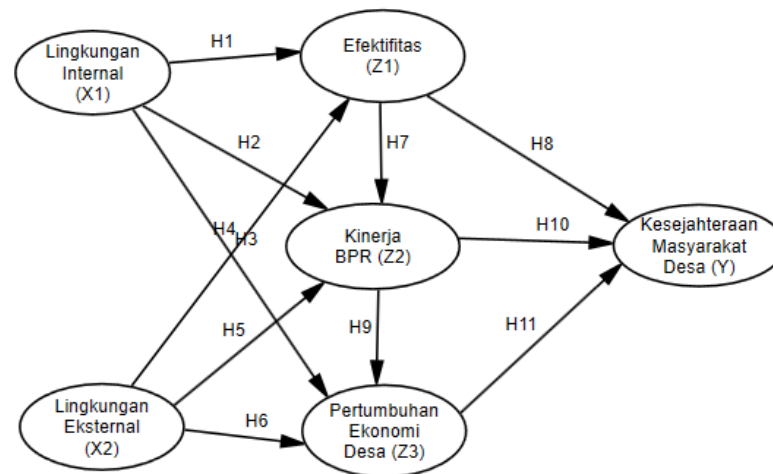
Figure 1. Conceptual Framework

The research hypothesis is as follows:

1. The internal environment significantly influences the effectiveness of rural banks in increasing the income of people in rural East Java
2. The internal environment significantly influences the performance of rural banks in rural East Java
3. The internal environment has a significant effect on rural economic growth in East Java
4. The external environment significantly influences the effectiveness of rural banks in increasing people's income in rural East Java
5. The external environment significantly influences the performance of rural banks in rural East Java
6. The external environment has a significant effect on rural economic growth in East Java
7. The effectiveness of rural banks in increasing the income of people with significant influence on the performance of rural banks in rural East Java
8. The effectiveness of rural banks in increasing the income of people with significant influence on the welfare of rural communities in East Java
9. The performance of rural banks has a significant effect on the economic growth of rural communities in East Java
10. The performance of rural banks has a significant effect on the welfare of rural communities in East Java
11. Village economic growth has a significant effect on the welfare of rural communities in East Java
12. What is the welfare of village communities after the government allocates village funds in East Java

3. Research Methods

This research uses a combined research method (mixed method). The population of this study is the leadership and staff of rural bank employees, as well as the community in the village of the 5 Regional Credit Banks owned by the Regional Government in East Java. The research sample of 250 respondents. Namely 10 elements of leadership and staff of rural bank employees from 25 rural banks in the City / Regency of East Java Province. Interviews were also conducted with informants determined from 25 Village working areas 5 rural banks owned by the Regional Government that channeled Village Funds, each of which was: the village head, deputy village head, village secretariat, and 2 people from each village.

4. Results and Discussion

4.1 Characteristics of Respondents

Respondents selected as samples in this study were generally aged 24-50 years, and most were in the 36-45 years age group. The number of respondents included in the age group ≤ 25 years was 1.6% (4 respondents), the number of respondents belonging to the age group 26-35 years was 42.8% (107 respondents), the age group 36-45 years was 47, 6% (119 respondents), and the age group ≥ 46 years were 8.0% (20 respondents).

65.6% of male respondents were 164 people, while women consisted of 34.4%, 86 respondents. Most respondents, as many as 97 respondents (38.8%) have worked in rural banks for (3-4) years. Furthermore, respondents who have worked (> 5) years, as many as 68 respondents (27.2%). The third largest group is the group of respondents with work experience (> 2-3) years of 65 respondents (26.0%) of the total respondents. Broadly speaking, it appears that the majority of respondents are rural bank employees with Diploma degrees, as many as 159 respondents (63.6%). The second-largest group of respondents who graduated from high school, which is 82 respondents (32.8%). The third largest group is the group of respondents who graduated with a Bachelor's degree, as many as 9 respondents (3.6%) of the total respondents.

4.2. Instrument Testing Results

The results of validity testing show significantly for all indicators or items in question, which means that the indicators or item questions for each variable included in the questionnaire have met the validity requirements. From the Pearson product moment correlation results, it is known that all items in question on the questionnaire correlate significantly with an error rate of 5% (** <0.05), so it can be said that all items in question are valid and can be further processed.

The reliability test results with the Cronbach alpha test (α) in this study indicate that all the variables of this study are reliable, because all alpha coefficient values of each variable are greater than standardized research (0.6), so each question item on the measurement instrument can be used. A correlation value of the total items corrected for all items in question is greater than 0.3.

4.3 Confirmatory Factor Analysis

The results of the confirmatory factor analysis of the research measurement model based on the results of the statistical test, obtained the loading factor value for each indicator that forms a research variable greater than 3, therefore, all indicators of the research variables are indicators that significantly shape each research variable.

Tabel 2: Confirmatory Factor Analysis

Research variables	Relationship	C. R.	Loading Factor (λ)	Probability
Internal environment	Internal → int1	2,000	0,481	0,000
	Internal → int2	5,900	0,518	0,000
	Internal → int3	6,437	0,909	0,000
	Internal → int4	5,321	0,443	0,000
External environment	Eksternal → eks1	2,000	0,481	0,000
	Eksternal → eks2	5.900	0,478	0,000
	Eksternal → eks3	6,437	0,909	0,000
	Eksternal → eks4	5,321	0,443	0,000
Effectiveness of rural banks	Efektifitas → efk1	2,000	0,586	0,000
	Efektifitas → efk2	5,818	0,498	0,000
	Efektifitas → efk3	5,856	0,802	0,000
	Efektifitas → efk4	3,447	0,266	0,000
Rural bank performance	Kinerja → kin1	2,000	0,702	0,000
	Kinerja → kin2	8,055	0,683	0,000
	Kinerja → kin3	6,585	0,658	0,000
	Kinerja → kin4	3,586	0,308	0,000
Economic growth	Pert_eko → ped1	2,000	0,656	0,000
	Pert_eko → ped2	10,176	0,687	0,000
	Pert_eko → ped3	11,227	0,991	0,000
	Pert_eko → ped4	5,875	0,380	0,000
	Pert_eko → ped5	5,156	0,329	0,000
Well-being	Kes_Msy → kes1	2,000	0,806	0,000
	Kes_Msy → kes2	9,806	0,723	0,000
	Kes_Msy → kes3	6,516	0,743	0,000
	Kes_Msy → kes4	9,911	0,736	0,000

Source: processed data

The goodness of Fit Test

The results of data processing using 250 samples showed that the Chi-square was 352,724 with a probability of 0.061. Meanwhile, from GFI, AGFI, TLI, CFI, RMSEA and CMIN / DF respectively 0.923, 0.912, 0.951, 0.954, 0.063 and 1.351, all within the range of acceptable values. The results are shown in Figs. 2
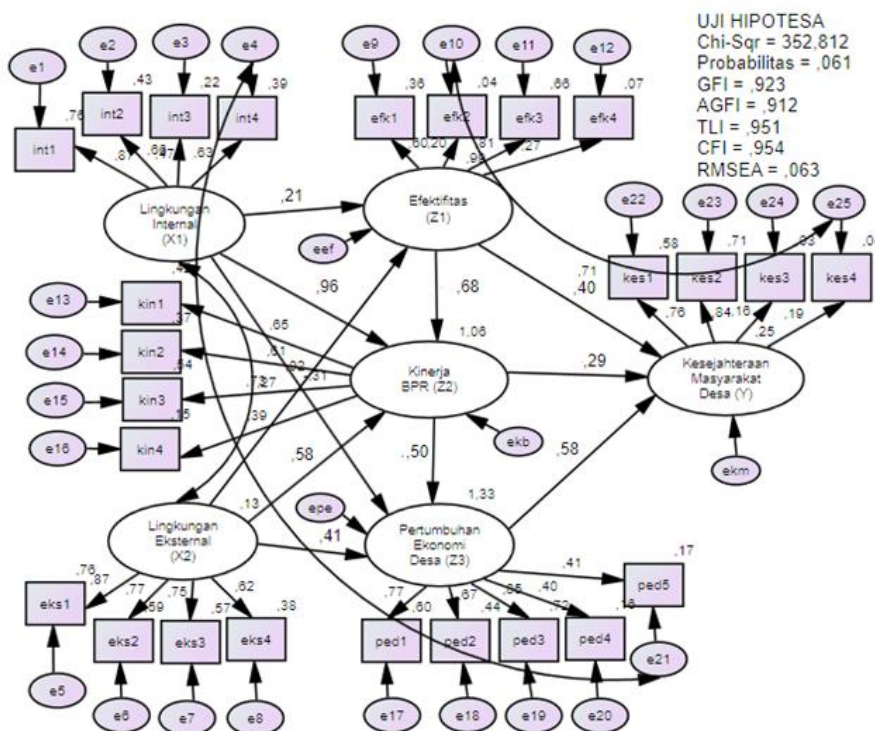

Figure 2: Coefficient of Research Model Path
Source: Amos Output

Hypothesis test

Hypothesis testing is done based on the estimated values of the research model parameters shown in Table 2.

Table 3: Hypothesis Testing

H	Relationship	Standardized Coefficient	C.R	P	Decision
H1	Internal → efektifitas	0,206	2,374	0,000	accepted
H2	Internal → kinerja	0,959	6,181	0,000	accepted
H3	Internal → pertumbuhan	-0,309	3,074	0,002	rejected.
H4	Eksternal → efektifitas	0,919	8,795	0,000	accepted
H5	Eksternal → kinerja	0,575	3,157	0,000	accepted
H6	Eksternal → pertumbuhan	0,406	3,966	0,000	accepted
H7	Efektifitas → kinerja	0,675	6,147	0,000	accepted
H8	Efektifitas → kesejahteraan	0,402	6,679	0,000	accepted
H9	Kinerja → pertumbuhan	0,499	7,926	0,000	accepted
H10	Kinerja → kesejahteraan	0,292	2,363	0,000	accepted
H11	Pertumbuhan → kesejahteraan	0,578	2,787	0,005	accepted

Source: processed data

4. Conclusions and Recommendations

Based on the results of the analysis and hypothesis testing it can be concluded that: 1). The internal environment has a significant positive effect on the effectiveness of rural banks in increasing the income of people in rural East Java. This shows that with a good internal environment, it will encourage an increase in the effectiveness of rural banks in increasing people's income in rural East Java. So it can be concluded that the internal environment consisting of human resources, financial resources, production resources, and technology resources, if properly maintained and

always improved, the effectiveness of rural banks in increasing the income of rural communities will increase. The results of the study are in line with the findings of Dianti, et al. (2018); Mirza (2011). 2). The internal environment has a significant positive effect on the performance of rural banks in rural East Java, this indicates that the internal environment will drive the performance of rural banks in rural East Java. The results of the study are in line with the findings of Indria, and Dewi (2016); Putu (2017). 3). The internal environment has a significant negative effect on rural economic growth in East Java. This shows that the existing internal environment of rural banks, has not been able to encourage the increase in rural economic growth in East Java. The results are different from the findings of Anugerah (2017); Novita (2015). 4). The external environment has a significant positive effect on the effectiveness of rural banks in increasing the income of people in rural East Java, this shows that with a good external environment, will encourage the effectiveness of rural banks in increasing the income of people in rural East Java. So it can be concluded that the external environment consisting of lending procedures, HR professionalism, government support, interest rates, if properly maintained and always improved, the effectiveness of rural banks in increasing the income of rural communities will increase. The results of the study are in line with the findings of Novita (2015); Dianti et al. (2018). 5). The external environment has a significant positive effect on the performance of rural banks in rural East Java, this shows that with a good external environment, it will drive the performance of rural banks in rural East Java. The results of the study are in line with the findings of Sofyan, and Ina (2015); Ontorael et al. (2017). 6). The external environment has a significant positive effect on rural economic growth in East Java, this shows that the external environment of the rural bank today, can encourage rural economic growth in East Java. The results of the study are in accordance with the findings of Ontorael et al. (2017); Nurlina et al. (2013). 7). The effectiveness of rural banks in increasing community income has a significant positive effect on the performance of rural banks in rural East Java. This shows that the effectiveness of rural banks in increasing public income that has been done at this time, can encourage the performance of rural banks in rural East Java. Therefore it can be concluded that the effectiveness of rural banks in increasing the income of rural communities consisting of clarity of objectives, clarity of strategy, the system of supervision and control, the level of success of activities, if implemented well and always improved, the performance of rural banks in rural East Java will increase . The results of the study are in line with the findings of Munizu (2010); Anugerah (2017). 8). The effectiveness of rural banks in increasing the income of people with significant influence on the welfare of rural communities in East Java. This shows that the effectiveness of rural bank in increasing the income of rural communities that have been done at this time, can encourage the improvement of the welfare of rural communities in East Java. The results of the study are in line with the findings of Dianti et al. (2018); Grace (2017). 9). The performance of rural banks has a significant positive effect on the economic growth of rural communities in East Java. This shows that the performance of rural banks that exist today, can encourage economic growth in rural communities in East Java. Therefore, it can be concluded that the performance of rural banks consisting of the number of funds channeled, the growth rate of funds channeled, the growth of partners (regions channeled), the ability to collect profits. East Java will increase. The results of the study are in line with the findings of Rusydi (2012); Grace (2017). 10). The performance of rural banks has a significant positive effect on the welfare of rural communities in East Java. This shows that the performance of rural banks that already exist today, can encourage increased welfare of rural communities in East Java. The results of the study are in line with the findings of Indria, and Dewi (2016); Rusydi (2012). 11). Village economic growth has a significant effect on the welfare of rural communities in East Java. This shows that the current economic growth of the village, can encourage the improvement of the welfare of rural communities in East Java. Therefore it can be concluded that the economic growth of the village which consists of economic facilities, education level, health level, income level, village infrastructure, if implemented well and always improved, the welfare of rural communities in East Java will increase. The results of the study are in line with the findings of Anugerah (2017); Ratna, and Ova (2018). 12). The welfare of the village community after the allocation of village funds provided by the government increased, this is evidenced by the living conditions of people who are more prosperous, where the villagers currently have savings, and each villager has a semi-permanent residence.

Of the three variables hypothesized to influence the welfare of rural communities in East Java in this study, the greatest value is the direct relationship between rural economic growth and the welfare of rural communities. This confirms that the economic growth of the village is very dominant affecting the welfare of rural communities. On the other hand, of the three variables hypothesized to influence the economic growth of the village in this study, the greatest value is the direct relationship between the performance of rural banks and rural economic growth. This also emphasizes the role of rural bank performance. Therefore, economic growth in the village will increase by increasing the performance of rural banks. Thus the

performance of rural banks should be maintained and if possible the performance is improved, so that rural economic growth will rise, which in turn will improve the welfare of rural communities.

Given the large role of performance in rural economic growth, it is recommended that organizations always improve their performance by increasing the number of village funds disbursed annually; Increase the number of villages that become rural bank partners; and increasing the ability of rural banks to collect village funds from the government. Suggestions for other researchers should be made to increase the scope of the study, taking into account the entire regency of East Java, as well as the classification and separation of respondents by regency / city in East Java, so that a clearer picture of economic growth in the village is obtained, and a description of the welfare of the community rural. Further research is also suggested to examine further the influence of the internal and external environment of local people's credit banks on the effectiveness of rural banks in increasing rural community income, rural bank performance in the context of rural economic growth and its impact on the welfare of rural communities in East Java by adding Other variables are not included in this study, because there are many other variables that can affect rural economic growth, and the welfare of rural communities.

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