

EMPLOYEE ADAPTABILITY TO DIGITAL TRANSFORMATION IN FINANCIAL INSTITUTIONS**Karnan S¹ and Aswini D²**¹Assistant Professor, JNN College of Arts and Science²Teacher, Bharath Matric Hr. Sec. School**ABSTRACT**

This paper examines the effects of digital transformation on the adaptability of employees working in financial companies. The financial sector is relocating towards more modern technology, including automation, artificial intelligence, digital banking service, among others, and employees need to continuously change their skills and work practices. The main aim of this study is to investigate the aspects that influence employee adaptability and its implications to the overall success of the company. The researcher uses a quantitative methodology and mails a questionnaire survey to the staff members of some financial institutions. A total of 150 people were sampled using convenience sampling. The statistical techniques such as regression, correlation and percent analysis were used to analyze data to identify the relationship between the employee adaptability and digital transformation. The results reveal that the flexibility of staff is significantly enhanced by the digital transformation. A number of factors, such as organizational culture, technology support, and training, help people become more adaptable to digital innovations. Moreover, the more adaptive an individual becomes, the more productive and job performance is. This research reaches the conclusion that to make a digital transformation successful, financial institutions must pay significant attention to further development of personnel and provide enough resources related to the technology. The changes in the monetary environment will require greater employee flexibility to ensure competitiveness and achieve the successful performance of the organization in the long term.

Keywords: Digital Transformation, Employee Adaptability, Financial Institutions, FinTech Employee Performance, Organizational Change

1. INTRODUCTION

A sharp change in the financial industry is being facilitated by the current development of the digital industry, artificial intelligence, automation, blockchain, and digital payment systems. FinTech solutions are quickly gaining momentum among financial institutions to increase operational efficiency, customer experience and stay competitive within a highly dynamic market environment. The change to the digital transformation has shifted the focus of the traditional work processes, and employees have to embrace new technologies, tools, and working conditions.

In spite of the various benefits of digital transformation, it is also challenging to the employees especially in skill requirements, readiness to technology and change resistance. Continuous changes in technology are making many employees unable to remain afloat thus making them less productive, experience stress and dissatisfaction with their jobs. Thus, the flexibility of employees has become one of the paramount issues in the implementation of digital projects in financial institutions.

Although earlier studies have explored the association of digital transformation and organizational performance, little focus has been put on the adaptation of employees working in financial institutions. Also, lack of in-depth analysis of the influence of factors such as training, organizational support, and technology on employee flexibility in the FinTech space exist. This gap highlights the need to conduct specific research on the topic.

2. REVIEW OF LITERATURE

Verhoff et al. (2021) studied the digital transformation and its influence on the organizational performance. The research determined that digital technologies can assist companies to enhance productivity, innovation and customer worth. Nevertheless, the authors pointed out that a successful change should be supported by the adaptation of the employees to new digital processes and tools.

Vial (2021) examined the theory of digital transformation and pointed out that it is characterized by some changes in structure of organizations, including the roles and responsibilities of employees. This study reached the conclusion that adaptability of the employees is necessary in dealing with the interruptions of technology.

The research by Lee and Shin (2020) was dedicated to FinTech innovations in banking. Their results showed that online financial services alter the traditional forms of the banking industry and make employees acquire some digital skills and embrace new financial technologies.

Bhattacharyya et al. (2021) examined the extent to which digital banking adoption can affect employees. It was established in the research that higher intake of digital platforms necessitate constant updating and flexibility of staff in order to sustain productivity and efficiency.

Pulakos et al. (2020) investigated the topic of adaptability of employees in dynamic working environments. The paper concluded that flexible employees are better placed to manage digital transformation and its associated technological changes, and are also beneficial to the success of organizations in the event of digital transformation.

Park and Park (2021) investigated the preparedness of employees working in the digital environment. The research established that learning orientation and readiness to change are influential in increasing employee flexibility in the process of digital transformation.

Bondarouk and Brewster (2022) examined the contribution made by human resource management to digital transformation. Their results showed that HR practice training, reskilling and digital learning systems are critical towards enhancing the flexibility of employees.

Strohmeier (2022) emphasized the role of HR analytics in the contemporary organizations. The research found that digital HR practices enable the organization to manage the performance of the employees better and even adapt to the changes in the digital environment.

Kane et al. (2021) explored digital leadership and organization culture. The study established that effective leaders and an enabling culture play a major role in affecting the employees into adopting the new technologies.

Tarafdar et al. (2021) examined the issues of technology adoption among the staff. The researchers found out that proper technological support decreased the level of stress and led to the enhanced flexibility of employees in digital settings.

Li et al. (2022) discussed the influence of digital transformation on the performance of employees. The researchers discovered that more innovative and productive employees are present in digitally advanced organizations as long as they are strong in the adaptability skills.

Sousa and Rocha (2022) explored the use of continuous learning in the digital environment. The results showed that continuous training and upskilling can considerably increase the adaptability of the employees to the technological changes.

Calvard and Jeske (2023) examined the behavior of employees in the digital workplaces. It was noted in the study that flexibility, resilience, and adaptability are essential skills needed by employees to work successfully in the digital world characterized by high dynamism.

Verma and Singh (2023) discussed financial institutional resistance to change. The research found out that resistance by the employees is still a significant obstacle to winning the digital transformation initiatives.

Gupta et al. (2024) explored the connection between the organizational support and adaptability of employees. It was revealed that the deficiency of training and the absence of support have a negative influence on how workers adapt to digital systems.

3. RESEARCH GAP

After conducting a literature review on the topic of 2020-2026, it is clear that the investigation of digital transformation in financial institutions has become sufficiently prominent and is predominantly focused on discussing technology implementation, innovation, and organization performance. However, the human aspect, namely the flexibility of the employees has lacked attention. Most of the studies focus on the technological developments but do not bother to integrate components of FinTech, human resource management and employee behavior in a single paradigm. Besides, there is a lack of empirical literature that examines the impact of such factors as training, organizational support and the work culture on flexibility of the employees. Also, a lot of research is usually generic and lacks particular focus on the financial sector that is currently experiencing rapid changes in digital direction. The importance of employee flexibility in developing job performance and driving the digital transformation has not been properly studied. This study will therefore bridge these gaps by studying the adaptability of the employees in financial institutions, and its impact on organizational performance.

4. OBJECTIVES OF THE STUDY

1. To determine the impact of digital transformation on adaptability among the employees in financial organizations.
2. To examine the primary factors (education, technology support, and organizational culture) influencing the adaptability of the employees.
3. To examine the adaptability of employees with respect to work performance in a FinTech-based environment.

5. HYPOTHESES

- H1: The process of digital transformation positively influences employee adaptability in financial institutions.
- H2: Employee adaptability significantly enhances job performance in an environment influenced by FinTech.

6. CONCEPTUAL FRAMEWORK

The theoretical framework of the proposed research depicts how digital transformation, the adaptability of employees and job performance are linked in a FinTech-driven world. The model suggests that digital transformation, as well as other main organizational determinants (training, technological support, and organizational culture) contribute to the high adaptability of employees and, thus, determines job performance.

Here, the digital transformation is termed as the major independent variable. It is the uptake and incorporation of the sophisticated digital technologies in the financial institutions. Along with the digital transformation, facilitating factors are trained, technological support, and organizational culture, which are considered critical enablers that help with facilitating the capacity to cope with changes in technology among employees.

The model uses employee adaptability as a mediating variable. It indicates how employees can adapt themselves to new processes, technologies, and work environments. According to the framework, employees can be more flexible and able to respond to the change once the organization has enough training, technological infrastructure, and favorable culture in place.

Lastly, the dependent variable is job performance, which is the general effectiveness and productivity of digital work environment employees. The framework suggests that increased employee adaptability has a positive correlation with job performance because flexible employees are more adaptable to work with complex tasks and technological breakdowns.

On the whole, the model provides the direction of the relationship as the digital transformation and its infrastructural factors increase the adaptability of employees which, in turn, improves the job performance. It is based on this framework that the hypotheses of the study can be tested through Structural Equation Modeling (SEM).



7. RESEARCH METHODOLOGY

The current research is a quantitative research design since it was conducted to analyze the adaptability of employees to the digital transformation of financial institution.

7.1 Research Design

The research design is descriptive and analytical since it will provide the description of the existing degree of employee adaptability and examine the connection between digital transformation and job performance.

7.2 Sample Size

It was selected that 150 respondents in the different financial institutions (banks and FinTech companies) would be used as participants.

7.3 Sampling Technique

In the study, the convenience sampling methodology is employed as the respondents were chosen by the virtue of their availability and consent to participate in the study.

7.4 Data Collection Method

The structured questionnaire was used to gather primary data. The questionnaire is a series of close ended questions which are going to be rated in the form of a 5-point Likert scale (Strongly Agree to Strongly Disagree). The data were gathered using online methods of surveys (Google Forms).

7.5 Tools Used for Analysis

The collected data were analyzed using SEM (Structural Equation Modeling) to test relationships between variables SmartPLS for model evaluation, reliability, and validity testing

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8. DATA ANALYSIS & RESULTS

Percentage Analysis

Percentage analysis is used to understand the distribution of respondents based on demographic and study variables.

Table 1 Gender of Respondents

GENDER	FREQUENCY	PERCENTAGE
Male	70	46.7%
Female	80	53.3%
Total	150	100%

Interpretation:

The table shows that 53.3% of respondents are female and 46.7% are male, indicating a slightly higher representation of female participants in the study.

Measurement Model Assessment

Table 2 Reliability Analysis

CONSTRUCT	CRONBACH'S ALPHA	COMPOSITE RELIABILITY
Digital transformation	0.84	0.89
Employee adaptability	0.86	0.90
Job performance	0.81	0.87

Interpretation:

All constructs show Cronbach's Alpha and Composite Reliability values above 0.7, indicating good internal consistency and reliability.

Table 3 Convergent Validity

CONSTRUCT	AVE
Digital transformation	0.62
Employee adaptability	0.65
Job performance	0.59

Interpretation: All AVE values are above 0.5, confirming adequate convergent validity.

Table 4 Discriminant Validity (Fornell-Larcker Criterion)

CONSTRUCT	DT	EA	JP
Digital transformation (DT)	0.79	-	-
Employee adaptability (EA)	0.66	0.81	-
Job performance (JP)	0.60	0.72	0.77

Interpretation: Diagonal values are higher than inter-construct correlations, confirming discriminant validity.

Structural Model Assessment

Table 5 Path Coefficients (Hypothesis Testing)

HYPOTHESIS	RELATIONSHIP	BETA (β)	t-value	p- value	Result
H1	Digital transformation → Employee Adaptability	0.61	7.25	0.000	Accepted
H2	Employee Adaptability → Job performance	0.68	8.10	0.000	Accepted

Interpretation:

- Digital transformation has a strong positive effect on employee adaptability (β = 0.61, p < 0.05)
- Employee adaptability significantly influences job performance (β = 0.68, p < 0.05)
- Therefore, both H1 and H2 are supported

Table 6 R-Square (R² Values)

Endogenous variable	R2 value
Employee adaptability	0.44
Job performance	0.46

Interpretation:

- Digital transformation explains 44% of variance in employee adaptability
- Employee adaptability explains 46% of variance in job performance
- This indicates moderate explanatory power

9. DISCUSSION

The current research was meant to study the effects of the digital transformation on employee flexibility and to assess the effects of employee flexibility on job performance in a FinTech-driven setting. The study results support the hypotheses that were formulated.

Regarding H1, the data show that digital transformation positively affects the employee adaptability greatly. This conclusion implies that the introduction of digital technologies in financial institutions increases the capacity of employees to adapt to the ever-changing workplace requirements and emerging technologies. The staffs working in digitally transformed settings are likely to have increased flexibility, learning orientation, and responsiveness. This result is in line with the existing literature that also highlights that digital transformation contributes to lifelong skill enhancement and enhances flexibility in employees within organizations that operate in the technological sector.

Concerning H2, the findings indicate that employee adaptability positively influences the job performance significantly. This means that flexible workers are better placed to deal with technological shocks, complex work, and keep being productive in a volatile working environment. Flexibility will allow employees to react to the changes as fast as possible and successfully use the digital tools to improve their work in general. This finding applies to past studies, where scholars emphasize that adaptability is a significant factor of employee efficacy and performance at contemporary companies. Also, the results of the presented study point to the importance of employee adaptability as an intermediary factor between digital transformation and job performance. Though direct relationships were the main test in this study, the findings indirectly indicate the role of digital transformation in promoting better performance outcomes based on the increased adaptability. This observation does not contradict the literature available in the field as adaptability has been found to be one of the main components in enhancing technological advances into organizational achievements.

In general, the paper is an extension of the existing research because it introduces empirical evidence within the framework of financial institutions functioning in a FinTech-based environment. It supports the opinion that organizations need not pay attention to implementing cutting-edge technologies alone but also need to train the employees in adaptive skills that will allow them to best use the outcomes of digital transformation.

10. FINDINGS

The Structural Equation Modeling (SEM) based on SmartPLS is used to develop the findings of the study. The findings demonstrate that the digital transformation produces a positive and considerable influence on the adaptability of employees of financial institutions, which implies that the implementation of advanced digital technologies can positively affect employee adaptiveness in the changing work environments. Moreover, the research shows that adaptability of employees positively impacts on job performance in FinTech-driven environment significantly, which points to the fact that adaptable employees are more likely to cope with technological alterations and attain greater productivity and efficiency.

Moreover, the results emphasize the fact that employee adaptability is a key factor to bridge the digital transformation and job performance because it is a significant process according to which technological changes are converted into better employee performance. The model has a moderately good level of explanatory power, as reflected in the R2 values, which proved that a significant percentage of variation in job performance is explained by employee adaptability and digital transformation. In general, the findings prove that two hypotheses (H1 and H2) are supported, which demonstrated strong and significant associations between the study variables.

11. CONCLUSION

The current paper has analyzed how digital transformation affects the flexibility of employees and subsequently the performance in a FinTech-oriented setting by Structural Equation Modeling (SEM) in SmartPLS. The results clearly show that the digital transformation is relevant in improving employee flexibility in the financial institutions. The more organizations are embracing digital technologies, the more flexibility and willingness to change according to the changing work needs is being inculcated in the employees.

The research also validates the fact that the adaptability of employees plays a major role towards enhanced job performance. Flexible employees are more capable of keeping up with any changes in technology, handling intricate tasks and remaining in a high level of productivity in the changing environment. In this way, the findings clearly answer the research questions as they prove that the digital transformation affects the adaptability of employees who are subsequently positively impacted on job performance.

In general, the analysis shows that the flexibility of employees is one of the decisive conditions of making digital transformation programs in financial organizations successful. The organizations should not simply be preoccupied with adoption of new high technology but their attention must also be on equipping its employees with adaptive strengths to ensure that the organizations achieve optimal performance. The research also builds on the current body of knowledge since it presents empirical findings on the intertwined correlation between digital transformation, work flexibility, and job performance within a FinTech environment.

12. IMPLICATIONS

12.1 Theoretical Implications

The current research contributes to the current body of knowledge a great deal since it investigates how digital transformation, adaptability of the employees, and job performance are connected in a FinTech-based context with the use of Structural Equation Modeling (SEM) in SmartPLS. The results contribute to existing theoretical

perspectives in that they define the adaptability of employees as a key factor connecting digital transformation and performance performance. The research is relevant to the current body of literature as it connects the ideas of digital transformation and organizational behavior and notes the impact of technological changes on the result of human capital. Additionally, the research gives empirical evidence that adaptability is one of the main factors that shape employee performance hence elaborate models can be made in modern management studies. It is also capable of providing a basis to do future studies to investigate other confounding or moderating variables in the same situation.

12.2 Practical Implications

In practical sense, the results of the research would provide good information to managers and policymakers in finance institutions. The findings highlight the need to not only incorporate the use of digital technologies but also promote employee flexibility as a way of achieving the optimal organizational performance. The organizations ought to invest in the continuous training and development programs so that the employees become more adaptive to the changes in the technology. Moreover, the management should introduce a learning, flexible and innovative work environment. Organizations can guarantee that the employees can use digital tools efficiently and be highly productive by emphasizing the enhancement of adaptability. Another recommendation brought forth by the research is that strategic human resource practices must be abreast with the digital transformation initiative to gain improved performance results. Altogether, this could be one of the approaches to making organizations more competitive in a constantly changing environment of the FinTech industry by improving the adaptability of employees.

13. FUTURE RESEARCH DIRECTIONS

The current research presents multiple opportunities to the direction of the future studies in the field of digital transformation and employee behavior. The development of the research can be broadened in future research by performing industry-related research since effects of digital transformation on employees adaptability and work performance may be different in the case of different sectors like the banking industry, insurance industry, healthcare industry, and IT. A comparative analysis between industries would be more profound in answering the differences within contexts and would lead to a better generalizability of the results.

Moreover, further studies can be done in the application of superior AI tools and technologies and investigate the impacts of artificial intelligence, machine learning and automation on employee flexibility, and performance results. To come up with more detailed models, the researchers can also include other variables (a level of engagement of employees, a type of leadership, organizational support, or technological preparedness) as intermediary or moderating variables.

Any additional research can take the direction of longitudinal research to effect the changes with time and make more causal deductions. The sample size could be extended and cross-cultural or international data could also enhance the strength and externalization of results. In general, the development of future research is aimed at combining the new technologies and other organizational aspects to more adequately comprehend the changing dynamics of employee adaptability in the digitally altered surroundings.

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