Competitiveness Strategy Formulation for Peoples Bank of Crediting In Kupang, East Nusa Tenggara, Indonesia

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Abstract — The Peoples Bank of Crediting (PBC) is a formal financial institution that served as a financial intermediary institution, especially in the national microfinance system. To anticipate the increasingly fierce competition conditions a PBC must operate the right business strategy. This study aimed to find out the right competitiveness strategy for the PBC business in Kupang, East Nusa Tenggara, Indonesia. This study was conducted on four PBC's in Kupang with fourteen respondent from the top to middle level management personnel. Survey and interview methods were used in this study, and data were analyzed using the Internal-External matrix model method. The results showed that the strategic position of PBC in Kupang, East Nusa Tenggara, was in a position of strong corporate competitiveness and high market attractiveness. Thus, continuous improvement is continuously pursued and carried out to increase competition.

Keywords: Competitiveness Strategy, Internal-External Matrix Model, People Bank of Crediting

I. INTRODUCTION

The existence of banks in the modern economy has become a difficult requirement to avoid. By saving the public funds and distributing them back in the form of credit to the society, therefore the bank has bridged the parties that are excess and need funds. In connection with what is done, the banks are referred to as institutions that carry out the intermediation function. Further development, the banks are not only carry out the intermediation function but also provide other services to the public, for example in payment traffic and other financial services.

People Banks of Crediting (PBC) as an intermediary institution in the region plays a very important role as a source of capital for small entrepreneurs and is expected to be able to overcome the problem of lack of capital. PBC’s is a formal financial institution that has a function as a financial intermediary institution, especially in the national microfinance system. The existence of PBC’s has proven to be very beneficial for small and medium economic communities because it is easily accessible to them. Although there are currently many microfinance institutions, both banks and non-banks, their existence have gained recognition from the public. As an intermediary between parties who have excess funds and those who need funds, a bank with a healthy financial performance is needed, so that the intermediation function can run smoothly. PBC’s was able to record credit growth, despite facing unfavorable macroeconomic challenges and heavy competition when dealing with commercial banks. In the first two months of 2016, PBC’s loans recorded growth of 8.68% year on year. Their credit increased from Rp 69.46 trillion in February 2015 to Rp 75.49 trillion in February 2016. The increase in credit was also supported by fund raising activities which also increased. February 2016 total PBC Third Party Funds grew 15.05% to Rp 68.74 trillion. Following, is data regarding PBC operating in the East Nusa Tenggara.
Table 1.
List of Peoples Bank Crediting in East Nusa Tenggara Province

| No | People’s Bank Crediting                      | City/ District               |
|----|---------------------------------------------|------------------------------|
| 1  | PT BPR Central Pitoby                       | Kupang                       |
| 2  | PT BPR Sari Dinar Kencana                   | Kupang                       |
| 3  | PT BPR TanoaLaLaisManekat                   | Kupang                       |
| 4  | PT BPR Timor Raya Makmur                    | Kupang                       |
| 5  | PT BPR Christa Jaya Perdana                 | Kupang                       |
| 6  | PT BPR Nusantara Abdi Mulia                 | Kupang                       |
| 7  | PT BPR Modern                               | Kupang                       |
| 8  | PT BPR Dana Mas                             | Belu District                |
| 9  | PT BPR TanjungPratama                       | Belu District                |
| 10 | PT BPR Lugas Ganda                          | Manggarai District           |
| 11 | PT. BPR Bina Usaha dana                     | East Flores District         |
| 12 | PT BPR Talenta Raya                         | East Sumba District          |

Competition between people's banks or other financial institutions such as the Village credit institutions, commercial banks, cooperatives, and pawnshops will affect the ability of people banks to achieve profits. The higher the level of competition, the more organizational management is required to manage their business to be consumer-oriented and pay attention to changes in environmental factors [6]. To anticipate the increasingly fierce competition conditions a PBC must operate the right business strategy. This study aimed to find out the right competitiveness strategy for the PBC business in Kupang, East Nusa Tenggara, Indonesia.

II. LITERATURE REVIEW

Strategy

The definition of strategy was first put forward by Chandler (in Rangkuti [7]) states that the strategy is the long-term goals of a company, as well as the utilization and allocation of all the resources that are important to achieve company goals. Learned et al. (in Rangkuti [7]) defines strategy as a tool to create competitive advantage. Thus one focus of the strategy is to decide whether the business must exist or not exist.

Vision, Mission and Objectives

The vision that is owned by a company is an ideal about the future conditions that are desired to be realized by all company personnel, starting from the top to the lowest level. The ideals of the future that exist in the minds of the founders who roughly represent all members of the company are what is called vision, Wahyudi [13]. The next step is to make a mission. According to Kotler [4] the mission is a written translation of the vision so that the vision becomes easily understood or clear to all company staff.

The company environment consists of the internal environment and external environment. Where the external environment greatly affects the survival of the company. Pierce & Robinson [6] divides the external environment into three interrelated categories namely the remote environment, the industrial environment and the operating environment. All of these environmental factors provide a number of opportunities and threats for the company.

Strategic Planning

Strategic planning is defined as the company's activities to find conformity between the company's internal strengths and the company's external forces (opportunities and threats) of a market. The activities include careful observation of competition, regulation of inflation rates, business cycles, consumer desires and expectations as well as other factors that can identify opportunities and threats [7]. To determine the main strategy is done through the use of several matrices with three stages of implementation, namely: (1) data collection, (2) analysis, and (3) decision making.

Strategy Selection

Application to determine the main strategy based on Fred's R. David concept's (in Umar [12]) can be done through the selection of several matrix models, where the matrix models include:

1. SWOT (Strength Weakness Opportunity Threat)
2. SPACE (Strategic Position and Action Evaluation)
3. BCG (Boston Consulting Group)
4. GE (General Electrik)
5. IE (Internal-Eksternal)
6. Grand Strategy

Strategy Levels

In a company there are three levels of strategy, namely:

1. Corporate level strategy

According to Andrews (in Rangkuti [7]) what is meant by corporate strategy is a strategy developed in a business, where companies will compete by changing the distinctive competence into the competitive advantage. This strategy was formulated by top management that regulates the activities and the
operations of organizations that have more than one line or business unit.

2. Business unit level strategy
   Strategies at this level are more directed at managing the activities and operations of a particular business. Basically the strategy at this level seeks to determine the approach that a business should use for its market and how to implement that approach by utilizing existing resources and in certain market conditions.

3. Functional level strategy
   According to Umar [12] explained that the functional level strategy is a strategy that is more operational in nature leading to the framework of company functions (traditionally consisting of research and development, finance, production and operations, marketing, personnel or human resources) that can support the strategy at the business unit level. At this level this strategy is formulated more specifically depending on the functional activities of management.

   **Marketing strategy**
   The marketing pattern that started from the concentrating era on products and the sales era has been oriented recently towards the society marketing era. Such a shift requires companies that want to be able to compete in the market to influence consumers to buy products and services offered. According to Porter there are three generic competitive strategies namely cost advantage, differentiation, and focus.

### III. RESEARCH METHODS

This study is a study of the industry competitive strategy in four people banks in Kupang with fourteen respondents, from the top to middle level management personnel. Data collection techniques used in this study were interviews, questionnaires and literature study. The data analysis technique is the Internal and External Strategic Factor Matrix (IE). This analysis is used to systematically identify various factors to formulate a strategy company. This analysis is based on logic that can maximize strengths and opportunities, but simultaneously minimize weaknesses and threats.

### IV. RESULTS AND DISCUSSION

#### Determination of the Weighted Value of the Internal Environment in the present

By looking at the calculation results in Table 2 it is known that the total weighted value of the key variables of the internal environment at present is 3.572 so that it is concluded that the key variables of the internal environment at present are becoming a strength in the PBC’s in Kupang, East Nusa Tenggara. Determination of the Weighted Value of the Internal Environment in the future.

By looking at the calculation results in Table 3, it is known that the total weighted value of key internal environmental variables in the future is 3.679 so that it is concluded that the key internal environmental variables at present are a strength in PBC’s in Kupang, East Nusa Tenggara. Determination of the Weighted Value of the external environment at the present time.
| No | Variable                                | Weight | Rating | Value rating |
|----|-----------------------------------------|--------|--------|--------------|
| 1  | Performance from a Financial perspective |        |        |              |
|    | ROA                                     | 0.034  | 3.643  | 0.124        |
|    | BOPO                                    | 0.034  | 3.643  | 0.124        |
|    | CAR                                     | 0.034  | 3.643  | 0.124        |
|    | NPL                                     | 0.034  | 3.643  | 0.124        |
|    | ROE                                     | 0.034  | 3.643  | 0.124        |
|    | LDR                                     | 0.034  | 3.643  | 0.124        |
| 2  | Performance from the customer's perspective |        |        |              |
|    | Kinds of products                       | 0.034  | 3.643  | 0.124        |
|    | Funds interest rate                     | 0.034  | 3.643  | 0.124        |
|    | Credit Interest rate                    | 0.034  | 3.643  | 0.124        |
|    | Administrative Cost                     | 0.034  | 3.643  | 0.124        |
|    | Types of Promotion                     | 0.034  | 3.643  | 0.124        |
|    | Tellers Activities and CS               | 0.034  | 3.643  | 0.124        |
|    | Publicity/Supervision                   | 0.034  | 3.643  | 0.124        |
|    | Supervision                             | 0.034  | 3.643  | 0.124        |
| 3  | Performance of the Business Process Perspective |        |        |              |
|    | Account Opening Process                 | 0.034  | 3.643  | 0.124        |
|    | The duration of creditor service        | 0.033  | 3.500  | 0.114        |
|    | Credit Application Process              | 0.034  | 3.643  | 0.124        |
|    | Duration of Credit                      | 0.033  | 3.500  | 0.114        |
|    | Technology Used                         | 0.034  | 3.643  | 0.124        |
|    | Supervision                             | 0.034  | 3.643  | 0.124        |
|    | agreement with a third party            | 0.034  | 3.643  | 0.124        |
| 4  | Performance from a growth and learning perspective |        |        |              |
|    | HR empowerment                          | 0.032  | 3.429  | 0.110        |
|    | Level of Education                      | 0.032  | 3.429  | 0.110        |
|    | Work Culture                            | 0.032  | 3.429  | 0.110        |
|    | Culture Career Development              | 0.032  | 3.429  | 0.110        |
|    | Salary Level                            | 0.032  | 3.429  | 0.110        |
|    | Teamwork                                | 0.032  | 3.429  | 0.110        |
|    | Employee Structure                      | 0.032  | 3.429  | 0.110        |
|    | Leadership                              | 0.032  | 3.429  | 0.110        |
|    | Organizational Flexibility              | 0.032  | 3.429  | 0.110        |
| No | Variable                                                                 | Weight | Rating | Value rating |
|----|--------------------------------------------------------------------------|--------|--------|--------------|
| 1  | Performance from a Financial Perspective                                  |        |        |              |
|    | ROA                                                                       | 0.034  | 3.786  | 0.130        |
|    | BOPO                                                                      | 0.034  | 3.786  | 0.130        |
|    | CAR                                                                       | 0.034  | 3.786  | 0.130        |
|    | NPL                                                                       | 0.034  | 3.786  | 0.130        |
|    | ROE                                                                       | 0.034  | 3.786  | 0.130        |
|    | LDR                                                                       | 0.034  | 3.786  | 0.130        |
| 2  | Performance from the customer's perspective                              |        |        |              |
|    | Kinds of products                                                         | 0.034  | 3.786  | 0.130        |
|    | Funds interest rate                                                       | 0.034  | 3.786  | 0.130        |
|    | Credit Interest rate                                                      | 0.034  | 3.786  | 0.130        |
|    | Administrative Cost                                                       | 0.034  | 3.714  | 0.125        |
|    | Types of Promotion                                                       | 0.034  | 3.714  | 0.125        |
|    | Tellers Activities and CS                                                 | 0.034  | 3.714  | 0.125        |
|    | Publicity/Supervision                                                    | 0.034  | 3.786  | 0.130        |
|    | Supervision                                                               | 0.034  | 3.786  | 0.130        |
| 3  | Performance of the Business Process Perspective                           |        |        |              |
|    | Account Opening Process                                                   | 0.034  | 3.714  | 0.125        |
|    | The duration of creditor service                                          | 0.032  | 3.571  | 0.116        |
|    | Credit Application Process                                                | 0.034  | 3.786  | 0.130        |
|    | Duration of Credit                                                        | 0.033  | 3.643  | 0.120        |
|    | Technology Used                                                           | 0.034  | 3.786  | 0.130        |
|    | supervision                                                               | 0.034  | 3.786  | 0.130        |
|    | agreement with a third party                                              | 0.034  | 3.786  | 0.130        |
|    | Performance from a growth and learning perspective                        |        |        |              |
| 4  | HR empowerment                                                            | 0.032  | 3.500  | 0.111        |
|    | Level of Education                                                        | 0.032  | 3.500  | 0.111        |
|    | Work Culture                                                              | 0.031  | 3.429  | 0.107        |
|    | Culture Career Development                                                | 0.032  | 3.500  | 0.111        |
|    | Salary Level                                                              | 0.032  | 3.500  | 0.111        |
|    | Teamwork                                                                  | 0.032  | 3.500  | 0.111        |
|    | Employee Structure                                                        | 0.031  | 3.429  | 0.107        |
|    | Leadership                                                                | 0.032  | 3.500  | 0.111        |
|    | Organizational Flexibility                                                | 0.032  | 3.500  | 0.111        |
Table 4. External Factor Analysis Summary (EFAS) at the present

| No | Variable | weight | Rating | Value rating |
|----|----------|--------|--------|-------------|
| 1  | Economy Factor |        |        |             |
|    | Kupang Population Income Per Capita | 0.048  | 3.571  | 0.170       |
|    | GRDP per sector in Kupang | 0.048  | 3.571  | 0.170       |
|    | BI Interest rate | 0.048  | 3.643  | 0.177       |
|    | Tax Rate | 0.047  | 3.500  | 0.163       |
|    | Rupiah Exchange rate | 0.047  | 3.500  | 0.163       |
|    | Inflation Rate | 0.048  | 3.571  | 0.170       |
|    | Investment Rates in Kupang | 0.048  | 3.643  | 0.177       |
|    | Kupang Export-Import Rates | 0.048  | 3.571  | 0.170       |
|    | Rate of Economic Growth in Kupang | 0.048  | 3.571  | 0.170       |
| 2  | Government and Law Factor |        |        |             |
|    | Government Regulation in banking | 0.048  | 3.571  | 0.170       |
|    | Regional autonomy law | 0.047  | 3.500  | 0.163       |
|    | Local Government Policy | 0.048  | 3.571  | 0.170       |
|    | Regional Credit Assurance Institution | 0.047  | 3.500  | 0.163       |
| 3  | Technology Factor |        |        |             |
|    | Technological Development in Banking | 0.048  | 3.643  | 0.177       |
|    | The Development of Information Technology | 0.048  | 3.643  | 0.177       |
| 4  | Politic Factor |        |        |             |
|    | Security Condition in Kupang | 0.048  | 3.571  | 0.170       |
| 5  | Culture and Social Factor |        |        |             |
|    | Kupang Community Culture To Save Money | 0.047  | 3.500  | 0.163       |
|    | Consumptive culture of Kupang citizen | 0.048  | 3.571  | 0.170       |
| 6  | Competitive Factor |        |        |             |
|    | Number of Banks in Kupang | 0.048  | 3.643  | 0.177       |
|    | Competitor’s Competitive Strategy | 0.048  | 3.643  | 0.177       |
|    | The emergence of Financial Institutions | 0.048  | 3.643  | 0.177       |

By looking at the calculation results in table 3 it is known that the total weighted value of key internal environmental variables at present is 3.579 so it is concluded that the key external environmental variables at present are an opportunity for PBC’s in Kupang City.

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Analysis of the external environment in the future
Table 5. External Factor Analysis Summary (EFAS) at the present

| No | Variable                                      | weight | Rating | Value rating |
|----|-----------------------------------------------|--------|--------|--------------|
| 1  | Economy Factor                                |        |        |              |
|    | Kupang Population Income Per Capita           | 0.047  | 3,643  | 0.171        |
|    | GRDP per sector in Kupang                    | 0.047  | 3,643  | 0.171        |
|    | BI Interest rate                              | 0.048  | 3,714  | 0.178        |
|    | Tax Rate                                      | 0.047  | 3,643  | 0.171        |
|    | Rupiah Exchange rate                          | 0.047  | 3,643  | 0.171        |
|    | Inflation Rate                                | 0.047  | 3,643  | 0.171        |
|    | Investment Rates in Kupang                   | 0.048  | 3,714  | 0.178        |
|    | Kupang Export -Import Rates                   | 0.047  | 3,643  | 0.171        |
|    | Rate of Economic Growth in Kupang             | 0.048  | 3,714  | 0.178        |
| 2  | Government and Law Factor                     |        |        |              |
|    | Government Regulation in banking              | 0.048  | 3,714  | 0.178        |
|    | Regional autonomy law                         | 0.047  | 3,643  | 0.171        |
|    | Local Government Policy                       | 0.048  | 3,714  | 0.178        |
|    | Regional Credit Assurance Institution         | 0.047  | 3,643  | 0.171        |
| 3  | Technology Factor                             |        |        |              |
|    | Technological Development in Banking          | 0.049  | 3,786  | 0.184        |
|    | The Development of Information Technology     | 0.049  | 3,786  | 0.184        |
| 4  | Politic Factor                                |        |        |              |
|    | Security Condition in Kupang                  | 0.048  | 3,714  | 0.178        |
| 5  | Culture and Social Factor                     |        |        |              |
|    | Kupang Community Culture To Save Money        | 0.047  | 3,643  | 0.171        |
|    | Consumptive culture of Kupang citizen         | 0.048  | 3,714  | 0.178        |
| 6  | Competitive Factors                           |        |        |              |
|    | Number of Banks in Kupang                    | 0.049  | 3,786  | 0.184        |
|    | Competitor’s Competitive Strategy             | 0.049  | 3,786  | 0.184        |
|    | The emergence of Financial Institutions       | 0.049  | 3,786  | 0.184        |

Strategic formulation of PBC in Kupang, East Nusa Tenggara, Indonesia

After analyzing the internal and external environment of PBC in Kupang City, the next step is to move the total weight score into the Market Attractiveness - Company Competitiveness Matrix. The total weight score for IFAS is 3.572 while for EFAS is 3.579 for the present (2019) so the company’s position on the matrix is in Cell I (A). For the future (years after 2019) the total IFAS score is 3.679 and EFAS is 3.702 so that its position is improved on Cell I (B). When depicted as shown in Figure 1.

Figure 1. PBC’s strategic position in Kupang City on the Market Attractiveness Matrix - Company Competitiveness

Formulation of Competitive Strategies for PBC’s in Kupang, East Nusa Tenggara

Based on competitive strategies that are in line with current and future strengths, PBC’s in Kupang
City must improve their financial performance, types of products, fund interest rates, loan interest rates, publicity/outreach, supervision, application process credit, and the technology used to compete with existing financial institutions.

**Formulation of Marketing Strategy for PBC’s in Kupang, East Nusa Tenggara**

Based on marketing strategies that are in line with current and future opportunities, PBC’s in Kupang can offer different service products to consumers so they can compete such as low interest rates, ease of investing, and developing technology in banking and information in order to market the service products offered.

V. CONCLUSIONS AND SUGGESTION

Based on the results of the analysis in the previous chapter on PBC’s internal and external strategic environment in Kupang, East Nusa Tenggara, it can be concluded that all key internal strategic variables and key external strategic variables both at present and in the future show opportunities and strengths so that competitive strategies. Appropriately implemented by PBC in Kupang, East Nusa Tenggara, Indonesia, namely differentiation strategy. This strategy can be an effective strategy for maintaining market position. In addition, PBC’s in Kupang City are advised to improve the quality of services better so they are able to compete with other financial institutions and should continue to work together to increase rigidity.

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