



Proposed Business Strategy for PERUMDA BPR Bank Sumedang to Face Digital Banking Transformation

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ABSTRACT: The existence of the COVID-19 pandemic has created uncertainty, which can threaten a bank's ability and capacity to achieve its objectives. The development of digital technology during the COVID-19 period brought a shift in the behavior of people who tend to spend a lot of time using cellphones in cyberspace, including accessing all banking products, whether making transactions, saving or borrowing. This condition is a challenge for BPR in Indonesia including Perumda BPR Bank Sumedang to follow the wave of change towards digitalization that is happening in the banking industry. Furthermore, the challenges that are being faced by Bank Sumedang due to the disruption of financial technology is the decline in credit customers every year.

The decline was very significant within a period of 4 years, while the biggest profit of Bank Sumedang was obtained from interest on customer loans. The methodology used is descriptive research using primary data (in-depth interviews and surveys) and secondary data via internet resources. This research is descriptive to explore the problems that exist in Sumedang Bank by analyzing the internal and external factors of the company. Furthermore, the tools that will be used in chapter four are SWOT, EFAS, IFAS, SFAS and TOWS Matrix. Based on the result that has been formulated, the author will use WO strategy because it has the highest score by Capitalizing on Opportunities to Reduce Weaknesses.

KEYWORDS: Business Strategy, Digital Transformation, Financial Technology, Online Banking, Peer to Peer Lending, Strategic Management.

I. INTRODUCTION

The COVID-19 has occurred since the beginning of March 2020 which caused a negative impact on the economy, especially in Indonesia. The national economy is increasingly volatile; such as the implementation of social restrictions that create or actually increase risks that have not been previously identified; for instance, in the banking industry, more customers are using online banking services. According to the Global Web Index, more than 76% of internet users between the ages of 16 and 64 are using smartphones during the pandemic era. This enhances the argument that there is a shift in the pattern of people's activities toward online media. Furthermore, if the banking sector is incapable of adapting to these changes, the phenomenon of banking without banks will persist. This term has also gained popularity as traditional banking transaction activities have been replaced by technology-based platforms such as financial technology.

Based on reports from the United Overseas Bank (UOB), PwC, and the Singapore Fintech Association (SFA), the number of financial technology (fintech) companies in Indonesia continues to grow every year. This is in line with the rapid penetration of digital finance in the country. Indonesia was recorded to have 440 fintech companies in 2017. The number then increased by 32.5 percent to 583 companies a year later. The number of fintech companies again increased to 691 units in 2019 and 758 units in 2020. In addition, due to the existence of qualified financial technology, there is also a growth in online loan users who are in great demand by the Indonesian people because they can borrow money easily without collateral.

Based on the Indonesian Fintech Lending Statistics released by the Financial Services Authority (OJK), online loan outsourcing or outstanding loans reached IDR 27.9 trillion in October 2021. Based on the Indonesian Fintech Lending Statistics released by the Financial Services Authority (OJK), online loan outsourcing or outstanding loans reached IDR 27.9 trillion in October 2021. In the midst of the digital transformation in the banking industry, this condition is a challenge for BPR in Indonesia including Perumda BPR Bank Sumedang to follow the wave of change towards digitalization that is happening in the banking industry.

Digital transformation is expected to have a positive impact not only for banks, but also for the public who use banking services. Therefore, digital transformation is also considered necessary by BPRs in order to be able to provide better services and also create



efficiency. Bank Indonesia introduced the term Blueprint for the Indonesian Payment System 2025 in 2019, which is a reference to Bank Indonesia's future policies in the payment service sector in the digital era to assist the development of a favorable digital economic and financial ecosystem. Even before the COVID-19, the trend of bank digitization had become a target for the banking industry. COVID-19 has actually become a turning point for the banking industry, speeding up the maturity of bank digitalization. It will surely boost the economy's outcome if planned appropriately. A bank will certainly establish and protect good value for both external such as customers and internal parties by implementing risk management guidelines and frameworks which are integrated with business processes.

II. LITERATURE REVIEW

Systematic literature review is a method that includes a description of the hypothesis which is a source or reference for researchers of scientific work. Literature review can be used as a basis for one's theory to obtain valid and accountable information and data which is then used as a reference for writing scientific papers. This literature is very diverse, not only in books, but also in the form of scientific journals, dissertations and thesis. The more theory that we put in literature as a reference for making scientific papers, the more scientific papers produced will be optimal.

A. PESTEL Analysis

PESTEL analysis is a risk management method used to evaluate the external environment of a business. This analysis is carried out by breaking down opportunities and risks into the following factors. According to Wheelen and Hunger (2012), the social environment is the largest human relationship system, which consists of various advantages that have a direct impact on long-term decision making by organizations.

- Political: This factor evaluates the extent to which government policies can impact companies and brands. This includes analysis of political and stability policies as well as trade, fiscal and taxation policies.
- Economic factors determine an economy's performance, which has a direct impact on a business and has long-term consequences. Interest rates, wage/price controls, and GDP trends are a few examples.
- Sociocultural: This factor determines the market's social and cultural environment, such as cultural trends, demographics, population and analysis. Further examples are lifestyle changes, consumer activism, and life expectancy.
- Technological: These factors investigate technological innovation that may have a positive or negative impact on industry and market operations. For example, technology, products, and internet accessibility.
- Environmental: Environmental factors become important due to the increasing scarcity of raw materials, pollution targets and carbon footprint targets set by the government. This includes ecological and environmental aspects such as weather, climate, environmental balancing and climate change which can especially affect the industry.
- Legal: These factors have both external and internal aspects. Certain laws govern how businesses operate in a given country such as consumer and production laws

Corporate resource is the company's strategy in researching assets, skills, human resource competencies in it, and analyzing company knowledge in each of the company's functional organizational structures. The functional structure includes marketing, finance, human resource management, and information technology. Furthermore, it can be divided into two categories: tangible and intangible resources. Tangible resources are physical assets, whereas intangible resources include intellectual property rights (Hall, 1992). (Gamble, 2014) provides the following examples of tangible and intangible assets:

	Tangible	Intangible
Resources	<ul style="list-style-type: none"> • Technological Assets • Organizational Resources • Physical Resources • Financial Resources 	<ul style="list-style-type: none"> • Brand, image, and reputational assets • Company culture • Human assets

Table 1. Tangible and Intangible Asset



B. EFAS (External Factors Analysis Summary)

After analyzing PESTEL and Porter's Five's Forces, the author determines a number of likely external factors for their specific corporation and refine the analysis of these factors using EFAS or External Factors Analysis Summary. EFAS is a table that categorizes external factors as opportunities or threats and analyzes how good management responds to these specific factors in light of their relative value (weight) to the company (Wheelen and Hunger, 2012). The average firm's total weighted score in an industry is always around 3.0.

C. IFAS (Internal Factors Analysis Summary)

According to Wheelen and Hunger, Internal Factors Analysis Summary is a table that arranges internal factors into strengths and weaknesses, as well as analyzes how proper management responds to those specific aspects in light of their perceived importance (weight) to the company (2012). The average firm's total weighted score in an industry is always around 3.0.

External Factor	Weight	Rating	Weighted Score	Comments
Opportunities	1	2	4	2
Threats				
Each Weighted Score	1.00			

Table 2. External Factors Analysis Summary Table

Internal Factor	Weight	Rating	Weighted Score	Comments
Strength	1	2	4	5
Weaknesses				
Each Weighted Score	1.00			

Table 3. Internal Factors Analysis Summary Table

SWOT analysis

SWOT stands for Strengths, Weaknesses, Opportunities and Threats in an organized way. Strengths and Weaknesses come from the company's internal factors. things that can be controlled and can change. Opportunities and Threats come from external factors that affect the business or things that happen outside the company. Companies can capitalize on opportunities and protect against threats, but you can't change that. Examples include competitors, raw material prices, and customer shopping trends. SWOT analysis not only identifies company-specific competencies, resources and capabilities that the company has, but also opportunities that are currently rarely exploited by companies due to lack of proper resources (Wheelen and Hunger, 2012).

D. TOWS Matrix

TOWS Matrix has the main objective to improve the company's position among other companies. This also refers to the opportunities available after analyzing external and internal factors. The TOWS matrix is the right method to apply to corporate strategy to produce alternative strategies that will be useful for companies (Wheelen and Hunger, 2017). The following are TOWS Matrix's strategic options:

- Strengths/Opportunities (SO): This strategy requires the company to use its strengths to take advantage of opportunities.
- Weaknesses/Opportunities (WO): This strategy shows that business people will overcome all their weaknesses and take advantage of the opportunities that exist. As a result, business people can reduce weaknesses and then take advantage of opportunities.
- Strengths/Threats (ST): The company will use its strengths to overcome potential threats that arise.
- Weaknesses/Threats (WT): The last strategic option is a bit less interesting. This strategy uses steps to reduce weaknesses to avoid threats.

III. ANALYSIS AND RESULT

A. PESTEL Analysis

- Political Factors: Political government factors have a major impact on the banking industry, particularly Bank Sumedang. Bank Sumedang is a regionally owned business entity, and the government has absolute control over the capital owners,



therefore all rules and regulations are based on Sumedang government decisions. Bank Indonesia and the Financial Services Authority (OJK) are the financial system regulators for all Rural Banks, and they constantly monitor all structural changes that occur at Bank Sumedang. This is accomplished by developing regulations and policies for the movement of fintech that are primarily focused on ensuring financial system stability as well as limiting possible losses that could lead to a bank failure.

- **Economic :** The pandemic has triggered the emergence of previously unanticipated conditions, which was an economic hit that caused many businesses to shut down, raising the number of unemployed. Furthermore, Indonesia is currently experiencing inflation, with the price of raw materials, including vehicle gasoline, rising. According to Badan Pusat Statistik (BPS), year on year inflation reached 5.71%, resulting in a continuous decrease in the value of the rupiah. High inflation rates will have a negative impact on the economy's growth, particularly on people's purchasing power.
- **Social Factors:** During the pandemic, social factors have a significant impact on the preferences and choices of Bank Sumedang customers. Customers' behavior has also changed as a result of the COVID-19 period. Whereas they used to do everything outside, people now do everything at home, such as virtual working, learning, and playing. As a consequence of these changes, banking activities nowadays are beginning to provide digital banking services, which are no longer relying on physical branches and channels. There is also a cashless society, with an increasing need for cashless digital payments.
- **Technology Factors:** According to Bank Indonesia data, digital banking transformation, the establishment of the Digital Financial Economy ecosystem, and technology growth will continue to drive the acceleration of digital payments. The use of the digital banking system is expected to rise to IDR 48.6 thousand trillion in 2022, rise from IDR 40 thousand trillion in 2021. Meanwhile, electronic money usage has the potential to rise to IDR 337 trillion, from IDR 289 trillion last year. In addition, with the advancement of financial technology in platform providers such as peer-to-peer (P2P lending) or crowd funding, credit to organizations/individuals has begun to develop rapidly in Indonesia, aiding the post-covid-19 economic recovery.
- **Legal Factors:** When Bank Sumedang first began to embrace digital technology, the primary concern was the security of customer data and money, which must be safeguarded from hackers. Bank Sumedang, on the other hand, has strict data privacy laws for its customers in order for people who would save their money at Bank Sumedang to feel more secure, safe, and guaranteed. There have been no reports of Bank Sumedang being hacked or leaking consumer data to the wider community in the time it has been in operation. Bank Sumedang also has an advisory board that oversees all activities, including legal actions, that are carried out actively based on good corporate governance principles, with a concentrate on strengthening the foundation to achieve financial performance, ensuring the security of all customer data, internal control, risk management, and enhancing infrastructure and human resource capabilities.
- **Environmental Factors:** Environmental factors are critical for the banking industry to consider in order to ensure the sustainability of living things as well as the earth. Bank Sumedang has implemented it quite well, beginning with the smallest things, such as turning off lights when not in use to save energy. Furthermore, reducing the use of paper and switching to computer-based recording, though this cannot be done completely since the banking industry still needs paper. Sumedang Bank did this in order to be responsible for the preservation of the earth and to create a good brand image that the banking industry is serious about environmental protection.

B. Corporate Resource

- Financial Resources

Description	Year		
	2021 (%)	2020 (%)	2019 (%)
CAR (Capital Adequacy Ratio)	33.14	36.31	23.1
KAP (Kualitas Aktiva Produktif)	3.45	5.45	4.21



PPAP (Penyisihan Penghapusan Aktiva Produktif)	100	100	100
LDR (Loan to Debt Ratio)	86.85	79.35	151.81
Cash Ratio	25.03	27.21	50.11
BOPO (Biaya Operasional Pendapatan Operasional)	69.39	73.02	72.73
ROA (Return On Assets)	6.08	5.35	5.69
NPL (Non Performing Loan)	4.75	8.43	7.17

Table 4. Financial Ratio Bank Sumedang

C. *Technology Resources*

Bank Sumedang's technology transformation has not been appropriately maximized, but the technology that has been applied to meet customer demands to facilitate transactions has executed various strategic policies, As a result, implementing banking services for customers becomes simple, affordable, safe, and comfortable, and is no longer restricted to bank office service hours. Furthermore, the technology used by Bank Sumedang is in collaboration with Bank Jabar Banten for the management of regional general cash accounts via virtual accounts, allowing TPP funds to be managed by Bank Sumedang while adhering to applicable laws and regulations.

D. *Human Assets*

The older generation's lack of digital literacy at Bank Sumedang results in ineffective financial technology transformation. Due to the baby boomers' lack of knowledge and skills in dealing with the digital era, particularly in filtering information, this generation is vulnerable to hoax information. Employees at Bank Sumedang who have not been able to adapt to technology may exhibit anxiety and uncertainty, affecting the information search process. Employees must face unexpected information acquisition (Information Encountering) in this case, which can cause emotional deviation if not supported by good preparation and digital literacy.

E. *SWOT Analysis*

No.	Internal		External	
	Strength	Weaknesses	Opportunities	Threats
1	Bank Sumedang has good service in serving credit customers	Digital literacy between older employees remains low.	Digital transformation through fintech provides opportunities for potential customers in Indonesia	The negative impact of digital disruption is the spread of uncontrolled hoaxes
2	Bank Sumedang is the TOP 1st Best Performing Financial BUMD in Indonesia in 2022.	customers struggle to gain access to Bank Sumedang credit products and services.	Digital transformation provides an effort to improve customer experience	narrower space entry barrier for rural banks such as Bank Sumedang.
3	Bank Sumedang has a core capital of more than Rp. 50 billion	Bank Sumedang is still lagging behind in digital transformation	The banking industry is shifting toward modern banking that employs financial technology. This is a great chance for Bank Sumedang to immediately offer credit products online to broaden its target market.	Data leakage and cyberattacks are two of the security risks associated with digital banking products and services.
4	Bank Sumedang employees are quite informative in answering customer questions and are	Bank Sumedang's loan interest is still quite high about 1.2% for PERMATA credit	POJK Regulation No.12/POJK.03/2016 provides flexibility for Bank Sumedang to carry out online banking business	The phenomenon of online loans and pay later is now being favored by the public w



	transparent	product when compared to commercial banks	activities	
5	Bank Sumedang has a customer base around 30,000 accounts that could be potential users of Bank Sumedang's digital banking product.	Lack of technology experts which makes existing employees have double job	The Sumedang Regency Government fully supports Bank Sumedang's efforts to implement digitization as soon as possible.	High rivalry among competitors, such as lower bank interest rates, makes customers interested in commercial bank credit products

Table 5. SWOT Analysis

F. External Factors Analysis Summary (EFAS)

No	External Factors	Weight	Rating	Weighted Score
	Opportunities			
O1	Bank Sumedang is fully supported by the Sumedang Regency Government	0.12	5	0.6
O2	Digital transformation improve customer experience	0.06	2	0.12
O3	Bank Sumedang allowed to make online banking business activities and provide officeless financial Services by OJK regulations	0.15	3	0.75
O4	Fintech able to reach potential customers in Indonesia	0.17	3	0.68
	Threat			
T1	Online loans and pay later is now being preferred by the public	0.15	-2	-0.3
T2	Digital-based banking products has security risks such as data leakage and cyberattacks	0.08	-3	-0.16
T3	Commercial banks strong market penetration and digital market development makes narrower space entry barrier	0.13	-4	-0.39
T4	High rivalry among competitors, such as lower bank interest rates	0.14	-4	-0.56
		1		0.74

Table 6. External Factors Analysis Summary (EFAS)

G. Internal Factors Analysis Summary (IFAS)

No	Internal Factors	Weight	Rating	Weighted Score
	Strength			
O1	The Sumedang Regency Government fully supports Bank Sumedang's efforts to implement digitization as soon as possible.	0.1	5	0.5
O2	Bank Sumedang has good service in serving credit customers	0.14	4	0.56
O3	Bank Sumedang has a core capital of more than Rp. 50 billion	0.15	4	0.6
O4	Bank Sumedang has a customer base around 30,000 accounts who become potential users of Bank Sumedang digital banking products	0.09	2	0.18



Weaknesses				
T1	Lack of technology experts which makes existing employees have double job	0.07	-5	-0.35
T2	Bank Sumedang's loan interest is still quite high about 1.2% for PERMATA credit	0.17	-5	-0.85
T3	Lagging behind in digital transformation in terms of credit products and digital marketing	0.12	-4	-0.48
T4	Lack of digital literacy among older employees	0.16	-5	-0.8
		1		-0.64

Table 7. Internal Factors Analysis Summary (IFAS)

H. Strategic Factor Analysis Summary (SFAS)

SFAS	EXTERNAL	OPPORTUNITIES				THREAT				TOTAL WEIGHTED SCORE		
		Bank Sumedang is fully supported by the Sumedang Regency Government	Digital transformation improve customer experience	Bank Sumedang allowed to make online banking business activities	Fintech able to reach potential customers in Indonesia	Online loans and pay later is now being preferred by the public	Digital-based banking products has security risks	Commercial banks strong has market penetration and digital market development	High rivalry among competitors, such as lower bank interest rates			
		0.12	0.06	0.15	0.17	0.15	0.08	0.13	0.14			
		5	2	5	4	-2	-2	-3	-4			
INTERNAL		Weighted Score		0.6	0.12	0.75	0.68	-0.3	-0.16	-0.39	-0.56	0.74
STRENGTH	Bank Sumedang supported by the Sumedang Regency Government	0.1	5	0.5	0.3	0.06	0.375	0.34	-0.15	-0.08	-0.195	-0.28
	Bank Sumedang has good service	0.14	4	0.56	0.336	0.0672	0.42	0.3808	-0.168	-0.0896	-0.2184	-0.3136
	Bank Sumedang has a core capital more than Rp. 50 billion	0.15	4	0.6	0.36	0.072	0.45	0.408	-0.18	-0.096	-0.234	-0.336
	Bank Sumedang has a loyal customer base	0.09	2	0.18	0.108	0.0216	0.135	0.1224	-0.054	-0.0288	-0.0702	-0.1008
WEAKNESSES	Lack of technology experts	0.07	-5	-0.35	-0.21	-0.042	-0.2625	-0.238	0.105	0.056	0.1365	0.196
	Bank Sumedang's loan interest is still quite high about 1.2%	0.17	-5	-0.85	-0.51	-0.102	-0.6375	-0.578	0.255	0.136	0.3315	0.476
	Lagging behind in digital transformation	0.12	-4	-0.48	-0.288	-0.0576	-0.36	-0.3264	0.144	0.0768	0.1872	0.2688
	Lack of digital literacy among older employees	0.16	-5	-0.8	-0.48	-0.096	-0.6	-0.544	0.24	0.128	0.312	0.448
TOTAL WEIGHTED SCORE				-0.64								

Table 8. Strategic Factor Analysis Summary (SFAS)

- WO Strategy: Capitalizing on Opportunities to Reduce Weaknesses: Cooperating with the Sumedang government to boost the latest credit products with the help of interest subsidies from the government in order Bank Sumedang credit products can compete with commercial bank
- WT Strategy: Minimize both Weakness and Threats (Survival Strategy): Planning to conduct job analysis and digital literacy training for older employees to improve their expertise and readiness to implement digital transformation



- SO Strategy: Leveraging Strength to Capitalize on Opportunity: Creating financial technology platforms for the expansion of Bank Sumedang credit products in order to attract more customers and boost the number of account credit customers.
- ST Strategy: Using Strength to Minimize Threat: Conducting digital marketing to promote credit products to reach potential customers and penetration of Bank Sumedang's loyal customers to be interested in borrowing at Sumedang Bank.

IV. CONCLUSION

Based on the result and analysis, Bank Sumedang Bank Sumedang can use the results of the formulation strategy from the TOWS matrix with reference to the highest score, namely the WO Strategy where it cooperates with the Sumedang government to cooperate in subsidizing credit interest. This is in accordance with the Sumedang Bank program where there are credit products that have collaborated with the government but the number of customer accounts is still lacking. With the four strategies described above, it is expected to be able to assist Sumedang Bank in boosting the credit program. Furthermore, the four strategies are formulated to help increase credit customers at Bank Sumedang in terms of human resources, technological transformation, marketing and the credit product itself.

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