

# ANALYSIS OF MEKAAR BUSINESS DEVELOPMENT STRATEGY OF PT PERMODALAN NASIONAL MADANI (PERSERO)

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**Abstract:** This research analyzed about Mekaar business development strategy at PT Permodalan Nasional Madani (Persero) to find out Mekaar business unit's developmental strategy to improve the living standard of poor people in Indonesia of the customers who have joined it, to find out Mekaar financing business unit (performance) based on strengths, weaknesses, opportunities, and threats, and also to determine business strategies that can be used to develop Mekaar program. This study applies descriptive and SFAS analysis methods. SFAS analysis method is a summary of the analysis of strategic factors obtained based on the analysis results of internal (IFAS) and external (EFAS) factors. One of the results of this study showed the strategies that must be taken include: support for the provision of access to capital, increased penetration of service coverage, employee recruitment as needed, government support through MSME policy, implementation of market research related to customer needs, provision of non-material stimulus for employees, and funding diversification. Based on the conclusion of the study, for the next research, the writer recommends measuring the success of the strategies carried out by the company based on the level of stakeholder satisfaction and the expectations of the people served.

**Keywords:** Mekaar, IFAS, EFAS, SFAS

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The ups and downs in the economic crisis made us aware of the importance of MSMEs in sustaining people's life. Hence, MSME financing support is necessary for Indonesia to continue to grow. According to a 2012 National Statistics Bureau (*Badan Pusat Statistik/*

BPS) survey, 3.22 million micro- and small businesses had been able to provide more than nine million workers. However, MSMEs had limited access to financing, especially through banking, since they were hampered with less fulfilling requirements. On this basis, the Government through PT Permodalan Nasional Madani (Persero) provides MSMEs easy access to financing without any requirement, unlike banking. One of PNM's business units is *Mekaar*, whose customers are pre-prosperous mothers/

women with the ability to run business. Encouraged by the view that pre-prosperous women had a maximally untapped productive time and high business capability, the *Mekaar* business unit was established so that they could get access to financing to strive and improve their families' economy through managing businesses.

Up to December 2017, *Mekaar* had recorded a customer figure of as many as 275 times the number of customers in March 2016, and, to date, *Mekaar* had experienced fairly significant development with an average NoA (Number of Accounts) growth of 15.6% in the last three years. In addition, PNM findings on all observed indicators (business activities, education, food, health, living standards, changes in life, perceived quality of life, and public participation) on the tendency of the welfare improvement of *Mekaar* customers had unveiled positive results. Moreover, in terms of financial conditions, the customers felt more prosperous than before. Although *Mekaar*'s business development is fairly significant, it has not been able to reach all poor people in Indonesia. The greatest number of NoA in Java reached 13.2 million, which only covered 21% of the total poor population in Java. On the other hand, NoA in Maluku and Papua had 1% of the total poor population on the islands. Looking at the fairly wide potential to be developed, a developmental strategy to help improve the *Mekaar* business unit and reach out to all poor pre-prosperous people in Indonesia is needed. This research was performed based on the aforementioned background aiming to find out *Mekaar* business unit's developmental strategy to improve the living standard of poor people in Indonesia of the customers who have joined it, to find out *Mekaar* financing business unit (performance) based on strengths, weaknesses, opportunities, and threats, and to determine business strategies that can be used to develop *Mekaar* program.

## LITERATURE REVIEW

### *Mekaar* Business

*Mekaar* (fostering a prosperous family economy) is an empowerment service based on group unit for pre-prosperous women who estab-

lished super micro business replicating the Grameen model group-based financing initiated by PNM in late 2015.

So far, lending through banks in Indonesia has used the 5C (Character, Capacity, Capital, Collateral, and Condition) principle (Wachira, 2017), but long before that the principle did not accelerate the people's ability to develop economically which rose the idea of establishing Greeman Bank to accelerate people who do not meet these principles.

Based on the study of Boysen and Sahlberg (2008) explained that the key of success of Grameen Bank revealed through its strategies, and the most important finding was the relation in Grameen Bank which acted as a force to preserve the compatibility between the bank's strategy, organizational culture, and organizational structure.

The establishment of *Mekaar* was based on the following thoughts; Social assistance does not build independence in improving welfare and pre-prosperous women have time and skills that are not utilized due to lack of funding. The *Mekaar* Program is also a mental revolution program to educate and instill business mentality for the poor, this is reflected in the *Mekaar* activities which require.

The existence of this meeting has a significant impact on customer discipline as the study of Rofikoh et al (2018) states that customers feel afraid of being judged and scolded by a member if they fail to repay loans and do not attend/late on weekly meetings. The weekly meetings must be conducted in discipline and timely manner by chanting prayers, pronouncing client's and AO *Mekaar*'s commitment, reciting collective commitment and Pancasila, as well as sharing experiences and business coaching, clients are women who already have a business or do not have a business (unemployed), unemployed mothers are required to establish any business within 25 weeks. The more often the loan gave the more welfare improvement of these mothers expected.

Several countries have been successful in helping to improve the economy of their people through microloans. Ghanaian MFBs have supported the economically active but poor to become small business owners (Boateng et al, 2014).

In Albania, the provision of small loans to small business owners has created more registered businesses, which in turn has contributed to 70% of the country's GDP (Gjini, 2014). In Ghana, policymakers and economists have appealed to the MFBs to offer microcredit assistance to small and medium-sized enterprises to support Ghana's economic development (Danso-Abbeam et al, 2014).

### **Business Strategy**

The company's strategy is comprehensive planning of how the company will achieve its missions and objectives. The strategy will maximize competitive advantages and minimize competitive limitations (Wheelen and Hunger, 2012). Strategy forms the decision making model in realizing the vision of the organization, with patterned actions, companies can mobilize and direct every organizational resource effectively to the realization of the organization vision (Mulyadi, 2001). Business strategy planning is a strategy made at the level of the business unit and emphasized to improve the competitive position of the company's products or services in a particular industry or market segment. According to Misangyi et al., (2006) business strategy is very important, the results of the study indicated that the effects of business units had double impacts on overall company performance rather than the effect of the company/industry. According to Wheelen and Hunger (2012) a large multi-division company, usually has three strategic levels including; Corporate Strategy, Business Strategy, and Functional/Operational Strategy. The strategy is illustrated in the form of a hierarchy that is generally used by companies simultaneously to achieve its missions and objectives.

According to Asante (2017) appropriate form of leadership is required to direct employees to achieve business resilience by a business strategy that explores competitiveness. Meanwhile, the research of Torjanski et al., (2009) shows that there are 7 bases for developing business performance including innovation, alignment strategy, foreign industry, discipline, leading to management, and systematic innovation.

### **Microfinance**

Microfinance is known as an act of providing financial services such as credit, savings, deposit, insurance, and payment services to those who lose access to conventional financial services since they are destitute and cannot offer collateral (Ledgerwood 1998; Littlefield et al., 2003; Robinson, 2001). Beck (2015) defined microfinance as the supply of banking services to microenterprises and poor families. The broader term embraces efforts to collect savings from low-income households (Armendariz and Morduch, 2010). Appah et al. (2012) stated that microfinance has a positive impact on the life of the clients. It increases the ability of destitute individuals to improve their conditions and shows the benefits clients get from the increasing of incomes to the increasing of their level of consumption, health, and building their assets. Several previous studies had shown that microfinance service improved the quality of life and basic rights (Mazumder and Lu, 2015). Microfinance is an effective poverty alleviation strategy as it reaches the target customers more effectively and helps to a large extent in improving their standard of living and social status (Taiwo and Ojo, 2016). Microfinance emergence is considered to be a solution to eradicate poverty and reduce inequality (Rokhim et al. 2017). It is also considered to be one of the main tools to boost labor force participation among women.

In the Bank Indonesia study book, BPS suggested that small businesses have a workforce size of 5 (five) to 19 people consisting of paid unskilled workers, owner workers, and business workers. Whereas industries that have less than 5 (five) people are classified as home industries. Funding carried out by financial institutions in the industry is included in microfinance.

Micro Business based on Indonesia regulation is a productive business owned by individual and/or individual business entity that complies the micro business criteria as regulated in the Law that has a net asset of IDR 50 million at most excluding land and buildings where the business is located or hav-

ing maximum annual sales results of IDR 300 million at most. Whereas super micro financing refers to financing provided to business actors with wealth under micro business actors.

**Framework**

In achieving the research objectives above, a framework was needed to comprehend the existing conditions and issues by pouring them into a methodology using the waterfall method (Sommerville, 2011). The framework served as a guide to the flow of thought and at the same time as a basis for research. The operational framework for research conducted can be seen in Figure 1.

Figure 1 shows the operational framework that was described using the waterfall method. The implementation of the framework of the picture was carried out in several stages to achieve the strategy formula which is expected to be beneficial for

Mekaar’s business development and can subsequently produce managerial implications that can be implemented to improve or develop Mekaar’s program.

**METHOD**

The research was conducted at PT Permodalan Nasional Madani (Persero) by means of questionnaires and interviews with designated speakers. The data used in the analysis were quantitative data from the questionnaire results and qualitative data from the interview results. The analytical methods used were descriptive analysis and SFAS.

SFAS analysis method is a summary of the analysis of strategic factors obtained based on the analysis results of internal (IFAS) and external (EFAS) factors. Internal factor analysis was carried out through the identification of internal environmental factors, including things related to the

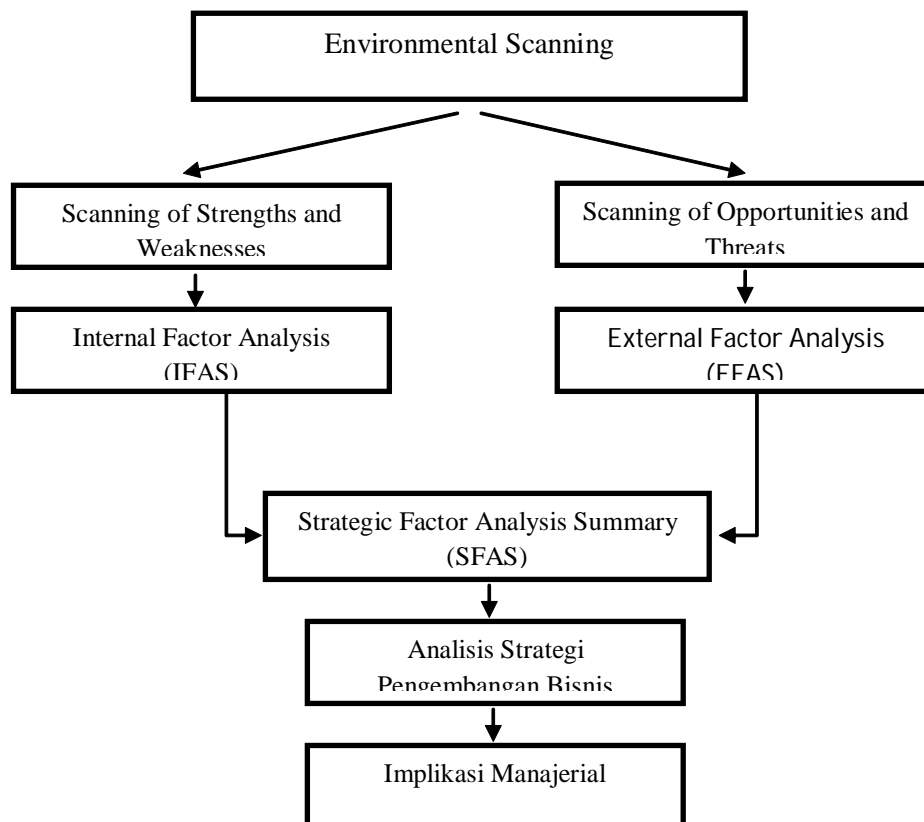


Figure 1 Operational Framework

strengths and weaknesses of the company. The identification of strengths and weaknesses described based on the company's organizational structure/business, culture, and resources. In contrast, external factor analysis included business opportunities and threats. Wheelen and Hunger (2012) described external factors based on the industrial, social, and natural environment. The description of the industrial environment closely related to company factors including shareholders, government, special industry groups, customers, lenders, communities, trade associations, competitors, employees, and suppliers. Meanwhile, the social environment consists of prevailing social culture, politics and regulations, technology, and economic development. On the contrary, the natural environment consists of natural resources, climate, and the lives of other creatures. The identification results analyzed just like the internal factors. Each strength and weakness factor of the company scored and several factors that had the most potential for the progress and hindrance of the company were chosen. All of these factors assessed by means of a Likert scale with a rating of 1-4.

## RESULTS AND DISCUSSION

Based on the results of interviews with informants, PNM undertook some action to improve the living standards of pre-prosperous people through *Mekaar*; there are; character building (a crucial start as a business foundation for pre-prosperous women who had the potential to strive to support the family's economy by instilling cultures of honesty, discipline, hard work, concord, kinship, and cooperation), changes in mindset (the approach is taken to change the sociological mindset of the pre-prosperous people was through a religious approach, namely from zakat recipients to zakat payers (this applied in other religions with different terms) as the adoption of *Grameen* system), and business empowerment and assistance (carried out by Account Officers (AO) to customers to increase business capacity and group development so that the funds provided could be managed according to the business goals).

Based on these strategies, customers experienced better welfare improvement than before.

Moreover, it affected *Mekaar* business unit development. In the past 2 years, the *Mekaar* business unit had experienced significant development. In December 2018, the number of *Mekaar* customers reached 4.05 million customers, which were originally 14.717 customers in March 2016. The number of NoA *Mekaar* continued to increase every month. Likewise, it also continued to escalate the allocated amount of funds every month. These data illustrated that *Mekaar* experienced a fairly significant development with an average growth of 15.6% in the last 3 (three) years. On the other hand, 3 (three) big competitors in the financing industry experienced stagnant (stable) growth compared to the *Mekaar* business unit. The growth of *Mekaar* service networks had grown fairly significant in the last 3 (three) years. Even based on the data in June 2019, it had reached 1.963 networks spread across 33 provinces in Indonesia with Java as the greatest market segment of around 66%. This growth depicted that the *Mekaar* position has begun to dominate the micro financing industry market. The distribution is expected to be able to reach all Indonesian pre-prosperous women to play a role in improving public welfare.

Based on SFAS used to conclude the organization strategic factors by combining EFAS and IFAS, and 8 (eight) strategic factors are found and should be implemented in the framework of developing *Mekaar*'s business. The first factor is S1, PNM as a state-owned non-banking institution has the main business of MSME financing. Increasing both pieces of knowledge of MSME players about PNM procedures and services and services with an easily accessible information system can encourage the growth of interest in doing business with assistance from PNM. Greater capital can be reached without complicated procedures, resulting in effective and efficient service and good growth. The second factors are S2 that focuses more on the widespread networks that serve most parts of Indonesia. As the *Mekaar* PNM service network grows, the company needs to improve both infrastructures to support more effective and efficient business processes and control functions through a reliable and easily accessible information system. The third factor is

W1, the strategic factor to overcome clients' problems about product competition that cannot compete in terms of pricing. The company must be able to provide the maximum added value for *Mekaar* customers and improve service quality to maintain or increase the number of customers. It also needs to evaluate the level of customer retention by strengthening the Customer Relationship Management function to manage the company's relationship with customers.

The fourth strategic factor is W2, the strategic factor about the turnover HR with micro competencies. The fulfillment of high turnover HR is caused by the high competition in the micro direct financing business. The strategies undertaken by PNM to overcome these challenges are; conducting recruitment in accordance with the company's needs and collaboration with company partners (subsidiaries) as outsourcing service providers, providing training to *Mekaar* employees regularly; and administering talent mapping. According to the informants, the high turnover that occurred at the AO *Mekaar* level was part of the character of the micro financing industry. The fifth strategic factor is O1, which focused on government policies that support MSME development. Government support for MSME development and its trust in PNM as a dealer of ultra-micro financing makes it easier for the company to be more vigorous in carrying out marketing strategies. In this case, it is crucial to prioritize the ease of information delivery and speed of service in reaching customers. Therefore, the role of institutions directly influences the company's strategy and performance (Peng et al, 2009). Siswaji et al (2013) study also show that the institution variable significantly influences the strategy of BUMN.

The sixth factor is O2, customer market is the number of productive housewives which is growing along with economic recovery. Along with the economic recovery, the customer market of productive housewives is also growing. The strategy performed by the company was by conducting market research to determine customer's needs to respond in the form of competitive new products to achieve optimum profit levels. The seventh strategic factor is

T1, which focused on human resource competition. Increasing the employees' capacity and ability is carried out simultaneously and in line with the challenges of their duties in the field. The training is based on not only on the company's strategy but also on the feedback from the employees themselves who faced challenges in the field. KPI measurement accompanied by targets and training is directed at improving the employees' ability and career. The last strategic factor is T2 that focused on tight competition, especially in terms of pricing. Sources of funds from the banking sector have the possibility of increasing lending rates due to an increase in Bank Indonesia interest rates, which is a challenge for the company in providing lending rates that are still competitive in the market. To overcome this, PNM diversified its funding among others by issuing bonds and RDPT (Private Equity Funds).

## CONCLUSIONS AND RECOMMENDATIONS

### Conclusion

Based on the findings, several conclusions could be drawn, there are; The strategies undertaken by the *Mekaar* business unit to improve the life of pre-prosperous people were using character building, mindset changing, and empowerment, and business assistance. Then, the increasing number of *Mekaar* customers from the past years was significant, reaching the number of 4.05 million customers. These developments made *Mekaar* continue to increase its coverage and penetration to reach pre-prosperous people. Therefore, the control of almost 1/3 market share could be a way for *Mekaar* to become the market leader of the micro-financing industry. On top of that, when viewed from the network coverage, *Mekaar* was still superior compared to the three big competitors in the same financing industry. Then, at last, to improve and maintain *Mekaar*'s performance, there were eight strategic factors obtained from the highest values of the internal and external factors and resulted in managerial implications that could maintain or develop *Mekaar*.

## Recommendation

Based on the conclusion of the study, for the next research, the writer recommends measuring the success of the strategies carried out by the company based on the level of stakeholder satisfaction and the expectations of the people served.

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