Strategy for Developing *Lembaga Perkreditan Desa* (LPD) To Compete In the Financial Institution in Denpasar City

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***Abstract:** The purpose of this study is to analyze: 1) external factors which are opportunities (opportunities) and threats for LPD development in Denpasar City; 2) internal factors that are strengths and weaknesses for LPD development in Denpasari City. The location of research is determined in four districts of Denpasar City. The sample of 70 people was determined by simple random sampling. Research respondents were LPD head and secretary. Data were analyzed using SWOT (Strengths, Weaknesses, Opportunities, Threats). The findings found; 1) the strongest opportunity factor affecting LPD development in Denpasar City is the development of population with total score of 0.765 and 2) the strength / weakness factor is the quality of human resources, shown with total score 1.087; 3) The business position of LPD in Depasar City lies in quadrant IV, that is category of stability. Determination of its development strategy is a stability strategy*
***Keywords -** Strategies, LPD, financial institutions, businesses, strengths, weaknesses, opportunities, threats*

I. Introduction

Lembaga Perkreditan Desa (LPD) is a community financial institution that is not only aimed merely economically, but also aims to assist Customary Village in Bali in carrying out its socio-cultural functions. LPD manages the financial resources of Desa Adat, in the form of savings and loans for the financing of the economic life of its members, either individually or collectively, in the end the benefits gained are used for the development of socio-cultural and religious functions of society Desa Adat. LPDs in Bali have been around since 1984, and by 2016 totaled 1,433 units with assets of around Rp 15.4 trillion (Bali Post, August 8, 2016) [1].

Bali Provincial Regulation No. 4 of 2012 on the second change of Provincial Regulation Bali No. 8 of 2002 on LPD mentions that LPD as one of the village wealth container, carrying out its function in the form of efforts to improve the living standard of krama desa and in its activity support many village development . The efforts of LPDs are conducted with the objectives of: (1) promoting economic development of rural communities through the activities of collecting savings and deposits from village krama; (2) eradicate the debt, the dark pledge and others that can be equalized with it; (3) creating equal opportunity distribution and expansion of employment opportunities for village krama; (4) increase purchasing power and smooth payments traffic and circulation of money in the village.

In the increasingly tight competition between financial institutions today, LPDs must manage their resources efficiently and effectively in order to improve their organizational performance. High organizational performance will provide sustainable competitive advantage for LPDs.

However, based on data from LPLPD (*Lembaga Pemberdayaan Lembaga Perkreditan Desa*) the development of LPD health level in 2014 per districts shows a serious problem. The success of a number of LPDs in Bali is also constrained by the amount of Non Performing Loan (NPL) reaching 9.05% which has exceeded the 5% NPL limit (Bank Indonesia Regulation Number: 13/3 / PBI / 2011). The magnitude of this NPL contributes to the ratio of earning assets which further affects the health of the LPD.

Furthermore, based on 2014 LPLPD data can also be explained that at the end of 2014 from 1422 existing LPDs, 1014 predicated healthy (71.31%), while 408 LPD predicate healthy enough, unhealthy, unhealthy and stuck (28.69%). The comparison, indicating that the percentage of underperforming LPDs is still quite high and this indicates that there are constraints LPD in optimizing its performance. In Denpasar City from 35 LPDs, 32 were predicated healthy, one LPD was predicted to be healthy, one LPD was not healthy and one LPD was not healthy.

Cendikiawan (2013) [2] as chairman of BKS (Agency for Cooperation) LPD Bali Province, in his paper reveals that LPD-LPDs that perform poorly and congestion are mostly caused by LPD internal factors

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which include: quality of human resources, served not serve, mastery and application of information technology and innovation, and application of management functions or leadership. The applied leadership does not reflect good and healthy leadership patterns. The success of the LPD is largely determined by the leadership and commitment of all elements in the LPD starting from the board, supervisors and employees. Furthermore, it is said that several internal strategic factors that need to be considered in LPD empowerment include: quality of human resources, human resource competence, organizational culture, commitment and management competence.

Based on the above issues it is very interesting to study about the LPD development strategy to face the increasingly tight competition among financial institutions, focusing on internal and external strengths faced or owned by LPDs in Denpasar City

II. Research Methodology

The location of research is determined in four districts of Denpasar City, namely, District of North, South, East and West Denpasar. The population in this research is the head and secretary of LPD in each research location. The sample is determined by Simple Random Sampling of head and secretary of LPD as many as 70 people.

Collected data are external factors that constitute opportunities (opportunities) and threats for LPD development in Denpasar City; which consists of: the level of community income, inflation rate growth, security stability, social awareness of the LPD, public awards, financial institutions as competitors, population growth. And internal factors which are strengths and weaknesses for LPD development in Denpasar City consist of; quality of human resources, culture served not meyalani, mastery and application of information technology and innovation, and the application of management functions or leadership. Data collected by interview technique bepedoman on the questionnaire. The analysis was done descriptively and the data was processed with several variations of statistical analysis. To know the development strategy of LPD used SWOT analysis (Strengths Weaknesses Opportunities Threats).

III. Results and Discussion

3.1 The condition of *Lembaga Perkreditan Desa* (LPD) in Denpasar City

Based on data from the LPLPD (Lembaga Penbernyan Lembaga Perkreditan Desa) the development of LPD health levels in 2014 per districts shows a serious problem. The success of a number of LPDs is also constrained by the amount of Non Performing Loan (NPL) reaching 9.05% which has exceeded the 5% NPL limit (Bank Indonesia Regulation Number: 13/3 / PBI / 2011). The magnitude of this NPL contributes to the ratio of earning assets which further affects the health of the LPD.

Table 1.LPD Rating in Bali Province Based on Health Level as of December 31, 2014

| No | County | Health Level | | | | | |
		Healthy	Healthy enough	unwell	No Healthy	Stop	Amount
1	Denpasar	32	1	1	1	-	35
2	Badung	106	10	2	3	1	122
3	Buleleng	108	9	7	4	41	169
4	Jembrana	54	4	-	6	-	64
5	Tabanan	207	22	14	18	46	307
6	Gianyar	186	27	18	6	32	269
7	Bangli	120	10	16	13	-	159
8	Klungkung	83	7	5	3	9	107
9	Karangasem	118	26	27	11	8	190
	Total	1014	116	90	65	137	1422
	Procentage (%)	71,31	8,16	6,33	4,57	9,63	100

Source: LPLPD Bali, 2015[4]

If LPD health is assessed using CAMEL, it should be realized that the five components have a very close relationship with each other, none of which can be ignored even though the other components have very high weight. LPD data in Bali based on their health rating can be seen in Table 1. Based on the data in Table 1. it can be explained that by the end of 2014 from 1422 existing LPDs, 1014 are predicated on health (71.31%), while 408 LPD are predictably healthy, unhealthy, unhealthy, and jammed (28,69%). The comparison, indicating that the percentage of underperforming LPDs is still quite high and this indicates that there are constraints LPD in optimizing its performance. While in the city of Denpasar of 35 LPD existing 32 or 91, 43% including Health category and only one LPD or 2.86% including unhealthy category. This means that LPD development in Denpasar City is very good.

Cendikiawan (2013) [2] as chairman of BKS (Agency for Cooperation) LPD Bali Province, in his paper reveals that LPD-LPDs that perform poorly and congestion are mostly caused by LPD internal factors that include: quality of human resources, served not melayalani, mastery and application of information technology and innovation, and the application of management or leadership functions. The applied leadership does not reflect good and healthy leadership patterns. The success of the LPD is largely determined by the leadership and commitment of all elements in the LPD starting from the board, supervisors and employees. Furthermore, Martini (2015) [3] stated that several internal strategic factors that need to be considered in LPD empowerment include: quality of human resources, human resource competence, organizational culture, commitment and management competence.

3.2 Analysis of External Matrix (EFAS) and Internal (IFAS))

The analysis and diagnosis of the external and internal strategic environment is carried out by weighting the external and internal strategic variables, followed by rating determination and lastly calculated total score determining changes in the external and internal environment providing opportunities or threats to the development strategy of the Village Credit Institution (LPD)) in Denpasar City. The IE matrix is based on two key dimensions; total at IFAS values given weight and total at IFAS values weighted. Total EFAS values rated 1.0 to 1.99 are considered low, values of 2.0 to 2.99 are average / average and 3.0 to 4.0 high. Similarly, IFAS values rated 1.0 to 1.99 indicate weak internal position, values from 2.0 to 2.99 are considered to be moderate and 3.0 to 4.0 strong. The results of research on EFAS LPD Development Strategy in Denpasar City to face the increasingly tight competition among financial institutions are presented in Table 2. The result of the research on EFAS Development of LPD in Depasar City is presented in Table 2.

Table 2. External Factors Analysis Summary (EFAS) LPD Development in Denpasar City

No	Statement	Answer score				
		5	4	3	1	1
1	Income level of the community	7	30	21	12	0
2	Inflation rate	2	16	36	16	0
3	Security stability	12	32	14	12	0
4	Social Concern for LPD	6	22	26	16	0
5	Public appreciation	19	19	15	17	0
6	Financial institutions as competitors	10	16	28	16	0
7	Population growth	14	31	12	13	0
Total		70	166	152	102	0

Note: 1= very good, 2- good, 3= good enough, 4= not good, 5= very not good

The results of the IFAS study The development of LPD in Kota Depasar is presented in Table 3. It appears that there are still 4 (5.7%) respondents stated that the culture served is not serving with very bad score (STB), whereas according to Martini (2015) [3] found that LPD in Bali 88.33% have good guarantee guarantee.

Table 3. Internal Factors Analysis Summary (IFAS) LPD Development in Denpasar City

No	Statement	Answer score				
		5	a	qa	d	sd
1	Quality of human resources	25	15	19	11	0
2	Culture served not serve	9	31	13	13	4
3	Mastery and application of information technology and innovation	2	34	18	16	0
4	Implementation of management functions	9	15	32	14	0
5	Leadership	8	33	21	8	0
Total		53	128	103	62	4

Note: 1= strongly dissgree, 2= dissgree, 3= lesst agree, 4= disagree, 5= strong disagree
Source: Primary data processed

3.2.1 FE Matrix

Identification on external factors LPD development strategy in Denpasar City to face increasingly tight competition among financial institutions produce picture or external factors that become opportunities and threats from LPD development in Denpasar City. Of the existing factors will be given weighting and rating by respondents. The result of weighting and rating of external factors will be formulated in the EFE matrix form. The EFE matrix can summarize and evaluate the main opportunities and threats of LPD development in Denpasar City. The EFE matrix formulation LPD Development in Denpasar City can be seen in Table 4 below.

Table 4. EFE Matrix LPD Development in Denpasar City

External Factor	Weight	Rating	Score Total
1. People's income level	0.14	3	0.434
2. Inflation rate	0.13	1	0.128
3. Security stability	0.15	5	0.759
4. Social Concern for LPD	0.14	2	0.272
5. Community awards	0.15	4	0.597
6. Financial institution as a competitor	0.14	2	0.275
7. Population growth	0.15	5	0.765
Total	1		3.229

Source: Primary data processed

The results of identification and evaluation of external factors as in the table above, can be seen that the most powerful factor that influences the development of LPD in Denpasar City to face increasingly tight competition among financial institutions is the development of the population with a total score of 0.765. This is due to the increasing number of population means the population will increasingly use LPD services in managing the financial economy of his family either as a source of capital or as a place of investment (save), then stability of security with a score of 0.759. This is in accordance with Martini's research (2016) [5], that security stability is one of the strong opportunities for the development of the people's market. While the smallest opportunity is the rate of inflation growth with a score of 0.128, then followed, social awareness of LPD with a score of 0.272 and other financial institutions as a competitor with a score of 0.275.

3.2.2 IFE Matrix

The identification of external factors of LPD development in Denpasar City resulted in a number of internal factors in the form of strengths and weaknesses of LPD development in Denpasar City. After that to each factor is given weighting and rating by each respondent. IFE matrix formulation LPD development in Denpasar City can be seen from Table 5 below.

Table 5.IFE Matrix LPD Development in Denpasar City

Internal Factor	Weight	Rating	Total Score
1. Quality of human resources	0.22	5	1.087
2. Culture served not serve	0.20	3	0.588
. Mastery and application of information technology and innovation	0.19	2	0.382
4. Implementation of management functions	0.19	1	0.189
5. Leadership	0.21	4	0.827
Total	1,00		3.073

Source: Primary data processed

The main strength / weakness factor of the LPD development strategy in Denpasar City to face the increasingly tight competition among financial institutions is the quality of human resources, indicated by a total score of 1.087. The quality of human resources is crucial to the successful development of LPDs, in the digital era of human resources that have LPD must master information technology, because to provide optimal service to the community LPD has applied some online-based software. While the biggest threat that comes in the development of LPD in Denpasar City is the weak implementation of management functions on LPD with a value of 0.189.

3.2.3 I-E Matrix

IE matrix function to know the location of LPD business position in Denpasar City. By knowing the business position of LPD in Denpasar City will make it easier to take or choose the strategy used refers to internal strength and external opportunities. according to the IFE matrix formulation owned by LPDs in Denpasar City, the total weighted value of the IFE matrix is 3,073 which indicates that LPDs have a strong ability to harness strengths and minimize weaknesses. While in the EFE matrix, LPD in Denpasar City has a total value of 3, 229 in which LPD in Denpasar City has the ability in the medium category in exploiting the existing opportunities and trying to suppress or cope with threats that come. If the two weighted values are found then they will be in the IE IV cell matrix ie the stability column ie the concentration through the horizontal integration.
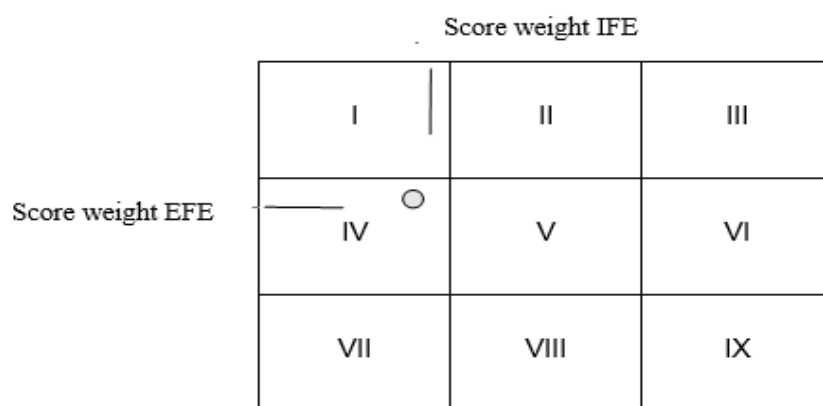
Score weight IFE

Figure 1. Business Position of LPD in Denpasar City

This is in line with research conducted by Hems and Nixon (2010) [6], Carlsen and Andersson (2011) [7], and Koo et al. (2012) [8], to formulate a strategy that consists of analysis of the advantages, weaknesses, opportunities, and threats faced by a company to achieve company goals using SWOT analysis. Further reinforced by Jiju (2012) [9], that the various external environment changes, strengths and weaknesses that companies possess from existing resources as the basis for formulating business strategy. Here is a picture showing the business position of LPD in Denpasar City on IE matrix like the following picture

Stability Strategy (Stability), with population growth opportunities, the strategy used is, by opening an outlet close to the occupancy and utilization of high technology in service. This can be achieved by way of LPDs opening new outlets in LPD working areas in concentrated populations, especially migrant residents who have some business interests. And apply online-based software so that services can be provided to the community optimally fast and accurate.

IV. Conclusion

Based on the results of research and discussion can be concluded:

1. The most powerful opportunity factor that influences LPD development in Denpasar City to face increasingly tight competition among financial institutions is the development of population with total score of 0.765.
2. The main strength / weakness factor of the LPD development strategy in Denpasar City to face the increasingly tight competition among financial institutions is the quality of human resources, indicated by a total score of 1.087.
3. The business position of LPD in Depasar City lies in quadrant IV, that is category of stability. Determination of its development strategy is strategic stability

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