DIJEMSS: Dinasti International Journal of Education Management and Social Science
E-ISSN: 2686-6331
P-ISSN: 2686-6358
DINASTI PUBLISHER
https://dinastipub.org/DIJEMSS dinasti.info@gmail.com +62 811 7404 455
DOI: https://doi.org/10.38035/dijemss.v7i6
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Strengthening The Positioning of The Banking Industry in The People's Economy Bank in East Nusa Tenggara Province

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Abstract: Bank Perekonomian Rakyat (BPR) is a banking entity that plays an important role in strengthening the national economy, particularly by providing financing support to micro, small, and medium enterprises (MSMEs). BPR is expected to provide financial services to MSME entrepreneurs and rural communities who lack access to commercial banks. However, BPRs face a dilemma in carrying out their operations due to fundamental changes in the financial industry. Research conducted in NTT shows that BPRs compete with Commercial Banks, Cooperatives, Village-Owned Enterprises (BUMDes), and Financial Technology to maintain their financial sustainability. Competitive advantage can be achieved through optimal resource management, especially in the era of knowledge-based competition. This study aims to examine the positioning of BPR as the main pillar in supporting the growth of MSMEs and rural communities through inclusive and sustainable financial services. Positioning using SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis is a way to understand the position of a company or product in the market by identifying internal and external factors that affect banking performance. The results of the research are expected to include BPR's strategic model in strengthening its position in the market and ensuring growth and financial sustainability in the midst of fierce competition, scientific articles in reputable journals, ISBN books, copyrights to the books, and news.

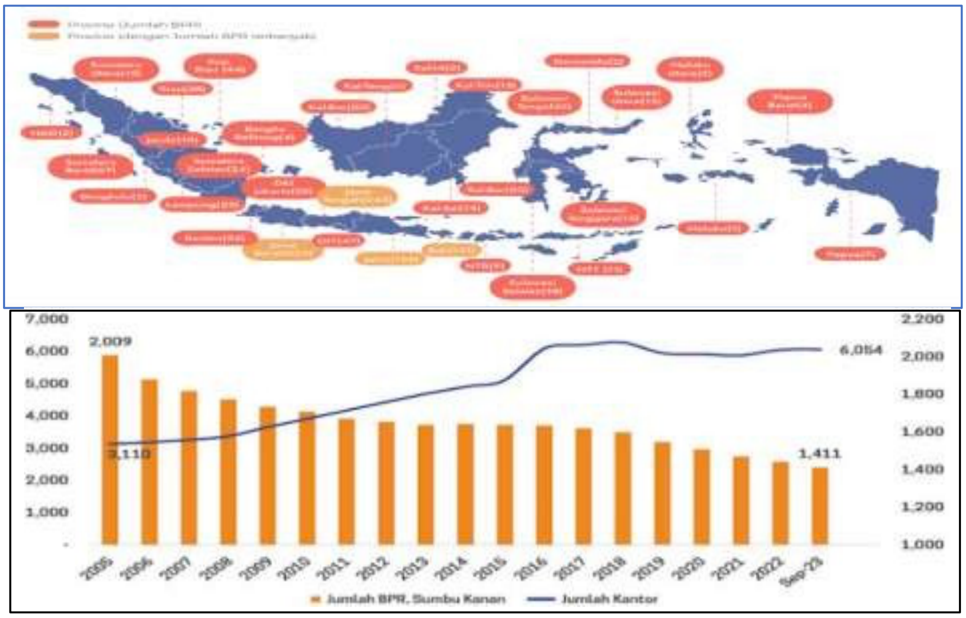
Keywords: Strategy, Strengths, Opportunities, Weaknesses, Threats, BPR.

INTRODUCTION

The banking industry plays a strategic role in supporting economic growth through financial intermediation, particularly in facilitating access to funding for micro, small, and medium enterprises (MSMEs). Within this context, *Bank Perkreditan Rakyat* (BPR) serves as an important pillar in promoting financial inclusion, especially for underserved communities in rural and semi-urban areas. BPRs are designed to reach segments that are often excluded from commercial banking services due to limited accessibility, lack of collateral, and low financial literacy. Therefore, the existence of BPR is essential in strengthening the people's economy and supporting equitable economic development.

However, the sustainability of BPRs is currently under significant pressure due to structural changes in the financial industry. The rapid development of financial technology (fintech), the expansion of commercial banks into micro segments, and increasingly stringent regulatory frameworks have intensified competition in the financial services sector. Research by Wondirad (2020) shows that increasing competition in microfinance institutions tends to negatively affect profitability, although it can expand market reach and customer segments. In addition, O'Cass and Weerawardena (2010) emphasize that the intensity of competition in an industry significantly influences organizational learning and the development of marketing capabilities. These dynamics require BPRs to continuously adapt their strategies in order to remain competitive.

Data from the Financial Services Authority (OJK) indicates a plan to consolidate rural banks (BPR). The OJK considers the excessive number of BPRs to be a source of problems, especially since some are in poor financial condition. The number of BPR offices continues to grow, from 2,009 in 2005 to 6,054 in September 2023. The following presents the development of the distribution of BPRs in Indonesia in figures related to the distribution of BPRs and the number of BPR offices in Indonesia.



Source: BPR Roadmap, 2024
Figure 1. Number of BPR Distribution in Indonesia

From a strategic management perspective, the performance and competitiveness of BPRs are influenced by both internal and external environmental factors. The external environment, including macroeconomic conditions, technological changes, and industry competition, plays a crucial role in shaping organizational strategies (David & David, 2017; Wheelen et al., 2018). In particular, the industrial environment, which includes factors such as competitive rivalry, bargaining power, and the threat of new entrants, is commonly analyzed using Porter's Five Forces framework. Previous studies adopting a contingency approach also highlight that environmental uncertainty significantly affects management systems and organizational performance (Chong & Chong, 1997; Jabnoun et al., 2003). Furthermore, recent studies confirm that contextual factors such as technology, strategy alignment, and competence are critical determinants of organizational performance (Abdurrahman et al., 2024; Erina Sudaryati, 2020; Hernawati, 2020; Ortega, 2010; Handoyo et al., 2023).

In addition to external factors, internal resources also play a vital role in determining organizational performance. Organizations with limited resources, such as BPRs, must be able to formulate appropriate strategies to remain competitive. Edelman et al. (2002) found that small firms can maintain their existence despite resource limitations by implementing suitable strategies, particularly those focused on service quality. This finding is relevant to BPRs, which rely heavily on service proximity, local knowledge, and flexibility in meeting customer needs.

Despite the extensive literature on strategy and organizational performance, most previous studies tend to analyze competitiveness using either a resource-based view or a market-based perspective. There is still limited research that integrates the unique characteristics of BPRs—particularly their strong community relationships—with the demands of digital transformation. In fact, the main strength of BPR lies in its close interaction with local communities, which allows for a deeper understanding of socio-economic conditions and customer behavior. At the same time, the increasing adoption of digital financial services requires BPRs to enhance their technological capabilities to remain relevant in a rapidly evolving financial ecosystem.

Therefore, this study addresses this research gap by proposing a "Community-Based Digital Positioning Model for Rural Banks" as a conceptual development. This model integrates community-based approaches, such as personal relationships, local knowledge, and social trust, with digital capabilities, including fintech collaboration, digital transactions, and technology-based customer management systems. By combining these two dimensions, BPRs are expected to strengthen their competitive positioning while maintaining their traditional advantages in serving local communities.

Empirically, this study focuses on BPRs in East Nusa Tenggara Province, a region characterized by strong rural economic structures and limited access to formal financial services. Using a SWOT analysis approach, this research aims to identify internal and external strategic factors and formulate appropriate positioning strategies. More importantly, this study contributes to the literature by offering a conceptual model that bridges community-based banking practices and digital transformation, which has not been adequately explored in previous research.

METHOD

Research Model

This study uses a qualitative descriptive approach with a SWOT analysis method to formulate a strategy to strengthen the positioning of Bank Perkreditan Rakyat (BPR) in East Nusa Tenggara Province. This model aims to identify the strengths, weaknesses, opportunities, and threats faced by BPRs and generate alternative SO, WO, ST, and WT strategies.

Location and Research Object

The research was conducted in East Nusa Tenggara Province with 11 BPR objects spread across several districts/cities, including Kupang City, Belu Regency, Manggarai, East Flores, and East Sumba. The selection of locations is based on local characteristics and the need to strengthen the role of BPR in the regional banking system.The research was conducted in East Nusa Tenggara Province with 11 BPR objects spread across several districts/cities, including Kupang City, Belu Regency, Manggarai, East Flores, and East Sumba. The selection of locations is based on local characteristics and the need to strengthen the role of BPR in the regional banking system.

Research Variables

The research variables are grouped into four SWOT categories:
1. Strengths: Focus on MSMEs, simple service, personal approach.
2. Weaknesses: Limited products, operational range, and technological capacity.
3. Opportunities: Access to the MSME market, technology adoption, collaboration with fintech.
4. Threats: Competition from commercial banks, online lending, and strict regulations.

Data Collection Techniques
1. Primary data: Obtained through direct observation, closed-ended questionnaires, and semi-structured interviews with employees, customers, and external parties.
2. Secondary data: Collected through documentation and literature studies from OJK reports, journals, and other official sources.

Population and Sample

The study population included employees and customers from all rural banks (BPRs) in NTT. This study involved 66 respondents for questionnaire-based analysis and 30 key informants for in-depth interviews, selected using purposive sampling.

Data Analysis Techniques

The data was analyzed using the SWOT approach. The SWOT matrix is built from internal factors (Strengths and Weaknesses) and external factors (Opportunities and Threats) obtained from the results of questionnaires and interviews. Furthermore, the EFAS and IFAS Matrix are used to determine the weight and score of each factor to formulate an optimal strategy.

RESULTS AND DISCUSSION

Analysis of Internal and External Factors

Based on the results of the study on 66 BPR customer respondents, a number of factors were obtained.

1. **Strengths:**
   a. The majority of respondents were women (65.2%).
   b. The level of customer loyalty is quite high, as seen from 24.2% of respondents who have been customers for 3-4 years and 43.9% for more than five years.
   c. The level of education is relatively good, with the dominance of first degree graduates (54.5%),
   d. The use of savings products (78.7%) and deposits (50%) shows the existence of a stable deposit base as important capital for BPR operations.
2. **Weaknesses:**
   a. Product utilization is still concentrated in deposits, while the use of credit products is relatively lower.
   b. Respondents are still at the elementary and high school levels, so it can be an obstacle in understanding more innovative banking products.
   c. Women's dominance also has the potential to be a weakness if BPR is unable to develop strategies to reach more male customers who have the potential to take advantage of productive credit products.
3. **Opportunities:**
   a. More varied product development.
   b. Expanding credit distribution, in line with increasing consumer needs and community asset ownership.
   c. Develop marketing strategies in the form of cross-selling and up-selling
   d. Women's dominance can be directed to special programs such as microcredit or term

savings that support household businesses.

4. **Threats:**
   a. Dependence on storage products.
   b. Competition with commercial banks and non-bank financial institutions.
   c. Respondents with low financial literacy.
   d. Dependence on certain segments, both in terms of gender and education level.

Research Results

In determining the competitive position of the People's Economic Bank in East Nusa Tenggara, it is first determined what are the internal and external factors that influence in order to produce the right strategy.

Table 1. Internal Factor Analysis Summary

Internal Factor Analysis Summary	
Strength	Focus on services for MSMEs and rural communities - according to local needs.
	The service procedure is simple – it makes it easier for customers who are less familiar with the bureaucracy of commercial banks.
	Personal approach – because the size of the organization is small so it is closer to the customer.
	BPR knowledge is better about local economic and social conditions.
	Flexibility of products and services – easier to adapt to the needs of society.
	BPR is present in areas that have not been served by commercial banks.
	Playing a role in encouraging local development.
Weakness	Service products are limited compared to commercial banks.
	Operational reach is limited to certain regions only.
	Small capital – difficult to compete with large banks.
	Information technology is less sophisticated – lagging behind in digitalization.
	Difficulty in retaining high-quality human resources.
	Serving MSMEs and low-income communities with high risks.
	High operational costs.
	Dependence on third-party funds.

Source: Data Processed, 2025

Table 2. Eksternal Factor Analysis Summary

Eksternal Factor Analysis Summary	
Opportunity	The MSME market is still vast – the need for financing is high.
	Many areas have not been reached by commercial banks, so BPR can enter.
	Personal service is an advantage over commercial banks.
	The adoption of digital technology can improve efficiency and reach.
	Financial products according to local needs can be more competitive.
	Collaborate with fintechs to access new technologies.
Threats	Competition from commercial banks is starting to enter the micro segment.
	Low adoption of digital technology makes BPRs lag behind.
	Increasingly stringent OJK regulations increase operational burdens.
	Credit risk is high because the majority of customers are low-income.
	Competition with online loans (fintech lending) is faster and easier.
	Changes in customer preferences to digital platforms.
	Loan regulation leads to lower flexibility

Source: Data Processed, 2025

After determining the internal factors and external factors that have an influence, then positioning mapping is carried out by giving weights and scores for each factor, which are as follows.

Table 3. IFAS Weighting and Score Determination

Internal Factors	Weight	Rating	Score
Strengths			
Focus on MSMEs and rur al communities	0.08	4	0.32
Simple service procedure	0.07	3	0.21
Personal approach	0.08	3	0.24
Local knowledge (economic & social)	0.07	3	0.21
Flexibility of products & services	0.07	3	0.21
Present in underserved areas	0.08	4	0.32
Encourage local development	0.05	3	0.15
Subtotal Strengths	**0.50**		**1.66**
Kelemahan *(Weaknesses)*			
Limited service products	0.07	2	0.14
Limited area coverage	0.07	2	0.14
Small capital	0.08	2	0.16
Information Technology Is Less Sophisticated	0.08	2	0.16
Human resources are difficult to maintain	0.07	2	0.14
Serving high-risk segments	0.06	2	0.12
High operating costs	0.04	1	0.04
Dependence on third-party funds	0.03	1	0.03
Subtotal *Weaknesses*	**0.50**		**0.93**
TOTAL IFAS	**1.00**		**2.59**

Source: Data Processed, 2025

Table 4. EFAS Weighting and Score Determination

External Factors	Weight	Rating	Shoes
Peluang *(Opportunities)*			
Wide MSME market	0.10	4	0.40
Areas have not been reached by commercial banks	0.09	4	0.36
Superior personal service	0.08	3	0.24
Adoption of digital technology	0.07	3	0.21
Products according to local requirements	0.08	3	0.24
Collaboration with fintech	0.08	3	0.24
Subtotal *Opportunities*	**0.50**		**1.69**
Threats			
Commercial bank competition	0.08	2	0.16
Low technology adoption	0.07	2	0.14
OJK regulations are strict	0.07	2	0.14
High credit risk	0.07	2	0.14
Online loan competition	0.08	2	0.16
Changing preferences to digital	0.07	2	0.14
Loan regulations limit flexibility	0.06	2	0.12
Subtotal *Threats*	**0.50**		**1.00**
TOTAL EFAS	**1.00**		**2.69**

Source: Data Processed, 2025

Based on the results of the calculation of the IFAS and EFAS matrix, the total IFAS score was 2.59 and the total EFAS score was 2.69. These results show that internally, BPRs in East Nusa Tenggara have a fairly strong condition. This means that although there are still a number of weaknesses such as limited capital, information technology infrastructure that is not optimal, and limited service coverage, the strengths of BPRs such as proximity to the local community, simple service procedures, product flexibility, and focus on MSMEs and rural communities are important capital to maintain competitiveness.

On the other hand, an EFAS score of 2.69 indicates that the external environment is relatively supportive for the development of BPRs. There are still great opportunities from the vast MSME market, rural areas that have not been served by commercial banks, as well as opportunities for digitalization and collaboration with fintech. However, BPRs also face serious threats in the form of competition with commercial banks and fintech lending, increasingly stringent regulations, high credit risk, and shifts in consumer preferences towards digital-based services. If these two scores are mapped in a SWOT matrix, then the BPR position is in Quadrant I, which is known as the Growth Oriented Strategy position. This position illustrates that the organization is in a favorable state, as it has internal strengths that can be leveraged to respond to available external opportunities. In the context of strategy, this position recommends the implementation of an aggressive strategy.

An aggressive strategy means that BPRs in NTT need to actively use all their internal strengths to take advantage of existing external opportunities. For example, by optimizing personal approaches and social closeness to expand market share MSMEs in areas that have not been reached by commercial banks. In addition, the flexibility of its products can be synergized with digital innovation and cooperation with fintech, so that BPR is able to expand access, improve operational efficiency, and provide a more modern service experience to customers.

In determining the right strategy, the determination of SO, WO, ST, and WT strategies through the SWOT matrix is as follows:

Table 5. SWOT Matrix

Factors	***Opportunities* (O)**	***Threats* (T)**
	Wide MSME market	Commercial bank competition
	Areas have not been reached by commercial banks	Low technology adoption
	Superior personal service	OJK regulations are strict
	Adoption of digital technology	High credit risk
	Products according to local requirements	Online loan competition
	Collaboration with fintech	Changing preferences to digital
		Loan regulations limit flexibility
***Strengths* (S)**	**SO (Aggressive) Strategy – Using power to take advantage of opportunities**	**ST Strategy (Diversification/Defensive) - Using force to deal with threats**
Focus on MSMEs and rural communities	- S1 + O1: Strengthening personal services for MSMEs and areas that have not been reached by banks general.	- S3 + T5: Use a personalized approach to counter online loan penetration.
Simple service procedure	- S2 + O4: Simplify procedures through digitization of services to make them more efficient.	- S4 + T1: Offers flexible products as a differentiation from commercial banks.
Personal approach & local knowledge	- S3 + O6: Harnessing social closeness to Build collaboration with fintech.	- S1 + T4: Leverage local understanding to lower credit risk.
Product flexibility	- S4+O5: Creating products based on local needs that	- S5 + T3: Work with local governments to regulate

	flexible and competitive.	more on the side of BPR.
Present in underserved areas		
***Weaknesses* (W)**	**WO *(Turnaround) Strategy*- Reduce weaknesses by capitalizing on opportunities**	**WT *(Survival)* Strategy – Reducing weaknesses and avoiding threats**
Limited products	- W4 + O4: Adopt simple digital technology (mobile banking, QR, loan application).	- W7 + T2: Lower operational costs by digitizing internal processes.
Narrow regional coverage	- W3 + O6: Overcoming capital limitations through cooperation with fintech/cooperatives.	- W6 + T4: Tightening credit analysis to reduce the risk of non-performing loans.
Small capital	- W5 + O4: Improving HR training in the field of digital finance.	- W3 + T1: Building capital partnerships with commercial banks so that they are not less competitive.
Weak information technology	- W1+O5: Diversify products according to local needs for reduce service limitations.	- W4 + T6: Train human resources to be able to serve customer preferences that shift to digital services.
Difficult HR Maintained		
High credit risk		
High operating costs		
Dependency on third-party funds		

Source: Data Processed, 2025

Discussion

The results of the SWOT analysis show that BPR in East Nusa Tenggara is in the position of Quadrant I (Growth Oriented Strategy), which means that the organization has significant internal strengths and promising external opportunities. Therefore, the most appropriate strategy is an aggressive strategy (SO), which is to utilize internal forces to capture external opportunities to the maximum. The following is an in-depth description of each relevant SO strategy for BPR in NTT**:**

1. Optimizing Personal Services and MSME Penetration

BPR has advantages in the form of a personal approach to customers, a deep understanding of local socio-economic conditions, and a focus on MSMEs. This strategy is directed to expand market penetration by emphasizing social proximity as the main differentiation from commercial banks and fintech. By utilizing local networks, BPRs can conduct financial education programs, regular field visits, and the implementation of a simple customer relationship management system to increase customer loyalty and retention. The ultimate goal is to increase the market share of MSMEs, increase trust, and strengthen the image of BPR as a community bank that not only provides financial services but also business assistance. Research (Munandar et al., 2022) on Islamic banks emphasizes that customer loyalty can be built, strengthened, and maintained through Customer Relationship Management (CRM) programs aimed at improving security and building trust in every transaction, strengthening partnerships, optimizing other bank service products such as internet banking and SMS banking, and maintaining timely communication with customers. The findings of the study (Sutanto et al., 2021) on bank bantul also emphasize that BPR is not enough to rely only on standard service quality (such as fast or friendly), but must emphasize relational strategies that are in accordance with the characteristics of MSMEs and local communities. The results of this study are also in line with the findings of an international study on community banks by (Minuci & Rodriguez, 2024) which show that the uniqueness of financial services is an important factor in maintaining profitability, especially when the market is competitive and liquidity is limited. The study found that community banks are encouraged to develop differentiation strategies to remain able to attract customers and sources of funds, while the benefits of such uniqueness diminish when liquidity is abundant. In the context of BPR in NTT, this unique strategy is reflected through a personal approach, local socio-economic understanding, and a focus on MSMEs, which play an important role in increasing loyalty and expanding market penetration. Thus, this study strengthens the argument that differentiation based on social proximity is not only the identity of BPR as a community bank, but also a relevant and effective strategy in facing competition from commercial banks and fintech. The operational actions chosen are segmenting MSMEs, regular field visits, financial education programs, and the implementation of simple Customer Relationship Management (CRM). This strategy was chosen because BPR's strength lies in its personal closeness to customers and a deep understanding of local socio-economic conditions. In this way, BPRs can maintain a closer relationship with customers, while increasing retention and loyalty. The performance indicators chosen are the number of new MSME customers, customer retention rate, and cross-sell ratio. These three indicators are relevant because they are able to directly measure the extent to which personal services have succeeded in expanding the market, retaining customers, and increasing the use of other products by the same customers.

2. Development of Financial Products Based on Local Needs

The strength of BPR lies in its ability to adapt products to the economic conditions of the local community. Strategies such as seasonal loans for the agriculture and livestock sectors, group savings for rural communities, and alternative group-based guarantee schemes can increase product relevance while reducing credit risk, as they align with the customer's income cycle. This is in line with the findings (Simanjuntak & Sitorus, 2022) which affirm that the development of BPR in Indonesia must rely on product modification to suit the needs of the lower middle class. The research also highlights that the limitations of financial literacy, capital, and human resources are the main challenges, so the flexibility of locally-based products is an important strategy to strengthen the competitiveness of BPRs and expand market penetration. With relevant products, BPRs can be more competitive and increase their attractiveness to market segments that are not yet served by commercial banks. This strategy also allows BPR to reduce credit risk, as the products developed will be aligned with the customer's revenue cycle. In addition, research on agricultural finance providers in Bandung Regency also shows that farmers' access to financial institutions is highly determined by the suitability of products with the farming cycle and the flexibility of requirements such as guarantees (Alamsyah et al., 2023). Thus, both in terms of theory and practice, it can be seen that locally-based product innovation is the key for BPRs to expand financial inclusion, increase attractiveness for the underserved segment, and strengthening business sustainability at the rural level. The results of this study are in accordance with the characteristics of the people of NTT who rely a lot on the agricultural and livestock sectors for their livelihoods. Operational actions are in the form of designing financial products that are in accordance with the characteristics of local communities, such as seasonal loans for the agriculture and livestock sectors, group savings, and community-based alternative guarantee schemes. This step was chosen because product flexibility is a strength of BPR that can be integrated with the real needs of the community related to the seasonal income cycle. The indicators chosen are the rate of uptake, the ratio of credit disbursement to the target segment, and the rate of credit payment delays. The reason for choosing this indicator is to ensure that the product is actually used as needed, channeled to the right segment, and still maintains credit quality with controlled risk.

3. Strategic Collaboration with Fintech and Local Partners

BPRs have limitations in capital and technology, but great opportunities open up through collaboration with fintechs. This strategy aims to take advantage of fintech's advantages in digital technology, such as electronic Know Your Customer (e-KYC), digital payment systems, or alternative credit scoring. This collaboration will expand the range of BPR services, increase efficiency, and lower operational costs. In addition, partnerships with cooperatives, village agents, or local stores as banking agents can also strengthen the distribution network. In this way, BPR maintains personal closeness, but services can be accessed faster, more widely, and more modernly. Collaboration between BPR and fintech is an increasingly relevant strategy in the midst of limited capital, technology, and infrastructure owned by BPRs. Research (Annisa Fitriah Mudassir & Muhammad Khaidir Kahfi Natsir, 2025) confirms that digital transformation is not just a trend, but an urgent need to ensure the sustainability of BPRs. Through collaboration with fintechs, BPRs can leverage digital technologies such as e-KYC, innovative credit scoring, and electronic payment systems, which have been proven to improve operational efficiency, expand access to services, and build an inclusive financial ecosystem

This finding is strengthened by research (Kirowati et al., 2025) which shows that the level of digitization of BPRs in Indonesia is still relatively low compared to commercial banks and online-based fintech. The low level of digitalization has an impact on the decline in credit quality and financial performance. Therefore, collaboration strategies with fintech, conventional banking, and other institutions are important to encourage digital service innovation, improve governance, and maintain the competitiveness of BPRs in the industrial era 4.0. Furthermore, a study (Aziz et al., 2024) on the role of banking and fintech P2P lending in supporting farmer financing confirms that the integration of BPR and fintech can expand access to credit to sectors that have been underserved, especially agriculture. Through the use of alternative credit scoring based on non-traditional data and local distribution networks, BPRs have the opportunity to reduce credit risk while reaching rural segments more effectively. Thus, the synergy of BPR and fintech not only increases efficiency and market penetration, but also contributes to financial inclusion and regional economic development.

The operational steps include the integration of services with fintech through the Application Programming Interface (API) for the e-KYC process and digital payments, the implementation of the co-operative model lending, as well as the development of shop-based banking agents or village cooperatives. This action is important to expand the range of BPR services without burdening large operational costs, while responding to the public's need for fast and modern financial services. The indicators chosen are the percentage of digital transactions, the number of co-lending cooperation that has been successfully distributed, and operational costs per transaction. This indicator was chosen because it can measure the level of digitalization achieved, capital contribution from cooperation, and efficiency obtained from strategic collaboration.

4. Strengthening Community-Based Credit Risk Management

One of the weaknesses of BPR is the high credit risk due to the customer segment dominated by low-income MSMEs. However, the power of BPR in understanding local communities can be a solution through the development of a community-based credit scoring system. Assessments can combine traditional information with local reputation data or alternative data such as utility payments and community records. In addition, the implementation of group lending or mutual guarantees can strengthen payment discipline. This strategy will reduce the potential for non-performing loans, strengthen trust between customers, and improve the sustainability of the credit portfolio. Based on a literature review, the group lending approach has proven to be effective as a self-insurance mechanism to reduce credit risk in low-income segments, where optimal group size is key (Krause, 2025). This mechanism is in line with practices that have been tested in microfinance institutions such as Community Venture Corp., where group lending, dynamic incentives, and training function as screening and risk mitigation tools (Hou et al., 2020). In the context of BPR in Indonesia, the strength of local community understanding enables the application of this model by combining traditional information and reputation data to strengthen payment discipline.

However, credit scoring innovations don't stop there. The development of Innovative Credit Scoring (ICS) by utilizing alternative data such as payment history, utilities, and digital footprints, offers a breakthrough to assess the creditworthiness of customers without formal credit history (Adam et al., 2025). However, a study (LAGHMAM, 2022) warns of a crowding-out effect, where high credit absorption by the public sector (such as through the purchase of debt securities) can reduce the capacity to distribute credit to the private sector. Therefore, BPR's strategy in the future must synergize, not only by utilizing group lending and community-based alternative data, but also supported by macro policies that maintain the availability of financing for MSMEs, so that credit risks can be reduced while encouraging sustainable financial inclusion. Operational actions include the development of a community-based credit scoring system, the use of alternative data for risk analysis, the implementation of an early-warning system, and a group lending scheme. This step was taken because high credit risk is a key weakness of BPRs, while social proximity and local knowledge are strengths that can be leveraged to mitigate risks. The performance indicators used are the non-performing loan (NPL) ratio, the percentage of loans in arrears of more than 30 days (Portfolio at Risk / PAR), and the loan repayment rate (recovery rate). This indicator was chosen because it is a standard measure. The quality of the credit portfolio is also able to demonstrate the effectiveness of the implementation of community-based risk management.

5. Digitization of Service Core Processes

Aggressive strategies also include digital transformation to increase competitiveness. BPRs can start with simple digitization of front-end processes, such as lightweight-based mobile applications, QR payments, and digital submission forms. On the back-end, digitalization is directed to speed up the credit administration process, customer data processing, and reporting to regulators. This digitalization will reduce operational costs, speed up services, and increase customer satisfaction, without eliminating the personal touch that is the main strength of BPR. Operational actions include the development of a simple mobile application, a QR-based payment system, digitization of submission forms, as well as automation of back-office processes for data processing and credit administration. This strategy is directed to improve operational efficiency and accelerate services without eliminating the personal touch that is characteristic of BPR. The indicators chosen are digital transaction ratio, average credit settlement time (Turnaround Time), and operational costs per transaction. This indicator is relevant because it is able to show the direct impact of digitalization on the speed, efficiency, and adoption of digital services by customers.

6. Fundraising and Diversification of Funding Sources

Capital limitations are the main weakness of BPR. Therefore, an aggressive strategy must also include raising capital through collaboration with financial institutions, commercial banks, local governments, and fintech. Co-lending or channeling can be an effective model to expand credit disbursement capacity without burdening the financial structure of BPRs. In addition, digital-based savings product innovations can attract more third-party funds from the public. With the diversification of funding sources, BPRs will have greater financial flexibility to expand services to the MSME segment. The operational steps taken are developing co-lending schemes with commercial banks or fintech, utilizing revolving funds from local governments, and creating digital deposit products to attract more third-party funds. This strategy was chosen because limited capital is a significant obstacle for BPRs in expanding service capacity. The performance indicators used are Capital Adequacy Ratio (CAR), Loan to Deposit Ratio (LDR), and credit portfolio growth. This indicator was chosen because it reflects capital capability, liquidity adequacy, and credit disbursement capacity growth, which are the main objectives of this strategy.

7. Strengthening BPR Positioning and Branding

Finally, aggressive strategies are not only related to products and technologies, but also concern the image of the institution. BPR needs to strengthen its branding as a modern, close, and trusted community bank. This strategy can be realized through communication campaigns that emphasize the role of BPR in supporting MSMEs, customer success testimonials, and Community Financial Literacy Program. In addition to increasing public awareness, this strategy also builds closer relationships with local governments and regulators as strategic partners. BPR's aggressive strategy not only focuses on product and technology aspects, but also relies heavily on the formation of a strong institutional image. In this context, BPR needs to position itself as a modern, close, and trusted community bank. Research by (Sutarto & Natalia, 2023) on Bank Indonesia's CSR shows that structured social programs, such as the provision of scholarships and the formation of recipient communities (GenBI), have proven to be effective not only in increasing human resource capacity but also in building harmonious and sustainable community relations. This is in line with the aggressive strategy that BPR can adopt, where communication campaigns that showcase the role of BPR in supporting MSMEs and customer success testimonials can strengthen branding as an institution that is on the side of local economic drivers.

Furthermore, strengthening the image must be supported by real efforts to improve people's financial literacy. Findings from (Wahyuningsih et al., 2023) and (Budiriyanto et al., 2025) confirm that financial literacy has a positive and significant influence on people's interest in using financial products and services, including investing. Therefore, the financial literacy program initiated by BPR should not be seen as a purely philanthropic activity, but as a strategic investment to create markets, build trust, and ultimately encourage the adoption of banking products. In the digital era, financial technology (fintech) integration is also key, as revealed by (Rizkan et al., 2022) and (Budiriyanto et al., 2025), who emphasized that access to information through mobile phones and television, as well as the convenience offered by digital platforms, can strengthen the impact of financial literacy on people's financial behavior. Thus, BPRs can utilize fintech not only as a distribution channel, but also as an educational tool that strengthens a modern and accessible image.

Ultimately, a combination of a strong image, impactful literacy programs, and the use of technology will build closer relationships with all stakeholders, including local governments and regulators. As reflected in the study (Nurcahyo et al., 2023), the company's location and consumer preferences are decisive factors in customer decisions. A BPR that is known to actively empower communities through education and real programs will create goodwill and become a strategic partner that is relied upon by the government in encouraging regional economic inclusion and growth. In other words, this aggressive strategy based on building an image and community creates a mutually reinforcing cycle: the trust built will increase customer loyalty, which in turn strengthens BPR's competitive position in the midst of competition in the banking industry. Operational actions that can be taken are integrated communication campaigns that emphasize the role of BPR as a modern community bank, publication of fostered MSME success stories, community financial literacy programs, and strengthening relationships with local governments and regulators. This strategy was chosen because brand image is a key factor in increasing public trust and external support.

The indicators chosen are the awareness index to measure the level of public recognition, the brand trust score to measure trust in BPRs, and the amount of formal support from local governments and regulators. The indicators were chosen because they can assess the extent to which the communication strategy has succeeded in strengthening the position of BPR both in the eyes of customers and external stakeholders.

Table 6. Operational Actions and Success Indicators

Strategy	Strength (S) Utilized	Opportunity (O) Caught	Operational Actions	Performance Indicators (KPIs)
1. Optimization of personal services and MSME penetration	Personal approach	Wide MSME market	MSME Segmentation	Number of new MSME customers
	Local knowledge	Areas not yet reached by banks General	Educational and Visiting Programs Routine	Customer retention
			Simple CRM	Cross-sell ratio
2. Development of local financial products	Product flexibility	Products according to local requirements	Seasonal & harvest-based credit	Uptake of a new product
	Focus on MSMEs		Group avings	Ratio of distribution to target segments
			Alternative guarantee schemes	Credit delay rate
3. Collaboration with fintech & strategic partners	Local network	Adoption of digital technology	API integration for e-KYC & payments	Digital transaction percentage
	Community trust	Collaboration with fintech	Skema co- lending	Co-lending amount
			Local agent/ merchant	Cost per transaction
4. Digitize core processes	Simple procedure	Changes to digital services	Simple mobile/QR payment	Digital transaction ratio
	Service proximity		Otomasi back- office	Credit processing time
			Core banking modular	Operating costs per transaction
5. Strengthening community-based credit risk management	Local knowledge	The MSME market is high-risk	Community-based scoring + alternative data	NPL ratio
	Social relations		Early-warning system	BY >30 hari
			Scheme Mutual Guarantee	Recovery rate
6. Fundraising & diversification of funding	Local reputation	Government program support	Co-lending with big banks	Rasio CAR
	Proximity to local governments	Sources of fintech financing	Revolving funds of local governments	LDR (Loan to Deposit Ratio)
			Digital deposit products	Growth of the credit portfolio
7. Ztrengthening positioning & communication	Brand as a community bank	Public trust	Unified communication campaigns	Awareness index
		Support from the local government/ OJK	Public financial literacy	Brand trust score
			Intensive relationship with regulators	Formal support from the local government/OJK

Source: Data Processed, 2025

Thus, each operational action in the SO strategy is designed to optimize the strengths that BPR has, respond to available external opportunities, while being measured through the right indicators so that implementation can be evaluated on an ongoing basis.

CONCLUSION

This study analyzes the strategic positioning of Bank Perkreditan Rakyat (BPR) in East Nusa Tenggara using a SWOT approach supported by IFAS and EFAS matrices. The results show that BPRs are in a Growth-Oriented Strategy position (Quadrant I), indicating strong internal capabilities and favorable external opportunities. This condition enables BPRs to enhance their competitiveness by leveraging their strengths, particularly their close relationships with local communities, simple services, and focus on MSMEs.

This study proposes a Community-Based Digital Positioning Model for Rural Banks, which integrates community-based strengths with digital capabilities. This model highlights the importance of combining social proximity and local knowledge with digital transformation, such as fintech collaboration and digital service development, to strengthen the competitive position of BPRs.

Theoretically, this study contributes by extending strategic management perspectives through the integration of community-based approaches and digital transformation in rural banking. Practically, the findings provide guidance for BPR management to strengthen customer relationships, develop relevant products, and adopt digital technologies, while also informing regulators and policymakers to support digitalization and institutional collaboration.

However, this study has several limitations, including its focus on a single region, the use of a descriptive SWOT approach, and a limited number of respondents. Therefore, future research is recommended to involve broader samples, apply quantitative or mixed methods, and further examine the implementation of digital innovation in strengthening rural bank competitiveness.

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