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Analysis of Business Development Model Microfinances Institutions (Case Study PT XYZ)

Muhammad Rian Wisnuantara, Nimmi Zulbainarni, Siti Jahroh

School of Business, IPB University, Indonesia

Corresponding Author: Muhammad Rian Wisnuantara

ABSTRACT

This study aims to identify the current business model run by PT XYZ by using the nine elements of Business Model Canvas (BMC), Creating Share Value and SWOT analysis, and giving recommendations by creating new business model for PT XYZ. The study used 7 internal Company Experts and 5 External Company Experts Interviewed. The Result Showed There were 6 strategies that can be further improved by PT XYZ such as: Optimalitations of New Disbursement and Retentions for Old Debtors, Creating Communities in Centre Meeting, Partnerships Program with Local Governance, Partnerships with LSM Organizations, Partnerships Crowd Funding Applications Provider, and Training and Coaching Development Program for Account Officer. Out of the six strategies, two strategies have been determined as the prioritized strategies that can be enhanced such as Creating Communities in Centre Meeting, and Training and Coaching Development Program for Account Officer.

Keywords: business model canvas, business model development, SWOT analysis, creating share value

PREFACE

Micro business is the most common business in Indonesia. Based on The Ministry of SMEs report at the end of 2017 the number of micro businesses reached 63 million business, this number was greater than the types of small businesses, medium businesses and large businesses, each of which only reached 731 thousand, 56 thousand and 5 thousand units. Micro-businesses also absorb large number of labor, which is 116 million people in 2017. This shows that micro-business is the most potential business in Indonesia. In order to develop micro-businesses, The Ministry of SMEs has established a microfinance institution to help developing micro businesses In Indonesia. The function of a Microfinance Institution (MFI) is to provide funding and guidance for the development of Micro business.

In 2018 OJK record that only 183 Microfinance Institution (MFI) was registered. This figure is very much lower than the number of existing micro businesses. This Number also shows that most micro business was financed by non-formal Microfinance Institution that implement high interest rates also non standard financing methods that burden micro businesses. Furthermore other problems face by micro business Indonesia, were low managerial skills, and low ability to adapt trend and market demands. This situation shows that Micro business face a lot of challenge for develop and really need attention by Microfinance Institution.

PT XYZ as one pf the Microfinance Institution registered in OJK Face tight competitions with the competitor. The position of Dana Mandiri Sejahtera in Banten with a total of 27,265 debtors is still very small compared to its competitors which consist of PNM Mekaar, BTPN Syariah, MBK, Komida, and Bina Arta Ventura, each of which has a Debtor 600 thousand, 300 thousand, 100 thousand, 80 thousand and 50 thousand. Potential Market of micro-businesses that have not been financed in Banten according to BPS in 2018 there are about 1 million micro-businesses This potential of the Micro Business Market resulted in an intense competition within the microfinance institutions industry. PT XYZ needs a special strategy to get the highest amount of potentials market and win the competition in the Microfinance Industry.

Research Gap

Based on some of the descriptions above, the results are illustrated in 3 points, namely:

1. Business Model Existing
   This will give the information about business model that runs by PT XYZ
2. Business Model Development
   This will give the information about the improvement of business model
3. Strategic Alternatives Priorities

Each of strategic will give alternatives based on calculations priorities by the experts.

This will help company to determine the priorities.

Based on the above analysis, this study will analyze business model that runs by PT XYZ recession and formulate the development of business model.

Research purposes

This research aims to:

1. Identifying PT XYZ's Existing Business Model
2. Analyzing Creating Share Value of PT XYZ
3. Analyzing the strengths, weaknesses, opportunities and threats of PT XYZ
4. Formulate the development of business models and determine strategic priorities in the company

Scope of Research

This research is focused on developing the business model of PT XYZ based on the Business Model Canvas perspective. To strengthen the research results a SWOT analysis is carried out on the nine elements of the business model based on the principle of creating share value. The results of the study are expected to be a guide in implementing the business process of PT XYZ which has advantages in developing its debtor businesses and creating shared value.

LITERATURE REVIEW

Microfinance Institutions and Micro Business

In the development of its business, micro businesses were having a lot of problems .According to Kurniawan (2014) people who have micro-businesses have problems such adapt the market trends, access raw materials, low managerial abilities, and also access for financing. Those who start a micro-business really need assistance from government and private companies to survive in the markets. For this reason, Microfinance Institution were created as a solution for micro businesses problems from financing problems to business assistances.

Creating Share Value

Porter and Kramer (2011) states that creating shared values is an action taken by companies in order to develop company competitiveness through the development of economic and social conditions within the corporate community. The concept of Share Value focuses on the connection between the development of a company's business and the development of community welfare through the creation of shared value. Creating a company's share value can be seen from the aspects of Social Needs, Business Opportunities, and Corporate Asset & Expertise.

SWOT Analysis

SWOT analysis according to David (2005) can produce four possible alternative strategies, such as: The SO (Strengths-opportunities) strategy utilizes the company's internal strengths to take advantage of external opportunities, The

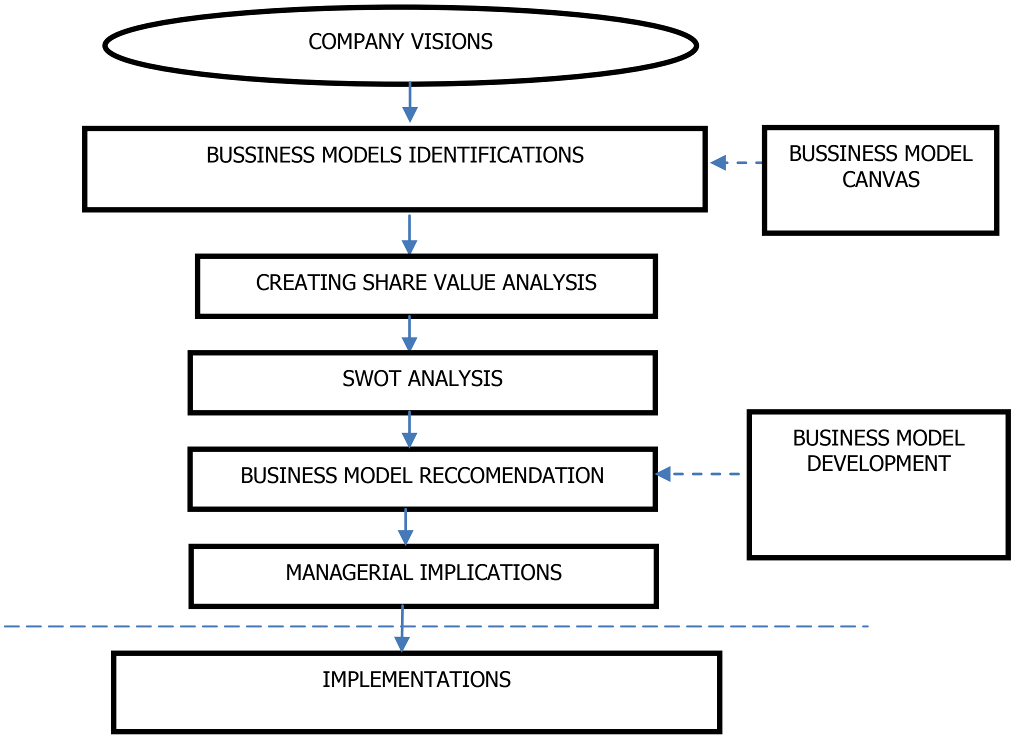
WO (Weaknesses-Opportunities) strategy aims to correct internal weaknesses by taking advantage of external opportunities, Strategy ST (Strengths-Threats) uses internal strengths to avoid or reduce the impact of external threats, W-T Strategy (Weaknesses-Threats) is a defensive tactic that is directed to reduce internal weaknesses and avoid external threats.

Business Models

According to Joce and Raymond L (2016) company's share value can be created through the development of the company's old business model into a social-based business model through the canvas business model. The Social business model is described into the nine elements of canvas such as: Local Communities, Governances, Employees, Social Values, Societal Culture, Scale of Outreach, Social Benefits, Social Impacts, End Users.

Framework

Based on the research purpose and scope of research the framework can be presented in **Figure 1:**



-----: Research Limitations

RESEARCH METHODOLOGY

Data Types and Sources

The research sample was taken using a purposive sampling method. This research uses the following types and sources of data:

Primary data that get from Observations, Depth Interview, and Focus Group Discussions (FGD)

Secondary data from annual report PT XYZ 2017 and 2018

Research Methods

The first step of the research was identifications business models of PT XYZ by observation and interviews with the internal experts. Interview questions refer to Osterwalder (2014) concept that will be descried into nine elements of company activities described in business model canvas. The next step is identifying a business model of socially based canvas which is described into nine elements of a business model canvas block consisting of Local Communities, Governances, Employees, Social Values, Societal Culture, Scale of Outreach, Social Benefits, Social Impacts, End Users. The final step was rating through SWOT analysis which is assessed by internal experts through questionnaires and Group Discussion Forums (FGD). The results of the assessment will be a new business model recommendation for PT XYZ.

RESULTS

Business Model Identifications

The identification was using BMC (Business Model Canvas) analysis which involved9 (nine) elements through direct interviews with key persons of the company, observations, Forum Group Discussions, and questionnaires. These elements are correlated and providing an illustration or description of the company's current condition. The identification was using Business Model Canvas analysis which consists (9) Nine elements identify through direct interviews with Company key persons, observations, and Focus Group Discussions. All of the element was connected and giving the description of business model existing that runs by the company.

Figure 2:

<table>
<tr><th>Key Partner</th><th>Key Activities</th><th>Value Proposition</th><th>Customer Relationship</th><th>Customer Segment</th></tr>
<tr><td rowspan="3">1. Bank
2. IT Software Vendor</td><td>1. Branding
2. Potential Debitur Survey
3. Preparations
4. Credit Disbursement
5. Centre Meeting</td><td rowspan="3">1. Accessibility
2. Conveniences</td><td>1. Personal Assistant
2. Call Centre
3. Unit Office
4. Branch Office
5. Website</td><td rowspan="3">1. Niche Segment (Micro Business)</td></tr>
<tr><td>Key Resources</td><td>Channel</td></tr>
<tr><td>1. Man Power
2. Fixed Asset
3. Technology</td><td>1. Direct Selling
2. Word Of Mouth</td></tr>
<tr><td colspan="2">Cost Structure</td><td colspan="3">Revenue Streams</td></tr>
<tr><td colspan="2">1. Operational Cost
2. Cost Of Lending</td><td colspan="3">1. Interest Rate
2. Provision</td></tr>
</table>

Analysis Creating Share Value

The next stage is analyzing the Creating Share Value of the company which is conducted by selected experts. Analysis of Creating Share Value according to Joce A and Raymond L (2016) can be created by identifying a social business model canvas that described in Nine elements. The nine elements were Local Communities, Governances, Employees, Social Values, Societal Culture, Scale of Outreach, Social Benefits, Social Impacts, End Users. Based on the results the canvas business model that can be summarized in Figure 3

Figure 3

<table>
<tr><th>Local Communities</th><th>Governances</th><th>Social Value</th><th>Societal Culture</th><th>End Users</th></tr>
<tr><td rowspan="3">1. Local Dealer Partnerships
2. Unit Provider Partnerships</td><td>1. Compliances to Government Regulations
2. Adaptable to Employee Needs
3. Transparency Decision Making</td><td rowspan="3">1. Enhancing the Quality of Micro Business and the life quality of Debtors
2. Long Relationships between debtors and Company</td><td>1. Company Accountability
2. Professional and responsibility
3. Participations in Local Communities</td><td rowspan="3">1. Micro Business</td></tr>
<tr><td>Employee</td><td>Scale Of Outreach</td></tr>
<tr><td>1. Strong Relationships between Employee and Debtors
2. 90% of the Employee was woman
3. Low Level Educations of the employee</td><td>1. 204 Unit Offices which spread out in west java, east java, banten, and central java
2. 2022 Target All Javanese island and have 1 Million Debtors</td></tr>
<tr><td colspan="2">Social Impacts</td><td colspan="3">Social Benefit</td></tr>
<tr><td colspan="2">1. Operational Costs
2. Community Development Costs
3. Intellectual and Compliance Costs</td><td colspan="3">1. Community Development for Micro Business
2. Community Engagement for Micro Business</td></tr>
</table>

SWOT Analysis and Alternative Business Development Strategies

After mapping the nine elements of the existing social business models in company through depth interview and focus group discussions. The next step is using SWOT analysis within the element of social business models to create an alternative strategy for Business Development. The Alternative Strategies summary below:

Table 2. End Users Alternative Strategy

Strategy	Descriptions	Value	Priority
SO1	Optimizations Disbursement and Top Up Debtors	0.35	1
SO2	Maximize the speed and accuracy of the debtor based on an accurate feasibility analysis	0.23	3
WO1	Add loyalty programs to debtors, such as additional health, life and education insurance	0.24	2
ST1	Create a new Financing products for health and educations	0.1	4
WT1	Microfinance Industry Market Review	0.08	5

Table 3. Social Value Alternative Strategy

Strategy	Descriptions	Value	Priority
SO1	Debtors Development Program	0.22	2
SO2	Centre Meeting Communities Creation	0.35	1
WO1	Others Variance Product	0.19	4
ST1	Referral Programs for Debtors	0.2	3
WT1	Pricing Bundling Product Strategy	0.16	5

Table 4. Scale Of Outreach Alternative Strategy

Strategy	Descriptions	Value	Priority
SO1	Unit and Branch Opening in several densely populated settlements	0.3	2
SO2	Collaboration program with the local Governments to attract potential debtors (micro businesses)	0.31	1
WO1	Integrations Database Debtors System	0.16	3
ST1	Cooperations and Collaborations with local retailer for debtor Payment such as indomaret/ alfamart	0.14	4
WT2	Centre Meeting Rescheduling	0.1	5

Table 5. Societal Culture Alternative Strategy

Strategy	Descriptions	Value	Priority
SO1	Cooperation with the local Government and local NGOs in each of the Company's Operational Units	0.46	1
WO1	Applied Slick Aplications Program for compliance	0.18	3
ST1	Create After Sales Divisions	0.26	2
WT1	Reward and Punishment Program for Company SOP	0.1	4

Table6. Social Impacts dan Social Benefits Alternative Strategy

Strategy	Descriptions	Value	Priority
SO1	Cooperations and Collaborations with Crowdfunding Applications vendor for Financing Debtors	0.3	1
SO2	Cooperation with government, private sector to obtain more stable funding and lower interest rates	0.27	2
WO1	Create special application for debtors that contain portal for each debtors to communicate and sell their own products	0.22	3
ST1	Fee Based Refferal for Debtors	0.12	4
WT1	Company Goes to IPO	0.1	5

Tabel 7. Employees Alternative Strategy

Strategy	Descriptions	Value	Priority
SO1	Account Officer Development Programs	0.36	1
WO1	Recruitment Maximizations	0.23	3
ST1	Scholarships programs for employee children	0.24	2
WT1	Inventions in mobile platform dan digital service	0.18	4

Managerial Implications

The strategies that will be implemented were from six element of BMC that have been adjusted by Creating Share value, such as: USERS with Optimizations Disbursement and Top Up Debtors, SOCIAL VALUE with Centre Meeting Communities Creation, Scale of outreach: Collaboration program with the local Governments to attract potential debtors (micro businesses), Societal Culture with Cooperation with the local Government and local NGOs in each of the Company's Operational Units, Social Impact with Cooperations and Collaborations with Crowdfunding Applications vendor for Financing Debtors, and Employees with Account Officer Development Programs.

From the six strategies company will run the top two, which Centre Meeting

Communities Creation and Account Officer Development Programs. Centre Meeting Communities Creation will be implemented by physical meetings (offline) and online meetings. Physical meetings will be held every 6 months and scheduled according to potential micro-business trend issue. The physical meeting agenda consists: micro entrepreneurship training, and workshops. The online meeting will be facilitated by the company with unique apps that DMS debtors will have the access. The Applications will allow every debtor to access other debtors information, these will help them to sell their product or gain raw materials from other debtors. The application is expected to become a new way to create income for the debtors and help micro businesses to grow.

As for Account Officer Development Programs will consists 3 activities such as: Recruitment, Improvement, and Maintenance and Evaluations. Recruitment contain activity to search for a prospective Account Officer who will later become part of the company, the agenda of this recruitment was Company Profile Introductions, and interviews with a panel concept. Furthermore, the selected Account Officers will go to AO ready to go programs for one week before went to their placement. The performance and skills of an AO will be assets by improvement programs which held every 3 months for each. Maintenance and Evaluations Program will be conducted every 3 months and each Account Officers will get mentoring from Group Loan Head or Cluster Manager

CONCLUSIONS AND SUGGESTIONS

Conclusions

Based on the mapping of canvas business model of PT XYZ by using nine elements of Social Business Models, the following conclusions are:

1. Based on the mapping of the existing business it is known that PT XYZ in terms of financing is depend with bank loans as the main channel for corporate financing, Others information shows that the company only give financing to the debtors not yet giving development for debtors microbusiness. These two factors become the weakness for the company to win the competition of micro business financing
2. Based on SWOT analysis and Creating Share Value can be conclude thatthere were six alternative strategies, such as: USERS with Optimizations Disbursement and Top Up Debtors, SOCIAL VALUE with Centre Meeting Communities Creation, Scale of outreach: Collaboration program with the local Governments to attract potential debtors (micro businesses), Societal Culture with Cooperation with the local Government and local NGOs in each of the Company's Operational Units, Social Impact with Cooperations and Collaborations with Crowdfunding Applications vendor for Financing Debtors, and Employees with Account Officer Development Programs. From the six strategies company will run the top two, which Centre Meeting Communities Creation and Account Officer Development Programs. Centre Meeting Communities Creation will be implemented by physical meetings (offline) and online meetings.

Suggestion

Suggestions that can be given based on research that has been done were the implementation of business model development requires a long term timeline. Also when there were changes in business models can impact in changes company's organizational structure or can change the company's overall operational activities. The Research that can be done for further explore previous research can be more focused on the impact of changes in business models. It also can be analyzed the risks that will occur if there was some changes in business models.

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