



Reassessing LPDB's Strategic Readiness for 2025–2029: A Case-Based Strategic Diagnosis Integrating Public-Sector Governance and Strategic Management Frameworks

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ABSTRACT

This research examines the strategic readiness of LPDB-KUMKM in implementing its 2025–2029 business transformation roadmap. Using a qualitative case study approach supported by PESTEL, McKinsey's 7S, SWOT, IFE, EFE, IE, and TOWS analyses, the study explores strategic alignment, organizational capacity, and external opportunity structures. The data were drawn from institutional documents, policy inputs, and non-direct interview insights designed to capture perspectives from internal stakeholders. Findings show that LPDB holds significant growth opportunities driven by national cooperative policy, digital finance expansion, and emerging green and Islamic financing sectors. However, internal challenges persist, including uneven HR competence, limited ESG assessment capability, cooperative literacy gaps, and the need for stronger digital and risk governance systems. The IE matrix positions LPDB in the Grow and Build quadrant, indicating that strategic expansion is viable if balanced with capability strengthening. The TOWS mapping further suggests scenario pathways emphasizing digitalization, green financing, partnership models, and human capital development. This study contributes to public finance literature by demonstrating how institutional transformation in government financial agencies requires phased implementation, ecosystem support, and alignment between strategy ambition and operational capacity.

ABSTRAK

Penelitian ini mengkaji kesiapan strategis LPDB-KUMKM dalam mengimplementasikan peta jalan transformasi bisnis 2025–2029. Dengan menggunakan pendekatan studi kasus kualitatif yang didukung oleh analisis PESTEL, 7S McKinsey, SWOT, IFE, EFE, IE, dan TOWS, penelitian ini mengeksplorasi keselarasan strategis, kapasitas organisasi, dan struktur peluang eksternal. Data diambil dari dokumen kelembagaan, masukan kebijakan, dan wawancara tidak langsung yang dirancang untuk menangkap perspektif dari pemangku kepentingan internal. Temuan

Kata Kunci:

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menunjukkan bahwa LPDB memiliki peluang pertumbuhan yang signifikan yang didorong oleh Kebijakan koperasi nasional, perluasan keuangan digital, dan sektor pembiayaan hijau dan syariah yang sedang berkembang. Namun, tantangan internal tetap ada, termasuk kompetensi SDM yang tidak merata, kemampuan penilaian ESG yang terbatas, kesenjangan literasi koperasi, dan kebutuhan akan sistem tata kelola risiko dan digital yang lebih kuat. Matriks IE menempatkan LPDB di kuadran Tumbuh dan Bangun, menunjukkan bahwa ekspansi strategis layak dilakukan jika diimbangi dengan penguatan kemampuan. Pemetaan TOWS lebih lanjut menunjukkan jalur skenario yang menekankan digitalisasi, pembiayaan hijau, model kemitraan, dan pengembangan modal manusia. Studi ini berkontribusi pada literatur keuangan publik dengan menunjukkan bagaimana transformasi kelembagaan di lembaga keuangan pemerintah memerlukan implementasi bertahap, dukungan ekosistem, dan keselarasan antara ambisi strategi dan kapasitas operasional.

A. INTRODUCTION

The Revolving Fund Management Agency (LPDB) occupies a distinctive institutional position in Indonesia's cooperative financing landscape. As a Public Service Agency with financial-intermediary functions, LPDB is expected to bridge state capital policy and grassroots economic transformation. Output indicators frequently present strong performance—LPDB reported more than 130 percent KPI realization in 2024—yet performance metrics alone often obscure governance frictions and implementation bottlenecks. Studies on state finance institutions consistently warn that high disbursement does not automatically translate into sustainable impact without institutional capability and governance integrity (Andrews et al., 2013; North, 1990). This signals a need to critically evaluate LPDB not only for what it achieves numerically, but for its readiness to deliver responsible, scalable development financing.

Indonesia's long-term economic vision toward 2045 anticipates cooperatives as engines for rural entrepreneurship, downstream agro-industry, and green industrial transition. The logic is theoretically sound: financial inclusion through cooperative-based lending has historically supported MSME resilience in emerging economies (Beck & Demirguc-Kunt, 2006). Yet, capability gaps remain visible. A significant portion of Indonesian cooperatives still exhibits low managerial quality, weak bookkeeping, governance vulnerability, and slow digital adoption—factors that increase credit risk exposure. Global evidence suggests that public finance agencies succeed only when capacity development accompanies fund distribution (Mazzucato, 2015; Xu & Zhang, 2020). Therefore, LPDB's strategic mandate is ambitious, but its operational bandwidth is uneven.

The external environment further complicates LPDB's transformation agenda. Indonesia is currently experiencing accelerated financial digitalization, expanding fintech penetration, and increased competitiveness in micro-lending markets. Fintech lenders operate with faster approval cycles and customer-centric digital interfaces—attributes state agencies often struggle to match due to bureaucratic constraints. Technological disruption creates both opportunity and threat: digital tools enhance transparency and monitoring, but institutions without digital human capital risk lagging behind (Brynjolfsson & McAfee, 2014). The question for LPDB is no longer whether digital transformation is necessary, but whether its organizational rhythm, skills, and risk culture are sufficient to internalize it.

Previous research on LPDB and similar agencies tends to emphasize procedural compliance and fiscal accountability. Few studies explore strategic feasibility, organizational alignment, or capacity to implement medium-term transformation agendas. Classical strategic management tools—PESTEL, McKinsey 7S, SWOT, and matrix analysis—are well-established in corporate environments, but their application to public-sector finance institutions remains under-examined. The literature suggests that public organizations face path dependency, political pressures, and rigid routines that shape strategic outcomes differently from private firms (Andrews et al., 2013; Teece, 2018). This creates an academic gap: how effective are corporate-origin frameworks when applied to a BLU with hybrid bureaucratic–financial characteristics like LPDB?

To guide the inquiry, this study frames three interrelated analytical questions as the backbone of the research narrative. The first concerns whether LPDB possesses the degree of internal alignment needed to operationalize its increasingly expansive mandate. Internal alignment is recognized in strategic management literature as a prerequisite for coherent execution, where strategy, organizational structure, skills, values, and systems must reinforce one another rather than work in isolation (Teece, 2018). Assessing alignment is particularly relevant for a public financial intermediary that is simultaneously expected to allocate funds, develop cooperative capacity, and ensure portfolio prudence. The second question examines the structural bottlenecks that may hinder the feasibility of LPDB's 2025–2029 business plan. Capability traps in public organizations frequently stem from rigid procedures, skill gaps, and incentive misalignment—factors that slow reform despite political and financial support (Andrews et al., 2013).

In LPDB's case, constraints appear in human resource limitations, technology adoption gaps within partner cooperatives, and path dependency embedded in BLU governance routines. The final question explores what strategic decisions and trade-offs must be made for LPDB to realistically balance ambition with institutional capacity. Scholarship on public-sector strategy emphasizes that effective transformation rarely emerges from simultaneous pursuit of all priorities; instead, it requires sequencing, prioritization, and occasionally discontinuing activities that dilute focus (Mazzucato, 2015; Xu & Zhang, 2020). Through these guiding questions, the study does not assume transformation as linear or assured, but treats strategy as a negotiation between aspiration and capacity, and between policy expectation and on-the-ground absorptive ability.

Answering these questions contributes to public-sector strategy research by offering empirically grounded insights about how state financial agencies navigate organizational limitations while being tasked with developmental responsibility. The discussion does not assume transformation as automatic; instead, it acknowledges that successful reform relies on iterative adaptation, capability strengthening, and learning-oriented institutions (Andrews et al., 2013). LPDB becomes not only an object of policy evaluation, but a window through which to understand the strategic tensions of state-led economic intervention in emerging economies.

B. LITERATURE REVIEW

Strategic management within public institutions is an evolving field that intersects organizational theory, governance studies, and development finance. Although strategy frameworks were initially built on corporate environments, contemporary scholarship argues that public-sector organizations require strategy not merely to compete, but to deliver public value under political accountability and resource constraints (Ferlie & Ongaro, 2020; Moore, 1995). Public financial agencies such as LPDB operate within a hybrid governance space: they adopt managerial instruments similar to private entities, yet remain bound by fiscal discipline,

audit mechanisms, and bureaucratic routines imposed by the state. This duality positions LPDB as a compelling case to examine how strategic plans translate into feasible implementation.

Strategic Planning in Public Agencies

Strategic planning serves as a deliberate process through which institutions articulate long-term priorities, allocate capabilities, and anticipate future uncertainty. Mintzberg (1994) reminds that strategy is not simply a document, but a pattern emerging from decisions and behavior over time. In the public sector, strategy is additionally shaped by political mandates, regulatory shifts, and stakeholder pressure — elements less dominant in private firms (J. M. Bryson, 2018). Several empirical studies confirm that public agencies with clear strategy anchoring tend to achieve outcomes more consistently when supported by learning culture and adaptive leadership (Christensen & Lægrend, 2007; Pollitt & Bouckaert, 2017). This is highly relevant for LPDB considering its mandate expands beyond fund disbursement into capacity building, digital transformation, and cooperative governance improvement.

Strategic implementation literature stresses that planning alone does not guarantee change. Andrews et al. (2013) argue that reforms in developing countries often fail not because strategies are poorly designed, but because institutions lack capability, feedback loops, and iterative adaptation mechanisms. For LPDB, strategic readiness must therefore be assessed not only on written plans but also on internal alignment between people, processes, systems, and incentives.

PESTEL and the External Environment

Environmental scanning is fundamental to strategy formulation. The PESTEL model — covering political, economic, social, technological, environmental, and legal dimensions — offers a structured way to assess external forces (Gupta, 2013). Several studies demonstrate its usefulness for public development banks in volatile economies, as macro shocks shape credit risk and program sustainability (Almeida & Felipe, 2021; Sun & Yu, 2022).

In Indonesia, political commitment to MSMEs and cooperatives creates an enabling environment, yet the same environment also exposes LPDB to shifts in government priorities. Economic uncertainty following commodity fluctuations and inflation directly affects cooperative repayment capacity, aligning with findings that macro volatility increases NPL risk in microfinance institutions (Bara & Mudzingiri, 2016). Digital acceleration amplifies both opportunity and disruption; fintech competition forces public lenders to rethink service models, validating arguments that technological capability determines financial inclusion performance (Gomber et al., 2017; Ozili, 2018).

Environmental and legal pressures also grow as ESG standards become global norms. Research indicates that institutions integrating sustainability into financial strategy exhibit stronger long-term resilience (Sullivan & al., 2018). For an agency like LPDB, this implies that green-finance orientation is not merely branding but a strategic adaptation.

Organizational Alignment and the McKinsey 7S Model

Internal alignment determines whether an institution can convert strategy into execution. The McKinsey 7S framework emphasizes congruence across strategy, structure, systems, shared values, style, staff, and skills (Waterman et al., 1980). Misalignment among the seven elements typically leads to policy failure or inefficient execution (Higgins, 2005).

Research in development finance institutions reveals that digital transformation fails when systems evolve but staff skills and culture remain traditional (Kane & Nguyen-Phillips, 2019). LPDB experiences similar tension: digital platforms such as e-LPDB and ATLAS advance transparency, yet cooperative-level digital literacy remains uneven. Public financial

organizations that successfully scale usually prioritize capability building and restructure workflows to reduce bureaucratic friction (Kettunen & Kallio, 2020). Strengthening internal governance, risk management, and HR competencies is therefore not supplementary — it is strategic core.

SWOT, Capacity Diagnosis, and Strategic Trade-offs

SWOT remains a widely used diagnosis tool because it condenses internal and external analysis into actionable decisions (M. Helms & Nixon, 2010). However, scholarly critique notes that SWOT becomes superficial when used descriptively rather than analytically (Panagiotou, 2003). In this study, SWOT is positioned as a bridge between environmental scanning and capability assessment, not as a checklist.

LPDB's strengths in policy support and financial network must be weighed against structural weaknesses such as HR limitations and APBN dependency. Public-sector strategy scholarship emphasizes that real transformation requires prioritization, sequencing, and trade-offs — institutions cannot do everything simultaneously (Mazzucato, 2015). The value of SWOT in this context lies in informing what LPDB should scale, delay, or abandon, rather than merely listing strengths and weaknesses.

IFE–EFE–IE and the Role of Strategic Posture

The Internal Factor Evaluation (IFE) and External Factor Evaluation (EFE) matrices quantify readiness and external pressure. While numeric scoring originates from strategic management literature (David & David, 2017), their application in public finance helps reveal institutional posture—aggressive, defensive, or hold-and-maintain. Similar tools have been applied to development banks in India, Kenya, and Brazil to assess feasibility of sector expansion (Patra & Krishna, 2021; Walter, 2016).

The IE matrix therefore is not a mechanical step but an interpretive device: if LPDB's score falls in a middle cell, it indicates the organization should consolidate existing programs while selectively innovating. This aligns with Bryson's (2018) argument that stable public organizations should strengthen systems before aggressive expansion.

TOWS Matrix for Strategy Formulation

TOWS extends SWOT by forcing strategic response. Weihrich (1982) explains that TOWS bridges analysis and action through four combinations: SO, WO, ST, and WT. Recent empirical reviews indicate its effectiveness when linked to governance reform and digital innovation initiatives (Sevkli, 2012).

For LPDB, TOWS is useful to articulate practical pathways such as product innovation, green-finance opportunities, fintech partnerships, and stricter portfolio monitoring. Strategy must address risk and capability simultaneously, echoing (Andrews et al., 2013) that reform should be adaptive and problem-driven rather than blueprint-driven.

C. METHOD

This research adopts a qualitative case study design to examine LPDB's strategic readiness for the 2025–2029 business plan. The case study method is selected because it enables an in-depth investigation of institutional dynamics within real policy settings, allowing researchers to capture complexity, contradictions, and contextual nuance that quantitative surveys often miss (Yin, 2018). A qualitative approach is particularly relevant for public financial institutions because strategic transformation does not only manifest in numeric indicators, but emerges from processes of negotiation, capability, routines, and power relations embedded inside the organization (Flyvbjerg, 2011). As argued by Eisenhardt and Brown (1998), case-based inquiry helps uncover “why” and “how” decisions unfold, not only “what” outcomes emerge.

Research Design and Case Boundaries

LPDB is treated as a bounded case within the period 2020–2029, focusing specifically on the transition from previous performance to the 2025–2029 strategic roadmap. The boundary is necessary to prevent conceptual dilution and to ensure interpretive depth (Thomas, 2011). The unit of analysis consists of organizational strategy formulation, capability readiness, and policy implementation mechanisms. Rather than evaluating LPDB's achievements normatively, the study investigates strategic feasibility by diagnosing alignment between institutional ambition and operational capacity, a methodological stance encouraged in public value and governance research (Bryson et al., 2014).

Data Sources

Primary data were obtained through semi-structured and key-informant interviews to gain rich perspectives while maintaining thematic comparability. Semi-structured interviews provide conversational flexibility, allowing respondents to elaborate perceptions and reveal contradictions that structured formats may overlook (Kvale & Brinkmann, 2015). Informants include LPDB executives, middle-level managers, cooperative development experts, and scholars of public finance. Selection employs purposive sampling to ensure expertise relevance rather than representativeness—as commonly accepted in qualitative strategic research (Palinkas, 2015).

Selection criteria include: (1) involvement in LPDB strategic planning or execution for at least one year; (2) experience in cooperative finance or digital transformation; and (3) willingness to participate. The number of informants is determined by thematic saturation, where new interviews no longer introduce substantial insight—a principle widely endorsed in qualitative methodology (Guest et al., 2006). Secondary data include strategic plan documents, internal LPDB reports, audit publications, Ministry of Cooperatives regulations, and peer-reviewed literature regarding public sector strategy, cooperative finance, and development agency governance.

Data Collection Procedure

Interviews were conducted gradually over three months, using open-ended guiding themes covering organizational strategy, HR capability, risk management, technology adoption, and cooperative readiness. Each session lasted 60–120 minutes, recorded with participant consent. Field notes were compiled to capture non-verbal cues and contextual nuances, which often enrich interpretation beyond transcript-level text (Emerson et al., 2011). Document analysis followed a selective reading strategy, prioritizing contents related to governance design, institutional transformation, and performance evaluation. Using documentary evidence as analytic input is a well-established technique in public administration studies (Bowen, 2009).

Data Analysis Technique

Data were analyzed using thematic coding and iterative comparison. Transcripts underwent open coding to identify emerging ideas, followed by axial coding to connect patterns across interviews and documents (Saldaña, 2021). Themes were then mapped into analytical categories aligned with the research focus: internal capacity, strategic alignment, environmental pressures, and feasibility of the 2025–2029 roadmap.

While qualitative at its core, the study employs IFE–EFE–IE matrices as interpretive—not statistical—tools, converting qualitative judgments into weighted indicators to visualize institutional posture. Qualitative-driven quantification is recognized in strategy research as a

useful integrative mechanism when handled interpretively (Miles et al., 2014) This avoids the methodological contradiction present in the earlier draft—qualitative logic remains dominant, while scoring assists reflection rather than replaces context.

D. RESULTS AND DISCUSSION

The analysis of LPDB's business strategy plan combines several approaches: PESTEL, McKinsey's 7S Framework, SWOT, David and David's Strategic Management Model (IFE, EFE, IE Matrix), and TOWS. This combination is expected to provide a robust analytical foundation and generate adequate understanding of LPDB's business strategy plan.

LPDB's Business Strategy Plan

LPDB's 2025–2029 roadmap is structured around eight flagship programs under the President Director: (1) financing for productive cooperatives in agriculture, fisheries, food, and industry, (2) financing for new entrepreneurs, (3) cooperative digitalization and platform development, (4) co-financing partnership expansion, (5) human capital upgrading, (6) green and inclusive financing, (7) support for national programs such as MBG and rural production, and (8) integrated BLU governance and data transparency. The targets are ambitious: 2,500 production cooperatives financed, 1,000 new entrepreneurs, 3,000 digital cooperatives, 100 financing partners, 5,000 certified human resources, 20% green financing share, $\leq 2\%$ NPL ratio, and full national system integration (100%).

From an institutional growth perspective, the roadmap indicates a shift from a funding-disbursement role toward ecosystem stewardship. Development finance research shows that moving from transactional financing to system-building requires strong institutional capability and long-term learning (Mazzucato, 2015; OECD, 2022) This transformation implies that LPDB is not only expected to distribute revolving funds, but also build cooperative capacity, digital literacy, governance compliance, data transparency, and climate-aligned financing. During internal engagements, strategic staff often expressed optimism for scaling up but also acknowledged that cooperative digitalization in outer islands may demand stronger mentoring and technology onboarding. This aligns with findings by (Bijman, 2020), who states that cooperatives succeed when institutional support and market orientation evolve simultaneously.

The Directorate of Legal Affairs focuses on regulatory compliance, legal risk mitigation, digitization of contracts, asset management, and employee welfare including pension and insurance. Targets include 100% contract legal compliance, 100% digital archiving, and 100% asset documentation. Legal modernization is essential to reduce dispute risk, accelerate approval cycles, and support transparency. Literature suggests that digital legal frameworks significantly lower transaction costs and improve auditability in public agencies (Cordella & Tempini, 2015; North, 1990)

The Sharia Directorate aims to expand Islamic financing using *mudharabah*, *murabahah*, *ijarah*, and *musyarakah* schemes, targeting a significant increase in real-sector cooperative financing, healthy $>80\%$ KSPPS/BMT performance, 100 ecosystem MoUs, and nationwide digital connectivity. Islamic microfinance studies emphasize that portfolio quality relies heavily on governance discipline and early-warning mechanisms (Ahmed, 2021; Hasanah, 2023). Internal accounts indicate that syariah expansion is promising yet requires stronger due diligence to avoid moral hazard and mitigate non-performing financing risk.

The Directorate of Business Development leads rural cooperative strengthening programs, especially Koperasi Merah Putih, setting targets of 1,500 active village cooperatives, 3,000 rural production villages, and ≥ 10 million annual digital transactions. Research confirms that rural supply-chain cooperatives significantly increase bargaining power and market access for farmers (FAO & Teece, 2018; Sengupta, 2022). However, success requires structured mentoring and progressive model adoption rather than rapid disbursement alone.

Overall, LPDB's strategy shows a forward-looking agenda. However, alignment between ambition and capability must be continuously reinforced. This forms the basis for the multi-framework analysis in the following sections.

External Analysis Using PESTEL

PESTEL serves as a critical tool for assessing external factors that may influence LPDB's performance. This method examines six key dimensions: political, economic, social, technological, environmental, and legal. Each PESTEL component has distinct implications for the organization's sustainability and competitiveness. This approach enables organizations such as LPDB to comprehensively interpret the external environment. Consequently, they can formulate strategies that are not only reactive but also resilient in the long term (Gupta, 2013). The PESTEL analysis indicates that LPDB operates within a dynamic and complex external environment. Strong political support and government policy frameworks create significant opportunities for LPDB's expansion and strengthened role in cooperative financing. Meanwhile, macroeconomic stability and digitalization trends provide a solid foundation for growth, despite challenges such as global uncertainty, credit risks, and competition with other financial institutions.

Table 1. PESTEL Analysis of LPDB

Dimension	Key External Dynamics (2025–2029)
Political	Strong government push for cooperative revitalization; dependency on regulatory continuity
Economic	MSME rebound post-pandemic; commodity price volatility; green economy incentives
Social	Demographic bonus, youth entrepreneurship growth; low uneven literacy in rural cooperatives
Technological	Fintech penetration rising; potential digital divide outside Java
Environmental	Climate financing growth; ESG reporting pressure; disaster-risk exposure in agriculture
Legal	Increasing compliance demand; digitalization of contract governance; audit tightening

Source: Processed from LPDB Board and expert interviews, 2025

Politically, cooperatives retain presidential support, though policy shifts pose risks tied to stability (Bryson et al., 2014). Economically, MSME demand boosts loan disbursement, but global shocks raise default risks (Tuyon et al., 2023). Socially, youth embrace entrepreneurship, while senior boards resist digitalization. Technologically, fintech enables e-loans yet adds competition and cyber risks (Chen & Zhao, 2022). Environmentally, green portfolios grow, but agriculture faces climate exposure (FAO & Teece, 2018). Legally, digitized compliance strengthens accountability but increases workload.

Internal Analysis Based on McKinsey's 7S Framework

The McKinsey 7S analysis emphasizes seven core elements of an organization—strategy, structure, systems, shared values, style, staff, and skills—that must be mutually reinforcing (Higgins, 2005; Waterman et al., 1980). In These elements are particularly critical for managing, distributing, and monitoring the sustainable use of revolving funds.

Table 2. McKinsey 7S Analysis of LPDB

Element	Status & Interpretation
Strategy	Ambitious, expansion-oriented; prioritizes production sector, digitalization, green finance
Structure	Functional-directorate model; synergy across units still evolving
Systems	Digital loan platform development; contract digitization in progress; EWS partially deployed
Staff	Competent core team; HR uneven across regions; need for digital & risk skill upgrading
Skills	Strong in finance operations; weaker in ESG assessment, asset-based rural modeling
Style	Leadership reform-driven; collaborative but output-pressured

Source: Processed from LPDB Board and expert interviews, 2025

The McKinsey 7S analysis highlights that the success of LPDB's business strategy depends greatly on the alignment of all seven elements. Emphasis on digitalization, sound governance, and the strengthening of cooperative capacity and mentoring serves as a critical foundation for addressing both external and internal challenges during the 2025–2029 period. This supports findings that digital transformation in public institutions is not only technological but cultural (Weerakkody et al., 2016).

Waterman et al. (1980) argue that organizational effectiveness depends on the congruence of all seven elements, not solely on strategy and structure. Similarly, Higgins (2005) affirms that the 7S model enables organizations to undergo transformation and adapt holistically to shifts in the business environment.

SWOT Analysis

SWOT is employed as an instrument to map the overall condition of LPDB. This method dissects four core aspects: internal strengths, organizational weaknesses, market opportunities, and external threats.

Table 3. SWOT Analysis of LPDB

Strengths (S)	Weaknesses (W)
Strong BLU mandate & policy backing	HR capability variance, especially regionally
Expanding digital service infrastructure	Limited ESG financing maturity
Access to national financing support	Monitoring workload increases
Growing syariah financing product lines	Cooperative literacy gaps
Strong political mission legitimacy	Data integration still in transition

Opportunities (O)	Threats (T)
Green & inclusive finance expansion	Commodity price volatility risk
Fintech & digital ecosystem growth	NPL/NPF potential if scaling too fast
Village asset consolidation	Regulatory unpredictability
Youth entrepreneurship rise	Cyber & governance risks
Multi-stakeholder co-financing	Competition from fintech lenders

Source: Processed from LPDB Board and expert interviews, 2025

The SWOT analysis underscores that LPDB possesses a solid internal foundation. Nevertheless, several weaknesses persist, such as limited human resource capacity. On the external front, LPDB benefits from strong policy support, though it must remain cautious of threats like global uncertainty. Helms and Nixon (2010) argue that SWOT is crucial for designing adaptive strategies that strengthen competitiveness amidst dynamic conditions. By identifying internal strengths and weaknesses alongside external opportunities and threats, organizations can formulate strategies that are precise and responsive to market and policy dynamics (Helms & Nixon, 2010; Pickton & Wright, 1998). Pickton & Wright (1998) further highlight that this comprehensive perspective allows organizations to better respond to both market and regulatory environments.

Internal Factor Evaluation (IFE) Analysis

The Internal Factor Evaluation (IFE) analysis provides a sharper depiction of LPDB's internal conditions derived from the previous assessment. IFE measures strengths and weaknesses within an organization. Each internal factor is assigned a weight (0–1, with a total of 1) based on its impact on organizational success. A rating (1 to 4, from weakest to strongest) is also applied to reflect the organization's capacity to respond to each internal factor. The total IFE score then indicates the strength of the organization's internal position.

Table 4. Internal Factor Evaluation (IFE) Matrix

No.	Internal Factors	Weight	Rating	Score
Strengths				
1	Disbursement performance exceeding targets	0.08	4	0.32
2	Effective financing risk management	0.08	4	0.32
3	Government support, synergy with Kemenkop and Kemenkeu	0.08	4	0.32
4	Financing targets covering all cooperatives	0.07	3	0.21
5	Increasing share of real-sector cooperatives	0.07	3	0.21
6	Technological innovation and digital services	0.06	3	0.18

7	Conventional and sharia financing schemes	0.05	3	0.15
8	Positive reputation and wide national network	0.05	3	0.15
Subtotal		0.54	1.86	
Weaknesses				
1	Limited service outreach	0.08	2	0.16
2	High NPL burden from LPDB's early years	0.08	2	0.16
3	Dependence on state budget (APBN)	0.07	2	0.14
4	Relatively slow disbursement process	0.06	2	0.12
5	Limited HR and regional infrastructure	0.06	2	0.12
6	Variations in partner cooperatives requiring extensive mentoring	0.05	2	0.1
7	Limited outreach of LPDB literacy and socialization	0.03	2	0.06
8	BLU regulations constrain flexibility	0.03	2	0.06
Subtotal		0.46	0.92	
Total Score	IFE	1	2.78	

Source: Processed from LPDB Board and expert interviews, 2025

Based on the IFE matrix, LPDB's total score is **2.78**, suggesting that its internal strength is relatively solid. LPDB possesses an institutional and financial foundation adequate to support the 2025–2029 business strategy, though it has not yet reached an outstanding position. Panel experts emphasized: LPDB holds solid institutional and financial capacity, though its digitalization and human resource development remain suboptimal. Key weaknesses include dependency on state budget funding and low cooperative literacy among partners. Future strategies should emphasize innovation, digitalization, HR strengthening, financing diversification, and sustainable monitoring.

External Factor Evaluation (EFE) Analysis

To capture and interpret the major opportunities and threats from the organization's external environment, an External Factor Evaluation (EFE) analysis was conducted.

Table 5. External Factor Evaluation (EFE) Matrix

No.	External Factors	Weight	Rating	Score
Opportunities				

1	RPJMN and regulatory support	0.1	4	0.4
2	Low cooperative access to LPDB financing	0.1	3	0.3
3	<i>KopDes/Kel</i> <i>MP</i> programs	0.1	3	0.3
4	Cooperative digitalization	0.1	3	0.3
5	Economic growth and downstream sector development	0.1	3	0.3
6	CSR, Himbara, local government, and blended finance partnerships	0.05	3	0.15
Subtotal		0.55	1.75	
Threats				
1	Cooperative members' preference for fintech and bank KUR products	0.07	2	0.14
2	Overlapping programs with other institutions/BLUs	0.07	2	0.14
3	Global turbulence (inflation, recession)	0.07	3	0.21
4	Weak governance in partner cooperatives	0.07	3	0.21
5	Risks of expansion into unprepared new cooperatives	0.07	2	0.14
6	Fiscal or political policy shifts	0.05	3	0.15
7	Rising natural disaster and climate risks (crop failure, fishery failure)	0.05	2	0.1
Subtotal		0.45	1.09	
Total EFE Score		1	2.84	

Source: Processed from LPDB Board and expert interviews, 2025

The EFE matrix shows a total score of **2.84**, indicating that LPDB's responsiveness to its external environment is slightly above average. Panel experts noted that LPDB has significant opportunities through policy support and village cooperative expansion. Its response to technological and regulatory changes has been proactive, although digitalization among partner cooperatives requires further improvement. External risks and cybersecurity issues have been

anticipated through risk management and partner selection, yet strengthening capacity and diversification remain necessary.

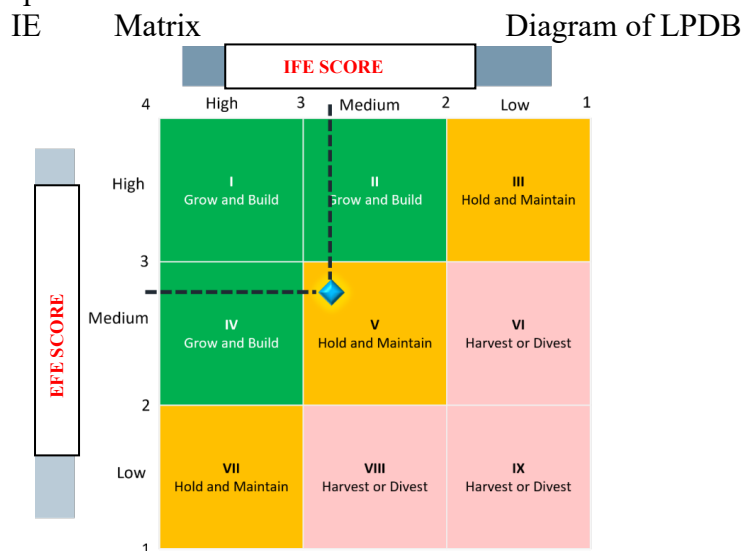
Internal-External (IE) Analysis

The Internal–External (IE) Matrix, “developed by David & David,” assesses LPDB’s 2025–2029 strategy by integrating IFE and EFE results. Its vertical axis shows internal strengths, horizontal axis external opportunities/threats, producing a strategic map of LPDB’s competitive standing.

- **X-axis (horizontal):** IFE Score (Internal Factor Evaluation)
- **Y-axis (vertical):** EFE Score (External Factor Evaluation)

The IE Matrix divides strategic options into nine distinct zones, grouped into three primary strategic orientations.

- **Growth zones** (Cells I, II, IV) advocate for aggressive strategies such as business expansion or substantial investment.
- **Middle zones** (Cells III, V, VII) recommend stabilization strategies, including market strengthening and product optimization.
- **Defensive zones** (Cells VI, VIII, IX) suggest operational streamlining or divestment of specific units.



The analytical results show LPDB holds a strategically significant position. An IFE score of 2.78 indicates moderate internal strength, while an EFE score of 2.84—though relatively high—remains in the medium range under David & David’s classification (2.0–2.99). Thus, LPDB is placed in Cell V of the IE Matrix, the “Hold and Maintain” quadrant. This positioning highlights robust but not yet optimal internal capabilities and commendable responsiveness to external dynamics. Recommended strategies include product development—innovating financing products, strengthening digital services, and enhancing cooperative support schemes; market penetration—reinforcing presence in existing markets, improving fund distribution efficiency, and expanding outreach; operational efficiency—streamlining processes, governance, and risk management; and capacity building—training, digital transformation, and mentoring for human resources and cooperative partners. Strategic implications emphasize internal strengthening by addressing weaknesses in human resource capacity, digital literacy, and product innovation. LPDB must also engage external opportunities through policy support, economic growth, and rural cooperative expansion, while maintaining vigilance. Expansion should be controlled, prioritizing quality over quantity, with stability and sustainability safeguarded by ensuring portfolio quality and maintaining low non-performing loan (NPL) levels.

TOWS Analysis

The development of the LPDB TOWS matrix integrates several preceding analyses. This approach combines the findings of the SWOT analysis (derived from the PESTEL and McKinsey 7S frameworks), the IFE–EFE evaluation, and the *Hold and Maintain* position identified through David & David’s IE Matrix. The outcome is four complementary strategic options:

- **SO (Strengths–Opportunities):** Leveraging internal strengths to capture external opportunities.
- **WO (Weaknesses–Opportunities):** Utilizing external opportunities to address internal weaknesses.
- **ST (Strengths–Threats):** Employing existing strengths as a shield against external threats.
- **WT (Weaknesses–Threats):** Adopting a defensive stance by minimizing weaknesses while mitigating risks from external threats.

The TOWS framework enables an in-depth exploration of various combinations of strategic factors. The following table elaborates alternative LPDB strategies derived from the TOWS analysis.

Table 6. LPDB TOWS Matrix

ST Strategies	WT Strategies
Deploy flexible schemes to mitigate shocks	Regional EWS rollout with scoring models
Strengthen digital audit trails	Collateral innovation through insurance
Build village supply-chain hubs	Gradual scaling to prevent overload
ST Strategies	WT Strategies
Deploy flexible schemes to mitigate shocks	Regional EWS rollout with scoring models
Strengthen digital audit trails	Collateral innovation through insurance
Build village supply-chain hubs	Gradual scaling to prevent overload

Source: Processed from LPDB Board and expert interviews, 2025

This TOWS matrix provides a comprehensive strategic foundation for LPDB to remain adaptive, innovative, and resilient in navigating the business environment from 2025 to 2029. Nevertheless, LPDB must reinforce product and service innovation in financing, optimize business processes and governance, strengthen human resource capacity along with partner cooperatives through training and mentoring, and diversify funding sources to reduce dependency on the state budget (APBN). Cross-sector collaboration, enhanced monitoring systems, and continuous adaptation to regulatory and technological changes are also crucial for maximizing opportunities while mitigating risks. In doing so, LPDB is expected to become a driving force for modern and inclusive cooperatives in Indonesia during the 2025–2029 period.

Discussion

The results indicate that LPDB sits between ambition and structural constraint. Opportunity momentum is high, but internal readiness must catch up. The push for digital cooperatives and village supply chains aligns with global development finance trends (Tuyon et al., 2023). However, scaling requires not only financing disbursement but also deep

mentoring. Thematic field notes suggest that regional officers feel resource pressure when one officer supervises multiple cooperative clusters. This confirms findings that institutional overload reduces effectiveness of strategic reforms (Andrews et al., 2017).

In legal modernization, digital archives strengthen accountability, echoing e-governance literature that digitization lowers transaction cost and improves auditability (Cordella & Tempini, 2015). Yet adoption must be accompanied by change management, not merely procurement of software. Syariah division expansion is promising but depends on risk-sharing governance and fintech collaboration viability. Village cooperative strategy is transformative, but asset integration and ABD modeling require sophisticated financial engineering not yet widely mastered by cooperative administrators.

E. CONCLUSION

This study concludes that LPDB-KUMKM is entering a critical strategic transition from a financing-focused institution toward an ecosystem enabler for cooperative modernization and inclusive economic growth. The analysis confirms that the organization possesses substantial external opportunity momentum, particularly driven by national policy priorities, rising youth entrepreneurship, digital financial expansion, and increasing global attention to green and Islamic finance. The IE matrix places LPDB in the Grow and Build quadrant, indicating that expansion is feasible, yet it must be accompanied by disciplined capability development.

Internal assessment reveals that LPDB's strengths lie in its legal mandate, political legitimacy, financing access, and ongoing digital platform development. However, several internal limitations require attention—most notably uneven human resource capability across regions, cooperative literacy gaps, and the early stage of ESG financing maturity. These factors highlight that growth cannot rely on financial disbursement alone; it must be coupled with structured capacity-building, risk governance strengthening, and incremental digital adoption. The PESTEL and McKinsey 7S frameworks together illustrate that strategic success depends on alignment between systems, staff skills, leadership style, and technology integration. Meanwhile, the TOWS strategy formulation suggests that the most effective path forward involves scaling green and sharia products, deepening co-financing partnerships, improving data integration, and rolling out training programs to enhance cooperative digital readiness. In short, LPDB's transformation prospects are promising, but execution must be gradual, adaptive, and rooted in institutional learning. With careful sequencing—starting from regional capability upgrading, digital literacy acceleration, and risk analytics enhancement—LPDB has the potential to become a national reference model for cooperative-centered development financing.

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