

**ADAPTING TYPE OF SUPPORT USING CAPABILITY-BASED APPROACH AS
STRATEGIC RESPONSE TO NON-PERFORMING LOANS OF RABO
FOUNDATION PORTFOLIO IN INDONESIA**

**MENYESUAIKAN JENIS DUKUNGAN MENGGUNAKAN PENDEKATAN
BERBASIS KAPASITAS SEBAGAI RESPON STRATEGIS TERHADAP
KREDIT MACET PORTOFOLIO YAYASAN RABO DI INDONESIA**

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ABSTRACT

This research explores how Rabo Foundation supports the growth of small and medium agribusinesses in Indonesia through its role as an impact investor. The study focuses on understanding the real challenges faced by these businesses and how their capabilities align with the support they receive. Using a capability assessment framework combined with an Importance-Performance Analysis (IPA), the study gathered insights from 32 clients across different agricultural sectors. The findings show that many businesses struggle in areas like long-term planning, managing supply chains, and financial decision-making—capabilities they themselves see as crucial. These areas fall under the “Concentrate Here” quadrant in the IPA, highlighting a gap between what matters most and what is currently working well. The research suggests that more tailored support—based on each business’s strengths and weaknesses—can help them become more resilient and successful. It also recommends applying this assessment tool when onboarding new clients to better match Rabo Foundation’s assistance with actual needs. Overall, this study is about how impact investing can go beyond just financing, and help businesses grow in a more meaningful and sustainable way.

Keywords: Non-Performing Loan, Agri-SME, Capability Assessment, Importance Performance Analysis, Impact Investment

ABSTRAK

Penelitian ini mengeksplorasi bagaimana Rabo Foundation mendukung pertumbuhan usaha agribisnis kecil dan menengah di Indonesia melalui perannya sebagai investor berdampak. Studi ini berfokus pada pemahaman tantangan nyata yang dihadapi oleh usaha-usaha tersebut dan sejauh mana kemampuan mereka selaras dengan dukungan yang diterima. Dengan menggunakan kerangka kerja penilaian kemampuan yang dikombinasikan dengan Analisis Penting-Kinerja (IPA), studi ini mengumpulkan wawasan dari 32 klien di berbagai sektor pertanian. Temuan menunjukkan bahwa banyak usaha mengalami kesulitan di bidang seperti perencanaan jangka panjang, pengelolaan rantai pasok, dan pengambilan keputusan keuangan—kapabilitas yang mereka anggap krusial. Bidang-bidang ini termasuk dalam kuadran “Concentrate Here” dalam IPA, menyoroti kesenjangan antara hal yang paling penting dan apa yang saat ini berjalan dengan baik. Penelitian menyarankan bahwa dukungan yang lebih disesuaikan—berdasarkan kekuatan dan kelemahan masing-masing usaha—dapat membantu mereka menjadi lebih tangguh dan sukses. Penelitian ini juga merekomendasikan penggunaan alat penilaian ini saat menerima klien baru untuk lebih mencocokkan bantuan Rabo Foundation dengan kebutuhan aktual. Secara keseluruhan, studi ini membahas bagaimana investasi berdampak dapat melampaui sekadar pembiayaan, dan membantu bisnis tumbuh secara lebih bermakna dan berkelanjutan.

Kata Kunci: Pinjaman Tidak Produktif, Usaha Mikro, Kecil, Dan Menengah (UMKM) Pertanian, Penilaian Kemampuan, Analisis Kinerja Penting, Investasi Berdampak

INTRODUCTION

Agriculture remains a vital sector for Indonesia which contributes to absorption number of workforce, ensuring the food security within the country, supporting economic growth,

reducing welfare disparities including rural development. Indonesia itself has huge potential for the agricultural resources which varies from one area to another such as from terrestrial farming, plantation, forestry, cattle, poultry,

aquaculture, and fishery. Smallholders farmers play a dominant role in this sector. Around 93% of farms in Indonesia is owned and operated by smallholders who are managing small farms of averaging 0.6 hectares per farmer (FAO, 2018). As cited in the Press Release of Coordinating Ministry for Economic Affairs of The Republic of Indonesia dated 22 July 2024, the MSMEs in Indonesia has contributed around 60% to the Indonesian GDP and absorbed up to 97% to total workforces in Indonesia. There are more than 65 million MSMEs which are active across sectors such as trading, manufacturing, agriculture and services including culinary, fashion, handcrafting and digital technology. In addition, the agricultural sector has contributed about 12.4% to the Indonesian GDP. Despite all these opportunities, financing to agricultural sector is still perceived as high risk for the financial institutions in Indonesia. This reason makes access to finance for agribusinesses and smallholders either limited, non-accessible and/or too expensive for them.

Rabo Foundation, the corporate foundation of Rabobank Nederland, headquartered in Utrecht – The Netherlands, is active in supporting agriculture sector in Indonesia, needs to ensure that its loan facilities bridge the gap where the local financiers could not provide the loan due to its strict requirements. It is expected that loan from Rabo Foundation will generate meaningful economic and social impact, particularly in underserved or rural communities within the agriculture sector. However, delivering impact alone is not sufficient, it should be accompanied by strong credit discipline to maintain the sustainability of its financing model. The increasing trend of non-performing loan from Rabo Foundation's clients in Indonesia, has

impacted to its ability to maintain healthy financial performance while fulfilling its social goals. In 2021, the PAR 90 days stood at 9,5% which indicating a relatively healthy loan portfolio. Yet there was significant increase in 2022, reaching 29,6% which was 3 times higher. This ratio remained high in 2023 at 29,8% which was signaling repayment issues of Rabo Foundation's client in Indonesia. Rabo Foundation has done several efforts in dealing with default loans and reducing its PAR 90 such as restructuring, rescheduling and write-off. All these efforts resulted to the improvement at PAR 90 level as per YE 2024, that is 19,30% (Rabo Foundation, 2025). Yet this figure still has been far above the average of PAR 90 days performance of Bank Perkreditan Rakyat (BPR) in Indonesia i.e. 10.95% (OJK, 2024).

This study aims to provide recommendations to Rabo Foundation to develop tailored products in order mitigating the risk while better fulfil the demand of the clients. The recommendation is prepared by aligning with the client's capability and performance level. The study is limited to existing clients of Rabo Foundation in Indonesia with client's name remained anonymous due to client privacy reasons. It is also emphasizing some factors chosen based on the important aspects that Rabo Foundation look at from the credit proposal such as finance, strategic management, operational capacity, market and its human resources.

RESEARCH METHODS

This study will use a mixed research design between qualitative and quantitative to identify the weakness areas of Rabo Foundation's client in Indonesia. The main objective is being able to offer well tailored supports in

empowering agri-SMEs in Indonesia which later on to be able to catch opportunity to expand Rabo Foundation's work in Indonesia with business-level strategies which can enhance the impact and focus on long-term growth and resilience of agri-SMEs in Indonesia. In addition the portfolio quality will also be well maintained as the support will fit more to the client's needs.

The data will be collected from primary and secondary sources. Primary data will be collected from questionnaire to existing clients of Rabo Foundation, to assess the capability and identify weakness points of Rabo Foundation's client in Indonesia. While the secondary data will be collected from the company reports, articles, journals and government regulations in relation with microfinancing as well as international financing. The collected data will be analyzed by PESTEL to mapping the external circumstances to understand the position of Rabo Foundation to further develop the strategy in addition to the result of capability assessment.

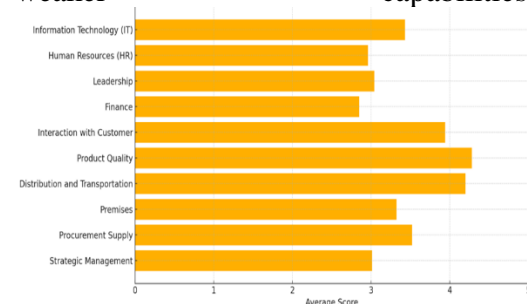
Assessment is adapted from the contains of 10 capability areas, 34 competency areas and 81 questions through questionnaires which distributed to clients. These questions are developed with the Likert-Scale rating type of question to gather the data on client's capabilities. Furthermore, each competency has minimum score of calculation results between final score and weight given to each question. The weighting of questions is in accordance with the priorities of the capability areas. There are three priorities with different weights. In addition to that, competence areas are also divided into two areas which are primary or secondary area.

Importance performance analysis is required to identify which location of the company's competency areas still

need to be improved. The analysis will compare the level of importance or priority (Y-axis) with the performance score (X-axis) of each competency into an attribute for the plot on the graph. The analysis will be done at each client's level. By doing this, Rabo Foundation will be able to identify client's points of weaknesses as well as to formulate the support which tailored to each client.

RESULTS AND DISCUSSIONS

An in-depth analysis of the capability assessment conducted to all 32 respondents (out of 39 clients of Rabo Foundation in Indonesia). The level of performance and maturity of these clients is evaluated from 10 important capability areas, namely: Strategic Management, Procurement Supply, Premises, Distribution and Transportation, Product Quality, Interaction with Customer, Finance, Leadership, Human Resources, and Information Technology. The Figure 1 below summarize the average capability score across all 32 clients for each capability area. The data shows that Product Quality and Distribution & Transportation are the strongest areas across clients, while Finance, HR, and strategic Management are among the weaker capabilities.



Strategic Management

Strategic Management has an average score of 3.01 which ranges between 2.1 and 4.1. Many clients demonstrate basic strategic planning but still lack long-term vision, structured

implementation, and performance measurement systems. This capability is crucial as it links to company's goals direction, resources alignment and impact achievement.

Procurement Supply

Procurement Supply has an average score of 3.52 which shown moderate strength. Since clients of Rabo Foundation diverse from cooperative and agri-SME, it shows differences in the supply system. For the cooperative, client gets supply from their members who are not only committed as a member of the cooperative but also to deliver their products to the cooperative. While for agri-SMEs, many of them are sourcing from individual farmer or farmer groups without binding agreement or type of contract farming.

Premises

Premises has the average score of 3.32. This capability area reflects the capacity of clients' physical facilities, including processing and storage facilities. Overall, clients show a moderate level of readiness, with premises that are generally sufficient to support their daily operations. However, there is notable variation depending on the type of commodity handled. For example, dairy cooperatives often operate specialized milk processing and chilling facilities, while coffee producers may have simple drying and packing areas. These differences suggest that while most clients have made relevant investments in infrastructure, the scale and sophistication of their premises are shaped by product characteristics, value chain requirements, and access to capital. The assessment indicates that many clients could benefit from upgrading or expanding their facilities to meet growing demand or quality standards.

Distribution and Transportation

Distribution and Transportation is one of the strongest areas with the average score of 4.20. Distribution and transportation emerged as one of the most developed areas across the client base. Export-oriented clients typically rely on third-party logistics providers to handle international shipments. This allows them to benefit from professional logistics services with well-established delivery networks and consistent export schedules. On the other hand, dairy cooperatives tend to manage their own distribution through cold chain systems. They have invested in cooling tanks and insulated transport to ensure the freshness and quality of milk from collection to processing. These contrasting but effective logistics strategies highlight how clients adapt their transportation models to suit their product requirements and market access needs, demonstrating practical resourcefulness and operational maturity.

Product Quality

Product Quality has an average score of 4.28. Clients generally demonstrate a solid commitment to maintaining product quality through consistent quality control and standardization measures. This is particularly evident by minimum rejection of their products from buyers. These efforts reflect not only operational discipline but also an awareness of market demands, including regulatory compliance and buyers expectations. As a result, many clients are well-positioned within their value chains, showing readiness to meet higher-end market requirements and build long-term buyer trust.

Interaction with Customer

Interaction with Customer has an average score of 3.94. Clients generally show the best effort to stay connected with their buyers, often through regular informal conversations and trusted local networks. Many rely on personal relationships to build trust and maintain loyalty, particularly in smaller communities where face-to-face interactions matter most. Pricing strategies are often based on negotiation with their buyers on agreed margin for the client. Although some clients do not actually need to do marketing efforts since they have long-standing relationship with their buyers.

Finance

Finance has an average score of 2.85. This is one of the lowest-performing areas of clients. The weaknesses includes among others profitability, limited access to affordable credit, limited investment, inadequate financial reporting, and separation between business and personal accounts. Not only a need of access to finance, but it also signals for basic financial literacy and management. Financial management is a foundational capability to sustain operations and absorb financing effectively.

Leadership

Leadership has an average score of 3.04. In most of clients, the person at the top or the owner of agri-SMEs holds decision-making power out of habit or history rather than through clear delegation or oversight. This informality often reflects a broader issue—weak governance and unclear lines of

accountability that can hinder long-term planning and organizational resilience.

Human Resources

Human Resources has an average score of 2.96. Many of the clients, human resource practices appear to be largely informal and still evolving. Some factors like clear job roles, contracts, or standardized benefits are frequently missing or inconsistently applied. Most hiring is based on trust or community ties rather than a formal recruitment process. The equal opportunity for women is also not well applied. Only few clients support gender equality. This low average score reflects a broader need to strengthen HR systems not just for efficiency, but to create fair, safe, and motivating workplaces.

Information Technology

Information Technology has an average score of 3.43. IT infrastructure is unevenly distributed. While some clients have adopted digital recordkeeping and sales systems, many still rely on manual processes. Some clients have already utilize IT to support their daily administration activities including transactional and non-transactional activities, while some some of them still rely on manual processes.

Importance Performance Analysis (IPA) Result

The table 1 shows all attributes which fall under Quadrant 1 for each client and marked with a check (“V”). From this, the weakness points of each client can be identified which be point of attention for Rabo Foundation to support.

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Business Solutions

Based on the identified points of weaknesses from each client of Rabo Foundation, the proposed type of support as business solutions to tailor the suitable type of support for each respective client Rabo Foundation in Indonesia. Appendix 1 shows the business solution for each client of Rabo Foundation in Indonesia based on their capability assessment and performance.

CONCLUSION AND SUGGESTION

The overall capability levels of existing clients Rabo Foundation in Indonesia are moderate with ranges between 2,4 – 4,3 (out of maximum level of 5) across 10 important capability areas. The three lowest levels are at the capability areas of finance, human resources and strategic management. The analysis using the Importance-Performance Analysis (IPA) matrix shows a number of capabilities that clients consider highly important, yet are not performing well in practice. These capabilities are grouped under Quadrant

1 — “Concentrate Here”. While each client has a unique profile, there are common patterns across the 32 clients assessed. Out of the 81 capability attributes examined, ten stood out as the most frequently underperforming. Many of these falls under the area of strategic management, a core function for any growing businesses. In terms of procurement and supply, clients noted that their sourcing processes lack scalability, making it harder to meet growing demand or secure consistent raw materials. From a financial perspective, there is concern with the current sales volume as well as the external financing composition which needed to support the business. Overall, the IPA matrix results highlight a mismatch between what clients acknowledge as important and what their current situation, emphasizing the need for targeted support interventions and tailored capacity-building efforts from Rabo Foundation to close these gaps.

To mitigate the lending risks while better aligning with client needs, Rabo

Foundation should consider a different approach that matches financing supports with capability maturity. Key recommendations include:

- a. Blended finance by integrating capacity-building programs and loan support. The capacity-building covers such as on good strategic management, HR management, and financial literacy for the client's management
- b. Extend support to farmer's level e.g.: trainings on good agricultural practices for better quality products and upscaling ability.
- c. Tailoring non-financial services such as advisory or market linkage support.
- d. Strengthening onboarding processes through early capability assessment, using tools like the IPA matrix to

identify the weaknesses points and risk areas.

The follow-up study is still needed to be more focus on credit and financial risk in order to refine the results of research to be more efficient in minimizing PAR 90 level of Rabo Foundation's portfolio.

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Appendix 1. The Business Solution For Each Client Based On Capability Assessment And Performance.

Clients	Points of Weaknesses	Proposed Type of Support
Client 1	Strategic Management	Trade Financing to pre-finance export contracts Capacity Building to farmers for up-scaling Training on Good Governance and Management
	HR	
	Leadership	
	Procurement Supply Finance	
Client 2	HR	Trade Financing to pre-finance export contracts Capacity Building to farmers for up-scaling Training on Good Governance and Management CAPEX for production and storage facilities
	Procurement Supply	
	Strategic Management	
	Finance Premises	
Client 3	Premises	Working Capital to support business cashflow Capacity Building to farmers for up-scaling Training on Good Governance and Management CAPEX for production and storage facilities
	Strategic Management	
	Finance	
	Procurement and Supply Distribution and Transportation	
Client 4	Strategic Management	Working Capital to support business cashflow Technical Assistance on access to market Training on Good Governance and Management CAPEX for production and storage facilities Capacity Building to farmers for up-scaling
	Premises	
	Interaction with Customer	
	Finance Procurement and Supply	

Client 5	Strategic Management Interaction with Customer Premises Finance Leadership	Working Capital to support business cashflow Training on Good Governance and Management CAPEX for production and storage facilities
Client 6	HR Strategic Management Leadership Finance Procurement Supply	Working Capital to support business cashflow Training on Good Governance and Management Capacity Building to farmers for up-scaling
Client 7	Premises HR Strategic Management Finance Procurement and Supply	Trade Financing to pre-finance export contracts Capacity Building to farmers for up-scaling Training on Good Governance and Management CAPEX for production and storage facilities
Client 8	Leadership Premises HR Finance Strategic Management	Working Capital to support business cashflow Training on Good Governance and Management CAPEX for production and storage facilities
Client 9	Leadership Premises Finance HR Strategic Management	Working Capital to support business cashflow Training on Good Governance and Management CAPEX for production and storage facilities
Client 10	Leadership Strategic Management Finance Premises HR	Working Capital to support business cashflow Training on Good Governance and Management CAPEX for production and storage facilities
Client 11	Leadership Finance Premises Strategic Management HR	Working Capital to support business cashflow Training on Good Governance and Management CAPEX for production and storage facilities
Client 12	Leadership Finance Strategic Management Procurement Supply Premises	Working Capital to support business cashflow Training on Good Governance and Management CAPEX for production and storage facilities Capacity Building to farmers for up-scaling
Client 13	HR Finance Premises Strategic Management Interaction with Customer	Working Capital to support business cashflow Training on Good Governance and Management CAPEX for production and storage facilities Capacity Building to farmers for up-scaling Technical Assistance on access to market
Client 14	Leadership Finance Strategic Management	Working Capital to support business cashflow Training on Good Governance and Management

	Premises Procurement Supply	CAPEX for production and storage facilities Capacity Building to farmers for up-scaling
Client 15	Leadership Finance Procurement Supply Premises HR	Working Capital to support business cashflow Training on Good Governance and Management CAPEX for production and storage facilities Capacity Building to farmers for up-scaling
Client 16	Premises Finance Strategic Management Interaction with Customer Leadership	Working Capital to support business cashflow Training on Good Governance and Management CAPEX for production and storage facilities Technical Assistance on access to market
Client 17	Leadership Strategic Management Premises Interaction with Customer HR	Working Capital to support business cashflow Training on Good Governance and Management CAPEX for production and storage facilities Technical Assistance on access to market
Client 18	Leadership Finance Premises Distribution and Transportation Procurement Supply	Trade Financing to pre-finance export contracts Training on Leadership CAPEX for production and storage facilities Capacity Building to farmers for up-scaling
Client 19	Strategic Management Finance Leadership Interaction with Customer Premises	Working Capital to support business cashflow Training on Good Governance and Management CAPEX for production and storage facilities Technical Assistance on access to market
Client 20	Procurement Supply Interaction with Customer Finance Strategic Management Product Quality	Working Capital to support business cashflow Training on Good Governance and Management CAPEX for production and storage facilities Capacity Building to farmers for up-scaling and good farming practices
Client 21	HR Strategic Management Finance Premises Interaction with Customer	Working Capital to support business cashflow Training on Good Governance and Management CAPEX for production and storage facilities Technical Assistance on access to market
Client 22	HR Strategic Management Finance Premises Procurement Supply	Working Capital to support business cashflow Training on Good Governance and Management CAPEX for production and storage facilities Capacity Building to farmers for up-scaling
Client 23	HR Procurement Supply Distribution and Transportation	Working Capital to support business cashflow Training on Good Governance and Management CAPEX for production and storage facilities Capacity Building to farmers for up-scaling

	Finance Premises	
Client 24	Leadership Strategic Management Procurement Supply Finance Premises	Working Capital to support business cashflow Training on Good Governance and Management CAPEX for production and storage facilities Capacity Building to farmers for up-scaling
Client 25	Strategic Management Procurement Supply Premises Finance HR	Trade Financing to pre-finance export contracts Training on Good Governance and Management CAPEX for production and storage facilities Capacity Building to farmers for up-scaling
Client 26	Interaction with Customer HR Finance Strategic Management Distribution and Transportation	Working Capital to support business cashflow Training on Good Governance and Management Technical Assistance on access to market
Client 27	Product Quality Premises Leadership Procurement Supply Finance	Working Capital to support business cashflow Training on Leadership CAPEX for production and storage facilities Capacity Building to farmers for up-scaling
Client 28	Strategic Management Finance HR Premises Interaction with Customer	Trade Financing to pre-finance export contracts Training on Good Governance and Management CAPEX for production and storage facilities Technical Assistance on access to market
Client 29	Finance HR Strategic Management Product Quality Procurement Supply	Working Capital to support business cashflow Training on Good Governance and Management Capacity Building to farmers for up-scaling and good farming practices
Client 30	Leadership Strategic Management Procurement Supply Finance HR	Trade Financing to pre-finance export contracts Training on Good Governance and Management Capacity Building to farmers for up-scaling
Client 31	Strategic Management Interaction with Customer Finance Premises Procurement Supply	Working Capital to support business cashflow Training on Good Governance and Management Capacity Building to farmers for up-scaling CAPEX for production and storage facilities Technical Assistance on access to market
Client 32	Finance Strategic Management Premises Leadership Procurement Supply	Working Capital to support business cashflow Training on Good Governance and Management Capacity Building to farmers for up-scaling CAPEX for production and storage facilities

