

**KB KOOKMIN BANK'S BUSINESS DIPLOMACY IN EXPANSION TO INDONESIA THROUGH PT BANK BUKOPIN**

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**Abstract:**

The South Korean banking sector is in the maturity stage, or the phase where the domestic banking market is at its peak of growth. However, the South Korean domestic market of only 51 million people is not enough to increase banking profits. Hence, they need to seek markets from other countries in order to develop their businesses, including Indonesia. The study will discuss how the expansion efforts of South Korean banking MNCs with a case study focused on the purchase of Bank Bukopin shares by KB Kookmin Bank in 2020. The analysis of this study was conducted qualitatively and descriptively with the help of library study data sources and using the perspective of business diplomacy theory and Foreign Direct Investment (FDI). The results of the study concluded that planning by identifying the goals of the country's internal culture and environment is an important point for MNCs in expanding. In addition, MNC expansion also needs to take into account their future business projections because this is important for the sustainability of their business in their home country. They need to innovate and overcome the domestic challenges of the destination country so that they can achieve their targets to contribute to the country's economy.

**Keywords:** Business diplomacy, Bukopin Bank, Foreign Direct Investment KB Kookmin Bank

**INTRODUCTION**

The rise and fall of market demand is one of the factors that drive the growth of multinational companies or multinational corporations (MNCs). As reported by Davis (2020), South Korea's banking sector is currently at the maturity stage or a phase where the domestic banking market is at its peak of growth. Banking sector companies have a large capacity, but the South Korean domestic market, which only has a population of 51 million, is not enough to increase banking profits. Hence, they need to seek markets from other countries in order to develop their businesses.

In the South Korean banking sector, 4 large companies, namely KB Kookmin Bank, KEB Hana Bank, Shinhan Bank, and Woori Bank, are expanding overseas to find new markets. One of the South Korean banks that is known to have expanded its network to the Southeast Asian market, especially Indonesia, is KB Kookmin Bank. KB Kookmin Bank's expansion cannot be separated from the intervention of business diplomacy strategies. The business diplomacy strategies of each type of multinational Company (MNC) are different. Based on the results of the study (Ghasemnezhad et al., 2023), Companies in the automotive, petrochemical and chemical, machinery and equipment, engineering services, and paper industries mostly follow the first path. Companies operating in the steel industry, automotive industry, and machinery and equipment follow the second path. Companies operating in the oil industry, steel industry, pharmaceutical industry, electrical equipment, and paper industry follow the third path. The findings also show that the business



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diplomacy path differs significantly in terms of firm characteristics (i.e., industry, size, and international experience).

Meanwhile, (Surya, 2023) argues that business diplomacy plays an important role in bridging national interests with global market dynamics, especially in the mining sector. By utilizing business diplomacy, the Indonesian government plays an active role in forming and directing cooperation with China in the nickel sector. Through various initiatives and policies, Indonesia focuses on increasing exports and developing downstream industries, which can ultimately provide better-added value to the national economy.

Meanwhile, the process of transitioning KB Kookmin Bank to become an Indonesian bank, according to (Kesuma, 2023), is in accordance with applicable domestic regulations. He explained that ownership by foreign citizens and/or foreign legal entities is a maximum of 99% (ninety-nine percent) of the Bank's paid-up capital. This makes it possible for KB Kookmin Bank to acquire 67% of Bank Bukopin's shares and make it a controlling shareholder. In addition, in terms of the acquirer, there are applicable regulations such as UUPT Undang-Undang Nomor 40 Tahun 2007 Tentang Perseroan Terbatas (UUPT), UUPM, UU Perbankan, POJK, UUPPSK. Undang-undang Nomor 8 Tahun 1995 Tentang Pasar Modal (UUPM) and other provisions of the Regulations of Otoritas Jasa Keuangan (POJK). Banking will be subject to Undang-Undang Perbankan and Undang-Undang Pengembangan dan Penguatan Sektor Keuangan (UUPPSK).

Research result (Rahman, 2022) shows that brand image has a significant positive influence on customer interest. The brand image variable consisting of 3 indicators, namely: strength of brand association, favourability of brand association, and uniqueness of brand association can influence the customer interest variable, resulting in a strong correlation towards very strong. Another positive impact of this acquisition is the transformation of KB Bukopin into a stronger and healthier bank. Research (Marmen & Kusuma, 2024) shows that mergers and acquisitions (M&A) have emerged as a profitable strategy to revitalize struggling banks, surpassing alternatives such as bailouts.

Based on the previous research, the author will discuss the expansion efforts of South Korean banking MNCs. There has been no research that specifically discusses the expansion of South Korean banking MNCs through the perspective of business diplomacy and Foreign Direct Investment (FDI). The case study of this research will be narrowed down to the purchase of shares in Bank Bukopin, owned by Indonesia by KB Kookmin Bank, in 2020. KB Kookmin Bank's expansion approach to the Indonesian market will be reviewed from the perspective of the business diplomacy concept of Allamar and Pauleen (2016). The discussion is opened with an understanding of the theory of business diplomacy and FDI; KB Kookmin Bank's business expansion to the international market, Southeast Asia, and Indonesia; KB Kookmin Bank's challenges in investing in Indonesia through Bank Bukopin; and finally a conclusion regarding the findings in this study.

## METHOD

The author will use qualitative descriptive research because it is considered appropriate to the research needs. Qualitative research includes asking questions and procedures, collecting data from participants, and conducting inductive data analysis, namely building from specific things to general themes (Creswell, 2023). The author wants to understand and find the meaning of an event or phenomenon. In this study, the phenomenon that the author wants to examine is how KB Kookmin Bank's strategy is in expanding to Indonesia through Bank Bukopin.



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The author used secondary data sources, such as documents, photos, research journals, books relevant to the research, news and credible internet media, as supporting primary sources related to the expansion of KB Kookmin Bank's business to Indonesia in this study.

## RESULTS AND DISCUSSION

**Business Diplomacy.** According to Sidibé and Saner (2017), diplomacy used by multinational companies is also called 'business diplomacy.' This is diplomacy that focuses on stakeholders (States, NGOs, local governments, associations, etc.) by looking at how multinational companies use diplomatic tools to conquer emerging markets and how diplomats representing governments function in a commercial environment.

Meanwhile, according to (Kesteley et al., 2014), In essence, business diplomacy occurs when companies do things like diplomats. This should be distinguished from other forms of economic diplomacy. Economic diplomacy, for example, is the activity of governments to improve the terms of trade for their companies. In economic diplomacy, commercial diplomacy actively promotes the commercial interests of individual companies, whether through embassies, trade delegations, or other government-led commercial promotional activities. In both cases, the primary diplomatic actor is the government or its agents, primarily defending the general interests of one country. In business diplomacy, the Company and its employees are the primary diplomatic actors, seeking to secure the Company's profits and, in the long term, its survival. On the other hand, the difference between business diplomacy and corporate diplomacy and related activities such as corporate social responsibility (CSR), public affairs, and public relations (PR) is not so much the actors involved or even the specific techniques to be used, but rather a diplomatic mindset that seeks to place geopolitical risk management in a coherent, long-term strategic context.

According to Saner and Yiu (2014 in Alammar & Pauleen, 2016), business diplomacy is a concept used as a tool to achieve business and non-business interests through constructive negotiations. Business diplomacy is expected to reduce the Company's geopolitical and commercial risks and expand the influence and trust of actors in the global arena. Based on this understanding, the author concludes that the definition of business diplomacy is a company's strategy to maintain the continuity of its business through its relations with policymakers so that it can expand its business to other countries accompanied by geopolitical considerations. This study seeks to examine how KB Kookmin Bank's business diplomacy towards Indonesia through the acquisition of Bank Bukopin.

**Foreign Direct Investment (FDI).** The process of KB Kookmin Bank's entry into the Indonesian financial sector is through foreign investment or foreign direct investment (FDI). The definition of FDI according to Jhingan (Jhingan, 2004), Foreign Direct Investment (FDI) is an investment carried out by foreign private companies in other countries. This type of investment provides more benefits when compared to indirect investment. Through FDI, there is an exchange of managerial skills and expertise and the entry of various new technologies from the investing country to the destination country of investment, thus supporting national productivity and output, which ultimately has an impact on increasing the rate and national income. Meanwhile, when compared to other capital instruments such as credit loans, development financing, and export credit, FDI tends not to burden the country's economy.

A simpler understanding was expressed by Todaro and Smith (Todaro & Smith, 2003). *Foreign direct investment* (FDI) describes foreign investment by a foreign private entity where the funds obtained from the foreign private entity are used in its business activities. Based on this



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understanding, the author can conclude that FDI is the entry of capital from foreign parties into local companies in a country to improve the Company's finances and to improve the national economy. The context of FDI in this study is how KB Kookmin Bank's acquisition of Bank Bukopin can affect Bank Bukopin's capital itself and its impact on the flow of foreign funds to Indonesia.

**KB Kookmin Bank's Expansion into International Markets.** The maturity stage experienced by the South Korean banking market, especially for the four major companies, has not always had a positive impact. For companies, this stage is a challenge because the Company's growth is stagnant, especially with the pressure of market competition between the four banks (KB Kookmin Bank, KEB Hana Bank, Shinhan Bank, and Woori Bank). In addition, the domestic conventional banking market in South Korea is currently also facing challenges from the digital sector. The emergence of online banks, such as Kakao and K-Bank, requires conventional banks, such as KB Kookmin Bank, to be able to adapt to the tight competition. The convenience offered by digital banks has brought many benefits because they can reduce costs.

On the other hand, from a business perspective, the growth of South Korea's conventional banking business tends to be slow when compared to global brands managed by conglomerates or so-called chaebols (Wilson, 2018). Let us call the octopus companies in the electronics sector, such as LG and Samsung, and the automotive sector, Kia and Hyundai, whose markets are much more established in the world. Another market condition that drives the expansion of South Korean banking is slow economic growth, which is less than 2.3% in 2020 (He, 2020). These internal motives then squeezed the profits of South Korea's domestic banking business and eventually pushed them to expand their influence into overseas markets.

One of the South Korean banking industries that has taken the policy of expansion is KB Kookmin Bank. KB Kookmin Bank, or KB KB Kookmin Bank, is a private bank from South Korea. KB Kookmin Bank was founded in 2001 under the auspices of KB Financial Group. Domestically, KB Kookmin Bank is recorded as having total assets of ₩ 464.77 trillion in fiscal year 2021 (Statista, 2021). This number makes it the banking company with the highest assets, followed by Shinhan Bank, Hana Bank, and Woori Bank. KB Kookmin Bank itself has expanded its branches to international markets, such as the UK, the United States, India, China, Hong Kong, Japan and New Zealand. Since 2018, KB Kookmin Bank has begun targeting Southeast Asia, which is an emerging market. KB Kookmin Bank's new branches include Cambodia, Vietnam, Laos, Myanmar, and Indonesia. KB Kookmin Bank has 13 subsidiaries engaged in 9 business fields, namely retail customers, pension funds, small and medium enterprises (SMEs), global, insurance, digital, IT, capital markets, and corporate and investment banking (CIB). For business products, KB Kookmin Bank offers banking services, securities, insurance, credit cards, investment banking (financial investment), and special credit (KB Financial Group, 2021).

Before becoming a South Korean banking giant, KB Kookmin Bank had experienced failure in business diplomacy. Previously, KB Kookmin Bank opened the market in Kazakhstan by purchasing 41.9% of Bank Credit Center (BCC) shares worth ₩ 954.1 billion or equivalent to US\$ 823.92 billion in 2008. This policy was called an aggressive global expansion step (Wilson, 2018) from a South Korean bank. At that time, BCC was projected to be able to support KB Kookmin Bank in its globalization efforts in Central Asia (Suk-ye, 2017). According to Saner and Yiu (2014 in Alammari & Pauleen, 2016), business diplomacy is a concept used as a tool to achieve business and non-business interests through constructive negotiations. Business diplomacy is expected to reduce the Company's geopolitical and commercial risks and expand the influence and trust of actors in the global arena. This concept has become one of KB Kookmin Bank's missions in the global arena. KB



Kookmin Bank's improved performance in 2008 encouraged them to design a plan to become one of the new players in the financial world of the Commonwealth of Independent States (CIS) region in the following year. This region was chosen because it was considered a potential region. The expansion of influence is planned to be carried out through the transfer of their core competencies to BCC (KB Financial Group, 2008)

However, Kazakhstan's financial climate has experienced turmoil due to the global financial crisis. Kazakhstan's banking was affected by the US mortgage crisis, and it had to devalue its currency exchange rate (Suk-ye, 2017). In the end, KB Kookmin Bank resold all 41.9% of the stock assets it invested in BCC to Tsesna Bank as the bidder. This was a hard lesson for KB Kookmin Bank because this failure was a disgraceful moment in its banking history.

In a bad situation, KB Kookmin Bank then tried to recover by focusing on the Asian market, especially Southeast Asia. Southeast Asia itself has become another target market besides the Central Asian region, with Cambodia as the initial destination country at that time. By approaching Southeast Asia, Kookmin Bank tried to improve its business diplomacy. In infiltrating the Southeast Asian market, KB Kookmin Bank changed its strategy by creating a road map for business diplomacy activities that were more detailed and organized in their planning. This can be seen from the global business planning report in the 2020 Annual Report where KB Kookmin Bank implemented business strategies that were not previously implemented. KB Kookmin Bank has transformed through more established and detailed global business strategy planning.

**KB Kookmin Bank Expansion into Southeast Asian Market.** In expanding their market, MNCs currently need to implement diplomatic activities so that their global expansion runs effectively. Business diplomacy arises when MNCs carry out activities related to diplomacy (Kesteleyn, Riordan, & Ruël, 2014). MNCs carry out this diplomacy to expand their business profits through their influence, both business and non-business, which they plant in the destination country. The difference with economic diplomacy is that the actors of business diplomacy are the companies themselves and their employees. The diplomacy they carry out aims to secure the Company's profits and the sustainability of their business in the long term. This kind of market strategy is a manifestation of business diplomacy carried out by KB Kookmin Bank in the global market.

Jong Kyoo Yoon, Chairman and CEO of KB Financial Group Inc., introduced the slogan "R.E.N.E.W. 2021" as the Company's strategy for 2021. With R.E.N.E.W. 2021, KB Financial Group aims to strengthen the core competitive advantages of their main operations, strengthen businesses in the financial sector and outside the financial sector, such as automobiles, real estate, and healthcare so as to secure future business growth through global expansion and opening new businesses. Thus, they can become the number 1 sustainable and customer-friendly financial services company through digital innovation and world-class talented and cultured human resources. This strategy shows that KB Kookmin Bank, together with KB Financial Group as diplomatic actors, are trying to strengthen their businesses by increasing their competitive advantages and efforts. In its global expansion plan, KB Financial Group targets a net profit of 10% from its global business branches. (KB Financial Group, 2020).

KB Kookmin Bank implements a "two-track" strategy in mapping their global market targets. With this organized marketing strategy planning, KB Financial Group can streamline its expansion in the Southeast Asia region. Two-track is a grouping of host countries based on their market maturity level:



- a. Strengthening origination-to-distribution (OTD) and wholesale businesses in regions with developed markets, namely New York, London, Hong Kong, and Singapore.
- b. Expansion to Southeast Asia, namely Cambodia, Laos, Myanmar, Vietnam, and Indonesia, with a second mother market strategy. The second mother market strategy refers to business planning that is focused only on several target countries as an operational base.

KB Kookmin Bank started its Southeast Asian market expansion by opening business branches in Vietnam, Laos, and Myanmar first. In 2018, it added partner countries by purchasing 22% of PT Bank Bukopin's shares and opening a loan fund business in Cambodia. In expanding to Indonesia, in 2020, KB Kookmin Bank significantly strengthened its influence. KB Kookmin Bank established a subsidiary, PT KB Financial Multi Finance, which is engaged in microfinance, acquired PT Sunindo Parama (previously owned by SUN Motor Group) with an insurance business, and was able to become the largest shareholder of PT Bank Bukopin in September (KB Financial Group, 2020). This step is aggressive, considering that KB Kookmin Bank has only been playing in the Indonesian banking market for 2 years.

**KB Kookmin Bank Expansion into the Indonesian Market.** By owning 67% of PT Bank Bukopin's equity shares, KB Kookmin Bank officially became the controlling shareholder. The takeover of these shares itself was a breath of fresh air for PT Bank Bukopin which was almost collapsing due to financial problems at that time. The decline in PT Bank Bukopin's performance was revealed after the 2017 report showed that the Bank's non-performing loan (NPL) level had increased quite significantly, from 2.79% to 6.37% (Agustio, 2018). The mining sector is the main cause of the hampered credit fund inflow. Mining commodities at that time experienced a decline due to the price of coal and palm oil, which plunged in the second quarter of 2017. This condition made the Financial Services Authority (OJK) determine PT Bank Bukopin as a bank under intensive supervision based on OJK Regulation Number 15/POJK.13/2017 with the consideration that the Bank has potential difficulties that endanger business continuity (Victoria, 2021). To save the liquidity of PT Bank Bukopin, OJK urges shareholders to immediately inject capital through the 5th Limited Public Offering (PUT V) (Putra, 2020). PUT V was responded to quickly by KB Kookmin Bank as a standby buyer. KB Kookmin Bank deposited US\$ 200 million into an escrow account as of June 11, 2020, to purchase PT Bank Bukopin (Sitanggang, 2020). In the concept of business diplomacy developed by Alammar & Pauleen (2016), 4 key aspects are parameters, namely: (1) Business diplomacy is not only about managing business but also building and maintaining good relations with policymakers; (2) Business diplomacy does not focus on achieving power, but rather on efforts to gain legitimacy and social permission to operate; (3) Business diplomacy is not only an external tool but includes employees and managers; (4) Business diplomacy talks about how to create business alliances and shape and influence the environment, not about lobbying or influencing politicians.

When associated with KB Kookmin Bank, they have been able to build a positive relationship with their subsidiary in Indonesia, namely PT Bank Bukopin. The proof is that KB Kookmin Bank was able to create a positive impression through the rapid purchase of PT Bank Bukopin shares. OJK appreciates KB Kookmin Bank's responsive steps as proof of their serious commitment to strengthening capital and becoming the controlling shareholder of PT Bank Bukopin (Sitanggang, 2020).

According to Wartick et al. (1998 in Allamar and Pauleen, 2016), MNC companies with diplomatic knowledge will be able to anticipate, plan, and manage international issues; overcome the various impacts of crises and work with intergovernmental organizations; and know how to



operate appropriately in diverse cultural and societal environments. In this regard, KB Kookmin Bank contributed to helping to restore financial problems in Indonesia through the purchase of shares in PT Bank Bukopin. The financial and banking sectors that have slumped due to the COVID-19 pandemic have also weakened the performance of local Indonesian banks. Bank recovery through foreign fund injections can maintain banking stability and, in turn, restore the economy because it helps provide liquid funds to customers. On the other hand, KB Kookmin Bank is aware of the declining conditions of PT Bank Bukopin and foreign investors like them are the ones who are able to cover the lack of funds compared to local investors.

KB Kookmin Bank's business diplomacy planning allows it to find the right operational method in the Indonesian environment. This can be seen from KB Kookmin Bank's analysis through the "two-track" strategy. The "two-track" strategy provides a clearer mapping for KB Kookmin Bank to provide calculations regarding geopolitics. Business diplomacy places how diplomacy patterns can place geopolitical risk management in the context of a coherent and long-term strategy (Kesteley, Riordan, & Ruël, 2014). This can be seen from the grouping of market areas divided by region. With this grouping, Indonesia, Myanmar, Vietnam, Laos, and Cambodia are grouped into one; KB Kookmin Bank can estimate what the market conditions are like in the four countries. As in its report, KB Kookmin Bank identified the conditions of Vietnam with its high economic growth and many Korean companies operating there, the large population of Indonesia, and plans to pursue acquisition opportunities and organic growth with local networks in Myanmar, Cambodia, and Laos (KB Financial Group, 2020).

The main point of KB Kookmin Bank is a program similar to PT Bank Bukopin, namely UMKM funding (Bank Bukopin, 2020). This paved the way for KB Kookmin Bank's infiltration into PT Bank Bukopin and vice versa, KB Kookmin Bank's acceptance to become part of the controlling shareholders in PT Bank Bukopin. Furthermore, KB Kookmin Bank has also identified the character of Indonesian retail customers. They said that Indonesian customers do not take into account the origin of the mortgage, local or foreign. Indonesian customers are more concerned with the price and the offer opportunities they can get (Robinson, 2021).

From the domestic side, KB Kookmin Bank is the second largest shareholder of PT Bank Bukopin after Bosowa Corporindo. This position makes it easier for KB Kookmin Bank to find out information on the opening of PT Bank Bukopin's share sales so that the asset purchase process can be realized more quickly. Then, the declining economic conditions in Indonesia also provide more benefits for KB Kookmin Bank in the form of cheap share prices. It should be noted that KB Kookmin Bank bought PT Bank Bukopin shares at a price of IDR 190 in 2020. This value is much lower than the price they bought in 2018, which was IDR 570 per share (Sitanggang, 2020).

The above considerations still overlap with the geopolitical strategy, where the calculation allows KB Kookmin Bank to build alliances with local companies slowly. This calculation also ultimately builds good investment relations with the growth of a conducive business environment between PT Bank Bukopin as a local company and KB Kookmin Bank as a foreign company. This shows that KB Kookmin Bank is implementing the privatization of its foreign policy, as expressed by Chipman (Chipman, 2016). To overcome the current geopolitical complexities, companies must privatize foreign policy. The way to do this is by determining their interests, collecting and analyzing external intelligence, finding regional and local allies, and cultivating an environment conducive to their success. KB Kookmin Bank has carried out all of these methods. As a result, their business is easier to be accepted in Indonesia because they can find the right point to operate according to the local environment and culture.



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Chipman (2016) continued that the way of state diplomacy that needs to be applied in business diplomacy is to pay attention to the cultural conditions of the destination country in their foreign policy and adjust their engagement style as necessary while remaining true to their moral principles. By having the same business field as PT Bank Bukopin, namely focusing on MSMEs and knowing the character of Indonesian retail customers, KB Kookmin Bank finds it easier to build good business relations. This cultural adjustment can also be an indicator of the sustainability of KB Kookmin Bank's business in Indonesia.

KB Kookmin Bank officially became a player in the Indonesian banking sector after receiving an effective statement from the OJK to become a standby buyer of PT Bank Bukopin in 2018. This decision became the initial legitimacy that allowed KB Kookmin Bank to operate in Indonesia. KB Kookmin Bank's achievement in becoming a controlling shareholder strengthened its influence in Indonesia. Although it is not entirely in accordance with the aspects stated by Alammur & Pauleen (2016), However, this shows that the legitimacy of social operational licenses is a key point for MNCs in doing business in host countries. MNCs do not always seek power, but MNCs can strengthen their power in host country businesses through legal umbrellas or other legalizations.

In this business diplomacy, KB Kookmin Bank also uses its employees as diplomatic actors through knowledge transfer. KB Kookmin Bank also makes improvements to human resource management at Bank Bukopin by forming a Recovery Team and a Digital Team. Finally, KB Kookmin Bank's business diplomacy activities seek to create business alliances, such as those already established with PT Bank Bukopin, PT KB Financial Multi Finance, and PT Sunindo Parama. So far, KB Kookmin Bank's business diplomacy is in line with Alammur and Pauleen's theory (2016); it is not about lobbying or influencing politicians. They are just expanding the profit tap.

KB Kookmin Bank's business diplomacy strategy has proven effective and shown success. The entry of KB Kookmin Bank immediately increased the value of PT Bank Bukopin shares at the beginning of its purchase from Rp 169 per share to close at Rp 206 per share (Harefa, 2020). KB Kookmin Bank also achieved a number of achievements in mid-2022. Among them are idAAA ratings for General Obligation (GO) and idAA for SR Sub. Debt II/2015 with the Company's rating outlook being stable from PT Pemeringkat Efek Indonesia (PEFINDO) and idAAA National Rating from the international rating agency, Fitch Ratings (Kumparan Bisnis, 2022). This achievement shows that KB Kookmin Bank has so far been able to give a positive impression. Indonesian people believe that they have a strategic and measurable direction regarding their future business plans.

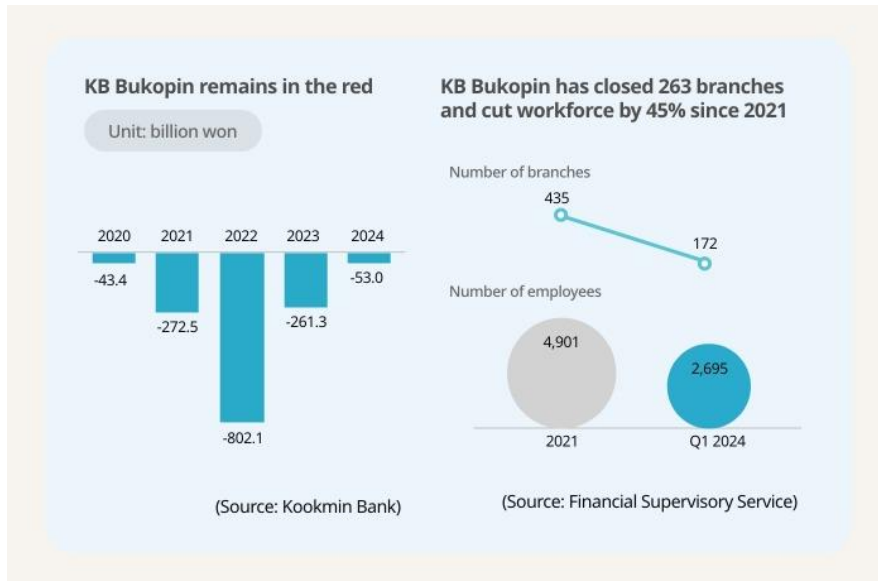
**KB Kookmin Bank's Challenge of Investing in Indonesia through Bank Bukopin.** Setelah beberapa tahun menjajaki pasar Indonesia, KB Kookmin Bank menghadapi tantangan. Bank Bukopin yang mulai 2024 ini berganti nama menjadi KB Bank, dinilai tidak menunjukkan progres memuaskan. Di awal ekspansi bisnisnya, KB Bank terlihat semakin tak terbendung lantaran perusahaan kini bisa semakin meluaskan jaringan dan bisnis pembiayaan serta pendanaan mengandalkan jaringan perusahaan-perusahaan Korea Selatan yang ada di Indonesia. Potensi KB Bank untuk tumbuh semakin besar pada masa itu jika melihat data realisasi investasi yang dilakukan perusahaan-perusahaan asal Korsel di Indonesia. Sepanjang 2021 lalu, investasi Korsel ke Indonesia mencapai US\$1,64 miliar untuk pembiayaan 2,511 proyek di dalam negeri. Jumlah ini menempatkan Korsel sebagai negara investor ketujuh terbesar di Indonesia sepanjang 2021 (Bisnis.com, 2022).

However, in 2024, KB Bank continued to suffer losses throughout the first quarter of the year, weighed down by large loan-loss provisions related to small business owners grappling with a sluggish tourism industry after COVID-19. KB Bank reported a net loss of 53 billion won (\$39





million) in the January-March quarter. A Kookmin Bank official said the loss was largely due to impairments of bad loans under stricter standards. Excluding loan-loss provisioning charges, KB Bank's first-quarter earnings rose 9.4% to 130.4 billion won from a year earlier. In 2022, its net loss reached 802.1 billion won, soaring nearly 20-fold from a loss of 43.4 trillion won in 2020 (Kim & Jeong, 2024).



**Figure 1.** KB Bank Performance in Indonesia (Kim & Jeong, 2024)

As part of its aggressive rescue efforts, KB Bank has closed more than half of its branches and cut its workforce through layoffs and early retirements. The Company operated 172 branches as of March this year, down from 435 in 2021. Its headcount has shrunk 45% to 2,695. The restructuring efforts stand in stark contrast to Woori Bank's aggressive expansion in the Southeast Asian country. Bank Woori Saudara, the Indonesian arm of South Korea's Woori Bank, has been posting a net profit of about 60 billion won annually. Its branch count rose to 160 as of the end of last year, up 34.5% from 119 in 2014, when the South Korean Bank took over the Bank. To strengthen its business in Indonesia, KB Bank will expand collaboration with companies that support it under KB Financial Group, including KB Securities Co. and Kookmin Card Co., which have also established footholds in Indonesia (Kim & Jeong, 2024).

This result is certainly a big challenge for KB Bank, considering its reputation as part of South Korean investors. KB Bank's investment in Indonesia itself is one of the realizations of bilateral cooperation between the Joint Committee Meeting on Economic Cooperation (JCEC) Indonesia and South Korea. The Indonesia-South Korea JCEC itself is an implementation of the Memorandum of Understanding (MoU) signed in 2018 during the visit of former Indonesian President Joko Widodo to South Korea (Sembiring, 2022). This cooperation is certainly aimed at ensuring that foreign investment coming in from South Korea can boost the national economy and business, as is the nature of FDI, which is expected to support national productivity and output, thereby having an impact on increasing the rate and national income (Jhingan, 2004).

KB Bank must make other innovations that can expand its market segment. They are known to be planning to expand collaboration with companies that support them under KB Financial



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Group, including KB Securities Co. and Kookmin Card Co., which have also established a foothold in Indonesia (Kim & Jeong, 2024). Another innovation that can be done is to strengthen their image or branding to attract customers. This innovation is expected further to improve the performance of KB Bank in Indonesia. As previously stated, KB Bank's less-than-satisfactory performance is inseparable from the remaining debt burden during the COVID-19 period. The increase in debt due to infrastructure development and the inequality of assistance received by the community are major challenges for Indonesia's economic progress. After COVID-19 began to recover, the government began to focus more on economic recovery by investing heavily in Indonesia, including by allowing KB Kookmin Bank's investment to enter Indonesia (June 2023). Thus, improvements to KB Bank's strategy are highly expected because the Indonesian economy is still suffering from the effects of the recession caused by COVID-19.

## CONCLUSION

Based on the explanation of KB Kookmin Bank's expansion above, planning by identifying the culture and internal environment of the target country is an important point. This calculation is crucial for KB Kookmin Bank after experiencing the failure of business diplomacy in Kazakhstan previously. In business diplomacy, MNCs need to build relationships that can sustain their business. One way to strengthen this aspect is by identifying and adapting to the culture and domestic environment of the host country. Geopolitical studies also need to be prepared to ensure the potential of the host country's market and whether it can help the Company's survival or not. The effectiveness of the "two-track" strategy applied to the global market has proven successful in the Indonesian market.

Looking at the experience of KB Kookmin Bank's business diplomacy, MNCs should start their business expansion carefully. Expansion that is too aggressive can be a big risk to business continuity. It would be better if MNCs started their expansion through diplomacy, which means that expansion is focused first on business sectors only, not on power politics. By limiting the scope, MNCs can minimize their risks abroad. In addition, MNCs also need to consider their business projections after expansion because this is important for the sustainability of their business in the home country. They need to innovate and overcome the domestic challenges of the destination country so that they can achieve their target of contributing to the economy of the country.

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