

Organizational Capacity of the Technical Implementation Unit in Implementing Revolving Fund Management Policy: Evidence from Riau Islands Province, Indonesia

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Abstract

The revolving fund management policy is a strategic initiative of the Riau Islands Provincial Government aimed at improving access to capital for Micro, Small, and Medium Enterprises (MSMEs) and promoting regional economic development. However, the implementation of this policy has faced several challenges, including low loan repayment rates, invalid debtor data, weak monitoring systems, and limited coordination among implementing agencies. To address these issues, the Provincial Government established the Technical Implementation Unit (UPT) for Revolving Fund Management under the Regional Financial and Asset Management Agency (BKKAD) through Governor Regulation Number 12 of 2023. This study aims to analyze the organizational capacity of the UPT in implementing the revolving fund management policy in the Riau Islands Province. The research employs a qualitative descriptive approach using interviews, observations, and document analysis. The analysis is based on Thompson's organizational capacity framework, which consists of technical, managerial, and institutional capacities. The findings reveal that the UPT has improved administrative coordination and governance mechanisms; however, its capacity remains constrained by limited human resources, inadequate information systems, weak managerial coordination, and insufficient institutional support. These challenges affect the effectiveness of revolving fund management and hinder efforts to optimize loan recovery and policy outcomes. Strengthening organizational capacity through human resource development, digital system enhancement, regulatory support, and stakeholder collaboration is essential for improving accountability and sustainability. The study concludes that although the establishment of the UPT represents a positive institutional reform, further capacity strengthening is required to ensure effective, transparent, and sustainable revolving fund management in the Riau Islands Province

Keywords: Organizational Capacity, Policy Implementation, Revolving Fund Management, Technical Implementation Unit (Upt), Regional Governance.

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are widely recognized as the backbone of economic development in many developing countries. Their contribution extends beyond income generation, as they also create employment opportunities, stimulate local economic activities, reduce poverty, and strengthen economic resilience. In Indonesia, MSMEs have consistently demonstrated their ability to survive economic crises and maintain economic stability. According to national economic statistics, MSMEs account for more than 99 percent of all business units operating in Indonesia and contribute approximately 61 percent of the national Gross Domestic Product (GDP). Furthermore, the sector absorbs around 97 percent of the national workforce, making it a strategic component of Indonesia's economic structure.

Despite their significant contribution, MSMEs continue to face numerous challenges that hinder their growth and competitiveness. One of the most persistent obstacles is limited access to capital. Many business actors, particularly micro and small enterprises, experience difficulties obtaining financing from formal financial institutions due to inadequate collateral, limited financial records, and administrative requirements that are difficult to fulfill. Consequently, many entrepreneurs rely on informal financing sources with high borrowing costs, which often increase business vulnerability and reduce opportunities for expansion. This condition highlights the importance of government intervention in providing accessible and sustainable financing

mechanisms.

To address these challenges, both central and regional governments have implemented various financial empowerment programs aimed at improving access to productive capital. One of the most prominent policy instruments is the revolving fund program. Revolving funds are designed as a sustainable financing scheme in which funds distributed to beneficiaries are repaid and subsequently reallocated to other eligible recipients. Through this mechanism, governments seek to create a continuous source of financing that supports business development while promoting financial responsibility among beneficiaries.

The Province of Kepulauan Riau has implemented a revolving fund program since 2006 as part of its strategy to strengthen local economic development and empower community-based enterprises. The program was regulated through Governor Regulation Number 9 of 2006 concerning Technical Guidelines for Revolving Fund Management. The policy was intended to provide affordable financing for cooperatives, micro-enterprises, small businesses, and productive economic groups throughout the province. Through this initiative, the provincial government expected to stimulate business growth, increase employment opportunities, and improve community welfare.

The implementation of the revolving fund program involved several regional government agencies responsible for distributing and supervising the funds. During the period from 2006 to 2014, a total of IDR 49.76 billion was distributed to 1,435 beneficiaries across various economic sectors. The distribution of revolving funds is presented in Table 1.

Table 1. Distribution of Revolving Funds in Kepulauan Riau Province (2006–2014)

No	Implementing Agency	Number of Beneficiaries	Amount Distributed (IDR)
1	Department of Cooperatives and MSMEs	1,259	28,090,000,000
2	Department of Marine Affairs and Fisheries	150	21,150,000,000
3	Department of Manpower	26	520,000,000
Total	1,435	49,760,000,000	

Source: *Processed from Provincial Government Reports, 2025.*

Table 1 shows that the Department of Cooperatives and MSMEs managed the largest share of the revolving fund allocation, accounting for more than half of the total beneficiaries. This distribution pattern reflects the government's emphasis on strengthening MSMEs as key drivers of regional economic growth. The substantial amount of funding also demonstrates the strategic importance of the revolving fund program within the provincial development agenda.

However, despite the considerable investment made by the provincial government, the effectiveness of the revolving fund program has not fully met expectations. Various administrative, managerial, and institutional challenges emerged during implementation. The management system was fragmented because the program was administered by multiple government agencies with different procedures, reporting mechanisms, and monitoring approaches. As a result, coordination among implementing agencies was often ineffective, creating difficulties in supervision and accountability. Another significant challenge was the low repayment rate of revolving fund loans. Financial reports indicate that a substantial portion of distributed funds remained unpaid, raising concerns about the sustainability of the program. Table 2 illustrates the repayment performance of revolving funds in Kepulauan Riau Province.

Table 2. Repayment Performance of Revolving Funds

Description	Amount (IDR)	Percentage (%)
Total Funds Distributed	49,760,000,000	100.00
Funds Recovered	15,080,000,000	30.11
Outstanding Receivables	34,680,000,000	69.89

Source: *Regional Financial and Asset Management Agency (BKKAD), 2025.*

The data presented in Table 2 indicate that only 30.11 percent of the total revolving funds distributed had been successfully recovered, while 69.89 percent remained outstanding. This condition reflects serious governance challenges and threatens the sustainability of the revolving fund mechanism. High levels of non-performing loans reduce the government's ability to redistribute funds to new beneficiaries and weaken the program's intended economic impact.

Several factors contributed to these repayment problems. First, the absence of an integrated information system resulted in incomplete and inaccurate debtor records. Second, limited monitoring and evaluation mechanisms made it difficult to track beneficiaries and assess business performance. Third, the geographical characteristics of Kepulauan Riau, consisting of scattered islands separated by vast maritime areas, complicated supervision and debt collection activities. Finally, the lack of a dedicated institution responsible for managing the entire revolving fund cycle led to overlapping responsibilities and weak accountability. These challenges reveal a significant gap between the intended objectives of the revolving fund policy and its actual implementation outcomes. The gap can be summarized in Table 3.

Table 3. Research Gap in Revolving Fund Management

Existing Conditions	Expected Conditions
High level of outstanding loans	Sustainable revolving fund circulation
Inaccurate debtor database	Integrated and reliable information system
Weak monitoring and supervision	Effective monitoring and evaluation system
Fragmented institutional responsibilities	Centralized management authority
Limited organizational resources	Professional and competent organization

Source: *Developed by the Author, 2026.*

The persistence of these problems prompted the Provincial Government of Kepulauan Riau to undertake institutional reform. As a response, Governor Regulation Number 12 of 2023 established the Technical Implementation Unit (UPT) for Revolving Fund Management under the Regional Financial and Asset Management Agency (BKKAD). The establishment of this unit represented a significant organizational transformation intended to improve governance, strengthen accountability, and enhance the effectiveness of revolving fund management.

From a public administration perspective, institutional reform alone does not guarantee improved performance. The success of a public organization largely depends on its organizational capacity, which refers to its ability to mobilize resources, coordinate activities, adapt to environmental changes, and achieve policy objectives effectively. Organizational capacity is particularly important in public sector organizations because they operate within complex political, administrative, and social environments that require both efficiency and accountability.

To analyze organizational effectiveness, this study adopts Thompson’s Organizational Capacity Theory, which categorizes organizational capacity into three interconnected dimensions: technical capacity, managerial capacity, and institutional capacity. Technical capacity relates to operational capabilities, including human resources, infrastructure, technology, and work procedures. Managerial capacity concerns planning, leadership, coordination, supervision, and decision-making processes. Institutional capacity focuses on legal legitimacy, stakeholder relationships, policy support, and organizational adaptability. The operationalization of Thompson’s framework is presented in Table 4.

Table 4. Organizational Capacity Framework

Capacity Dimension	Indicators
Technical Capacity	Human resource competence, infrastructure, information systems, operational procedures
Managerial Capacity	Planning, coordination, leadership, supervision, decision-making

Capacity Dimension	Indicators
Institutional Capacity	Regulatory support, stakeholder collaboration, organizational legitimacy, adaptability

Source: *Adapted from Thompson (1967) in Irawan (2016).*

The selection of Thompson’s framework is based on its ability to provide a comprehensive analysis of organizational performance from operational, managerial, and institutional perspectives. Through these dimensions, the study can identify organizational strengths and weaknesses that influence the implementation of revolving fund management policies.

To improve governance and accountability, the provincial government established the Technical Implementation Unit (UPT) responsible for managing revolving funds. The establishment of the UPT represents an institutional reform intended to clarify authority, strengthen coordination, and improve administrative control. Nevertheless, the creation of a new organizational structure does not automatically guarantee effective implementation. The performance of the UPT depends on its internal capacity, including human resources, operational systems, information management, leadership, coordination mechanisms, and regulatory support.

previous studies have examined the implementation and management of revolving fund policies. Ariyudha (2018) found that revolving fund implementation for MSMEs contributed to economic empowerment; however, administrative limitations, weak coordination, and insufficient management capacity affected program effectiveness. This finding demonstrates that financial support must be accompanied by adequate institutional capability. Similarly, Andini (2019) examined revolving fund management in community-based savings and loan groups and found that weaknesses in supervision, reporting systems, and managerial capacity became obstacles to sustainable fund management. The study emphasized that effective monitoring and administrative governance are essential elements in maintaining revolving fund programs. Furthermore, Guntantri (2021) analyzed internal control mechanisms in revolving fund management and revealed that organizational structure, supervision systems, and internal control practices influenced accountability and program sustainability. This study confirms that organizational arrangements and management capacity play important roles in ensuring effective implementation.

Although these studies provide important contributions, existing research largely focuses on financial accountability, program effectiveness, and beneficiary outcomes. Limited attention has been given to how the capacity of government implementing organizations influences the implementation of revolving fund policies, particularly after institutional reform through the establishment of specialized technical units. This represents an important research gap because organizational capacity determines how policies are managed, coordinated, and sustained in practice. This study addresses this gap by analyzing the organizational capacity of the Technical Implementation Unit (UPT) in implementing revolving fund management policy in Kepulauan Riau Province. The study applies Thompson's organizational capacity framework, which consists of three dimensions: technical capacity, managerial capacity, and institutional capacity. Technical capacity refers to operational resources, human resources, technology, and procedures; managerial capacity relates to planning, coordination, supervision, and decision-making; while institutional capacity concerns legitimacy, regulatory support, stakeholder relationships, and organizational adaptation.

By focusing on organizational capacity, this study contributes to public administration literature by demonstrating that policy implementation success depends not only on policy formulation and financial allocation but also on the ability of implementing institutions to manage complex administrative processes. The findings are expected to provide both theoretical and practical insights for strengthening local government capacity in implementing sustainable community economic empowerment policies

RESEARCH METHODS

This study employs a qualitative research approach with a descriptive research design. The qualitative approach was selected because this research aims to understand and explain organizational capacity in implementing revolving fund management policies based on the experiences, perceptions, and practices of policy implementers. According to Creswell and Creswell (2018), qualitative research is an approach used to explore and understand the meaning individuals or groups attach to a social or organizational problem. Therefore, this method is considered appropriate for analyzing the complexity of policy implementation processes, particularly those related to organizational capacity.

The descriptive qualitative design was applied because this study seeks to provide an in-depth description of how the Technical Implementation Unit (UPT) performs its role in managing revolving funds, including the challenges, supporting factors, and institutional dynamics involved in policy implementation. According to Moleong (2017), qualitative descriptive research focuses on understanding phenomena experienced by research subjects through words, narratives, and contextual explanations rather than numerical measurement. Thus, this approach allows the researcher to examine organizational capacity from the perspective of actors directly involved in the implementation process.

The research was conducted at the Technical Implementation Unit (UPT) responsible for revolving fund management in Kepulauan Riau Province. The research location was selected because the UPT represents an institutional reform effort by the provincial government to improve the governance and effectiveness of revolving fund policy implementation. The focus of analysis was based on Thompson's (1967) organizational capacity framework, which consists of technical capacity, managerial capacity, and institutional capacity.

Table 1. Research Focus

Dimension	Indicators
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Technical Capacity	Infrastructure, work systems, information technology
Managerial Capacity	Planning, coordination, leadership, supervision, decision-making
Institutional Capacity	Inter collaboration, organizational legitimacy, adaptability

Source: Adapted from Thompson (1967) and Irawan (2016).

Data were collected through interviews, observation, and document analysis. Interviews were conducted with key informants who were directly involved in revolving fund management, including UPT leaders, operational staff, and related stakeholders. Informants were selected using purposive sampling because they were considered to have relevant knowledge and experience regarding the implementation process. According to Sugiyono (2019), purposive sampling is a technique for selecting informants based on specific considerations related to the objectives of the research.

The data analysis process followed the interactive model developed by Miles, Huberman, and Saldaña (2014), which consists of three stages: data condensation, data display, and conclusion drawing/verification. Data condensation involved selecting and organizing relevant information from interviews, observations, and documents. The collected data were then presented systematically to identify patterns related to organizational capacity. Finally, conclusions were developed by interpreting findings and comparing them with the theoretical framework.

To ensure data validity, this study applied source triangulation by comparing information obtained from different informants and documents. According to Denzin (1978), triangulation strengthens research credibility by using multiple sources or methods to examine the consistency of findings. Through this methodological approach, the study is expected to provide a comprehensive understanding of how organizational capacity influences the implementation of revolving fund management policy and identify areas requiring institutional improvement.

RESULTS AND DISCUSSION

General Findings on Revolving Fund Management Policy Implementation

The implementation of revolving fund management policy in Kepulauan Riau Province demonstrates the importance of institutional capacity in supporting sustainable public policy implementation. The revolving fund program was designed as a government intervention to provide productive capital access for communities and small business actors who experience difficulties obtaining financing from formal financial institutions.

research findings indicate that the implementation of revolving fund management has experienced organizational changes following the establishment of the Technical Implementation Unit (UPT). The establishment of the UPT represents an effort to improve management effectiveness by creating a specialized organizational structure responsible for managing the entire policy implementation process. Based on interviews, observations, and document analysis, the establishment of the UPT has resulted in improvements in administrative arrangements. The management process has become more structured because responsibilities related to fund administration, beneficiary management, monitoring activities, and reporting mechanisms are concentrated within one institution.

The findings indicate that the UPT has developed several management activities, including beneficiary identification, administrative verification, fund distribution, repayment

monitoring, and reporting. These activities demonstrate that the organization has developed an operational framework to support revolving fund implementation. However, the research findings also show that several implementation problems remain. The UPT still faces challenges in maintaining accurate beneficiary databases, improving repayment monitoring, and strengthening communication with beneficiaries. These challenges affect the effectiveness of policy implementation because revolving fund programs require continuous monitoring and interaction between implementing organizations and beneficiaries.

The results also reveal that the characteristics of Kepulauan Riau as an archipelagic province influence implementation processes. The geographical distance between regions creates difficulties in conducting direct supervision and providing continuous assistance. Therefore, the effectiveness of implementation is strongly influenced by the internal capacity of the UPT.

Technical Capacity

Technical capacity refers to the operational ability of an organization to perform policy implementation activities through available resources, human resources, procedures, and technological support. The findings show that the UPT has established basic operational procedures for managing revolving funds. The organization has administrative mechanisms related to beneficiary registration, verification processes, fund distribution, repayment recording, and financial reporting. These procedures provide guidance for employees in carrying out their responsibilities.

The research findings indicate that the existence of operational procedures has improved administrative consistency. Employees have clearer references regarding the stages of revolving fund management, from the initial selection of beneficiaries to monitoring repayment activities. Nevertheless, the findings identify several limitations related to technical capacity. The availability of human resources remains one of the main challenges. The number of personnel involved in revolving fund management is considered insufficient compared with the scope of responsibilities, particularly considering that beneficiaries are distributed across different geographical areas.

The findings show that employees must perform multiple functions, including administrative management, beneficiary communication, monitoring activities, and reporting. This condition creates limitations in specialization and reduces the intensity of supervision activities. The study also found that technical competence requires improvement. Revolving fund management requires knowledge in financial administration, information technology, data analysis, and community empowerment. However, competency development has not yet fully matched organizational needs.

Another important finding concerns the management of information systems. The research indicates that beneficiary data, repayment records, and monitoring information are not yet fully managed through an integrated digital platform. Some administrative processes still depend on manual documentation. This condition affects the availability of accurate information for monitoring and evaluation. The organization experiences challenges in updating beneficiary information, identifying repayment risks, and preparing timely reports.

Managerial Capacity

Managerial capacity reflects the ability of the organization to plan activities, coordinate resources, supervise implementation, and make decisions to achieve policy objectives. The findings indicate that managerial capacity has improved after the establishment of the UPT. The organizational structure provides clearer authority and responsibility among employees. The division of tasks has become more organized, allowing the organization to manage revolving fund activities more systematically.

The research findings show that the UPT conducts internal coordination activities related to planning, reporting, and evaluation. These activities support organizational control and

provide direction for implementation processes. However, managerial challenges remain, particularly in monitoring and supervision activities. The geographical characteristics of Kepulauan Riau create difficulties in conducting regular field visits. The distance between beneficiary locations affects the frequency of monitoring and the ability of the UPT to provide direct assistance.

The findings indicate that monitoring activities are not always conducted intensively due to limitations in time, resources, and accessibility. This condition affects the organization's ability to identify problems at an early stage. The research also found that managerial decision-making is influenced by data availability. Incomplete beneficiary information reduces the ability of managers to develop accurate strategies for improving repayment performance and solving implementation problems.

In addition, coordination with external stakeholders remains an area requiring improvement. Effective revolving fund management requires cooperation between government institutions, beneficiaries, and supporting organizations. The findings indicate that coordination mechanisms need to be strengthened to improve collective problem-solving.

Institutional Capacity

Institutional capacity refers to the ability of an organization to operate effectively through legitimacy, regulatory support, stakeholder relationships, and adaptive capability. The findings indicate that the establishment of the UPT has strengthened the institutional foundation of revolving fund management. The organization has a formal mandate and clearer responsibility compared with previous management arrangements.

The establishment of the UPT has improved accountability because there is a specific institution responsible for managing revolving fund activities. Reporting mechanisms, organizational responsibilities, and administrative control have become clearer. The research findings also indicate that institutional reform provides opportunities for improving governance quality. The UPT has greater potential to develop long-term strategies, improve procedures, and strengthen monitoring systems.

However, institutional challenges remain. The findings show that collaboration between the UPT and external stakeholders requires further development. Revolving fund sustainability depends on cooperation between government institutions, beneficiaries, and supporting actors. The organization also needs to strengthen adaptive capacity because implementation environments continue to change. Social, economic, and administrative conditions require organizations to continuously adjust their management approaches.

Discussion

Organizational Capacity as the Foundation of Policy Implementation Organizational Capacity in the Implementation of Revolving Fund Management Policy

The findings of this study indicate that the implementation of revolving fund management policy in Kepulauan Riau Province is strongly influenced by the organizational capacity of the Technical Implementation Unit (UPT) as the policy implementing institution. The establishment of the UPT has improved the institutional arrangement of revolving fund management by creating clearer authority, responsibility, and administrative procedures. However, the research findings also show that the existence of a specialized implementing institution does not automatically guarantee effective policy implementation.

Based on the research results, the UPT has succeeded in creating a more structured management system through beneficiary administration, fund distribution procedures, reporting mechanisms, and monitoring activities. Nevertheless, several implementation challenges remain, particularly related to limited human resources, incomplete information systems, supervision constraints, and coordination with stakeholders.

These findings indicate that revolving fund policy implementation is not only determined by the availability of financial resources but also by the ability of implementing organizations to manage policy processes effectively. This supports Thompson's (1967) organizational capacity framework, which explains that organizational effectiveness is determined by the interaction of technical capacity, managerial capacity, and institutional capacity. The findings demonstrate that these three dimensions are interconnected. The limitations identified in technical capacity, particularly related to human resources and information systems, influence managerial capacity because the organization requires accurate information to conduct planning, monitoring, and decision-making. Similarly, institutional capacity affects the sustainability of policy implementation because revolving fund management requires continuous cooperation between the UPT, beneficiaries, and related stakeholders. Therefore, the effectiveness of revolving fund management in Kepulauan Riau depends not only on institutional formation but also on the continuous strengthening of organizational capacity.

Technical Capacity: Human Resources and Information System Challenges

The findings regarding technical capacity show that the UPT has developed basic operational mechanisms for managing revolving funds. The organization has established procedures for beneficiary selection, administrative recording, fund distribution, repayment monitoring, and reporting. These mechanisms indicate that the UPT has attempted to create a more systematic management process.

However, the research findings reveal that technical capacity remains a significant challenge. The limited number of employees compared with the scope of revolving fund management activities affects the organization's ability to conduct intensive monitoring and provide continuous assistance to beneficiaries. Employees are required to perform multiple tasks, including administrative management, monitoring activities, reporting, and communication with beneficiaries.

This condition shows that organizational resources have not fully supported the complexity of policy implementation. Revolving fund management requires not only administrative skills but also financial management capability, data analysis skills, and community empowerment competencies. The research findings also identify weaknesses in information management systems. The management of beneficiary data and repayment information has not been fully supported by an integrated digital system. The continued use of manual administrative processes affects the accuracy and speed of information availability.

This finding is important because effective policy implementation requires organizations to have reliable information systems. Without accurate data, the UPT experiences difficulties in identifying repayment problems, evaluating beneficiary performance, and designing appropriate intervention strategies. The findings strengthen previous research by Ariyudha (2018), which found that revolving fund implementation is influenced by administrative capability and organizational management. However, this study provides additional evidence that technical capacity challenges remain even after institutional restructuring through the establishment of the UPT. Therefore, improving technical capacity requires strengthening human resources, developing digital-based management systems, and improving operational procedures to support more effective revolving fund governance.

Managerial Capacity: Supervision, Coordination, and Decision-Making

The research findings show that managerial capacity has improved after the establishment of the UPT. The organizational structure provides clearer division of responsibilities, allowing revolving fund management activities to be organized more systematically. The UPT has implemented planning, internal coordination, and reporting mechanisms to support policy implementation. These managerial processes contribute to improving administrative control and organizational accountability. However, the findings also reveal that supervision remains one of

the main challenges. The distribution of beneficiaries across different island areas creates difficulties in conducting regular monitoring. Geographical conditions influence the ability of the UPT to provide direct supervision and continuous assistance.

This situation affects the organization's ability to detect problems early, particularly related to repayment delays and beneficiary compliance. The findings indicate that supervision activities are often influenced by limitations in resources, distance, and accessibility. Furthermore, the research findings show that managerial decision-making is affected by the availability of beneficiary data. Incomplete or outdated information limits the ability of managers to develop evidence-based strategies.

This finding is consistent with Andini (2019), who stated that weaknesses in supervision and management systems affect the sustainability of revolving fund programs. However, this study highlights that managerial capacity challenges are also related to geographical characteristics and the complexity of managing programs in an archipelagic region. Therefore, strengthening managerial capacity requires improved monitoring mechanisms, better coordination systems, and the use of accurate data to support strategic decision-making.

Institutional Capacity: Legitimacy, Collaboration, and Sustainability

The findings related to institutional capacity indicate that the establishment of the UPT has strengthened the legitimacy and accountability of revolving fund management. The existence of a specialized institution provides clearer authority and responsibility compared with previous management arrangements. The institutional reform has improved governance because revolving fund management is now supported by a formal organizational structure. Reporting responsibilities, administrative procedures, and management authority have become clearer. However, the research findings indicate that institutional capacity still requires improvement, particularly in stakeholder collaboration. Revolving fund management cannot be implemented effectively by the UPT alone because program sustainability depends on cooperation between government institutions, beneficiaries, and supporting organizations.

The findings show that coordination mechanisms need to be strengthened to improve communication, monitoring, and problem-solving processes. Limited collaboration may reduce the effectiveness of efforts to address repayment problems and improve beneficiary participation. This finding supports Guntantri (2021), who emphasized that organizational structure and internal control mechanisms influence accountability in revolving fund management. Nevertheless, this study expands the discussion by showing that institutional capacity also depends on the ability of organizations to develop collaborative relationships. Therefore, strengthening institutional capacity should focus not only on maintaining organizational structure but also on building partnerships and adaptive governance mechanisms.

Integration of Findings and Policy Implications

The results of this study demonstrate that the three dimensions of organizational capacity are interconnected in influencing revolving fund policy implementation. The technical capacity limitations found in human resources and information systems influence managerial performance because effective supervision and decision-making require adequate operational support. Meanwhile, institutional capacity determines whether the organization can develop cooperation and sustain policy implementation.

The findings provide evidence that improving revolving fund management requires a comprehensive capacity-building approach. Strengthening only financial resources or organizational structures is insufficient without improving internal management capability. From a theoretical perspective, this study confirms Thompson's (1967) argument that organizational capacity is a key determinant of organizational effectiveness. The implementation of public policies depends on the ability of implementing institutions to mobilize resources, coordinate activities, and adapt to environmental challenges.

From a practical perspective, the study suggests that local governments need to prioritize:

1. strengthening employee competence through training and capacity development.
2. developing integrated digital information systems.
3. improving monitoring and supervision mechanisms.
4. strengthening collaboration among stakeholders.

Overall, the findings demonstrate that the sustainability of revolving fund policy implementation depends on the ability of the UPT to transform institutional authority into effective organizational performance.

CONCLUSION

The study also confirms Grindle's perspective on capacity building, which emphasizes that successful policy implementation requires adequate organizational resources, effective management systems, supportive institutions, and a conducive policy environment. The challenges identified in this research illustrate how capacity deficiencies can hinder policy effectiveness despite the existence of strong policy intentions. Consequently, strengthening organizational capacity should become a strategic priority for the Provincial Government of Kepulauan Riau. Efforts should focus on enhancing human resource competencies, developing integrated information systems, improving managerial coordination, strengthening monitoring mechanisms, and expanding stakeholder collaboration. These interventions will not only improve revolving fund governance but also contribute to broader public sector reform and institutional strengthening within regional government administration.

Overall, the discussion demonstrates that the effectiveness of revolving fund management is not determined solely by the availability of financial resources. Rather, it depends largely on the organizational capacity of the implementing institution. The UPT has established an important foundation for improving governance; however, sustained capacity-building efforts are necessary to ensure effective, transparent, accountable, and sustainable policy implementation in the future. This study concludes that the organizational capacity of the Technical Implementation Unit (UPT) for Revolving Fund Management in Kepulauan Riau Province has shown positive progress following its establishment as a dedicated institution responsible for revolving fund governance. The existence of the UPT has strengthened administrative accountability, centralized management functions, and improved coordination in implementing revolving fund policies.

However, the organizational capacity has not yet reached an optimal level. From the technical dimension, challenges remain in the form of limited human resources, incomplete debtor databases, and inadequate utilization of information technology. From the managerial dimension, weaknesses are evident in planning, monitoring, and coordination processes, particularly in managing historical data and supervising beneficiaries across geographically dispersed islands. Meanwhile, from the institutional dimension, although the UPT benefits from a strong legal foundation, stakeholder collaboration, organizational adaptability, and public trust still require further strengthening. Overall, the effectiveness of revolving fund management is highly influenced by the interaction of technical, managerial, and institutional capacities. Therefore, enhancing human resource competencies, developing integrated digital information systems, strengthening monitoring mechanisms, and expanding inter-agency collaboration are essential to improving the transparency, accountability, and sustainability of revolving fund management in Kepulauan Riau Province. Such improvements are expected to support more effective policy implementation and contribute to regional economic development through sustainable financing for community-based enterprises.

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