

ROLE OF MICROFINANCE INSTITUTIONS ON ECONOMIC DEVELOPMENT OF BANDA ACEH JOINING ASEAN ECONOMIC COMMUNITY.

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ABSTRACT

Small scale businesses has big contribution to provide job field and absorb a lot of workers. Micro, small, and medium scale enterprises (SMEs) and cooperatives have a big contribution to make Indonesian's economic become sustainable in ASEAN Economic Community (AEC) era. There are so many efforting that done by stakeholders to improve the ability of micro, small, medium scale enterprises and cooperative. Government, banks, corporations, donors institutions has regulated about mechanism of operating of micro, small, medium scale enterprises and cooperative. Microfinance Institutions as intermediary agency is built to supervise and aid micro, small, medium scale enterprises. Several variables show that the development of micro, small, medium scale enterprises and cooperative that can generate economic growth such as: the achievement of the target group, capital, capacity building, and the problem. The study's result show that the descriptive analysis of the various policy and action have been made by various stakeholders that doesn't show maximum progress for development Microfinance Institutions as intermediary agent for micro, small, and medium enterprises (SMEs).

Keywords: performance, micro finance institutions, micro, small and medium enterprises.

I. INTRODUCTION

Asean Economic Community (AEC), which entered implementation on December 31, 2015, is a manifestation of globalization on the economy sectors. It encourages institutionalization in the micro-economic to improve efficiency and competitiveness in local, national, and international levels. MEA will unite international investment markets and competition in the ASEAN region. The condition will give more challenge and good opportunity for all of institution of micro, small, medium, or large bussiness. Each country is required to have a strong competitiveness. Competitiveness is the ability of institutional, industries, regions, countries, or among regions to generate revenue factors and factors of high employment and sustainable for the face of international competition. Industrial competitiveness is a phenomenon in the micro institutional level so that national industrial development policies should be preceded by reviewing the industrial sector as a whole as a basis of measurement. Empowerment of Micro Finance Institutions (MFIs) on the mindset of globalization and high competition makes MFIs should be able to compete world economic competitive. MFIs should be able to improve product and service innovation, human resource

development and technology, as well as the expansion of the area of marketing. The policies are taken to increase the selling value of the MFIs and to improve the competitiveness of the national and international financial institutions that offer microfinance products are increasingly flooding of the industrial and manufacturing centers in Indonesia. MFIs is the capital of intermediary institutions for SMEs which an economic sector that can create jobs in Indonesia (Sudaryanto, 2011). Therefore, the government continues empowering Small Micro Institute (MFI), directed MFIs to grow and compete with financial institutions that has more large capital. The existence of MFIs is no doubtfull because it proved able to survive and become a consistent economy sector, especially after the economic crisis. On the other hand, MFIs also face a lot of problems like lack of working capital, low human resources, and lack of mastery of science and technology (Sudaryanto and Hamm, 2002). The development of SMEs in Indonesia still face various problems causing difficulties in developing MFI. The main issues faced by MFI are the lack of infrastructure and access to government related to the licensing and bureaucracy and high levels of charges. Under all of the existing problems, the potential development MFIs become obstructed. Although MFI able to stand the global crisis but in fact the problems faced are so many and heavier. MFIs must also face domestic problems such as sunresolved labor costs, labor and extortion, corruption and others.

II. THEORETICAL FRAMEWORK

Micro Finance Institutions (MFI) is one of economic sector that have important role in the economic development of the country in empowering them to tackle the main problem today, like poverty, unemployment and job oppurtunity (Ali, 2008: 5). The according to Ali not only theoretically MFIs have advantages, but also MFIs deserve to be relied on, among others, because the toughness and flexibility in responsive market changing. MFIs has function as an institution that provides a variety of loans services, both for the production activities carried out micro-enterprises as well as for the poor families consumptive activities. As a savings institution, MFIs can collect funds used as a requirement for their credit although in the end often given credit amount is greater than the funds collected (Lincon, 2008: 23). Based on Law No. 1 of 2013 of the MFI, the MFI aims to: a). improving access to micro-scale funding for the community; b). to help increase the economic empowerment and productivity of society; and c). to help increase incomes and welfare; especially the poor and / or low in come society. Theformal, semi-formal, and informal Microfinance Institutions (MFIs) is financial institutions that conduct financial services to micro-entrepreneurs and low-income communities (Krisnamurti, 2002). Microfinance institutions have a special character corresponded to its constituents, such as: 1) Consists of various forms of financial services, particularly savings and loans; 2) Geared to serve low-income communities; and 3) Using the system as well as a simple procedure (Chotim and Hand, 2001).

That hope was felt quite ideal. However, it should be realistic with the fact that MFIs have a heavy burden to himself and when dealing with the external environment. Internally, MFIs still face the problem of management, loan repayment, and others. Externally, MFIs must deal with a wide range of powers and interests in order to survive. About the size of an MFIs in terms of amount of funds managed, number of staff, number of clients, and others into the

factors that influence its development. The value of loans and deposits are serviced MFIs are still small therefore to be able to survive the MFI must have a range (outreach) were great and this means an MFI institutions must also be large (Ismawan, 2002).

2.1. Relations Role of Microfinance on Economic Development.

In practice, micro and small agencies that are part of the MFI is a strategically important strength to accelerate growth regional development (BPS, 2012: 19). Micro and small institutions greatly contribute to the development in Indonesia. Nevertheless, there are still several obstacles in order to empower micro and small agencies among which the foremost the problem of capital. Indicators of economic development of a region consists of four tasks: the real national income, real income per capita, population welfare, employment and unemployment.

2.2. The Role of SMEs in the Economic Growth and Employment

The role of MFIs looks pretty clear after the economic crisis, which can be seen from the amount of value added in GDP, in the period 1998-2002 are relatively neutral on government intervention in the development of sectors of economic for relatively limited ability of the government, the sector showed the biggest GDP increase came from small industries, followed by medium and large industries. This indicates that the MFIs is capable and has the potential to realize economic growth in the future. From the aspect of employment, the agricultural sector has contributed more in absolute terms than in the mining sector, the manufacturing sector and the service sector. Directions of economic development such as this would lead to deepening income gap between sectors that generate higher economic growth and absorb less labor.

2.3. The Role of government through some MFIs Empowerment Program

The development of the Institute for Micro, Small and Medium Enterprises (SMEs) in Indonesia is not in spite of the support of banks in lending to MFIs. Every year loans to MFIs growth and generally higher than the growth in total bank credit. MFI credit institutions are loans to borrowers of micro, small and medium enterprises that able to fullfill criteria for the institution of micro, small and medium enterprises as stipulated in Law No. 20 Year 2008 on the MFIs. Under the law, MFIs are productive institutions that meet the criteria of institutions with certain limitations net worth and annual sales revenue. The success of the Institute for Micro, Small and Medium Enterprises (MFIs) in Indonesia can not be separated from the support and the government's role in encouraging lending to MFIs. Various schemes credit / financing of MFIs was launched by the government and the duties associated with economic development programs in the sector of sector specific institutions, such as food security, livestock and plantations.

III. FORMULATION OF THE PROBLEM

ASEAN free market that has been effectively enforced in 2015 is a vulnerable point MFIs struggle and social economy. Various ease trade between countries such as the exemption of import duties and bureaucratic convenience will encourage increased imports of commodities to ASEAN countries. Therefore, it needs the right strategy to improve competitiveness and human resources, especially to face the free market.

3.1. Research Purposes

This study has several purposes as follows:

1. To analyze the role of microfinance in improving the competitiveness of the industry in order to face the ASEAN free trade through the provision of access to credit and marketing information.
2. To analyze the role, strategy and the ability of MFIs to improve its human resources facing ASEA free trade through the capacity building and the development of information technology.

3.2. Benefits Research

Writing is expected to have benefits, among others:

1. As a source of information and knowledge for academics for the purpose of further studies related to the development and strategy of the MFIs face new challenge of ASEAN Economy Community.
2. For your consideration, the main policy and decision making for the government and other relevant institutions.

IV. RESEARCH METHODOLOGY

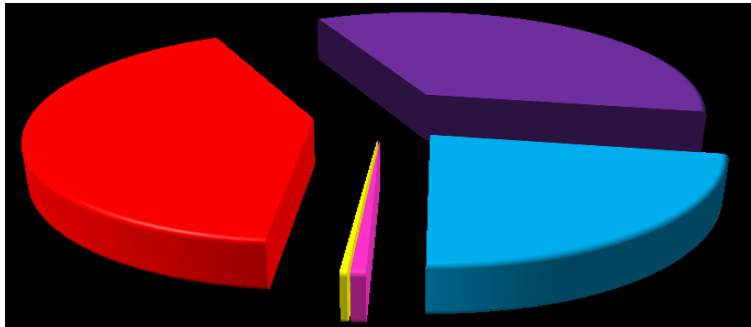
This study used a descriptive exploratory approach that analyze the role of microfinance (MFI) in the face of economic development of ASEAN free trade. This study also developed using studies approach literature library. Approximation theory / concept were done according to several sources, such as books, scientific journals, and the Internet. All descriptions existing ideas are combined in a framework arrangement.

V. DISCUSSION

Position Microfinance Institutions In ASEAN Free Market in order to prepare the ASEAN Free Trade in 2015, there are still many financial opportunities of microfinance to gain market share and investment opportunities. To take advantage of these opportunities, the biggest challenge for microfinance in Indonesia face the Free Market of ASEAN is how to be able to determine the right strategy to win the competition. Currently, the structure of exports of SMEs and SMEs Banda Aceh comes largely from industry, various services, trade,

agriculture and fisheries and marine. The following chart Number of Small and Medium Enterprises in the city of Banda Aceh.

- **Trading 1353**
- **Farming 43**
- **Fishing 20**
- **Industry 2454**
- **Others Services 2063**



2013 *Graphic Number of Small and Medium Enterprises in Banda Aceh Municipality, 2013*
Sumber: Dinas Perindustrian, Perdagangan, Koperasi dan UKM Kota Banda Aceh *Source:*
Industrial, Trading, Small and Middle Business Cooperative Service of Banda Aceh.

In 2014, investment of development policy is pursued by the Government to spread of a more balance investment areas encouraging the development of the potential investment of the region in order to reduce the gap between the regions. Direction of the policy will be achieved through strategies such as improving infrastructure in the regions, increased support resource availability of adequate electricity for production activities and the economy, facilitate local investment and ease of doing business in the area, improving access to credit, and encourage partnerships foreign investors to SMEs local.

5.1. Capacity Building for MFIs

In general capacity building is a process or activity is improving the ability of a person, group, organization or system to achieve the goals or better performance (Brown et. Al, 2001). Capacity building is the development of skills (skills) and capability (capabilities), such as leadership, management, finance and fund raising, programs and evaluation so that the development of effective and sustainable organizations. It is the process of helping an individual or group to identify and locate problems and add insight, knowledge and experience needed to solve problems and make changes. (Campobaso and Davis (2001) said that capacity building is facilitated through the establishment of technical assistance activities, including education and training, specialized technical assistance (specific technical assistance) and strengthening the network.

5.2. Performance of Microfinance Institutions

Measurement of microfinance compare measurements outreach or balance sheet ratios. A general measure of performance of microfinance institutions (MFIs) can be grouped into three main areas:

- a. A series of performance indicators that can be measured and monitored
- b. A common methodology for calculating the indicators selected
- c. A benchmark has been agreed or targets for each indicator has been selected.

Nowadays, this type of selected financial ratios as performance measures, and the process of how they are selected various depending on the organization's request for information. Most businesses in defining standards of microfinance focus on two major categories of performance measurement, the outreach and sustainability (sustainability).

NO	Description	2011	2012	2013	TOTAL
1	Amout of LKM	26	30	35	91
2	Amout of participat of LKM	8.690	10.733	12.717	32.140
3	Amount of fund tranferred	201 M	249 M	261 M	712 M

The number of SMEs increased over the last three years. Likewise, the number of participants received financial assistance MFIs to increase the amount of funds disbursed. This suggests that the development of MFIs in Banda Aceh is very important and has been known by the people of Banda Aceh.

5.3. Efforts Strengthening Micro, Small and Medium Enterprises.

The problems experienced by MFIs and SMEs can be seen in the following table.

Problems Faced by SMEs and MSMEs

NO	Microfinance Institutions	Micro small and Medium Enterprises
1	Understaffed companion	Access to formal bank
2	The lack of assistance funds	shortage of capital
3	Less current installments	The quantity and quality of production
4	Cheap resource shortage	Bookkeeping
5	Sustainability is not guaranteed because nature projects only	Marketing

Based on the table, we can see the common thread between the problems experienced by MFIs with SMEs. For SMEs, the issue of access to formal bank are limited and can be overcome by the MFI's capital by way of access to the international financial institutions as well as through formal banks. The problems of production, bookkeeping, and marketing can be overcome with training where the MFI's role is as a facilitator. Besides, some MFIs are also trying to find a market for their products. As for MFIs, the problem of shortage of facilitators and the lack of assistance funds can be overcome with training of the MFI or other

elements. Or in other words MFIs cope with both institutional capacity building as well as its staff. On the other hand findings in the field stated that despite various efforts to improve the ability of SMEs to survive and flourish always encounter obstacles.

VI. CONCLUSION

Based on descriptive analysis result that there are some things that can be quite successful. Most MFIs such as government property, or MFI-NGOs face the question of the sustainability of their activities. Because of the inability to maintain their sustainability can vary from reliance on support from both the government and donors. The absence of an adequate system of micro-finance, and an inability to adapt to the market situation existing microfinance. Faced with this problem, it is necessary to remember that microfinance activities will only be able to contribute significantly to poor people when the microfinance services that it provides can continue. Development of MFIs should be based on the principle of economic democracy, decentralization, autonomy, undiscrimination, and protection for the stakeholders concerned. Efforts undertaken by MFIs Banda Aceh is not only to improve the performance of the MFI itself but also to provide support for SMEs. Every training which leads to increased performance is almost always followed by MFIs in the city of Banda Aceh. In terms of funding MFIs continue to strive to improve the ability of funding by partnering with various parties.

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