Abstract—This study aims to produce a model of the development and implementation of Micro Financial Institutions (MFIs) in the rural areas as an alternative source of financing for rural MSEs that is estimated to have a role in creating jobs and reducing poverty once they are empowered. The study uses a Descriptive Comparative Method and a Survey Method. The results of this study indicate that the development of Micro Finance Institutions should be supported by equipping them with the ability to access the capital from certain sources provided by the government through the designated banks. Besides the financial aspect, the development of micro and small enterprises also requires other aspects such as sustainable development, mentoring, and technical assistances.

Index Terms—Micro and Small Enterprises, Micro Finance Institutions.

I. INTRODUCTION

Poverty and unemployment have become Indonesian government’s main concern. According to the state official statistics No. 47/IX/September/2006, there were 39.05 million poor people in Indonesia until March 2006. This is a big number as it takes up 40% of Indonesian workforce. The government has decided that the reduction of the number of poor people and the availability of employment are 2 (two) out of 5 (five) main priorities to improve Indonesian people’s welfare in order to achieve the vision and mission of the development of Indonesia which are (1) the development of micro and small enterprises to maximize the workforce to create job opportunities (as Indonesia has high unemployment rate and low education level), and (2) the maximization of workforce will support the decrease of poverty level and in the end improve the welfare on the Indonesia people.

Micro and small enterprises (MSEs) have a strategic role in tackling poverty and unemployment, but they are still facing various problems that become obstacles to their development. The main obstacles faced by MSEs are less conducive business environment in addition to internal problems associated with low access to capital, access to markets, and lack of entrepreneurial competence. One measure that can be done to empower MSEs is the provision of a guarantee of access to financing sources, i.e. through Microfinance Institutions (MFIs). Micro Finance Institution is an institution that conducts the activity of providing financial services to MSEs as well as to low income people who are not served by formal financial institutions. Centralization of financial institutions in big cities is an economically rational fact. However, most of the micro and small enterprises is in the rural areas and many of them are informal, yet, able to employ a lot of people. The majority of MSEs are concentrated in rural areas which are needed to develop those areas into more competitive areas globally, so that villages can be an economically effective place for investment through local funding using a system that suits the characteristics of the business.

Therefore, it is the time for the financial institutions to change their orientation, from being urban financial institutions to being rural financial institutions. This orientation shift is necessary in order to support the development of rural areas to be competitive in the current global economic order. Microfinance institutions in the rural areas can be an alternative to solving the problems faced by small and micro enterprises in the rural areas. This institution will function as the center for the capital mobilization in the rural areas.

The role of micro and small enterprises is really strategic; however, this business cannot grow well. This is mainly caused by the minimum access to capital. There is an assumption that MSEs do not have the potential to be funded by formal financial institutions (FMI’s) and they are not bankable because they do not have any guarantee. There is an assumption that access to formal financial institutions is limited, so most of the businessmen use their own capital. According to [1] the definition of MSEs is not only an issue internationally. Many countries do not have the same definitions either. One of the MSEs characteristics is that it has more than 4 but less than 50 employees and has a capital of Rp. 20 million [2]Various programs have been applied to improve MSEs from the managerial skills, capital, production techniques, product quality, product quality, and marketing areas. Unfortunately, those programs have not given very significant results. Therefore, MSEs need more support because they have big economic potentials.

Nevertheless, with the availability of adequate capital and easy access, the micro scale enterprises will develop, thus not only improving their business scale and productivity but also increasing their revenue, purchasing power, and absorption level of employment. In addition, this will reduce urbanization, poverty, and tackle unemployment level [3]-[5].

Basically all humans have entrepreneurship skills which mean them posses creativity and certain objectives to achieve success in life. However, we often discover that they are not able to produce interesting products for public [6].

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II. LITERATURE REVIEW

In the relation to micro and small enterprises, there are some authors who focus on this; some of them are [2] who defined Micro and Small enterprises (MSEs) as a major component of the economics of developing countries, due to recent economic development policies. In his research, it was explained that the managerial skills of micro and small enterprise farmers in Ghana, mainly in agribusiness, were low. Their responsibility towards managing the funds obtained from a loan was also low. Micro and small enterprise businessmen generally had low income, low skills and produce products for low income segment [2]. The low managerial skills were mainly caused by low educations which lead to micro and small businessmen having problems obtaining loans from a bank or other financial institutions because their limited ability to manage their business constrained them to pay the loan. Therefore, those businessmen used their own capital, which was very limited, to produce products with limited quality suitable for the segment. On the other hand, [7] in his research on micro and small enterprises in Tigray, Ethiopia, stated that micro and small recognized as socio-economic and political development catalysts in both developed and developing economies. According to [7], education level was one of the keys in choosing the source of funding for micro and small enterprises businessmen. The characteristics of these micro and small enterprise businessmen were low education, low income, and difficulty in obtaining capital from financial institutions as they normally required for very specific requirement for a loan. This is similar to the research conducted by [2], that education level influenced their ability to manage their business and the same indicator was used by financial institutions when giving them a loan because they were worried that the businessmen were unable to pay. Additionally, their business was generally informal and this had put the businessmen into a difficult situation to obtain a loan from financial institutions [7]. Based on the research results conducted by [8] the definition of micro and small enterprise is as a registered, licensed, formal business, capable of running a self-funded operation and qualified to obtain a commercial bank loan. This research was conducted in Fiji islands South Pasifik region. This research focused on the funding carried out by financial institutions in Fiji where banks supported the micro small enterprises in obtaining the funds to develop their business. Many of these businessmen were able to expand their businesses and turn them into small and medium enterprises. However, the banks fully monitored the ways micro and small enterprises business run their business so that the involvement of banks and businessmen were very intensive. Contrary to the researchers conducted by [2] and [7], financial institutions were very strict and selective in giving loans to micro and small enterprises businessmen because of their poor managerial skills and they are worried that the businessmen were unable to return the loan. While [8] discovered that the financial institutions were very supportive to give business loans because they believe that micro and small enterprises have good economic potentials if given the right amount of support. As mentioned earlier that the main problem faced by micro and small enterprises were difficulty to get a loan. Nevertheless, [8] found out that several micro small enterprises di Fiji could expand because of the financial support given by banks and other financial institutions. They could even grow into small and medium enterprises category. Micro small enterprises need full support because of their potentials for the government income and employment. Based on the research conducted by [9], Indonesia, Java to be exact, had many informal jobs but they were able to employ people and this would be a potential for government’s future income.

SMEs in Indonesia have a very strategic role, but their development is relatively limited due to various constraints they face. One of the constraints is capital issues, such as accessibility to capital. This constraint proves to be a major problem, compared to other problems based on [10]. They are assumed to be not bankable because they have no collateral, have a low ability to repay their loans, have low saving habits, and have a high transaction cost. Due to these assumptions, their accessibility to formal financial resources is low, causing most of them to rely only on their own capital. [10] Revealed that over 90 per cent of fund for small and micro businesses were obtained from their own capital sources. In relation with the data, it is therefore necessary that the government, educational institutions, and public agencies find ways to make these small and micro businesses get access to the available funds that have been allocated for them by the government and find ways to overcome their weaknesses in capital. Although there have been many financing programs for rural areas, these programs are criticized for not being effective in financing the rural economy. To respond to the failure, several financing programs that are associated with poverty reduction programs in rural areas, such as Infrastructure Development for Under Development (P3DT) and KDP program has been introduced. However, to date, these programs has not yet shown its success. Some of the conventional lending institutions such as BRI, Village-based cooperatives (KUD), state-owned enterprises (BUMN), and some programs such as P2KP, Subdistric Development Program (PPK), Small Business Credit (KUK), Permanent Working Capital Credit (KMPK), Farm Credit (KUT), and many others, have not yet been able to empower the SME actors in the rural areas. Some conventional lending institutions such as BRI service, cooperatives, state enterprises, and several programs implemented including P2KP program, KDP, Small Business Loan (KUK), Permanent Working Capital Loan (KMPK), Farm Credit (KUT), and so on, are not capable of capable of lifting MSME entrepreneurs from helplessness. In fact, government-subsidized venture funds to SMEs through some of these institutions, with a pattern-interest loans, leave the credit crunch problem everywhere because of their reluctance or inability to return the principal and interest on loans with a variety of reasons [11], [12].

The research aims to reveal the characteristics of potential funding needs of MSEs and service characteristics of MFIs, MFIs and institutions of trustees of the target group of MFIs in rural areas as an ingredient to formulate the concept of service quality improvement and MFIs that suit the needs of small and micro businesses and patterns MSE development and empowerment, as well as concept
development of MFIs in rural areas.

Research benefits are: This research can be used as reference material further research for the local MFIs and SMEs in rural communities and local government as well as evaluation and improvements materials for the program in issuing the policy for the development of local MFIs in the rural areas.

III. RESEARCH METHOD

Descriptive Comparative Method was used in this study. The techniques used in this study were (1) literature studies conducted through literature review which contains rules, regulations, and journals (2) field research conducted to obtain primary data and information through observation, field survey, direct interview with micro and small enterprises businessmen and micro finance Institution, prominent figures in the community and related government officers, and questionnaire (3) institutional instansional approach conducted to conduct secondary data and information followed by coordination, consultation, and the quality assurance concept of MFI (Micro Finance Institution) analysis in fulfilling the funding needs of small and micro enterprises and other related institutions. The data sources and types consist of secondary and primary data. The study sites are located in Tanjungsari, Tanjung Medar, Ujung Jaya, and Jatinggal District of Sumedang regency. The study was conducted from April to November 2009. The analytical methods used in this study were descriptive analysis, potential analysis, and SWOT analysis. This research can be used as reference material further research for the local MFIs and SMEs in rural communities and local government as well as evaluation and improvements materials for the program in issuing the policy for the development of local MFIs in the rural areas.

IV. RESULTS AND DISCUSSION

A. Characteristics of Micro and Small Enterprises in Rural Areas

Most of the knowledge level of the Rural MSEs is still relatively limited, causing difficulties for them to meet the requirements set by the formal financial institutions. Based on the legality of the company as company documents provided by the authorities for the operation of the company, the number of MSEs Companies that do not have establishment licenses is 89 percent. Regarding the most common licenses used by company-owned MSEs, it is a Company Registration Authorization (TDP). While the companies that have a business license form are CV, groups, and individuals. Most of the state/corporate form is the form of personal company (individual) that is as much as 72 percent. Most of the turnover achieved by the MSE per month is less than 50 million which is about 88 percent, but there is also about one percent of which that achieved a turnover of more than Rp. 200,000,000,- per month. The total companies that have the amount of venture capital firms of less than Rp. 50,000,000,- is about 89 percent, while the total of MSEs companies that have the amount of venture capital firms of more than 200,000,000,- is only 1 percent. Regarding the procedures/requirements to get financial credit from financial institutions, 76 percent of the MSEs companies find it difficult.

B. Characteristics of Microfinance Institutions (MFIs) in Rural

The average age of most MFI owners is still in the category of productive age. From their educational background, approximately 50% of MFI owners are undergraduates, and as much as 32.14% are of high school graduates. Only a small percentage of them are elementary and junior high school graduates. The MFIs with legal status are 78.57%, with a cooperative status is 57.14%, and with PT and/or group ownership status is as many as 10.71%. Furthermore, MFIs run by other people are as many as 60.71%, and the rest is administered by an individual or by a group. Therefore, the management of MFIs is varied. The amount of funds channeled to the MFIs is of Rp. 300 million, or as many as 32.14%, while the number of loans channeled to communities ranges from Rp. 100 million to Rp. 300 million, which is as many as 25%. One of the ways that MFIs channel their funds is through a loan basis, which is as many as 37.86%. Another way of channelling their funds is through a credit basis, which accounts for 32.14%. As many as 67.86% of MFIs have granted credits to their customers within the range of between Rp. 1 million and Rp. 9 million. The amount of credit ranging from Rp. 10 million to 25 million granted to their customers is 21.43%. The decision on the amount of credit granted to the customers on the basis of their business feasibility is by 75%, while decision on the amount of credit granted to the customers on the basis of the value of their collateral is as many as 25%. The monthly based payback of the credit to MFIs is 60.71%, on daily based is as much as 3.57%. The procedure to obtain credit from MFIs by making a letter of agreement is 28.57 percent and the procedure to get credit from MFIs by filling out insurance papers is 17.86 percent. The percentage of the credits granted to customers range from Rp. 1.000.000,- up to Rp. 9.000.000,- is 67.86 per cent, and the amount of credits granted to customers ranging from Rp. 10.000.000,- to Rp. 25.000.000,- is 21.43 percent. Considerations the amount of credit provided to customers that depend on the feasibility of the business is 75 percent, while the consideration of the amount of credit provided to customers by the amount of guarantee is 25 percent. The maturity date to MFIs is on monthly basis is 60.71 percent, while daily is 3.57 percent, the maturity time on yearly basis is 17.86 percent yearly, while the maturity time on seasonal/harvest time basis is 10, 71 percent and the maturity on a weekly basis is 7.14 percent.

C. Analysis of Business Potential of SMEs in Rural Areas

Rural people seek some kind of business that can be categorized as micro and small enterprises this study conducted an assessment of 27 types of businesses to obtain products which can be superior by using six indicators that include: (1) state and prospects for marketing, (2) entrepreneurial potential, (3) production inputs, (4) infrastructure, (5) growth potential and (6) perceptions of MSE owners on the implementation of government policy.
in fostering and developing of small business commodity. Based on the analysis of potential, then the known types of businesses are (1) very potential, (2) potential, (3) less potential and (4) not potential. Results of analysis of business potentials of SMEs are presented in Table I.

TABLE I: THE RESULTS OF THE POTENTIAL BUSINESS ANALYSIS OF MSEs IN SUMEDANG REGENICY

<table>
<thead>
<tr>
<th>No.</th>
<th>Category</th>
<th>Type of Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Very Potential</td>
<td>The Kite, Dairy Cattle, Sweet Potato of Cilembu, Catfish, Organic Fertilizer</td>
</tr>
<tr>
<td>2</td>
<td>Potential</td>
<td>Fattening Beef Cattle, Fishery, Brown Sugar, Rice, Tobacco, Deblo, Know, Opak Ketan, Sale Bananas, Palette,</td>
</tr>
<tr>
<td>3</td>
<td>Less Potential</td>
<td>Opak Red, Powder, Bowl, Embroidery, Selling grocery, Matting,</td>
</tr>
<tr>
<td>4</td>
<td>Not Potential</td>
<td>Rangginang, Salted Eggs, furniture, chips, Extract, Turmeric, Sweet Dodol,</td>
</tr>
</tbody>
</table>

Analysis results in Table I revealed that there are a few things need to be considered which are: 1). In general, there are low entrepreneurship indicators. Entrepreneurial potentials are related to expertise, knowledge, motivation and work behavior of the individual entrepreneur which is the key to the success of a business, 2). the second thing that still has many weaknesses is in the development of the product from the marketing aspect. Lack of network development, lack of knowledge in the market search and the lack of information from the government cause marketing as a constraining factor of less or non development effort of MSEs. 3). These products which are considered less potential and even not potential can actually be developed even further by improving some of the weaknesses that can be an indicator of business potential assessment.

D. Analysis of Environmental Enterprises in Rural MSE and MFIs

The decision makers measure the meaning of strategy based on the internal competence of micro and small enterprises on the opportunities and threat in the competition area. The core of the strategy is the balance between strengths and weaknesses areas of the micro and small enterprises. Another important element to understand internal analysis is the understanding of the balance between internal strengths and weaknesses and external opportunities and threat. The analysis of business environment is one of the most important factors to support the success of a business to decide the strategic planning needed. One of the analyses that can be done is SWOT analysis. The existence of a new competitor in the external environment slow market growth, improvement of bargaining position of buyer or supplier technology advancement, and new regulations in external environment are threats to the success of business expansion in. On the other hand, in the internal environment there are image, market leadership, relations between buyer and supplier management capability and other factors. Based on that analysis, the SWOT analysis can show the position of MFIs and SMEs in rural areas to reveal the information required to be used as guidelines in implementing a financing model for SMEs in rural areas. The result of analysis of internal environment and external environments for micro and small enterprises in the district of Sumedang is in Fig. 1. These identified positions can then be used as inputs for applying a financing model for SMEs in rural areas. The results are in Fig. 1.

Fig. 1 shows that the position of Micro and Small Enterprises is in quadrant II. This position indicates that even though they lie in the opportunities position, they still have some flaws. The strategy that can be applied for this position is Strategy of Self Improvement to minimize weaknesses and maximize strengths to seize the opportunities. Micro and small enterprises can improve the internal aspect of the company by improving the financial management aspect, especially in managing and organizing company funds and personal expenses. Additionally, human resources aspect which is an accelerator needs to get directions to improve and enrich the skills. Finally, it is also necessary to improve the product quality and marketing system to build better internal foundation to make the next steps easier.

Fig. 2 shows that the position of the MFI's businesses is in quadrant III. This position indicates that they have both limited opportunities and weaknesses. The strategy that should be employed is Diversification Strategy. When applying this strategy, they should use their strengths to cope with the threats and seize opportunities. [13]. It is necessary at this point to have good internal strengths to face the threats and maintain good opportunities. Business diversification is probable by adding other product services or opening more branches or institutions to enable businessmen to reach capital provider institutions and choose the financial institutions suitable for them carefully considering the existent of possible threats.
Micro and small enterprises are an important part of national economy. The potentials of micro and small enterprises are one of the current national economy recovery strategies. In relation to overcome poverty, the empowerment of micro and small enterprises has at least two important roles. Firstly, through the creation of more job opportunities. In other words, it can also overcome poverty problems. Second, through the empowerment of poor people by developing the potentials of micro and small enterprises they have to develop their welfare.

One of the evidences of micro and small enterprises independence is their ability to access capital from a funding source. Unfortunately, there are still problems, which is the limited numbers of banks which are ready to serve micro and small enterprises and, on the other side, there are still many dependent micro and small enterprises which are unable to access capital from banks chosen by the government. The dependence of micro and small enterprises in accessing the capital is mainly caused by the limited knowledge and skills in dealing with formal financial institutions which expect certain requirements and procedures. Consequently, they need initial assistance and support. Apart from the financial aspect, assistance and technical/procedural support are needed to develop micro and small enterprises. For that reason, real commitment, involvement and good coordination between all parties are needed, whether it is financial institutions or other related institutions to overcome the problems of poverty.

To empower SMEs, improving their ability to do business and providing them with financial support should be done. All measures and policies should be focused on encouraging banks to finance them. Therefore, efforts that should be made as far as the empowerment of SMEs are as follows: (1) issuing conducive bank credit policy (2) providing technical assistance, and (3) developing and strengthening their institution. One form of independence of SMEs in carrying out their businesses is their ability in accessing the capitals from certain sources. Besides the financial aspect, other aspects such as coaching, mentoring, and technical assistance that support their development should also be provided. Accordingly, the empowerment and development of SMEs require a commitment, real involvement, and good coordination among all actors--both banks and related institutions. Through this commitment, both in the provision of funds, technical assistance, and institutional strengthening, it is hoped that SMEs' access to bank credit facilities can be realized [14].

Funds supply, technical support, and institutional strengthening can accelerate the steps towards national economy recovery through the creation job opportunities and improvement of people’s income to enable them to overcome the problems of poverty.

E. The concept of empowerment of Micro and Small enterprises (MSEs)

Micro enterprises businessmen’s concern is not only limited to obtaining credits or loans, but also by the assistance, education, and training to manage the finance well. This is similar to the success of financing the MSEs in Fiji based on the research conducted by [8].

Ideally, MFIs are able to raise willingness, give opportunities to poor people with motivation to go forward along with the professional ability to have profitable income. MFIs with noble vision dan mission are not created in a usual way. The noble vision and mission of microfinance institution cannot be realized by ordinary way. The institution must be built with passion, perseverance, spirit of co-operation between the community and the institution as well as equipped with the institution officers that have a high motivation. The above-mentioned development efforts are not only economically financial but also sociological, which is loaded with religious content. In relation with developing MSEs, the MFIs must have the characteristics of humanity. These are an initiative, give opportunities, promote, and be in favor of SMEs. It is necessary that the officers are aware that everything related to solidarity should not lose their focus on the alertness and the running of MSIs mission must be done correctly, without any compromises which consider business feasibility. MFIs needed in rural areas are the ones with high entrepreneurship with strong humanity characteristics. The principles that must be considered in developing MFIs in rural areas as follows: (1) The procedure of obtaining credit application for SMEs should be relatively simple and easy. (2) The schedule for Credit Return should be adjusted to the production process of SMEs. (3) The rates charged by MFIs should be relatively lower than other financial institutions. (4) MFIs should be able to collect funds from the people in the rural areas. (5) MFIs should be located nearby the business premises of MSEs [15].

The existence of MFIs is beneficial to avoid the micro and small enterprises businessmen from disadvantageous financial patterns and improve the ability of micro and small enterprises businessmen to produce products with guaranteed quantity quality, and continuity along with suitable assistance and directions. Additionally, optimizing the role of existed MFIs in rural areas with the renewed service patterns which are accessible for all MSEs.

Micro enterprises businessmen’s concern is not only limited to obtaining credits or loans, but mainly in getting an assistance in the form of education and training to enable them to have better financial managerial skills and to acquire equal and immense opportunities to run profitable businesses. Micro Financial Institutions must be able to encourage, give opportunities, and assist their micro enterprises businessmen professionally to run profitable business.

As mentioned earlier, micro enterprises businessmen have difficulties to obtain credits and manage the finance of the companies. Consequently, based on interviews and surveys, a development model of Micro Financial Institutions in rural areas which runs on simple, transparent, collective and impartial, affordable, and accessible principles is necessary as an alternative source of funding for small and micro enterprises.
This model will be accompanied by Operational Procedure Standard at local Micro Financial Institutions in rural areas.

V. CONCLUSIONS AND RECOMMENDATIONS

A. Conclusions

Based on the findings of the study and the discussion of them, it can be concluded that: The source of capital for MSEs to run their business comes from their own capital, their own family, an individual money lender, Cooperatives, Government’s Credit Program, and banks. The characteristics of MSEs are (a) run mostly by old aged employers, (b) run by primary school graduate employers, (c) most of the profit they earn is used for their daily consumption, and (d) their products are still marketed the vicinity where the MSEs are located. Funds provided by the MFIs for MSEs Credit is still relatively low. The interest that is charged is still high. The MFIs are still managed by relatively low qualified human resources; hence the quality of the human resources has to be improved. MSEs find that the procedure to obtain the credit is difficult; it is simply caused by the strict requirements to obtain loans or credits. On the other side MFIs are willing to help but the micro and small enterprises businessmen are unable to fulfill the requirements completely. Consequently, MFIs state that the businessmen are not feasible to receive the loans or credits. Additionally, the empowerment concept of micro and small enterprises also include the improvement of their ability to access the financial institutions, technical assistance, and managerial guidance through education and training.

MSEs are located in the second quadrant with the self-improvement strategy based on the fact that the limited quality of human resources along with low level of education, therefore, there should be a better human resources management. Based on that strategy, MSEs are doing internal managerial improvement to strengthen their position against competition like providing training to develop the skills and quality of human resources. On the other hand based on the MFIs environment analysis located in the third quadrant which runs diversification strategy. Diversification strategy allows MFIs to add variety to financial service to MSEs that enables them to vary their business, increase the number of MFIs in rural areas to make them more accessible by MSEs to maximize the MSEs potentials to give positive economic contribution, especially in employing low educated employees. Based on the facts collected from the field and business environment analysis, suggestions will be given to support the success on this program.

B. Recommendations

Based on the conclusions, it is recommended that the following should be followed up:

1. To the managers of MFIs, they should lend MSEs credits which is in accordance to the feasibility of the cost required for running the business. The loans or credits allowance must be adjusted to the types and characteristics of the MSEs’ business and increasing the number of variety to financial service will make it even better.
2. The supportive and mutual benefit of performance and cooperation between MFIs and MSEs are required. MSEs need to self-correct by internally manage themselves better. Other important aspects are providing human resources training to develop financial management skills in micro and small enterprises in order to manage company funds and personal expenses well, increasing the ability to produce products with good quality and maintain the stability of the human resources to avoid high turnover, increasing the number and types of financial services in order to maximize good collaboration between MSEs and MFIs. In other words, this will enable MSEs to get the services from MFIs more easily.
3. MFIs need consider the characteristics of the business, business types, and period of production. Consequently, MSEs will be able to adjust their credit needs with their ability to pay even if MFIs are very flexibly in giving the credits and accepting credit payment.
4. To implement the concept of empowering MSEs, its empowerment patterns should be made in such a way that the concept can be applied. Supportive treatment will help MSEs produce a profitable business, yang sangat membantu terhadap MSEs akan mendorong terwujudnya usaha yang saling menguntungkan. Finally, the concept of developing MFIs in rural areas includes the principles such as the loan application procedure should be relatively simple and straightforward, the credit return schedules must be adjusted to the MSEs’ production period, the interest rates should relatively be lower than that of other financial Institutions.

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