

# Role of Microfinance Institutions (MFI/LKM) Non Bank in Supporting Small and Medium Enterprises (SME/UMKM) in the Province Riau

Fahrial<sup>1</sup>, Maryunani<sup>2</sup>, K. Ashar<sup>2</sup>, D. Kaluge<sup>2</sup>

<sup>1</sup>Doctoral Program of Economics Science, Faculty of Economics and Business, University of Brawijaya

<sup>2</sup>Faculty of Economics and Business, University of Brawijaya, Indonesia

---

**Abstract** This study was inspired from the difference between the role of non-bank MFI (MFI-NB) in support of SMEs under Law No. 01 of 2013 concerning the MFI and Law 20 of 2008 on SMEs which regulates the implementation and achievement of the performance of the microfinance sector in Riau Province. The purpose of this study are: a) determine the role of MFI-NB in support of SMEs in the province of Riau, b) know the quality of implementation and mechanism of MFI-NB terms of mechanisms (governance) in Riau Province, and c) develop strategies MFI-NB in improving the welfare of communities in Riau province. This study used qualitative research methods and review the existing legislation implemented or enhanced fit the facts on the ground conditions in Riau Province. Results of this study explains that: (a) The role of MFI-NB in Riau Province in support of SMEs are MFI-NB role as providers of capital to SMEs, the certainty that the capital is in the MFI-NB is intended for viable SMEs and the capital believed are not diverted to other uses or loans to large enterprises. And MFI-NB is believed not to be intervened by another party, another role of a given MFI-NB to SMEs is accelerating MFI-NB's capital to SMEs decent hands and responsible by using services such as energy contributors and coordinators who helped the function of the service of MFI-NB. (b) the quality of the implementation of the disbursement of funds by the MFI-NB to SMEs is less satisfactory because it is slow to respond to the desire of SMEs to additional capital. The quality of the implementation of the training held by the MFI-NB to SMEs say less than optimal. (c) MFI-NB Strategy to improve the welfare of the people in the province of Riau, with training materials that really demand so as to motivate SMEs to further develop their potential. MFI-NB continue to provide assessment and issue a certificate or award for outstanding SMEs so that SMEs can thrive in Riau Province. Another strategy to improve the welfare of the community is to help SMEs develop business, namely through the development, marketing (promotion, exhibition and clusters/groupings), partnerships, advocacy, implementation of management functions, so that SMEs have a good standard and credibility even when dealing with other financial institutions, Policies that there is or is believed to be held by the MFI-NB actors become the dominant factor in formulating strategies, policies and programs that support increasing the role of the MFI-NB in support of SMEs in the province of Riau.

**Keywords** Institutional, Empowerment, MFI-NB and SMEs

---

## 1. Introduction

The government has issued Law (UU) of the MFI, namely Law No. 01 of 2013, which states that the MFI is a financial institution that is specifically established to provide financial services in business development and economic empowerment of the community, either through financing or loans in the SME to members and the public, the management of deposits, as well as the provision of business development consultancy services that are not solely for profit. According Chotim and Hand, (2001). MFI can be

grouped into shape MFIs non-bank and bank, the following: (a). For MFIs, namely BRI bank, with branch offices BRI and BPR, in the form of micro banks which are subject to the laws and regulations and by BI and Banking Regulation (b). For MFI-NB is LOP in Bali, BKK in Central Java, BKD in Java, Madura, BMT and BKIO), MFI-NB is small with small deposits or assets are totaled, micro finance programs, NGOs, and Hundreds of Thousands of informal associations, KSM, and others.

The process of lending or financing to SMEs is inseparable from credit costs consist of the cost of the survey, administration and binding loan or financing. Where the cost depends on the policy of management of MFI and MFI a source of income. To encourage repayment of the loan or financing in time with the intention that this current

---

\* Corresponding author:

Published online at <http://journal.sapub.org/m2economics>

Copyright © 2015 Scientific & Academic Publishing. All Rights Reserved

installment can not be separated from provision of incentives and disincentives which is a reference for MFI-NB. Cost incentives granted if the repayment of the loan or financing in accordance with the loan agreement or the financing of the structure of the loan or financing for the plan the use of loans or financing and lending regulations or financing arranged in a form that is Standard Operating Procedure (SOP) loan or financing it. While disincentives imposed against misuse of loan or financing that should be avoided or prevented or reduced presence under the provisions of SOPs credit or financing. Payment incentives and disincentives in use while the imposition of the payment of incentives and disincentives loading is done by the competent authority in accordance with its authority.

In carrying out its role MFI-NB it requires a human resources (HR) plays a very important in running SOP loan or financing as well as against the cost of transactions and services. MFI-NB role and development of SMEs should be supported by the strength of human resources devoted, have a high work ethic, strong, independent, and have a superior professional expertise. Planning, execution, and control of the process of developing a systematic MFI-NB will be able to create and build the strength of human resources, due to the superior human resources will ensure the development of MFIs-NB is happening will take place on an ongoing basis and really give yourself empowerment space every economic actor, Thus, an MFI-NB and the development of SMEs is the creation of empowerment of human resources able to develop and continue the process of MFI-NB and SMEs.

In fact MFI-NB has not been able to demonstrate its role optimally let alone face the global market competition or the free market, not as what is expected of all parties or stakeholders. The reason for the existence of barriers and obstacles that are internal and external. Constraints faced by SMEs in Riau is the perceived problem of capital shortage SMEs Cooperative target Delima I Permata total required funds amounting to Rp. 1.6 billion while the ceiling is provided Rp. 1.5 billion, and for the SMEs access to capital can not be directly to the Bank due to hit the requirements and guarantees. While SMEs desperately need funds finally MFI-NB suitable place for SMEs without many requirements and quick process. In fact MFI-NB has a heavy burden in carrying out its role both externally MFI-NB, have to deal with a variety of strengths and interests outside the MFI-NB in order to survive in the midst of a situation that is still a gray or erratic and MFI-NB dealing with the external environment. Current conditions internally, MFI-NB also still struggling with problems of management, loan repayment, and others.

MFI-NB is part of the financial institutions that need to be developed to grow, especially in the institutional and legality because it has proven much help SMEs and support in improving the nation's economy, especially the poor and / or low income. In addition, the facts on the ground indicate that the function of financial intermediation MFI-NB in poor communities are often more dominant than social intermediation function. In fact, the process of social

intermediation is an investment made for the development of human resources and institutional capacity that makes poor people, marginalized groups have confidence in preparing themselves to participate in the formal financial intermediary institutions. Examined from the intermediary function, then the concept of institutional, empowerment, transaction costs, incentives and disincentives, theoretically services is a key element in looking at the role of MFI-NB in supporting SMEs in Riau Province in particular.

To increase the role of the MFI-NB in support of SMEs will require strong institutional and empowerment in order to improve the local economy. The Government through the Ministry of Cooperatives and SMEs, has issued Law No. 1 in 2013 with the aim of providing protection business through business legality. and to improve access to finance micro, before the government has also issued Presidential Decree 6 of 2007 on the empowerment of SMEs. Executed by providing business development services or the Business Development Service (BDS) for Credit Micro, Small and Medium Enterprises (MSME). BDS-P purpose is to improve business performance MSME who obtain services business development and empowerment objectives BDS-P is in increasing numbers and business performance MSME including the growth of new businesses, as well as the role given by the Central Bank with the efforts made by Bank Indonesia to remain consistent develop SMEs namely with the companion of BI for SMEs is a Financial Consultant Partner Bank (KKMB).

In the nonbank role increase of MFI (MFI-NB) in the development of SMEs is a strategic specifies steps to advance the MFI-NB and SMEs as well as provide the contribution of national income and employment. The strategy can be perceived concrete solutions to improve welfare. This can be Achieved by encouraging the MFI-NB and SMEs to be Able to continuously improve business Reviews their role and sustainable as well as towards the MFI-NB reliable the expectations of all business actors or stakeholders can be viewed from various aspects. Therefore, this study aimed to examine more broadly about the role of the MFI-NB in supporting SMEs in Riau Province as where to expect all parties.

While constraints in favor of SMEs is sourced from external internal.dan constraints or external constraints include a business atmosphere that is not conducive to maintaining the security of the business, it is because of the limited facilities and infrastructure, the implications of the development models of MFIs -NB, enhancing SME access to capital, the implications of regional autonomy and whereas free of trade barriers or internal constraints include limited human resources, lack of business networks, lack of capital, nature of the products, limited capital and limited access to bank market. While Difficulties in reaching SMEs have is the lack of information about the potential of SMEs, banking service network, banking expertise in the development of SMEs, and prudential regulation (prudential) banking.

In the process of MSME credit or loan is difficult to meet the requirements in order to Obtain bank credit that is usually

assessed by 5C (character, capacity, condition, collateral and capital). Capital and collateral are the two (2) factors that are most difficult to meet. Besides the issue of provision 5C, SMEs also experienced a variety of problems in obtaining bank credit, such as bank service coverage is still limited and high interest. Besides, the problem faced is the problem of capital markets and the quality of products that compete with foreign products. Then for the necessary measures to overcome these problems. In order for MFI-NB and SMEs still exist and contribute to the economy in the province of Riau.

Therefore, the basic framework is based on theory and the results of previous studies can be synthesized formulation of the problem in this study how the quality of the implementation of MFI-NB terms of mechanisms (governance) qualitatively and MFI-NB strategies in enhancing the welfare of the people in Riau province.

## 2. Research Methods

The choice of location in this study using a method based selection criterion, namely the selection based on certain criteria in order for the background as well as certain events really strived chosen to achieve completeness of the information (LeCompte and Preissle in Alwasilah, 2003; Kanto, 2003), This research was conducted in the province of Riau, on the 8 (eight) District / City of 11 (eleven) District Municipality. Reasons for selecting locations in Riau Province is (1) Riau has two enterprises that are included in the criteria MFI-shaped NB PT (Company Limited) shares owned by the Provincial Government of Riau, PT. Economic capital of the People (PER) and the Regional Government of Siak namely PT. Capital Siak (PERSI) MFI-NB has a relatively large, Pekanbaru has cooperative Permata Delima whose members women / mother and Rubber Farmers Cooperative (Koptankar) Source of Sustenance which has a name as well as rapidly growing in Kampar, Cooperative Sahabat SME in and PT. ULaMM in Riau Province.

Informants were used in this study is a non-bank MFIs administrators, employees, clients and MSMEs (Micro, Small and Medium Enterprises) located in Riau Province. The number of informants of MSMEs (Micro, Small and Medium Enterprises) as many as 30 or 60% of informants and informant MFI-NB 20 or 40%, consisting of 17 informants PT.PER amount or value of 34%, PT. PERSI number of informants 10 or 20%, Cooperative Permata I Delima 8 people or 16%, Rubber Growers Cooperative Sumber Rezeki 7 informants or 14%, ULaMM PNM 4 informant or 8% and SME Sahabat 4 informant or 8% of the total informants. This is Because The MFI-NB interacting with SMEs and institutions show business developments than others in Riau Province.

In this study, conducted observation nonparticipant which means that researchers do not position themselves take charge of MFI-NB, or managers of SMEs, or MFI-NB customers and SMEs at the sites. But only 'accompany or observe' them in the move. If the presence of researchers

(closely in the physical sense) can disrupt their activity is carried out in a remote observation or indirectly by using another person believed to be an intermediary researchers.

This study uses qualitative analysis due to understand the behavior of individuals or communities in the form or a particular situation and historical development (process) the establishment, management pattern, meaning and use of the MFI-NB. Qualitative studies are grouped into 3 (three) types, namely: First; qualitative descriptive study, the type of study that combines quantitative research with qualitative research (Bungin, 2008). Second; research phenomenology, as the type or qualitative research strategies that researchers were able to identify the nature of the individual or community experiences about a particular phenomenon (Creswell, 2010 and Kuswarno, 2009). Third; grounded research (grounded research), as one kind of qualitative research that bases itself on the facts and empirical data with the aim of forming concepts, develop existing theories, even the process of making or building basic theory (grounded theory) new through inductive logic.

This research is more concerned in terms of "process" rather than "results". This is due to the relationship studied parts will be much clearer if observed in the process (Moleong, 2005). To bridge the implementation of the process of describing the phenomenon of channeling funds and stakeholders, then a series of steps that are used among others (Johnson, 1999):

- a. Identify proactive individuals or groups. Identify individuals and groups (social group) which plays a key role, and look for themes that take precedence in the level of awareness and action of the group, here to expand and peeling of the top funds and stakeholder knowledge.
- b. Develop your pre understanding of the worldview of participants through it reviews. Researchers Develop initial understanding of the perspective of the of participants as well as a review of the funds and Certain stakeholders in social situations and history.
- c. Interview of participants to understand Reviews their worldview. In this case by developing a comprehensive understanding (holistic) of reality that includes perspectives, values, and ideas on the phenomenon of funds and stakeholders.
- d. Study historical development that restricts participant's understandings. Observation of the condition of the historical (objective reality) of reality rural economic structure as well as stimulants budget through fund and Cooperative Members. As a reflection to see what there is (das Sein) as well as what it should be (das sollen).
- e. Analyze and understand the phenomenon of stakeholders as well as funds and institutional change and the empowerment of the SME sector to seek the historical roots of the various biases and contradictions that occur during this time, as well as the hegemonic structure of community life with the aim of understanding of the social, economic and political in the Province of Riau. Action based on theory.

This research was conducted in the province of Riau, on the 8 (eight) District / City of 11 (eleven) districts of the city. The research location is Pekanbaru, Siak, Kota Dumai, Bengkalis, Pelalawan, Indragiri Hulu, Rokan Hulu, and Kampar. Location of the study can be seen in the map below.

### 3. Empirical Result

#### 1. MFI-NB role in support of SMEs

MFI-NB role in supporting SMEs in Riau province can be explained with the findings of such research items, namely:

##### Findings 1: The presence of LKM-NB and local government-owned cooperatives can not intervene

MFI-NB government-owned if managed properly will be able to contribute to society and also for the owners (PEMDA Riau Province) got the PAD, but when it intervenes it will cause losses for the company.

With the rule Banks then will the ability of formal credit to establish a harmonious relationship with the borrower SMEs, this has been undertaken by PT. PER for the implementation of MSME credit program tendency to use the rules of credit institutions, namely: 1) the character of the borrower, 2) ability to pay, (capacity of repayment), 3) collateral, 4) the

capital, and 5) conditions of economy. Operational implementation there is no local government intervened and so are the products made by PT. PER has been no intervention.

Proposition 1: business and officer MFI-NB should be consistent rule and not easily persuaded persuasion / intervention of internal and external parties.

##### Findings 2: The presence of an MFI-NB running the fund distribution formed Contributors and coordinator.

The findings in the MFI-NB Cooperative Permata I Delima using energy coordinator to manage the funds of MFI-NB PT. PER. Target of Borrowers are people who have micro and can be cut daily and paid per 10 days to the coordinator. So it was served outside the Cooperative. Including coordinators members of the partnership program there are 5 Rayon namely Delima (Panam), Rumbai, Dupa, dan Belimbing. For so coordinators through networking and selection of the Cooperative and the important thing is honesty-vocational. MFI-NB Cooperative Permata I Delima proud to be a partner of PT. PER and could help many people in developing micro, small and medium enterprises such as, selling fried, daily shop, selling rice cake, vegetable vendors and others. So that Reviews their businesses growing and advancing of loans through PT PER.



Figure 3. Research Location Map

Subsequent findings on MFI-NB PT. PER where the role of the MFI-NB provides assistance to SMEs in the process of borrowing in the MFI-NB and monitoring of business activities as well as repayments to the MFI-NB-called escort it as Contributors PT. PER. These contributors were recruited come from public, community leaders, KKMB (financial consultant Bank partners), employee of the companies that want to cooperate with MFI-NB. Contributors goal is to accelerate the lending rapidly to the society and can add jobs for the community. The result for existing contributors can help in lending to the public.

The strategy used by the Sahabat SME of Riau Regional to develop micro, small and medium enterprises (SMEs) make Sahabat SME closer to the community by opening outlets as possible. Currently outlet or representative office has been established in all urban districts in Riau Province, which is divided into 4 Region namely Riau 1 through Riau 4. Each area is headed by a coordinator and a coordinator in charge of the representative office-representation. Effort to develop SMEs to provide services quick and easy procedure. To be Able to provide fast service we make-the-line system and authority to the level of the head office level. The strategy used by PNM ULaMM SMEs to Obtain Achieving success in its mission of improving the ability of human resources through training and coaching as well as sustainability.

Proposition 2: The pattern of distribution via Contributors and Coordinator quick and effective.

**Findings 3: The existence of rules officials and managers of the MFI-NB forbidden to ask for money for services provided to SMEs, when caught severe sanctions.**

Efforts made by the MFI-NB to give capital, training, mentoring is the same as what it should be also carried out by the Banking Act as the PBI 10 1998, the Bank is a financial intermediary, where the bank has a function to collect funds from the public and channel in the form of loans or credit and other forms in order to improve public welfare. It can be concluded that the role of the bank is an institution that plays a role as financial intermediaries between the parties that have excess funds (surplus of funds) with the parties that need funds (deficit of funds). Banking in Indonesia serves as a collector and distributor of public funds, and aims to support the implementation of national development in order to improve the development and results, economic growth and national stability, towards improving the living standard of the people. It is thus what the MFI-NB is almost the same as banking, in the implementation of MFI-NB is more flexible and caring to SMEs because no profit orientation, but also there is an element of social.

MFI-NB can carry out missions along the banks have the power of capital and resources has human and rankings and the development of different maturity, the which will have an impact on services or service to SMEs. But for many poor people who do business produce (productive), MFI-NB can provide financial services to the ways: a) the provision of credit in a timely, cost or cheap credit, c). requirements are easily met, and d). procedure of getting a simple loan, the

amount and use of, e) best service, f) transparent. This has been demonstrated by the ability of the MFI-NB private in the form of cooperatives, namely cooperative Swamitra and cooperative Sahabat SME.

MFI-NB who have trained partners from other MFIs-NB and SMEs in the province of Riau, this happens on MFI-NB efforts that already exist and have strong capital. For in Riau Province MFI-NB who generally have extensive business network and known by financial institutions and SMEs. Wherein the MFI-NB that got the attention of SMEs is MFI-NB has attention to supporting the advancement of SMEs assessed in terms of honesty and trust shown by SMEs to MFI-NB, after it can be continued and maintained the continuity of its partner MFIs-NB although it did not require a guarantee (collateral) as to which are generally required to be borrowing from MFIs and Financial Institutions form of bank or nonbank.

These activities also provide direct benefits to the SMEs and the unemployed who later this activity can be recruited into the workforce. Judging from the sufficient number of workers absorbed in activities that take place, although there are no permanent workers but expected at least a little help state public revenue Riau province. In addition to the assistance for SMEs, can help SMEs and MFIs-NB develop and seek appropriate solutions for resolving the problems that can become a scourge for the housewife to be able to thrive. So can creates nodes local economic enterprises that can lift the economic situation of SMEs around. In addition, with the addition of business activity through the addition of SMEs and of capital stimulation that increases the performance of SMEs, can absorb labor into the newly created business activity. In addition, if there is an increase of turnover of SMEs, it can at least guarantee the survival of SMEs which can continue to employ local people so as to help reduce the number of poor people in the province of Riau.

This finding is in line with the submitted Campbell and Stanley (1986) mentions human capital investment are all activities aimed at improving the quality (productivity) of labor at a given time. Human capital investment can be done by formal education and training provided during the work. MFI-NB evolved not only capital but also focuses on conducting training and coaching as one part of the MFI-NB.

Proposition 3: Code of conduct MFI-NB set and executed according to the applicable rules and provide heavy sanctions for those who break them.

**2. Quality implementation of MFI-NB and SMEs in terms of mechanisms (governance) qualitatively.**

Elaboration of quality implementation MFI-NB and SMEs in terms of mechanisms (governance) of the findings described in this study, namely:

**Findings 4: The presence of an MFI-NB Government of SMEs slow to respond to the desire to request additional capital.**

According Yekti (2010), implementation of the model of development of MFIs through KSP can be a learning process

to improve SME access to capital. By creating a conducive climate and ensure the security of the business, a cooperative can be an effective medium for the development SME. Steps taken is strengthening the cooperative. Terms of capital is based on the weakness of SMEs in Accessing capital fund that requires collateral / guarantee, the lack of information about banking products, and barriers banking requirements. While banks have difficulties in reaching SMEs is the lack of information about the potential of SMEs, tissue banking services, banking expertise in the development of SMEs, and prudential regulation banking.

To run a service to SMEs, the existence of Microfinance Institutions (MFIs) itself also contains three (3) key elements. First, It provides a variety of financial services relevant to the real needs of the people who served. Secondly, serving low-income groups (the poor Become party beneficiaries play). Third, using the procedures and mechanisms for contextual and flexible, to make it more easily accessible to the poor people who need services (Gunawan Sumodiningrat; 2003).

Based on the conditions experienced by the MFI-NB in Riau province turns MFI-NB government formation was not optimal the vision and mission, it is seen from the development of their business slow-growing compared with MFI-NB privately owned. As for MFI-NB Cooperative formation indicates a potentially vital role in the local economy moving, it is growing due to no encouragement, vigor board effort to promote the common welfare, capital of related parties that work together to carry out business activities financing, as perceived directly development efforts rapidly from the asset and SMEs assisted, and the empowerment of SMEs exist in running such cooperatives Permata I Delima And Growers Rubber Cooperative Sumber Rezeki. This is in line with the findings of Anwar and Haryadi 2004 Carried particularly the empowerment of the poor is a series of activities to increase of the assets and capabilities.

Proposition 4: MFI-NB supports the advancement of SMEs by creating a simple procedure that can speed up the process disbursement to SMEs.

**Findings 5: MFI-NB has been trying to provide training but in reality while training often invited many SMEs are not present and the present is not too serious about training.**

So education was started in the Board of Directors and Commissioners up to the employee, must be filled with the debriefing of knowledge and skill, with the education will affect the assessment of the employee because of their performance to be obtained from the education that followed. Education is done for internal, external scope and employees career.

For training and coaching often we follow from the Cooperative Permata I Delima and send members participating SMEs target held by the Bank, the Chamber of Commerce and the Office of Cooperatives and SMEs. SMEs diligently follow any of these activities will add knowledge

and skills and will have a considerable influence on entrepreneurial motivation, it turns what was done by the Institute of Government and the Association of deploying not maximized followed by SMEs so as not to miss the information market and did not know the development of the global market. For SMEs that training will gain skills and also help manage the business with good management. As presented by Borjas (2000) that the training is done by grouping workers into two parts. Tops, workers with high productivity levels, Second, workers with low levels of productivity, in order to run up and meet training objectives.

Proposition 5: Training should have appeal and training location within easy reach of SMEs.

### **3. Strategi MFI-NB and MSMEs in improving the welfare of society**

The strategy of the MFI-NB and SMEs in improving the welfare of society can be explained from the findings in research, such as:

**Findings 6: The presence of an MFI-NB provides the material with a fixed interest strategy although with limited funds and issuing certificates,**

MFI-NB in Riau Province including MFI-NB PT. PER using the strategy map or strategy map in running the business and face the future challenge include strategies on: 1) the perspective of learning and growth that is to motivate and prepare human resources to form human resources that have integrity and high reliability. 2) internal perspective is that relating to the internal company to achieve the mission and vision of the company. 3) the consumer perspective that things are becoming consumers' views and expectations of consumers to the company, the company must do to achieve the vision and mision.4) financial .perspektif are things that must be done by the company to meet the wishes of shareholders.

For MFI-NB PT.PERSI ie execute the mandate of the shareholders, namely the PEMDA Siak form the People's Gardens, where every people has a minimum area of 2 ha of oil palm plantation so that the public welfare may increase. Strategies conducted a program for distributing funds in strategic areas, heads of household were obvious place to stay in Siak, monitoring the use of funds borrowing patterns, use of inputs (fertilizers) and so organized and accountable for funds used budget funds Siak. This finding is in line with Thobby Wakarmamu (2010), empowerment strategy MFIs should avoid grants but to put forward the concept of capital revolving fund because it is able to interweave capital MFIs and micro enterprises: independent, professional and competitive.

Meanwhile Cooperative Permata I Delima target financing to increase informal business communities and grow into independent SMEs. Others also performed by the Rubber Growers Cooperative Sumber Rezeki is strategy that made it transparent what is done by the board known by members and approved the Annual Meeting of Members. Targets to be focused in supporting SMEs / members in improving the well-being of members and provide training /

guidance fine effort delivered by the cooperative board and outsiders example of the Department of Cooperatives, The Bank and The PNM. Strategy of Cooperative Sahabat is making close SME's member to the people by opening outlets as possible and develop SMEs to provide fast service and easy presedur. PNM ULaMM strategy to be done in improving the ability of SMEs is to provide capital assistance, training and promotion / exhibition. Another effort is to create groupings or clusters of SMEs business as already done in the village in the district Kualu Pineapple Mine Kampar district in Riau province.

Form of strategy as presented Rina Sulistiyani, (2013), imitation strategy is reflected in the concept of the spirit of learning and passion to move forward, 2 innovation strategy includes the concept of trend setters, pioneers of the market, success, creativity, sincerity share knowledge. This learning process is the result of interaction between Reviews These concepts and the successful switch from strategy to strategy innovation capability impersonation determined by the balance between entrepreneurial and business aspects. So to make it happen made a strategic move to strengthen and protect SMEs from the threat and the impact of the global economic crisis is by strengthening the multi-faceted. One that can be useful is the entrepreneur or entrepreneurial aspect. Entrepreneurs can empower all the resources that it has, with a creative and innovative process, making SMEs ready to face the challenges of the global crisis. Some role of entrepreneurs in facing the challenges in SMEs are:

1. Having creative thinking, namely:
  - a. Thinking with visionaries (looking ahead), so that planning has not only short-term, but long-term (strategic).
  - b. Learn to draw from the experience of others, of success or failure, and can be open to receive feedback and suggestions for the development and strengthening of SMEs.
2. Applies Innovative, namely:
  - a. Trying to improve the effectiveness, efficiency, and productivity in all aspects of the activities of SMEs.
  - b. Trying to increase of prudence in the face of competition.
3. Not afraid to take risks, and to condition the shape risks and understand the risks and benefits of a venture. SMEs should have a risk management in all its business activities

Based on the issues that, then the synchronization and consistency of this policy needs to be done so that the direction of development of SMEs become more apparent. To achieve such synchronization, for example, can be done by developing a coordination institution empowerment of SMEs in the national and regional level to coordinate the development of the SME sector. Through these institutions will certainly be formulated a more comprehensive approach to the empowerment of SMEs in terms of access to capital, management of the business to market access.

This finding is consistent with the Sulaiman Suhendar

(2004), the strategy adopted in an effort to develop SMEs in the future especially in the face of the free market at regional and global levels, should pay attention to the strengths and challenges, and SMEs who seek products have comparative advantages or superiority competitive as processed products industry in Riau province that is crisp pineapple, yams, cakes rise. Komojo cakes, bread and buns cane nets, lempuk durian, cencalok, and others as well as hand-crafted products in Riau province that characterizes was like: woven pandan, rattan, the hood of food, mats, spot lights, songket, art carving, batik embroidery siak and many other species. But usually woven songket is woven the most sought after people, because this songket cloth can be used in official events in the areas of consumer demand from domestic and overseas.

SMEs in Riau province average borrowing via MFI-NB as close to the perpetrators of SMEs as KOPTANKAR-SR, Cooperative Permata I Delima, PERSI, PER, ULaMM and Friends SMEs. Cooperative members are businesses that are served by the Cooperative. If MFI-NB formed Cooperative shortage of venture capital, the cooperative will seek additional funding from the Microfinance Institutions belonging to the local government items items, namely PT. PER or PT. PERSI. If the MFI-NB can not fulfill it then they will borrow to banks such as Bank Riau General and BRI, due to the broad scope of its business reach.

Proposition 6: MFI-NB keep providing continuous training, the material interesting and dare to innovate.

**Findings 7: The existence of MFI-NB Strategy in enhancing the role of business development of SMEs namely through the development, marketing and others so that SMEs have a good standard and credibility when dealing with other financial institutions.**

Strategy to increase the role of the MFI-NB in support of SMEs, constituted to serve the needs of medium segment which is the largest number in a society which include SMEs in terms of capital through cooperation with other financial institutions or directly. Another analysis is to 5P or 1) the selection of appropriate products (Product), 2) the provision of competitive price (Price), 3) the selection of appropriate business location (Place), 4) effective promotion strategy (Promotion) and 5) debriefing HR-oriented businesses (People), product innovation, product must be realistic, survey, SMEs locations exist in traditional markets or other crowded locations and dense population. Where the scope of the market is throughout the province of Riau and to Overseas Territory items, namely Malaysia and Singapore speci for food and beverage products. This finding is in line with the submitted Mudradjad Kuncoro that there are two strategic steps that can be proposed for the development of SME sector, namely demand pull and supply push strategy strategy.

In promoting SME guided MFI-NB Cooperative Permata I Delima by providing loans for 100 days and the daily installments, built with a fast process as needed and without collateral with ratings and proximity SMEs with coordinator MFI-NB once learned worth financing the coordinator

responsible for the returns to the Cooperative Permata through Hj. Syardawati which has full responsibility as well as the monitoring and evaluation of smoothness reported to investors that the MFI-NB PT PER. This is consistent with studies of the Moon (2007) that a partnership effort by the government (which is seen from its trade cooperation, sub-contracts, vendors, technology cooperation and institutional networks positive effect on the ability of the business, which is visible from the knowledge, attitudes, skills and emotional maturity besides it is also supported by research from Yustika, (2008), that confidence (trust) in economic activities is very important Because its presence can reduce expenses to conduct surveillance (monitoring) and enforcing contracts (enforcing contract).

Another strategy adopted in addressing the weaknesses of informal MFIs according Yekti, (2010) is operating without a legal entity, making it very vulnerable to various conflicts and problems.

Proposition 7: The success of the MFI-NB is also determined by its role as a provider other than the capital, is also a mentor and help market with intensive strategies to MSMEs.

## 4. Conclusions

This study describes the role of Microfinance Institutions (MFIs) Non Bank in support of SMEs in the province of Riau, it can be given the conclusions and suggestions of this study as follows:

1. The role of MFI-NB in Riau Province in support of SMEs are MFI-NB role as providers of capital to SMEs, the certainty that the capital is in the MFI-NB is intended for viable SMEs and the capital is believed to not be diverted to other uses or borrowing for large companies. And MFI-NB believed would not be intervened by another party, if the MFI-NB belonging to the local government does not want to be intervened by the shareholders of the Riau provincial government and if the MFI-NB privately owned or cooperative does not want to be intervened by the owner or other caretaker. The role of MFIs -NB given to SMEs is accelerating MFI-NB's capital to SMEs decent hands and responsibility by using services such as energy contributors and coordinators who helped the functions of the ministry of MFI-NB,
2. Quality implementation of MFI-NB in Riau Province evident from the terms of mechanisms (governance) while the field that the quality of the implementation of the disbursement of funds by the MFI-NB to SMEs is less satisfactory because it is slow to respond to the desire of SMEs to additional capital. That is SMEs who've got the capital and loan either still running or has not been paid because of the reason good for business development they need additional capital. In reality the proposal application is accepted but there is no clarity when redeemed,

3. The MFI-NB Strategy to improve the welfare of the people in the province of Riau, for his role supporting SMEs, by always providing training to SMEs with training materials that really demand so as to motivate SMEs to further develop reviews their potential. MFI-NB continue to provide assessments and issue certificates or awards for achievement SMEs so that SMEs can thrive in Riau Province. Another strategy to improve the welfare of the community is to help SMEs develop business items, namely through the development, marketing (promotion, exhibition and clusters/groupings), partnerships, advocacy, implementation of management functions, so that SMEs have a good standard and credibility even when dealing with other financial institutions,

The findings of this study can then be given recommendations related to policy, among which are:

1. MFI-NB in carrying out its role should MFI-NB the which is independent remain in place despite the MFI-NB government-owned (PEMDA). And MFI-NB in Riau Province has Increased its role in order to keep using labor contributors and coordinator for the effective distribution patterns do and can speed up the disbursement of funds to SMEs.
2. MFI-NB in order to more quickly intervening respond to requests for additional capital for SMEs because of the potential to develop SMEs. And to improve the quality of the MFI-NB SMEs continue to provide training for SMEs despite the many obstacles faced include finding a training location that is easily accessible by SMEs.
3. MFI-NB should always provide continuous training to SMEs and training materials are always innovating to provide material that really demand so that it can be applied in the development of SME. And for MFI-NB to continue to assist SMEs in business development fit within a broader role for example in the social field, partnerships, mentoring, and so forth in order to improve the welfare of the people in Riau Province.

---

## REFERENCES

- [1] Anonim. 2007. Kebijakan dan Strategi Nasional untuk Pengembangan Keuangan Mikro. <http://www.profi.or.id/ind/>.
- [2] Anonim. 2007. Philippine Microfinance Industry. Microfinance-Industry. pdf. Accessed on June 17, 2011. <http://aboutphilippines.info/filer/Philippine>.
- [3] Anonim. 2009. Perkembangan Data Usaha Mikro Kecil, Menengah (UMKM) dan Usaha Besar (UB) Tahun 2005-2009. Kementerian Koperasi dan UKM. Jakarta.
- [4] Armendariz, Beatriz dan Sarah Tsien. 2002. A Case for Successful Microfinance Programs in Cina. Paper for The 5th Conference on Global Economic Analysis, Taipeh, Taiwan. 5-7 Juni 2002. Taiwan.



- [5] Ashari. 2006. Potensi Lembaga Keuangan Mikro (LKM) dalam Tambunan, Tulus, Recent development of Women's Enterprises in Indonesia, Kadin Indonesia, 2007, [http://www.kadinindonesia.or.id/enm/images/dokumen/KADIN-98-2309-21112007-rec-devwomen-enterprise\\_TULUS](http://www.kadinindonesia.or.id/enm/images/dokumen/KADIN-98-2309-21112007-rec-devwomen-enterprise_TULUS), Accessed on February 26, 2010.
- [6] Budiantoro. S. 2013. RUU Lembaga Keuangan Mikro: Jangan Jauhkan Lembaga Keuangan Dari Masyarakat. Jurnal Ekonomi Rakyat. Article Year II. No 8. [www.ekonomirakyat.org](http://www.ekonomirakyat.org).
- [7] Clydesdale, Heather dan Kajal Shah. 2008. Microfinance in China: Micro vs Mandarin. <http://asiasociety.org/education-1/earning/for-students/global-topics/microfinance-china-micro-vs-mandarin>. Article August 25, 2008. Accessed on June 11, 2011.
- [8] Creswell, John W. (2003). Research Design: Qualitative and Quantitative Approaches. (2nd Edition) California: Sage Publications, Inc. Damanhuri, Didin S. "Tantangan Ekonomi Islam", Gatra, 28 October 2009, h. 39.
- [9] Djoko Retnadi. 2010. Kunci Sukses Lembaga Keuangan Mikro, Pahami Karakteristik Orang Kecil. Harian Kompas. Wednesday, 13 August 2003.
- [10] Denzin, Norman K and Yvonna S. Lincol, 1994. Handbook of Qualitative Research. Thousand Oaks, London New Delhi: SAGE Publications.
- [11] Fernando, Nimal A. "Microfinance Outreach to the Poorest: A Realistic Objective?" Finance for the Poor. AOB Finance for the Poor. Volume 5 Number 1, March 2004, pp.1.
- [12] Granovetter, Mark (1985). "Economic Action and Social Structure: The Problem of Embeddedness," American Journal of Sociology, 91(November): 481-510.
- [13] Granovetter, Mark (2005). "Business Groups and Social Organization", in Neil J.Smelser and Richard Swedberg, (eds). 2005. Handbook of Economic Sociology. Russel Sage Foundation: Princeton University Press.
- [14] Holloh, D dan Hendrik Prins. 2006. Pengaturan/Peraturan, Pengawasan & Dukungan Bagi Lembaga Keuangan Mikro Bukan Bank Bukan Koperasi. [http://profi.or.id/ind/download/s/ThirdWindowsummary\\_MFIstudy\\_translation\\_Ind\\_.pdf](http://profi.or.id/ind/download/s/ThirdWindowsummary_MFIstudy_translation_Ind_.pdf).
- [15] Heimann, W., S. Jansen, dan IK Budisastra, 2010. Rural Micro Finance in NTB – Concept and Implementation Strategy, Executive Summary, Bank Indonesia (BI), ProFI (Promotion of Small Financial Institutions) & GTZ (German Technical Cooperation).
- [16] Hassan, MD. Mahmudul. 2006. Institutional Transformation of Poverty-Focused Microfinance Institutions in Bangladesh, Nepal, and Malaysia. Thesis. Universiti Sains Malaysia. Malaysia.
- [17] Ismawan, Bambang, d. 2012. Lembaga Keuangan Mikro di Indonesia Butuh Payung Regulasi, artikel. [www.binaswadaya.org](http://www.binaswadaya.org), 7 Agustus 2002. Accessed on June 11, 2011.
- [18] Khandker S.R. (2013). "Micro-finance and poverty: evidence using panel data from Bangladesh". World Development Vol.31 no. 3 pp.647-665.
- [19] McVay, Mary, 2009, *Measuring BDS Performance – a summary framework*, dalam Small Enterprise Development Vol 10 No. 2: Page 17 – 29.
- [20] Nee, Victor and Mary C Brinton, (eds), (1998). The New Institutionalism in Sociology. Russell Sage Foundation: New York.
- [21] Nee, Victor, "The New Institutionalisms in Economics and Sociology," in Neil J. Smelser and Richard Swedberg (eds), (2005). Handbook of Economic Sociology. Russel Sage Foundation: Princeton University Press.
- [22] Park, Albert. 2011. Microfinance with Chinese Characteristics. World Development Vol. 29, No. 1, pp. 39-62, 2001. [www.elsevier.com/locate/worlddev](http://www.elsevier.com/locate/worlddev). Diakses pada tanggal 17 Juni 2011.
- [23] Primahendra, R. 2012. The Role of Micro Finance In Economic Development & Poverty Eradication. Workshop On Micro Credit Schemes In NAM Member Countries (Empowering Women's Role In Small-Scale Business Development), Jakarta, 24 –25 June 2012.
- [24] Rudjito, 2013, Peran Lembaga Keuangan Mikro Dalam Otonomi Daerah Guna Menggerakkan Ekonomi Rakyat dan Menanggulangi Kemiskinan: Studi Kasus Bank Rakyat Indonesia, Jurnal Keuangan Rakyat Tahun II, Nomor 1, Maret 2013, Jogjakarta
- [25] Sabirin, S. 2011. Pemanfaatan Kredit Mikro untuk Mendorong Pertumbuhan Ekonomi Rakyat didalam Era Otonomi Daerah. Orasi Ilmiah Lustrum IX Universitas Andalas, Padang, 13 September 2011.
- [26] Sharma, Puspa Raj. 2011. A Comparative Study of Microfinance in Nepal and Bangladesh. Asian Development Bank. Philipines.
- [27] Srinivas, H. 2009. The Virtual Library on Microcredit. Dalam <http://gdrc.org/icm/concept.html>.
- [28] Sumodiningrat, G. 2003. Peranan Lembaga Keuangan Mikro Dalam Menanggulangi Kemiskinan Terkait Dengan Kebijakan otonomi Daerah. Artikel Th II No 1. Jurnal Ekonomi Pertanian. [www.ekonomirakyat.go.id](http://www.ekonomirakyat.go.id).
- [29] Temtime, Zelealem T., 2012. Chinyoka., S.V., and J.P.W., A Decision Tree Approach For Integrating Small Business Assistance Schemes, Journal of Management Development, Vol. 23 No. 6, 2012, pp. 563-578.
- [30] Umar, Husein., 2010. Research Methods in Finance and Banking, Third Edition Jakarta: PT Gramedia Pustaka Utama, 2010.