

LINKAGE PROGRAM MODEL AS THE SOLUTION FOR SMEs FINANCING AND DEVELOPMENT IN REGENCY OF ENDE

Fitri Lukiastuti

Bank BPD Jateng School of Economics, Semarang, Central Java
flaluki@yahoo.com

LD Gadi Djou

Faculty of Economics and Business, University of Flores, Ende, NTT
gadidjou@yahoo.com

Abstract

Three major constraints were still faced by financing institutions to perform a more significant role to develop SMEs. They were : the difficulty in assessing feasible and bankable SMEs for provision of credit, the low interest of SMEs on development efforts undertaken by financial institutions, and most SMEs had not implemented good and right separation between personal and business finance.

Two purposes of research were: analyzing the role capital venture financing institution in developing SMEs more deeply and providing the some appropriate recommendations for SMEs development. The method applied was descriptive-comparative method. Two approaches were applied, namely (1) literature (desk study) and (2) field survey through interview and observation. The types of data collected consisted of primary data and secondary data. Primary data were obtained from direct interview with respondents and field observation. Sources of secondary data were obtained from the literature study and documentary review. The location of research was eastern part of Regency of Ende.

Based on this study, some important recommendations were proposed. They were: (1) caused by significance and importance role of financing institution as alternative source of financing in developing SMEs, especially in trading sectors, the right socialization program about the existence both banks and non bank financing institutions (especially cooperatives) should be done, (2) in addition, financing institutions that did not have business core in micro scale business could implement linkage program and channeling pattern scheme with another financing institutions, (3) integrated debtors information system among banks and non bank financing institutions to prevent recurrent unimportant financing on the same SMEs and it was able to cause difficulty in payments should be created or be designed, (4) the establishment of partnerships program among central and local government and financing institutions in providing technical assistance to SMEs to do more integrated coaching should be done, (5) the policy requiring SMEs to joint the coaching provided by financing institutions and to submit financial reports periodically was needed. It should be done to reduce distortion in utilization of loans given by financing institutions.

Keywords: *SMEs in Ende, financial management, small scale business accounting, business information, linkage program, micro financing institution*

1. Background

Until the present, there are still many small and medium scale enterprises (SMEs) that do not understand the importance of accounting implemented in the financial statements, yet. While, it has very significant and very beneficial impact for the progress of the business. Industrial structure in Indonesia describes the real fact that the number of small and medium scale enterprises and cooperatives actually is more than the large scale enterprises. Currently, many SMEs are having difficulty in

obtaining credit to grow their business, due to the lack of clarity about their accounting systems. It makes foreign parties dubious to invest their fund and to take them to build mutual partnership in business.

Such unideal condition is also experienced by SMEs in Regency of Ende, especially in District of East Ende. They still also face several other constraints, such as the issue of business licenses, as most SMEs are built with familial management. Their business capability was often obtained from generation to generation only. So, the development process for their product is still obstructed. The access for SMEs to capital lending institutions is also obstructed. Another constraints faced by them are related to the technical management, products marketing, and inadequate infrastructures. They also have limited access and understanding of market information, especially on the demand and price and so business network.

Every effort to develop SMEs also requires technological support to make them able to compete in global market. Technological aspect has to be considered as a solution to improve the quality of SMEs business processes and ultimately they are able to win the competition. In this matter, the accountants should be able to master and introduce the latest technology to give them assistance for this purpose.

Ende is the name of a regency on the island of Flores and this regency is indivisible part of East Nusa Tenggara Province. It is located in the center Flores mainland. Ende is also the capital of this regency. If we do a road trip from the eastern part of Flores island (such as Maumere or Larantuka on the way to other western part of the island such as Bajawa and Ruteng), then we have to go through Ende and vice versa. So, we can describe that Ende is a transit city connecting the western and eastern part of Flores island. Transportation modes available in this regency have been already sufficient.

To reach Ende through air transportation mode, Haji Hasan Aroeboesman Airport has been built to give service for this purpose. From marine transportation point of view, Ende Ocean Port is another alternative. As another county in Flores islandsuch as Manggarai, East Manggarai, Sikka Regency, Ngada Regency, East Flores Regency, Nagekeo Regency, West Manggarai Regency, and Lembata Regency have potential of cultural variety of East Nusa Tenggara Province which are not clearly exposed.

The borders of Ende Regency are:

- North side is Flores Sea on Nangaboa and Ngalu Ijukate.
- South side is bordered by Sawu Sea and also on Nangaboa and Ngalu Ijukate.
- East side is bordering with Sikka Regency from north coast of Nangambawe, south towards of Hangamanuria and on Ngalu Ijukate.
- West side is bordering with Ngada Regency from north coast of Nanganiohiba towards the north central, south central towards of Wuse, Sanggawangarowa going along Nangambo River towards south coast also on Nangambo.

Ende Regency is 2046.60 km². Its administrative region consists of 21 district which are subdivided into 165 village (Desa) and 20 state governed sub-district (Kelurahan).

Table 1.1. The Number of Citizen of Ende Regency in 2012

No	District	Male	Female	Number
1.	Nangapanda	9878	11121	20999
2.	Ende Island	3815	4224	8039
3.	Maukaro	3553	3782	7335

No	District	Male	Female	Number
4.	Ende	8277	9256	17533
5.	South Ende	11750	11819	23569
6.	East Ende	8866	9336	18202
7.	Central Ende	13055	14920	27975
8.	North Ende	8678	9482	18160
9.	Ndona	6199	7148	13347
10.	East Ndona	2738	3136	5874
11.	Wolowaru	7368	8808	16176
12.	Wolojita	2921	3511	6432
13.	East Lio	4090	4495	8585
14.	Kelimutu	3200	4126	7326
15.	Ndori	2204	2680	4884
16.	Maurole	5649	5973	11622
17.	Kotabaru	5408	5327	10735
18.	Detukeli	3504	3706	7210
19.	Lepembusu Kelisoke	2344	3051	5395
20.	Detusoko	6189	7035	13224
21.	Wewaria	8271	8736	17007
	Ende Regency	127957	141672	269629

East Nusa Tenggara is a province with most of its territory does not have fertile soil, poor in natural resources, and very dry in climate. It is the driest province in Indonesia. This ecological conditions cause difficulty for this province to rely on agricultural activity result, although this activity is still being done as the livelihood of local residents. Therefore, being civil servants is the main option for them. So, East Nusa Tenggara is also wellknown as the province of civil servants.

But, it does not mean that East Nusa Tenggara has no sufficient economic potential. A part of the citizens cultivate plantation and commercial crops such as chilli, coffee, cocoa, and cashew nuts which are sold to local market or inter mediary trader outside of island. Another options of livelihood are farming activity (especially cows and buffalos) and weaving and carving handycraft. Those business or activities are generally done on a small and and medium scale.

The number of SMEs in East Nusa Tenggara is fairly large. In 2002, the Central Bureau of Statistics reported that there were 11.767 SMEs in this province. Most are in Kupang (2.737 or 23,28%), while in Kupang is 550 SME (4.67%) and in Ende is 501 SME (4.26%). It does not include SMEs that are not identified. It is the real pulse of economy. Generally engaged in Kupang is manufacturing sector, such as furniture, silver, musical instruments, bound weaving, and brick stone. While Ende Regency makes cashew nut, cocoa, and bound weaving as excellent commodity. ([Http://www.andreasharsono.net/2005/12/media-ukm-dan-berita-seksi.html](http://www.andreasharsono.net/2005/12/media-ukm-dan-berita-seksi.html))

2. Problems

The proportion of Indonesian SMEs in total Gross Domestic Product is about 60% where 42% is contributed by micro and small scale businesses and 18% is contributed by medium scale businesses. Implementation of regional autonomy concepts is an opportunity for SMEs reach the progress, and state-owned business enterprises as the agents of development are always urged to empower them. Those units of SMEs are estimated to be able to absorb about 97,24% of labours.

However, the progress of SMEs in Ende are still being obstructed by various problems and it has not been able to reach the goals as fully expected yet. The existing problem to develop SMEs until the present is the lack of capital and the difficulty to access capital resources (Please, see attached table 1).

Before the enactment of Bank Indonesia Act No. 23 at year of 1999 as amended by Act No. 3 at year of 2004, in assisting the development of small scale businesses and cooperatives, Bank Indonesia policy might provide financial assistance to SMEs and it was known as Bank Indonesia Liquidity Credit (KLBI in Indonesian and BILC in English). But afterward, the role of Bank Indonesia in assisting small scale businesses was indirect and more focused on technical assistance and institutional development.

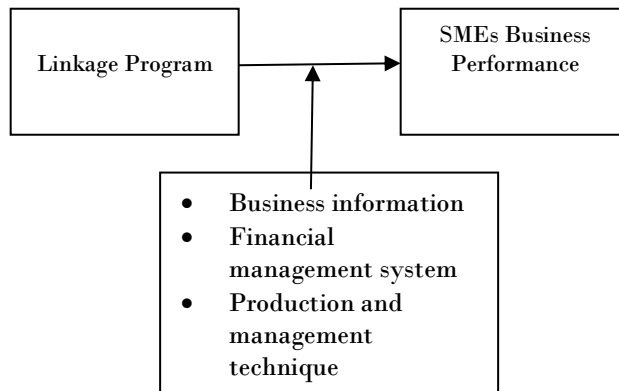
Credit managing program had been shifted to three state owned enterprises and banks appointed by the government, namely PT Bank Rakyat Indonesia (BRI), PT Bank Tabungan Negara (BTN), and PT Permodalan Nasional Madani (PNM). In this matter, PT BRI served as coordinator of the distribution of Farming Credit scheme, Cooperatives Credit and KKPA-TR. PT BTN played the role as coordinator of Simple House Ownership Credit and Very Simple House Credit Ownership distribution scheme. While PT Permodalan Nasional mandiri played the role as coordinator another credit scheme distribution. The shifting included the management of Bank Indonesia Liquidity Credit in existing and unmaturing program credit the credit which had been approved but not drawn yet. SME units are expected to provide employment for 97,24%.

Of course, in its progress, there were success and failure of the role of financing institution to develop SMEs. Based on the context above, the research questions formulated was "How is the role of linkage program of financing institutions to develop SMEs and what policies can support the development of SMEs in Ende?"

3. Model of Research

Running a business both in small and medium scale should be endorsed by a proper financial management system. It was sometimes less recognized by the agents of start up SMEs. Such condition was also encountered by SMEs in South Rewarangga Village. They still had messy and unwell-organized business management system. Good separation between personal and business finance had not been structured, yet. Such background of condition made SMEs in this village less able to develop their businesses.

Figure 1
Research Model



Source : developed for this study, 2016.

4. Purposes of Research

Two purposes of research were:

- a. analyzing the role capital venture financing institution in developing SMEs more deeply.
- b. providing the some appropriate recommendations for SMEs development.

5. Theoretical Basis

Definition of Small Scale Business

Small scale businesses are economic activities of the people in small-scale and meet the criteria of net worth or annual sales and ownership as regulated in this act: According to article 5, verse 1, criteria for small business are:

1. having a net worth of more than Rp. 50.000.000 up to a maximum level of Rp 500.000.000 not including land and buildings.
2. having annual sales of more than Rp300.000.000 up to a maximum level of Rp 2.500.000.000.
3. owned by Indonesian citizen.
4. being independent, not subsidiaries or branches of companies owned, controlled by, or affiliated directly or indirectly with medium enterprises or joint venture.
5. being individual business enterprises, business enterprises without legal standing, business enterprises wit legal standing and including cooperatives.

Some inherent or embedded characteristics of small scale business are:

- Generally, the type of products or commodities are not easily changed.
- Usually, its location to hold the business is settled.
- In general, financial administering process has been done although it is still in very simple form.
- There has been separation process between business finance and family finance. Business plan has also been settled.
- A business license and other legal requirements, including Tax Identification Number have been owned.
- The figure of business owner (employer or entrepreneur) has been endorsed by entrepreneurial capability.
- Some of them have been able to access to banks to get the loan for capital raising.

- The most have not been able to run good business management such as by making business plan. In this matter, we can present some examples of small scale business, such as:
- farming activity run by an individual land owner who hires some employees.
- a merchant in grocery market (or agency) and the other traders.
- craftsmen of food and beverage, furnitures, wood and rattan, home equipments, garment, and handycraft craftsmen.
- chickens, ducks, and fish farm.
- small-scale cooperatives.
- boarding house business.

Definition of Medium Scale Business

Referring to Presidential Instruction Number 10 of 1998, medium scale business is a productive enterprises with such criteria:

1. independent and it is run by the individual or business entity that is not a subsidiary or branch company owned, controlled, and affiliated with a large scale enterprises.
2. having a net worth of more than Rp. 500.000.000 up to a maximum level of Rp 10.000.000.000 including land and buildings.
3. achieving annual sales of more than Rp. 2.500.000.000 up to a maximum level of Rp. 50.000.000.000.

Some inherent or embedded characteristics of medium scale business are:

- Generally, better, more organized, and even more modern management and organization with a clear division of tasks among finance, marketing and production has been owned.
 - Having implemented financial management through accounting system regularly, so it can make it easier to be audited and to be assessed and so to be inspected including by banks.
 - Having obeyed the rules or managed labor organizations and so Social Security, health care, et cetera.
 - Having fulfilled all legal requirements such as neighbour permits, business licenses, spot permits, Tax Identification Number, environment management effort etcetera.
 - Usually, it has been able to access bank financing sources.
 - In general, well trained and well educated human resources have been owned.
- Bellow, we can present some examples of medium scale businesses. They are:
- medium scale farmland, farms, plantations, and forestry.
 - trading agency business (wholesale) including export and import agency.
 - sea cargo services, garment factory, and inter provincial taxi and bus transportation services .
 - food and beverage, electronics and metals industries.
 - mountain stone for construction and artificial marble mining.

SMEs are considered to be resilient to face the economic crisis. This statement was supported by the Central Statistics Bureau and Bank Indonesia reports (2014), which stated that at that period many SMEs in East Nusa Tenggara were even able to increase their contribution to the GDP from 39,80% to 59,40%. Despite they indicated the improvement, the existence of SMEs was not still able to separate itself from embedding classical problems and both of them were access to capital and business opportunities. For small and medium entrepreneurs, the accessibility to capital had been proved to be a major issue as presented in Table 2.

Table 2
Some Real Difficulties

No.	The Type of Difficulties	Small Scale Enterprises	Medium Scale Enterprises
1	Accesibility of capital	34,55%	44.05%
2	Raw material procurement	20,14%	12.22%
3	Marketing	31,70%	34.00%
4	Another diificulties	13,60 %	9,73%

Source : Central Statistics Bureau, 2013.

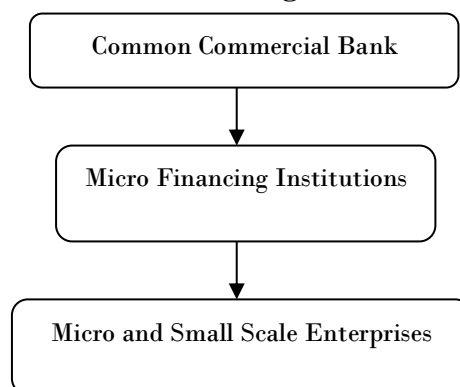
It was assumed by many parties that SMEs had no potential to funded by the formal financing institutions. Those business groupswerenot bankable because they did not have mortgage or collateral and they were assumed to have low level of loan repaying capability, low savings habits, and high transaction costs. Therefore, the low capability of accesibility of SMEs to formal financial sources was also including SMEs in Regency of Ende.

Linkage Program

Linkage program is a partnership program implemented by common banks to microfinancialinstitutions in financing to boost micro and small enterprises (MSEs) (Amalia, 2009).It is a partnership program in which the bank will finance micro enterprises indirectly. The pattern of funding is channeled through micro financialinstitutions (Hidayat, 2010). Indonesian Banking Architecture issued a generic model of linkage programs rules on its implementation between common commercial banks and microfinancialinstitutions to make the implementation of the program increasingly clear and focused. There were three schemes in implementing the linkage program. They were executing, channeling and joint financing.

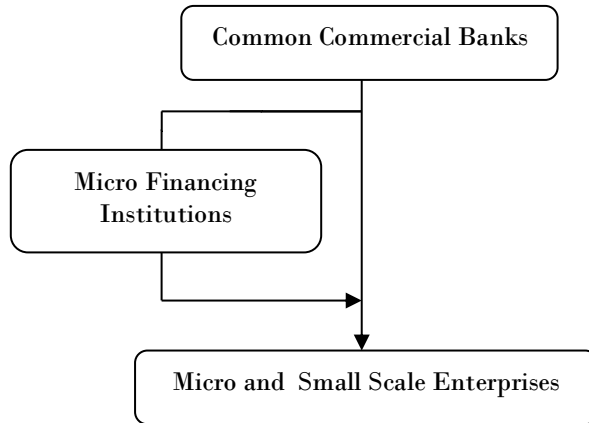
In executing pattern scheme, a conventional bank or shariate banks provided financing access to micro financialinstitutionsto be forwarded to the SMEs. A micro financial institutionwas given the authority to decide a potential partner that would receive financing facility and as a consequence the risks were also covered by the People Credit Bank, and it was also recorded as the financing access to micro financial institutions (Bank Indonesia, Generic Model of Linkage Program, p. 5).

Figure 2
Executing Pattern Scheme



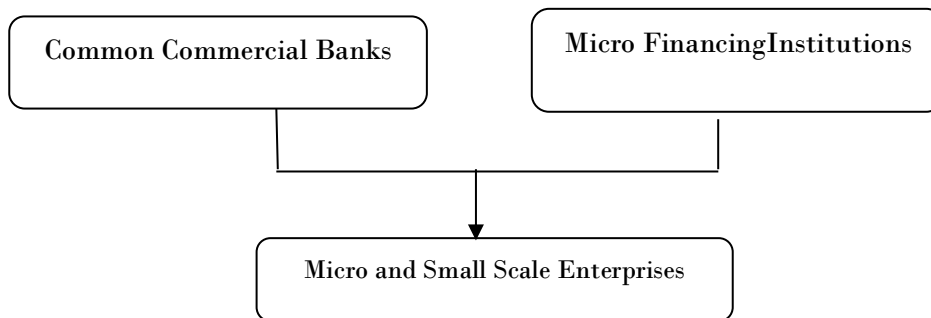
Through channeling pattern scheme, conventional banks and shariate banks provided direct financing to SMEs as the end user through micro financial institution that acts as a representative of the bank. In this pattern scheme, the risk is borne by the bank so micro financial institution does not have the authority to decide the financing unless after obtaining a letter of authorization from a common commercial bank and list in common commercial bank as financing access to SMEs while in micro financial institution it is recorded in off balance sheet.

Figure 3
Channeling Pattern Scheme



By joint financing pattern scheme conducted jointly by the common commercial banks, shariate banks, and micro financial institutions in financing SMEs where risks are shared by both parties according to their respective portions. So, the authority to decide is in a common commercial bank and micro financial institutions. In a common commercial bank, it is listed as financing access to SMEs while in a SME it was recorded in off balance sheet.

Figure 4
Joint Financing Pattern



Linkage program is a mutual joint program for all parties. For common commercial banks with limited network and infrastructure, they can reach micro and small scale enterprises that has proved their resilience of economic crisis with this program. Micro financial institutions with limited funds will be assisted very much. Thus, micro financial institutions can give financing access for micro and small enterprises which are generally difficult to get funding endorsement from common commercial banks

because they belong to unbankable business entities. From the description, we can prove a mutual relationship.

In order to implement linkage program in accordance with existing rules, there are some ethical codes to be obey by the institutions that run it. They are:

1. Shariate Common Commercial Banks (SCCB) or Shariate Business Units (SBU) which do cooperation with Shariate People Credit Bank (SPCB) are not allowed to take over the financing to their clients who are being financed through linkage program or still being existing clients.
2. For SPCB clients who have increased the grade (from micro customers into small customers) and required more funds, but the SPCB could not do it because of the constraints of the legal lending limit, then SCCB / SBU are allowed to finance refferred SPCB clients.
3. SCCB/SBU that implement linkage program with SPCB are not permitted to take over the human resources of SPCB.
4. SCCB/SBU must be transparent in providing and delivering information related with linkage program as long as it does not break existing rules (such as funding structure financial report and company profile).
5. For SCCB, one mortgage (collateral) is only permitted to be guaranteed to one financing partner, in this case SCCB or SBU.
6. SCCB or SBU are not permitted to use the data of financing clients and SPCB for any interests outside linkage program.
7. SCCB or SBU which implement linkage program in joint financing and channeling pattern scheme are not permitted to burden the clients or customers with higher profit sharing margin or ratio than market price for SMEs business sectors that are financed.
8. SCCB or SBU ththat are implementing linkage program are not permitted to ask SPCB audit report released by Bank Indonesia.
9. SPCB that are joining link program must maintain the financial health.
10. Any violation of ethical codes done by SCCB or SBU or SPCB are going to be reported to Bank Indonesia by those who are aggrieved.

6. Methods of Research

The method applied was descriptive-comparative method. Two approaches were applied, namely (1) literature (desk study) and (2) field survey through interview and observation.

The types of data collected consisted of primary data and secondary data. Primary data were obtained from direct interview with respondents and field observation. Sources of secondary data were obtained from the literature study and documentary review. The location of research was eastern part of Regency of Ende.

Data Collection and Samples

In this study, the number of sample elements of the population was determined by Slovin formula. It was based on the consideration of exact number of population. Total population of SMEs in Regency of Ende were 817 (Central Statistics Bureau of Regency of Ende, 2013) and 10% estimated error margin by researchers. The number of samples was calculated with following steps (Slovin, 2008):

$$n = \frac{N}{1 + (N \times e^2)}$$

where:

n = number of samples

N = number of population

e = margin of error

therefore, the number of samples was

$$n = \frac{817}{1+(817 \times (0,10)^2)} = \frac{817}{9,17} = 89,09$$

and it was evenized to 100.

7. Results of Study

After ten days process of data collecting in eastern part of Regency of Ende, the results were obtained. Most respondents were SMEs with the business of convenience store that was equal to 50% of the total respondents, 26% among them was the business of boarding houses or home stay, while the rest were another types of businesses. In detail, the type of business done by the respondents could be viewed in the table below.

Table 3
Type of SMEs

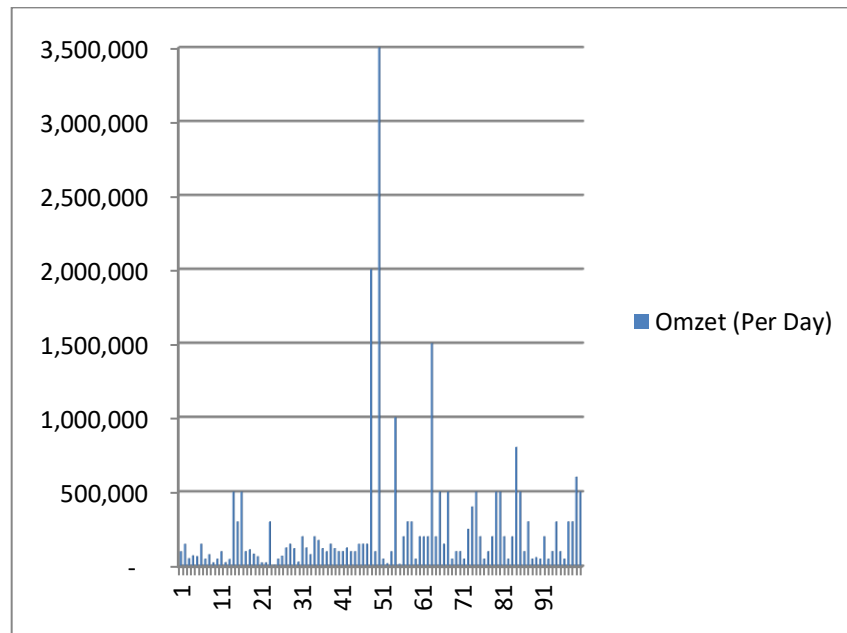
Type of SMEs	Amount	percentage
Convenience Store	50	50%
Boarding House or Home Stay	26	26%
Vegetables Store	2	2%
Chicken Meat Store	4	4%
Automotive maintenace Service	1	1%
Gasoline Store	1	1%
Internet Cafe	3	3%
Tailor Service	2	2%
Restaurant	3	3%
Tire Repair	1	1%
Cellular Phone Account (Pulse) Kiosk	5	5%
Beauty Salon	1	1%
Ticketing	1	1%
	100	1%

Source : table 1 below.

The number most number and proportion of SMEs in convenience store was caused by its prospect and its quick yielding characteristics. But, simply, the agents of the business should be ready to face the possibility of loss when the goods or commodities sold were not salable. In addition, a convenient goods trader did not require large number of capital as well as another types of businesses such as business of boarding house.

Most respondents (50%) occupied over Rp. 3.5 million of gross sales per month. It was owned by the respondents of concenient goods or nine main stuffs traders. The average gross sales the respondents could get would be viewd in the picture below.

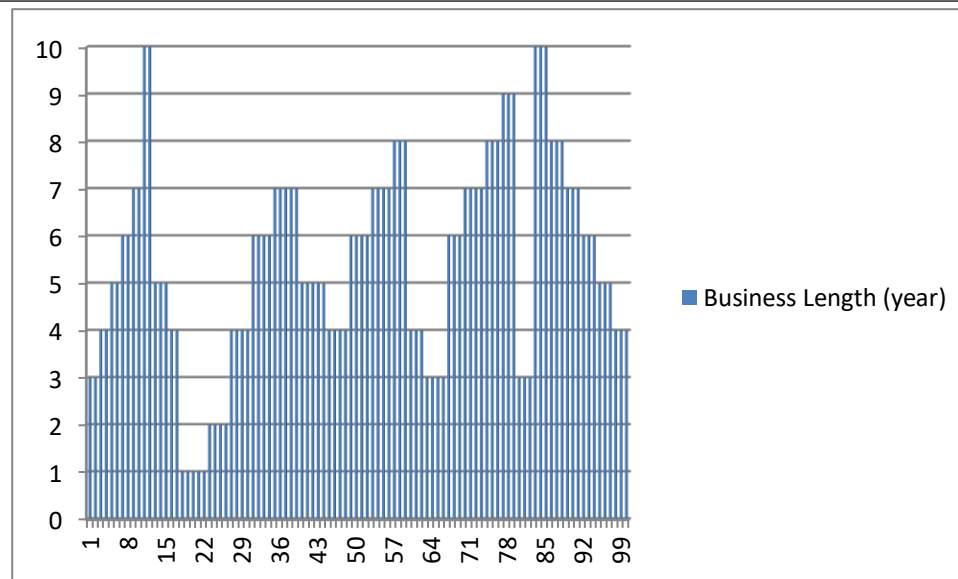
Figure 5
Respondents Gross Sales Per Day



Source : table 1 below.

Not only gross sales of more than Rp. 10 million per month, 68% of respondents had done the business more than 6 years and only 7% of respondents who were in start up process. Although most respondents had run their business for more than 6 years, but it did not mean that they started a business from beginning. Some respondents explained that their present business is proceeding from the parents. In addition to proceeding business, the business done right now could also be a development of the previous or parental business. Details of respondents business duration could be viewed in the image below.

Figure 6
Business Period Length (Year)



Source : Table 1 below

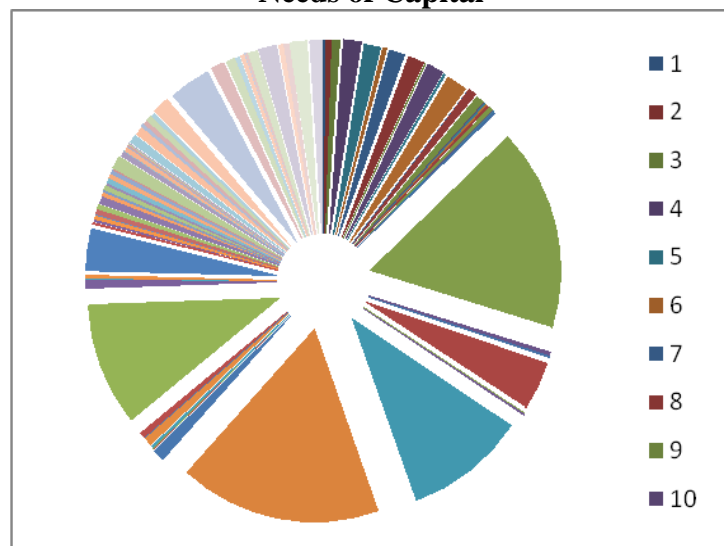
Although they had already done the business for over 6 years, nearly 90% of respondents did not have employees to do it. Most respondents preferred to employ the family members in running the business. Besides being more efficient, utilization of family members also made a sense of security when the respondent left the business for a while for another purposes. While 10% of respondents employed less than 10 employees. This type of business did not allow the respondent not to have employees, such as grocery stores or convenience goods groceries, internet cafes, and businesses of boarding house.

In running the business, the capital was something decisive and so initially urged for SMEs in selecting and running the business. The amount of capital needed was various and it depended on the type of business run. The greater and more complex the business, the greater capital required.

7.1 General Description of Micro, Small and Medium Scale Enterprises Financing in Ende

This section described the financing access which had been used by SMEs to fulfill the required capital. Based on the research, the majority of SMEs who had been respondents needed less than Rp. 50 million of funds. In fact, 46% of respondents require capital of less than Rp. 10 million. Total capital number requirement could be seen in the image below.

Figure 7
Needs of Capital



Source : Table 1 below

Fund sources to fulfill those needs was various. There were among them used 100% of their own capital. There also were among them used partly their own capital and partly used loan to run the business. There were various sources of loans, such as family or relatives, friends, and financial institutions. Usually, when they were starting business, SMEs used their own capital and loans from the nearest person (such as family or relatives or friends). After the business was starting to grow and develop, SMEs will then found the loan to financial institutions to get the more loan.

Based on the picture below, it could be viewed that the respondents tended to utilize their own capital and the loans from financial institutions. Respondents who utilized their own capital were 70% among them and 30% among them used the loans from financing institution. The loans capital was a combination of equity and the loans from financing institutions or loans lended by family and financial institutions.

Table 4
Funding Sources

Type of Capital	SMEs
Owner's equity	70
Debt capital	30
	100

Source : Table 1 below.

Based on the data collected from field survey, it could be identified that the ease of access to loans was priority in choosing a financial institution as business partner. There was difference in characteristics among SMEs in trading sector and SMEs in other sectors. Traders could get daily revenue, so if they left the place too long or too often, the loss would be borne. Therefore, for the SME in trading sector, the ease of access to loans became the important thing.

The second reason was the low interest rate. Although the access to loans was easy but higher interest rates made SMEs not to choose the financial institution. But, there were also SMEs that were not too concerned about the high interest rates because their confidence of ability to pay.

The third reason was that the procedure was not complicated. Similar to the first reason, for the traders time was money. The complicated and long procedure caused SMEs to lose the opportunity to get profit.

Although only 12% among them who proposed this reason, but sometimes this reason was inhibiting SMEs not to obtain financing access from financial institutions. The fourth reason was the matter of collateral. Almost all financial institutions was always requiring real collateral in the form of fixed assets. For start up SMEs, when they were trying to start the business and the capital was not owned, it was number one reason for SMEs to chose a financial institution.

Basically, collateral became a guarantor for the financing institutions as well as it was the media for SMEs to conduct their business properly. The existence of collateral made SMEs were always trying to keep his business run. Therefore, they could make the repayments with interest and eventually they got their collateral back.

Without collateral, they often perform the less sense of responsibility caused by absence of material responsibility. It often caused the many cases of bad debts because their inability or even their refusal to pay. Based on the answers obtained from respondents, mostly SMEs argued that there were collateral to be submitted to financial institutions. Respondents who submitted collateral were the respondents who borrowed the loans from banks and non bank financial institution. While the respondents who had no collateral were the respondents who borrowed the loans from cooperatives, NGOs, banks, non banks financial institutions, and individuals.

7.2 The Role of Linkage Program of As Financing Source Alternative

The role of financial institutions through the linkage program as an alternative source of funding was explained by some descriptions below :

- 1) Generally, sources of capital owned by SME consisted of two sources, namely equity and loans. Microfinancial institutions were able to meet the shortage of capital needed by SMEs. Micro financial institutions were able to provide the great number of loans in maximum limit (ceiling) with regarding to the principle of 5C. Even, for certain cases, financial institutions just observed the principles of 3C, Character, Capability and Collateral.
- 2) Ease of access and uncomplicated procedure. Time is money! It was the slogan of the people or SMEs in the trading sector that relied on the income from daily sales. Ease of access with clear procedures could help SMEs to obtain additional capital that was required. For some cases, SMEs did not need to come to the office because there were sales persons of financial institutions who handled it. While for the processing time, some financial institutions implemented the concept of maximal time of three working days from completeness of files required to propose the loans.
- 3) High interest rate or profit sharing was two things feared by SMEs to obtain financing access. Some financial institutions offer competitive interest rates or profit sharing systems. Interest rate or profit sharing system were expected not to burden SMEs in making payment. For SMEs that were just starting their business, there were people's enterprises credit with low interest rates. But because the low lending limit, there were only few SMEs that utilized it and they preferred to utilize another business credit.
- 4) Flexible Payment System as an innovations was also the significant role of financial institutions to develop SMEs. Daily pick up system applied for the traders in the market was proved to be able to give benefits for both parties. For financial institutions, this system could reduce the amount of non-

performing loans because it was able to ensure the availability of funds to pay the mortgage at the end of month. For SMEs, the daily withdrawal system would ease mortgage repayments and it could also reduce time to make the payment.

- 5) Flexible Payment System as an innovations was also the significant role of financial institutions to develop SMEs. Daily pick up system applied for the traders in the market was proved to be able to give benefits for both parties. For financial institutions, this system could reduce the amount of non-performing loans because it was able to ensure the availability of funds to pay the mortgage at the end of month. For SMEs, the daily withdrawal system would ease mortgage repayments and it could also reduce time to make the payment.

7.3 The Role of Micro Financing Institution to Develop Micro, Small and Medium Scale Enterprises

The second role of micro financing institutions to develop SMEs was as a facilitator. This role required financial institutions to play an active role to accommodate and provide assistance for SMEs in implementing and developing their business. Analysis of the role was divided into three parts, namely the role as a managerial facilitator, marketing facilitator and financial management facilitator.

The financial institutions were not expected to only revolve the funds but they were also expected to provide technical assistance to SMEs in three aspects above. With the technical assistance, many SMEs were expected to be able to run and develop their business in better way and condition.

The role of microfinancing institutions as managerial facilitators was to measure the extent to which financing institutions provide managerial technical assistance such as business licenses acquiring, credit arrangements, human resources management, information technology use training, creating better business management, and assisting business plan creation. Based on the results of the study, all respondents already owned business license. In one side, it indicated that SMEs in Regency of Ende had already been aware of the importance of a business license.

In addition to business license acquiring, microfinancing institutions were also expected to give some trainings as managerial technical assistance. Some trainings provided were related to human resources management and information technology use. They were required very much by SMEs in expanding the market. According to the table below, it was shown that 98.3% of respondents did not receive training in human resources management. It was consistent with the characteristics description of the respondent above. It stated that the majority of SMEs did not have the employees. Therefore, human resources management training was not considered as too important thing.

8. Conclusions

Based on the analysis formulated from the study, some important roles of financing institutions to develop SMEs were explained through following descriptions:

- a. Currently, access to financing for SMEs was obtained more from common commercial banks than another financing institutions such as cooperatives and non-bank financial institutions. The competition among financial institutions made non bank financial institutions that were less popular decreased the number of debtors. Nevertheless, the market share of SMEs for financing institutions was still very pervasive.
- b. Nonbank financial institutions was still facing some constraints to get information about prospective debtors. It was useful to avoid overlapping loans distribution that would lead to difficulties of payment.

- c. In credit or loans payment, financing institutions had done innovation in billing system. Currently, these financing institutions were more aggressive to approach SMEs. Billing system which was initially monthly was converted into daily billing system for trading sector. Proactive billing system in term of one on one on the spot visit was currently done by financial institutions, both banks and non banks financial institutions.
- d. Daily billing system helped SMEs to save the time and effort and it also prevented SMEs from the potential non-performing loans or bad credit emergence. The system also enabled financing institutions to implement business close monitoring and to provide guidance on how to manage business and financial resources personally.
- e. Daily billing systems also made SMEs think that the amount installment and interest rate or profit sharing system implemented by financial institutions lighter. Thus, SMEs did not face difficulty in making payment. This condition caused the level of non performing loans lower.
- f. Financing institutions also played a role to give guidance to SMEs to develop the business such as endorsing promotion through participation in the exhibition, providing business development consultancy, and facilitating better business place acquisition.
- g. Coaching performed by financing institutions often got rejection from SMEs with argument of time and hassle. Many SMEs preferred to get coaching in book keeping. They had implemented book keeping independently although it was often neglected and messy.
- h. For SMEs that obtain financing, some of them were rapidly developed. It was measured from business expansion, the addition of both business and personal assets, and life style. But there were also among them that were not developed or even declined.
- i. The decline in SMEs business was caused by two problems. They were mismanagement and less favorable economic conditions. The decline in business caused by mismanagement was the use of capital for personal needs such as doing pilgrimage to be haj, buying consumptive assets, and financing education for their daughters and sons.

Three major constraints were still faced by financing institutions to perform a more significant role to develop SMEs. They were :

1. the difficulty in assessing feasible and bankable SMEs for provision of credit.
2. the low interest of SMEs on development efforts undertaken by financial institutions.
3. Most SMEs had not implemented good and right separation between personal and business finance.

9. Recommendations

Based on this study, some important recommendations were proposed. They were:

1. Caused by significance and importance role of financing institution as alternative source of financing in developing SMEs, especially in trading sectors, the right socialization program the existence both bank and non bank financing institution (especially cooperatives) should be done.
2. In addition, financing institutions that did not have business core in micro scale business could implement linkage and channeling pattern scheme with another financing institutions.
3. Integrated debtors information system among banks and non bank financing institutions to prevent recurrent unimportant financing on the same SMEs and it was able to cause difficulty in payments should be created.

4. The establishment of partnerships program among central and local government and financing institutions in providing technical assistance to SMEs to do more integrated coaching should be done.
5. The policy requiring SMEs to joint the coaching provided by financing institutions and to submit financial reports periodically was needed. It should be done to reduce distortion in utilization of loans given by financing institutions.

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Attachment

Table 1
 SMEs in District of Ende, 2013

No	Nama UKM	Ijin Usaha	Nama Pemilik	Desa /Kelurahan	Sektor Usaha	Modal Awal	Skala Usaha	Sumber Pendanaan	Omset Per Hari
1	Kios Ibu Meti	Ada	Ibu Meti Bere	Rewarangga Selatan	Barang	1,000,000.00	Kecil	Sendiri	100,000.00
2	Kios Sembako	Ada	Dominikus Nua	Rewarangga Selatan	Barang	6,000,000.00	Kecil	Sendiri	150,000.00
3	Kost Putri Dua Bersaudara	Ada	Kornelis Wowo	Rewarangga Selatan	Jasa	10,000,000.00	Kecil	Sendiri	53,000.00
4	Kost Emedy Da Lopez	Ada	Paulus Pande	Rewarangga Selatan	Jasa	21,000,000.00	Kecil	Sendiri	72,000.00
5	Kost Baru	Ada	Bernardus doi	Rewarangga Selatan	Jasa	20,000,000.00	Kecil	Sendiri	66,666.00
6	Kios	Ada	Ignatius Jentin	Rewarangga Selatan	Barang	5,000,000.00	Kecil	Pinjaman	150,000.00
7	Kost Tanco	Ada	Anselmus	Rewarangga Selatan	Jasa	20,000,000.00	Kecil	Pinjaman	50,000.00
8	Kost Putri Pondok Theresia	Ada	Theresia R. Ratu	Rewarangga Selatan	Jasa	20,000,000.00	Kecil	Sendiri	79,166.00
9	Kios Sayur dan Minyak Tanah Eceran	Ada	Sabino Babo	Rewarangga Selatan	Barang	300,000.00	Mikro	Pinjaman	25,000.00
10	Kost Tanco 2	Ada	Anselmus	Rewarangga Selatan	Jasa	20,000,000.00	Kecil	Pinjaman	50,000.00
11	Kios Tanco	Ada	Anselmus	Rewarangga Selatan	Barang	3,000,000.00	Kecil	Sendiri	100,000.00
12	Kost Putri Trinitas	Ada	Alfonsius Geru	Rewarangga Selatan	Jasa	25,000,000.00	Kecil	Sendiri	26,000.00
13	Kost Gloria	Ada	Nur Doko	Rewarangga Selatan	Jasa	-	-	-	48,000.00
14	Ayam Potong	Ada	Moses M. Wali	Rewarangga Selatan	Barang	10,000,000.00	Kecil	Pinjaman	500,000.00
15	Ayam Pedaging	Ada	Stanislaus Wawo	Rewarangga Selatan	Barang	10,000,000.00	Kecil	Pinjaman	300,000.00
16	Ayam Potong	Ada	Elisabeth Dhiu	Rewarangga Selatan	Barang	1,000,000.00	Mikro	Pinjaman	500,000.00
17	Ayam Potong	Ada	Veronika Seno	Rewarangga Selatan	Barang	2,500,000.00	Kecil	Sendiri	100,000.00
18	Kost Putra	Ada	Edel Wara	Rewarangga Selatan	Jasa	2,000,000.00	Kecil	Sendiri	113,000.00
19	Kost Fatima	Ada	Veronika	Rewarangga Selatan	Jasa		Kecil		83,000.00
20	Bali Kost	Ada	Benediktus Kaju	Rewarangga Selatan	Jasa	1,000,000.00	Kecil	Sendiri	66,000.00
21	Bengkel Motor	Ada	Ignatius Ben Bao	Rewarangga Selatan	Jasa	6,000,000.00	Kecil	Pinjaman	25,000.00
22	Penjual Bensin	Ada	Wilhelmus Wale	Rewarangga Selatan	Barang	200,000.00	Kecil	Sendiri	25,000.00
23	Kios	Ada	Nikolaus Ratu	Rewarangga Selatan	Barang	500,000.00	Kecil	Pinjaman	300,000.00
24	Kost	Ada	Sahara	Rewarangga Selatan	Jasa		Kecil	Sendiri	10,000.00
25	Kios	Ada	Anastasia Rita	Rewarangga Selatan	Barang	3,000,000.00	Kecil	Sendiri	50,000.00
26	Kost	Ada	Ignatius Jenti	Rewarangga Selatan	Jasa		Kecil	Sendiri	70,000.00
27	Kost	Ada	Aprilianus P.Edo	Rewarangga Selatan	Jasa	250,000,000.00	Menengah	Pinjaman	125,000.00

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No	Nama UKM	Ijin Usaha	Nama Pemilik	Desa /Kelurahan	Sektor Usaha	Modal Awal	Skala Usaha	Sumber Pendanaan	Omset Per Hari
28	Kios	Ada	Lukas Linu	Rewarangga Selatan	Jasa	2,500,000.00	Mikro	Pinjaman	150,000.00
29	Kost	Ada	Petrus Kheo	Rewarangga Selatan	Jasa	50,000.00	Menengah	Sendiri	120,000.00
30	Kios	Ada	Sinta Wonga	Rewarangga Selatan	Barang	250,000.00	Mikro	Sendiri	30,000.00
31	Kios	Ada	Langi Saleh	Rewarangga Selatan	Barang	1,000,000.00	Menengah	Sendiri	200,000.00
32	Kost	Ada	Nosi Antonius	Rewarangga Selatan	Jasa	60,000,000.00	Menengah	Pinjaman	125,000.00
33	Kost	Ada	Marselinus Musa	Rewarangga Selatan	Jasa	1,000,000.00	Kecil	Sendiri	80,000.00
34	Kios	Ada	Marselinus Musa	Rewarangga Selatan	Barang	400,000.00	Kecil	Pinjaman	200,000.00
35	Kost	Ada	Ambrosius Gosi	Rewarangga Selatan	Jasa	150,000,000.00	Menengah	Pinjaman	175,000.00
36	Tanco 2 Kost	Ada	Anselmus	Rewarangga Selatan	Jasa	250,000,000.00	Menengah	Pinjaman	120,000.00
37	Tanco 3 Kost	Ada	Anselmus	Rewarangga Selatan	Jasa	15,000,000.00	Kecil	Sendiri	100,000.00
38	Kios Tacno	Ada	Anselmus	Rewarangga Selatan	Barang	500,000.00	Kecil	Sendiri	150,000.00
39	Injelsy Kost	Ada	Siprianus Rua	Rewarangga Selatan	Jasa	200,000.00	Mikro	Sendiri	120,000.00
40	Injelsy Kios	Ada	Siprianus Rua	Rewarangga Selatan	Barang	1,000,000.00	Kecil	Sendiri	100,000.00
41	Kos-kosan	Ada	Frasidius Tame	Rewarangga Selatan	Jasa	2,000,000.00	Mikro	Sendiri	100,000.00
42	Omel Kos	Ada	Benediktus	Rewarangga Selatan	Jasa	10,000,000.00	Kecil	Pinjaman	125,000.00
43	Omel Kios	Ada	Benediktus	Rewarangga Selatan	Barang	300,000.00	Mikro	Sendiri	100,000.00
44	Kos-Kosan	Ada	Yohanes Gare	Rewarangga Selatan	Jasa	7,000,000.00	Kecil	Sendiri	100,000.00
45	Solata Kos	Ada	Yosef Labe	Rewarangga Selatan	Jasa	150,000,000.00	Menengah	Sendiri	150,000.00
46	Solata Kios	Ada	Yosef Labe	Rewarangga Selatan	Barang	10,000,000.00	Menengah	Pinjaman	150,000.00
47	Kios	Ada	Yohanes Mema	Rewarangga Selatan	Barang	2,000,000.00	Mikro	Pinjaman	150,000.00
48	Kios Ronavel	Ada	Frans Kesu	Rewarangga Selatan	Barang	3,000,000.00	Menengah	Pinjaman	2,000,000.00
49	Garmano Gerbang Kasih Net	Ada	Herinumus Pala	Rewarangga Selatan	Jasa	50,000,000.00	Menengah	Pinjaman	100,000.00
50	Ewrit Taylor	Ada	M Nonasina	Rewarangga Selatan	Jasa	2,500,000.00	Menengah	Sendiri	3,500,000.00
51	Ratebata 2	Ada	Petrus Ru'a	Mautapaga	Barang	300,000.00	Mikro	Sendiri	50,000.00
52	Kios Om Said	Ada	Muhamad Said	Mautapaga	Barang	2,000,000.00	Kecil	Pinjaman	20,000.00
53	Kios Jia Ija	Ada	Muhamad H M Kasim	Mautapaga	Barang	1,300,000.00	Mikro	Sendiri	100,000.00
54	Kios Rizky	Ada	Wely Wae	Mautapaga	Barang	3,000,000.00	Kecil	Sendiri	1,000,000.00
55	Kios Om Yohanes	Ada	Yohanes Nggano	Mautapaga	Barang	500,000.00	Mikro	Sendiri	15,000.00
56	Kios	Ada	Sum Pala	Mautapaga	Barang	5,000,000.00		Pinjaman	200,000.00
57	Kios Teddy	Ada	Tinus	Mautapaga	Barang	5,000,000.00		Sendiri	300,000.00
58	Kios Warnet	Ada	Mutalis	Mautapaga	Barang	8,000,000.00		Sendiri	300,000.00
59	Kios	Ada	Ashar Humry	Mautapaga	Barang	1,000,000.00		Sendiri	50,000.00

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60	Kios Ria Jaya	Ada	Petrus Mbusu	Mautapaga	Barang	5,000,000.00	Kecil	Sendiri	200,000.00
61	Kios Jamaludin	Ada	Jamaludin Pua	Mautapaga	Barang	1,000,000.00	Kecil	Sendiri	200,000.00
62	Anggrek Station	Ada	Gregorius Benedjata	Mautapaga	Jasa	600,000.00	Kecil	Sendiri	200,000.00
63	Kios Milano	Ada	Veneranda	Mautapaga	Barang	5,000,000.00	Kecil	Sendiri	1,500,000.00
64	RM Sedap Nusa	Ada	Sumardin	Mautapaga	Barang	1,000,000.00	Mikro	Sendiri	200,000.00
65	Sahara Kios	Ada	Munir Ambu Waru	Mautapaga	Barang	5,000,000.00	Kecil	Sendiri	500,000.00
66	UD Amasel Jaya	Ada	Fabianus Rai	Mautapaga	Barang	5,000,000.00	Kecil	Sendiri	150,000.00
67	Kios Kuncoro	Ada	Siti Maryam	Mautapaga	Barang	5,000,000.00	Kecil	Sendiri	500,000.00
68	Kios Salma	Ada	Salma Dadi Timanga	Mautapaga	Barang	500,000.00	Kecil	Sendiri	50,000.00
69	Tambal Ban Aduh Nasib	Ada	Paulinus Waja	Mautapaga	Jasa	15,000,000.00		Pinjaman	100,000.00
70	Kios	Ada	Hironema Benge	Mautapaga	Barang	5,000,000.00		Pinjaman	100,000.00
71	Kios	Ada	Fidelis Toda	Mautapaga	Barang	500,000.00	Kecil	Sendiri	50,000.00
72	Kios Juwita	Ada	Nuroktaviani	Mautapaga	Barang	5,000,000.00	Kecil	Sendiri	250,000.00
73	Enda Cell	Ada	Lili	Mautapaga	Barang	1,000,000.00	Mikro	Sendiri	400,000.00
74	Erik	Ada	Erik	Mautapaga	Barang	2,000,000.00	Mikro	Sendiri	500,000.00
75	Petrus Dama	Ada	Petrus Dama	Mautapaga	Barang	1,000,000.00	Mikro	Sendiri	200,000.00
76	Nurhayati Warkop	Ada	Nurhayati	Mautapaga	Barang	500,000.00	Kecil	Sendiri	50,000.00
77	Teti Taylor	Ada	Kresensia Sepe	Mautapaga	Jasa	10,000,000.00		Sendiri	100,000.00
78	Salon Yudith	Ada	Yudith Setiawan	Mautapaga	Jasa	10,000,000.00		Sendiri	200,000.00
79	Dutha Cell	Ada	Joko Sugeng	Mautapaga	Barang	3,000,000.00		Sendiri	500,000.00
80	Warung Barokah	Ada	Siti Juariah	Mautapaga	Jasa	5,000,000.00	Mikro	Sendiri	500,000.00
81	Nurhayati Kios	Ada	Nurhayati	Mautapaga	Barang	5,000,000.00	Kecil	Pinjaman	200,000.00
82	Kios Juwahid	Ada	Juwahid	Mautapaga	Barang	500,000.00	Kecil	Sendiri	50,000.00
83	Kios Saida	Ada	Saida Heder	Mautapaga	Barang	5,000,000.00	Kecil	Pinjaman	200,000.00
84	Jenny Wani	Ada		Mautapaga	Barang	20,000,000.00		Sendiri	800,000.00
85	Zahrah	Ada	Marlin		Jasa	50,000,000.00		Pinjaman	500,000.00
86	Jons Lohpmly	Ada	Sigit		Jasa	15,000,000.00		Pinjaman	100,000.00
87	Sumber UNP	Ada	Suwahyo		Jasa	10,000,000.00		Pinjaman	300,000.00
88	Mama Lin Kios	Ada	Theresia Beda	Mautapaga	Barang	50,000.00	Mikro	Sendiri	50,000.00
89	Vanisel Kios	Ada	Marselus Mite	Mautapaga	Barang	5,000,000.00	Kecil	Sendiri	60,000.00
90	Lima E Kios	Ada	Veronika	Mautapaga	Barang	5,000,000.00	Kecil	Sendiri	50,000.00
91	Bali Kos Kios	Ada	Kletus Wake Godhi	Mautapaga	Barang	1,000,000.00		Sendiri	200,000.00
92	Kios Felis Sabu	Ada	Felis Sabu	Mautapaga	Barang	1,000,000.00	Mikro	Sendiri	50,000.00
93	UKM Pelita	Ada	Yayasan Tana Nua	Mautapaga	Barang	12,000,000.00	Menengah	Sendiri	100,000.00
94	Kios Dewa Dewi	Ada	Ibu Rahayu	Mautapaga	Barang	20,000,000.00	Menengah	Sendiri	300,000.00
95	Heldi	Ada	Arif	Mautapaga	Barang	500,000.00	Mikro	Sendiri	100,000.00

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96	Kios Abdullah	Ada	Abdullah	Mautapaga	Barang	5,000,000.00	Mikro	Sendiri	50,000.00
97	Kios Nabila	Ada	Muhamad Husni	Mautapaga	Barang	400,000.00	Mikro	Sendiri	300,000.00
98	Kios Pedrosa	Ada	Maximus Mujur	Mautapaga	Barang	5,000,000.00	Kecil	Sendiri	300,000.00
99	Sri Rahayu	Ada	Sri Rahayu	Mautapaga	Barang	20,000,000.00	Menengah	Sendiri	600,000.00
100	Fatima Kios	Ada	Ade Irma	Mautapaga	Barang	15,000,000.00	Menengah	Sendiri	500,000.00
101	Surya Mekar Kios	Ada	Yohanes Taek	Mautapaga	Barang	10,000,000.00	Kecil	Sendiri	300,000.00
102	Aldi Kios	Ada	Jubaidah	Mautapaga	Barang	5,000,000.00	Kecil	Sendiri	700,000.00

Sumber : BPS, District of Ende, 2013