

**EFFECTIVENESS MODEL ANALYSIS OF FINANCIAL INSTITUTIONS  
MICRO TO IMPROVE THE WELFARE SOUTH JAKARTA DISTRICT COMMUNITY  
Kalibata**

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**INTRODUCTION**

**1.1. Background and Problems**

Based on statistical data BPS 2009, 32.5 million people (about 15% of the total community) are below the poverty line. The statement prompted the government to set more growth strategy, with further growth expected to help overcome the challenges of social and community well-being, such as job creation, income growth, poverty reduction, and others.

Judging from the structure of the business in Indonesia, more than 99% are micro businesses, so it can be said that all this effort that supports micro Indonesian economy. Most micro is a family business or individual small scale in a limited area of work. Venture capital they generally rely on informal financing, in the form of loans from family members, relatives, acquaintances or community, while the formal form *kepembiayaan* access bank loans and other financial institutions is very limited, so that the poor people who establish new businesses in order to improve the well-being have difficulty to obtain sufficient working capital on an ongoing basis. See it, the government put attention on microfinance is estimated as an effective instrument in reducing poverty.

In Indonesia, there are a variety of Micro Finance institutions, ranging from the Community Board, Non-profit microfinance unit until *diperbankkan*. But most are informal Micro Financial Institution that is not a legal basis in providing micro finance services and not under the supervision of the regulator. Most of the micro financial institution does not have a policy setting to collect funds from the public effort in the form of savings and savings and loan arrangements *penyalurannya* through. Microfinance services is considered as one of the key strategies in the prevention of poverty, and the benefits of micro-finance services in poor communities improve your status *kkehidupan* been expressed by many studies in various Countries. But the poor are not a homogenous community, and strategies as well as the form of microfinance services continuously evolving line of thought and understanding of the development of the poor.

Poverty is still a major problem in DKI Jakarta because of the high proportion of poor people and low employment opportunities led to a high unemployment rate in Jakarta. Various efforts to reduce poverty and unemployment reduction has been carried out, including through the provision of microfinance services for micro enterprises. Various analytical ability to recognize the limitations of microfinance in alleviating the poor, especially the poorest. In addition, local conditions and design of microfinance services also greatly affect its success in helping to overcome poverty.

Under these conditions, the researchers interested in conducting research in finding the right model for the informal microfinance institutions that do not have a legal entity in managing the fund, so it can have a legal entity with management based on legal concepts and management of targeted and appropriate. So as to improve the welfare of the poor and poverty reduction objectives achieved and a decrease in the unemployment rate, especially in the area of Jakarta. Based on the background that is the problem then it can be summarized as follows:

- a. How the condition of the poor and micro businesses in the region Rawajati villages, districts Pancoran in South Jakarta.
- b. Clarifications anything faced by poor communities diwilayah Rawajati villages, districts Pancoran in South Jakarta.
- c. How to model the Micro Financial Institution for the poor and what influences the Micro Financial Institution service.

## **LITERATURE REVIEW**

### **2.1. Models Empowerment of the Poor**

#### **2.1.1. Model Intensive Program Agribusiness (Train dispatcher).**

The model is more consumptive relief for labor workers, but nevertheless at the same time to encourage the emergence of wirausaha–ha-small entrepreneurs in rural areas. This model of partnership between the nature of labor in the countryside with a merchant / agribusiness entrepreneurs

#### **2.1.2. Model Development Group Productive Small Fishermen**

One of the serious obstacles in the effort to eradicate poor fishermen is due to high consumer behavior. Changing behavior towards a more productive requires perseverance and continuous efforts.

#### **2.1.3. Model SPAKU-ponpes**

Model Commodities Agribusiness Development Center (plants) which involves boarding school as a "Change Agent". The farmer groups to form CUBA (Group Joint Agribusiness) so that farming money dilakukan–nya achieve scale economies.

#### **2.1.4. Model SPAKU-ponpes**

Several kinds of models and systems to support revolving livestock has been known in the rural areas, particularly those involving cattle or cow kereman.

#### **2.1.5. Agroindustrial Cooperative Model (KOPAGI)**

It promotes the cooperative nggotanya to form a joint venture group of agro-industry (especially the processing of agricultural products) to take advantage of cheap credit to the members of the cooperative (creditor). In the development and innovation management teknolo–gi, KOPAGI cooperation with institutions / agencies like BLKI, R & D, universities, government offices / agencies implementing technical TRAINING for members. In terms of marketing KPOAGI into cooperation with the merchants, and shopping centers such as Waserda, SUPERMARKET, Kiosks, and others.

#### **2.1.6. Models of Financial Institutions for the Poor (LKOM)**

The financial institutions provide loans for poor people who already have a business in the non-production pertani-an, aims to encourage businesses based field without interfering much effort involved. Financial institution aims to provide easy credit services, although not TOO cheap, with the direction desired by the customer usage. MODEL This hypothesis is in principle (a) poor people are usually honest, (b) with easy service, tailored to the conditions and needs of the customers - they would be willing to repay the loan, (c) service of the poor credit membu-tuhkan cost per unit quite high.

#### **2.1.7. Model LAZIS (Charity, Zakat, Donation sodaqoh)**

#### **2.1.8. Model Assistance Competitive Grant.**

The model grants more consumptive or to human resource investments, long-term impact (education or health).

#### **2.1.9. Model penanggulangan Urban Poverty Program (P2KP)**

Urban poverty reduction programs more emphasis on increasing revenue seats the community with the community as the main perpetrator through active participation. Through this active participation of the poor as a target group not only be an object based program, but take part determine the most suitable program for them. They decide, run, and evaluate the results of the implementation of the program, whether to continue or stop, will depend on the determination and commitment of the people themselves.

### **2.2. Microfinance Institutions (Microfinance)**

Until recently, microfinance services is considered as one of the key strategies in poverty reduction, and the benefits of microfinance services in improving the lives of poor people has been expressed by many studies in various countries. But the poor are not a homogenous community, and strategies as well as the form of microfinance services continuously evolve in line with the development of thinking and understanding of the poor (Matin, Hulme and Rutherford, 4).

In the provision of subsidized agricultural credit (1950s - 1970s), the poor is seen as a small farmer who is excluded by focusing attention on men as the main breadwinner. Therefore, it is considered necessary to improve their productivity through the provision of credit. In the 1980s the poor is seen as a more micro entrepreneurs, usually women, who do not have assets to serve as collateral, although efforts have prospects for growth. Based on this understanding developed efforts - the efforts of non-governmental organizations to provide micro credit, especially for women.

The transition from subsidized loans to credit without these subsidies also dilator background by the argument that poor people do not actually need a loan interest subsidy, but they need more access to credit. Microcredit developed further during the 1990s with the innovative way of lending to groups with Grameen Bank model, with groups of poor women as the main target. This pattern has attracted the attention of the world that was adopted by many countries and gained the support of many funding agencies.

Led to the development of the microfinance industry that applies the concept of "financial viability and sustainability" of microfinance service providers. This development was accompanied by a major effort to increase the number of customers or increase the amount of credit per customer (Kalpana, 7-8).

In the late 1990s, several studies were critical of the symptoms of growing exclusion of the poorest class of microfinance services, as a side effect of excessive emphasis on repayments and 'institutional viability' institutions microfinance service providers. The Consultative Group to Assist the Poor (CGAP), for example, in 2003, stated that "most microfinance clients today fall in a band around the poverty line and the extremely poor are rarely reached by microfinance" (Fernando, 1). In regard to exclusion udengan poorest of the poor from microfinance services tersebt, Kalpana identify at least four contributing factors, namely:

1 The form of loans that are not flexible with weekly payments are stiff and lack of savings services;

- 2..Dominasi program staff to customers that do not allow for two-way communication;
3. surveillance system between friends in the group that can actually get rid of the most poor or the unfortunate; and
- 4 The existence of pressure that can cause customers trapped informal high-interest loans in order to pay the loan on time (8-12).

In general, Martin, Hulme and Rutherford also stated that the exclusion of the poorest of the poor be caused by a mismatch between the design of microfinance services available to the poorest segments of society livelihood pattern of the economic activity (production, consumption, trade, savings, loans and income generating activities) done on a small scale, and have a very high level of vulnerability to economic shocks

The debate on the exclusion of the poorest groups of the microfinance services leads to two first berbeda. Pandangan view essentially assumes that the poorest of the poor do not need microfinance services, but rather require direct assistance. This view is based on the condition of the poorest class, who generally live in remote areas with access to transportation and market access is very limited, so they will not be able to repay loans. Therefore, poverty reduction for this class must be done through the help of health facilities, food, education, micro-credit and not (Robinson, 20). In addition, there are other reasons for the high cost of reaching the poorest, which is not proportional to the amount of credit and the amount of their savings, so it will not be able to guarantee the sustainability and development of microfinance services provider agency (the Microfinance Gateway).

The second view argues that the poor were deserving of microfinance services, so the design of the form layanan adalah which should be tailored to their needs. Reason for ineligibility microfinance services for the poorest first put forward by the view refuted by this view (Martin, Hulme and Rutherford, 24-26).

The second view emphasizes the need for microfinance paradigm shift from a focus on aspects of the promotion or support of economic effort towards microfinance services is protection through a savings program, emergency loans, or insurance mikro.<sup>3</sup> According to this view, the lack of demand for services microfinance is caused by a mismatch between the types of service available to their needs. Therefore, changes in the form of services to a more suit the needs of the poorest communities an urgent priority. In connection with the issue of the high cost of services and the sustainability of institutions, among others, addressed this debate by Fernando "Microfinance Outreach", and Martin, Hulme and Rutherford "Financial Services". Fernando differentiate into three views, stating that the poorest groups can not be reached by microfinance ongoing basis, the poorest can be reached in a sustainable manner and on a large scale, and a very small potential of microfinance to reach the poorest in a sustainable manner and on a large scale (1- 3). . This argument was also put forward by Churchill "Emergency Loans" and Kalpana "The Shifting trajectories". emerging view that if microfinance services is considered as part of other basic needs, such as the need for education and health, then there is no reason not to subsidize the cost of providing the service. In the case of a savings program for the poorest of the poor, SafeSave experience in Dhaka, Bangladesh show that the savings and credit program is very flexible for the urban poor masyarakat sangat was able to be managed in a sustainable manner (27-28).

### **2.3 .. Venture Capital Syariah**

In the language of venture capital (venture capital) is the capital and laid on a risky venture. Definition of venture capital by Presidential Decree No. 61 of 1988 is a business financing in the form of capital participation in an enterprise that receives funding for a specific time period.

Venture capital is one important source of financing for investment from enterprises with innovation. Sharia is the venture capital business financing in the form of capital participation in a specific period of time in accordance with the principles syariah.<sup>1</sup>

Theoretically, venture capital has great potential to contribute in business development. Small firms have enough capital and do not have access to banking can grow by acquiring capital from venture capital support. New innovations in various fields of technology can be more easily accomplished if I get support from venture capital.

### **2.3.1. Characteristics of Venture Capital**

Characteristics of venture capital financing, among others:

- a. Venture capital financing is a capital participation of venture capital which is done with the participation of direct capital firms venture partner (PPU). This form of financing known as semi equity financing.
- b. Venture capital financing is a high risk. Because venture capital financing not be guaranteed as it does with credits. But only based on the idea that confidence is proposed. High risk is actually offset by the hope of getting a larger return.
- c. Venture capital is an investment with a long term perspective. Venture capital does not expect trade surpluses with its share in the short term but expect a capital gain after a certain time period.
- d. Venture capital investment funding is active, because venture capital is always accompanied by involvement in the management of enterprises financed, including financial management, marketing and operational oversight. Participation in management is expected to be able to reduce the risk of investment and also to help improve the profitability of the enterprise concerned.
- e. Venture capital is temporary, that for a period of time, although this form of the participation of venture capital shares but only temporary. Terms of venture capital in a period of maximum 10 years in Indonesia. Within the hoped-funded enterprises have reached the desired level of growth, venture capital further withdraw the sale of shares in partner companies.
- f. Profit expected by venture capital firms are especially capital gains as well as dividends.
- g. High levels of profitability. Field efforts generally financed by venture capital is a new breakthrough is a breakthrough, promising high profits.

The venture capital firm specific characteristics sharia there, namely:

- a. The Shariah Supervisory Board which oversees the application of the principles of Sharia.
- b. Activity efforts by venture capital firms should be in accordance with Shariah principles and shall not conduct business activities contrary to the principles of Sharia. Business activity that is contrary to the principles of Sharia, among others:
  - 1 Gambling and games of chance or belonging to trade banned.
  - 2 Board of conventional finance (ribawi), including conventional banking and insurance.
  - 3 The manufacturer, distributor and trader of food and beverages illegal.
  - 4 The manufacturer, distributor, and / or providers of goods or services that are damaging morale and harm.
  5. investments in companies that at the time the transaction level (ratio) the company's debt to the financial institution usury is more dominant than modalnya.

### **2.3.2. The pattern of Venture Capital Funding**

The pattern of financing provided by venture capital firms include:

- 1 Direct financing is directly PPU PMV fund that has / will be a legal entity. PMV can play an active role to take seat as a member of the board of directors and commissioners in the company. The financing pattern can be done in two ways, namely setting up a new company with shareholder PMV and inventor of the idea.
- 2 Direct financing with a franchise that is almost the same as direct financing difference is in terms of supervision by PMV or professional services can switch to the franchisor. In this pattern, the PMV is functioning as a provider of capital to the PPU

## RESEARCH METHODOLOGY

This study used a qualitative approach to analyzing data and information collected in the district of South Jakarta Kalibata. The use of a qualitative approach was chosen in order to obtain a deep understanding in a relatively short time since the study was conducted within 1 year. In this period the research team collected information from various relevant agencies in Jakarta and Jakarta subdistricts Kalibata Selatan. Tim researchers in collecting secondary data and primary data by conducting interviews with people who have used / receiving microfinance services and are not memnggunakannya, especially the poor. Secondary data was collected through a review of relevant documents and interviews with various parties that handle microfinance program components, providers of microfinance services in the form of banks and non-bank financial institutions, both formal and non-formal.

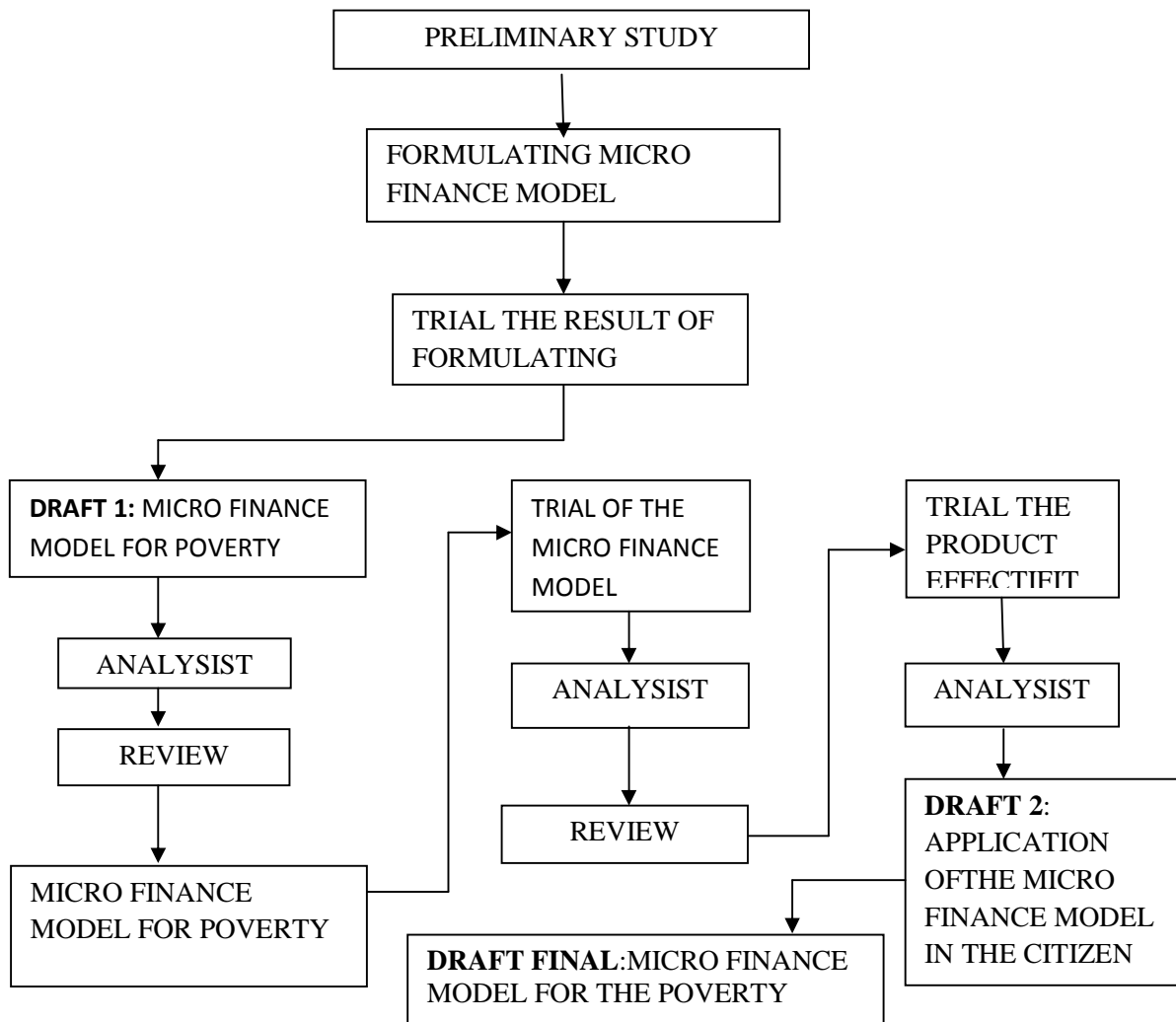
### 3.2. Research Design

This research used descriptive method in addition to the quantitative approach research and development methods are also adapted or modified to develop a model of Microfinance Institutions Services. Quasi-quantitative approach to process all of the information or data that is manifested in the form of numbers and analyzed based on qualitative.

### 3.3. Proses Model Development

Based on the approach described above, the development

Figure Procedures development of microfinance institutions



#### 4. Indicator variables and Research

Research variables consists of three variables of Financial Management, Microfinance Institutions Services, and Business Success. Financial Management has four indicators, namely capital (X1), calculate profit / loss (X2), set installment (X3), and the financial records of expenditure and intake (X4). While the service variable Microfinance Institutions which have four types of credit (Y1), credit terms (Y2), the amount of loans (Y3), the process of liquefaction (Y4), the successful effort last variable has three indicators namely sales turnover (Y5), net profit obtained (Y6), and timeliness in installments (Y7).

#### 3.4. Population and Research Sample

The study population was all residents of RW 01 Village Rawajati, District Kalibata, South Jakarta. The sample was as many as 64 people with various types of merchants and age.

#### 3.5. Data collection techniques.

The instrument used in this study is about the model of microfinance services for the poor and the factors that influence the success of the business and financial management.

#### 3.6. Data Analysis Techniques

Analysis techniques used on the pilot assessment model is structural equation model (SEM) based on the consideration that the measurements made in this assessment is to develop a construct. Thus it can be said that by using a structural equation model can answer how far the measurements taken can reflect a construct to be measured. In addition to a structural equation model can measure the construct validity and reliability of the instrument.

## RESULTS

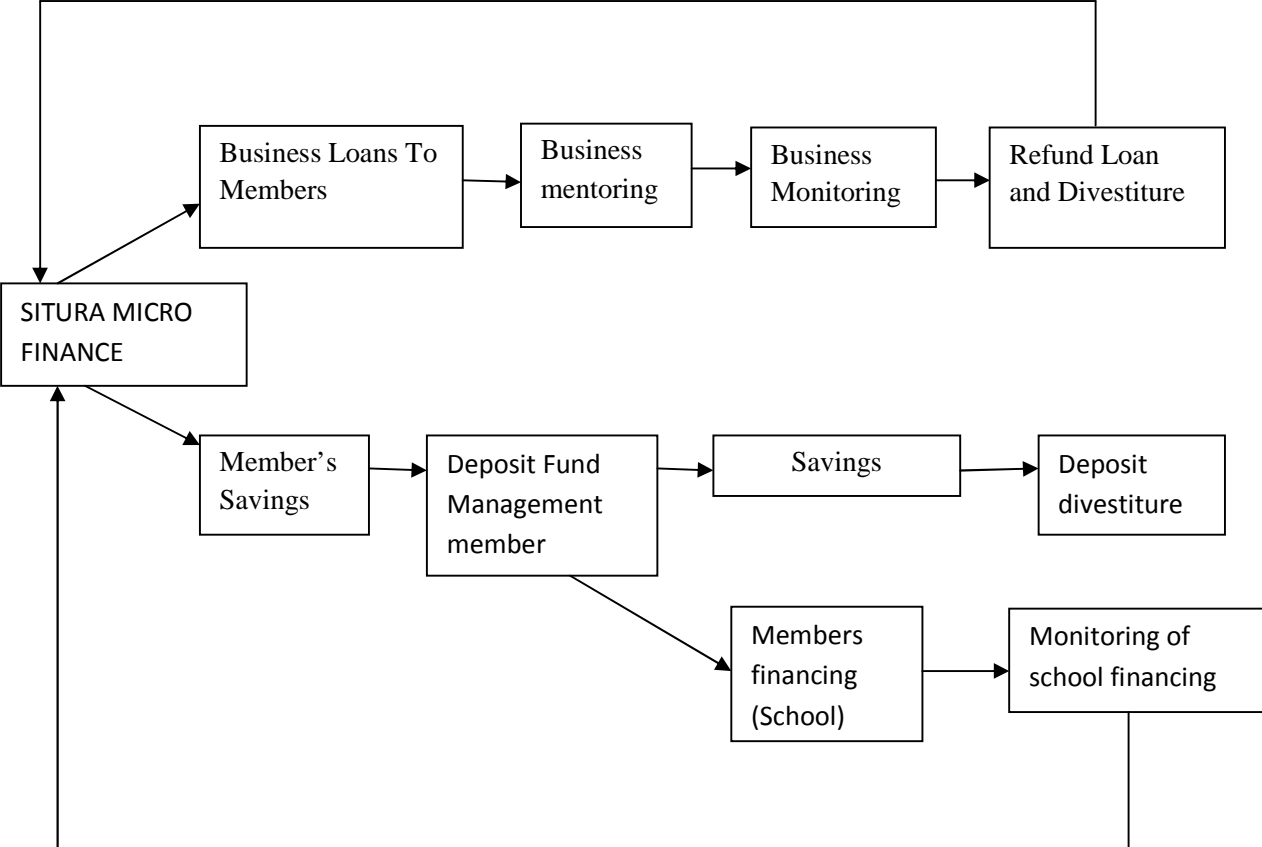
### SITURA MODEL

SITURA Model is a model of micro-finance institutions are formed using two concepts, namely the concept of cooperative financial institutions, and the concept of Ventura. This financial institution was formed to assist the business community who live dibantaran research object Ciliwung River that most have micro livelihood as a merchant. The Financial Institution is a non-governmental financial institutions Cooperative concept applied in micro-finance institutions SITURA are people who want to get help from the operating funds of the institution must be a member SITURA first by applying to financial institutions SITURA. Lending is only granted to micro traders who are already members of microfinance institutions SITURA. At the initial stage, Micro finance Institutions SITURA more aimed at people who already have a micro, but in line with the expected future development of microfinance institutions could also help people who do not have a business and want to set up micro-enterprises.

Each member of the Microfinance Institutions SITURA not subject to the obligation to pay dues and dues compulsory subject as that of the cooperative in general. They are obliged to do is register and apply for loans to Microfinance Institutions SITURA. SITURA management is based on the basic principle of kinship and trust. Therefore SITURA management also involves the local community, especially community leaders and religious leaders in the community about where SITURA established Microfinance Institutions. Of the local community appointed community leaders who will run the daily operations of the Financial institutions and their SITURA M.ikro referred to as the operator. Furthermore, the concept of Ventura implemented in terms of sourcing funds ie SITURA SITURA microfinance

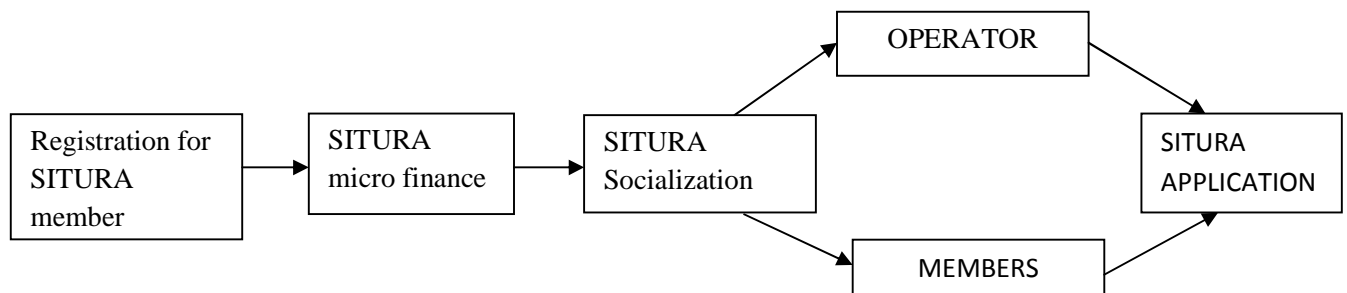
institutions will seek funds from the donors consisting of the companies and individuals who would then be distributed to additional capital for community research object. Loans given to micro traders but not with assurance on the basis of trust. Return on business loans made by members in a flexible and does not set the amount depends on the ability and the results of operations of each micro merchants. In addition to collecting funds from donors, Microfinance Institutions SITURA also provide guidance and monitoring of business development of micro businesses get loans. In addition to providing business loans, micro finance institutions SITURA also manage the savings of members in the form of savings and also channel funds to pay for education (schools). Monitoring for financing education is also conducted by the Microfinance Institutions SITURA. Monitoring is done by monitoring the results of the evaluation study (report cards). Supervision and monitoring is also carried out by the donors. Further Financial Institutions SITURA make accountability for the funds that it manages to Donors. Activities of microfinance institutions SITURA shown in Figure 1.

FIGURE 1:





## Application of SITURA mekanism



SITURA application is started from the socialization activities to society and explain to them about SITURA micro finance, the purpose and the benefit to be member of SITURA for them. After socialization there is formed the operators who chosen from community leaders that trusted by community. The operators manage the daily activities of SITURA. And the operators have been responsibility to give the report to Donatur about SITURA Progress.

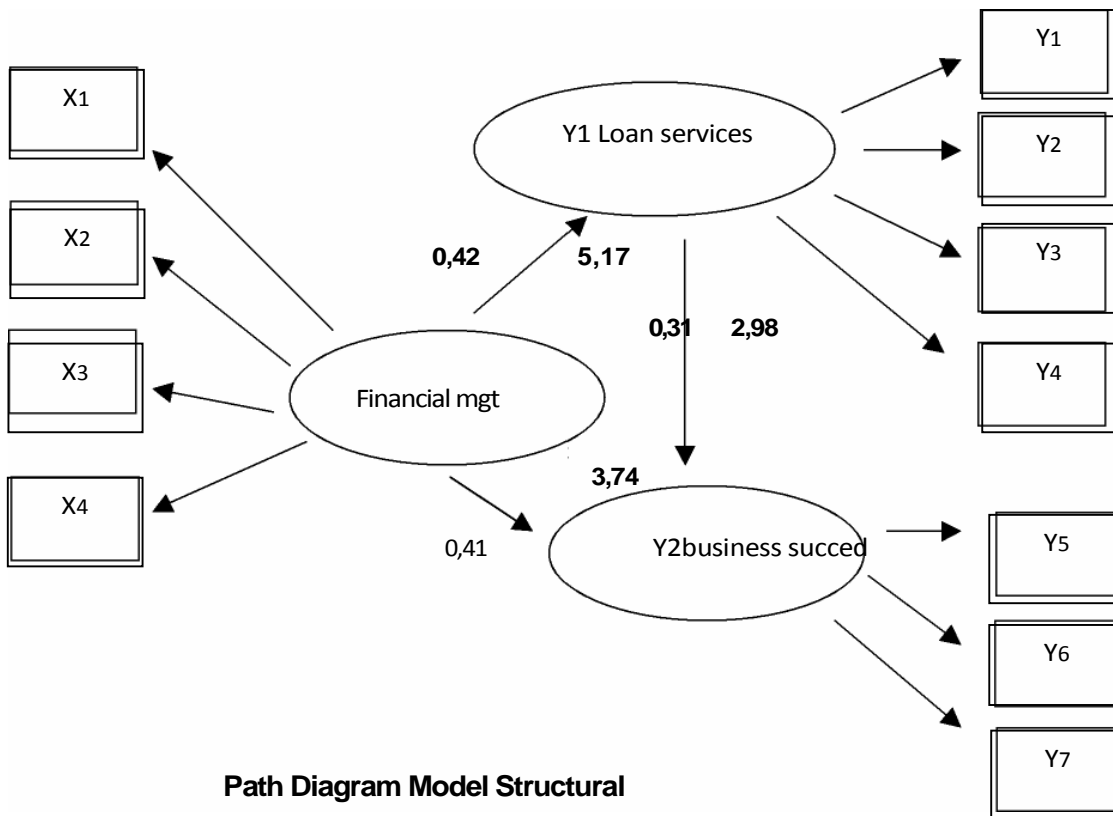
### 5. Suitability Analysis Model Path Analysis ( SEM )

Before the test is done on the causal relationships between constructs , first note feasibility index ( goodness of fit index ) . Tests are used to estimate model fit , including the value of Chi - Square , p-values / GFI / AGFI , and RSMEA .

Chi-square is a measure of over-all fit the theoretical model to explain the appropriateness of the data . The expected value of Chi - Square is a small , reflecting no difference between the theoretical model developed by observation or data that have p-values  $> 0.05$  / GFI  $> 0.90$  / AGFI  $> 0.90$  , or has a value RSMEA  $< 0.08$  .

From the picture below , note the value of the GFI -  $0.94 > 0.90$  /  $0.91 > 0.90$  , and RSMEA value =  $0.059 < 0.08$  significance value and only the chi-square value is  $70.60 < 0,05$  is not significant , so the test results it can be concluded that the fit with the theoretical model that is estimated to meet the required criteria

**Testing Structural Relationship Management Finance , credit services and business success**



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Testing is done through relationships structural path coefficients significance test with the t test at alpha 5 % or use the critical value of 1.960 t table as the cut - of value . The test results are illustrated in the path diagram of Figure below . From the image below in mind there are 3 paths ( path ) which reflects the relationships to be tested 3 . Path shown in the image in the direction of the arrow ( arrow ) from one variable to another variable . The symbol of the arrows reflects the direction of causal relationships ( influences ) exogenous variables with endogenous variables

The test results of the theoretical model that describes the relationship dimension of the financial management of the service Kred it , financial management to business success , and credit services to business success can be seen from the path coefficient value attached to each lane , and then tested the significance of the results are presented in Table below:

**Table . hypothesis Testing**

Direction of the path	Coefficient path	I count	Conclusion
Financial Mgt -) Loan Services	0,42	5,17	Significant
Financial Mgt -) Business Success	0,41	3,74	Significant
Loan Services-) Business Success	0,31	2,98	Significant

T table at 5% significance level is 1.96