

The Development Model of Microfinance Institution to Reduce Poverty in Rural Areas in East Java

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Abstract

Microfinance Institution (MFI) is one of the increasingly well-known strategies in addressing the poverty problem. Handling the poverty problem through Micro Finance Institution (MFI) has some logical reasons. The background can be the emergence of such an approach that is due to the failure of formal credit institution to address the poverty problem in rural areas (Huppi and Feder, 1990; Holt and Ribe 1991). Another reason is because the program that provides small loans are relatively easier to be implemented than other poverty alleviation programs such as land-reform program (Braverman and Guasch, 1989). According to the World Bank, the essence of micro-credit program is not solely on the availability of small loans through a variety of name of the institution distributors, but also the Institute of Microfinance (MFI) is a tool of development in the wide sense. This study aims to build a family empowerment model through the microfinance institution approach for underdeveloped areas in East Java in order to alleviate the poor household out of the poverty circle. Micro Finance Institution (MFI) is a non-bank institution that aims to help poor and low-income people who cannot access financial from banks. Research method in this study is an Action Research. Meanwhile, according to the objective is considered as the study development. Research variable is the formation and development of MFI. The method of data collection has been done by using interviews, documentation, group discussion and observation. The population is all underdeveloped villages / districts in Blitar and Trenggalek in East Java. Meanwhile, the sampling technique is purposive sampling. The results showed that the development of MFI may be one of the effective solutions to overcome poverty reduction with the help of the role and intervention of various parties including government, non-government and community. The importance of a stable macroeconomic environment is the main support of MFI development in the future. Lack of macroeconomic stability can be an obstacle to the growth of microfinance in some countries. The good point of MFI lies in a strong commitment in empowering micro / small enterprises, the procedure is more flexible and affordable in rural location.

Keyword: Microfinance Institution, Poverty

1. Background

Poverty is complex issues because it involves various aspects such as the fulfillment of the right to food, health, education, employment, and so on. To change the poverty, it takes a great mental. Poverty can indeed interfere with the welfare of society, and it is very visible from the existence of slum area in the river banks. Poverty may occur because life cannot finance directly which turn to be the nowadays phenomena in which poverty can be found everywhere. If the government does not address the poverty problem as soon as possible, maybe poverty will increase continuously. Poverty does not only have implications for the poor but also has implications for surrounding residents because poverty can also increase criminal acts.

As a developing country, Indonesia still faces the poverty problem that requires serious handling. The poverty number in Indonesia routinely released by the Central Statistics Agency (CSA) and the data reported by CSA last month (September 2014) was 27.73 million people, which means approximately 10.96 percent of the Indonesian population as a whole. One of the characteristics of poverty in Indonesia is a big difference between the value of relative poverty and absolute poverty value in relation to geographical location. If in absolute terms more than half of Indonesia's total population living in poverty was on the Island of Java (located in the western part of Indonesia with dense populations).

In relative terms in the Indonesian provinces of East showed a higher poverty. The table below shows the five provinces in Indonesia with the relative high poverty. All these provinces are located outside the territory of West Indonesia (Java, Sumatra and Bali) which are areas that are more developed. Microfinance Institution (MFI) is one of the increasingly well-known strategies in addressing the poverty problem. Handling the poverty problem through Micro Finance Institution (MFI) has some logical reason. The background can be the emergence of such an approach that is due to the failure of formal credit institution to address the poverty problem in rural areas (Huppi and Feder, 1990; Holt and Ribe 1991).

Another reason is because the program that provides small loans is relatively easier to implement than other poverty alleviation programs such as land-reform program (Braverman and Guasch, 1989). According to the World Bank, the essence of micro-credit program is not solely on the availability of small loans through a variety of name of the institution distributors, but also the Institute of Microfinance (MFI) is a tool of development in the wide sense (Ledgerwood, 1999). Grameen Bank (GB) Model from Prof. Muhammad Yunus is a concept that has been successfully implemented to encourage economic activities of the poorest people in Bangladesh and has been on trial with good results in some developing countries (Malaysia, India, Philippines, China and Nepal). Advantages of this model put Prof. Yunus as a recipient of the Nobel Peace prize in 2007.

This model is an alternative that should be considered. Model approach used in this GB is a model of bottom-up planning. The philosophy of this concept is an understanding that rural communities are able to plan and organize activities of productive investment projects by relying on local conditions and their own abilities. GB is a stimulator in exposing and developing the creative power and the spirit of trying the poor. Funding (loans) and technical consultancy provided more meaningful as the motor driving the pace of economic activity they have chosen. However, this concept is not a Santa Claus program, because the concept is very concerned with the smooth flow of funds channeled. Based on the description above, the research which is entitled "The Development Model of Microfinance Institution in Addressing the Poor Household in Underdeveloped Region in East Java"

1.1 Formulation of Problem

Based on the above explanation, the formulation of the problem in this study is:

1. How is the condition of the poverty at Malang and Trenggalek Regency?
2. What is the right Microfinance Institution model in reducing poverty in rural area in Malang and Trenggalek Regency?

1.2 Success Indicators of the Model

To determine the success of the MFI model, it is used three indicators as follows:

1. Businesses of poor households run well and stable. Business success is monitored by the group itself. Businesses that go well can be seen from the order to repay the loan. When the level of total payments to customers is 95% on the project, it means that the program has been successful in helping poor households.
2. The income and assets of poor families increased. Increased income is measured by comparing earnings before and after utilizing funding. Improved asset most easily be seen from the ability to save, both a group savings fund and voluntary savings.
3. Dependence of poor people to release money has decreased
4. Institution builder can continue to run with its capabilities.

2. Literature

2.1 Philosophy of Micro Finance

Microfinance is an approach to economic development that is intended to provide benefits for low-income people and women. This term refers to providing financial services to low-income clients, including delivery of the self-employed. Financial services in general, including savings and credit, but some microfinance organizations also provide insurance and payment services (Ledgerwood, 1999). Historically, Microfinance was born as an alternative to the failure of the government assistance program that rural credit for low-income households. This failure is caused by the credit allocation urban bias, higher transaction costs, restrictions on interest rates, the level of a high standard and the occurrence of corrupt practices (Hulme, Arun, 2009). In the World Bank study, loans carried on the activity of the MFI have three goals (Webster, Riopelle, and Chidzero 1996) to Ledgerwood (1999), namely:

- 1) To create jobs and income through the creation and expansion of micro.
- 2) To increase the productivity and incomes of vulnerable groups, especially women and the poor.
- 3) To reduce dependence on rural families, drought-prone of plants by diversifying their income-generating activities.

2.2 Definition of Financial Institution

The development of financial Institution as intermediary Institution, both banks and non-bank financial Institution which have ups and downs in accordance with the development of the financial and monetary conditions experienced by a country. Financial Institution made up of diverse forms of Institution engaged in the financial sector. Thus, the concept of a financial institution can be formulated in several definitions depending from what angle view (Riva et al, 2007, p.15). Financial Institution in the banking system is the financial institution according to Law No. 10 of 1998, Article 1, "it is business entity that raises fund from the public in the form of savings and channel them to the public in the form of credit or other forms in order to improve the living standards of many people."

Meanwhile, non-bank financial Institution is financial Institution other than banks in its activities and it is not allowed to collect funds directly from the public in the form of deposits, which includes insurance companies, pension funds, capital markets, leasing, venture capital, mortgage, and other finance companies. Judging from the nature of its operations, an institution or organization can be divided into two kinds. First, Institution is oriented to profit (profit institution). Second, Institution in carrying out their activities are not oriented to collect profits (non-for-profit institution) that is in another language is often called non-profit organizations. The survival of non-profit organizations depends on donations given by those who believe in the organization.

2.3 The Concept of MFI

MFI is reviewed its position in the financial system is as intermediary (ECD, 2000) between the bank (formal sector) with the informal sector. It is called as a Micro-finance because operating on a small scale (although a majority of the population). In addition, it is not only giving financial services to low-income communities, but also to those who run their own business as the financial intermediary sector. MFI can also be a social intermediation (Ledgerwood, 2000) as in group formation, the development of confidence and training in management skills and finance among the members in the group, as well as participate in humanitarian activities such as the occurrence of a natural disaster or its aftermath (Nagarajan, 1998), therefore, MFI is a vehicle for development.

MFI activity typically involves things such as: 1) loans for working capital in small amounts, 2) assessment is informal matter on the borrower and the planned investment, 3) involve collateral substitutes such as co-payments and provisions for compulsory savings, 4) it can obtain lending greater discipline on the basis of the previous installments, 5) the realization of continuous loans, and 6) conducting savings products that are safe and among insurance (Ledgerwood, 2000; Robinson, 2001). Although many MFI provide business development services (such as skills training and marketing) and social services (e.g. literacy and health care), these are generally not included in the definition of MFI (Ledgerwood, 2000).

Based on the Law of the Republic of Indonesia Number 1 Year 2013 on Micro Finance Institution, the definition of Microfinance Institution, hereinafter referred to as the MFI is a financial institution that is specifically established to provide business development services and community empowerment, both through a loan or financing for micro enterprises to members and society, the management of deposits, as well as the provision of consulting services business development that is not solely for profit. MFI aims to: increasing access to micro-scale funding for the community; helping to increase economic empowerment and productivity of society; and helping to increase the income and welfare of the community, especially the poor and / or low income. MFI has a legal institution form: Cooperative; or Limited. MFI is prohibited owned by either directly or indirectly by foreign nationals and / or business entity that is partially or wholly owned by a foreign citizen or foreign corporation.

2.4 Role of Micro Finance Institution in Addressing Poverty of Underdeveloped Regions

Microfinance Institution (MFI) is one of the important means to reduce poverty, especially in underdeveloped areas. The reluctance of the formal banking sector to address poverty in rural areas has encouraged developing countries to make efforts to reduce poverty through microfinance Institution approaches (Huppi and Feder, 1990; Holt and Ribe, 1991).

The application of the approach of microfinance Institution is also due to this model is relatively easier to implement than other poverty alleviation programs such as land-reform (Braverman and Guasch, 1989). MFI's success in overcoming the problems of poverty in developing countries was clearly visible in the case of the Grameen Bank in Bangladesh. Model of Grameen Bank (GB) is a model of micro-credit Institution that is widely recognized by the World Bank's success in alleviating poverty and has been implemented in 40 countries (Khandker, 1995). This model was first introduced by Prof. Muhammad Yunus in 1976 in Bangladesh (Zain, 1998). Until 1998, the number of target members of Grameen Bank reached 2.33 million households spread over 38.551 villages with accumulated loan of 2.40 billion US dollars (Yunus, 1998).

3. Research Methods

3.1 Research Design

Based on the method, this research is categorized as the Action Research. Meanwhile, when viewed from its purpose, this research is considered as the research development.

3.2. Population and Research Location

Population of this study is all poor households in rural areas and the unit of analysis is the women who come from poor households who received help (see Figure 3.1). The reason for choosing women is: (1) women are more disciplined in fulfilling its obligations as a client (Yunus, 1989; Gibbons, 1990); and (2) where there is additional income, they prefer to increase family's welfare.

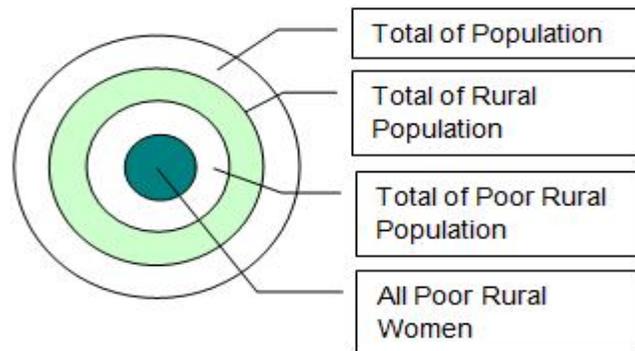


Figure 3.1 Target Population

This research has chosen two (2) regions of East Java which are Malang and Trenggalek

3.3 Types and Sources of Data

3.3.1 The Secondary Data Consist of

- Regional map of Sub-District and Village
- Potential data of districts and villages. Poor people census of each target village obtained from heads of neighborhood / hamlet that includes the population, residence and type of work. For secondary data, it was obtained from the district reports the figures, districts in number and potency of the village.

3.3.2. Primary Data Consist of

- House index, covering the size of the house, the type of building materials for roofs, walls and floors, types of building materials for roofs, walls and floors, types of jobs and a source of water.
- Ownership of assets: house, jewelery, livestock, poultry, radios, bicycles and land.
- Family income both from the main income, side jobs and other income sources instead of working,
- Employment history, history of migration and skills possessed.
- Experience in borrowing money from various sources including the loan amount, repayment duration, and interest expense and loan utilization.

The primary data obtained two stages. The first is the recording of economic conditions prior to join partner members and secondly, following the development of business and income members.

3.4 Design of the Research Flow

The design of the study was conducted in two phases; Phase I and II. In Phase I conducted a scientific study on the ideal model of microfinance services, by conducting comparative studies on various poverty reduction programs that have been run. Then, audience is conducted on the role, functions and benefits of microfinance institution in local government and community level two. After conducting field observation to obtain information and a clear map of the distribution of pockets of poverty in the districts sampled. The main objective at this early stage is to obtain a list of names of heads of families and the distribution of their home location. Determination of potential respondents was done with purposive sampling method. Deliberate selection of respondents is done with consideration in order to obtain recruits trained really include the category of poor / underprivileged, have good character according to key-informants, and home closer together.

The results obtained from these interviews candidates for the potential target who are very poor; having nonfarm jobs with daily income and permits the husband to become a member of the built Microcredit Organization that is being formed. Phase II activities are focused on the implementation of the model of microfinance services that are already established. In this regard, it will be mentoring and guidance to target groups that made the pilot project. This is because the vast area of East Java, so that the pilot project area in Malang and Trenggalek. As for the mentoring and coaching stages will be divided in several stages; Phase I: Having obtained a potential member candidates in sufficient numbers, phase 2, and then they were asked to form groups. Each group consists of 5 people locate their homes close to each other, equal social and economic condition, and that is very important is a fellow member of the group is willing to always be in harmony and compact. Phase 3 groups formed then given training, coaching and mentoring.

This research included in Action Research. Meanwhile, according to the objective included in the study development. Variable research is the formation and development of MFI. Methods of data collection used interviews, documentation, discussion groups and observation. The population is all underdeveloped villages / districts poor in East Java Blitar and Trenggalek. While the sampling technique used is purposive sampling.

The Procedure of Development Microfinance Model intoreducing Poverty in Phase I (First Year) is:

- Carrying out scientific studies related to Microfinance Institution with academics and practitioners (inviting the Head of Bapemas in East Java, Prof. DR. Maryunani from Brawijaya University, Dra Isminati Tarigan, chairman of Women's Cooperative Center East Java, Mrs. Prof. Safril and Dr. Yayuk Hartini practitioners of Women's Cooperative Setia Budi Mulya Malang, to formulate the proper models of microfinance services.
- Implementing the audience at the Local Government Level Two and the public on the role, functions and benefits of Micro Finance Institution for the people, especially for poor people in the rural area.
- Conducting field observation to acquire information and a clear map of the distribution of pockets of poverty in the districts sampled. The main objective at this early stage is to obtain a list of names of heads of families and the distribution of their home location. At this stage, the determination of prospective respondents will be interviewed by purposive sampling method. Deliberate selection of respondents is done with consideration in order to obtain recruits trained who are really include in the category of poor / pre-prosperity, have good character according to key-informants, and living in a nearby area.
- Conducting interviews with the women in households that have been chosen in order to gain a clearer picture of the type of work, level of family income, type and value of assets, number of family, husband's occupation, the magnitude of the needs of the necessary funds, the purpose of obtaining loans, and that is quite important is the ability to follow the regulatory agency that will give them a loan at a low cost and easy proseedur. At this stage, it will be obtained prospective target potential members that they were very poor; having non farming jobs with daily income and permits the husband to become a member of the Microcredit Organization that is being formed.
- Creating a target group that is used as a pilot project model of MFI.
- Implementing validation and dissemination models. In this case, the event that was attended by academics, practitioners MFI and cooperatives and local government to evaluate the effectiveness of the model.

From exposure to the stages of the first year of this study, the research design can be made as follows:

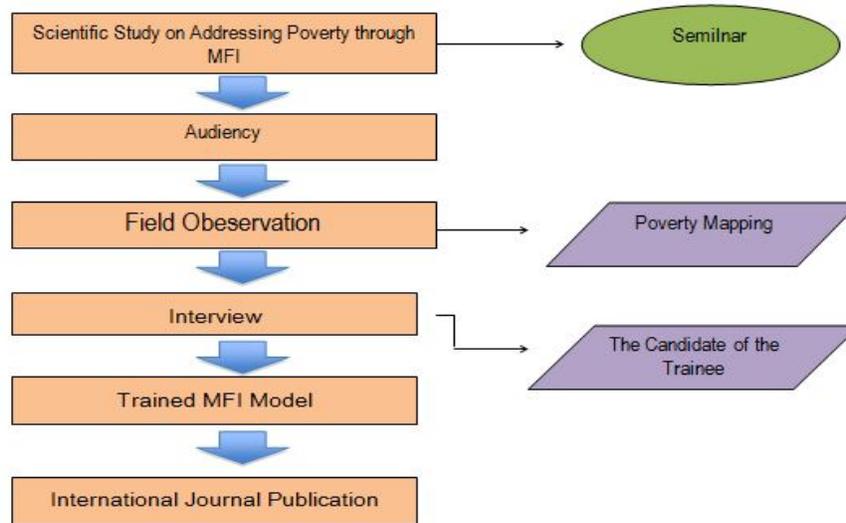


Figure 3.2: Design of Microfinance Services Model in Addressing Poverty in Underdeveloped Region in East Java

4. Discussion

4.1 Scientific Reviews: Microfinance Institution

Prof. Dr. Maryunani in Group Discussion Forum explained that the financial institution involved in micro lending is generally referred to Microfinance Institution (MFI). The Asian Development Bank (ADB) defines MFI as institution that provides storage services (deposits), credit (loan), and the payment of transaction services (payment services) as well as transfer money intended for the poor and small entrepreneurs. Thus, the MFI has a function as an institution that provides a wide range of financial services for low income people and micro-enterprises. The point of this institution was developed based on the spirit to help and facilitate the poor people, both for consumption and productive activities of the poor families. So, it could the functions of microfinance institution is the same but in the field implementation will have diverse forms and different financing.

Mrs. Asminati Tarin further exemplifies one of the models of successful microfinance institution and has been widely adopted by many countries in the world is the Grameen Bank. This model has been widely recognized as one of the microfinance Institution has the most successful in the world in reducing poverty there, due to the rapid expansion and extensive reach of the poor with a positive impact on income, employment, consumption, savings and assets of participants (Sinha, 1996, Khandker et al., 1998, in Mahmudul Hassan, 2006). MFI and Poverty Alleviation Microfinance Institution are institution that provides financial services which low-income residents and are included in the poor. Microfinance Institution is specific because it brings the poor funding request for the availability of funds. For the formal banking financial Institution, poor people will not be served because the formal requirements that must be met are not owned.

The general condition of the people in rural areas is poor in a state with a low income that consequently has no remaining money that can be saved. They have no savings, no money to invest. With no investment is causing the poor productivity is low. This happens because the poor generally are in a cycle of poverty that affect one another and constantly repeated. The cycle of poverty needs to get attention so that people can get out of the cycle they are facing in a way to break the chain of the cycle of poverty through the empowerment of MFIs as a source of capital for the poor people.

4.2 The Results of the Audiency with the Regional Government of Trenggalek and Malang

4.2.1 Trenggalek

Results of an audiency with some related SKPD (Social Services, Department of Cooperatives and SMEs and Community Empowerment) of Trenggalek result that poverty reduction policies in Trenggalek essentially a public policy that is pro-poor.

Therefore, the policy is to be translated into the development of pro-poor (pro-poor development) and economic growth that is pro-poor. Operationally towards poverty reduction has been done in Trenggalek can be grouped into four groups of the program, namely:

- a) Group of integrated social assistance program based on the family, aiming to make the fulfillment of basic rights, the reduction of the burden of life, and improving the quality of life of the poor;
- b) Group poverty reduction programs based on community empowerment, developing the potential and the poor development based community empowerment; aims to strengthen the capacity to engage in the principles of community empowerment.
- c) The group-based poverty reduction program of economic empowerment of micro and small enterprises, aims to provide access to and strengthening the economy for micro businesses and small;
- d) Other programs that directly or indirectly increase the economic activity and the welfare of the poor

The form of programs that have been implemented in an effort to decrease poverty in Trenggalek is as follows:

- 1) UEDSP
- 2) GarduTaskin
- 3) BUMDES
- 4) KUT
- 5) PNPM

Furthermore, to determine the exact target area, we try to collect data from BPS Trenggalek the details of which are presented in Table 4.1. The number of poor households in Trenggalek based data collection PPLS 2008 as many as 57 406 with the details of extremely poor households (RTSM) amounted to 10 664, of poor households (RTM) 32 008 and near-poor households (RTHM) 14 734. District of which there are many poor households is the Dongko District 8051, then Panggul District 6521 and Pule District 6039. District of which there are many very poor households is the District Dongko 3050, followed by the sub-district of Bendungan 1,376 and sub-district of Panggul1, 093.

Number of Poor Households in Trenggalek shows a decrease over the last few years, based on data which is done by BPS in 2006 the number amounted to 79 003 RTM and dropped to 57 406 in 2009. In terms of each sector was 62.21 per cent farm, farming / forestry 5.52 per cent, trade and services 5.46 percent, 0.60 percent husbandry, fishery 0.44 percent, mining / quarrying 0.31 percent, industrial / craft 3.76 percent, 2.64 percent of the building, transportation 0, 73 percent, 6.56 percent and the other 11.7 percent is unknown.

Table 4.1

NO	DISTRICT	VERY POOR HOUSEHOLD			
		VERY POOR	POOR	ALMOST POOR	TOTAL
1	DONGKO	3.050	4.053	948	8.051
2	PANGGUL	1093	3.044	2.384	6.521
3	PULE	334	2.811	2.894	6.039
4	TUGU	505	2.322	1.574	4.401
5	TRENGGALEK	369	2.235	1.350	3.954
6	BENDUNGAN	1.376	2.169	84	3.629
7	DURENAN	410	2.123	886	3.419
8	MUNJUNGAN	718	2.279	313	3.310
9	GANDUSARI	484	2.248	517	3.249
10	SURUH	573	1.666	911	3.150
11	POGALAN	340	1.692	1.085	3.117
12	KARANGAN	381	2.147	511	3.039
13	WATULIMO	730	2.111	195	3.036
14	KAMPAK	301	1.108	108	2.491
	TOTAL	10.664	32.008	14.734	57.406

Source: BPS of Trenggalek Regency

Poor Household (RTM) PPLS 08 According to Condition Classification and Priority per Sector in Trenggalek Regency Based on this data, it is decided to create a model of SMEs development in the District of Dongko Trenggalek in accordance map of potential development areas.

4.2.2 Malang

Both policies and strategies of spatial in Malang regency are: 1) the policy and spatial planning strategy of the which includes determination of the spatial structure, the determination of the spatial pattern, the establishment of strategic areas and the determination of the function of coastal areas and small islands; 2) policies and strategies for the determination of the spatial structure of the area containing the policies and strategies of rural systems; policies and strategies for urban systems; policies and strategies for the determination of the function of rural areas and urban areas; policies and strategies for the development of regional infrastructure network system.

Malang regency until the end of 2009 has Regional Regulation No. Malang District 11 of 2003 stated that Development Area Sub Unit (SSWP) to be 8 SSWP which are: 1) SSWP I Ngantang; 2) SSWP II Lingkar Malang; 3) SSWP III Lawang; 4) SSWP IV Tumpang; 5) SSWP V Kepanjen; 6) SSWP VI Donomulyo; 7) SSWP VII Gondanglegi; 8) SSWP Dampit VIII. Malang District Regional Regulation No. 3 of 2010 on Spatial Planning Malang SSWP converted into 6 Regional Development (WP): 1) WP I Lingkar Kota Malang; 2) WP II Kepanjen; 3) WP III Ngantang; 4) WP IV Tumpang; 5) WP V Turen and Dampit, 6) WP VI Sumbermanjing Wetan.

Malang district is classified has the high enough level of economic activity. It can be seen from the large number of Gross Regional Domestic Product (GRDP) ADHB Malang Regency in the last 5 years has always entered the Top 5 in East Java. In general, high Malang economic activity during the last 5 years experienced a positive trend of this increase is reflected growth in both GDP and the Upper Constant Prices Current Market Prices. Along with the GDP per capita ADHB Also Increased in 2015 is estimated at Rp. 53,168,244,000,000, - and GDP ADHK Rp. 19,847,571,000,000, - with an average economic growth of 6.5% per year. The inflation rate in the next 5 years is also are relatively under control with a range of 6-7% per year.

The projection of PDRB, PDRB Per capita, economic growth and inflation in 2011-2015

Description	Unit	2011	2012	2013	2014	2015
PDRB ADHB	Million Rp	35.574.189	40.302.895	44.231.925	48.839.376	53.168.244
PDRB ADHK	Million Rp	15.443.926	16.430.793	17.498.795	18.636.216	19.847.571
PDRB ADHB per Capita	Rp	14.862.778	16.008.123	17.394.768	19.016.541	20.497.097
Economic Growth	%	6,2	6,4	6,5	6,6	6,7
Inflation	%	6,6-5,9	6,3 – 5,6	6 – 5,3	5,8 – 5,2	5,5 – 4,9

Source: Development Result of Malang Regency in 2010

Price is still relatively low compared to other sectors.

The projection of poverty level, unemployment, and ipm in malang regency in 2010-2015

Description	Unit	2011	2012	2013	2014	2015
Poverty Level	%	13,6	12,3	11,9	8,8	6,9
Unemployment Level	%	4,10	3,8	3,58	3,20	3,00
IPM		70,3	70,8	71,1	72,1	72,6
Living Expectation Index		72,68	73,1	73,3	73,9	74,3
Education Index		74,6	75,2	75,5	76,4	76,9
Purchasing Index		63,2	64	64,6	65,9	66,6
Gender Empowerment		67,6	68,8	69,5	71,2	71,4
Gender Development		65,7	66,5	67,8	69,6	70,1

Source: Bappeda of Malang Regency in 2010

This picture of the trend prediction Malang poverty will be reduced in line with the target RPJMD East Java province and the MDG's which in 2010 amounted to 13.6%, in 2011 by 12.3%, thun 2012 amounted to 11.9%, in 2013 amounted to 10.1%, in 2014 by 8.8%, and 2015 is targeted to fall to 6.9%. While the unemployment rate of 4.10% in 2010 and then in 2011 was 3.8%, in 2012 by 3.58%, in 2013 amounted 3.40%, in 2014 amounted 3.20%, and is targeted to fall to 2015 of 3%. HDI itself from years 2010-2015 of 70.3 in 2010, 70.8 in 2011, 71.1 in 2012, 71.1 in 2013, 72.1 in 2014 and 72.6 in 2015 targeted, from the list of the table and with a number of considerations including means it was decided to elect District Bantur as targets for the development of MFI model.

Table 4.3 the List of Underdeveloped Area in Malang Regency

NO	DISTRICT	VILLAGE	NO	DISTRICT	VILLAGE
1	DONOMULYO	1. SUMBEROTO 2. TLOGOSARI 3. KEDUNGSALAM 4. BANJAREJO 5. PURWODADI	11	TUREN	1. UNDAAN 2. JERU 3. SANANKERTO 4. TUMPUKRENTENG
2	KALIPARE	1. ARJOSARI 2. KALIASRI 3. PUTUKREJO 4. SUMBERPETUNG 5. SUKOWILANGUN	12	BULULAWANG	1. SUKONOLO 2. GADING 3. BAKALAN 4. SUDIMORO 5. KASRI 6. PRINGU 7. KASEMBON
3	PAGAK	1. PANDANREJO 2. SUMBERKERTO 3. PAGAK	13	GONDANGLEG I	1. BULUPITU 2. SUKOSARI 3. PANGGUNGREJO 4. PUTAT KIDUL 5. UREK - UREK 6. SUMBERJAYA
4	BANTUR	1. BANDUNGREJO 2. SUMBERBENING 3. SRIGONCO 4. WONOREJO 5. BANTUR 6. PRINGGODANI 7. REJOSARI 8. KARANGSARI	14	KEPANJEN	1. MOJOSARI
5	GEDANGAN	1. TUMPAKREJO 2. SINDUREJO 3. GAJAHREJO 4. SIDODADI 5. GIRIMULYO	15	SUMBER PUCUNG	1. JATIGUWI 2. SENGGRENG 3. TENYANG
6	SUMBERMAN JING WETAN	1. KEDUNGBANTENG 2. TAMBAKASRI 3. TEGALREJO 4. SUMBERAGUNG	16	KROMENGAN	1. NGADIREJO 2. JAMBUWER
7	DAMPIT	1. SUKODONO 2. BATURETNO	17	NGAJUM	1. BABADAN 2. BALESARI
8	TIRTOYUDO	1. PURWODADI 2. KEPATHAN 3. TAMANKUNCARAN	18	WONOSARI	1. PLAOSAN 2. BANGELAN 3. SUMBERDEM 4. SUMBERTEMPUR
9	PONCO KUSUMO	1. DAWUHAN 2. SUMBEREJO 3. PANDANSARI 4. NGADAS	19	WAGIR	1. SUMBERSUKO 2. PETUNGSEWU 3. SUKODADI 4. DALISODO
10	WAJAK	1. SUMBERPUTIH 2. WONOAYU 3. BAMBANG 4. PATOK PICIS 5. NGENBAL	20	PAKISAJI	1. JATISARI 2. WADUNG
			21	TAJINAN	1. GUNUNGTRONGGO
			22	TUMPANG	1. NGINGIT 2. KIDAL 3. KAMBINGAN 4. PULUNGOWO 5. DUWET 6. DUWETKRAJAN
			23	PAKIS	1. KEDUNGREJO 2. PUCANGSONGO

5.1 Conclusion

Based on the research result and discussion that has been described in previous chapters, it can be deduced as follows:

1. Development of MFI may be one solution to effective poverty reduction with the help of the role and intervention of various parties including government, non-government and community.
2. The importance of a stable macroeconomic environment in supporting MFI development in the future. Lack of macroeconomic stability which can be an obstacle to the growth of microfinance in several countries.
3. Excellence MFI lays in a strong commitment in empowering micro enterprises / small, the procedure more flexible and affordable rural location.
4. The role of the other party as a donor in expanding the capital base MFI (integration with banking), development of human resource capacity that leads to the sustainability of the organization and facilitation of MFI. Therefore, the subsidy can be justified to support MFI as long as the provision and direction that is suitable for institutional sustainability.
5. The focus of the development of MFI is not only in terms of capital strengthening credit to MFI, but also to develop the institution of the human resource development (training, capacity building), expand the range of services, assistance and financial sustainability of MFI.
6. It is necessary to make a strategic step of making an basic law for MFI and other supporting policies in order to optimize the role of MFI for poverty reduction in rural areas.

5.2 Suggestion

Based on the research's conclusions that have been outlined above, it can be given some suggestions which will be taken into consideration to the company. Some suggestions are as follows:

1. Poverty development programs must be sustainable, in the sense that any change of government poverty reduction programs open abolished the previous government, but rather passed.
2. The development program of the current government is stated in Presidential Decree No.5 of 2010 on the National Medium Term Development Plan 2010-2014, the construction program should continue to prioritize poverty reduction and implementation should always be monitored and evaluated to match the expected target.
3. Program developers for MFI models must give a stimulus to the community independently but not programs that will lull the community and cause lazyness.
4. The stability of world economy is closely linked to the politics of a country. Thus, the politics of a country should be pursued in a condusive condition for a stable economy that led to a reduction of the poor.
5. Poverty is very closely linked to the lack of education and skills. Then, poverty prevention program must be prioritized education in it.

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