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Model of business activities of microfinance institutions in Indonesia

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Abstract. Micro Finance Institutions as non-bank financial institutions are growing very rapidly in Indonesia. A very large number and scope of business in villages/sub-districts and sub-districts or districts can play a role in an inclusive financial program. The existence of micro finance institutions operation helps to expand employment, improve the welfare, and improve the economy and productivity of the people, especially low-income communities. The problem is how to model the business activities of micro finance institutions in Indonesia. This research will use normative juridical approach method, with analytical descriptive research specification. In an effort to provide financial services, which are intended for low-income communities who do not have access to bank financial institutions, micro finance institutions can bridge the problems of micro business access to capital needed in business development. Micro finance institutions have a different character from the other financial sector businesses, because it is not solely intended for profit. Micro finance institutions business activities can be done with a conventional or sharia model, including loan/financing for micro enterprises for capital needs in business development and management of deposits in an effort to bring awareness to the community's fond of saving. Besides, micro finance institutions can also provide consulting services for the purpose of business development for community empowerment. To provide legal certainty for the micro finance institutions service to the user community, micro finance institutions are regulated in micro finance institutions. Laws, according to the law the micro finance institutions, must be a legal entity of the Cooperative or Limited Liability Company. Fostering, regulating, and supervising and licensing of micro finance institutions are performed by the Financial Services Authority.

Keyword: Micro Finance Institutions, micro business, Financial Services Authority

1. Introduction

Implementation of economic development in addition to aiming to increase national income, is also aimed at accelerating job growth and reduction of unemployment rate so that it can solve the problem of poverty. Development in the economic field has an impact on the development of business in Indonesia: big business, medium business, small business, and especially micro business. Micro-enterprises are the most influential sectors to the development of national economy and provide broad economic services to the community. The function and role of small-scale enterprises is very large in the economic activities of the community, including: Provision of goods and services; Employment; Equity of added value added for regional products; and Increasing standard of living (1).

Graph of business deployment in Indonesia stated that UMKM dominates 99.75 percent, and only 0.19 percent of it is a large-scale business. The dominance of micro business scale is 83.27 percent as many as 18.933 million business and 15,81 percent small business (2). Bank Indonesia notes some of the strategic roles of the small business, among them: 1) the large number and is present in every sector of the economy, 2) the huge potential in employment as every investment in the small business sector can create more employment opportunities than the same investment in the business Medium / large, and 3) the ability to utilize local raw materials and produce goods and services needed by the community at an affordable price (3).

