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THE ROLE OF CAPITAL FINANCING INSTITUTIONS AS A FINANCIAL ALTERNATIVE FOR MICRO, SMALL AND MEDIUM ENTERPRISES IN MAKING THE INDONESIAN ECONOMIC DEVELOPMENT

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ABSTRACT

The Government seeks Venture Capital to be an alternative Financing is shown to small or new companies, but has great potential for growth and bright prospects, technological or nontechnological fields, or breakthrough businesses, and it is difficult to obtain bank credit. The Method approach used is doctrinal research. From the results of research shows that the role of venture capital has not been optimal or can be said while not road. In practice in Indonesia a venture capital company conducts its business such as banking. That the current sampat in general venture capital firms more practiced as lenders as usual banking credit lending practices. All terms and conditions requested to the business partner company are like a bank in giving credit.

Key words: Venture Capital, Alternative Financing, Micro, Small and Medium Enterprises (SMEs)

Introduction

The 2016 Central Bureau of Statistics (BPS) survey stated that the main obstacles of small-scaled businesses in 20 provinces in Indonesia are capital problem, 31%, raw material constrained 26%, competition 17%, production technique 2% and 2% management.¹ The data shows that the issue of capital plays a very important role for the development of business sector in Indonesia. Therefore, capacity building for small micro, small and medium enterprises (MSMEs) to access financial resources from various financial sources in order to meet the need for capital is important to be done,² in addition to the availability of legal umbrella for financing institutions.

Financing institution as one of the policy of economic strengthening with Presidential Regulation (Perpres) Number 9/2009 concerning Financing Institution replacing Presidential Decree Number 61/1988, and Decree of Minister of Finance Number 1251 / KMK.013 / 1998 regarding Provisions and Procedures of Implementation of Financing Institution.³ The formation of a financing institution's activity policy is intended to further expand the provision of alternative financing for businesses, particularly MSMEs in line with the increasing need for business funding as well as expected to provide a broader alternative to the business world.⁴

Financing institutions are believed to be one way to overcome the problems of companies that have no guarantee of proposed bank credit as is generally a constraint of MSMEs. Financing institution is one form of business in the field of non-bank financial institutions that have a very important role in financing. The activities of these financing institutions are conducted in the form of provision of funds or capital goods by not directly withdrawing from the community in the form of demand deposits, deposits, savings and letters able to pay. Therefore, the financing institution has a strategic role as one of potential alternative sources of financing institutions to support the growth of the national economy.

Financing Institution is a business entity conducting financing activities in the form of fund or capital goods provision.⁵ The form of a financing institution is better known as a finance company as a business entity which in its business activities is specifically engaged in certain business. Such financing institutions as defined in Article 2 of the Perpres include Financing Companies, Venture Capital Companies, and Infrastructure Financing Companies "

Financing institutions as alternative sources of finance alongside other financial institutions, including pawnshops, capital markets, and banks. However, not all business actors can easily comply with the terms and conditions applicable in each type of

¹ <http://www.bps.go.id>, business constraints of small entrepreneurs (*kendala-kendala usaha pengusaha kecil*), diakses pada tanggal 3 Januari 2017.

² Yuliana Panjaitan' Legal Aspect of Venture Capital Company as One of the Financing Institutions In Indonesia (*Aspek Hukum Perusahaan Modal Ventura Sebagai Salah Satu Lembaga Pembiayaan Di Indonesia*), *TRANSPARENCY, Jurnal Hukum Ekonomi*, Vol III No 2 Januari 2014, Fakultas Hukum Universitas Sumatra Utara, hlm 2

³ Sihabudin, Reevaluating Corporate Financing Through Venture Capital in Indonesia, (*Reevaluasi Pembiayaan Perusahaan Melalui Modal Ventura di Indonesia*), *ARENA HUKUM Vol 9, No 2, Agustus 2016*, Fakultas Hukum Universitas Brawijaya, hlm 289

⁴ Mireza Fitriadi dan Sinung Driyo Subanar, Financial Service Authority Against Foreign Venture Capital Companies In Direct Financing In Indonesia (*Kedudukan Otoritas Jasa Keuangan Terhadap Perusahaan Modal Ventura Asing Dalam Melakukan Pembiayaan Secara Langsung Di Indonesia*), *JURNAL PENELITIAN HUKUM Vol 1, No 2, Juli 2014*, Fakultas Hukum Universitas Gadjah Mada, hlm 77

⁵ Pasal 1 angka 1 Perpres No. 9/2009