



**Asia-Pacific  
Economic Cooperation**

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**2013/SMEWG36/017**  
Agenda Item: 10.2.2

## **Indonesia Micro-Financing Best Practice: The “Perkassa” Program**

Purpose: Information  
Submitted by: Indonesia



**36<sup>th</sup> Small and Medium Enterprises  
Working Group Meeting  
Manila, Philippines  
14-15 March 2013**

## THE INDONESIA MICRO-FINANCING BEST PRACTICE: THE “PERKASSA” PROGRAM<sup>1</sup>

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### Abstract

*PERKASSA is the government of Republic of Indonesia program to empower women in business through co-operative, launched at 2007. This program is non-banking financing in form of revolving fund in order to increase economic equality for women in the family. This paper is a best practise of micro-financing on co-operatives and SMEs in Indonesia, positioning of cooperatives that accepted its program. Based on SWOT model which applied internal and external indicators and co-operatives sample, we uncover the position co-operatives in “the forth quadrant” and business women cooperative members. In general, the program has been able to finance cooperatives and SMEs and strengthen institutions, improve the role of women in the family in business, and grassroots economy monetarization. The financing system had been already categorized to be good for empowering women and co-operative in economy. So the financing model is worthy of being best practice SMEs financing system.*

### Introduction

Women have been known as a dual role in family life, especially sustaining the economy of the household, in the era of globalization the competition as the main attributes (Hutagaol, 2008). First, as a housewife taking care of their home life, and secondly as a worker or entrepreneur who is able to provide a living or extra income to the family, either as the main economic actors as well as a complementary source of family income. In Bangladesh, women have been shown to raise the family economy and micro-credit is a factor that determines their success. DR M. Yunus is awarded Nobel Peace Prize for his work to develop micro-credit to women entrepreneurs (Counts, 2008). The position of women in Indonesia is very real to support the welfare of the family. As a family of economic actors, in general, women in Indonesia engaged in the business very micro to micro scale, and non-formal business, in the field of business of agricultural, trade, manufacturing, and services.

Noting the central role of women, the empowerment of women is an integral part of national development programs in Indonesia. Empowerment programs should be directed in order to effectively reach the target in order to improve the welfare of the family. Empowerment is difficult to be implemented when individual women are not clustered in one container. Sociological theory has revealed that increasing prosperity and the people's business through a team approach that must be targeted, effective, and there is a process of learning in them.

Empowerment of women by the government of Indonesia when it introduced PERKASSA Program (Welfare and Healthy Families and Women Program) through cooperatives. That is, women raised in a cooperative in order to gain support PERKASSA Program and in accordance with the globalization because cooperative relevant in the face of globalization (Situmorang, 2002). Since 2007, it has developed a cooperative of women with categories Women Cooperative (Kopwan) among hundreds of thousands of cooperatives in Indonesia. There are 247 women's cooperatives whose members are women engaged in various business fields of micro-scale, ie, agriculture, agro-industry, manufacturing, trade and services.

Historical development of cooperatives as a pillar of the economy people are highs and lows. So that way a million challenges facing cooperatives (Sinaga et al, 2006). PERKASSA Program Development is a form of government intervention to provide a revolving fund for the community, especially women entrepreneurs, co-operatives and SMEs in order to more forward. This is in line with the government's policy of empowering Co-op & SMEs (CSMEs) in order to increase the capacity, productivity, and competitiveness CSMEs and governmental tool to achieve national

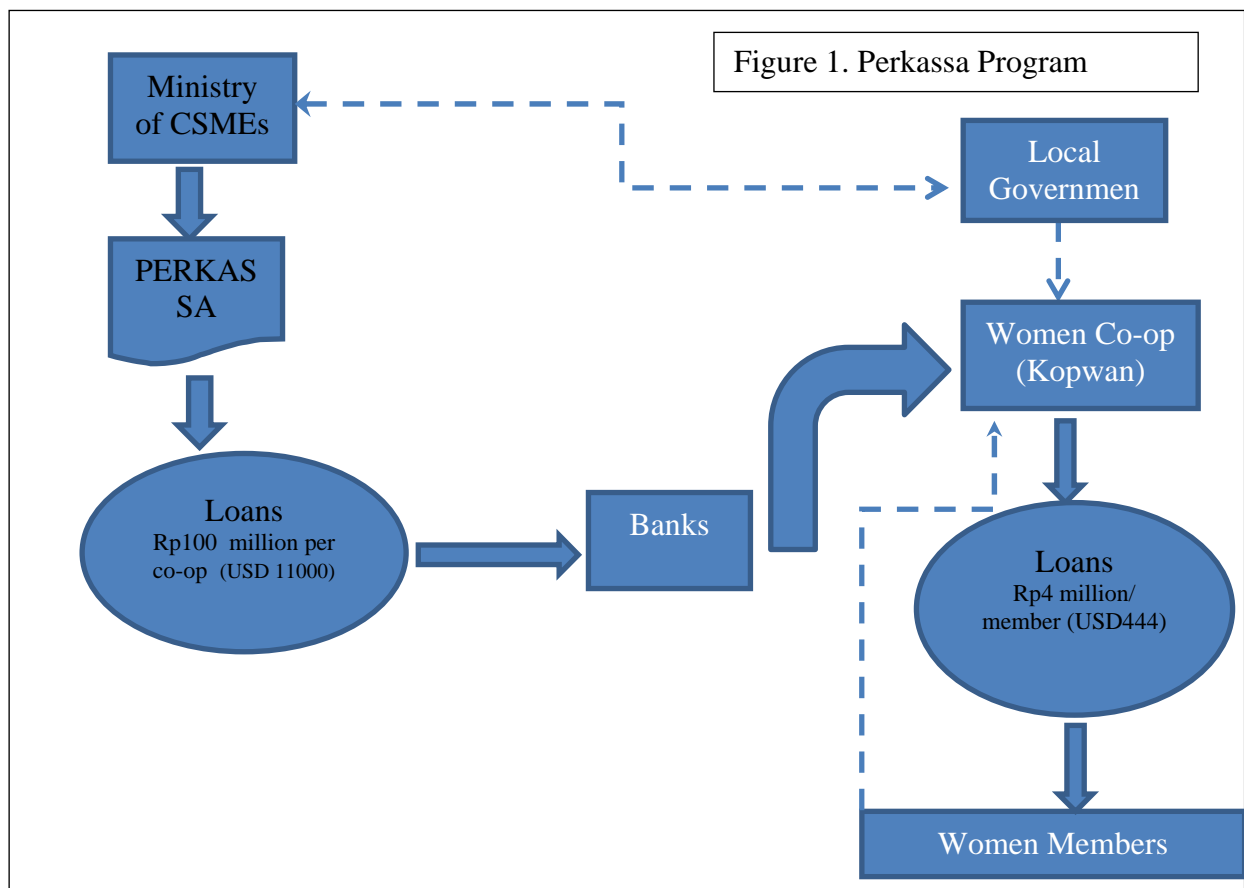
<sup>1</sup> Submitted to Financing Issues for Fostering Innovative SMEs and MEs as financing best practise. The similar content has been published in the "JOURNAL", Study of Cooperatives and SMEs ", Vol 05, p 1-29. ISSN: 1978-2896. Ministry of CSMEs RoI, Jakarta (see Situmorang, 2010a).

development goals (Anonymous, 2008). Billions of rupiah have been channeled state funds to finance the program, which includes thousands Kopwan units spread across all provinces.

### Design of PERKASSA Program

PERKASSA program regulated by the Ministry of CSMEs no 09/Per/M.KUKM/II/2007 whose goal is to empower women entrepreneurs in micro scale, improve human resource quality in general and financial managements, strengthen the role of Savings and Loans Co-operatives and division of financial of co-operatives. Assuming the program is women are weak and rely on feelings known in managing the business is often concealed by male domination. But, women are able to manage the business in parallel with men to help the family economy. As women entrepreneurs they are not able to access funds from formal financial institutions and also high interest rates of money (Situmorang, 2007). In 2007, there were 2481 women's cooperatives with a total membership of 378510 people (Anonymous 2008a; 2008b; 2009).

Figure-1 shows the scheme PERKASSA. The Ministry of CSMEs allocated fund totally Rp24.70 billion (eq US \$2.74 million). The government provides financing fund of Rp100 million per cooperative distributed to cooperatives through the bank. Cooperative channels for Rp4 million per member women entrepreneurs. Borrowers repay their loans to the cooperative which cooperative open a bank account channeling funds. Then, the cooperative will be rolling back the funds to members. Both members and the cooperative to pay interest on the loan. Cooperative grantees recommended and supervised by local government.



### Method of Performance Evaluation of The PERKASSA Program

This paper is a 'review' of the results of the Study of PERKASSA by The Ministry of CSMEs (Anonymous, 2009). In line with the issues and objectives, analytical approach is a strategic management (Pearce II and Robinson, 2000), the economy (Johnson, 1986), and social (Adi, 2005) were able to explain the position of Kopwan (the women co-operative) after receiving PERKASSA Program. The analysis uses the SWOT (Strength, Weakness, Opportunity, and Threat) which using internal and external factors, variables, and indicators. Display analysis results in the form of the

Fourth Quadrant and applying a scale Lykert for non-parametric indicators (Johnson, 1986; Sugiyono, 2008; Riduwan and Akdon, 2005) and based on log-frame program. Index is obtained as the expected value (expected value) of the interaction variable weights and the internal and external variables and indicators, namely Performance Variable Index or FVI (Situmorang, 2008a; 2008b; 2010a; 2010b). Internal factor consist of 10 variables and external factor consist of 6 variabels (Table-1).

Table-1. Internal and External Variables for Positioning Analysis of Cooperative in PERKASSA Program, 2008

No	Internal Variables	No	External Variables
1	Institution	1	Government Policies
2	Organizational & Human Resource	2	Capacity Building
3	Financials	3	Region Inrastructure
4	Completeness office facilities	4	Operation Environment
5	Use of Revolving Fund	5	Industrial Environment
6	Psychosocial	6	Remote Environment
7	Corporate Reputation		
8	Successful Delivery of Fund		
9	Successful Use of Fund		
10	Successful Return of Fund		

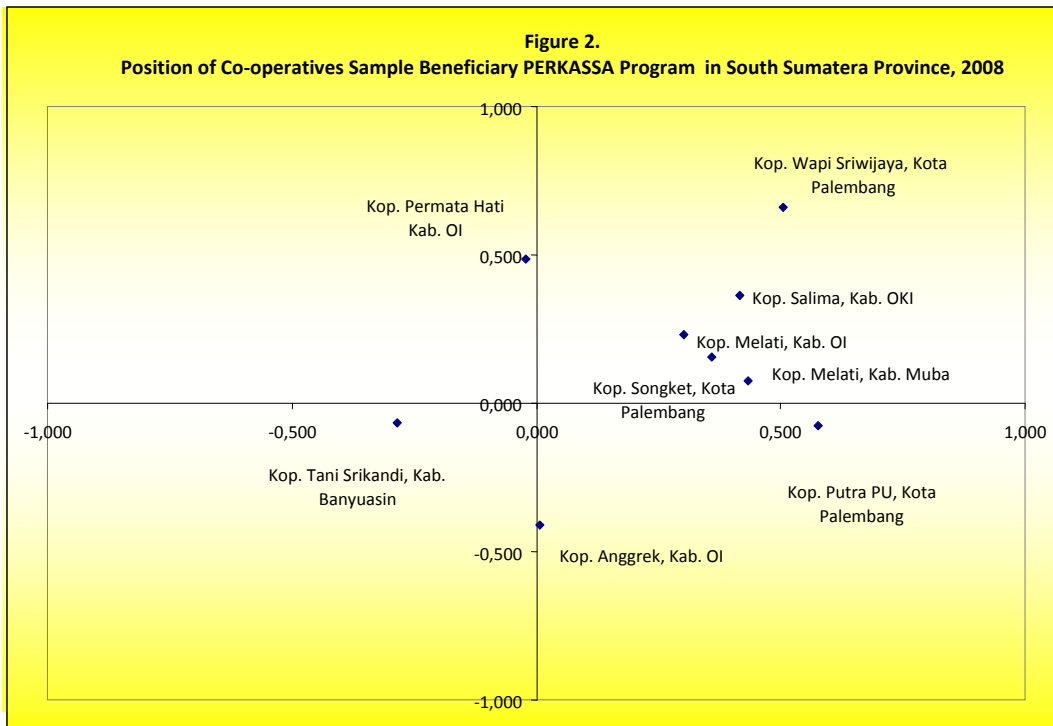
The Cooperatives were selected to demonstrate the performance of PERKASSA program as a number of 19 units samples from two provinces, namely South Sumatra and East Java. All cooperatives have implemented financing that program (Table-2).

Table-2. Name of Co-operatives Sample to Uncover Performance PERKASSA Program in Indonesia, 2008

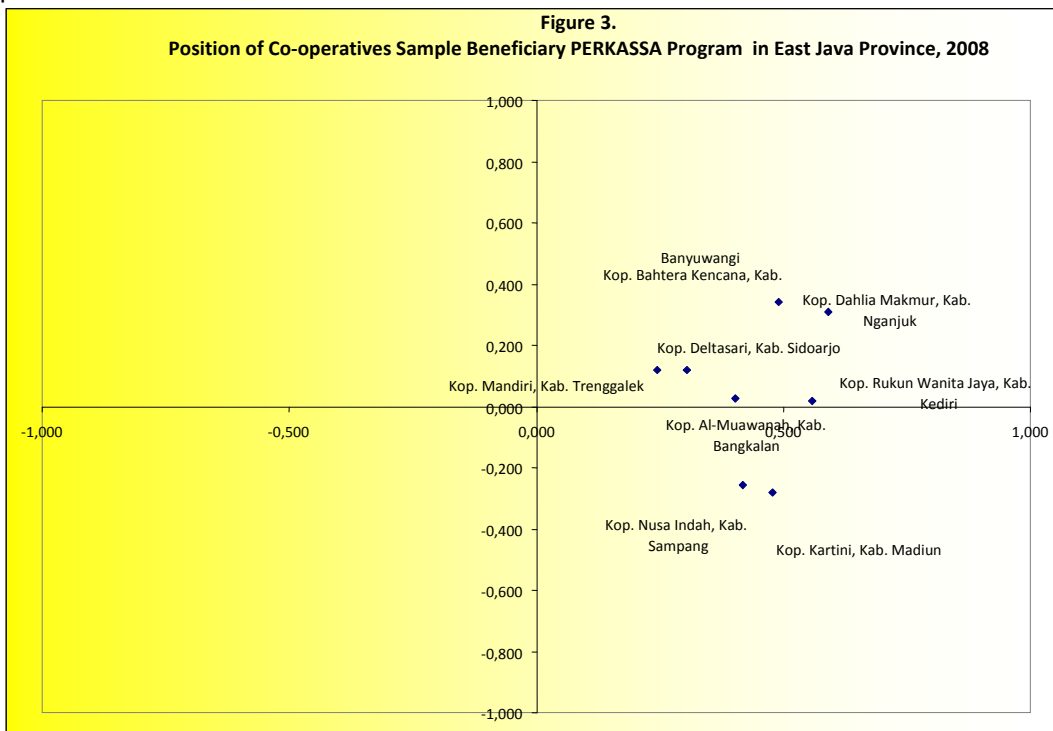
No	Name of Co-op Samples in South Sumatera Province	No	Name of Co-op Samples in East Java Province
1	Anggrek	1	Kartini
2	Permata Hati	2	Delta Sari
3	Melati OI	3	Delima Putih
4	Songket	4	Dahlia Makmur
5	Putra PU	5	Nusa Indah
6	Wapi Sriwijaya	6	Bahtera Kencana
7	Melati Muba	7	Mandiri
8	Salima	8	Rukun Wanita
9	Tani Srikandi	9	Dian Wanita
		10	Al Munaroh

### The Positioning of Co-operatives And Strategy Choice

According to Variable Performance Index (VPI), it can be shown the position of each cooperative, as in Figure-2. In the picture it looks scatter plot where five co-operatives are in Quadrant-1 (Q-1), the Northeast, namely the Sriwijaya, the Salima, the Melati OI, the Songket and the Melati Muba. The position on Q-1 shows that the five cooperatives have strengths and opportunities faced in operations. The more distant position from the starting point to zero, the better the position of the cooperative. The position of Q-2 (the southeast) is occupied by 2 cooperatives, namely the Putra Anggrek. This position suggests that both cooperative despite having the power internally, but externally facing challenge. The position of Q-3 (Southwest), the worst position, is occupied by only one cooperative, that is the Tani Srikandi are very weak internally and externally facing greater challenges than opportunities. Position Q-4 (northwest) is occupied by one cooperative, the Permata Hati which means even internally cooperative weak but externally facing greater opportunities than obstacles.



In Figure-3, it looks scatter plot co-operative sample beneficiary of PERKASSA program in East Java. Seven cooperatives are at Q-1, namely, the Dian Wanita (hiding), the Bahtera Kencana, the Dahlia Makmur, the Delta Sari, the Mandiri, the Rukun Wanita Jaya, and the Al-Muawanah. The position on Q-1 shows that the cooperatives have the power and have the opportunity in their operations. Q-2 position is occupied by three cooperatives, namely the Kartini, the Delima Putih, and the Nusa Indah. This position suggests that both cooperative despite having the power internally, but externally facing greater challenges than opportunities. Outward orientation to know exactly the direction changes and external factors is mostly done by the cooperative. Direction of strategy is to shift position of the Q-2 to the Q-1. In East Java, there is no co-operatives are at the Q-3 and Q-4 position.



In accordance with the position of each cooperative in Forth Quadrant, option strategies can be seen clearly. All cooperatives in Q-1 can establish aggressive strategy to expand the business. The capital formation is necessary. While cooperatives in Q-2 to choose a strategy that transform challenges into opportunities, for example by building networks or strategic alliances. The cooperatives in the Q-4 to choose a strategy on internal improvements to be more powerful, such as improved management and entrepreneurship. While cooperatives in Q-3 choose a strategy to enter Q-2 with internal improvements, especially the organization, management, and quality of human resources.

### Impact of PERKASSA Program on Co-operative

Impact PERKASSA to cooperatives, SMEs, and monetary policy can be seen from several indicators. In Table 3, the visible impact of cooperatives in which there is a change in the business and the area. Indicator number 1-6 is a cooperative business change and the indicator numbers 7-9 are regional economic change. All business indicators rise very high, such as sales and asset increased respectively 38.82% and 21:27%. As a financial institution, cooperative also able to mobilize low cost funds as seen from the growth of deposits by 50%. Likewise, the economy effects of the presence of cooperatives also indicated by the increased value added and job creation grew by respectively 14.08% and 33.51%.

Table-3. Impact of PERKASSA Program on Co-operative In Indonesia  
Based on Selected Indicators, 2008

No	Items	Change After Implementation of PEKASSA Program (%)
1	Sales	+38.82
2	Capital	+58.61
3	Margin of Business	+54.59
4	Savings	+50.00
5	Reserve	+61.78
6	Asset	+21.27
7	Added Value	+14.08
8	Membership	+1.13
9	Employment	+33.51
Source: Anonymous, 2009		

In Table 4, it's look effects of PERKASSA Program on SME financing sales and turnover business in South Sumatera and East Java Provinces. With an average loan per unit business of Rp4.47 million (eq. US \$497) in South Sumatra and East Java Rp5.43 million (eq. US \$597), the fund was able to create sales of SMEs respectively Rp22.00 million (eq. US \$2444) and Rp5.80 million (eq. US \$644) in the two provinces. While the effect of financing of the program on turnover is significant. It is very higher on SMEs in South Sumatra, that is 4.93 times a month, and moderately on SMEs in East Java, amount 1.07 times a month.

Table-4. Effect PERKASSA Program on SMEs Sale and Turn Over, 2008

No	Items	Unit	SMEs in South Sumatera Province	SMEs in East Java Province
1	Loans from PERKASSA	Avg Rp milion per unit business	4.47 (US \$497)	5.43 (US \$597)
2	Sales	Avg Rp milion per unit business	22.00 (US \$2444)	5.80 (US \$644)
3	Turn Over	Times per month	4.93	1.07
Source: Anonymous 2009				

From this performance position and impact of micro-financing on co-operative and SMEs, we can say that the microfinance program in Indonesia has generated a co-operative financial institutions for enhancing SMEs business and improving the people-base economy. The moving economy at the grassroots level will be able influence the whole to reduce the gap between individuals, between groups, between sectors and between regions.

## Monetary Impact of PERKASSA Program on Grassroot Level

According to monetary theory, the interaction of the amount of money supply (M) and the velocity of money (V) must be balanced with the value of production (Mankiw, 2003). This balance becomes velocity of money as a correction factor to money supply and inflation. When the value of production rose no need to add money supply during high-speed money. The money supply is inversely proportional to the velocity of money. The higher the velocity the lower the amount of money in circulation. In other words, inflation can be controlled when the higher capacity of the economy by increasing the velocity of money. Usually, banking institution as a formal institution is used by monetary authority to know money supply, namely M1, M2, and M3.

Flow of funds to cooperatives and communities can lead to monetarization economy. This is increasingly important as cooperatives and SMEs engaged at the grassroots level. PERKASSA fund is the fresh money and allocated to a cooperative as a financial institution. Therefore we can reveal the extent of the effects of monetary circulation of these funds at the grassroots level.

Table-5. Monetary Impact of PERKASSA Program on Grassroot Level Based on Velocity of Fund, 2008

Provinces	Velocity of Fund on Co-operative Level	Velocity of Fund on SMEs Level
South Sumatera	2.77	72.30
East Java	4.52	17.83

Source: Anonymous, 2009; SMEs is member of Co-op

In Table-5, it appears the velocity of funds at the grassroots level. With the funds allocated to cooperatives and SMEs, the velocity of fund is very high at SMEs level in South Sumatera and East Java, respectively 72.30 times and 17.83 times. Meanwhile, the velocity of fund is high at co-operative level in the both provinces, respectively 2.77 and 4.52. It means the funds used by SMEs has been spun as much as 72 times and 18 times. This suggests that micro-financing non-bank launched by the Indonesian government has been able monetarization Indonesia economy on the grassroots level. It is very helpful to promote Indonesia's economy in line with the era of globalization.

### Remarks

The PERKASSA program is a form of non-bank financing for co-operative and SMEs in Indonesia. The program has been able to achieve people-base economy in order to improve access to finance cooperatives and SMEs, particularly women entrepreneurs. The success of financing system is evident from the twisted SME businesses and institution where women have contributed to the family economy, create jobs, and entrepreneurship. Likewise cooperatives have allocated funds to improve the business, contribute to the economy of the region, and improving the quality of institution and together with SMEs are able monetarization economy. Therefore, this financial system may be a best practice for improving access to finance and the economy at the grassroots level

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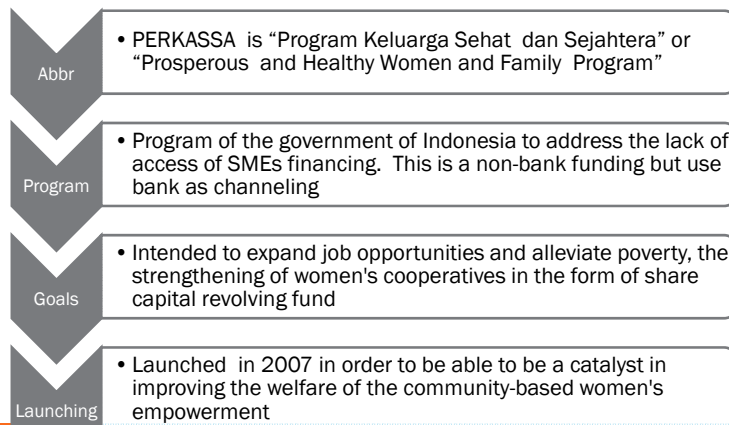




# INDONESIA MICRO-FINANCING BEST PRACTICE: THE “PERKASSA” PROGRAM

“THE 36TH SMALL AND MEDIUM ENTERPRISES WORKING GROUP (SMEWG) MEETING AND RELATED ACTIVITIES”,  
MANILA 11-14 MARCH 2013

## INTRODUCTION



# Assumptions

During this time, women are weak and rely on feelings known in managing the business is often concealed by male domination

Women are able to manage the business in parallel with men to help the family economy,

# Design Program

PERKASSA program regulated by the Ministry of Co-operative and SMEs no 09/Per/M.KUKM/II/2007 whose goal is to empower women entrepreneurs in micro scale, improve human resource quality in general and financial managements, strengthen the role of Savings and Loans Co-op and division of financial of co-op

There are 247 women's cooperatives whose members are women engaged in various business fields of micro-scale, ie, agriculture, agro-industry, manufacturing, trade and services.

The program includes 165 cities/districts and 250 woman co-operatives with a total loan value of Rp24.7 billion (US \$ 2.74 million)

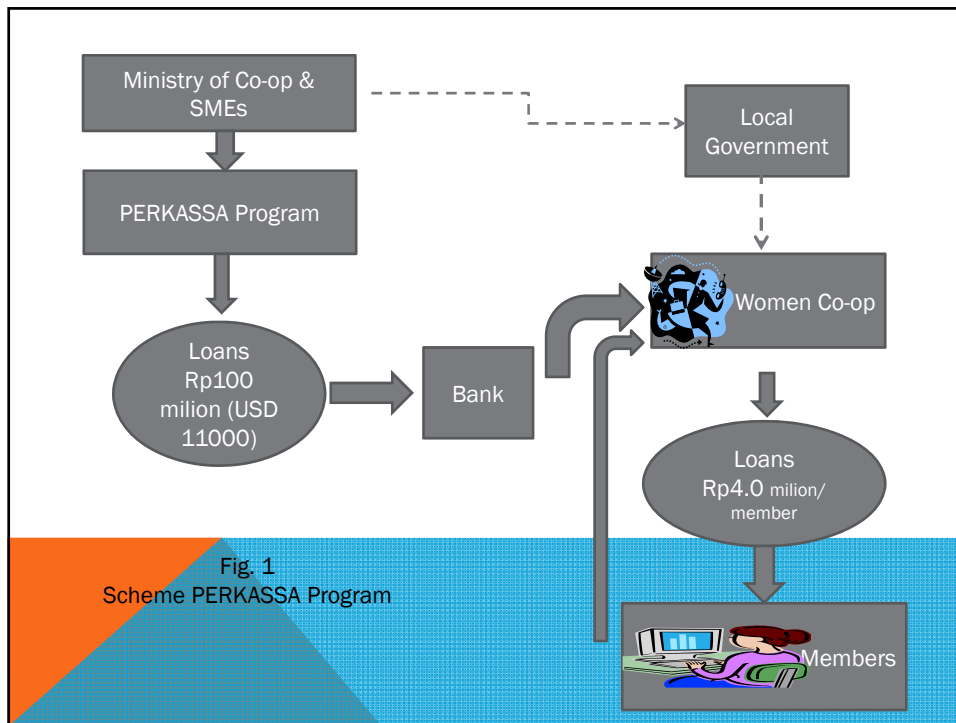


Table 1. Internal and External Variables Applied to Uncover PERKASSA Program Performance In Indonesia, 2008

No	Internal Variable s	No	External Variables
1	Institution	1	Government Policies
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3	Financials	3	Region Infrastructure
4	Completeness office facilities	4	Operation Environment
5	Use of Revolving Fund	5	Industrial Environment
6	Psychosocial	6	Remote Environment
7	Corporate Reputation		
8	Successful Delivery		
9	Successful Use Of		
10	Successful Return		

Table 2. Name of Co-operatives & Number of Members Samples to Uncover PERKASSA Program Performance in Indonesia, 2008

No	Name of Co-op Sample in South Sumatera Province	No	Name of Co-op Sample in East Java Province
1	Anggrek	1	Kartini
2	Permata Hati	2	Delta Sari
3	Melati OI	3	Delima Putih
4	Songket	4	Dahlia Makmur
5	Putra PU	5	Nusa Indah
6	Wapi Sriwijaya	6	Bahtera Kencana
7	Melati Muba	7	Mandiri
8	Salima	8	Rukun Wanita
9	Tani Srikandi	9	Dian Wanita
		10	Al Munaroh
	Members Sample = 27		Members Sample = 30

Table 3. Method of Analysis to Uncover PERKASSA Program Performance in Indonesia, 2008

No	Items
1	Analysis based on Logical Framework Program
2	Scope analysis on Co-operative and SMEs level
3	Co-operative samples are co-operative which member of board and its members are SMEs
4	Applying Lykert Scale for judgement quantitatively
5	Indexes used weighted method

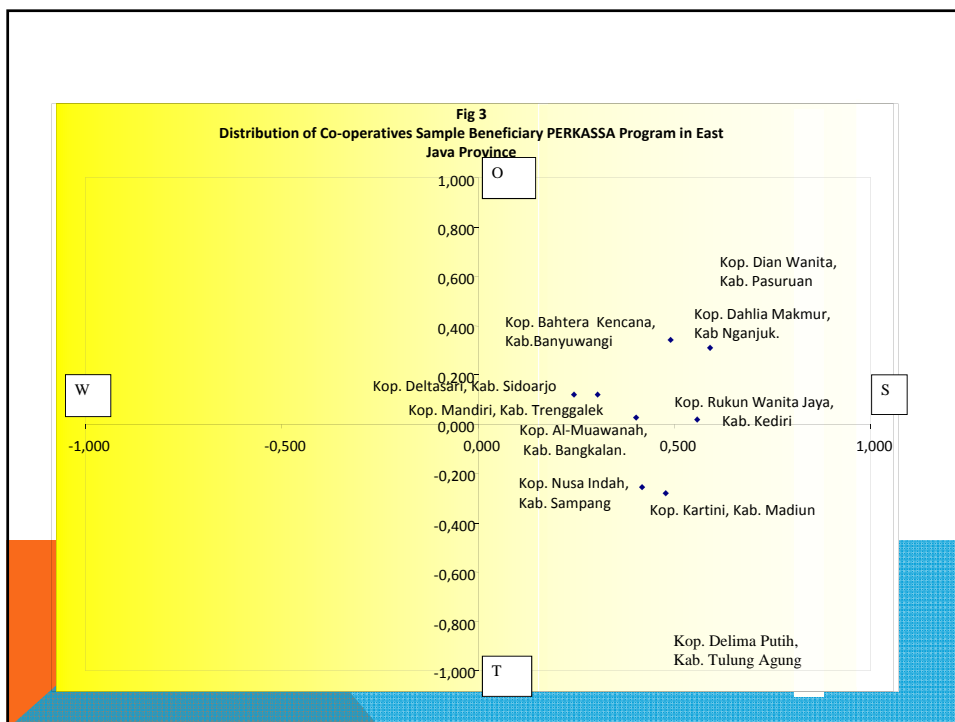
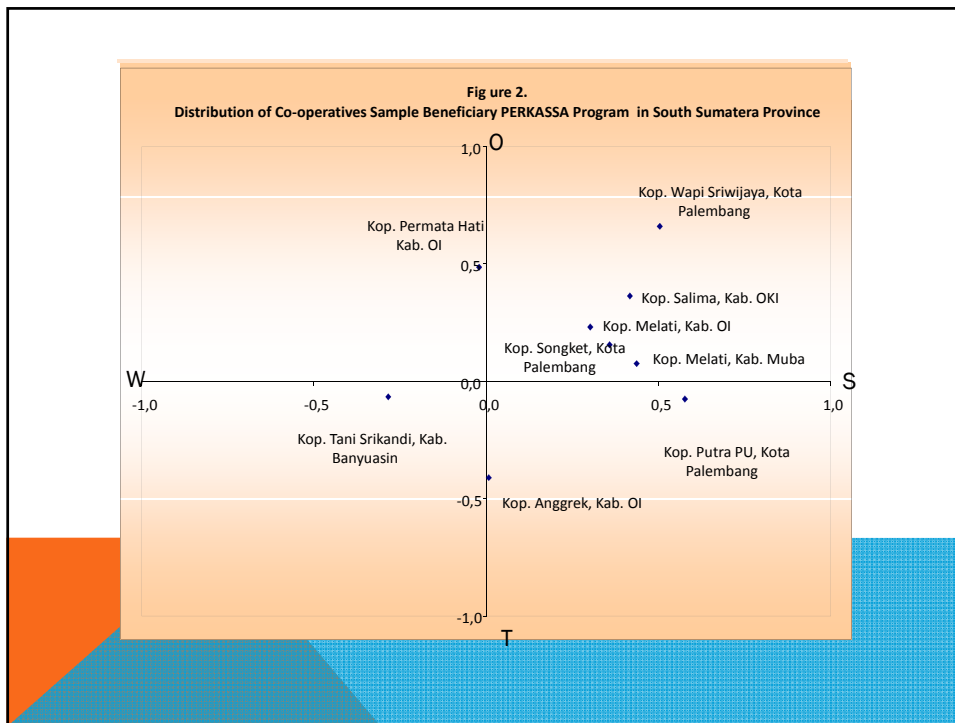


Table 1. Impacts of PERKASSA Program on Co-operative  
In Indonesia Based on Selected Indicators, 2008

No	Items	Changing After Implementation of PERKASSA Program (%)
1	Sales	+38.82
2	Capital	+58.61
3	Margin of Business	+54.59
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5	Reserve	+61.78
6	Asset	+21.27
7	Added Value	+14.08
8	Membership	+1.13
9	Employment	+33.51

Source: Anonymous, 2009

Table 2. Output PERKASSA Program on SMEs  
Sale and Turn Over In Indonesia, 2008

No	Items	Unit	South Sumatera	East Java
1	Loans from PERKASSA	Avrg Rp milion per unit business	4.47 (US \$497)	5.43 (US \$597)
2	Sales	Avrg Rp milion per unit business	22.00 (US \$2444)	5.80 (US \$644)
3	Turn Over	Times per month	4.93	1.07

Source: Anonymous 2009

Table 3. Monetary Impacts of PERKASSA Program on Co-operative and SMEs Level Based on Velocity of Fund, 2008

Provinces	Velocity of Fund on Co-operative	Velocity of Fund on SMEs
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Source: Anonymous, 2009; SMEs is member of Co-op

Mabuhay - Selamat -  
Thank You