

THE EFFECTIVITY OF CREDIT FOR BUSINESSES PROGRAM (KUR) DISTRIBUTION IN MALUKU AND MALUKU UTARA PROVINCES IN PERIOD OF 2010-2014

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ARTICLE INFO

Keywords : *Credit for business, economic development, productive sector, poverty, working capital.*

Kata Kunci: *Kredit Usaha Rakyat, pembangunan ekonomi, sektor produktif, kemiskinan, modal kerja*

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Abstract : *This research is conducted to know and explain the trend of effectivity of CfB distribution in period of 2010-2014 in Maluku Province and Maluku Utara Province. The research show that the trend of effectivity of CfB distribution in period of 2010-2014 in Maluku Province was decreasing that is the mistargeted ratio in 2014 as 1,57% was higher than the mistargeted ratio in 2010 as 0,00% and the trend of effectivity of CfB distribution in period of 2010-2014 in Maluku Utara Province was increasing that is the mistargeted ratio in 2014 as 1,85% was much lower than the mistargeted ratio in 2010 as 23,54%.*

Abstrak : Penelitian ini menggunakan pendekatan analisis deskriptif kualitatif. Penelitian bertujuan untuk mengetahui dan menjelaskan tren efektivitas penyaluran KUR dalam periode tahun 2010-2014 di Provinsi Maluku dan Provinsi Maluku Utara.. Hasil penelitian ini menunjukkan bahwa tren efektivitas penyaluran KUR periode 2010-2014 di Provinsi Maluku menurun dimana rasio salah sasaran penyaluran KUR di tahun 2014 sebesar 1,57% lebih besar dari rasio salah sasaran penyaluran KUR di tahun 2010 yang sebesar 0,00% dan tren efektivitas penyaluran KUR periode 2010-2014 di Provinsi Maluku Utara meningkat dimana rasio salah sasaran penyaluran KUR di tahun 2014 sebesar 1,85% jauh lebih kecil dibandingkan dengan rasio salah sasaran penyaluran KUR di tahun 2010 yang sebesar 23,54%.

INTRODUCTION

The classical problem which is faced by micro, small, and medium enterprises (MSME) is always related to financing and capital. To overcome the problem of difficulties of financing access from bank for MSME, government of Indonesia have issued some programs, among others Credit for Businesses Program or Kredit Usaha Rakyat (KUR) through Presidential Instruction Number 6 Year of 2007 concern to Policy of Acceleration of Real Sector and MSME Empowerment (Yasin, 2014).

Credit for Buseness Program (KUR) or Micro-Credit Program have been played a significant role in developing Indonesian economy. This could be proved by the increase of household (HH) who receive KUR in period of 2010-2014. In period of 2010-2014, the household who receive KUR increase 111,97% or 514.393,53 HH, from 459.388,87 HH in 2010 to 973.782,40 HH in 2014 or yearly average increase in 128.598,38 HH (27,99%).

As well if we view from economic sectors. All of Indonesian 19 economic sectors¹ were experiencing increase in households who receive KUR. Fiveteen economic sectors increase above 100% and the rest increase in below 100%.

From 15 economic sectors who experienced increase in amount of KUR receiving-HH above 100%, the highest is Other Agriculture and Forestry sector at 668,00%. It is followed by Health Service sector at 393,11%, Others sector at 390,88%, Gas and Electricity sector at 323,39%, Information and Communication sector at 293,37%, Mining and Excavation sector at 268,40%, Finance and Insurance sector at 202,40%, Animal Husbandry sector at 168,67%, Horticulture sector at 168,32%, Construction/Buiding sector at 148,36%, Processing Industry sector at 136,64%, Plantation sector at 128,38%, Trade sector at 118,92%, Social, Government, and Individual Services sector at 105,78%, and Warehouse and Transportation sector at 101,72%.

Economic sectors that increase in amount of KUR receiving-HH below 100% are Crops and Rice Crops Agriculture sector at 64,59%, Education Service sector at 51,11%, Fishery sector at 39,89%, and Restaurant and Hotel sector at 35,79%.

Table 1 Increase in KUR Receiving-Households of 19 Economic Sectors Year of 2010-2014

No	Economic Sector	KUR receiving-HH		Increase/(Decrease)	
		2010	2014	HH	Percentage
1	Crops and Rice Crops Agriculture	53.587,39	88.199,14	34.611,75	64,59%
2	Horticulture	8.644,78	23.195,93	14.551,15	168,32%
3	Plantation	27.307,60	62.365,79	35.058,19	128,38%
4	Fishery	12.462,50	17.434,08	4.971,58	39,89%
5	Animal Husbandry	5.387,31	14.474,26	9.086,96	168,67%
6	Forestry and Other Agriculture	727,27	5.585,39	4.858,12	668,00%
7	Mining and Excavation	2.511,52	9.252,46	6.740,94	268,40%
8	Processing Industry	49.281,62	116.621,28	67.339,66	136,64%
9	Gas and Electricity	1.228,05	5.199,44	3.971,39	323,39%
10	Construction/Building	22.385,67	55.596,49	33.210,82	148,36%
11	Trade	150.286,48	329.008,80	178.722,32	118,92%
12	Hotel and Restaurant	23.746,04	32.244,81	8.498,77	35,79%
13	Transportation and Warehouse	22.611,33	45.610,87	22.999,55	101,72%
14	Information and Communication	886,15	3.485,88	2.599,73	293,37%
15	Finance and Insurance	3.448,87	10.429,40	6.980,54	202,40%
16	Education Service	15.085,42	22.796,15	7.710,73	51,11%
17	Health Service	1.707,86	8.421,68	6.713,82	393,11%
18	Social, Government, and Individual Service	50.427,71	103.816,60	53.388,89	105,87%
19	Others	1.635,95	8.030,55	6.394,60	390,88%
20	Payment Receiver/Unemployment	6.029,35	12.013,39	5.984,04	99,25%
	Total	459.388,87	973.782,40	514.393,53	111,97%

Sumber: BPS (2010) dan BPS (2014), calculated.

¹19 economic sectors are: (1) Crops and Rice Crops Agriculture, (2) Horticulture, (3) Plantation, (4) Fishery, (5) Animal Husbandry, (6) Forestry and Other Agriculture, (7) Mining and Excavation, (8) Processing Industry, (9) Gas and Electricity, (10) Construction/Building, (11) Trade, (12) Hotel and Restaurant, (13) Transportation and Warehouse, (14) Information and Communication, (15) Finance and Insurance, (16) Education Service, (17) Health Service, (18) Social, Government, and Individual Service, (19) Others.

Maluku Province and Maluku Utara Province are selected to be research object because only both provinces which most (or more than 50%) of the households lived in coastal area. In 2010, about 77,02% of all households in Maluku Province lived in coastal area. While about 70,99% of all households in Maluku Utara Province lived in coastal area (BPS, 2010). Besides, Maluku Province and Maluku Utara Province are located in eastern part of Indonesia. So, the successful government program including KUR in Maluku Province and Maluku Utara Province could be a model or prototype for the successful government program in coastal area and also in other part of eastern Indonesia. And the analysis of effectivity of KUR distribution in Maluku Province and Maluku Utara Province more significantly to be completed. This analysis aimed to know the trend of effectivity of KUR distribution in Maluku Province and Maluku Utara Province in 2010-2014. This research will find whether the KUR distribution in Maluku Province and Maluku Utara Province in period of 2010-2014 increasingly effective or decreasingly effective.

Table 2. Percentage of Coastal and Non Coastal Indonesian Provincial Households in 2010

No	Province	Coastal		Non Coastal	
		Household	Percentage	Household	Percentage
1	Aceh	124.067,80	11,52%	952.793,20	88,48%
2	Sumatera Utara	226.772,48	7,41%	2.831.894,52	92,59%
3	Sumatera Barat	127.319,77	10,98%	1.032.023,23	89,02%
4	Riau	117.544,39	8,70%	1.234.065,61	91,30%
5	Jambi	9.168,44	1,18%	769.521,56	98,82%
6	Sumatera Selatan	9.441,91	0,52%	1.814.755,09	99,48%
7	Bengkulu	54.597,93	12,52%	381.377,07	87,48%
8	Lampung	84.336,89	4,36%	1.849.521,11	95,64%
9	Kep. Bangka Belitung	72.891,05	23,09%	242.788,95	76,91%
10	Kep. Riau	183.142,18	40,66%	267.272,82	59,34%
11	DKI Jakarta	76.474,87	2,97%	2.501.882,13	97,03%
12	Jawa Barat	384.380,42	3,31%	11.224.989,58	96,69%
13	Jawa Tengah	358.642,26	4,10%	8.379.788,74	95,90%
14	DI Yogyakarta	35.381,32	3,38%	1.011.492,68	96,62%
15	Jawa Timur	681.810,24	6,50%	9.801.294,76	93,50%
16	Banten	153.428,57	5,78%	2.501.676,43	94,22%
17	Bali	313.984,17	29,94%	734.638,83	70,06%
18	Nusa Tenggara Barat	215.128,70	17,10%	1.042.673,30	82,90%
19	Nusa Tenggara Timur	262.326,20	25,72%	757.743,80	74,28%
20	Kalimantan Barat	122.861,25	11,93%	907.307,75	88,07%
21	Kalimantan Tengah	18.401,16	3,19%	558.277,84	96,81%
22	Kalimantan Selatan	66.983,34	6,80%	918.663,66	93,20%
23	Kalimantan Timur	162.797,26	18,37%	723.440,74	81,63%
24	Sulawesi Utara	174.367,55	29,62%	414.218,45	70,38%
25	Sulawesi Tengah	278.497,74	44,40%	348.720,26	55,60%
26	Sulawesi Selatan	257.073,99	13,85%	1.599.131,01	86,15%
27	Sulawesi Tenggara	168.914,22	33,39%	336.958,78	66,61%
28	Gorontalo	37.153,65	15,11%	208.696,35	84,89%
29	Sulawesi Barat	66.215,45	25,39%	194.606,55	74,61%
30	Maluku	246.210,82	77,02%	73.480,18	22,98%
31	Maluku Utara	153.470,79	70,99%	62.725,21	29,01%
32	Papua Barat	70.530,75	40,64%	102.998,25	59,36%
33	Papua	73.945,23	10,98%	599.751,77	89,02%
Total		5.388.262,78		56.381.170,22	

Source: BPS (2010) dan BPS (2014), calculated.

RESEARCH METHOD

Analysis Method

This research use qualitative and descriptive approach that is explaining the trend of effectivity of KUR distribution in Maluku Province and Maluku Utara Province for 2010-2014 based on numbers calculated from National Socio-Economic Survey (Susenas) year of 2010 and 2014 data. According to Given (2008), qualitative research is designed to explore human elements from certain topics, where specific method is used to examine how individuals see and experience their real life in the world. Although qualitative research is often described as contrary to quantitative research, many scientist and practitioners recent days apply simultaneously quantitative and qualitative approaches in their researches.

And also this research. Although this research claim as qualitative research, but in practice it calculate mathematically Susenas 2010 and 2014 data so this research contains quantitative element.

Article 5 paragraph (1) Ministry of Finance Regulation Number: 22/PMK.05/2010 regulate that micro, small, and medium enterprises and also cooperatives which are eligible to receive KUR guarantee must be productive businesses which are feasible but non bankable which are fulfilled requirements: (a) debtor candidates who are not receiving other commercial credit for investment or working capital from bank or credit program from government proved by Sistem Informasi Debitur/SID (Debtor Information System) or Bank of Indonesia (BI) checking , (b) debtor candidates who are receiving consumption credit (house ownership credit, motorcycle/car ownership credit, credit card or other consumption credit) are eligible to receive KUR.

Based on the above conditions, it is prohibited to distribute KUR to households that do not have commercial businesses or that have been an unemployment. It is also prohibited to distribute KUR to households who are already receiving commercial credit from bank because households who are already receiving commercial credit from bank means that the households are bankable and it is not allowed to distribute KUR to bankable households (Idris, 2010). So it is a mistargeting or an ineffectivity if KUR is distributed to households who are already receiving commercial credit from bank or who are unemployment.

KUR distribution is determined increasingly effective if mistargeting ratio of 2014 lower than mistargeting ratio of 2010, and vice versa. Mistargeting ratio is amount of KUR receiving-households who are also receiving other commercial credit from bank and/or having status as a payment receiver/unemployment, divided by total KUR receiving-households.

The definition of effectivity here means the accuracy of KUR distribution according to previously determined requirements by government, *not* how far the goals of KUR program achieved.

Data

This research use National Socio-Economic Survey (Susenas) 2010 and 2014 data which is build by Badan Pusat Statistik – Statistics Indonesia.

Research Goal

This research aim to know and explain the trend of effectivity of KUR distribution in Maluku Province and Maluku Utara Province in 2010-2014. This research will answer whether in period of 2010-2014, the KUR distribution in Maluku Province and Maluku Utara Province increasingly effective or decreasingly effective, and explain why that could happen.

LITERATURE REVIEW

Definition of Micro-Credit

Micro-credit, according to Otero (1999) in Mazumder and Wencong (2013), is considered to be “the provision of financial services to low income poor and very poor self-employed people”. These financial services generally include savings and credit, but can also include other services such as insurance and payment services as revealed by Ledgewood (1999). On the other hand, Scheiner and Colombet (2001) define micro-credit as an attempt to improve access to small deposits and small loans for poor households neglected by banks. This implies that micro-credit involves the poor people in getting financial services like savings, loans, insurance etc. enabling them to lead a descent living in both urban and rural settings who are unable to obtain such services from the formal financial sector (Mazumder and Wencong, 2013).

Previous Research

Mazumder and Wencong (2013) made an overview about access to micro-credit for rural poor and its impact on their poverty situation and relevant factors related to income of the micro-credit recipients. Major findings reveal that positive impact was found on income, assets endowment, standard of living and poverty reduction. Utilization of credit appears to be major factor for credit recipients raising income compared to their control group. This shows that micro-credit tends to be an important factor to have an impact on household income which minimizes the poverty situation to a reasonable extent.

In relation with KUR as a bridge to financial inclusion, Tambunan (2015) found that following the Asian financial crisis of 1997–1998, Indonesia has adopted a financial inclusion strategy as part of its “inclusive national development policy” in order to increase economic growth and the welfare of the population. One way to achieve financial inclusion is through financial education; an ongoing process to change the behavior and culture of society and to increase familiarization with the financial world.

According to Chithra and Selvam (2013), financial inclusion is a process to include the people who lack formal financial services to enjoy the formal financial services. The empirical analysis for indentifying the determinants of financial inclusion reveals that things have significant association with the level of financial inclusion are: socio-economic factors like income, literacy and population, physical infrastructure for connectivity and information, and banking variables i.e. deposit and credit penetration. Meanwhile, credit-deposit ratio and investment ratio were not significant association with financial inclusion.

RESULTS AND ANALYSIS

Trend of Effectivity of KUR Distribution in Maluku Utara Province

Based on Susenas 2010 and 2014 data calculation, the trend of KUR distribution in Maluku Utara Province is *increasingly effective* proved by mistargeting ratio in 2014 (1,85%) which is lower than mistargeting ratio in 2010 (23,54%).

In 2010, amount of households in Maluku Utara Province are 216.196,00 HH. About 388,04 HH of them are receiving KUR. About 91,35 HH atau 23,54% of 388,04 HH who are receiving KUR are mistargeting households because they were also receiving commercial credit (not KUR) from bank. Meaning that the 91,35 HH are bankable households who are not eligible to receive KUR. In 2010, there are not KUR receiving-households in Maluku Utara Province who are having unemployment status. This is positive because avoiding bank from bad credit or non performing credit.

In 2014, amount of households in Maluku Utara Province are 244.144,88 HH. It was an increase at 12,93% (27.948,88 HH) compare to 2010. About 2.756,61 HH of them are receiving KUR. These KUR receiving-households are experiencing an increase at 610,39% or 2.368,57 HH compare to 2010. From the 2.756,61 HH who are receiving KUR, there are 50,97 HH or 1,85% who are mistargeting households because they are also receiving commercial credit (not KUR) from bank. Meaning that the 50,97 HH are bankable households who are not eligible to receive KUR. In 2014, there are not KUR receiving-households in Maluku Utara Province who are having unemployment status. This is positive because avoiding bank from bad credit or non performing credit. Mistargeting households at 50,97 HH is a decrease at -44,20% or 40,38 HH compare to 2010.

A decrease in mistargeting ratio of KUR distribution in Maluku Utara Province show that trend of KUR distribution in Maluku Utara Province is *increasingly effective*. This is caused by banks in Maluku Utara Province which are persistently keeping the prudential principle in distributing KUR.

Not only because of persistently keeping the prudential principle in distributing KUR, the effectivity of KUR distribution are achieved because KUR distribution are conducted with targeting approach. It means that households or debtors who are eligible to receive KUR are only households who have a feasible but not bankable businesses. Banks in Maluku Utara Province applied targeting approach in distributing KUR period of 2010-2014 effectively.

Samson et al. (2010) stated that effective targeting could ensure that scarce resources would really be flowed to them who are eligible. Effective targeting will decrease cost of social transfer distribution and overcome budget constraint. Even though, targeting approach also absorbs costs directly and indirectly. That costs are exclusion error costs, administration costs, private costs, indirect costs, social costs and political costs.

To elevate the quality of KUR program, government can include technological aspects in KUR distribution. A research by Kusumawardhani, Rahayu, and Maksun (2015) found that soft loans (in example KUR) to support technology, marketing, and other improvements in business capacity have proven successful in creating science-based MSMEs, increasing productivity and improving human-resources management and marketing. The solution of supporting the competitiveness of MSMEs through technology will work only if the government does think globally and act locally.

With effective KUR distribution, micro, small and medium enterprises and cooperatives (MSME-C) in Maluku Utara Province and then Indonesia could grow stronger and play important roles: provision of business service infrastructure required by larger firms, rapidly expanding and bringing Indonesia's services sector into the new millennium, acting as a source of innovation and being an important vehicle for getting new products or services to market, and building a broader base for the economy-allowing it to rely less on key enterprises in key industries in particular regions (Houghton and Davies, 2012).

Trend of Effectivity of KUR Distribution in Maluku Province

Based on Susenas 2010 and 2014 data calculation, the trend of KUR distribution in Maluku Province is *decreasingly effective* proved by mistargeting ratio in 2014 (1,57%) which is higher than mistargeting ratio in 2010 (0,00%).

In 2010, amount of households in Maluku Province are 319.691,00 HH. About 1.623.61 HH of them are receiving KUR. In 2010, there are no mistargeting households in KUR distribution in Maluku Province. All KUR receiving-households in Maluku Province in 2010 are eligible households.

In 2014, amount of households in Maluku Province are 349.848,28 HH. It was an increase at 9,43% (30.157,28 HH) compare to 2010. About 4.400,97 HH of them are receiving KUR. These KUR receiving-households are experiencing an increase at 171,06% or 2.777,36 HH compare to 2010. From the 4.400,97 HH who are receiving KUR, there are 69,00 HH or 1,57%% who are mistargeting households because they are also receiving commercial credit (not KUR) from bank. Meaning that the 69,00 HH are bankable households who are not eligible to receive KUR. In 2014, there are not KUR receiving-households in Maluku Province who are having unemployment status. This is positive because avoiding bank from bad credit or non performing credit. The 69,00 HH who are mistargeting households in 2014 because they are also receiving commercial credit (not KUR) from bank in 2014, is significant number, because in 2010 there are no mistargeting households in KUR distribution in Maluku Province.

Mistargeting in KUR distribution in Maluku Province more due to error inclusion that is putting households or debtors who are not eligible to receive KUR (because the characteristics of their businesses are *feasible* and *bankable*) in debtors who are eligible to receive KUR (debtors who are *feasible* but not *bankable*).

According to Samson et al. (2010), inclusion error are mistakes in distributing social transfers to people or households who are not poor. Similarly, assumed KUR as social transfers, inclusion error in KUR distribution are mistakes in distributing KUR to households or debtors who are not eligible to receive KUR because the debtors are feasible and bankable. In theory, social transfers different with KUR in which KUR fund must be returned by debtors while social transfers not need to be returned.

Samson et al. (2010) stated that all efforts to distribute social transfers to the poor always bear two types of errors i.e. inclusion error (type-I error) and exclusion error (type-II error). Inclusion error are mistakes in distributing social transfers to households or people who are not poor. While exclusion error are failures to distribute social transfers to targeted households or people that are poor households or people. Decrease in inclusion error is potential benefit from targeting while exclusion errors are costs from targeting.

Mistargeting KUR distribution is becoming problems because of budget constraints. Because of the limitness of KUR fund, bankable households or debtors who are receiving KUR will decrease the allocation (credit rationing) of not bankable households who are factually eligible to receive KUR. Finally, economic sectors which are supposed to grow because of KUR distribution, become not grow, even KUR distribution decrease economic growth and equality (Munandar, 2013).

Mistargeting problems in Indonesian KUR distribution must be solved immediately, beside for above reasons, also to: (a) overcome 1 of 3 impediments in establishing and developing small private business: bureaucratic obstacles, lack of business skills, and difficulties in accessing finance (Houghton and Davies [2012], Machmud and Huda [2011], Tambunan [2008a], Tambunan [2008b]), (b) prevent mistargeting problem brings to other potential problem: deterioration in loan quality, which together with distortion in financial prices, lack of competition in rural financial markets and problems associated with the ownership structure and corporate governance of rural financial institutions, have caused a decline in the supply of institutional credit in rural China since the mid 1990s. Declines in the supply of institutional credit have had a negative impact on China's rural

economic development, particularly on the development of TVEs and rural off farm-production, which used to be supported by the Agricultural Bank of China (Cheng, 2012).

CONCLUSION AND RECOMMENDATION

Based on Susenas 2010 and 2014 data calculation, the trend of KUR distribution in Maluku Utara Province is *increasingly effective* proved by mistargeting ratio in 2014 (1,85%) which is lower than mistargeting ratio in 2010 (23,54%). Therefore this research recommend that government of Indonesia increase nominal amount of KUR and amount of households who are receiving KUR so that goals of KUR program i.e. escalating equality and economic growth could be achieved precisely and shortly.

Based on Susenas 2010 and 2014 data calculation, the trend of KUR distribution in Maluku Province is *decreasingly effective* proved by mistargeting ratio in 2014 (1,57%) which is higher than mistargeting ratio in 2010 (0,00%). It was caused by banks which are loosening the prudential principle in distributing KUR. Therefore this research recommend that banks in Maluku Province must firmly tighten prudential principle application in distributing KUR in Maluku Province.

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