

THE 12<sup>TH</sup> MALAYSIA-INDONESIA INTERNATIONAL CONFERENCE ON  
ECONOMICS, MANAGEMENT, AND ACCOUNTING 2011

## MIICEMA

*“Borderless Economy: Opportunities and Challenges for Businesses in  
Southeast Asia”*

13-14 October 2011

VENUE:

Magister Manajemen  
Magister Perencanaan Pembangunan  
Fakultas Ekonomi, Universitas Bengkulu

## PROCEEDINGS

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Universitas Bengkulu, Indonesia

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## HISTORY OF MIICEMA

After successful the Malaysia-Indonesia International Conference on Economics, Management and Accounting 2010 (MIICEMA 2010) hosting by the Faculty of Economics and Business, Universiti Kebangsaan Malaysia, this year 2011, Universitas Bengkulu will host the same conference for the third time. At 12<sup>th</sup> conference with theme “Borderless Economy: opportunities and challenges for Enterprises in Southeast Asia”, new members, Universitas Padjajaran, Bandung and Universitas Malikussaleh take part on the collaboration.

Here the list of detail history of MIICEMA from 1993 until 2010:

1993	The first conference was co-organized by the Faculty of Economics and Faculty of Business Management (UKM) and Universitas Syiah Kuala Banda Aceh. With a theme “Economics and Business Issues (Isu-isu Ekonomi dan Perniagaan)”, the conference was held on 5 – 6 June 1993 at Universitas Syiah Kuala Banda Aceh.
1994	The second conference was co-organized by the Faculty of Economics and Faculty of Business Management (UKM) and Universitas Syiah Kuala Banda Aceh. The conference theme was “Economics Prospects and Challenges in Industrial Development (Prospek dan Cabaran Ekonomi dalam Pembangunan Industri)”. The conference was held on 19 – 20 July 1994 at Universiti Kebangsaan Malaysia.
1995	The third conference was co-organized by the Faculty of Economics and Faculty of Business Management (UKM) and Universitas Syiah Kuala Banda Aceh. The conference theme was “Strengthening Malaysia and Indonesia Cooperation: To Succeed the 2020 IMT-GT (Memperkuat Kerjasama Malaysia dan Indonesia: Mensukseskan IMT-GT Tahun 2020)”. The conference was held in August 1995 at Universitas Syiah Kuala Banda Aceh.
1996	The fourth conference, which was upgraded to an international level, was again co-organized by the Faculty of Economics and Faculty of Business Management (UKM) and Universitas Syiah Kuala Banda Aceh. The conference theme was “Globalization Issues in Economics and Business (Isu-isu Globalisasi dalam Ekonomi dan Perniagaan)”. The conference was held on 12 – 13 November 1996 at Puri Pujangga, Universiti Kebangsaan Malaysia.
1997	The fifth conference was co-organized by the Faculty of Economics and Faculty of Business Management (UKM), Universitas Syiah Kuala Banda Aceh and a new member university, Universitas Bengkulu. The conference theme was “Managing Growth and Changes”. The conference was held on 23-25 June 1997 at Universitas Bengkulu.
2002	The sixth conference was co-organized by the Faculty of Economics and Faculty of Business Management (UKM), Universitas Syiah Kuala Banda Aceh and Universitas Bengkulu. The conference theme was “The Role and Harmonization of Economics and Business Disciplines in Global Competitiveness”. The conference was held on 14-15 October 2002 at Universitas Syiah Kuala, Banda Aceh.
2003	The seventh conference was co-organized by the Faculty of Economics and Faculty of Business Management (UKM), Universitas Syiah Kuala Banda Aceh and Universitas Bengkulu. The conference theme was “Sustainable Economics and Business Development in an Era of Globalization”. The

	conference which was hosted by the Faculty of Economics and Faculty of Business Management (UKM) was held on 13-14 October 2003 at Equatorial Hotel, Bangi.
2004	The eighth conference witnessed the collaborative effort of the trio universities was further strengthened by the involvement of Brunei Darussalam. The conference theme was "Asian Competitiveness in Economics and Business Sector Towards an Era of Globalization". The conference was held on 2-6 October 2004 at Universitas Bengkulu.
2005	The ninth conference was welcome another new member university, Universitas Muhammadiyah Surakarta, as the co-organizer of the conference. The conference theme was "Empowering Economic and Business in the Free Trade Era". The conference was held on 13-14 December 2005 at Universitas Muhammadiyah Surakarta.
2008	The tenth conference was co-organized by the Faculty of Economics and Business Management (UKM), Universitas Syiah Kuala Banda Aceh, Universitas Bengkulu and Universitas Muhammadiyah Surakarta. The conference theme was "Developing Regional Economy through Networking: Role of Small Medium Enterprises (SMEs)". The conference was held on 27-28 October 2008 at Universitas Syiah Kuala Banda Aceh.
2010	The eleventh conference was co-organized by Faculty of Economics and Business, Universiti Kebangsaan Malaysia, National University of Malaysia, Universitas Syiah Kuala Banda Aceh, Universitas Bengkulu, Universitas Muhammadiyah Surakarta, and Institut Pertanian Bogor. The conference theme was "Regional Development in an Era of Global Innovation Economy"". The conference was held on 25-26 October 2010 at Universiti Kebangsaan Malaysia.

## Greeting from the Rector



*Assalamu'alaikum wr.wb. dan salam sejahtera*

Dear participants, guesses and colleagues

First of all, I would like to express my gratitude to each and every one of you for your participation on this 12<sup>th</sup> Malaysian-Indonesian International Conference on Economics, Management and Accounting 2011 here in Bengkulu. I also would like to give my highly appreciation to

the organizing committee, the faculty of Economics, University of Bengkulu, in cooperation with Universiti Kebangsaan Malaysia, Universitas Syiah Kuala Aceh, Universitas Muhammadiyah Surakarta, Institut Pertanian Bogor, and Universitas Padjajaran, Bandung. With their strong will and hard work, this conference can be successfully held.

Since it began in 1993, MIICEMA has been a huge success, providing a great opportunity to develop our knowledge on Economics, Managements and Accounting through networking, studies and researches - not to mention the opportunity to make new friends, meet old acquaintances and discover new places in both countries, Indonesia and Malaysia. And with this year's theme "Borderless Economy: Opportunities and Challenges of Business in Southeast Asia", It is my sincere expectation that there is also borderless collaboration between Indonesia and Malaysia and other countries as well in the future.

I hope that you will find the conference both enjoyable and valuable and also enjoy the cultural and natural beauty of Bengkulu. For all our guesses, national and international, may you have a pleasant stay in Bengkulu.

Wassalamu'alaikum wr.wb.

Sincerely,

Prof. Ir. Zainal Mukhtar, M.Sc.

## Greeting from the Dean

First and foremost, I wish to express my utmost gratitude to God for bestowing upon us His blessing to successfully organize the 12<sup>th</sup> Malaysia-Indonesia International Conference on Economics, Management and Accounting 2011. Welcome or *Selamat Datang* to Bengkulu and welcome to the Land of Rafflesia. Rafflesia is the biggest flower in the world existing in Bengkulu. I would like to express my gratitude to the Universiti Kebangsaan Malaysia, Universitas Syiah Kuala Banda Aceh,



Universitas Muhammadiyah Surakarta, and Universitas Pertanian Bogor for graciously co-organizing this International Conference. In the future, there some other universities will join as co-organizers in this conference.

The main objective to hold this seminar is to exchange ideas and information, and to promote the understanding and cooperation among participants from various countries. Hopefully friendship and understanding can be achieved through this seminar. The theme of this conference is "Borderless Economy: Opportunities, Challenges for Business in Southeast Asia." This theme is highly appropriate to assist regional development to ensure the success of business in the region. The thought share in this conference would benefit policies for the future.

Last but not least, my greatest appreciation goes to all who have contributed to the success of this conference, in particular the presenters, participants, sponsors, the organizer and its committee members. I wish you all have a fruitful discussion. To our special guests from Malaysia, Thailand, UK, Iran, India, and Australia, I hope you have a pleasant stay in Bengkulu the home of Rafflesia Arnoldi.

Warmest regards,

Dr. Ridwan Nurazi, SE., M.Sc., Akt



## Greeting from the Conference Chair



Welcome to the 12<sup>th</sup> Malaysia-Indonesia International Conference on Economics, Management, and Accounting 2011 (**MIICEMA**) in the University of Bengkulu, Indonesia. It is the third time the Faculty of Economics of the University of Bengkulu proudly hosts the conference. It is the first time that participants are coming from seven countries around the world such as Malaysia, Thailand, Australia, India, Iran, United Kingdom, and Indonesia. It seems that the conference has attracted researchers around the globe to share their ideas in our conference.

The theme of “Borderless Economy: Opportunities and Challenges for Businesses in Southeast Asia” was chosen to anticipate the impacts of volatility in the recent global economy trends toward South East Asia economy. I believe that the theme is relevant since the world economy is becoming borderless and what happen in other parts of the world to some extent will greatly influence our regional business and economy.

One hundred and twenty three papers from thirty seven universities and seven countries will be presented by academicians and researchers. The researchers will exchange ideas derived from their studies and practices. It is expected that the conference would provides significant contributions to policy makers in the region.

I would like to thank the Director of Center for Central Banking Education and Studies of Bank Indonesia, Mr. Rizal A. Djaafara, and Vice President of RMUTSV Thailand, Prof. Aswin Promsopa for becoming our keynote speakers. My deepest appreciation goes to the deans of the conference co-organizers: Universiti Kebangsaan Malaysia, Universitas Syiah Kuala Banda Aceh, Universitas Muhammadiyah Surakarta, Institut Pertanian Bogor, and Universitas Padjajaran. I would like to express my gratitude to our sponsors: Bank Indonesia, Bank Bengkulu, Telkomsel, Pemda Provinsi Bengkulu, Pemda Kota Bengkulu, Bengkulu Ekspres, and ISEI Cabang Bengkulu who have provided endless support for the conference. Last but not least, I thank all committee members for their effort and commitment to the success of the conference. I hope all participants have sweet memories of visiting our city, Bengkulu. Thank you very much.

Sincerely yours,

Prof. Lizar Alfansi, PhD

## Conference Program

Date	Time	Program	Place
12 October 2011	18.30-23.00	Opening Dinner Party	Governor of Bengkulu Place (Resident)
13 October 2011	08.00-10.00	Keynote Speaker1 Keynote Speaker 2	Rektorat (Main Building)
	10.00-11.00	Coffee Break	Rektorat (Main Building)
	11.00-12.20	Concurrent Session 1	FE-UNIB
	12.21-13.29	Lunch Break	FE-UNIB
	13.30-14.50	Concurrent Session 2	FE-UNIB
	14.51-15.29	Coffee Break	FE-UNIB
	15.30-16.50	Concurrent Session 3	FE-UNIB
	18.30-23.00	Dinner Party	Rektorat (Main Building)
14 October 2011	08.30-09.50	Concurrent Session 4	FE-UNIB
	10.00-13.00	Lunch Break	FE-UNIB
	13.00-18.00	Free Time (City Tour)	
	18.30-23.00	Farewell Dinner Party	City Hall Bengkulu

## Concurrent Program

### Concurrent Session I (Room MM 1)

Day I

Thursday, 13 October 2011

Track : Accounting - Public Sector

Chairman : Reschiwati

Time	Paper Code	Title	Presenter (s)
11.00-11.20	Non_29	The Influence of Understanding Financing Staff and Personnel Preparation of Financial Statements Based on The Governmental Accounting Standards of Quality Financial Report (Studies in Satuan Kerja Perangkat Daerah (SKPD) Bengkulu City)	Fachruzzaman and Leni
11.20-11.40	Non_30	The Effect Of Effectiveness Taxes Against Increased Revenue Bengkulu City	Rini Indriani and Daniel Kristian
11.40-12.00	Miicema Unib-30	What Makes People Pay Taxes in Self Assessmet System?	Mohd Rizal Palil, Ahmad Fariq Mustapha
12.00-12.20	Miicema Unib-61	The Relationship Between Religiosity and Tax Morale	Maryam Eslami and Mohd Rizal Palil

### Concurrent Session II (Room MM 1)

Day I

Thursday, 13 October 2011

Track : Accounting – Education And Management

Chairman : Mohd Rizal Palil

Time	Paper Code	Title	Presenter (s)
13.30-13.50	Non_7	Perception of Accounting Community About Creative Accounting	Lismawati and Desy Nathalia
13.50-14.10	Non_13	Antecedents and Consequences of Comfort Participating in Class Discussion in Management Accounting Course	Paskah Ika Nugroho and Agung Lestari
14.10-14.30	Miicema Unib-3	Perceptions Of Accountants, Users, Organizers, And Students on Indonesian Education Standard For Professional Accountants	Reschiwati
14.30-14.50	Non-54	The Influence Of Pollitical Factors and Organizational Culture to Utilization Information Performance	Robinson

**Concurrent Session III (Room MM 1)****Day I****Thursday, 13 October 2011****Track : Accounting - Management**  
**Chairman : Maryam Eslami**

<b>Time</b>	<b>Paper Code</b>	<b>Title</b>	<b>Presenter (s)</b>
15.30-15.50	Miicema Unib-15	Budgetary Participation and Managerial Performance: A Study in Ministry of Home Affairs (Moha), Malaysia	Ida Haryanti Binti Mohd Noor
15.50-16.10	Miicema Unib-39	A Conceptual Framework for Characterizing Strategic Management Accounting and its Implementation	Denny Iskandar Tjandrawan and Utoyo Widayat
16.10-16.30	Non_6	Trends in Management Accounting Research Topics of Bengkulu University Students	Lisa Martiah Nila Puspita and Herawansyah
16.30-16.50	Non_8	Managerial Performance and Performance Measurement System	Lukluk Fuadah

**Concurrent Session IV (Room MM 1)****Day II****Friday, 14 October 2011****Track : Accounting - Management**  
**Chairman : Fachruzzaman**

<b>Time</b>	<b>Paper Code</b>	<b>Title</b>	<b>Presenter (s)</b>
08.30-08.50	Non_14	The Effect of Budget Participation to Managerial Performance Using Information Technology Use, Motivation, Job Satisfaction and Stress as Moderating Variables	Sriwidharmanelly, Bella Anindita Putri and Madani Hatta
08.50-09.10	Non_20	The Effect of Budgetary Participation on Managerial Performance Through The Organizational Commitment and Work Motivation as The Intervening Variables	Nila Aprila And Siti Aisyah
09.10-09.30	Non_24	The Impact of Cost Management Knowledge on The Relationship Between Participation Budget and Managerial Performance	Halimatusyariah
09.30-09.50	Non_32	The Effect of Delegation of Authority Between Budget Participation and Managerial Performance on Private University in Indonesia	Isma Coryanata

**Concurrent Session I (Room MM 2)**  
**Day I**  
**Thursday, 13 October 2011**

**Track : Accounting - Financial**  
**Chairman : Daw Tin Hla**

Time	Paper Code	Title	Presenter (s)
11.00-11.20	Miicema Unib-45	Earnings Management Practices in Companies Listed In Jakarta Islamic Index-Indonesian Stocks Exchange	Wiyadi and Nanang Prasnowo
11.20-11.40	Miicema Unib-46	Earnings Management Practices: The Comparative Studies Between Shariah Index (Jii) And Conventional Index (Lq-45) In Indonesian Stock Exchange	Rina Trisnawati and Sidiq Permono Nugroho
11.40-12.00	Miicema Unib-81	Pecking Order Theory of Capital Structure: Empirical Evidence From Panel Generalized Method of Moments	Matemilola B.T, Bany Ariffin A.N and Azman-Saini W.N.W
12.00-12.20	Miicema Unib-96	Financial Behavior and Financial Position: A Structural Equation Modeling Approach	Roza Hazli Zakaria, Noor Ismawati Mohd Jaafar and Sabitha Marican

**Concurrent Session II (Room MM 2)**  
**Day I**  
**Thursday, 13 October 2011**

**Track : Accounting - Financial**  
**Chairman : Roza Hazli Zakaria**

Time	Paper Code	Title	Presenter (s)
13.30-13.50	Miicema Unib-83	Early Warning Model of Financial Distress	Triyono
13.50-14.10	Non_16	Response Asymmetries in The Mena Stock Markets	Bakri Abdul Karim, Zulkefly Abdul Karim, and Samsul Ariffin Abdul Karim
14.10-14.30	Miicema Unib-29	The Influence of Capital Structure and Growth of Company to Firm Value at Company in Indonesian Stock Exchange	Sri Hermuningsih and Dewi Kusuma Wardani
14.30-14.50	Miicema Unib-85	Simultaneous Relationship Between Managerial Ownership, Institutional Ownership, Debt Policy and Dividend Policy in The Agency Problem Mechanism	D. Agus Harjito , and Dewi Hadiyanti Ningsih

**Concurrent Session III (Room MM 2)****Day I****Thursday, 13 October 2011****Track : Accounting - Financial****Chairman : Zulkifli Abdul Karim**

<b>Time</b>	<b>Paper Code</b>	<b>Title</b>	<b>Presenter (S)</b>
15.30-15.50	Miicema Unib-32	Impact of Higher IFRS Compliance in Bursa Malaysia	Daw Tin Hla and Abu Hassan Bin Md Isa
15.50-16.10	Miicema Unib-40	Pengaruh Leverage, Pertumbuhan Aktiva, Dan Ukuran Perusahaan Terhadap Risiko Sistematis	Sri Retno Indrastanti and Agus Endro Suwarno
16.10-16.30	Miicema Unib-68	Identification of Earnings Management on The Company Listed on The Index LQ 45 in Indonesia Stock Exchange	Noer Sasongko and Emi Fauziah
16.30-16.50	Miicema Unib-128	Effecting Price Oil and Variable Moneter to Composite Stock Price Index	Darmawan Ahmad

**Concurrent Session IV (Room MM 2)****Day II****Friday, 14 October 2011****Track : Management - Financial****Chairman : Isnuhardi**

<b>Time</b>	<b>Paper Code</b>	<b>Title</b>	<b>Presenter (S)</b>
08.30-08.50	Non_2	A Comprehensive Review of Trading Strategies: In Search an Exellent Strategy For Traders in The Indonesia Stock Exchange	Iskandar Zulkarnain
08.50-09.10	Non_38	Exchange Rate-Interest Differential Relationship: Evidence From Selected East Asian Countries.	Hawati Janor, Mohamed Hisham Yahya, and Abdul Razak Abdul Hadi
09.10-09.30	Miicema Unib-79	Comovements and Stock Market Integration In Asia: Post Financial Crisis 1997	Siti Muliana Samsi and Zarinah Yusof
09.30-09.50	Miicema Unib-122	Financial Stress, Agility And Multiple Crises: Premilinary Study on Aim	Rahana Abdul Rahman, Chamhuri Siwar, Abdul Ghafar Ismail, and Norlida Jaafar

**Concurrent Session I (Room MM 3)**  
**Day I**  
**Thursday, 13 October 2011**

**Track : Management - Human Resources**  
**Chairman : Rosfazila Binti Abd Rahman**

<b>Time</b>	<b>Paper Code</b>	<b>Title</b>	<b>Presenter (S)</b>
11.00-11.20	Miicema Unib-127	Reviewing Outsourcing Controversy in Indonesia: an Exploratory Study of Human Resources Outsourcing Controversy in Semarang City	Akbar Faisal
11.20-11.40	Non_10	Career Anchors and Job Satisfaction: The Mediating Effect of Psychological Empowerment	Meiliani, Samuel Garrett-Jones, and Mario Fernando
11.40-12.00	Non_11	Examining The Effects of Transformational Leadership in Indonesia and Australia	Michael K. Muchiri and Meiliani
12.00-12.20	Non_33	The Role of Work Motivation as Mediating Variable on The Relationship Between Leadership Styles and Job Satisfaction at Regional Office Bengkulu Province	Nova Delastri and Fahrudin Js Pareke

**Concurrent Session II (Room MM 3)**  
**Day I**  
**Thursday, 13 October 2011**

**Track : Management - Human Resources**  
**Chairman : Nigama K**

<b>Time</b>	<b>Paper Code</b>	<b>Title</b>	<b>Presenter (S)</b>
13.30-13.50	Miicema Unib-20	Quality Management in PT. Consobiz Ventures	Dhiya U Syahidah and Gatot Yudoko
13.50-14.10	Miicema Unib-75	Exploring The Relationship Between Job Satisfaction and Nurse Performances	Supratman and Wiyadi
14.10-14.30	Miicema Unib-42	Modelling The Causal Relationship of Organizational Justice, Job Satisfaction, and Organizational Citizenship Behavior	Fahrudin Js Pareke and Sugeng Susetyo
14.30-14.50	Non_12	The Role Of Leadership in Managing Individuals' Career Anchors: A Theoretical Perspective	Michael K. Muchiri and Meiliani

**Concurrent Session III (Room MM 3)****Day I****Thursday, 13 October 2011****Track : Management - Human Resources****Chairman : Fahrudin J.S. Pareke**

<b>Time</b>	<b>Paper Code</b>	<b>Title</b>	<b>Presenter (S)</b>
15.30-15.50	Miicema Unib-9	Entrepreneurial Motivation: The Cases of Indian Restaurant Owners in Selangor and Kelantan, Malaysia	Mohd Rafi Yaacob and Jiviha D/O Ramasamy
15.50-16.10	Miicema Unib-116	The Role Of Cognitive Processes and Social Capital as Determinants of Opportunity Recognition and Evaluation Amongst Entrepreneurs	Nigama K and P David Jawahar
16.10-16.30	Miicema Unib-48	The Impact of Transformational Leadership on Absenteeism: Mediating Role of Psychological Empowerment	Fozi Ali Belhaj, Fais Ahmad and Husna Johari
16.30-16.50	Miicema Unib-119	Tri Dharma Phylosophy Upon Budi Santoso	Hadziq Jauhary and Ahyar Yuniawan

**Concurrent Session IV (Room MM 3)****Day II****Friday, 14 October 2011****Track : Management - Human Resources****Chairman : Fozi Ali Belhaj**

<b>Time</b>	<b>Paper Code</b>	<b>Title</b>	<b>Presenter (S)</b>
08.30-08.50	Miicema Unib-6	Budaya Organisasi Islam Moden:Kajian Kes Bank Islam Malaysia Berhad	Rosfazila Binti Abd Rahman
08.50-09.10	Miicema Unib-109	Do Human Resource Practices Influence Employees to Engage in Deviant Work Behavior? an Empirical Investigation in Malaysian Companies	Faridahwati Mohd, Shamsudin, Chandrakant an Subramania m and Hadziroh Ibrahim
09.10-09.30	Non-46	Examining Relationships Among Leadership, Innovation Competencies And Operational Effectiveness	Michael K. Muchiri
09.30-09.50	Non-50	Identification of Training Effect on Small Business Performance	M. Farid Wajdi



**Concurrent Session I (Room MM 4)**  
**Day I**  
**Thursday, 13 October 2011**

**Track : Management – Finance/Strategic**  
**Chairman : Rahana Abdul Rahman**

Time	Paper Code	Title	Presenter (S)
11.00-11.20	Miicema Unib-59	A Study on The Effect of Iran Mercantile Exchange on Accepted Metals Prices	Abdolreza Rostaminia and Mehdi Boshagh
11.20-11.40	Miicema Unib-69	Critical Review on Measuring Financial Constraints: Multicriteria Approach	Dr. Saeed Fathi, Farnoosh Moghaddas and Kaveh Shahraki
11.40-12.00	Miicema Unib-27	Resilience of Islamic and Conventional Stock Markets of Indonesia During The 2007 Global Financial Crisis: A Comparative Empirical Examination	M. Shabri Abd. Majid
12.00-12.20	Non_9	Structure of Formality as Moderating on Relationship Between Strategy Implementation And Firm Performance in Indonesia	Mahdani

**Concurrent Session II (Room MM 4)**  
**Day I**  
**Thursday, 13 October 2011**

**Track : Accounting - Corporate Governance**  
**Chairman : Zaitul**

Time	Paper Code	Title	Presenter (S)
13.30-13.50	Miicema Unib-19	Malaysian Code of Corporate Governance:The Impact on Quality of Reported Earnings of Kuala Lumpur Composite Index (KLIC) Components	Rizwana Md Yusof
13.50-14.10	Non_19	The Effect of Good Corporate Governance Practices and Bond Rating on Bond Yield to Maturity	Isnuhardi, Dwi Yanti
14.10-14.30	Non_21	Effect on Corporate Governance Audit Qualification	Novita Sari
14.30-14.50	Non_27	The Factors Influencing of Equity Risk Premium of Indonesian Public Listed Companies	Saiful

**Concurrent Session III (Room MM 4)****Day I****Thursday, 13 October 2011****Track : Accounting - Corporate Governance****Chairman : Rizwana Md Yusof**

<b>Time</b>	<b>Paper Code</b>	<b>Title</b>	<b>Presenter (S)</b>
15.30-15.50	Miicema Unib-97	Board of Directors, Audit Committee, Audit Characteristics and Timeliness of Financial Report in Listed Companies in Indonesia	Zaitul and Fuadziah Hanim Hj. Fadzil
15.50-16.10	Miicema Unib-104	Director Diversity and Company Performance: A Review of Literature	Desi Ilona, Shamharir Abidin and Nurwati Ashikkin Ahmad Zaluki
16.10-16.30	Non_28	The Influence of Corporate Governance and Risk Factors on Equity Risk Premium of Indonesian Public Listed Companies	Husaini and Saiful
16.30-16.50	Non_26	Analysis of Effect of Investment Opportunity Set, Free Cash Flow, Corporate Governance and Firm Size on Debt Policy	Saiful, Baihaqi, and Alnita Iriani

**Concurrent Session IV (Room MM 4)****Day II****Friday, 14 October 2011****Track : Accounting - Auditing and Financial****Chairman : Hilwani Hariri**

<b>Time</b>	<b>Paper Code</b>	<b>Title</b>	<b>Presenter (S)</b>
08.30-08.50	Non_25	Impact of Risk Evaluation on Auditor-Auditee Negotiation Outcome	Nurna Aziza, Andi Agus Salim, and Fransiskus Eduardus Daromes
08.50-09.10	Miicema Unib-88	Factors Associated With Auditor Choice: The Case of Kingdom of Saudi Arabia	Khaled Salmen Aljaaidi and Dr. Shamhrir Bin Abidin
09.10-09.30	Non_35	Seasoned Equity Offerings: Between Agency Theory, Windows Of Opportunity, and Firm Performance	Ridwan N, Fitri Santi, and Liana Deswita
09.30-09.50	Miicema Unib-22	The Effect of Capital Structure on Profitability: The Extended Analysis of Biotechnology Companies Listed on The Bursa Malaysia	Zuraidah Sipon And Nur Liyana Mohamed Yousop

**Concurrent Session I (Room MM 5)**  
**Day I**  
**Thursday, 13 October 2011**

**Track : Management - Marketing**  
**Chairman : Nor Shahrul Nizam Binti Muhamad Nor**

Time	Paper Code	Title	Presenter (S)
11.00-11.20	Miicema Unib-87	The Effect of Consumer Materialism Behavior Toward Consumer Purchase Decision on Private Label Products	Oliandes Sondakh, Amelia
11.20-11.40	Miicema Unib-100	A Cross-Cultural Testing The Applicability of Status Consumption In Indonesia and Malaysia	Arief Budiman and Aron O'cass
11.40-12.00	Miicema Unib-41	Investigating The 'Goldilocks Phenomenon' in Branding: What Size and What Place?	Jonathan A. J. Wilson and Jonathan Liu
12.00-12.20	Miicema Unib-12	Consumer Perception Towards Online Shopping: Case Study of Online Store in Bandung	Alia Widyarini Hapsariniaty, R. Aswin Rahadi, Siti Kania Mevianti, Siti Larissa Sarasvati and Tara Putri Paramitha

**Concurrent Session II (Room MM 5)**  
**Day I**  
**Thursday, 13 October 2011**

**Track : Management - Marketing**  
**Chairman : Effed Darta Hadi**

Time	Paper Code	Title	Presenter (S)
13.30-13.50	Miicema Unib-112	Branding Malaysia as 'Halal Hospitality': A Conceptual Paper	Nor Shahrul Nizam Bin Muhamad Nor and Norzaidi Bin Mohd Daud
13.50-14.10	Non_3	Consumer Etnocentrism on High Involvement and Low Involvement Products	Ferry Tema Atmaja, Lizar Alfansi, and Nova Astarina
14.10-14.30	Miicema Unib-76	Dilemma of Business Ethics: The Solution	Mohd Nor Bin Yahaya and Mr Azizul Hakim Bin Mashkuri
14.30-14.50	Non_40	Faktor-Faktor Yang Mempengaruhi Pengunjungan Pasar Raya Besar: Suatu Tinjauan di Sebuah Pasar Raya Besar di Melaka	Maisarah Ahmad, Leylawati Joremi, and Lim Eng Jiau

**Concurrent Session III (Room MM 5)****Day I****Thursday, 13 October 2011****Track : Management - Marketing****Chairman : Arif Budiman**

<b>Time</b>	<b>Paper Code</b>	<b>Title</b>	<b>Presenter (S)</b>
15.30-15.50	Non_43	The Impact of Internal Marketing and Customer Orientation to Service Quality on Hospital Service Management	Effed Darta
15.50-16.10	Non-44	Consumers's Perception and Brand Image in Creating Brand Loyalty	Deni Pratama and Sularsih Anggarawati
16.10-16.30	Non-47	Marketing Study of Fisheries and Marine Products on Sea Coastal Management of Bengkulu City	Seprianti Eka Putri

**Concurrent Session IV (Room MM 5)****Day II****Friday, 14 October 2011****Track : Management - Marketing****Chairman : Jonathan A. J. Wilson**

<b>Time</b>	<b>Paper Code</b>	<b>Title</b>	<b>Presenter (S)</b>
08.30-08.50	Miicema Unib-67	Effectiveness of Inventory Management of Minute Maid Pulpy Orange at Coca Cola Bottling Indonesia West Java Operation	Muhamad Luthfi Adi Prakosa
08.50-09.10	Non_56	The Influence of Customer Orientation Competitive Orientation, and Coordination Function of Cross Product Innovation (Case Study on Small and Medium Craft Aceh Industries.	Refa Ajrina Subhatin and Iskandarsyah Madjid
09.10-09.30	Non_57	An Analysis of Prospective Collegians Perception to Develop Marketing Opportunities of Higher Education in South Sumatera	Dewi Fadila
09.30-09.50	Miicema-98	How are China Fruit Perceived by Indonesia Consumer	Heny K Daryanto and Maryono
09.50-10.10	Miicema Unib-44	Consumer Ethnocentrism and Attitude Toward Domestic Product in Pekanbaru	Julina

**Concurrent Session I (Room SBDCL 1)**  
**Day I**  
**Thursday, 13 October 2011**

**Track : Economics - Agriculture**  
**Chairman : Roza Hazli Zakarya**

Time	Paper Code	Title	Presenter (S)
11.00-11.20	Non_17	Factors Affecting Indonesian Potato Farmers Contracting Decision	Suprehatin
11.20-11.40	Non_23	How Indonesian Crude Palm Oil Export Demands Respond to Exchange Rate Volatility?: An Error Correction Model Approach	Ketut Sukiyono
11.40-12.00	Miicema Unib-82	Technical Efficiency And Input Productivity of Small and Medium Enterprises in The Malaysian Food Processing Industry	Yodfiatfinda, Mad Nasir Shamsudin, Zainalabidin Mohamed, Zulkornain Yusop, Alias Radam and Hanifah N. Lioe
12.00-12.20	Non_34	Development of Forest Area Society Participation In Business Activity Based on Environmental Conservation	Slamet Widodo

**Concurrent Session II (Room SBDCL 1)**  
**Day I**  
**Thursday, 13 October 2011**

**Track : Economics - Social**  
**Chairman : Ketut Sukiyono**

Time	Paper Code	Title	Presenter (S)
13.30-13.50	Miicema Unib-11	How Instant Messaging Improves Real Life Interaction: Case Study of Blackberry User Group	R. Aswin Rahadi, Tara Putri Paramitha, Siti Larissa Sarasvati, Siti Kania Mevianti and Alia Widyarini Hapsariniaty.
13.50-14.10	Miicema Unib-95	Household Debt Decision: The Role of Aspiration, Social Comparisons and Attitude Towards Debt	Roza Hazli Zakaria and Noor Ismawati Mohd Jaafar
14.10-14.30	Non-55	Empowering Macro Business: Program Effectiveness Assessment of KPN in Lhokseumawe	Jasafat and M. Rida
14.30-14.50	Miicema Unib-56	Dampak Ekonomi Sektor Pariwisata di Provinsi Kepulauan Bangka Belitung	Ahmad Yani Hazir, Redzuan Othman, and Aulia Dedy Sayogo

**Concurrent Session III (Room SBDCL 1)**  
**Day I**  
**Thursday, 13 October 2011**

**Track : Economics - Social**  
**Chairman : Siti Mariam Ali**

<b>Time</b>	<b>Paper Code</b>	<b>Title</b>	<b>Presenter (S)</b>
15.30-15.50	Miicema Unib-23	Analysis of Life Insurance Demand in Malaysia	Zuraidah Sipon and Mohammad Izzat Farhan Che Hashim
15.50-16.10	Miicema Unib-28	Small and Medium-Sized Enterprises Development in The First Malaysia Plan Through The Tenth Malaysia Plan	Mohd Khairuddin Hashim and Sa'ari Ahmad
16.10-16.30	Miicema Unib-91	Studies on The Performance of Microfinance: Local Diversity	Retno Agustina Ekaputri
16.30-16.50	Non-53	The Challenges of Sustainable Transportation: Malaysian Experience	Rosliati Ramli

**Concurrent Session IV (Room SBDCL 1)**  
**Day II**  
**Friday, 14 October 2011**

**Track : Economics**  
**Chairman : Zuraidah Sipon**

<b>Time</b>	<b>Paper Code</b>	<b>Title</b>	<b>Presenter (S)</b>
08.30-08.50	Miicema Unib-108	Empowering Women to Reduce Poverty Through Microfinance	Sulaeman Rahman Nidar
08.50-09.10	Non-45	An Integrated Model Proposed for Entrepreneurship Education and Development for Students in Bengkulu University	M Abduh
09.10-09.30	Non-48	Spatial Concentration of Manufacturing Industry in Java Island	M. Wahyuddin
09.30-09.50	Non-49	Strategy Behavior in The Economies of Coffee Farmers Using Protected Forests: Case Study in Protected Forest Bukit Pedinding Hill and Serdang Hill in Sub District Lebong	Praningrum

**Concurrent Session I (Room SBDCL 2)**  
**Day I**  
**Thursday, 13 October 2011**

**Track : Economics - International Trade**  
**Chairman : R. Aswin Rahadi**

<b>Time</b>	<b>Paper Code</b>	<b>Title</b>	<b>Presenter (S)</b>
11.00-11.20	Miicema Unib-131	The Implementation of Export Subsidies Elimination by Developed Countries and It	Haryadi and Syaparuddin
11.20-11.40	Miicema Unib-135	Trade Flows of Agricultural Commodities of Indonesia Between Malaysia and China	Niken Larasati A, Abdhu Rochman Soleh and Qiki Qilang Syachbudy
11.40-12.00	Non_15	Determinants of Foreign Trade: A Comparative Study Between Indonesia and Malaysia	Zulkarnain Ishak
12.00-12.20	Miicema Unib-4	Bilateral Trade Relations of Malaysia and Saudi Arabia - an Analysis	Siti Mariam Ali and Norhalawah Ahmad

**Concurrent Session II (Room SBDCL 2)**  
**Day I**  
**Thursday, 13 October 2011**

**Track : Economics - Moneter**  
**Chairman : Retno Agustina Ekaputri**

<b>Time</b>	<b>Paper Code</b>	<b>Title</b>	<b>Presenter (S)</b>
13.30-13.50	Miicema Unib-105	The Impact Fiscal Deficit and Macroeconomic Variables on Inflation in Indonesia	Marlina Widiyant, Mansor Jusoh, Md Zyadi Md Tahir, and Abdul Ghafar Ismail
13.50-14.10	Miicema Unib-64	Implication of SBI Interest Rates on Banking Industry in Indonesia	Ida Musdafia Ibrahim and Harries Madiistriyatno
14.10-14.30	Miicema Unib-17	An Optimal Model of Monetary and Fiscal Policy Interaction	Haryo Kuncoro and Dianta Sebayang

**Concurrent Session III (Room SBDCL 2)****Day I****Thursday, 13 October 2011****Track : Economics - Moneter****Chairman : Yefriza**

Time	Paper Code	Title	Presenter (S)
15.30-15.50	Miicema Unib-52	Searching for Monetary Policy Indicators in Islamic Financial System	Zuriyati Binti Ahmad and Abdul Ghafar Ismail
15.50-16.10	Miicema Unib-117	Firm-Level Investment and Monetary Policy in a Small Open Economy: Evidence from Malaysia	Zulkefly Abdul Karim
16.10-16.30	Miicema Unib-132	Fiscal Sustainability, Public Debt, and Economic Growth	Haryo Kuncoro
16.30-16.50	Non_41	Foreign and Domestic Shocks: Macroeconomic Responses of Asean-3 Countries	Mohd Azlan Shah Zaidi, and Zulkefly Abdul Karim

**Concurrent Session IV (Room SBDCL 2)****Day II****Friday, 14 October 2011****Track : Economics – Public and Regional****Chairman : Haryo Kuncoro**

Time	Paper Code	Title	Presenter (S)
08.30-08.50	Miicema Unib-73	An Empirical Application to Regionalism on Asean Trade: A Temporal Cross-Section and Panel Analysis With The Gravity Model	Putu Mahardika A. Saputra
08.50-09.10	Non_18	Political Influence On Economic Decision-Making in Government-Owned Companies: A Qualitative Assessment	Mohd Fairuz Md. Salleh
09.10-09.30	Non_42	Public Spending and Health Service Performance in Indonesia	Yefriza
09.30-09.50	Non_22	The Disparity of Economic Development Among Provinces in The Region of South Sumatra in The Era of Regional Autonomy	Bambang Agoes Hermanto, Sri Hartika, and Moch. Ridwan

**Concurrent Session I (Room SBDCL 3 )****Day I****Thursday, 13 October 2011****Track : Management - Islamic Finance****Chairman : Hawati Janor**

Time	Paper Code	Title	Presenter
11.00-11.20	Non_36	Lokalisasi Pengagihan Zakat dan Cadangan Khidmat Sosial: Satu Tinjauan Awal	Hairunnizam Wahid, Sanep Ahmad, and Radiah Abdul Kader
11.20-11.40	Miicema Unib-7	Keberkesanan Menyeluruh Agihan Zakat: Kes Bantuan Modal Kepada Asnaf Fakir dan Miskin	Sanep Ahmad, Rosbi Ab Rahman and Hairunizam Wahid
11.40-12.00	Non-52	Islamic Bank Practices; Idealism and Reality	Imronudin
12.00-12.20	Non_39	A Conceptualization of The Cost of Equity of Islamic Banks	Radziah Abdul Latiff and Noreha Halid



**Concurrent Session II (Room SBDCL 3)**  
**Day I**  
**Thursday, 13 October 2011**

**Track : Economics - Gender**  
**Chairman : Zuriyati Binti Ahmad**

Time	Paper Code	Title	Presenter (S)
13.30-13.50	Miicema Unib-129	Socioeconomic and Gender Differences in Access to Health Care in Malaysia: A Non-Linear Decomposition Approach	Zurina Binti Kefeli
13.50-14.10	Non_1	Female Workers Migration and Mistreatment in Malaysia: A Case of Housemaids from Central Java	Tjipto Subadi
14.10-14.30	Non_4	Gender Role Allocation in Selected Coffee Postharvest Activities in Rejanglebong and Lebong District, Bengkulu Province.	Handoko Hadiyanto
14.30-14.50	Non_31	Female Participation in The Labor Market in Bengkulu City	Roosemarina A. Rambe

**Concurrent Session III (Room SBDCL 3)**  
**Day I**  
**Thursday, 13 October 2011**

**Track : Economics - Human Resources**  
**Chairman : Handoko Hadioanto**

Time	Paper Code	Title	Presenter (S)
15.30-15.50	Non_37	Vulnerabiliti Pekerja Malaysia dalam Persekitaran Kehadiran Pekerja Asing	Zulkifly Osman and Hairunnizam Wahid
15.50-16.10	Miicema Unib-120	Performance Comparison Civil Servants Region Before and After Expansion in The Province Riau	Jumiati Sasmita
16.10-16.30	Miicema Unib-50	Short and Long Run Causality Relationship Between Indonesian Human Resources and Investment Since 1985 until 2007	Agung Riyardi
16.30-16.50	Miicema Unib-53	Pengumpulan Modal Manusia dan Kesannya Terhadap Pertumbuhan Ekonomi	Nik Rayan Bt Nik Mat and Abdul Ghafar Ismail

# **EMPOWERING MICRO BUSINESS: Program Effectiveness Assessment of KPN in Lhokseumawe**

**Jasafat & M. Rida**  
Iain Ar-raniri /unsyiah

## **Abstract**

*Kredit Peumakmu Nanggroe (KPN) is a program providing soft loans with an interest rate of 5 percent per year which aims to empower low-income communities, especially victims of conflict and the tsunami disaster in all districts / cities. KPN initiated by the Government of Aceh since May 2007 in cooperation with the Regional Development Banks (BPD) of Aceh. Based on recent data, the realization of the distribution of KPN reached Rp 50 billion for 16,857 customers (people). The program initially received a positive response because they will be able to empower the business community after battered by the conflict and the tsunami. But after the program disbursed emerging various problems, so that by the end of 2008 KPN program is suspended. This study aims to look at the effectiveness of the management of KPN with located in the city of Lhokseumawe. The research uses a qualitative approach with respondent covering the local government of Aceh and Lhokseumawe City, BPD Aceh both home and Lhokseumawe branch office, customers, and elements of society are engaged in the field of microcredit. The results showed that the management of KPN has not been effective to empower micro businesses due to several factors. First, the weak management of BPD in the management of KPN. The indication can be seen from the low level of socialization programs; inaccuracies lending; lack of business assistance; and the lack of monitoring and evaluation. Second, the intervention of the Governor in operational technical KPN, the form of intervention is mainly done at this stage of lending, which led to the BPD does not do proper verification against viable venture capital provided. In addition, the Governor did not coordinate with relevant agencies to be involved as has been compiled in the technical instructions. As a result, KPN has not impacted the program effectively to the development of customer business.*

**Keywords:** Bank, Credit, Micro Enterprises, and KPN

## INTRODUCTION

Government efforts to involve banks in providing micro-credit is one form of economic policies that open up space for the poor to access capital from banks. This effort must be preceded by the establishment of an institutional environment that mutually supports the opening of the banking sector in all economic factors (Nowak 2008: 221). Today, microcredit programs to increase the income of the poor increasingly emboldened. This is triggered by the success of the Grameen Bank's Muhammad Yunus in Bangladesh in elevating the poor people especially women who previously had no access to credit from conventional banks (Elahi & Danopoulos 2004: 62, Counts: 2008).

However, the success rate of micro loans is highly dependent on the reliability and integrity of the operational management of financial institutions. In this case, financial institutions must be able to give proper credit to the business and able to perform the function of credit with effective supervision through the review, assessment, and monitoring of customers' capabilities and compliance (Masyhud 2004:256). Because, basically, more emphasis on micro-credit post-credit supervision functions, to realize it needed an agency that truly supports the existence of the poor and micro enterprises in a sustainable manner (Ledgerwood 1999, Morduch 2005).

On the other hand, the role of government is to realize that the creation of policies at the macro economic conditions that support for micro and small enterprises (MSEs). The government is not in a position to interfere too much (intervention) in the operations of financial institutions (Nasruddin 2004:84). Interventions will lead to technical operational banking management conditions are not conducive and professional in taking internal policies. Financial institutions that manage micro-credit program requires a set of fundamental operational requirements so that it can manage the program on an ongoing basis. The organization will not be achieved without a solid principles, but this principle could only be applied by the appropriate institutions (Robinson, 2004:390). These capabilities will reveal the effectiveness of the programs launched to increase the income of the poor in a community.

In that context, one bank in Indonesia which has made various efforts to micro-lending on a large scale of Bank Rakyat Indonesia (BRI), both programs are considered to fail like BIMAS since 1970-1983, as well as those deemed to be effective as KUPEDDES since 1984-1996 (Robinson 2004). In addition, micro-lending efforts are also done at the provincial or district / city through the financing of the budget revenues and expenditures (budget) in cooperation with the banks at the local level, both banks and regional rural banks (BPR). But in many cases these programs are found not effective (Suharjo 2006; Mubyarto 2004).

Particularly in Aceh, in 2007 one of the micro-credit programs that are triggered by the Governor in cooperation with the Regional Development Bank (BPD) is a Credit Peumakmu Nanggroe Aceh (KPN). The program initially received a good reception in the community because they will be able to minimize at the same time unemployment is expected to empower the business community after battered by the conflict and the tsunami. But the post-emerging credit problems, so that by the end of 2008 KPN program "suspended" for a while, but it is not known in detail the problems that become obstacles in the field so that the provision of capital to poor communities through a program KPN no longer drizzle.

Eka (2008: 21) reveals that some micro-credit programs implemented in Aceh after the tsunami and the conflict there has not been an intensive effort made to test the effectiveness of program implementation in the field. The absence of a survey result is

not known in detail the sustainability of these programs as well as the benefits derived by the public.

Associated with KPN, has not found a comprehensive and in-depth study of various problems faced by post-launch program, but only a few published opinions in print. Based on the above explanation, this study is very important to fill the void associated with the issue. The main problem to be answered in this review is KPN program management effectiveness in the empowerment of micro, which is focused in the city of Lhokseumawe. To analyze this problem, there are some research questions posed are: (1) How is the capacity of BPD in the implementation of the program KPN, related to credit, business mentoring, and monitoring and evaluation program. (2) What level of government involvement in the management of KPN program.

This article consists of several parts, the first part will be explained on the principles of financial institutions and the experience of microcredit financing in Indonesia. Second, will be described in general about the program KPN. Later in the third section will discuss the impact on clients KPN. In part four, will assess the capacity of BPD in the management of the program, see the next part of the five local government involvement in the management of KPN. The final section of this article contains some conclusions and recommendations.

## **PRINCIPLES OF FINANCIAL INSTITUTIONS AND EXPERIENCE MICROCREDIT**

### **a. Principle Financial Institutions**

Overall program effectiveness is the relationship between *output* and the achievement of goals or can also be said is a measure of fulfillment of the *output* level, policies and procedures of an institution. A program is said to be effective if the activity has a major influence on the targets that have been determined (Devas 1989). Goal is achieved or not is largely determined by the performance of the program. Program performance is the result of any decisions made continuously. Decision-making is not only based on considerations of internal programs, but also about the external aspects such as the owner of the program, creditors, governments, communities and target groups (Helfert 1991).

The effectiveness of credit delivery system means creating a sound credit management system and regularly so that minimize the risks faced by financial institutions to credit the disalurkannya. In analyzing the customer as one of the responsibilities of risk management to avoid the occurrence of non-performing loans, the financial institutions should be selective in choosing clients by not ignoring the principles of lending (Dahbul, 2005). In addition, the financial institution's operational policies require management strategies relating to general and risk management.

### **b. Microcredit Financing Experiences in Indonesia**

Indonesia is known in the eyes of the world as a home for sustainable microfinance system with a variety of commercial microfinance institutions in almost all regions. Indonesia has a long history of microfinance institutions, particularly financial institutions that operate in the rural originated in the late 19th century are generally referred to the Rural Bank (RB) (Robinson: 2004: 103). Bank's operations are moving to reach out to micro, small and medium enterprises (MSMEs) in the districts or rural areas. While commercial banks are engaged in the empowerment of the largest micro-enterprises and has a long history is Bank Rakyat Indonesia (BRI).

Various programs have been implemented with the conditional changes based on experience in realizing the success of the program. Since 1970-1983 with BIMAS program that is considered failed, and who are considered effective as KUPEDDES since 1984-1996, as well as savings mobilization program heavily in the village that is named Simpedes 1984-1996.

Below will be presented several factors that cause failure and success of the program BIMAS KUPEDDES program implemented by the BRI:

CAUSAL FACTORS	BIMAS	KUPEDDES
Sources of Finance	Bank Indonesia (BI)	Savings Unit Desa
Credit risk borne by	BI 25 percent; the Ministry of Finance of 50 percent; BRI 25 percent	BRI 100 percent
Borrower Selection	Committee of government officials	BRI Unit Desa staff and for larger loans branch oversight
Distribution Appropriateness	Not reach many poor farmers	In accordance with a predetermined target
Credit Range	Just for farmers	All business sectors
Human Resources	Do not have an organization, human resources, or motivation of the management of BRI Units	BRI Unit Reorganization massively
Credit Subsidy	Interest rates on government subsidies	No subsidized loans
Monthly interest rate	1.0 percent	2.8 percent
The share of units that benefit	0 percent (1983)	98 percent (2000)
Scheduling non-performing loans	Poorly planned and encourage corrupt practices	Timely payments standstill
Payment schedule	One payment at the end of the loan	Tersedit options, the most popular monthly
Disbursement back	In the form of goods / cash	In cash / cash
Bad credit	51 s / d 55 per cent (1983/84)	The ratio of long-term loss of 1.9 percent (2000)
Advantages / Kerugianunit village	- Rp. 12.6 billion (1983)	Rp. 1160 billion (2000)

Sources: Robinson (2004)

In an effort to improve the success of empowerment of the poor, need to see the findings from the SMERU team of Planning and Budgeting in the Regional Poverty Reduction Strategies: Which is the Best Time Pattern?. Revealed that there are some weaknesses in the preparation of planning and budgeting of poverty reduction strategies for this are (1) institutional aspects of poverty reduction, (2) policy and program budgeting for poverty reduction, (3) human resources, (4) data and information about poverty , and (5) *monitoring and evaluation (M & E)* of poverty reduction policies and programs. For that, specifically related to *monitoring and evaluation*, can be done internally, externally, or independent. Besides it can also do assessments on policies and programs. As a result of a *monitoring and evaluation* is necessary to award (*reward*) or sanctions (*punishment*). To

perform this *monitoring and evaluation* function, the role of various institutions is very important. These institutions are the Commission, the Regional Supervisory Agency (Internal Audit Agency), universities, independent monitoring group, Public Complaints Unit (UPM), society in general, and donor agencies (SMERU: 2005).

Specifically related to credit program for poor people in the region (province / district) are programmed by the local administration in cooperation with local banks found to be effective. Jakarta Government in fiscal year 2000; Government of Central Kalimantan in 2001; Government Gianyar, Bali, with the name "Movement Gianyar Sejahtera" (Suharjo 2006). So also is conducted by the West Kutai District Government in collaboration with the Bank BPD Melak (Mubyarto 2004). This is because the bank's lack of partiality to the poor, with an indication that society is still difficult to access capital in the bank and its lending programs have not hit the mark, as well as program management methods that are not sustainable. The condition is aggravated because of BPD in some areas do not have the organization (unit) at the village which also lack adequate human resources (HR) staff in program management. While in Aceh, in 2001 Government had launched the Economic Empowerment (PER), based on Bureau of Economic Secretariat report Aceh program deemed a failure, the amount of PER funds are not returned by customers reached 37 billion from 47 billion to be distributed. This program is a failure in the absence of a pattern and a clear system of implementation of the program during implementation in the field.

## **PROGRAM OVERVIEW KPN**

Kredit Peumakmu Nanggroe (KPN) is a term Language of Aceh, which in the English language means "prosperity of the country credit". KPN initiated by Governor Yusuf on May 8, 2007 after he was first elected as governor of Aceh after the Helsinki MOU agreement between the Government of Indonesia and Free Aceh Movement (GAM) for small micro entrepreneurs economically weak groups. Rationale for the birth of KPN program because of the unavailability of employment and poverty issues in conflict and post-tsunami Aceh.

Allocation of funds sourced from BPD Aceh with coverage program for all districts / cities. KPN in the plan using a system of cooperation between the BPD with the Aceh government and agencies and related institutions in the ranks of district / city. BPD has a duty to provide funds in the form of working capital loans to entrepreneurs individual / group micro and small enterprises (MSEs). Then coordinate and facilitate education and training programs to enhance the ability of clients in the areas of business management.

While the duties of the offices or agencies within the scope of the cities / counties are: (1) Provide training and technical counseling and guidance to micro and small entrepreneurs. (2) Provide information sector / subsector leading to the development of MSEs. (3) Conducting studies, among others, Basic Economic Potential Research Areas / BLS (*Baseline Economic Survey*) and a viable commodity research financed by the bank. (4) Strengthening institutional infrastructure related sectors in order to assist banks in channeling capital to success. (5) Provide letters of recommendation are considered worthy of the effort to be funded.

KPN in the plan is for individuals and groups. Credit ceiling provided for individuals up to Rp 15 million, while for groups (5-10 people) to Rp 100 million. Credit period to 24 months with fixed installment system, weekly, monthly, quarterly, or semester. KPN interest set at 5 percent. KPN does not use patterns in lending guarantees, risk financing entirely the responsibility of BPD.



Once launched, the public interest to get a very large capital, is evidenced by the large number of people who come to the BPD. Funds are channeled for the year 2007 reached 44.6 billion. After one semester of credit, it seems that KPN does not run well. Indication of a problem can be viewed by BPD Bank report in July 2008, where non-performing loans reached USD 8.8 billion or 9.5% of the total funds have been distributed to all districts / cities.

Special Lhokseumawe, KPN ceiling as much as 3 billion for the first phase has been disbursed to 642 clients from 15 483 proposals, from June 22 until August 24, 2007 (*Porch* August 31, 2007), delinquent customers in the first phase reached 50 percent (March 4, 2008 *Alert*). The amount of these arrears exceeded the tolerance limit of the Bank Indonesia (BI) on the maximum percentage of non-performing loans (*non-performing loans* / NPLs) amounted to a net 5%. As a result, BPD is no longer distribute KPN in 2008, although it has been planned to be disbursed loans amounting to 50 billion.

## **THE IMPACT OF KPN ON CUSTOMERS**

### **a. Types of Capital Utilization**

Venture capital utilization of the customer recognition program according to the KPN; sebayak 44 percent use credit for business capital, while the use partly for business and some consumer as much as 48 percent, and for only 8 percent of total consumptive. This type of capital utilization for consumptive use in the health field as much as 29.6 percent, 25.9 percent of the purchase of electronic goods; foodstuffs 22.2 percent; 18.5 percent of education costs, and purchase of transportation equipment (trains) 3.7 percent. Furthermore, as much as 93.3 percent of respondents admitted that funding for the consumptive use of disposable low, only 6.7 percent who said that is stored in the form of savings that can be used for the needs of the next period.

### **b. Customer Business Development**

Efforts to increase the income of low-income communities through the program KPN with venture capital credit system has not run optimally. Customer business conditions can be seen in the table below:

### ***Recipient KPN Business Conditions***

<b>No</b>	<b>Description</b>	<b>Percent</b>
<b>1</b>	<b>The first time the business opened</b>	
	Before getting KPN	86
	Coming to KPN	10
	After getting KPN	4
<b>2</b>	<b>Market opportunities</b>	
	Good	22
	Ordinary	46
	Erratic	32
<b>3</b>	<b>Regional product marketing</b>	
	In the Village	32
	Inter-village	42
	In the district	24
	Inter-district	2
<b>4</b>	<b>Current business conditions</b>	
	Advanced	20
	Ordinary	46
	Decline	6
	Closed	28

In general, the business carried on by the customers existing prior to the capital by 86 percent of KPN, KPN can ahead as much as 10 percent, and the remaining 4 percent can open a business after KPN. While the market opportunity, a good 22 percent, 46 percent normal, and 32 percent uncertain. Pemasarana about the product, in the village of 32 percent, 42 percent inter-village and inter-district only 2 percent. While current conditions customer business casual category as many as 46 percent, then 28 percent of businesses were closed, the business increased by 20 percent, the remaining 6 percent said their business declined.

To determine the success rate of business community, the author examines the efforts to compare conditions before and after receiving KPN. These conditions are grouped into several categories namely: business premises, production equipment, raw materials, sales turnover, profit business, labor, capital accumulation of the businesses, and kind of business. Overall, business conditions from 72 percent of respondents whose business is still running can be seen in the table below:



**Comparison of Business Conditions Before and After  
Receiving KPN**

No	Category	Business Condition		
		Increase	Not Change	Decrease
1	Place of business	11	3	86
2	Production tools	33	6	61
3	Shuttle	14	6	81
4	Raw materials	50	17	33
5	Sales turnover	25	31	44
6	Business profits	28	33	39
7	Labor	11	8	81
8	Accumulation of capital	28	11	61
9	Type of business	8	6	86
		23	13	64

From the comparison the overall category of business conditions before and after obtaining the capital of KPN program shows that only 23 percent of his business increased, which decreased by 13 percent, the rest as much as 64 percent who claimed that his business is still no change before and after receiving KPN. This condition indicates that an increase in community income through KPN has not run optimally, assuming 64 percent of customers did not experience an increase in business.

## **THE CAPACITY OF BPD IN MANAGING KPN**

### **a. Socialization Program**

Micro-credit program will be implemented effectively if the socialization programs can be implemented as a whole for the business. Knowledge of the purpose, scheme, and an absolute credit ceiling must be known completely, so that the funds / capital can be utilized in accordance with the design and achievement of program objectives as established.

In this regard, knowledge of customers to KPN showed that the aspect of purpose, terms and payment terms are relatively good. As many as 80 percent of respondents know the purpose KPN, 94 percent claimed to know the requirements to get credit and 76 percent of respondents knew that the loan payment period. Relatively good knowledge of respondents on three aspects of the above because informasinya is general and easy to spot.

But on the more technical aspects, such as interest rate and credit ceiling, the knowledge of respondents are relatively less well. A total of 58 per cent claimed not to know the level of interest rates as much as 94 percent of KPN and do not know the credit ceiling is provided, both for individuals and groups. Worse yet, there was a maze of information, especially about the source of funds KPN.

Recognition of the respondents when asked KPN funding sources, as many as 62 percent of respondents said that KPN funds sourced from the Governor. Though the source of funds KPN entirely derived from BPD, not from the Governor or the State Budget Expenditure (APBD). This perception illustrates that socialization has not touched the whole client, a false understanding of customers will affect the level of success of the

program. If the customer understands that KPN funds from the governor instead of the BPD, then it is considered KPN grants from the government, this will affect the aspects of the use of funds and loan repayments.

Related to the above data, it can be concluded that the socialization of the program is not designed well and the media used for socialization is very limited, only through the mass media. Utilization of village-level regional leaders who have direct influence on society not used to be involved in the socialization program.

Karenaya, model selection and dissemination of effective media is the first step that needs to be designed so that the targets of socialization can be achieved. The effectiveness of dissemination methods will determine the size of how people can get ideas submitted by the originator of the program. Media and tools that are familiar with the community should be utilized so that the information delivered can be absorbed directly and easily understood.

#### **b. inaccuracies of KPN Distribution System**

One aspect is the assessment of BPD in KPN is the preferred distribution to customers that have a collateral, both in terms of priority to get credit and the amount of capital provided. As recognition of the respondent, s ebanyak 78 percent of respondents said that the BPD require collateral as a prerequisite for KPN, only 22 percent of respondents who claimed no collateral required. Some customers do not provide collateral, although requested by the BPD, they protest to the BPD, because according to respondents in a statement the governor and some other information that they read in the media that the program KPN are not required to submit collateral for earmarked for the poor.

Comparison between existing customers collateral and no collateral, namely: as much as 58 percent have a collateral, the remaining 42 percent claimed not to have collateral. Collateral value of between 6 million up to 735 million dollars, with the average value reached 121,379,310 dollars. The amount of capital that have no collateral and no collateral is also very varied, for those who have capital collateral provided between 5 to 10 million, while those not having collaterals between 1.5 million to 4 million. While the collateral in the form of a letter home / land as much as 76 percent of motor vehicles and property rights as much as 24 percent.

Determination of collateral as a condition of a capital gain distribution has implications for inaccuracies KPN, KPN because it is basically intended for the poor, while they do not have collateral so it is very difficult to obtain or prioritized as recipients of KPN. Conversely, people who are able collateral will be easier to access to the bank, there is even a society which is estimated to reach 735 million collateral in the form of certificates of land and houses. In fact, the BPD still give credit walaupun can be ascertained that the owners belong to the circle of people who should not be prioritized able to acquire KPN. Another thing that also underlies the inaccuracies associated with this type of lending, venture-funded, more on one type of business the shop by 36 percent. Financing stacked on one or two types of business it will ignore the other fields are more likely to develop. In addition, the business sector financed from KPN programs do not notice the base sector development (export). Financing is only short-term impact and not make the volume of economic activity increases permanently. Business units that assisted it can sometimes develop, but with the victims units similar effort in a region, so most businesses into bankruptcy because it could not compete. This occurs because the total purchasing power for goods and services has not increased. If the number of businesses increased but the total purchasing power does not rise, average revenue per unit effort declined (Robinson, 2007: 63).

This statement is in accordance with the facts in the field that the main constraints faced by the respondents is the number of similar efforts (60%), the situation is of course resulted in increased competition which led to the development of business does not run well, even there are some businesses that should be closed after a KPN as having losses.

#### **c. Training and Business Assistance**

To support the success of the business of credit recipients, the BPD should provide training on how to manage capital community, including helping develop the business carried on can evolve either according to the type of business. Mentoring and training aims to provide a more thorough insight and actual; to motivate; also expected to have mastery of theoretical knowledge about business techniques in various aspects. Through the training of entrepreneurs get tips that should be executed, so as to avoid the possibility of failure in business management (Moses, 1997: 143).

In addition, a single approach to financing micro-credit will not solve the problem of poverty. This issue can not be approximated by using only purely economic approach, because it's when capital assistance has been given, but many are also used for the benefit beyond the business sector (Moses, 1997: 103). One success factor is the assistance in full. In this way, expected utilization of capital can be better guarded (*Republic* a May 18, 2009).

KPN program basically designed with a mentoring system in collaboration with relevant agencies within government ranks of city / county. But the concept of mentoring is not running at all, so that efforts to increase the capacity of receiving credit in developing the business is not running. In fact, these assistance efforts can be realized by opening space for participation of all parties involved in realizing the success of the program.

In fact, capacity is an important effort for the creation of business units more independent, sustainable, and ready to grow and compete. BPD should facilitate increased capacity and simultaneously push the certainty, protection, and business coaching. This ensured the creation of entanglement and the climate / situation conducive between clients with BPD. This attachment can minimize the occurrence of irregularities programs, such as capital utilization are not well targeted and high credit levels. Since one of the indicators of program success is the creation of mutual trust between customers and lending institutions (Anton, 2007: 25).

#### **d. Monitoring and Evaluation Program**

In the implementation of the program, BPD only perform the function of capital distribution only in the absence of monitoring and evaluation. As many as 94 percent of respondents admit that I never visited by the BPD for monitoring or billing business bad debts. This resulted in the program did not work out as planned and even pose some problems, such as 28 percent of clients have shut down the business; types of capital utilization that is not appropriate, even the occurrence of large non-performing loans, where only 18 percent of current customers who pay off loans.

Regarding the level of loan repayments, the authors classified in the category three, namely:

1. Current as much as 18 percent. Ie customers who pay off the loan in accordance with payment terms, or customers who already pay the loan is paid off.
2. Tersenda rattling as much as 42 percent. Ie customers who pay credit is not smooth and not in accordance with the payment period.

3. Stalled as much as 40 percent. I.e. clients who did not pay the loan or credit to pay only 1 or 2 months only.

While the reasons customers do not pay the mortgage loan is very diverse, ever claimed there was no money that is 29 percent, the next attempt failed and the business declined respectively 22 and 17 percent, not a priority for 15 percent, which considers grants reached 12 percent, and the latter deliberately not paying just 5 percent. Although many of the delinquent customer KPN credit, but the BPD does not make maximum efforts to deal with problematic credit indicated. According to customer credit and halting traffic, 70 percent said they have never visited by BPD.

Exposure to the above shows that the BPD has not made best efforts to cope with bad credit. Conditions such customers deviation from the provisions of the loan agreement and a decrease in financial conditions is an indication of the irregularities that must be addressed proactively (Siswanto: 2008, 32). According to the BPD, the weakness is due to staff limitations. Generally the staff were stationed at the district level units of BPD are very limited, only 1 staff to handle the demand for credit is quite a lot. Motivation of staff is also very weak in the management of the program. In addition, poor technical preparation program implementation in the field to be another cause of these programs are not effective. These weaknesses affect not only the BPD as the executor of the program, but also against the governor because it was considered the failure of KPN.

## **ROLE AND INVOLVEMENT IN LOCAL GOVERNMENT MANAGEMENT KPN**

### **a. Interference Against Governor Implemtasi KPN**

Intervention (intervention) the Governor in the execution of KPN occurred at the stage of credit through direct personal contact to the BPD to speed up the disbursement process. This resulted in lending does not meet the standards set by the bank. On the one hand, the bank as the executor of the program need to verify the maximum of the capacity of clients and business feasibility. On the other hand the governor wants to speed lending to banks can not work optimally.

The governor's personal intervention also occurs through the mass media, saying it "vulgar" that anyone who does not return KPN will be dealing with the law and jailed. The statements set forth in Serambi Indonesia are as follows: *"Want to select a prosperous or select a prison? This is not just bluffing, but I would really carry out"* (Porch June 11, 2007).

It gives confidence to BPD that the governor will be fully responsible if KPN in implementation failure. But till date no action against a delinquent customer's mortgage payment. According to some village head, for customers such statements are just scare it, the customer believes it is impossible for the governor to arrest them simply because the credit problems.

### **b. Synergy in Management of KPN**

Cooperation among various *stakeholders* in the delivery and monitoring of micro-credit program is something that absolutely must be pursued intensively. In view of this aspect of cooperation, communication channels to engage the various parties has not run optimally. Though the community's business development efforts must involve all parties and the intertwining of intense communication, because the behavior and the model community of a region may not be known by one party alone, but is highly dependent on

knowledge of the various parties, especially the local level on the location or area of the program is run.

Even worse, the ranks of his own government that in fact the originator of KPN, is not actively involved in the success of the program KPN. For example, according to the recognition of the Head of Economic Bureau, they do not know at all related to the program KPN because it is not involved. Whereas the structure of the Government of Aceh, should the Bureau of Economic become the primary engine to handle the KPN. Likewise, cooperation between agencies and other relevant institutions by region is also not as it has been compiled in the technical guidance KPN. And if the agreement is valid will enable our customers more empowered.

Policy delivery mechanisms that are not appreciative also a critical success factor of the policy. Similarly, the bureaucratic attitude of the 'rule', feel better to know, and 'get served' is another problem in policy implementation. Attitudes are often times will affect the effectiveness of the program (Bayu; 2001). On the basis that, should the government (governor) does not involve itself directly in the program's technical operasioanal, especially by using BPD Bank whose shares are owned by local government.

Government should be able to learn to remember in this context that most efforts to provide credit to the community, especially the rural areas experienced many failures, imaging is not relevant because society considers credit subsidies in relation to the grant. Basically the failure credit subsidy encourages more complicated in the empowerment of the poor. (Robinson: 2001, 145)

Usually, in many cases the credit-subsidy, after the failure, the Government will stop the program, instead of looking for new formulas that might be developed to exit from the program design is wrong. This situation is also experienced by KPN program that was stopped for capital by the BPD because it considers the implementation of the program is not going well. The case is of course a disadvantage is the poor, since access to the bank's capital more difficult. Basically, no continuation of KPN, the loss not only for society but also the government for failing in improving the local economy and reduce unemployment.

## CONCLUSION

KPN has not been able to become an effective program for the empowerment of the community. This happens because of poor management of BPD as a program manager. This visible indication of: (a) levels are very low socialization programs in the community. (B) The lack of training and mentoring to clients. (C) Monitoring and evaluation program is not implemented. This weakness led KPN does not have a positive impact on business customers. This failure is also evident from the occurrence of bad loans that are not addressed properly.

In addition, the program KPN impressed as a program of "populists" of the local government to improve its image in the eyes of society by applying the pro-poor programs that were promised when campaigning. Actually, populist program is not a problem when it can run effectively and can actually improve the economy of the poor as its intended purpose. However, KPN has not been effective due to various issues surrounding not completed immediately. Impressed by the omission of various issues by the Local Governments concerned with KPN. The occurrence of inconsistencies in providing good solutions in the early stages of the program and post program indicated the existence of inequality in the field. Therefore, poverty alleviation programs should be



organized in a systemic and integral, not temporary and partial, so far from being pragmatic and political.

To realize the sustainability of the program, provision of capital should be coupled with *political will of government* through policies that can create a conducive economic climate and management of programs in a transparent and credible. Therefore, community empowerment program in order to get out of poverty is not enough provision of capital alone, but must be accompanied by an institution that can perform their functions in the management of sustainable micro-credit program, which keeps people from getting deeper into debt pile further impoverishing them.

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