

Proceedings of

THE 4TH
INDONESIA
INTERNATIONAL
CONFERENCE ON
INNOVATION,
ENTREPRENEURSHIP, &
SMALL BUSINESS

IICIES 2012

June 26-28, 2012
JC Town, Citraland

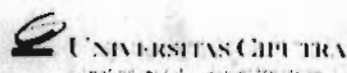
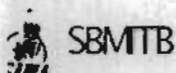
Book 04 - 2nd Edition

Developing and Collaborating
in Innovation and Entrepreneurship
to Pursue ASEAN Emerging Market

Editors
Dwi Larso, Wawan Dhewanto

Associate Editors
Aditya Prashida, Arfiah Citra Eka Dewi, Arien Arianti Gunawan

Organized by:



IICIES

Proceeding of the Indonesia International Conference on Indonesia International Conference on Innovation, Entrepreneurship, and Small Business "Developing & Collaborating in Innovation and Entrepreneurship to Pursue ASEAN Emerging Markets"

Oleh: Center of Innovation, Entrepreneurship, & Leadership, School of Business and Management ITB.
Hak Cipta©2012 Tim Penyusun

ISBN: 978-979-19081-8-4

Penerbit: CIEL SBM-ITB
Gedung SBM-ITB
Jln. Ganesa 10, Bandung
Telp. 022-2531923 ext.313
Fax.022-2504249

Hak cipta dilindungi oleh undang-undang.

Undang-undang Republik Indonesia No. 19 Tahun 2002 Tentang Hak Cipta

Lingkup Hak Cipta merupakan hak eksklusid bagi Pencipta atau Pemegang Hak Cipta untuk mengumumkan atau memperbanyak ciptaannya, yang timbul secara otomatis setelah suatu ciptaan dilahirkan tanpa mengurangi pembatasan menurut peraturan perundang-undangan yang berlaku.

Ketentuan Pidana

Pasal 72:

1. Barangsiapa dengan sengaja atau tanpa hak melakukan perbuatan sebagaimana dimaksud dalam Pasal 2 ayat (1) atau Pasal 49 ayat (1) dan ayat (2) dipidana dengan pidana penjara masing-masing paling singkat 1 (satu) bulan dan/atau denda paling sedikit Rp. 1.000.000,00 (Satu juta rupiah), atau pidana penjara paling lama 7 (tujuh) tahun dan/atau denda paling banyak Rp.5.000.000.000,00 (lima milyar rupiah)
2. Barangsiapa dengan sengaja menyiarkan,memamerkan, mengedarkan, atau menjual kepada umum suatu Ciptaan atau barang hasil pelanggaran Hak Cipta atau Hak Terkait sebagaimana dimaksud pada ayat (1) dipidana dengan pidana penjara paling lama 5 (lima) tahun dan/atau dengan paling banyak Rp.500.000.000,00 (lima ratus juta rupiah)



**The Indonesia International Conference on Indonesia International Conference on Innovation,
Entrepreneurship, and Small Business**

**Universitas Ciputra, Surabaya, Indonesia
June 26-28, 2012**

Steering Committee

**Rektor, Institut Teknologi Bandung (ITB)
Rektor, Universitas Ciputra
Dekan, Sekolah Bisnis dan Manajemen (SBM)-ITB
Direktur, Center for Innovation, Entrepreneurship, & Leadership (CIEL), SBM-ITB**

Advisor Board

Prof. Togar Simatupang, Wakil Dekan Bidang Akademik SBM ITB

Conference Chair

Dwi Larso, PhD

Organizing Committee Chair

Rohimat Fauzi Abdullah, IMSME

Dr. J.E Sutanto, M.M.

Sandy Wahyudi ST, MM., MA.

Adi Suryaputra
Aditya Prashida
Agoestinus Lis Indrianto
Akbar A Utama
Akhmad Ghozali
Alfin Samir
Amelia Wulansari
Andika Putra Pratama
Andreas Bastedo
Anggara Wisesa
Anita Puspita
Alfandi Yahya
Arfiyah Citra Eka Dewi
Arien Arianti Gunawan
Astrid Kusumowidagdo
Bambang Rudito
Bambang Hermanto
Bastian Citrawan
Bayuningrat H.K.
Bob Situmorang
Christina

David Sukardi Kodrat
Dhina Hastari
Dina Dellyana
Eko Widya
Emilia Fitriana Dewi
Ong Eric Yosua
Fadilla Tourizqua Zain
Ferryanto Chia
Hary Febriansyah
Ianinta Sembiring
Ira Fachira
Isti Raafaldini Mirzanti
Jann Hidajat Tjakraatmaja
Jenny Lukito Setiawan
Leo Aldianto
Liestya Padmawidjaja
Liliani
Lili Kristanti
Livia Yuliawati
Mandra Lazuardi
Maria Christina Liem

Natalia Christiani
Nico Pramono
Nur Agustinus Soedjatmiko
Salfitrie Roos Maryunani
Sudrajati Ratnaningtyas
Suryani Halim
Surna Tjahja Djajadiningrat
Suzanna Katharina Mamahit
Sonny Rustiadi
Suherman
Tantri Dwi Kurniati
Taufik Faturrohman
Tina Melinda
Wawan Dhewanto
Widjaja Hartono
Wirawan Endro Dwi Radianto
Yani Dwi Lestari
Yudo Anggoro
Yulianto Suharto
Yusak Anshori
Zoel Hutabarat



**The Indonesia International Conference on Indonesia International Conference on Innovation,
Entrepreneurship, and Small Business**

**Universitas Ciputra, Surabaya, Indonesia
June 26-28, 2012**

Paper Reviewer

SBM ITB :

Prof.Dr. Ir. Jann Hidajat Tjakraatmadja, MSIE
Prof. Ir. Surna Tjahja Djajadiningrat, M.Sc., Ph.D
Dwi Larso, PhD
Dr. Bambang Rudito, MSi
Leo Aldianto, MBA, MSc
Prof. Togar Mangihut Simatupang, M. Tech., Ph.D
Prof. Dr. Ir. Sudrajati Ratnaningtyas, MP
Wawan Dhewanto, Ph.D
Donald C Lantu ,ST, MBA
Isti Rafaaldini, MBA
Akbar A. Utama, MBA, MT
Akhmad Ghozali,MBA
Dina Dellyana, S.Farm, MBA
Sonny Rustiadi, MBA
Salfitrie Roos Maryunani,ST, MBA
Yulianto Suharto, MBA
Ira Fachira,S Si, MT
Hary Febriansyah, MT
Taufik Faturrohman, MBA
Yudo Anggoro, ST, MSM
Andika Putra Pratama, Ssi, MSM
Anggara Wisesa, MM

Universitas Ciputra:

Dr. David Sukardi Kodra
Nur Agustinus, S.Psi, M.Si
Sandy Wahyudi, S.T.,M.M., M.A
Dr. Tina Melinda, Dra, MM
Dr. Yusak Anshori, MM
Astrid Kusumowidagdo, S.T.,M.M
Dr. J.E. Sutanto, MM
Dra. Jenny Lukito Setiawan, M.A., Ph.D.Psikolog
Wirawan Endro Dwi Radianto S.E., M.Sc., A

PREFACE

Dear IICIES 2012 Participants,

Welcome to the 4th Annual Conference! Welcome to Ciputra University! Welcome to Surabaya, Indonesia!

Entrepreneurship, innovation, and business in Indonesia bring a challenge for human capital in Indonesia. The vast economic growth have not been followed by the level of citizen prosperity, such as the high level of poverty, the high number of jobless which is 8.12 million people, and the low income of 60% workforce (Center of Statistic Bureau in Indonesia, 2010). An active role from scholars, businessman, and government in giving solution toward the problem is needed. They encourage the strengthening of national innovation system from production, process, and marketing side for strengthening continuous global competitiveness power toward innovation-driven economy.

The 4th Indonesia International Conference on Innovation, Entrepreneurship, and Small Business (IICIES '12), themed "Developing & Collaborating in Innovation and Entrepreneurship to Pursue ASEAN Emerging Markets" initiated by the Center for Innovation, Entrepreneurship, and Leadership (CIEL), the School of Business and Management (SBM), Bandung Institute of Technology (ITB) and now collaboratively organized with Ciputra University. We challenge ourselves to learn, study, and create local knowledge with global mindset to provide some lights in the development of new entrepreneurs and small businesses. This conference provides a venue for Indonesian scholars and a network with international experts to collaborate. Programs in the conference include natural/cultural sightseeing, workshops, masters & doctoral consortium, gala dinner & social event, and the 3 days conference.

This IICIES 2012 has attracted more than 200 abstract submissions and about 100 reviewed and invited papers are included in full length in the proceedings with the topics ranging from entrepreneurship theory to creativity and innovation, to entrepreneurship education, from social entrepreneurship to corporate entrepreneurship, from small business to family business, to growing business. Authors come from various institutions in Indonesia and several others countries. At least 12 key and featured speakers from 5 continents are contributing to and at least 200 participants from man countries are attending this conference.

In this occasion, I am honored to thank all contributors to the conference including all authors and reviewers, all key speakers and program facilitators, participants and prominent guest, all sponsors including academic institutions, small to large business, governmental institutions, and communities. I have been blessing to work with a dedicated organizing committee consisting of Ciputra University and CIEL SBM ITB staff members, and to receive a lasting support from SBM-Alumni Association. Thanks and appreciations are also due to Prof. Sudarso Kaderi wiryono, Dean of SBM, Prof. Akhmaloka, Rector of ITB, and Ir. Tony Antonio, M.Eng, Rector of Ciputra University, for their continuous support to IICIES 2012.

As the conference is intended, I hope it will contribute to the development of innovation, entrepreneurship, and small business in Indonesia and I look forward to seeing an entrepreneurial and better Indonesia; full of pride and prosperity!

We apologize for any mistakes and inconveniences that may happen. Hopefully you enjoy the conference.

DwiLarso, PhD
Conference Chair

Bankruptcy Risk of Non Bank Microfinance Institution (Case Study of Cooperative in Bandung District)

Tasya Aspiranti
Bandung Islamic University, Indonesia

Abstract

Micro-credit market with very potential customer is still operating with free market mechanisms, so market participants should survive to maintain their position. Both Non Bank and Bank Micro Finance Institution Market as market players compete very tightly. Non Bank Microfinance Institution like Cooperative are pressured to compete although in very limited of capital. Limitation capital of Cooperative in very tight competition increase bankruptcy risk viewed by financial performance indicators, on the other hand Cooperative have mission to support micro, small and medium enterprises by financing credit service. The research aimed to know bankruptcy risk of Cooperative in Bandung District and conducted on 47 Cooperative as samples that spread on 20 sub districts in Bandung District with collecting primary and secondary data. The research used quantitative descriptive methods and Z Score Altman bankruptcy prediction models. The results show that Cooperative in Bandung District in an unsafe financial risk, so it potentially increase bankruptcy risk if it were not well managed.

Key words : Cooperative, Bankruptcy.

1. Introduction

According to previous research (Tasya Aspiranti (2010, 2011), in Bandung District, there is indicators that Non Bank Microfinance Institution are hard pressured to compete with the same institution and Bank Microfinance Institution. Bank Microfinance Institution are big competitors for them because they have more capital and guarantee from government to protect their business. With limited capital and many business constraints, Cooperative as Non Bank Microfinance institution have to compete to get micro enterprises as debtor in free market mechanism of micro credit.

With strong capital Bank Microfinance Institution have flexible and wider range of strategic to be winner in competition in micro credit. They have better location, rate of interest, pricing and many varied service to offer to micro enterprises as customers.

As a consequences, Non Bank Microfinance Institution face the high risk in free market to compete among the micro credit players, both Non Bank and Bank Microfinance Institution. Differed from Bank

Microfinance Institution, Non Bank Microfinance Institution fully received their capital from community only as members and do not received guarantee from government to cover their potentially lost. It is dilemma for Non Bank Microfinance Institution to operate their business with high risk market oriented strategy to increase their capital or just staying in limited their own capital so their mission to serve more micro enterprises are not too successful because of lacked capital. On the other hand, with guarantee from government to protect their capital Non Bank Microfinance Institution can get higher market share and minimize their risks. Non Bank Microfinance Institution have to manage their capital more carefully because all of the capital are collected from members and covered totally by institution. In many cases in Cooperative, manager and staff covered all of the lost of firm as their responsibility. Without strong capital, Cooperative limit their financial service for their members, can not increase their service to larger customers in external organization so the little capital, the little scope of financial credit can be served. Cooperative Operational Services have been done among

their members, with relative highly financial risk. It is predicted, that Non Bank Microfinance Institutions difficult to grow and enlarge their outstanding micro credit services.

It imply the most of Non Bank Microfinance Institution especially in the population of the research have not been serving yet as main source of fund by the most of micro, small and medium enterprises. Micro small and medium enterprises commonly used Bank as main financial sources for productive credit scheme. Limited capital and capital turn over in credit services can increase highly bankruptcy risk on Cooperative. As indicator, actually in Bandung District there are 1489 Cooperative but 747 Cooperative, 50% only which still operate (Regional Department of Industry and Trading, February 4th 2010). The problems of tight competition can increase highly bankruptcy risk become strong phenomenon on Non Bank Microfinance Institution. The purpose of the study is determining bankruptcy risk of Cooperative in Bandung District as the impact of competition in free market mechanisms of micro credit market.

2.Literature Review

Microfinance institutions are Bank Financial Institutions and Non-Bank that provides credit services to the poor segments of society. As described by Siu (2001), "Micro Finance Institutions are institutions that provide financial services to poor and low-income families (as well as their micro-scale business activities), enabling them to better manage risk, achieve a consistent pattern of consumption, as well as expanding their economy."

In many developing countries, the practice of microfinance institutions undertaken in accordance with the requirements and conditions of its people. From various studies, it is known that the practice of microfinance institutions can achieve success in many countries but face

many constraints in others. Various obstacles that lead to bankruptcy is found in many developing countries including Indonesia.

Daniel C. Hardy, Paul, and Vassili Prokopenko (IMF 2002) have conducted the research, and the results showed that the bankruptcy of microfinance is caused by inefficiencies in operating costs. Characteristic of the Micro Credit is a lot of borrowers with relatively small amount. It makes the operating costs inefficiency. In addition, the debtor usually do not have sufficient collateral. According to Hardy, Paul and Prokopenko, "In general, many MFIs seem to keep poor records, a fact that hinders not only the systematic study of the sector, but also the evaluation of the financial performance of individual institution and the cost effectiveness of assistance they receive." "The carrying out cost of microfinance business are usually high relative to the value of loans and deposits involved. On one hand, financial transaction often bear significant overhead and fixed cost, independent of the size of the transaction, the monitoring cost, etc. On the other hand, small scale projects or consumer lending to poor is often highly risky, in part because : (1) intrinsically risky and more exposed to exogenous shocks (weather, macroeconomic fluctuations), (2) the borrowers are not well diversified, (3) the borrowers cannot provide collateral (4) loans are bound up with personal finances of poor. This often results in high share of impaired loans, which are sometimes bunched."

A similar phenomenon was also seen in studies conducted Beatriz Marulanda, Lizbeth Fajury, Mariana Paredes, Franz Gomez (2010) in Latin America. This study describes the various causes of failure of microfinance institutions are interlinked each other. Marulanda, Fajury, Paredes, Gomez (2010) said, "Based on interviews with experts and their opinion about could be considered a failed experience, six types of common causes of failure in MFIs have been identified : (1) methodological flaws in credit technology, (2) systematic fraud, (3) uncontrolled growth, (4) loss of focus, (5)

design flaws in the conception of the institution itself, and (6) a suffocating level of government intervention. Many of the institutions that were analyzed faced more than one cause of failure simultaneously, yet each case sought to identify the main cause that led to a poor situation."

Jasory Philips (1992 -2003) has conducted the research and found that the bankruptcy of microfinance institutions due to the internal and external factors. Philips found, "The constraints encountered were both internal and external. The first internal constraint was lack of organizational capacity and expertise. The second was set of internal difficulties arose around operations and achieving sustainability. A final internal challenge was difficulty in reaching the program's intended beneficiaries and questionable positive impact. External constraints were restrictive governmental policies and practices, the limited scope of the refugee market, and lack of coordination among refugee assistance agencies."

Tasya Aspiranti research (2010, 2011, 2012) in Bandung District as an small industrial center, shows that most micro, small and medium enterprises have not made Non Bank Microfinance Institution in the form Cooperative as a main sources of fund for support their business activities. Cooperative have a limited plafond to provide productive credit scheme for micro and small enterprises. Other phenomenon showed that Cooperative priority their members to be served, therefore the risk of non-performing loans can be minimized. However, this policy implies limitations in extending credit, and less able to compete with the Bank with a variety of credit schemes for micro and small enterprises. This condition makes Cooperative have limited access to get open market share in micro credit. It is directly impact the amount of assets, which in turn affects the volume of credit, and the ability to borrow capital from external financial institutions. The research found that Cooperative that try to go to open market like Baitul Mal Wat Tanwil (BMT)

have higher risk because of the borrowers live in spread area so the monitoring cost become higher. The study is in line with Morduch (2000) which states that, "In the poor condition of borrowers and tried in the informal sector, it will bring up a potential high risk and credit monitoring process to be difficult". In line with this opinion, according to Stiglitz (1990), "In the region poor, the prospective borrower characteristics are difficult to observe, the creditor that is outside the community to be difficult to access local information, so that the information cost is high". Nevertheless, the limited financial capacity of small and micro businesses makes not all loan guarantees be held. It is consistent with Besley (1994), Ghatak, Guinnane (1999), Armendariz de Aghion and Morduch (2005) (in Tuuli Ylinen (2010)) which states that "the unavailability of insurance causes inefficiency in the credit markets of poor country."

3. Research Method

3.1 Population dan Sample

Population of the research are Non-bank microfinance institutions which are in the form of Cooperative in Bandung District. In 2010 there are about 747 active Cooperative that spread in 31 Sub District. (Department of Industry and Trading, Small Medium Enterprises and Cooperative Affair in Bandung District 2010).

The author takes a number of 47 samples that spread in 20 Sub districts by simple random sampling technique. In the simple random sampling, a sample taken in such a way that each member of the population has an equal chance to be selected as the sample, so that results can be evaluated objectively. Decision made by this technique because the eligible population:

- a) The population is large so sample taken is approximately random.
- b) The population is homogeneous. The population is characterized homogeneous, because :

- 1) All of the Cooperative is Credit Union or Multipurpose Cooperative that have Credit Union Department.
- 2) Established without government interference
- 3) Established by public capital
- 4) The limited reach of customer and market.
- 5) Have financial statements so indicator of the performance of non-bank microfinance institutions can be measured objectively.

3.2 Data Collection Techniques

To support the research, the data required is primary and secondary data. Primary data is data obtained directly by way of direct collection from the field, carried out by structured interviews guidance and direct observation in the field. Interviews were conducted with reference to a list of questions that have prepared. While the secondary data obtained from the Department of Industry and Trading, Cooperative and Small and Medium Enterprises Affair in Bandung District.

3.3 Types, Methods, and Variables of The Research

The descriptive research with quantitative survey methods was used to identify bankruptcy risk of Cooperative in Bandung District. Descriptive study was conducted to explain the phenomenon of bankruptcy risk variable of Cooperative in Bandung District. Bankruptcy risk was measured by financial distress approach using Altman Z Score Model (2000). Altman Z Score Model formulated as follows:

$$Z = 0,717 X1 + 0,847 X2 + 3,107 X3 + 0,420 X4 + 0,998 X5$$

- 1) X1 = Net Working Capital to Total Assets Ratio
- 2) X2= Retained Earnings to Total Assets Ratio
- 3) X3= Earning Before Interest and Tax to Total Assets Ratio

4) X4=Book value of equity to Book value of total Liabilities

5) X5= Sales to Total Asset Ratio

To analyze the results of the model, the number of interpretation developed by Edward Altman is used, as follows:

Table 3.3.1 Interpretation of Z Score Altman

Z > 2,99	Firm is safe
1,81 < Z < 2,99	Firm is facing financial problems that require proper management. Improper handling of management will lead to bankruptcy while handling the proper management will save the firm
Z < 1.81	Firm is facing financial difficulties and the high risk of bankruptcy

4. Results

Bankruptcy risk of Cooperative in Bandung District by using Financial Distress Approach Altman Z Score (2000) (non-manufacturing formula for companies that have not go public yet):

$$Z = (0,717 * \text{Net Working Capital} / \text{Total Assets}) + (0,847 * \text{Retained Earning} / \text{Total Assets}) + (3,107 * \text{EBIT} / \text{Total Assets}) + (0,42 * \text{Book Value of Equity} / \text{Book Value of Total Liabilities}) + (0,998 * \text{Sales} / \text{Total Assets})$$

Table 4.1 shows the average value of Net Working Capital / Total Assets, Retained Earning / Total Assets, EBIT / Total Assets, Book Value of Equity / Book Value of Total Liabilities, and Sales / Total Assets as a component of the value of Z score of 47 Institutions Cooperative in Bandung District.

Table 4.1 The Cooperative average value of Z score's components in Bandung District

Components of Z score	Value
Net Working Capital / Total Assets	0,905
Retained Earning / Total Assets	0,117
EBIT / Total Assets	0,095
Book Value of Equity/Book Value of Total Liabilities	0,66
Sales / Total Assets	0,75

Source : Cooperative in Bandung District

The calculated values of the obtained results:

$$Z \text{ score} = (0,717 \times 0,905) + (0,847 \times 0,117) + (3,107 \times 0,095) + (0,42 \times 0,66) + (0,998 \times 0,75) = 2,071$$

Z score value 2.071 indicates that the Cooperative have financial problems that require proper management. Improper handling of management will lead to bankruptcy while handling the proper management will save the cooperative.

Table 4.1 shows that on average value of Net Working Capital / Total Assets is 0.905. This value shows that the proportion of net working capital which is the reduction of current assets to current liabilities is smaller when compared to total assets, however, the value of net working capital is quite good, because most Cooperative do not have a debt to external fund sources, so most of the debt has only relatively small. It is not only an advantage but also a weakness of Cooperative. The advantages seen from the proportion that the net working capital less than the asset, meaning that the Cooperative property exceed their operational assets. Cooperative have other assets than current assets for operational funding in the short term cooperative way. This can be interpreted that the Cooperative have fixed assets that can support operational firm in the long run. The weakness of Cooperative is the limited ability to access external fund sources

outside of members, thus Cooperative have limitations for financing the various needs of members. Funding of Cooperative more restricted to members for consumptive scheme rather than productive one. Actually, the Cooperative mission is to improve the welfare of the community through empowerment of micro, small and medium enterprises by financing of micro, small and medium enterprises. In general, the Cooperative mission is still not achieved due to Cooperative have not as main source of funding yet. Most of the Cooperative have not considered bankable by the Bank to take a loan from Bank. Average value of Retained Earnings to Total Assets is 0.117. This value can be interpreted that any Rp.1000 owned Assets can earn Retained earnings Rp.117. Proportionally, this value is quite good, Cooperative are able to produce Retained earnings 11.7% compared to the amount of assets they have. However, this indicator is relative not absolute. If the value of cooperative assets are relatively small, the smaller retained earnings amounted to only 11.7% of that value. Most Cooperative have only a small value Retained earnings, due to the most of operating profit is distributed to the members. The implication is Cooperative should increase the efficiency of operating profit to be larger, so the Cooperative have the flexibility to retain the operating reserve or risk fund that is not distributed to members.

Average value of EBIT to Total Assets is 0.095. This value can be interpreted that any Rp.1000 owned Assets can earn Rp.9.5 Earning Before Interest and Tax. Many Cooperative do not pay interest because they are not bankable to make loans to the Bank. Many Cooperative do not pay tax because they do not meet the minimum amount of taxable objects.

Although the value of EBIT quite good when compared to total assets, but the absolute value of EBIT still needs to be improved by increasing cost efficiency through reducing operating expenses.

The book value of equity compared to the Total Liabilities Book Value is 0.66. This value indicates that Equity is still smaller than Total Liabilities. Cooperative's equity consist of principal, compulsory savings, reserve fund for operational and risk. Effort to increase the value of equity is increasing the reserve of risk and operational. Thus the cooperative will have more reserve funds to increase the quantity of lending services to members.

Sales value compared to Total Assets is 0.75. This comparison shows that the value of sales for each Rp.100 Rp.75 of Total Assets owned. These large values can be understood because major fund is collected from members and then lend it to other members. With a limited number of assets, in the most Cooperative found that amount of credit served to members is relatively larger than amount of assets.

5. Conclusion

The survey results shows that in 47 Cooperative as Non-Bank Microfinance Institutions in Bandung District, Cooperative are still in an unsafe financial condition therefore requires a proper handling of management to avoid bankruptcy risk. Cooperative bankruptcy risk due to two main reasons. The First, there is limited ability to access external fund sources. The second, limited capital causes financing the various needs of members is limited. Average value of Z score component imply that Cooperative require a proper handling of management to avoid the risk of bankruptcy. Limitations of working capital could increase bankruptcy risk if there is congestion payment, so that Cooperative can not be optimally lend credit to members. The most of Cooperative just give consumptive not productive credit scheme to their members.

Many things have to do to minimize Cooperative bankruptcy of risk. The first, variety of special credit schemes for Cooperative should be increased so Cooperative can access to external funding sources. The second, Cooperative have to

operate more efficiently in managing their business operations and perform a variety of loan product differentiation so Retained Earnings become larger. Thus the Cooperative can expand their business and minimize the risk of loss through the Reserve Fund. The third, Cooperative should consider increasing the amount of principal savings, as well as binding commitment to strength commitment members to support organization. However, Cooperative have also committed to deliver good business results of the capital provided by the member. Cooperative principles as a profit oriented organization need to be strengthened, so the members of the Cooperative as a partner trust to invest. Strengthening Cooperative as profit oriented organization and as an investment business should be initiated by the Government through participating capital or providing guarantor for Cooperative investor. Strengthening Cooperative can support Cooperative to survive and compete with competitors in free mechanism of micro credit market.

References

Altman, Edward I. (2000). "Predicting Financial Distress of Companies: Revising The Z Score and ZETA Models". (*Paper adapted and updated from:* Altman. "Financial Ratios, Discriminant Analysis and the Prediction of Corporate Bankruptcy". *Journal of Finance*, September 1968; and E. Altman, R. Haldeman and P. Narayanan, "Zeta Analysis: A New Model to Identify Bankruptcy Risk of Corporations". *Journal of Banking & Finance*, 1, 1977.

Daniel C. Hardy, Paul Holde dan Vassili Prokopenko. (2002). "Microfinance Institutions and Public Policy". IMF Working Paper.

Jasory Philips. (1992-2003). "Challenges to the effective implementation of microfinance programs in refugee settings". Paper.

Marulanda, Fajury, Paredes, Gomez. (2010). "Taking The Good From The Bad in Microfinance: Lessons Learned From Failed Experiences in Latin America". Paper.

Siu, Peter. (2001). "Increasing Access to Microfinance Using Information and Communications Technologies". Chemonics International.

Stiglitz, Joseph. (1990). "Peer Monitoring and Credit Markets". World Bank Economic Review, 4(3), pp. 351-366.

Tasya Aspiranti. (2010). "Determinants of Small Medium Industry's Access to Formal Institution Bank". Proceedings : The 2nd Indonesia International Conference On Innovation, Entrepreneurship, & Small Business (IICIES).

Tasya Aspiranti. (2010). "Determinants that affect capital structure of small and medium industries". Proceedings : Global Conference Small Medium Enterprise. GCSME.

Tasya Aspiranti. (2011). "Asymmetric Information on Non Bank Microfinance Institutions in Lending Micro Enterprises". Proceedings : The 3rd Indonesia International Conference On Innovation, Entrepreneurship, & Small Business (IICIES).

Tasya Aspiranti, Dede R. Oktini. (2011). "Kinerja Lembaga Keuangan Mikro di Kabupaten Bandung". Proceedings : National Conference on Bandung Islamic University. (The Proceeds of Research and Service Community).

Ylinen, Tuuli. (2010). "Profitability and outreach of micro finance: Mission drift theory and evidence from Uganda". Thesis. Departments of Economics. Helsingin Kauppakorkeakoulu Helsinki School Of Economics.