

The Role of Social Capital In Improving Performance Bank Perkreditan (BPR) Sungai Rumbai – West Sumatera Indonesia

Dahnil Johar

Faculty of Economics, University of Bung Hatta

1. Introduction

Economic activity in the countryside in general is dominated by small-scale farms with the main actors of farmers, farm workers, traders and agricultural inputs, agro-processing, and home industries. The businesses are generally still faced with the problem of limited availability of capital, capital constraints may limit the space for agricultural activities in the rural sector (Hamid, 1986).

Although the government has implemented a variety of loan programs, but the performance results are deemed still not in line with expectations. This is reflected in the performance of financial institutions has not been satisfactory.

According Martowijoyo (2005) the weak performance of financial institutions as financial intermediasi institutions can be viewed from three aspects: (1) low levels of loan repayment; (2) low morality of the implementing agency, and (3) low level of mobilization of public funds. The disadvantage of these has consequences for not continuing financial institutions set up after the program is completed.

To answer the problem of limited capital and banking institutions are difficult to access for small farmers, it is necessary to further optimize the potential of financial institutions which can be an alternative source of funding for farmers and rural communities. One of the financial institutions that can be exploited and encouraged to finance micro segment is rural banks (BPR). One of the BPR that are in the river Rumbai Dhramsraya District of West Sumatra Province.

The existence of Rivers Tassel rural BPR could play a role serving the needs of small farms, is the result of the institution-based social capital. Fukuyama (2002) argues that social capital, focused on the importance of the relationship (relationship), honor one another (mutually respectful) and the relationship of trust (trusting relationship) between citizens. Furthermore, Putnam (1993), has also shown evidence that economic growth is positively correlated with the presence of social capital.

Other institutions have been successful in utilizing local institutional as financial intermediaries with rural communities is a non-bank credit institutions such as LPD and Lumbung Bali Pitih Nagari (LPN) in West Sumatra.

2. Research problem

Under conditions of dualism financial institutions that serve the needs of Small Farm (Usaha Tani Kecil - UTK) in rural financial markets, there are several models of financial institutions in rural areas (Ross McLeod in Kuncoro, 1987). Model Formal Financial Institutions (LKF) is very difficult to access because of characteristics that are procedural and apply the requirements are difficult to fulfill by farm employers (Mubyarto, 1990; Kartasmita, 1986; Braverman, 1993). Based on the above phenomenon can be formulated research problem as follows:

- 1) Why rural banks (BPR) Sungai Rumbai can survive in the long term and play an effective role in serving the needs of capital UTK in Rumbai River area?
- 2) How BPR Sungai Rumbai applying social capital in enhancing the role of institutions to serve the needs of capital UTK?

3. Research objectives and benefits

The purpose of this study was engidentifikasi factors that affect BPR Sungai Rumbai can survive long-term presence and play an effective role in serving the needs of capital UTK in the countryside as well as explaining how BPR Sungai Rumbai can take advantage of Social Capital element in improving the service to the UTK. While the benefits of this research are expected to contribute new knowledge that an element of prudence / formal requirements (5-C), which is applied to the formal financial institutions in order to protect the interests of investors and maintaining the sustainability of financial institutions, it turns out to be ineffective or become an obstacle good to microfinance and farming in the development of other usahanya. Disisi results of this study can

be used as a reference for parties concerned by financial institutions so that the treatment / rules that apply in formal financial institutions are likely to embrace the capitalist system can not be equated with the treatment / rules in microfinance institutions that tend to be based on social capital.

4. Review of Literature

1) The concept of Financial Institutions

Microfinance Institutions (MFIs) is a program of crediting for small amounts to the poorest to finance the project he's working on his own in order to generate income, allowing them to care for themselves and their families, "Programmes extend small loans to very poor for cell-employment projects that generate income, allowing them to care for Themselves and their family ". Microfinance Institutions (MFIs) in Indonesia according to the Asian Development Bank and the World Bank (Gunawan, 2007) The main characteristic, namely; (1) provides a variety of financial services that are relevant or appropriate to the real needs of the community, (2) serve low-income communities and (3) using the procedures and mechanisms are contextual and flexible to make it more easily accessible to poor people need.

Developing micro enterprises is a strategic move because it would realize the broad bases development or development through equity. They need capital to develop its capacity. With business increases (becomes small scale enterprises), will effectively address the poverty suffered by themselves and expected to help people in the poor category.

2) Definition of Social Capital

Fukuyama (1995) illustrates the social capital in the trust, believe and *vertrauen* means that the importance of trust is rooted in cultural factors, such as ethics and morals. Trust appears the community to share a set of moral values, as a way to create a common hope and honesty. He also stated that the associations and the local network really has a positive impact on economic welfare and local development and plays an important role in environmental management. James S, Coleman (1999) asserts that, social capital as a tool for understanding social action that combines theoretical perspectives of sociology and economics. This notion was reinforced by Serageldin (1999) that social capital always involves the community and make the community arises not only from the interaction of market and economic value. Serageldin provides a classification of social capital among others:

- Social capital in the form of social interaction but durable unidirectional relationship, such as teaching and social interaction trading relationship was reciprocal (mutual) such as social networks and associations.
- Social capital in the form of social interaction effects are more durable in such unidirectional relationship of trust, respect and imitation are in the form of a reciprocal relationship like gossip, reputation, pooling, social roles and coordination, all of these contain high economic value.

Simple and general conclusion that can be raised about the main elements of social capital include norms, reciprocity, trust, and network, Fukuyama (1995). The fourth element is a significant influence on the behavior of co-operation to achieve the desired result, which could accommodate the interests of individuals and groups who cooperate collectively. Referring to Fukuyama (1995), there are three parameters ie social capital:

- Trust.** As explained Fukuyama (1995), trust is a growing expectation in a society demonstrated their honest behavior, organized and co-operation based on the norms that are shared. Social trust is an application to this understanding. Damage social capital will lead to anti-social behavior (Cox, 1995), the absence of social capital in financial institutions will lead to customer relationship with the manager of the institution will not trust each other.
- Norma.** The norms consist of understandings, values, expectations and goals which are believed and run together of religious, moral guidelines, and standards seem secular ethical code profesional. The norms are built and thrive based on the history of cooperation in the past and applied to support the climate of cooperation (Putnam, 1993, Fukuyama 1995). The norms can be a precondition nor a product of social trust.

5. Results

From the analysis, it was found that the case of financial institutions, PT.BPR Sungai Rumbai have been able to serve customers in the agriculture, plantation, and trade, although with the procedures and requirements are relatively complicated, but it turns out the BPR Sungai Rumbai lending is dominated by the agricultural sector.

In terloihat empirical findings that, of the 20 samples with the customer

maximum ceiling of credit for small farms of 50 million pernasabah, 68 percent of them to UTK, while the remaining 32 percent for trade and others. From this data illustrated that, PT BPR Sungai Rumbai has been able to run financial services in accordance with the expectations of society in meeting the capital needs of the business. The opinion has been saying that the farming community has a tendency repayment rates are relatively low. It turned out contradicted by the fact that the level of non-performing loans (NPL) is only 2 percent of the total loans disbursed (GMS report 2014). This means that the returns that farmers loans in the location of research is quite high and, according to Bank Indonesia provisions of this institution is very healthy (NPL <5%).

These findings also refute the suggestion that the rate of repayment of the agricultural sector is relatively low, but this has not been proven in BPR Sungai Rumbai.

Obstructions to UTK accessing credit in general is the application procedure, administrative requirements, and the most important is the requirement of collateral, but at BPR Sungai Rumbai obstacles / difficulties regarding aggunan not be found for each head of a family who came from a family of transmigration has been equipped with three (3) certificate of land ownership rights with a total area of 2 ha. Therefore, 98% of the guarantees contained in BPR Sungai Rumbai in the form of land titles.

The portion of lending to the agricultural sector (68%), trade (32%), while the household (0%), education (0%), and for buyers of vehicles (0%). The portion of lending to the agricultural sector (68%), trade (32%), while the household (0%), education (0%), and for buyers of vehicles (0%). From this information it can be concluded that the BPR Sungai Rumbai has been instrumental in helping the capital UTK. This can be seen more than 68 per cent of the total loans disbursed to the sector UTK.

5.1 The philosophy of establishment of the institute

In general terms the establishment of both the RB cases are community initiatives in order to want to step up efforts to provide better meet the needs of credit and an increase in revenue. This is evident from the establishment of institutions and service system.

Establishment BPR Sungai Rumbai begins with a financial institution whose activities are limited to serving members were only about 40 people with the entrance fee of Rp 25,000, - and its establishment in accordance with the permission of the Regent of Sawahlunto-Sijunjung letter No. 10 dated August 8, 1988, then in accordance with its development LPN Sungai Rumbai changed its status BPR-LPN Sungai Rumbai.

At first both in the establishment and management and pengawasanya always involve members. But after changing the status to the RB no longer involves the participation of members / customers, communities around the villages and village officials in decision-making, but only in GMS can provide a voice for evaluation and monitoring.

After LPN Sungai Rumbai changed her status to PT.BPR (co limited) operating system has automatically follow the rules of Bank Indonesia. The objective of BPR to serve capital of rural communities has been able to touch UTK, though difficult and complex service system by requiring the surrender of collateral. Although the terms of the procedures and rules difficult and complicated PT BPR Sungai Rumbai still show progress. This is reflected by the growth of the asset value and the small percentage of non performancr loans (2%) at the end of 2014.

Conditions BPR Sungai Rumbai is still strong due to the proximity between managers with community members, the service system of credit is based on a sense of togetherness among tribal / ethnic Javanese in daily communication is using Java language, so it creates a sense of kinship between them, although since its status was changed to PT. BPR, changing service system like conventional bank services, procedures and requirements are generally complicated and collateral requirements that must be met by UTK, but in this case Sungai Rumbai River (collateral) is not a barrier because it can be met by the customer.

a) Accessibility. PT.BPR Sungai Rumbai bank is a financial institution in the form of secondary, thereby applying the conventional banking system like a commercial bank. Characteristics that really stood out was the procedure and terms of credit to each potential customer.

BPR Sungai Rumbai, requirements of credit applications, among others: (1) have a decent efforts, (2) completing the form, (3) a letter from the trustee villages, copy of ID, passport photo, (4) to provide collateral in the form of certificates of land / building, reg car / motorcycle, deposit or paychecks, and (5) pay the cost of provision or administration of 1 percent of the loan.

From the aspect of the location, a strategic location, PT.BPR Sungai Rumbai is located close to the market and on the edge of Padang-Sumatra – Jakarta highway.

The process of loan application until the loan is approved and disbursed takes varies. In PT.BPR Sungai Rumbai 1-7 days for the applicant / new customers and only 1-2 days for existing customers, length of the time range due to the presence of several stages in the process of loan application as examination of the validity of administration, survey feasibility and credit committee hearing.

The procedure is difficult and complicated in the BPR has no impact on the low number of small farmers who obtain loans. It is seen that 68 per cent of the total loans disbursed at UTK channeled to meet all the procedures and administrative requirements and the availability of collateral.

Loan repayment system in PT.BPR Sungai Rumbai return based on monthly installments and bears interest expense respectively 17% and 18% per year. To support the smooth repayment of the loan to the RBs, in accordance with Bank Indonesia, rural setting rules and sanctions are as shown in table following:

Table 1: Conditions Arrears, Category and Sanctions

Leng of overdue	Category	Action / Sanctions
<= 3 months	Lancar	First-warning letter
3 – 8 months	Kurang Lancar	Second warning letter
7 – 12 months	Bad	Third – warning letter
> 12 months	Not Performance	Credit stop (sequestration)

Source: PT BPR Rumbai River.

Based on the foregoing, the position of credit loans given to customers farmer has a condition that is quite varied as shown in Table 2.

Table 2: Credit Position By Category and Number Debtor BPR Years 2014

Name of Institution	PT. BPR Sungai Rumbai		
	Category	Total of Debtor	Credit Amount (Rp 000)
Current	13	690.900	98,00
Not-Current	0	0	0,00
Bad Debt	0	0	0,00
Not Perform	2	14.100	2,00
Total	15	705.000	100,00

In PT.BPR Sungai Rumbai categorized 98 percent of loan recipients smoothly, 0.00 percent is classified as substandard, doubtful 0.00 percent, and only 2 percent are categorized jammed. Their simple administrative procedures, collateral requirements are not absolute, rapid loan disbursement time, location relatively close, and the interest is not very high (17-18%). The accessibility of PT. BPR Sungai Rumbai to sources of credit based on the field of business is the most dominant in the agricultural sector (68%) followed by trade, restaurants and others by 32 percent.

Based on the above circumstances such BPR Sungai Rumbai powered by natural resource that is the area of agriculture and plantation, relatively high levels of aksesibilitas farmers BPR Sungai Rumbai related to characteristics of the Sungai Rumbai villagers are mostly subsistence farmers.

b) Distribution Justice. Credit distributive justice can be seen from the allocation of the amount of the loan amount received by the debtor at their respective business sectors. At PT.BPR Sungai Rumbai more lending is allocated on the debtor in agriculture (68%), while the rest (32%) dispersed in trade, services, restaurants and more.

Based on the above information it can be concluded that the higher the chance of farmers in the use of credit resources, show that the function of RB River Tassel has been able to help the farm to meet capital requirements, this fact is not in accordance with the conditions of BPR another in West Sumatra were less interested in business finance small farmers.

c) Credit Worthiness. From the above data, shows that the credit of BPR Sungai Rumbai mostly accessed by agricultural group (68%) while the remaining 32 per cent by merchants and other services. Means most of the credit can be utilized by the agricultural sector. This situation indicates that these financial institutions in their activities have been successful and is capable of meeting the needs of small farmers who are credit by BPR into service targets financial institutions in rural areas. This success is one of the reasons is their ethnicity fellow members means there is a sense of kinship between them.

d) The role of the Board in the Capital Mobilization. PT BPR Sungai Rumbai bank management election defined and decided by the shareholders at the general meeting of shareholders) in accordance with the statutes and was attended by at least 2/3 of the number of members / shareholders, without involving members / community.

Bank management consists of Chief Commissioner, Commissioner, Managing Director and Director. Similarly, the board Aur Rangkiang PT.BPR been through the AGM was attended by all shareholders with the same management structure with PT BPR Sungai Rumbai which to comply with the rules Company Limited and Bank Indonesia regulation.

The role of the board in capital mobilization is dominant on both BPR, this is due to the mobilization of capital derived from external sources in the form of shares. At PT BPR Sungai Rumbai consists of capital stock, as well as in the form of savings / deposits from the public. Capital accumulation is done entirely by the management board through the establishment of a capital reserve set aside from annual profit of 20 percent. Thus there is no collective capital formation involving contributions members / customers directly.

5.2 Nature and Dynamics of Small Farm Credit Services as Object

Characteristics of farming using farmers credit to the three financial institutions studied, studied based on aspects of the fulfillment of credit, covering land area, land status, type of business / plant, the intended use of the credit, the amount of credit, collateral, capital resources, procedures and credit terms , and a refund system credit / loan.

From the analysis of the nature and dynamics of farming on PT BPR River Tassel each head of the family has 2 ha of land and consists of 3 (three) certificates (0.25, 0.75 and 1 ha) it can generally be concluded that the object of service credit of PT BPR River Rumbai can serve small farms without difficulty in meeting collateral requirements. Almost all the farmers (98%) own their own land and the vast majority (89%) planted with food crops (rice and pulses) and partly with plantation crops.

Credits earned from both the RB Sungai Rumbai specifically for farmers maximum Rp 50 million, while for the farmer groups totaling 30 people can be a credit limit of US \$ 1.1235 billion, - or an average per person may be USD 37.45 million, -,

Requirements and procedures, members do not find it difficult and can be met, but for non-employees (farmers) still feel the complexity of the procedures and administrative requirements, as well as the difficulty of loan repayment system. The results of this analysis clearly shows that the existence of LKF in the countryside tend not intended to serve the needs of capital UTK. This conclusion is supported by the fact the empirical findings of the analysis of the nature and dynamics of the farming area of land, land status, type of plant, the intended use of credit, collateral, the amount of capital resources, procedures and administrative requirements, as well as the loan repayment system. This can be seen in Table 5.4

a Land. Scale farming is determined by the area of cultivated land for agriculture. If the land area cultivated for pertanian businesses, smaller than 0.5 hectares, the farms considered small-scale farming. Meanwhile, when a land area larger than 0.5 hectares of farming can be categorized as medium and large scale. In PT.BPR Sungai Rumbai , residents / citizens of each head of the family has a land area of 2 ha, with three (3) pieces of the certificate of 0.25 ha for the house and yard, 1 ha of plantation land and 0.75 ha for paddy ,

Land they use as collateral to secure loans, 70 percent of borrowers are certificates of land area of 0.75 ha (paddy fields), and 30 percent of the size of land 1 ha (plantations).

NO	Description	LKF
		PT BPR-LPN Sungai Rumbai
1	Lands area : - 0,25ha – 0,5 ha - 0,6 ha – 1,0 ha - 1,1 ha – 2,0 ha - > 2 ha	10/15 3/15 2/15 -
		15/15
2	Land Status : - One's owner - Rent - Garapan	14/14 - 1/14
		15/15
3	Type of business - Crop - Other	13/15 2/15
		15/15
4	Purpose of Use of Credit - Capital Farm - Living Cost - Venture capital and the cost of living	12/15 - 3/15
		15/15
5	Collateral: - Certificate of land / building - Certificat of motor cycle/car ownership - Decree of employee	13/15 2/15 -
		15/15
6	Capital Source: - Owner's equity - Capital Credit - Equity and Credit	- - 15/15
		15/15
7	Procedures & Credit Requirements: - Relatively complicated - Relatively simple	13/15 2/15
		15/15
8	Credit refund system: - Relatively difficult - Relatively mild	4/15 11/15
		15/15
9	Total of Credit (Rp)	500rb – 50 Juta

b. Status Land Ownership. Status of the land is cultivated land tenure. When cultivated land is the property itself can be used as loan collateral, whereas if the land is customary rights / people can not be used as loan collateral, which is in line with Bank Indonesia regulation that letters of guarantee (certificate) must be in the name of the borrower.

From the data obtained, the status of ownership of farm land were cultivated by farmers on a credit user PT.BPR Sungai Rumbai turned out 98 percent of a certificate on behalf of customers and only 2 percent of the collateral in the form Proof of Motor Vehicle Owners (reg).

c. Type of Business / Plants. The farmers of LKF basically seek some kind of business, such as food crops (rice and pulses), plantations is seasonal, breeder, fisheries, industry, hotels and restaurants and trade. At PT.BPR

Sungai Rumbai, 80 % of farmers cultivate the land with food crops (rice and pulses), and plantation crops such as oil palm and rubber, while the remaining 20 percent is used for industry, trade and other services.

d. Uses of Credit. Farmers who receive credit from the model LKF largely in the application letter of credit to finance farm. However, some customers use for purposes such as education, trade and other services.

e. Collateral. One of the benefits of farmers in Sungai Rumbai area is the availability of collateral in the form of land ownership certificates which can be used as collateral for credit, so the ability of small and medium farmers in meeting collateral requirements can be met. This is due to each family with a certificate of land title can be used as collateral. This is reflected in the statement of RB that 98 percent of the collateral is in the form of certificates of land and only 2 persen the collateral in the form reg.

f. Sources of Capital. In both LKF (BPR), most farmers own their own capital, but not sufficient for the purposes of business development, so that one other source is the credit / loan from a third party. The third party in question is using the loan to the financial institution to finance the farming operation. Therefore, farmers are very dependent on loans from financial institutions.

g. Procedures and Requirements for Credit. In getting loans, most farmers in both LKF still feel difficulty although at BPR Sungai Rumbai can be met. Procedures and credit requirements that must be met relatively complicated. Farmers must have a viable business, filling out forms, providing completeness of such copy of ID card, photocopy of family card, photograph, provide collateral, and pay the cost of provision of 1 percent. Loans can be availed within 7 days to a month.

h. Credit Refund System. BPR Rangkiang Aur, loan repayment system is felt hard by most farmers. Loans must be repaid each month, with an interest rate between 17.5 to 18 percent. When farmers in arrears, in accordance with the provisions of Bank Indonesia, the customer imposed several times warning, followed by a late charge of 1 percent of the number of installments and then just do sequestration, if it turns through the first process, the second still can not pay off the loan.

i Loan Amount. According to the board of directors of PT BPR LPN Sungai Rumbai medium and large farmers tend to have easier access to sources of credit and the loan amount is greater (Rp. 800 million) per-debtor, when compared with small farmers per-debtor only \$ 50 million, with an interest rate of 17.5% -18%. As for the loan on behalf of the farmers group membered many as 30 people Rp 1,123.500.000 or average per-debtor Rp 37.45 million.

The strictness of the regulations made by the government, especially at BPR cause difficulty small farms access to the center to meet venture capital,

5.3 Role of Social Capital on the effectiveness of BPR Sungai Rumbai Rumbai

The role of social capital (shared values, participation, trust, and financial contributions, the values of religion and traditional values) of the effectiveness of LKF (PT.BPR Sungai Rumbai, can be seen in aspects of the establishment of institutions, electoral administrators and management activities, capital formation, the credit lending process, as well as monitoring and evaluation. The conclusion is supported by empirical findings in the field on the role of social capital in the case of proposed BPR models based on aspects that are analyzed as follows:

a process of establishment of the Institute. The role of social capital in the process of establishment in PT.BPR Sungai Rumbai at the beginning of the establishment involve members in all actions and make a decision on interest rates, the amount of the credit ceiling, the procedures and requirements as well as sanctions on non-compliance to the rules / norms prevailing in the institution, But such cooperation is lost after changing the status to the RB, the regulations set by Bank Indonesia.

At PT BPR Sungai Rumbai role of social capital is not found at all. This is because the selection policy board and bank management defined and decided by the shareholders through the AGM was attended by shareholders, without involving members / community / customers. So it is not found the role of values of social capital. Similarly, the management of bank operations carried out by the board composed of Chief Commissioner, Commissioner, Managing Director and Director.

c Capital Formation. In PT.BPR Sungai Rumbai capital formed in accordance with the articles of association obtained in the form of shares (equity) and savings / deposits. At PT.BPR Sungai Rumbai share capital comprises the society and savings in the form of savings and deposits. Capital accumulation is done entirely by the management through the establishment of a capital reserve set aside from annual profit of 20 percent. Personality formation and capital accumulation are thereby causing lack of social capital in such activity. In other words there is no collective capital formation involving contributions members / customers directly.

d Lending Process. BPR Sungai Rumbai does not exist at all, the credit lending process conducted in accordance with the procedures and requirements have been defined caretaker berpedoman to Bank Indonesia regulation. Prospective customers deal directly with the bank officer without involving institutional agencies village. This condition causes the absence of the role of social capital in the process of credit lending. The relationship between the bank officers and members are business customers only. Although the majority of bank customers is a local community bank, but the social relationships did not affect the implementation of the procedures and requirements for credit lending. Approval of the loan depends on the feasibility aspects of administration and collateral requirements.

e Activity Monitoring and Evaluation. BPR Sungai Rumbai, activity monitoring and evaluation of operational activities and performance of institutions is generally performed by the shareholders through each closed financial year. In terms of supervision and guidance conducted by Bank Indonesia. In addition, in its function as a secondary bank, BPR must comply with the rules set by Bank Indonesia, so it automatically BPR bank's operations and performance under supervision, assessment and development of Bank Indonesia. In this case each. RB operational activities required to report each month. Thus in the process of monitoring and evaluation agencies there is no role of social capital mainly involving the participation of members / customers and communities.

These findings indicated that the activity of monitoring and evaluation in the RB are not the role of social capital. This is due to the management of RBs do not involve members / customers or other people in the activity in question, all decisions only determined by the board. The role of social capital in BPR Sungai Rumbai reflected as shown in Table 3 below.

Table 3: The Role of Capital Sosi BPR Sungai Rumbai

The role of social capital	PT. BPR Sungai Rumbai
a. Trust	
Kinship	Seen as the majority of the population are ethnic Javanese, so that the daily use of the Java language
Participation of Member /Community	Participation in capital accumulation only exists between management and shareholders. Wealth 2012 Rp.72.683.429.000
Financial contributions	There is no of the shares and profits are not shared
Value Religion	Not Available
b. Networking	Does not involve the public, the information unearthed through AO. High cost. Process so long to memtuskan crediting
c. Compliance with Norma	Norma / operational rules made in accordance with the rules of Bank Indonesia. Sullit followed by UTK

6. Conclusion

Based on the results of research and analysis conducted, it could be concluded in accordance with the purpose of the study as follows:

1). The element of trust. The nature of trust between members with members and between members of the board resulted in the formation of a network that enables the formation of mutually beneficial cooperation between members in achieving common goals. These conditions affect the suitability of the characteristics of the institution with the characteristics of the nature and dynamics of UTK, this condition causes the BPR is easily accessible by UTK. Characteristics of institutions characterized by UTK as the main target of credit services, procedures and administrative requirements although somewhat complicated, the system returns every month and easily accessible location.

Ease of access of farmers to financial institutions causing farmers to succeed in the implementation of agricultural activities. Such a condition indicates that the character of financial institutions in accordance with the characteristics of farmers, led to the development of agriculture better.

Cause a sense of mutual trust between the manager and members by making mutually beneficial working system between managers and members. Mutual benefit will arise if the results of the activities carried out benefit the two sides. This situation will lead to mutual trust, sympathy, mutual participation and sense of belonging to the institution.

2). Network Elements. Networking between managers and members that were created on the basis of mutual trust, lead to effective capital raising collective and disbursement of loan Sungai Rumbai This is in line with the

opinion of Fukuyama (1995), that the application of social capital is high (trust, networks and norms) led to community the easily solve a problem and can simultaneously reduce operating costs.

Success in internal capital mobilization caused BPR Sungai Rumbai has major source of capital (initial capital payment and savings), so as to empower UTK well in fulfilling the capital requirements and increased revenue without relying on external capital mobilization, especially from the government.

3). Elements Norma. From the aspect of the rules / policy of the government, the upfront analysis showed that RB does not have a dependency on the government, especially about capital so that they can exist and contribute to UTK. Thereby increasing the confidence of researchers that, nor is it necessarily true that government regulation will menghambat development of institutions.

6. Suggestions

Based on empirical findings as described above, then the financial institutions in rural areas should be designed according to each sector of the economy (farmers, traders, domestic industry, fisheries, livestock, etc.) so that the uniformity of the profession and the mindset is expected to facilitate communication and can solve problems with ease.

Sistem Operating Procedure (SOP) is formulated based on an element of trust that has been shown to create an independent local agencies and beneficial in meeting the capital of farmers and increased incomes. To mengarangi operating costs, the establishment of a network system also proved to make the system more effective cooperation and norms / rules are made jointly make the members abide by the rules according to the agreement turned out to also make a collective capital formation was effective. It is evident also Grameen Bank group has also managed to increase the income of poor women in Bangladesh.

Therefore, it is suggested that micro finance management including BPR can be entrusted / handed over to local bodies under the supervision of their pemerintra brackish areas. Specific regulation of microfinance can be set by local governments either provincial or local government or city government, as has been done on the Lumbang Pith Nagari (LPN) West Sumatra which is governed by governor of the head of the regional of West Sumatra province in 1976.

Bibliography

- Coleman, J. 1988. Social Capital in the Creation of Human Capital. *American Journal of Sociology* 94: S05-S120.
- Dasgupta, P. and Ismail Serageldin, eds., 1999. *Social Capital: A multifaceted Perspective*. Washington DC: World Bank.
- Fukuyama, F. 1995. *Trust: The Social Virtues and the Creation of Prosperity*. New York: Free Press.
- Fukuyama, F. 2002. *Social Capital and Civil Society*. International Monetary Fund Working Paper, WP / 00/74 1-8 In Elinor Ostrom an T.K. Ahn. 2003 *Foundation of Socil Capital*. Massachusetts: Edward Elgar Publising Limited
- Hamid E.S..1986, *Records of the Seminar. In the Rural Credit in Indonesia*. Mubyarto and Edy Suandi Hamid (Eds) .Yogyakarta: BPFE.
- Martowijoyo, S., 2005. *The Future of Microfinance Institutions in Indonesia: Overview of Aspects of Regulation and Control*.
- Putnam, et.al., 1993, *Making Democracy Work: Civic Traditions in Modern Italy*, Princeton