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Rural Banking: The Strategic Solution in Capital Strengthening and Performance of Micro and Small Agribusiness Enterprises in South Sumatera Indonesia

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Abstract

The aim this study is to obtain the empirical evidence about the program effect of rural banking toward the micro and small agribusiness enterprises in South Sumatera. Primary data was collected through survey technique from 250 respondents and taken by random sampling method and was analyzed by structural equation modelling (SEM). The study result showed that in aggregate programs of rural banking which consisted of business financing, management skill, and business monitoring had a positive effect toward internal resources and competitive advantage of business. Internal resources had a positive effect toward competitive advantage; internal resources and competitive advantage had a positive effect toward business performance. It means the hypothesis was accepted. The goodness of fit indices showed that the analysis is to be

inadmissible or interchangeable or having a meaning which is called unidimensionality as a new concept that tested factually based on empirical data.

Keywords: Rural Banking; Micro and Small Agribusiness Enterprises; Capital Strengthening; Business Performance

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INTRODUCTION

This study begins from the background that the presence of micro and small agribusiness in South Sumatera is quite significant compared to the overall presence of small businesses as many as 1,465 business units or 26.08%, investment embedded as big as IDR 21,315,032,000 or 21.61% and labor absorption as many as 8,044 people or 20.45%. In equalization efforts and balancing development activities, economic empowerment, micro and small scale enterprises need to be developed because one of seven South Sumatera development programs are small-scale enterprises development besides the agriculture, industry, mining, plantation, forestry, tourism, and maritime [1].

Although it has pursued its development, in fact, micro and small enterprises have not fully detached from the problems or obstacles encountered, especially the problem of limited capital, both working capital and investment for a development permanent obstacles. Two major problems in the aspects of capital, namely: the mobilization of start-up capital and access to working capital and long-term financial investments that is necessary for the growth of long-term product.

Yusi research [2] found that the limitations of micro and small business capital of agribusiness in South Sumatera, mainly due to the absence of their direct access to services and the financial facilities provided by formal institutions (banks) and non-banks. This means that most or all of the funds required for investment (expansion or increasing production volumes) and working capital comes from informal sources. The financing sources are highly variable, can be personal savings, loans or financial assistance from family or acquaintances, loan suppliers of raw materials in the form of payment later, the money in the form of advance payment (partial or total) of the buyer, the loan merchants, moneylenders, up to the profits should be invested. With limited capital any efforts to improve both quality and productivity are hampered.

Limitations on human resources is also a serious obstacle for many micro and small businesses, especially in the aspects of entrepreneurship, management, production engineering, product development, engineering design, quality control, business organization, accounting, data processing, marketing techniques, and market research. While all of this expertise is needed to maintain or improve product quality, increase efficiency and productivity in production, expanding market share and penetrate new markets. Nasuhim [3] stated that there were four principal obstacles faced by the micro,

small and medium enterprises in South Sumatera. First, the capital carrying capacity is very low; second, which has not been extensive marketing production; third, the level of competition with other products are high; fourth, the quality of human resources are limited. This condition result micro, small and medium enterprises development are relatively constant from time to time.

To overcome the problems faced by micro and small enterprises in the role and existence of rural banking becomes important. With the legal basis of Act No. 7 of 1992 and modified by Act No. 10 of 1998 rural banking defined as financial institution specially established to provide development services and empowerment, either through a loan or financing for micro and small businesses to the community members, the management of deposits, strengthening venture, partnership or granting consulting services for business development that is not solely for profit. From these definitions imply that rural banking is not only profit motive institution but also social motive, which is more activity of community development with without prejudice to its role as a financial intermediary [4].

Rural banking conducting financial sector is in the form of raising funds and providing loans or financing to micro and small business scale with a simple procedure to the poor or low-income. Financial services provided to customers who has a medium-scale enterprises tend to bottom and has never been associated with the world of banking. Is also a forum for the empowerment potential of the people based on the ability of people with a participatory approach as an integral part in strengthening the national economy. Rural banking as a financial institution in practice performer more pervasive among small businesses because it is more flexible, for example in terms of requirements and the loan amount is less stringent banking requirements and flexibility in the disbursement of credit. This is one indicator that the rural banking in accordance with the needs of micro and small businesses, which generally requires appropriate scale and nature of financing micro and small businesses [5].

Strengthening capital on micro and small businesses is absolutely necessary in order to grow and develop. The development urgency of micro and small businesses at least based on three reasons. First, the micro and small enterprises to absorb a lot of labor, the tendency to absorb more workers generally make a lot of micro and small enterprises-intensive in the use of local natural resources. Second, micro and small enterprises are holding a small role in non-oil exports. Third, the economic structure of Indonesia pyramidal has raised the issue of industrial dualism. Based on the 2006 Economic Census of the total 22.7 million companies in Indonesia turned out to micro and small enterprises dominate the business units (99.1%) and employment (84.4%) [6].

From the foregoing it can be said that, the development and sustainability of micro and small agribusiness enterprises in South Sumatra require the role and presence of rural banking in meeting the needs of capital and human resource development of entrepreneurs in the form of mentoring, and monitoring effort. Capital formidable,

human resources who have the expertise, skills, and motivation, supports advanced technologies can strengthen the internal resources of the company. Internal resources will generate competitive advantage. Competitive advantages generally have two main base, which is low cost and differentiation, both of which resulted from the company upon ability to utilize his strengths better than the competitors. Both types of variables are combined competitive advantage in the scope of activity to be achieved by the company will produce three generic useful to achieve the performance above average. These three generic strategies are: strategy of cost advantage, differentiation strategy and focus strategy [7].

An enterprise that has competitive advantage will have a positive impact on the business self-reliance, seeks to vigorously carry out the combination of the economic resources available, capable of creating products and techniques new venture, capable of looking for new opportunities, working more effective and efficient, fast make decisions and take risks [8]. Furthermore, these conditions will affect the performance of the business in the form of an increase in turnover, the increase in business assets, and the certainty of the market, and further efforts will have continuity in the business, able to cope with any fluctuations in the business, the increase in business scale, and be able to compete with big businesses and import.

This study was conducted to see if the programs that have been run by rural banking have positive impact on efforts to the development of micro and small agribusiness enterprises in South Sumatera. An understanding of these objectives is important because by knowing the effort that has been run by rural banking, micro and small enterprises are expected the agribusiness climate in South Sumatera developed advanced and able to contribute the maximum to the development of the region.

RESEARCH OBJECTIVE

The aims of this research are:

1. Analyze the programs that have been run by rural banking in the form of business financing, management skills, and monitoring efforts on micro and small agribusiness enterprises in South Sumatera.
2. Assess how far the effect of the implementation of rural banking program in the form of business financing, management skills, and monitoring efforts on micro and small agribusiness enterprises in South Sumatera.
3. Provide recommendations to rural banking administrator on the policies that have been implemented the development of micro and small agribusiness enterprises in future time as one of the national economic actor.

RESEARCH CONTRIBUTION

Research on people's economy is expected to provide information that is useful for the creation of businesses synergy that interrelated in order to develop the business into a

better direction. The development of micro and small enterprises agribusiness in rural areas and suburbs at least will have an impact on improving people's income, employee, population distribution is more evenly distributed. In developed countries many micro and small businesses have contributed and play an important role especially as driving force of economic growth, creative resource, and innovation in productive business activities.

LITERATURE REVIEW

Rural Banking

Rural banking establishment originated from a sense of a desire to help and welfare the farmers and laborers to escape from the trap of moneylenders who always give credit at high interest rates. The legal basis of rural banking is The Act No. 7 of 1992 and modified with The Act No. 10 of 1998. Rural banking is a financial institution that accepts deposits only in the form of time deposits, savings and other form that are equivalent to them and distribute the funds. Rural banking status is given to village banks, rural barns, rural credit institutions, credit agencies village, small business credit or other institutions equivalent to the banks under The Act No. 7 of 1992 to meet the requirements of the procedures for use within stipulated by government regulation [9].

Rural banking activities are primarily intended to serve small businesses and communities in rural areas basically, support the implementation of national development in order to improve the welfare of the people, serve the needs of farmers, small businessmen, trying to equal opportunity, equity income. Rural banking institution is not only profit motive but also social motive, whose activities are more community development with without prejudice to its role as a financial intermediary.

The existence of the rural banking relatively able to address difficulties in the capital turned out to be in line with the development of micro and small businesses. Although the contribution in financing a national scale is still small, but there is great potential that can be used rural banking to enlarge its role in financing of micro and small enterprises, fact indicated that many of micro and small enterprises do not use the benefit from financial institutions and they still difficult to access financing from banking institutions.

In a more macro scale, the presence of the rural banking in rural areas can be a critical factor in effective poverty reduction in rural areas. According to Krishnamurti [10], the increased access and provision of storage facilities, finance and insurance were efficient in building the empowerment of the poor and their chances to get out of poverty, through: (1) the level of consumption is more uncertain and fluctuating, (2) manage risks better, (3) gradually have the opportunity to build assets, (4) developing the activities of micro and small businesses, (5) strengthening the capacity of the acquisition of its income, and (6) can sense the level of a better life.

Resource Based Theory

The case for making the resources and capabilities of the firm the foundation for its long term strategy rests upon two premises: first, internal resources and capabilities provide the basic direction for firm's strategy; second, resources and capabilities are the primary source of profit for the firm [11]. Internal resources are factors or conditions that are common in an organizational, the affects management of the organization in achieving its objectives. According to Wright et al. [12] there are at least three factors that affect internal resource to form competitive advantage of the organization, namely: human resources, organizational resources and physical resources.

Increased expertise on human resources is the most important phase of creative thinking ability, communicating, technical skills, and take advantage of opportunities. The ability of creative thinking, business insight, and courage take advantage of opportunities is an important factor in running a business, because it is an element of entrepreneurship. Organizational resources that are develops positive and dynamic as financial resources, business strategy, organizational culture, management of raw materials, research and development, marketing strategy, information systems, and monitoring system is equally important as internal resources. And lastly, physical resources such as facilities and infrastructure, strategic location, access to raw materials, distribution networks, and the technology is also an important factor in supporting firm's sustainability.

In the context of the current global competition, micro and small enterprises should shift strategy on strengthening internal resources. Firm's development strategy should lead to specific skills internally to create a superior product to increase the share of production. The share of production, which are companies that appear on a variety of products that have a variety of important components are the same and are no longer looking at the market share of final consumer products such as the past. With resource-based theory, we can conclude that in the context of free competition, as now, employers are required to use a business management strategy.

The development strategy of companies both new and long should lead to quality, availability, and strengthening of internal resources. Strengthening the human resources, organizational resources, and physical resources will increase rate and growth of the business carried on. With this strategy entrepreneurs can develop their business in competition of local, national, or international market [13].

The Study Hypothesis

H1: Business financing, management skills, and business monitoring have a positive effect toward strengthening internal resources and competitive advantage of micro and small agribusiness enterprises in South Sumatera.

H2: Internal resources have a positive effect toward the competitive advantage of micro

and small agribusiness enterprises in South Sumatera.

H3: Internal resources and competitive advantage have a positive effect toward business performance of micro and small agribusiness enterprises in South Sumatera.

RESEARCH DESIGN

Explanatory Research

This research is explanatory research, which aims to explain the causal relationship between variables by testing the hypothesis and implemented with descriptive analysis and verification approach. Data from respondents obtained through questionnaires and in-depth interviews on selected samples.

Data Collection

The populations in this study are all micro and small agribusiness enterprises in South Sumatera as many as 1,465 business units. Further in the sample collection techniques, first South Sumatera divided into groups according to regency and city. Then the regency or city that the number of its micro and small enterprises has more than 100 designated as the primary sampling unit, and of primary sampling units were taken in part. From the results of calculations and research needs of the sample set of 250 micro and small businessman are active in the agribusiness sector.

There are two classes of variables used in this study, namely exogeneous and endogeneous variable. In the analysis using method SEM in the event of exogenous variable becomes endogenous variable to another variable. The operational definition of variables that will be involved in the analysis process are as follows: business financing is the ease of rural banking in helping capital of micro and small agribusiness enterprises; management skill is guiding and improving the quality of human resources in micro and small enterprises in the areas of management; business monitoring is monitoring efforts against the use of loans by micro and small enterprises; internal resources is a condition of internal resources after the activity of the rural banking; competitive advantage of the benefits through generic strategy, i.e. a strategy that emphasizes the advantages of low cost, differentiation and focus; and business performance is continuity in running the business along with the change in scale of effort.

RESULTS AND ANALYSIS

Relationship between Variables

The data presented in the study result SEM using AMOS program with data source has been prepared, computing estimates will generate standardized measurement model of

confirmatory factor analysis of the data presented. The relationship between the exogeneous and endogeneous variable that indicates the total effect of each variable contained in the model as described in paradigm research can be seen in Figure 1.

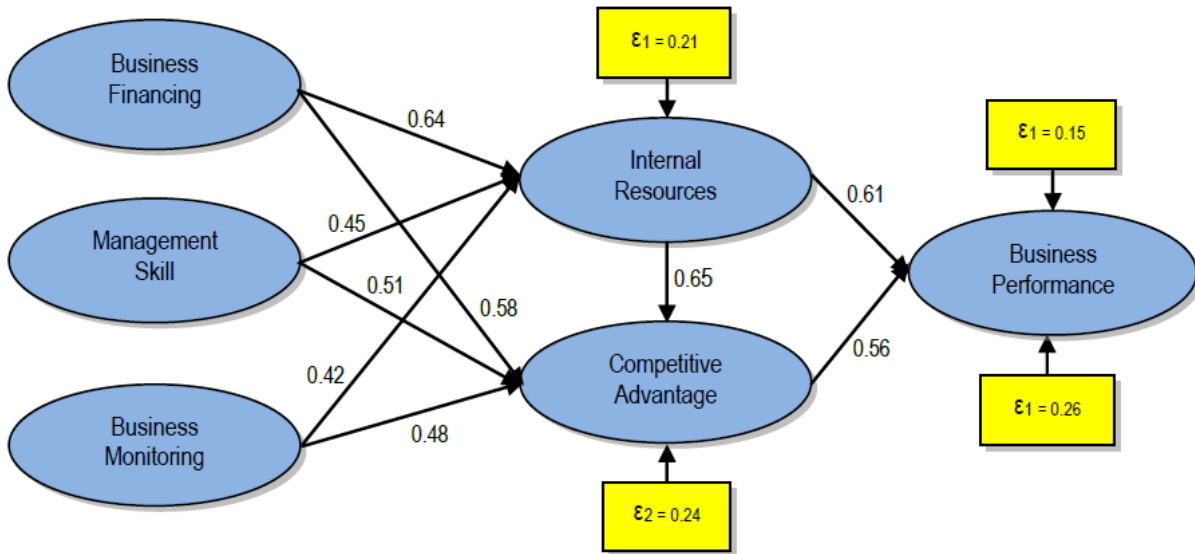


Figure 1: The Structural Equation Model between Research Variables.

The results of calculations with SEM analysis from Figure 1 above shows that there is a positive and significant effect between business financing (X1) toward the strengthening of internal resources (X4) means that the hypothesis is accepted. The direct effect of business financing toward internal resources is 0.64. Besides that, business financing is also has a positive effect toward competitive advantage (X5), that is 0.58, the effect is quite strong. This means business financing plays an active role in strengthening internal resources and competitive advantage of the company.

The results indicate that the presence of the rural banking as a one source provider of micro and small enterprise financing has become increasingly important. Business financing became one of the main elements forming the strengthening of the internal resources of business, and the existence of rural banking is the best approach in an effort to strengthen the internal resources of micro and small enterprises in order to strengthen the economy of the people in the form of capital support that is now considered remains one of the inhibiting factors.

Empirical evidence shows that the largest part of small-scale economic actors Indonesia is a low-income groups, micro and small business lots that are not served by a commercial bank services because the procedure is too demanding many requirements, while sometimes difficult to meet these requirements. Without access to the banking services that remain, almost all of these groups depend upon ability

financing on its own very limited, or the informal financial institution (money lenders, traders), which limits the ability of these groups to participate in business development activities.

The statement above is in accordance with the opinion of Hafsa [14] stated that the problem of capital are the main factors needed to develop micro and small enterprises. Lack of capital for micro and small business activities because in general the individual businesses or companies that are closed, which rely on morally owner who is very limited. Access to capital is often regarded as the key to success in setting up and developing a business [15]. The role of capital is an important factor, ideally, be a key factor in the economic development process and is very influential to the volume of business, results of operations (production), and an increase in the income of a business economy [16].

Management skills (X2) has positive and significant effect toward the strengthening of internal resources (X4) with influence coefficient is 0.45 and 0.51 toward the competitive advantages (X5) of business, from the above calculations indicate that the increase in management skills for entrepreneurs has important role in strengthening internal resources and competitive advantage. Management skills improved the quality of human resources entrepreneur becomes important, because during this time the human resources of micro and small businesses grow and develop naturally. Many of them do not go through the college level, and even some of them were just get basic education [17].

Low ability and expertise that belongs resulted in low capacity and quality of human resources entrepreneur. The result is that employers are less able to manage finances well, lack of knowledge to improve the quality and modification of production, production, productivity, marketing techniques. Business mentoring is for entrepreneur remains committed to the business carried on an important factor separately changing economic backwardness and raise the ability and motivation to move forward, it is a thing which is essential for increasing confidence and understanding in trying to micro-small businesses. Knowledge and skills needed in business development efforts; further Mongid and Notodiharjo research of the SMEs in Malaysia also stated that, for the rapidly growing, knowledge and skills play an important role SMEs development [18].

The calculation result is in line with the view Kotler [19], which identified a number of prerequisites for the growth and development of the company, which has a commitment to grow, operate in market growth has competitive advantages, have leadership skills and effective management, have a clear vision, planning effective, highly motivated workers and agile, able to anticipate changes and positioning enterprises to obtain benefits, and a commitment to satisfy customers.

Business monitoring (X3) has significant and positive effect toward the strengthening of internal resources (X4) with a coefficient is 0.42 and 0.48 toward competitive advantage (X5), from the above calculations gave indication that monitoring activities needs to be

done and have a role in the strengthening of internal resources and competitive advantage of micro and small agribusiness in South Sumatera. Facts show that micro and small enterprises are generally small in the study area in running the business activity is still a simple and fails to apply the principles of management that is ideal with the mindset is still limited. With limited mindset still makes employers less able to carry out the activity, especially in finance and accounting. Many small businesses cannot afford to make or present financial statements that simple though. Therefore, small businesses are less able to carry out its businesses in the long-term financial perspective is mainly concerned with the evaluation and assessment of the impact of investments made.

By monitoring the activity of the understanding of management aspects can be increased, especially in: first, employers were able to control and regulate the flow of cash to be able to make the planning and financial reports. Second, entrepreneurs capable of organizing themselves and employees, resulting in a clear division of labor and employers do not act duplicate work one man one show. Third, labor productivity could be increased by improving discipline, responsibility, loyalty, understanding and work ethic. Agostino et al. [20] in this observations found that the monitoring activity required in the development of micro-small, especially to bank loans.

Internal resources (X4) has positive effect toward competitive advantage (X5) with influence coefficient is 0.65, this point explains that the main factors forming the competitive advantage are the strong internal resources that exist. A company can achieve and maintain a competitive advantage is the company that has performed above the industry average on condition can master the intended market. Control of the market can only be done when the internal resources to support and above the relevant internal resources of its competitors.

The above conditions indicate that the better and stronger internal resources divulging the company will be better the competitive advantages that can be achieved. In the face of global competition increasingly intense both coming from companies similar to the domestic market, especially export competitors come from other countries with more advanced technology, a company must be superior to the other companies in their business performance and to create a superior, an increase and strengthening the internal resources is a basic foundation.

From the calculation SEM analysis Figure 1 above shows that there are implications that a positive and significant correlation between internal resources to competitive advantage. These findings indicate no difference between research findings with the theory that has been proposed above. The role of rural banking with program financing, management skills, and monitoring efforts active role in strengthening the presence of internal resources that support for the realization of competitive advantage. This is in line with findings of Ferreira and Azevedo [21] and Auw [22] they stated that internal resources have an influence on the competitive advantage. In simple terms it can be said that a company can compete both in the domestic market, and export in addition to

the external environment, the internal resource within a company should be firm, and to make it sturdy necessary efforts reinforcement inside and outside as a buffer [23].

Internal resources (X4) and competitive advantage (X5) have significant positive effect toward the performance of the business (X6) with the influence coefficient of 0.61 and 0.56. From the above calculations indicate that the internal resources and competitive advantage have a role to improving the performance of micro and small enterprises.

Internal resources are characterized by a relatively their managerial skills covering conceptual skills, technical skills and human skills can have a positive effect on the improvement of the operational performance of small businesses [24]. Similarly, the effect of capital loans to small businesses that may be used both for the improvement of production technology and means of efforts to strengthen the internal environment showed positive effects. These results are consistent with findings from Haryanto [25] and Rakib [26], where credit is needed and been able to encourage the business activities of a company.

Micro and small agribusiness enterprises which is the object of study is one component of small business products are pretty much gives meaning to the composition of small businesses in South Sumatera. The existence of micro and small enterprises is closely associated with the availability and potential of agricultural products as raw materials to marketing markets areas include local, national, and overseas. Problems in the capital, the quality of human resources, technology and business facilities as well as other issues remains the dilemma of internal resources that could hinder the creation of competitive advantage of companies. A company that has a competitive advantage will have a positive impact on business performance, such as working to vigorously carry out the combination of the economic resources available, capable generate products and engineering new venture, capable of searching for new opportunities, working with working methods more effective and efficient, rapid decision-making and risk-taking [27].

It can be concluded that the implications of all the variables involved in the model as both a cause and variables due to different from the research findings be some results that have been done before. Empowerment effect on internal resources and competitive advantage small effort has implications for the independence of the business. Simply put, the results of the analysis show that efforts should be made in order to make small business be independently and nothing but strengthen the presence of internal resources. Retrofitting efforts cannot do by own small businesses because of the many factors constraints faced. The active role of government, businesses, and communities with empowerment strategy is absolutely necessary to establish micro and small business self-reliance.

From the above analysis looks very importance of the existence and role of the rural banking for capital strengthening and micro and small enterprises performance in the area of research. In this concept, attention should be focused on the creation of added

value to gain competitive advantage through the development of specialized capabilities (entrepreneurship), so that small businesses no longer rely on the strength of the market through the facilities strategy of monopoly and government facilities. This strategy is expected to small businesses can lead to the expertise internally to create a core product that is superior to enlarge the share of production. The strategy is less expensive and potent in developing small businesses, because small businesses can take advantage of local resources.

From the above findings it can be said that the analysis and the proposed concept in line with the findings of previous researchers who claim that the existence of the rural banking can support the existence of micro and small businesses and covers many aspects, ranging from the provision of business loans that are not burdensome, increase management skills, to monitoring efforts that positively influences mastery and information technology, organizational structure, business culture, management systems, business networks, up to the level of entrepreneurship. In this case the BPR has contributed in no small part. Rural banking as microfinance institution has a strategic role as an intermediary in economic activity for the rural people [28].

Test of Goodness of Fit Indices Model

Furthermore, indices goodness of fit test conducted to determine whether the model used meets the requirements analysis. From the test results of a research model calculations appear in Table 1.

Table 1: Goodness of Fit Indices of Overall Model.

Goodness of fit Index	Cut off Value	Result	Description
χ^2 - Chi square		12.192	Good
Significance Probability	≥ 0.05	0	Reasonable
RMSEA	≤ 0.08	0.061	Reasonable
GFI	≥ 0.90	0.906	Reasonable enough
AGFI	≥ 0.90	0.912	Reasonable
CMIN/DF	≤ 2.00	1.625	Reasonable
TLI	≥ 0.95	0.958	Reasonable
CFI	≥ 0.95	0.962	Reasonable

From goodness of fit indices shows that the analysis is to be inadmissible or interchangeable or having a meaning which is called unidimensionality as a new

concept that tested factually based on empirical data.

Policy Implications

In simple terms it can be said that a company can compete in both the domestic and export markets other than the external environment, internal environment within the company should be strong, and to make it sturdy need retrofitting efforts inside and outside as a buffer. The Indonesian experience during the last 30 years, especially during the economic recession of 1997, provide information turned out as a result of the incapacity of decision-making in the Indonesian government based solely on a few large-scale enterprises (conglomerates) would be very beneficial for the possibility of resistance and also the security of the Indonesian economy in the future.

As mandated of the Act No. 7 of 1992 as modified with The Act No. 10 of 1998 about Banking implies that micro and small enterprises backed by adequate financial system. For example is supported by their source of funding allocated to fund operations, the existence of a financial institution which functions in distribution, no assurance mechanisms and even insurance. Even for businesses beginner reserved a special scheme to support his efforts, and the source is not solely from banks but from the government budget is distributed through various forms of financial institutions, both banks and non-banks. Bank institutions also give special incentives for those who serve small businesses. In connection with that is formed the institution which guarantee and assist micro and small business collateral decent and growing their business, but cannot access financial resources due to the limited collateral held.

In terms of business financing, many people believe the role of the rural banking as credit bank for small people as an effective development tool in promoting small businesses because of financial services provided, allowing small businesses to take advantage of economic opportunities, build assets and reduce their vulnerability to external shocks. Providing financing that is not burdensome believed would greatly assist the development of future business.

Rural banking basically is very necessary to support the economic development of the people primarily as an institution for financing facility of micro and small enterprises. It was based on the fact that most of the micro and small entrepreneurs face problems due to weak technology adoption in the capital. Capital is the principal driving force for business development. Capital can: (1) help small entrepreneurs in overcoming the limitations of capital with a relative small interest, and (2) reduce their dependence on middlemen and money lenders [29].

Management skill especially in improving the quality of human resources is also an important aspect for business development ketch. Soewardi [30] stated that the need reinforcement in the form of coaching and training can improve performance, both in the field of production and marketing. Dimension of attitudes, perceptions and behavior. He

indicated mostly small entrepreneurs lacking in motivation, weak in course, their response has been slow to produce on demand, when demand increases, and their production does not necessarily rise. In terms of the technology used in the research area of small businesses are still very diverse and has not experienced development that can create a standardized product. In producing the same product sometimes used a different technology, product quality is very diverse. In the practice of the trade, the diversity of high quality is the determining factors of market uncertainty that is hindering mastery and market expansion. In relation to small businesses, low level of technology used due to limited funding factor, an opportunity to improve the technology and the limited opportunity to try the latest technology.

Management skill is an answer to increase the chance micro and small enterprises acting in the constellation of the national economy and improve the people's welfare and reduce social inequalities in society. With the improvement of management skills employers allow the transfer of technology and knowledge and managerial ability to entrepreneurs. Thus, it will have an impact on the improvement and enhancement of human resource capacity of small businesses to become more independent and professional [31].

The essential philosophy of management skill implies a moral responsibility of government in fostering and developing small micro enterprises as one of the national economic actors. Thereby improving the management skills will always be needed for the demands of micro and small enterprises develops unsolved. On the other hand management skills is a long-term process that dynamically change to meet the expectations and needs of employers in improving managerial skills. Through skill management program is expected to improve the ability of small businesses to think, communicate, technical skills, and take advantage of opportunities. The ability of creative thinking, business insight, and courage take advantage of opportunities is an important factor in running a business, because it is an element of entrepreneurship. The effectiveness and success of entrepreneurs run its business largely depends on the skills and management abilities covering basic technical skill, human relations skills, conceptual skills and decision making skills [32].

Business monitoring is committed aims to improve the quality of training given to micro and small entrepreneur. Monitoring is done so that the wisdom of the coaching program in accordance with a predetermined plan originally. The necessity of this monitoring program because most employers still low level of formal education that belongs.

This condition causes low ability and quality of human resources entrepreneur. The result is that employers are less able to better manage their business activity, in the financial field, for example, they are generally unable to distinguish between funding for the effort and funds for personal use, so that their business cannot be run smoothly. Many of the loans with their hard-earned have channeled into consumptive expenditure, resulting in small businesses unable to repay them on debt time. Lack of knowledge is for increasing quality of production, output, labor productivity, or marketing techniques.

Monitoring program as a mentoring is an important factor to change the backwardness mindset and raise the ability and motivation to move forward, and then the monitoring program is an important thing to do. Monitoring is required in the development of micro and small enterprises, especially to bank loans skills [33] so that these loans do not misunderstand use.

Furthermore, the study's findings support the opinion of the experts how necessary programs: business funding, management skills, business monitoring of rural banking in strengthening the internal resources of competitive advantage-small micro enterprises in carrying out its business activities. If the situation is still limited, both in the field of production nature of the product is still conventional, field marketing sometimes not guarantee continuity marketed product, and the human resources which in many cases still need to be improved the level of knowledge and insight, consulting services absolutely necessary given that happen an increase in the areas in question. As economic actors micro and small enterprises should always be cultivated widely in running their own economies order to have the ability to compete both on the local and global markets.

RECOMMENDATIONS

Rural banking as one of the banking institutions need to be intensified effort to strengthen its role as capital and micro and small business performance that will give more opportunities separately role as economic actors. Management skills programs should be pay attention suitability and the needs of employers, so employers may exacerbate the more benefit. Business monitoring constantly need to be built, so that micro and small businesses can continue to carry out its business activities in accordance with the guidelines ideal business that is expected to have an impact on strengthening internal resources and competitive advantages of the company so that it can achieve high business performance. Evolving and advancement of micro and small businesses is one of the national strategies and policies that participate contributing to economic growth, employment, and equal distribution of incomes.

RESEARCH LIMITATIONS

This study is intended as an effort for the development of science, especially small micro-business management with a view some of variables involved for institutional strengthening and financing. Another issue outside the model is still a lot that allows for other researchers to observe empirically. Further research is still is needed to problems that have not been revealed in this research can be more approachable, it is important to remember micro and small businesses is that business people who to this day still holds the potential and absorb a lot of labor.

CONCLUSION

This research aims to analyze the existence of rural banking in solidifying capital strengthening and performance of micro and small agribusiness enterprises in South Sumatera. It is important because empirically micro and small agribusiness enterprises had a highly potential and strategic role in expanding employment, economic service, income enhancement, economic growth, equalization process, and national stability.

The study result showed that in aggregate programs of rural banking which consisted of business financing, management skill, and business monitoring had a positive effect toward internal resources and competitive advantage of business. Internal resources had a positive effect toward competitive advantage; internal resources and competitive advantage had a positive effect toward business performance. This proves that the existence of rural banking as one of the banking institutions have contributed and play an important role to the strengthening and performance of micro and small agribusiness especially in South Sumatera. In addition, the test of goodness of fit indices can be accepted as the model established. This means that all the variables involved in the analysis can be justified as a research model.

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