Small and medium enterprises (SMEs) are the main pillars of a country economy, especially within developing countries. These types of businesses have existed since the Dutch colonial era. However, their existence is now threatened due to the rapid expansion of modern businesses that have spread into rural areas of Indonesia. Therefore, SMEs are in dire need of government assistance from both central and local governments, from a financial and non-financial perspective. In order to strengthen the SMEs’ capital, so that they are able to sustain their businesses, this chapter intends to propose a financing model for SMEs that could be given by the government through financial institutions, so that SMEs will be able to gain easy access to capital resources. In the other words, this condition is expected to give maximum support to the development of SMEs. As a result, the SMEs will contribute to eradicating unemployment and poverty by strengthening the economy of Indonesia.
1. INTRODUCTION

Small and medium business enterprises (SMEs) are one of the most important pillars of a country’s economy, particularly within developing countries, as they support the government’s efforts to eradicate unemployment and poverty. Consequently, given the important role that SMEs play, this has prompted many countries to continue to develop and support the development of SMEs. Moreover, the role of SMEs have become more significant, since the monetary crisis of 1998, that took place within developing countries, where many large businesses went bankrupt, whilst SMEs remained stable within their businesses.

For developing country’s such as Indonesia, SMEs are the type of business that have an important role in the country’s economy, as in 2005, there were nearly 45 million units that were SMEs, therefore representing about 99 per cent of the total national businesses. The Indonesian law defines the SME as a business which has less than a total of 100 employees. In fact, SMEs provide jobs to the total labor forces in the country and contribute to the highest level of job vacancy from the non-oil sector (Irawan and Airlangga, 2007). While data from The Central Bureau of Statistics, Indonesia, shows that in 2016, Indonesia had 57.9 million SMEs, which still represent 99% of the total businesses in the country (The Central Bureau of Statistics Indonesia, 2016). Moreover, in other South East Asian Countries, SMEs consist of 88% of the businesses in the country. The Global Partnership for Financial Inclusion (GPFI) (2011) reports that women entrepreneurs make significant contributions to their economies. It is estimated that SMEs with full or partial female ownership represent 31 to 38 percent (8 to 10 million) of formal SMEs in emerging markets. These businesses represent a significant share of employment generation and economic growth potential.

Again, GPFI (2011) reports that women entrepreneurs make significant contributions to the development and economies of many country’s around the world. In many developed economies, women are starting businesses faster than men and are making significant contributions to job creation and economic growth. In the United States, for example, women-owned firms are growing at more than double the rate of all other firms (23 percent and 9 percent respectively) and have done so for nearly three decades. They contribute nearly $3 trillion to the U.S. economy and are directly responsible for 23 million jobs. New data projections also suggest that future job growth in the United States will be created primarily by women-owned small businesses. In Canada, women own 47 percent of small enterprises and accounted for 70 percent of new business start-ups in 2004 (GPFI, 2011). The significant contribution that women have made within these developed economies, exemplifies what many developing countries can aim to achieve by increasing opportunities for women entrepreneurs.
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