

## **ABSTRACT**

The government through various government agencies and its legal products has various definitions of MSMEs, but what is used as a basic reference in discussing MSMEs included in the discussion of this paper is Law Number 20 Year 2008 concerning MSMEs.

The existence of MSMEs should have received support from other economic actors, both the government and financial institutions. One of the supports for MSMEs is by channeling credit. Financial institutions, especially banking institutions, play an important role in lending to MSMEs. Bank Indonesia recorded that the distribution of micro, small and medium enterprises loans in 2010 reached Rp 193.65 trillion or 112% or from the MSME credit business plan in 2010 of Rp 172.9 trillion (Media Indonesia, February 2011)

The improved business prospects of the MSME sector are a special attraction for banks in conducting their intermediation functions. Banking institutions are increasingly interested in expanding credit in the real sector such as MSMEs because this sector is considered resistant to shocks in the global economic situation. In the 2008 financial crisis, the MSME sector boosted Indonesia's economic growth to remain positive at around 6%, this growth being the third largest in the world after China and India