

**CHANGES IN INSTITUTIONAL ARRANGEMENT AND
DYNAMICS OF HOUSEWIFE WORKERS IN INFORMAL
SECTOR RELATED
TO MICROFINANCE INSTITUTION ACCESS AT TANJUNG
MAIN MARKET JEMBER REGENCY**

Hadi Na'im^{1,2}, Zainuri², Adhitya Wardhono², Siti Komariah², Lailatul Maghfiroh²

¹Islamic Senior High School 2 Jember; ²Department of Economics, Faculty of Economics – The University of Jember, Jl. Kalimantan 37 Jember 68121- East Java Province, Indonesia

Email: hadi77.gresik@gmail.com

ABSTRACT

Informal sector as a part of urban economic entity provides a very significant contribution to the regional economy. This context describes the importance of informal sector activities in urban economic system since it has proved capable of providing support to the community, especially to meet the needs that they cannot obtain from formal sector. Economically marginalized position encourages women from lower economic classes to play a role in increasing the family income by working outside the domestic sector. The role of microfinance institutions is very large in driving the development of business activities of the informal sector at Tanjung Market Main Market. This study aimed to determine the pattern of changes in the institutional arrangement of informal sector and its impacts on the family economy related to access to microfinance institutions using qualitative descriptive method.

The data collected consist of primary and secondary data by direct observation, indepth interviews with selected informants, and documentation. Analysis data using data analysis qualitative with presenting the data in the form of tables be accompanied interpretation so that is obtained a conclusion. The research results showed that there was a continuous and permanent change in the institutional arrangement of informal sector and the economy of family of sellers at Tanjung Main Market. This can be seen as follows: the existence of sellers at Tanjung Main Market in general is due to hereditary inheritance and hasa positive contribution to the survival strategy to increase household income, the arrangement before overcoming problems, availability of financial institutions in the business running of informal sector. Impacts of institutional change to the household economy related to access to microfinance institutions by housewife sellers who have latent and dynamic tendencies. It is seen that the informal sector traders are more likely to access microfinance institutions.

Key Words: Institutional Change, Informal Sector, Microfinance Institution.



Full Text Paper

INTRODUCTION

Classical debate about problem in informal economic sectors had attracted some economic experts, social, urban development and regional government. The focuss was emphasized on relation between city employment and the problematic migration employers rural-city (Manning and Effendi, 1991). The other perspective, macro refracted development had produced other economic system that was informal sectors, most of them change into developmental country. Informal sectors has their own cultural regulation, law, and traditional culture, moral value, and social pattern, the way to have transaction and produce something, social relation system, and their own social control (Munker and Walker, 2001: 127).

One of significant alteration in employment market on this latest decade is the increasing of participation by woman employment (Higgins, *et al*, 1994). This opinion based by Hani, *et al*. (2012) contribute a premise that the housewife motivation to join in informal sector are grow well at small-middle sector business. Okten and Osili, (2004) explain that woman have better participation capability in a community than man.

As a biggest traditional market at Jember Regency, Tanjung Market had become a center of formal and informal sector business. The positive contribution besides as primer goods distribution access also increase income to the people in informal sector business. The existence of microfinance institution at Tanjung Market absolutely be able to support the seller in informal sector to access capital need. The development of finance informal sector had an assumption that was poor people has limited access and saving, credit and assurance facility (Hulme and Arun, 2009)

The aim of this research is to know the impact of pattern institutional alteration and informal economic sector by housewife at Tanjung Market, Jember Regency about dependability with microfinance institution to improve income, social life, and family economic welfare.

LITERATURE REVIEW

Institutional Economic and Informal Sector

Institutional was generally important for economic development. Formal institution as represent to government is definite as principle and regulation, and informal institution personally occur for each seller informal sectors (Williamson. C. R, 2009). North (1996) extended a conception that the institution is a set of regulation to organize each relation between an actor and the organization in one context, for example regional government context, and finances institutional (informal sector). Informal sector have some principle that was do part by institutional principle such as rule of the game, property right, asymmetric information, and transaction cost. Based from the alteration time, the institution is divided into four levels (Williamson, 2000), including 1) Social Level, 2) Formal Institutional Environment, 3) Governance or Rule of the Game, and 4) sustainable alteration. Theory of contribution and institutional economic discussion are absolutely important to systemize plan regulations that was rule of the game, and procedure to explain the balance between public sector and private sector (Auzins, 2014).

Informal Economic Sector Concept

Informal sector contributed significantly to the economic state especially developmental country. The main function are to create opportunity, expending, and funding income (Baharudin *et al*, 2011). Besides Bromley (1979) investigated about informal sector based on dualistic model revelant of economic activity in the development country. The opinion about informal sector are focused on the alteration and the lack of formal/informal dualism. Economic dualism approach was started by distributing economic activity to be traditional and modern sector. This approach had became theoretical base for most of literature and was almost involved in the liberal analysis and neo-classic of development country economic.

The other explanation about informal sector is showed by De Soto (1989), that informal economic activity was appeared as an answer by limited time to get law legality and bureaucracy resistance. Undang-undang Republik Indonesia no.9, 1995 is explained that informal sector that the name was “ekonomi kerakyatan” activity was implemented in small scale. Besides, ILO (International Labour Organization) definition about informal sector is a competitive market with private business, it’s operation in the small scale, use adaptive technology, have skill out of the formal education, and informal sector was not included in direct regulations by government.

The Access of Microfinance Insitutions

The main problem of the seller informal sector is caused by limited access to the formal finances institution to get business credit. The finance was done by informal finance such as “koperasi” or “bank keliling” (Wauran, 2012). Micro credit, social capital, and resource in a community are focuss for woman and social capital (Anderson and Nugent, 2002). That social capital had important role to advovated capital access. Perception and empiric study (Okten and Osili, 2004) claims that condition of family and socity influence the access of individual person to credit institutional, where the woman’s ability to participate in community was easier than man’s.

METHODOLOGY

The location of this research was at Tanjung Market, Jember Regency. The location was selected in consideration that Tanjung Market was as the center of economic activity trade especially for housewife sellers in informal sector in Jember regency. The informants of this research were the housewife sellers in informal sector that accessed capital from microfinance institution. The primer data was acquired in the form of verbal, words, utterance or the informants’ attitude. Meanwhile, the secondary data as the support of the primer data was acquired from printed documentation, pictures, or notes. The technique that was

used to collect the data were interview, Focus Group Discussion (FGD), observation and documentation. Meanwhile, the analysis technique that was used in this research was Qualitative Descriptive Analysis. Data analysis that was used in this research was Interactive Model Analysis. There were three steps that were implemented in this interactive Model Analysis, including data collection, data reduction, data presentation and drawing conclusion. The data was presented in the form of table and picture. Besides, there was also some interpretation that was considered by the researcher in order to get clear conclusion.

DISCUSSION

The Institutional Change and the Economic Dynamics of Housewife Sellers in Informal Sector

Institutional was not static, but dynamic which was suitable with the economic interaction that met every business. Manig (1991) states that the institutional change in society was the change in regulation principal and organization, behavior, interaction pattern. Later, Manig (1992) states that the main purpose of each institutional change is to internalize the potential of productivity which is larger than the improvement of the utilization of resource which simultaneously create a new balance. It infers that institutional change was the continuously process that was aimed to improve the economic interaction quality of each subject.

Tanjung Market as the only precious traditional market in Jember regency served the requirement of the urban society and rural society. The total of Tanjung Market sellers in 2012 were 2.665 sellers which consisted of stand sellers and retail sellers. Some of those sellers had extended SIM (Surat Ijin Menempati), but some of them had not. Moreover, based on the observation there were many stands which were left by the owners. The total of those sellers could be changed at any time because many of the sellers moved to another stand. This condition due to they were not included in Market Department (Dinas Pasar).



Diagram 1. The Percentage of Sellers in Tanjung Market based on the Work Place

Source: Primary Data 2014, processed

Meanwhile, the seller typology of informal sector or retail seller at Tanjung Market could be divided into permanent seller, semi permanent seller, and retail seller. The sellers of food, crops planted and fruits were categorized as permanent sellers. Meanwhile, the sellers in Jl. Wahidin were categorized as semi permanent sellers. Based on the research result, the seller classification of informal sector was divided into two (2) typologies which are explained in the following table.

Table 1 The Typology of Retail Seller in Tanjung Market

No	Classification Basic	Typology	
		Permanent	Semi Permanent
1.	Type of goods	Goods Seller	Goods Seller
2.	Concentration	Group	Linear
3.	Time	(07 a.m. – 10 p.m.)	(3 p.m – 6 a.m.)
4.	Location	Stand (top and bottom)	in the east of the market
5.	Capital Access	Self-capital/ Capital	Self-capital/ Loan Capital

Based on the characteristic of the service, informal sector seller in Tanjung Market was divided into permanent seller, semi permanent seller, and retail seller. The informal sector seller was commonly located inside the market, because they organized their goods on the table, shelf or hanger. Besides, they usually sold their goods from morning to afternoon. Meanwhile, the typology of the sellers in Jl. Wahidin was semi permanent. It means that they usually sold their goods at specific time and was changed regularly.

Another problem in informal sector was the change of the construction of informal sector institutional in Tanjung Market since the attempt of seller control was implemented. Region Regulation (Peraturan Daerah) No. 6, 2008 was the policy that was implemented by the government of Jember regency to organize, order and develop retail sellers. The experts of Region Regulation No. 6, 2008 also strengthens the consideration of the policy.

“.. that in its development, the existence of retail seller in urban area of Jember regency has been using the part of the street, pavement or public facilities that cause the disruption of comfort, safety, pure environment, and good traffic. Therefore, it needs to make development and supervision to create good social.”

When the attempt of controlling was successfully implemented by the government, there were still some problems that must be ended. The informal sector sellers in the top floor felt that there were problems in both of social and economic that were related to their income. In social problem, they rejected to receive the sellers in the bottom floor to move in the top floor of the market. In economic problem, they felt that their income decreased. Some informants state that the strength of the government could dominate the strength of the sellers in Tanjung Market.

The Impacts of Institutional Change Pattern and Economic Dynamic of Housewife in Informal Sector that is Related with Microfinance Institution

Institutional change was occurred naturally, forced and manipulated. Those change caused both positive and negative effects in economic, social and environmental. Economically, those changes were felt by the sellers because of their decreasing income. Socially, the competition of each seller caused the rejection of the sellers in the bottom floor. The construction of the institution of the housewife seller in informal sector in Tanjung Market that was related to the access of Microfinance Institution and the aspects of the organization that was done by the government in Jember Regency was changed.

The existence of informal sector made evolution or change in communication and the business. In the beginning, they were as the community and implemented the regulation made by them that supported their need. Then, the involvement of the government gave consequences for them to implement the regulation and the policy that were made by the government of Jember Regency. The interaction of the sellers as the manifestation of the community institutional existence with the government as the politic community finally had to submit to the demand trading in order to make institutional system that gave advantage to each element.

There were some alternative of microfinance institutional access for the informal sector seller in Tanjung Market. First, the capitality access that came from microfinance institutional was banking institution in Tanjung Market. Loan that was given by this banking institution was supported by marketable securities such as house certificate or BKPB. Some sellers made the letter permission of using stands to submit the loan to the banking institutional in the market. The total of the loan that could be accessed by the sellers in the form of KUR (Kredit Usaha Rakyat) was from Rp. 1.000.000,- to Rp. 20.000.000,-. Second, the loan model that came from the other sellers in Tanjung Market. Different from the loan that came from banking institutional, this loan was emphasized on the believe of each sellers. Therefore, the loan was less because it was without warranties.

Informal sector and retail sellers had given evidence that they had important role as the economic subject that could not be seen slightly. Moreover, it had big contribution in the development and the building of the economy. Economic contribution in the macro perspective, informal sector and retail seller gave contribution on the economic development, gave chance and job demand for the rural migrant and urban society, decreased and pressed poverty. Meanwhile, in the micro perspective, informal sector and retail sellers increased the subjects' income, gave the life assurance for their family and their children, and developed their business mental. The total of the retribution result that was acquired each year had increased. It can be seen in the table 2.

Table 2. The Income of Region Retribution in Tanjung Market

No.	Year	Target (Rp)	Realization (Rp)	Realization Percentage
1.	2007	869.449.000	869.944.600	100.06
2.	2008	894.449.000	985.031.100	100.07
3.	2009	983.983.000	935.695.400	95.10
4.	2010	1.033.100.000	1.034.598.450	100.14
5.	2011	1.136.410.000	1.138.026.540	100.14
6.	2012	1.221.641.000	1.221.969.360	100.02
7.	2013	1.170.805.000	1.032.607.340	88.19

Source: Primary Data, Market Department, 2014

Based on the data above, it showed that there was average retribution development each year. The highest increase was in the 2010 and 2011 that reached 100,14%. Besides, the decrease of retribution was at 2009 and 2013 because the region government attempted to organize the informal sector sellers in Tanjung Market. Although it was not successful but the total of the sellers was decreased. The realization of region income that came from seller retribution in Tanjung Market each year was mostly out of target. Moreover, the realization of retribution income in 2010 and 2011 reached 100,14%

RECOMMENDATION

Some recommendation appear and study about sector informal institution in Tanjung Market, including first, the phenomenon about housewife development that working in informal sector had proof that informal sectors could overcome economic problem in the people life. Development informal sector need some construction and financial assistance from the government to push up the increasing productivity. Second, the strength of configuration between institutional of each seller, region government, and market were the base creator of an institutional pattern that was implemented by each informal sector seller especially the housewife in Tanjung Market.

REFERENCES

- Alston, L. J., Eggertsson, T., North, D.C. (1996). Empirical Studies in Institutional Change. Cambridge University Press, p. 7-8.
- Auzins, A. 2004. Institutional Arrangements: A Gate towards Sustainable Land Use. *Nordic Journal of Surveying and Real Estate Research*. Riga Technical University. State Land Service of the Republic of Latvia. VOL 1, 2004
- Baharudin, Othman, Pah, Chellamuthu, Dipa dan Musa. 2011. Informal employment in informal sector enterprises in Malaysia. *Journal of the Department of Statistics, Malaysia* (Volume 2, 2011, Pages 33 to 45)
- Bromley, R. 1979. *Introduction-The Urban Informal Sector: Why Is It Worth Discussing? The Urban Informal Sector: Critical Perspectives on Employment and Housing Policies*. Oxford, Pergamon Press.
- Claudia R. Williamson. 2009. Informal Institutions Rule: Institutional Arrangements and Economic Performance. *Public Choice*. Vol. 139, No. 3/4 (Jun., 2009), pp. 371-387
- De Soto, Hernando. 1989. *The Other Path: Invisible Revolution in the Third World*. Basic Book, a Member of The Perseus Books Group. New York.
- Higgins, Linda dan Lee. 1994. Impact of Life-Cycle Stage and Gender on the Ability to Balance Work and Family Responsibilities. *Family Relations*. Vol. 43. Canada
- Manning, Effendi dan Noer. 1996. *Urbanisasi, Pengangguran dan Sektor Informal di Kota*. Jakarta: Yayasan Obor Indonesia.
- Munkner, Hans H dan Thomas Walter, 2001. *Sektor Informal Sumber Pendapatan Bagi Kaum Miskin, dalam Menggempur Akar-Akar Kemiskinan* (Izzedin Bakht dkk), *Attacking the Roots of Poverty*, Jakarta: Yakoma-PGI.
- North, Douglass C. 1990. Institutions and Transaction-cost Theory of Exchange. Dalam James E. Alt and Kenneth A. Shepsle. *Perspectives on Positive Political Economy*. Cambridge University Press. Cambridge.
- Wauran, Patrick C. 2012. Strategi Pemberdayaan Sektor Informal Perkotaan di Kota Manado. *Jurnal Pembangunan Ekonomi dan Keuangan Daerah (PEKD)*. Volume 7 No.3 Edisi Oktober 2012.
- Williamson, O.E. 2000. The New Institutional Economics: Taking Stock, Looking Ahead. *Journal of Economic Literature*. Vol. 38, pp. 595-613.
- International Labour Organization. 2014. *Indonesia: Tren Sosial dan Ketenagakerjaan Agustus 2014*. Jakarta. ASEAN Decent Work Decade 2006-2015.