

STUDY OF HOUSEWIFE'S PREFERENCE FOR MICRO FINANCIAL INSTITUTION AND INCOME DYNAMICS IN JEMBER REGENCY, INDONESIA

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ABSTRACT

Existing household economic evidently lead to increasing productive economic activity on household scale in Jember regency. It was also followed by a growing number of microfinance institutions that provide loans for capital. The number of financial institutions that ultimately forced the housewife to choose which financial institutions will be in their favor. The purpose of this study was to determine benchmark housewife preferences and patterns of institutional microfinance institutions in Jember and able to analyze the effect of preference for household income in Jember. Research on preference housewife on microfinance institutions to the dynamics of income in Jember is a qualitative research which used primary data, housewives with small business and the user of microfinance institutions. The design of analysis used by the interpretative phenomenological analysis through six stages of analysis, 1) reading and re-reading; 2) initial noting; 3) developing emergent themes; 4) searching for connections across emergent themes; 5) moving the next cases; and 6) looking for patterns across cases. The researcher also implemented the data triangulation that consisted of checking activity, re-checking activity, and cross-checking activity to ensure whether the obtained data were valid. The result of this research shows that the dynamics of increasing household income through productive activities increasingly forced housewife doing preference decision to choose a financial institution to fulfill the working capital. These options arise with the support of many financial institutions that exist in this area study. So that, there was competition from increasingly easy administration system, and declining of interest also getting good in service. Under the changes in the administrative system, it decreased the interest rate to better service, then there was a change in the institutional financial institutions that exist in the area study. The option provides flexibility for the housewife to get better to access in credit. This housewives decision is also not without results. From this study explained that there are differences in their prosperity before and after carry on the credit in order to begin or increase their business. The conclusion from this study confirms that they recognize the benefits of the presence of financial institutions with varying excellence.

Keywords: *Household Economic, Preference, Micro Financial Institution, Dynamic of Income*



Full Text Paper

INTRODUCTION

The dynamics of financial sector has been the transmission media of economic and social movement in improving the community living standards (Lerman & Bell, 2006). This is also supported by the rapid development of information technology which makes access to finance reach various groups of community members and even have been globally integrated (Braunstein & Welch, 2002; Ministry of Education Toronto, 2011). The financial inclusion has been the government program through the Financial Services Authority (FSA) and the Association of Financial Services Institutions whose aim is to encourage financial system that can be accessed by all segments of community, so it is expected that the system can enhance economic growth and overcome poverty.

Financial inclusion program is based on the results of a survey conducted by the World Bank and Bank Indonesia showing low level of public accessibility to financial institutions. Based on the survey of the World Bank, the level of financial literacy in Indonesia is only 20 percent while in other ASEAN countries such as the Philippines 27 percent, Malaysia 66 percent, Thailand 73 percent, and Singapore

INTRODUCTION

Households' activities dominated by housewives as supporting agents to profits improvement becomes significant in Indonesia. This phenomenon is clearly seen in middle-ranking to low ranking family. Aggarwal *et.al.* (2013) explains that the trust in female who apply for a loan emerge because of the mindset of society and particular local culture. This means that the level of trust in female who apply for a loan is different from one area to others. Such phenomenon has been a culture in some areas in Indonesia. This makes housewives have an influential role in affecting the economics condition of their family. In 2010, a survey conducted by World Bank showed an interesting fact that only 49% of the total number of households in Indonesia that have access to formal financial institutions. While in 2011, a survey conducted by BI showed that only 48% of the total number of households in Indonesia save their money in formal or informal financial institutions. It means that 52% of the total number of households in Indonesia are still unable to utilize the financial institutions.

Jember has 2.588 financial institutions consisting of 1.822 cooperatives, 61 public banks, 24 rural banks, and 681 financial institutions owned by local government and it is very potential to grant funds for productive entrepreneurs in household level in order to help entrepreneurs in household level increase profits through that productive activity. However, with the development of their home business, housewives appear to be forced to decide to choose one financial institution

that can grant them with loans so that they can expand their business and get profit from it. However, it is necessary for housewives to be very selective in choosing the right financial institution because once they choose the wrong one, the dynamic of their income will be affected. Therefore, this research is aimed to know the benchmark of female preference and institutional pattern within microfinance institution in Jember and to analyze the effect of preference on the households' income dynamic on microfinance institution in Jember.

LITERATURE REVIEW

Anderson *et.al.* (2002) showed that joint responsibility microcredit system could improve the welfare of poor family and educate them to become entrepreneurs. This system can also be a means of communication, so that it can preserve the social funds of the society. Whereas, Okten and Osili (2004) said that network of family and society can influence individual access to the credit institutions. The network of family and society also have big impact on the awareness of returning the loan to the microfinance institutions. Interestingly, those among-families networks are mostly dominated by housewife communication.

Furthermore Asadul *et.al* (2015) explain that joint responsibility microcredit system could reduce the societies' loans to the moneylenders. But for two decades (1987-2008) this system is still unable to generate new business sectors. In line with Asadul *et.al* (2015), Togba (2012) explain that the geographic factor of where the households live, their primary job, and also the amount of microcredit greatly influence the success of the joint responsibility microcredit system. Housewives who live in countryside, especially in agricultural area, cannot be forced to change to become entrepreneurs because of their living area background. They mostly help their husband go gardening and farming because those activities have been their habitual actions since their childhood. It means that the micro credit that should be distributed to them is agricultural credits with big amount of funds and with variety of interest which allow them to repay the loans right after their harvest season. In the other hand, housewives who live in town still have the possibility to become entrepreneurs in order to support their family needs.

RESEARCH METHOD

Jember, the area of this research, was chosen by using purposive method. The sources of the data in this research used qualitative approach. Lofland, as quoted by

Moleong (2000) explains that words and actions are the primary data source of qualitative analysis, while documents and so forth are only supporting data. The primary data of this research was obtained from the result of the interview with the interviewee about the housewives preference on microfinance institution in Jember. While secondary data use in this research is data in the form of records from the Department of Cooperatives Jember

The methods used in collecting the research data were interview, focus group discussion, observation, and documentation. Interpretative Phenomenological Analysis method (Smith: 2003) was used to analyze the research data. This method covered the following stages of analysis, they were: 1) Reading and Re-reading, 2) Initial Noting, 3) Developing Emergent Themes, 4) Searching for Connections across Emergent Themes, 5) Moving the next Cases, 6) Looking for Patterns across Cases. The researcher also implemented the data triangulation that consisted of checking activity, re-checking activity, and cross-checking activity to ensure whether the obtained data were valid.

DISCUSSION

Jember, a district with 31 sub-districts and 248 villages in it, has 2.588 financial institutions. The following are the classification of financial institutions in Jember.

Table 1. The Number of Microfinance Institution

No	Microfinance Institution	Total	Description
1	Cooperatives	1.822 units	Scattered in 31 districts
2	Public Bank	61 units	Public Bank and Sharia Bank
3	Rural Banks	24 units	Rural Banks Konvensional dan Syariah
4	Microfinance institutions formed by the government	681 units	433 units Gakin Bank and 248 units PNPM

Source: Ministry of Cooperatives and SMEs (2014)

The presence of a big number of financial institutions in Jember provides greater accesses for housewives who work at informal sectors in Jember to apply for a loan. They tend to doing it because they need more fund to complete the household needs. This phenomenon happens because they think that it's not enough to only rely on their husbands' salary to fulfill the household needs. Some housewives apply for it because they do not have qualification to compete in formal sectors to get jobs and use the loans as fundamental fund to make jobs in informal sectors. This is in line

with what Wijesiri *et.al.* (2014) say that some of the underlying factors that cause a housewife takes informal sector as her jobs is because she can only rely her life on it.

Erol and El-Bdour (1989) in a study conducted in Jordan shows that the society is likely to be more profit oriented. This shows that the amount of interest or services influences someone to decide to apply for a loan in one of the financial institutions. This is also supported by the preference theory that consumers' preference is an action to choose goods or services in accordance to their needs. This may happens because of some factors such as their experience and their trust (Okten and Osili: 2004). As informed by Mrs. NR:

“Kalau saya selalu meminjam uang ke BRI mas, karena sudah 5 tahun saya melakukan pinjaman dan dipermudah oleh BRI. Awalnya saya diberi pinjaman 2 juta, meningkat menjadi 3 juta, terus 5 juta dan sekarang sudah dapat dipinjami 10 juta. Saya sudah percaya sama BRI mas,” his said.

This factor (trust) at last leads the customers to always apply for a loan in the same bank. This is in line with a study conducted by BI in South Sulawesi in 2013 that the application process that is relatively easy becomes a dominant factor that influences customers to apply for a loan. They get easy application process because they have applied for a loan in the bank for several times. The customers even never take out their collaterals from the bank because of their trust in the bank. It is shown that for 5 years Mrs. NR never takes her motorbike license in BRI. From a 10 million loan, she has to pay 12.44% interest to BRI every year. It means that she has to pay 937.000 rupiahs every month for 12 times.

“Pinjaman saya 10 juta, setiap bulan saya membayar 937 ribu mas. Kalau saya sendiri harus membayar segitu ya sebenarnya gak kuat, tetapi uang pinjaman dari BRI itu saya pakai dengan adik saya yang berjualan lalapan di depan rumah sakit DKT. Saya memakai 5 juta adik saya memakai 5 juta, sehingga kita kuat membayarnya”.

Mrs. JK, an ice cream seller at Kalimantan Street, also gives the same impression. She even has loans on three different microfinance institutions, they are Pegadaian, PNPM, and BRI. She is determined to get loans because she thinks that she needs them, and she thinks that the interest rate offered by the financial institutions is relatively reachable and inexpensive.

“Kalau di pegadaian dan PNPM sistemnya sama mas, yaitu dilakukan secara tanggung renteng dengan 5 anggota setiap kelompok. Semisal mendapat pinjaman 3 juta, maka dibagi 600 ribu setiap anggotanya. Nanti sistem pengembaliannya dilakukan secara tanggung renteng, sehingga jika ada satu yang tidak membayar akan menjadi tanggung jawab dari anggota lainnya, dan pembayarannya dilakukan di kantor kelurahan. Sedangkan yang di BRI kita menggunakan agunan BPKB motor, disana saya ngambil pinjaman 2 juta”.

Similarly, Mrs. JK also never takes her house certificate that she left in branch of BRI in front of Jember University. These facts show customers trusts in financial institutions they know. This kind of mindset may be inherited to the next generation of their family members. So, as what Okten and Osili (2004) say that when customers are satisfied with their membership on a particular financial institution and the facilities that it offers, they will continuously follow it and apply for a loan to it.

Based on the findings above, the researcher categorized changes on institutional patterns that occur in institutional households and institutional financial institutions as a dynamic pattern where in fact the changes on the pattern itself is the result of adjustment on the better interaction environment. It means that changes on pattern in institutional households encourages changes on pattern in institutional financial institutions and this pattern can result entrepreneurship success. While the success of entrepreneurship will, again, result changes on institutional households and financial institutions. In short scheme, institutional patterns can be drawn as follows:

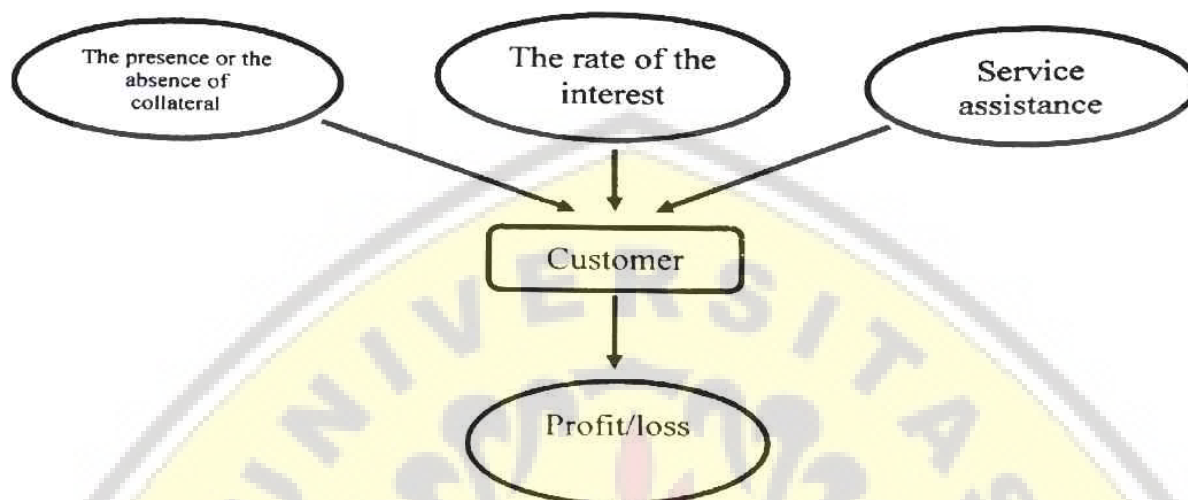


Picture 1. Relationship Households' Institutions and Microfinance Institutions
(Source: research of result)

There are a variety of dynamics as the result of loans received by housewives in Jember. Some feel better after getting additional funds, but some do not or even feel worse. The existing institutional of the microfinance institutions do affect them to get profit or loss. Loans or credits system with great interest present a number of complaints from housewives even this system provides a better service such as deleting collateral as the requirement to get a loan and providing the loans faster. While the pattern that is programmed by the government like Gakin Bank is still unable to provide a large amount of funds, and is still limited to a number of particular people.

The problem above should be figured out so that the access to low interest loans with a better system and a stronger institutions that relies on social funds can be redeveloped even there are some aspects that should be refined. Housewives

complains about high interest loans should also be a correction whether the financial system a financial institution runs corresponds to the rules. The following scheme, obtained from the result of the research, is presented in order to clarify the presence of several factors and the impact on clients.

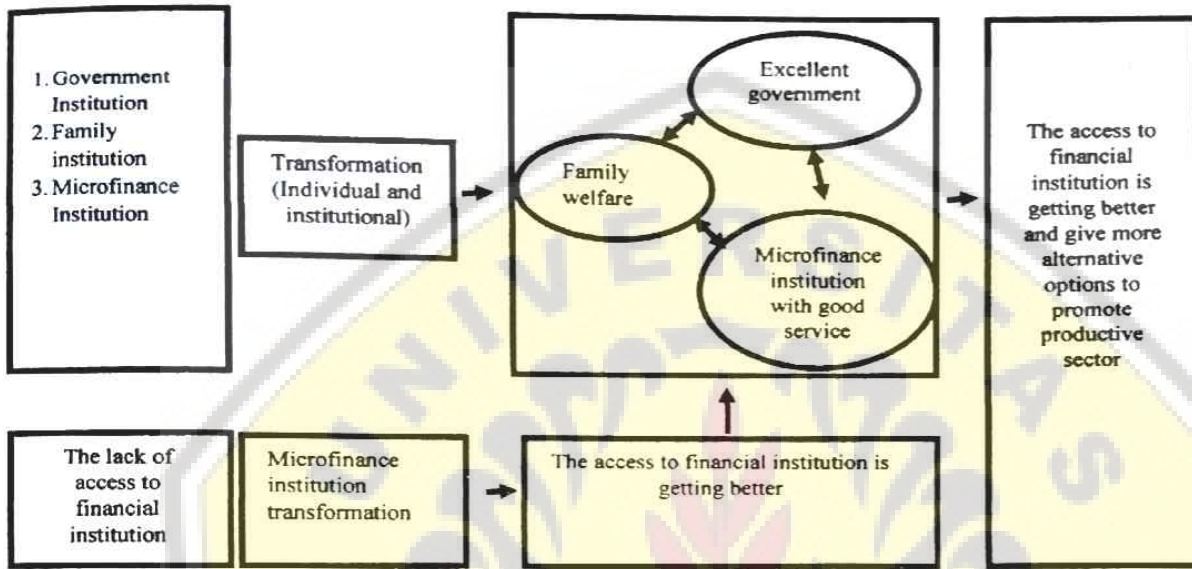


Picture 2. Customers' Profit Dynamic (Source:research of result)

The three aspects above (the presence or the absence of collateral as a requirement to get a loan, the rate of the interest a financial institution grants, easy access to get a loan and easy surveys), are very influential on the customers' decision to apply for a loan even housewives in Jember put more concern on the rate of the interest (whether it is low or high). Those three aspects become the housewives concern because those aspects will affect their profits after getting a loan from a financial institution. A number of housewives get loss after getting loans from financial institutions because the financial institutions grant them with high interest. While financial institutions formed by the government such as PNPM and Gakin Bank focus more on society social funds. Those two institutions still exist and even get bigger because of the low interest and easy access they offer. However, the sustainability of the two institutions may be over if the government put small attention to them because there is no penalty but social justice from the other members for the housewives who ignore to pay back the loans.

The scheme model of the housewives preference for microfinance institution is very helpful in determining the direction of institutional development policy in microfinance sector in the following day. This is in line with the increasing number of households' activities dominated by housewives as supporting agents to profit improvement. The result of the research produces new model of housewives'

preference in choosing the right financial institution that can support their entrepreneurship. The following is the new model of the housewives' preference in selecting the right microfinance institution resulted from the research:



Picture 3. A model of housewives' preference for microfinance institution (Source: research of result)

maker, family institution since housewives become part of it, and microfinance institution that creates the economics system of inclusion. The lack of access to financial institutions now becomes problems faced by housewives. From the two aspects above, there must be institutional and individual transformation solves the problems of the three existing institutions arrangement. While the lack of financial access should be solve by transforming the financial institutions into inclusive institutions because this will result easy financial access for the society. If the society got easy access to inclusive institutions and institutional and individual transformation run well, it will result households welfare, more eligible government, and a good, inclusive, and perfect financial system. These three elements will be interconnected which at last result a better financial system that is well organized and is useful to provide alternatives to advance the productive sectors.

The dynamic changes in the institutional pattern occur both in institutional households and institutional financial institutions. In fact, the changes of the patterns are the result of the adjustment on the better interaction environment. The changes on institutional households' pattern will encourage institutional pattern changes on financial institutions and it will encourage the success of entrepreneurship in which

this success will also encourage changes on institutional households' patterns and financial institutions' patterns.

CONCLUSION

The number of housewives who run their entrepreneurship program which is increasing finally affect the institutional pattern that microfinance institutions in Jember run. Some financial institutions, both formal and informal, use different type of strategies to keep the housewives as their loyal customers. Some give easy requirements for loan application, some efface collateral as one of the requirements to get a loan, and some grant the loans faster. The lack of information that the housewives have about financial institutions lead them to choose the wrong financial institution and it will finally affect their profit.

Recently, the emergence of financial institutions formed by both local government and central government become new trend in financial system that is inclusive. With different institutional pattern that relies more on high social principle, financial institutions like PNPM and Gakin Bank become financial institutions that housewives prefer to choose. There are as many as 433 Gakin Bank with more than 29.169 memberships in Jember. PNPM itself grants loans to over 1000 people. However, it is necessary for those institutions to have a strong and comprehensive assistance strategy because they deal with people in poverty and they may be easily bankrupt anytime. The comprehensive assistance is still not seen in Gakin Bank because the assistance pattern of this financial institution only refines the group administration system and this makes many of its members stop to be its member.

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