

THE STUDY OF MICROFINANCE COMMUNITY DEPARTEMENT PHENOMENON IN JEMBER DISTRICT

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ABSTRACT

This research has a purpose to study microfinance community department phenomenon (LKMM) in Jember. This study is conducted with descriptive statistical analysis and reference study from relevant literature with research as a theme. The result of the research shows finance performance that is proxied by ROA depicts different trend from total asset and government subsidy. ROA has a tendency to plunge even though there are some of them which indicate good performances. This is contradicted with the total asset development of LKMM that tend to rise in the entire Jember district whereas government subsidy is still accepted in relatively equal amount annually.

Keywords: ROA, subsidy, total asset, finance segmentation

INTRODUCTION

The development of finance sector exerts a broad influence towards economy; however, finance segmentation of finance which has released formal and informal finance sector becomes another problem. This is because formal finance sector gives a limited access to poor communities which mostly come from marginalised woman. There are various social and economic reasons which underlie formal sector experience difficulty to access informal sector such as the high risk or credit and the absence of adequate collateral to cover credit. Besides, the high of transaction cost includes social and culture obstacles like low education level (the disability to conduct financial record towards their economic activities) cause formal sector tend to reluctant to do penetration in informal sector. On the other side, the fact shows that poor women are the biggest part of our economy and are needed to find its solution so that they can survive economically. This is the thing that inspires the appearance of microfinance department which struggles to fill the gap between poor communities and microenterprises doers with finance sector.

The same phenomenon also occurred in Jember district, limited access of poor women and empowerment program that is still in partial and disconnected has not given significant change towards better lifestyle yet (Retno and Maheni, 2013). Mirfano, the head of cooperative department and UMKM jember, caught this phenomenon by the inspiration of Grameen Bank in India. He argued that poor women are actually have potential to empower economically only if they are given the appropriate empowerment program and sufficient towards their fundamental problems i.e. very limited finance access. Furthermore, he stated that the necessary thing to do

is to strengthen finance institution by initiating the establishment of microfinance community department in 2005 that is supported by Jember government budget at 2 billion per year which is started by 13 LKMM that are spread in 9 sub-districts namely Patrang, Sumbersari, Arjasa, Puger, Sumber Jambe, Tempurejo, Panti, Kaliwates, and Rambipuji.

The strengthening of finance institution for poor people should be continuously improved its organisation and management to be well-developed and attract people's interest to actively developed so that poor women empowerment can be sustained and give contribution to reduce low financial rate in Jember district. This process underlies optimism of Cooperative Department and UMKM to keep developing LKMM as the agent of change and as active institution in financing microenterprise of poor women.

LITERATURE REVIEW

According to Robinson (2002), loan in the form of micro credit is one of the effective ways in solving poverty. He thought that poor people still experienced classification differences i.e. first, extremely poor people that has no income and does not have productive activity, second, poor people but still actively working, and third, people with lower income i.e. people who have low income. Thus, LKMM is functioned as a department which provides various loan services, either for productive activity that is done by microenterprise, or to consumptive activity of poor families. As a backup department, LKM can gather fund that becomes the requirements of credit even at last the amount of credit is bigger than fund that has been gathered.

Finance department has a function as intermediation in economic activity. If this function works well, so that finance department can result a plus point. Economic activity in this place does not differentiate whether the enterprise is big or small, because the thing that is differentiate is the amount of plus point based on enterprise scale. This means that even a small enterprise if harnessing finance department will also give plus point, so that the effort in improving people's income can be done productively by harnessing intermediation of finance department, including productive enterprise which is conducted by poor society.

Alleviating poverty can be done through a lot of ways and programs either directly or indirectly. This effort can be in the form of payment transfer from government for example, food program, healthy, settlement, education, planned family, even productive enterprise through a loan in the form of microcredit. Hypothetically, the relation between microcredit empowerment with the effort of alleviating poverty is a relatively easy entrance for people who will become beginner entrepreneur. If this beginner entrepreneur grow and develop so that it will be alleviated because of becoming entrepreneur or trickle-down effect from the exponential growth of micro entrepreneurs (Waya, 2005).

Previous Research

Various empirical studies have been done to review the development of LKMM and its role to alleviate poverty which becomes the biggest problem in the developing countries such as Indonesia as one of them. The research related to micro financing and small i.e. as mentioned by Uchida, Udell, and Watanabe (2007), their research show that in line with finance liberalisation, and development of company scale also capital market in Japan caused big companies run and look for funding through capital market and not through banking sector anymore, so that it altered to microfinance sector. However, the role of small bank still become primary bank in financing small micro sector and has not yet replaced by big bank to give credit based on the close relationship between bank and its debtor or relationship lending. Thus, in Japan itself, small bank role in the future to finance micro sector and small still prospective. On the other

side, Parianom (2013) mentioned that in 2004 the number of LKM which still at approximately 54.444 has risen to 373.307 only in a year. This shows the rapid growing of LKM in Indonesia which is in line with the result study from Sukarno and Damayanti (2012) in Jember.

RESEARCH METHODS

Conceptual Framework

Based on the study theory and prior research, it can be constructed a conceptual framework as follows:

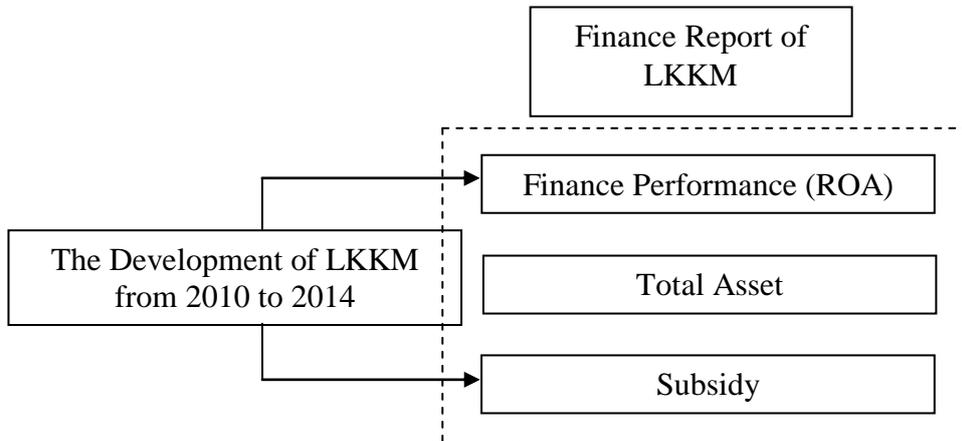


Figure 1. Conceptual Framework

Based on the conceptual framework above, this research is done because of the interest to analyze further the development of LKMM in Jember district which have been significantly improved since the first established in 2005. This study attempted for reviewing the LKMM performance from ROA side, total asset and subsidy in the last 5 years. The data resource is acquired from LKMM financial report that is archived by Cooperative Department and UMKM.

Population

This research uses population. The population of this research is all LKMM in Jember district which submitted finance report regularly between 2010 and 2014.

The Technique of Data Analysis

This is a descriptive and exploratory research because there is no hypothesis that is formulated from the beginning to be proven. Quantitative analysis has been done by trend analysis to know the development of LKMM in Jember district from 2010 to 2014. The enrichment data analysis has also been done by literature study from previous research and relevant reference to support data analysis result.

RESULT AND DISCUSSION

The Result of the Research and Discussion

The Number of Observations

This study uses LKMM in Jember district as research object. The data that is used is finance report that is submitted and archived in Cooperative Department and UMKM in Jember district in three years period i.e. from 2010 to 2014. Overall, LKMM that are available in Jember district is 440 LKMM but only 149 LKMM which has complete finance report in the whole finance observation process, so that the total number of observations towards LKMM finance report in 5 consecutive years is 447 observations.

Descriptive Statistical Analysis

The data analysis in this research uses descriptive statistical analysis and also displays in graphic model to visualise the result of the research in supporting the discussion.

The Profitability of LKMM

The evaluation of LKMM development in this research uses profitability indicators that are proxied with ROA. In this case, the researcher tries to manage and review the result of data analysis in graphic form to ease the understanding about financial performance development in ROA side. The management and review of the data has been done for each sub-district so that it can be seen in more detail about each LKMM development in Jember district. Commonly, ROA LKMM trend in Jember district has experienced a decline after its growth in 2013, but there is also some that shown an increase in the middle of the research period namely LKMM Krajan, LKMM Curah Renteng, and LKMM Klompangan in Ajung district that can be seen on Figure 2

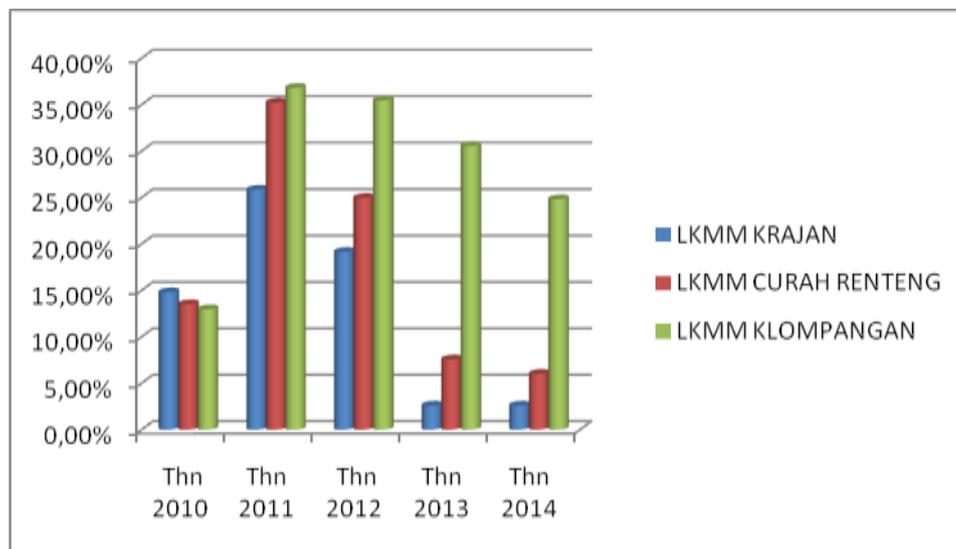


Figure 2. The Movement of ROA in Ajung Sub-district

The same trend is experienced by LKMM Sukorejo and LKMM siraan in Bangsalsari district. However, there are several LKMM which show an increase of ROA annually i.e. LKMM Krajan 1 and LKMM Krajan in Balung sub-district as appeared in picture 5.2, LKMM Kebonan in Gumum Mas sub-district, LKMM Krajan and LKMM Gunitir in Arjasa sub-district, LKMM Krajan and LKMM Sentong in Ambulu sub-district, LKMM Peji Mangar in Mumbulsari sub-

district, LKMM Karang Mluwo, LKMM Pasar Tanjung, LKMM Wetan Pasar, and LKMM Condrouthomo in Kaliwates sub-district.

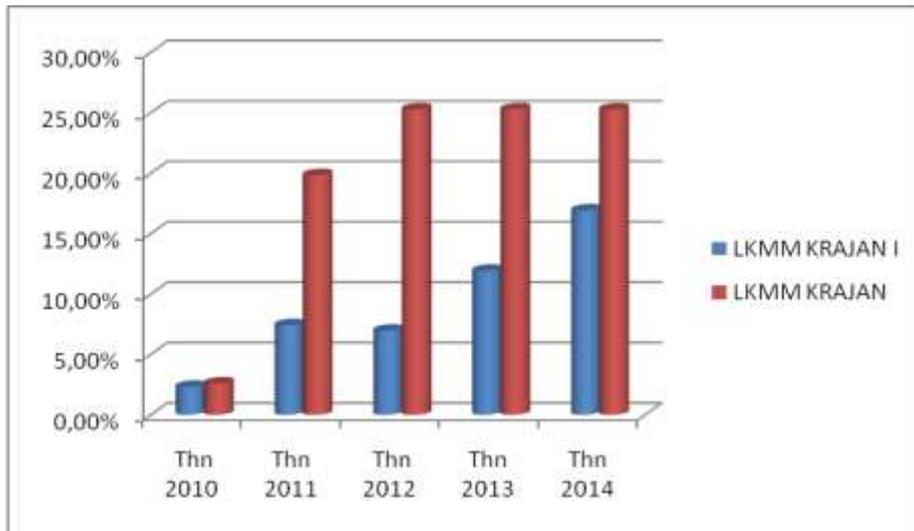


Figure 3. The Movement of ROA in Balung sub-district

Meanwhile, the rest of them were well-developed in 2010 but experienced a dramatic decline in the last few years i.e. LKMM in Silo sub-district and Wuluhan in the Figure 4. and 5.

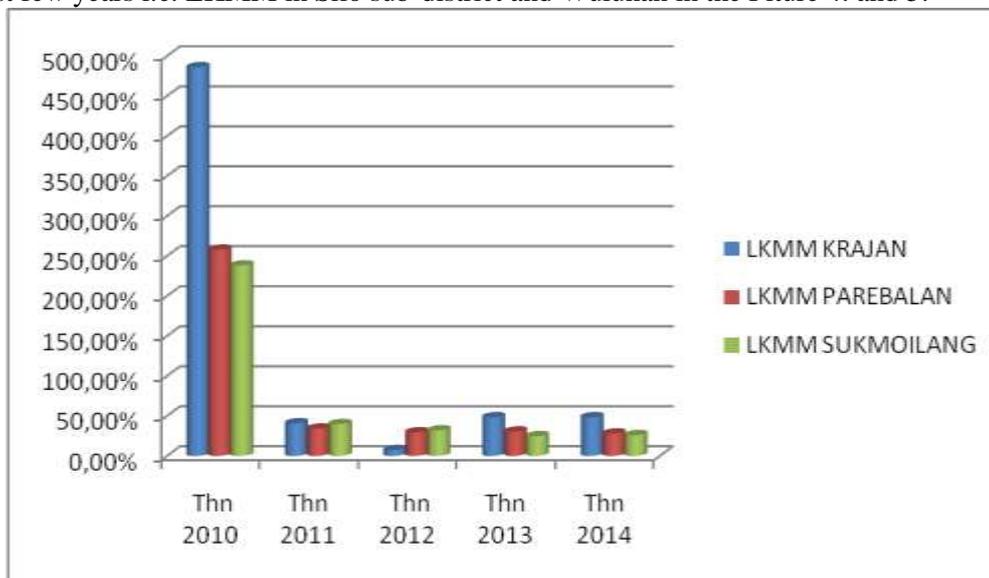


Figure 4. The Movement of ROA in Silo sub-district

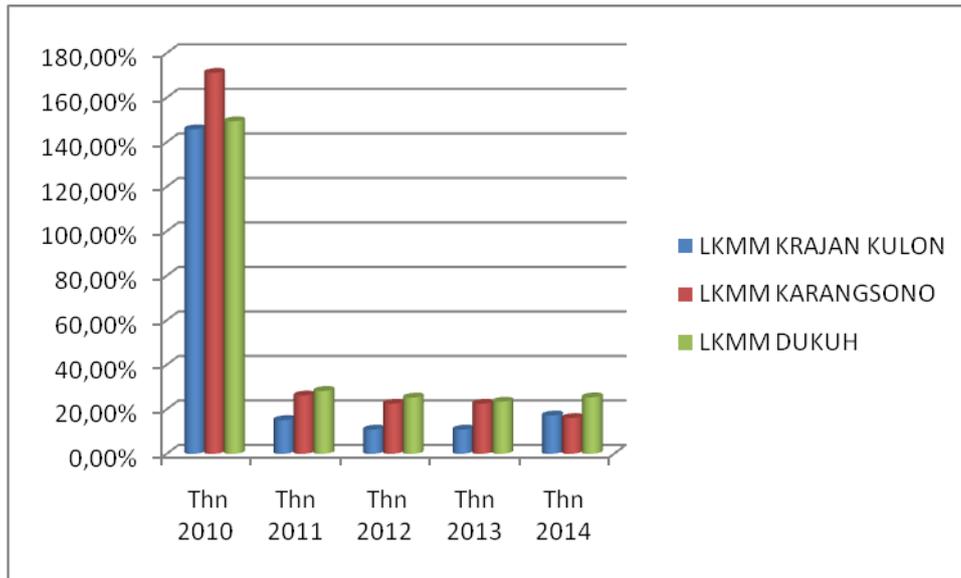


Figure 5. The Movement of ROA in Wuluhan sub-district

From the above-mentioned result, it can be seen that LKMM has not yet balanced with one another in gaining business profit from harnessing total asset. This indicated that it is necessary to give intense training for LKMM that still have low ROA performance in order to improve efficiency of harnessing the total assets to gain profits that is eventually can encourage the development of LKMM and its members' prosperity generally in Jember district. The result of this research still showed the same trend as the report development of LKMM in Jember district (Cooperative Department and UMKM, 2013). However, this phenomenon shows that LKMM still have a good prospect to develop in the future in which the result of Uchida, Udel, and Watanabe (2008) research in Japan.

LKMM Subsidy

The initial innovation of budget year 2005 the activity PUM-RTM had funded by APBD Jember District is approximately 100 million rupiahs. The budget used for financing the establishment 2 Gakin Banks in 2 areas, strengthening pokmas group (60 people) and the supply of enterprise capital in the form of grant is 50 million rupiahs which managed by using saving and loan pattern. There is a difference in the payment pattern of Gakin Bank capitalization between 2005 and 2006 compared to 2007 – 2008. In 2005 – 2006, Gakin bank received a grant whereas between 2007 and 2008 Gakin bank received a donation in the form of soft loan that should be paid in 2 years. According to the information difference, it caused by APBD management from the central government.

The total investment of local government in the PUM-RTM activity including the development of Gakin Bank for 4 budget years has reach Rp. 3.382.141.700,- which covers institution strengthening at Rp. 1.510.826.350,- capital enterprise strengthening at Rp. 1.360.800.000,- which until today there are various soft loan for micro enterprenour of Gakin Bank member also the skill improvement for about Rp. 510.515.350,-. If it is compared to the number of poor families that received treatment at 4.423 (Data May 2008) so that it can be concluded that to avllievate poverty we can use PUM-RTM design as developing pattern of Gakin bank is needed

Rp. 764.762 per person. The ratio value that is concerned will keep decreasing in the future years in line with the increase of the number Gakin bank members that is happening systematically.

Meanwhile, the role of government subsidy for LKMM in Jember districts shows a general pattern since 2010 until 2014. This indicates that until today LKMM still receive additional fund from government to its daily operational costs. Almost a decade has been established, LKMM has to be able to be financially independent, but because the skill has not fully optimized its profit so that LKMM finance cannot be stable without government subsidy.

LKMM Total Assets

The data of LKMM total assets in this research period showed a completely similar upward trend (picture 5.5 and 5.6) even though there are several stagnations and some of them experienced a decline in several spots as can be seen in Figure 6.

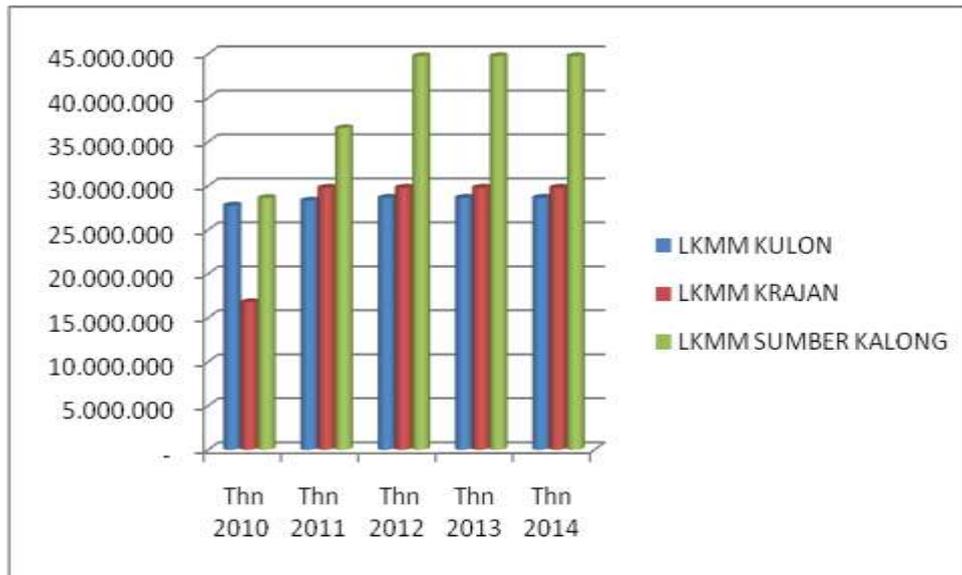


Figure 6. The movement of Total Asset in Kalisat sub-district

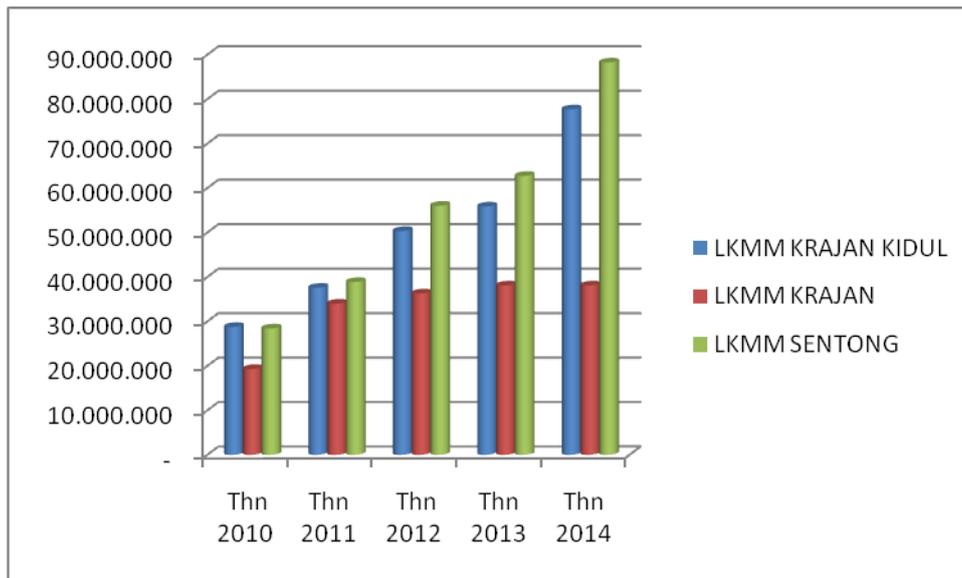


Figure 7. The movement of Total Asset in Ambulu sub-district

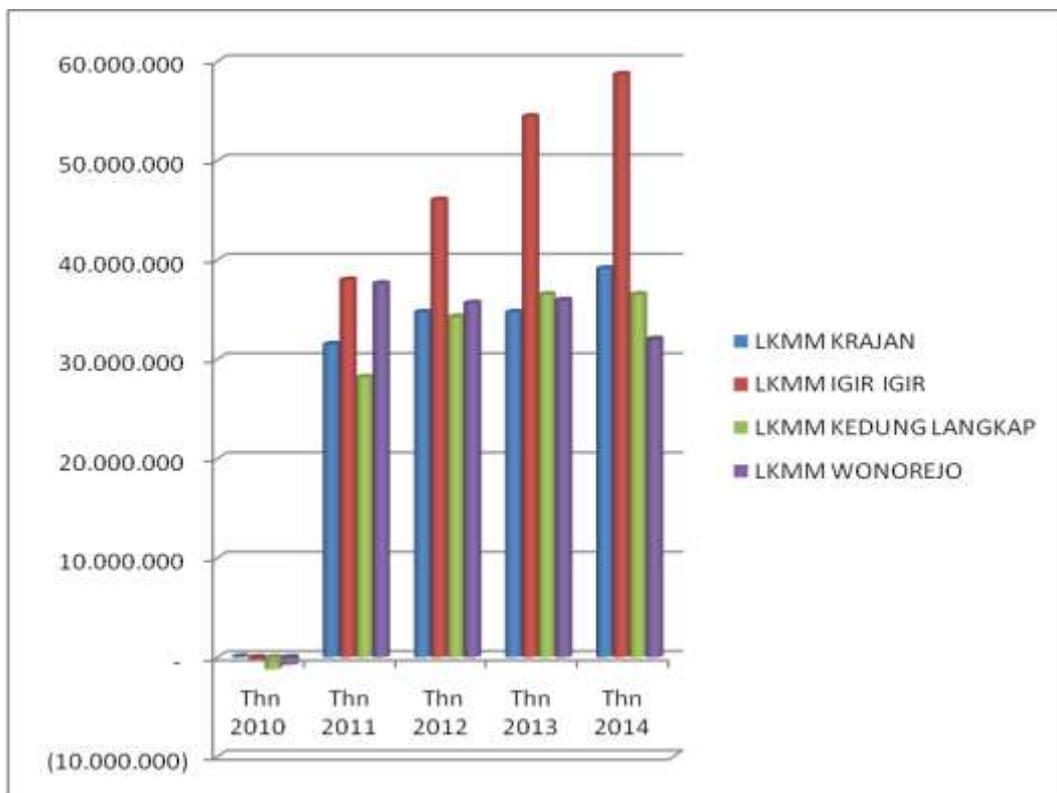


Figure 8. The movement of Total Asset in Kencong sub-district

This condition is different from 2006 to 2010 which showed a significant increase trend.

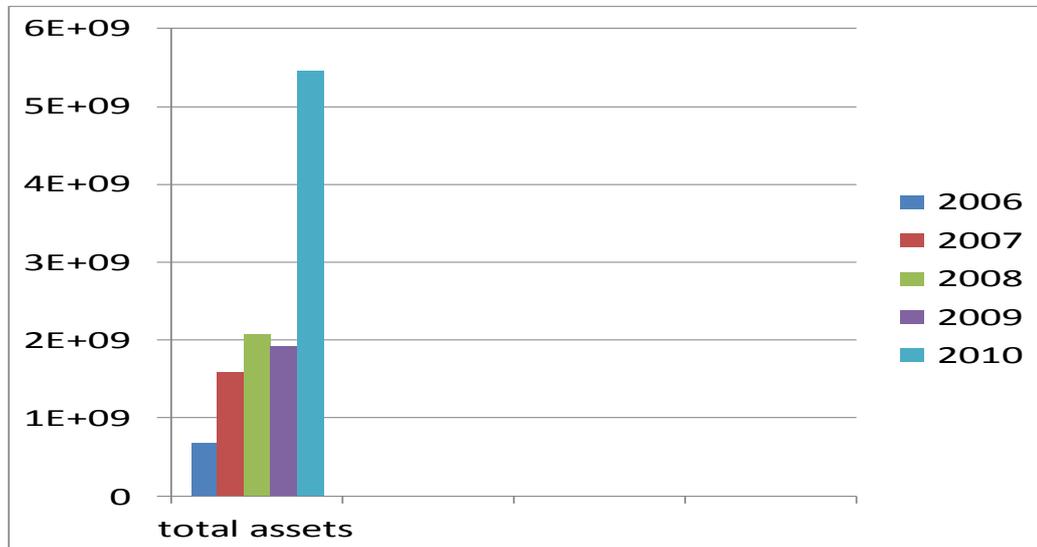


Figure 9. The year of 2006 – 2010 (Cooperative Department and UMKM, 2013)

This phenomenon can possibly be happened because of outstanding stimulation from the government to support the establishment and the growth of LKMM in the initial period. In this case, government especially cooperative department and UMKM have shown a good performance in their struggle to empower LKMM in order to improve the prosperity of poor women in Jember district. This is related to what has been stated by Wiyono (2005) that LKM is one of the pillars of the economy of Indonesia.

CONCLUSION AND SUGGESTION

Conclusion

Based on the analysis result, it can be concluded that the finance performance which proxied with ROA showed different trend from total assets and government subsidy. ROA has a tendency to fall down even though there are some of them which showed good performances. This is contradicted to the development of LKMM total asset which tend to raise in the entire Jember district meanwhile the government subsidy still can be accepted in relatively equal amount annually. This phenomenon showed that the LKMM performance has not yet optimal and there is a dependency on government subsidy, which possibly in management, it depends on the availability of facilitator that is provided by cooperative department and UMKM.

However, some LKMM have shown good performances and they successfully developed this department as a final goal of poor women empowerment in Jember.

Suggestion

This research has so many limitations so that it is suggested to the next researcher to extend their research periods so that the trend movement would be softer and accurate so that it needs necessary analysis to discuss the phenomenon that is underlie this research result. The researcher is also suggested that cooperative department and UMKM to be more intense in doing support and encourage self-dependent POKMAS and the LKMM committee so that their performances are getting better in the future later on.

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