

Potency and The Role of Credit Union in Poverty Alleviation Through Perspective Rural Economic Development

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Abstract

An empirical study about the Credit Union in the agricultural area which aims to determine the performance of Credit Union in the perspective of rural economic development has been carried out in Kalimantan in mid-2010 through a participatory approach to understanding rural uses group and individual interviews involving interviews, administrators, managers and users of Credit Union. By using qualitative descriptive analysis approach to the Credit Union, deliberately selected samples, obtained a description as follows: (1) The existence of credit union recognized by the community have a strategic role as an intermediary activity of the rural economy, (2) The factual services provided by Credit Union has indicates success, (3) critical factor in the development of credit union for farm situated on the legality of institutional, management capability and management, the economic feasibility of farming and technical assistance clients or service users Credit Union, (4) To initiate growth and development credit union to agricultural development is necessary to increase the capability for Human Resource managers and prospective managers Credit Union, support the strengthening of capital and technical assistance to customers of credit users.
Keywords :Credit Union, Poverty, Rural Economic Development

1 Introduction

Rural economic development as an integral part of national economic development, its success contributed by many economic activities undertaken by rural communities. Activity in the rural economy is still dominated by the business - the micro and small-scale enterprises with the main actors of farmers, farm workers, traders and agricultural inputs, agricultural product processing and home industry.

The perpetrators of these rural businesses in general are still faced with the classic problem of limited availability of capital. As an essential element in support of increased production, productivity and living standards of rural people, capital constraints can limit the movement of the rural economic sector activity [Hamid, 1986].

In the long term capital scarcity can become the entry point of the chain cycle of poverty in rural communities that are difficult to cut. Although the incidence of poverty is not limited by the factual aspects of the spatial and sectoral, but can not be denied that the majority of the poor are in rural ar-

reas. Its owner to overcome the scarcity of capital, rural economic actors typically seek additional capital from various sources, both from formal financial institutions and non-formal financial institutions.

Weak economic actors in rural capital has been recognized by the government to encourage the government to launch several targeted credit programs to farmers and micro and small entrepreneurs since Repelita I. Although the government has implemented a variety of loan programs, but the achievement still has not seen the results as expected. There are indications that the credit performance of the program is not satisfactory mainly in financial institutions as implementers, which can be viewed from three aspects:

1. low levels of loan repayment,
2. low morality executive officers and
3. low level of mobilization of public funds.

The weakness is not the continuing consequences on financial institutions that formed after the program finishes, the result will generally be re-program participants lack of venture capital.

To answer the problems of limited capital and with the government's fiscal capability of diminishing, it is necessary to further optimize the potential of financial institutions which may become an alternative source of funding rural communities. One of the financial institutions that may be utilized and encouraged to finance economic activities in rural areas that the majority of business people are included in the micro segment of Microfinance Institutions (MFIs). One form of existing MFIs are the Credit Union for a long time in Kalimantan. More specific issues are:

1. The extent to which credit union presence in rural communities are able to run of role Kalimantan in facilitating the financing of business,
2. factor - any factor that affects the sustainability of the credit union, and
3. How credit union development strategy forward.

This paper aims to conduct a study of the existence Credit Union, which has played the role, potential and problems in supporting the economy of rural communities in Kalimantan, as well as policy development in the future.

2 Theoretical Background

Thinking Framework

Growth and development of Micro Finance Institutions (MFIs) in Indonesia, many inspired by the success of Muhammad Yunus in the development of MFIs in Bangladesh which is famous Grameen Bank (GB). Many people see the model of Grameen Bank as a model of a successful approach in alleviating poverty.

For Indonesia, microfinance is not new. Managed by Micro Finance Institutions has developed since a long time and has become the subject experts and practitioners of social economy. Momentum discussion Microfinance Institutions always associated with poverty reduction efforts. According to the definition used in the Microcredit Summit (1997) in Wijono [Wiyono, 2005], micro-credit lending program is a small amount to the poor to finance productive activities which he did himself in order to generate income, allowing them to care for themselves and their families [Ashari, 2006].

Financial institutions involved in micro lending is generally called Microfinance Institutions (MFIs). Asian Development Bank (ADB) defines the MFI as an institution that provides storage services, credit, payment transactions and currency transfer services intended for the poor and small entrepreneurs.

Although there are many definitions of microfinance, but in general there are three important elements of the various definitions. First, it provides various types of financial services. Both serve the poor, microfinance live and thrive in the beginning was to serve the people marginalized by the existing formal financial system so that it has characteristics of a typical constituents. Third, using the procedures and mechanisms for contextual and flexible. [Krishnamurti, 2005].

Based on the general shape MFI divided into three namely: (1) formal institutions such as village banks and cooperatives, (2) semi-formal institutions such as nongovernmental organizations, and (3) source - informal sources such as moneylenders [Wiyono, 2005]. The Bank Indonesia only divides MFIs into two categories, ie MFI of tangible and non-bank banks.

Many parties believe that the Credit Union which is one form of MFI as an effective development tool for alleviating poverty because of financial services allows small and low-income households to take advantage of economic opportunities, build assets and reduce vulnerability to external shocks. So that the Credit Union became an important tool to achieve development in three things at once, namely: creating jobs, increasing incomes and alleviating poverty

3 Research Method

This study was developed from the partial results of an assessment of Credit Union in Kalimantan. The type of data required is the primary data and secondary data. The primary data collected from credit union management is more focused on the organization and management, credit schemes, factors - factors supporting the development constraints and opportunities for Credit Union. While the customer data collected includes the economic characteristics of households and business financing problems. Secondary data was collected through various documents report information search activities or programs and Credit Union development policy, geography, social economy, and review credit schemes on Credit Union.

The detailed data needed:

1. Profile of various Credit Union in Borneo, starting from the number (units), the position of credits (the number of customers and the amount of money) and saving the position (number of customers and the amount of money)
2. The potential and role of credit unions in Kalimantan, the magnitude of the institution, the amount of labor absorption, the ability to utilize local resources, the magnitude of contribution to Gross Domestic Product (GDP)

3. Infrastructure and institutional conditions Kalimantan Credit Union which covers aspects of regulation, regulators, development guarantee liquidity, ratings and associations.

Analyzing the data largely carried out by qualitative descriptive, sharpened by analysis Structure Conduct Performance (SCP). To uncover the potential role of the Credit Union and Kalimantan in rural economic development approach was the aspect of strength (strengthen), weakness (Weaknesses), opportunity (opportunity) and threats (threat) or known as SWOT analysis.

4 Results and Discussion

4.1 Existence Credit Union

The identification results on the ground there are some findings that there are three categories of Microfinance Institutions (MFIs) are growing, the bank MFIs, cooperatives and MFIs MFI non-Bank is not cooperative. Each - each MFI apply different lending schemes. Bank MFI operational patterns follow the conventional banking approach, cooperative microfinance institutions apply the pattern of savings and loan while the MFI rather than Cooperative Bank not operational patterns vary.

One form of non-Bank MFI is not reflected in the Credit Cooperative Union. Financial management by the Credit Union is basically a form of financial management with a system of revolving. Capital used comes from the community by the community and to society. In factual, service credit union in Kalimantan have demonstrated success, marked by several indicators, and some changes such as an increase in educational participation of children - children, increased revenue and increased household assets.

From the institutional side, indicators of success demonstrated by the development of the number of members, the development of assets and funds absorbed. Funds are channeled through lending to the public until December 2009 reached Rp. 2,409,205,270,278, - and there is a tendency to increase. The number of member savings until the end of December 2009 reached Rp. 2,841,269,831,269, -. Non-performance loans (NPLs), which shows the ratio of arrears to total loans is relatively small (1.5%) far below the limit of tolerance (5%). This condition indicates that the loans extended quite beneficial to society as additional capital for productive enterprise, and as another evidence is that they are able to pay installment loans with lancer without having arrears.

Working area of the number of customers (members) and the number of loans (receivables) in circulation is constantly increasing. At first, the number of member (customer) is only limited to administrators and managers are around about 10 people

in 1 village and 1 district, but stepping in December 2009 the number of credit union members increased rapidly to reach 388 325 people, scattered in 45 CU (District area) and 243 TP (Village). Outstanding loans to individuals experiencing a sharp increase, the initial size of the loan amounting to hundreds of thousands of dollars only to a maximum of Rp. 1.000.000, -, now there are entitled to borrow Rp. 50 million for agricultural businesses with an interest rate of 2% per month and is declining.

Of asset and cash reserve money shows that the credit union has sufficient assets. The amount of deposits held by the end of 2009 stood at Rp. 2,841,269,831,269, - with details of Rp. 389 548 188 257, - is the amount of savings shares and Rp. 2,451,721,643,012, - as a non-stock savings, with total receivables outstanding at the customer Rp. 2,409,205,270,276, -. Velocity of money large enough, as the picture of the total revenue earned per month Credit Union - average about Rp. 700 million after deducting operating expenses by Credit Union - average monthly benefit was about Rp. 200 million.

Similarly, in terms of human resources (HR) involved in the Credit Union, although initially driven only by a handful of people but in its development has increased very rapidly. Human resource management, and managers involved in the Credit Union until the end of 2009 there were 1178 employees with total service territory to 45 CU (sub-district) in West Kalimantan Province.

4.2 Credit Union Management of Critical Factors

The advantages of micro business that has been tested to date is the resistance to the shocks of economic crisis, in addition to micro entrepreneurs usually a debtor who dutifully pay their credit obligations. In the management faced with the critical factor that is related to institutional and users (members).

From the institutional side, the problems associated with aspects of sustainability (sustainability). Sustainability Credit Union is influenced among others by: (1) capability of human resources (HR) administrators and managers Credit Union (2) the support of external factors which include paying law for credit union development efforts. Draft Law - Law on Micro Finance Institutions are still in debate, and there are fears of Law - Law such as limiting the scope of services of Microfinance Institutions to the public.

From the users (members), which is critical aspects related to individual characteristics, type of business and business feasibility. The results showed that businesses in the agricultural sector is less ogled by the Credit Union, with high-risk reasons, the velocity of slow cash flow and other

- other.

4.3 Credit Union Perspectives In Agricultural Sector

Learning from the successful management of the Credit Union in general to be applied in building the credit union is basically agricultural sector can only be done with mengaokomodasi several patterns that have been developed to make adjustments related to farming such as the following characteristics:

1. Group approach
2. Expansion of the target user's credit
3. Selection of prospective users of credit
4. Volume of credit limit
5. The loan interest rate
6. Mortgage repayment
7. Mentoring and monitoring
8. Training

4.4 Credit Union Strategic Step Initiation

The main strategy to initiate the formation and development of Credit Union for the agricultural sector in addition must remain grounded in the principle - the principle of institutional operationally so that should be done through the following stages:

1. Setting the first candidate target groups, among others, associated with its existence as a group at least in the last two years
2. Selected group who meet the criteria, selected by the co-location.
3. From this selection produces a decent target groups engaged in financial services.
4. Initiate strengthening fund disbursement and utilization of venture capital group
5. Provide guidance and asistensi toward group activities
6. Encourage the activities of the group's activities towards the sustainable management of Credit Union (sustainable)
7. Conducting training for all administrators, managers or members of the user with training materials not only to improve the capabilities of Credit Union, but also training that support business development in the agricultural sector.

5 Conclusion

1. Credit Union recognized the existence of the community have a strategic role as an intermediary public economic activity
2. The factual service Credit Union has shown success, but success is still bias in economic enterprises outside the agricultural sector, credit schemes for farm credit union has not given priority.

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