

## ALLEVIATING POVERTY THROUGH DEVELOPING MICROCREDIT BASED SELF HELP GROUP STUDIES IN UP2K-PKK SEMARANG

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**Abstract:** Microcredit-based self help group provides the capital access to the poor and also gives access the capability development - based group in order to alleviate the poverty especially the poor women. Microcredit -based self help group is credit for the poor along with empowerment that includes training, partnerships, technical assistance, and membership in a self-help group itself. This study has three objectives: 1) to analyze the impact of capability development through self help group in empowering the poor , 2) to analyze the impact of the development of individual capabilities (initial endowment) in empowering the poor.

The unit of analysis of this study are members of UP2K (Upaya Peningkatan Pendapatan - Efforts to Increase Family Income) which is coordinated by the PKK (pemberdayaan dan Kesejahteraan Keluarga - Empowerment and Family Welfare) whose members are women from the poor who have a productive business. The research location is Semarang City . UP2K-PKK is one of the government programs through a community-based group that implemented and managed by the PKK cadres. Samples are UP2K-PKK members in West Semarang District which are the highest number of poor people in Semarang City. Data collected using a questionnaire which was delivered directly to the respondent along with indepth interview. Analysis tool used is description and qualitative analysis.

**Keywords:** Micro-credit based self help group, the development of individual capabilities, capability development -based self help group, alleviating, empowering, the poor.

### INTRODUCTION

Micro-credit-based self-help group to provide alternative access to capital for poor people who do not have assets and access to formal financial institutions, also provides an opportunity to develop themselves through the group. Mayoux (2005) asserts that the empowerment of the poor, especially women through self-help group-based credit allows poor people especially women have access to savings and credit, income opportunities, consumption, mobility, education, health, control of the assets that will improve the welfare of the family.

Microcredit based self help group members have economically empowered the poor women and make them possible to contribute to the family income (Rao,

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2000; Manimekalai and Rajeswari, 2001; Styasai, 2003; Rajagopalan, 2005;). For the poor women, self-help group opened an opportunity for them to be able to run the business, to have access to resources, information and markets for its products. Credit recipient of a self help group can solve the problem together and run the risk of joint (Vadivoo and Sekar, 2004). Women do not only need access to capital, but also requires the ability to manage and use microcredit appropriately. Self help group into a media that serves as capability building for women members. Female recipients of micro credit through a mechanism of self-help group is empowered with training, counseling and mentoring to women micro-credit recipients who are members of the self help group has the ability or the capability to start a business and develop a productive business. Active participation of the members to participate in the programs and activities of the self help group will increase the ability of women to manage their business.

Results of researchs of Purushotham (2004), Silvia (2004), Usha et.al (2004), Vadivoo and Sekar (2004), Anuradha (2005), Simanowitz and Walter (2005), Rajagopalan (2005), Leelavathy and Aradhana (2006), Meenakshi (2006), Gaiha and Nandhi (2007), Swain and Wallentin (2007), Asmorowati (2010) reinforces the findings of the research that concludes that microcredit based self help group has a positive impact on women's empowerment is measured with indicators such as; the acquisition of productive assets, income, savings, independence of the moneylenders, financial independence and others.

Not all previous studies assessing the impact of microcredit based self help group found a positive impact of microcredit based self help group to women's empowerment. Research conducted by Selvarajan (2004), Sinha (2006), Jyotirmayee (2008) and Singh (2012) found that the micro-credit-based self help group negative impact on women's empowerment. Selvarajan found that the micro-credit-based self-help group to give more weight to women as a group set higher interest rates. While Sinha and Jyotirmayee find ineffectiveness group of self help group, so it does not provide better conditions on its members.

One of the micro-credit program based self help group that developed in Indonesia is UP2K-PKK. UP2K-PKK is a program providing micro-credit to low-income families who have or have not owned a business and really in need of additional funding is accompanied by the development of capabilities. Assistance will involve simultaneous aid should be returned to the manager of the group to be revolved and rotated to the other group members. The empowerment program given in UP2K-PKK aimed to develop the capabilities of women to be independent and to contribute to the family. Capabilities development programs for the poor women conducted in groups UP2K-PKK is; 1) training tailored to the needs of the group; 2) development of partnerships (networking); 3) technical assistance tailored to the needs of member businesses. In addition, members of the self help group can also increase versatility with education and experience in running the business.

## **1. THEORITICAL REVIEW**

### **1.1. The Definition Micro-credit-based self help group**

Micro-credit-based self help group is an alternative form of empowerment of the poor, especially women- who want to be entrepreneur but does not have access to capital and resources. Self help group is organized, set up to provide access to micro-credit for women unconditional guarantees intended to encourage women to become entrepreneurs enterprising (Gurumoorthy, 2000). Empowerment of women through micro-credit programs based self help group is more intended as a forum to reduce costs and provide information and guidance and development capabilities to the loan recipients. The formation of the group in microcredit programs is intended as a mechanism for building social capital (Mayoux, 1990). In the group interaction will occur between each recipient with a wide range of experience, knowledge and skills. The group serves as a forum for mutually empower each other. Groups in micro-credit programs to function as self-help groups or self-help group.

### **1.2. The Characteristic of Micro Credit Based Self Help Group**

Self help group is an informal group formed voluntarily. Regular savings, periodic meetings, the obligation to attend, systematic training and payment of decent return is the characteristics of the self help group (Rajendran, 2012). Self help group allows its members to strive together to achieve common goals, came together to fight exploitation (Singh, 2003). Members of the group created a joint fund to contribute with their small savings on a regular basis. Loan request to be considered in a group with a common consensus. Loans in the self help group in small quantities with short loan period. The loan interest rate is determined based on agreement, usually lower than the banks and lenders. Regular meetings were held not only for raising money, but also to discuss economic issues and knowledge sharing. Failure to pay is rare because of the pressure groups. Micro-financing for women through self help group helps groups of self-help group to achieve economic and social empowerment. It is to develop leadership and organizational skills, management. Overall the impact of micro-credit-based self help group is very effective in combating poverty, unemployment and women's empowerment (Mansuri, 2010).

Musinguzi (2000) states that one way to increase the income of poor families is to provide an opportunity to access loans in accordance with the ability of poor families. Microcredit in accordance with the ability of poor families are loans that can be accessed without collateral and with a very easy process. Microcredit greatly assist micro-entrepreneurs to dare to start a business or improve its production (Robinson, 2002 and Ssendaula, 2000). Sayma (2009) and Mohammad (2008) states that microcredit enables the poor to be able to start business activities, improve

the ability to own assets, so as to increase the family income. Microcredit increasing the capacity of the production rate, improve the ability to save and family income. Asmorowati research results (2010) in Indonesia emphasizes that micro-credit-based self help group proved to empower women and the subsequent impact on family income and family well-being.

### **2.3. The Benefits of Micro Credit Based Self Help Group**

Research Palanichamy (2011) and Khan *et al.* (2011) concluded that women of microcredit increased incomes and living standards significantly after receiving a loan and trainings through self help group. Training received through self help group increases the ability of entrepreneurs to develop products, develop entrepreneurial capabilities so that businesses which manages more developed. Research Manimekalai and Rajeswari (2001) have concluded that the micro-credit through Self help group helps members gain economic empowerment and social empowerment. Self help group develops leadership training, organizational skills and management of business activity. The positive impact of training on family income is also evidenced in the research Lalitha and Nagarajan (2004) found that the micro-credit through self help groups to improve access to information and expertise through training and guidance provided to their members. Besides training of expanding knowledge and resources, so that women members of self help groups become more creative in revenue generation. Research Purushotham (2004), Kumar (2005) and Reji (2011) concluded that the micro-credit through self help group members previously raised the status of wage workers become entrepreneurs. Intervention microcredit, along with training is beneficial for group members in the processing resources available in the vicinity. Thus the positive impact on the training of family income received by the receiver based microcredit self-help group.

The Partnership established through self help group will open access to information, access to markets, access to services and access to technological development (Barton, 2007). More and more micro-entrepreneurs self-help group members have partners will facilitate their business activities to flourish. The more parties that partner then micro entrepreneurs obtain easiness both upstream and downstream. Access will develop marketing, promotional opportunities both with the exhibition and sale of the mouth of the mouth more widespread, access to information easier and faster, and there are many other opportunities to be gained from the partnership that exists. Oommen (2008) analyzed the impact of any partnership is the increased bargaining power of its members, especially against the loan sharks or penghijon. Sathiyabama and Meenakshi (2011) reinforce the Oommen analysis that women microcredit fellow members of the self help group will be teamwork to overcome the obstacles encountered, one of which is to overcome obstacles to the marketing by collaborating with various parties that

can cut marketing chain Products- their products are controlled by pengijon. Thus the partnership will encourage increased productivity of microcredit based self help group and will ultimately increase the family income.

According to Barton (1997), support in the form of technical assistance to micro-enterprises is required in order to recognize small business and use technology so that small businesses can respond quickly to changes in demand. One of the characteristics of the micro-business is the production process still using traditional tools. If there is an increase in demand, micro enterprises are not able to capture these opportunities due to limited means of production. The consequences of the equipment that is traditionally limited production capacity of micro enterprises. Therefore, the provision of technical assistance is expected to boost productivity of microcredit based self help group which would then increase the family income.

Membership in the self help group is the development of social capital) for its members to improve the ability to develop their business and increase their income. In the self help group woke social capital includes three main elements, namely; (1) Trust, (2) network and (3) Norma (Yukuhama, 2008). The third element is a force in self-help group that empowers its members. In the self help group will occur knowledge transfer and information transfer between members that are beneficial to its members in running the business productive. High social capital can reduce transaction costs between actors, information search costs, the cost of supply and the cost of decision-making (Doh and Zolnik, 2011). Thus by being a member of a self help group, micro businesses will be pushed more and more productive, business performance increases so will increase the family income.

## **2. METODOLOGY**

The population in this study were women micro entrepreneurs who are members UP2K-PKK in the city of Semarang. The samples in the study using purposive sampling method starts from election districts up to the selection of respondents. Elections in Semarang specified criteria; 1) districts with capital growth UP2K-highest PKK; 2) districts with the dynamics of the highest-PKK UP2K. District that elected from 16 districts in the city of Semarang District of Ngaliyan and the District of West Semarang. Both these districts have the highest capital growth compared to other districts and have UP2K-PKK group dynamics are very high. After two districts selected as a sample, then reelected village of each district with the same criteria to select districts. Based on capital growth and group dynamics, the implementation UP2K-PKK is the most prominent in the District Ngaliyan is in the Village Wonosari. The execution-PKK UP2K most prominent in the District of West Semarang is in KelurahanGisikdrono. Based Semarang in Figures 2015, Wonosari Village and Village Gisikdrono is kelurahan included in the village with the highest number of poor people in the city of Semarang. Therefore, the implementation of UP2K-PKK actually intensified in Sub Gisikdrono District of

Semarang Barat and Kelurahan Wonosari Subdistrict Ngaliyan with the aim to reduce the levels of poverty that exist in the village.

Selection of respondents in the sample in the study also uses purposive random sampling technique. The sample is determined by the following criteria: 1) the respondent has been a member UP2K-PKK for at least 1 year; 2) respondents have a productive activity that is being actively carried out; 3) respondents actively participates in activities organized by UP2K-PKK groups that followed. Based on these criteria the study sample was obtained for 211.

## 4. RESULTS & DISCUSSION

### 4.1. Profil of Respondent

All respondents have relied upon the productive activities that can help the family economy. Most businesses were cultivated by the respondent is a business that does not require a large capital and specialized skills. The business sectors of food and beverages is the easiest business areas occupied by respondents who are all mothers. Other businesses that occupied is made handicraft, sewing, herbs and haberdasher. All businesses that occupied the mothers chosen because it can be done while performing duties as a housewife.

**Table 1**  
Type of business that occupied the respondents

<i>Bussines Fields</i>	<i>Percentage</i>
Food and beverages	41,07%
Grocery shop	16,21%
Herbal	4,52%
Handycraft	24,81%
Convection and sewing services	13,30%

Respondents mostly high school educated to bottom, so that the business they work in accordance with their skills and knowledge. On average they had been factory workers who came out for marriage. To add to the family income, they start a small business.

**Table 2**  
The education level of respondents

<i>Educational level</i>	<i>Percentage</i>
SD	27,43%
SMP	24,86%
SMA	46,33%
D1	1,42%

Business experience of the respondents vary widely, there is a new start up about a year ago, but also many respondents who already run their business in a long time. Businesses that long showing that the business results can be expected.

**Table 3**  
**Business Experiences of Respondents**

<i>Bussines Experience</i>	<i>Percentage</i>
1 - 4 tahun	37,85%
5 - 8 tahun	28,81%
9 - 12 tahun	8,47%
13 - 16 tahun	2,82%
17 - 20 tahun	22,03%

The majority of respondents had long been a member of self-help group UP2K PKK is between 5 -10 years. The old membership shows that membership in a self-help group provides tangible benefits for its members.

**Table 4**  
**Membership of self help group**

<i>Membership in the selfhelp group (UP2K-PKK)</i>	<i>Percentage</i>
1 - 5 year	25,99 %
5 - 10 year	44,07 %
10 - 15 year	17,12 %
>15 year	8,21 %

One of the real benefits to the members of UP2K-PKK is get access to capital to start a business or improve an existing business. Although the amount of the loan capital is not too big, but it is not required any conditions unless a member UP2K-PKK, a loan from UP2K-PKK greatly assist its members.

**Table 5**  
**Respondent Loan Amount From Self Help Group**

<i>Loan amount</i>	<i>Percentage</i>
Rp. 500.000,00 - Rp. 900.000,00	66,78%
Rp. 1000.000,00 - Rp. 1.500.000,00	10,59%
> Rp. 1.500.000,00	12,43%

Loan capital from the self help group helpful to run the business so that the average respondent is a housewife, was able to obtain additional income for the family. Based on in-depth interview, the husband of the respondents work in the informal sector, such as construction workers, rickshaw drivers, workers whose

income is far from enough to support the family's needs. Here is a monthly family income of the respondents.

**Table 6**  
**Family Income Per Month of Respondents**

<i>Family income per month</i>	<i>Percentage</i>
Rp.1.500.000-2.000.000	29,38%
Rp. 2.100.000-2.500.000	25,42%
Rp.2.600.000-3.000.000	17,51%
Rp.3.100.000-3.500.000	12,43%
Rp.3.600.000-4.000.000	8,15%
Rp.4.100.000-4.500.000	4,11%
>Rp 4.500.000	3,00%

Membership in the self help group, especially UP2K-PKK provide access for its members. The members not only get access to capital, but also access to knowledge, training, information, skills and pemasaran. Para respondents are interested in becoming members of UP2K-PKK not only in order to get a loan, but wants to get additional knowledge and skills provided through the group. This is the function from self help group is important is to increase the capability of its members.

**Table 7**  
**Training and Empowerment Program in Self Help Group**

<b>Training ever held in self help groups</b>
Fish processing training
Training to make cookies
Training the manufacture of household food industry
natural food preservation training
Bussines bookkeeping training
Training healthy food packaging Training
Business management training
Pre cooperative socialization
Cooperative socialization

Membership in the self help group perceived provide great benefits for its members. The respondents stated that being a member of a self help group in particular, a member UP2K-PKK they have a place to develop themselves. Membership self help group have consequences for its members to actively participate in various activities that are not routine and routine. The routine in the group gives members the opportunity to share experiences and knowledge in

managing the business, in addition to recurring events to pay the mortgage and save money. Outside of routine events are often organized training activities, exhibition and dissemination of new information related to the development of their business. Here are the benefits perceived by members of the self help group, especially UP2K-PKK.

**Table 8**  
**Benefits from Membership of Self Help Group**

<i>Membership benefits of self help group (UP2K-PKK)</i>	<i>Percentage</i>
Being able to earn additional income for the family	62,33%
Got the knowledge and new skills	55,19%
Can obtain a loan with ease	78,42%
Gets help from the government	41,24%
Share experiences with other members	51,30%
Got a lot of training	23,39%
Forced to save	31,13%
Enterprises are becoming more advanced	45,19%
Can manage business professionals	38,42%
If one member experiencing business difficulties, will receive assistance from the group	41,24%

## 5. CONCLUSIONS

Micro-credit-based self help group is a solution powerlessness of women who want to start and develop productive activities. The presence of micro-credit-based self help group open access to capital and capability development for the poor, especially women to start and grow productive enterprises so that they can contribute to the family income. Through membership in the self help group, poor women who previously untouched (unserved) and unfit bank (unbankable) possible to obtain a loan is easy, inexpensive accompanied by the development of the capability to start and grow a business. Development capabilities provided through self help group in the form of training, technical assistance partnership and membership in a self-help group itself is able to enhance the capabilities of the individual (initial endowment). The results of this study prove that the development of capabilities given to women through self help group to encourage optimal use of microcredit by the poor, especially women.

All the benefits of a self-help group in the form of micro loans is very easy and very cheap, training, technical assistance and partnership shown to enhance the capabilities of its members in running the business. Microcredit, along with training, partnerships, technical assistance and membership (micro-credit-based self help group) has been shown to function as capability building for poor people, especially women who will be starting and running a productive business, and not just as microlenders. Active membership in a self-help group development capability

opens up various opportunities that will increase the productivity of the poor who have the intention out of poverty.

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