

Characteristics of Cooperative Debtor Households in Maluku Province

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ABSTRACT

Cooperatives are one of the recognized microfinance institutions in Indonesia, with the aim of improving the welfare of members in particular and society in general. This is in line with the goals of the SDGs to end poverty, ensure a healthy life and prosperity for all. Cooperatives are considered easier to reach the lower middle class, especially in accessing loans and having problems with collateral. This paper examines the characteristics of cooperative debtor households in Maluku Province. This research uses descriptive analysis based on the SUSENAS 2021 data by Central Bureau Statistic. As a result, most of those who access loans in cooperatives are married men aged 30 years and over with education below high school and informal employment status, live in rural areas outside the provincial capital, have a total of 4 household members and are not poor households, however have health complaints. Based on these results, it can be concluded that future government policy is to encourage cooperatives to innovate so that it is easier to reach poor households in order to minimize the occurrence of loans in the informal sector (family, friends or online loans) which have the potential to increase conflict and prolonged poor status.

Keywords: Characteristics, Cooperative Loan, Descriptive Analysis, Household, Maluku, SUSENAS.

INTRODUCTION

Indonesia is a developing country with archipelagic conditions. The state development policy with the condition of the archipelagic region should not be generalized between one region and another. Countries with archipelagic conditions can not only have a positive impact, but also negative ones. The positive impact that arises is the wealth of marine life so that it attracts the attention of local and foreign tourists to gather. Meanwhile, the negative impact is that it can cause price inequality for goods and services because it is triggered by high transportation costs. The high cost of transportation can be overcome by developing infrastructure. Thus, economic activity can run smoothly and reduce inequality in the prices of goods and services. Another negative impact arising from the condition of the archipelago is social inequality. Social inequality consists of 3 things, namely, unemployment, poverty and increasing crime rates. Poverty is a very complex problem in all parts of the world, not only a serious problem for poor and developing countries, but also for developed countries. The causes of poverty can come from within or from outside the poor themselves. In the context of alleviating poverty, the Government has developed various strategies through several programs including the provision of basic necessities, the development of a social security system and the development of a business culture. Although the government has tried to overcome poverty with various strategies, the poor also have their own solutions and strategies to reduce poverty by one way, namely seeking additional funds from loans to informal institutions. It is at this point that the role of microfinance institutions is needed.

Cooperatives are the national economy basis on family principles (Pramesti & Putra, 2020). Cooperatives are one of the recognized forms of microfinance institutions in Indonesia apart from a Limited Liability Company (PT). This is clearly evident in Law Number 1 of 2013 Chapter 5 verse 1. In addition, long before being recognized as one of the microfinance institutions, Cooperatives already had their own legal umbrella, namely Law Number 25 of 1992 concerning cooperatives, as an act of further from the people's economic system adopted in Indonesia, namely the economic system based on Pancasila democracy and contained in the 1945 Constitution Chapter 33 Verse 1 which states that "the economy is structured as a joint effort based on the principle of kinship". Cooperative is a business entity which consists of individuals as owners and users who run their business in accordance with the cooperative principles that apply and are legally regulated in the law. Types of cooperatives according to Law Number 25 of 1992 Chapter 16 include savings and loan cooperatives, consumer cooperatives, producer cooperatives, marketing cooperatives and service cooperatives. One of the previously mentioned types of cooperatives is savings and loan cooperatives, which will be discussed more specifically in this study.

Savings and loan cooperatives and banks in general are very different. The purpose of the Bank is to seek the highest possible profit, while the purpose of the cooperative is to provide welfare for its members and the surrounding community. As written in the book written by (Briscoe, R. & Ward, M., 2011) entitled "Helping Ourselves, Success Stories in Co-operative Business & Social Enterprise" namely "To be successful, co-operatives must have a higher purpose than making money. The center of any co-operative's concern is human beings, not dollars, and the business is really a means to human ends." That is why, cooperatives are one of the most important parts of development in this country.

The purpose of this study was carried out in Maluku Province, because Maluku is one of the provinces located in the eastern part of Indonesia with an area covering 712,480 km² consisting of 92.4% sea and 7.6% land and ranks fourth poorest in this country with a

poverty rate of 16.3%. Poverty is a complex problem in all parts of the world. Therefore, the goals of the Sustainable Development Goals (SDGs) numbers 1,3 and 10 are ending poverty in all its forms everywhere, ensuring healthy lives and promoting prosperity for all at all ages and reducing inequality within and between countries. Cooperatives are often associated with collective action and are social capital and therefore, are often considered to reduce poverty more than other types of institutional innovation (Verhofstadt & Maertens, 2015). Thus, one way to break the chain of poverty is to seek additional funds for consumptive and productive needs. According to (Bharadwaj, 2012), Cooperatives in the context of rural Nepal, have the potential to support breaking the vicious cycle of poverty. However, if we look at the data on households living in urban and rural areas who access business credit in cooperatives on a national and Maluku scale in 2017-2019, which are sourced from the Central Statistics Agency, it is clear that access tends to decline and there is a considerable difference. when compared between the national scale and Maluku province, the number of households accessing business credit in cooperatives in Maluku is smaller than the national scale. According to data from the Central Statistics Agency for Maluku Province in 2017, the percentage of households receiving access to credit from several financial institutions in Maluku, cooperatives is in third place. While people's business loans are in second place and Commercial Banks other than People's Business Credit are in first position. In 2018, the position of the cooperative shifted to fourth place, but in 2019 it was again in third place. Even though it managed to come back in third place, when compared to the national scale, there is a very real difference, which is approximately 50% smaller than the national figure and even worse in 2020, which is in fifth place, which is most likely triggered by the Covid-19 problem, due to restrictions. the movement of people, the economic activity was greatly disrupted. In fact, the hope is that cooperatives can become the main choice for households in accessing loans for production and consumption needs. This is because, as previously explained, cooperatives are legal and legally recognized microfinance institutions in Indonesia. However, the data seems to show that the Bank is easier to access when it comes to doing business. Meanwhile, cooperatives should be more flexible in reaching households that need assistance. Based on the phenomena that occur, this must be investigated properly and correctly, so that the results can be taken into consideration for the development, existence and progress of cooperatives in Maluku in the future.

LITERATURE REVIEW

Most people access loans not for production activities, but for consumptive expenses such as food, school and health insurance (Imai, Arun, & Annim, 2010; Latifah, 2013; Tinh Doan, 2015). Access to finance is needed to increase or obtain income or in other words not only for production activities but also for smoothing consumption (Modigliani, 1986) However, farmers need credit support to meet their subsistence needs, including the purchase of durable goods, daily consumption, and festivals and ceremonies. More importantly, affordable agricultural credit allows farmers to adopt new technologies, which provides them with potential economic opportunities to increase production and income (Li, Gan, & Hu, 2011). Oftentimes, failure to access formal credit leads farmers to use informal loans that are offered at higher interest rates. As many as 50-60% of households in rural China still depend on informal loans to meet their consumption and production needs (Han, 2004). One of the obstacles that prevent the poor from accessing formal loans is the requirement for collateral (Li et al., 2011). As a result of such things, and the complicated process of applying for loans, it often reduces the willingness of farmers, as a result they tend to jeopardize productive investment opportunities when they need loans in a short time (Tilakaratna, 1996).

RESEARCH METHOD

The research method used is quantitative descriptive analysis. According to Bungin (2015), research with this method is a process of describing, explaining or summarizing various conditions, phenomena situations, or various research variables according to events as they are which can be photographed, interviewed, observed, and which can be expressed through documentary materials. Then, the same thing was also stated by Arikunto (2019) that this kind of research is a method whose purpose is to show and describe a situation using numbers, starting from the stages of data collection, data interpretation to the appearance and results. The results of the collection of quantitative or statistical data are in the form of surveys which are carried out as is, and are not calculated or seen as related to other variables.

This study uses secondary data, namely data that is indirectly obtained from the source (Suliyanto, 2018). The data used in this study is the March 2021 National Socio-Economic Survey (SUSENAS) data at the time the Covid19 pandemic was occurring, sourced from the Central Statistics Agency. SUSENAS data can also be categorized as micro data because this data is based on a household scale.

To obtain these data, the authors use data collection techniques by means of observation and literature study. Suliyanto (2018) argues that observation is a data collection technique using the senses, namely not only seeing but hearing, touching and tasting are also observations. Observations in this study were carried out directly at the relevant agencies in order to obtain the results of the survey. Meanwhile, literature study is a data collection technique related to theoretical studies and also other references, and still has a relationship with values, culture, and norms that develop in the social situation of the object under study (Sugiyono, 2017).

RESULTS

Determination of household characteristics of cooperative debtors in Maluku is based on previous research that has been carried out by several researchers, namely Mohamed (2003) where the determination of socio-economic characteristics of rural households in terms of age, gender, education level, and income level. Meanwhile, according to Okurut (2006), household characteristics such as location of residence, family size, and household expenditure also significantly influence household access to formal, semi-formal and informal credit in North Africa. While in this study, the authors add several sections in the characteristics, namely health complaints, poor status, marital status, work status and the internet. Health complaints are entered by considering the period of data taken, namely during the Covid19 pandemic so this needs to be reviewed as well, according to research conducted by Imai et al. (2010) that the use of loans is mostly for children's health and education. So, the total number of components of the household characteristics of cooperative debtors is 11 components whose percentage is calculated for access to loans in cooperatives, and produces a table like the one below.

Table 1. Descriptive Statistic of Cooperative Debtor Household

			Access Credit		
			Household that do not access credit	Household that access credit in Cooperatives	Household that access credit apart from Cooperatives
Sex	Female	Column N %	14.5%	7.2%	8.7%
	Male	Column N %	85.5%	92.8%	91.3%
Age	Head Old Household (age 30 years and over)	Column N %	88.8%	94.6%	94.0%
	Head Young Household (age 29 years and under)	Column N %	11.2%	5.4%	6.0%
Education	Low (Junior High School and under)	Column N %	52.2%	69.8%	33.3%
	Middle (Senior High School)	Column N %	34.7%	24.8%	44.2%
	High (College)	Column N %	13.1%	5.4%	22.5%
Household Size Member	4 people	Column N %	60.7%	52.5%	52.6%
	> 4 people	Column N %	39.3%	47.5%	47.4%
Health Complaints	Don't feel sick	Column N %	61.3%	33.9%	50.0%
	Sick	Column N %	38.7%	66.1%	50.0%
Poverty_Stat	Not Poor	Column N %	91.8%	92.2%	97.3%
	Poor	Column N %	8.2%	7.8%	2.7%
Marital_Stat	Else	Column N %	22.7%	5.3%	11.6%
	Have partner	Column N %	77.3%	94.7%	88.4%
Work_Stat	Formal	Column N %	30.2%	14.4%	43.8%
	Informal	Column N %	69.8%	85.6%	56.2%
Internet_HS	Don't use	Column N %	25.4%	15.3%	7.8%
	Use	Column N %	74.6%	84.7%	92.2%
Location	Other counties	Column N %	50.5%	51.4%	46.0%
	Regencies adjacent to the Provincial Capital	Column N %	49.5%	48.6%	54.0%
Residential Area	Rural	Column N %	55.1%	56.8%	41.1%
	Urban	Column N %	44.9%	43.2%	58.9%

DISCUSSION

Household characteristics of cooperative debtors in Maluku Province when viewed from the gender of the head of the household, the most dominant borrowing in cooperatives are men, namely 92.8% with age over 30 years and low education as much as 69.8%, having a household members 4 people, have health complaints as much as 66.1%. However, it turned out that 92.2% of those who borrowed from cooperatives were not households with poor status and most of those who had a life partner were 94.7%, and had informal employment status. Nearly 90% of households borrowing from cooperatives use the internet and live in rural areas or in districts separate from the provincial capital. Men dominate in making loans in cooperatives because there are several determining factors including work. Usually men have a heavier workload, thus generating a large

income according to their workload. This is one of the factors that causes cooperative loans in Maluku to be more dominantly accessed by male household heads. This is in line with research conducted by Ghosh and Vinod (2017) that male-headed households are more likely to access loans than female-headed households. Abaru, Mugeru, Norman, and Featherstone (2006) states that age is a measure or benchmark of lenders' trust in borrowers.

This is in line with the results of the processed descriptive data above, because most of those who access loans in cooperatives are aged 30 years and over, meaning that in terms of age, it indicates a person's level of ability so that they dare to apply for a loan. The higher the level of education, it will affect access to loans at microfinance institutions which are formal institutions, because these individuals better understand the terms and conditions of applying for loans to formal institutions. However, this is not always true according to Habtu (2012) because it is not necessarily the head of a highly educated household that will always decide to borrow from microfinance institutions, especially cooperatives. It is proven in this study that many who access loans in cooperatives are those with low education, namely junior high school and below. Individuals with poor poverty status will tend to choose to seek additional funds with conditions that are easy to fulfill, so that these two variables will greatly affect household participation in accessing loans.

The previous assumption is not always correct because according to Nopitasari and Handayani (2020) poverty status has a negative effect on the choice of accessing loans due to their inability to provide collateral that can be pledged to receive loans. Households that have working status in the formal and informal sectors both need additional funds and will access loans when the need for consumption and production is greater than the income received, so they will choose to access loans. The internet during a pandemic is very vital, all human movement is restricted and at that time, the internet is very reliable. Internet is used for school, entertainment, even for work. Moreover, seen at that time and even now, online loans are increasingly circulating among the public with various forms of application, it is very possible when someone uses the internet, then that person will access loans not only online loans, but can also access offline loans. in cooperatives and other than cooperatives or they may choose not to access loans because they receive information about the economic conditions in Indonesia and even the world which ultimately becomes a consideration for not accessing loans. This research shows that most of the households that access loans use the internet, so this can be an opportunity but also a challenge.

Household accessibility to the internet allows increasing consumer demand for a product on various online platforms or market places thereby increasing the number of needs for additional funds, on the contrary, it becomes a threat when households use the internet and find it easy to access loans in informal institutions in particular. Togba (2012) reveals that the microfinance sector is not only useful for informal economic activities, but also extends to civil servants and private sector employees. The results of the above study indicate that those who tend to borrow in cooperatives are those with the best status for informal jobs. This means that cooperatives are better known among households with informal employment status because the loan requirements in cooperatives are easier to fulfill by households with informal employment status, but not for households with poor status. Thus, most of the poor do not access loans from formal financial institutions. This is in line with the results of this study, meaning that it is very likely that cooperatives are still not relevant to the poor, because they are hindered by various requirements to apply for loans. research conducted by Campero and Kaiser (2013) stated that urban households would prefer to access loans from banks or cooperatives, while rural households would prefer to access loans that were announced as government programs.

The results of the research above are the opposite. In fact, most of the households borrowing from cooperatives live in villages and are located in districts that are not on the same mainland as the provincial capital of Maluku.

CONCLUSION

Based on the results of data processing in the discussion section above, there are several conclusions that are also expected to provide direction on the direction of future cooperative development policies, namely 1) Cooperatives still have to continue to innovate so that it is easy to reach poor households so that they can reduce the level of poverty and conflict due to access to informal loans sourced from (family, friends and even online loans), 2) Cooperatives are very useful in critical situations such as during the Covid19 pandemic. It is proven that 66.1% of those who access cooperatives have health complaints, 3) Cooperatives must continue to innovate to attract households with formal employment status, both from the loan scheme and the interest rate in order to compete with financial institutions other than cooperatives, 4) most cooperative debtor households have used the internet, this can also be a threat to the existence of cooperatives, because online loan offers packaged in various forms can be easily accessed by cooperative debtor households, 5) the existence of cooperatives in urban areas must continue to be echoed so as not to lose competition with non-cooperative financial institutions such as banks, pawnshops, leasing, and others, 6) counseling and socialization about cooperatives must be carried out from an early age for school-age children. So, they know that the Cooperative is one of the legal and recognized microfinance institutions in Indonesia. The hope is that by conducting counseling and socialization, the image of cooperatives in the community is no longer viewed with one eye due to being often equated with moneylenders, 7) Cooperatives that do not hold the Annual Members Meeting must be given special assistance and attention so that they can run in accordance with the provisions of the applicable law, so as not to create negative assumptions among the community that cooperatives are only owned by one person, even though cooperatives are business entities. which are owned by individuals or cooperative legal entities with the position as users but also customers and run their business in accordance with the cooperative principles that have been regulated in the law which is seen as a people's economic movement based on the principle of kinship and 8) guidance from the local Cooperative Service in the form of the participation of cooperative management and members in education and training is very much needed, so that cooperative people know exactly their rights and obligations as a whole.

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DECLARATION OF CONFLICTING INTERESTS

The author's interest in this research is solely for academic purposes.

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