

Sustainability of Rural Microfinance Institutions in Buton District of Southeast Sulawesi Province

Akhmad Firman¹, Ubud Salim², Djumilah Hadiwidjojo³, Armanu⁴

¹ Doctoral Program of Management Science, Business and Economics Faculty of Brawijaya
University, Indonesia

^{2, 3, 4} Lecturer of Postgraduate Scholar Program of Economic Faculty, Brawijaya University, Indonesia

ABSTRACT: Indonesian government realizes the importance of Micro Credit Institutions (MCIs) as a capital source for poor people. Southeast Sulawesi Province Government continues to grow MFI. However, few MFIs that can live until certain time. Rural Finance Management Unit (RFMU) is a cooperative institution that not only survived but grown rapidly to serve its members. This is a unique thing that elicits admiration and attractive for further research. Therefore, this study aims to uncover and to give understanding (interpret) what happened to Sustainability of Rural Microfinance Institutions. This study used a qualitative phenomenological approach. This analytical model is developed by Miller and Huberman. Analysis was performed on data that already collected, reduced, classified, presented, inferred, and verified in same time. This research findings are follow: 1) a good steward recruitment is determined according to leader electoral process or determination is based on professionalism considerations, have experience to manage organization, work in accordance with formal institutions and informal mechanisms of local communities; 2) Board governance institutions implement good corporate governance; 3) Implementation of good governance has implications to increase good member; 4) members discipline to repay loan is driven by norms and social values (shame, maintain mutual feelings) and religion who still cling to local community, fear of sanctions both fine and confiscation; 5) Institution form that suitable with semiformal MFIs institution are rural cooperatives; 6) Perceived benefits of loan because mothers can improve business to increase revenue, home improvement, self-reliance, easiness to obtain capital and fostering society entrepreneurship spirit.

KEYWORD: Sustainability, Cooperative, Sulawesi, Micro Finance, NGO

I. BACKGROUND

Indonesian government has long realized the importance of Microfinance Institutions (MFIs) as a source of capital for poor people. This is due to they inability to meet requirements from banking credit institutions poor, especially those who living in rural areas with livelihood as farmers and fishermen. Long struggle history to establish MFIs in Indonesia was initiated by Raden Bei Aria Wirajaatmadja as an aristocracy and also cash mosque caretaker. He was astonished to hear a teacher who wants to makes a great party, by debt to a Chinese usurer with very high interest rates. He was thinking about how to not entangle by debts with high interest rates. He founded *De Poerwokertosche Hulp en Spaarbank der Inlandsche Hoofden* in 1894 for nobles to get a loan. This shows high sense of responsibility and solidarity among pilgrims with financial difficulties. In a short time, it become an official institution that Help and Savings Bank of Employee Owned Natives Nobles on December 16, 1895. This date is used as founding of Bank Rakyat Indonesia/BRI (Jatmiko; 2012).

Efforts were done in early independence to improve ownership system by limiting foreigner's involvement in banking system, through nationalization of Dutch-owned banks. Those efforts continued in New Order era by encouraging MFIs financial system primarily in rural areas, such as the Village Unit Cooperatives (VUC), Village Unit Business (VUB) to provide savings and credit services that can be accessed on an ongoing basis by a large group of rural residents. Efforts have been initiated to provide credit services to poor rural and urban. It proof that government was committed to eradicate poverty through development of Micro, Small and Medium Enterprises (MSMEs), as well as entrepreneurship program to create new entrepreneur.

Ledgewood (1999 in Arsyad, 2008) divided MFI based on formality level that is grouped into three types. They are 1) formal institutions of authorized financial institutions and bound by regulations and supervised by central bank, for example, commercial banks such as Bank Rakyat Indonesia (BRI), People Credit Bank (PCB), including non-financial institutions such as Rural Credit Bank (RCB), Rural Credit Fund Institution, District Credit Agency (DCA) in central Java, Credit Development Institution (CDI) in West Java, *Pitih Nagari* Institution in West Sumatra, Credit for Small People in East Java and Village Credit Institutions (VCI) in Bali; 2) semiformal institutions that not regulated by banking authorities but registered and obtain a permit from local government authority, such as Saving-Credit Cooperative (SCC), Village Unit Cooperatives (VUC); 3) informal Institutions that operate outside regulatory structure and government oversight that grouped into four categories: (1) direct loans from individuals or institutions wit surplus to family, neighbors, or co-workers, without collateral and interest, (2) lending that conducted by an individual or institution to specialize in lending, both with their own funds or intermediaries; (3) loans from lenders, whose main activity is not yet tied to credit markets transactions with transactions on market (tied or related to credit); (4) finance group where people deposit their savings exclusively or primarily for other (members of a particular group) or outside of group (non - members), and actually that informal financial institutions show rapid growth.

There are two approaches related to regarding procedure to help people with low incomes such as small-scale entrepreneurs, namely through provision of access to financial services provided (Morduch, 2000, Woller, Dunford & Woodworth, 1999) in Arsyad (2008) namely; (1) institutionalist approach, which prioritizes to create financial institutions to serve clients who are not served by formal financial system (commercial banks). This approach purpose is to achieve independence through institution financial independence, reach a broad and deep, and positive effect of client. For profit-oriented institution that provides high -quality financial services to a large number of poor clients. The institutionalist reject any approach to various forms of subsidies because they cling to financial independence, (2) welfare approach (welfarist) that emphasizes to poverty reduction directly through lending, which is often given simultaneously with complementary services such as teach read and write skills, numeracy, health, nutrition, family planning, and like (Ledgerwood, 1999 and Robinson, 2001 in Arsyad, 2008).

Welfare approach seems more appropriate for poorest among the poor. However, institutions that successful to implement this approach, only a fraction can meet microfinance demand. Most of institutions that implement this approach get subsidized loans from government and donor agencies, therefore often do not have sustainability.

MFIs operation in Southeast Sulawesi province, both the formal, semi-formal, or informal, evolves as development of similar institutions in other regions. This MFI grow partly are a program that received stimulus funding from government that financed through state budget, as well as loans or grants from donor countries that managed through a project run by the government and NGOs.

There are three projects that aimed to help poor people of rural areas in Buton District by creating MFI institutions, namely: (1) Sulawesi Project Agricultural Development Area (SAADP) that financed by World Bank from 1999-2003 using Rural Financial Management Unit (RFMU); (2) Health and Nutrition Improvement Project Community in Batauga and Sampolawa Districts that funded by grant from *Nederlandse Orgnisate voor internationale Ontwikkelingssamenwerking (NOVIB)* from Netherlands, conducted from 1994 to 1995 by setting up cooperatives; (3) Family Income Generation Project for Maluku exodus and Local Communities that conducted in 2000-2003 through strengthening of Rural Economy Institution (REI), and also by establishing cooperatives.

This project activity was implemented in different ways. For SAADP, management was implemented by national and local governments and NGOs for project socialization, committee selection, strengthening management capacity of institutions, helping to disburse funds in accordance with every project for RFMU with guidelines is designed by central government, improvement of public health nutrition project where NGO identifies various issues related to public health with participation from community. At end of project, it led to

birth of financial institutions that can help rural communities in accordance with problems they face. It grows from people themselves that required to form first group to have compulsory savings, as a condition of funding stimulant returns in installments to NGOs for subsequently replicated to other villages. While on family income generation project activities for Maluku exodus was started with a survey of economic development potential prospects and undertake an assessment of figures at local level to become manager of cooperative efforts of NGOs. Stimulus funds to build the project prepared for cooperative institutions, as well as through establishment of a group of at least 20 people who have make compulsory savings as a stimulant for disbursement requirements that also must be returned by installments to NGOs companion.

During project, 71 RFMUs scattered in all villages. After completion of project only one last up to 6 years until 2009, ie RFMUs at Watumotobe Village in Kapuntori District. Project of Food and Nutrition Improvement in Batauga and Sampolawa Subdistrict was founded 7 cooperative from 1994-1995, but only a women's cooperative that run namely Mata Mosobu cooperative at Poogalampa Village in Batauga Subdistrict. Projects to increase revenue for local families and Maluku exodus that occurred in 1999 - 2003 where was build 12 village cooperatives but only 3 cooperative still live and even Subur Jaya Cooperative can develop rapidly (Sintesa NGO 2010).

MFIs mortality phenomenon quite high was happened not only MCIs that developed through government loans but also through grants from donor countries, even developed by government through state budget funds from Ministry of Cooperatives and SMEs. However, there are 3 MFIs that can last up to a certain time. RFMU is cooperative institution that not only survive but grow rapidly to serve its members. MFIs that still live and even survive is something unique and interesting that elicits admiration for further research.

II. THEORY AND PREVIOUS RESEARCH

One of qualitative research is researchers 'enter' into field that not armed with a theory, or do not carry a lot theory. It is intended to avoid a subjectivity sense of researchers. A qualitative researcher actually keep independence,. He does not affected by certain concepts that can make authenticity or nature of informant, because it has been mixed with concept or theory that brought by researchers. Theories for issues presented are not intended to become theory dialogue, then makes synthesis and constructing variable, as was done in quantitative research, but rather is intended only to equate between researcher and reader perception about focus and problems studied.

Therefore, it will be presented some theories that become research focus namely institution sustainability with MFI lending to customers.

2.1. Theory of Information Asymmetry on Financial Transactions

Economist United States, Douglas North (1990), Sewarmala and Sherraden (2004) in Akyuwen R et al, (2010), revealed that humans are exposed to reality of incomplete information and limited capacity to process information available. This is an obstacle to build human interaction in context of structural changes. Incomplete information that followed limited capacity to process information determines transaction costs, especially to measure value of goods and services exchanged, as well as costs associated with debt agreement enforcement.

Salim (2011) stated that debt is easy to understand consequences of debt difficult to sustain in mind. Debt is a loudspeaker that become good or bad development. Even the "development" was many replaced with "leverage" and "(gearing " that used more widely. Whereas in credit markets or ideal debt is traded through a competitive market in which forces of supply and demand interact then interest rate is determined by supply and demand.

Hoff and Stiglitz (1990 in Arsyad, 2008) specifically discuss the relationship between imperfect information and rural credit markets. They show that rural credit market contain following three things: (1) each borrower have failure possibility to repay loan at different rates and therefore it will take a lot of cost to determine risk of each borrower. This is known as screening problem, (2) would be costly to ensure that

borrowers do things necessary to be able to repay their loans. This is called incentive problems and, (3) It is not easy to force people to pay off their loans. This is known as enforcement problem.

To resolve all these problems, they suggested two types of mechanisms, namely: 1) an indirect mechanism that depends on design of a contract made by a lender although a borrower approve contract for its own sake; 2), direct mechanisms that depend on resources that can be made by the lender and loan agreement enforcement.

2.2. Lending Principles

Before a credit facility granted bank or MFIs, they should feel confident that loans will actually return, through a various ways to gain confidence of its customers such as through proper assessment procedures, assessment criteria and same assessment aspects, as well as measures that become a standard with a 5 C analysis (Kasmir, 2001: 104-105).

Rating for 5 C are: (1) Character, a belief that nature or character of people who will be given credit completely trustworthy, (2) Capacity, meaning ability to see clients business related to education, business abilities as measured by ability to understand provisions of government, (3) capital, to see capital effectiveness usage, financial statements (balance sheet and income statement) to perform such measurements in terms liquidity, solvency, profitability and other measures.; (4) Collateral, it is a prospective customer guarantees provided both physical and non-physical (5) condition, in assessing credit should also be assessed from economic and political conditions now and in future in accordance with their respective sectors, as well as business prospects of sector he ran.

2.3. Previous Research

Studies of Christen (1995) focused on analyzing performance and wide range of MFIs financial sustainability MFIs in several countries, among others, in Bangladesh, Bolivia, Costa Rica, Dominican Republic, Indonesia, Kenya, Negeria and Sinegal. His study uses consolidated financial data of each MFI, with performance indicators are loan amount, operational independence (self - sufficiency operations), financial independence (financial self - sufficiency), adjusted assets rate of return (adjusted return on assets or ROA), and adjusted of level equity returns (adjusted return on equity or ROE). Research results showed that two key ingredients to get full independence is efficiency and appropriate pricing policies. However, this study does not reveal effect of institutions both formal and informal institutions on financial indicators.

Furthermore Yaron (1994 in Arsyad, 2008) discusses the operational mode of policies and financial performance of four MFIs with government-funded in Asia that considered successful (Bank for Agriculture and Agricultural Cooperatives or BAAC in Thailand, BKK and BRI Unit Desa in Indonesia, and Grameen bank in Bangladesh) to study effect of economic factors, social and institution to make four MFI success. Research findings show that there are four main requirements that must be met in order MFI has a high sustainability . First, MFIs should have positive interest rate that high enough to cover loan interest without subsidized (for non-subsidized MFI) to maintain real value of its equity. Second, MFI should be able to achieve high returns. Third, MFI should offer high enough deposit rates to ensure that voluntary savings increased significantly to finance loan portfolio. Finally, MFI should be efficient (including low transaction costs and administrative) in credit delivery mechanism, namely selection process, loan processing, billing refunds, mobilization to service customers.

Naveen K. Shetty (2009) conducted a study in rural India about microfinance sustainability at different groups based on SHG (Self Help Group) and neighbor based group. Survey was conducted on 106 women's groups in 10 villages in Karnataka region of India for 2006-2007. Five villages was supported by Sri Kshetra Dharmasthala Rural Development Project (SKDRDP), Dharmasthala, Dakshina and five other villages get Sanghamithra support from Rural Financial Services (SRFS). Findings also illustrate that saving and credit, refund directly affect on accuracy of MIF achievement level. There are two important aspects namely sustainability or managerial and financial institutions. Sustainability micro credit programs for poor people that

can be achieved only if the micro credit groups also sustainable. Other findings that SKDRDP group reaches higher sustainability than SRFS group. The reason that SKDRDP provide more education and training than SRFS.

III. ISSUES RESEARCH

Referring to studies focus that mentioned above, proposed research problems are follows: 1) How Rural MFIs in Buton can sustainable; 2) How MFIs able to overcome the obstacles arise; 3). How to repay loan on time to MFIs; 4). What benefits are perceived by rural MFIs borrowers.

This research has three purposes. They are 1) Uncovering and interpreting how to get sustainability, measures and actions taken in solving various obstacles that arise during this time; 2) how borrower repay loan timely and 3) usefulness that perceived by borrowers about MFIs presence in his village.

Theoretical aspects advantage of this study is for sake of science, especially in areas of financial management. Practical advantage is especially for policy-making in provision for poor people to access non-bank financial institutions or rural MFIs.

IV. RESEARCH METHOD

This study seeks to uncover meaning through a qualitative approach (phenomenological), with aims to reveal and understand meaning (*noumena*) behind phenomenon of perception and action based on various aspects of underlying action. Qualitative research uses natural setting, with intention to interpret phenomena and performed by various existing methods. The central problem in qualitative research is more to exploratory problem solving in everyday life or search for a best practices model of institutions to show the meaning behind it (Denzin and Lincoln, Moleong, 2007 in Satori and Komariah, 2010)

This research focus is to uncover facts behind Rural MFIs sustainability at Buton related to interaction aspects between individual as a member of an institution or group, including values or beliefs associated with adherence to repay credit. Excavation of meaning in qualitative research lies in study results that valid and reliable. Validity of study results very depend on data and how to obtain it, namely disclosure right of data sources (instruments) quality. Instrument in qualitative research to conduct research is researcher itself. Researchers in qualitative research is key to opens, review and explore throughout spaces carefully, orderly and free, some even refer them as key instrument (Satori and Komariah 2010).

Analysis model use qualitative analysis of information that obtained from observation and intensive dialogue with informant to give meaning. Referring to analysis model developed by Miller and Huberman (1992 in Basrowi and Swandi, 2008), analysis is carried out on data that have been collected, reduced, classified, presented, inferred, and verified in same time.

This research focus is why 3 rural MFIs can get sustainability on 3 different project sites namely: First, Rural Finance Management Unit (RFMU) of Watu Motobe Village project that initiated through Sulawesi Area Agricultural Development Project (SAADP) that funded through a World Bank loan using companion NGOs, through mechanism of central and local government; Second, Village Mata Mosobu Cooperative of Poogalampa Village in Batauga District from component of food and nutrition project through a grant from *Nederlandse Orgnisate voor internationale Ontwikkelingssamenwerking (NOVIB)* with rolling basis establishment, where women become administrators and members of cooperative. Facilitation fully carried out by companion NGO without government involvement. Third, Subur Jaya Cooperative of Kolowa Village at Gu Subdistrict. This project financed from German International NGO dedicated to economic empowerment of exodus society and local using Rural Economic Institution (REI) or Credit Union (CU) that fully facilitated by NGO, also without government involvement.

This study analysis unit is RFMU board as an institution and cooperative as MFIs institution that interact with individuals and groups in society, as an institution or credit union leaders who provide services while individuals or groups become recipients of services.

Phenomenon of fairly high MFI mortality but still there is a reality that there are three MFIs could survive raises researchers interest to research further the existing gaps. Until today there are limited phenomenological study about MFIs sustainability relates to formal institutions (game rules of projects and agreements set together) and informal institutions (socio-cultural norms of society) as well as religious values adopted by public that still lacking, and a qualitative assessment of sustainability MFI. This study is focused on how Rural MFIs could get sustainability .

V. FIELD DATA FINDINGS

The data were collected through observations, depth interviews/dialogues with 15 informants. They are leader and secretary as much as 6 people, members informant are 9 people, 3 from Watumorobe RFMU, 4 from Mata Mosobu Cooperative and 2 from Subur Jaya Cooperative.

Table 4.1. Demographic Conditions and Informants Role in MFI

No.	Name	Age (Year)	Gender	Education	Position
1.	La Mindano	35	Male	Graduated Senior Economic High School	RFMU Leader
2.	Rudi Tumanggor	45	Male	Scholar	RFMU Secretary
3.	Wa Ode Sabaria	43	Female	Graduated of Senior High School	MTM Cooperative Leader
4.	Wa Ode Usria	40	Female	Graduated Junior High School	MTM Cooperative Secretary
5.	La Paaga	54	Male	Graduated Junior Economic High School	SBJ Cooperatives Leader
6.	Arifin	45	Male	Graduated Senior High School	SBJ Cooperatives Secretary
7.	Rosmawati	45	Female	Graduated Senior High School	RFMU Group Leader
8.	Baharuddin	51	Female	Graduated STM	RFMU Group Leader
9.	Haridi	48	Male	Graduated Islamic Junior High School	RFMU Group Leader
10.	Wa Ode Balli	56	Female	Ungraduated Elementary School	MTM Cooperative Member
11.	Wa Ode Hasra	43	Female	Scholar	MTM Cooperative Member
12.	Ruaeni	45	Female	Ungraduated Elementary School	MTM Cooperative Member
13.	Wa Ode Masria	46	Female	Graduated Junior High School	MTM Cooperative Member
14.	Hasim	46	Male	Graduated STM	SBJ Cooperative Member
15.	La Gani	53	Male	Graduated Elementary School	

Source: Primary Data (2013)

Data findings and statements about sustainability of informants from Watumotobe RFMU leader that he asked to become a candidate for leader of society he refused, because still new comer in this region, still not familiar and unknown by public. People want he became RFMU leader because he have competence to manage savings and loan at Samaturu in Watumotobe region.

However, due to public demand, he finally agreed to become a candidate and elected as leader through direct election by majority vote. Before officially sworn as leader, he asked all workshop participants were given opportunity to speak, that he became leader not because he want that, because it will work according to capabilities.

Adversely, secretary becomes caretaker not through direct elections, but asked by community leader who wants progress for this village, after conference between leaders. Initially he refused to become a secretary because he did not attend meeting because they do not get an invitation, but to appreciate leaders he finally agreed with condition that he should receive a job description and responsibilities before taking a formal decision.

Chief informants consider the toughest obstacle he faces is internal resistance of board, how to create an optimal working environment amidst age and education difference. Leader education is graduated from high school and still younger than secretary. Less conducive working atmosphere also appears to differences incentives considered unjust steward, because his chief secretary and treasurer easily compared, but got much higher incentives. Informants secretary show that obstacles is mutual suspicion between the boards, because RFMU hold a lot of money.

Leader held a meeting to face obstacles with discussing issues that exist between them. The result is as long as he in office, he become leaders who make decisions and take responsibility for that decision. Incentives for leader, secretary and treasurer is divided proportionally. Secretary duties is to manage loan administration and control treasurer. Treasurer should noted repayment and borrowing. Following the board meeting, it stated that success is success and failure is hold together.

Members discipline to repay their loans because they judge that RFMU board also disciplined and resolute. They afraid to get penalties even if collateral can be seized in arrears. They feel embarrassed in arrears because the names of defaulters will be announced to public that opposed to cultural values. Debt is equal with disgrace, getting severe punishment in hereafter. Loans with joint liability group systems pose a high responsibility and solidarity to repay loan because of shame as a member of a group and religious leaders also should be a role model.

Perceived benefits RFMU borrowers are they able to increase revenue with growing their business loans, can build a house, to continue education at university, for women sellers they can take mothers gathering in village.

Important sustainability statements of informants from Mata Mosobu Cooperative is sincere intentions to build a cooperative for village betterment. Cooperative is build not for material, where for 5 years board member never received a salary, even administrators refused to Business Balance (SHU) after verified by companion NGOs. Difference in calculation results over thirty million dollars is too large for Board and even by NGOs Trustees, but they did not take that. They very understand that funds are collected with difficulty. It is derived from selling old bottles litter or sell cassava, bananas from the garden members.

Board stressed that all members can borrow money. The important thing is they must honest and willing to repay loan at a predetermined time, ie at 10th date of every month. If late they will get a fine and, and if at deadline still had not yet paid, members no longer receive a loan.

Leader informants refused financial aid from the government through Cooperatives Department Leader and SMEs of Buton, who attended at of Members Yearly Meeting (MYM) in 2011 and will provide capital assistance. Spontaneous rejection is considered as "crazy caretaker", because usually people build cooperative only to expect financial aid, but they even refuse capital help.

Obstacles faced are failure to create cooperatives institution because negative image of cooperative in society that funds collected will be corrupted officials. Society does not want to deposit savings as a condition of obtaining funds from donors to stimulate to establish cooperative. In order to overcome barriers, Sabaria Wa Ode as an initiator founder discusses with members of family to get a revolving fund to establish Rural Credit Enterprise (RCE). In addition to getting funds, it is also increase NGO officials capacity as a companion project. Priority is education lending cooperative, household economic and home improvement.

Members have discipline to repay loan each month. Informant borrow money to finance their children's education, paying sincerely although with coconut and banana from small field. Informants who borrowed to develop mattress business admit she embarrass to other members when not repay on time, as she afraid mattress employers get sanctions if not given load again if not pay. Informants who borrow and lend back to non-member outside village always repay with discipline because he was honest so that people that given loans also honest. Informants who borrow to build a house because also repay with discipline and downsize household expenditure, prioritizing preparations in accordance with promise repayment of loan when borrowing in cooperative.

Cooperative presence gives benefit to cooperative members in accordance with borrowing purpose, among others are to finance their children's education to become a bachelor, being a civil servant when he himself was poor. Informants who borrowed to develop their businesses can grow to market mattress outside province, in Maluku and North Maluku. She can renovate house, more capital to enlarge business, could build a house and make a standalone housewives even provide employment for mothers of other households in village.

Informants borrowed from cooperative to lend back to non-members outside the village, which adds to household income so they can renovate house and continue their education until in college. Informants who borrow for home renovation could build good house that was originally only inadequate slum, she also helping his brother to build a house and live outside village.

Data field finding at Subur Jaya Cooperative board informant gives important statement related to sustainability. According leader (informant) because of public trust to management, service satisfaction to members, so many of them take money from bank and to be deposited funds deposited in cooperatives. It need to make adjustments in accordance with its rules and social and cultural norms conditions of society. Rules NGOs companion state that Subur Jaya Cooperative can service only in Kolowa village administration is extended coverage to outside village as cities in Southeast and outside province such as in Maluku and North Maluku. Approach is done to delinquent borrower by visit their home and even pray for his business success. They do not warn with mouth, written or ask for help from police to collect loan.

Cooperative board experience barriers when starting to set up cooperatives. People do not believe in setting up a cooperative to form a group, deposit savings as the rules established by donors to get funding from companion NGOs Synthesis. Communities established cooperative only by forming a group only to wait for government assistance. To convince people to become member, board shall pay deposit, even bought a rickshaw for members who want to join because they want to buy a rickshaw. The most important is they would restore funding after stimulus funds come.

Informant of Subur Jaya Cooperatives members acknowledge repay loan with discipline while still active as a member because he believes board and also because service does not discriminate against members, never be harsh if loan was overdue.

Perceived benefits is member can grow their business so that he could build a house at same place in village while selling basic necessities, even selling gold in Baubau City. Two people who became informants is exodus conflict from the area, now he has been success to expand its business, so it is no longer an active member in cooperative, he never take the savings and interest. The most important for him is cooperative can seeks capital easily.

VI. DATA ANALYSIS AND PROPOSITION

Based on field data findings at each study site, various important statements from informants is categorized into major themes and sub-themes, analyzed and given meaning, then linked to theory and research results.

Sustainability RFMU can be hold by good board recruitment that elected through a combination of formal rules through direct elections in a democratic society to select leader. While secretary is selected by limited discussion with community leaders. This process create professional leader that driven by values and cultural norms as well as religion.

Buton society has collective memory on how to elect sultan of Buton kingdom at previous period and leader election at Kadie (rural or urban) level. It is called democracy Practice parabola from royal/Sultanate of Buton that began in reign of Sultan 38th Muhammad Falihi (1937-1960 AD), the previous king was a legacy or descent, but to avoid chaos and power struggles because weakness of appointment based on inherited if Sultan did not have children, then democracy elections was implemented (A.M. Zahari: 1977). Selection is done only on certain groups selected, namely Kaomo group and the elector is a body called Siolimbona from Walaka group. This electoral system is referred to as "democratic-aristocratic" or system " limited selection " (Yunus, 1995 in Susanto Zuhdi, 2010).

A position is not a throne as wide understanding of today's society. It can be explored in symbols language that used by local language term (*sodha*) which means to bear because of weight that defined as a heavy mandate. Because the severity, not all elected leaders accept this job, even in some instances a king/sultan or parabola resign because unable, or for moral offenses. That's why board when asked to become leader and secretary did not immediately approve the request of society and leader who want him become leader. Reason of rejecting to become a candidate for leader is he must understand character of community to be served.

Sustainability also determined by RFMU board that applying RFMU good corporate governance. They implement formal rules in accordance with procedures and project technical guidelines consistently, respecting

social norms and local culture. Loan is given based on joint liability groups. Groups is based on business similarity and have willingness to repay loan. Loan amount is not based on a desire but a necessity. Every borrower must have a guarantee, loan defaulters is penalized ranging from warning, written to seize collateral, then names of defaulters will be announced at general places. Respect for local norms is indicated by board when canceling transparency rules where name delinquent is not announced because public destroy notice that installed at night.

Technical and practical guidelines that become reference for lending have same meaning with instrument for bank loans. It is how the lenders feel confident that loans can be returned on time that can be interpreted from lending principle with regard to society character. In context of credit provision for rural poor creditworthiness more emphasis on characters (character) community, more on personality, how conditions of daily life, family circumstances, which judgment is given in joint liability group, which is considered to be more familiar with prospective borrowers because they interact daily to-day who have the same profession.

Discipline to repay loan by the informants as a group leader and member as borrower of funds RFMU is driven by board consistency and discipline in applying the rules (guidelines and guidelines) as agreed in loan agreement letter. In addition, informant also afraid of sanctions if become defaulters, coupled with strong effect of social and cultural values as well as understanding the severity about responsibility of a leader, understanding and cultural norms of society, and religious values. Informants as administrators prioritize deliberation, familial, apply rules equally as in Buton culture - *binci pobinci porters*.

Facing various obstacles make board meetings that involving leaders will discuss problems that arise and find solutions to problem. So decision has a strong legitimacy, as ever applied by the leader or empire in past. This will become essential factor to create RFMU sustainability.

Synthesis of informants action as leader, board and member of RFMU that associated with important themes and meanings can formulate major propositions of this research as follows: *RFMU sustainability can be realized by professional leader/management by combining board direct election and limited selection by community leaders, commit to apply corporate Governance and appreciate local ethics which combines creditworthiness based character and appreciate society local culture, who supported group in discipline repayment that driven by religious values and socio-cultural norms of local communities.*

Data field finding from informants of Mata Masobu Cooperative show that sustainability can be achieved because managers have a commitment to build cooperative for advancement society at Poogalamapa village. It is based on sincere intentions and socio-cultural values and religious. It can be analyzed and interpreted from statements and actions of informant. She set up a cooperative as sincere intentions to help his village advancement because of past bitter experiences where they can not continue their education after high school to college because of poverty and rural tradition that women do not need high education.

High commitment can be listened when people refuse to join to establish cooperative, he did not give up on challenge. He invites family to convince that cooperative is a place for a family obtain stimulant funds from donor that facilitated by Sintesa NGO. She show funds are not the most important, but the important one is lessons from NGO companion that people need to save for household investment. As a proof of his sincerity, cooperative board that consisting of a leader and secretary treasurer of his own relatives (brother and sister inlaw) worked for 5 years never get incentives or salary. That is why she does not agree with banning of family relationships presence in organization. Board refused to take funds from Sintesa NGOs as a builder who verifies the cooperative 's annual report, that they still have 30 millions rupiah. The reason is stewardship not for profit, but to help public. Board fully understand how difficult to collect public money to join with cooperative, which may gotten from selling unused goods or collected from selling potatoes from his garden. Moreover, they does not want to take that is not right although they came from poor families. Meaning or value of board action is leader fully understand social conditions of people, as they could feel difficulties experienced. This religious value understanding make them does not take actual funds they are entitled because afraid of sin while keeping family name as one that must be guarded by local culture.

Sustainability of Mata Mosobu Cooperative come from good implementation of cooperative governance. Decision is agreed by member consensus results, thus meeting can regrow family values that increase cohesiveness amid original villagers as mutual aid. They consistently set a monthly repayment schedule, execute member meeting to discuss problems faced and also share interest of voluntary savings every three months, and final meeting of members every year for reports submission on development of cooperative

board and distribution of net income to members. Implementation di deliberations results has been growing member discipline consistently to repay loan on time. Refusal toward government financial aid assistance is done because she was worried it could be disastrous for Mata Mosobu Cooperative, as case with cooperatives in other villages. After receiving government capital assistance, people feel no need to repay loan because it considers that capital support from government does not need to be returned.

Failed to convince public to establish cooperative to establish a group and collect compulsory savings, she made family gathering as a forum to get stimulant fund projects that facilitated by Sintesa NGO. Attitude and actions show that she has committed and desire to help people for sake of progress, especially in education field.

Financial cooperatives as semiformal MFIs can be identified in various names, e.g. Rural Credit Enterprises (RCE) is used to avoid skeptical attitude towards cooperative, because at past full negative images. After running and has positive appreciation from community, its name is changed to Mata Mosobu Cooperative. Its presence can not be separated from Sintesa NGOs presence who receive funds from donor, who set up service that be integrated with non-financial services, such as health development at that time.

Uniqueness Mata Mosobu Cooperative because the caretaker sisters (brothers, sisters and in-laws), and members generally are women or housewives that only care household. After cooperatives presence they have beneficial economic activity for family welfare.

MFIs operate on cooperative principle with following characteristics: 1) supported by saving with many borrowers and savers, most capital is collected from members' savings, 2) membership is unifying bond among members, sometimes based on work place or residence. Because unifying bond becomes basis, cooperative 's service area is limited, only hundreds of members. Board members trust can develop non-members outside village to increase the number of outstanding loans, 3) ownership and governance is owner of respective institutions, each member has one vote. Board members selected voluntarily at that position, but to date have not dared to change members of leader, generally cooperative that change leader will fail 4) Management usually governed by general rules of cooperative funds where rarely follows banking law (Craig Churchill and Cheryl Frankiewicz, 2006: 34).

Propositions formulation of board and members first will put forward values that underlie the actions associated with board commitment in setting up cooperatives. Board have sincerity value with intention to help people in realizing progress in education, economy and housing.

leader/leader Informant is chosen by Sintesa NGO based active experience in Family Planning and had helped Sintesa NGO at Poogalampa village. It means that leader informant that chosen by Sintesa NGO has experience and competence in cooperative management. He can perform task and mission of cooperative seriously, as demonstrated when there is barrier, he took advantage of a family gathering to create RFMU because people lack confidence in cooperative.

He was able to instill confidence in public that he is a leader who works sincerely with intention to help people, to convince that cooperative members can borrow to cooperative, but they must honest and willing to return appropriate agreed time. Main value achieved is moral commitment that based on religion and shame culture those still strong embraced in rural communities. Administrators want show that board can act in a professional at working relationship even if they are having a family as caretaker. They remain committed to maintaining good family name and he did not want to take something that not right. Value to be realized is an attitude to protect family name honor with honesty as a Buton major cultural, and religious values that maintain sanctity of food source for family, as well as belief that what goes into child body will become flesh and blood that will create personality and must be accounted at hereafter.

Instilling discipline, makes meeting, return loan regularly, interact with other members, sharing joys and sorrows have foster a sense of solidarity, familiarity and responsibility. Discipline value benefits from intensive has create operational cost and time efficiencies for cooperative. Members together cultivate new ideas in solving problems encountered (collectivism) among villagers.

Members have discipline to repay their loans on time. It driven by socio-cultural values of shy, downsize in order to maintain confidence in order to be served and fear of fines, as well as attitudes and seeks surrender to Creator. These are meaning and values of religion and culture that want to show by members. Members perceive benefits not only for social and economic value of cooperatives, but also makes a valiant

effort to help family, but the more important is easiness to get needed capital, which does not require requirements as banking institutions.

Cooperative presence usefulness was felt not only in form higher prosperity individually, but also collectively or family who can foster cohesiveness to community, and generate entrepreneurial attitude that can optimize and add value to existing resources in rural areas.

Referring to theory and principles of financial management, minor propositions that formulated for Mata Masobu Cooperative sustainability are follows:

- P1: Management attitude with sincere intentions to build a cooperative for better society, rejecting government financial aid that could create failure as experienced in other villages can grow back people's trust toward cooperative institutions, so that number of members that become member increased, voluntary savings also increased.
 - P2: Providing loans to members with implanting fairness and having a willingness to repay as feasibility appraisal, loan repay time became regular members meeting creates social cohesion among members to reinforce original properties of rural community about kinship, mutual aid.
 - P4: Usefulness of MFIs presence in form of cooperatives can become an alternative financing for rural communities that more in line with social and cultural conditions, able to foster entrepreneurship, strengthen sense of solidarity and community collectivity,
 - P5: Cooperative that rooted to community cultural in form of kinship, mutual aid that guided by professionalism attitude can encourage development of cooperatives that have an impact on overall village development.
- Based on four minor propositions, major proposition that formulated for sustainability of Mata Mosobu cooperative is follows:

- PII: Sustainability Rural MFIs of Mata Mosobu Cooperative is driven by sincere attitude of administrators who work for community betterment and able to implant discipline and honesty as main condition for loan, where motivated by cultural values, honest, shy, and cooperative existence give benefit as capital gain, which bring an entrepreneurial spirit, cohesiveness in rural communities.
- Various important statements can be interpreted to search themes related to sustainability of Subur Jaya Cooperative. Management and members informant statement is associated with credit transactions and services theories as well as research results about sustainability.

Leaders and members first time will put forward values that underlie actions associated with board commitment to set up cooperatives. Value and willingness to sacrifice inspire confidence in providing services that based on empathy approach of administrator with aim to satisfy cooperative members to create fidelity or loyalty in supporting cooperative advancement.

Leader informants that chosen by Sintesa NGO is based on experience in managing IDT program. It means that leader informants is chosen by Sintesa NGO because having experience of stewards of cooperative, he can perform the task and cooperative mission. It shown when it gets obstacles, he was willing to sacrifice personal capital to give loan to prospective members in building public confidence toward cooperative missions that want to build. Leader is able to instill trust and service to cooperative members, overcome problem by gentle approach to community or based on feelings (peminci culture - binci porters) that he is a leader who works sincerely and serve members indiscriminately, raises public trust so cooperatives can grow and develop into alternative places for people to save.

Administrator's informants adjust rules according to society conditions in order success to service member in community outside village, nomad from kolowa village by utilizing volunteer assessor's agents and information technology advance. Usage value and efficiency obtained is created from the social capital of member's network who are loyal to cooperative because he feels helped as a member of borrower, availability of simpler information technology in accordance with villager's conditions.

Leader implant a sense of responsibility of loan repayment using empathy approach, trying to understand borrower condition with visiting borrower home, even praying them. It evoke a sense of belonging

and loyalty of community members. Perceived usefulness of cooperative presence is easiness to get initial capital to develop business so they can expand its business that affect on member's welfare.

Sustainability focus is associated with board behavior with a willingness to sacrifice to build trust, to service member and using empathy approach based on understanding of character and religious values Buton society associated. It is consistent with theory and research results on financial management, credit transactions.

Referring to synthesis constructed from informants themes in leadership and discipline that guided by social and cultural values that affect on sustainability of Subur Jaya Cooperative, then propositions are formulated as follows:

- P1: Management working attitude to self-sacrificing to promotes sincere service premises and empathy approach has created public confidence to cooperative management.
- P2: Ability to instill a sense of trust among board members based social capital can raises efficiency in operations costs, so cooperative can grow and develop that supported by higher member's savings.
- P3: Usefulness of MFIs presence in form of cooperatives can become alternative financing rural communities that are better suited to social and cultural conditions, can become a source of capital that is easy and inexpensive to start a new business.
- P4: Cooperative that based on cultural rural as migrants in form of family, mutual cooperation is guided by professionalism, it can encourage cooperatives development.

Based on four minor propositions related to Sustainability of Subur Jaya cooperative, then Major proposition is formulated as follows:

- PIII: Cooperative management is willing to sacrifice to build trust will prioritize services to satisfy members, make adjustments in accordance with the rules of social conditions of community, which is centered approach for feelings of troubled borrowers, utilizing social capital and information technology have increased number of members to other regions

VII. CONCLUSIONS AND RECOMMENDATIONS

Based on meaning and propositions of research findings, it can be concluded Sustainability of semiformal rural MFIs as follows:

- 1) Good steward recruitment is determined according to leader electoral process or determination is based on professionalism considerations, have experience to manage organization, work in accordance with formal institutions and informal mechanisms of local communities;
- 2) Board governance institutions that implement good corporate governance; administrators implement participatory decision making, transparency and accountability to cooperative members as an owner with adjusting to local ethics, cultural respect and to understand community character.
- 3) Implementation of good governance has implications to increase good member; due to policy to provides flexibility to expand loans to non- members outside village (Mata Mosobu Cooperative) and policy leader is to provide services outside of village to other provinces using HP technology and SMS banking.
- 4) Members discipline to repay loan is driven by norms and social values (shame, maintain mutual feelings) and religion who still cling to local community, fear of sanctions both fine and confiscation;
- 5) Institution form that suitable with rural semiformal MFIs institution are cooperatives because its existence is not for profit, so the high interest rate policy is not popular for MFIs sustainability as in formal MFIs (Bank BRI and BPR), to foster solidarity and cohesiveness of rural communities that began to erode,
- 6) Perceived benefits of loan because mothers can improve business to increase revenue, home improvement, self-reliance, easiness to obtain capital and fostering society entrepreneurship spirit.

VIII. SUGGESTIONS

- 1) Central and Local Government need to encourage recruitment efforts to implement good leadership by combining local global principle to create rural MFIs sustainability .
- 2) Local government need to performs guidance and supervision function through continuous monitoring to ensure cooperative management implement good governance, as well as consistent with the sanctions in accordance with MFI Act No. 1 of 2013.
- 3) It need to build MFIs and particularly rural Semiformal MFIs that developed by ethics-based and look at global ethic social (social and environmental impact) and considering local ethical values (socio-cultural norms and religious) in each region.
- 4) MFI Management based on Law No. 1 of 2013 on MFIs need to be adjusted to not limit operational area by administrative region, village, district, provincial and even district, potentially it erode MFIs that have been developed. Innovation policy is needed through inter-regional cooperative in developing MFI as a solution.
- 5) Semiformal MFIs that grown by donors and grants need to be tailored to applicable ethical rules local to grow sustainability.
- 6) It need to encouraged establishment of rural semi-formal MFIs cooperatives as a manifestation of nation cultural values preservation .

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