

OPTIMIZATION OF LOAN SERVICES BY VILLAGE CREDIT INSTITUTIONS (LPD) TO VILLAGERS IN ORDER TO REALIZE THE CITIZEN ECONOMIC BASED

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ABSTRACT

This study aims to examine the role of Lembaga Perkreditan Desa (hereinafter LPD) or Village Credit Institutions in providing services to rural citizens equally and fairly; the shape of people's socio-economic development that can be seen from the unit who carried out the savings and loan services; and the significant effect of optimizing the role of LPD that could help improve the welfare fulfillment of rural communities financially. This research method used an ethnographic research study by assessing the implementation of public services provided by the LPD in the village of Abang Sub-district of Abang, Karangasem regency. Sources of data are primary data and secondary. The data obtained by observation, interviews, and recording documents. The results of this study are: 75% of budget funds needed by the villagers comes from savings and loans managed by the LPD. Especially after there is a grant, LPD is believed to manage the budget earmarked for small and medium businesses that characterized as a pioneer. This strategy is implemented by local governments with an extension to the village level, as a form of poverty alleviation for the people who are in substandard economically. Requirements to be met by the proposer of this grant is the proposer should be in the form of pilot business groups (UBK) who agreed to start a new effort to develop a productive business groups by the fund but the procedure is given as a loan with a relatively small interest. Based on alignments of capital for lower middle class show that there are intensive concern from the government in addressing issues of poverty and economic inequality. The flow of available funds controlled transparently and in a liable manner with the contract proposals have been agreed by the group of the relevant village. The initial breakthrough was judged to have a maximum result by helping people who are less able to support themselves on an ongoing basis. It takes an effective coordination of the village government and the villagers as users of the targeted funds and capital loans, and a solid teamwork among villagers so that the loan capital may be increased gradually.

Key words: Citizen Economic Based, Loan Services, Village Credit Institutions, Banking Law

Introduction

Philosophically, the formation of Village Credit Institutions (hereinto LPD) imbued with the spirit contained in Article 33 paragraph (1) and paragraph (4) of the 1945 Constitution of the Republic of Indonesia in Article 33 paragraph (1) of the 1945 Constitution of the Republic of Indonesia, stated that the economy is structured as a joint venture based on the principle of kinship. Furthermore, Article 33 paragraph (4) of the 1945 Constitution stated that the national economy shall be conducted in accordance with the principles of economic democracy, equitable efficiency, sustainability, environmental friendliness, independence, and balancing economic progress and national unity. Formation of Microfinance Institutions, principally should be intended as an attempt to improve the welfare of rural communities to ease credit terms that offered.

This study is conducted by targeting studies, the first is the People's Economic Development Activity as one of the government program that is directed towards the development of the people, especially the economic return to economic activity by small and medium scale. With this program, it is expected that the economic activities of the people who recently experienced a decline can bounce back. The People's Economic Development activities are prioritized for the offenders of the productive economic activities of the people in the agricultural sector of the people, crafts people, and small and medium industries. The existence of Microfinance Institutions in community development was on the consideration that the development of Micro and Small Enterprises are still constrained by the limitations of owned capital and the difficulty of access to the financing source. The existence of Microfinance Institutions in the community, has a role in helping finance micro and small businesses because they are scattered throughout the country, as well as the requirements are easily met by the people who need it.

Most of Microfinance Institutions have not been incorporated so that the necessary clarity required for the status, regulation, supervision, coaching and development. Microfinance Institutions in question is not yet incorporated legally, established at the initiative of the Government, local government and / or society as a Rural Economic Business for Loans and Savings, Rural Credit Agency, Rural Credit Enterprises, Lumbung Pith Nagari, Village Credit Institutions (LPD), the District Credit Agency, Business Group, Group of Revenue Improvement Program for Small Farmers and Fishermen, Agency for Community Self-Reliance, PNPM, Unit Group for Family Welfare Services Program, Village Financial Management Unit, Farmers Group for the

Empowerment of Rural Agribusiness, Community-Based for Savings and Loans Institutions, Baitul Maal Wat Tamwil and / or other agencies that have a similar purpose with it.

The existence of Village Credit Institutions (LPD) is something that need to be realized. LPD is able to sustain the economic foundations of society Bali (Ambara, 2011: 1). Although there is a suggestion to change the name of the LPD, but it does not affect the performance of these institutions. Issue of legal protection for the LPD was in the spotlight whether it will have its own rules, follow the rules of cooperatives or refer to the Banking Act. Pakraman Assembly in accordance with the results of the Pesamuhan Agung III in October 2010 has received input to change LPD to "Labda Pacingkreman Desa". LPD is a local wisdom that must be protected and preserved its existence.

Recent developments indicate that the LPD's NPL reached Rp 4 trillion more. These funds require protection. Therefore, the legal umbrella that shaded LPD is still under discussion. In Microfinance Institutions Legal Draft, LPD principle as the identity of Bali is not listed. Therefore, these typical LPD needs special attention. LPD is an agent of development in the village who put forward the concept of *manyamabraya*, for LPD has been shown to help a lot of activities in Pakraman. The gains was not all take PD, since returned to Pakraman. That is, as a customer or not, *krama* of the Pakraman can still enjoy the benefits of LPD. In contrast, if the LPD refers to the rules of the cooperative or other legal entity, profits belong to the shareholders only. The purpose of the establishment of the LPD is wanted in the community to help ease the burden of financial affairs for the traditional ceremonies. LPD has developed very rapidly, and even have some billions of assets. Based on the statistical data in 2011, it states that currently there are an estimated of 1,471 LPD in Bali with assets reached Rp 4.57 trillion.

Bali Provincial Government understands the empowerment of the poor through micro-finance institutions called Village Credit Institutions (LPD). LPD is a form of empowerment of the poor level of Indigenous Village Pakraman.

In a community empowerment program in Bali, the traditional institution known as Village Pakraman has an important part in increasing the empowerment of the community, whether it is related to the economic, political, social, cultural, religious and security and public order. Village Pakraman in community empowerment increased regional autonomy. The goal was to retain the original government excavated from identity culture and customs of the area.

The setting of the Village Credit Institutions (LPD) is governed by the Bali Provincial Regulation No. 8 of 2002 on Credit Institutions Village. The stewardship and management of LPD was left entirely to the Village Pakraman, ranging from elections to the supervisory board involving Pakraman. Law No. 8 of 2002 that also confirmed LPD service activities only serve the residents of the village savings and loans to Indigenous Peoples of Pakraman, in accordance with Article 7 figure 1 (a) and 2 (two) of the Provincial Regulations which states that the field of business includes LPD (1) Receiving / collecting *Krama Villagers's* funds in the form of savings and deposits, (2) provide loans only to *Krama Villagers*.

Judging from the original purpose of establishment of LPD is based on the Bali Provincial Regulation No. 8 of 2002, the establishment of this LPD is to improve the economy Pakraman by providing easy access to the people in the field of financial Village People Pakraman so that the practices of informal financial institutions such as bonded labor system, lien loan-sharking and illegal practices that burden society can gradually be removed.

There are some basic thoughts about the LPD as social capital in the development of Village People Pakraman. Therefore, this study aimed to identify the contribution of social capital in supporting the success of Village Credit Institutions as a form of empowerment of Indigenous Village Pakraman, and to illustrate the working mechanism of social capital in the management of Village Credit Institutions.

Research Methodology

Methodologically, this study is the development of research in the engineering building public policy (development research paradigm in public policy) (Borg & Gall, 1989), so the emphasis is not on measurement, but in the effort of mapping, synchronizing, and engineering actual, factual, and holistic, emic, and ethics of the form and meaning of behavior displayed by LPD in its capacity as a local economic institutions that brings its own implications for the position and its role as a forum for the village economy.

Efforts excavation, analysis, and mapping of the problem focus of research conducted with reference to the cross-site analysis of the model, as is commonly done in studies of social and cultural (Carspecken, 1998). Model cross-site analysis will facilitate researchers in uncovering and mapping problem, the problem of the relation with other problems, and connection problems with natural background research studies as an external factor in the analysis of research data. Based on this analysis pattern, the

research will be formulated and verified at the same time building information, methods, and new models over similar issues with the level of scientific truth higher.

This study will be conducted in Buleleng district, Bali Province. Site selection is based on some rational, namely a qualitative approach. The focus of his research include: 1. Implementation of the LPD service in terms of credit at the village level which include: a) The procedure of service, b) Cost of services, c) Safety and convenience services, d) Certainty time service, e) Reliability of service personnel, f) operational facilities / services, 2 factors supporting the implementation of credit services, which include: a) the policy underlying the provision of services, b) Resource personnel service providers, and c) facilities and infrastructure services.

The primary data source in this study is the sample. The samples in this study were selected using snowball sampling technique in accordance with the needs and steadiness researchers in data collection. After the data gathering process could not found any samples anymore (reaching saturation point), the researchers did not look for a new sample and the sample collection process is considered complete. As for the sample of the study include: 1) Head of LPD in some districts in Buleleng, 2) The officer in credit services, and 4) People who need / borrower .

This study adheres to the principle of "human instrument", the researcher is a digger / primary data collection tool. This is important because the focus of the research problem really requires constancy and risking personal capabilities of researchers, so as to reveal the kinds of aspects related to the focus of research problems and data needs. In practice, several researchers use data collection tool, namely: (1) in-depth interviews, (2) participant observation, (3) the recording of documents, (4) open and closed questionnaire, (5) focus groups discussion, (6) expert judgment, and (7) a handy camp model development technique for recording a deed with a help of a design guidebook through dissemination activities carried out by the research team of the LPD staff in Buleleng regency. The data collected in this research is qualitative data. Overall these data were analyzed using descriptive analysis techniques according to the characteristics of the data required to parse each research problem.

Findings

a) Contributions of Social Capital in Village Credit Institutions Supporting Successful Forms of empowerment as Village People of Pakraman

Community empowerment is a new paradigm in development that emphasizes the bottom-up concept to promote community involvement and participation. This paradigm includes not only the empowerment of the individual alone but also the institution of the individuals. In connection with Balinese life that cannot be separated from the customs and culture, empowerment of Indigenous Village Pakraman as a traditional institution should be able to be empowered to empower citizens Village People of Pakraman itself. In support of this mapping, the pattern of Village Credit Institutions management is the management of normative comparisons based on Bali Province local regulations relating to Village Credit Institutions to the practice field that occurs when the study was conducted.

The existence of Village Credit Institutions (LPD) as a traditional institution that espouses Pakraman owned financial functions and special economic Balinese communities in Pakraman was answered by the Pakraman Main Assembly. Institutions that has become a single container in Pakraman throughout Bali was issued a Circular Letter (SE) to all *bendesa / Kelian* Pakraman customary / traditional village throughout Bali which confirms the existence of Village Credit Institutions (LPD) as *duwe* (full ownership) Pakraman based on Bali customary law. This letter is a strategic step to rescue LPD following the enactment of the Act (Act) No. 1 of 2013 on Micro Finance Institutions, which recognizes the agency of the LPD as Pakraman that are governed by customary law as defined in Chapter XIII of Article 39 points (3) .

As a social capital of mutual aid values become so important in case of community empowerment, mutual cooperation is at the core of the concept of, by and for the community. So this activity is become feasible as an effort to preserve noble values of society. Given the important role of LPD in improving public welfare and whereabouts, it need to be fostered and preserved. Management of the systems, guidance, oversight, including human resources for the achievement of the objectives, provides social benefits, economy, and culture for the community.

The birth of microfinance institutions such as the LPD is oriented towards helping small and poor communities in rural areas. It cannot be said in the form of a bank and is not in the form of cooperatives. LPD existence becomes very urgent because not included in the third group of financial institutions mentioned above (banks, cooperatives and insurance). But the concern is that any future fund raising efforts of the society, including the poor and / or low income should be able to provide guarantees for the safety (protection) against the reserve fund. Form of protection is to be secured in a rule of law that would provide legal certainty in the event of a dispute concerning the funds and fund public financing. To empower LPD in the future, necessary steps needs to be taken by the government to oversee and nurture in order to improve the ability of LPDs in serving the poor and small and micro businesses.

b) The working mechanism of Social Capital in Village Credit Institutions Management

LPD is owned by the village community, and operates according to customary law. Various community development programs carried out by the technical departments, as well as generate new MFIs that have a specific purpose. For example, Village Economy Unit-Savings and Loans which was formed to support the rural development program through the Rural Development Aid Instruction Department of the Interior as a technical department.

The role of the board and device of *Pakraman* facilitate the preparation of work plans and budget plans together in running the LPD continuity; LPD was able to overcome the problem of too much workload. The workload is due to limited personnel LPD; Pattern representation in management and employee recruitment implicated for the formation of a network LPDs in each *banjar* (hamlet). These networks facilitate the introduction of LPD customers in each *banjar* (hamlet); and reciprocal relationships with people makes this institutions able to facilitate its financial to provide loans without collateral dare to citizens. *Trust* is also facilitates ease of LPD service process.

Awig awig are also applied in the management of LPD as a guarantee that binds the customer to comply with the credit agreement so that it helps smooth revolving credit. LPD is part of a custom so that the progress of the LPD is the responsibility of all parties in Pakraman, both parties acted as manager or as a customer. It is seen from cooperativeness and mutual help in resolving problems between the LPD and Pakraman. Social capital in the LPD to economic empowerment of the Village Pakraman holds by the Pakraman Local Government as device that plays a role in organizing LPDs management becomes easier because managers and clients under the rules of the game or the same customs.

LPD remains proportional despite having full confidence of customers, among others in the ministry and community participation in helping the economy of Pakraman. LPD contribution in community economic empowerment Pakraman namely: "unbinding" credit requirement, and more emphasis on the character of prospective customers.

Public participation is possible to collect LPD become an institution more capable of providing services for the community, then the regulation is run for the benefit along with the precautionary principle that should be applied with the aim to ensure the welfare of society.

Closing

a) Conclusions

Village Credit Institutions are social capital in terms of Balinese life that cannot be separated from the customs and culture, empowerment of Indigenous Village Pakraman as a traditional institution that should be able to be empowered to empower citizens Village People of Pakraman itself.

Management of social capital for the advancement of the LPD is the responsibility of all parties in Pakraman, both parties acted as manager or as a customer. It is seen from cooperativeness and mutual help in resolving problems between the LPD and Pakraman.

b) Advice

LPD needs to be developed for empowering communities in Pakraman. Development can be done by providing the opportunity to join other indigenous villagers become customers.

The legal framework governing the financial institutions at lower levels of government such as the LPD in the village should be provided, so as to provide assurance services as well as a basis for forming the micro-finance system that ensures the development of sustainable micro enterprises, improve the welfare of the people, helpful and can improve the lives of the poor and / or low-income.

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