

Microfinance Institutions And Women Empowerment: Evidence In The Rural Areas Of Tangerang, Indonesia

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Abstract: The optimization of women-based MFIs is important, especially for those which are established and developed in rural communities. Empowerment policy is not solely based on finance and charity. The government is to be urged to encourage simultaneous empowerment. This study aims to illustrate the differences in women empowerment process (enabling, empowering, and advocacy) provisioned by MFIs (Women Cooperatives) for their female members in the rural (coastal/fishery, industrial/residential and agricultural areas). Research using the hybrid method, between quantitative-descriptive and qualitative, was used. Two approaches were used. Welfarism approach was utilized to measure the ability of MFIs in providing the needs of their poorest members, while institutionalism approaches were useful to measure the success rate indicated by the MFI's sustainability. The result showed that the women empowerment process from MFIs to their members in respective areas was implemented strictly. However, each area had its uniqueness and speciality in the empowerment process. That diversity was influenced by social, cultural, demographic and geographic factors.

Keywords: Community, Empowerment, Microfinance, Poverty, Rural, Women economy.

1 INTRODUCTION

The distribution of poverty in the world is highly concentrated in rural areas. According to World Bank [1], around 82% of the poor live in rural. Most poor people work as farmers, who are faced with conditions such as a) limited natural resource potential and even tend to be damaged; b) limited production technology policies in the development of production technology, c) poor infrastructure (transportation) and insufficient attention from development support institutions (education, health, investment); d) socio-cultural margins (land rights and tenure) and limited local economic opportunities. Meanwhile, women hold the focal point as well as become the main indicator of poverty in rural areas. Furthermore, poverty is commonly identical to women's livelihood. The increasing rate of sexual assault, prostitution, migrant workers, human trafficking and other crimes is indirectly attributed to women poverty. Ironically from economic point of view, women, who make up 52.7% of the world's total population, actually only own a thousandth of world's total wealth and only receive 10% of the world's total salary [1]. Many studies focus on their core problem-solving method by looking at the role of MFIs in taking care of women poverty in rural areas. Mayeux's study (1999), elaborates on the role of MFIs on women empowerment in some parts of Africa (Cameroon, Zimbabwe, South Africa, Kenya, and Uganda) with Sudan as the focal point in the empowerment of women who receive microcredit. As Mayoux explains, the main argument of women empowerment is that women are the core of a family.

The reduction of poor women will be linear with the reduction of overall poverty. With a case-study approach, the microcredit program in those sample countries around Africa evidently contributes to shifting the gender order. Since women are prioritized for access of microcredit, women's role in economic activity is hugely developed [2] and [3]. [4] also conducts a study in Bhawalpur District, Pakistan. The study describes the data by categorizing female loanees and male loanees. It is evident from the research that female loanees achieve more optimal loan utilization rates, as well as better loan repayment than their male counterparts. It is unfortunate that women loanees have lower education levels and training. While still related with [4], [5] also perceive the same problem when conducting the research in Turkey. Altay argues that Turkey can be considered as one of the countries that are late in promoting MFIs utilization awareness, especially after the great earthquake hit Turkey in 2000. However, in the next decade, MFIs have contributed significant benefits for the improvement of families' welfare, especially through loans that are distributed to women. The main argument as why female loanees are given more important role is based on the principle of equality, and for the sake of efficiency, female loanees are also considered better in optimizing the utilization of their family's income, rather than the male counterparts. According to UN data and statistics from 1995-2000 in [6], loan repayment rate for microcredit programs targeted at women has an average of above 90%. By citing [7], Indonesian loan repayment rate for women microcredit programs reaches 91%, while the same program targeted at men can only reaches 80%. The similar figure of loan repayment rate is also found in India, which is around 90%. Therefore, the generally high number of loan repayment rate of female loanees has convinced the policy makers that MFIs programs that specializes women as their target group is a financially sustainable operation. On the other hand, another phenomenal example of the implementation of microcredit for poor people is conducted by [8] with his institutions, Grameen Bank (GB) in Bangladesh. His effort significantly reduces the number of poor people in various rural areas in Bangladesh. As it is explained by [9], GB has issued credit to almost 7 million of poor people in 73,000 villages in Bangladesh, in

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which 97% of the loan receivers are women in a family. [8] argues that famine and poverty are problems that are more attributable to women, rather than men. Women suffer from famine and poverty far more than men. When famine struck even one of the members of the family, it is just a law of nature that the mother is the one who will first be inflicted. The mother will also suffer from traumatic experience of the inability to breast-feed her babies in time of famine and drought. Women in Bangladesh are in the most susceptible social position. In the purpose of strengthening and deepening the study on the importance of women in a family as the target of economic empowerment, [10], conduct a research that reviews the empowerment of mothers in increasing their household's income in Kalipare Sub-district, Malang Regency. The research actually manages to expose some interesting findings for analysis. The research finds that women in a family have a high contribution to their family's income, thus increasing the resources of those women, who are mainly in agricultural household, are important in order to improve their works and economy outside the agricultural sector. Even more, [11] that focusing a case study in Kalitengah, Southern Merapi in Special Region of Yogyakarta, reviews the economic autonomy of poor women. In the research, [11] explains that poor women react to poverty by working hard without complaining although it depletes almost all of their energy and time. Unfortunately, poor women still have limited access to and control over the available resources. Although women in a family are expected to take care of household chores, they also responsible for three simultaneous functions (women's triple burden) i.e reproductive, productive, and community managing roles [12]. Precisely, that multifunction role of women is the trigger for them to explore and utilize the potency within them so that they can contribute to the strengthening of their family's economy. Therefore, many researches on the role of MFIs for the empowerment of women who live in rural areas have been done. However, topics about the relation between MFIs and female loanees who are in a family with empowerment aspects as well as sociological factors (culture, values and norms) and rural geographic factors (coastal/fishery, industrial/residential and agricultural areas) have yet to be discussed in previous researches. This paper studies the relationship between MFIs, in this case Women Cooperatives (Kopwan) and women empowerment in 3 rural areas in Tangerang Regency, Indonesia.

2 LITERATURE REVIEW AND HYPOTHESIS

2.1 Microfinance Institutions

Studies about MFIs in relation with its functions on the empowerment of rural household economy have been widely conducted, and those studies are not restricted only to its financial aspect. Going back to what Parveen's study has to say, the strengthening of MFIs in the case of Rural Development Scheme (RDS) to Islamic Bank Bangladesh Limited (IBBL) in Bangladesh has led to a significant eradication of poverty rate [9]. However, what Parveen means as MFIs is that besides they function business-wise, they also must take part in the effort for empowerment. In the case of those two functions, Parveen emphasizes the relation between MFIs and loanees from the following point of view: a) target group of lower class society; b) loan procedures; c)

Institutional Viability Indicators (IVI) covering leadership, decentralization, monitoring and evaluation, management style, trainings, and others; d) Outreach Indicators (OI) covering market penetration, loan portfolio, relative income rate, service quality; e) Subsidy Dependence Index (SDI) that is used to measure the social cost generated from MFI funding; f) service quality, including empowerment services and advocacy. Speaking of the categorization of MFIs in Indonesia, [13], in general, classifies them into three categories: first, formal MFI, such as Indonesian People Bank (Bank Rakyat Indonesia abbr. BRI) and its units, and People Credit Bank (BPR) which has operation areas throughout the country; second, semi-formal MFI, especially cooperatives, both saving and loan cooperatives specialized in providing financial services and the saving and loan units that operates within various cooperatives, Islamic Saving and Loan Cooperatives (BMT), empowerment program from NGOs and government (regional and central); third, informal MFI, especially the Indonesian traditional form of rotating savings and credit association, more familiarly known as "arisan" that gives loans to individuals, small business and store owners. Besides, there are other MFIs introduced by the government, such as Village Credit Institution and Subdistrict Credit Body, and those introduced by private sectors, such as foundations, NGOs and religious institutions. Moreover, many venture capital programs help and support funding for cooperative, BMT and semi-formal MFIs members. Regional Government, have already helped and supported the funding of small and micro business, in particular for women loanees, both those who have a business and those who do not. Of course, according to the purpose of their founding, semi-formal MFIs have to run their social mission to form equitable economic democracy besides performing their business related to the financial function. About financial functions, especially in terms of funding aspect, semi-formal MFIs provide funding programs to people, for both members and non-members. On the other hand, in relation to the socio-economic function, Law Number 1 Year 2013 regarding Microfinance Institutions (MFIs), explicitly says in Article 1 Point 1): Microfinance Institutions hereinafter referred to as the MFI is a financial institution that is specifically established to provide business development services and community empowerment, either through loans or financing to micro enterprises and community members, the management of deposits, as well as the provision of business development consulting services that are not aimed solely for profit. This statement is also compatible with legal framework of the founding of semi-formal MFIs, in this case cooperatives, that refers to Law Number 25 Year 1992 concerning Cooperatives, especially in Article 3 that says: Cooperatives shall be particularly aimed to develop its members' prosperity and society in general and shall take parts to improve national economic structure in order to establish developed, fair and prosperous society based on Pancasila and the 1945 Constitution. In addition to that, Law Number 20 Year 2008 regarding Micro, Small, and Medium Enterprises explains the purpose of the development of MSME in Article 3: The objective of Micro, Small, and Medium Enterprises shall be engendering and developing their businesses in the context of building the national economy based on equitable economic democracy. Equitable economic democracy referred in the document has the potential to be developed widely, as long as the functions for economic empowerment are to be implemented effectively. In the aspect of economic

performance, MFIs is to be utilized as financial intermediary with the purpose in providing easier access to loans for people with small income, thus MFI is expected to be financially viable to reach self-sustainability. Performance measurement in this context must be based on its financial ability. According to [13], financial ability related to MFI's ability to meet the expense of their operational costs with the retrieved income. Therefore, cost efficiency needs to be treated as the main concern to reach MFI self-sustainability [14]. Performance measurement is not only based on self-sustainability aspect, but also the MFI's outreach, which is measured from how far MFIs can reach target families and the quality of the services received by the targets. Both criteria, self-sustainability and target outreach complement each other, and become a comparison to evaluate MFI's performance [15], [16], [13].

2.2 Empowerment of Women's Economy

The word empowerment has its root in the word "power". Merriam Webster and Oxford English Dictionary, in [17], explains that empower has two meanings, first is to give power or authority to, and to give ability to or enable. The context of the first meaning is in a sense of a transfer of power or delegation of authority. Meanwhile, the context of the second meaning is the effort to make someone to be capable and not powerless. Both of these meanings are the reason why the empowerment of women, in relation to their roles, becomes important and crucial [18], [19]. On the other hand, the concept of empowerment on the very basic level is a concept for economic development that recapitulates social values. This concept expresses the new paradigm in development, which embodies values of people-centered, participatory, empowering and sustainable [20], [21], [22]. This concept is beyond the primary concept of fulfilling basic needs or providing mechanism to prevent further impoverishment i.e a safety net [23]. Empowerment covers not only the strengthening of individuals in a society, but also its values and norms [21]. Embedding modern cultural values such as diligence, frugality, openness and responsibility is the core part of the empowerment effort, as well as the renewal of social institutions and their integration into development activities, and the role of society in that programs. World Bank [1] in its publication emphasizes the definition of empowerment in its relation to the aspect of the participation of society in policy making. Empowerment is perceived as state in which exist power and decision. Therefore, that power will be fully utilized when it is transformed into self-capability through the process of social interactions since basically interaction will create social restoration. In interactions, freedom and structural equality are a necessity for the society to reimagine their different circumstances as well as realize their vision, that is to shift the impoverishing structural relation [23]. [24] argues that the concept of empowerment refers to the principle that believes power as determining choice and ability to choose i.e the authority to decide an option and the power to choose. Furthermore, this concept approves powerless to gain the ability to decide and choose. The concept of empowerment in the development activity has long been emphasized for the welfare of women [25]. However, in further development, there is a shift in emphasis on the concept of empowerment for women, especially from passive income: empowerment of women about men superiority tendency and the emphasis on the importance of agent of women empowerment to create welfare for every family member, especially women. In the

context of empowerment agents, the role of MFIs in the rural is interesting and relevant in the eradication of poverty [26].

2.3 Hypothesis

According to previous researches, it is evident that MFIs with healthy financial performance is capable to implement empowerment. Therefore, the empowerment function as the focus of this research is emphasized more in rural areas, which are categorized into coastal/fishery, industrial/residential and agricultural areas. It is important to analyze the difference in the quality of each area's empowerment because: 1) is there any differences in process, procedures and mechanism conducted by MFIs in respective area? 2) is there any consideration for internal and external factors that influence those areas? Therefore, hypothesis will be developed into:

H0: No difference is found in the quality of the empowerment for MFIs members in coastal/fishery, industrial/residential and agricultural areas.

H1: Difference is found in the quality of the empowerment for MFIs members in coastal/fishery, industrial/residential and agricultural areas.

3 METHODS

3.1 Research Location

The research was situated in three area categorizations in 29 sub-districts in Tangerang Regency. Case study was conducted in each area category: a) coastal/fishery area, covering Pakuhaji, Teluk Naga, dan Mekar Baru; b) agricultural area, covering Panongan, Cisauk, dan Tigaraksa; c) industrial/residential area, covering Jayanti, Kelapa Dua, dan Bina Sejahtera.

3.2 Sampling

To analyze the empowerment process, 180 respondents from all three area categories were selected. The respondents were selected carefully; only those who had deep insight to the situation were assigned and thus they represented the entire population. Purposive sampling was used to gather information regarding the effectiveness of funding programs and empowerment, whether they offered benefit or not.

3.3 Data Analysis

The research used the statistic from a two-sample t-test to see the difference between two means with a one-way independent t-test, in order to find the comparison between the means of two groups which were crossed from the three unpaired/unrelated area categories. Meaning, samples were taken from three study objects in different areas. The following formula described steps and calculations for the t-test. If the variant of both groups were heterogenous, the t-test formula used was as follows:

$$t = \frac{\bar{X}_1 - \bar{X}_2}{\sqrt{\frac{s^2(1) + s^2(2)}{n_1 + n_2}}} \quad (1)$$

with test criteria: accept H_0 and reject H_1 if:

$$-\frac{w_1 t_1 + w_2 t_2}{w_1 + w_2} < t < \frac{w_1 t_1 + w_2 t_2}{w_1 + w_2} \quad (2)$$

with:

$$w = \frac{s_1^2}{n_1} \tag{3}$$

$$w = \frac{s_2^2}{n_2} \tag{4}$$

$$t_1 = t_{(1-\alpha/2; n_1 - 1)}$$

$$t_2 = t_{(1-\alpha/2; n_1 - 1)}$$

thus, test criteria used were: accept H_0 and reject H_1 if $t_{(1-\alpha/2)} < t < t_{(1-\alpha/2)}$, with $t_{(1-\alpha/2)}$ taken from a t distribution list with a chance $(1-\alpha/2)$ and $dk = n_1 + n_2 - 2$.

4 RESEARCH RESULTS

4.1 MFIs Performance

There are 3 (three) Cooperatives (Kopwan) were taken as representing samples, they were i) KPP-UMKM Syariah, ii) Koperasi Abdi Kerta Raharja (AKR), and iii) Kopwan Bina Sejahtera. Short summary for the three cooperatives can be found in Table-1.

Table-1
Short Summary of the Sample MFIs

No	Information	KPP UMKM	AKR	Bina Sejahtera
1.	Health	80.90	80.5	81.00
2.	Members (Women)	71,765	9,640	1,510
3.	NPL (%)	0.12	0.07	0.07
4.	Branch (Q)	19	9	25
5.	Deposit (Rp)	35,903,420,000	2,762,049,000	1,413,686,993
6.	Asset (Rp)	175,145,918,671	17,076,885,401	-

Source: formulated from each MFI's financial report (Kopwan)

From information gathered in Table 1, reason for selecting those three MFIs as samples would be explained. First, KPP-UMKM Syariah was selected because: 98% of their 76,765 members were women, with 19 branches networking; Initial Deposit of Rp767.650.000,00; Certificate of Cooperatives Capital of Rp35.903.420.000,00; sums of loan distributed of Rp965.498.300.000,00; Non-Performing Loan (NPL) of around 0,12%; total asset of Rp175.145.918.671,00 (Financial Report of KJKS KPP-UMKM Syariah, December, 2014). Second, Koperasi AKR was selected because: its 9.640 members and 218 male members, with 5 branches networking; Initial and Routine Deposit of Rp2.762.044.000,00; sums of loan distributed of Rp64.362.340.900,00; NPL of around 0,07 percent; total asset of Rp17.076.885.401,00 (Financial Report of AKR Cooperatives, December 2014). Third, Kopwan Bina Sejahtera was selected because its female members reaching 1,510, with 25 branches networking and additional 25 agencies; Deposit Savings of Rp1.423.686.993,00; sums of loan distributed of Rp449.551.491,00; NPL of around 0,07 percent (Financial Report - of Kopwan Bina Sejahtera, December 2014).

4.2 Women Empowerment

According to the hypothesis from the two-sample t-test, and through comparison analysis of two groups cross-cutting 3 (three) area categories, a final hypothesis from each area can be seen in Table 2:

Table-2

Result from Hypothesis Development between Study Areas

Empowerment	Areas
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Aspect			
	Agricultural vs Fishery	Agricultural vs Industrial	Fishery vs Industrial
Enabling	(1) Ho: 1.833 No Difference Found	(2) H1: 2.553 Difference Found	(3) Ho: 0.488 No Difference Found
Empowering	(4) Ho: 0.924 No Difference Found	(5) Ho: 0.120 No Difference Found	(6) Ho: 0.895 No Difference Found
Advocaton	(7) Ho: 0.492 No Difference Found	(8) H1: 2.516 Difference Found	(9) H1: 3.421 Difference Found

With the hypothesis test summed in Table-2, it was evident that there was no significant difference in the empowerment process. Differences were found in advocacy aspect between agricultural and industrial areas, and between fishery and industrial area. However, the differences were not dynamic since each area had similar procedures, regulations and institutional patterns in the treatment of the members. The existence of differences in the advocacy aspect was evidently in line with the assumption that the indicator of siding, accompaniment and protection for MFIs members in fishery, agricultural and industrial area still differed between areas. The differences were caused by the fact that accompaniment following-up and protection from MFI's field officers were still low, especially in industrial and residential areas. This proved that all MFIs operating in rural areas of Tangerang Regency still showed minimum efficiency in the aspect of advocacy for the members. However, in general, it was evident that aspects of empowerment implemented by MFIs were already followed the institutionalism corresponded with the standard procedures drafted by the officials in the semi-formal MFIs, such as regulation standard, the similarity in the variety of funding scheme, Standard Operating Procedure (SOP), low-cost funding, etc. Moreover, the insignificant differences observed from the empowerment aspects were also supported by the following data: loan scale was relatively small; business capability scale, including monthly income, was relatively small; type of business owned was similar; needs and demands were similar (unvaried); expenditure was relatively small; number of family dependants was relatively small; the education level of family members especially the children was low; members had easy access to the semi-formal MFIs programs and services. The similarity between MFI's members caused the average of empowerment results in those three areas of the study that did not differ much. The similarity in the organizational pattern in the form of joint liability, general groups, interest imposition, an intensive weekly visit from the officers, ease of access to the institution by its members, simple and efficient financing procedures, a strong sense of communalism, teamwork, the availability of varying financing scheme, etc. All those aspects created an empowerment process that was relatively easy and simple to be accessed, as well as standardized. The method that MFIs used in approaching its members and to-be members was participatory, democratic and egalitarian, thus the members could easily accept the existence of the institutions, in this case, cooperatives, in their villages. Therefore, all programs

by MFIs in those three study areas, in general, were done successfully, by utilizing, in its approaching method, the hybrid pattern of welfare and institutionalism, introduced by [27]. However, the advocacy aspect still needed some work and improvement as its implementation was below expectations. Welfarism pattern, centralizing its focal attention to families in its funding scheme, is often utilized along with training, tutoring and social programs [13, 28]. This pattern emphasizes more on the principles of participatory, egalitarian and democratic. On the other hand, institutionalism pattern emphasizing more on institutional self-sustainability through financial autonomy, deeper and broader outreach as well as a positive influence on the members [29, 28]. Of course, this kind of pattern is more rigid, based on the practical procedures and outcome-oriented standard. Therefore, an organizational pattern that was used by MFI in the form of joint liability, general groups, interest imposition, an intensive weekly visit from the officers, ease of access to the institution by its members, simple and efficient financing procedures, could be considered as institutionalism pattern. The consequence of those two patterns is that the society and MFIs members (welfarism) became familiar with MFI (institutionalism). Although in the beginning there were rejections and doubts over the introduction of MFI in rural areas from some parts of the community, persuasive approaches made by heads of villages, local figures and local government officials successfully convinced the people to accept the existence of MFI in their villages. In addition to that, there were success stories from neighboring villages that already received the benefits from MFI's programs and services. The existence of MFIs has accomplished mediation between the complexity of formal approach (proceduralism/ institutionalism) and the loose informal approach often made by other parties or illegal institutions. This fact made MFIs, in this case Kopwan, popular and well-received among the members of society, and thus grew rapidly. With participatory, democratic and egalitarian approaches, semi-formal MFIs was able to contribute fresh ideas and values especially related to empowerment. It was not surprising that the number of MFI's members that operate in those rural areas grew rapidly to a significant number. KPP UMKM Syariah had average members grow rate of 18.5% per year, while AKR and Kopwan Bina Sejahtera had grow rate of 11.7% and 7% per year, respectively. Therefore, MFIs that operated in the rural areas of Tangerang Regency were not limiting themselves only to generate profit, seeking margin level or reaching healthy stage of financial performance. Ultimately, they provisioned social functions, especially in form of empowerment. In the process of empowerment conducted by MFIs, it was evident that each area of study possessed its own uniqueness and special traits in the empowerment of women's economy. Those unique traits were influenced by sociological factors, in form of socio-cultural construction formulated from dialectic process and extensive dynamic progress in society. Religious values as well as socio-cultural norms also took part in the interactions thus forming a way of life to solve and face problems for the members of society. Besides sociological factors—internal to the society—that shaped the character, external factors such as natural conditions, geographical situations, the flocking in of investors and the influence of better accessibility of loans for the members of society also played some parts in defining that character. For instance, the characters of housewives in the coastal/fishery area, which was accustomed identical with

unstatic natural condition and mostly was unfriendly to them, have shaped a more rigid character than housewives from other areas, symbolized by traits such as aggressive, speculative, consistent, devout and durable. The same thing applied to the characters of housewives in the industrial and residential areas. The residential area had different geographical conditions, exemplified by dense and populated areas, various cultural backgrounds, relatively higher crime rates, and bustling commercial complexes and centers neighboring the area formed individualistic and materialistic characters. Other unique traits from housewives of this area were aggressivity for economic resources, varying options for jobs and works, a relatively more secure business environment and ultra-high people's mobility. On the other hand, the characters of housewives in the agricultural areas were heavily influenced by the process of marginalization in their livelihood, a massive shifting from agricultural activities to various non-agricultural bustles. However, this area still holds its own unique traits. In the agricultural area, indigenous people and society still could be easily found, thus formed communalism, joint-responsibility, and harmony. They usually avoided speculation and preferred safety first for an ensured livelihood. All those different characters influenced behavioral patterns in the utilization of MFIs programs.

5 CONCLUSIONS

In early review of the aspects of empowerment, it is evident that each study area has its own unique characters and traits, be it advantages and disadvantages. However, by using two-sample t-test to determine differences between two means, it is exposed that no significant difference is found. Only in the aspect of advocacy that a difference exists; particularly, agricultural and industrial areas have yet to perform well in advocating their people. Furthermore, this also concludes that the implementation of empowerment aspects conducted by semi-formal MFI corresponds with the standard procedures (institutionalism) such as regulation standard, similarity in the variety of funding scheme, Standard Operating Procedure (SOP) and low-cost funding. Also, the insignificant differences observed from the empowerment aspects were supported by the fact that loan scale is relatively small, business capability scale including monthly income is relatively small, type of business owned is similar, needs and demands are similar (unvaried), expenditure is relatively small, number of family dependants is relatively small and the education level of family members, especially the children is low as well as access to the semi-formal MFIs programs and services is easily reachable.

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