

ETHNOGRAPHY STUDY: DEBT CULTURE IN ‘COMMUNITY OF MARKET TRADERS’ IN TRENGGALEK DISTRICT IN THE PERSPECTIVE OF “THE WELFARE STATE”

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ABSTRACT

This research aims to describe factors affecting merchants' decision in choosing loan from a rentenir or moneylender as a capital solution, the effects of "Kredit Lunak Pedagang Pasar (Gangsar)" program to the reduction of merchants' dependency towards moneylender's credit and the increasement of merchants' economical welfare after being involved in "Kredit Lunak Pedagang Pasar (Gangsar)" program. This research employs Mix Method approach that combines two approaches that are quantitative and qualitative approach. This research utilizes qualitative approach as a basis to gain a valid data in the field. In the next part, the data containing numbers is processed by using quantitative approach with Error Correction Model (ECM) with data time series. The result of this research shows that the merchants' dependency towards moneylender's credit is caused by the lack of information, knowledge, easy process offered by moneylender, and the absence of condition applied by the official credit agency that requires assets as a guarantee. With "Kredit Lunak Pedagang Pasar (Gangsar)" program, the merchants start to gain financial education, guidance, and capital assistance. Therefore, the merchants can become independent without moneylender's credit. The merchants are more prosperous and stable in terms of financial. It is proven by the availability of savings from profits, emergency savings, or educational funds. Even some of them are able to provide operational accommodations such as pick up car, motorcycle, and they could also expand their business and rent more stores.

Keywords: Credits, Moneylenders, Capital, Empowement, Welfare.

INTRODUCTION

In the society's life, credit is not an extraneous notion. It is not only known by societies in big cities, but is also known by societies in rural areas, the term 'credits' has been already popular (Setiowaty, 2011). People need credits, especially people in middle to low class society. Therefore, the credit they should get is the credit with low interest rate that is adjusted according to their capability. The credits given can be used to fulfill their basic needs and business. This credit is needed by many people, not only people in middle class society (Setyowaty, 2011).

In Trenggalek district, the credit is often chosen as the main solution to fulfill the basic needs. It also attracts small merchants or traditional market vendors who wants to get capital fast. The source of the credit is various. It is provided by officially incorporated institution such as Bank, BPR, and *Koperasi*. In addition, it is also provided by unlicensed institution such as *Bank Thitil* and *rentenir* or moneylender. Ironically, people are more interested in unlicensed institution than in incorporated institution. Even the interest rate given is quite high, 30% from the basic loan per month. *Rentenir* or moneylender is the one who involves in money or capital lending. *Renten* is an activity where someone lends money with multiplied interest rate that could exceeds the basic loan if the credit is not paid on time (Siboro Ilas, 2015.01). the difficult access for the people in middle to low class society and small merchants to get loan from Bank or BPR, the unavailability of assets used as a guarantee, a lot of procedures required to get loan from the bank are the main factors that this situation could happen. Moreover, there are some party taking this situation as advantage to gain benefits instantly, making this unlicensed institution spread and accepted in the society especially merchants. The debt culture in the context of this research is that the debt is depicted as a rational solution to fulfill the capital needs even it becomes the main alternative to save merchants' business. In other words, when the merchant's business is in degradation, they assume that there is no other way except taking loan. Capital problem faced by low-economic merchants is their limitations to get credit facility in the form of investment or capital (Anindito, 2004).

Based on those problems, the government, through *Bank Perkreditan Rakyat* (BPR) Jwalita, provides solution by forming *Kredit Lunak Pedagang Pasar (Kredit Gangsar)*. Kredit Gangsar is formed to aid society's economics by giving easy and cheap capital credit. This credit also aims to narrow the *rentenir*'s chance. This credit is given to merchants with credit plafond Rp. 3.000.000,- with 0,9% interest per month. Before this program is formed, traditional market merchants depend on *Bank Thitil* and *rentenir* as the only solution to get capital access. With the loan from *rentenir*, they wish they could develop business and pay debts without considering the interest rate applied.

This program aims to become a stimulus to aid society's economics especially traditional market merchants who need capital access without being dependent to *rentenir*. The welfare for merchants is hard to obtain because they must pay the loan with the interest applied by the *rentenir*. Therefore, the profit that should be used to develop the business and capital runs out to pay the loan with the interest. This problem imbues the process to gain prosperity among merchants.

THE FACTORS AFFECTING CREDIT DECISION AMONG MERCHANTS

Based on the result of the research and the observation in the field, the existence of the traditional market merchant is decreasing compared to the merchants in modern market, supermarket, or retail selling various vegetables with local and import quality. Consumers prefer modern market as it offers more comfortable service. This condition forces the traditional market merchants to obtain more capital to develop their business and cover the loss. Yet the difficult access to get credits from official bank or BPR, the unavailability of assets used for guarantee, and the procedures required to ask for loan to the officially incorporated institution are the main factors affecting the merchants to prefer credit provided by *rentenir* as the only solution. Moreover, the credit can be disbursed the same day with the lowest layaway plan with daily deposit system. In fact, it is calculated that the interest reaches 30% from the basic loan. The description of officially incorporated institution and unlicensed institution and their characteristics are explained below.

ILLEGAL CREDIT (UNLICENSED INSTITUTION)

In the context of this research, illegal credit means that the credit is obtained from unlicensed institution such as *Bank Thiti* and *Rentenir*. In Trenggalek district, especially people in middle to low class society and small merchants prefer *rentenir* as the only solution to get credits even though the interest applied is considered high, which is 30% from the basic loan. *Rentenir* or moneylender is the one who involves in money or capital lending. *Renten* is an activity where someone lends money with multiplied interest rate that could exceeds the basic loan if the credit is not paid on time (Siboro Iilas, 2015.01). The difficult access to get credits from official bank or BPR, the unavailability of assets used for guarantee, and the procedures required to ask for loan to the officially incorporated institution are the main factors affecting the merchants to prefer credit provided by *rentenir* as the only solution. there are some party taking this situation as advantage to gain benefits instantly, making this unlicensed institution spread and accepted in the society especially merchants. The credit can be disbursed the same day with the lowest layaway plan with daily deposit system.

The system applied by *rentenir* is very simple. The merchants do not have to give guarantee but they merely have to do an identity verification. The credit can be disbursed the same day. Interest and deposits are imposed daily to the borrower. That makes the interest and the deposits look low and affordable. After paying for the installment per day, the merchants receive one coupon. The interest is considered high, 30% from the basic loan per month. Those who have done this will be quite difficult to detach from the *rentenir*.

LEGAL CREDIT (INCORPORATED INSTITUTION)

Legal credit or incorporated institution is the institutions that are listed and surveyed by *Otoritas Jasa Keuangan (OJK)* or Financial Services Authority. In this research, the legal credit is provided by BPR Jwalita. BPR Jwalita is a regional-owned enterprises or BUMD Trenggalek. PT. BPR Jwalita Trenggalek is established on 27 September 2004 and it was inaugurated by Ir. Mulyadi WR, M.M.T as the regent of Trenggalek district. PT BPR Jwalita obtained its Deed of Incorporation on 29 March 2004 and it was validated by the Ministry of Justice and Human Rights Number: C-07617 HT 01.01/2004. It received its operating licence on 8 September 2004 from the Governor of Bank Indonesia Number: 6/9/KEP.GBI/2004 about PT. Bank Usaha Perkreditan Rakyat Jwalita business licence grant. Here the concept of *the welfare state theory* is implemented to handle the case where the government gives the solution for the problem faced by merchants through BPR Jwalita by forming *Kredit Lunak Pedagang Pasar (Gangsar)* program. Before this program was formed, the merchants depended on *Bank Thiti* and *rentenir* as the only solution to get capital. They wished they could develop their business and pay debts with loan from *rentenir* even though they did not consider the interest applied.

Table 1: The Characteristics of Gangsar BPR Jwalita Credit and Illegal Credit (*rentenir*)

Kredit Pedagang Pasar BPR Jwalita (Gangsar Credit)	Illegal Credit (<i>Rentenir</i>)
<ul style="list-style-type: none"> • The interest applied is low, ranging from 0,5% from basic loan per month • Legally incorporated • Controlled by the government through OJK • The tenor given is long, 1 – 36 month depends on the fund disbursed and the capability of client • There is written agreement regarding rights and obligations • Applying 5C to reduce the risk of payment failure and ensuring that the credit is right on target • It has a main office and cash office in every area to provide service and information towards credit and funds 	<ul style="list-style-type: none"> • The interest applied is high, 10% from the basic loan per month • Unlicensed • Self-owned business, unregistered by OJK • The tenor given is short, only 30 days with the interest added • There is no written agreement, only a deal about the basic loan and its interest • Only considers business aspects. In other words, if the payment failure happens, there will be assets or store that can be used as guarantee • Most of the <i>rentenir</i> do not have office

Source: Research

CONTRIBUTION OF KREDIT LUNAK PEDAGANG PASAR (GANGSAR) PROGRAM

Based on the result of this research, Kredit Lunak Pedagang Pasar (Gangsar) program is formed to alleviate capital problems and to narrow the *rentenir*'s movement spreading among the traditional market merchants. BPR Jwalita through Kredit Lunak Pedagang Pasar (Gangsar) program supported by the government commits to grant capital assistance in form of credit without collateral with the lowest interest, that is 0,9% per month. The application and payment is done through the community's chief. Therefore, it could reduce the risk of payment failure and ease the controlling process. In addition, it could also trigger the customers' responsibility. The merchants are also educated to be more aware about financial planning and savings. BPR Jwalita gave them free piggy banks for them to save their money and spare their profits. It is hoped that they can be more responsible and aware about saving money. Therefore, they will be no longer dependent on credits in long term. So far the effects of Kredit Lunak Pedagang Pasar (Gangsar) program is positive. There is no payment failure found during this program. It shows that the merchants' economy is stable. The success of this program is also proven by the reduction of *rentenir*'s activity at the traditional markets area. The merchants started shifting to obtain credit from BPR Jwalita as the legal incorporated institution. The availability of financial education and saving culture provided by BPR Jwalita made them understand more about how to invest or save their profits. The low interest applied allows them to focus more on developing their business without being anxious about debts. Therefore, the profits gained are increasing significantly. The controlling done by the authorized party triggers the change of mindset and habits among the society as they are more responsible in savings, repayment, and purpose of credit.

ECONOMIC WELFARE PROGRESS

Article number 33 of Indonesian constitution or UUD 1945 is the foundation of Indonesian economics, it contains togetherness and family principal. Therefore, the development of economic law tends to force. Constitution in economy's field prioritize commonweal rather than individual welfare. (Suharto, 2005:50) argued that welfare state could be described as a social welfare system that gives roles to the state (government) to allocate public fund to ensure the fulfilment of inhabitants' basic needs. This theory is in line with Kredit Lunak Pedagang Pasar (Gangsar) program where the government assists to handle capital problem among the merchants through BPR Jwalita. The progress and amelioration of the merchants' economic welfare are mentioned as follows: a) the merchants' economy is more stable as there are no payment failure during this program running, b) the businesses owned by the merchants are increasing as they could expand and upgrade their business and store, c) low interest and the system that do not repress the merchants allow them to save their money in long term, d) this program is success that the merchants are more prosperous as they could save money from their profits for emergency savings and education fund. In addition, some of them are able to purchase operational accommodations such as pick-up car and motorcycle and they could also expand their businesses.

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