

## STUDY OF INSTITUTION MODEL OF MICRO FINANCE TO RAISE CHILDREN OPPORTUNITIES OF POOR FAMILIES FOR HAVING HIGHER EDUCATION: PERCEPTION AND EFFORT OF POOR HOUSEHOLDS

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### Abstract

*The aim of this research is for making micro financial institution that is healthy and sustainable with basic of local institution. Moreover, this research encourages the children of poor families to continue study to higher education. This research is performed within 3 years in Malang Regency. On the first year, this research identified the perception of poor families. The kinds of the perception are the role of higher education, the effort for preparing the future of children, and how far the role of local finance institution. The sample used in this research are 100 units of poor households which are taken purposively and analyzed with frequency distribution method. This research found that: (1) poor families have positive perception about higher education, (2) the majority of poor families (97%) have desired the children could continue study to higher education, (3) the motivation of poor families to get the children continue the study to higher education basically based on the better of children's future, better knowledge, and better job, (4) Specifically, the efforts of poor families to make the children could continue to higher education are to save more income, to do more hard work, to give motivation to the children, and to find scholarships, (5) the role of local finance institution like cooperation is very small to support poor families to make the children to continue their study.*

**Keywords:** Micro finance institution, Poverty, Higher Education

### 1. INTRODUCTION

The phenomenon of poverty and number of school dropouts in East Java showed an alarming figure. In 1995, before the economic crisis, the poverty rate in East Java is the highest compared to other provinces such as West Java, Yogyakarta and Bali. The percentage of poor people in East Java reached 21.85% while in West Java amounted to 20.87%, and in the province of Yogyakarta at 19.18% and in the province of Bali amounted to 16.60% (BPS). Dropout rate in East Java during the year is still higher than the national rate, reaching 20.80% to 18.19% for junior and senior high school (BPS East Java).

To overcome the problem of poverty and vertical mobility barriers for young people from under privileged families is not just the responsibility of the government. All parties, including the universities are appropriately participate to develop power-reasoning, labor and funds for program expansion of higher education opportunities for children disadvantaged families through the

development of microfinance institutions were able to empower business capacity of mothers to ensure the education of their children to an adequate level as stock entering employment.

### 2. THEORITICAL REVIEW

#### 2.1. Microfinance Institutions

Microfinance Institutions have two concepts, namely micro and credit. Credit has the meaning of the provision of financial services or the financing of a project. Micro, has several meanings and interpretations. Some experts interpret as a micro-small scale service providers. Micro credit service providers generally have a small capacity in many aspects, including the financial and organizational capacity that is relatively small compared to formal banking institutions. Microfinance institutions (MFIs) are generally able to carry out their activities with the support of donors because of the limited ability of capital owned. Some others interpret as a measure of micro financial services that can be provided. This implies that funds/credit

provided for each project/business are limited. However, some parties are interpreting micro credit services to the poor who really need venture capital. In such cases the poor who are assisted by MFIs are those whose capacity is also small. Each interpretation above contains several aspects of microfinance. The interpretation relates to the size of the service agencies or credit services that can be provided and credits associated with the recipient. Each of these elements contains the characteristics of a micro or small size attribute.

Microcredit institutions are reviewed their position in the financial system as intermediary (ECD, 2000) between the bank (formal sector) with the informal sectors. Micro-finance is for customers operating on a small scale (although it is a majority of the population).

Except for the provision of financial services to low-income people, including those on their own, in his capacity as a financial intermediary sector, MFIs can also become a social intermediation (Ledgerwood, 2000) as in group formation, the development of self-confidence and training in management skills and financial among the members in the group, as well as participate in humanitarian activities such as the occurrence of natural disaster and its aftermath (Nagarajan, 1998), so that the MFI is a vehicle for development.

## **2.2. Household Sector Investment and Value of Children**

The formation of the household sector investment or commonly known as Household Investment is an economic and social issue that has been studied in different countries, both theoretically and empirically.

Stephanie et.al (2004) suggests that the variation or diversity portfolio allocations on an investment instrument can be explained by a traditional utility maximizing framework. Heterogeneity in the portfolio due to the heterogeneity of preferences, circumstance or a combination of both. Environmental heterogeneity background includes non diversifiable risk, demographics, information asymmetries and transaction cost. Non diversifiable background risk is income and human capital, retirement investments and real estate owned. Transaction costs include taxes and variable costs associated with trading of investment instruments.

Micro-economic population, namely from the point of view of the parents or the child's family unit, has been regarded as a consumer durable or luxury goods, which can give satisfaction in a long time. Everyone (in this case the parents), has had limited resources and make every effort to obtain satisfaction by selecting the desired number of children. With the approach between the various items, including the selection of the desired number of children. With this approach, it is difficult to explain why rising incomes actually cause a decrease in fertility. The answer is that by increasing the income of the parents, where the parents want their children more educated, so they opt for quality rather than quantity of children (Jones 1990).

The main premise of the theory of demographic transition is that in line with the holding of social development, the economy, the desire to have children is a process more economic than biological processes (Robinson).

The economic theory of fertility expressed by some experts explain that the factors which determine the desired number of births of children per family among them is how many births can be maintained live (survive). The main pressure is the way it behaves in the manner intended when people carry out such calculations depend on a balance between the satisfaction or utility (utility) obtained from the birth of a child costs, both financial and psychological form.

According to Robinson, there are three types of child uses, namely:

1. Usefulness obtained from the child as a consumer goods, such as a source of entertainment.
2. Usefulness obtained from children as a means of production, that is, in certain respects the child is expected to do a certain job, which adds to the family income.
3. Usefulness obtained from children as a source of peace, both in the old days and vice versa.

## **3. RESEARCH METHODOLOGY**

This study will be conducted over three years in the district of Malang. Malang district selection is the consideration that the number of poor villages in the district of Malang is still quite large, each about 15% (BPS).

The number of samples to be interviewed as many as 100 units of poor households. Sampling was done by purposive sampling method (with the criteria of households classified as poor and have school-age children). The respondents of this study is the head of the family of the RTM samples.

The objective in the first year:

1. Identify the intensity and diversity of effort/endeavour poor households to prepare for the future of their children in order to have a better life. Are there gender-based differences.
2. Measure the degree of perception of poor households on the role of higher education as a means of supporting their future success.
3. Identify the factors that are considered poor households took the decision to send their children in college.
4. Uncover what is being done by poor households to finance their children who are continuing their education in high school.
5. Identify how big the role of local financial institutions to support the financing of children from poor families to obtain higher education.

## 4. RESULTS AND DISCUSSION

### 4.1. The Respondents' Type of Job and Income

Based on the respondents' type of work, we divided into several types of jobs namely farm laborers, farmers, traders, construction workers, laborers and odd incense maker. The most type of work is as a laborer with a rate of 36% and the proportion of construction workers by 18%.

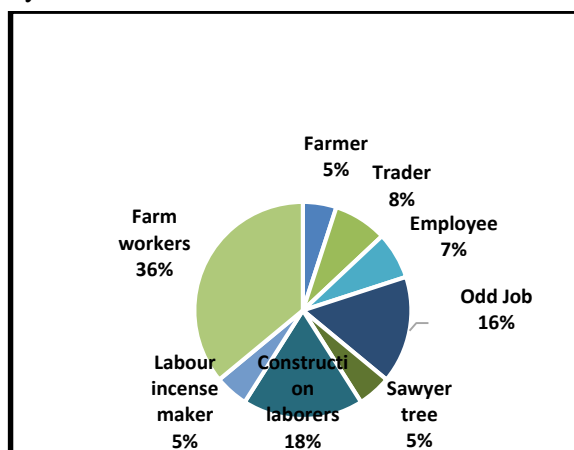


Figure 1: The Job of Respondent

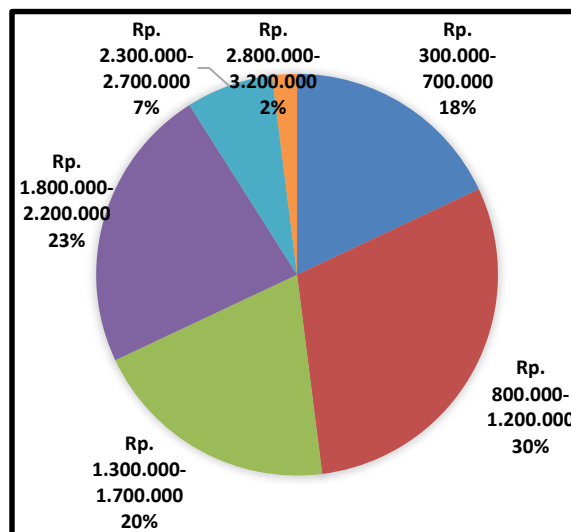


Figure 2: Income per Month

Based on the Figure 2, the majority of respondents earning at IDR. 800,000 up to IDR 1.2 million per month with a proportion of 30%. Second, respondents' income by 23% with nominal at IDR. 1.800.000 up to IDR. 2,200,000 per month. Further income at IDR. 2,300,000 and IDR. 2,700,000 per month with a proportion of 18%. Only a small proportion of respondents who earn more than IDR. 2.3 million per month.

### 4.2. RTM Perceptions Regarding the Importance of Higher Education as a Supporter

#### The success of the Children's Future

Based on survey results, respondents when asked what your children need to continue to higher education is, the most of them answered yes (97%). While only 3% who answered no. This fact implies that the poor in general wants his son's future can be better. They also see that education is an important factor in the success or print a bright future for these children. Next respondents were asked if you wish to send children to college, overall they answered yes. This supports the previous question. It can be concluded that the poor are basically want their children can receive education up to college level to achieve a better future.

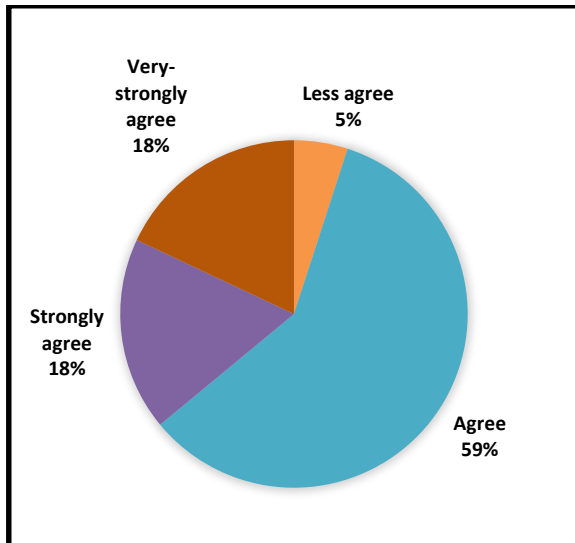


Figure 3: The Perception of RTM on Higher Education

From the survey results also showed that the poor believe that their schools up to college, then they will be easier to get a job. 59% agree on this point. Next, 18% strongly agree and very strongly agree. While the rest only 3% who disagree. The implications of the respondent's answer is poor people have high expectations of the college where school children can be at that level, the ease of finding a job and change the fate or out of the poverty line will be realized.

#### 4.3. Factors for RTM in Considering to Send or Not Send Their Children on the Study of Higher Education

The main factor for the elderly, in the District Wagir, to send their children in general is due to economic factors. It is undeniable that the economic factor becomes an important factor that determines the child can go to school. The high cost of education today has not yet been able to reach parents in the area Wagir. In addition to their own education costs, transportation costs are factors that support the high cost of school. This could happen because of the location or the location of high schools in the area Wagir far enough away from the houses. So they have to spend more if you want to go to school.

The second factor to be considered in children's education is job opportunity. In general, children Wagir area junior high school graduates have entered the world of work. It is due to a consideration that a job offer from the environment are quite large. So parents may

think their children are better not to attend school at the high school level or higher.

Based on the survey results showed that 86% of respondents when asked about his desire to send children to college answered yes. Meanwhile, 14% of respondents answered no. The respondent's answer implies that the poor now know enough about the value of education for their children. The challenges of economic development is increasingly difficult to make people believe that a good education would bring their children to achieve a better future.

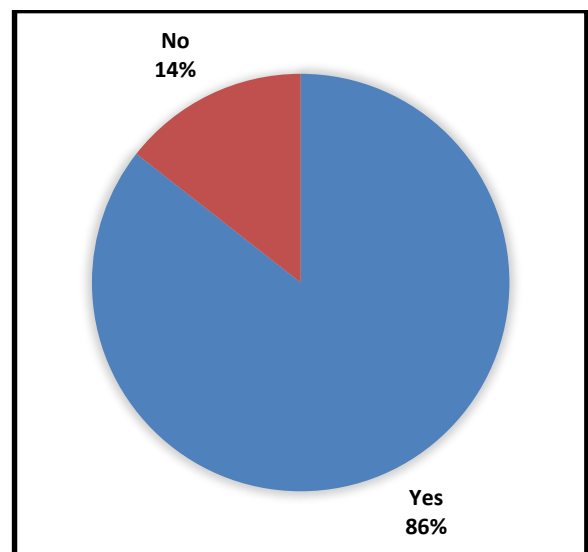


Figure 4: The Decision of RTM To Get the Children into Higher Education

Then when asked about the reasons why these poor families want their children to continue their studies to higher education is influenced by several factors. There are at least three major factors that lead to the elderly or the poor families want their children to school up to college. First, a better life. Second, it is easy to get an education. And, third, getting a good education.

A better life is the primary motivation for poor families to send their children to college. There is no doubt that poverty is a condition happened to some people Wagir. Poverty can be seen from the condition of their homes that are far from decent. To meet the needs of everyday life is also quite difficult. By getting a higher education, the RTM certainly hope very much that their children later can change the fate of his family and out of poverty.

Then factor that encourages poor families to send their children to college is because of the ease in getting a job. That factor is quite

realistic, because with a university education, the guarantee of getting a better job will be easier or have a greater likelihood than if someone just graduated from elementary school or junior high. Another factor is to get a better education, basically RTM view that education in elementary to high school level is still not mature enough to support children in getting a better job and a brighter future.

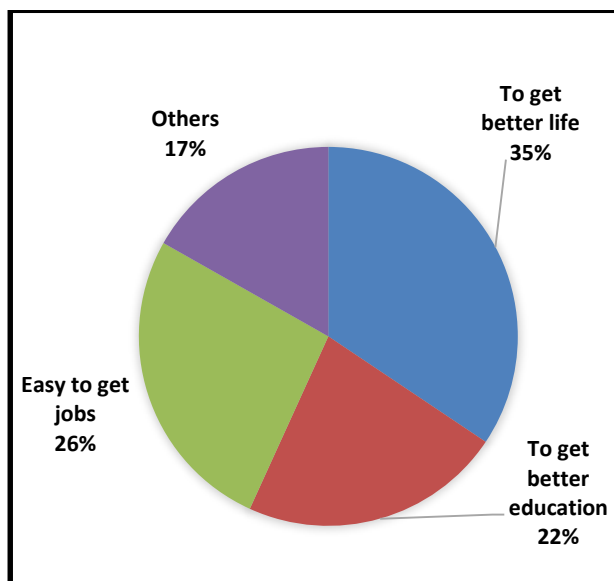


Figure 5: The Reason of RTM to Get the Children into Higher Education

#### 4.4. The Effort of RTM To Make the Children to Continue Their Study to Higher Education

The poor in Wagir area generally want their children to attend school up to college. However, the expensive cost can impede or be an obstacle for them in preparing their children to college. Efforts likely made by poor people are to do additional work such as working in sectors outside of agriculture, by making home industry in the form of incense production. This effort is very beneficial for the cottage industry was able to increase their income in general.

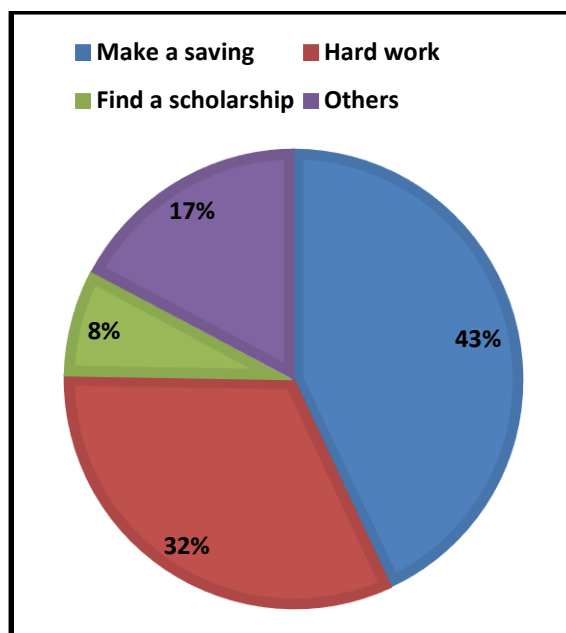


Figure 6: The Effort of RTM To Make the Children to Continue their Study to Higher Education

Based on the survey results can be seen that the efforts made by the RTM to send their children to college is quite diverse. First, 43% of RTM make an effort to save money. Second, 32% with efforts to work harder. Third, by 17% with other efforts such as advising. Fourth, at 8% with the effort to find scholarships.

#### 4.5. The Role of Social Institutions and Local Financial Institutions to Motivate the RTM in Order To Get Their Child Obtain Higher Education

Social institutions and local financial institutions in Wagir such as boarding schools, cooperatives, government, and so on very motivate local residents to encourage their children to school up to high school level and even college. The role of social institutions is realized through the provision of capital to poor people to start businesses and provide encouragement about the importance of children attending higher education. Village leaders always give a discourse that school is the most important thing for children to get a bright future. They also facilitate people who want to continue their education at the high school level with the C Packet School.

Based on the survey can be seen that 95% of the poor (RTM) to follow or active in the study of social institutions. While the remaining 5% are inactive. The reasons for the RTM to

follow the teachings of which is to maintain harmony between people and study religion. Then for arts activities, the results of the survey can be said about the overall poor people do not follow it. The reason is that the activities are usually aimed at young.

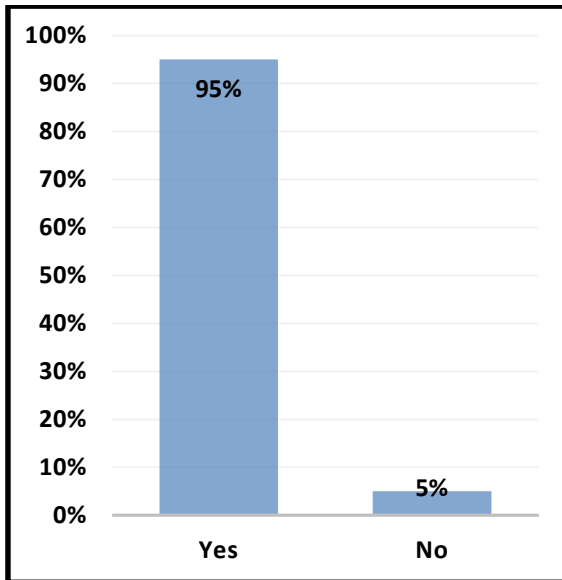


Figure 7: The Participation of RTM in Religious Activity (Pengajian)

Next on the participation of social gathering. From the survey results can be explained that 75% of RTM join a social gathering. While the remaining 25% did not participate in social gathering. Social gathering is basically a form of social activity of citizens that aims to make the pillars of the citizens and provide financial assistance for the people who carry out. From the survey results can be seen the motivation of the citizens who participated arisan partly caused by the desire to do harmony with the citizens, to cover urgent necessities of life, and to make savings. In this context, it is rarely or almost no specific motivation of citizens who follow a social gathering for the purposes of their children's education. This is reasonable considering the needs of citizens not only for the education of their children alone, but also other pressing needs such as basic needs (food and clothing). While the reason why people do not participate in gathering is due to lack of enough money to pay for social gathering. Indeed they want to follow the event. This condition can be tolerated on the grounds that it has been presented.

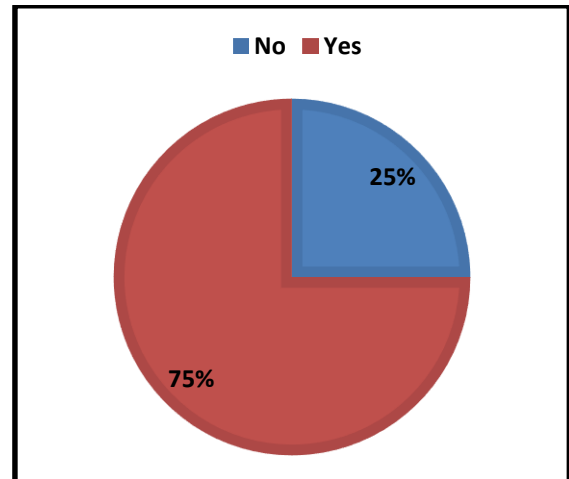


Figure 8: The Participation of RTM in Regular Social Gathering (Arisan)

Cooperative does not seem so popular among RTM. From the survey results can be explained that only 13% RTM follow cooperative. The remaining 87% are not members of the cooperative. In general, residents in the village argued that no cooperative and it is far away. There was also a concern when residents to borrow money in the cooperative could not repay the loan. Of course, this fact implies that the development of cooperatives in general are not able to compete or develop other business partners such as banks and other financial institutions.

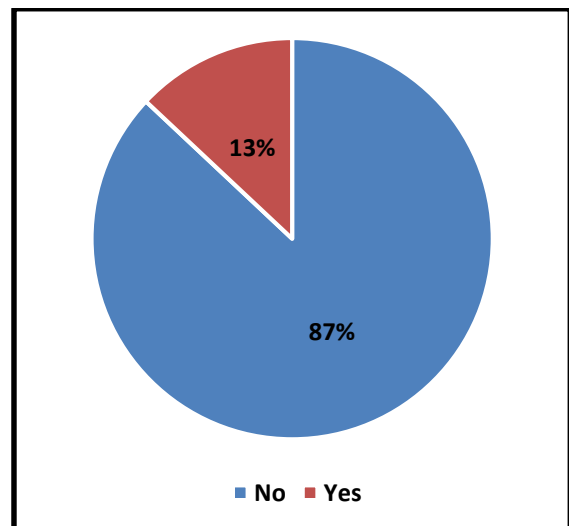


Figure 9: The Participation of RTM in Cooperation (Koperasi)

The role of local financial institutions to social and encouragement or motivation of the people to send their children to college does not seem to be quite effective for society at Wagir. This can be explained through Figure 10.



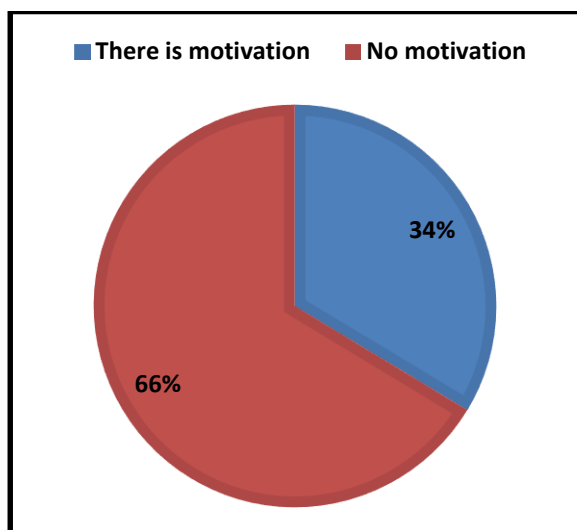


Figure 10: Support of Social and Local Financial Institution

As many as 34% of RTM feel that there is motivation of the social and financial institutions in encouraging local children to a higher school. While the remainder, 66% RTM feel that the motivation is not there. Facts like these reflect that the role of social institutions such as lectures and local financial institutions such as cooperatives are not sufficiently effective in encouraging RTM aware of the importance of higher education for their children. This problem may be approached from the standpoint of a more micro level, where these institutions only play a role in the context of local people to maintain harmony and not directed at economic development in the surrounding area.

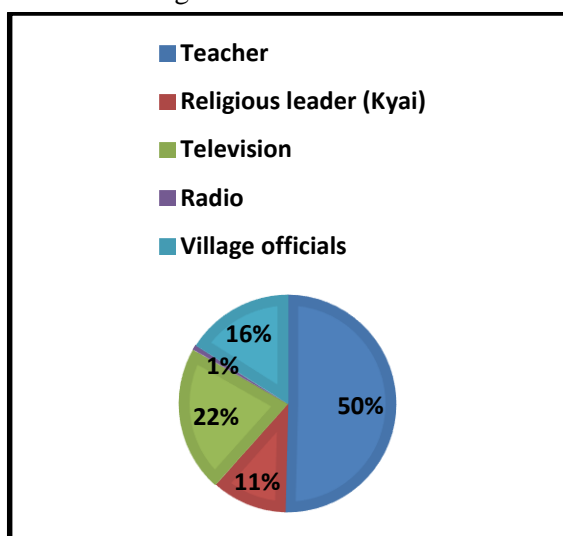


Figure 11: The Source of Information about Education

From Figure 11 can be explained that the RTM sources of information about the importance of education is the most important of Teachers (50%). Second, is from TV (22%). Third, is from the Village officials (16%). Fourth, is from Religious Leaders (Kyai) (11%). The last is from the radio or other public media. For RTM, seemingly dependence on the teacher as an information center of education is still very strong. This is reasonable because the poor are generally less educated, so that trust in the teacher as an educational center is very large. Thus, if a common thread drawn from backwardness condition RTM level of education for children is because of limited information about higher education and the ineffectiveness of local financial institutions in social to motivate them to understand the importance of higher education.

## 5. CONCLUSION

From these results, the following are the conclusions:

1. Efforts of Poor Households (RTM) in preparation for the future of their children in order to have a better life is done by Wagir community in several ways including, namely: to provide religious education with formal education in public schools and to set up savings for children's education.
2. Interests of the RTM to send their children to college basically pretty good, which is based on the results of the survey, when respondents were asked if they need their children go to high school/college, most of them answered yes (97%).
3. Factors affecting poor families to send their children to college is basically due to the following three factors: first, a better life; second, it is easy to get an education; and, third, getting a good education.
4. The role of local financial institutions in supporting poor families to send their children is still not optimal, because citizens have not all got the opportunity to work with the financial institution. Furthermore, based on the results of the survey showed that as many as 34% of

RTM feel that there is the motivation of local financial institutions in the social as well as encourage their children to a higher school. While the remainder, 66% RTM feel that the motivation is not there.

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May God bless the UB so that in the future can be a higher education institution with increasing quality.

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