

Poverty Reduction Through Microfinance in Rajapolah District, Tasikmalaya Regency

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Abstract—The rapid growth of microfinance institutions provides great opportunities for low-income people to participate more in the economy, start and grow their businesses. This study aims to determine the role of microfinance institutions in reducing poverty with indicators of increasing family income before and after receiving microfinance for women. The research method used in this research is quantitative research methods and explanatory surveys. Model testing using paired t test. The population in this study were women receiving microfinance in Rajapolah Village, Rajapolah District, Tasikmalaya Regency. The sampling technique used simple random sampling and was determined by the slovin formula obtained 150 people. Based on the results of the study showed that there were significant differences in family income after receiving microfinance financing. Financial institutions play a role in increasing the family income of women receiving microfinance. Microfinance for women is an effective way to increase family income as an effort to reduce poverty.

Keywords—microfinance, poverty reduction

I. INTRODUCTION

Poverty reduction is one component of the Sustainable Development Goals (SDGs) which is a commitment from the Indonesian government and the countries that are members of the United Nations in ensuring that all human beings can enjoy peace and prosperity by 2030. Commitment In achieving the SDGs, Indonesia is not merely fulfilling global agreements but is an effort to achieve Indonesia's aspirations in improving the welfare of its people. SDGs is a common goal that requires real contributions from the government and various components of society [1].

The composition of the poor in Indonesia in 2015 was 11.22% of the total population of Indonesia. At the beginning of 2019, there were 9.64% poor people and it is hoped that the intervention from the government will be at 9.49% in accordance with the government's target of 8.5% -9.5%. The Indonesian government predicts that the composition of the poor in early 2030 will be 5.73% who will be intervened with various policies so that it is expected that by the end of 2030 it will be 4.33% according to the government's target of 4-4.5%.

[1]. Based on data from the first quarter of 2019, the poverty line in Indonesia is IDR 425,250 / month, with this amount the poor population in Indonesia is around 25 million people with a proportion about 9.40 percent. One of the characteristics of poverty in Indonesia can be seen from the disparity between rural areas where the poverty rate is almost twice that of urban areas [2].

Achieving poverty alleviation requires collaboration between stakeholders, division of roles, and innovative strategies. One of the stakeholders that is expected to play a major role in poverty reduction is financial institutions, starting large scale through banking, cooperatives and even to the smallest scale, namely microfinance institutions. The purpose of establishing a bank is to improve the standard of living of the people at large. Likewise, cooperatives have the same goals, where one of the functions of the cooperative is to build and develop the potential and economic capacity of members in particular and society in general as well as to participate in building the national economic order in the context of realizing an advanced, just and prosperous society.

Without prejudice to the role of large and medium scale financial institutions, there is evidence that the role of microfinance institutions is an effective tool in poverty alleviation and socio-economic development [3–7]. The Microcredit Summit Campaign in 2010 reported that 3,652 microfinance institutions had a total customer base of 205 million, 137 million of whom were among the poorest when taking their first loan with a portion of 82.3% being female customers [8].

The development of microfinance institutions, both in terms of the number of institutions and the number of customers in Indonesia, is quite rapid, one of which occurs in Rajapolah Village, Rajapolah District. The purpose of this study was to determine the magnitude of the influence of microfinance service on poverty reduction in the Rajapolah District, Tasikmalaya Regency.

The beginnings of microfinance can be found in various regions, but the most famous story was popularized in Bangladesh by Nobel Peace Prize winner Prof. Muhammad

Yunus more than 30 years ago with the aim of reducing poverty by making small loans to the country's rural poor [9].

Micro-credit extension institutions have developed over the years and not only provide credit to the poor, but now also cover a range of other services including savings, insurance (micro insurance), remittances and non-financial services such as financial literacy training and skills development programs, even in several places (for example: BRAC in Bangladesh which is one of the pioneers), it has also assisted customers in distributing and marketing their products, making micro credit channelling institutions transformed into microfinance institutions [6,10].

A key feature of microfinance institutions is targeting women on the grounds that, compared to men, women perform better as clients and their participation shows more desirable development outcomes [11]. Microfinance institutions affect households more than just an economic outcome in the form of increased income, but provide social benefits and empowerment for women [4,6,12,13].

SDGs aim to end poverty in all forms and wherever it exists. Although previously defined only in monetary terms, poverty is now understood to include the realities of life from people's experiences and the various deprivations they face. Since 2010, the global Multidimensional Poverty Index (MPI) has compared acute multidimensional poverty in more than 100 countries. The Global MPI examines individual deprivation across 10 indicators in three equally demanding dimensions covering health, education and living standards by offering a detailed perspective on identifying who is poor and how they are poor [14].

A comprehensive understanding of poverty is needed to determine the right coping strategy. There are several problems related to the powerlessness of the community in facing poverty, namely 1). The empirical experience regarding the failure to reduce poverty in an effective and sustainable manner, this is because poverty is becoming more complex, not just meeting basic needs. 2). Solving the problem of poverty does not only lie in economic problems, but also develops into political, social and even cultural problems [15].

The characteristics of poor households in Indonesia can be seen from several aspects including demography, education, employment and housing [2]. The poverty line in Indonesia as of the first quarter of 2019 is IDR 425,250 /cap /month. For example, if a household with 4 family members has an income of less than IDR 1,701,000, it is categorized as a poor family.

II. METHODS

The research method used is descriptive quantitative and explanatory survey to describe the profile, characteristics, relevant aspects related to humans, organizations / industries so that actual and important findings about the phenomena that occur in poverty alleviation efforts in Rajapolah District, Tasikmalaya Regency, and understand / analyse the

relationship with the aim of answering questions related to the facts obtained on the variables studied [16,17].

The test used Paired Sample t-test to see differences in family income before and after receiving microfinance services. The data used in this study are primary data, with survey data collection techniques. The population of this research is female microfinance customers in Rajapolah Village, Rajapolah District, Tasikmalaya Regency, West Java, with a total of 225 people. The sample technique uses Simple Random Sampling and determined using the Slovin formula with an alpha level of 5%, then the total sample size is 150.

III. RESULTS AND DISCUSSION

A. Results

Characteristics of respondents based on the results of data processing (Table 1).

TABLE I. CHARACTERISTICS OF RESPONDENTS

Category	Description	Amount	Percent (%)
Age	25 - 35 years	21	14
	36 - 45 years	58	39
	46 - 55 years	51	34
	> 55 years	20	13
Level of education	primary school	106	71
	Junior high school	32	21
	Senior High School	12	8

Source: Data processing results, 2020.

Respondents consisted of women with the majority aged between 36 - 45 years as much as 39%, followed by the age of respondents between 46 - 55 years at 34% and the remaining 27% consisting of the age range of 25 - 35 years and over 55 years. The majority of respondents' education level is 71% through elementary school and the rest 29% has a high school level.

TABLE II. ONE-SAMPLE KOLMOGOROV-SMIRNOV TEST

	before financing	after financing
<i>Kolmogorov-Smirnov Z</i>	.782	1.273
<i>Asymp. Sig. (2-tailed)</i>	.573	.078

Test distribution is Normal.

Source: Data processing results, 2020.

Based on the test results table 2, it shows that family income before and after getting financing has an Asymp. Sig value more than 0.05, which means that both data are normally distributed.

TABLE III. PAIRED SAMPLES STATISTICS

Pair 1		Mean
	Before Financing	2.31731
After Financing	2.84395	

Source: Data processing results, 2020.

Table 3 shows that the average income shows positive results with an increasing trend of 0.52664 after getting financing.

TABLE IV. PAIRED SAMPLES CORRELATIONS

			N	Correlation	Sig.
Pair 1	Before- Financing	After	150	0.758	0.000

Source: Data processing results, 2020.

The correlation value in table 4 is 0.758, indicating a strong relationship between variables.

TABLE V. PAIRED SAMPLES TEST

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	Before After Financing	-0.5266	0.628	0.0513	-0.627914	-0.42537	-10.28	149	.000

Source: Data processing results, 2020.

Based on table 5, it is found that the significance of 0.000 is less than the significant level of 0.05, indicating that there is a significant difference between the average value before and after getting financing. The negative t value is -10,276, it can be concluded that there is an increase in family income after receiving financing.

B. Discussion

Based on the research results, it is known that Microfinance have a significant influence on poverty reduction, this means that the higher the quality of Microfinance services, the more it plays a role in poverty a reduction.

Financing makes women empowered is very closely related to poverty reduction. Associated with the neoclassical assumptions regarding the production function, if women have less access to capital than men, then the return on capital for women should be higher than for men. Thus, giving women more capital in principle can increase economic growth, increase income and end up reducing the level of household poverty [6].

The rapid growth of microfinance institutions is beneficial for the economy. The logic is that when the services of microfinance institutions have wide and quality services, people with low incomes have the opportunity to participate in the economy, start new businesses, and even develop their businesses. As a result, there was an increase in income, the community was able to meet their household needs independently and sustainably. Research on the influence of microfinance on poverty reduction has been carried out in various regions. In Bangladesh, which is known as the pioneer of MFIs, there are many studies that confirm how MFIs influence poverty alleviation [6,18].

In Malaysia microfinance Amanah Ikhtiar Malaysia (AIM) plays an important role in the socio-economic development of poor and low-income communities, especially women [19,20].

In Indonesia, a study on the impact of microfinance PNM Mandiri on poverty reduction by 20% [21].

IV. CONCLUSION

Microfinance have a significant effect on poverty reduction. Microfinance institution not only play a role in distributing microfinance, they also play a role in mentoring, increasing the knowledge and skills of their customers through training and workshops so that customers can manage the financing they receive more productively so that household income can be increased higher.

Further research to see the effect of Microfinance on poverty reduction is suggested to use a larger number of objects with a more diverse research area, besides that the poverty measurement figures can be more comprehensive using the Multidimensional Poverty Index.

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