

# Saving Group

## A Perspective Qualitative Study

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### ABSTRACT

This study explores community funding in the form of saving groups in Jambi Province. Exploration result is supported by NVIVO software. The results of this study conclude that The saving group has the characteristics of a system, payment deadline flexibility, premium saving group and capacity management. The existence of a saving group has an impact on its effectiveness which is seen in the economy impact, social impact, cultural impact and government impact

**Keywords:** *artisan, microfinance, informal finance, saving group*

### 1. INTRODUCTION

Microfinance is commonly used to provide financial services to parties who cannot access conventional financial services. These parties are those who cannot meet the collateral requirements of conventional financial services. In addition, they also do not have sufficient financial literacy [1]. Samer, Majid, Rizal, Muhammad, Sarah-Halim and Rashid [2] added that the existence of Microfinance is considered one of the effective way to reduce poverty levels and assist socio-economic development, especially for the lower middle class.

Microfinance is divided into 2 types, these are formal finance that is facilitated by financial institutions and informal finance that is present because it is initiated by the needs of the community itself. Degryse, Lu and Ongena [3] states that both formal and informal finance have their respective advantages and disadvantages. With these two types, people can earn both of their benefit by using of each type or use it simultaneously.

Tonch and Sohn [4] states that informal finance is financing that arises based on social networks of individuals, associations, or communities without formal financial intermediaries. Ayyagari, Demirgüç-Kunt and Maksimovic [5] emphasize that informal finance usually consists of small loans, unsecured loans, short-term loans limited to rural areas, contract farms, households, individuals, or small entrepreneurs. Aliber [6] describes the form of distribution of funds has many variations, such as rotation of savings and credit associations (ROSCA), accumulation of savings and credit

associations (ASCA), informal money lending, funeral savings and Saving Groups.

One form of informal finance that is quite popular is the saving group. Anthony [7] defines a Saving Group as having a community-based system in which self-selected group members regularly (usually weekly) contribute the same amount of savings to a mutual fund. The collected funds are then distributed in rotation to individual members who queue for contributions, and the disbursement of funds rotates among members until each member receives the collected funds.

Tonch and Sohn [4] states that the existence of saving groups helps women in Nigeria to find places to save money and access loans. Saving groups are also able to improve the welfare of the poor in South Africa, which can be seen from the increase in the number of people's consumption [8]. People also use saving groups as an informal form of saving to meet their financial needs, because the procurement of these saving groups is believed to be more accessible and flexible than formal financial institutions [9]. It can be concluded that the existence of saving groups is relatively more developed in developing and poor countries.

The concept of saving groups is almost the same as the concept of "artisan" in Indonesia. The concept of artisan is based on the philosophy of gotong royong in Indonesia, which means working together or helping. The definition of artisan can be defined as the activity of collecting money or goods of the same value by several people and then drawing lots among them to determine who gets it, the lottery is held in a meeting periodically until all members get it [10]. Thus, this article is expected

to be able to describe the characteristics of the Arisan and the impact of the benefits of the Arisan.

**2. LITERATURE REVIEW**

Tang and Guo [11] explained that to overcome the financial constraints of rural communities, there are two possible options for the community to choose, these are formal finance and informal finance. Amissah and Gyeke-Dako[12] adding that formal finance has a large supply of funds but requires collateral in the lending process. In contrast, informal finance does not require collateral and minimal loan requirements but has limitations in providing funds.

According to Fonhthong and Suriya [13] providing informal sources of funds for the community, the Thai government creates village funds to reach people who need them. On the other hand, the community also independently provides sources of funding for their village communities. For example, the findings in Horan's study [14] in Auckland, New Zealand who explained that there is a community of women in the Cook Islands in South Auckland using community funds that they collect themselves to finance their individual business activities. This informal system of providing funds is usually called a saving group.

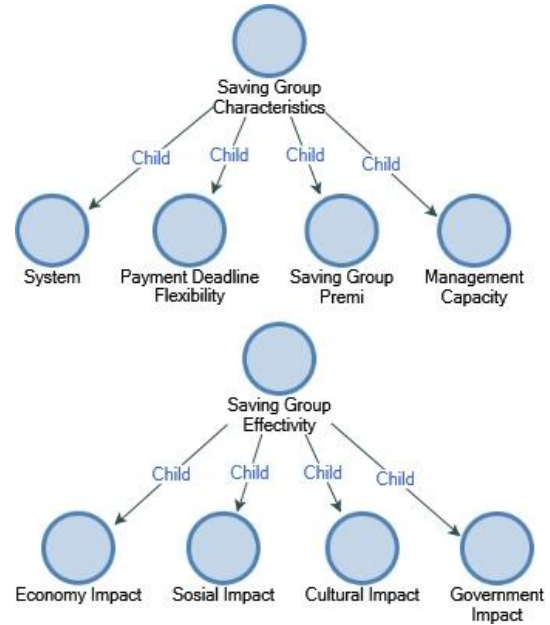
The impact of saving groups on people's welfare was investigated by Dagunga, Amoakowaa, Ehiakpor, Mabe and Danso-Abbeam [15] in Ghana which states that the existence of saving groups helps farming communities in obtaining prosperity which is manifested in the gathering of agricultural equipment, working capital and so on. Oranu, Onah and Nkhonjera [16] researched saving groups in Nigeria and found that saving groups also help women in Nigeria to meet their needs that is not covered by daily income such as children's school fees, future savings, and so on. Tonch and Sohn's Research [4] and Kabuya [8] also added that the existence of a saving group is able to improve the quality of its members who do not have literacy skills by providing savings in rotation.

**3. METHODOLOGY**

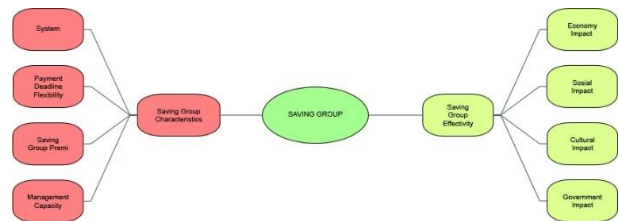
This type of research is a qualitative research with phenomenological research type. This qualitative research analysis will be assisted by using Nvivo software. The object used in this study is a saving group in the form of a Arisan group for women in Jambi City. The data collection method is in-depth interview.

**4. RESULT AND DISCUSSION**

After going through qualitative research steps, the following output results are obtained:



**Figure 1: Project Map**



**Figure 2: Mind Map**

The results of the qualitative stage output in the form of themes and sub-themes. Based on the project map and mind map of the saving group, 2 themes were found, namely saving group characteristics and saving group effectiveness. The results of this study indicate that the Arisan has the characteristics of a system, payment deadline flexibility, saving group premi and capacity management. The arisan system describes the policies and rules of the game that apply to prospective members and members of the arisan. Then, payment deadline flexibility describes the saving group in providing a time span for its members in paying the specified dues. Furthermore, the saving group premi is the amount of contribution funds charged to its members. Last, management capacity describes the capability of saving group managers in running their arisan. This people are comonny chosen mutually agreed upon by all members.

While the saving group effectiveness consists of the sub-themes of economy impact, social impact, cultural impact and government impact. The economy impact is reflected by the ability of the saving group to increase the welfare of its members in the economic field. Furthermore, social impact provides an overview of the impact of saving groups on the relationship between members, which is commonly known as "silaturahmi".

Meanwhile, cultural impact is described through the ability of saving groups in maintaining Indonesian cultural values, Gotong Royong. Finally, government impact projects the ability of saving groups as a solution for funding sources that can not be covered by the government.

The findings of this study regarding the characteristics of saving groups and their impact from various sides, especially the impact in the fields of culture and government have never been studied before. However, the findings on the economic and social impacts of this study confirm Kabuya's findings [8], Dagunga et.al [15] and Oranu et.al [16] which states that the existence of saving groups in society is able to increase their welfare in the form of an increase in the amount of consumption and the ability to provide necessities.

## 5. CONCLUSION

Saving group has characteristics in the form of system, payment deadline flexibility, premium saving group and capacity management. The existence of a saving group has an impact on its effectiveness which is seen through the economic impact, social impact, cultural impact and government impact. Therefore, the existence of an arisan (saving group) needs to be maintained or developed as a characteristic of the diversity in Indonesian financing.

## AUTHORS' CONTRIBUTIONS

TAL carried out the sequence alignment and drafted the manuscript. F and S carried out the observation and questionnaire. MN participated in its design to draft the manuscript. All authors read and approved the final manuscript.

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