TERAKREDITASI: SK MENRISTEKDIKTI RI Nomor: 12 / M / Kp / II / 2015

p-ISSN: 1411-6081
e-ISSN: 2460-9331

JURNAL EKONOMI PEMBANGUNAN

Kajian Masalah Ekonomi dan Pembangunan

Terbit dua kali setahun, Juni dan Desember

JURNAL EKONOMI PEMBANGUNAN
Kajian Masalah Ekonomi dan Pembangunan
Print ISSN 1411-6081
Online ISSN 2460-9331
Based on the Decree of the Minister of Research, Technology and Higher Education Number 10/E/KPT/2019

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Kajian Masalah Ekonomi dan Pembangunan
Print ISSN 1411-6081
Online ISSN 2460-9331
Based on the Decree of the Minister of Research, Technology and Higher Education Number 10/E/KPT/2019

Vol 23, No 1 (2022)

JEP 2022

Table of Contents

Articles

[(https://journals.ums.ac.id/index.php/JEP/article/view/15469)](https://journals.ums.ac.id/index.php/JEP/article/view/15469)

Eskasari Putri Universitas Muhammadiyah Surakarta, Indonesia,
Aflit Nuryulia Praswati Universitas Muhammadiyah Surakarta, Indonesia,
Nalal Muna Politeknik APP Jakarta, Indonesia,
Nelly Purnama Sari Universitas Muhammadiyah Surakarta, Indonesia
doi 10.23917/jep.v23i1.15469 (http://dx.doi.org/10.23917/jep.v23i1.15469)

123-134

Estimating Aggregate Consumption Function in Indonesia: An Error Correction Approach (https://journals.ums.ac.id/index.php/JEP/article/view/16104)

PDF (https://journals.ums.ac.id/index.php/JEP/article/view/16104/7704)

135-145

Panji Kusumo Prasetyanto Faculty of Economics, Universitas Tidar, Magelang – Indonesia, Indonesia,
Jihad Lukis Panjawa (https://orcid.org/0000-0003-1018-8951) Faculty of Economics, Universitas Tidar, Magelang – Indonesia, Indonesia,
Jalu Aji Prakoso (https://orcid.org/0000-0003-2519-0472) Faculty of Economics, Universitas Tidar, Magelang – Indonesia, Indonesia,
Suci Nasehati Sunaningsih (https://orcid.org/0000-0003-0528-3823) Faculty of Economics, Universitas Tidar, Magelang – Indonesia, Indonesia,
Deni Ramdani Faculty of Economics, Universitas Tidar, Magelang – Indonesia, Indonesia
doi 10.23917/jep.v23i1.16104 (http://dx.doi.org/10.23917/jep.v23i1.16104)

Spatial Relationship Between Low Income Population and Regional Development Index in Mesuji District (https://journals.ums.ac.id/index.php/JEP/article/view/16907)

PDF (https://journals.ums.ac.id/index.php/JEP/article/view/16907/7858)

146-154

Ambya Ambya Department of Development Economics, Faculty of Economics, Universitas Negeri Lampung, Indonesia,
Ukhti Ciptawaty Department of Development Economics, Faculty of Economics, Universitas Negeri Lampung, Indonesia
doi 10.23917/jep.v23i1.16907 (http://dx.doi.org/10.23917/jep.v23i1.16907)

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» For Readers (https://journals.ums.ac.id/index.ph

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Jurnal Ekonomi Pembangunan: Kajian Masalah Ekonomi dan Pembangunan, 23 (1), 2022, 31-42

The Role of Integrative Approach for Enhancing Credit Union Sustainability: A Reflection on The Indonesian Credit Union Movement

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Received: March 2022 | Revised: May 2022 | Accepted: June 2022

Abstract

Most Indonesian credit unions still focus on providing financial services, paying less attention to the roles of credit unions in education, empowerment and flourishing social solidarity of their members. This condition makes credit unions hardly compete with other microfinance providers in Indonesia. While threatening their sustainability prospect, this condition also reduces the capacity of credit unions to empower their members. Inspired by the maximalist approach and the Ledgerwood's system framework, we suggest an integrative approach for credit union services that is empowered by the optimization of network collaboration.

Keywords: credit unions, microfinance, sustainability, integrative, network
JEL classification: G29, B21, O12, D85

How to Cite: Kusuma S. E., Sumarwan A., Kusumajati T. O. (2022). The Role of Integrative Approach for Enhancing Credit Union Sustainability: A Reflection on The Indonesian Credit Union Movement, 23(1), 31-42. doi:https://doi.org/10.23917/jep. v23i1.17851

DOI: https://doi.org/10.23917/jep.v23i1.17851

1. Introduction

The credit union movement is a valuable part of the Indonesian third sector working in the microfinance sector. According to the most recent data, credit union has been growing rapidly in the last twenty years. Although it decreases in unit numbers because of the merger and consolidation process since the early 2000s (Sumarwan et al., 2021b), credit union membership in Indonesia is growing more than tenfold, from 356,327 individuals in 2000 to 3,636,559 individuals and involving 869 credit unions with more than 3,6 million members and assets of US$2,650 billion in 2020. The credit union movement provides financial services to middle-low income people who are often neglected by mainstream financial institutions (Sumarwan & Taruk, 2016). However, Indonesian credit unions face the problem of competition that potentially impacts their future sustainability as credit unions in other parts of the world (Central Bank of Ireland, 2019; Losier, 2021; National Credit Union Administration, 2018; Patrick, 2020; Tulus & Nerang, 2020).

An important issue related to credit union practices in Indonesia is that most of them tend to be focused on providing financial services (loans and deposits), paying less attention to other roles of credit unions in education, empowerment and flourishing social solidarity (Komisi Pengembangan Sosial Ekonomi Konferensi Wali Gereja Indonesia, 2019). The authors' experiences in accompanying the development process of various Indonesian credit unions for about a decade also strengthened that conclusion. This phenomenon hinders the role of Credit Union as the actor of social economic empowerment through its role in facilitating educational and training programs through its members, facilitating business relationships between its members, and building solidarity between its members (Sumarwan & Taruk, 2016; Sunarjanto et al., 2020).

That many credit unions operate only as financial service providers, particularly savings and loans, is a common fact. As a result, the credit unions' distinctiveness from banks or other financial institutions is not clear. While literature suggests that the current business models of credit unions must be adapted to guarantee credit unions' survivability and success, most studies tend to stress the adaptation of credit union financial structure, technology, and collaboration model (Ayadi et al., 2017; Jones et al., 2017; Stowe & Stowe, 2018). As stated by Martínez-Campillo & Fernández-Santos (2017), credit unions need to pay attention to social dimension if they want to survive and thrive in the new international context.

Practitioners realised how credit unions operate and serve their members is a major issue to deal with and that providing more various services would bring add-values for credit unions. It is important to be concerned about the opportunities of providing non-financial products in credit unions operation. Considering non-financial services as the potential source of advantages of microfinance services and a way to fulfill client needs, inexistence of it in credit unions will reduce their capacity to compete in microfinance market and, later, hinder their sustainability prospect (Biosca et al., 2014; Double Digit Sales, 2018; Lensink et al., 2018). However, McKillop & Wilson (2015) giving an explanation that providing full-ranges of financial services to fulfill clients' needs often conflicts with the credit unions economic condition.

Responding to the needs to explore the way to improve credit unions competitive advantage while securing its social mission, we propose an integrative approach for credit union development. This approach stresses integrating credit unions' roles as financial and social intermediaries, business development facilitators, and social services providers. To enhance the effectiveness of its implementation, the collaboration between credit unions, universities and locally organizations is included in the model. Moreover, this approach will give the guidance of how credit unions improve their competitiveness and sustainability prospects, while preserving their social mission. This approach is offered as an alternative to the current development approach by elaborating empowerment and social fulfillment perspective. While this approach is formulated based on the Indonesian context, it may be relevant for credit union movements in other developing or emerging countries.

1.1 Literature Review

1.1.1 The Two Main Schools of Microfinance

There are debates in the microfinance sector involving two main schools of thought that form the basis for the development of microfinance, namely the welfarists and the institutionalists (Bangoura, 2012; Kusumajati, 2021; Prakash & Malhotra, 2017). The welfarist approach emphasizes the efforts of microfinance providers to serve the poor without having to achieve financial independence. In contrast, institutionalist schools suggest that microfinance providers should generate income that can cover operational and financial costs and not depend on subsidies.

Referring to Bangoura (2012), the welfarist approach is oriented towards contributing to poverty reduction, not the realization of economic efficiency or superior financial performance. Within the framework of reducing poverty and improving the welfare of the poor, the welfarist approach considers the need for microfinance service providers to not only provide financial services, but also non-financial services such as training, technical assistance, and literacy improvement for the communities they serve. In contrast, the institutionalist approach recommends microfinance service providers to be oriented towards profit-making creation independently to ensure sustainability. These efforts are carried out by providing commercial services that prioritize efficiency to create a financial system consisting of large-scale financial service providers that serve many poor (but not very poor) communities and provide quality financial services for them.

Following the debates between the two schools, Herath (2018) classifies the way microfinance providers manage their services into two approaches, namely the social fund approach and the commercialisation approach. The social fund approach is a mechanism of providing financial resources to the poor that is supplemented by additional programs that directly meet the priority needs of poor clients. Recent studies show the positive results of this approach in the development microfinance industry, where some projects have shifted their focus from reaching the targets to achieving sustainability. Meanwhile, the commercialisation approach provides financial resources to the poor based on market-based principles to microfinance. According to this approach, profit-driven activities of microfinance institutions are determined based on demand and supply forces in an open market under the prudential regulation and supervision of financial authority. It can be demand-driven diversification of its financial products or application of interest rate that cover the costs. This approach believes that commercialisation is the only way to achieve maximum outreach.

Apart from the debate between the two groups of thought above, the works of microfinance institutions are basically the embodiment of a movement that places efforts to empower the poor as its priority (Kusumajati, 2012). Herath (2018) also notes that it is crucial to consider microfinance lending as part of comprehensive support to its clients.

1.1.2 Approaches to Microfinance Service Provision

Different views regarding how microfinance should be operated result in various techniques regarding how microfinance should deliver services to the clients. (Herath, 2018), based on Remenyi (2002), identifies two approaches of microfinance services provision, the minimalist approach and the credit plus (maximalist) approach. The minimalist approach suggests that microfinance providers focus only on credit services to ensure their profitability and viability. In contrast, the maximalist approach suggests microfinance providers to provide not only credit services, but also some services that help clients develop their business such as skills development, training, educational activities, marketing assistance, supply of inputs and business development services. The additional services will guarantee the sustainability of clients' business, which later determines the sustainability of microfinance providers collaborating with them.

A study by Lensink et al. (2018) provides a comprehensive discussion about the appropriateness of the minimalist and maximalist approach. The study reports that non-financial services often accompanied financial services to micro entrepreneurs in the late 1970s and early 1980s. However, the result was counter-productive. However, some microfinance institutions still apply the maximalist model since it is considered to increase social impact. Lensink et al. (2018) provide a conceptual framework that sheds light on how service approaches adopted by microfinance institutions affect their financial and social performance. The study suggests that the maximalists model brings positive effects on microfinance performance. It potentially increases customer loyalty, client retention rate, the opportunity to attract potential customers, reduces the risk of default through education, and increases clients' business skills and access to more impoverished and vulnerable clients. However, the maximalist model could negatively affect microfinance institutions' performance because of increased resources and costs to provide the services, low quality of services, and inability to meet specific needs of clients that bring dissatisfaction and lower the retention rate. Examining 478 microfinance institutions in 77 countries, study of Lensink et al. (2018) founds that 23 percent of microfinance institutions are adopting maximalist approach. According to Lensink *et al.* study, there is no relationship between the microfinance provision approach and financial sustainability and efficiency, while there is a positive relationship between microfinance provision and loan quality and also depth of outreach. The result indicates the superiority of the maximalist approach.

The provision of high-quality credit-plus services also represents a competitive advantage for microfinance institutions (Biosca et al., 2014). In a highly competitive environment, non-financial services can be designed and customized according to clients' conditions and needs. However, it needs to be valuable for clients, unique, and not easily replicated by competitors. Thus, achieving a competitive advantage in a setting could be a tricky process.

Ledgerwood (1999) introduces 'the system framework' to explain how microfinance institutions should provide their services, which involve a complex process that requires many different functions and probably multiple partners. Within this system framework, there are four functions of services that microfinance institutions can provide to their clients, namely: (1) financial intermediation (the provision of financial products and services such as savings, loans, insurance, credit cards, and payment systems); (2) social intermediation (the process of developing social capital and human capital as needed in the sustainability of financial intermediation for the poor); (3) enterprise development services (non-financial services to assist micro-entrepreneurs, including business training, marketing and technology services, skills development, and sub-sector analysis); (4) social services (non-financial services that focus on improving the welfare of micro-entrepreneurs, including health, nutrition, education and literacy training).

In addition to the system framework, Ledgerwood (2013) stresses the importance of building integrated customer experiences on microfinance services—a condition in which clients are allowed not only to choose but also to arrange the package of service according to their own needs and circumstances. This orientation requires an intuitive and accessible mobile (digital) user interface that facilitates clients to discover and experience new services by themselves. It will produce clients' enjoyment and loyalty that lead to opportunities for cross-selling and brand positioning.

2.3 Credit Unions and their Microfinance Services

Credit unions are not for profit cooperative financial institutions which offer financial services to its members on the basis of a common bond—such as community, organizational, religious, or occupational affiliation (McKillop & Wilson, 2015; World Council of Credit Unions, 2003). Unlike for-profit (commercial) financial institutions, credit unions emphasize on building social capital and promoting empowerment of its members (who are also its customers) and the surrounding communities (McKillop & Wilson, 2015). According to McKillop & Wilson some specific criterias distinguished credit unions from other financial organizations are the feature of (1) exclusivity services to members, (2) democratic and participative member-based management, (3) orientation to maximize member benefits, (4) vision of social justice (human and social development). Unlike non-profit organizations, credit unions do not rely on donations (Kusumajati, 2012). Credit unions must be able to generate profits in order to continue serving their members. Moreover, credit unions' revenues derived from loans and investments. The revenues must exceed operating expenses and deposit fees to maintain capital value and solvency. Credit unions must also use their excess income to provide lower service fees to members, creating new service products, more affordable loan interest rates or more attractive deposit rates.

Credit unions, as member-based social enterprises, offer precious financial and social services to its members (Sumarwan et al., 2021a). According to Kusumajati (2012), in addition to providing financial intermediation services, credit unions provide non-financial services which elaborates on the three (3) pillars of credit unions, namely self-reliance, solidarity, and education. Concerning the principle of self-reliance and education, credit unions consistently organize educational programs for their members, including education related to family financial management and the facilitation of household businesses. Education is expected to be the tool for credit union members to understand core values of credit union, to be empowered, and to enhance their good participation (Kusuma & Pranatasari, 2021). In connection with the principle of solidarity, credit unions organize fundraising to finance members' education and other social activities, savings and loan protection funds (such as savings and loan insurance), funds to protect members' welfare in the form of death benefits and member health insurance (Black & Dugger, 1981).

2. Research Method

To achieve the goal of the research, we begin by reflecting on the process and the result of a workshop organized by the Commission for Socio-Economic Development Bishops Conference of Indonesia, in Toraja, Indonesia, on July 8-13, 2019. This workshop was entitled "Credit Union as Locomotive of Empowerment" and involved 129 credit union practitioners from different parts of the country. This workshop consisted of 5 main parts: (1) the refreshment of the ideal values and practices of Credit Union, (2) exploration of the problems, challenges and potency of the credit union that participant represent to, (3) field activities (visit to credit union communities), (4) reflection from the field activities, and (5) action planning. Two authors of this paper actively participated in this workshop, providing us with a live experience of the workshops as well as all relevant documents. Enriched by relevant literature, this study describes the factual condition of credit unions whose representatives participated in the workshop, explains the orientation of the Indonesian credit union participated in the workshop, and proposes the appropriate approach for the development of Indonesian credit unions.

Data for this study is collected from the documents of the workshop, result of field observation, and also interaction experience with participants and facilitators of the workshop. There are 3 most important documents utilized as a basis for analysis, namely (1) the activity notes, (2) the lesson summary and recommendation, and (3) the discussion materials of the workshop. The first document reports the detailed activities and the points of discussion in each session. The second document provides the summary of the workshop process, some lessons explored from the workshop, the collective plan to revitalize and support credit union practices, and the recommendation for the related parties that potentially support the development of Credit Union through the Commission for Socio-Economic Development Bishops Conference of Indonesia network. The third document consists of the discussion material presented by the facilitator or speaker in each session of the workshop. As the two authors of this paper are the members of the facilitator team IN the workshop, it gave the authors opportunity to observe and interact with the participants. Moreover, the two authors regularly had a meeting with other facilitators to do daily evaluation in order to discuss the important things that should be noticed after the whole day workshop sessions. Therefore, we use the result of observation from the process of facilitation and daily evaluation as supplement to complete the information from the workshop documents.

Analysis of the data is conducted by using descriptive analysis. First, the authors read the documents thoroughly, then highlight the important information relevant to the orientation of this study. Later, we elaborate the important information from the documents with the observation and experience of the two authors of this study to come up with the formulation of the credit union development model. Following the process, we compare the model with the previous development model that exists.

3. Results And Discussion

3.1 Results

It is widely believed by many microfinance practitioners that Credit unions could play a significant role in the process of social and economic transformation of society. However, the fact that many Indonesian credit unions faced several problems, both in achieving good financial performance and improving the quality of lives of their members and surrounding communities, must be anticipated. Responding to this, the workshop of Credit Union was held on 8 – 12 July 2019 at Toraja, South Sulawesi, Indonesia.

It was aimed to evaluate and reflect on the role and contribution of the credit union movement in creating common welfare. The discussion sessions conducted throughout the workshop, both group discussions and plenary discussions, revealed a series of achievements and problems surrounding the dynamics of the credit union movement from various parts of Indonesia. The results of the workshop are discussed below.

Amid various interpretations of how the concept of the credit union movement should be implemented in real life, there are many testimonies about how credit unions have helped people improve their welfare and quality of life. The positive impacts of credit unions on people's lives, both economic, social and psychological, could be easily found. There are countless numbers of credit union members who have been helped by credit unions, being freed from debt bondage, being able to redeem their guaranteed assets, send their children to higher education, and build and strengthen businesses and productive economic enterprises they have.

Even though, through a deep discussion, the workshop uncovered the reality that credit unions in Indonesia have been facing challenges and limitations which affect their performance and sustainability. During the joint study process, four main things influencing the dynamics of the credit union movement in Indonesia were revealed, namely: (1) the weak capacity of human resources for managing and managing credit unions; (2) the variety of governance systems and levels of discipline in their implementation; (3) the weak coordination between related parties in the credit union movement; and (4) many credit unions focusing on the financial business and not on empowerment.

The majority of workshop participants identified the weak human resource capacity of credit union managers and members as the main factor causing the non-optimal performance and development of credit unions. In general, credit union managers, including boards and management of credit unions, had not been systematically provided with sufficient knowledge and skills regarding credit union management. In fact, not a few credit union managers held responsibilities without having any knowledge and skills at all. Such conditions led to ineffective development and achievement of credit unions. Likewise, concerning education for members, not all credit union members had received adequate training through systematically planned educational activities. In fact, the provision of education would guide members to involve themselves in credit unions actively. With these conditions, members' involvement in the dynamics of credit unions was low. This condition implies a high need for education programs that are systematically planned and carried out sustainably.

The second important point expressed by the participants of the joint study was the problem of the variety of credit union governance systems and the level of discipline in their implementation. The diversity of governance systems showed the various alternative ways of managing and developing credit unions. However, in the condition of weak human resource capacity, this often led to confusion in choosing which one is the best, most correct, or most suitable. Thus, there is a need for an agreed framework, as well as appropriate governance guidelines.

Third, the workshop participants identified the weak coordination between related parties in the credit union movement as another problem that made building synergies among credit unions difficult. This weak coordination was usually preceded by a lack of communication, which often led to misunderstandings, lack of mutual trust, and suspicion, which weakened community empowerment efforts. The workshop participant acknowledged the importance of building communication and coordination between parties related to the development of the credit union movement to realize optimal synergy.

The fourth important point raised by the participants was that many credit unions still only focus on the financial business but not on community empowerment. Choosing the focus of attention and services has to be done carefully following each organization's capacity and members' needs. However, as microfinance institutions, credit unions carry out four functions: financial intermediation, social intermediation, business development services, and social services. The implementation of these functions indicates the intensity of empowerment efforts each credit union has been doing. A credit union that only performs financial intermediation function may be categorized as an institution that applies a minimalist approach, while those who carry out the four functions may be categorized as an institution that applies an integrative approach.

Furthermore, the workshop also revealed some essential points expressed by the participants as the identity or characteristics of the credit union that they want to develop in the future, namely: (1) credit unions as financial institutions which prioritize respect for human dignity in their services without compromising the professionalism aspect of work which aims to improve the welfare of the community members; (2) credit unions as institutions that are universal, simple, and provide benefits for common welfare; (3) credit unions are based on local communities and aim to empower people; (4) credit unions as locomotives for empowering the people by adopting an integrative approach that carries out the four functions of microfinance.

Considering the constraints and expectations of the Credit Union representatives participated in workshop regarding the credit union development in Indonesia, the authors formulate a credit union development framework that represents the idea build together during the workshop and could be the reference for the relevant institutions (especially microfinance institutions and financial cooperatives) with orientation to bring their operation beyond financial achievements. The illustrative diagram to explain the framework is provided on Figure 1.

As illustrated on Figure 1, our framework informs that the goal of the credit union development, ideally, is member welfare. It is achieved through two important institutions, named the spirit of empowerment and professionalism. The term 'empowerment' refers to processes to facilitate and encourage communities to become productive and have the initiative in utilizing their local potencies strategically to achieve long-term sustainability. It is difficult to assume that empowerment automatically emerges as credit unions exist. Empowerment needs some sessions of education or knowledge-sharing events and continuous learning that often involve identifying values and potential resources, trials and errors, evaluation, and reflection. It needs a lot of time and resources. The term 'professionalism' expresses the need of credit unions to work professionally in their works, which is supported by adequate competence, capacity, skills, system and other relevant resources. Professionalism is also related to the existence of good governance practices in an organization. The workshop reveals that the problem of governance arising from the lack of a standardized approach to manage credit unions and weak coordination between stakeholders has impeded the capability of credit unions to serve their members professionally. The development framework adopting an integrative approach supported with network collaboration strategy aims to manage and reduce the problem of empowerment and professionalism in Indonesian credit union practices.

The integrative approach of microfinance services is an actualisation of maximalist approach proposal which suggests microfinance providers to provide financial services bundled with some supportive services to increase the effectiveness of financial services provided by microfinance providers, especially in upgrading the clients' welfare. It responds to the fact that many microfinance clients need to upgrade their physical, social, entrepreneurial and managerial capacity (because of multidimensional problems) before they can use financial products to produce economic benefits for themselves and their communities. Ledgerwood's system framework offers a more structured explanation of the microfinance services provided by a microfinance provider who serves clients with multidimensional problems. As it is relevant to credit unions context, the authors utilize it to formulate the integrative concept of credit union services, which consists of four primary functions: financial intermediation services, social intermediation services, enterprise development services, and social services.

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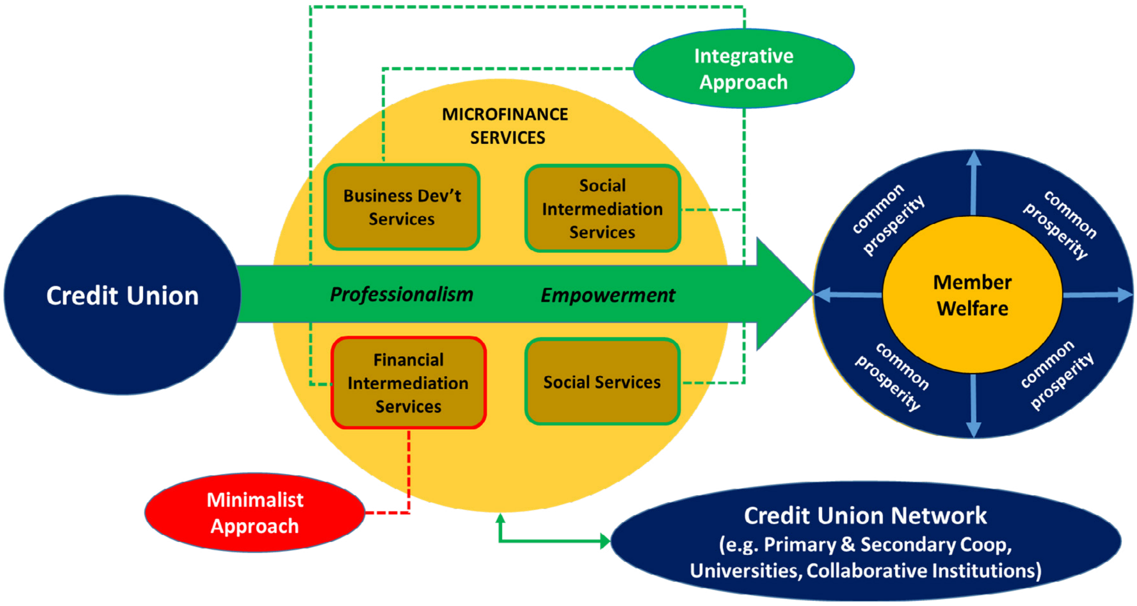

Figure 1. The proposed credit unions development framework according to the result of the workshop of credit unions "Credit Union as Locomotive of Empowerment"

The first function, financial intermediation services, is the business line of credit unions oriented to provide sustainable financial access to its members. Financial sustainability requires a balance between sources of funds and the use of funds. Moreover, it also needs balanced growth between credit unions' source and use of funds (noting that growth of source and use of funds is the function growth of members). In addition, positive spreads in financial operation will ensure the capability of credit unions to promote growth through intensification, extensification and innovation. Thus, positive spread, member growth and balanced growth between source and the use of funds are keys to sustainable financial intermediation services.

Member deposits and loans, respectively, are the most recommended primary source of funds and use of funds in credit unions. Deposits of credit unions include daily savings (savings that can be deposited and withdrawn at any time), time deposits (savings that can be withdrawn according to the maturity agreement), deposit for specific purposes (such as deposit to finance educational needs, deposit to finance old age or retirement period, deposit to finance the needs of religious events, deposit to finance investment in land and buildings in the future, and deposit to finance community needs). Loan products provided by credit unions include loans for various purposes such as loans for business financing, loans for consumer financing, loans for future financing and loans for financing emergency needs.

The second function, social intermediation services, is credit unions' activities oriented to develop members' integrity and solidarity. The focus of the services is building the human and social capital of members. Building human capital here is related to creating good attributes of members to produce knowledgeable, skilful, responsible, honest, dependable, and reliable members. Meanwhile, building social capital here means members' capability to work together based on trust to reach the common goal(s). In practice, there are limited examples of specific training oriented to build human or social capital in credit unions. Managing Yourself for Organization (MYFO) is an example. However, many credit unions' training has some part(s) that elaborate credit union (co-operatives) values mainstreaming and orientation of building trust and solidarity between credit union members.

The third function, enterprise development services, is the activities of credit unions that are oriented to create members with knowledge and skills to be more productive, innovative, and capable of building and maintaining networking for their business. The basic premise of this function is transforming credit union members' business for being the best performing one through credit union facilitation. The facilitation comprises several processes, including contextual assessment, analysis of resources potencies, developing appropriate support programs, relevant training, monitoring, evaluation, and reflection. Thus, it is not just a short training, but it needs a continuous process of accompanying members and their business. In credit union practice, business development services include sharing of business experience between members, members' business mapping and its needs, training to increase members' knowledge and skills to manage business (e.g. training or workshop of designing business model, financial management, marketing management, operational management, human resources management). Moreover, the services could be in the form of provision of business consultation services or networking access to members.

The fourth function, social services, is the activities of credit unions oriented to support members' health, physically and socially. This function exists to accommodate the reality that members cannot fully access the three preceding microfinance services if their basic needs—e.g. nutrition, health, education, safety, literacy—are not fulfilled yet. Credit unions could provide relevant social services to members' communities who need them. Some credit unions in Indonesia have provided social services through educational scholarships to members, member death support and healthcare support.

The effective function of financial intermediation services becomes an essential part of credit unions operation as it works as the 'profit center' of credit unions. However, the sustainability of financial intermediation services depends on the quality of credit union members, while members' quality is determined by the effectiveness of the other three functions (social intermediation, enterprise development and social services) of credit unions. These three functions act as empowerment tools for credit union members. Although the three functions would become 'cost center' in the short run, its role in transforming members will produce long-run benefit and sustainable profit for credit unions. Implementing an integrative approach of microfinance services by elaborating the four functions above effectively could bring a competitive advantage for credit unions. Even though, important to notice in our framework is the achievement of three other functions should not be interpreted just as an effort to achieve financial intermediary goals, but it is more appropriate to see it as an effort to balance the social mission with the economic consideration of credit unions.

Finally, managing credit unions based on an integrative approach is not a simple thing. It needs many resources and an appropriate governance system. Notably, the quality and proper allocation of human resources become the crucial factors. It is becoming problematic for most Indonesian credit unions in Indonesia that lack human resources and good governance. To address the problems, the collaboration strategy is proposed in our credit unions development framework. This collaboration involves private or public organizations (called credit unions network) that have a concern about credit union development. It can be universities, co-operatives affiliation or partners, churches or other religious institutions, government institutions, and other relevant institutions. The focus of the collaboration is to build a platform or hub that facilitates credit union human resources upgrading (especially for members, boards, staffs, and activists) and becomes a place to learn the best practices of credit unions governance system that accommodate ideal integrative approach of microfinance services with a spirit of empowerment and professionalism.

3.2 Discussion

Ledgerwood's system approach to microfinance became the inspiration of our framework. Even so, we add some attributes to Ledgerwood's approach in order to provide solutions to the other problems of Credit Union identified in the workshop. We agree that Ledgerwood's approach can provide a solution to the problem of concentration of credit union activities on financial business. Meanwhile, the other problems such as weak human resources capacity, low quality of governance, and lack of coordination are not yet answered.

We argue that the problem of low human resources is the primary problem that contributes to the existence of the other three problems of Credit Union that were identified in the workshop. Human resources here are not limited to the management staff, but also the credit union board of directors, board of supervisions, the activists and the members. Lack of capacity of the board of directors and management staff of credit unions inhibit the internal coordination and the ability of credit unions to provide the quality full-package product of microfinance (various financial services and non-financial services) in answering member needs while ensuring the financial sustainability of credit unions. In addition, the limited capacity of the board of directors, board of supervision, and members of credit unions lead to the low control and supervision to the management staff. Those results in the low level of Credit Union governance. Considering human resources as a main obstacle for credit unions, our framework imposes an attribute oriented to be the panacea of the human resources problem. The workshop discusses the possibility of building some facilities to improve the capacity of Credit Union stakeholders (board of directors, board of supervision, management staff, and activists) in managing Credit Union. Following the point of discussion, we came up with the idea to collaborate with various actors with concern on credit union development (including primary and secondary credit union, universities, and other mutual collaborative organizations) through a Credit Union Network that provides accumulation, creation, and transfer of knowledge and skills related to Credit Union management and development. This network becomes an important attribute in our framework.

Moreover, our framework is on a different perspective with the Ledgerwood approach in terms of the bottom line of our framework. Orientation of the integrative approach in our framework is not only the credit union's financial sustainability, but also (and most importantly) the welfare of the credit union members. At this point, in our framework, the non-financial product of a credit union is not just oriented to support financial business as generating-profit divisions but more in the spirit of empowering credit union members. It underlines the role of credit unions as an organization that brings a social mission.

Our framework is originally formulated based on the experience and problem exploration of the participants in the workshop, which represent Credit Union operated in the diverse region of Indonesia. Even so, it doesn't mean that this framework is relevant only for the Indonesian credit union. This framework could be applied to any microfinance institutions and financial cooperatives that are oriented to member empowerment and to develop their business beyond financial services. However, the application of this framework should consider the specific context and initial condition that exists in each organization.

4. Conclusions

Responding to this need, the authors propose a framework for developing Indonesian credit unions, adopting an integrative approach of microfinance services. The framework actualises the role of credit unions as empowerment tools, not just financial services provider. This could be an effective way for Indonesian credit unions to achieve their social mission to improve community welfare. To anticipate the problem of human resources and governance in the implementation of the integrative approach, the framework elaborates the collaboration initiatives with the credit union network, especially in the area of human resources development and learning forum of best practice governance in supporting the implementation of credit union integrative approach. This study recommends Indonesian credit union build their commitment to elaborate empowerment activities into their operation by implementing the integrative approach. Moreover, eagerness for credit unions network to collaborate in supporting credit union development would be the key for Indonesia credit unions transformation. Thus, it is expected that the credit union network can build a continuous learning platform that provides the solution for credit union problems and guidance of integrative approach implementation for credit unions.

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