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File name: LORATORY_STUDY_OF_FIVE_CREDIT_UNIONS_IN_YOGYAKART...
File size: 5.54M
Page count: 14
Word count: 7,861
Character count: 45,205
Submission date: 16-May-2023 10:33AM (UTC+0700)
Submission ID: 2094307564

ISBN 978-602-5446-10-8

2nd International Conference in Management & Entrepreneurship (2nd ICME)
Yogyakarta, 20th – 21st July 2018

WHY DO INDIVIDUALS CHOOSE TO BECOME CREDIT UNION MEMBERS? AN EXPLORATORY STUDY OF FIVE CREDIT UNIONS IN YOGYAKARTA, INDONESIA

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ABSTRACT

This study explores the perceptions of members and non-members of credit unions concerning the benefits offered by credit unions and analyses the reasons why individuals decided to join (or not join) credit unions. Using structured interviews, the authors collected data from members and non-members of credit unions in Yogyakarta, Indonesia. While economic benefits (accesses to loans and deposits, simpler procedures of loans, higher interest rates of deposits and lower interest rates of loans) were dominant, findings show the existence of non-economic benefits (the value of credit unions' social purpose and financial education and training) that also became the drivers of membership. Interestingly, the majority of respondents joined credit unions because they were invited by their friends, family members, and community leaders, showing the importance of recruitment efforts by recruiting agents known by potential members. This study suggests that credit unions need to deliberately promote their non-economic benefits (i.e. credit unions as organization pursuing social goals, facilitating member to help others and acquire financial education, training, and organizational experiences) through both, conventional media promotions and informal networks such as friends, family, and local communities. Moreover, credit unions need to create strategies for recruitment that structurally involve existing members as recruit agents.

Keywords: Credit union, membership, economic and non-economic benefits, recruitment efforts.

INTRODUCTION

Credit unions are member-based social enterprises pursuing valuable financial and social services. These organizations have become increasingly important within the financial service sector (Martinez-Campillo & Fernandez-Santos, 2017; McKillop & Wilson, 2011). In 2016 the credit union movement comprised over 68,882 credit unions across 109 countries with more than 235 million members and approximately US\$1.7 trillion in assets (WOCCU, 2016). In the Indonesian context, credit unions have become one of the most developed and sustainable financial cooperatives, owned by and serving middle-to-low income earners (Imawan, 2010; Kusumajati & Nopirin, 2012). In 2016, credit unions in Indonesia comprised 887 institutions, with 2.8 million members, and an asset base of IDR27.7 trillion (US\$2.063 billion) (Istikomudin, 2017).

The literature on credit unions and financial co-operatives usually focus on performance comparison with commercial banks (Glas & McKillop, 2006; Goddard, McKillop, & Wilson, 2008; McKillop & Wilson, 2015), while analysis of membership has remained under-explored (Jones, Jusila, & Kalini, 2016), despite its importance. Gijssels and Bussels (2014), for example, argue investigating why people would join a co-operative is important since "no members, no co-operative in the first place." Research on what motivates individual to join credit unions is particularly urgent for Indonesian context since by 2016 the rate of membership growth of credit unions has been declining, despite their increase of individual members and assets.

The financial and institutional sustainability of a credit union depends on the growth in membership among other things. However, the ability of a credit union to recruit and retain its members is determined by its capacity to create and offer benefits expected by its members and potential members. Accordingly, this study explores the perceptions of members and non-members of credit unions concerning the benefits offered by credit unions. Then, it analyses the reasons why individuals decided to join (or not join) credit unions.

Employing structured interviews, we collected data from 90 respondents who were the members of five credit unions in Yogyakarta, Indonesia, and 41 respondents who were not members but had some information about credit unions. We explored respondents' perceptions regarding economic and non-economic benefits of being members of credit unions. Guided by individualistic and collective motivations as well as participation chain model derived from mutual incentives theory, this study seeks to explore economic and non-economic reasons that motivate members to join credit unions and non-members not to do so. Additionally, this study investigates the process of being credit union members.

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Submission date: 16-May-2023 10:33AM (UTC+0700)

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1. INTRODUCTION

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The literature on credit unions and financial co-operatives usually focus on performance comparison with commercial banks (Glass & McKillop, 2006; Goddard, McKillop, & Wilson, 2008; McKillop & Wilson, 2015), while analysis of membership has remained under-explored (Jones, Gijssels, & Kalmi, 2016), despite its importance. Gijssels and Bussels (2014), for example, argue investigating why people would join a co-operative is important since "no members, no co-operative in the first place." Research on what motivates individual to join credit unions is particularly urgent for Indonesian context since by 2006 the rate of membership growth of credit unions has been declining, despite their increase of individual members and assets.

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Employing structured interviews, we collected data from 90 respondents who were the members of five credit unions in Yogyakarta, Indonesia, and 41 respondents who were not members but had some information about credit unions. We explored respondents' perceptions regarding economic and non-economic benefits of being members of credit unions. Guided by individualistic and collectivist motivations as well as participation chain model derived from mutual incentives theory, this study seeks to explore economic and non-economic reasons that motivate members to join credit unions and non-members not to do so. Additionally, this study investigates the process of being credit union members.

Findings of this study show that both members and non-members perceived economic and non-economic benefits of being members of credit unions. Regarding economic benefits, members benefited access to loans and deposits, simpler procedures of loans, higher interest rates of deposits and facilities to enhance business, among other things. Opportunities for widening networks, acquiring financial education, training, and organizational experiences as well as chances to help others were the non-economic benefits of credit union membership. Findings also show that economic benefits are overriding non-economic benefits, and members of credit unions valued those benefits more than non-members. Regarding the process of being credit union members, findings revealed the importance of recruitment efforts done by friends, family members, or management. Based on the findings, this study suggests what credit unions can and should do in their marketing strategies in order to increase members' loyalty and attract new members.

The following section describes theoretical frameworks and previous empirical studies, addressing the question of why individuals decide to join cooperatives. Economic and non-economic approaches utilized by related previous studies are presented firstly, followed by two theoretical frameworks to analyze individuals' choice to join cooperatives, namely individualistic and collectivist motivation model and participation chain model. After the literature review, we explain our research method, continued by findings and discussion. Before concluding our paper, we suggest some practical implications based on the findings.

4 LITERATURE REVIEW

Economists have traditionally given little attention to the question what motivates people to join economic organizations, specifically cooperatives (Jones *et al.*, 2016). To the limited literature on this topic, there are at least three approaches to address that question, namely economic approach, economic and non-economic approach, and individualistic and communalistic approach.

Economic Approach

Ashenfelter and Pencavel (1969) are among the first scholars who investigate the determinants on union membership using a rational choice framework. Ashenfelter and Pencavel (1969) offer a model and empirical findings that show how potential union members compare the benefit of unionization to its cost and join the union when the former exceeds the latter. Ropke (1989) applies this rational choice framework in the context of cooperatives, providing extensive discussions on the problem of cooperatives in developing countries with special reference of Indonesia. While Ashenfelter and Pencavel (1969) and Ropke (1989) emphasis on subjective assessment of (potential) members regarding the benefits they get from the organizations, Emmons and Schmid (1999) investigate environmental (or 'objective') factors. They find that types of common bounds, the number of potential members, and market competitions influence the growth of membership of the US credit unions. Specifically, they discover that a larger potential credit union membership relates to lower credit union participation rates, while credit unions with multiple common bonds and operate in more concentrated banking market have higher participation rates. Similarly, drawing from literature about benefits of joining cooperatives (i.e. market access, improved bargaining power, reduced transaction costs), Alho (2015) shows that a stable market channel is the most important benefit for Finnish agricultural producers in livestock producers. This benefit is valuable particularly to farmers who are investing in farm expansion. Despite their different focuses (i.e. subjective versus objective factors), those studies share a similar approach: investigating economic factors that may influence the attractiveness of organizations (i.e. cooperatives or credit unions) to members and potential members. This approach provides some valuable explanations. However, it is limited since the non-economic aspects are overlooked.

Economic and Non-Economic Approaches

There have been studies that investigate both economic and non-economic factors that influence individuals to join cooperatives (Bakucs, Fertő, & Szabó, 2012; Möllers, Traikova, Bîrhală, & Wolz, 2018; Zeweld Nugusse, Van Huylenbroeck, & Buysse, 2013). However, they tend to bring together various factors, rather than organizing them within parsimonious constructs that may help to better understand the problem. Additionally, the unique characteristic of these organizations such as their cooperative nature and social purpose of these organizations remains unconsidered.

Jones *et al.* (2016) are one among few empirical studies that systematically investigate both economic and non-economic incentives of cooperative members and how those incentives influence the membership growth of cooperative banks. Acknowledging economic motivations (i.e. "monetary incentives") as one reason for individuals to

join a cooperative, they also investigate the role of non-monetary motivations such as social identity and community building as amongst the reasons to join. Using the data of Finnish cooperative banks, Jones *et al.* (2016) find evidence that monetary incentives are important reasons to join, but non-economic incentives also play a role. They operationalize non-economic incentives using the size of the communities (as a proxy for proximity) from which members are recruited.

Departing from the hypothesis that “a consumer co-operative holds a competitive advantage on the market over investor-owned firms by virtue of its being a co-operative,” Altman (2016) argues that the cooperative advantage is situated in buyers deriving a non-material benefit by purchasing from a consumer co-operative. This, in turn, increases the consumer’s level of well-being or utility. This non-material benefit can take many forms, such as sympathy and empathy or support for a particular organization form like a co-operative. Altman (2016) does not specify this non-material benefit offered by cooperatives but only labels it as a “warm glow effect,” meaning “a feeling better that enhances the level of wellbeing coming from psychological ownership, identity, and a sense of community such as solidarity and social cohesion.” The findings of Altman (2016) experimental research support a core assumption that economic variables are of fundamental importance to individual’s choice decisions. However, they also show the importance of non-economic variables. Significantly, individuals are willing to pay higher prices for co-operative products even if they are not-cooperative members. Based on the findings, Altman (2016) suggests that cooperatives’ competitive advantage lies in their ability to invest in both economic and non-economic determinants of consumer demand.

Individualistic and Collectivistic Approaches

Instead of focusing on economic or/and non-economic approaches, other scholars depart from a fundamental question whether people are inherently individualistic or cooperative. Based on the individual and collective motives model of cooperative participation, Birchall and Simmons (2004) propose mutual incentive theory. Assuming that people are motivated by individual rewards and punishments, and provides a set of generalizations about how they interact, the *individualistic approach* outlines two oppositional incentives: positive and negative incentives. Positive incentives (i.e. benefits and habit) encourage people to participate in cooperatives, while negative incentives (i.e. cost, opportunity cost, and satiation) discourage people from participating. Drawn from theories of social cooperation, the *collective approach*, on the other hand, assumes that participation can be motivated by three variables: share goals (i.e. people express mutual needs that translate into common goals; share values (i.e. people feel a sense of duty to participate as an expression of common values); sense of community (i.e. people identify with and care about other people who either live in the same area or are like them in some respects). According to the collectivistic approach, the more each of these three variables is present, the more likely people will be to participate (Birchall & Simmons, 2004).

While mutual incentive theory is beneficial, Birchall and Simmons (2004) argue that this theory not be sufficient to explain what makes people participate. In the “participation chain”, they link personal resources and dynamics of mobilization to individualistic and collective motivations. The model has three levels or links in the chain. The first level takes in the prior resources and capacities of potential participants, including time, money, skills and confidence. To the question “why do people participate?” resource-based theories explain how “[participatory] activities vary in their resource requirements and individual vary in their resource endowments (Birchall & Simmons, 2004) Further it is suggested that “resource constraints are an important factor in determining who becomes active in what way” (Birchall & Simmons, 2004).

The next level of participation chain observes the mobilization of participants. Regarding this level, Birchall and Simmons (2004) propose three important factors to be considered. First, some participants are more strongly engaged by certain ‘catalysis issues’ than non-participants. These issues might include a negative relationship with the organization, a sense of relative deprivation, and a desire for change. Second, the creation and promotion of opportunities have been put forward as an important factor in mobilization (attractiveness, timeliness and relevance). Finally, recruitment efforts are also critical. While some individuals seek out participation opportunities themselves, ‘being asked’ may be an important factor in mobilizing participants. This is particularly the case where the recruitment agent is known to the participant through his/her existing social networks.

Although the three levels are linked, Birchall and Simmons (2004) remind that the chain model is not sequential. Hence, factors on each of the three levels work independently to affect the likelihood of members’ participation. The

three levels are susceptible to change, making that link in the chain either weaker or stronger. This means that positive steps can be taken to enhance the likelihood that members will participate, through strategies to ensure there are no ‘weak links’ in the chain.

RESEARCH METHOD

The research question of this study is why do individuals decide to join (or not to join) credit unions? This question is particularly urgent for Indonesian context since by 2006 the rate of membership growth of credit unions has been declining, despite their continual increase of individual members and assets (Inkopdit, 2017).

To address our research question, following Jones *et al.* (2016) and Altman (2016), we investigated both economic and non-economic benefits of being members of credit unions. Additionally, we also applied individualistic and collectivistic approaches exemplified by Birchall and Simmons (2004). Finally, we investigated the participation chain in the process of credit union membership.

Our study differs from those previous works in three respects. Firstly, in contrast with Jones *et al.* (2016) who investigates the economic and non-economic determinants of membership using panel data of Finnish cooperative bank, this study gathered individual-level data from 90 members of five credit unions operating in the Special Province of Yogyakarta, Indonesia, and 41 non-members who had information about those five credit unions. The five participating credit unions were Bererod Gratia, Sandya Swadaya, Cindelas Tumangkar, Sapu Lidi, and Sehati. Secondly, while Altman (2016) tests how both economic and non-economic variable on individual’s demand on cooperative products by conducting economic experiments to students from two universities The Province of Saskatchewan, Canada, where consumer cooperatives and credit unions are pervasive and well known, this study surveyed actual members of credit unions and non-members as a control group. Thirdly, contrasting to Birchall and Simmons (2004) who apply mutual incentive theory and participation chain for quantitative research in two cooperatives in the UK (Co-operative College and Oxford, Swindon and Gloucester Co-operative Society (OSG)), this study used this framework to guide an exploratory study applying a qualitative approach. Additionally, this study differs from Birchall and Simmons (2004) because it focuses on what makes individual decide to join or not join a credit union, while Birchall and Simmons (2004) investigate what makes members of cooperative participate in the government of their cooperatives. Given what motivates individual to join credit unions is still under-explored, an exploratory approach was chosen, allowing emergent findings.

Data were collected using structural interviews with an overarching question of what motivates individuals to decide joining (and continuing as) members of credit unions as well as what motivates individuals to decide not joining a credit union. This overarching question was detailed in some sub-questions. Members of credit unions were asked questions such as what made he/she decided to join; what benefits he/she got for being a member of a credit union regarding both economic and non-economic aspects? Non-members of credit union were asked questions such as what benefits members of credit unions could get regarding both economic and non-economic aspects and why they did not become members of credit unions. To investigate the participation chain, we asked some questions regarding the process of joining credit unions (who invited or provided information and how?).

FINDINGS AND DISCUSSION

This study seeks to explore why individuals choose to become members of credit unions or not. In the analyzes, motivations were grouped into economic and non-economic motivations as well as individual and collective motivations. Our findings show that both members and non-members of credit unions recognized the economic and non-economic benefits of being members of credit unions (see Table 1). Although economic benefits were dominant, the non-economic benefits were evident, which might be not the case for the decisions of individuals to be customers of other financial services such as banks. Additionally, members mentioned more items of both economic and non-economic benefits than non-members. Mean values of the number of items regarding economic and non-economic benefits reported by members were 2.99 and 1.18, respectively. They were higher than those mentioned by non-members, which were 2.34 for economic benefits and 0.80 for non-economic benefits. The total number of items of benefits enjoyed by credit union members mentioned by the member participants are 4.17, higher than that of mentioned by non-member participants (3.15).

Table 1
The Average Numbers of Benefits of Being Members of Credit Unions

	N	Economic Benefits				Non-Economic Benefits				Total Benefits			
		Min	Max	Mean	Std. Dev	Min	Max	Mean	Std. Dev	Min	Max	Mean	Std. Dev
Members	90	1	6	2.99	1.15	0	4	1.18	0.88	2	8	4.17	1.38
Non-members	41	1	5	2.34	1.28	0	3	0.80	1.28	1	6	3.15	1.28

Our findings are consistent with Altman (2016) and Jones *et al.* (2016). Altman (2016) shows that non-economic variables positively influence individual's choice decision to purchase products sold by co-operative. In his survey experiment, Altman (2016) investigated the determining effect of non-economic variables using the concept of "warm glow" (i.e. "psychological ownership, identity, and a sense of community such as solidarity and social cohesion"). Additionally, our findings also support Altman's (2016) conclusion that economic variables are overriding the non-economic variables. Likewise, our findings concur with Jones *et al.* (2016) who show the influence of non-economic factors (e.g. the size of community and proximity) on individuals' decisions to join credit unions, despite the dominance of monetary incentives.

Economic Benefits

Figure 1 shows that access to loans and access to savings were the economic benefits seen by the majority of both members and non-members. In general, there were more credit union members mentioned those benefits than non-members with the average difference of 12.2%. For example, 77.4% members mentioned the benefits of access to loans compared to 63.4% that of non-member respondents. Other benefits, namely access to savings, higher deposits interest rate, lower loans interest rate, and facilities to improve business, follow the similar pattern. Although this study did not investigate statistically how those economic incentives relate to members growth, these findings correspond with Jones *et al.* (2016) who find evidence that the membership of Finnish cooperative banks increases in banks with lower loan interest rates and where loans per customers increase.

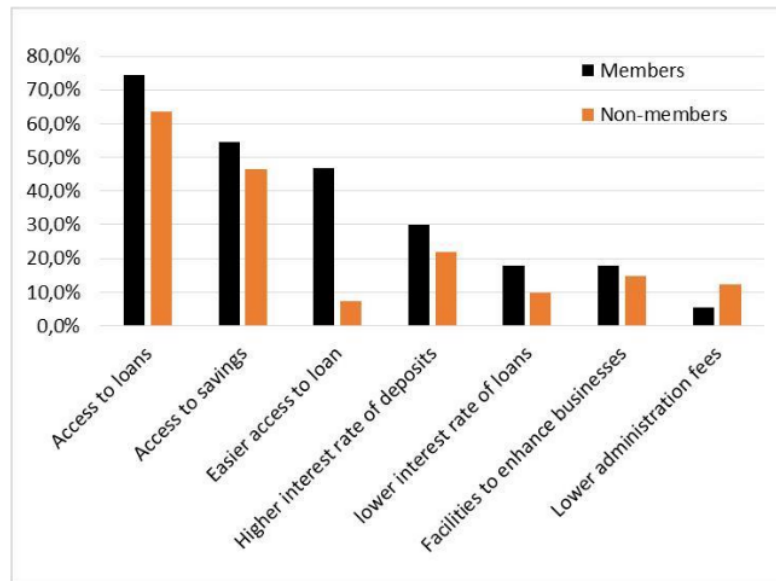


Figure 1. Economic benefits

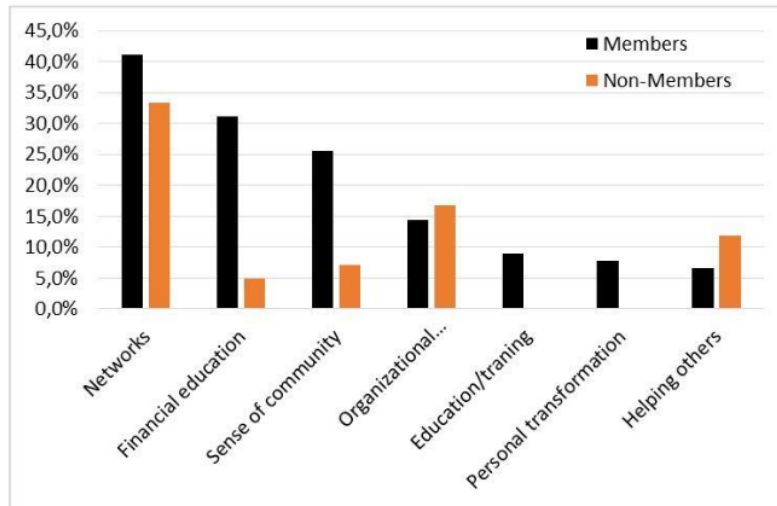


Figure 2. Non-economic benefits

Interestingly, regarding the benefits of easier access to loans, there were wider gaps in answers between the two groups of respondents. 46.7% of members mentioned the benefit of easier access to loans compared to only 7.3% that of non-member respondents, making the difference between these two groups was 39.3%. This difference may merely signify that members valued this benefit more than non-members, so they saw this benefit more clearly. Alternatively, although appreciating this benefit, non-members did not recognize it due to lack of information. To decide which of this alternative is right, further investigation is needed.

Surprisingly, members who mentioned lower administrative cost benefits were fewer (6.6%) than non-members (12.2%). However, it is possible that members actually knew that the administrative costs within credit unions were lower than that of other financial institutions, but they valued it less than other benefits.

Categorizing those findings based on *individual* or *communal benefits*, we found that all the economic benefits mentioned by both members and non-members were individual benefits. Thus, the individualistic approach (assuming that people are motivated by rewards and self-interest) is fundamental for explaining economic drivers for the decision to join cooperatives (Ashenfelter & Pencavel, 1969; Birchall & Simmons, 2004).

Non-Economic Benefits

Similar to the economic benefits, there are more non-economic benefits mentioned by members than that of non-members (See Figure 2). Among all non-economic benefits, opportunities for widening relationships or networks were recognized by the most respondents, both members (41.1%) and non-members (33.3%), differing only 7.8%. These findings concur with Byrne and McCarthy (2014) who, using the context of Irish credit unions, discover that the majority of members prefer a relational than technical value proposition.

Substantial differences occurred in the benefits of *financial education* and *sense of community* with differences of 25.2% and 18.4%, respectively. 31.1% of members mentioned the benefit of financial education compared to 4.9% that of non-members and 25.6% of members mentioned the benefit of a sense of community compared to only 7.1% that of non-members. These differences need to be explored further. That non-members did not recognize that credit unions provide financial education to their members may indicate credit unions did not publicize their financial education or there were no significant changes in members regarding their financial literacy that could be observed by non-members. Considering Indonesian people, particularly the Javanese, who value sense of community, the discrepancy between members' and non-members' perception on the benefit of sense of community may indicate either that members appreciated this value more than non-members, or that non-members did not know that credit unions provide this benefit. Whatever the answer, it seems that people who appreciate more sense of family will be more likely interested in joining credit union than those who do not appreciate this value.

Two non-financial benefits were mentioned by members but unrecognized by non-members, namely the *benefits of training* and *personal transformation*. Similar to the benefit of financial education, the reasons why non-members did not see these benefits need to be explored.

Surprisingly, regarding the benefits of *organizational experience* and *helping others*, more non-members mentioned these benefits than members. 16.7% of non-members talked about the benefit of organizational experience compared to 14.4% of members, and 11.9% of non-members mentioned the benefit of helping others compared to 6.7% of members. Although the gaps were not wide, they show that these two benefits were considered important by some non-members. On the other hand, it is also possible that these two benefits were also considered valuable by members, but they were less important than other benefits.

All the findings concerning the social aspects of credit unions concur with previous studies underlining that credit unions are not merely financial institutions pursuing financial goals, but social enterprises having both financial and social goals (Martinez-Campillo & Fernandez-Santos, 2017; McKillop & Wilson, 2011). Given the non-members saw the social goal of credit unions, this social goal can be utilized in the marketing to recruit new members.

It is rather difficult to strictly separate non-economic benefits mentioned by respondents into *individual or communal benefits* as exemplified by Birchall and Simmons (2004). Attaining education/training and personal transformation may be categorized as individual benefits because the benefits are enjoyed primarily by individuals, while helping others may be categorized into communal benefits. However, it not impossible that those benefits of education/training and personal transformation positively affect others as well, while helping others may also make individuals satisfied. In contrast, the benefit of the networks requires a relationship with others or involvement within a community, but in turn, networking will benefit individuals as well. In our interviews, some members confided their aspirations that through the network of their credit unions, they could expand their markets for their products and create join-enterprises. The benefit of expanding network, in turn, results in individual benefits. The benefits of organizational experience and sense of community are similar. To gain these benefits, individuals have to be involved in a community, then their involvements in the community, in turn, make them find meaning in their life. Thus, regarding non-economic benefits, the distinction between individual and communal benefits is rather problematic and less helpful. However, it can be concluded that non-economic benefits tend to be closer communal incentives rather than individual, while economic benefits are closer to individual incentives based on self-interest.

Comparing Economic and Non-Economic Motivations with Economic and Non-Economic Benefits

While the individuals' perception of benefits of being members of credit unions likely influence the decision to join credit unions, this study also asked more straight questions concerning the motivations. The first question was directed to members: What makes you decided to join the credit union? The second question was directed to non-members: What makes you decided not to join a credit union although you know a certain credit union?

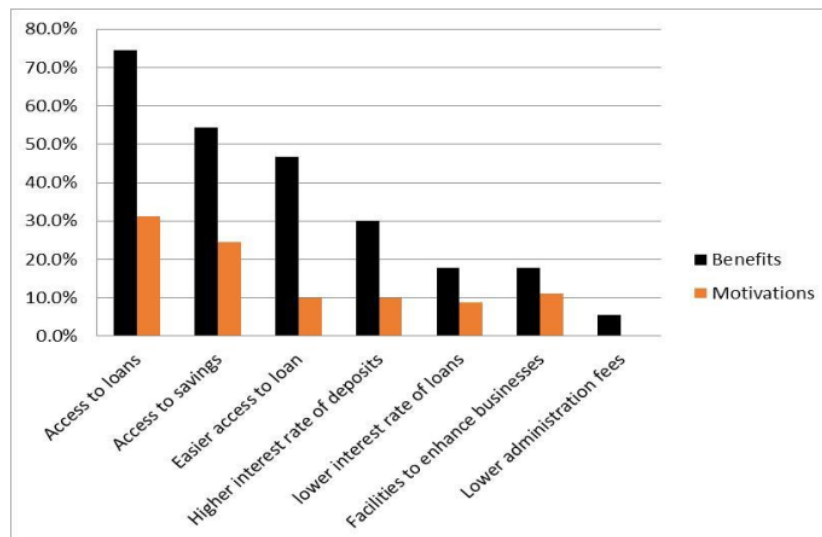


Figure 3. Economic benefits and motivations

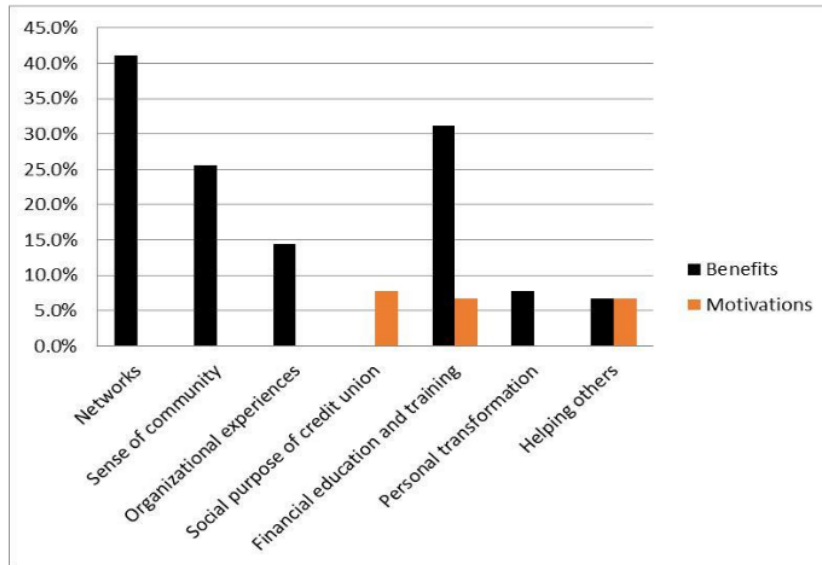


Figure 4. Non-economic benefits and motivations

Figure 3 and 4 illustrate that *economic motivations* were higher than *non-economic motivations*. Nevertheless, it is also clear that individuals decide to join credit unions were not only driven solely by economic motivations. These findings, again, consistent with Altman (2016) and Jones *et al.* (2016). Figure 3 shows that almost the *economic benefits* items mentioned by the members also drove them to decide to join credit unions, showing the dominance of economic incentives. The two economic benefits mentioned by the majority of members (access to loans 74.4% and savings 54.4%) also appeared as the two items mentioned by members as the main reasons for their decisions to join credit unions (access to loans 31.1% and deposits 24.4%).

For other economic motivations, the orders of their importance are slightly different from that of benefits. Members reported that they decided to join credit unions due to their desire for enhancing their business 11.1% and higher interest rates of deposits 10% and easier or simpler procedures of loans 10% and lower interest rates of loans 8.9%.

The differences are more evident between *non-economic* benefits and incentives. While members mentioned having new friends (widening networks), sense of community, organizational experience, and self-transformation as non-economic benefits of credit union membership, they were not mentioned them as the reasons for their decisions to join credit unions. In contrast, the social purpose of credit unions was revealed as the non-economic reason for joining credit unions that were mentioned by most members 7.8%. Meanwhile, opportunities for financial education and training and helping others were both mentioned as drivers for the decision to join credit unions (each item was mentioned by 6.7% of members).

The findings indicate that opportunities for having new friends, sense of family, organizational experience and self-transformation were not the main drivers that encouraged individual to join credit unions. Instead, maybe they were experienced by members after their membership. In contrast, the *social purpose of social credit unions*, *education/training provided* by the credit unions, and the *opportunity to help others* became the non-economic drivers that motivated respondents to join credit unions.

What about non-member answers to question: “What makes you decided not to join a credit union although you know a certain credit union?” Figure 5 shows the *main reason why respondents did not join credit unions*: they did not need credit union services. This reason was revealed by phrases such as “I do not need credit union services” (24.4%), “I am not interested” (9.8%) or because their needs have been answered by other financial services (i.e. banks or other cooperatives) (29.3%). These findings indicate that credit unions competed with other financial providers and this influenced individuals’ decisions to join credit unions as showed by previous research (Altman, 2016; Emmons & Schmid, 1999; Jones *et al.*, 2016). While some scholars suggest that cooperatives have a compe-

titive advantage relative to profit-maximizing firms (Altman, 2016; Jones *et al.*, 2016; Ropke, 1989), that non-member respondents chose other financial services providers showed that the credit unions in Yogyakarta lost the competition, at least to the group of potential customers participating in this study. However, from this data, we cannot conclude that those credit unions were less efficient or offer less economic benefits than other providers, given respondents also reported that credit unions offer higher interest rates of deposits and lower interest rate for loans. It is possible that the reasons for this group of respondent not choosing to join credit unions were not purely economic reasons.

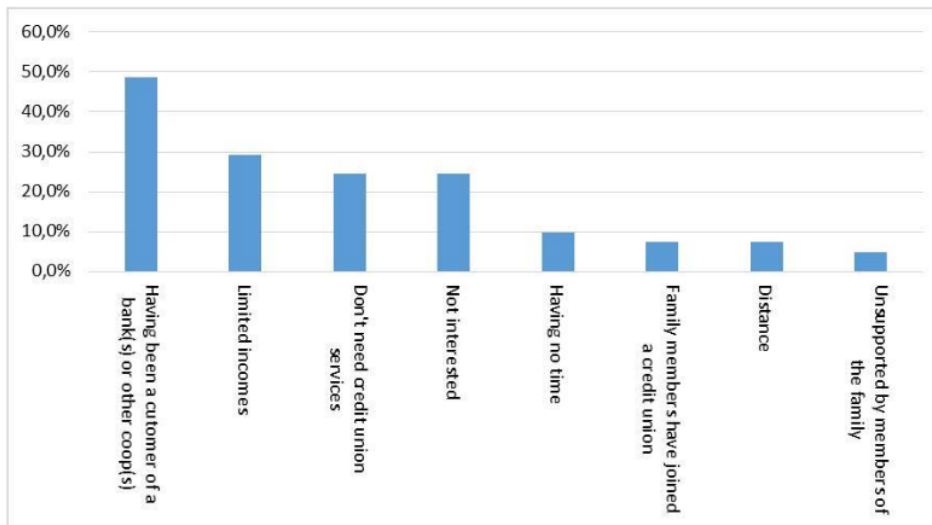


Figure 5. Reason for not joining a credit union

On the other hand, respondents said they did not join credit unions because their *incomes were limited* (24.4% of respondents) or their family members had already been members of credit unions (7.3% of respondents). That there were individuals decided not joining credit unions due to limited income is surprising, given credit unions are commonly considered specializing their services to middle-low income groups (Davis & Brockie, 2001; Myers, Cato, & Jones, 2012). Possibly, these groups of respondents were not informed about this credit unions' characteristic due to limited promotion. However, these findings show the fact of resource constrained and how this condition influences the decision to participate (Birchall & Simmons, 2004).

The rest of the groups (19.5%) reported that they did not join credit unions due to limited time and long distances, or they were not supported by other family members. Using the terminologies provided by Birchall and Simmons (2004), for these group the opportunity cost or/and direct cost of credit unions membership are higher than that of their benefits, resulting in their decisions not to join these institutions.

13.3 The Process of Membership

Birchall and Simmons (2004) suggest the importance of mobilization in explaining participation. They propose three important factors that mobilize participants, namely catalyzing issues, the creation and promotion of opportunities, and recruitment efforts. Accordingly, this study explored how individuals were mobilized to join credit unions by asking the question of "How is your process a member of the credit union?" The findings clearly show the importance of recruitment efforts and relationships with communities on the individuals' decision to become members of credit unions (Figure 6).

Figure 6 illustrates that 85% of the respondents joined credit unions because they were invited or encouraged by someone (i.e. friends 37.8%, family members 15.6%, community leaders 15.6% or credit union management 15.6%). It is only 15% of members who did not mention the role of others in their process of being members. These findings correspond with Birchall and Simmons (2004) that show the effectiveness of face-to-face recruitment by the recruitment agent that was known by the participant through existing social networks. That there were more

members recruited by their friends who had joined credit unions than those who were recruited by credit union also concurs with Sumarwan and Taruk (2016) who find a similar phenomenon in the context of Toraja, South Sulawesi.

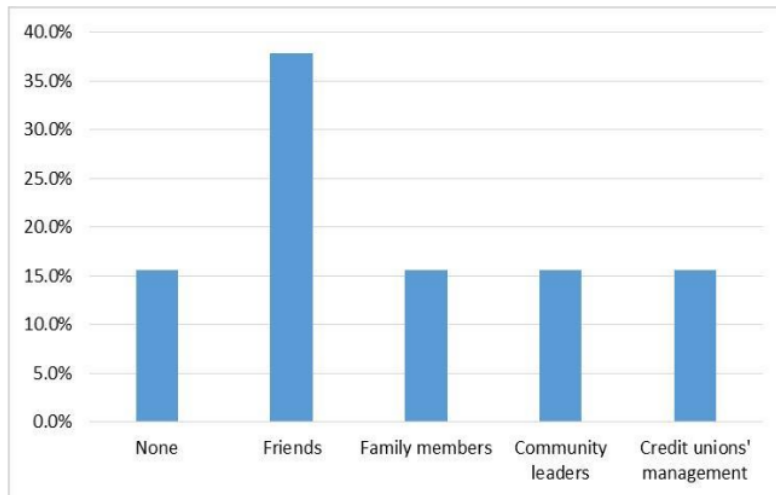


Figure 6. Who encouraged participants to join credit union?

Recruiting new members is important. However, maintaining and increasing the loyalty of existing members is also essential, easier and cheaper. Therefore, this study also asked members this question: “What will make you exit from your credit union?” Figure 7 shows that 24.4% of members declared having no reason to exit from credit union membership, while 34.4% members did not answer this question. Whether this is a sign of members’ loyalty to their credit unions or not, further investigation is still needed. From the rest of members, it was revealed that 28.9% of the respondents conceded that they would exit due to organizational issues (their credit unions were liquidated 11.1%, mismanaged 5.6%, not transparent 3.3%, or unfaithful to their purpose 2.2%) and operational issues (being unsatisfied by credit unions’ services 4.4% and un-competitive products offered by their credit unions 2.2%). Interestingly, the organizational issues 26.7% that may be classified as non-economic reasons were overriding the operational issues 5.6% which may be classified as economic reasons. These non-economic reasons may also explain why individuals do not join credit unions. To retain their members as well as to attract new members, credit unions need to address those issues. Other reasons for exit were personal 12% of members such as moving to other place 3.2%, joining another credit union 2.2%, the decrease of income 2.2%, having no loans 2.2%, busyness 1.1% and being expelled by their credit unions 1.1%.

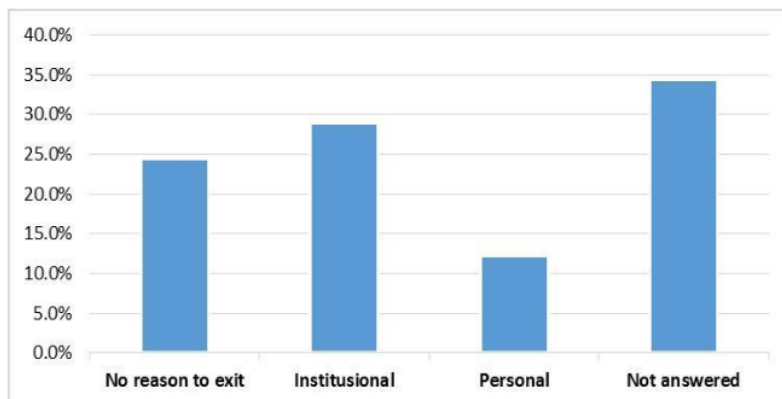


Figure 7. Reasons to exit

12 ACTICAL IMPLICATIONS

Based on the analyzes of members' and non-members' perceptions of the economic and non-economic benefits of being members of the credit unions as well as what motivate individuals to join credit unions, we propose some suggestions concerning what credit unions should do to maintain and develops in their operations and marketing strategies.

Table 2
The Economic and Non-Economic Benefits of Joining Credit Unions

Economic benefits	Non-economic benefits
Access to loans	The social purpose of credit unions
Access to deposits	Facilitating members to help others
Facilities for enhancing business	Financial education and other training*
Higher interest rates of deposits	Extending networks
Easier access to loans (simpler procedures)*	The sense of community*
Lower interest rate of loans	Opportunities for organizational experiences

* There are wider gaps in perceptions between members and non-members.

First, credit unions should increase the benefits they provide to their members both regarding the economic and non-economic benefits (see Table 2). Special attentions should be given to the benefits whose perception gaps between members and non-member are wide.

Regarding *economic benefits*, credit unions have advantages that both members and non-members have known the benefits of being members of credit unions (i.e. access to loans, access to deposits, facilities for enhancing business, higher interest rates of deposits, and lower interest rates of loans). It is credit unions' task to ensure that all those benefits remain available. However, given the higher interest rates of deposits means higher financial cost and lower interest rates of loans means higher opportunity cost, credit unions unnecessarily set interest rates too high for deposits and too low for loans. Altman (2016) provides evidence that individuals tend to choose cooperatives when cooperatives and non-cooperatives offer products with the same price. Further, cooperatives members also are willing to pay a higher price for cooperative products, indicating that their choice decisions are not driven merely by economic reasons. However, it should be noted that Altman (2016) uses the Canadian context where people appreciate cooperatives. In other context where cooperatives do not gain good reputations, individuals' behavior may differ, requiring cooperatives to offer lower price compared to their competitors or provide non-economic benefits that are given by their competitors.

Given the percentage of members who mentioned easier access to loans or the simpler procedures of loans as benefits are six-fold than that of non-members, credit unions should promote more clearly to non-members that they offer simpler procedures of loans. Knowing those benefits may encourage non-members to decide to join credit unions.

Regarding *non-economic benefits*, both members and non-member have known that credit unions help members to extend their network, providing a sense of community, organizational experiences and opportunities to help others. Even, the percentage of non-members who mentioned organizational experiences and opportunities to help others as benefits of being members of credit unions is higher than that of members. Thus, credit unions should maintain those benefits and make them more apparent, given they show the uniqueness of credit union compared to other financial institutions. As financial institution owned by members, credit unions should encourage members to participate in maintaining and developing their organization. By attending annual members' meeting, scrutinizing annual reports, providing feedback and suggestions, choosing members of the board and supervisory committee, among other things, members exercise democracy within their organizations. By participating in the organizational activities, credit union members may be likely becoming more educated and responsible citizens. Likewise, given some respondents explicitly stated that they decided to join credit unions mainly due to their desire to help others, credit unions should ensure and show the realization of their promise to be financial institutions pursuing social purpose. Seeing the realization on the promise of this social purpose, non-member is more likely interested to join a credit union, even if they do not get economic benefits.

Recalling that there are only a few non-members who recognized the benefits of the financial education, other training, and the benefit of the sense of community, credit unions also need to make those benefit more apparent, particularly to non-members.

Second, credit unions should incorporate both economic and non-economic benefits in their marketing strategies to both members and non-members. Special emphasis should be given to the benefits that are not recognized by non-members (i.e. easier access to loans, the financial education and training, and sense of community). In particular, non-economic benefits such as the social purpose of social credit unions, financial education and other training provided by the credit unions, and the opportunity to help others should be emphasized, given some members revealed that they joined credit unions due to those reasons and that those are credit unions' added values that are difficult to be copied by their competitors. By exposing those benefits to non-members, credit unions may encourage non-members to join credit unions. Likewise, showing those benefits to members, credit unions increase members' awareness on the benefit of their membership, encouraging them to utilize more credit union services. Thus, members will profit more benefits, thereby becoming more loyal. More loyal a member, more likely he or she becomes an effective agent for recruiting new members.

Third, regarding recruitment efforts, credit unions should more systematically involve existing members to recruit new members. It is not uncommon that existing members invite others to join credit unions. However, they are more motivated by aspirations to help their friends or family members enjoying the benefits of memberships that they have experienced than that they are encouraged by credit unions to do so (Sumarwan & Taruk, 2016). Thus, a more comprehensive recruitment strategy that involves existing members may be useful. This strategy includes explaining to members the characteristics of individuals or groups that are more likely to be recruited, specifying marketing targets, identifying needs, values and benefits appropriate to certain target group as well as provide training of effective marketing techniques for members, such as involving face to face contact and recruiting in groups done by recruitment agents known by potential members (Birchall & Simmons, 2004).

Fourth, credit unions should protect existing members to exit by increasing organizational accountability, making it well-managed, more transparent, and faithful to their social purpose, thereby sustainable. They also need to improve their efficiency and to be more competitive.

CONCLUSION

This study aims to explore the perceptions of members and non-members of credit unions concerning the benefits offered by credit unions and analyze the reasons why individuals might decide to join (or not join) credit unions. Guided by economic and non-economic approaches as well as individualistic and communalistic approaches, this study examined the benefit of being members of credit unions and what motivated individuals to join credit unions.

Findings reveal that members and non-members perceived some economic and non-economic benefits of joining credit unions. Access to loans and deposits, simpler procedures of loans, higher interest rates of deposits, lower interest rates of loans, facilities for enhancing businesses, and lower administration fees were considered as economic benefits and motivations; while opportunities for expanding networks and experiencing the sense of community, facilities for acquiring organizational experiences, education and training, personal transformation, and opportunity to help others and the value of credit unions' social purpose were considered as non-economic benefits and motivations. Although economic benefits tend to dominate non-economic ones, some social benefits (i.e. education and training and opportunities to help others) clearly played roles as the drivers of members' decisions to credit unions. Regarding the main reasons why non-members did not join credit union, the findings showed that the non-members did not need credit union services as their needs had been fulfilled by other financial institutions. Further, members' decisions to exit their credit unions would be driven by more institutional rather than personal factors, such as the liquidation of the credit unions, mismanagement, the problem of transparency, and mission drift. It was also found that the majority of respondents joined credit unions because they were invited or encouraged by their friends, family members, or community leaders.

Considering that both financial and social values motivate an individual to join credit unions, this study suggested that credit unions need to maintain their economic and non-economic benefits. Specifically, credit unions need to regularly review their loan-savings interest rate and procedure, administrative fees, while maintaining their ¹³ and organizational-operational capability and accountability. It is also important for credit unions to promote **not only economic but also non-economic benefits** of membership, such as exposing credit unions as means to help others, providers of education (specifically financial education), and also personal transformation and organizational learning. Moreover, regarding recruitment efforts, credit unions should more systematically involve existing members to recruit new members.

This research provided some strategies and suggestions for credit unions to enhance their capacity to attract members. However, this study is limited since it did not control the research process with the demographic characteristic of the respondents (i.e. characteristic of living area, profession, education, and gender) that may become interacting factors which influence individuals' decision in joining or not joining credit unions. This issue needs to be addressed in the future research.

Given there are wide gaps between members' and non-members' perceptions regarding some benefits of credit union membership, future research needs to investigate those gaps. Similarly, explaining why there are gaps between benefits of memberships and motivations of being members, particularly concerning non-economic benefits and motivations, will provide valuable information for credit unions to improve their marketing strategies. Moreover, the future research that provides the basis for the formulation of marketing strategies that effectively promote economic as well as social values perceived by potential members, as discussed in this study, will also contribute to credit union development.

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