

Client Business Income Analysis BLUD Micro Finance Institution

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ABSTRACT---- *Micro Finance Institution besides as provider of finance service to the poor society continuously also has moral responsibility to improve capacity and empowerment of the clients as a part of poor society. This research aimed to analyze the income level of MFI BLUD clients. The population of this research was all active clients of MFI BLUD that worked as household needs seller and socio-economically as a part of urban poor society of Kendari, with total respondents of 294 clients. The result of this research showed that the average income of clients were still under minimum wage standard in Kendari. That low of income level came because their business pattern was still simple with low human resources.*

Keywords---- Income, Business client, Micro Finance Institution

I. BACKGROUND

Micro finance institution is one of finance institution that has function to facilitate credit issue program in small amount to poor society to fund the project that they do themselves therefore they earn income (Wijono, 2005). Generally the distinction between micro finance institution and other finance institutions is the basic principle of service, where micro finance institution gives service to poor society with simple procedure therefore enables people to access it (Khrisnamurti, 2005).

Rudjito (2003) describe that even though BRI unit village and BPR are categorized as micro finance institution, but because of the loaning procedures is still using conventional bank method, therefore most of micro entrepreneur are difficult to access. So that micro finance institution is not only as a capital business credit provider in small amount to the small business subjects, but more than that it has moral responsibility to improve and make prosperity to the clients. Thereby credit service principles by micro finance institution are very different compared with conventional bank. Credit issue mechanism of conventional bank follows 5C principles i.e. Character, Capacity, Capital, Collateral and Condition, (Padangaran, 2012). While credit service principles of micro finance institution are more flexible. Adjustment to 5C principle at micro finance institution is more emphasized at (1) Character, that is one trust that characteristic or nature of client candidate who constitutes as poor family or low income are really trustworthy and deserve to get micro credit service. This worthiness indicator could be seen from previous track record based on some information from a number of parts that the client is an honest individual, comes from good family, has commendable personal and also has productive business. (2) Capacity, that is more focused at previous business experience, because ideally in micro finance service there are main consideration to measure whether candidate client has ability to charge the business that is related to their education and ability to understand provisions and valid rules. (3) Capital, on conventional bank this principle is more

emphasized on effectiveness of capital usage especially from liquidity side, solvability and profitability. While on micro finance service is more focus on how clients consistency in maintaining that capital loaning, therefore they could improve the business productivity and also pay the credit installment. (4) Collateral, on conventional bank this principle is the main because it has relationship with collateral given by candidate client either physical or non-physical, however micro finance institution management doesn't have collateral, it only has trust. (5) Condition, on conventional bank assessment toward current economic condition and future possibility become absolute thing to find out the expedience of candidate client's business, while micro finance institution doesn't do so. The assessment toward expedience of clients at micro finance institution is still simple; it is adjusted to the type and scale of small businesses and informal.

The existence of micro finance institution beside has a function as finance service provider to poor society continuously, protect and empower poor society all at once. Thereby the target of micro finance institution is to serve poor society and society out of formal finance market (Churchill and Frankiwicz, 2006). Therefore MFI is able to give strategic role in social economic development. According to Tiwari (2012) micro finance institution is able to give a very prominent role in economic development through empowerment activities to poor society. According to Zohra and Shym (2012) one of purposes of micro finance institution beside as an instrument in solving poverty and women empowerment, can also improve national economy growth. According to Kumar, et al., (2012) one of purposes of forming micro finance institution is to empower people in solving poverty. According to Khrisnamurti (2005) without sufficient access on micro finance institution, so almost all poor household need depends on their financing ability or on informal finance institution like creditor or middleman and in long term this situation can affect at further isolation of the poor society in accessing finance source. The difficulty of poor society to get accessible finance facilities could affect the low of productive economic business productivity that they do. The difficulty of that capital business pushes them to be the clients of creditor or middleman with very high level of interest. This condition makes poor family stay poor even though they have developed their business maximally.

The support of micro finance institution, both in terms of capital and strengthening the capacity of human resources and business institutional become important and strategic in efforts to increase business performance and clients' empowerment. Thereby it can push the growth and development of micro entrepreneurs productively and innovatively. Growth and development of entrepreneurs with better business performance, so step by step the poverty can be reduced because to be entrepreneur or because trickledown effect from the increasing number of micro entrepreneurs (Wijaya, 2005).

According to Robinson (2000) that loaning in term of micro credit is one of potential efforts to solve poverty. This is because those poor societies consist of some categories (1) poor because there is no productive activities (2) poor society, but has productive activities (3) society with low income, there is activity but has low wage. Those three categories of the poor societies is certainly need different approach of empowerment. The first category of poor society cannot be given micro business loan assistance, but cash assistance or create new job field for them. While for the second and the third category, the approach is more to the system improvement and strengthening and empowerment of micro finance institution around, link partnership development with market, and also support of government policies so as to create a favorable climate for the growth and development of small and mid-enterprises.

Poor society that has economic activities (economically active working poor) and society that has low income (lower income) namely those who have income although not much, their status will continue if they don't develop productive business. One of the factors inhibiting the productive economic activity is the difficulty of accessing financial resources for working capital or business capital. Besides the limitation or the lack of poor society ability in accessing capital resources, also the human resource capacity that is relatively low, so as they don't have good skill or ability in doing management function toward business developed. Understanding the problem of the clients, the role of micro finance institution is not only providing micro credit facility, but also providing additional facilities in the form of human resource capacity program improvement and also institutional for clients. Both those form of facilities are strategic roles that must be acted by a micro finance institution.

Business performance improvement of clients as positive effect from business capital support and personnel capacity giving and institutional to the clients will be implicated on the improvement of micro finance institution performance, because theoretically business performance of clients can be correlated with micro finance institution performance, because growth and development of micro finance institution is depended on the number of clients and also the smoothness of payment back of micro finance institution existing.

The optimization of MFI strategic roles can contribute to business income improvement and also as a part of poverty reduction. This is in line with research from Jegede, at al., (2011) toward micro finance institution effect to poverty reduction in Nigeria. The result of the research concluded that micro finance institution program have good potential to reduce poverty especially in improving total income and reducing susceptible community, improving economic capacity of society and continuity of development. Thereby the existence of micro finance institution will give positive effect toward productive business development of the poor society because the problem of limited capital can be solved.

Confidence toward micro finance institution program is one of instruments in counter measuring the poverty, has been supported the birth and development of a number of micro finance institution. The institution is also quite various. There are bank, coop, and union credit even there are also in local community service agency (BLUD). Local community service agency BLUD is a local government initiative and becoming on of approach program for counter measuring the poverty in Kendari of Southeast Sulawesi Province. BLUD is the state from Local community service agency (Badan Layanan Umum Daerah) and becomes a name of micro finance institution. Micro finance institution is identical with local work unit that has a function to give business capital service in small amount to poor family to improve business income and its social economic empowerment index.

Micro finance institution BLUD since it was established in 2008 until now has served approximately 8000 clients, but that number of clients has not been identified well based on contribution value of the micro finance institution toward business income of the clients. Therefore, it is important to conduct a research to analyze business income level of MFI BLUD of Kendari clients.

II. RESEARCH METHOD

Location and Research time

This research was done in Kendari city with analysis unit of micro finance service clients BLUD (Local Community Service Agency) of Kendari city Southeast Sulawesi Province. This research was conducted for 12 months, started since April 2014 until April 2015.

Population and Sampling Technique

The population of this research was all active clients continuously for one year or more, with total 1923 people. Technique of determining of sample amount used proportional approach based on Isaac and Michael table at the level of trust 95%. Therefore from 1923 total population it was set about 294 clients as respondent (Sugiono, 2011).

Drawing sampling technique in this research was done based on Stratified random sampling approach, where respondents were stratified based on the number of total loaning and then categorized into three categories. The first category was clients with total credit amount for client were less than Rp. 5.000.000 were 605 clients. The second categories, respondent with total credit amount for customer were Rp. 5.000.000 until Rp. 10.000.000 were 496 clients. The third categories, respondents with total credit amount for customer was more than Rp.10.000.000 was 822 clients. The decision of unit sampling amount per category was done with the following calculation, total client per category divides total population of research times 294, so as became:

1. First category = $605/1923 \times 294 = 92$ Respondents
2. Second category = $496/1923 \times 294 = 76$ Respondents
3. Third category = $822/1923 \times 294 = 126$ Respondents

Type and Technique Data Collection

Type of data in this research consisted of primary data covering (1) total expenditure of clients (2) total business income (3) net profit of the clients' business

Technique Data Analysis

Business income that became the purpose of this research was analyzed with net profit which was the difference between total business expenditure and total business revenue. Business net profit could be identified through the following math formula (Padangaran, 2012).

$$NP = TR - TC$$

$$TR = \sum(Y_i \cdot P_{yi})$$

$$TC = \sum(X_i \cdot P_{xi}) + FC, \text{ where;}$$

NP = Net Profit

TC = Total Cost

TR = Total Revenue

Y_i = Production Volume

P_{yi} = Product Price

X_i = Input

P_{xi} = Input Price

FC = Fixed Cost

III. RESULT AND DISCUSSION

General Description of Micro Finance Service BLUD of Kendari City

Micro finance institution of local community service agency (BLUD) of Kendari city is one of initiative and also instrument of Kendari city's government in the effort supporting the achievement acceleration of populist economic program. This institution is a unit on local work unit (SKPD) that has a function as revolving fund that is specifically

intended for micro business in kendari city, it was established based on Kendari major regulation number 6 of 2008. One of purposes micro finance institution BLUD is encouraging productivity improvement for small businesses that are part of low-income society through credit capital assistance in micro scale and also strengthening human resources capacity program of the clients. Thereby the difficulty of small businesses to get business capital with light and affordable interest rate can be solved.

Business Net Income

Analysis toward clients’ business net income of BLUD microfinance institution shows that the total of average business expenditure is IDR 10,127,551 or USD 779.042 and the total of average business revenue is IDR 11,978, 401 or USD 921.415 so the average of operating revenue or business income per client turns to be IDR. 1,850,850 or USD 142.37. The monthly average operating revenue per client, after having been classified based on distribution of revenue total per client, shows that the majority of clients or 48,98 % earns IDR 1.000.000 up to IDR. 1.500.000,or USD 76.92 up to USD 115.384. USD 1 = IDR 13,000. The distribution of clients’ total net income is presented in detail in Table 1 below.

Table 1 Total of Business Net Income

No.	Operating revenue (IDR/month)	Frequency	%
1	<1.000.000	11	3,74
2	1.000.000 – 1.500.000	144	48,98
3	1.500.001 – 2.000.000	45	15,31
4	2.000.001 – 2.500.000	54	18,37
5	2.500.001 – 3.000.000	34	11,56
6	>3.000.000	6	2,04
Total		294	100

Business net income as shown in table 1 gives indication that the majority of clients still earns lower that the standard of minimum wage in Kendari City, where only 39,97% earns above IDR. 2.000.000 or USD 153.846, while at the moment the standard of minimum wage in Kendari is IDR 1,900,000. or USD 146.154. The total of mostly operating revenue below the standard of minimum wage is not able yet to drive their capital to improve their operating revenue, at least to pass the minimum wage of Kendari. Some factors causing the clients’ revenue being in low category are because the utilization of their capital is not optimal yet, the business orientation is still small, there has not been a clear division between profit and capital, and the principle of diversified business has not been institutionalized. This can be found in itinerant green grocers and fishmongers, the capital they need for once selling is IDR. 200,000 up to 300,000. or USD 15.385 up to 23.077 per day, but the capital they borrow is IDR 1000,000 or USD 76.92 as the result IDR. 700,000 or USD 53.846 lies idle or not optimal, and finally it becomes consumptive cost.

Examining the total of clients’ revenue, in long term can affect on continuity of BLUD micro finance institution operation, because it can trigger a high bad credit and socially stimulate a decrease of clients’ prosperity. This phenomenon becomes a particular challenge and motivation for the management of the micro finance institution to find innovations, not merely providing capital in credit, but more than it, an institutionalized assistance program and a technical assistance are essential as well as a social management especially related to management of small-scale or micro productive business.

Income per Business Type

The clients’ monthly average income based on the business type shows that business of fishmonger occupies the top position with IDR 2,082,692 or USD 160.207 and the lowest average income goes to business of selling various kinds of goods with IDR. 1,509,259 or USD 116.096. The highest and the lowest business incomes on each business type are in detail shown in table 2.

Table 2. Average Income per Business Type

No.	Business type	Average net income (IDR/month)	The highest income (IDR/month)	The lowest income (IDR/ month)
1	Groceries	1.824.390	4.000.000	900.000
2	Cake making	1.528.571	3.000.000	900.000
3	Fishmonger	2.082.692	4.000.000	900.000
4	Green grocer	1.833.333	3.000.000	1.200.000
5	Delicatessen	2.421.739	6.000.000	750.000
6	Selling mixed goods	1.509.259	3.000.000	750.000
7	Selling cassavas and bananas	1.77.778	2.500.000	1.200.000

The difference of average monthly income, either the highest or the lowest income in all types of business does not show a significant difference, except on delicatessen where the difference of the highest income is significant enough, but on the lowest income, it is almost the same as other types of business. This indicates that the difference of business type does not become a differentiating factor toward the total of operating revenue. The difference of business net income as shown in table 2 indicates that clients with delicatessen business earn the highest average income compared to other businesses, although there are some clients who individually get low income. Income range quantitatively does not show significant different income among all kinds of business, where the lowest belongs to selling mixed goods with IDR. 1,509,259 or USD 116.096 and the highest average income is in delicatessen business with IDR 2,421,739 or USD 186.287. Similarly, the variation of lowest income is at range of IDR 750,000 or USD 57.692 which belongs to delicatessen and mixed goods; and IDR 1,200,000 or USD 92.307 belongs to the business of selling vegetables and bulbs.

Level of the average income if compared to Kendari minimum wage (IDR 1,900,000 or USD 146.154) or province minimum wage (IDR 1,850,000 or USD 142.307) is still generally in low category. The main trigger factor of this low operating revenue, among others, is related to low business intensification and low mastery of market share. This is due to a low competitiveness with other economic players. Market segment of the clients is generally in middle-down social class, while middle-up class tends to shop to more advanced or better businessman, which is seen either from service aspect, place or the quality of goods sold.

Average Income Based on Place of Business

Observation of business income based on place of business shows that a different place of business can imply in various business revenue. Business players in market area occupy a top position with total of average income IDR.2,029,437 or USD 156.111 per month per client, while the lowest income is in business type which is located in stall and houses earn average income IDR. 1,631,043 or USD 125.465 per month per client. The different variation of average income based on place of business is tried to be presented in detail in table 3

Table 3 Average Income Based on Place of Business

No	Place of Business	Average Income (IDR/month)	Highest income (IDR/month)	Lowest income (IDR/month)
1	Market	2.029.473	4.000.000	1.200.000
2	House	1.613.043	3.300.000	900.000
3	Stall/small shop	1.918.254	4.050.000	750.000
4	Moving/getting around	1.850.000	3.000.000	900.000

The phenomenon as shown in table 3 describes that although the difference of business place affects business income, but it is not really significant. Therefore, it can be assumed that what makes a different income is not about where the activities are but more about how the creativities and the improvisations are in order to improve the total of operating revenue. Another important factor beside the ability to be creative is the ability to make efficiency on operating business expenses to obtain high business net profit.

The total of clients' business net income of BLUD microfinance institution is still relatively low if it is compared to inflation nowadays, as result, it is not able yet to compensate for household primary needs such as cost of consumption, transportation, education, health, and housing as well as expenses related to self actualization as a part of social dynamic and interaction with neighborhoods. The low business profit beside due to little turnover and simple business pattern is also because the business orientation only tends to be used to meet the needs of household consumption.

Accumulation of operating capital as a requirement to increase the turnover has not happened yet; the daily profit tends to be used to fulfill household needs. Loan of business capital from micro finance institution tends to be not fully utilized as additional business capital, but it is more as the instrument to fulfill household basic needs. Behaviors for saving as an important strategy to improve business capital and to lead business capital to independence also have not been established. These behaviors can occur because the total of business profit is still relatively small and the social behavior of most clients who have not understood the concept of savings or capital accumulation as the instrument to improve the business productivity.

Concept of turnover improvement through operating capital improvement or business capital is hardly developed on some clients due to cultural and structural barriers. The cultural barriers are related to social and cultural behaviors that they have including weak strategy of interventions and market share expansion, while the structural barriers is lack of interventions from government policy which can give access to support intervention expansion of market share. As a result of those barriers, the position of demand and supply becomes stagnant. Total of goods offered does not affect total of buyers, in which the sellers only generally have constant total of traditional market share. The sellers must be able to

estimate the total of its market demands, because having excess for total of offered goods can lead to potential business loss, since the goods might be vulnerable to damage.

Another factor related the barrier in improving business turnover is the position or location of selling. The more strategic the selling place is and if it is supported by adequate business facilities, the higher potency for the number of buyers, and so otherwise. Basic assumption that big turnover can lead to big profit is not fully suitable with the characteristic of the current clients of BLUD micro finance institution, because their main barrier is inability to improve the volume of selling due to limited market share. Greengrocers and fishmongers who carry or lift their goods around hardly improve their business turnover because they cannot afford to reach areas which becomes their targeted selling market and it is lack of power to keep carrying the goods. Besides, competition among same sellers with different facilities reduces more and more the market share for particular sellers, for example the greengrocers who go around or the fishmongers who sell by foot compete with the same sellers who ride motorcycle to find customers. From this phenomenon, it can be assured that the market share of by-foot sellers will get smaller, but on the other side it is also a problem if those sellers are asked to ride motorcycle because they are not skilled to ride the motorcycles.

Beside due to competition among same sellers with different business facilities, there is also a social trend or a social behavior which makes the buyers tends to fit the way and the place of their shopping with the social status they have; it is one of the triggers which gets the market share smaller for the small sellers with traditional pattern. Observing a number of phenomena which especially related to a number of barriers experienced by small sellers in improving their business income, a comprehensive concept or idea is, therefore, necessary so that the small business players who also belong to the part of the poor in this city can improve their business productivity significantly and sustainably. The concept should be based on cultural and structural approach. The cultural approach is vital because it concerns on individual behaviors which still need improvement for both human resource and institution, while structural approach concerns on country's responsibility to protect and empower the weak people.

If these cultural and structural approaches are managed in integrated way, they will become a strong locomotive to move the economic dynamic of little people and imply positively to stability and growth of regional economy. The integration between the structural approach and cultural approach can be got through by giving a number of intensive policies and empowerment capacity for personals and institutions of the economic players. Giving intensive and capacity empowerment might be done through an endorsement for business facilities and strategic place with affordable price for small sellers, an endorsement for venture capital loans with subsidized interest, opening board access for markets, providing facilities and infrastructure for studying and being creative as well as for structural assistance. Providing those studying facilities and assistance do not only improve the business capacity in the term of development of productive business but also in the term of changing characters, behaviors, and perceptions in which previously are concerned as barriers in improving the productivity of their own business performance.

IV. CONCLUSIONS AND RECOMMENDATIONS

The result of this research shows that the clients' income or operating revenue is still in low category, still below the standard of Kendari minimum wage. The factors triggering this low income are due to low market share and simple skilled management for business. After observing the clients' business condition, a technical support and a social management for both from micro finance institution and from government are considered necessary. A priority support from micro finance institution includes improving quality of technical assistance and business management to the clients, to make their ability in business management be able to increase. While the support required from the government of Kendari involves the necessity of proper business place for micro businessmen in order to support increasing the volume of selling and business revenue.

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