

EMPOWERING WOMEN: A FIELD EXPERIMENT ON FINANCIAL AND EDUCATION SUPPORT FOR URBAN HOUSEWIVES

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ABSTRACT

In this paper, a lab-in-the-field-experiment and survey methods were used to analyze the effects of social business funds in the form of Sharia Micro Finance (SMF). The main aim was to develop women entrepreneurs to alleviate poor economic state in the urban wetlands of South Kalimantan province, Indonesia. In the first stage of the experiment, SMF was established to provide loans without interest to women, especially housewives. In the second stage, SMF was developed by adding a service of Murabahah, including the sale and purchase agreement of an item. This involved confirming its purchase price to the buyer, where a higher payment is made to the SMF institution. Primary data were collected from 49 housewives of the Sungai Andai region of Banjarmasin City. Within the following 1 year, only 8.5% of research subjects applied for business loans. However, they used the loans for consumption rather than for business purposes for three reasons, including (1) insufficient money to meet daily needs, (2) Inability and ignorance to start pioneering micro businesses, and (3) inadequate entrepreneurial guidance, especially on marketing business products. There is a need for research on the problems that make it challenging to empower women through entrepreneurship, including psychological factors such as motivation, interest and role conflict.

Keywords: *A field experiment, microfinance, poverty alleviation, wetlands, women entrepreneurship*

I. INTRODUCTION

A. Background of Study

Literature studies indicate that there are several factors preventing women from being entrepreneurs. The common factors include lack of interest in entrepreneurial activities, difficulties in accessing funds, inadequate institutional support, limited mobility, and lack of family support, expertise in marketing products, social connections, entrepreneurial managerial skills, and knowledge on how to start a business. They are also affected by fear of risk, low education, and lack of training and business experience, which are the biggest obstacles to women entrepreneurship (Raguntashi, 2017). Lack of capital is a major barrier since it makes them afraid to take risks (Raguntashi, 2017).

This study therefore examines the possibility of poor housewives becoming entrepreneurs in case they are given capital and education facilities. It is an experimental study based on social funding to determine the effect of training housewives with no economic education background and middle to lower economic status to be entrepreneurs. The study furthermore examines the possibility of reducing poverty by giving housewives the knowledge of sharia economics and savings and loan stimulus, which is an Islamic way Micro Finance (SMF).

II. LITERATURE REVIEW

A. Entrepreneurship and Economic Empowerment of Women

In Indonesia households, a lot of women are housewives but also offer financial support to the family. Indonesia Government's programs for poverty alleviation in Sustainable Development Goals aims to empower women through entrepreneurship (Said, 2019).

The difficult economic state of the majority of Indonesian people is attributed to the monetary crisis in 1997 and the 1998 political turmoil. These events caused a drastic increase in the prices of basic commodities (Prihantono, 2014). This situation is worsened by current unstable global economic state. Housewives might help overcome income problems in the family by supplementing their husbands' earnings. This can be achieved in different ways, including taking loans from various parties.

Women entrepreneurs view business as an integral aspect of their social life (Jennings and Brush, 2013). Previous studies established that women expect a balance between business and family life. In contrast, men focus on business and are not affected by conflicts of roles (e.g Cromie and Hayes, 1988; Brush, 1990; Hughes, 2005).

Much attention has recently been directed to poverty alleviations in rural areas. In contrast, the government has neglected the issue of poverty in urban areas. This is because of the belief that poverty alleviation starts in the countryside. According to the census, most of the Indonesian population lives in rural areas. For instance, in South Kalimantan Province, the projected percentage of the population in villages was 54.9% in 2015 and it is expected to be 51.6% in 2020 (Badan Pusat Statistik, 2014).

There have been insignificant attempts to investigate the implementation of Islamic microfinance to poverty. For example, Rokhman (2013) examined the role of Sharia Micro Finance (SMF) on poverty alleviation in Central Java, by examining 50 customers from 20 SMFs. The study used four indicators of poverty alleviation, including income levels, children's education, health care, and business progress. These indicators are based on the typical state of poor people lacking enough access to basic needs such as education, health care, clean drinking water, and proper sanitation. SMF played a significant role in improving income levels, children's education, and business progress, but had no effect on health care (Rokhman, 2013).

Studies show that support through microcredit is beneficial for increasing women's income (Ferdousi and Mahmud, 2019). Therefore, it is vital to study the state of women in poverty lines in urban areas, for alleviation to be conducted comprehensively by examining its root causes. The study examines the establishment of SMF as a women empowerment program. It also analyzes the effect of this establishment on poverty reduction. It is the first study that examines longitudinal and field experiments on social business funding in Indonesia. Previous works merely examined the effect of social funds on women empowerment (Ferdousi & Mahmud 2019). In contrast, this study examines the social fund programs given indirectly by empowering housewife communities to form SMF.

III. METHODOLOGY

A. Research Design

This was a longitudinal study conducted between 2018 and the end of 2019 on establishing Sharia Micro Finance (SMF). The targets were housewives with poor economic state. The sharia system was chosen because research subjects were housewives of a recitation group in a masjid with 49 members. First, housewives were taught a practical knowledge of the Islamic economic system. Second, social funding was given through the establishment of SMF by trained housewives.

The study applies an explorative qualitative research design. This technique is useful in identifying problems and giving insight into a particular phenomenon. Data were analyzed by the descriptive-analytical method.

B. Data Collection Procedure and Tools

Data were collected through observation, questionnaires, and in-depth interviews with open-ended and semi-structured questions to obtain verbal information or opinions from informants.

The questionnaire used was based on age, education, marital status, respondent's occupation, husband's work, household income per month, and the number of loans from SMF. This study also administered focus group discussion (FGD) in which respondents discussed their concerns with the *Murabahah* mechanism. This involves the sale and purchase agreement of an item by confirming its price to the buyer and a higher payment made in return to the SMF.

This study ran a lab-in-the-field-experiment from September 2008 to December 2019 in the urban wetlands area of the Sungai Andai. The area covered was 16.54 km² with a population of 142,092. This region was chosen since it has a dense urban population and many residents have middle to lower economic status. Therefore, businesses are micro small medium enterprises (MSME). There are also several elementary, secondary, and religious schools, with private higher education institution and one state university in the neighborhood.

C. Data Analysis

Qualitative data were analyzed using an explanatory approach to answer the research question on the capacity of poor housewives becoming entrepreneurs in case they are provided with financial and educational supports." Primary data were obtained from direct observations and interviews with 15 out of 49 research informants. They were willing to take part by attending a simple education about sharia economic systems, especially regarding savings and loan rules, as well as *the Murabahah* mechanism. Quantitative data were analyzed using tables and percentage answers from research informants.

IV. RESULTS AND DISCUSSION

Social business funding is a financial grant from an organization/company intended for business development (Ferdousi & Mahmud, 2019). This study analyzes the role of social funding from the university through the establishment of SMF for housewives for one year, starting in 2018 to 2019. Research subjects were 49 women and data was collected through questionnaires, observations and in-depth interviews to understand the state of housewives in the Sungai Andai region. This regional sample is acceptable since researching an area's problems is the basis for understanding the social and economic life of its population (Fischer and Nijkamp, 2009). In-depth interviews were conducted with 15 housewives that borrowed or benefited from the SMF and the experiment was conducted in 2 stages.

A. Stage 1: Education about Sharia Micro Finance (SMF) and the Establishment of SMF

A group of 49 housewives was given basic education on sharia/Islamic economic principles, particularly on savings and loans, as well as the establishment of the SMF. The initial idea of initiating SMF emerged after observing the state of the surrounding community and initial interviews on several housewives facing economic hardships.

The Community Service Fund of IDR 3 million in 2018 was used to establish an SMF. The loans from SMF follow the sharia/Islamic principle of no interest. Borrowers were only charged a very small administration fee, specifically 1% and was paid once at the beginning when money is borrowed. According to the national Sharia Council (DSN), payments in the form of administrative costs are permissible.

The semi joint responsibility scheme was used to secure loans, where others would not be given credit in case some members did not pay installments. The formation of a group consisting of at least two people to guarantee the return of the loan was used to prevent losses in the cooperative. Therefore, even though

this Islamic financing service is at the micro-scale, the main principles of financial institutions must still be met. This includes a) Security - the confidence that funds can be returned according to the contract. b) Smoothness - the assurance that the funds can rotate smoothly and quickly. c) Advantages, including precise calculations and projections without leaving sharia principles.

The first stage of this experiment was meant to analyze the ability of housewives running SMF. This study tests the influence of micro-credit on women's economic empowerment, which impacts their economic empowerment (Asmorowati, 2007). The operation of the SMF was limited since the capital held was quite small. This necessitated the its development by adding services to purchase cookware based on sharia principles.

B. Stage 2: Education about *Murabahah* and adding *Murabahah* service on SMF

The Law of the Republic of Indonesia Number 10 of 1998 contains banking and financing articles based on sharia principles. This includes 'the provision of money or claims equivalent to that based on an agreement between banks with other parties. The financed party is required to return the money or claim after a certain period in return or profit-sharing' (Undang-undang Perbankan No. 10 Tahun 1998).

Islamic financial institutions offer margin-based services, including buying and selling between financial institutions and customers. Furthermore, the purchase price plus profits are paid in installments over the next few months, which is called *Murabahah*. In general *Bai 'al Murabahah* is a contract of sale and purchase of an item by confirming its purchase price to the buyer, where a higher payment is made (Dewan Syariah Nasional – Majelis Ulama Indonesia, 2017).

In practice, the SMF formed in the first stage of field experiment was constrained by the lack of venture capital and knowledge about implementing sharia economics. An initial survey of 15 women showed that they were all not aware of *Murabahah* sharia financial services. Therefore, the second stage of the experiment focused on funding support the provision of knowledge about the *Murabahah* scheme.

The initial capital of IDR 2 million was given in the form of cooking utensils submitted to the SMF management. The goal was that these funds could be used to add a sharia fund lending business on a margin-based purchase agreement (*Murabahah*). Funding for purchasing equipment for business was efficient and beneficial for SMF members.

Focus group discussion (FGD) was conducted to determine the right margin for the *Murabahah* contractual agreement and how to determine the members failing to meet payment obligations. Based on the FGD, a margin of 10% of the cost of goods was agreed upon. For example, in case the purchase price of a blender was IDR 100,000, the agreed selling price was Rp 110,000 and could be paid in installments for several months. The selling price is still within the range of reasonable profit margins and agreed by both parties, the management of SMF as the seller and its members as the buyer. In the Islamic language, it is "*an tarodhin minkum*" which means blessing for both parties.

Table 1 shows the average age of the research informants is 43 years. The youngest is 19 years and the oldest is 65 years old. Loans intended to support micro-businesses (productive) were mostly used to meet household needs (consumptive). Only 5 out of 15 borrowed money from SMF for business purposes. Therefore the loans are productive rather than consumptive. In total, only 5 out of 49 housewives (8.5%) given education and training as well as business capital through SMF used these opportunities to become entrepreneurs.

Tabel 1.
Data of Sharia Micro Finance (SMF) Recipients

Informant	Age	Marriage Status	Wife Job (other than housewife)	Husband Job	Wife Monthly Income (IDR)	Husband Monthly Income (IDR)

1	40	Married	Online shop*	Martabak seller	Variable	4 mill
2	56	Widow	Income from late husband's pension	-	2 mill	-
3	31	Married	Civil servant	Civil servant	4 mill	4 mill
4	65	Widow	Financially supported by children	-	Variable	-
5	41	Married	Yellow rice seller*	Unemployment	Variable	Variable
6	46	Married	-	Merchant	-	6 mill
7	53	Married	Freelance Teacher	Pensioner	Variable	2 mill
8	38	Married	Groceries store*	Online taxi driver	1.5 mill	2 mill
9	50	Married	Masseuse	Masseur	1.5 mill	3.5 mill
10	56	Married	Groceries store*	Civil servant	Variable	5 mill
11	35	Married	Fried food seller*	Handyman	Variable	3 mill
12	46	Married	-	Taxi driver	-	3 mill
13	37	Married	-	Driver	-	3 mill
14	43	Married	Freelance housemaid	Laborer	400 thousand	1.5 mill
15	19	Married	-	Merchant	-	4 mill

*starting a business from this program

Based on the interviews, the main reasons the loans were used for consumption rather than for business purposes were categorized into 3, including (1) insufficient money to meet daily needs, (2) inability and ignorance to start pioneering micro businesses, and (3) the need for more entrepreneurial guidance, including guidance on marketing products.

C. Women's Entrepreneurship

This study collected 49 observations in one year, and the subjects were housewives. The average age was 34 years, the youngest and oldest were 19 and 65 years old respectively. In the experimental study, only 8.5% of housewives used SMF loan facilities. Repeated loans occurred, primarily to enlarge the amount owed. SMF limits the amount of the loan and cannot provide additional funds beyond the stipulated limit. Some customers had loans that were increased with time.

Casson (1982) described the character of entrepreneurs as their ability to make decisions under limited resources. They feel challenged to act creatively within the existing limitations, where an entrepreneur appears resilient, dares to take risks and never gives up. This is what distinguishes them from ordinary sellers. Providing support through SMF and education is not enough to make all housewives entrepreneurs. Some can become entrepreneurs while others sellers only. The largest number cannot rise from the existing poor economic state. There are psychological factors that play a major role in people and capital support and education are not enough to make them entrepreneurs. Previous studies in the rural wetlands of South Kalimantan also showed that most of the people have the characteristics of a peasant community. This

involves feeling sufficient about the current state and unwillingness to increase their economic capacity (Said, 2019).

V. CONCLUSION

The provision of loan facilities through SMF and Islamic economic education has not shown significant results on improving the entrepreneurial abilities of housewives. Based on the interviews, the main reasons they used the loans for consumption rather than for business purposes can be categorized in three, including (1) insufficient money to meet their daily needs, (2) inability and ignorance to start pioneering micro businesses, and (3) the need for more entrepreneurial guidance, including the practical guidance on marketing products.

A lot effort is required for one to successfully become an entrepreneur. The process starts with early education, including playing business in elementary school, working on related projects in high school, and studying professionally in college. This facilitates the culture of entrepreneurial nation creatively.

This experimental study is still in the premature stage in terms of observation time and the amount of finances in the social funding; and (2) Islamic economic education for housewives lasts for a short time, specifically 1 month each for savings and loans, as well as for *Murabahah*. For this reason, knowledge might not be well absorbed. To better understand why housewives did not take up loans for micro-business, future research should also measure psychological factors, including interest, intelligence, and conflicting roles.

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