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## ECONOMIC COMMUNITY EMPOWERMENT STRATEGIES IN BANJARMASIN BASED ON ENVIRONMENT CHARACTERISTIC FINANCIAL MODEL

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**Abstract:** The objectives of the research conducted in Banjarmasin City are: 1) To assess and analyze economic financing patterns in the community based on slum environmental characteristics, 2) To assess and analyze the level of economic empowerment in the community, 3) To assess and analyze the characteristics of communities targeted for slum environment empowerment, 4) Identify and analyze community economic empowerment strategies through financing models for slums environment. The research method used in this study is quantitative descriptive supported by qualitative descriptive. The result of this prospective study suggests that further research needs to be done to focus on the appropriate financing model for the empowerment of slum community in Banjarmasin.

**Keywords:** Characteristics, Financing, Slum Environment

### INTRODUCTION

Poor people who are identical with slums are a problem faced by almost all big cities in Indonesia, even big cities in other developing countries. The Indicators for priority causes of slums are: First, the physical condition, which is evident from the condition of the buildings, where each one is highly densed with low-cost construction quality, no road lane access or proper hardened road surfaces, lack of proper basic sanitation, and lack of waste disposal system. Second, the socio-economic conditions of the communities that live in these settlements include low income levels, no adequate social norms, and a culture that tend to show apathetic behaviours. Third, it is the impact of the 2 (two) main aspects above, namely resulting in poor health conditions, a sources of disease and deviant behavior, which impacts the lives around them. Fourth, on legal control, the surrounding community still lacks legal awareness. This can be seen from the existence of several violations such as the development

of several buildings that stand in the border area of the river (green lane), the waste system that is still not integrated due to lack of community sensitivity and procedures for the disposal of wastewater directly into the community environment. Limited funds owned by the government for urban planning and management in dealing with population problems have also caused housing and settlement facilities to be limited which needs to be addressed at a substantial costs. If the growth of the slum area is allowed, it will increasingly provide opportunities for criminal acts, disruption of moral norms, and ultimately lead to increasingly severe environmental degradation. Evictions in slum areas do not completely solve the problem, in this way it will be possible to take other open land so that two or more slum areas will grow again (Setiawan A. S., 2016).

## LITERATURE REVIEW

### Financing

Banking history refers to the development of banks and banking throughout history, with the term banking defined by contemporary sources as an organization that provides facilities for receiving deposits and extending credit, (Heffernan, 2005). The development of the banking system in medieval Italy and the Renaissance and especially important cities such as Florence, Venice and Genoa, where the Bardi and Peruzzi families dominated 14th century banking in Florence, established branches in various places in Europe, (Hoggson, 1926). The most famous Italian bank is the Medici bank, which was founded by Giovanni Medici in 1397 (Goldthwaite, 1995).

According to Presidential Decree No. 61 of 1988. A financial institution is a business entity that carries out financing activities in the form of providing funds or capital goods by not attracting funds directly from the public. The system of financial institutions is divided into three, namely: 1) Bank financial institutions in accordance with Law no. 14 of 1967 is a business entity that carries out activities in the financial sector and distributes it to the public in the form of credit or other forms in order to improve the lives of the many. 2) Non-bank financial institutions are business entities that carry out activities in the financial sector that directly or indirectly collect funds by issuing Securities and channeling them into the community to finance company investments. Business sectors included in non-bank financial institutions include insurance, pawnshops, pension funds, mutual funds, financial institutions. Financial institutions are included in Non-Bank Financial Institutions (LKBB). 3) Financing Company is a business entity outside of a Bank and Non-Bank Financial Institution that is specifically established to carry out activities which are included in the field of business of the Financing Institution. Government support and role in encouraging lending to SMEs Through various SME credit / financing schemes launched with economic development tasks and programs in certain business sectors, such as food security, animal husbandry and plantations. The role of the government in SME credit schemes is on the side of providing APBN funds to subsidize the credit scheme, while the credit / financing funds come entirely from banks appointed by the government as implementing banks. In addition, the government plays a role in preparing SMEs to be financed with appropriate schemes, setting policies and

business priorities that will allow them to receive credit, conducting coaching and mentoring during the credit period, and facilitate relations between SMEs and other parties.

Facilitating credit / financing for Indonesians in slums who tend to be poverty-stricken, is expected to help them get out of poverty and can change slums into better areas. Government and non-government institutions have issued several product designs that are expected to be maximized by the people in the slum area.

Microfinance institutions function as providers of financial services to small and micro entrepreneurs. Therefore the existence of MFIs becomes very important as a solution to overcome the difficulties of SME capital in accessing credit in formal institutions. LKM is an institution that is able to meet the capital needs of SMEs because it is able to adjust to the characteristics of MSMEs that tend to be considered bankable by the commercial banking sector. The MFI's performance can be seen from three interrelated aspects, namely the sustainability of the long-term implementation of credit, the affordability and the impact of the existence of the MFI by looking at the impact of the program being carried out by the MFI on the quality of people's lives, (Meyer, 2002). MFIs in Indonesia are grouped into two types based on their nature, namely formal MFIs and informal MFIs. Formal MFIs consist of banks and non-banks. Informal MFIs are grouped into three, namely MFIs formed by the government, such as the Village Credit Board (BKD), MFIs that are formed based on community initiatives, such as Baitul Maal Wa Tamwil (BMT) and Non-Governmental Organizations (NGOs) and MFIs that support government programs, such as The Kecamatan Development Program (PPK) and the National Independent Community Empowerment Program (PNPM). All transactions that occur in Islamic banking are basically the same as conventional banks. However, the Islamic economic system emphasizes the concept of benefits for wider economic activity in each transaction. Every transaction activity must follow the concept of benefits and must uphold the principles of justice. The operational system can be divided into three main categories, (Indonesian Bankers Association, 2016) namely: a) Financing products, which aim to finance community needs / channel funds to the community. b) Product funding products, which aim to raise funds from the public. The difference is in the philosophical foundation, if Conventional Banks are based on the philosophy of interest in each transaction, while Islamic banks use the philosophy of profit sharing for each of their operational activities. c) Services, which aim to serve the needs of the community for services at Islamic banks.

Credit has four elements, namely trust, grace period, level of risk and the object of credit (money or capital). An important element in the current credit activity is to take advantage of capital by taking counter while in terms of debtors, there is assistance from creditors to cover the needs in the form of achievement. Between achievement and counter-achievement there is a period that separates it. This condition results in risk in the form of uncertainty, so as a result, collateral in providing credit is needed (Djumhana, 2000). Investment Credit (KI), namely credit used to procure long-term capital goods for customers' business activities. Consumer credit, which is credit used in the procurement of goods or services for consumption purposes, and not as capital goods in the customer's business activities, (Peni Sawitri, 2007).

Public service and education variables have a positive effect on the development of SMEs in Indonesia, while economic growth and minimum wages have a negative effect on SME development in Indonesia. In realizing quality and more competitive SMEs, it is necessary to increase the capacity and skills of entrepreneurs, (Kartika, 2019). These SMEs not only play a very important role in providing high employment opportunities with lower investment than large industries, but also supports regions in industrialization, (Ganapaiah, 2017).

Group-based credit or known as group lending is the provision of credit to individuals who are members of a group so that they can have access to capital in a program. The program implemented is usually aimed at the poor who do not have collateral to obtain credit. This group-based credit is made for individuals but all group members are responsible for the payment of the credit (joint liability lending). Based on mutual loan obligations and responsibilities, each member who has no difficulty can help pay other members who have defaulted (intra-group insurance). The measure of success of group loan programs can be seen from the rate of return, (Zeller, 2006). The behavior characteristics of credit-taking customers need to be studied carefully using cluster analyst tools. Cluster analysis is a multivariate procedure for grouping individuals into clusters based on certain characteristics, (Bachri & Syabarrudin, 2019).

### **Slums Area**

Slums are defined as housing complexes that are physically characterized by the shape of small houses with poor environmental conditions, irregular settlement patterns, and low environmental quality, as well as the lack of public facilities (Drakakakis-Smith, 1980) in (Rindarjono, 2012) . Besides that, slums are also defined as settlements and housing conditions as well as community infrastructure facilities in the area that are not up to standard, (Kurniasih, 2007). While the study of (Judohusodo, 1991); (Socki, 1993); (UN-Habitat, 2012); (Rindarjono, 2012) shows that slums are characterized by a) environmental conditions that do not meet technical and health requirements (lack or unavailability of infrastructure, facilities, environmental facilities. Although there are, conditions are very bad and in addition, the layout of buildings is irregular ) b) the condition of the building which is very bad and the building materials used are building materials that are semi permanent; c) building density with a KDB that is greater than allowed (very high population density ebih more than 500 people per ha or high population density figures ranging from 350-1,250 people per hectare with village size ranging from 15-20 hectares, of all buildings existing houses in slums 60-70% occupied by owners) and the size of the building that is small between 25 square meters or even less, floor area smaller or equal to 7.2 m<sup>2</sup>; and d) Mixed and irregular city functions (associated with industrial estates, around water bodies, along railroads, and around industrial center areas).

## RESEARCH METHODS

The research method used in this study is to use quantitative descriptive methods and supported by qualitative descriptive methods. The study population is the community in the city of Banjarmasin. The study population is the community in the slums around the city of Banjarmasin which includes 5 (five) districts, with the sample of research covering community units taken by 765 sample cluster random sampling.

## FINDINGS AND DISCUSSION

**Tabel 1. Location of Residence**

		3.5. Location of Residence					Total
		In alleyway	Main road	Housing	Countryside	City center	
sub-district	Banjarmasin Barat	31	1	2	37	65	136
	Banjarmasin Selatan	2	0	1	2	15	20
	Banjarmasin Tengah	151	7	15	22	169	364
	Banjarmasin Timur	72	0	3	19	44	138
	Banjarmasin Utara	27	3	15	17	45	107
Total		283	11	36	97	338	765

Source : Processed by researchers(2019)

Of the total sample of 765, the majority reside in the Banjarmasin City Center with a total of 338. Then followed residing in the alley are as many as 283 number of people. As for the small number of them resides on the Main Street.

**Tabel 2. Type of Residence**

		3.3. Type of Residence			Total
		Wood	Permanent Settlement	Semi Permanent	
sub-district	Banjarmasin Barat	85	34	17	136
	Banjarmasin Selatan	3	2	15	20
	Banjarmasin Tengah	188	95	81	364
	Banjarmasin Timur	77	41	20	138
	Banjarmasin Utara	42	27	38	107
Total		395	199	171	765

Source : Processed by researchers(2019)

Criteria based on variables of basic facilities and infrastructure conditions are: The feasibility of building a house according to the floor material is feasible (marble, tiles, cement), quite feasible (wood) and not feasible (bamboo, soil). Categories according to the type of wall are feasible (walls, stones), reasonably decent (wood), not feasible (bamboo and others). The more buildings that are not feasible in a residential environment, the level of slum environment can be higher. So the researchers divided the types of dwellings into 3 (three) bear lines which include: Wood, Permanent and Semi Permanent, (Dara, 2010). Based on the results of a survey conducted, it was found that 395 people still live in wood, then

followed by permanent residence types 199, and the last semi-permanent as many as 171 people.

**Tabel 3. Access to Credit Distributors**

Bank / Financing	sub-districts di Banjarmasin				
	West	South	Central	East	North
Bank Danamon	0	0	1	0	0
Bank Kalsel	11	1	10	6	9
Bank Mandiri	6	0	9	5	7
Bank Mega	0	0	1	0	0
Bank Syariah Mandiri	1	0	0	1	0
BCA	1	0	0	7	21
BNI 46	0	0	13	1	2
BNI Syariah	0	0	2	0	0
BRI	36	15	100	28	29
BRI Syariah	2	0	2	0	0
BTN	3	1	11	4	5
BTN Syariah	0	0	1	0	0
Koperasi	1	0	0	0	0
Lainnya	1	0	2	5	0
Leasing	2	0	9	9	4
Pegadaian	0	0	1	1	1
Pegadaian Syariah	0	0	1	0	0
Tidak Ada	72	3	201	71	29
Total	136	20	364	138	107
Grand Total	765				

*Source* : Processed by researchers(2019)

Law No 20 of 2008 concerning Micro, Small and Medium Enterprises, articles 7 and 8 mandates the Regional Government to foster a business climate by establishing laws and regulations and covering aspects including funding. The funding policy is intended to expand funding sources and facilitate MSMEs in bank / nonbank loans, increase funding institutions and expand their networks, provide facilities in obtaining funding, and help MSMEs obtain financing and other financial services / products with government guarantees.

Based on existing credit distribution in 5 (five) Districts in Banjarmasin City, Central Banjarmasin District ranks first in terms of credit utilization in the banking / financing service, which is 364 people. Then East Banjarmasin and West Banjarmasin respectively 138 and 136. Whereas for the South Banjarmasin District they did not make optimal use of credit / financing services because only 20 people used them.

**Tabel 4. Credit / Financing Objectives**

	Credit / Financing Objectives				Total
	Investment	Consumption	Working Capital	None	
Sub-district Banjarmasin Barat	12	7	45	72	136
Sub-district Banjarmasin Selatan	0	1	16	3	20

Banjarmasin Tengah	9	19	135	201	364
Banjarmasin Timur	2	16	49	71	138
Banjarmasin Utara	6	7	65	29	107
Total	29	50	310	376	765

Source : Processed by researchers(2019)

Of the 765 people who use and use credit / financing services, 310 people use it for working capital or 41% of the total sample. While 50 people or 7% of the total sample utilize credit / financing services for consumptive purposes. For the allocation of investment alone there are as many as 29 people or 4% of the total sample of 765 people. From this table it can be seen that 49% of the sample does not take / enjoy credit / financing services that have been offered by financial institutions.

**Tabel 5. Reasons for Interests of Banks / Institutions**

	Reasons for Interests of Banks / Institutions					Total
	Number of Branches	Small interest	Easy procedure	Small installments	None	
Sub-district Banjarmasin Barat	2	23	4	3	104	136
Banjarmasin Selatan	4	2	4	4	6	20
Banjarmasin Tengah	4	55	8	17	280	364
Banjarmasin Timur	0	13	8	7	110	138
Banjarmasin Utara	4	13	4	7	79	107
Total	14	106	28	38	579	765

Source : Processed by researchers(2019)

Based on table 5 it can be concluded that most do not want or are not interested in banking services and other financial institutions. With these results the researcher concludes that further research needs to be done on financing models that are truly in accordance with the interests of the existing community, especially the poor / slums. Where for a while the types of banking services / financial institutions that exist are not enough to make the community satisfied or interested in banking products / other financial services.

**Tabel 6. Type of Collateral**

	Type of Collateral						Total
	Building	Factory Machines	Securities	Land	Without collateral	None	
Sub-district Banjarmasin Barat	7	1	51	1	4	72	136
Banjarmasin Selatan	0	0	17	0	0	3	20
Banjarmasin Tengah	18	0	135	1	9	201	364
Banjarmasin Timur	2	0	54	1	10	71	138
Banjarmasin Utara	0	0	74	0	4	29	107
Total	27	1	331	3	27	376	765

Source : Processed by researchers(2019)

The continuation of the discussion from table 5, the researcher concludes that 376 people or around 49% of the total sample do not own an asset that can be used as a collateral.

Tabel 7. Main Job Types of Cross-tabulation

		Main Job Type				Total
		Regional Civil Servant	Teacher Civil Servant	City Center Civil Servant	Merchant/Salesman	
Sub-district	Banjarmasin Barat	2	1	0	133	136
	Banjarmasin Selatan	0	1	0	19	20
	Banjarmasin Tengah	1	0	0	363	364
	Banjarmasin Timur	3	0	3	132	138
	Banjarmasin Utara	0	0	2	105	107
Total		6	2	5	752	765

Source : Processed by researchers(2019)

From a total sample of 765 people, it is known that 752 people are traders/salesman or merchant owners in which they need working capital for their businesses in order to carry out trade activities. From tables 5 & 6 there are still 376 that do not receive financing services because the existing financing model still requires collateral as a guarantee. Therefore searching for the right financing model needs further research.

## CONCLUSIONS AND SUGGESTIONS

### Conclusion

1. Further research is still needed on appropriate financing patterns for slums;
2. The level of community empowerment as in table 2 where 52% of the sample still resides in wooden houses.
3. Based on table 5 it can be concluded that 76% of the sample is not interested to have access to financial institutions and use any kind of banking services.
4. Based on tables 5 and 6 it is necessary to further develop appropriate financing patterns as one of the strategies for community economic empowerment in slums.

### Suggestion

1. Further research needs to be done to focus on an appropriate financing model for empowering slums in Banjarmasin.
2. This research can be carried out with the Banjarmasin City Government with the support from academics.
3. If an appropriate financing model has been found, it can be applied to other regions with similar problem characteristics.

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