

BANKER TO THE POOR AND ITS URGENCY BASED ON INDONESIAN CONTEXT (PERCEIVING THE THOUGHTS AND EXPERIENCES OF MUHAMMAD YUNUS)

Laily Nur Arifa

Universitas Islam Negeri Maulana Malik Ibrahim Malang

E-mail: lailynurarifa@gmail.com

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Abstract

Poverty is not welcome in all types of society. There are many efforts made to overcome this issue. Nevertheless, Muhammad Yunus has made inspirational efforts. His efforts to overcome poverty issues in Bangladesh have escorted him to receive the Nobel award. His model in overcoming the issue by establishing Grameen Bank for the poor has become a role model worldwide, including Indonesia. According to Islamic regulation, bank interest applied by the Grameen Bank is not against Islamic regulation (*riba*) since the interest will be distributed to its customers. Poverty has become a significant issue for Indonesia and other poor and developing countries worldwide. Therefore, the adaptation of the Grameen Bank model to overcome poverty issues in Indonesia is in urgent demand. There are three may key to adopt the Grameen Bank concept according to the Indonesian context. The first key is to give priority to women for economic development. This policy is that women are less selfish and have more concern towards their children and family. The second key is to establish a group of creditors. This group is expected to encourage each other to repay the loan and support each other under hardship. The third key is to provide unsecured debt. This type of loan is the answer to help the poor to improve their condition. Adequate capital provision will enable the poor to improve their creativity; they can develop their business and improve life quality.

Keywords: grameen bank, Muhammad Yunus, and Indonesian economy.

Introduction

Poverty is a common social phenomenon. Poverty is not something that manifests itself, apart from other aspects, but it is a manifestation resulting from the interaction between various aspects of human life.¹ People are against poverty because, in such conditions, they are in a state of complete deprivation, unable to

¹ M. Hamdar, Arraiyyah, *Meneropong Fenomena Kemiskinan: Telaah Perspektif Al-Qur'an*, (Yogyakarta: Pustaka Pelajar, 2007), p. 1

fulfil their primary needs in life, especially in terms of material. As a result of the incapability in fulfilling the material sector, the poor have difficulty meeting their nutritional needs, obtaining education, working capital, and many other primary needs. Other consequences of this condition include lack of self-esteem, low moral state, and lack of religious awareness.²

Humans do various things to overcome poverty. Nevertheless, Muhammad Yunus did an inspirational action. His efforts in alleviating poverty in Bangladesh have caused him to receive the Nobel Prize. To overcome poverty in Bangladesh, Muhammad Yunus founded the Grameen Bank or also known as the bank for the poor. Grameen Bank is a microcredit organization established in Bangladesh providing small loans to underprivileged people without the need for collateral. This system proposes the idea that the poor have underutilized abilities due to a lack of capital. The specific part of this credit is that the bank provides the loan to groups of productive women with a poor social status.

The poverty alleviation model by establishing the Grameen Bank as a bank for the poor has become a model in various countries, including Indonesia. Many consider that the Grameen Bank model is effective to reduce poverty in a country. As for Indonesia, an adaptation of the Grameen Bank model is advisable, given that the percentage of poverty in this country is still huge. Therefore, it is necessary to comprehend the Grameen Bank concept and its adaptive concept within the Indonesian framework

Results and Discussions

Muhammad Yunus and Grameen Bank

Socio-historical Context of Muhammad Yunus

Muhammad Yunus was born in Bathua, about 11 km from Chittagong, in 1940. Yunus is the 3rd child of Dula Mia and Sofia Khatun. His father was a craftsman and trader of gem ornaments. Yunus grew up on Baxirhat Street, in the heart of Chittagong's jeweller Sonapotti district. Yunus's family moved to the city of Chittagong in 1944. In 1949, his mother suffered from a mental illness.³

Yunus' father had made three times the pilgrimage to Mecca. He dressed in white and white, with white sandals, white heels, white robes, and a white hajj cap. Yunus's mother was a rigid and firm woman. Yunus admits that his mother was the enforcer of discipline in the family and perhaps had the most potent influence on Yunus. His mother's concern for the poor and disadvantaged is very significant; thus, that makes Yunus became interested in studying economics and social change.⁴

During his school years, he was an active member of the scouts, having travelled to East Pakistan and India in 1952 and Canada in 1955 for the Jamborees. In 1957, he majored in economics at Dhaka University and completed his BA in 1960 and MA in 1961. Yunus earned his PhD in economics at Vanderbilt University, US, majoring in

² M. Hamdar, Arraiyyah, *Meneropong Fenomena.....*, p. 2

³ Ahmad Majdi Tsabit, *Kredit Tanpa Jaminan Untuk Pengembangan Ekonomi Umat: Telaah Atas Pemikiran Muhammad Yunus*, Skripsi, (Jakarta: Konsentrasi Perbankan Syariah Program Studi Muamalat Fakultas Syariah Dan Hukum UIN Syarif Hidayatullah Jakarta, 2009), p. 37

⁴ Muhammad Yunus, dan Alan Jolis, *Bank Kaum Miskin:.....*, p. 7

Economic Development in 1969. From that year until 1972, Yunus was an assistant professor of economics at Middle Tennessee State University in Murfreesboro, TN.⁵

During Bangladesh's liberation war in 1971, Yunus set up a citizens' commission and rushed to the Bangladesh Information Center to support freedom with several other Bangladeshis living in the US. He also publishes Bangladesh Newsletter from his home in Nashville. After the war, Yunus returned to Bangladesh and was appointed a member of the Government Planning Commission chaired by Nurul Islam, then he was bored with the job and moved to Chittagong University as the head of the Economics section.⁶

Yunus is an economics professor who admits that he is fed up with the theories he teaches himself. However, there is a scientific rigidity that he still holds, namely;

- a. Yunus identified the root of the problem correctly. After carefully studying poverty in the village of Jobra near his campus, Yunus finally understood that women bear the worst impact of poverty. For this reason, the main focus of the microcredit program is on women.
- b. He tries to understand the problem from the point of view of the party experiencing the problem. The development experts from the west that people become poor because they are unskilful, but Yunus found that poor people do not need skills training. They need urgent and flexible funds.
- c. Yunus' solution was not directly large-scale and grandiose. The idea of microcredit first underwent a test on a small scale in the village of Jobra.
- d. The solution to the problem is structural. It is important to underline that Yunus was not a "splitter of money".⁷

Due to his work at Grameen Bank, Yunus received Ashoka: The Founder of the Public Academy Member in 2001. In 2006 Yunus and the bank received another award, the Nobel Peace Prize; the award was "for their efforts to create socio-economic development from the ground up." Yunus received several other national and international awards. He is the author of "Banker to the Poor" and a founding member of the board that founded the Grameen Foundation. In early 2007, Yunus became interested in joining a political party named Nagorik Shakti (citizen power), but later on, he canceled his plans; he is also a member of the Global Elder (the ancient world's elders)⁸

Yunus has also won a number of other awards, including the Ramon Magsaysay Award, the World Food Prize, the Sydney Peace Prize, and in December 2007, the Ecuadorian Peace Prize. In addition, Yunus has been awarded 26 honorary doctorates, and 15 special awards. The Bangladesh government issued commemorative stamps in honor of his Nobel. In January 2008, Houston, Texas declared January 14 as the day of "Jonah." ⁹

⁵ Ahmad Majdi Tsabit, *Kredit Tanpa Jaminan*....., p. 37-38

⁶ Ahmad Majdi Tsabit, *Kredit Tanpa Jaminan*....., p. 38

⁷ Muhammad Yunus, *Bank Kaum Miskin*....., p. VII

⁸ Ahmad Majdi Tsabit, *Kredit Tanpa Jaminan*....., p. 42

⁹ Ahmad Majdi Tsabit, *Kredit Tanpa Jaminan*....., . 43

Poverty viewed from Muhammad Yunus' perception

When Bangladesh experienced a famine in 1974, Yunus went directly to the fight against poverty by providing small-scale loans to those most in need. He believes that small loans can make a big difference to the ability of the poor to survive.¹⁰

In 1976, during a visit to the poorest residential area in the village of Jobra near Chittagong University, Yunus discovered that small loans could create an imbalance within the poor. Jobra's women who make household utensils out of bamboo have taken out large loans to buy bamboo to pay the profits to the lenders. His first loan was 27 dollars and distributed to 42 women in the village, who paid a net profit of 0.52 (0.02 dollars) on each loan.¹¹

At that time, social experts did not clearly define poverty; thus, poor could also refer to unemployment, illiteracy, and homeless people. Also, some people consider the poor as people who cannot get enough food to support their family for a whole year.¹²

In defining the poor, Yunus includes women threshing grain, women making bamboo chairs, and small traders who borrow at 10 percent interest per month or sometimes per week. Yunus would also include others, such as those who earned so little wages from weaving baskets and mats; their wages were too little that they often switched jobs, becoming beggars. These people have no chance to improve their economic base. Each deals with the entrapment of poverty.¹³

Yunus' common sense cannot accept the ongoing poverty issues in his country, Bangladesh. According to him, people become poor because the financial institutions in their country do not help them improve their economic base. There is no formal financial structure in place to serve the credit needs of the poor. Due to the limitations of formal financial institutions, this credit market has become the authority of local moneylenders.¹⁴

According to Yunus, poverty does not arise from the poor, but it is because of the existing system in society. Nevertheless, ignorance towards poverty meaning that we have also become part of the system that creates poverty itself, he added.¹⁵

Nevertheless, ignorance towards poverty meaning that we have also become part of the system that creates poverty itself, he added.

Yunus used the "worm's-eye view" to observe poverty from a very close distance. With a persistent struggle, Yunus had to interview women prospective borrowers, bridged by a student who went back and forth to convey questions and answers to Yunus because women and men cannot freely meet because it is against the purdah provisions.¹⁶

Poverty, according to the Grameen philosophy, is not only due to the lack of skills, as skills are not directly proportional to a person's quality of life. In other words, skills are not a measure of a person's socioeconomic level. Skills also require

¹⁰ Muhammad Yunus, *Bank Kaum Miskin*....., p. 19

¹¹ Ahmad Majdi Tsabit, *Kredit Tanpa Jaminan*....., p. 39

¹² Muhammad Yunus, *Bank Kaum Miskin*....., p. 42

¹³ Muhammad Yunus, *Bank Kaum Miskin*....., p.42.

¹⁴ Ahmad Majdi Tsabit, *Kredit Tanpa Jaminan*....., p. 59

¹⁵ Ahmad Majdi Tsabit, *Kredit Tanpa Jaminan*....., p. 87

¹⁶ Muhammad Yunus, *Bank Kaum Miskin*....., p. 19

funds to organize them. While the poor do not have enough funds for that purpose. Even if there are donations, it does not demand accountability and creates dependence, such as the Direct Cash Assistance that the government once did. Surviving poverty requires initiative and creativity.¹⁷

According to Yunus, one of the essential things in poverty alleviation is the direct empowerment of the community, especially the poor. And the women's group is a group that has the potential to proceed with empowerment. Grameen Bank provided credit to women who turned out to be quite effective in improving the community's economy because women have more financial management skills. The attempts to struggle from and fight poverty are also a recommendation from the Islamic perspective to make one become a pious person. This fact is as contained in the QS Al-Baqarah verse 177.

Yunus also emphasized the need for improvement in the banking system. This need is due to the absence of the existing system to provide the poor with access to capital. Capital is the main thing for the poor to survive their economic downturn. Therefore, we need to have changes to the banking system. The system must provide more comprehensive access to the poor. However, Yunus admitted that changing the system must begin with a difference in the mindset of the people, especially the banking sector, that they have to switch their perspective to not only focus on the profit they can gain. So far, the banking community only focuses on making more money but does not think about how to make money grow and give benefits to the poor at the same time.¹⁸

According to Yunus, conventional banks only stick to standard principles. Banks only want to give loans based on the wealth of their customers. Meanwhile, the poor do not have anything as collateral.¹⁹

The poor do not have any value for banks. The view is that the poor cannot act as debtors or creditors or become bank owners. The poor do not have beneficial ownership as collateral; therefore, they do not deserve credit. Banks eventually need collateral, even if the poor die lying in front of their eyes. And the poor, of course, have nothing to save in the bank, so from any point of view, they are entirely unfit to become bank customers. For this reason, Yunus dared to establish Grameen Bank with contradictory principles to the conventional banks.²⁰

Grameen Bank

In 1976, Muhammad Yunus launched a research project to investigate the feasibility of designing a credit system to provide banking services targeted at the poor rural villages, which was also the origin of the Grameen Bank. The Grameen Bank Project (Grameen means "rural" or "village" in Bangla) has several goals, namely (1) providing banking facilities for the poor and women, (2) eliminating the exploitation of the poor by moneylenders, (3) creating self-employment

¹⁷ M. Ifrosin, *Analisis Hukum Islam Tentang Pemikiran Muhammad Yunus Dan Konsep Grameen Bank Dalam Upaya Pegentasan Kemiskinan*, Skripsi, (Surabaya: Iain Surabaya, 2009), p.35

¹⁸ Ahmad Majdi Tsabit, *Kredit Tanpa Jaminan.....*, p. 87-88

¹⁹ M. Ifrosin, *Analisis Hukum Islam.....*, p. 43-44

²⁰ M. Ifrosin, *Analisis Hukum Islam.....*, p. 44

opportunities due to high unemployment in rural Bangladesh, (4) mainly introducing underprivileged women from poor households, to an organizational format that they can understand and manage independently, and (5) reversing the old vicious circle of "low income, low saving, and low investment", into the virtuous circle of "more income, more saving, more investment."²¹

Yunus established the Grameen Bank, which he specifically aimed to serve the poor. With an initial capital of only US\$27, Grameen started lending money without collateral.²² Project Grameen Bank was initiated in the village of Jobra, Bangladesh, in 1976. In 1983 it became a unique formal bank under the law passed for copyright. The bank's service is to facilitate the poor borrowers, who are primarily women. It works specifically for them. Borrowers from Grameen Bank currently own 95 per cent of the total equity of the bank. The remaining 5 per cent belongs to the government. Grameen, which means the village, is used for the name of the bank.²³

Grameen Bank collects customer money for the benefit of economic activities in rural areas as well. The funds mobilized by Grameen Bank is always channelled to the poor. What makes Grameen Bank even more outstanding is its willingness to provide services to poor beggars. Conventional banks belong to the rich, while Grameen Bank is by the poor. The objective of conventional banks is generally to maximize profit. At the same time, Grameen Bank provides financial services to the poor, especially women and the poor, to help them fight poverty but still manage to be profitable. As an illustration, when the Government of Bangladesh rolled out a micro-credit program with a flat fixed interest rate of 11%, Grameen Bank interest rates were 0% (zero per cent) for beggars, 5% for education loans, 8% for housing loans and 20% for business loans. And all of them are calculated using the declining balance method.²⁴

Grameen Bank does not require collateral for its microcredit. Grameen Bank does not need customers to sign any legal instrument. The interesting fact is that Grameen Bank focuses on lending to women. Poor women in Bangladesh have the most vulnerable social position. Although each borrower must belong to a group of five members, the group does not necessarily provide collateral for loans to members. Instalment responsibility lies solely with the individual borrower, while the group is central and supervises everyone who behaves responsibly, and there will be no payment issues. There is no form of joint responsibility; namely, group members are not responsible for paying on behalf of a defaulting member.¹³

Grameen Bank is different from conventional banking. Conventional banking lies its activity on the principle that the more you have, the more you get. As a result, more than half of the world's population is deprived of conventional banking financial services. Conventional banking is based on collateral, while the Grameen bank is based on a free guarantee system.²⁵

²¹ Muhsin Fahreza Sembiring, *Peranan Sistem Grameen Bank Terhadap Perbankan Dalam Rangka Tanggung Jawab Sosial Perusahaan*, Skripsi, USU, 2010, p. 21

²² M. Ifrosin, *Analisis Hukum Islam*....., p. 42

²³ M. Ifrosin, *Analisis Hukum Islam*....., p. 42

²⁴ M. Ifrosin, *Analisis Hukum Islam*....., p. 43-44

²⁵ M. Ifrosin, *Analisis Hukum Islam*....., p. 40-41

Grameen Bank started with the belief that credit should be a part of human rights and build a system where people with nothing have the highest priority in getting loans. The Grameen methodology does not measure by possession but by potency. Grameen believes that all humans, including the poorest, are rich with endless potential. Conventional banks see what has been produced, while Grameen sees the potential waiting to be generated.²⁶

The conventional bank focuses on men, Grameen gives high priority to women. 97% of Grameen Bank borrowers are women. Grameen Bank works to improve the status of poor women in their families by giving them ownership of assets.²⁷

Grameen bank develops its non-profit business in various fields. The company is now active in several fields. Grameen Phone is currently the largest company in Bangladesh. Grameen Telecom and Grameen Communications set up kiosks in rural areas. Grameen Fisheries and Textiles create job opportunities and spread new inventions through appropriate independence and simple technology. More than thirty Grameen Power Centers produce solar power and biofuel systems for ungridded housing and factories. All of these companies share the same goal of improving the lives of the people of Bangladesh, especially the poor. From a legal point of view, Grameen companies are divided into two categories. Most are registered under company law as non-profit corporations, meaning they do not issue stock and have no owners but are still obliged to pay taxes. Some are listed as private businesses, owned by shareholders, and of course, paying taxes.²⁸

An important way for Grameen Bank to support its social agenda is through sixteen decisions.²⁹ The sixteen decisions are; (1) The four principles of Grameen Bank are discipline, unity, courage and hard work. The principles must prevail and become a priority in every step of our life. (2) We must prosper our family. 3. We will not live in a broken house. We must repair the house and try to build a new one as soon as possible. (4) We should grow vegetables all year round. We have to eat lots of vegetables and sell the excess. (5) Before the planting season, we should plant as many seeds as possible. (6) We have to plan a small family. We have to minimize expenses. We have to take care of our health. (7) We must educate children and ensure that they can afford their education. (8) 8. We must take care of children and the environment so that it is always clean. (9) We must build and use a public lavatory and/ or private bathroom (10) We should boil water before drinking or use alum to clean the water. (11) We must not take a dowry (dowry) from our son's marriage; Don't give any dowry to our daughter's wedding either. We must keep our community free from the curse of the dowry. We should not do early-age marriage. (12) We must not inflict injustice on anyone; we should never let anyone do it. (13) For higher income, we collectively have to invest more. (14) We must always be ready to help each other. If someone is in trouble, we all have to help. If someone is in danger, we all have to help. (15) If we happen to find a breach of discipline in any

²⁶ M. Ifrosin, *Analisis Hukum Islam*....., p. 41-42

²⁷ M. Ifrosin, *Analisis Hukum Islam*....., p. 41-42

²⁸ M. Ifrosin, *Analisis Hukum Islam*....., p. 39

²⁹ Muhammad Yunus, *Menciptakan Dunia Tanpa Kemiskinan*, (Jakarta: Gramedia Pustaka Utama, 2008), p.

centre, we all have to go there and help restore that discipline. (16) We must equally take part in all social activities.³⁰

There are over 100 countries that currently have been adopting the Grameen bank practices.

An Analysis of Islamic Law on the Concept of Grameen Bank

Grameen bank transactions take social values as their basis. The practice of which is evident by focusing the goals on serving the poor. Therefore, the Grameen Bank mobilizes money that is always channelled to the poor who need capital for their businesses. This practice is similar to the concept of Islamic banking products in the form of al-Qard al-Hasan, where the product also contains social value as its basis.³¹

From the description above, there is a common principle between Grameen bank and al-Qard al-Hasan, that is, they both have social codes in providing capital to customers. Grameen Bank does not require collateral for its microcredit. Since the bank does not want to take any borrower to court in a non-current legal case, it does not need the customer to sign any legal instrument. Although each borrower must belong to a group consisting of five, the group is free from any collateral upon loan application. Instalment responsibility lies solely with the individual borrower, while the group is responsible for overseeing everyone responsibly and guaranteeing there will not be any payment problem. There is no form of joint responsibility, which mean each group member is not responsible for paying on behalf of a defaulting member.³²

Grameen bank has a philosophy of trusting the poor; it believes that poor people have enough reasons to pay their debts back to get another loan and continue their lives each day. Whereas in Islamic banking, or more narrowly to al-Qard al-Hasan, the practice also adheres to a system of mutual trust, without any guarantee or collateral in transactions; therefore, there is a similarity between Grameen bank and al-Qard al-Hasan in terms of collateral in lending.³³

The loan of al-Qard al-Hasan should only return the borrowed capital without any compensation unless the borrower wants to give excess as a gift based on a hadith;

عَنْ أَبِي هُرَيْرَةَ رَضِيَ اللَّهُ عَنْهُ أَنَّ رَجُلًا تَقَاضَى رَسُولَ اللَّهِ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ فَأَعْلَظَ لَهُ فَهَمَّ بِهِ أَصْحَابُهُ فَقَالَ دَعُوهُ فَإِنَّ لِصَاحِبِ الْحَقِّ مَقَالًا وَاشْتَرُوا لَهُ بَعِيرًا فَأَعْطُوهُ إِيَّاهُ وَقَالُوا لَا بَجْدَ إِلَّا أَفْضَلَ مِنْ سِنِّهِ قَالَ اشْتَرُوهُ فَأَعْطُوهُ إِيَّاهُ فَإِنَّ خَيْرَكُمْ أَحْسَنُكُمْ قَضَاءً

Narrated from Abu Hurairah ra. There was a man who rudely billed the Prophet. The companions were angry (knowing this way), then Rasulullah SAW said: let it be because this person has the right to charge me, buy the camel for him, then give him the camel. The Companions reported to the Messenger of

³⁰ Muhammad Yunus, *Menciptakan Dunia.....*, p. 64-54

³¹ M. Ifrosin, *Analisis Hukum Islam.....*, p. 58

³² M. Ifrosin, *Analisis Hukum Islam.....*, p. 59

³³ M. Ifrosin, *Analisis Hukum Islam.....*, p. 63

*Allah: We did not find any camel but older than the camel, and the Messenger of Allah said; buy the camel then give it to him. So verily the best of you are those who are better at paying off their debts.*³⁴

From the description above, there is a difference between Grameen bank and al-Qard al-Hasan. The Grameen bank uses a system of interest while al-Qard al-Hasan does not require its customers to give excess in repaying loans, except for voluntary gifts or gifts.

The share ownership model of Grameen Bank, owned by the poor or their customers, is suitable to adopt in Indonesia, as the country's majority population is Muslim. The fundamental reason is that the bank interest in Grameen Bank is not against Islamic law (usury), as the interest will be distributed to its customers.³⁵

The Urgency of Grameen Bank based on Indonesian Context Women as the Key Driver of the Economy

According to Yunus, having women as customers for the bank is a fascinating strategy. Providing loans to Bangladeshi women turns out to have a tremendous impact on improving the family's economy compared to men. This finding is because hunger and poverty in Bangladesh are more of a problem for women than for men. Women experience hunger and poverty more severely than men. If a family member had to experience hunger, the unwritten law said the mother would suffer it first. Mothers will also suffer the traumatic experience of not being able to breastfeed their babies during times of hunger and famine.³⁶

Yunus also considers that poor women in Bangladesh have the most vulnerable social position. However, women have been proven to adapt faster and better in building independence than men. Although they cannot read and write and are rarely allowed to leave the house alone, women look far ahead and work hard to free themselves and their families from poverty.³⁷

In addition, Yunus views that women are more attentive in preparing a better life for their children, and their behaviour is more consistent than men. When a poor woman begins to earn an income, her dream is always about her children. The second priority for a woman is her household. She would want to buy household appliances, repair the house, or buy a bed for herself and the family. In contrast, men have very different priorities. When a father from a low-income family earns more, he focuses more on himself. Therefore, the money allocated for the household through women is more beneficial to the family. This fact is the main reason why Yunus makes women as customers a desirable strategy.³⁸

The above description and the success of the Grameen Bank further strengthen the argument that women play an essential role in transferring microcredit to their families. Women's ability to benefit from the program as the target group or

³⁴ H.R. Bukhari no 2390

³⁵ Joni Yusuf, *Pemikiran Muhammad Yunus Tentang Pengentasan Kemiskinan Dalam Perspektif Hukum Islam*, Skripsi, Jurusan Syari'ah Universitas Muhammadiyah Surakarta, 2008, p. 83

³⁶ Ahmad Majdi Tsabit, *Kredit Tanpa Jaminan.....*, p. 67

³⁷ Ahmad Majdi Tsabit, *Kredit Tanpa Jaminan.....*, p. 67

³⁸ Muhammad Yunus, *Bank Kaum Miskin.....*, p. 74.

microcredit recipients needs more attention. Otherwise, women with their domestic roles are increasingly burdened by becoming microcredit recipients. This situation strengthens the triple burdens of women, where women must perform the functions of reproduction, production, and social functions in society.³⁹

On February 26, 2005, President Susilo Bambang Yudhoyono launched a program to reduce poverty by empowering micro, small and medium enterprises (MSMEs). The President also proclaimed 2005 as the year of Indonesian microfinance. Unfortunately, the launching of the 2005 microfinance year was accompanied by the emergence of various banking products to serve MSME players who have recently seemed gender-neutral. This fact has implications for the strategy of programming and microfinance institutions as its medium. Thus, the reality is apparent based on the program of the State Minister for Cooperatives and Small and Medium Enterprises in non-financial and financial aspects, which does not mention gender issues.⁴⁰

This neutral or gender-blind perspective refers to the fact that women, micro-entrepreneurs and men are seen without seeing any crucial issues unique to them. Women micro-entrepreneurs face more severe problems than men. In addition to experiencing the same obstacles as micro-enterprises in general, such as lack of capital, limited mastery of appropriate technology, narrow market networks, limited management skills and knowledge of technical production skills, women also suffer from structural problems. The first issue is various unfair governmental policies and unequal relations in the production and trade chains. The first issue is various unfair governmental policies and unequal relations in the production and trade chains. The second issue is structural barriers related to women's physis; women find it challenging to develop businesses due to the imbalance in relationships between women and their families and husbands in the domestic sphere and society.⁴¹

With the above differences, helping women micro-entrepreneurs requires a different approach. Government intervention in programs or funding through microfinance institutions sensitive to women's problems and needs becomes mandatory. The government has made efforts to formulate and implement several microcredit mechanisms or programs specifically targeted at women, including the Prosperous Family Credit Program (KUKESRA), the Women's Empowerment Program in Local Economic Development (P3EL), the Micro Credit Program for the Strengthening of Women Small and Micro-Entrepreneurs coordinated by the Association of Women Small Entrepreneurs Assistance (ASSPUK) and Economic Development of Women Small Businesses (PPEUK) and many more. The formulation and implementation of a micro-credit program targeting women have helped women resolve some issues they have been facing, especially microcredit actors. However, programs like these often cause new problems, that is, to increase

³⁹ Sulikah Asmorowati, *Dampak Pemberian Kredit Mikro untuk Perempuan: Analisis Pengadopsian Model Grameen Bank di Indonesia*, Jurusan Ilmu Administrasi Negara FISIP Universitas Airlangga, Surabaya. <http://www.journal.unair.ac.id/filerPDF/Dampak%20Pemberian%20Kredit%20Mikro%20untuk%20Perempuan.pdf/> accessed on May 10, 2015, p. 2

⁴⁰ Sulikah Asmorowati, *Dampak Pemberian.....*, p. 6-7

⁴¹ Sulikah Asmorowati, *Dampak Pemberian.....*, p. 7

the women's burden, where women perform reproductive, productive and social functions in society.⁴²

Borrower Group Solidarity

Institutional formation in the form of 'groups of five' is also another key to the success of the Grameen Bank credit program. Customers are required to form groups of 5-6 people. Two of the poorest get the first loan. The other three won't get a loan until the first two make regular repayments. If a person cannot repay the loan, the group will be deemed ineligible for more significant credit in the following year until the repayment problem is resolved. This method builds a support network or group pressure: group members will pressure members who intentionally violate the agreement with the Grameen Bank. On the other hand, they will support any members who have difficulties in their economic activities. This way, borrowers have a strong incentive to help each other solve problems and prevent problems from arising. The system also encourages tremendous personal responsibility for repaying loans.⁴³

This subtle (and sometimes not so subtle) group pressure keeps each member in line with the goals of the broader credit program. The sense of competition between groups and within groups also triggers each member to become a successful person. Shifting the initial supervisory duties to the group reduces the bank's workload and increases the confidence of each borrower. Since the group approves each member's loan application, the group bears moral responsibility for each loan. If a group member has a problem, the group usually comes to help.⁴⁴

Non-collateral Loan

Yunus and his friends started an exclusive program focused on beggars. They did not apply any Grameen Bank rules. The loan was interest-free; they could pay any amount and at any time. The bank provided ideas to carry small merchandise such as snacks, toys, or household items to sell from house to house as beggars. This idea worked out. About 5,000 people completely stopped begging. The average loan for a beggar was US\$12.⁴⁵

Microcredit is not something "weird and new" in Indonesia. We recognize various types of activities that can be categorized as microcredit, ranging from *arisan* (women's gathering that has micro-financial activity among its members), farm credit, small business loans, and so on. By the United Nations, Bank Rakyat Indonesia (BRI) has been appointed the world laboratory for microcredit. However, in practice, the obligation to set aside credit for MSMEs is never fulfilled because it is widely known that banks prefer to channel their credit for consumption (upper-middle class).⁴⁶

Vice President Jusuf Kalla stated that the concept of credit distribution applied by Yunus for the poor people of Bangladesh already exists in Indonesia. Yunus's

⁴² Sulikah Asmorowati, *Dampak Pemberian.....*, p. 7-8

⁴³ Ahmad Majdi Tsabit, *Kredit Tanpa Jaminan.....*, p. 69

⁴⁴ Muhammad Yunus, *Bank Kaum Miskin.....*, p. 62.

⁴⁵ Ahmad Majdi Tsabit, *Kredit Tanpa Jaminan.....*, p. 75

⁴⁶ Ahmad Majdi Tsabit, *Kredit Tanpa Jaminan.....*, p. 81

vision, said Kalla, used to be precisely the same as the *Candak Kulak* credit in Indonesia. Indonesia itself, said Kalla, is very capable of implementing what Yunus has done in Bangladesh. However, with the social characteristics and the poverty rate in Indonesia, which is lower than Bangladesh, the concept requires a more challenging effort, and its achievement takes no short time.⁴⁷

In practice, Yunus' concept will be studied and will begin to be adopted. However, not all of them are included in the pattern of lending to Small and Medium Enterprises through the institutions of PT Asuransi Kredit Indonesia (Askrindo) and Perum Sarana for Business Development. In the 2007 Amendment to the Draft State Revenue and Expenditure Budget, these two institutions are proposed to receive additional capital of Rp 1.4 trillion.⁴⁸

Conclusion

Grameen Bank is a bank that prioritizes micro-credit for the poor in Bangladesh. Muhammad Yunus initiated this bank due to the anxiety about the poverty issues in Bangladesh. Yunus implements a micro-economy focusing on the poor. This microcredit method is successful in overcoming the problem of poverty in Bangladesh.

There are three primary keys to adapting the Grameen Bank concept to the Indonesian context. The first key is by giving priority to economic development for women. This priority is because women are less selfish than men and have more concern for the welfare of their children and families. Second, forming a group of creditors. This group will encourage each other in repaying loans and support each other when one gets into trouble. Third, the provision of credit without collateral. Unsecured credit for the poor is the key to elevating the status of the poor. With the provision of capital, the poor can develop their creativity to develop their businesses and improve their quality of life.

⁴⁷ Ahmad Majdi Tsabit, *Kredit Tanpa Jaminan.....*, p. 85

⁴⁸ Ahmad Majdi Tsabit, *Kredit Tanpa Jaminan.....*, p. 86

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