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FROM MICROFINANCE TO GINTINGAN: REINVENTING LOCAL INSTITUTIONS FOR POVERTY REDUCTION IN INDONESIA

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Abstract

Poverty has been acknowledged as a fundamental problem in development. It is so pervaded so the United Nations's has put 'no poverty' as the first objective to be achieved in the Sustainable Development Goals (SDGs). As a 15th biggest countries in the world in terms of Gross Domestic Product, Indonesia are has been struggling in combating poverty with the increased proportion of inequality and most of its inhabitants are economically vulnerable. Although Microfinance has been believed as a tool to reduce poverty, however, various recent researches on the microfinance impact on poverty reduction have shown pessimistic results. This paper discusses the recent issues in the development figures of Indonesia, including the role of microfinance in poverty alleviation, which has been criticized and concluded by the discussion about an indigenous local institution of 'Gintingan' in rural area of West Java and how it has been contributing to Sustainable Community Development in Indonesia.

Keywords

Microfinance, Emic Approach, Poverty Reduction, SDGs, Local Institutions, Gentian

1. Introduction: Differential Advances of Development in Indonesia

Indonesia has been known as one of the largest Economy in the world. As a member of G-20 major economies and classified as a new industrialised country, the country ranks in the fifteenth in the World, in terms of *Gross Domestic Product (GDP)*. The country has been survived by having a positive economic growth in the last two-decades after the Asian Financial Crises turned down the economy. With a negative economic growth of -6.65% in the 1998-1999, the country could reverse back into positive trends in their economy, with an average economic growth of 4-5% between year 2000 to year 2009 and 5-6% between year 2010 to year 2016 (Indonesia Investments, 2018).

One of the factors, which lead the country into the economic recovery was because of the government policy towards the country's endowment of natural resources and its socio-demographic composition of labour force which young and productive age people are in the economic activities. In terms of government policy, the country has shifted dramatically from an agriculture-based development sector, to a service and manufacturing-based sectors. It can be seen that while in 1950-1960s the development of the country was dominantly contributed by Agriculture sectors, with about 51%, followed by Services sector with 36% and Industrial sector with about13%, the structure has changed into 47% in the Industrial sector and 15% in the agriculture sector, while the services sectors remain stable at 38% of contributions to the country's economy (Indonesia Investments, 2018).

In terms of socio-demographic structure, the median age of Indonesian is 28 years old, which is the third youngest in the East Asia and 10 years younger than in most major advanced countries. The dependency ratio, which measured by the number of children and elderly in comparison with the working-age population, is also low and the working-age population has also been increasing. Furthermore, the county has been successfully reducing the poverty incidents. Indonesia has been successfully reducing the poverty level from about 40% (using International Poverty Line) or 20% (using Indonesia Poverty Line) in the year 2000, to about 6.8 % (using International Poverty Line) or 10.2 % (using Indonesia Poverty Line). These progresses have shown that the development of Indonesia can be considered on the right path (*cf*. Elias & Noone, 2011; Indonesia Investments, 2018).

Although the economic growth is increasing and the poverty incident has also successfully reduced, however, the inequality is also rising. The disparities among the richest and the poorest became widening. The Gini coefficient of Indonesia, which was around 0.30 in the 2000 increased to 0.41 in 2013. It indicates that the growth over the past two-decades have benefitted one-fifth of the richest people in Indonesia and left behind the remaining four-fifth of the populations. A recent report by the World Bank of Asia and Pasific underscore that, despite of the fact that Indonesia has been maintaining the positive trends of economic growth, however, most of the people of Indonesia are vulnerable to poverty (Figure 1).

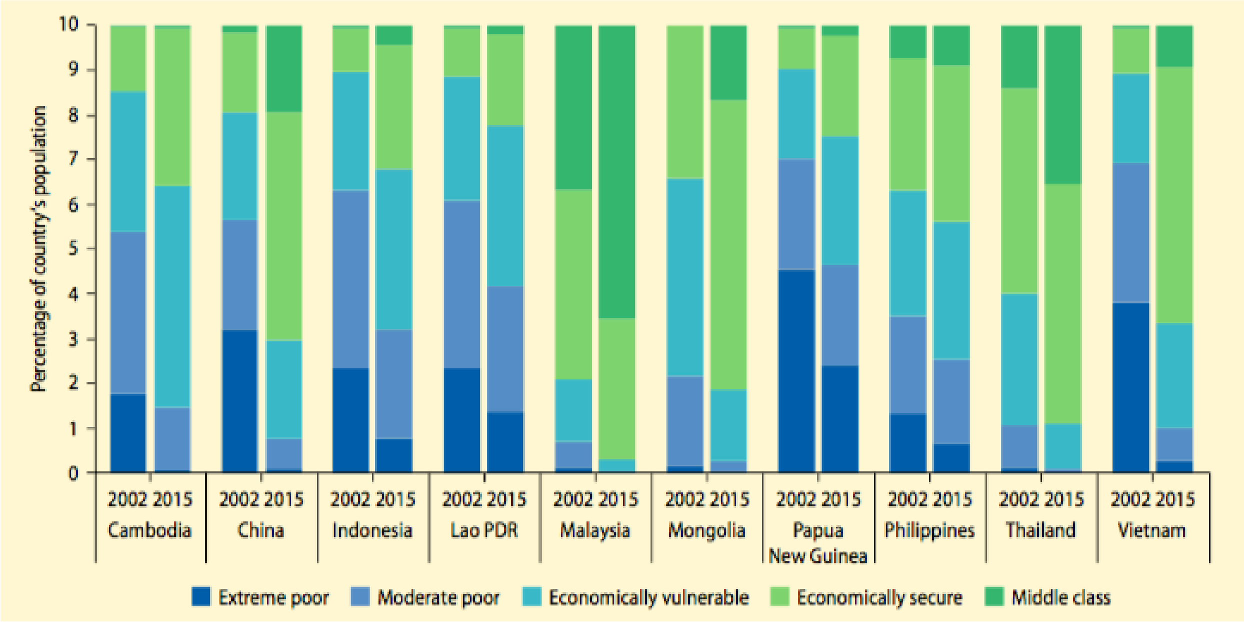

Figure 1: *Population Distribution by Economic Class & Countries 2002 & 2015*
Souce: World Bank (2017)

As indicated above, about one-third of the populations are prone to poverty incidents, while only one-third of the inhabitants are considered economically stable. They are categorised as 'economically secure' and 'middle class' while the other two-third of the inhabitants are categorised as 'extremely poor', 'moderately poor' and 'economically vulnerable'. Furthermore, a 2014 survey on inequality which involved public perceptions of Indonesia concluded that most of Indonesian felt the Economic Growth in Indonesia is only benefiting certain group of the people and the income is 'very unequal' or 'not equal at all' distributed. About two-third of the respondents are willing to accept lower economic growth in exchange to higher equality in the economy (Hofman, Rodrick-Jones &Thee, 2014; The Asia Foundation, 2014; World Bank, 2017).

The recent figure of the development of Indonesia is also a big challenge in terms of environmental problems, which also hit the poor at the most. Inadequate environmental management in Indonesia has embarked to the total economic losses of the country, including limited access to safe water, bad sanitation and high pollution. It is estimated that the government of Indonesia has to spend about 2% of total GDP annually from the environmental problems, while the annual cost of handling air pollution in Indonesia have been estimated at around $400 million annually. These costs are mostly borne by the poor as they are the population groups, which are more likely to be exposed to the environmental problems, i.e. air pollution, bad sanitation and limited access to clean water. There are two causes of the environmental problems, which could be identified by the World Bank: 1) the actual implementation of the rules and procedures which are related to environmental issues has been poor and slow, due to the lack of commitment from various agencies, including the government agencies in the environmental policies and implementation; 2) there is lacks of integration of environmental considerations for a sustainable development, particularly in the public investment planning and policies, also in the regional plans for the utilisation of land and resources. A special report by Lucas & Warren (2011) shown that the environmental problems are mostly hit the rural area of Indonesia. Unsustainable logging and palm oil in Central Sulawesi villages for instance, has had a big impact on villages at the grass roots level. The land of the people was polluted by the waste of palm oil producers and the companies have less effort to responsible of the environmental damage. Similarly, the financial pressures have caused environmental damage in Bengkulu where the national park was challenged by illegal logging. (World Bank, 2013; Lucas & Warren, 2011).

This paper attempts to discuss the fragmenting roles of microfinance in reducing poverty and to present the importance of reinventing local institutions in Indonesia, by using an example of indigenous local institutions in a rural area of West Java Province in Indonesia. As a country which has thousands of islands and hundreds of ethno-cultural groups, Indonesia needs to consider imposing bottom-up approach in development, which accommodates peoples' participation in sustainable community development in Indonesia.

2. Fragmenting Roles of Microfinance in Indonesia

2.1 A Spiral Dive from Microcredit to Microfinance

Over the past decades, financial organizations, development experts and planners have launched a whole array of poverty reduction approaches and development strategies, varying from humanitarian development aid, welfare and debt relief, through the financial-economic approaches of capital investment and liberalization, to the human development approaches of capacity building and investment in the services in education, health and employment for the improvement of the standard of living of the poor. In terms of poverty alleviation through financial support provisions, Robinson (2001) categorised the provision types based on three categories of poor people: extremely poor; economically poor and middle-income poor. Each of these categories requires different approaches in terms of its provisions.

Table 1: *Financial Services in the Povery Alleviaton Toolbox*

Income Level	Commercialized Financial Services	Subsidized Poverty Alleviation Programs

<table>
<tr><td>Lower Middle Income</td><td>Standar Commercial Bank Loans & Full Range of Saving Services</td><td rowspan="3">Commercial Micro Loans</td><td rowspan="3">Interest-bearing saving accounts for small savers</td><td></td></tr>
<tr><td>Economically Active Poor</td><td></td><td rowspan="3">Poverty programs for such purposes as food and water, medicine and nutrition, employment generation, skills training and relocation</td></tr>
<tr><td></td><td>Official poverty line</td></tr>
<tr><td>Extremely Poor</td><td></td><td></td><td></td></tr>
</table>

Source: adapted from Robinson (2001)

While the 'extremely poor' requires more of subsidized supporting programmes, the other groups need to be supported by a balanced type of financial institutions, between non-profit institutions and commercialized ones. However, the decision of which types should support who are always difficult to be determined.

The new financial concept which had emerged in the course of the 1970s in Asia with a view to assisting the poor, stemmed from the pioneering work of Mohammad Yunus and the Grameen Bank, which he had established in Bangladesh. The concept of small-scale finance known as 'microcredit' embarked on the narrow monetary definition of poverty - the general lack of financial funds - and introduced the 'first stage' in providing small and group-based financing to the poor (Yunus & Weber, 2008). Following its initial success, the 'microcredit model' soon started to attract the interest of many international organisations and NGOs, rendering microcredit an international strategy in the endeavour to reduce poverty by the end of the 1980s. The success of the Grameen Bank encouraged other countries to initiate similar approaches of micro-loans through credit institutions with similar responses to the financial needs. Not long thereafter, directors of large financial companies and institutions, such as the philanthropist George Soros and the co-founder of eBay Pierre Omidyar, started to capitalise in microcredit, soon followed by global commercial banks, including the Citigroup Inc. and the Deutsche Bank AG, which invested hundreds of millions of dollars into microcredit (Karnani, 2007).

The various financial demands of the members of the community soon evoked a wider response in the form of extended financial services. While some groups needed small credit for production, such as for working capital or buying fertilisers etc., other groups demanded credit for consumption, such as for health and education. The difference in demand for small loans introduced the microcredit approach into wider services beyond the original target groups of the poor, such as the middle class groups, and soon, the development of microcredit led to the introduction of the extended financial services of the early 1990s, including not only small group loans, but also insurance, savings and deposits, which were managed by a growing number of microfinance institutions (MFIs) and their managers.

The 'second stage' in the provision of extended financial services to the poor and middle-class groups, which later became known as 'microfinance',referring to a complex process of distributing a whole range of the extended financial services -microcredit, microinsurance, etc- with the main objective to make poor and low-income groups of the community 'bankable'. Since the microcredit-providing institutions had to change their social mission in order to run their institutions as independent and sustainable companies, the original humanitarian non-profit orientation in the provision of subsidised loans was replaced by a commercial ideology of providing financial products with no more interest-free or low-interest loans. At the same time, many NGOs used a more profitable opportunity to make the transition to become MFIs. The shift of the early 1990s from the original social motives of NGOs to the commercial interests of MFIs is also reflected in the subsequent statements of Muhammad Yunus, made during subsequent periods of time. As Engler (2009) documents, Yunus initially believed that: *"Not every business should be bound to serve the single objective of profit maximisation, but rather pursue specific social goals".* However, in another interview by Yanagidaira in 2009, as recorded later by Valadez & Buskirk (2011), Yunus (1999) also acknowledged that *"(a) company can make (a) profit.",* and: *"that profit stays within (the) company"*. In the last statement, Yunus admits that the profit was used to pay for the expenses of the MFIs, and that the investors can claim back their original money. These considerations underscore the dramatic turn of the initial small-scale solidarity-based philosophy behind microcredit into the neo-liberal ideology of large-scale commercialisation of capital investment in international development cooperation. In this context, the term 'transformation' or 'commercialisation' of the MFIs refers to a change in legal status from an unregulated non-profit or non-governmental organisation (NGO) into a regulated, for-profit institution. In their study on the *Mission Drift in Microfinance Institutions*, Ghosh & van Tassel (2008) give an interesting explanation for the way in which the change in the portfolio of a poverty-minimising MFI might be linked to the phenomenon of increasing commercialisation through the advent of large profit-oriented donors, underscoring the general concern that: *"an emphasis on profitability implies a de-emphasis on poverty reduction and related development goals."*

As a result, the transition of the early 1990s from *microcredit* to *microfinance* has further increased the distance of the microfinance approach to the poorest of the poor, for whom the Grameen Bank initially was set to provide small-scale financial services. In joining similar conclusions, that microfinance is not an appropriate 'poverty reduction tool', Al-Mamun, Hasan & Rana (2013) notice that poor people are deprived of their basic needs in life, such as food, shelter, clothing, clean water, health care, education and employment opportunities, and they conclude that microfinance alone cannot alleviate poverty from the grass roots level of the society or the poorest of the poor. A work by Duvendack *et al.* (2011) concluded that various impact assessment methods of microfinance, including *Randomised Control Trials* (RCT), *pipeline designs, natural experiments, and general purpose surveys*. Their research surprisingly indicates that by using the RCTs, no convincing impact has been found of microfinance on the well-being of poor people. Other results of the work reveal low validity impact of change in well being and any outcome variables, including the evaluation that many research on the positive impact of microfinance to woman are found weak methodologically and inadequate representative data. The work also underscored that most of research in impact evaluations does not reflect sector's diversity in the society. While microfinance subsequently proliferated in countries with limited bank infrastructures, such as most countries in Africa, Asia, Latin America, and Eastern Europe, it was found that in some of these countries, less than one-fifth of the population has a bank account, particularly the group of people living at the 'bottom of the pyramid' (*cf*. Ayayi & Sene, 2010). Similarly, Walt (2012) poses in *Time Magazine* the key question and provides the answer: *"Does Microfinancing really work? A New Book Says No."*

2.2 Microfinance in Indonesia

In Indonesia, the problem of poverty has given the possibility for microfinance to rise in Indonesia. Although the establishment of microfinance institutions in Indonesia has been more than a century as documented by Schmit (1994), it is difficult to have a recent data on how microfinance institutions operated in Indonesia. A quite comprehensive data on Table 2.2 as provided by the Indonesian Movement for Microfinance Institution, has only data from 2004.

Table 2: *Microfinance Indonesia. (as October 2004)*

No	Institutions	Unit (institution)	Debtor (people number)	Credit (in rupiah)	Saver (people number)	Saving (in rupah
1	BPR	2,148	2,400,000	9,431,000,000,000	5,610,000	9,254,000,000,000
2	BRI Unit	3,916	3,100,000	14,182,000,000,000	29,870,000	27,429,000,000,000
3	Badan Kredit Desa	5,345	400,000	197,000,000	480,000	380,000,000
4	KSP	1,097	665,000	531,000,000,000	Na	85,000,000,000
5	USP	35,218	Na	3,629,000,000,000	Na	1,157,000,000,000
6	LDKP	2,272	1,300,000	358,000,000,000	Na	334,000,000,000
7	Pegadaian	264	16,867	157,697,252,000	No Savers	No Savings
8	BMT	3,038	1,200,000	157,000,000,000	Na	209,000,000,000
9	Credit Union & NGO	1,146	397,401	505,729,317,823	293,648	188,014,828,884
	TOTAL	54,444	9,479,268	28,951,623,569,823	36,253,648	38,656,394,828,884

Source: Adapted from Ismawan & Budiantoro (2005)

In terms of *'microfinance outreach'*, the table reveals that the microfinance institutions in Indonesia accumulated funds from 36,25 million people with total accummulated money about 38,7 trillion rupiah. The money has been distributed by 54,444 units of microfinance to more than 9,4 million people with total money distributed 28,9 trilion rupiah. However, in terms of its 'sustainability', the author could not get the exact data of how many of those institutions are sustained, grew, including the empirical data which shows that the microfinance clients have been scaled up their economies by microfinance. Another publication by The Asia Foundation was also insufficient in terms of the updates about the sustainability subject, as it was examined to some sample area in Indonesia. The period of study was also out-dated as it refers to the Indonesian Statistics in 2000. Similarly, the publication did not also mention the 'sustainability' of the microfinance institutions. However, the work of Seibel and Agung (2005) examined the sustainability of microfinance institutions in Indonesia. Out of 3000 Islamic Microfinance Institutions, which were established in the early 1990s in Indonesia, only one-fifth who could survive in 2015. This fact would bring to the question of the effectiveness of microfinance. In this context, many researches have been done in order to evaluate the effectiveness of microfinance services in alleviating poverty in Indonesia.

The works by Ismawan and Budiantoro (2005), Rahmat *et.al* (2006) Brower & Dijkema (2002), and SMERU (2005) are some of research that evaluated microfinance effectiveness. Ismawan and Budiantoro (2005) docummented that the linkage program between banking sector with NGOs as it was initiated by Central Bank of Indonesia (BI), GTZ, BRI, and Bina Swadaya Foundation from 1988 to 2001 revealed positive performance. The program has been implemented in 23 provinces, involved with 1000 banking offices and 257 non government organization successfully distributed credit about 331 billion rupiah and accumulated abut 29,5 billion rupiah with 97.3 % repayment rate. The program itself successfully reached 1,026,810 household in terms of the supporting. However, the report did not explain to what extent the household welfare have changed caused by this programme. Furthermore, although the program gave positive impact to the people, the programme has been discontinued, after the implementation of Indonesian Banking Law no 10/1998, which allows a commercial bank to serve at the micro level of the society such as micro enterprises, and people in sub-districts areas. Another study on the role of microfinance institution has been examined by Rahmat *et.al* (2006). The study concluded that microfinance services to the clients of Bank Rakyat Indonesia (BRI), positively improved microenterprises' turnover. However, their work also revealed that different area of microfinance client determines their performances and the services could not alleviate the 'extreme poor' out of poverty. Nevertheless, Brower & Dijkema (2002) also confirmed that microfinance institutions in Bandung of Indonesia, have increased micro-enterprises' performance. However, the ability of financial-related repayment, depends on the economic situations. Similarly, Brower & Dijkema (2002) also reported that *'the poorest of the poor'* could not be accomodated by the microfinance schemes.

A study by SMERU (2005) reported the impact evaluation of the Sulawesi Agricultural Area Development Project (SAADP), an economic-commercial project to reduce property in Central Sulawesi and Southeast Sulawesi. The project was funded by the World-Bank through loan-scheme and had been implemented from 1996 to 2003. By using a complementary qualitative and quantitative approach, the study concluded that the majority of respondents (90%) could benefit the SAADP project as it provided capital for their personal or economic activity purposes. The study has also revealed that the SAADP project have been increasing their knowledge about land management, the use of fertilizer, and also farming practices in general. In terms of welfare, most of SAADP respondents (74%) increased in terms of their nominal income compared to those who did not joint the SAADP project with 8.8 % higher difference in nominal. The study also revealed that tendency to save, funding for education, access health services, also found positive, eventhough statistically insignificant. However, the positive impact assessment of the SAAD Project by SMERU (2005), has also been criticised by Bateman (2010), from the point of 'moral hazard' in terms of impact analysis assessment. Bateman (2010) stated that ,*" you do not bite the hand that feeds you "*. It is not surprising that the report also did not explain the conditions of 'the extreme poor' group of people whether it was accommodated by the project or not. Nevertheless, Bateman (2010) raised an important question about the impact assessment: *"does impact assessment produce a genuine reflection of what microfinance can achieve economically and socially?"* David Ellerman (2007), a former World Bank staff member, answered '*no*' to the question, while arguing that some microfinance impact assessment methodologies are fundamentally wrong. Fernando (2004) claims that instead of eliminating poverty, microfinance is in fact perpetuating it. Fernando (2004) contends that: *"The users of microfinance are generally those who are living within poverty lines, and those who are among the poorest in the society remain neglected and invisible by the microfinance. The requirement set by microfinance cannot be fulfilled by the poorest or extremely poor groups in the society"*.
These and similar dramatic cases underscore the conclusion of Karnani (2007) that microfinance misses its mark: microfinance does not cure poverty, but in some instances microfinance makes life at the bottom of the pyramid even worse. The situation prompted Roodman (2011) to state

that: *"On current evidence, the best estimate of the average impact of microcredit on the poverty of clients is zero"*.

As regards the general delusion which transpires through the prevailing case studies of microfinance, Slikkerveer (2015) points to the fundamental delusion in the current financial-economic approaches to poverty reduction by drawing attention to the growing distance they engender between, on the one hand, microfinance as a multi-million dollar industry focused on investing share-holders' capital for profit in middle-class enterprises and business companies, and on the other hand, the poor and extremely poor, who are in fact marginalised and excluded from benefitting from these kinds of services as the "non-bankable" segment of the population. In his view, the failures stem from the basic incompatibility between the neo-liberal ideology and the humanitarian solidarity movement and could only be bridged by the transformation towards a solidarity economy, based on approaches to increase peoples' quality of life mainly through humanitarian nonprofit policies.

3. Reinventing Local Institutions for Poverty Reduction in Indonesia

3.1 The Need for Cultural Inclusion in the Development

Poverty is a multidimensional problem of development. It encompasses not only the problem of income level below the poverty line, but also the lack of accesses to health-care, basic educations, environmental deterioration, and any other public services. Thus, any approach to alleviate poverty should also consider multidimensional perspective in the implementation. While Ledgerwood (1998) suggests an integrated approach -between financial and non-financial provisions- as a more comprehensive approach in microfinance to alleviate poverty, instead of practicing a minimalist approach, which only uses financial support solutions. In addition to that, Shaffer, Deller & Marcouiller (2006) bring an important assessment on the philosophical foundation, which was overlooked in the development concepts, policies and implementations. While economic assessment in the development mainly focuses on the macro level (when it emphasises the role of nations or states) or on the micro level (when it discusses the individual and household activities), the distinction between macro and micro level leaves out an important middle ground between the two: a community. Community is usually defined as a group of individuals or households or unit which have some common interest or similarities, in terms of geographical location, cultural identity, profession, or people with specific interest. With around 17,000 islands spread over 34 provinces, Indonesia has numerous communities, which requires particular approaches to identify and to implement development plans and policies, which are suitable for each of the communities.

In response to the underscoring factor of community exclusion, Warren, Slikkerveer & Brokensha (1995) earlier have been highlighted the importance to include the cultural dimension in development. Their work, which consists of forty cases around the world, have shown that cultural-based institutions have been contributed significantly to the development progresses, particularly in the developing world, including Sub-Saharan Africa and Indonesia. It is not surprising that Woodley *et.al* (2006) believed that the lack of understanding of local culture caused to the unsuccessful achievement of the microfinance objectives. Loeffelman (2010) undercore the need to include cultural dimension in the microfinance institutions and services, by stated that : *"Understanding the local cultural and gender dimension of any community is critical to the success of any development project. How can a development project succeed if the clients or population is not included in the organization and creation? How else will development practitioners, typically in the West, know what needs to be done in the local communities unless those people are directly involved? In some development organizations, when women in the global East and South are the recipients of aid, they are either left completely out of the development process or considered one homogenous group that has the same life experiences, needs, and goals for themselves and their families. Where microfinance is concerned, it was clear through my interviews that without local and gender specificity, the female clients of the microfinance institutions were the victims of haphazard or limited planning and evaluation."*.

Slikkerveer (2007) further responded the integration between culture and development by introducing the concept of Integrated Microfinance Management (IMM), which consists of the integration between financial provisions with social-cultural factors, including education and health-care services and the practice should be started at the community level, using a bottom-up approach of development, which also suggested by Shaffer, Deller & Marcouiller (2006).

3.2 Reinventing Local Institutions in Development at the Community Level in Indonesia

The integration of local culture with microfinance is needed to be implemented in Indonesia. With more than 13,000 islands with about 366 ethnic groups, development in Indonesia has somehow been a big challenge. In one side, single development policy would ease the Government to execute their development programmes, regardless the diverse characteristics of Indonesian in all islands. However, it would lead to ineffective development outcomes, as discussed in the earlier sections. Different culture, socio-geographic and socio-demographic factors, are some of the considerations which require specific attention by policy makers and development planners. Slikkerveer & Dechering (1995) suggests an *'emic'* (insider) view than *'etic'* (outsider view) in the development approach. In this context, the need to look at local peoples' knowledge and practices become inevitable.

At the community level, local institutions play as an important factor in development (Uphoff, 1992). Local people use institutions to reach their wellbeing and as a medium to achieve development goals. It also empowers local peoples' participation in the development process. Marsh (2003) divides local institution into various categories, i.e Dairy Cooperatives, Traditional Authorities, Mutual Assistance, Church and Religious Institution, Migrant Association, and Traditional Saving & Credit Arrangement, including Community-based Natural Resources. There are numerous studies show evidence that local people were working collaboratively with local institutions to achieve sustainable improvements in rural poverty reduction and management of natural resources. (Uphoff, 1992; Marsh, 2003).

In Indonesia, the study by Seibel (2008) shows the successful integration between local institutions with microfinance supervisions. '*Lembaga Perkreditan Desa'* (LPD) (Village Credit Institution) in Bali, is a microfinance institution in Bali, which is owned by the people in the community level and has been successfully operated in providing both financial and socio-cultural provisions as the institution has been operated together with the indigenous administration of *'Pakraman'* in Bali, which is based on Balinese culture and traditions. The community leader involved in the operations of the Credit Institutions, made the institution stronger as people in Bali are influenced by their culture and custom practices. The extreme poor of people has been also considered in the provision, as the condition of the people in the community is considered as the responsibility of the community members.

Similarly, the study of Basa (2001) in West Sumatera has also shown that a local institution of *Lumbung Pitih Nagari* (LPN) (village based microfinance institution successfully supported the people at the community as the community leader in Nagari (village) in West Sumatera is involved as a 'credit analyst' to the microfinance institution. As the community leader is the person which is respected by all the members of the community, it is not surprising if the leader is the person who mostly knows the condition of the members of the community. This brings to the effectiveness of the distribution of financial supports and socio-cultural provisions.

3.3 The Local Institution of 'Gintingan' in Indonesia

Gintingan is a local institution, practiced by people in the community when a particular household has a *Hajat* ('important need'), receives contributions from the community members through the provision of a *Gantangan*, a vessel of rice with a content of about 10 litres of paddy rice. In contrast to the modern microfinancing system, *Gintingan* is a typical representation of an indigenous community-managed institution, influenced by the local people's cosmovision which also influences their livelihood practices. In this way, this institution maintains the harmonious balance among the villagers during socio-cultural events known as *Hajatan (*ceremonies*)*, including weddings, circumcisions, rituals, etc. *Gintingan* has generally been implemented by rural people, living in the northern agricultural areas of West Java Province, particularly in the district of Subang.

The term '*Gintingan*' originates from *Gantang* or *Ginting*, which refers to a particular wooden vessel to contain a special amount of rice. *Gantan*g itself is known not only in the agricultural areas of Indonesia, but also in some other parts of South-East Asia, albeit that there are different scales of measure indicated. While in Indonesia, *Gantang* contains in general 10 litres of rice according to Irawan (1999), in The Philippines, the equivalent of one *Gantang*, known as *Ganta* contains about 3 litres of rice. The United Nations (1966) estimate the contents at 8.38 – 8.57 litres of rice, while in Sabah and Sarawak, Malaysia, such a measure indicates 2.42 kg. of rice. In Brunei, similar vessels contain 3.63 – 4.55 litres of rice.

The practice *of Gintingan*, as decoumented in the Subang Region can be explained as follows: If one household in the community has an important *Hajat* ('need') concerning the organisation of a social event, they will inform the community leader about their need of contributions from their fellow-villagers. the community leader then informs all community members about the upcoming *Hajatan* ('ceremony') as the medium of collection, and the voluntary obligation to fulfill the related needs of the household concerned, such as a wedding ceremony. Thereupon, the household sets the date of the ceremony in consultation with the community leader and the community members. Usually, the leader establishes an organising committee, which as a community-managed institution arranges the plans, and preparations, as well as the implementation of the ceremony. The organising committee then divides the tasks among the members of the community, such as collecting and administrating the contributions, organising the rituals, and preparing the cultural events surrounding the rituals and ceremonies which the household would like to conduct. The informal organising committee then will send out invitations to all households in the community. Thereafter, the people in the community will then make their contribution to the needy household in the form of rice, money or other valuable materials, with a specific measurement.

Considering that the *Gintingan* institution mainly uses rice as the form of contribution, a *Gantang* ('vessel') is used to measure the volume of rice. Although in the Subang region, the *gantang* contains 10 kg. of rice, people could use either this scale or contribute more. The total of such contributions could easily amount to rather large quantities of rice or money. If, for instance, 200 households in the community adhere to the *Gintingan* to contribute to a needy household, and each household contributes one *Gantang* of rice, the needy household will receive at least about 2,000 kg. of rice. If a conversion is made of the total amount of collected rice with a price of 1 kg at 10,000 Rupiah, the total amount of collected rice would be worth about 20 million Rupiah, equivalent to about 1,500 USD. The needy household then will use the collected money for their need purposes. The needy household makes a record of each single contribution by the community members in the *Buku Beras* ('rice book') or *Buku Gintingan* ('*Gintingan* book'). The book is used by the household members to document how much rice or other *Gintingan* contributions they received, in the case when they should contribute to a similar need for another household in the community in the future. Interestingly, while there is no finite period of time to return the contribution, the reciprocal recompensation can only be done in a similar way if the other household has a similar need or problem. According to Mauss (2002), this type of traditional institution is a form of reciprocal exchange, implemented by local people in a community as a positive return for what they have already received. Based on recent research in the Subang Region, *Gintingan* is usually implemented in agricultural societies. Similar traditional institutions are also operational in other parts of the Subang Region, albeit with a different name *Andilan*. In Indramayu, the institution is known as *Josan*, while in East and Central Java, it is called *Rewangan* in Banyumas, and *Bojokan* in Boyolali .

Although there is an economic aspect underlying the transaction through the contribution of a certain amount of rice among the people, and this contribution is also recorded in the above-mentioned *Buku Rice*, there is, however, no finite period of time of repayment set in terms of a reciprocal contribution system, or a formal sanction in the event of a late recompensation or failed reciprocal return of a contribution (Harris 1997). Irawan (1999) compare the practice of *Gintingan* with *Arisan*, being a rotating savings and credit association (ROSCA). The difference is that *Gintingan* is not held regularly at particular dates and that recompensation of the received contributions is not confined to a limited period of time. As regards the obligation of reciprocity, the household which receives the contribution from its community members, should only 'repay' in the case when another household with a similar need is proposing to activate a *Gintingan* for their planned ceremony. As an example of a traditional institution which is also based on the principle of reciprocity, it complies with the characteristics of the related category of: 1) absence of the need for immediate return; 2) absence of a systematic calculation of the value of the service and products exchanged; and 3) an overt denial that a balance is being calculated, or that the balance must come out even (*cf.* Geertz 1956; Harris 1997; Van den Brink & Chavas 1997; Prasetyo 2012).

Recently, the practice of *Gintingan* has been contributed in development in the community level, and practiced in various forms. In Sukamelang Village of the Subang district, for instance, the community can contribute more than one *Gantang*, or in other forms such as money or goods, which are needed by the household concerned. In Cimanglid Village of the Subang district, *Gintingan* is practiced for the purpose of building a house. While some people go for a mortgage for their need of housing, this institution could provide different solution, which is based on local people resources, contribution and mutual assistance.

The traditional principle of contribution, which is implemented by *Gintingan*, has been an example of how the Indonesian culture has been contributed in the local development. Similar types of institutions have not only practiced in the Sundanese region, but also in other regions of the country. In line with the conception of *Gotong Royong* (mutual help and communality) the traditions of *Jagong* in Central Java, *Nyande* in Madura, *Mbecek* in East Java, and *Talitihan* and *Andilan* in West Java are practicing the same principles of voluntary contribution and reciprocity of *Gintingan*.

4. Conclusion

For a long time, the development of the people, particularly at a community level, has only been analysed on the erroneous basis of the outsiders' perspective, and not from the insiders' view. Warren, Slikkerveer & Brokensha (1995) were among the first scholars who criticised the dominance of the outsiders' perspective in socio-economic development. Their view of *'bottom-up* development approach was later followed by others, including Chambers *et al.* (1989), Richards (1985), Posey (1999), Woodley *et al*. (2006) and Loeffelman (2010). The practice of *Gintingan* has improved the life and the wellbeing of local people in terms of financial measures, social and human interactions. In a social respect, people could maintain their culture of 'providing care' in rural areas, while such cultural behaviour is rarely found in the urban areas. Although some modern institutions have been established in order to address the socio-economic problems at the community level, such as financial institutions and government agencies, they are usually lacking the human dimension of compassion, empathy and care for fellow humans. In contrast, the traditional institution of *Gintingan* continues to maintain the personal communication and social interaction among the local people in the community, where banking transactions, for instance, seek to replace the personal dimension to become impersonal and commercially-oriented, often resulting in a lack of participation and non-compliance with outside interventions as mentioned above.

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