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The 3rd International Conference on Management Sciences 2017 (ICoMS 2017)

Wednesday, March 22 2017

Universitas Muhammadiyah Yogyakarta, Indonesia

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TABLE OF CONTENTS

The 3rd International Conference on Management Sciences 2017 (ICoMS 2017)

Wednesday, March 22 2017

Universitas Muhammadiyah Yogyakarta, Indonesia

No	Article	Page
	Reviewers & Moderators	i
	Preface	ii
	Table of Contents	iii
	Table Author(s)	x
	ROOM A MODERATOR : Dr. Arni Surwanti, SE., M.Si	1
1	PAPER ID 3.012 : Building A Model in Explaining Bank Risk-Taking in Indonesia Through The Bank Business Models Cici Widowati, Munawarah, and Harjum Muharam.	2
2	PAPER ID 3.013 : A Study of Value Investing : Empirical Analysis of Shari'ah Compliant Diana Hashim Syarif and Jeudi Agustina T.P. Sianturi.	3
3	PAPER ID 3.014 : Managerial Opportunistic Behavior and Overvalued Equity: The Role of Managerial Ownership and Dividend Policy Jeudi Agustina Taman Parulian Sianturi and Diana Hashim Syarif.	4
4	PAPER ID 3.015 : The Relationship Between Ownership Concentration, Environmental Performance and Firm Performance Evidence from Indonesia Muhammad Nur Utomo, Sugeng Wahyudi and Harjum Muharam.	5
5	PAPER ID 3.035 : Comparative Health Analysis of National Bank, Joint Venture Banks and Foreign Banks in Indonesia Dudi Rudianto	6
6	PAPER ID 3.063 : The Effect of Investment Opportunity Set, Dividend Payout, and Capital Structure Moderated by Institutional Ownership Toward Stock Price to Indonesia Stock Exchange Wihandaru Sotya Pamungkas, Tulus Haryono, Djuminah and Bandi	7
7	PAPER ID 3.046 : Risk Management and Financial Distress Inemerging Market Wisnu P. Setiyono and Yuniar Arista	8
8	PAPER ID 3.051 : Stocks Spreads around Earnings Statement for Syariah Companies that are Listed in BEI Bayu Wijyantini, Akhmad Suharto , and Alfi Arif	9

9	PAPER ID 3.073 : Corporate Cash Holding and Speed of Adjustment to The Target of Indonesian Firms Arni Surwanti	10
10	PAPER ID 3.075 : Management Strategies of Debt and Fix's Asset Turnover To Company's Growth through Return on Asset as Variable Intervening on Pharmaceutical Companies in Indonesia Sriyono	11
	ROOM B MODERATOR : Prof. Heru Kurnianto Tjahyono, Dr., MM	12
11	PAPER ID 3.066 : Performance Evaluation of Public Relations and Protocol Universitas Muhammadiyah Yogyakarta Hijriyah Oktaviani, Heru Kurnianto Tjahjono, and Tri Maryati	13
12	PAPER ID 3.001 : Transforming The Impact of Training into Performance Through Sharing Knowledge: A Literatur Review Abu Bakar Akbar	14
13	PAPER ID 3.036 : Relationship Brand Equity With Buying Decision Ahmad Rizal Afandi, Nurul Qomariah, and Anwar	15
14	PAPER ID 3.052 : Interpretive Structural Modelling of Green Tourism Enablers: An Application in the Borobudur's Tourism Supply Chain Management Aries Susanty, Nia Budi Puspitasari, and Putri Fajar Wulandari	16
15	PAPER ID 3.060 : Theory of Planned Behaviour Approach on Explaining the Influences of e-WOM toward The Intention to Travel to Yogyakarta Ginanjat Budhiraharja , Heru Kurnianto Tjahjono	17
16	PAPER ID 3.061 : Business Innovation in Creative Industries Ahmad Sholikin, Heru Kurnianto Tjahjono, Nuryakin	18
17	PAPER ID 3.062 : The Influence of Distributive Justice and Procedural Justice on The Job Satisfaction of Employees with Work Ethic as Moderator Variable in the Department of Education, Youth and Sport DIY Roro Hetty Rohmaningrum, Heru Kurnianto Tjahjono	19
18	PAPER ID 3.054 : Analysis of Factors Affecting The Decision to Be Chinese Ethnic Customer in Islamic Bank Suhaila Husna Samosir, SE, MM, Debbi Chyntia Ovami, S.Pd, M.Si	20
	ROOM C MODERATOR : Dr. Indah Fatmawati, SE., M.Si	21
19	PAPER ID 3.023 : Analyze The Strategy of E-Commerce to Achieve Customer Loyalty - A Case Study of Hijab Fashion Nur Lawiyah	22

20	PAPER ID 3.024 : Investigating the Impact of Brand Relationship toward Brand Evangelism: an Empirical Study of IT-based Transportation Mickey Tanadi and Sabrina O. Sihombing	23
21	PAPER ID 3.025: Market Orientation, Innovation Capability and Technological Capability on Business Performance: A Study of SMes in East Kalimantan Province, Indonesia Achmad Chaidir Febrian	24
22	PAPER ID 3.026: The Influence of Brand Awareness and Cosumer Trust on Brand toward The Repurchasing of Firefly Airline Ticket in Banda Aceh Febyolla Presilawati, Tarmizi Gadeng and Mirza Murni	25
23	PAPER ID 3.027: Research Proposal: A Study of Relationship between Brand Experience toward Satisfaction with Social Media Facebook as Moderator Ferdiansyah Hardianto, S.I.A and Daniel Tumpal Hamonangan Aruan Ph.D	26
24	PAPER ID 3.028 : Determinant of Consumers' Purchase Decision: A Case of Fast Food in Indonesian Aseptia Hendriyanto	27
25	PAPER ID 3.029 : Integration of Naqli and Aqli Elements in Problem Based Learning (PBL) Syadiyah Abdul Shukor, Mohammad Noorizzuddin Nooh and Azrul Azlan Iskandar Mirza	28
26	PAPER ID 3.041 : Micro Financing Role in Empowering The Economy of Women Who Have Small Enterprise of Brown Sugar Retno Endah Supeni and Maheni Ika Sari	29
27	PAPER ID 3.044 : Introduction to Business Development of Teaching Materials With Business Planning Jasman Saripuddin HSB., SE, M.Si and Zulia Hanum., SE, M.Si	30
	ROOM D MODERATOR : Meika Kurnia Puji RDA, SE., M.Si	31
28	PAPER ID 3.033: Shift in The Funding Theory Paradigm : From Newtonian – Positivistic to Critical-Phenomenology Maria Rio Rita and Sony Heru Priyanto	32
29	PAPER ID 3.038: The process of Transformational Leadership in Achieving High Performance Workforce That Exceeds Organisational Expectations A phenomenological Case Study Samir Ali Trmal, Zainal Abidin Mohamed, and Umami Salwa Ahmad Bustamam	33
30	PAPER ID 3.064: Economic Growth Through Greater Economic Freedom in Indonesia Muhammad Imran Khan	34

31	PAPER ID 3.003: Transformational Leadership and Teachers Engagement: An Empirical Study at Islamic High School In Jakarta Hendryadi, Rachma Zannati, Santi Retno Sari	35
32	PAPER ID 3.004: Micro Small Medium Enterprise As A Media to Optimize Tourism Resources (Case Study in Kubangkungkung Resevior, Cilacap, Central Java, Indonesia) Riski Dwipurbojati And Bima Cinintya Pratama	36
33	PAPER ID 3.005 : Analysis of Organizational Culture and Commitment to Organization Citizenship Behavior With Job Satisfaction as Intervening Variable in Hospital Dkt Gombong Indah Rohyani And Siti Nur Azizah	37
34	PAPER ID 3.006 : The Effect of Spiritual Leadership on Organizational Commitment and Employee Performance: A Case of Public Universities in Southeast Sulawesi, Indonesia Udin and Sri Handayani	38
35	PAPER ID 3.071 : University Performance Based QQ Stars Method : Performance Design Model of University Throug Knowledge Management System (Empirical Studi on A-Accredited Institution Private University in Java Island) Rini Juni Astuti, Suryo Pratolo and Misbahul Anwar	39
36	PAPER ID 3.072 : The Development Model in Enhancing Performance of Small and Medium Business Towards Entrepreneurship Orientation, Environment Dynamic, and Capital Access Rr. Sri Handari Wahyuningsih and Isthofaina Astuty	40
	ROOM E MODERATOR : Ika Nurul Qamari, SE., M.Si	41
37	PAPER ID 3.007 : Student Body Optimization Strategy Model : The Approach of Swot and Preferences Analysis Gendro Wiyono, Ambar Lukitoningsih, and Diah Lestari Mumpuni	42
38	PAPER ID 3.008 : Evaluation of Supplier Performance Using Ahp (Analytical Hierarchy Process) In PT.PGI Novie Susanto And Yana Fajriana	43
39	PAPER ID 3.009 : Integrating SERQUAL and Kano Models inTthe Services of the General Hospital of Ende Mansyur Abdul Hamid	44
40	PAPER ID 3.056 : Using Bayesian Event Tree Model to Predict The Probability of Merapi Mount Eruption Dyah Ika Rinawati, Diana Puspita Sari, Naniek Utami Handayani, Bramasta Raga Siwi and Fahrudin	45

42	PAPER ID 3.040 : The Effect of Sources of Financing Choices on Working Capital Management Imronudin	46
43	PAPER ID 3.065 : Learning Management Dulohupa in The District Gorontalo Abdul Rahmat	47
43	PAPER ID 3.002 : E-Government in Indonesia: Disaster Risk Reduction of Population Administration Application Seen Through Human Resource Perspective Endang Amalia	48
44	PAPER ID 3.068 : Simultaneous Determination of Good Corporate Governance and Firm Value Lela Hindasah and Alien Akmalia	49
45	PAPER ID 3.048 : The Effect of Earnings Persistence and Real Earnings Management Toward Company's Operational Performance on Consumer Goods Sector Companies Listed in Indonesia Stock Exchange (IDX) ON 2010-2014 Jessica Lumbanraja, and Herlina Lusmeida	50
	ROOM F MODERATOR : Dr. Nuryakin, MM	51
46	PAPER ID 3.030 :The Use of Corporate Brand In Trust, Attitudes And Intention to Continuing Education Case Study : Universitas Internasional Semen Indonesia Rosa Rilantiana, Hadi Cahyono, and Roostikasari Nugraheni	52
47	PAPER ID 3.031 : The Effect of Promotion Mix And Quality of Customers Trust And its Impact on Customer Loyalty on Customer Stores and Supermarket in West Aceh and North Aceh Nina Rostina	53
48	PAPER ID 3.032 : Impact Analysis Of Service Quality, Trust and Perceived Value to Simpati Customer Loyalty at Semarang City Nia Budi Pusitasari, SusatyoNugroho W.P., and JeihaIftahlana Putri	54
49	PAPER ID 3.034 : The Role of Attachment Strength in Diponegoro University Using Structural Equation Modeling- Partial Least Square (SEM-PLS) Arfan Bakhtiar, Nadia Azhari Setyorini, and Aries Susanty	55
50	PAPER ID 3.045 : Perception of Students In Welcoming MEA (ASEAN ECONOMIC COMMUNITY) Rukmini,M.Si., and Shinta Tiara, SE., Akt., M.Si	56
51	PAPER ID 3.047 : Development of Store Atmosphere on Culinary Efforts to Increase Interest in The Buying Public, in District of Percut Sei Tuan Nel Arianty SE.,MM. and H.Akrim Ashal Lubis,SE.,MA	57

52	PAPER ID 3.049 : Co-creating Values-based Services for Societal Well-Being Khairul Akmaliah Adham, Adlin Masood, Mohd Fuaad Said, Nadiah Mahmud Nasir, and Syadiyah Abdul Shukor	58
53	PAPER ID 3.053 : The Antecedents of Satisfaction in Forming Repurchase Intention (Survey on Consumer Rm Pecel Solo) Gatot Wibowo, Marjam Desma Rahadhini, and Sunarso	59
54	PAPER ID 3.057 : Strategies Proposal to Minimize The Use of Plastic Bags Based on Factors That Affect Consumer Behavior Dyah Ika Rinawati, Nia Budi Puspitasari, and Leasytta Noerfajr	60
	ROOM G MODERATOR : Dr. Firman Pribadi, M.Si	61
55	PAPER ID 3.016 : A New Model of Identifying Herding When the Stock Market is Integrated Globally Najmudin, Diana Hashim Syarif, Sugeng Wahyudi and Harjum Muharam.	62
56	PAPER ID 3.017 : The Phenomenon of Expense Ratio on Mutual Funds Performance Rina Rachmawati and Irene Rini Demi Pangestuti	63
57	PAPER ID 3.018 : Closing Price Manipulation in Indonesia Stock Market And Impact of The Implementation of Pre-Closing Arsyil Hendra Saputra and Ruslan Prijadi.	64
58	PAPER ID 3.019 : SCAPM (Shariah Compliant Asset Pricing Model) Modification Formula of Risk Andreturn in Islamic Finance Shofia Mauizotun Hasanah and Ima Maspupah	65
59	PAPER ID 3.021 : The Impact of Deficit or Surplus Firm, Corporate Income Tax on The Speed of Adjustment toward to Target Leverage Tandang Widodo and Ruslan Prijadi.	66
60	PAPER ID 3.022 : The Factors Underpricing Level in The Companies Conducting Initial Public Offering at Indonesia Stock Exchange Yohandes Rabiqy and Yusnaidi	67
61	PAPER ID 3.043 : Analysis of Completion of Bad Credit Through The Contribution of Foreclosed Collaterals (Ayda) and Action of Write Off at PT BPR Buduran Delta Purnama Sidoarjo Sumartik, SE., MM and Misti Hariasih, SE., MM	68
62	PAPER ID 3.055 : State Ownership and Corporate Governance : An Empirical Study of State Ownership Enterprises in Indonesia Munawarah, Cici Widowati, and Harjum Muharam	69
63	PAPER ID 3.069 : Effect of Earnings Volatility, Company Growth and Institutional Ownership on Debt Policy and Managerial Ownership: Agency Conflict Theory Perspective Taufik Akhbar	70

	ROOM H MODERATOR : Punang Amaripuja, SE., ST., M.IT.	71
64	PAPER ID 3.059 : Greening The Wood Pellets Production from Empty Fruit Bunches to Bio-Coal: Case Research for Bio-Energy Pellet Manufacturer Zainal Abidin Mohammed (Ph.D)	72
65	PAPER ID 3.058 : Tourism Management for Ethnic Based Tourism Community in China, Case Study in Xishuangbanna Chuanchen BI and Wei YANG	73
66	PAPER ID 3.010 : Management Information System for Reporting Missing or Found Vehicles, In Supporting the Services at Police Institution in Bandung Rima Rahmayanti, Dani Hamdani	74
67	PAPER ID 3.011 : Measurement of Facility and Service Index on Passenger Sea Port Terminal Tanjung Emas Semarang Ratna Purwaningsih and Devi Amalia Ayuningtias	75
68	PAPER ID 3.039 : Rural Poverty Reduction Policy and its Implementation in Rural China, Case Study of Fugong District Wei YANG and Chuanchen BI	76
69	PAPER ID 3.070 : Global Warming Prevention Efforts as Implementation of Individual Social Responsibility (ISR) of Services Users of Motor Vehicle Workshop in Yogyakarta Fauziyah, SE., M.Si	77
70	PAPER ID 3.043 : Are We Downgrading the Role of Teachers? An Evaluation of Teacher Work Performance Indicators in Indonesia Punang Amaripuja	78

Micro Financing Role In Empowering The Economy of Women Who Have Small Enterprise of Brown Sugar

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ABSTRACT

The study focuses on the role of micro financing in empowering women and how their contributions suppress women's poverty. The researchers use qualitative approach by using case approach method in context of brown sugar craftswomen in Wuluhan that joined in Artha Niaga micro finance department. Women who work as brown sugar craftswomen in Artha Niaga are 10 persons and all of them are observed. The result of the research shows that education aspect needs to be given attention in its effort in empowering women. Additionally, micro financing that opens financial access has given lots of changes either in enterprise sustainability and revenue improvement so that their wealthy is eventually enhanced either socially or economically.

Keywords: *Microfinance, Women Empowerment, Demographic Aspect, Economy Empowerment Aspect.*

1. Introduction

According to Susenas 2010, the productivity of women's economy is commonly lower than men, even though the composition of productive citizens is almost balanced for both of them i.e. women 66.11% and men 65.35%. This shows that women's quality of life is still lower than men either in economy, education, or even health. The cause of this imbalance is that women's access towards strategic resources is lower than men because of low education and marriage level in a very young age (Foilyani et.al, 2009). In society culture that is still dominated by men as it usually happens in third world countries such as Indonesia. The similar phenomena is also happened in Pakistan as it is revealed by Rehman et.al (2015) that the lack of women's empowerment is because of several factors such as age, marital status, education, and family culture. This condition is accordance with the reality in society which shows the fact that women's role is lower in formal sector, but it has more balanced proportion in informal sector than man.

Women are more capable on speaking in informal sector because there is no standard education

demand including as small enterprise doer and the opened access of financing for women in micro finance institution either in the form of saving and loan cooperative, village bank even in micro finance public institution (Sari, 2016). Micro finance institution indeed opens a broad access towards women who have a micro enterprise as a form of empowering micro finance institution to empower women. This program is one of the programs that is expected can perfect economy empowerment of poor women that is previously still conducted partially and not effectively in order to uplift their poverty (Supeni & Sari, 2011).

The important role of micro finance institution in empowering women's economy has been portrayed by former researchers and said that micro finance institution has conducted women's empowerment program very well even though researchers have not found significant difference in micro finance institution if it is compared to other empowerment programs. Brau et.al, (2009) also found that there is a contribution of micro finance institution towards the welfare improvement of its client to be better in health and economy empowerment side. Saving and loan program of women according to Nihayah (2015) also successfully decreased women's poverty level in micro

enterprise in Bangilan Village of Tuban District at 20 percent. Certainly, further study is still needed to know how is actually the role of micro finance institution in empowering women's economy that have micro enterprise in which in this research it focuses on brown sugar craftswomen as a member of saving and loan cooperative, Artha Niaga, in Wuluhan Sub-district of Jember district.

2. Review Of Related Literature

2.1 Women's Empowerment

Based on the library research about the definition of 'empowerment', it is stated that empowerment process consists of two tendencies. First, a tendency which emphasizes on giving/diverting power, strength, or ability to society so that each individual becomes more empowered, which is the definition of primary tendency. Meanwhile, the second tendency emphasizes on stimulating process, encouraging, or motivating individuals so that they have ability or empowerment to decide what is their life choice through dialogue process, which is the definition of secondary tendency (Priyono and Pranaka, 1996 in Roesmidi and Risyanti, 2006:2). Thus, it can be seen that empowerment is not a unilateral process but it is two parties process which held for common interest. On the other hand, Ruslan (2010) strengthens that empowerment process should be based on "development of undeveloped" and "putting the last first" paradigm, which placed females as a group that is susceptible and weak as the main target of empowerment so that it can free from poverty and powerlessness. This women empowerment, certainly, cannot stand alone and has to be synergized with all parties such as government, higher education, social community institution, and finance institution.

2.2 Micro Finance Institution

Baskara (2013) described a portrayal about the existence of micro finance institution in Indonesia as an institution which has a quite long history from Dutch colonialism to today. This long journey strengthens the role of this institution in the society. Indonesian society structure that is really heterogenic needs a finance institution that is suitable with each group characteristic. Indonesian people character which is communal is really suitable with a kind of institution like community banking. A strong micro finance institution certainly brings positive impact on the development of small and middle micro finance in all corners.

In simple terms, Nader (2008) defines microfinance as the provision of financial services to low-income groups. From this simple definition, it can be underlined that the target of the microfinance institution service is that poor people with low income

which also certainly has limited access of funding. They need financial support with a simple and easy system so that they can access microfinance institution.

According to Asian Development Bank (ADB), LKM (microfinance) is an institution of provision deposit service, loans, payment services, also money transfers that are directed to poor and low-income households and their microenterprises. LKM can be seen in the form of: 1). Formal institution such as village bank and cooperative; 2). Semiformal institution such as non-government institution; 3). Informal resources, such as money releaser.

Indonesian Bank identifies micro credit which is given to productive doers, either individual or group that have the largest selling at Rp. 100 million per year. According to BI, LKM is divided into two categories i.e. LKM in the form of bank and non-bank. LKM in the form of bank is as follows: BRI village unit, rural bank (BPR), credit village agency (BKD). LKM in the form of non-bank is as follows: Saving and Loan cooperatives (KSP), saving and loan unit (USP), village credit funding agency (LDKP), at-Tamwil treasury (BMT), non-government organization/group (KSM), and Credit Union (CU).

Thus, LKM has a function as an institution that provides various loan services, either for productive activity which is done by microenterprise or for consumptive activity of the family of poor society. As a loan institution, LKM can collect funds (saving) which becomes requirements for credit existence even though eventually most of credit amount that is given is bigger than the funds that has successfully collected.

Micro loan can be used for helping UKM in accessing finance resources, and UKM characteristics that is seen from revenue aspect closer to group of society that is categorized as economically active working poor and low-income society.

2.3 Women's Microenterprise

Based on the data from the ministry of cooperative and small-medium enterprise, there were 39% or 53.8 million people that had microenterprise in entire Indonesia, 21 million of them were microfinance that are managed by women. Women's role in microenterprise sector showed quite good score. There was an improvement in the number of microenterprise that are managed by women, as proven it increased 42% compared to last year. The success of microenterprise that are managed by women are because of four matters that are inseparable from women's existence.

It will be described as follows:

- a. Women tend to have a more thoroughly character than men. Women are more painstaking and patient in doing various things. This certainly can become the main provision in starting a business.

- b. Women also get used to do many updated things. This surely shows women's ability in facing various situations, deciding something at the same time.
- c. Women tend to have flexibility, efficiency, have higher intensity in having communication and interaction, prioritizing factual data, and intuition in enterprise setting.
- d. Women have a tendency to start her business on the enterprise field that is related to personal needs or desires.

2.4 The Role of Micro Financing in Women's Empowerment

Microenterprise women face the same limitation as women in other third world countries i.e. limited access of formal finance institution. It is commonly known that to get fund access from bank, there is a formal procedure with basic banking requirements that have to be fulfilled by customers that used to be called credit giving principle 5C i.e. capital, collateral, character, capacity, and condition of economy. The five requirements which certainly cannot be fulfilled by those who don't have any assets to be made as guarantee, they are not capable to make a financial report and relatively unstable enterprise condition. By those condition, the thing that is impossible for them in order to develop their business by funds injection from bank.

As an effort of lifting women from poverty, empowerment of finance institution becomes one of the ways out that can be offered by considering and remembering the limitation of access for women towards finance banking institution. By stressing on women's empowerment from the perspective micro finance institution so that lack of funding access can become alternative solution in lifting women's poverty, as studied by Mayoux (2005) in Rehman et.al (2015) which underlines the importance of giving access towards microfinance institution for women so that they can uplift themselves from poverty and sustain economic growth as well as establishment.

Rehman et.al (2105) added the importance of three collaboration paradigm in empowering women i.e. feminist empowerment paradigm, poverty elevation, and financial sustainability paradigm in order to give comprehensive solution for economy empowerment, a better improvement of life either in health, education or even social welfare as well as political power.

3. Methodology

This study has a purpose to know the relationship between the role of microfinance and brown sugar craftswomen economy empowerment by using qualitative method and descriptive statistics. It is in qualitative method by using case study approach in

context of brown sugar craftswomen in Wuluhan, Jember district.

Data collecting technique is done through interview process and observation. The interview is done by using opened and closed question. The collected data is primary data and interpreted by conducting a review towards journal, book, and relevant articles. Some secondary data from a report from related organization in local, national, or even international are also dug to enrich discussion process.

The purpose of this study is to know the role micro financing in improving women's welfare in the context of brown sugar craftswomen in Ambulu as one of the brown sugar centers in Jember. There are ten brown sugar craftswomen which become the member of microfinance, Artha Niaga Ambulu. The data analyses are adopted from Rehman et.al (2015). Interview schedule with those ten respondents are divided into three parts which then continued by results' interpretation.

- a. Demographic aspect which consists of names, ages, marital status, and education,
- b. Empowerment aspect consists of the level of credit amount and enterprise development.

4. Result And Discussion

4.1 Result

Artha Niaga is a microfinance institution that is located in Wuluhan sub-district, Jember district which was established on 29th June 2002. Under the leadership of Bapak Sutrisno, the development of Artha Niaga experienced a growth by the existence of a new branch office i.e. in Kencong and Umbulsari. The increasing number of branch offices per unit is expected to facilitate the access for prospective members to get the credit / loan. The development and expansion of Artha Niaga cover market expansion, human resource development, and increased cooperation, improvement of facilities, equipment and infrastructure, as well as job evaluation.

Increasing Human Resource is done by adding the number of employees. Enhanced cooperation with the members is also conducted consistently in a certain period of time with the aim of further advancing the objectives of its members. By upgrading facilities, equipment and infrastructure, it will improve services to its members as well as at its facilities among others by establishing new branches and adding to the smooth operation of the transport fleet.

Here are the results of descriptive statistics of ten female respondents interviewed craftswomen brown sugar because the focus of this study is the role of microfinance in the empowerment of women. Variables identified and excavated are demography, economic empowerment and social aspects. Information on the above three aspects will be

presented in tabular form below. Demographic aspects can be seen from the name, level of education, marital status and age of membership in Table 4.1 below.

Table 4.1 The Level of Education of Brown Sugar Craftswomen

Level of Education	Amount	Percentage
SD	3	30
SMP / sederajat	4	40
SMA / Sederajat	3	30
Perguruan Tinggi	-	-
Total	10	100

Source: Calculated data

By referring to Table 4.1 above, it can be seen that most brown sugar craftswomen in Wuluhan are less educated because none of the undergraduate and graduate education of high school is also only 30% of the total population. While the roster craftswomen brown sugar, marital status and age of the membership can be seen in Table 4.2 below.

Table 4.2 Name List and Marital Status of Brown Sugar Craftswomen

No	Name	Marital Status
1.	Sri Ambarwati,	Married
2.	Siti Fatimah	Married
3.	Rejeki	Married
4.	Suprihatin	Married
5.	Imroatul Hamimi	Married
6.	Suplir	Married
7.	Sari	Married
8.	Mahmudah	Married
9.	Keslir	Married
10.	Sariyatin	Married

Source: Calculated Data

In terms of the length of a member, Artha Niaga largely been long enough that it ranges from four to six years by 60% while the rest ranging from one to three years. This indicates that they feel fit to join

Artha Niaga when they need access to funding. Table 4.3 shows the classification of membership age of ten respondents.

Table 4.3 Membership Age of Brown Sugar Craftswomen in Artha Niaga

Time Period	Amount (person)	Percentage (%)
1 – 3 years	4	40
3 – 6 years	6	60
Total	10	100

Source: Calculated data

With an overview of the demographic aspects of the above, it can be seen that all brown sugar craftswomen are housewives who once served in the family economy and they are also active as a member of Artha Niaga for a considerable period of time. This indicates the potential of the brown sugar craftswomen is actually still open for development. Meanwhile, from the aspect of economic empowerment, it can be observed that the amount of credit obtained by respondents is shown in Table 4.4.

Table 4.4 The Number Of Credit From Brown Sugar Craftswomen

Credit Amount	Total (People)	Percentage (%)
Rp. 1.000.000 – Rp. 2.000.000	4	40
Rp. 2.000.000 – Rp. 5.000.000	4	40
Rp. 5.000.000 – Rp. 10.000.000	2	20
Total	10	100

Source: Calculated Data

Loan size obtained by brown sugar craftswomen is very useful for the development of their businesses because it is designated as venture capital. With the capital injection of Artha Niaga their businesses can survive and even thrive quite well characterized by an increased amount of profits earned and they are motivated to continue to develop its business.

4.2 Discussion

One of the eight Millennium Development Goals program agreed by 187 countries including Indonesia are fighting for gender equality and women's empowerment. However, this program has not been fully achieved. Women's poverty is still a chore for Indonesia. Various programs to empower women empowerment both social, political, and economic health is still not optimal to reduce poverty and make women's productive and prosperous and empowered in all aspects of life. Poor women are still in large quantities and as difficult to escape from the cycle of structural poverty, natural and cultural that confines their lives.

Microfinance institutions should be able to become one of the pillars for the success of the eight MDGs, especially in terms of economic empowerment of poor women. With a more powerful economy will certainly be able to empower them in other aspects such as education, health, social and political. As reviewed in this study, demography brown sugar craftswomen are housewives. With its status as a housewife and also the micro, while they were living in a family with Javanese culture in which women are primarily responsible for the household's domestic affairs. However, on the other side of the mighty women is also helped prop up the establishment of the household economy. Not even a hint of the woman is actually the backbone of the family and took over the role of the husband as a source of livelihood for being a victim of layoffs or do not get a decent job. This phenomenon is never revealed in the study by Supeni & Sari (2011) while doing surveillance on target women Women's Studies Centre (PSW) in the village of Wirolegi UM Jember. Most of them are actually illiterate in entrepreneurship although they have very small in value but can sustain household finances without reducing the burden of responsibility for domestic affairs of the household. However, micro entrepreneurs' women either brown sugar craftswomen in Wuluhan and entrepreneurs women in Wirolegi face similar problems which have limited access to finance. For the strengthening of microfinance institutions, it becomes very urgent in women's empowerment.

Meanwhile, from the aspect of education, brown sugar craftswomen mostly poorly educated and only a small portion graduated from high school. While education is one of the main elements in the socio-economic development of a country, but in fact in the context of countries in Asia, education is not able to fully counter the economic and social constraints because of their gender inequality within families (Jayaweera, 2010). However, Rahmen et.al (2015) found that women were keen to continue their education if get the chance. This is in line with the study Rahman et.al (2009) which showed that age, education level and income level are the main factors that play a role in women's empowerment. While in this study despite the less educated, but they are still

enthusiastic about doing business producing small-scale brown sugar. Nevertheless, many brown sugar craftswomen are outside of respondents who chose to abandon this effort and become a labor abroad. For that, it is advisable to pay more attention to the education factor in women's empowerment.

The duration of membership in Artha Niaga respondents could be an indicator that they feel comfortable and underserved in terms of capital requirements to sustain the effort. On average they have become active members of more than three years. This shows the trust and loyalty that has existed among craftswomen sugar with Artha Niaga. A good relationship will ensure continuity of funding sources for them to continue to develop its business. It can be seen from the amount of credits earned by each respondent varied. Credit disbursement of their recognition of Artha Niaga is very useful to support their business operations so as to increase the income of craftswomen' brown sugar these. These results are in line with studies Nadeer (2008) which concluded that micro-financing is very important role in combating poverty and improving the lives of women better, the research results also strongly associated with children's education, income and assets. He confirmed the results of the micro-finance plays an important role in the empowerment of women, especially the education of children and family life better.

Thus the existence of microfinance provides benefits to increased prosperity in the economy which then also had an impact on raising better awareness about education, health, social life and family harmony. This is the main point of the MDGs program expected by all the countries that joined in it, including Indonesia.

5. Conclusion And The Limitations Of The Research

This study underscores the importance of attention to improving the quality of life for women in terms of education; household conditions were good and prosperous in connection with an increase in family life better. Two things are important role for women who have a dual role as both a housewife and also the micro that in this study were brown sugar craftswomen. For that, microfinance in this case plays an important role in women empowerment because it provides access to financial opportunities for brown sugar craftswomen which are difficult to obtain from financial institutions banking. With open access to finance, it will be easier for them to retain and expand its business which in turn will improve the education and health of their children at the same time as the social welfare of the family.

This study has many limitations i.e. the amounts of samples that are still few and limited in Wuluhan. Thus, for future studies, the future researcher

should increase the number of samples in scope. In addition, the aspect that is discussed is still limited, the next research should extend observed aspects so that it can be more comprehensive in discussing the issue about women's empowerment.

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