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RECIPROCAL APPROACH OF MORTGAGE LOANS AT THE INFORMAL BUSINESS SECTOR

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ABSTRACT

This paper seeks to reflect on the informal sector, of housing and financial institutions. The stimulus triggered by OJK (Financial Services Authority) is really a new wind, for the housing finance business, with multi-finance companies. The regulation that OJK spawned is really weighted so that, what is needed was a qualified implementation, so that the interest of the state in " to house " its people, can run well. Informal sector entrepreneurs, who are generally not worthy of banking, are a niche for financial institutions, to build a business with this class. Financing companies, with informal business actors should engage in a mutually beneficial work. The reciprocal approach model, proposed in this reflection may further illuminate and will at once address the doubts of financing firms, in adjusting for housing finance needs of the informal business sector. The reciprocal approach sees the informal sector, as a powerful entity, which we need to accommodate the empowerment, and increase the energy of empowerment.

KEYWORDS: Communication Reciprocal, Mortgages & Informal Sector

INTRODUCTION

According to BPS (Central Bureau of Statistics) data, open unemployment rate in February 2016 reached 7.02 million people, or 5.5 percent. Slightly backward, the unemployment rate in August 2015 reached 7.56 million people, or 6.18 percent, and for the month of February 2015, the unemployment rate of 7.45 million people, or by 5.81 percent. Of these figures, when viewed from the education level, for the period of February 2016, respectively, for elementary school level of 3.44 percent, junior high school 5.76 percent, and high school 6.95 percent. While, for undergraduate unemployed, 6.22 percent (BPS: 2016). This open unemployment rate, is a challenge for its reducing efforts. This is where, the field of work in the informal sector still play an important role, to absorb labor sector's informal businesses into a container, while fitting for school and college graduates, especially for those that *fresh graduate* or, non- work experience. Up to now, the understanding of the informal sector is often linked to the main characteristics of informal sector actors, such as business or self-employed businesses, simple technology, efforts to serve the needs of the lower society, and low quality of human resources. They do not demand anything from the government, except the legality, security, protection and bureaucratic path, that is simple and cheap (De Soto: 1991).

Furthermore, when informal entrepreneurs are linked with capitalists such as banks, it is generally difficult to find a sweet relationship between the two. What we have witnessed to date is, how the informal economy actors are connoted as weak, small, informal, perfunctory, traditional, and other attributes, that have a negative connotation (Dieter Ever, 1991). As a result, they cannot get credit from banks. What generally happens between informal entrepreneurs is, the amount of uncertain income every month, even everyday. In addition, matters relating to documentation of business activity are also not well archived. That is, what later became their own obstacles, including when they want to crave housing loans to banks, for their residence. However, there seems to be a welcome breeze, when the government, in this case the OJK (Financial Services Authority), has enthusiastically encouraged non-bank financial institutions, to participate in housing finance. This is actually a good business opportunity, for the company financing *(Multifinance Institution),* to develop product variants pembiyaannya. Unfortunately, it is still a very limited financing institution, glanced at work in this field because, they probably continue to enjoy and focus on its *core product,* such as financing a motorcycle / car (automotive), *home appliances,* heavy equipment, and factory machinery.

Informal sector businesspeople, who dominate the provision of employment than formal institutions, is certainly a very large market niche, to various financial institutions. Business financing the housing sector, for example, even still have a wide range with banking institutions; and *the* housing *backlog* decreased certainly, and still leaves the cake financing for finance companies. According to Director General, of the Ministry of Housing Provision PUPR, after a survey by BPS data obtained by *numeric* digits housing *backlog,* amounted to 11, 4 million (Detikcom: 2016). The government will also boost the realization of the project, of one million homes per year, with a composition of 700 units, merupkan home for the MBR (Low Income Society) and 300 units of non-MBR houses (Detikcom: 2016). Of that amount, to be sure, consumers who apply for loans are not all *bankable,* even, for example, in the ability to pay or *re-payment,* that they belong to afford.

This is where, the finance companies find their significance, for the play scenario, *the art of loan management.* In the Praxis level, by bringing together, lending institutions, in this case a multifinance company, by informal business actors, then continuing the meeting in a healthy business relationship is not easy either. Products and policies of finance companies should be " *compatible* " , with real atmosphere's informal businesses. In the perspective of the normative ideal business atmosphere, *a win-win solution,* is sometimes difficult to achieve. But the effort for it, needs to be created, so it is expected to approach what is idealized. Credit schemes issued by multifinance institutions, for example, when encountering informal entrepreneurs, whose income is fluctuating, it is necessary to modify or anticipate options, whose purpose is to 'comfort' both sides. Thus, this paper will explore the possibility of conducting *holisticare* approach, to consumers, particularly regarding the *re-payment capacity,* strengthening measures could be the *exit method possible,* especially from the perspective of the perpetrators of these informal businesses, to create a healthy collectibility.

THEORETICAL FRAMEWORKS

Informal Sector

Informal sector is one of the business sectors in the economic structure, are often positioned *underdog, and* was actually able to show their performance is reliable, as the " castle economy ", especially when the country is passing by the economic crisis, nearly two decades ago. At that time, the economic crisis was inevitable, as if it were a proof of the reliability of the informal sector. This sector proved menyedikan stalls life, by growing informal business units, that absorb a lot of labor, like *counter pain* of the outbreak of the rising unemployment, due to layoffs and sector-formal sector. As a part of Indonesia's economic system, the informal sector is a flexible and open buffer zone, and closely related to the distribution of goods and services, at the lower level. Pula as the spearhead of the marketing system (Bagong Suyanto & Karnaji: 2005).

This is what ultimately makes this sector an important position, albeit often underestimated, especially in its relationships, when it seeks to reach sources of capital financing as well as consumer financing. Furthermore, theoretically, the informal business sector is understood, to be a shadow economic activity or underground economy, any activity commencing from households, the sale of unreported taxes, to economic activities contrary to legal economic practices (Dieter Ever: 1991). The satirism expressed by Ever, has more to gain an understanding of a formal legal point of view, as well as its relationship with the government, despite the fact that, the other economically driven by the informal sector is capable of being independent, withstand crises and the earthiness and manifestation of the survival of the human child.

Another stance was made by Allan Gilbert & Joseph Gugler, against the urban informal sector. According to them, the informal sector is easy for anyone to enter, labor-intensive, small-scale, adaptive technology, business skills derived from non-formal systems, local resources, and competitive markets (Gilbert & Gugler: 1996). From the view of the experts, it appears that the patterns of the informal economy are so flexible, the resulting limits of income, so there is no guarantee of quantitative certainty. Fluctuations are commonplace in any endeavor, including in this frame of mind, an informal enterprise. The problem of absolute administrative documentation and certainty of income, in the average time frame is what is always questioned by the capital institution, when it wants to access it. Financial access, one of which in the form of credit, is an essential instrument that is unavoidable in business management. In this context, informal entrepreneurs encounter two alternative sources of formal financing, i.e. banking and non-banking, then can compare between the two in terms of accessibility. Generally, financing companies are more easily 'penetrated' to obtain credit, either capital credit or consumption credit.

Financing Company

According to the Ministry of Finance, Decree No. 448 / KMK.017 / 2000 on Financing Company, definitions financing company is financing activities in the form of supply of capital goods, either lease with option rights or *financial lease,* and the lease without option rights or *operating lease,* to be used by the lessee for a certain period, based on periodic payments (Rival *at.al:* 2013). Regarding consumer financing, there is a separate explanation in article 1, point 7 of the same Perpres, namely that, the procurement activities of goods, according to consumer needs with installment payments. Thus, when the informal sector entrepreneurs as one alternative, to meet the needs of *consumer finance* is with their consumption through this. A financial practitioner, Irham Fahmi said that, some of the advantages of finance companies, among others, is easier, simpler and faster management (Fahmi: 2014).

It is easier because, the administrative requirements are not, as unimportant as banking institutions. Generally, *finance* companies apply *instant approval* for/ to certain loan size. So we should not be surprised with a promo or advertisements, displayed by some finance companies, which is " provocative " as *one hour a day of liquid* or *liquid.* The author has proved, how the speed of credit decision, is taken by the finance company. With this context of ease and simplicity, it would be appropriate to be met with profiles of informal entrepreneurs. Included in this are efforts, to meet the housing needs of the informal sector. The general public does not understand that, the financing institution also has a product of mortgages, such as banking. Finance company generally known more for financing, such as motorcycles, cars and electronics as well as *furniture* only. In general, the requirement to apply for financing in the company, for financing is not as complicated as banking.

Especially, for informal enterprises, which is weak from the side of the documentation of legality. Just to illustrate, a meatball stall owner, for example, in terms of ability to make repayments, the person has the capacity for it, but when asked for evidence / legality of business, he cannot show. Thus, the ability of the still *latent,* it was attempted to be *manifested* with alternatives. They obviously do not have a SIUP/ TDP, but can be/ simply replaced with SKU (Certificate of Business), from Kelurahan. If the entrepreneur is having trouble finding SKUs, business photos and environmental checks have already added, to the belief of credit analysts. Additional flexibility, for example, about the *down payment, finance* companies dare to make a *down payment,* financing with only 15-20 percent of the *assets.* So its LTV policy is big, 80-85 percent.

The world of finance companies-indeed, is not a blind eye to this prospective market opportunity. A positive response has been made by corporations such as, PT MNC Finance, PT Batavia Prosperindo, PT Indomobil Finance Indonesia and even ACC (Astra Credit Company). It's just that, these finance companies do not seem too aggressive to penetrate, or penetrate the market in this mortgage business. ACC, for example, according to its CEO, Jodjana Jody, admitted that, not too aggressive for running a mortgage product and is still in the learning phase, looking at how the mortgage industry market situation, so that, the company cannot set a sales target and other new field (www.rei.co.id : 2016).

In fact, with the flexibility of the finance company's world, the niche of the mortgage market can also be enjoyed, with relative ease. The concerns of financing institutions in running housing loans for the informal sector, one of which is triggered by uncertainty. Uncertainty benchmark interest rate, issued by BI has changed, for example, simply " troublesome " to formulate the amount of interest on mortgage products, that are selling the *long term.* From time to time, there is always a change in interest rate, issued by BI as the central bank. While on the consumer side, the business characteristic in informal sectors, which is also non-certaint on the amount of income, it is reasonable, then memprasangkai will affect the credit quality, launched by the finance company to the informal business group. The collected credit collectibility will be far from the design, that has been set, for example NPF, maximum 5 percent of all receivables, owned by the company.

Household Credit (KPR)

Credit is a gift of achievement (money, goods), with reply achievements (counter-achievement), that will occur in the future. Achievements are often used, in the achievement of money, then credit transactions related to money as a credit tool (Simorangkir: 1991). In relation to payment, credit is also interpreted as a delay of payment, i.e., return on receipt of money and, or a goods not done together at the time of receipt, but the return is done at a certain time in the future (Tjoeam: 2000). Thus, credit contains the components of trust, risk and economic exchange in the future. Credit, then gives consequences to the financial institution, as well as the consumer itself. The consequence, is the provision of money or equivalent, repayment obligations and term interest, and credit agreement (Siamat: 2001). Furthermore, credit has at least 4 (four) very important elements. In Simorangkir's view, the four elements are as follows:

Credit is basically; (a) Trust, that is, the creditor's belief that the achievement given in the form of money, goods or services, will actually receive it again within a certain period of time, in the future, (b) Time, between an accomplishment with contra, to be received in future, (c) *Degree of risk,* namely the level of risks to be faced as a result of a period of time, that separates between an achievement and contra and (d) achievement, or the object of credit itself, is not must, to be given in the form of money, but can be goods and services. In modern times, credit transactions are mostly in the form of money (Simorangkir: 1991).

In Simorangkir's thinking, trust is positioned at the first level, which actually provides parameters to all of us, how trust can overcome other inhibiting factors of credit. Confidence could eventually manifest itself, on the concept of *unsecured loans,* non collateral, the amount / value *of assets* exceeds the credit limit, or at least not according to Pandia

Frianto, especially in *finance* companies, financing can be full (100%) with no money down (Pandia, et.al: 2005). Categorizing credits, can be done from different perspectives, such as usability, duration, type of collateral and economic class (recipient of credit), and how to withdraw/ pay off (Hasibuan: 2009).

Consumer loans and mortgages are generally long term. Long term credit need more in-depth analysis, in order to better credit quality and reduce the risk of failure, will affect the performance of financial institutions themselves. Mortgages crave continuity of *re-payment,* compared to other *short-term* credits. It is only natural because, after the profitability of the finance company must be met, so that the interests *of stakeholders* and *shareholders* are also well accommodated, in accordance with what has been planned. Thus, the design of financing decisions strived for credit, to run smoothly with the risk of congestion can be reduced, as small as possible. For example, by considering the FID or the *first installment of a default,* by the *re-payment* upfront payment *model,* one time with a down payment and other costs, or *in-advance payment.*

DISCUSSIONS: RECIPROCAL APPROACH

This approach became one of the efforts, to translate OJK Circular Letter Number 1 / SEJK.05 / 2016, on the Financial Health of Financing Company. In part IV, on Quality of Financing Receivables, especially number 5 said that, the assessment of the quality of financial debt is set to five levels, namely, *current, special mention, substandard, doubtful* and *loss.* With the new rules, the assessment of the quality of financing, becomes tighter and the same as the banking institutions. Thus, in this discussion, the central idea to be put forward is the efforts that can give a strengthening implementation of the circular OJK, from the consumer/ debtor credit. Actually, given enough funding agencies are encouraged to join a room, with credits *long term* market (in this case the mortgage), and according to the characteristics of the consumer financing, the potential market segment is the informal sector. Well, in the business relationship design one of the parties " flexible " to be processed, is the consumer / debtor.

The financing institution is definitely working with its standard rules, the deviation is sure to exist, but it still does not run from existing rules. Leniency credit terms for example, if any, there are variations, of course limited in nature. In other words, loosening of credit policy of financing institution in the informal business sector, of course there are limits. That means, in the diametral relationship of the financiers and consumers, then the consumer is more free to accept the intervention, for the healthy credit. In the world of credit, one of the important things is collectibility. This dimension must not be under strict supervision, by management. Moreover, the informal business sector that is relatively uncertain, has a larger share than the formal sector. Though, there is really nothing definite in this credit business.

In this paper, the reciprocal approach is the effort, that comes from external sources, material or immaterial (knowledge, strategies, etc.), from various parties, to the informal sector, in order to have a growing and sustainable business. It is this sustainability, that will help in good economic relations with the financial institutions, that cooperate with this informal business sector. In the language of mathematics, it is actually the relationship of financing institutions with debtors, from the informal sector, business can be described as interseksi or slice two sets. The intersection space is the extent, that can be considered to reflect the quality of the relationship, which in this context is interpreted as credit quality. In other words, the intersection space refers to, (one of them) collectivity. The finance and informal sector, in this credit relationship is unified by the collectibility.

The main thing about collectibility, on the consumer side is the financial performance, that can always fulfill the obligation to repay their loan in the bank. The informal sector is always concerned, about the sustainability of their ability to pay, because it will affect the performance of collectibity in a financial institution. That is why, the discussion of this paper will focus on how to maintain " sustainability ", the ability to repay the informal sector. The informal sector is dispersed into a vast variety of businesses, so the approach to their economic empowerment efforts is wise, when it is removed from the humanitarian / community base (informal business actor) itself. Human-based / community-based empowerment, refers to the needs of the community itself, planned and implemented by the community, by exploiting the resource potential of the local community (Aprillia at. Al: 2014). Empowerment of the informal sector, which is philosophically based on the *dictum* " defense " people, have time to manifest in a slick and elegant. In a restricted sphere, as a custodian of collectibility, perhaps this extended discussion of empowerment would be too far away. However, despite the ability of customers, to pay the informal sector will ultimately improve the posture of collectibility, of financing institutions that disburse mortgage loans (which is now increasingly perfected by OJK to the equivalent of banking), the essence is a positive feedback on the power of empowering the informal sector. Then who is involved?

Government

The government, both central and local, is an external party that is supposed to direct its pendulum policy and pendulum, for the advocacy of the informal sector. The defense of the government manifests in various policies, that are rolled through the organs, that have special duties and functions in their field. In the context of the implementation of mortgage loans by these financial institutions, there are several institutions related to mortgages, by this informal sector business.

- **Financial Services Authority**

OJK managed to spawn regulations, relating to the level of collectibility of finance companies, through Circular Letter OJK Number 1 / SEJK.05 / 2016. If a finance company, " obeys " the rule, for example, is likely to get a source of funds, from banks with low interest rates is high enough, so it can throw credit to the informal sector also, with competitive rate. So, the " strict " political side of the regulation that OJK is embarrassing, is the possibility of easy access to capital with low interest. OJK has also encouraged multifinance companies, to play in the housing sector, with the informal sector segment. The market niche, that promises housing for informal businesses appears to be a counterweight to OJK regulation, of the finance companies.

- **Ministry of Public Works and Housing (PUPR)**

The style of Jokowi-JK government, seems to use infrastructure as a political. Just look at the big plans in various islands, such as transportation facilities (toll roads, railways, ports and airports), really coloring the infrastructure policy in this country. Likewise, with the housing sector, the ambition of poor people's breeding with the project of a million homes, gradually began to be realized. If judged, this policy is aimed at low-income communities, whose existence is certainly dominated, by the informal sector. So, they provide stimulus in various forms of policy, such as subsidized housing (either substituted into down payment or mortgage interest), home to the MBR with FLPP and other stimuli. In looking at the stimulus of government terese, but communities implement what is called *selective attention,* in which a person is considered an appropriate stimulus, filtering or touching (Matsumoto, 2010).

State-owned Enterprises (BUMN) and National Private Sectors

This sector is directly related to the implementation of housing loan programs, for informal sector entrepreneurs. Given this sector is proudly assumed as crisis resistant, sustainable and absorb a lot of manpower, but its existence remains covered by paradox. No doubt, for the sake of convincing finance companies to finance the housing sector for informal enterprises, instruments have been provided, that provide seatbelt's to these institutions.

Financing Company

In addition to providing informal sector financing, the company should also pay attention to its customers, which indirectly also leads to collectibility or credit quality. The return given by this institution, (as ethical politics has been given a profit margin through credit interest disbursed) to the informal sector, can be in the form of mentoring and empowerment, so that the sustainability of informal enterprises can also be achieved. Indirectly, it can be said that, business performance and business sustainability of finance companies, will also depend on the sustainability of these informal sectors. Zain quoted Khuznul Azhar as saying, even the stability and performance of customers' business, can be used as to assess the performance of microfinance institutions (Azhar, 2011). Likewise, Dumairy as quoted by Khuznul Ashar said, credit institutions that have high performance have easy service indicator, high rate of return, saving many assisted members, and large loan value (Azhar, 1986). In this corner, it becomes important for financial institutions, to make informal sector entrepreneurs as partners, by empowering them.

Insurance Company (Jasindo, Askrindo or Jamkrindo)

The government's defense is not one-sided. Financing companies that are willing to finance housing loans for the informal sector are equipped with a safety belt, that serves to anticipate bad loans in the informal sector mortgages. This seat belt is clearly, a balance of support to all actors in transactions with informal sector entrepreneurs, in Indonesia. It is not the excessive claim that is desired, but the business risk remains to be considered. In the ideal level of normative, insurance companies involved in these transactions could be through the CSR program, for example, provide *soft skills* of the increase in business, from various aspects. The goal is none other than business continuity which, at its end, if returned to OJK regulation, is a conscious collectibility.

CONCLUSIONS

Reciprocal approach, that brings the ability of community *self starter* businesses, in the informal sector with facilities and support, from government and other agencies, is expected to give confidence to the " new player ", in housing finance, the *finance* company. This means that, the finance company is expected to be more aggressive in capturing the market, because the market has been provided, the regulation has been prepared and seat belts have also been presented. From the above discussion can expect an impact, that may spur the growth of financing business in the housing sector, among informal entrepreneurs. Companies that are already preoccupied with automotive finance business, for example, now with OJK regulatory support, the Government and SOEs, should be increasingly confident to aggressively engage in informal housing sector finance. The reciprocal approach views, informal sector business people, as powerful subjects, thus glorifying those with their endogenous energy, seeking to keep their loan collection performance worthy of appreciation. And, if it does not blow, then the force vectors coming from their external sphere, need to be stretched out. This means that, this approach, although still at the philosophical level, will be able to be applied, especially by finance companies.

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