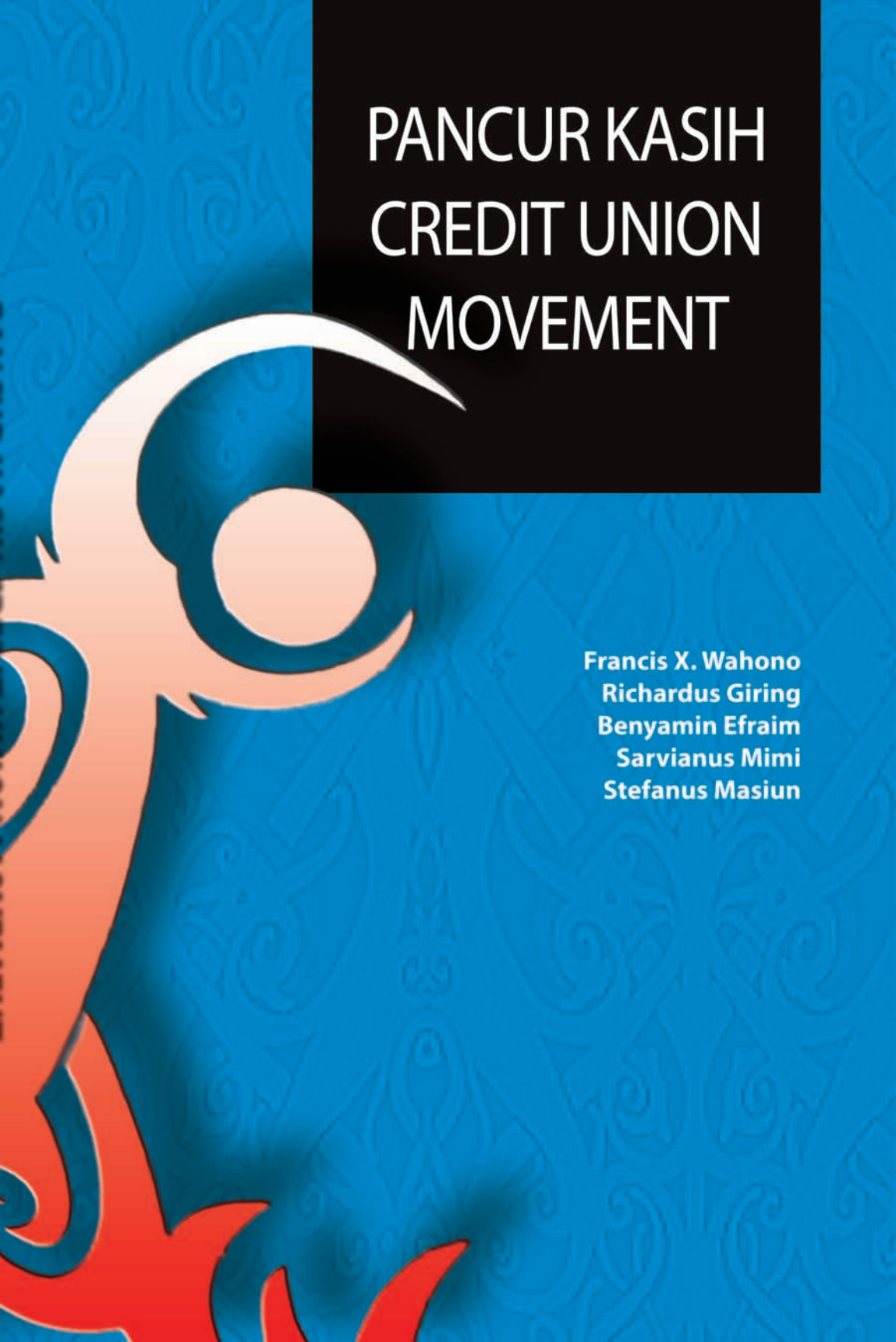




PANCUR KASIH CREDIT UNION MOVEMENT

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Richardus Giring
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Acronyms

A

ACCESS	A (1) Competitive Choice for Excellence in Service and Soundness (Branding)
ACCU	Asian Confederation of Credit Union
AD/ART	<i>Anggaran Dasar/Anggaran Rumah Tangga</i> (Statutes and by-laws)
ANPRI	<i>Aliansi NGO untuk Perdamaian dan Rekonsiliasi</i> (Alliance of NGOs for Peace and Reconciliation)
APBK	<i>Anggaran Pendapatan dan Belanja Keluarga</i> (Family Income and Expense Budget)

B

BI	Bank of Indonesia
BK3	<i>Badan Koordinasi Koperasi Kredit</i> (Credit Union Coordinating Body or Credit Union Counseling Office)
BK3D	<i>Badan Koordinasi Koperasi Kredit Daerah</i> (Regional Credit Union Coordinating Body)
BK3DK	<i>Badan Koordinasi Koperasi Kredit Daerah Kalimantan</i> (Credit Union Coordinating Body of Kalimantan Region)
BK3I	<i>Badan Koordinasi Koperasi Kredit Indonesia</i> (Indonesia Coordinating Body of Credit Cooperatives)
BKCU	<i>Badan Koordinasi Credit Union</i> (Credit Union Coordinating Body)
BKCUK	<i>Badan Koordinasi Credit Union Kalimantan</i> (Kalimantan Credit Union Coordinating Body)
BPR	<i>Bank Perkreditan Rakyat</i> (Rural Bank)

C

CEO	Chief Executive Officer
CRM	Customer Relations Management
CU	Credit Union
CU FPPK	<i>Credit Union Filosofi Petani Pancur Kasih</i> (Pancur Kasih Peasants Philosophy Credit Union)
CU PK	<i>Credit Union Pancur Kasih</i> (Pancur Kasih Credit Union)
CUCCC	Credit Union CEO's Competency Course
CUCO	Credit Union Counseling Office
CUDCC	Credit Union Directors Competency Course
CUGK	Credit Union <i>Gemalaq Kemisiq</i>
CUKB	Credit Union <i>Khatulistiwa Bhakti</i>
CUNA	Credit Union National Association
CV	<i>Commanditaire Vennootschap</i> (in Dutch language)

D

DAPERMA	<i>Dana Perlindungan Bersama</i> (Joint/Common Protection Funds)
DCR	<i>Dana Cadangan Resiko</i> (Risk Reserve Funds)
Delsos	<i>Delegasi Sosial</i> (Social Delegates of the Archdiocese)
DPD RI	<i>Dewan Perwakilan Daerah Republik Indonesia</i> (Regional Council of Representatives of the Republic of Indonesia)
DPR RI	<i>Dewan Perwakilan Rakyat Republik Indonesia</i> (House of Representatives of the Republic of Indonesia)

F

FPPK CU	Pancur Kasih Peasant's Philosophy Credit Union
Fr.	Father (Catholic Priest)

G

GBHN	<i>Garis-Garis Besar Haluan Negara</i> (Broad Guidelines of State Policy)
GPPK	<i>Gerakan Pemberdayaan Pancur Kasih</i> (Pancur Kasih Empowerment Movement)

H

HAM	<i>Hak Asasi Manusia</i> (Human Rights)
HRD	Human Resource Development
HTI	<i>Hutan Tanaman Industri</i> (Industrial Forest Plantation)

I

ID	Institut Dayakologi
INFID	International NGO Forum for Indonesia Development
INKOPDIT	<i>Induk Koperasi Kredit</i> (Centre for Credit Cooperatives)
ISO	International Organization for Standardization

J

JALINAN	<i>Jaminan Perlindungan Kalimantan</i> (Kalimantan Protection Insurance/Kalimantan Network Protection)
----------------	--

K

KB CU	<i>Khatulistiwa Bhakti</i> Credit Union
KOMSOS	<i>Komunikasi Sosial</i> (Commission for Social Communication of Archdiocese)
KPD	<i>Koperasi Pancur Dangeri</i> (Pancur Dangeri Cooperative)
KR	Kalimantan Review
KUD	<i>Koperasi Unit Desa</i> (Village Unit Cooperative)
KWI	<i>Konferensi Waligereja Indonesia</i> (Indonesian Bishops Conference)

L

LBBT	<i>Lembaga Bela Banua Talino</i> (Institute for Community Legal Resources Empowerment)
LINTANG	<i>Perlindungan Piutang</i> (Loan Protection)

LP3S-IDRD	<i>Lembaga Penelitian dan Pengembangan Ekonomi Sosial-Institute of Dayakology Research and Development (Institute for Training and Supporting Social Development – Institute Dayakology Research and Development)</i>
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L

MAWI	<i>Majelis Agung Wali gereja Indonesia (Indonesian Supreme Council of Prelates)</i>
MH	<i>Master of Humaniora</i>
MPR	<i>Majelis Permusyawaratan Rakyat (People's Consultative Assembly)</i>

N

NGO	<i>Non Government Organization</i>
NOVIB	<i>Nederlandse Organisatie voor Internationale Bijstand (Netherland's OXFAM – an NGO)</i>

O

OFM Cap	<i>The Order of Friars Minor Capuchin</i>
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P

p.a.	<i>Per annum</i>
PBB	<i>Pajak Bumi dan Bangunan (Property Tax)</i>
PEARLS	<i>PEARLS is an indicator of Credit Union's financial condition released by World Council of Credit Union (WOCCU). P=Protection, E=Effective Financial Structure, A=Asset Quality, R=Rate of Return and Cost, L=Liquidity, and S=Signs of Growth</i>
PEK	<i>Pengembangan Ekonomi Kerakyatan (People Economic Empowerment)</i>
PEK-PK	<i>Pemberdayaan Ekonomi Kerakyatan-Pancur Kasih (People Economic Empowerment - Pancur Kasih)</i>
PENTIS-PK	<i>Pendidikan Kritis-Pancur Kasih (Critical Education - Pancur Kasih)</i>
PK CU	<i>Pancur Kasih Credit Union</i>
POR-PK	<i>Pemberdayaan Otonomi Rakyat-Pancur Kasih (Civil/People's Autonomy Empowerment - Pancur Kasih)</i>
PPSDAK-PK	<i>Program Pemberdayaan Sumber Daya Alam Kerakyatan-Pancur Kasih (Pancur Kasih People's/Civil Natural Resources Management Empowerment Programme)</i>
PPSHK-PK	<i>Program Pemberdayaan Sistem Hutan Kerakyatan-Pancur Kasih (Community-Based Forest Systems Management Program - Pancur Kasih)</i>
PSE	<i>Pengembangan Sosial Ekonomi (Social Economic Development)</i>
PT	<i>Perseroan Terbatas (Limited Liability Corporation)</i>
PUSKAT	<i>Pusat Koperasi Kredit Khatulistiwa (Khatulistiwa Center of Credit Cooperatives)</i>
PUSKOPDIT	<i>Pusat Koperasi Kredit (Credit Cooperative Center)</i>

R

RAT	<i>Rapat Anggota Tahunan</i> (Annual Member's Meeting)
Rp	Rupiah (Indonesian Currency)
RUALB	<i>Rapat Umum Anggota Luar Biasa</i> (Extraordinary Members' General Assembly)

S

SDA	<i>Sumber Daya Alam</i> (Natural Resources)
SegeraK-PK	<i>Serikat Gerakan Pemberdayaan Masyarakat Dayak-Pancur Kasih</i> (Union for Dayak Peoples Empowerment Movement – Pancur Kasih)
SELA	Socio Economic Life in Asia
SEMAI	Social Economic Movement and Management Institute
SHU	<i>Sisa Hasil Usaha</i> (Net Income/Annual Dividend)
Siskodit/Sikopdit	<i>Sistem Informasi Koperasi Kredit</i> (Information System for Credit Cooperatives)
SMA	<i>Sekolah Menengah Atas</i> (Senior High School)
SMP	<i>Sekolah Menengah Pertama</i> (Junior High School)
SOP	Standard Operating Procedure
SP	Strategic Planning
SP	<i>Simpanan Pokok</i> (Principal Savings)
SPD	<i>Silang Pinjam Daerah</i> (Cross Regional Loans)
SS	<i>Simpanan Sukarela</i> (Voluntary Savings)
St.	Saint
SW	<i>Simpanan Wajib</i> (Mandatory Savings)

T

TAP MPR	<i>Ketetapan Majelis Permusyawaratan Rakyat</i> (Decree of People's Consultative Assembly)
TP	<i>Tempat Pelayanan</i> (Service Point)
TUNAS	<i>Santunan Simpanan Anggota</i> (Benefit on Members' Savings)

U

USD	The University of Sanata Dharma, Yogyakarta, Indonesia
UU	<i>Undang-undang</i> (Law)
UUD	<i>Undang-Undang Dasar</i> (Constitution)

W

WOCCU	World Council of Credit Union
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Y

YKSPK	<i>Yayasan Karya Sosial Pancur Kasih</i> (Pancur Kasih Social Work Foundation)
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Foreword

John Bamba, the Executive Director of Institut Dayakologi (ID), was the first person who told me about the Pancur Kasih Empowerment Movement (Gerakan Pemberdayaan Pancur Kasih/GPPK) and the Pancur Kasih Credit Union (PK CU) in Indonesia. We invited him to be a member of a Project Steering Committee for a global consultation and dialogue of indigenous development workers, funders and advocates of indigenous peoples' rights and development. We received funding from The Christensen Fund (TCF) to support our work in pursuing "Indigenous Peoples' Self-Determined Development." This project was meant to design and implement a plan on how to ensure the proper implementation of the UN Declaration on the Rights of Indigenous Peoples, which was just adopted by the UN General Assembly on 13 September 2007.

This meeting, which was held in November 2007, was for us to share our concept paper on the project and to brainstorm on how to organize the dialogue. One of the ideas, which emerged, was for those of us who have been working on indigenous peoples' rights and development for many years to share in the dialogue, the best practices on indigenous peoples' development which we, ourselves, did or knew of. John Bamba said that he can talk about their experience in building the Pancur Kasih Empowerment Movement of the Dayak of Kalimantan, and the Pancur Kasih Credit Union. We asked him to talk more about this at the meeting.

I was very impressed with his story and asked him if this was ever written down. He said there were some students and

researchers who wrote about this as case studies or for their masteral thesis. But they, themselves, have not written the whole story. So I begged him to write about it because this is one great story, which should be shared more widely and passed on to the next generations. I promised him that we, in Tebtebba, will help him and his colleagues to work on this and will help look for resources to enable them to carry this out.

In December of 2007, we were invited by John to grace the 20th anniversary of the founding of the PK Credit Union. This gave us the opportunity to meet again with John and Pak A.R. Mecer and the other founders of the GPPK and PK CU. It was here where we firmed up the agreement that the research on their story be done and a book written from out of this research. We also agreed that the researchers and writers will be all of them and the colleagues in the Institut Dayakologi and other related institutions.

A key principle, which has been the foundation of our work in Tebtebba, is that we, indigenous peoples, should be able to do our own research and write about own stories. For so long, others have written about us and interpreted our world views, our experiences and stories from their own lens. For so long we have been objects of research. It is high time to change this picture.

We believe that part of the process of empowering ourselves is being able to collectively examine and analyze our own situations, understand our own histories, know more about what our ancestors did to fight for their lands, and learn from our struggles to regain our dignity and assert our rights. We, ourselves, should then write about these.

I am sure that this experience of doing their own research and writing their story has further empowered and increased the pride of the Dayak leaders and activists who took up the challenge to undertake this endeavor. For us in Tebtebba who accompanied them in this work, we have been equally inspired and energized to know that we have colleagues in Asia who have this kind of achievement.

Despite the many hurdles we had to deal with, what we see now in these two books has been worth all the efforts,

resources and time spent. It was not easy to work in two languages, Bahasa Indonesia and English. All of those who got involved in this work were simultaneously doing other pieces of work in their own organizations. Thus, our idea of finishing the book project in two years did not happen. It was not fair for us to demand that they drop what they were doing and do the research and writing on a full-time basis. Since we wanted that those who were involved in founding and establishing the movement and the credit union would also write, we had to work with their busy schedules.

Pak Mercer and John Bamba also ensured that their younger colleagues in ID and other institutions got involved in the research and writing work. This was a very good move as the younger ones who were not yet born when GPPK and the PK CU were established will now be able to learn more deeply about the histories of these. This is what transferring knowledge and wisdom to the younger generation is all about. All these collective efforts and the desire to get it done came up with these remarkable two volumes.

The story of the Dayak in empowering themselves politically and economically is a very inspiring story, not only for other indigenous peoples, but also for other sectors of society who continue to suffer from oppression and exploitation and are struggling to overcome these. Many indigenous peoples from all parts of the world, from the Arctic, Russia and Eastern Europe, North America and Latin America and the Caribbean, Africa, to Asia and the Pacific, can all learn from this story.

Experience tells us that it is not easy to do community organizing, mass campaigns and economic work at the same time. Many indigenous peoples' movements are great in doing political mass campaigns and have some success stories to tell. These are usually in campaigns to expose and stop human rights violations, to claim their land rights or to stop unsustainable state or corporate projects such as mining, logging or dam building. But there are not many success stories in doing successful economic and development work. One reason is that doing organizing and mass campaign work, alone, is already very demanding in terms of people, time and resources.

If there are not many committed indigenous activists who can spare time to develop sustainable economic projects or livelihoods, then this aspect of the work is neglected.

Yet, many of us are very much aware that building peoples' movements only through organizing and campaign work is inadequate to meet the needs and demands of indigenous peoples.

The stories of the Pancur Kasih Empowerment Movement and the PK CU actually show that indigenous peoples can achieve many of these goals, even in the face of tremendous challenges. It took them almost 30 years to reach the state where they are now. No doubt, much more work needs to be done to protect and enhance the gains they have achieved and for further expansion. But the fact that they managed to reach this state, especially considering that they were doing much of these during the authoritarian rule of then President Soeharto, is remarkable. Their movement helped give birth to many provincial and regional formations and support institutions. Most significantly, this also contributed to the birth of AMAN (Aliansi Masyarakat Adat Nusantara), the national federation of indigenous peoples' communities in the Indonesian Archipelago.

Their credit union movement and the way it has grown to reach other provinces of Indonesia and serve, not only the Dayak and other indigenous peoples, but also those from the dominant society, is so impressive. It has succeeded so well in the face of failures of similar credit unions set up by the government or the church.

What made this possible? How can a people who have been so oppressed, exploited and discriminated against by a string of colonizers and the postcolonial nation-state and the dominant society rise up to reach this state? These questions are what the researchers and writers attempted to answer.

It is my hope that the readers will be equally inspired as many of us in Tebtebba have been. This is one story we always share in our training workshops on "The Integrated and Holistic Approach to Indigenous Peoples' Sustainable, Self-Determined Development."

Even if indigenous nations, peoples and communities have their own distinct histories and characteristics, I believe this story can be an inspiration and many lessons can be learned from this Dayak experience.

I would like to thank, from the bottom of my heart, John Bamba, Pak A.R. Mercer, Francis Wahono and all the authors and translators mentioned in the cover page for all the work they have done to get these books written. Without your passion and unwavering commitment to work for the empowerment of your own people, this great story will not come about. I also would like to thank the following persons from Tebtebba: Professor Leah Enkiwe-Abayao, our Research Consultant, who took charge of coordinating this book project. Raymond De Chavez and his team for copy editing, proof-reading, doing the layout and press work. Bong Corpuz, for administering this whole project. I thank Ann Loreto Tamayo and Francis Wahono for the editing work with the support of John Bamba, A.R. Mercer and Elias Ngiuk. Julianto Makmur and Astri Waluyo for translating texts from Bahasa Indonesia to English and vice versa.

Finally, I would like to thank The Christensen Fund for providing the financial and moral support for us to be able to come up with these books. To Ken Wilson and Jeffrey Campbell of the TCF for being so patient with us, in spite of all the delays in reporting and finally publishing these.

Victoria Tauli-Corpuz
Executive Director, Tebtebba

Preface

It started on 28 May 1987 when Pancur Kasih Credit Union was first established. We had high expectations and a dream, but the resources we had were simple and limited. Our aspiration was to liberate the Dayak people from the chain of poverty and oppression due to lack of education. It was not easy. Many obstacles came our way, from external parties such as the government and private institutions, and internal sources such as the community and social movement activists. To realize this aspiration, we chose a course that would directly touch and bind the commitment of indigenous peoples: education and financial management.

Up to the present critical education and the modern credit union are the soul and bond of the Pancur Kasih Empowerment Movement or GPPK. Critical education is not only limited to the GPPK institution (PENTIS), which advocates this type of education but also influences the methodology and spirit of empowerment of GPPK programs and organizations. Among these programs are the St. Asisi Schools, cultural research and study by Institut Dayakologi, natural resources advocacy and litigation by Lembaga Bela Banua Talino, community forest management and protection, community radio and Ruai Television, various community organizations at local level as well as participation in state politics. Perhaps because most of us in GPPK are teachers or former ones, wherever we go and by any means, the spirit of an educator and the mission of education will always be with us.

Although operated independently as an organization, the modern credit union shares the same direction and goal as Pancur Kasih Empowerment Movement. The GPPK aims to liberate the Dayak indigenous peoples from the shackles of poverty, ignorance and inequity to a life of solidarity and gender equality within a sustainable natural environment. Gender fairness, which we are fighting for, is slowly being attained, while solidarity based on justice is still being formed. What is important is that being heterogeneous, the Dayak and non-Dayak people in Kalimantan have varied strengths and capabilities that can fill in their limitations and enhance their contributions. As the modern credit union belongs to its greatly diverse membership, it effectively supports the movement to emancipate not only Dayaks but also non-Dayaks who are similarly chained and oppressed.

Although autonomous, the modern credit union is part of Pancur Kasih Empowerment Movement. When the credit union is still small, the movement builds it up. In turn the credit union supports the movement financially when the latter expands and needs additional capacity without jeopardizing its own financial position. Through the movement, the modern credit union, which manages financial capital, becomes a humane entity. The movement that fails to aid the credit union is negligent, while the latter that abandons the movement is a tragedy.

In the introduction to this book (Chapter 1), Francis Wahono calls the “credit union” the “Longhouse of the Movement.” Without the movement or the “big family of Indigenous Peoples” to live in it and maintain it, the “Longhouse” would deteriorate. The neglected longhouse could turn into a pile of firewood that would fetch a mere thousand Rupiah in the flea market. A credit union without a social movement would just be like a savings and loan cooperative that exists to multiply money; it is nothing compared to liberating an oppressed community.

The principle of “I will help you when you are in trouble, you help me when I am in trouble” applies in the Pancur Kasih Empowerment Movement and its credit unions. When the movement is in financial difficulty, the credit union extends

assistance whenever possible without sacrificing the needs of its members. Contributing financially, such as a small portion of the 12 percent profit allocation for credit union management and staff, is reasonable. Programs that can be supported are those relevant to the needs of all credit union members, regardless of their party or group affiliation. One area where the credit union can help, for example, is political education for the public but it is acceptable if it wants to help supporters of a candidate from a particular party as long as the means and methods used are fair. To support a particular candidate, for instance, an individual member or supporter can borrow money from the credit union based on his financial capacity or voluntarily collect from other members/supporters a small percentage of their profits from the credit union. Theoretically, if the members have sufficient awareness, the candidate has good credibility and the supporters are members of the credit union, it is not difficult to collect funds for such a purpose. What needs to be avoided are cases where collective profits may not yet have been converted into dividends for members, or the members may support different political parties. We are all still learning in terms of discipline in the credit union and individual political involvement. What is essential is not to do away with acceptable financial contributions or to forbid people from engaging with political parties. What we demand are transparency, responsibility and fairness in using credit union funds.

Indeed, the credit union cannot directly be used as a basis to involve people in politics. The nature of politics is often fragmented and partisan, while the credit union is open to all people from different political affiliations and groups. As long as multiparty politics is used by the credit union movement as a tactical means to liberate the Dayak people, however, then the contribution of the members of the movement should follow the strategy or approach agreed upon. To avoid bias in decision making, the credit union movement must see all parties as equal and not favor one over the other. They must follow the mandate to fight for the liberation of the Dayak people without endangering the rights to life and livelihood of other indigenous communities in New Kalimantan.

This book presents the movement of credit unions as an important part of Pancur Kasih Empowerment Movement. It describes how the credit union, especially Pancur Kasih Credit Union and its partners, has transformed itself from a mere financial institution in the 1990s to 2000s to become a means to liberate the Dayak indigenous community, especially those who are members of Pancur Kasih Empowerment Movement.

The book consists of seven chapters. The first describes how the Kalimantan indigenous community comprehends the concept and philosophy of credit union, in particular the modern credit union. The second traces the history of Pancur Kasih Empowerment Movement and its experience in initiating and developing the modern credit union. Chapter 3 presents the development of Pancur Kasih Credit Union in West Kalimantan, which served as a learning experience for credit union pioneers. How education is a crucial foundation of the modern credit union and how the Peasants' Philosophy is integrated into credit union services and products are discussed in the next two sections. The role and function of Kalimantan Credit Union Coordinating Body, which stands as the guarantor institution for modern credit unions in Kalimantan, are highlighted in Chapter 6. Finally, the book reflects on the process of developing the modern credit union and its relevance as the new social movement, which aspires to raise the Dayak's dignity through economic, social, cultural and political transformation.

Transformation is not an easy road. Not only do we have to reposition ourselves vis-à-vis external opportunities and threats, we also have to be clear about what our own strengths and weaknesses are. Therefore, as the decision maker, we must be patient and sincere to listen and to rectify mistakes as well as to seek ideas and support to advance our common development. We hope that, as this book shows, we will continue to grow and learn, even when we have to step back in order to leap forward.

A.R. Mecer
John Bamba
Pontianak
1 April 2010

Chapter

1

Modern Credit Union: Long House Social Movement of Kalimantan Indigenous Community¹

Francis X. Wahono



What is a credit union? The Kalimantan Indigenous Community Social Movement—in this case as demonstrated by *Gerakan Pemberdayaan Pancur Kasih* (GPPK) or Pancur Kasih Empowerment Movement—takes the following definition. Credit union originates from the Latin words *union* and *credere*, with union meaning alliance, unification, association, confederation, club and federation, among others. And credit, rooted in *credere* or faith, means loan, and in this narrow sense, relates to or is based on trust. Trust serves as the guarantee, but it differs in how it operates in a bank and in a credit union (CU).

In banking, a loan usually comes with constraints, which means trust can only be established when supported by a collateral or security. Unfortunately despite this thin and derivative interpretation, the insurance for trust in the banking industry in Indonesia and in other parts of the world is limited by the

dependence on the personal trustworthiness of the borrower. Just as in the cases of Bernard Madoff and Lehman Brothers Holdings, an individual's bankability is measured through a trust index, whose numbers can easily be manipulated by brokers, bank managers and financial consulting agencies. When fraud is committed and exposed, the trust is damaged and within hours or days a global financial crisis can erupt.

In comparison, trust in a credit union is tied to the reality that all members are its owners. As owners, they must actively maintain and supervise the institution to ensure their money is not mismanaged as well as to develop and provide benefits for all members, both as savings customers and borrowers. The credit union is a union of people who manage their finances together carefully, openly and intelligently in order to achieve the welfare of all members. It manages the development of both savings and loans as well as creative services and products based on principles.



Concept of Money

The credit union subscribes to the notion that money is a means to work, which in turn creates additional value. Through work people can pay for their needs and pass down capital to the next generation. Money is not what creates accumulation of capital but is the additional value from work. We disagree with the idea of Robert Kiyosaki, "let money work for itself."² The philosophy of the credit union is "money must make people work." As Pope John Paul II's Social Encyclical declares, "Work is a human right so that humans can find dignity" (*Laborem Exercens*).³

Work is understood as the role of a human being throughout Allah's creation process, which continues to unfold through the history of man and nature. Its purpose is to make man more dignified by realizing his capacities.⁴ Thus, money is a unit for accounting of wealth and human capacity, not the purpose of man's life. This dovetails with Denis Goulet's statement in *The Cruel Choice: A New Concept in the Theory of*

Development, “To have enough, in order to be more.”⁵ One should have enough money and capacity in order to have more dignity and meaning as a human being who is created by Allah and takes a role in his creation. It is also akin to the common saying, “Enough is enough” but “enough” here is not desire. While business economics promotes “optimizing desire,” a credit union fulfills needs. Need has limits, however, as it is regulated by others’ needs, which should also be fulfilled and respected. That is social justice, which ensures that the need of each and every person is met. In contrast, desire leads to greediness because it has no limitation and does not want to be restricted by other people’s right to affluence.

Business economics thus tends to oppress, disregards the rights of others to gain sufficient wealth, and leads to high competition and survival of the fittest, inevitably creating an unfair system. This is what the credit union system fights against and tries to provide alternatives for. Kiyosaki reveals only half the truth when he says “let money work for itself.” The other half is that to be able to create additional value, money is circulated and labor is expended by ordinary workers and small entrepreneurs who are borrowers of credit unions and other financial institutions. Managers of factories, big traders or investors do not work with their hands and bodies. They think and formulate strategies, but while this is also work, it does not entail toiling with sweat and tears, as factory workers, farm laborers and small traders do.

Money is a symbol and a concept which marks capital accumulation. To ensure that the function of capital accumulation is not dominated by those who invest the most, a credit union unlike a bank translates trust as equal rights in decision making. This means decisions are based not on the number of shares one has but on the principle of “one person, one vote.” The credit union also recognizes limitations in voluntary savings of members that should not exceed 20 percent of its entire assets. Moreover, it allows members to get loans in order for the money to circulate and generate compensation in the form of interest for members. In relation to this, it disallows big amounts of money to be kept in members’ savings because this would create a huge pile of funds that cannot be lent di-

rectly to generate compensation in interest. Capitalization or getting a loan to put in as savings must be understood within the context of the activities of members who save and borrow, so as not to create the impression of an “economic bubble.”



Types of Credit Union

There are at least three types of credit union operating in Indonesia: traditional, those under the Indonesia Coordinating Body of Credit Cooperatives (*Badan Koordinasi Koperasi Kredit Indonesia*) or BK3I which are organized at the national level, and those under Kalimantan Credit Union Coordinating Body (*Badan Koordinasi Credit Union*) or BKCU that are organized at local, regional and national levels.

The traditional credit union is the smallest of the three types. It has a limited number of members of between 20-100 people, use a manual bookkeeping system of 10 books (4-5 books might be managed by a bookkeeper while the rest are managed by NGO staff), has limited and conventional savings and loan products, and adopts sharing of *Sisa Hasil Usaha* (SHU) or net income among all members. Further, no distinction is made between administrators and management, monthly members meeting is also used for saving and borrowing activities, loan insurance is not provided, education on credit union technicalities is limited, and strategic planning is not practiced. Several traditional credit unions are found in Tanah Karo and Simalungun, especially Pematangsiantar and the eastern areas of Indonesia.

In the BK3I credit union, membership may go from 100 to 2,000 people, bookkeeping is computerized (using Siskodit program), savings and loan products are limited and conventional, most of SHU is shared among all members, and a slight distinction is made between administrators and management. Most credit unions of this type do not have monthly member meetings, but some conduct meetings of commissioners each month. The BK3I type has a conventional standard loan insurance, education on CU technicalities, and limited aware-

ness raising and education on strategic planning. It is mostly practiced in Java and Tebing Tinggi and is also present to some degree in Pematangsiantar and eastern areas of Indonesia.

The Kalimantan BKCU type is the biggest. It has a membership ranging from 2,000-4,000, computerized bookkeeping (using Siskodit program), a big variety of savings and loan products and use part of its net income for development. There is clear distinction and job distribution between administrators and management. It does not conduct monthly members meetings although cadre or core members hold regular meetings. It provides double insurance for both loans and savings for those who pass away, and aside from CU-related education considers raising awareness an essential activity. The BKCU type does strategic planning and measures members' satisfaction and involvement. It has also introduced the loan product for saving or capitalization.

Modern Credit Union

The “modern” part of the credit union is that it is set up not only for the purpose of solidarity or for a small, limited membership of 20-100 people; such a number cannot create sufficient capital accumulation to loan out for business and easily falls into what Clifford Geertz calls “shared poverty.” In addition, its management exercises conservative control and a high precautionary approach as in a modern professional bank so as not to become a “management cooperative” or “family cooperative” as most cooperatives were during the New Order.

The modern credit union, as initiated and developed by Pancur Kasih Empowerment Movement, has the following features: (1) it has a professional manager and practices financial management like banks and insurance agencies within the framework of a cooperative; (2) administrators do not implement but assist and supervise; (3) its aim is not merely solidarity but also capital accumulation—the members must grow to expand the savings and credit base—and it has the capacity to finance professional staff and operational cost; (4) to make

up for members' lack of interaction and control, a *simpul-kader* or network of activists is formed or what are called commissioners in North Sumatra, who each supervise from 50–100 members in one area; (5) it creates diversified products such as voluntary savings, productive loans, and solidarity products and mechanisms; (6) education is conducted on ideology, ways of thinking and attitudes, as well as CU operations and technicalities; and (7) strategic planning is done in shaping, maintaining and developing the credit union (Amu Lanu Lingu, 2009).

Why is the modern credit union the credit union of choice? People's needs today have become more varied and costly, such as education, health and entertainment. Apart from fulfilling community demands, the modern credit union encourages people to save money for the long and medium term and to use loans for productive needs. Based on these, it has introduced the concepts of retirement pension, scholarship for children, health and other social insurance as well as established financially independent parishes and mosques that are covered by an allocation from members' organizational dues. Thus the modern credit union is more than just a way to manage money wisely and democratically. It is a social movement that liberates the poor and underprivileged like most Dayak people from the chain of economic, cultural, social and political marginalization.

Certain questions are raised by the operation of this form of credit union. How can capitalization be justified in the modern credit union that only benefits management and staff? That it benefits only this group is a wrong perception because part of their remuneration is obtained from fringe benefits or interest accumulated as net income or SHU. The statement would be correct if their income derives from the amount of assets. And with regard to capitalization, asset accounting does not include "savings capitalization" where installment payments have not been fully made. Only when it is entirely paid can it be counted as an asset.

Further, how can savings interest be higher than loan interest? The answer lies in the ownership of the modern credit union; unlike a bank the members themselves are the true owners. It can also be partly explained by the Quantity

Theory of Money. Developed by Alfred Marshall (Cambridge University) and Irving Fisher (Yale University), the quantity theory of money yields the formula: $M.V = P.T$. M stands for the total amount of money circulated such as for instance by *Bank Indonesia* (Bank of Indonesia) in its nominal value, V = velocity or speed of circulation of money, P = average price based on the prevailing index, and T = total transaction amount; all are measured for a year. The secret of banking is that money has at least two types of speed circulation: that which is stored and used by a bank and that which is lent out to a customer or member. A third type is money used for speculation. The money kept in a bank or credit union gains velocity, since it is circulated to produce interest or fringe benefits, and this is done many times over and as fast as possible within a month. Thus, the money circulates quicker. On the other hand, the money lent to customers or members has a slower speed of circulation, because it is in the hands of people—actors in real sectors—who are slower to use the money. The velocity of money experiences slower circulation and thus produces less monthly interest or recompense. Indeed, the burden of the borrower is only once a month. Since in a bank the borrower is not the owner, however, he will not receive any benefit from the stored money that is circulated over and over. It is the bank owner who does.

In a credit union, besides having to pay on a monthly basis the interest rate charged on his loan, the borrower, being a member and owner at the same time, also receives multiplied interest paid to his savings. Simply put, the borrower, who is also the owner, gains two benefits: returns from loan service, which tends to be low, and returns from savings service, which tends to be high due to the higher velocity of money. In comparison, the bank borrower is not the owner and thus only gains one benefit—high loan interest. And the second benefit goes to the owner of the bank. Unlike other financial institutions similar to a bank, such as *Bank Perkreditan Rakyat* or Rural Bank and savings and loan cooperatives, the second benefit is received by all members in a credit union. Therefore, since a bank already gains benefits from the money's relatively high velocity and from a higher interest on loans than on savings, it does not make sense that it could experience bankruptcy, except when the money is stolen by its owner.⁶

Longhouse of Social Movement

Based on the experience of Pancur Kasih Empowerment Movement, the modern credit union can be a means for developing and sustaining an indigenous people's social movement, using the principles of modern professional financial management that is accurate, transparent and smart.⁷ Through the Kalimantan indigenous communities, it has succeeded in transforming from a mere credit union into the longhouse of social movement for the liberation of Dayak and other marginalized indigenous people. Historically the Dayaks' wooden longhouse is the room where they contribute, share and grow together within a prosperous and equitable order. It has, however, slowly disappeared due to forest logging since the New Order in the 1970s and replaced by concrete buildings and infrastructure.

Today the Dayak indigenous community is being reborn through the modern credit union. Marginalized in the past, they continue to fight to ensure triumph in a new Kalimantan and a new era marked by globalization of awareness on human rights, gender equality, environmental sustainability and pluralism. The modern credit union has and is becoming a room for brotherhood in managing wealth, especially capital, which is mobilized through a liberation movement in the social, cultural, economic and political spheres of life.

Endnotes

¹ This chapter was written by Francis X. Wahono, PhD, a social activist-economist, who is also the chair of Cindelaras Paritrana Foundation, Yogyakarta and of the Trustees of Bina Desa Sadajiwa Foundation, a member of Kehati Foundation, Jakarta and head researcher at Mahatma Paritrana Institute. He lives in Yogyakarta.

² See: Kiyosaki and Lechter 2000. Also: Kiyosaki and Lechter 2001.

³ See also http://www.vatican.va/holy_father/john_paul_ii/encyclicals/documents/hf_jp-ii_enc_14091981_laborem-exercens_en.html.

⁴ Compare to: Schumacher 1973, 58.

⁵ Goulet 1971, 128.

⁶ See Wahono, et al. 2010.

⁷ Two other books are in the offing, a theoretical book on modern credit unions and a handbook and guidelines on the modern credit union.

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Chapter

2

History of Credit Union Movement in West Kalimantan¹

Richardus Giring



Often we hear the unending cycle of questions: *Why am I poor? Because I'm dumb. Why am I dumb? Because I didn't go to school. Why didn't I go to school? Because I'm poor. Why am I poor? Because I'm dumb.* And so it goes on.

This is the general condition of many communities across Indonesia, including traditional Dayak communities in Kalimantan especially in the province of West Kalimantan. It reflects the helplessness of communities that have long been subordinated in the process of national development. To add to their misfortune, this situation has gradually created an environment of social prejudice and discrimination that, for these communities and more so for outsiders, are often accepted without argumentation or critique.

This pessimistic condition, however, is not static. Efforts have been made to bring about change, initiated from both inside and outside the communities. Change requires actors,

moments and resources. This is where ideas of change are tested with real action and work. Throughout history, individuals or groups have always risen up to become agents of change. Whether oral or written, the stories of change in a community, either positive or negative and by coincidence or conscious action, provide an important inspiration to those who read or hear about them in the notes of history.

The experience of struggle to fulfill the aspiration for transformation is full of challenges. But the efforts of creating change are unique and contextual, particularly in relation to the cultural structure of impoverishment and ignorance in the Dayak traditional community. One of these efforts for change is the economic community movement undertaken by credit unions in West Kalimantan, especially those with historical and strong relations with the Pancur Kasih Empowerment Movement. Directly or indirectly GPPK facilitated their establishment through field support, strategic planning, initial financial contribution and even technical support tools for operations.

The phenomenon of structural impoverishment, as found in Dayak traditional communities, causes the poor to remain poor and to remain so from generation to generation with no way out. Fund injection by usurers, direct cash aid and even social safety nets, far from bringing an end to this vicious cycle, further trap the poor in poverty. The question is, how do we break this cycle of poverty?

This is what the credit unions offer to do. Their motto is from the poor, by the poor and for other poor people. Mutual help is promoted as encapsulated in the following saying: "If you have hardships we will help, and if we have hardships you will help." But while external financial aid for the credit union is possible, it cannot be used to fund its capital but only to provide education for members and to maintain operations. How then can the credit union be turned into a movement to bring economic improvement for the Dayak people?

Breaking Cycle of Poverty

In the past when credit unions were non-existent in rural villages, many people underwent great economic difficulties. Government and private banks were mostly in the cities and mainly served the middle and upper classes. The following condition of poverty is a common experience that pioneer GPPK activists saw during the early 1980s when they went around Dayak villages to raise awareness and encourage people to join a credit union. This situation obtained well into the early 1990s as noted by oral tradition researchers of Institut Dayakologi:

...each village is sure to have and continue to have tragedies as a result of a chain of hardships that bring the communities to a more impoverished situation. Each hardship in facing illness almost always ends in death. Death causes heavier burdens and further impoverishes the family members still alive. To conduct the traditional funeral ceremony, a family must spend money. Because the family does not have savings, they are forced to be indebted to the store. Because the debt in the store continues to increase, the store owner asks for collateral. For the collateral they mortgage their land (rice fields or other fields). Because the mortgaged land can't be redeemed, their debt increases further. To handle the financial difficulty at the next tragedy, they have no choice but to borrow more money, and with resignation sell their rubber plantation for the price of a pig that weighs no more than 20kg in order to conduct the traditional funeral. Meanwhile the rubber plantation was the primary source of the family's income.

Because the rubber plantation as the source of income was sold, the family will then face further hardships and will become more impoverished. This is why it is said: 'Death impoverishes the family.' Because they are poor, they are unable to send their children to higher levels of education (junior or senior high, let alone college). Because they don't have the education levels required for employees, then whenever there

are opportunities open for government employee/civil servant jobs, they don't have a chance. Even if some of them graduated from high school or even have an undergraduate degree, they miss the opportunity of becoming civil servants because the information is received late. Because the information is received late, to arrange for the documents required also need high costs (Interview with Maran Marcel, active founder of Pancur Kasih Social Work Foundation on December 11, 2010).

This condition has greatly changed. The expansion of credit union services to rural areas in West Kalimantan has made it easier to provide many of the village populace, especially credit union members, financial services to meet their educational, health and ritual needs. Credit union services have undoubtedly aided them to meet education costs, enabling their children to pursue further schooling both in Pontianak city and in the island of Java. In emergency cases, many can access loans for immediate treatment and good medical service at the Santo Antonius Hospital in Pontianak or the Bethesda Serukam Hospital in Bengkayang Regency. Because they are aware of the importance of saving, the Dayaks can save for food needs to support traditional thanksgiving rituals during paddy celebrations of the rice cycle from sowing to harvest.

This is where the Pancur Kasih Empowerment Movement has played a role in providing information, motivation and awareness to village communities in the overall effort to bring about empowerment. The education provided by credit unions is the most appropriate method for creating awareness and breaking the chain of poverty. But empowerment efforts through the credit union are not without difficulties. In a dialogue GPPK activists held with villagers of Saginah Village in Landak Regency to enjoin them to begin saving, the latter lamented: "How can we save, we don't have any money. To just eat, drink and meet our daily needs we already find difficult. We are just ordinary peasants. Even if we have an income from rubber tapping, our income cannot be split for savings, for many other reasons."

From many other dialogues GPPK conducted with villagers, the following social and economic situation of villagers emerged:

1. Many Dayak villagers felt they were poor;
2. Villagers saved if there was leftover money;
3. Their livelihoods only had the purpose of meeting household consumption;
4. During harvest they do not tap rubber. To purchase other needs they sell paddy or rice. When the rice runs out, they work hard again to tap rubber;
5. A lot of time is wasted for merrymaking and other entertainment, making their lives unproductive;
6. Gambling thrives in rural areas and among the popular forms are *Kolok-Kolok*, *Liung Fu*, *Tepo* and *lotre* or lottery, which they call *Kupon Putih* (white coupon). Some local people even translate various dreams into numbers when buying a lottery ticket that costs at least Rp1,000 in the belief this would make them win the jackpot. Gambling has become so prevalent that children are also lured into selling cheap lottery tickets at Rp50 to Rp1,000 during class. Operating massively since 1985, lottery has poisoned the minds of many rural people.

Estimated savings and benefits if lottery bets saved in credit union

Calculations made based on a meeting with Saginah villagers showed the enormous benefits that would be gained if the money spent on lottery were saved in a credit union instead. Take an area with 200,000 people, of whom 90 percent would buy a ticket of Rp1,000 a day. Since lottery operates six days a week, from 1985-2007 or a period of 22 years, as much as Rp1,235,520,000,000, $(180,000 \times \text{Rp}1,000 \times 6 \times 52 \times [\text{weeks in a year, 1985-2007}])$ would have been spent by this number of people. If this amount were placed in a credit union which gives a monthly interest rate of one percent, then each month would generate Rp123.552.000.000. If the interest were used to provide scholarships at Rp1,000,000 per person per month, 123,552 children could go to school. One percent of the scholarship recipients or 1,236 students could achieve a doctoral degree. But if used in *lotre*, the money is wasted as if thrown in a muddy gutter.

7. Forest and environmental destruction is rampant. Timber logging and large scale expansion of monoculture plantations continue to destroy Kalimantan's ecosystem;
8. Inter-ethnic conflict continues, in which the Dayak community is often accused as the ethnic group that cannot live alongside migrants.

Based on the above circumstances, GPPK facilitators conducted training among villagers to give them an understanding of the credit union as a way to improve their economic and social lives. This was done through an educational program GPPK developed that focuses on: 1) social analysis to dissect bad habits that impact on quality of life. Critical awareness is expected to result from this training. The people are made aware that impoverishment and keeping people uneducated must be fought against with common purpose to attain progress and prosperity; 2) drafting a Family Income and Expense Budget that records all sources of income, both cash and non-cash, and how to manage it; 3) history and development of credit unions around the world, particularly the CU movement in the locality. The local people are educated on the economic, social and philosophical bases for the establishment and existence of credit unions; (4) organizational structure of the credit union to help them realize that poverty can be overcome by taking part and becoming a member of the movement. Along with other members around the world, they can fight against impoverishment and ignorance. (CU education is further discussed in Chapter 4.)

It cannot be denied that in the history of making the Dayak people "humane," one way by which this was attained was by making them educated and prosperous, an idea implemented by missionaries since they first arrived. Not a small amount of effort was exerted by them in increasing the Dayak's intellectual capacity through formal education and scholarship programs. Mission schools have until now been the prime channel, along with healthcare and other social services, for improving their condition. Even while a few of the older Dayak generation were, however, educated at mission schools and became civil servants and decision makers,

they were able to do little for their marginalized communities. The situation was made worse by negative stereotypes which Dayaks internalized along with attendant attitudes and behaviors. This created a “minority complex syndrome” that eroded self confidence and further contributed to the deterioration of their identity as Dayak people.

Empowerment as Response

It was this state of affairs that made a group of Dayak youth in Pontianak City in the early 1980s to dedicate their minds and energy to break the cycle of poverty among Dayak people. They were members of *Yayasan Karya Sosial Pancur Kasih* (YKSPK) or Pancur Kasih Social Work Foundation founded in 1981 by a group of young Catholic activists in response to the social and economic condition of the Dayak people. They raised the questions: are the Dayaks truly poor? Do they really have no capital to invest when the island of Borneo is so rich in resources? Even if the reality is that they have fallen behind and have been left uneducated, how did this come to be? Taking off from these questions, the YKSPK² activists began in 1981 to undertake education among Dayak villagers to increase their knowledge and awareness to keep them from being duped.

But while YKSPK opened up educational opportunities, it found these to be inadequate. It realized that what kept people from pursuing education was largely lack of funds or economic difficulties. Thus the foundation developed a community economic empowerment movement by establishing the Pancur Kasih Credit Union (PK CU) in 1987. As the general credit union motto clearly stresses education, the CU learning program widened the perspectives of YKSPK activists. The motto declares: “The credit union is begun with education, develops through education, is controlled by education and is very reliant on education.” The Pancur Kasih Credit Union inspired many people, leading in subsequent years to the establishment of many other credit unions through GPPK’s facilitation.

The Pancur Kasih Empowerment Movement started various programs that were direct responses to social and economic problems afflicting the Dayak people. It assisted Dayak and other disadvantaged people to unite, empower themselves, and follow the law of love for others who are a part of creation and made in the image of the divine. To respond to the issue of commercialization of traditions, GPPK established the Institute of Dayakology Research and Development (LP3S-IDRD) in 1991 and the Institute for Community Legal Resources Empowerment (LBBT) in 1993. Some Dayaks themselves, who after becoming educated and economically secure, took advantage of their own people. They exploited Dayak customs for economic benefit, which led to the use of the term “commercializing traditions.”

GPPK subsequently expanded as it set up other organizations to address other specific problems and situations of Dayak communities. The Community-Based Natural Resources Empowerment Program (PPSDAK-Pancur Kasih) was formed to locate and map the lands of Dayak communities and to protect their environment. The Empowerment Program of Community-Based Forestry Management System (PPSHK-Pancur Kasih) emerged due to large-scale logging and monoculture plantations, which adversely affected Dayaks who own the land and manage community forests for hunting and wood gathering for household use and other purposes. The Critical Education-Pancur Kasih (PENTIS-Pancur Kasih) program addressed the concern that educated people no longer looked at social issues critically but only at instant profitable solutions without considering their future harmful impacts. The Community Autonomy Empowerment-Pancur Kasih (POR-Pancur Kasih) program was put up to raise political awareness among the people. The Pancur Dangeri Cooperative (KPD) responded to problems caused by the rubber trade monopoly where price fluctuations dictated by those who had the capital often put rural communities at a disadvantage. Most rural Dayaks own rubber plantations, but they do not enjoy fair rubber prices nor do they own rubber factories.

This social, economic and cultural situation of the Dayak people was the impetus for the establishment of the credit union movement. GPPK's programs and affiliated institutions

served as the movement's support network in the various areas where it has developed credit unions.

Developing Credit Union Movement in West Kalimantan

The credit union had its beginnings in Germany where F.W. Raiffeisen (1818-1888) in 1864 established the Heddesdorf Credit Union whose members were mostly peasants. Raiffeisen implemented the principle of self-help and Christian principles, such as brotherly love. When he died in 1888, as many as 425 credit unions were existing in Germany that improved the lives of farmers, laborers and shopkeepers.³ Since then, credit unions have grown and spread rapidly throughout the world.

The credit union was introduced in Indonesia by Fr. Karl Albrect Karim Arbi, SJ. In Kalbar or West Kalimantan, its development entailed a process of building on the lessons and experiences of those that had been previously formed. According to A.R. Mecer, the pioneer of the GPPK model of credit union, the history of the CU movement in West Kalimantan (further discussed in Chapter 6) can broadly be divided into three major periods, each with its own particular characteristics.

First Wave

The first wave is marked by the introduction of credit unions in West Kalimantan particularly in Catholic parishes, learning and experimentation, and active support by Catholic church officials. The first ones were launched in Nyarumkop and Sanggau regencies in 1975. These were a direct outcome of the Basic Course on Credit Unions held by the Credit Union Counseling Office (or BK3 Indonesia) on the invitation of Pontianak Archdiocese Delsos (Delegatus Social) through Fr. Arbi and his colleagues. First to be set up was Lantang Tipo Credit Union at the Damai-Sanggau Center, followed by those

organized in Batang Tarang and Kuala Dua, also in Sanggau Regency. Within the next 10 years, many other credit unions were founded in Sambas and Sanggau regencies, but these eventually closed or stagnated despite support by Catholic church leaders for the CU movement in West Kalimantan.

During this early period, credit unions were managed conventionally, with their activities limited to savings and loans and without education being provided to members. Differing opinions among church officials were among the factors that influenced their rise and fall. The Bishop of Sanggau, for example, did not support the CU movement, while his pastors encouraged it. In addition, education for members was carried out inconsistently, human resources were limited, and credit unions were understood to mean simply savings and loan practices.

In the next decade, the credit union movement in West Kalimantan received special support from the Pontianak Archdiocese Delsos to revitalize the existing credit unions. In 1985 the archdiocese led by Pius Alfred bin Simin invited BK3 Indonesia from Jakarta to provide CU basic education for the Keluarga Kudus Parish in Kota Baru, Pontianak. The 3-day training was attended by activists from various parishes in several West Kalimantan regencies; YKSPK representatives, namely, A.R. Mecer, Paulus Florus and Stevanus Buan; and university student representatives, Stepanus Djuweng, F. Y. Khosmas and John Bamba. The training resulted in the establishment of the Khatulistiwa Bhakti (KB CU)⁴ on May 12, 1985 with the objective of putting into practice the theories they learned. The KB CU has thus been called the Credit Union Laboratory.

As part of monitoring the development of credit unions, Pontianak Archdiocese Delsos in cooperation with BK3 Indonesia conducted a workshop, "The Development Strategy for CU's in West Kalimantan" on August 12-14, 1986. As a consequence of the workshop, the *Badan Koordinasi Koperasi Kredit Daerah Kalimantan Barat* (Pre-BK3D Kalbar) or West Kalimantan Area's Credit Cooperatives Coordinating Body was set up, with A.R. Mecer and Pius Alfred bin Simin appointed as chair and vice chair, respectively. Pre-BK3D Kalbar is the forerunner of BK3D whose functions are to formulate

empowerment strategies for the credit union movement and to facilitate primary credit unions to become members. During this time credit unions were established in several parishes because the parish approach was considered appropriate for reaching more people particularly Catholics. This was a period of learning and experimentation for the CU movement in West Kalimantan, and the Pontianak Archdiocese Delsos actively supported it. The following year the Pancur Kasih Credit Union was founded. On May 28, 1987, A.R. Mecer with his colleagues from YKSPK initiated the establishment of PKCU, which was initially intended for the foundation's activists and teachers of the Santo Fransiskus Asisi Junior/Senior High School.

By the early 1990s, many of the credit unions started to fold up. In 1991 the annual member meeting (RAT) of BK3D Kalbar elected Pius Alfred bin Simin of Khatulistiwa Bhakti Credit Union as chair of the BK3D West Kalimantan Board for a 5-year term. At the time around 40 credit unions in West Kalimantan had been founded by the Pontianak Archdiocese's Social Economic Development (PSE) Commission where Pius Alfred bin Simin was a board member. A.R. Mecer⁵ lost the vote for the same position, having the support only of Lantang Tipo CU, KB CU and Pancur Kasih CU.

Under Pius Alfred bin Simin's leadership, BK3D Kalbar operated haltingly, and one by one the credit unions collapsed as leaves during autumn. Several factors contributed to this. Most of the CU board members doubled as staff members, services to members were not provided on a fulltime basis, and products offered were no more than savings and loans. Furthermore, education to members was not optimal, causing many credit unions to have nonperforming loans. From 1991-1992 many relatively large credit unions, such as Lantang Tipo CU, KB CU and Pancur Kasih CU, still existed. Their expansion, however, was quite conventional and they were viewed as simple savings and loan facilities by members and most of the board.

At about the same time, communities were also experiencing the failure of many Village Unit Cooperatives (KUD) organized by the government throughout Indonesia including West Kalimantan. The KUDs were an offshoot of the

massive expansion by government of large scale oil palm plantations and Industrial Plantation Forests especially in West Kalimantan. To support their economic interests in their operational areas, companies collaborated with the government to establish KUDs.

Second Wave

The second wave, which began in 1993-1994, was characterized by innovations in the services, products and methods of the credit union movement in Kalbar. The drive for growth and development at this time was the emergence and adoption by GPPK of the Dayak Peasants' Philosophy as a concept in developing credit unions. Innovations were undertaken in four active and fairly large credit unions at that time: Lantang Tipo CU, Pancur Kasih CU, Sehaq CU and Khatulistiwa Bhakti CU. Pancur Kasih CU membership expanded, and in response to many requests for CU facilitation from various regions, it opened service offices in various rural areas in 1994.

Innovations in Credit Union Products

An innovative product introduced in active and large credit unions during the second wave in the development of credit unions was savings capitalization. Initially savings only consisted of principal savings (SP) of Rp10,000- mandatory monthly savings (SW) of Rp300 - and voluntary savings (SS) according to the member's ability. Given this, it would take an individual five or more years to save Rp1,000,000 and become a millionaire. The implementation of savings capitalization or "borrowing money to buy money" opened the way for increasing savings at a faster pace. Aside from paying the organizational fee, SP, SW and SS, a member could also borrow one million rupiah or more to buy money. The money bought can directly be put in his savings. He then pays the mandatory savings as well as the interest and installment payments on his loan every month. In this manner, in less than half an hour a member could become a millionaire.

Another innovation was solidarity products. Under the old system, if after five months of membership a member passes away, his next of kin would receive less than one million rupiah. Under the new system, the benefit was more than two million rupiah under a compensation product called *Tunas*. In addition, the deceased member's debt, if there was any, need not be paid, as it would be taken care of under the product called *Lintang*.

Based on their experience in oral tradition research through Institut Dayakologi, GPPK activists in 1993-1994 got the inspiration to contextualize cultural values, in particular Dayak philosophy, in Pancur Kasih CU's savings and loan products; these began to be offered in 1995. This inspiration was boosted by Mecer and Maran's paper, "The Meaning of *Suba' Panyangahatn*⁶ in Dayak Kanayatn/Bukit Culture" presented at a Naik Dango Seminar in Menjalin, Pontianak Regency in May 1994. *Suba' Panyangahatn* consists of glutinous rice cooked in small bamboo containers and other ritual food offerings like chicken thigh, gizzard and liver, which are interpreted as savings that must be set aside first before being eaten by those in attendance. *Suba' Panyangahatn* has to be provided in every ritual: from birth, marriage to death. If the offerings are immediately eaten and the *Suba' Panyangahatn* is forgotten, then all of the villagers would be struck by *jukat* or a calamity and *kisas* or punishment, according to Bukit-Kanayatn Dayak beliefs. The Naik Dango seminar discussion covered questions on how to transform and actualize Dayak cultural values in developing the Dayak people, the same primary question addressed by the "International Symposium and Expo on Dayak Culture" in 1992.

The idea to contextualize Dayak philosophy in the credit union was approved in the PK CU annual member meeting of Menjalin service center in November 1994 and the plenary RAT at Pasir Panjang the following year. From then on, in each facilitation, mentoring or assistance activity for members of PK CU and other credit unions, GPPK activists continuously offered ideas in employing Dayak cultural and philosophical values in developing the credit union movement. In 2006 during the facilitation activities for Canaga Antutn Credit Union in Menyumbung, Ketapang, A.R. Mecer drafted the Dayak Peasants' Philosophy based on a reflection of GPPK's long experience of practical transformation of Dayak cultural values.

During this period the credit unions in Kalbar continued to thrive and grow in assets and membership. The implementation of an assessment system adapted from ACCESS Branding⁷ from Asian CU's further strengthened the motiva-



The construction of the office of Canaga Antunt Credit Union. Photo credit: ID

tion to develop and extend the services of the credit union movement, which created competition among credit unions. Both quality and ethics of the credit union movement influenced its form at this time.

Until 1999 the GPPK program, Civil Economic Empowerment-Pancur Kasih (PEK-Pancur Kasih), successfully facilitated the establishment of 14 credit unions throughout West Kalimantan with a total membership of 18,841 and assets totaling more than Rp12 billion. The innovations and improvements in CU management and services were a consequence of learning life principles drawn from a process of action and reflection. One improvement was the clear delineation of work between the board and management. Another was the transformation of ancestral values and traditions of Dayak peasants into social and economic services. Potential members were made to understand that the motivation to become CU members should not be to borrow money since money is only a tool. Rather, as in the Dayak worldview, prosperity should be seen as essentially tied to ecological and social existence. This

means to own land individually or collectively to cultivate for their livelihood; to have access to rivers and forests, a source of livelihood and biodiversity; and to have harmonious social relations and freedom to practice their rituals and spiritual beliefs.

The credit union movement eventually expanded outside Kalimantan (see Table 1). This intensified when A.R. Mecer was elected chair of West Kalimantan BK3D in 1996, and even more so when in 2008 it was renamed *Badan Koordinasi Credit Union Kalimantan* or BKCU Kalimantan. The synergy between BK3D Kalimantan/BKCU Kalimantan and GPPK received support from GPPK programs, particularly PEK-Pancur Kasih, POR-Pancur Kasih and SegeraK-Pancur Kasih (Union of Dayak People Empowerment Movement-Pancur Kasih). Thus credit unions under BKCU Kalimantan clearly have distinct characteristics from those developed by the government-sponsored INKOPDIT (*Induk Koperasi Kredit*/Centre for Credit Cooperatives) based in Jakarta. Mostly based on Dayak customs and traditions, these unique features are:

- a. Products offered, such as savings, loans and solidarity funds are given names unique to the region such as *Saale'atn*, *Pangari*,⁸ *PanaBaS*, *Tampara*,⁹ among others;
- b. Their statutes and bylaws, policies (for guidance), standard operating procedures and other regulations are generally governed by *Pantangan* and *Lala* (taboo and prohibition), which are prevalent concepts in Dayak customs and culture. The taboos and prohibitions are adopted as a code of ethics in the CU service;
- c. Promises and loan agreements are based on the element of *niat-sinsangi* (goodwill) that must be fulfilled or paid. Breaking the agreement would mean consequences for the person who made the promise;
- d. The CUs under the supervision of GPPK activists have developed into a Family Economic Empowerment Movement which encourages parents, their children, in-laws and other relatives to become CU members. Furthermore, a "CU Family" is one of the requirements for selection to the board or controllership;

- e. Loan/savings capitalization is practiced. Credit unions in Kalimantan assert that if loans can be used to buy cars, build houses, pay for education and various other needs, then “borrowing money to buy money” is also allowable. Under this mechanism, the total nominal loan is directly put into savings and recorded in the savings book. This is called loan/savings capitalization, which enables assets to grow rapidly into billions of rupiah. Calling it fictive loans/savings, officers of INKOPDIT Jakarta have disputed it as something that does not make sense, and in a DAPERMA (*Dana Perlindungan Bersama*/Joint Protection Funds) claim, said that it harms their credit unions. Kalimantan credit unions allayed their fears, however, declaring they did not want to harm INKOPDIT and have carried out the policy without encountering any problem.

Kalimantan CUs have also established their own protection funds called *Lintang* (*Perlindungan Piutang*/Loan Protection) and *Tunas* (*Santunan Simpanan Anggota*/Benefit on Members’ Savings). In this regard, credit unions who are members of INKOPDIT Jakarta but coordinate with BKCU Kalimantan continue to pay CU solidarity contributions, but not protection funds, to the former;
- f. As soon as they are established, Kalimantan CUs can appoint a manager with an appropriate salary according to the agreement made in the Strategic Plan, because into their second month they can already receive installment payments and earn from loan interest (see Box for illustration).

How credit union starts earning soon after establishment

Take a credit union with 100 members on its establishment who agree to an Entrance Fee of Rp10,000, Principal Savings (SP) of Rp100,000 and Voluntary Savings (SS) of Rp10,000 every month. Then each member agrees to borrow Rp10,000,000 to be placed in his/her savings and paid in installment for 24 months. Thus on the day of the CU establishment, it can make a collection of Rp13,000,000 ($100 \times \text{Rp}130,000$) and Rp1,000,000 from the entrance fee, which is adequate for operational preparations. In addition, members' savings (SP+SS+SS) amount to Rp12,000,000. In the second month, each member is required to pay the Mandatory Savings and pay loan installments and interest. This would give a cash collection in the second month of Rp54,880,000 ($100 \times [\text{SW}+\text{SS}+\text{Installments}+\text{Interest}]=100 \times (20,000+528,800)=100 \times 548,800$) including loan interest of Rp11,204,397 that can be used to pay for salaries and operational costs. This money will further increase each month, expanding the CU's assets in a year.

The GPPK credit unions are not financial institutions such as PT (*Perseroan Terbatas*/limited liability corporations), CV (Commanditaire Vennootschap, etymologically from Dutch), Firma or banks that should be taxed. Rather they are like fields or plantations where produce is harvested to be brought home, and as such should not be levied. After the produce of the plantation is sold in the market, the government can apply taxes on consumption goods such as vehicles purchased, flying on a plane or entertainment. But GPPK's education program assures CU members that they are good tax payers who should be appreciated because they pay taxes not from excess wealth but from a deficiency of it.

For instance a member who owns a simple house wants to renovate it and in addition wants to buy a motorcycle. He has savings of Rp7,000,000 and borrows Rp20,000,000, with the house as collateral. He pays property taxes (PBB) of Rp5,000 a year. When he borrows from the credit union for house repair and a motorcycle purchase, he would be subjected to a Rp10,000 property tax and motorcycle tax of Rp200,000 a year. This shows that the CU member contributes to taxes collected by the government. Aside from this, he pays entertainment tax. One can imagine if 400,000 CU members pay Rp210,000 in taxes a year; that would mean a total collection

of Rp84,000,000,000. If 100 million Indonesian citizens pay Rp210,000 in taxes annually, then the government would earn Rp21,000,000,000,000. This calculation is based only on two taxable goods.

This means that the credit union movement, which encourages members to improve their economic condition, helps boost local revenue through taxes. This mindset and method has perked the interest of CU boards outside Kalimantan, prompting them to conduct comparative studies including more in-depth research of GPPK-supervised credit unions under the coordination of BKCU Kalimantan.

The development of the credit union movement in West Kalimantan during this period, however, faced some obstacles. Because CU orientation tended to focus simply on asset and membership growth, it triggered competition among CUs especially in the expansion of service areas. This threatened the solidarity of primary CU members of BKCU Kalimantan (now PUSKOPDIT BKCU Kalimantan), which led to the departure of several credit unions and their formation of new credit union cooperative centers. On September 9, 2009, Keling Kumang CU, along with eight other CUs in West Kalimantan, chose to leave BKCU Kalimantan and established the Khatulistiwa Center of Credit Cooperative or PUSKOPDIT. They reasoned that BKCU Kalimantan's geographical area had become too big, adversely affecting communication with its primary members. In June 2010, based on the consideration that their assets and membership were already too large to be dependent on BKCU Kalimantan, Lantang Tipo CU, Pancur Kasih CU and Keluarga Kudus CU also broke away. The three CUs plan to form their own PUSKOPDIT, and to prepare for this process they provided *Jalanan* or Kalimantan Protection Insurance claims, which are managed by their members. *Jalanan* is a collective service product of protection for BKCU Kalimantan members.

At a glance, these events seemed to send the message that the credit union movement was splitting from BKCU Kalimantan. However, BKCU Kalimantan has been fighting for all CUs in general in its lobby to get special recognition for credit unions under the Cooperative Act as they have unique

characteristics that may need special regulation. The government considers the credit union as a cooperative, thus making it taxable.¹⁰

Despite such fissures, the creativity and innovations in the GPPK credit union that have been adopted by many CUs in various regions of Indonesia have brought national recognition to its initiator A.R. Mecer. On December 17, 2010 the Universitas Sanata Dharma (USD) in Yogyakarta presented A.R. Mecer with the USD Award for pioneering credit unions in Indonesia. On Ruai TV and in *Kalimantan Review*, USD Rector P. Dr. Ir. Paulus Wiryono Priyotamtama, SJ declared: "Mecer is an Indonesian figure that is capable of building the transformative strength of communities through CU's, and CU's are no long just economic activities, but also social movements that cause society, especially the underprivileged, to possess value and dignity as human beings."¹¹

Third Wave

In the third wave that began in 2011, GPPK directed its initiatives and efforts towards refining CU concepts, management and support technology and reinforcing the credit union movement as a strategy to empower civil society. The developments in large CUs in West Kalimantan and external trends in the last few years have inevitably influenced the GPPK model of credit union. Although the CU movement had grown wider to reach several regions in the country, GPPK noted that credit unions shaped by its innovations and facilitation were beginning to waver in concept, spirit, values and community orientation. The more a credit union expanded its service area to gain as many assets and members, the more it created competition among CUs.

To address this, the GPPK Secretariat on March 7-8, 2011 held a workshop on revitalizing the CU concept as a strategy for community empowerment. But more than this, the workshop was a concrete realization of the historical achievements of GPPK activists. On April 30, 2011, 30 GPPK activists and three active founders of YKSPK/GPPK established the Pancur



Launching of CUFPPK attended by all the stakeholders. Photo credit: ID



Photo credit: ID

Kasih Peasant Philosophy Credit Union (CU FPPK) that coincided with the commemoration of 30 years of YKSPK. It was in April that YKSPK was founded, while the date 30 represents YKSPK's 30 years of existence as well as the 30 activists (and programs) involved in the establishment of CU FPPK.

The motto of CU FPPK is "Empowerment and Liberation in Brotherly Love." Its vision is to have "Dayak" people and oppressed people in general capable of determining and managing their lives in solidarity and in the spirit of love to realize economic self-reliance, cultural dignity and political independence. Its mission is: "To become an empowering institution for the welfare of its members and GPPK supporters based on the peasants' philosophy that upholds solidarity and fraternity through education and awareness by: (1) Eradicating impoverishment and being kept uneducated; (2) Creating fairer lives; (3) Providing professional financial services."

As an institution and a tool for community economic empowerment, however, the credit union needs to be further strengthened to meet these objectives. It should be capable of raising its own funds to support the welfare of its members, improve its organizational management and have support technology to be able to operate the GPPK model of credit union. To carry these out, it should have knowledge of organizational management of community empowerment and micro finance. This includes integration and information exchange with academicians and professionals in financial management, human resources, strategic management and risk, insurance and banking in relation to credit unions. It also needs to develop a framework to further understand the importance of credit unions in the development of sustainable and fair economies.

In consideration of these needs, BKCU Kalimantan PUSKOPDIT, Universitas Gunadarma, West Kalimantan Provincial Government in cooperation with Universitas Tanjungpura, INKOPDIT and Asian Confederation of Credit Unions held the "First International Conference on Credit Unions" in Pontianak on May 16-20, 2011. The conference had the theme, "Social Micro Finance and Community

Development.” West Kalimantan was selected as the host due to the rapid growth in Kalimantan of CUs advocating the Dayak philosophy that has been capable of guiding at least 400,000 members. The conference, attended by academicians, researchers, CU practitioners, professionals and analysts from 15 countries, was keynoted by the Indonesian Minister for Cooperatives and SME's, Dr. Syarifuddin Hasan.¹²

The three waves of development of the credit union movement in West Kalimantan reflect both successes and failures. Its experiences provide lessons and learning that can further improve and spur creativity in its network as well as CUs in other parts of Indonesia and other countries to advance community economic empowerment. In addition these can serve to inspire and supply a source of energy and new spirit for credit union activists wherever they may be.



Expansion of Credit Unions Outside Kalimantan

The following tables and map illustrate how Pancur Kasih Empowerment Movement has contributed to the spread of credit unions in Indonesia by facilitating their establishment and conducting strategic planning for their further development.

Table 1. GPPK Role in Credit Union Establishment and Development in Kalimantan and other Indonesian Provinces

No.	Year	Credit Union	GPPK Role	Regency/City/ Province
1	1976 (2 February)	Lantang Tipo*) (Established by Pontianak Archdiocese DELSOS/Delegasi Sosial/ Social Delegation)	Pancur Kasih facilitated Strategic Planning for 2001	Sanggau Regency, West Kalimantan Province
2	1985 (12 May)	Khatulistiwa Bakti (Established as a Credit Union Laboratory by Pontianak Archdiocese DELSOS with Pancur Kasih Foundation activists)	Pancur Kasih Foundation activists facilitated its establishment and board	Pontianak City, West Kalimantan Province
3	1987 (May)	Pancur Kasih*)	Facilitated by Pancur Kasih Foundation as a community economic program	Pontianak City, West Kalimantan Province
4	1988 (1 January)	Sehaq	Facilitated by Social Delegation of the Pontianak Archdiocese	Landak Regency, West Kalimantan Province
5	1991 (9 January)	Bonaventura	Facilitated by BKCU Kalimantan in cooperation with Nyarumkop, Singkawang Parish and PEK-Pancur Kasih	Singkawang City, West Kalimantan Province
6	1993 (25 March)	Keling Kumang*)	Initial motivation from A.R. Mecer and Maran Marcellinus Aseng. Strategic Planning in 1997 and initial staff contribution by PEK-Pancur Kasih	Sekadau Regency, West Kalimantan Province

7	1994 (1 April)	Pancur Solidaritas* (initially named Solidaritas CU)	Strategic Planning for 2001/2002 facilitated by POR-Pancur Kasih; CU was later renamed Pancur Solidaritas CU	Ketapang Regency, West Kalimantan Province
8	1994 (1 May)	Sumber Kasih	Strategic planning facilitated in 1997 by PEK-Pancur Kasih	Sanggau Regency, West Kalimantan Province
9	1995 (12 February)	Stella Maris	Facilitated by a founder of Pancur Kasih Foundation and an Asisi High School teacher who was a member of the Stella Maris Catholic Parish. The purpose was creation of an independent Stella Maris Parish, Pontianak	Pontianak City, West Kalimantan Province
10	1995 (14 April)	Pancur Dangeri	Facilitated by Pendiriannya oleh Matheus Pilin. Strategic planning in 1997 facilitated by PEK-Pancur Kasih	Ketapang Regency, West Kalimantan Province
11	1995 (14 May)	Nyai Anta*	Strategic Planning in 1997 facilitated by PEK-Pancur Kasih	Sekadau Regency, West Kalimantan Province
12	1996 (13 June)	Agape	Strategic Planning in 1997 facilitated by PEK-Pancur Kasih	Kabupaten Melawi, West Kalimantan Province
13	1996 (14 April)	Canaga Antutn	Strategic Planning in 1999 facilitated by PEK-Pancur Kasih	Ketapang Regency, West Kalimantan Province

14	1996 (2 June)	Tri Tapang Kasih*)	Establishment, Strategic Planning in 1997, staff facilitated and supported by PEK-Pancur Kasih	Kapuas Hulu Regency, West Kalimantan Province
15	1997 (1 June)	Panemuan Katalino (recently acquired by Pancur Kasih CU)	Establishment facilitated by PPSDAK-Pancur Kasih; in 1998 supported by PEK-Pancur Kasih	Bengkayang Regency, West Kalimantan Province
16	1997 (1 September)	Pangiris Midup (acquired in 2009 by Lantang Tipo CU)	Facilitated by PEK-Pancur Kasih	Ketapang Regency, West Kalimantan Province
17	1998	Pansurat Gunung Bawang (dissolved)	Establishment facilitated by LBBT	Bengkayang Regency, West Kalimantan Province
18	1998 (13 December)	Kusapa	Totally facilitated by POR-PK since 2005	Sanggau Regency, West Kalimantan Province
19	1998 (18 August)	Tuah Menua (recently acquired by Keling Kumang CU)	Establishment jointly facilitated by LBBT and PEK-Pancur Kasih	Kapuas Hulu Regency, West Kalimantan Province
20	1998 (29 September)	Tapokng Borimai (recently acquired by Pancur Kasih CU)	Establishment facilitated by LBBT, then by PEK-Pancur Kasih	Sanggau Regency, West Kalimantan Province
21	1998 (6 July)	Puyang Gana*)	Facilitated by PEK-Pancur Kasih	Sintang Regency, West Kalimantan Province
22	1998 (6 September)	Mante Are	Establishment facilitated by LBBT, currently supported by POR-Pancur Kasih	Sekadau Regency, West Kalimantan Province
23	1998 (9 July)	Usaha Kita	Strategic planning in 1997 facilitated by PEK-Pancur Kasih	Sekadau Regency, West Kalimantan Province

24	1999 (1 July)	Sempekat Ningkah Olo	Establishment facilitated by EAF-Pancur Kasih; strategic planning in 2001 facilitated by POR-Pancur Kasih	West Kutai Regency, East Kalimantan Province
25	1999 (1 March)	Sumber Rezeki, expanded services to South Kalimantan; strategic planning in 2001 facilitated by POR-Pancur Kasih	Barito Selatan Regency, Central Kalimantan Province	
26	1999 (17 February)	Gemalaq Kemisiq	Strategic planning, establishment facilitated by Institut Dayakologi and PEK-Pancur Kasih	Ketapang Regency, West Kalimantan Province
27	1999 (23 October)	Bina Kasih	Facilitated by BKCU Kalimantan in cooperation with Pancur Kasih activists	Pontianak City, West Kalimantan Province
28	2000 (15 October)	Keluarga Kudus*)	Facilitated by Pancur Kasih in cooperation with Kota Baru Parish, Pontianak	Pontianak City, West Kalimantan Province
29	2000 (22 February)	Mura Kopa*)	Facilitated by PEK-Pancur Kasih	Sanggau Regency, West Kalimantan Province
30	2001 (15 October)	Tilung Jaya	Facilitated by POR-Pancur Kasih	Kapuas Hulu Regency, West Kalimantan Province
31	2001 (4 June)	Daya Lestari	Establishment facilitated by POR-Pancur Kasih	Sanarinda City, East Kalimantan Province
32	2002 (10 April)	Petemai Uriip	Strategic planning facilitated by A.R. Mecer, S. Djuweng, Munaldus, Masiun and M. Piliin	West Kutai Regency, East Kalimantan Province

33	2002 (14 September)	Femung Pebaya	Establishment facilitated by Segerak-Pancur Kasih	Malinau Regency, East Kalimantan Province
34	2002 (25 August)	Uma Mentawai	Establishment facilitated by Segerak-Pancur Kasih	Mentawai Regency, West Sumatera Province
35	2002 (Nov)	Arus Laur (recently acquired by Canaga Antutn CU)	Facilitated by PEK-Pancur Kasih	Ketapang Regency, West Kalimantan Province
36	2003 (1 May)	Tani Mandiri (recently acquired by Keling Kumang CU)	Establishment facilitated by PPSHK-Pancur Kasih	Sintang Regency, West Kalimantan Province
37	2003 (10 May)	Muare Pesisir	Strategic planning, establishment facilitated by GEMAWAN Institute, POR-Pancur Kasih, Segerak-Pancur Kasih	Kubu Raya Regency, West Kalimantan Province
38	2003 (25 October)	Alang Jalung	Facilitated by BKCU Kalimantan in cooperation with POR-Pancur Kasih	East Kutai Regency, East Kalimantan Province
39	2003 (26 March)	Batang Asi	Facilitated by Segerak-Pancur Kasih	Palangkaraya City, Central Kalimantan Province
40	2003 (29 August)	Citra Dayak	Facilitated by BKCU Kalimantan in cooperation with POR-Pancur Kasih	West Kutai Regency, East Kalimantan Province
41	2004 (10 November)	Sari Intugin	Facilitated by GEMAWAN Institute with support of ANPRI Kalbar of which Pancur Kasih is a member	Sambas Regency, West Kalimantan Province
42	2004 (17 September)	Sabhang Utung	Facilitated by POR-Pancur Kasih	Sintang Regency, West Kalimantan Province

43	2004 (7 February)	Remaung Kecubung	Establishment facilitated by POR-Pancur Kasih	Pangkalanbun Regency, Central Kalimantan Province
44	2005 (4 April)	Mambu'in	Facilitated by BKCU Kalimantan in cooperation with POR-Pancur Kasih	Manokowari Regency, West Papua Province
45	2005 (8 April)	Almendo	Facilitated by POR-Pancur Kasih in cooperation with BKCU Kalimantan	Sorong Regency, West Papua Province
46	2006 (15 May)	Bererod Gratia	Facilitated by BKCU Kalimantan in cooperation with POR-Pancur Kasih	Jakarta City, Special Capital Territory of Jakarta
47	2006 (15 September)	Bahtera Sejahtera	Facilitated by POR-Pancur Kasih in cooperation with BKCU Kalimantan	Maumere City, East Nusa Tenggara Province
48	2006 (16 June)	Cindelas Tumangkar, expanded its services to Central Java	Establishment facilitated by Segerak-Pancur Kasih	Sleman Regency, Special Administrative Region of Yogyakarta
49	2006 (20 August)	Sinar Papua Selatan	Facilitated by BKCU Kalimantan in cooperation with POR-Pancur Kasih	Merauke Regency, Papua Province
50	2006 (23 June)	Eka Pambelum Itah	Establishment facilitated by Segerak-Pancur Kasih	Sampit Regency, Central Kalimantan Province
51	2006 (7 July)	Sinar Saron	Facilitated by BKCU Kalimantan in cooperation with POR-Pancur Kasih	East Flores Timur Regency, East Nusa Tenggara Province
52	2006 (8 June)	Rajeh	Facilitated by Segerak-Pancur Kasih	Jember Regency, East Java Province
53	2006 (7 December)	Sauan Sibarrung	Facilitated by POR-Pancur Kasih in cooperation with BKCU Kalimantan	Makale Tana Toraja City, South Sulawesi Province
54	2007 (13 June)	Gerbang Kasih	Facilitated by POR-Pancur Kasih in cooperation with BKCU Kalimantan	Ende City, East Nusa Tenggara Province

55	2007 (25 July)	Prima Danarta		Facilitated by POR-Pancur Kasih in cooperation with BKCUC Kalimantan	Surabaya City, East Java Province
56	2007 (28 September)	Mekar Kasih, expanded services to Central Sulawesi, South East Sulawesi and North Sulawesi		Facilitated by POR-Pancur Kasih in cooperation with BKCUC Kalimantan	Makassar, South Sulawesi Province
57	2007 (30 November)	Hati Amboina		Facilitated by POR-Pancur Kasih through BKCUC Kalimantan	Ambon City, Maluku Province
58	2007 (8 June)	Kasih Sejahtera		Facilitated by POR-Pancur Kasih in cooperation with BKCUC Kalimantan	Atambua City, East Nusa Tenggara Province
59	2007 (9 June)	Kingmi		Facilitated by Segerak-Pancur Kasih in cooperation with BKCUC Kalimantan	Pontianak City, West Kalimantan Province
60	2008 (26 June)	Likku Aba		Facilitated by BKCUC Kalimantan in cooperation with POR-Pancur Kasih	Sumba City, West Nusa Tenggara Province
61	2008 (4 December)	Mototabian		Facilitated by POR-Pancur Kasih in cooperation with BKCUC Kalimantan	Mobagu City, South Sulawesi Province
62	2009 (1 May)	Ndar Sesepek		Facilitated by BKCUC Kalimantan in cooperation with POR-Pancur Kasih	Agat Regency, Papua Province
63	2009 (15 January)	Jembatan Kasih		Facilitated by BKCUC Kalimantan in cooperation with POR-Pancur Kasih	Batam City, Riau Islands Province

Source: BKCUC Kalimantan (August 2009). The data above were verified and completed by Heronimus Ungking, Edwardus Edy Susanto and Antonius Anyu (GPPK facilitators).

Note: *) are CUs that have revoked their membership from PUSKOPDIT BKCUC Kalimantan.

Table 2. Membership and Assets of 10 Credit Unions facilitated by GPPK outside West Kalimantan

No.	CU Name	Area	Year of Establishment	Members & Assets on Establishment		January 2009	
				Members	Assets*)	Members	Assets*)
1	Sempekat Ningkah Olo at Cingan Danum	East Kalimantan	1 July 1999	30	300	2,698	14,032,780
2	Daya Lestari at Samarinda	East Kalimantan	4 June 2001	35	350	14,490	143,895,715
3	Petemai Urip at Samarinda	East Kalimantan	10 April 2002	20	200	2,950	2,500,000
4	Femung Pebaya at Malinau	East Kalimantan	14 September 2002	30	300	7,227	39,237,612
5	Citra Dayak at Kutai Barat	East Kalimantan	29 August 2003	27	270	669	1,795,200
6	Alang Jalung at Ritan Baru, Tabang Kutai Kartanegara	East Kalimantan	25 October 2003	26	260	597	3,310,512
7	Sumber Rejeki at Ampah	Central Kalimantan	1 March 1999	30	300	22,035	159,709,114
8	Batang Asi at Palangka Raya	Central Kalimantan	26 March 2003	15	150	14,458	189,000,000
9	Remaung Kecubung at Pangkalan Bun	Central Kalimantan	7 February 20 04	20	200	9,530	81,582,294
10	Eka Pambelum Itah at Sampit	Central Kalimantan	23 June 2006	30	300	3,000	29,629,717

Source: Data as processed by BKCU Kalimantan; documents by Anu Lanu A. Linga 2009.

Note: *) in thousands of rupiah.

The development of credit unions in other areas of Indonesia shows that the GPPK credit union movement is a community economic empowerment strategy that is relevant to the present conditions of the country. The GPPK credit union works under the principle of self help: help yourself first so you can assist others in accordance with the principles of solidarity. No matter how small or big a person's potential is, when it is combined with that of others, the resulting capability creates strength to bring about change. This process is started, grown and controlled through education, which enables transformation to occur. The education process for CU members can change mindsets, attitudes and erroneous beliefs, such as one is too poor and uneducated to take action or a mentality of dependency. By altering their mindsets, members can begin to take real action together that can lead to a better life. This is the process of liberation and empowerment for communities.

The GPPK credit union provides both economic and non-economic benefits. In terms of the former, members are inculcated through continuous education with the values and spirit of savings that help them to plan and improve their future. However, money is not the purpose but only a tool. Thus they learn to build and develop their savings for the future, while they can use their daily savings to fulfill basic needs such as food, clothing and housing.

Moreover, a member who borrows money to invest in business activities also takes part in improving the economy of a locality. The more varied these businesses are, the higher the improvement in the local economy. Aside from creating jobs, the member, when fully repaid on his loan, generates savings which increases through a compounded interest (Amu Lanu A. Lingu 2009).

The GPPK model of credit union also supports the fulfillment of its members' social and ritual-spiritual needs. Savings for social services, which are used to show solidarity as in times of a member's death or illness, essentially strengthen social solidarity and ritual and spiritual values of members. The CU movement supports reciprocity of needs among members who possess cultural, social, ethnic and religious differences.

Critical education that teaches members the principles and practice of solidarity, self-support, tolerance and humanity ultimately contributes to efforts to build peace and justice.¹³

The credit union's contribution extends to the natural environment of the community. It helps to reduce speculation on lands and traditional areas of the Dayak people and strengthens their bargaining position with external parties and interests. The CU movement in Kalimantan is supported directly or indirectly by researchers and academicians as well as by nongovernment organizations that espouse sustainable environment and natural resources management, cultural revitalization and indigenous peoples' rights.

Two decades of the GPPK credit union movement in Kalimantan have significantly changed the way the Dayak people view themselves, showing that independent development is possible. Through the credit unions, they experience the process of development that can empower and liberate them from the condition of hopelessness without damaging their culture and identity as indigenous people.¹⁴ A credit union that faithfully upholds the above principles and is based on a foundation inspired by Dayak philosophy fundamentally reflects the people's unique social, economic and cultural development. By combining Dayak cultural and philosophical values with financial management systems, the GPPK model of credit union has become an economic and cultural medium for empowering and liberating Dayak and other marginalized communities within their context as well as universally as it can easily be adopted elsewhere.

Endnotes

¹ Written by Richardus Giring with the assistance of Maran Marcellinus Aseng and P. Ellen Barbaro.

² YKSPK, often called Pancur Kasih Foundation, is the organizational embryo of GPPK or Pancur Kasih Empowerment Movement officially established on April 24, 1981. GPPK is an empowerment movement conducted by a group of people organizationally associated with Pancur Kasih to liberate marginalized people from oppression, injustice and discrimination through a process of self-empowerment and affirmation and through structural changes using peaceful and inclusive ways to achieve a better social, economic, cultural, political, and ecological order. How the Dayak empowerment movement in West Kalimantan expanded its scope of influence beyond the island of Kalimantan is discussed in the book, "Pancur Kasih Empowerment Movement."

³ See Moody and Fite 1971, 26.

⁴ On August 30, 1994 at 18:20, KB CU's 3-storey office was burned down. Behind the KB CU's office were a traditional market and slums where the fire started. It was a trying time for the board and members, and many people thought that KB CU would never rise again. Because the board remained steadfast, the credit union successfully held an Extraordinary General Member Meeting at the Pasifikus KA Building in Pontianak. On this occasion, KB CU chair Maran Marcellinus Aseng encouraged everyone with the following statement: "KB CU did not burn down. What burned down was a 3-storey office building, desks, chairs, and all archives, including a cash box with a 25cm x 35cm dimension that contained Rp30,000. This is KB CU's Legal Deed of Establishment that has burned edges. We still have strength to fight this with the fiery courage of the members. This fire will create more enthusiasm for the members to continue to establish KB CU." During the RUALB (*Rapat Umum Anggota Luar Biasa*/Extraordinary Members' General Assembly) many members donated money, chairs, desks, typewriters, and paper. But what was more valuable was the member's spirit and belief in KB CU. The fire became a turning point that caused the board's and members' spirit to rise. KB CU subsequently rented a place behind the Pontianak Archdiocese Catechetical Center, and the rent was paid by Pontianak Archdiocese PSE chaired by Pius Alfred Simin. Marcel Djawa Lodo served as the manager, assisted by Johni Kurniawan and Serapin as cashier. During this difficult time (1990-1996) KB CU was led by Dr. Maran Marcellinus Aseng, one of YKSPK's founders and activists (interview with Maran Marcellinus Aseng on January 24, 2011).

⁵ See INKOPDIT 2010, 170. Knowing the condition, the chairperson and manager of BK3 Indonesia tried to persuade Mecer to return and manage BK3D West Kalimantan, but the latter declined.

⁶ *Suba' Panyangahatn* (Dayak Bukit-Kanayatn language) denotes pay/stipend for a person who prays in a traditional ritual.

⁷ ACCESS Branding is discussed in a subsequent chapter.

⁸ *Saale'atn* among the Dayak Bukit (Kanayatn) subethnic group in West Kalimantan refers to a rotating work group who cooperate in agricultural activities. *Pangari* refers to the practice of *Saale'atn*. The Pancur Kasih CU voluntary savings service that adopted these terms is discussed in Chapter III.

⁹ *PanaBaS* stands for *Panamutn Bahata Saruga* (*Subayatn* or the world of the dead). In the Dayak Bukit (Kanayatn) language, it means a place to store food for the journey to *Saruga* (heaven) or *subayatn*. *PanaBaS* is also a farming tool used to clean roads or cut grass and bushes. *PanaBaS* as a Pancur Kasih CU social product (discussed in Chapter 5) is a form of solidarity between CU members in times of death. *Tampara* is an acronym for Tabungan Persiapan Hari Raya (savings product in preparation for the holiday) at Canaga Antutn CU in Menyumbung, Ketapang. *Tampara*, adopted from the Dayak Krio language, means the place above the stove where local seeds are safely stored and meat from a hunt is left to dry, a commonly used method of preservation among Dayak in Kalimantan.

¹⁰ Based on the understanding that CUs must obtain government recognition in the Cooperative Act, BKCUI Kalimantan PUSKOPDIT has been proactive in overseeing the Draft Cooperative Act under deliberations in the House of Representatives (DPR RI). For this reason, in early 2010 PUSKOPDIT formed the Draft Cooperative Act Advocacy Team, with A.R. Mecer, Prof. Dr. Thambun Anyang, Dr. Amu Lunu A. Lingu, Stefanus Masiun, Thomas Silvester, Sulistiono, Pastor Fredy Rante, Damianus Djampi, Serafin, Frans Laten, and Marselus Sunardi as members. The team's position was that among the different types of cooperatives, credit unions should be categorized under credit union cooperatives because they are different from savings and loans cooperatives. Under the Draft Cooperative Act, a cooperative loses its autonomy due to the enormous amount of government intervention. In February 2010, the team held a discussion with DPR RI and DPD (Dewan Perwakilan Daerah/Regional Council of Representatives of the Republic of Indonesia) RI in Jakarta (see Kalimantan Review Magazine Number 188/XX/April 2011, pages: 38-42).

¹¹ See *Kalimantan Review* 2011, 9-10.

¹² See *Kalimantan Review* 2011, 58.

¹³ Mecer 2007, 90-101. The book profiles 17 Asians who have persevered in building peace and reconciliation through their work, showing the way to a more just and peaceful path.

¹⁴ Bamba 2010, 16-17. This is a concise version of his paper presented during an international conference entitled “Self-Determined Development: Lesson From Kalimantan Credit Union Movement” at the “UN Indigenous People Expert Team” in New York, 12-14 January 2010. He is one of the UN Experts for Development Programs based on Culture and Indigenous Tribe Identity.

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Chapter

3

GPPK Credit Union Movement: Inspiring the Nation¹

Benyamin Efraim



When people in Kalimantan and in Indonesia in general hear the words *Pancur Kasih*, what may immediately come to mind is Pancur Kasih Credit Union. They may also think about Pancur Kasih Social Work Foundation, Pancur Kasih Empowerment Movement or other institutions that carry the name “Pancur Kasih.” Today 30 years after Pancur Kasih was first used, another institution using the same words has emerged—the Pancur Kasih Peasant Philosophy Credit Union (*Credit Union Filosofi Petani Pancur Kasih*) or CU FPPK. But what is Pancur Kasih? A look into the history of Pancur Kasih Empowerment Movement would show its conception, since its use cannot be divorced from the role of YKSPK.²

Development of Pancur Kasih Credit Union

It is possible that people may have come to know about Pancur Kasih Empowerment Movement from the Pancur Kasih Credit Union, or the other way round as a social movement with programs that work for community empowerment. This kind of understanding would not be uncommon as PK CU is GPPK's brainchild that has surpassed its creator by developing into one of the biggest credit unions in Indonesia.³

In 1987, five years after YKSPK opened Santo Fransiskus Asisi Elementary School—the fulfillment of its vision of formal education as the basis for empowerment—YKSPK activists embarked on other forms of empowerment.⁴ The strategic choice was the economic arena for ideological and practical reasons. At the time, the social and economic status of YKSPK activists was about the same as that of teachers of Asisi Elementary School. Another consideration was the foundation's big vision: to empower the Dayak indigenous community. But how could the YKSPK activists be credible if they themselves were as poor and powerless as the Dayak villagers? In other words, how could a hungry person empower others?

Learning from its experience in establishing and managing the successful Khatulistiwa Bhakti Credit Union pilot project, YKSPK established its own credit union on May 28, 1987 to serve its members. Named simply Pancur Kasih Credit Union, it had the simple objective to improve the social and economic lives of the families of the YKSPK activists who had difficulty in meeting daily family needs as a result of low incomes.⁵ Although other lending groups such as the family *arisan* (revolving deposit-credit among members of a group) and small cooperatives could be availed of, what they could loan was inadequate to cover the most basic necessities to survive in Pontianak City. If they could not even cope with these, then it would be so much harder to plan or prepare economically for the future.

The Pancur Kasih Credit Union became a member of the West Kalimantan Credit Cooperatives Coordinating Body

or BK3D along with those earlier established: Lantang Tipo CU, Sehaq CU and Khatulistiwa Bhakti CU. After several years, PK CU's membership and assets rose, although the increase was not as significant as that of other credit unions. Its slow development was caused by several factors. First, PK CU was looked at as exclusive ever since it started. Its office was located in the YKSPK complex, making it less visible and contact with outside groups less frequent. Second, there was a great distrust towards credit unions since many of those that had been established went bankrupt.

People also hesitated to join credit unions. The main reason was that the CU obliged members to put in savings monthly as a requirement to be an active member, yet the motivation to become a member was still conventional—to borrow money. How was it possible for people to save when they needed to borrow money for their daily needs? Widespread, this wrong notion defined saving as an activity of setting aside whatever money was left after spending the income to meet daily needs. Thus if all the income were used for necessities, there would be nothing to save. In this context, saving could never be a part of daily needs. This kind of perception became the starting point for developing and modifying Pancur Kasih Credit Union. In its socialization and education programs, PK CU taught members to treat savings not as an additional activity but as part of the needs that have to be included in a household or personal budget. No matter how much the income is, savings should have an allocation. Members had enough leeway to develop their financial ability as PK CU provided for savings products, which were compulsory (with certain amount) and voluntary (based on capability).

The continuous existence of PK CU had a positive impact on communities. The favorable testimony of members and the benefits they received were evidence that it truly provided advantages and was well managed. PK CU then started to move out from the YKSPK compound, and seeing that community enthusiasm was getting higher, it started a new chapter in 1994. If previously it only served the community especially members in Pontianak, now it began to open new *Tempat Pelayanan* (TP, Service Point) outside Pontianak, focusing on

sub-urban areas (Landak District which at that time was part of Pontianak District) and even several other districts in West Kalimantan.

The decision to spread its wings and expand to the suburbs was not without serious consideration. The challenge came from Herman Abel, a work partner from the nongovernment organization, NOVIB, in a meeting with the YKSPK Board in 1994. His assertion that those who needed a financial organization were the poor people in villages⁶ became YKSPK's motivation to spread out. PK CU rapidly conducted socialization and education among rural communities particularly the Dayak. To support the work in organizing member candidates and basic education for its regular members, YKSPK established an independent work unit that was later called Civil Economic Empowerment-Pancur Kasih. All other programs of GPPK subsequently worked to raise awareness among Dayak communities on the importance of attaining economic empowerment through the credit union. This influence also later encouraged YKSPK activists to build credit unions in their own villages especially those who lived far from PK CU service points.⁷ Pancur Kasih Credit Union thus became known quite well in the Dayak indigenous community especially in West Kalimantan.

The Dayaks' positive response to the GPPK movement contributed to the rapid development of PK CU. From year to year, new service points were opened in different areas, making services to members more effective. A bigger change occurred in early 2000s when a new innovation by A.R. Mecer was implemented and strategic planning was adopted in CU management. This was the phase when the credit union was transformed from a savings and loan body, as how it is commonly known, to an institution for empowerment in which members can plan, design and manage their life. Implementing and emphasizing the idea that money is only a tool and that the member's character is the most important thing to be managed became the foundation for its development. From this understanding, all credit unions facilitated by GPPK and under BK3D-West Kalimantan started to implement strategic planning as their basic development activity.

The foregoing discussion clearly shows that PK CU historically could not have been born and developed without the active role of YKSPK. It was YKSPK's child, thus its existence cannot be separated from YKSPK and GPPK. This fact is important as it is part of its history. By reflecting on history, people can improve the present condition and prepare for the future. Forgetting the past is not only to leave the values and original spirit of established activities but also to mortgage the future by the absence of learning from past experiences.



Peasants' Philosophy as a Way to Salvation

Credit unions have proliferated all over the world since the first one was introduced in Germany in the 19th century. Although their basic principles and values are universal, adjustments are made in the institution to fit the local context in which it is developed to make it more socially acceptable. This is why credit unions differ in characteristics, especially in the aspect of service products that try to respond to the financial challenges and problems of members.

The Dayak indigenous community, who mostly live in the sub-urban area of West Borneo where GPPK started and developed its empowerment program, practice a very strong farming culture. Farming is the main activity that ensures their life and survival. It reflects most of their values and life philosophy as Dayak people, and it is these values that have influenced and played an important role in the improvement of the GPPK credit union movement.

In his reflection A.R. Mecer, the initiator of GPPK who has constantly improved CU movements in many parts of the country, concluded that peasants need to fulfill at least four requisites to survive and to live a life that is socially meaningful and useful. Mecer formulated these essential conditions as “4 Ways to Salvation,” which later came to be known as Peasants Philosophy;⁸ these conditions are:

1. Food and Drink. These are the first things human beings and other living creatures need to keep alive.

Nature has provided the sources which can be directly consumed or should first be processed. Next to food and drink are clothing and shelter. People naturally respond to situations where these prime necessities have to be met. When they are hungry they have to find some food, when cold they have to put clothes on, and the natural elements demand that they have suitable shelters. These are the essential needs that should continue to be developed for people to live better lives and not merely to survive. Primary necessities are those that must be addressed at once and cannot be postponed for a long time. Because of their primary nature, these become the main condition for people to fulfill their duties and dreams.

2. Seeds. For peasants, the availability of seeds is crucial for their food supply. At the start of every agricultural cycle, they sow seeds from a previous yield or if their harvest fails, they work with other peasants as they support one another. Seeds can be grouped into several categories based on type or maturity. Vegetables usually grow faster than others, corn is harvested earlier than rice paddy, and rice paddy matures earlier than tubers. Similarly it takes longer for trees such as rubber and *tengkawang* (a kind of fruit plant or *shorea sp.*) to be harvested than rice paddy.
3. Social life is another requirement for peasants to sustain their existence. As the saying goes, “no man is an island.” Man is a social being who cannot live in isolation. He needs a social environment which can guarantee him a life of sharing and reciprocity with fellow human beings. And peasants usually give without hoping for anything in return. Peasants especially need social support in their agricultural work, starting from opening a field until post-harvest activities, and in times of difficulties or disaster. In the Dayak people’s tradition, this social life was clearly reflected in the communal life of the *rumah panjang* or longhouse. Happiness, fortune and misfortune were experienced communally.

4. Spiritual life is essential for man to fulfill his psychological needs and to maintain a balance in his physical life. Spirituality and performance of rituals mean that man acknowledges his limitations and flaws and a power greater than him. The almighty power is called by different names, such as God, Allah, *Dewata*, *Duwataq* or *Jubata*. Rituals are a human spiritual need and an important part of human life.



Transforming Peasants' Philosophy in Credit Union

The real foundation of the success of credit unions assisted by GPPK was transforming the peasants' daily philosophy to the Standard Credit Union Financial Structure and products and services for members. The human necessities essential for survival—food and drink, seeds, social life and rituals—were reworked as products in the standard CU financial structure as illustrated in the following table:

Table 1. Financial Structure

Assets	Liabilities
Liquid Fund 10 – 20 % (A1)	Share Saving 10 – 20% (P1) • Main Saving • Compulsory Saving
Distributed Loan 70 – 80% (A2)	Non Share Saving 70 – 80% (P2) • Daily Saving • Seed Saving
• Negligent Credit, Max 5% from Distributed Loan (A3) • Unproductive assets. max. 5% from the Asset. (A4)	Institution Capital Min. 10% (P3) consists of: • Risk Reserve and General Reserve • Social Fund, etc. which are institutionally managed by CU (not personally owned)

The financial structure shows the kinds of member contribution and participation (see Assets column) in the credit union and the ways in which these are managed (see Liabilities

column) based on financial standards. Share and non-share savings ensure physical short term and long term necessities (up to 90%), and these are balanced by the allocation for non-physical or spiritual needs in the form of institution capital (up to 10%).

Share Savings is the requirement that enables a member to develop the seeds or investment. It can be disbursed anytime needed. This fund is the warranty that the credit union can accommodate a member's necessities that cannot be postponed, including when he wants to leave the credit union. Non-share Savings is the materialization of food and drink necessities. This fund is managed to fulfill a member's needs both for short term (daily and emergency needs) and long term necessities (e.g., children's education) and developed productively (business capital). Institutionally the credit union develops member savings with a high interest that has been attempted at a level higher than the inflation value.

Institution Capital is obtained from members' direct contributions, such as beginning fee, building fee, education fee and solidarity fee both for health and grief (e.g., for members who pass away). Another source is the contribution from Sisa Hasil Usaha or annual dividend. Generally this fund has to be able to cover negligent loans and procurement of facilities as fixed asset to support operational work. Then it can be said that the Institution Capital is both a form of member solidarity towards CU institutional development and membership (social) and embodiment of the fulfillment of spiritual needs.

Opening up CU Membership

Initially the credit unions built on the GPPK model seemed exclusive since they started from small groups, including PK CU which was developed from, by and for YKSPK activists. Like other CUs, the small groups usually had similar backgrounds in terms of profession, religion or social class. But as they developed, they opened their institutions to the public as obliged by CU universal values and character. As an empowering movement, credit unions offered a means to find

relief from economic problems to anyone who could overcome the limits of exclusiveness. Qualitative data on members' social background are as yet unavailable, but the universal value of CU service requires that all members should be treated and served equally. The target are people who want to empower themselves socially and economically.

The success of the GPPK credit union movement in opening CUs to the general public paved the way for GPPK to campaign for a culture of peace and multiculturalism. West Kalimantan had been plagued by a history of chaos and violence triggered by ethnic differences. Thus CU education, which is the institution's core, promoted values of peace and multiculturalism to members from different ethnic, social and economic backgrounds. One assumption GPPK tried to demolish is that cultural differences are the main reason for the conflict between ethnic groups. Rather, it emphasized that cultural diversity is a potent force to improve people's social and economic lives. It showed that the credit union provides opportunities for new social relations, broader knowledge, understanding other cultures, building networks, and helping others. To realize this, GPPK through the initiative of Institut Dayakologi established in 2007 the *Aliansi NGO untuk Perdamaian dan Rekonsiliasi* (ANPRI) or Alliance of NGO for Peace and Reconciliation in West Kalimantan. ANPRI, which aims to foster a peace culture based on an appreciation of cultural diversity,⁹ includes the credit union movement, both primary CUs in Pontianak that have a high multiethnic membership and the secondary level of BCKU-Kalimantan.



Strengthening Partnerships and Movement

Another CU movement, initiated by the Social and Economic Commission of the Archdiocese of Pontianak, developed in West Kalimantan. The Commission in cooperation with CUCO (INKOPDIT/Indonesia Coordinating Body of Credit Cooperatives or BK3I) set up many credit unions in parishes. Developed in conventional ways, these were primar-

ily loan and savings institutions, but most of them eventually went bankrupt and closed down because of mismanagement. The main problem was the founders' limited capacity and understanding of cooperation principles and values. And the CU product itself could not answer the economic problems of the members and the community. These difficulties were hard to overcome because every credit union had its own mission without any real cooperation or support from other primary CUs and institutions. The collapse of these CUs created distress among communities, which slowly led to a crisis of trust in credit unions.

Since its establishment, Pancur Kasih Credit Union has been totally supported by GPPK. Through the facilitation of GPPK's working units, such as Civil Economic Empowerment-Pancur Kasih, Bela Banua Talino Institution, Institut Dayakologi and others, PK CU expanded to the entire region. This networking was vital in its development especially in its first 20 years. Aside from the GPPK internal network, PK CU was assisted by the Credit Union Coordination Body-Kalimantan (formerly BK3D-West Kalimantan), which provided activity coordination, educational facilities and training to improve CU activists' capacities.

The GPPK working units had their own strong foundations, being rooted in the community especially in the rural villages. This helped to popularize the CU movement and hasten its development. One approach was through community leaders who became a strategic entry point to regain and rebuild the community's trust. A prominent characteristic of the GPPK CU movement was how it integrated community economic empowerment, using the credit union, with other empowerment programs. It worked on the principle that economic empowerment should enhance other aspects of life. It would be less meaningful for instance if one's economic situation improved but his social and cultural condition declined. In other words, economic upliftment cannot be attained at the expense of other dimensions of life, such as environmental sustainability. It has to be balanced by other empowering institutions such as traditions, culture, sound environment and solidarity, which should take priority over competition and individualism.

In early 2000s when many CUs had been developed by GPPK, it was obvious that the credit union could make a big impact on the community especially its members. This situation opened a new horizon for people's economic empowerment by civil society in Indonesia particularly the GPPK network. GPPK inevitably became a place and source of information for many people who wanted to develop similar institutions in other places. It is thus that GPPK-inspired credit unions developed not only in Kalimantan but all around the country.

Contribution to Development in West Kalimantan

It is difficult to say what exactly the credit union movement's contributions are to the development of West Kalimantan. It is also not right to say, however, that it has not contributed anything at all. The difficulty lies in the fact that no comprehensive research has been done nor are data available from primary or secondary credit unions. A second reason is that the CU movement does not place capital as the primary and most important object to be managed but the mindset and behavior of members. The CU's main impact is more qualitative than physical. For instance, a seminar on Community Economics as the Basis of Development held by the International NGO Forum for Indonesia Development (INFID) in June 2009 gave tacit acknowledgment that the CU movement in West Borneo can be a model for a community economic movement in Indonesia. Invited as resource persons were not only government bureaucrats and academicians but practitioners and NGO activists involved in community economic empowerment. This shows that the credit union movement has proven that through it people can be the agent for economic development since they can learn, organize and utilize their potentials to empower themselves.

One of the strengths of the GPPK credit union is that it is developed through a democratic system. Although most members are from the middle and lower economic classes, they generally do not look at their social, economic or religious differences. This demonstrates that people are the CU's

strength and basis because they become the owner, manager and direct recipient of benefits. In a social and economic way, the main purpose of CU members is to move out from poverty by engaging in productive activities to increase the capital they invest in the CU. This is a manifestation that people can manage a credit union independently.

West Kalimantan is one of the poorest provinces in Indonesia, ranking in 2007 as 29th of the country's 33 provinces with the lowest income rate of all four provinces on Borneo island. For its poor communities that lack capital for productive activities and have no access to lending institutions, the credit union offers an alternative model to empower and enable them to break out of poverty.



PK CU: A Lesson in Social Movements

The Pancur Kasih Credit Union has been an integral part of GPPK, being built on the GPPK ideology to free people from oppression and backwardness particularly in the economic sphere. That is the reason behind the name given to it—Pancur Kasih, which means spreading love. The name became a trademark that influenced the community's level of acceptance and support for it. Its existence obviously cannot be detached from the “brand” of Pancur Kasih itself; thus, joining PK CU also meant supporting the idealism and values of the GPPK empowerment movement.

As one of its components, PK CU had a strong and strategic position in the GPPK network. Aside from the huge support of the community, it held big capital. As a movement integrated in other aspects of life, PK CU was an institution that struggled for both social and economic interests, as these are interconnected. Economic empowerment that is not followed by an understanding of social values would only produce a community that could be dragged in the rough current of a global economy dominated by neo-liberalism. And without human and social values, people could act without morality or rules, including destroying natural resources and exploit-

ing others to advance their economic position. However from the perspective of a social movement, PK CU was the most vulnerable to potentially negative external influences and ideologies. In addition, while the social and economic diversity of members was a big strength, it posed at the same time the threat of conflict due to colliding interests.

Understanding the GPPK movement's ideology and its implementation is a challenge to many social movements that make transparency and universal values a priority. And this was the case with PK CU. After more than 20 years, PK CU separated from GPPK in 2010. An influencing factor was a big gap in the understanding of the movement by the board, staff and members. The lack of understanding may even have been greater among the members since they had different motivations and interests in joining the credit union. In addition GPPK internally did not have its own standard mechanism for transmitting its ideology. The medium used—values internalization process—was perceived to be less than optimal in answering the need. The process and capacity for understanding non-technical values was slow and inadequate, and these were overtaken by the rapid growth in membership and assets.

This development provides many lessons for similar movements in other places. Some can take its wisdom to renew and contextualize social movements in order to be more effective in responding to challenges.



CU FPPK: New Spirit of Integrated Empowerment Movement

For GPPK the “failure” in instilling its philosophy in PK CU was seen as a reality from which to gain knowledge and insight. It is a situation that often happens in movements. For GPPK, however, which has existed for more than 20 years with a mission to empower communities through three integrated components—economy, culture and politics—PK CU's disengagement weakened its program of empowerment. To

address this, GPPK took the simple but strategic decision to create a new credit union.

Reflecting on the long journey of PK CU as part of GPPK in West Kalimantan, it can be said that PK CU arrived at the right moment to fill in the absence of government, which has the main responsibility to act on the economic problems of communities. People responded to PK CU because its programs and services directly touched their social and economic lives. Yet it has to be noted that the desire to meet urgent economic necessities is a natural human tendency. Thus the reason why people joined PK CU may not have been related at all to the spirit of values and understanding of GPPK's vision and mission. The new credit union to replace PK CU, therefore, had to be well designed to answer GPPK's mission. It had to be able to adapt to global challenges and optimally contribute to improve communities' quality of life especially of its members.

To attain this, 30 programs/units of GPPK agreed to establish the Pancur Kasih Peasant Philosophy Credit Union on April 30, 2011. The CU FPPK, to which these programs have infused all the empowerment work and real spirit of GPPK, has to reflect the GPPK vision; it should manage not only capital but also its members to become persons who practice and advance the spirit of solidarity and togetherness. From all the idealism motivating CU FPPK, what makes it different from other CUs is how it is implementing the peasants' philosophy in its products and services to enhance the physical, social and spiritual well being of its members

The learning and lessons from the journey of GPPK and PK CU are not only for GPPK's internal organization but also for other social movements that work in communities where government is deficient or absent. Whatever condition the GPPK credit union movement is in today, its experiences have inspired many communities in the country and people from other nations to do comparative studies, join internship programs and request facilitation in developing similar movements in their communities. This is a fact we can be proud of. Kalimantan and its Dayak indigenous community, which has been labeled "stupid and uncivilized," have made a useful contribution in generating economic wealth for many people.

Endnotes

¹ This chapter was written by Benjamin Efraim, an activist of Institut Dayakologi; he is also a committee member of CU Gemalaq Kemisiq, a credit union facilitated by GPPK in Ketapang District West Kalimantan and one of the founders of Pancur Kasih Peasant Philosophy Credit Union.

² Read *Merentang Sayap Menjejak Bumi* about the history of Pancur Kasih Empowerment Movement, Pontianak. 2011.

³ By 31 December 2010, PK CU had an asset of Rp887,640,772, with 90,287 members, just slightly below CU Lantang Tipo's 104,927 members (*Eksistensi dan Partisipasi Koperasi Credit Union dalam Membangun 'Ekonomi Kerakyatan' di Indonesia*). National Seminar material, Sheraton Media Hotel and Towers, Jakarta: 6 May 2011.

⁴ Formal education was chosen as the foundation to start empowerment in other fields. It came from the awareness that lack of education and poverty would only be solved if critical awareness of the community had improved. YKSPK started its movement through the educational path by establishing SMP Santo Fransiskus Asisi (1981) and SMA Santo Fransiskus Asisi (1984). In the management of GPPK, both schools are called Asisi Schooling.

⁵ It was recently realized that the real problem was bad family financial management; no matter how big the income, it would never be enough to fulfill basic necessities without good management.

⁶ Interview with A.R. Mecer at Jl. Sintang, P-6 Pontianak, 6 October 2009.

⁷ Several examples: Masiun initiated the establishment of Keling Kumang CU in Tapang Sambas-Sekadau District, 1993; A.R. Mecer, the establishment of Canaga Antutn CU in Menyumbang Village-Ketapang District, 1996; John Bamba; the establishment of Gemalaq CU Kemisiq in Tanjung-Kabupaten Ketapang, 1999; Matheus Pilin, the establishment of Pancur Dangeri CU in Simpang Village, Two Ketapang Districts.

⁸ *Ibid.*

⁹ ANPRI is an alliance of several NGOs located in Pontianak, West Kalimantan which actively campaign for peace culture and appreciation of cultural differences. It was established as a response to the conflict in West Kalimantan caused by ethnic or cultural differences.

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Chapter

4

Education that Liberates: The Primary Pillar of the Credit Union¹

Sarvianus Mimi



Education causes a person to experience liberation from oppression and domination, thus creating a new person with new thoughts, new words, new habits and a new character that has more value and is in the “image of God.” This is what the GPPK model of credit union tries to achieve through its education and training program. Its education is aimed at creating awareness, giving motivation, increasing knowledge and insight, bringing about mental and spiritual change as well as improving expertise and skills for people to help themselves and be responsible for themselves. GPPK believes in a holistic approach that uses local wisdom as a source of learning and the gateway to each learning process where participants learn to be fully involved to listen, understand, experience, feel the reality and take committed real action. This is education that liberates.

Educational Philosophy of GPPK Credit Union

The GPPK credit union places education as its primary activity because it is the spirit of all the other activities it carries out. Further, it is a critical process entailing action and reflection on the reality happening in people's lives. Education is the credit union's motto: "Beginning with education, developing through education, controlled by education, and dependant on education." It is so important that it is compulsory for all members, regardless of their educational level and titles they possess. Education is an effort to create people of character who experience liberation and become an integral part of the development of the credit union.

And as GPPK's vision and mission is to empower oppressed communities, particularly the Dayak people, to become economically, socially and politically independent, education becomes a central part in achieving change in various aspects of life. Indonesia's Constitution (UUD) of 1945 itself recognizes the value of education, declaring that every citizen has the right to receive education to increase the quality and welfare of his/her life. This is reflected in various policies and laws.

The State of the Republic of Indonesia through the Broad Guidelines of State Policy (GBHN) for the period 1999-2004 (TAP MPR No. IV/MPR/1999) mandated: 1) to make efforts for the expansion and distribution of opportunities to obtain high quality education for all Indonesian people towards creating high quality Indonesian persons by means of a significant increase in the budget for education; 2) to increase the quality of educational institutions operated both by the people and by the government to establish an effective and efficient education system to address the developments in science, technology, sports, and the arts.²

Act No. 20 of Year 2003 regarding the National Education System, article 5 clause (1) further states that 'Every citizen

*possesses the same right to obtain quality education,' and article 11, clause (1) states 'The Government and Regional Governments are required to provide services and ease, and to guarantee the operations of quality education for every citizen with no discrimination.'*³

Education plays a vital role in the nation's life as it creates educated people who can contribute in establishing a society that is advanced, independent, democratic, prosperous, and free of poverty. The implementation of the constitutional mandate on education appears to be deficient, however, especially in providing education that is based on modern knowledge and addresses the roots of problems of the citizenry. As education is the key to producing intelligence in national life, it must be capable of touching the core problems of society.

It is this awareness of the country's educational situation that moved the GPPK credit union movement to maximize education based on local wisdom and integrated with modern knowledge. This is grounded on the belief that in every problem there is always a relationship between human beings and nature and the Creator, and that nature is the primary source of learning and lessons for solutions to various problems. In the community empowerment movement pioneered by GPPK in West Kalimantan, every activity the people take always reflects belief, concern and care for the relationship of humans with nature and the Creator.

This is clearly seen where education becomes the principal effort to create critical awareness and intervention for people to comprehend the challenges of various issues in their total context. This is done through a holistic learning method to produce critical understanding. Facing challenges with a new critical understanding and strong commitment, people can in stages rise up, move and struggle to fight various forms of economic, social, cultural and political dominance. In this way they turn education into a practice of freedom and creation with the awareness to simultaneously oppose all forms of domination. Local wisdom provides the best medium and source of learning to solve problems at their root.

This belief and hope continues to drive GPPK to critique, elaborate and make local wisdom the philosophy of education for its credit union movement. Called the Dayak Philosophy, the basis for learning and lessons is the knowledge, teachings and expertise that have been around since the time of the Dayaks' ancestors, complemented by modern knowledge. Based on the Dayak Philosophy, the education and training program of the GPPK credit union has four components:

Awareness and Motivational Education. This is an effort to develop the participants' awareness on the actual conditions they experience and to motivate them to create change from the initial condition towards a new and better one (ideal condition). Participants are invited to look at cultural values (such as farming traditions, customs and culture) and Dayak concepts regarding prosperity, and reflect on their current realities and future possibilities. They are also enjoined to analyze how changes in government policies impact on their sources of livelihood, their efforts in meeting their needs for food and drink, and their future survival in order to make them see the importance of considering things and events and acting on them. Thus through this program, the credit union invites members to think critically about various issues, to move and act, and to strengthen solidarity and concern, both directly by themselves and through the products and services provided.

An example of local wisdom that has become a learning material is the Dayak people's concept of prosperity. As the Jalai Dayak's traditional saying on the relationship of people, nature and the Creator goes:⁴

*Rumah Basar Panuh Buat, Jurung Tinggiq Panuh Padiq,
Kampung Bebuah, Arai Beikan, Sasak Behundang, Hutan
Bejaluq, Hutan Berimbaq Natai Bekayuq, Betanah Libar
Belangit Tinggiq...*

*(To have a big house with complete furnishings, to have a
big rice barn full with rice, to have trees that bear fruits in
abundance, to have fish in the rivers, to have shrimps under
the leaves that sink on the riverbed, to have animals in the
forests, to have forests of big trees with thick leaf canopies, to
have vast space for living...)*

Knowledge and Insight Education relates to the management of local resources and wisdom. Participants are encouraged to understand various issues such as exploitative development caused by external parties. They learn to be particularly critical of developments whose impacts threaten their culture and social condition.

Mental/Spiritual Education. Through this program participants are taught to think critically, do self reflection, identify strengths and weaknesses, improve mindsets and change bad habits. The result aimed for is a behavioral and mental change and creation of an ideal character. The program also endeavors to strengthen through a collective movement the solidarity and concern for spiritual issues that have largely been ignored by many people. An example is the Salib Suci Menyumbang Parish of the Ketapang Diocese, an independent parish movement. Members of the credit union who are also members of the parish voluntarily collect not only money but other precious objects to be donated to the parish in order to make it self-reliant.

Expertise and Skills Education. This program has the purpose of increasing expertise and skills particularly in finance and non-finance administration, training facilitation, credit analysis, monitoring, finance and human management, computer literacy, organization, leadership and others according to need. The training increases participants' expertise and skills according to their field of study (e.g., accounting, computers, loans, facilitation, organization).



Form and Methodology

The GPPK credit union education is continuous and without differentiation of age, status and expertise. It is organized into classical and non-classical education.

Classical. Classical education is of several types: Motivational Education for candidate members to provide them awareness and motivation, and Basic Education and Advanced Education for regular members. Motivational education

is 3-4 hours long; basic education, 16 hours; and advanced education, eight hours with duration adjusted according to participants' needs. Education for extraordinary members (children) is done through short meetings with stories and games related to the importance of solidarity, concern for and love of the environment, appreciation of others, aspirations and economical living.

Non-Classical. In addition to the classical approach, the credit union implements non-classical education through discussions, print media such as brochures, posters, banners, hats, T-shirts, and broadcast media such as community radio stations that provide special messages about the credit union (e.g., *Retiring with the Credit Union*), as well as through loan consultation. This is what is called continuous education.

Limited access by rural people to information and formal education influences their ability to absorb information. Thus the credit union education program uses local wisdom as a methodological approach. This entails using the personal experiences of each participant, cultural values, local stories and local expertise as the entry to elaborate ideas shared in each education process. For instance, a traditional Dayak story of sharing fish illustrates justice; the *Story of the Ape and Turtle riding a Rice Crust* portrays good and bad character; and a film on beavers building a dam to deepen the river to make it a good place to live depicts strength of solidarity.



Types and Objectives of Education

The education program's overall objective is to increase the capacity of members based on their responsibilities (considering aspects of knowledge and insight, mental and spiritual development, expertise and skills). It is suited to the needs of the different groups targeted and served: potential members, regular members, extraordinary members, board, controllers, and management team. It also provides a yardstick for monitoring and evaluating the program. The different types of education that are provided and their objectives and course content are as follows:

Motivational Education (for candidate members)

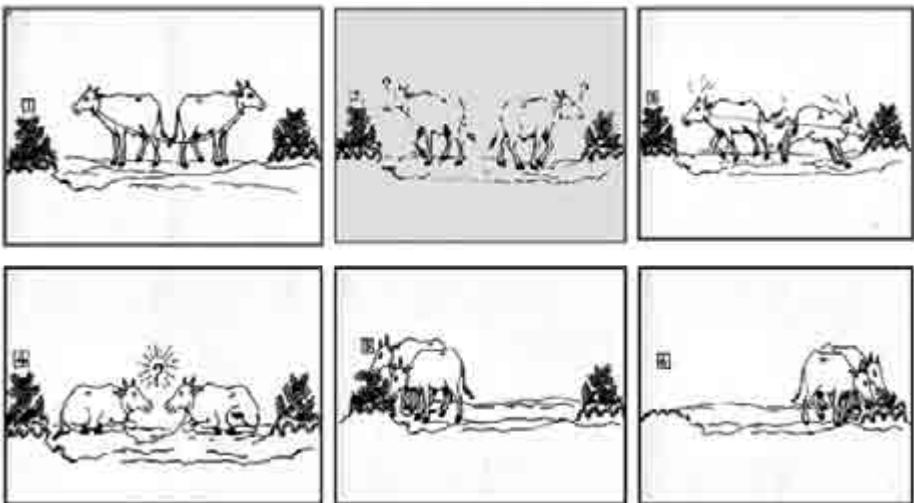
Formal and nonformal motivational education introduces the credit union concept to potential members. It elucidates the present conditions to make the members realize their situation, and thus motivate them to aspire for better lives. The credit union concept is offered for them to consider as an option or a tool to develop their economic, social and cultural lives and ensure survival. It covers the following topics and activities:

- a. *Introduction* provides an opportunity for participants to get to know one another, socialize, and strengthen solidarity;
- b. *Problem Mapping* is an effort to make participants begin to understand their economic, social and cultural situation, and recognize causes and implications, actors, their characteristics and positions on issues;
- c. In *Experience and Problem Solving Sharing*, participants share their experiences, how they faced problems and ways of overcoming them;
- d. *Credit Union Profile* introduces the overall credit union concept and its various products and benefits as a way to overcome problems that participants have and will face according to the discussions in parts a and b above;
- e. *Closing* summarizes the whole process and emphasizes the strengths of participants.

Basic Education (for regular members)

Basic education is compulsory for all adult members, regardless of status, educational level or position. The purpose is to make participants recognize and further understand their personal and surrounding conditions correctly; share the story of the origin of the credit union, its values, basic principles, spirit and aspirations, rules and related laws, and its networks; and the rights, responsibilities, duties and obligations of each member.

- a. *Introduction and Learning Orientation* is the beginning of the learning process, where participants socialize to get to know one another, share their experiences and express their goals and hopes for following the learning process, which are noted down by the facilitator for further processing and discussion.
- b. *Understanding Social Situations.* While several credit unions use the term Social Analysis, the GPPK credit union simply calls it Understanding Social Situations, but the content is essentially the same. This topic invites participants to see social realities (past, present and future), realize and understand their causes and implications as well as motivate them to change from the experienced condition to the desired ideal condition. It also emphasizes that concern and solidarity are sources of strength that must be nurtured and maintained. In order to make it easier for participants to understand this topic, visual tools are used to illustrate a situation, such as the following pictures.
- c. *History of Credit Union.* This component presents the background and origins of the credit union's establishment, concerns, actors, and other related elements to



These pictures are used to explore various problems through reflective questions.

enable participants to know and appreciate its history and comprehend the aspirations desired. Fredrick Wilhelm Raiffeisen who organized poor communities in the 19th century to rise up on their own strength and solidarity declared, “Credit Unions must not confine themselves to granting loans. Their main objectives should be to control the use of money, and to improve the moral and physical values of people, and also, their will to act by themselves.”

- d. *Cooperatives and Credit Unions*. This topic helps participants to learn the general differences among credit unions, cooperatives and banks, including principles and values they strive for. For example, with regard to ownership and values, all members of a credit union are considered owners who have voting rights in the Annual Member Meeting or RAT, with each member entitled to one vote. This shows that the responsibility lies in each person and the credit union is owned by all members. For this reason, the principle of “from, by and for the members” is integral in each of the credit union’s mechanisms. Who may become board members, controllers, advisors and management team, as well as what savings and loan services and social products are offered can only originate from and be managed by members, (according to RAT mandate), and the benefits are solely for them.
- e. *Credit Union Profile*. This gives a summary of the history, vision, mission, slogan, brand, products and their characteristics, service offices and organizational structure of the credit union, and other information as needed. Under this component, the benefits of being a member and sense of ownership can be better understood. One of the benefits is learning how to manage family income; social, cultural and spiritual values; knowledge and insight as well as skills. The credit union can then grow and develop as a true and critical social movement, as reflected in the experience of the GPKK credit union, which spread out across all provinces of Indonesia (as described in *Merentang Sayap Menjejak Bumi – Pancur Kasih Empowerment Movement*).

- f. *Family Economic Planning*. It cannot be denied that most of Indonesian society, living in both villages and cities, are not familiar with family economic planning. As a result families often have no control over their finances and do not exactly how much and where their income comes from and what it is used for. In response to this common problem, participants learn about the advantages and importance of family economic planning and are guided on how to do it. They are encouraged upon finishing the program to begin economic planning and to involve all family members who can give opinions. The benefits are an economical and directed lifestyle that can be followed by the whole family.
- g. *Credit Union System and Regulations*. This gives information on the credit union's system and rules that have been developed to protect the interests of the members. Among these are its constitution and by-laws, board policies and standard operational procedures, which regulate all mechanisms of its services.
- h. *Credit Union Structure, Network and Partnerships*. The topic aids participants to understand the credit union's structure, network and relationships with partner institutions, and how this benefits its development. In particular, it provides information on how members can obtain services and present their ideas and suggestions. For example, if they require credit, who should they consult; if they want to participate in an education program, who do they ask for facilitation or if they want to transfer money, where can they do so.
- i. *Simple Bookkeeping*. Participants are taught the processes of simple bookkeeping primarily as it relates to the rights and responsibilities of members of the credit union. For example, participants are taught how to calculate their savings and loan balances, the interest to pay on loans, personnel to whom loan interest must be paid, interest on savings, as well as losses if participants are not active in saving and making installment

payments. This also includes monitoring, as members can help in checking and suggesting improvements where corrections are needed, such as errors that may be made in recording member's savings or loans.

- j. *Member Security and Protection.* This provides participants with concise information on the benefits derived from their savings and loans that are protected by the credit union through a central network institution. In addition, they learn and are made to understand their rights and responsibilities as members, requirements and process for making claims, and benefits obtained from the collective membership's strength and solidarity funds. An example is the guarantee of security and protection for savings and loans given to the next of kin in cases where a member passes away.
- k. *Introduction to Credit and Monitoring System.* This component invites participants to understand what is meant by credit (loans). They are reminded that loans mean ownership by other people and must be returned, therefore these must be safe, which means these can be paid back (by the debtor). Loans are given to help members overcome difficulties. Thus participants are given a short introduction to how the credit mechanism works, the process for applying for credit, credit consultation, credit worthiness analysis, credit application approval and monitoring system.
- l. *Follow Up and Evaluation.* In the final part of the learning process, facilitators invite participants to view the entire process to see if it meets their expectations, to see how far each of the topics was understood and what must be improved. The participants are enjoined to make further plans on what they had studied together and for everyone to take part in developing the credit union, particularly in member recruitment.

Advanced Education (for regular members)

Advanced Education aims to increase awareness, align mind and spirit, expand knowledge and insight, as well as build skills of members. It is provided by the credit union or its partner institutions for members with potential or interested in further developing themselves. Education is done through seminars, entrepreneurship training and workshops, such as for productive business, gender awareness, home economy, organization, facilitation, and other training deemed important. It also includes core group education (e.g., customs/culture, environment, critical law).

Education for Board and Controllers

Aside from going through the motivation, basic and advanced educational programs (at least the core group), ideally the board members and controllers should have more knowledge than regular members, employees or management team. Therefore, the education program for them has the special purpose of increasing their capacity (knowledge, insight, mental, spiritual, skills) to execute their functions, duties and responsibilities as the bearers of the mandate from members.

People at this level are required to participate in the following training programs: bookkeeping, credit, monitoring (audit), leadership, organizational, facilitators, planning (strategic planning, business plan), drafting work description and standard operational procedures, understanding credit unions as an economic and social movement, and ACCESS Branding. The board and controllers can also take up the Credit Union Directors Competency Course (CUDCC).

Education for Management Team (employees)

The management team are people assigned by the board to run the technical aspects of the services that have been drafted in the work program as approved in the annual members meeting. As technical executors, they deal with members

and conduct technical and nontechnical work that need sufficient knowledge, insight and skills. To be able to execute their duties, responsibilities and obligations well, they receive training or undertake self-learning to increase their capacities.

Management personnel are required to participate in the following training programs: basic and advanced book-keeping, office administration, documentation, computer literacy, financial management, credit management, education management, strategic planning-business plan, leadership, organizational, work ethos and customer service or customer relations management, understanding credit unions as an economic and social movement, human resource development management, and ACCESS Branding, suggesting that each employee must follow the CUDCC.



Impacts of Credit Union Education

The education provided by GPPK credit unions has made an impact, changing the way members think, talk, act and behave, and building their character. For instance, before they joined the credit union, they did not think of the importance of savings or did not understand how to manage family finances. Today they have savings, not from an excess of money but from a lack of it. Education has also encouraged them to invest in sustainable businesses and to put an end to bad habits such as gambling and drinking.

The GPPK model of credit union has built an education system that is capable of creating new people, increasing their knowledge and ability to think critically, and liberating them from their old and erroneous ways of thinking. It has built a holistic educational model, based on local wisdom and able to prove that the society long viewed as foolish and poor is apparently smart and rich because they know the true problems they face and what they must do to solve these. It is an education that liberates.

Endnotes

- ¹ Written by Sarvianus Mimi, PEK Pancur Kasih activist, general manager of Gemalaq Kemisiq Credit Union, Tanjung, Ketapang.
- ² Broad Guidelines of State Policy (GBHN) Period 1999-2004 (TAP MPR No. IV/MPR/1999).
- ³ Act No. 20 of the Year 2003 regarding the National Education System.
- ⁴ Permission for citation of the Basic Education Guideline of Gemalaq Kemisiq Credit Union, published in 2010.
- ⁵ CUDCCC BKCUC Kalimantan Training Material 2009.
- ⁶ Training documentation for CU, PEK Pancur Kasih, and Badan Koordinasi Koperasi Kredit Kalimantan's employees 2000-2011.

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Chapter

5

Embedding Peasant Philosophy in Service Products¹

Benyamin Efraim¹



Learning from and for Nature

The philosophy of peasants has inspired the formulation of creative service products that are encouraged by a special perspective and comprehension of the credit union. A credit union is generally viewed and understood as merely a financial institution that services savings and loans, and as such, it is needed only when its members encounter a financial problem. What if economic problems, however, surface at the same time? What can a credit union do in such a situation? To answer these questions, GPPK had to think out of the narrow box. The process led to the idea of developing a credit union to address the problems and challenges that constantly exist throughout a person's life. And it is the peasant's life and spirit in the past that inspired and demonstrated how these problems could be resolved. In all significant phases of life,

the peasant performs social and ritual practices that highlight the power and value of nature and the environment.

Humans are born, grow up, have a family and then die; these elements are interconnected and form a cycle. Peasants believe that nature provides human beings their basic needs if they maintain a close bond with it through rituals. They also believe that nature gives in accordance with how people perceive and behave towards it. Therefore they look after and take care of their environment.² While credit unions are certainly not nature and cannot be compared to it, in terms of finding solutions to certain problems, it offers alternatives that can ultimately be shaped by the perceptions and creativity of those who use them.

As cited in an earlier chapter, the peasants' philosophy has four elements that encouraged the development of service products of the GPPK credit union. These can be categorized into physical (food-drink and seeds) and nonphysical (social and ritual) needs. Both have specific characteristics and have to be equally attended to. The neglect of one will adversely affect the overall sustainability of life. For instance, food and drink can be classified as short term needs since their fulfilment cannot be delayed. This is why they are said to be basic human necessities.³ While not as urgent in terms of time, the availability of seeds is nonetheless absolutely necessary to ensure future sustainability. Nonphysical needs meanwhile are required by man to maintain a good relationship with God and his fellow human beings, and their fulfilment enables him to live a more serene and peaceful life.



Growing Roots to Grow

The credit union movement that employs the GPPK model of empowerment emphasizes the improvement of the quality of its membership. A series of education and training activities for regular and potential members are designed to raise awareness, while the process of a person becoming a potential member is considered the result of growing awareness (im-

pacts). Thus, growth (expansion of membership) is considered an indicator of impacts and not the goal to be achieved. This is one of the fundamental differences with today's product marketing concepts and trends that use image for promotion to achieve high growth figures, with those numbers set as the goal.

The development principle of the GPPK credit union movement focuses more on the quality growth of the community and members than the institution itself. Its members have to be "ready" when they declare their membership, so as to be able to contribute positively in developing the credit union. Hence, members are not mere passengers who hand over the steering wheel to those in charge of operating the credit union daily. They are a group of people who also bear the responsibility for developing and keeping the CU movement on its track. This responsibility will only be established once they have a strong sense of belonging that can exist only if the credit union has grown its roots in the community's life.

Although the development model of the credit union movement was conceived by GPPK, it must be admitted that it was not a simple undertaking. Infusing the CU ideology and values into the community's culture that has its own dynamics required a lot of creativity and adjustment. The GPPK thus employed simple and practical strategies and methods. And these are the four ways to well being or the Peasants' Philosophy, which melded the empowerment strategy with the development of the credit union movement in the indigenous community. This concept was the result of a long creative process in which CU activists in GPPK encountered diverse challenges and difficulties hampering the general credit union movement in Kalimantan. Since the first credit unions were established by GPPK in the early 1980s, around two decades passed before the Peasants' Philosophy was articulated and put into writing in 2006.⁴

The application of local cultural values in developing the credit union movement, as GPPK is doing, provides significant lessons. The transformed cultural values support the development of the CU movement, which in turn can grow its roots in the community and develop into a familiar institution

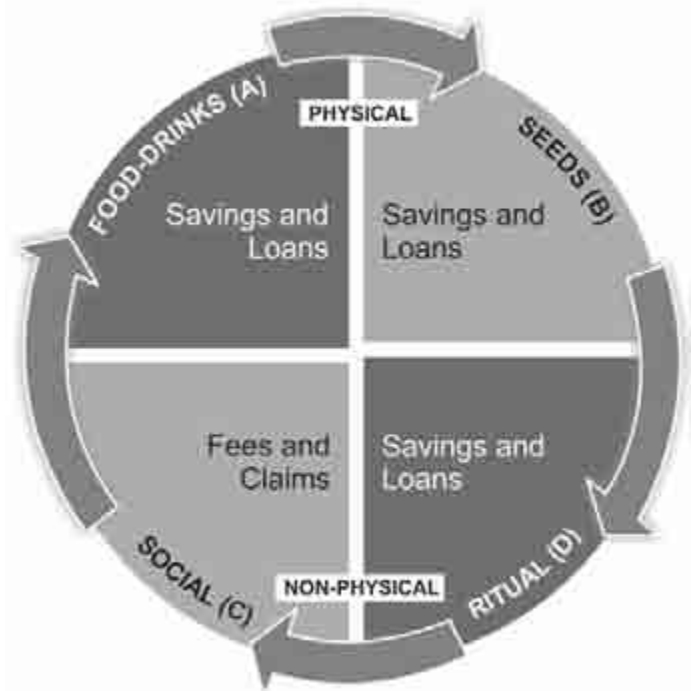
in which all members feel at home. The credit union is thus not a strange entity that comes offering a heavenly wind of change but a medium for awakening the spirit in a community seeking change.



Service for Life, Life for Service

The peasants philosophy-based credit union principally incorporates the four aspects of food-drink, seed availability, social and ritual-spiritual values in its products and services. Being flexible and contextual, however, not all primary credit unions develop the same service products, as these are customized to the specific needs of their members and the community's environment. Products and services also have to be based on their ability to respond to the needs of each important moment in the human life cycle, starting from birth until death. The diagram below describes how these concepts are applied in the formulation of varied products that can optimally address members' needs and at the same time solve life problems (See Table on life cycle and CU service products). As the illustration shows, savings and loan products aim to meet physical, sustainability and ritual needs; while fees and claims fulfill social needs.

Diagram 5.1. Types of Service Products in Peasant Philosophy Concept



Food-Drink

Food and drink represent the requirements for food, clothing, housing, health, and education. These needs are transformed into products whose objective is to ensure the fulfilment of such needs but are not developed for productive aim (obtaining maximum profit). These products, which stress security and ensure availability of each need whenever it is required, are in the form of either savings or loans (A of diagram). Included in this category are several kinds of daily-interest savings and loans with diverse variables (see Table p. 93).

Primary credit unions in general currently offer a type of daily-interest savings that earn an interest rate of 3-4 percent

per year. This savings product is categorised into general and special savings in accordance with its purpose. An example of the latter is a special savings for school children, which is part of the effort to teach children to save. Another is a profession member savings, which caters to specific economic groups such as rubber peasants. This kind of savings is usually formulated to balance the loan product of those engaged in the same profession or type of work. For instance, members who are rubber peasants have a loan product particularly designed for them. They can benefit from it once they have a savings account similarly targeted for them. This savings account is managed as a fund source to be redistributed as loan products for rubber peasants so as to achieve balance in the financial structure. Because the nature of this special savings is primarily to provide security, the interest rate is considered ‘low’ compared to that of preferred type of savings. In addition to daily-interest savings, there are also time deposits of 1-2 month terms.

Seed Availability

Plant seeds are vital in guaranteeing sustainability in farming. Generally chosen from the best crops, these are set aside even in times of poor or failed harvest. The supply of seeds is important because it is a part of the activity of praising the Creator, and with seeds new life can be born. Seeds for farming have different planting periods and maturity, and no single seed produces only one but multiple seeds/fruits. A kernel of corn, for instance, can yield more than one ear of corn containing many corn seeds. Imagine how many seeds can result from one cob of corn.

From these special characteristic of seeds, financial products have been developed to secure the welfare of members. Thus, these have an interest rate set above the inflation rate. The rate of interest depends on the character of each seed/product, bearing in mind the principle that not only should it be higher than the inflation rate but also the loan interest rate. Take for example a product with an interest rate of 15

percent and a loan at 13.5 percent interest yearly. This means members can still obtain 1.5 percent benefit in interest rate margin by borrowing a 13.5 percent interest loan, which they save again in a saving product that pays them an annual 15 percent interest rate.

The main product of this type is a favorite savings account with a number of a seed's characteristics. Designed as a future fund (retirement), it currently earns an interest rate of 14-15 percent per year with the inflation rate at 10-11 percent. Another product is a savings account created for special needs, such as for children's advanced education (college) that usually involves considerable costs. These savings are generally required to be deposited for a minimum period of five years earning an interest rate of 14-15 percent per year. If the maximum interest rate applies, then in five years' time the savings would be doubled.

The favorite products to develop seeds are found not only in savings products but in loans. For instance, some primary credit unions support the development of agriculture and rubber farming by devising a loan product for rubber peasant members whose interest rate tends to be lower than that of ordinary loans. This product also serves as the institution's commitment to assist conservation efforts for the environment and natural resources. Another loan product offers an extension of the instalment payment period (normally a maximum 60 months) by reducing monthly principal payments. This is commonly provided for big loans, such as for retirement, housing and acquisition of vehicles.

Social Needs

Unlike the two kinds of needs and products above, social needs prioritize sacrifices, upholding the principle of giving first as embodied in the credit union slogan: "When you are in difficulty, I will help you; and if I am in difficulty, you will help me." Their fulfilment manifests sincere and charitable concern for other persons or groups. It stems from the reality that no human being can live without other humans and no

group can survive without other groups. Social development therefore is a fundamental need that is actualized into member solidarity products.

In Dayak communities, solidarity emerges when others encounter a difficult situation, such as sickness or death. These are conditions that cannot be avoided no matter how one looks after his health. In the past when modern medicine was not yet known in the Dayak community, the people applied local wisdom and healing. The traditional treatment generally required many people to gather together since it involved the performance of customary rituals. In this way, solidarity and a sense of comradeship formed spontaneously. As times changed, however, local wisdom and traditional healing were gradually replaced by modern medical care, which made such kind of solidarity unnecessary and difficult to achieve, with people busy at their own activities.

Solidarity is one of the pillars of the GPPK credit union in addition to education and self-determination. Based on the cultural values earlier discussed, the GPPK credit union revitalizes the value of solidarity among members in concrete and contextualized forms that can be applied in simple and organized products. Some of these products entail collection of membership fees to be later claimed when the member suffers a misfortune (sickness or death). Another product, formulated through a policy of the credit union board, is a fund set aside from the yields of each year's operation for allocation to either social charities or environmental programs of the community.

In accordance with the important stages in a person's life cycle, CU solidarity starts from birth, which has inspired the creation of a compensation product for pregnant members. The benefit cannot be received in cash but is automatically saved as the starting capital of the newly born child for his/her membership in the credit union. This product has some terms and conditions, among which is that the mother must be a member of the credit union for a certain period or her savings should have reached a certain amount. The conditions aim to discourage any individual who merely wants to take advantage of this policy without truly getting involved in the CU process.

This product is an incentive for members to keep saving to reach a certain amount that will entitle them to rewards or bonuses. Since it is designed as a reward for members who are qualified and have a good saving performance, it is expected to encourage women and mothers-to-be to plan their future household well. This product goes to show that the credit union contributes in improving the family's quality of life. Although this is a free service because it does not require any solidarity fee, the self-determination principle does apply. It means members achieve this reward because of their own performance or efforts at developing the values of solidarity and comradeship.

The credit union also provides a special health solidarity product to pay for medical treatment or hospitalization. Its terms and conditions vary with each credit union. But a common term and condition is that all members must pay some annual fees at the beginning of the year or upon joining in the current fiscal year. They are then entitled to medical claims that have a predetermined maximum amount and are paid once all necessary administrative requirements have been submitted by the members concerned.

Solidarity for deceased members is another social need addressed by the credit union. Its terms and conditions are similar to those of health solidarity, in which each member must pay a yearly fee. But it is different in that it only applies once in a lifetime and those who benefit are the member's heirs.

These types of social services arise from a deep concern over a situation in which a person's death or illness impoverishes his family and kin who are left behind or burdens those who give the needed care. Daily life experiences show that such situations tend to bring financial difficulties to family members, sometimes indebting them for expenses incurred for medical treatment or funeral services. These are in addition to the feelings of loss, bereavement or anxiety. To respond to these, the credit union assists members to prepare for these future situations so as not to leave any burden on their families and loved ones.

It is not only primary credit unions but also the secondary level of the Kalimantan Credit Union Coordination Body that manages solidarity products as a protection for members' savings and loans. These social service products or Jalinan are similarly of two types: to protect members' savings by providing solidarity compensation (Tunas) when they pass away, and to protect members' loans (Lintang) of certain *plafond* (maximum loan limit for members) when misfortune strikes members in the form of death or total disability.

Previously called DAPERMA or Common Protection Funds, Jalinan has existed since 1989 mainly to reduce deficit risks. The credit union has Risk Reserve Funds (*Dana Cadangan Resiko*) that can cover, for instance, a small loan left by a deceased member. The deficit risk rises, however, and the Risk Reserve Funds may be insufficient for coverage if the number of members who pass away is considerable, their loans are huge, and the capability or willingness of heirs to repay the debt is low. Hence, the credit union offers at least six kinds of social products to cover deficits and to protect the members' right to their savings and loans. These are sourced from member solidarity products or are determined by the board and managed by secondary credit unions.

While credit unions basically do not earn profit from this program, it ensures that they do not suffer institutionally from deficits. This also proves that credit unions are not mere savings-loans or business institutions but are highly concerned with the development of social values. The spirit of solidarity simply cannot be substituted no matter how high the fee, claim or compensation is. Organized solidarity products create a more concrete sense of solidarity that goes beyond time and space.

Rituals

Ritual is important in a human being's life. It serves as a medium of communication that connects humans and other powers beyond themselves. As people who have spiritual beliefs and religions, credit union members need a facilitated product specially intended for this end. Ritual-spirituality is inseparable from the credit union movement as a whole. It represents a continuous process of reflecting the spirituality that enlivens spirit and values, and in this sense imbues meaning to products and services provided to members. Ritual-spirituality is therefore incorporated in the entire system of management of credit unions. No matter how capable and able a credit union is in managing a product, it will become meaningless without spirituality and positive values.

The credit unions generally provide their members with a savings product that is related to religious holy days. Christian members have a special savings for Christmas Day; and Muslim members, for *Idul Fitri*. Several credit unions have partnership programs with some parishes to make them financially independent and self-determined parishes; this product is formulated through collective planning by these groups.

Other Distinctive Features

The GPPK model of credit union is unique in other aspects. In addition to Peasant Philosophy-based products, it is distinct in development strategy, product naming, regulations and other features rooted in the local culture where it is established. Because of these differences, the GPPK credit union had been viewed cynically⁵ by people who were only familiar with the conventional credit union. On the other hand, this proves implicitly that combining cultural values and standard modern credit union management can produce new advantages and that cultural transformation is possible.

A feature that sets it apart is the practice of getting a loan to put back as savings. Usually called a capitalization or progressive loan, the practice at first glance may not make any

sense but in reality operates well. It is based on the human psychological condition that settling a debt/loan has a higher moral burden than saving. Saving a huge amount at one time also serves as a kind of motivation for members, despite the fact that it is obtained through a loan that is paid in instalment.

What is more distinctive is the naming of products. In conventional credit unions, the common names of standard savings products offered to members are Principal Savings (*Simpanan Pokok*/SP), Compulsory Savings (*Simpanan Wajib*/SW) and Voluntary Savings (*Simpanan Sukarela*/SS). GPPK-modelled credit unions have full liberty in naming similar products. They do this by using local terms that are familiar to their members and reflect the character of the products. One credit union for example has named its favourite savings product as *Tanis*, which means a full and very good seed. As a "seed" this product is ensured to be highly productive since it has the highest interest rate among all types of savings. Employing recognizable names gives the members a high sense of ownership of the products that they can optimally benefit from.

The transformation of local cultural values can also be seen in the ethnic motifs and patterns credit unions utilize in their publications and in the physical design and equipments of their service offices. This effectively shows that the credit union belongs to the community and not to a corporation owned by investors and conglomerates. CUs in urban areas, however, are noticeably more modern in appearance to promote and build the image that they are not inferior to other more familiar financial institutions in the locality.

The use of local cultural values is further manifested in the CU education program for members. The high level of diversity in the membership requires management to be creative in adapting the local culture in education materials, methods, approach and training to ensure practical and effective acceptance. This leads to richer and more varied instruction and training materials and contextualized education syllabus.

Meeting Life's Needs, Building Hope

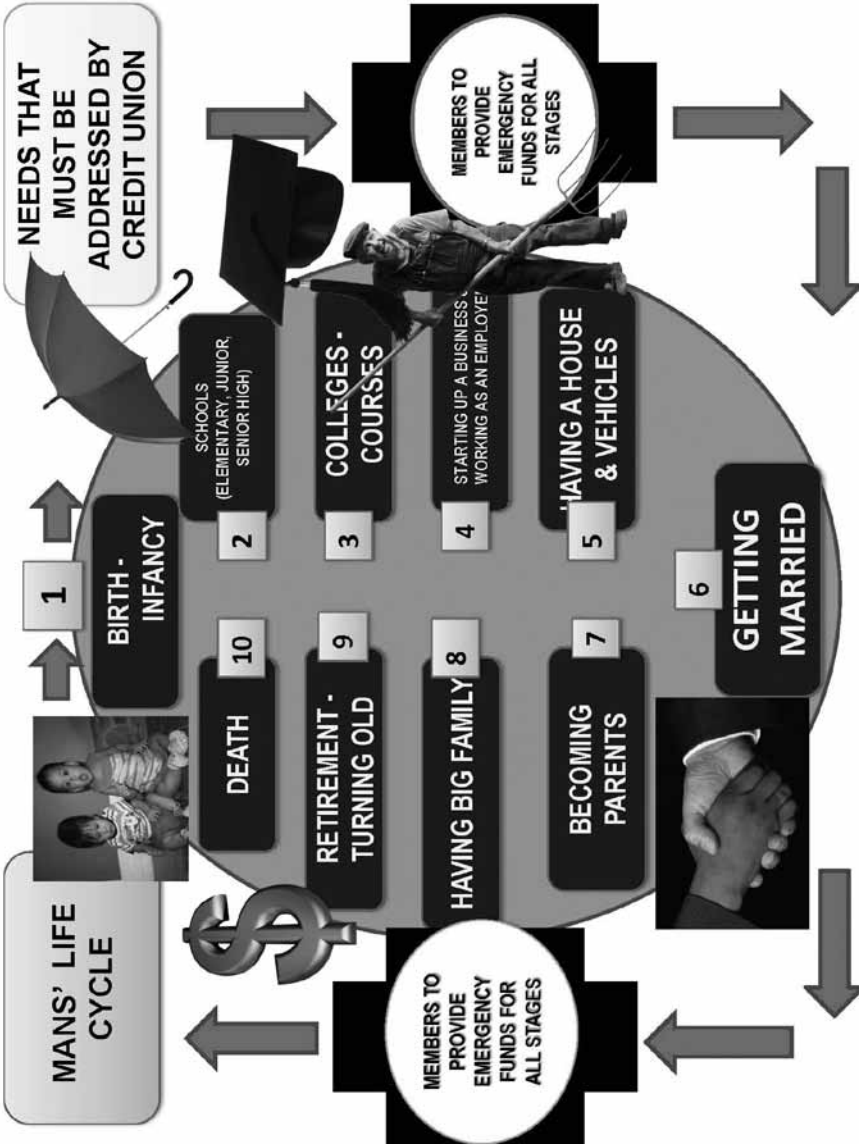
The GPPK credit union is born from a long process of learning and reflection on the various forms of marginalization of the Dayak people. Thus the strategy of community empowerment must be carried out synergistically and integrally in all aspects of life in a sustainable manner. The credit union movement is part of this strategy that sets a people-based economy as the entry point. This is the reason GPPK does not present the credit union as a purely financial institution. The CU must be capable of addressing at least some of the difficulties, particularly economic, that affect the Dayaks. The question that arises is: are the products the credit union offers effective enough to tackle these problems and at the same time to address the community's hopes?



Jurung, Head Office of Gemalaq Kemisiq Credit Union, a primary credit union employing the Pancur Kasih model. Photo credit: ID

There are stages in a person's life in which financial difficulties usually emerge. In the context of the Dayak people's current condition, these stages can be illustrated in the following diagram:

Diagram 2. Stages in Man's Life Cycle⁶



The diagram illustrates at least 10 stages that start from birth until death that need financial anticipation and preparation. These stages in normal condition require special financial resources, which mean they cannot be dealt with as daily regular needs. Therefore, the credit union must be capable of offering the hope that such circumstances can be tackled when joining it. To respond to the challenge, an evaluation tool is needed to see whether it can address the hope of members or the community.

Life Cycle and Credit Union Service Products⁷

No.	Peasants Philosophy	Type of Product	Life Cycle
1	Food-Drink	Daily Savings	3, 4, 5, 6, 7, 8, 9
		Students Savings	2
		Deposit Savings 3-12 Months	Flexible 1-9
		Special Savings of Profession	Flexible 1-9
		• Civil Servant	
		• Rubber Peasant	
		• Entrepreneur	
		• Contractor	
2	Seeds	Favorite Savings	3, 4, 5, 9
		• Housing Savings	5
		• Vehicle Savings	5
		• Rubber Peasant Savings (profession)	4, 7, 8
		• Education Savings	3
		Share Savings	1-10
		Progressive Loan	3-9
		Housing Loan	5
		Vehicle Loan	5
		Special Profession Loan	4, 7, 8
		• Civil Servant	
		• Rubber Peasant	
		• Entrepreneur	

		• Contractor	
3	Social	Compensation for Delivering Mother	1
		Compensation For Hospitalization	Flexible 1-9
		Health Solidarity	Flexible 1-9
		Bereavement Solidarity	10
		Social Environmental Fund	Flexible
		Protection of Savings	3-10
		Protection of Loans	3-10
4	Ritual	Religious Day Savings	8
		Self-Determined Parish Savings	8
		Loan for Self-Determined Parish	8

The products shown in the Table are not standard services. But while each credit union suits products to its members' needs, those in the Table can commonly be found in nearly all credit unions that are based on the GPPK model. What is significant is that each product is fitted to the needs and ability of members without having to sacrifice the CU's business soundness. This means the main consideration in product formulation is the ability to present a solution to solve and meet a number of difficulties and requirements of diverse members.

In a situation in which the government is remiss in providing people the means to develop their economic capacity, the credit union should be able to fill in this gap. The community particularly CU members must not lose hope, as this could imperil the institution regardless of whether its products and services are far from ideal. The credit union offers at least an alternative solution to today's problems that can be utilized to the utmost if members improve themselves as human beings. The main problem the credit union faces is not the accumulation of huge capital from members but its management and character building of members.

The GPPK-modelled credit union, which is based on the spirit of the Peasants' Philosophy, is a response to the present situation of the Dayak people. As products and services are

customized, these can change, improve and find their proper form in line with the development of their human needs and life's demands.



Sowing Seeds to Reap Fruits of Hope

Three decades of GPPK has made the credit union the symbol of empowerment of indigenous people in Kalimantan. Although the long journey has not reached its end, it has seen the credit union movement take its basic shape. The process has had its own internal and external dynamics, which played a role in building the character and betterment of the movement. It has brought the common understanding that the GPPK credit union is the channel for integral and sustainable community empowerment. This is its identity.

To indigenous peoples who continue to live in a good natural environment, the hopes raised by the credit union are not beyond reach. Ordinary and conventional ways, however, may no longer be sufficient to tackle life challenges today and in the future. Education for younger generations, health care, capital, savings for emergency and future situations are among some of the new needs. These are necessities that cannot be met only by relying on the forest, land and water as the main resources. The new challenges require reliable management, critical situation analysis and strong competitive advantage. As life keeps changing, one must also be able to adapt to the changes.

Joining a credit union means allowing ourselves to change our perceptions, behaviors and attitudes that have shaped our present condition. The CU provides an opportunity to each member to learn from other members, to rid one's self of a mentality of dependency while allowing the spirit of self-determination to replace it as well as to allow comradeship to stamp out individualistic egoism. This is the spirit of the credit union's three supporting pillars (education, self-reliance and solidarity) that are introduced in every educational activity in

addition to the spirituality of its basic principles and values. Incorporating these into the credit union and in a person's life can ensure the good growth of the credit union's seeds.

What will ultimately be achieved through the credit union as an empowerment tool is still vague, but its stages are apparent. Once self-help is realized, the measure of its achievement can be more concretely determined. It is easier for each member to promote the credit union to the wider public if he has personally benefited and gained advantages from it. The credit unions developed by GPPK generally advocate for their members to meet the minimum standard of welfare achievement. Known as the minimum safe point, it refers to the total savings in each member's favourite savings product. The safe point is the reference success for a member in realizing financial security for the future.

The GPPK model of credit union has proven sufficiently effective in dealing with the challenges communities face, particularly in relation to its members' current situation. Today, it continues to play a role as a means for sowing potential seeds. Even excellent seeds, however, cannot guarantee their fruits would be just as excellent. The seeds will only grow, flourish and bear good fruits if they are well nurtured. The GPPK has initiated the establishment of a medium to sow seeds for a better future for indigenous people in Kalimantan and in other places throughout the archipelago. The faster it sows, the faster it can harvest!

Endnotes

¹ This chapter was written by Benyamin Efraim, an activist of Institut Dayakologi, Board member of CU Gemalaq Kemisiq (CUGK) and one of the founders of CU Filosofi Petani Pancur Kasih (CU FPPK).

² Bamba 2003, 91.

³ The items in the category of basic needs are further developing in line with the development of human civilization. In the past, what were considered as basic needs were food, clothing and housing. Today health and education are also in this category.

⁴ Interview with A.R. Mecer, Jl. Sintang P6, Pontianak, 6 October 2010.

⁵ A.R. Mecer in an interview with writer on 6 October 2010 revealed his experiences with CU meetings at national and regional levels.

⁶ Drawn from result of focus group discussion in CU basic education that became one of CU education materials.

⁷ Not all products are the same at primary CUs. Each credit union formulates products that meet its members' needs, thus the product is contextual.

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Kalimantan Credit Union Coordinating Body¹

Stefanus Masiun



As credit unions grew in number in Kalimantan, they coalesced into bigger formations that worked on the provincial, regional or national level. The larger network served as a coordinating body that assisted individual member credit unions in training, education and coordination of activities, among others, to improve their overall services and operations. It also functioned as a secondary level credit union that managed the financial resources of members, providing products and services to further advance their growth. One of these is the Kalimantan Credit Union Coordinating Body or BKCUK, which has guided the development of the credit union movement in Indonesia.

Dynamics and Development of Credit Union Movement

An overview of the beginnings of credit unions in Kalimantan shows the leading lights and significant events that led to BKCUC's organization and the role and functions it continues to play today.

In its initial stages Catholic church leaders were among the primary movers of the credit union in the Indonesian archipelago. As noted in *Quo Vadis, Credit cooperation movement in Indonesia?*,² it started with a request made in 1969 by the Indonesian Supreme Council of Prelates (MAWI, now Indonesian Prelates Conference) to the Bishops' Social Delegation to develop credit unions in Indonesia. This reflected the Catholic church's awareness of the importance of the economic empowerment of people. At the time, Fr. Albrecht Karim Arbi SJ and Fr. Frans Lubbers OSC, who figured prominently in the development of credit unions in the country, were social delegates of the Jakarta and Bandung archdioceses, respectively.

It was another Catholic organization, the Jesuits' Socio Economic Life in Asia (SELA) that introduced credit unions in Asia including Indonesia. In 1963 SELA held a month-long seminar entitled "Community Development and Credit Union" in Bangkok. A milestone in the history of credit unions in the country, the event was attended by Frs. Arbi and Lubbers, John Dijkstra SJ, FX. Bambang Ismawan, Nico Susilo, chairperson of Central Java Pancasila Labor Union and Sumitro, chairperson of Sukabumi Pancasila Labor Union. Most of them subsequently established credit unions in various areas of the archipelago. The speakers in this event were bishops and resource persons from the United States, Europe and the Philippines.

Two years after this seminar, the first credit union opened in Indonesia. In 1965 when Ismawan took over the chair of Pancasila Farmer Association, the organization started a credit union through the Saving and Loan Working Group. Many

other such groups were then set up in Central and East Java as well as in Lampung Province in Sumatera. Credit union seminars were also organized, such as those held in Bandung in 1968 and in Sukabumi the following year by Fr. Lubbers.

Fr. Arbi officially invited the Credit Union National Association or CUNA in 1967 to introduce the credit union movement in Indonesia. CUNA was represented by A.A. Bailey and Augustine R. Kang, then managers of the Association of Asian Confederation of Credit Unions (ACCU). But the embryo of the credit union movement was created on January 4, 1970 when Fr. Arbi established the Credit Union Counselling Office or CUCO, which was formed to serve as a coordinating and counseling body to credit unions across Indonesia. It located its office at Gunung Sahari Street No.88 in Jakarta with Dr. Robby Tulus as its managing officer.

The creation of CUCO went through a long process. In 1969 Rev. John Collins, SJ conducted a study on the applicability of the credit union in the country with support from Directorate General of Cooperatives, Ir. Ibnoe Soedjono. The study concluded that the credit union was an appropriate institution to be implemented in Indonesia with a prerequisite 5-year incubation period. Soedjono became chairperson of CUCO's Supporting Council with Raden Mas Margono Djoyohadikusumo, Fuad Hasan, Mochtar Lubis, A.M. Kadarman, A.J. Sumandar, J. Dijkstra and Fr. Arbi as members.

In 1971 Fr. Arbi handed over the CUCO managing directorship to Dr. Tulus and carried on his work as a bishop. But he continued to work with his colleagues on the development of credit unions wherever he was assigned. In 1980 he became a deacon in Santo Fransiskus Xaverius parish in Tanjung Priok in Jakarta, and from 1985-1990 he took charge of the Santa Ana parish in Duren Sawit, East Jakarta. When he turned 61 in 1990, he was assigned to East Timor where he again mobilized his followers to join a credit union. On July 27, 1997 he celebrated in Altusried, Germany 40 years of priesthood and service, which ended tragically two years later when he was shot dead by a gunman on September 11, 1999 in Dili, East Timor.

Credit Union reaches West Kalimantan

The credit union arrived in West Kalimantan through a credit union basic education course held in Nyarumkop and Sanggau in 1975. Dr. Tulus, A.C. Lunadi, Suharto Nazir and Sukartono of the Indonesian Coordinating Body of Credit Cooperatives or BK3I coordinated with the National Delegation of the Archdiocese (now KOMSOS of Archdiocese) in Pontianak chaired by P. Pius Camperlle OFM Cap to organize the event. The course was attended by representatives from Pusat Damai City, Batang Tarang City, Jemongko village, Jangkang village and Sanggau City in Sanggau District. Those from Pusat Damai were Bas Kasan, St. Atijin, D. Djiwa, Sr. Aloysia and F. Dael Pongkuk. Together with teachers from Yayasan Karya (now Badan Karya), they established the Lantang Tipo Credit Union on February 2, 1976 with 32 members, 250 Indonesian rupiah as initial capital and P. Ewald Beck OFM Cap as advisor. Yayasan Karya then had already two arisan groups. At the same time, Batang Karang and Kuala Dua Credit Unions, also in Sanggau District, were set up. Other credit unions followed in many parts of West Kalimantan although their development did not go as planned; a number halted operations due to lack of management experience.

In 1985, a 3-day basic course on credit unions held by BK3I in association with the Pontianak Archdiocese Social and Economic Commission led to the founding of Khatulistiwa Bhakti Credit Union. In addition to YKSPK activists A.R. Mecer, P. Florus and Stevanus Buan, others who participated in the course were Marcel Jawa Lodo, Ida Wenefrida, Supardi and Djamin Injah (father of West Kalimantan Governor Drs. Cornelis). Those who facilitated the course were FX. Susanto, Hubertus Woeryanto and Theodorus Trisna Ansarli from BK3I Jakarta. The KB CU has often been called the Credit Union Laboratory by its founders, as it served as a learning venue for others who were interested in replicating it in other areas.

Two years after on May 28, 1987, YKSPK set up the Pancur Kasih Credit Union, with YKSPK activists and Santo

Fransiskus Asisi high school teachers as its founding members. Others soon followed such as Sehaq Credit Union in Pahauman Sub-district formed on October 1, 1988, Bima Credit Union in Sintang City, Mekar Melati Credit Union, Berkat Credit Union and Karya Sosial Credit Union in Pontianak City. The last three have been dissolved.



Credit Union Coordinating Bodies

GPPK and BK3D

In 1988 when the requisite number of primary credit unions was reached in West Kalimantan, the West Kalimantan Regional Credit Cooperatives Coordinating Body or BK3D was organized. Launched on November 27 of that year, BK3D led the credit union movement in West Kalimantan, with A.R. Mecer as its first chair, Pius Alfred Simin as vice chair, P. Florus as secretary and Frans Laten as treasurer.

It is undeniable that the credit union movement in West Kalimantan, which has been growing since 1990, was spearheaded by YKSPK and Pancur Kasih Empowerment Movement. GPPK strengthened the movement by establishing BK3D. This writer recalls that in a meeting in Santo Fransiskus Asisi School in 1991, YKSPK founder A.R. Mecer asked the young activists to change the world starting from their own villages. "Prove that you are accepted in your own village," he challenged. A homecoming movement ensued, as all the Pancur Kasih activists returned to their villages with the aim to empower the local people by developing credit unions.

Munaldus and this writer, then already members of Pancur Kasih Credit Union, responded to the call by organizing a credit union in our villages in 1992. After a series of discussion and some modest preparation, on March 25, 1993 the Keling Kumang Credit Union was created in Tapang Sambas-Tampang, Sekadau Hilir Sub-district in Sanggau District (now Sekadau District).



Inauguration of a Service Point of Gemalag Kemisiq Credit Union. Photo credit: ID

The homecoming movement broadened when YKSPK developed the Civil Economic Empowerment program in 1996, which facilitated the birth of many credit unions in West Kalimantan. Among these were Sumber Kasih Credit Union in Teraju, Nyai Anta Credit Union in Nanga Taman, Agape Credit Union in Melawi, Tri Tapang Kasih Credit Union in Sejiram, Pancur Dangeri Credit Union in Simpang Dua, Canaga Antutn Credit Union in Menyumbung and Gemalag Kemisiq Credit Union in Tanjung. The last three credit unions are located in Ketapang district. Another GPPK-allied institution, Bela Banua Talino, actively initiated the development of Tuah Menua Credit Union in Sungai Utik, Manteara Credit Union in Boti-Rawak and Pansurat Gunung Bawakng Credit Union in Belimbing (Bengkayang District). The last no longer operates.

In 1999 the credit union movement entered a new phase when A.R. Mecer was elected Representative of the Dayak Kalimantan Ethnic Minority in the People's Consultative Assembly (MPR) for the term 1999-2004. Mecer, together with the Civil Autonomy Empowerment-Pancur Kasih or POR-PK, bolstered the movement as they helped to develop credit unions in all Kalimantan provinces.

In Central Kalimantan, several credit unions in Ampah village and surrounding areas merged into Sumber Rejeki Credit Union based in Ampah on March 1, 1999. In East Kalimantan, the Daya Lestari Credit Union was established; and in South Kalimantan's Meratus mountains, the Bintang Karantika Meratus Credit Union. In West Kalimantan, POR-PK organized the Sabhang Utung Credit Union in Kemangai Ambalau Sub-district in Sintang District, Pancur Solidaritas Credit Union in Ketapang City and Tilung Jaya Credit Union in Putussibau City.

The credit union movement in Kalimantan further expanded with the presence of SegeraK-Pancur Kasih, which organized Betang Asi Credit Union in Palangka Raya City in Central Kalimantan, Femung Pebaya Credit Union in Malinau District in East Kalimantan and Uma Credit Union in Mentawai islands. All of them subsequently joined the West Kalimantan Regional Credit Cooperatives Coordinating Body.

Until 2000, credit unions in Kalimantan grew but without any plan or pattern. In mid-2000 they further advanced when the World Council of Credit Unions (WOCCU) based in Madison, Wisconsin, U.S. and the Association of Asian Confederation of Credit Unions in Thailand introduced Strategic Planning and PEARLS.³ A trainers' training in Strategic Planning was held in Jakarta, and A.R. Mecer and Munaldus, who attended it, immediately applied their learning in the BK3D network in West Kalimantan. The outcome was a significant increase in the growth of members and assets of primary credit unions. The implementation of strategic planning and PEARLS resulted in better operations of credit unions, generating higher trust from the membership. After some time, however, PEARLS had to be reviewed and reconceptualized according to the uniqueness of the BKCUC (BK3D successor) movement, which became Coop-Pesos in the Philippines, Pearls-Gold in Bangladesh, Coop-Rupees in Sri Lanka and GLARES in Hongkong.⁴

The success story of West Kalimantan Regional Credit Cooperatives Coordinating Body spread rapidly. Various social and religious organizations came to learn from BK3D and subsequently instituted their own credit unions in their

hometowns. The Catholic Church in particular believed it was important to encourage the development of credit unions all over Indonesia to reduce poverty. This resulted in a higher demand for the coordinating body to extend its services outside Kalimantan. The first request came from the Archdiocese of Larantuka and Maumere for the facilitation of credit unions in their regions in 2002.

As BK3D West Kalimantan's service expanded beyond what its name signified, its management agreed in an Annual Members Meeting in Sekadau on February 30, 2003 to change its name. The new appellation was Kalimantan Credit Cooperatives Coordinating Body (BK3DK), and it covered Papua, East Nusa Tenggara, Maluku, Java, Sumatra and other regions, which basically include all parts of Indonesia.

BKCUK

Five years later BK3DK further evolved into a more defined network that championed civil economic empowerment. On July 2-5, 2008 a seminar on credit union management system held in Pontianak brought the realization that the organization had to go back to the essence of the credit union. As F.W. Raiffeissen had articulated in the past: "Credit Unions must not confine themselves to granting loans. Their main objectives should be to control the use of money, to improve the moral and physical values of people, and their will to act by themselves." The seminar, attended by 39 representatives from BK3DK credit unions including management and supervisory personnel, discussed the organization's constitution and bylaws, code of ethics and policies. Affirming that the credit union movement is a civil economic movement with its own distinctiveness, they agreed to convert BK3DK West Kalimantan into the Kalimantan Credit Union Coordinating Body. Today BKCUK has members in 13 provinces in Indonesia.

As with many other great movements, the development of BKCUK had its own internal dynamics. In 2002 its member, Bima Credit Union based in Sintang (at the time still under

BK3D West Kalimantan) broke away and established BK3D Kapuas. A year earlier three members had withdrawn, and in 2009 eight more members split and created the Khatulistiwa Center of Credit Cooperatives (PUSKAT).

Despite this, the Kalimantan credit unions under BKCUC grew in terms of members and assets and were replicated in other areas. Today similar credit unions are operating in Merauke, Sorong and Agats in Papua, Larantuka Maumere, Ende, Wetebula and Atambua in East Nusa Tenggara, Makasar and Menado in Sulawesi, Ambo, and Java island, Jakarta, Semarang, Yogyakarta, Surabaya and Jember, and Batam in Sumatra island.

Credit unions continue to be developed across Indonesia, proving to be an effective way to help solve poverty. Even West Kalimantan Governor Drs. Cornelis, MH had stated their importance for the province on various occasions. The government however should make a more enduring contribution to the credit union movement by providing the appropriate environment, such as supporting regulation, to help hasten its growth. This is the hope of credit unions activists and members to realize poverty alleviation more effectively and efficiently.

Function of BKCUC

The Kalimantan Credit Union Coordinating Body envisions “to become a strong and trustworthy credit union coordinating body in Kalimantan to achieve change.” This is further elaborated in its mission to: increase capacity and quality of human resources of members and BKCUC; standardize credit union management system; facilitate standardized credit union financial structure; provide products and unique and smart financial service according to peasants philosophy; with partners, strengthen credit union movement in Indonesia; and enhance synergy in civil economic empowerment.

To execute these functions, BKCUC employs several strategies. First, to increase service to members, BKCUC strengthens the capacity and quality of its members’ human resources. It provides training to members while trainers’

training is given by ACCU. The coordinating body has set up a district office in Palangka Raya and Samarinda, and another district office in Makasar to extend service to the eastern part of Indonesia. It has also instituted cooperation with GPPK organizations to hasten empowerment of its members and activists from primary credit unions.

Second, to standardize credit union management, it adheres to ACCESS Branding of ACCU. Accelerating ACCESS Branding contributes to a more effective and better management of its credit unions and standardized financial structure.⁵ Further, BKKUK creates products and smart and unique financial services that are rooted in the local culture and peasants' culture. This has made BKKUK credit unions the channel for real civil economic empowerment that is based on the members' culture. Finally, BKKUK increases the synergy of the credit union movement as a civil economic movement in Indonesia. This is done through strong cooperation among organizations to empower communities to achieve economic welfare.

BKKUK has a 7-man board of directors that holds a 3-year term, with members eligible for another term. The election of officials is conducted during the Annual Members Meeting through an appropriate mechanism decided on by an election committee according to BKKUK statutes and by-laws.

For the 2009-2011 term for instance the election process was done in several stages. The election committee initially asked all BKKUK member credit unions to nominate two qualified candidates for the board of directors in accordance with set requirements. These were later verified to check the eligibility of candidates; the names were then presented to the members at the Annual Members Meeting.⁶ After approval of the names, the election proper began. Every BKKUK member was asked to choose the seven best candidates, and the seven that garnered the highest number of votes became the board of directors. Based on the BKKUK constitution, a board meeting determines each director's position. The person who gets the majority of votes does not automatically become the chair, as the BKKUK system is based on collective leadership.

The BKCUK has laid down six main qualities for a credit union board director:

1. Willingness and ability to serve members;
2. Willingness to keep on learning;
3. Willingness and ability to be a team player;
4. Willingness to be responsible and to face challenges;
5. Ability to think creatively and open to change;
6. Personal ethics that is in accordance with the credit union's philosophy.⁷

The functions of the Board of Directors generally entail:

1. Strategic Planning; through this, management decides the direction of the credit union;
2. Draw up yearly business plan to be approved in Annual Members Meeting;
3. Formulate job description for manager/general manager/CEO and decide on his/her appropriate benefits;
4. Appoint competent manager/general manager/CEO;
5. Approve management structure made by general manager/CEO;
6. Formulate business ethics/code of ethics;
7. Review organization's statutes and bylaws;
8. Formulate policies that will serve as guidelines for general manager/CEO;
9. Supervise implementation of policies by general manager/CEO;
10. Conduct Board of Directors meeting;
11. Conduct evaluation of work of management: supervisor/manager/general manager/CEO;
12. Devise evaluation tools and conduct monitoring and evaluation of credit unions;
13. Write Board of Directors final report for Annual Members Meeting.⁸

The management and supervisor are elected in the Annual Members Meeting, while the manager is selected by the Board. The staff are chosen or recruited by the manager according to the recruitment process provided for in the credit union's standard operating procedures.

BKCUK Role

A principal role of the Kalimantan Credit Union Coordinating Body is to manage the network and resources of its credit unions, a vital part of which is to manage the flow of money in the network. Just like the flow of water, BKCUK needs to ensure the movement of money from all credit unions runs smoothly. If a credit union member has a cash surplus, it can transfer this to BKCUK which manages it into several products, among these *Tabang*, *Tapan*, and cross regional loans (*Silang Pinjam Daerah*). This helps to ensure yearend dividends give a profit margin to each member. On the other hand, if the credit union lacks funds, it can acquire a loan from BKCUK and still get a beneficial dividend.

BKCUK manages products similar to those of primary credit unions, such as principal savings and compulsory savings, while non-stock savings consist of *Tabang*, *Sikodit*, *Sincan* and *Tapan*. *Tabang* is a daily savings product. *Sikodit* is a daily savings with interest that is used as a transfer medium among its credit unions, such as savings deposit, loan payment, network contribution and solidarity contribution. *Sincan* is a savings that operates as a reserve fund for members, while the latest product, *Tapan*, is a type of future savings.

As for loans, BKCUK has three products for credit union members: general loan, fixed asset loan and loan for liquidity. The general loan is for working capital and service to members; fixed asset loan, for procuring fixed assets; and loan for liquidity, for urgent needs.

BKCUK's role is not just to provide financial services but also to develop human resources. It thus conducts various training to improve the quality of the BKCUK credit union activists. It also undertakes auditing, monitoring, research and development, and information technology services. It renders an accounting of all services it provides at the BKCUK Annual Members Meeting.⁹

Further Development of BKKUK

The BKKUK movement had unique characteristics under the New Order. Its leading figures realized that a credit union was a form of *arisan*; it was also a way to unite poor people and change their mindset and habits as well as to give them a financial education to enable them to plan for their future. All these were considered safe issues that could be pursued under the New Order. However, BKKUK members often faced accusations of being illegal banks, thus its development in West Kalimantan was slow during this period.

A big debate in the credit union movement at this time was whether the coordinating body should become a corporation. Many members of its primary credit unions did not want BKKUK to turn into a corporation (*badan hukum*), asserting that it is not a corporate status that determines the growth of a credit union but the commitment of the management, staff and membership. They felt that the credit unions should first strengthen their internal management before aspiring to be a corporation, although they realized this was important for external management.¹⁰

This issue spawned a long and dynamic discussion in BKKUK, mainly between two large groups. One group, taking a legalistic point of view, favored a corporate status to ensure BKKUK's legal existence and security. They stressed that without it, the body would be illegal and remain unrecognized by the state, thus endangering the credit unions. They presented a logical reasoning that hewed to credit union management principles.

The other group took a critical view of the law, saying while important a corporate status was not an urgent matter and did not guarantee the development of BKKUK. Of more significance was for the credit union to function smoothly and to focus on increasing quality services to ensure a better life for members. In addition they wanted to prevent a situation where BKKUK would be a target of blackmail or the ire of people who were not happy with the network's rapid development. Implicit in this view was that the law is not always a tool that brings about justice and that powerful people could use for their own purposes.

In 2009, however, all BKKUK members finally came to the agreement that the organization should acquire a corporate status. By that time law enforcement had improved and the government was providing positive support for the credit union movement, giving no more reason for BKKUK not to become a corporation. The decision was taken to ensure that the coordinating body would be protected by the state, including from unfair tax burden. On October 4, 2010, a corporate status (no: 927/BH/M.KUKM.2/X/2010) was granted to PUSKOPDIT (*Pusat Koperasi Kredit*) BKKU Kalimantan by the Minister of Cooperatives, Small and Medium Enterprises.

National and Global Networks

The power of credit unions lies in its network from local to global level. As a secondary credit union network, BKKUK is required to become a member of a tertiary network, and this is INKOPDIT based in Jakarta. INKOPDIT in turn is part of the continental network of credit unions, the Association of Asian Confereration of Credit Union. Through INKOPDIT, BKKUK receives various training to develop the quality of human resources of its credit union members. Through ACCU Bangkok, on the other hand, BKKUK receives access to international training that involves activists from various countries. In implementing its programs, ACCU Bangkok also works with the Australian network, and several other credit union associations in other regions, such as Canada and America.

BKKUK has a dynamic relationship with INKOPDIT, which it has officially worked with since November 1988. When INKOPDIT's Mutual Protection Fund policy could no longer fulfill the needs of its members, BKKUK created its own model, Jalinan or Kalimantan Network Protection. As in primary credit unions, this provides protection to members through the products: Tunas, which has reached a maximum of Rp50 million, and Lintang, which has accumulated Rp450 million. Although managed by BKKUK, these products have the same goal.¹¹

The uniqueness of the BKCUC credit union movement, with its huge assets and membership, made it gain popularity among various sectors. This led to an expansion based not on design but on demand. Many social organizations and government agencies visited credit unions in the BKCUC network to learn the secret of their success. Among the religious organizations, Catholic church leaders were among the most interested in bringing this institution to their various archdioceses in Indonesia, dominating the growth of credit unions outside Kalimantan. In 2006 the Pastoral Note Indonesia Conference of Prelates declared that the Catholic church needed to be involved in developing the economy, including development of credit unions.

Since then, requests from several archdioceses for BKCUC facilitation have stepped up. Those that have received assistance from BKCUC are archdioceses in Merauke, Sorong dan Agats di Papua, Keuskupan Larantuka, Maumere, Ende, Wetebula and Atambua in East Nusa Tenggara, followed by the holy archdiocese in Makasar, Manado and Ambon. In Jakarta the movement was spearheaded by the Commission on Social and Economic Development and Tanjung Pinang archdiocese in Batam.¹²

Aside from Catholic archdioceses, various civil organizations (social groups or nongovernment organizations) also found BKCUC members unique from other credit unions in Indonesia and enthusiastically launched similar credit unions. Among these are Rajeh Credit Union in Jember, Prima Danarta in Surabaya, and Cindelaras in Yogyakarta.

BKCUC subsequently had to open new district offices to serve its members outside Kalimantan. In 2007 it established a district office in Samarinda to service members in East Kalimantan; and in 2009, in Makasar for members in East Indonesia. In 2011 its district offices in East and Central Kalimantan merged and based in Palangka Raya. BKCUC has greatly contributed to making the credit union an even more popular financial institution. While there are benefits and disadvantages in its expansion of services, it cannot be denied that it has generated a new economic movement in Indonesia.

Lessons and Challenges

The journey and growth of credit unions in Kalimantan has provided many lessons for BKCUC. One is that a real credit union movement is based on humanitarian values, thus empowering people is key. It is of utmost importance to revamp mindsets, otherwise the change would be superficial and the credit union would remain a mere loan and savings institution. All members need to realize that the credit union is a place for them to grow and develop in every aspect. In order to achieve its goals, the credit union needs to empower members and to provide professional financial services. Every member should be able to realize his part in it, find out what he wants to do and fulfill it through the credit union. When that happens, members will be able to manage their lives in a dignified way.

Another significant lesson is that to ensure the development of a credit union, it must be rooted in the local culture. An example is the Dayak peasants' living culture. Their beliefs and everyday existence, such as ensuring food and drink, sowing seeds, helping each other and performing cultural rituals,¹³ have been successfully and universally applied to services and products of the credit union,

BKUC has undergone rapid growth, but despite its years of experience it faces future challenges. BKCUC has to come up with a strategy to transform its members into reliable public financial institutions. While poor people who are members have felt the benefits of the credit union, the institution should further be improved to make it function optimally. It also needs to continue providing the best services to its members in a much wider geographical area. It has to increase its internal capacity, with staff that can reliably provide what members need.

Another challenge is to promote the perspective that a credit union is a unique civil economic movement that should be provided special space and treatment. Currently, the cooperative is considered a business entity, and since the

credit union is placed in the same category it is subject to taxation, which will inevitably affect its development. If the government, however, really believes that the credit union can become a means to solve poverty, then taxing it is not the right approach. Poor people need to be prosperous, and only after they have achieved some prosperity can they become tax payers.

Thus, on the national level, BKCUK will have to lobby for a special law on credit unions. Having established and developed Syariah financial institutions, the government should extend similar support to credit unions. If credit unions are protected and supported by government, the BKCUK movement believes the poverty rate would go down more rapidly. Its experience in Kalimantan in the last 20 years has proven it.¹⁴

Its two decades of operation have also shown that the BKCUK credit union movement is sustainable and can become even stronger. Currently, less than one percent of Indonesian citizens have joined a credit union, and West Kalimantan is the only province where credit union membership has reached 13 percent of its population.¹⁵ For credit unions to be recognized nationally, at least 10-20 percent of the population must become members. In 2025 the number of credit union members in Indonesia is projected to reach 20 percent of its total population. This is not easy to achieve but with a better image of the credit union and a fast growth in membership, this is a feasible target. This offers a challenge as well as an opportunity for the credit union movement to become a truly civil economic movement in Indonesia.

Endnotes

¹ Written by S. Masiun, former BKCUK board member and facilitator and motivator of CUs in GPPK.

² INKOPDIT 2010.

³ PEARLS, issued by World Council of Credit Union (WOCCU), is an indicator of a credit union's financial condition. P stands for Protection, E=Effective Financial Structure, A=Asset Quality, R=Rate of Return and Cost, L=Liquidity, and S=Signs of Growth.

⁴ See Module 8 of Credit Union CEO's Competency Course (CUCCC) released by ACCU in 2008.

⁵ ACCESS Branding is a certification of Credit Union Asia, in conventional business known as ISO.

⁶ For East Indonesia, Fr. Freddy Rante Taruk Pr was named as the candidate in the absence of any nomination from the region.

⁷ See module 2 CUDCC (Credit Union Competency Course) of ACCU.

⁸ See Credit Union Directors Competency Course Module (CUDCC).

⁹ Work program for 2009 was approved in RAT year book 2008 in Pusat Damai, Sanggau, May 9, 2009.

¹⁰ Module 9 Credit Union Directors Competency Course, ACCU.

¹¹ Explanation by A.R. Mecer on September 15, 2009 on why Jalinan was separated from Daperma managed by Inkopdit.

¹² The pastoral note of Indonesian Conference of Prelates in 2006 was titled "Habitus Baru: Ekonomi yang Berkeadilan bagi Semua: Pendekatan Sosio-Ekonomi (New Habit: Economy with Justice, *Justice for all: Socio-Economic Approach*).

¹³ Interview with A.R. Mecer, BKCUK chair and Frans Laten, BKCUK manager on 15 October 2009.

¹⁴ Interview with A.R. Mecer, Chairman of BKCUK and Frans Laten, BKCUK manager on October 15, 2009.

¹⁵ Result of BKCUK Strategic Planning, June 21-26, 2009, in Kapuas Palace Hotel, Pontianak.

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Chapter

7

Modern Credit Union: Manifestation of the New Populist Economy¹

Francis X. Wahono



The operation and rapid development of credit unions in Kalimantan, particularly modern credit unions² in West Kalimantan, has spawned a lot of debate and theories. As a dynamic process of gaining knowledge, putting practice into theory and applying theory to practice is healthy and beneficial.³ Thus, it is the right time to open wide a forum for a discussion or debate on the credit union, but it should be placed within the classical framework, that is, a new populist economy.

The issues commonly debated about are:

1. Has the “modern” credit union abandoned socialism and replaced it with capitalism?
2. Is the credit union a cooperative or not?
3. Is the credit union a populist economy?
4. What is meant by the credit union as a social movement? Does it differ or is it the same as a political movement?

5. If capitalization can be adopted by the modern credit union, is ACCESS Branding or its standards also to be adopted? (Are members' participation and benefits not a measure of progress of pro-member services?)
6. How can "social movement cost" be accommodated in the credit union? Is "social movement" the same or different from "civilian society movement through a political party"?
7. What relationship can be formed between a political party and a credit union?
8. How can volunteer social work pioneers and non-paid board members be accommodated when the manager and staff are paid based on progressive percentage of membership and assets?
9. How can the following be reconciled and provided a solution: the larger the number of credit union members and assets, the better but the weaker the control is.
10. Is a small old credit union where members participate in determining their net income better than a large one with a professional manager, leaving members under the rule of the board and managers?



New Populist Economy

The debate on the above questions may never come to an end, but they should be discussed as widely as possible. Among the most important issue is the relationship of the credit union and new populist economy. The modern credit union is the perfect form of the new populist economy. While there are other types such as the Grameen Bank, these are largely inadequate in terms of form. For instance, decision making in Grameen Bank as a people's bank of credit is in the hands of investors whose power is based on how much stocks they control. In contrast, the distinction of the new populist economy lies in the "one person, one vote" principle. This is similarly the characteristic of a cooperative, which is based on populist socialism.

The cooperative is an ideal form for the execution of the new populist socialism, which subscribes to the principle of one person, one vote. This tenet is of great significance as it opposes the current of capitalism, which upholds the idea that the more assets one invests in a company, the more votes he has. The new populist socialism cuts off greed, asserting that regardless of how many assets one has, he is entitled to only one vote. This makes it difficult for those who have large investments because they are made to sacrifice voluntarily. But for people who follow the Church's Social Doctrine, Buddhist economy or the community order of Medina in the Prophet Mohammad's time, the principle of new populist socialism is embodied in the real cooperative. In other words, "proprietary personal asset is allowed whenever it serves social function for *bonum commune*—collective social welfare." Therefore, the credit union, which works for people's empowerment, is a perfect application of the cooperative.⁴

Populist economy is grounded on the Ricardian socialism of the 18th century that emphasized sovereignty of the people. This traditional form was often likened to the teaching of the peaceful path of anarchism (which in the Indonesian vocabulary usually refers to violent ways), which was compatible with populism. Advocates of the old populist economy were basically opposed to government, especially totalitarian governance, and technology, in particular industrialization that tended to dehumanize workers. Both government and industrialisation in the 18th and 19th centuries were harsh on commoners who had no right to vote, being landless, and laborers who were replaced by machines or alienated from the goods that resulted from their work. The leading figures of classical populist economy were Sir Thomas More, Sismodi and Prince Kropotkin.

The new populist teaching of the 20th century, however, despite promoting people's sovereignty, is not entirely resistant to government nor is it blindly against technology. Democratic government such as that in Switzerland advances people's welfare, is supported by the new populist teaching and accepts effective technology as long as people's sovereignty is upheld. Its prime movers were A.V. Chayanov who espoused "farm-

ers' household economy," Gandhi with his "jantera thread spinner" and E.F. Schumacher who advocated "Buddhist economy and effective technology." In Indonesia, the economists and social scientists who have promoted populism are J.H. Boeke, Mohammad Hatta, Sritua Arief, Mubyarto, Masri Singarimbun, Soedjatmoko, William L. Collier, Sajogyo, Dawam Rahardjo, and Sri Edi Swasono.

Is there a difference in the socialism espoused by Soekarno and by Hatta (first President and first Vice President of the Republic of Indonesia, respectively)? Hatta's socialism, as expressed in article 33 of the original Constitution of 1945, stresses the principle of kinship, which he interpreted as a cooperative. On the other hand, Soekarno's socialism was, at the end of late 1950s and early 1960, a guided socialism. Hatta remained loyal to people's sovereignty, whereas Soekarno tended to follow the belief in a "proletariat dictatorship" of collective socialism on behalf of the political party; this notion favoured people's sovereignty as represented by the leader. In Soekarno's "Marheanism" (political doctrine developed by Soekarno connecting Marxist thought to the social conditions of an agrarian community), farmers could not be sovereign by themselves but had to be guided by the elite (cadres of PNI, the Indonesian National Party that was in power).

The credit union is more akin to the socialism of Hatta than of Soekarno. An example of a credit union under Soekarno's socialism are cooperatives for the elite. When education about the credit union is not well disseminated, this kind of credit union may result. But when education changes the mindset and behaviour of members and core members, the credit union is more attune to Hatta's socialism.



Modern Credit Union Movement

The credit union is a perfect application of the new populist socialism of Hatta. Thus, it is compatible with the new social movement, which shares its ideals and methods. In the past, the social movement was characterized by the working class

who were treated as objects and whose rights and dignity were crushed by capitalists. People's sovereignty became the rallying cry of this social class as they fought for their rights, and only those who were united had the power to demand these from oppressive employers. The social movement expanded in the 1950s when human rights became state policy. In the 1970s it further broadened into the new social movement, as public awareness rose on gender equality, sustainable environment, rights suppression and crosscutting issues of class and gender.

How does the new populist economy relate to the new social movement? The former advances people's welfare, good governance and effective technology, while the latter accommodates worker-employer issues and inter-class issues such as gender equality, environment and human rights. Thus it also follows that the modern credit union promotes gender equality, sound environment, human rights and ethnic pluralism as well as supports governments that work for people's welfare and effective technology. This means that:

1. The modern credit union has to back government's developmental and pro-people movement. For instance, if it is within its capacity, the credit union should set aside funds from the percentage of returns, without breaching accountability and economic viability, for government's pro-people and development programs;
2. Because the modern credit union is a perfect vehicle for the new populist economy, it has successfully transformed the philosophy of Dayak peasants, making it comprehensible and appreciated by modern society. This is evidenced by the various social and economic products of the Pancur Kasih Credit Union that have been adopted by other credit unions throughout Indonesia;
3. The modern credit union must have the courage to adopt new effective technology that is useful without being burdensome. For instance, it can adopt the system of voluntary deposits diversification like that of a bank if it finds it applicable, or the system of ACCESS Branding if it improves the effectiveness of its service

and quality control. Such innovations can be taken on as long as the principle of one man, one vote remains unchanged;

4. Education and practices in the modern credit union must promote gender equality, ecology, human rights and religious and ethnic pluralism. For Kalimantan, what should additionally be considered is the wide geographical location of its members in the effort to help them become part of the new social movement.



Influences on Credit Union in Kalimantan

A history of the ideas that influenced the credit union in Kalimantan, as initiated by A.R. Mecer and his friends who were CU reformers, as well as its derivatives that emerged across the country can be divided into four stages. These differ slightly from those discussed in Chapter 2; those analyzed here establish the use of the Dayak peasants' philosophy long before 2006 or since the founding of Pancur Kasih Credit Union. A.R. Mecer had contemplated the four basic needs of man early on in his village of Menyumbang, and although he did not immediately disseminate this idea, it influenced him and his colleagues in their struggle for Dayak empowerment.

The following outlines the various ideas that contributed to the development and practice of the credit union today:

Phase I. The period from 1976-1987 was marked by *credit economy*, that is, the credit union existed to lend money. In practice, the credit union at the time was not any different from the savings-loan in the culture of the arisan, which was a regular social gathering for purposes of conducting a lottery. In the savings-loan system of a social gathering lottery, one person or family could participate in one up to ten lotteries in a month. In the end, this system just led people to keep on borrowing to support their life habits. Although the credit union then was successful, its function was no more than as a "tool of sharing poverty" or "to encourage procrastination on repayment of debts."

Phase II. The years 1988-1994 were a time of *cultural politics*, that is, learning from the Dayak people to spur a culture of saving for the future. The philosophy of peasants, particularly the Dayak forest people, was beginning to inspire and be viewed for their importance in transforming the credit union. This entailed finding this philosophy's core teaching and adopting its richness as a guideline for acting and behaving. Pondering the meaning of the farmers' philosophy by a water spring in Menyumbang in inland Ketapang, A.R. Mecer came to the following conclusions: 1) man needs food, drink, clothing, housing and other daily needs to survive; 2) man needs to have sovereignty (to use and enjoy the results) over the resources of nature: land, water, air/climate, biodiversity or plant seeds, and so forth; 3) man needs to be able to develop himself and to have social and cultural interactions with others; and 4) man needs to perform rituals, meaning vertically to worship God and horizontally to be in harmony with others. This means a holistic participation by man.

Phase III. The period 1995-2006 was denoted by *capital accumulation for liberation* or savings for life planning, working productively and having dignity. After around 10 years, attempts were made to interpret the values of local wisdom in today's context. This resulted in the various products provided by the modern credit union movement led by A.R. Mecer in 2006. These consisted of voluntary savings, productive loans and products similar to insurance. The last reflects the social side of the modern credit union, as it involves solidarity for sick or deceased members in the form of sickness compensation and redeemed debt. In addition, education to raise awareness and strategic planning became the pillar for involving members in sustaining the credit union's development.

Phase IV. *Political economy* characterizes the period from 2007 to the present. This means that joining a modern credit union is a choice of life. The life of a fighter is to transform the neoliberal capitalist system that creates injustice to neo-populism that engenders justice in terms of at least control and access to production facilities, in-

cluding social capital or social organization. The modern credit union is not only an economic organization but a socio-political one, and the latter is a required step to the former. A socio-political movement is not forbidden in the credit union, but a number of things have to be considered in order for it not to be trapped in practical politics.

A socio-political movement in which politics becomes part of a social movement is imperative. The lesson learnt by GPPK in joining a political party in the general election in 2007 and 2009 and engaging in regional and provincial elections is that the mass membership of the credit union is not the mass membership of a political party. Membership in the former has so far been a socio-economic mass, which can transform into a socio-economic-political group if it endures real challenges, such as a ban and oppression of credit unions. What turns it political is the experience of struggle. If a Dayak gubernatorial candidate successfully won in the 2007 regional election, it was not because he was a fighter for a socio-economic movement like those in the credit union; it was because he was a Dayak who has fought for Dayak awakening.

The Dayaks have been oppressed and marginalized, thus their awareness of being part of the political mass is enhanced through their collective experience of marginalization. Political struggle is more intense than socio-economic involvement, which is less discriminating in its choice of group or advocacy to support. Unless the socio-economic situation gets so dire in West Kalimantan, people will not immediately come together (temporarily) and unite to fight against the powers oppressing them. They have to be thirsty and hungry to become militant. At the moment, the credit union is a well established institution that provides social and economic benefits, thus it is difficult to muster members to become militants. The credit union is a fulfilment of the struggle.

Some quarters however argue that since the credit union does not have a legal mantle, it needs political power. Members may be motivated to unite for political struggle if, for instance, grave issues such as customary land appropriation and child and women trafficking were to affect the Dayak people. But the credit union in general is reluctant to plunge into practical

politics. With intensive political education, it can merely exercise “socio-economic politics” or the new social movement. At this time it is still in the phase of social or populist economy.



Sustainability of Modern Credit Union

In his dissertation (2009), Amu Lanu A. Lingu cited five factors to determine the growth and sustainability of a modern credit union. One is ritual (in accordance with Dayak farmers), which can be understood as a participative strategic planning process (involving discernment *spirituum* or spirit confirmation, pros and cons in consideration of data, participant's experience) in decision making and its consequence. Second is education and continuous core group formation for board and managerial leaders. Another is financial performance normally measured with PEARLS. A fourth is the quality of products and services; to what extent, for example, are products provided with interest and instalment payment period in relation to insurance and social service.

The last factor is member satisfaction, or in corporations, customer satisfaction. The standard ACCESS Branding only measures customer/member satisfaction, but it should also involve quality of products and services (fourth factor) or how they are assessed by customers or members. Although ACCESS Branding also gauges financial performance and internal management, it ultimately focuses on customer satisfaction. It would be wrong, if “satisfaction” is substituted for or used to measure “participation.” In corporations but not cooperatives, customers can be “satisfied” without a lot of “participation”; it is the owner and manager who participate the most. The word “growth” is also used in ACCESS Branding, and in the same vein it cannot be replaced with “learning.” Learning involves the dynamics of a process, including ups and downs, successes and failures; learning is accommodated in the factor on strategic planning and education for the leadership and board.

No matter how important it is, however, ACCESS Branding, which probes into the area of marketing manage-

ment, is only one of five factors that determine the success of a modern credit union. Since the customer is the target of a corporation's product, member participation cannot be measured completely. It can mainly be gauged from strategic planning and leadership or management.

As for the annual members meeting, it should logically be categorized under the factor of strategic planning. But in practice, RAT does not only strategize but goes into planning as well. Most annual member meetings sometimes serve only managerial and regulation purposes and less a collective reflection by members. As such, RAT does not fully show the dynamics of the modern credit union movement. Hence, as a manifestation of the new populist economy, the modern credit union should carry out a process of action and reflection in which members participate in drawing up strategies. This process will increase and nourish the spirit of populist economy and democracy in the credit union. Without it, financial management and organizing would become its only concerns. Action and reflection are the soul of the Dayak peasants' rituals that A.R. Mecer and the GPPK-modelled credit union have re-explored for their value, with the modern credit union serving as a laboratory.

In an action-reflection on the credit union board, for instance, additional member qualities were considered that could further advance the work of the credit union movement. In addition to being honest and dedicated, board members must also be able to fully understand the social movement which carries the spirit of the new credit union. While they can receive monthly remuneration, they should be proficient in imparting clearly its ideology, basic theories and spirituality to the members and the general public. So must the cadres or core group who earn a certain percentage of the yearly income. An allocation, which ranges from 12 to 15 percent of the profit, pays the monthly salaries of managerial employees and honoraria for board members and cadres if the membership exceeds 1,000.

The theme of the Worldwide Credit Union's anniversary celebration in 2009, "Your money, your choice, your credit union," puts the stress on "your choice." This means the

ability to choose because that is the heart of the processes of the “ritual” (Dayak), “action-reflection” (*l’action populaire* and liberation theology), “discussion to reach agreement” (1945 Constitution Preamble), “kinship-based economy or cooperatives” (Hatta), or “discernment spirituum” (St. Ignatius de Loyola). The process of choosing entails a process of awareness in making decisions for the new populist social economy. It is the action reflected upon that mobilizes action or, in other words, praxis. The ability to choose is the soul of a liberating movement and of the new customary Dayak people in New Kalimantan, no matter what sub-ethnic group they belong to. It is the praxis that sustains the dynamics of the modern credit union.

In choosing a credit union, we can use praxis to assess the differences between the modern and the old. A major difference is in banking and financial resources, and minor differences involve accounting processes and control. These can be seen from actual practice in the field rather than questionable theory. In the monthly members’ meeting of the old credit union, for instance, much of the time (3.5 of 4 hours) is spent on bookkeeping that can involve five to 10 books. And it is done by members who function as the treasurer and the head with assisting NGO staff rather than by all the members themselves. Thus, credit unions with a small membership do not guarantee effectiveness. As in the *arisan*, how can the members conduct a serious discussion when they themselves have to count the collection and do the bookkeeping while the rest engage in conversation. There is little time left for education, making it difficult to carry out social change; moreover the collection is too insignificant to start a business.

Despite the inability to hold monthly member meetings due to the big membership and their far locations, the modern credit union has paved the way for building a movement. If viewed merely as a channel to mobilize people for action and demonstration, then it would be difficult to sustain. If it is, however, comprehended as a group of people who are aware that the current social order is not in accordance with the ideals of welfare and justice and thus needs to be transformed, then the modern credit union can serve to bind people who will work to attain these ideals.

Endnotes

¹ This was originally delivered as a paper at a Workshop of Management Development of Pancur Kasih CU at Merpati Hotel, Pontianak on 23-24 March 2009 and was further updated for the commemoration of International Credit Union's Day in Yogyakarta on 15 October 2009 at the pavilion of Bererod Gratia Credit Union in Babarsari, Sleman, Yogyakarta. It was written by Francis Wahono Ph. D (Econ), chairman of Cindelaras Paritrana Foundation in Yogyakarta and a senior researcher of Social Economic Movement and Management Institute (SEMAI). Revisions were made for this publication.

² The word “modern” is used to differentiate it from the credit unions of 1970-1980s that are still operating in North Sumatera and other places under BK3I Jakarta. “Old” credit unions are those that still subscribe to a system of small groups of 20-30 members and 5-10 kinds of saving books. “New” or modern credit unions have as many members as possible and adopt modern bookkeeping like that of banks. “Old” credit unions require the board of directors to master their system of bookkeeping while the “new” ones do not necessarily require the board to do such but to know the ideology and institution of the credit union; hence credible managers are hired. The “new” credit union in West Kalimantan introduced a number of voluntary savings products, ranging from a product called “capitalization” to a savings product provided for “school” and “marriage” in addition to various insurance products and solidarity fees. In comparison, the “old” credit unions are complacent with three kinds of savings products—principal, mandatory and voluntary savings.

³ Process of gaining knowledge: practising to produce theories and applying theories to practise is discussed comprehensively in Francis X. Wahono, et al. eds. 2006. *Profit Dr. Ir. Sajogyo.tentang Eko-Sosiologi*. Yogyakarta: CPRS, SainS, and YBDS.

⁴ Many people or groups use the term “cooperative” but do not practice its principles. This is happening not only in Indonesia but also in Europe as witnessed by this writer. Thus, credit unions in Indonesia in general do not consider Indonesian loan cooperatives as real cooperatives that practise its principles and thus are not perfect cooperatives. That is why the Association of Credit Union of Jogya in Java Island is not included under the legal status of “loan cooperative.” Prior to the issuance of the Credit Union law, the closest legal status a credit union could get was the one regulated by the popular cooperative law which considered credit unions as credit cooperatives. Credit cooperative is a category said to be similar to credit unions because it also deals with so-called “credit” (financial management scheme) but is not a financial institution like banks. What credit unions in general refused to accept

is the notion that the credit union is like a “financial institution.” It is not one at all. A credit union is a group of people who manage credit. It is not “money” but “people who manage credit.” On this point the proper tax, should it be imposed on credit unions, should be a tax on a cooperative—which is a group of common people. As such, it would be wrong for the government to impose tax on it while investors are tax-free.

The modern credit union shares the same direction and goal as the Pancur Kasih Empowerment Movement. The movement aims to liberate the Dayak indigenous peoples from the shackles of poverty, ignorance and inequity to a life of solidarity, gender equality and sustainable environment.



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