Vol. 10, No. 2, 2024, pp. 280-289
DOI: https://doi.org/10.29210/1202424963

Contents lists available at Journal IICET

Jurnal EDUCATIO (Jurnal Pendidikan Indonesia)
ISSN: 2476-9886 (Print) ISSN: 2477-0302 (Electronic)

Journal homepage: https://jurnal.iicet.org/index.php/jppi

Comprehensive approaches in group loan management for enhancing women's economic independence: case study of cetf bandungan district, Semarang regency

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Article Info

Article history:

Received Jun 12th, 2024
Revised Nov 20th, 2024
Accepted Dec 31st, 2024

Keywords:

Group loan management
Joint liability mechanism
Rural women's economic empowerment
Microfinance strategies
Community empowerment trust fund (CETF)

ABSTRACT

This study investigates the management of group loans by the Bandungan District Community Empowerment Trust Fund (CETF) to enhance women's economic independence. Specifically, it examines the operational challenges, management strategies, and their impact on beneficiaries. Using a qualitative approach, the research involved in-depth interviews and observations of CETF management (IVCA, Financial Management Unit, Supervisory Body, and Verification Team) and 60 Women's Savings and Loans (WSL) group administrators. The study identifies key obstacles, such as financial instability, behavioral issues among members, and managerial inefficiencies. To address these, CETF implemented mentoring, training, and joint responsibility systems tailored to local contexts. These strategies have resulted in a 98% repayment rate, demonstrating the effectiveness of a community-based microfinance approach. This research is distinctive in its focus on rural women, the use of joint liability mechanisms, and flexible policies, such as loan rescheduling and moratoriums, which are underexplored in prior studies. The findings contribute to the literature on sustainable microfinance and provide practical insights for policymakers and microfinance managers to optimize group loan programs for women's empowerment.

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Introduction

Women's economic independence is a cornerstone of achieving social justice and sustainable development. In rural Indonesia, structural barriers such as limited access to capital, financial illiteracy, and entrenched patriarchal norms often hinder women's participation in economic activities (Saluja et al., 2023). Despite these challenges, studies have shown that empowering women economically yields far-reaching benefits, including strengthened family resilience, improved child well-being, and contributions to national economic growth (Andriamahery & Qamruzzaman, 2022; Wei et al., 2021).

Microfinance, particularly through group lending, has emerged as a promising approach to address these barriers. Group lending models, characterized by joint liability mechanisms, enable women to access business capital, build solidarity, and reduce reliance on external financial support (Babajide et al., 2022). However, the effectiveness of such models hinges on robust management strategies to mitigate risks such as misuse of funds, conflicts, and loan defaults (Satar & Kassim, 2020). Institutions implementing mentoring and training have reported improved outcomes, highlighting the need for a holistic approach to loan management (Lawhaishy & Othman, 2023; Nkunda et al., 2024).

The Community Empowerment Trust Fund (CETF) in Bandungan District, Semarang Regency, represents a unique case of a community-based microfinance institution. Established under the now-defunct PNPM MPd program, CETF continues to thrive independently, serving 111 groups with a 98% repayment rate. This exceptional performance raises questions about the specific strategies CETF employs, particularly its use of mentoring, training, and policy flexibility, to sustain its operations and enhance women's economic independence. While existing studies primarily focus on the impacts of microfinance on women's empowerment, limited attention has been given to the operational strategies of successful community-based institutions like CETF. This study addresses this gap by exploring the innovative practices CETF employs, such as joint liability mechanisms and flexible policies, and examining their relevance to rural women who face distinct socio-economic challenges.

The research aims to provide practical insights for microfinance managers and policymakers while contributing to the academic discourse on sustainable and gender-focused microfinance. By situating the study within the local context of Bandungan, it underscores the importance of adapting global concepts to address specific community needs, thereby advancing both theory and practice.

Method

This research employs a qualitative case study design to explore in depth the strategies used by the Bandungan District Community Empowerment Trust Fund (CETF) in managing group loans to enhance women's economic independence. A case study approach was chosen to provide a comprehensive understanding of CETF's unique practices, focusing on real-life contexts and operational complexities.

The study was conducted in June 2024 at the CETF office and within the operational areas of Women's Savings and Loans (WSL) groups in Bandungan District, Semarang Regency. The research population consisted of CETF managers and WSL group administrators. Purposive sampling was used to select participants based on their direct involvement and experience with group loan management. The inclusion criteria were CETF managers directly involved in managing group loans and WSL group administrators who had actively utilized loans for over five years. This ensured participants could provide detailed insights. The sample comprised four CETF managers, representing the Inter-Village Cooperation Agency, Financial Management Unit, Supervisory Body, and Verification Team, and 60 WSL group administrators, including the chairpersons, secretaries, and treasurers of 20 WSL groups. The sample size was deemed sufficient to capture diverse perspectives and ensure data saturation.

Data were collected through semi-structured interviews, direct observations, and analysis of secondary data. Semi-structured interviews were conducted with CETF managers and WSL administrators to explore challenges, strategies, and impacts of group loan management. Interviews lasted between 45 and 90 minutes and included questions on obstacles, decision-making processes, and experiences with CETF interventions. Direct observations were conducted during WSL group meetings and CETF management activities to document administrative processes, group dynamics, and interactions. Observations were carried out during three group meetings and two CETF office sessions, each lasting 1–2 hours. Secondary data, including financial reports, loan documentation, and training materials, were analyzed to complement primary data and verify findings.

Data analysis employed thematic analysis, involving several stages. First, the researchers familiarized themselves with the data by reading and re-reading interview transcripts, observation notes, and secondary documents. Second, initial codes were generated based on recurring patterns and key ideas. These codes were then grouped into broader themes reflecting strategies, challenges, and impacts. Finally, themes were refined to ensure coherence and alignment with the research objectives.

Triangulation was applied to ensure validity by cross-verifying data from interviews, observations, and secondary sources. For example, accounts of financial challenges from interviews were compared with loan repayment records and observational notes on group discussions.

This study acknowledges several limitations. The geographic scope of the research is specific to Bandungan District, which may limit generalizability to other regions. The relatively small sample size, while sufficient for qualitative inquiry, may not capture all possible variations. Potential biases arising from researcher interpretations and participant self-reporting were mitigated through triangulation and reflexive practices. Despite these limitations, the study provides valuable insights into effective strategies for managing group loans in a community-based microfinance setting.

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Results and Discussion

CETF Profile

Bandungan District CETF is a microfinance institution formed through a government program, namely PNPM MPd, which ended in 2014, located on Jalan Dr Cipto Mangunkusumo KM 02 Jetis Village, Bandungan District, Semarang Regency. Bandungan District CETF provides financial access services for women's groups in the Bandungan District area by providing business capital loans without collateral specifically for women using a group lending model with a joint responsibility system. The number of groups served in 2023 will be 111 groups with 979 members. Revolving funds managed have increased by 8% every year, based on data in 2023, funds managed will be IDR 7,361,627.24. One of the factors influencing the increase in the amount of Bandungan District CETF revolving funds is the relatively small level of non-performing loans (NPL), namely 1% - 2% of the funds rolled out to the group. That means, the group loan repayment rate is 98%.

This research involved two main groups of informants. The first group consisted of four Bandungan District CETF managers: EAW (Chair of IVCA, 47 years, Diploma 3 Management, 15 years experience), IS (financial management unit Treasurer, 47 years, Diploma 1 Computer Accounting, 13 years experience), ES (Verification Team, 39 years , high school, 12 years experience), and B (Supervisory Board, 54 years, Bachelor of Management, 15 years experience). The second group is the administrators of 20 Women's Savings and Loans (WSL) groups, totaling 60 people, consisting of the chairman, secretary and treasurer of each group. The majority of interviewees in the second group were over 33 years old (97%) and had a high school education (49 people). As many as 79% of WSL group members have been loan recipients for more than 10 years, utilizing business capital loans from CETF more than 10 times.

Obstacles and Strategies in Managing Bandungan District CETF Group Loans

The obstacles faced are divided into three levels: group members, group management, and CETF management. At the member level, obstacles include financial problems caused by business failure or unstable financial conditions, as well as behavioral problems such as lack of responsibility, indiscipline and dishonesty in fulfilling obligations. Strategies to overcome these obstacles include problem identification, assistance, coaching, and deliberation involving group members and administrators to create a sense of shared responsibility.

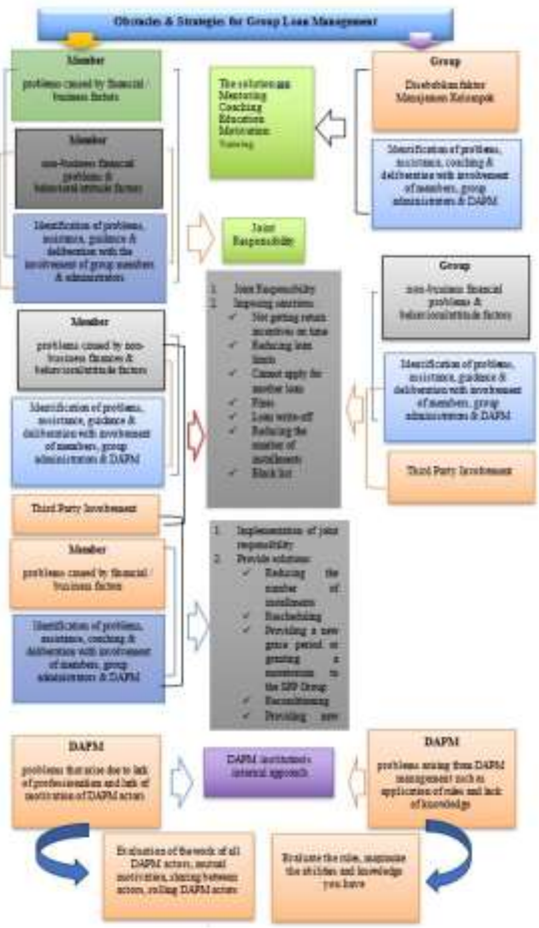

Figure 1 <Obstacles and Strategies in Overcoming Obstacles Caused by Group & CETF Members>

At the group level, the main obstacles are related to management, such as lack of transparency in financial recording, internal conflicts, and management behavior that does not support smooth administration. The strategy implemented includes an internal approach through group deliberations to resolve conflicts, and an external approach involving third parties, such as village heads or related agencies, to mediate problems. The joint responsibility system is also a key element in ensuring that each member has collective responsibility for group obligations. At the group level, the main obstacles are related to management, such as a lack of transparency in financial recording, internal conflicts, and management behavior that does not support smooth administration. The strategy implemented includes an internal approach through group deliberations to resolve conflicts, and an external approach involving third parties, such as village heads or related agencies, to mediate problems. The joint responsibility system is also a key element in ensuring that each member has collective responsibility for group obligations. Meanwhile, at the CETF level, obstacles include a lack of professionalism and motivation of managers, as well as internal regulations that are not updated or applied consistently. To overcome this, performance evaluations of all managers, training to increase capacity, and role rolling to avoid conflicts of interest are carried out. In addition, internal rules are strengthened by maximizing managers' responsibilities by increasing their abilities and knowledge. As the core of the strategy described in Figure 1, the joint responsibility system is the main mechanism for managing constraints at various levels. The solutions offered include rescheduling payments, reducing the number of installments or granting a grace period (moratorium), writing off loans for certain cases such as a member who dies, and applying sanctions such as reducing loan limits, eliminating timely loan incentives, or blacklisting. for problematic members. This approach not only solves technical problems but also strengthens solidarity and sustainability of collective group lending.

Obstacles and Strategies for Overcoming Group Loans Caused by Members and Groups

The challenges faced by group members are related to their financial situations, influenced by business and non-business factors, as well as issues related to the behavior/attitude of group members. Financial problems caused by business factors include business failures or crop failures experienced by members of the women's savings and loans (WSL) groups. Non-business factors causing financial problems include unfortunate events such as the death of a member, accidents, or illness among WSL members. Another issue stemming from non-business factors is the misuse of loans by group members. This was stated by CETF managers and WSL group leaders as follows:

"Regarding group installments, there are groups that pay an amount that is not in line with what they should have paid, due to some group members whose businesses are not running well." (Erika Ani W / Chairwoman of IVCA)

"In terms of member installments, I once had a case where a member paid an incomplete amount because their harvest was unsold, and some even went bankrupt." (WSL Group 2 Leader)

"My group was once late in paying installments because one of our members was sick and had to be hospitalized." (WSL Group 4 Leader)

"One of my members used the loan not for business purposes but to fulfill personal needs." (WSL Group 1 Treasurer)

Another challenge faced by group members is related to behavior/attitude issues, such as the character of certain group members. Some groups have members with less favorable characteristics, such as dishonesty, lack of discipline, irresponsibility, or even members who abscond, which hinders installment payments. This was expressed by WSL group leaders as follows:

"I once delayed my group's installment payment because one of my group members was not organized and forgot the installment due date." (WSL Group 15 Leader)

"The installment issues in our group occur because members are still engaged in other activities, and some refuse to pay installments, citing financial difficulties." (WSL Group 11 Treasurer)

The challenges faced by groups are influenced by financial factors, behavior, and the management of WSL groups. The group's problems caused by financial factors include cases where group leaders misuse installments and loans, as well as the misuse of the remaining balance of installments and timely repayment incentives. Group leaders who are not transparent in managing finances and dishonest leaders also influence the repayment of loan installments, meaning the behavior of group leaders also becomes a factor in installment payment problems. The management factor also affects the smoothness of installment payments, such as the absence of financial records and groups not maintaining administrative records, which lead to conflicts within the group.

Another problem faced by the groups is the lack of cooperation and unity between group leaders and members, which occurs due to personal problems among group members, thus disrupting the group's collective responsibility ("tanggung renteng"). As stated by the CETF manager in Bandungan Subdistrict as follows:

"There are some group leaders who are not transparent with group members regarding the remaining balance of installments and the amount of timely repayment incentives. For example, for a loan of 5 million, the installment that should be paid to the Financial Management Unit is only IDR 495,000, but members are asked to pay IDR 500,000 to the group leader. There should still be a remaining IDR 5,000, but this balance is not conveyed to the group members." (Iwan Susanto/Treasurer of Financial Management Unit*)*

"Groups that do not keep administrative records also face problems within the group, which leads to suspicion and conflict between members and group leaders." (Eko Supriyanto/Verification Team Member)

The strategy implemented by the CETF in Bandungan Subdistrict to overcome the obstacles in managing group loans caused by group members is classified based on the cause of the problem. Problems caused by financial factors related to group members' businesses, such as bankruptcy and crop failure, are addressed using an internal approach by involving group leaders and members. This is done by identifying the problem, conducting group deliberations, resolving the issue through a familial approach, and implementing collective responsibility by using group savings or mutual aid to help members pay installments.

If the internal approach cannot solve the problem, an external approach is carried out involving group members, group leaders, and the CETF Financial Management Unit. The external approach involves re-identifying the problem by the Financial Management Unit and conducting group deliberations to provide solutions. Solutions to installment payment problems caused by business failures and bankruptcy include rescheduling debt repayment, providing a new grace period, granting a moratorium to WSL groups, revising debt agreements (reconditioning), issuing new loans, and reducing the installment amounts paid monthly. As stated by CETF managers as follows:

"For members who cannot pay installments due to business failure, we assist by using group funds. If it is no longer possible to help, we report it to the Financial Management Unit." (WSL Group 3 Leader*)*

"The policy we adopt in dealing with problematic groups is to provide a grace period for groups unable to pay on the due date. For groups experiencing business failures, we reschedule loans, revise loan terms, and extend the loan period." (Iwan Susanto/Treasurer of Financial Management Unit)

Loan problems caused by non-business financial factors, such as the death of a group member or illness, are addressed through an internal approach involving group members and group leaders. This is done by applying the collective responsibility system ("tanggung renteng") using the group's savings or cash to help pay installments for members who are ill or have passed away. However, in cases where the issue arises from the death of a group member, the leaders will contact the heirs to inform them that the deceased had an outstanding loan with CETF in Bandungan Subdistrict.

If the internal approach does not resolve the problem, an external approach will be taken by involving the Financial Management Unit to address the issue. The strategy and policy applied for deceased members involve loan write-offs as agreed upon by the CETF institution in Bandungan Subdistrict. This is as expressed by CETF managers and group leaders as follows:

"For members who pass away, we will discuss the matter in a CETF institutional meeting to decide on a loan write-off for the deceased member." (Iwan Susanto/Treasurer of the Financial Management Unit)

"We once had a member who was ill, and we continued to pay their installments using the group's savings. If a member passes away, we will contact their husband or family to inform them that the member had a loan." (Treasurer of WSL 7 Group)

Another factor causing loan issues among group members is the poor behavior/attitude of group members, such as members who are undisciplined, dishonest, irresponsible, and misuse loans. The strategy employed involves internal and external approaches involving group members, group leaders, and CETF Financial Management Unit by providing warnings, guidance, mentoring, and deliberations to offer solutions and impose sanctions on members facing installment repayment issues.

The solutions and sanctions provided are based on the identified problems, such as applying the collective responsibility system ("tanggung renteng") and imposing penalties such as withholding timely repayment incentives, imposing fines, expulsion from the group, reducing loan limits, denying further loans, and blacklisting the member. Timely repayment incentives serve as a reward for groups that pay installments on time and in the correct amounts. The incentive is IDR 36,000 per 1 million loans or 20% of the total interest/loan service fee for a year. Groups that are undisciplined in repayment also face penalties, such as a reduction in loan limits for subsequent loans, as expressed by CETF managers and group leaders as follows:

"If members are disorderly and undisciplined, I warn them. If the warning does not result in improvement, I expel them from the group." (Group Leader 1)

"If a delay in installments is due to one member's mistake, the timely repayment incentive cannot be distributed, even if it is caused by just one member. This is because the requirement for the incentive is on-time and correct amounts. I usually suggest borrowing from the group fund to cover the shortfall to avoid losing the timely repayment incentive." (Iwan Susanto/Treasurer of Financial Management Unit*)*

It can be concluded that the strategies and policies to address installment payment challenges among group members involve internal and external approaches with the participation of group members, group leaders, and CETF Financial Management Unit, employing mentoring, guidance, and deliberations to determine appropriate solutions and sanctions based on identified problems and their causes. Collective responsibility ("joint responsibilty") is the main solution for addressing installment repayment issues among group members.

The strategy to address loan management issues caused by groups also employs internal and external approaches. However, in the external approach, in addition to group members, group leaders, and CETF Financial Management Unit, third parties are involved to resolve the problems. These third parties include influential figures such as hamlet chiefs, village heads, subdistrict heads, or related institutions. Problems caused by the behavior of group leaders are addressed through problem identification, verbal and written warnings by CETF Financial Management Unit, mentoring, and group deliberations to provide solutions or sanctions according to the cause of the problem.

The sanctions given are similar to those imposed on group members, such as withholding timely repayment incentives, reducing loan limits for subsequent loans, and blacklisting the group, meaning the group can no longer obtain capital loans from CETF in Bandungan Subdistrict. Groups that are undisciplined in installment payments also face penalties, such as a reduction in loan limits for subsequent loans. However, the application of sanctions for this problem applies to all members and leaders of the group, and the deliberations involve third parties, as expressed by CETF managers as follows:

"To address problematic installments, we take an internal approach to the group by reminding and warning them via phone and text messages, and we also send warning letters. Additionally, we visit the group directly to identify the problems, provide mentoring to find solutions, and coordinate with the village head to assist the group facing issues." (Bandiyati/Supervisory Board Member)

"The sanction we impose on groups that fail to pay on the due date due to intentional reasons is the withholding of the timely repayment incentive." (Iwan Susanto/Treasurer of Financial Management Unit)

"When handling problematic groups, we also impose strict sanctions. If the group does not rectify their mistakes, we impose a blacklist sanction, which means the group cannot apply for loans again." (Erika Ani W/Chairperson of IVCA)

"Groups that pay installments past the due date are sanctioned by withholding the timely repayment incentive and reducing the loan limit when the group applies for loans again." (Iwan Susanto/Treasurer of Financial Management Unit)

"To address delinquent groups, we also involve village officials, such as hamlet chiefs and village heads. We send official letters to inform them about the group's arrears. Then all group members are invited to a joint meeting to resolve the issue." (Erika Ani W/Chairperson of IVCA)

Strategies to address group loan management issues caused by poor group management—such as the lack of administrative record-keeping, lack of group cohesion, and commitment-related problems that lead to misunderstandings between members and group leaders, affecting loan repayment—are implemented by providing assistance, guidance, education, motivation, and training. These strategies involve group members, group leaders, and the CETF Financial Management Unit, as expressed by a CETF manager as follows:

"Delays in repayments can occur because the group is not cohesive, does not maintain proper records, resulting in problems between members and leaders, and repayments are made individually. To address this, we provide group guidance." (Iwan Susanto/Treasurer of the CETF Financial Management Unit)

It can be concluded that the strategy employed by CETF in Bandungan Subdistrict to address group loan challenges caused by members and groups involves both internal and external approaches. These approaches engage group members, group leaders, the CETF Financial Management Unit, and third parties. Strategies and policies are carried out through guidance, assistance, training, and joint discussions tailored to the factors causing the issues. Sanctions are applied to all group members and leaders as needed.

Obstacles and Strategies in overcoming group loans caused by CETF

The challenges related to CETF personnel are influenced by factors such as professionalism and motivation, which pose issues in addressing problematic group repayments. Not all members of the problem-solving team are fully operational or perform their designated roles, leading to other CETF personnel taking on additional responsibilities as part of the problem-solving team. Feelings of reluctance and discomfort often arise during collection efforts, especially when the delinquent group includes neighbors, relatives, or individuals personally known to CETF personnel, thus affecting their professionalism.

Motivation also plays a role in influencing CETF personnel in managing group loans. Feelings of boredom with collection efforts arise, especially when no progress is observed, which impacts the frequency of collection visits to the groups. Delinquent groups often make empty promises or dismiss the collection efforts as insignificant. Knowledge-related issues further complicate the situation, as the lack of capacity-building for CETF personnel results in stagnant performance patterns and no improvements.

Additionally, the rules established by CETF in Bandungan Subdistrict have not been reviewed in a long time. For instance, sanctions for delinquent groups are limited to written warnings without follow-through with firm action. Cases such as groups misusing loans by falsifying another person's identity should be subject to legal sanctions, but such measures are not implemented.These challenges faced by CETF personnel are expressed by CETF managers as follows:

"The challenge we face is that we often feel bored with the collection process. Delinquent groups do not pay but only make promises, and even delinquent members are difficult to reach." (Eko Supriyanto / Verification Team Member)

"Our problem-solving team is not functioning optimally; only one or two people handle the collections. We also haven't received training in a long time, so we still use the same methods for collection and resolving delinquency issues. We often feel uncomfortable because the people we are collecting from are individuals we know well." (Bandiyati / Supervisory Board Member)

Based on the research results, the management of group loans by CETF faces various obstacles, especially regarding loan installment payments. These obstacles originate from the members and groups themselves, as well as from CETF management. One of the main factors that influences installment payments is the smooth running of the group members' business. A growing business has a positive impact on the financial condition of group members, which in turn supports smooth installment payments. This is in line with the findings Kiros (2023) which shows that the success of micro businesses is positively correlated with loan repayment rates. Apart from that, the character and behavior of group members and administrators, such as a sense of responsibility, discipline, honesty and openness, play an important role. Good administrative management, commitment and cohesion within the group also contribute to the success of payments. Kitomo et al. (2020) noted that groups that have high solidarity tend to be better able to manage loans efficiently. CETF management also influences the success of group loan management. The lack of knowledge and skills of CETF actors is a significant obstacle. CETF actors are often trapped in monotonous work patterns, which causes a lack of motivation in dealing with installment payment problems. Al Mamun et al.(2021) emphasized that capacity building training is very important to improve decision making in credit management.

Another challenge is the professionalism of CETF managers. Non-objective behavior in distinguishing between personal and work matters, as well as a feeling of hesitation in collecting installments from relatives, makes the installment payment problem difficult to resolve. Some managers also face double workloads due to colleagues not carrying out their duties according to their responsibilities. Ariani (2023) found that professionalism and objectivity in group management can improve the performance of micro organizations. Sanctions applied by the Bandungan District CETF against problematic members and groups are often ineffective because they are only a formality. This indecisiveness reduces the sense of responsibility of group members, who perceive sanctions as mere empty threats. du Plessis et al.(2020) stated that clear and firm sanctions are important to encourage payment discipline. The strategy implemented by CETF to overcome this obstacle involves an internal institutional approach. Periodic performance evaluation, exchange of opinions between actors, and rolling of tasks to avoid conflicts of interest are the solutions implemented. This approach also involves revision of existing regulations and training to increase the capacity of CETF actors. Solving problems through joint deliberation and implementing joint responsibility has proven to be effective, as supported by studies Adhariani (2022) which highlights the success of a collective approach in dealing with bad debts. These strategies not only help reduce bad credit, but also increase group members' awareness of the importance of mutual cooperation, discipline and responsibility. Thus, despite limitations in knowledge and capacity, these steps have proven their effectiveness in managing group loans in CETF Bandungan District.

Apart from the factors already mentioned, the success of group loan management is also greatly influenced by the communication skills between CETF managers and group members. Effective communication can help resolve installment payment problems more cooperatively, by encouraging open dialogue to find joint solutions. Research by Putro et al.(2022) found that good communication in micro business groups can increase the sense of trust and responsibility between group members, so that it can encourage business sustainability and smooth loan payments. Furthermore, the role of training and capacity building for CETF actors is very crucial. Naili & Lahrichi (2022) highlighting that the manager's ability to assess credit risk and make appropriate decisions can reduce the possibility of bad credit. In the context of the Bandungan District CETF, this training can include risk management techniques, the use of technology for administrative records, and strengthening interpersonal skills for handling problematic members. In addition, the application of clearer and more consistent sanctions can have a deterrent effect on problematic group members. Flannery et al.(2023) shows that the application of fair and firm sanctions within a group of borrowers is able to increase payment discipline, without reducing the sense of solidarity among group members.

The joint responsibility-based approach has also been proven effective in various microloan programs. Study by Nkwocha et al.(2023) states that joint responsibility creates a social incentive for group members to supervise and help each other, thereby increasing loan repayment rates. In the case of Bandungan District CETF, joint responsibility can be further maximized by adding a reward mechanism for groups that successfully repay loans on time. Finally, increasing the accountability of CETF managers also needs attention. External oversight and transparency in financial management can help create trust, both among group members and society in general. This can also reduce the possibility of abuse of authority or unprofessional behavior that could hinder program sustainability. With these approaches, group loan management in CETF Bandungan District can be more effective and sustainable, and have a positive impact on local economic development.

Impact of Providing Business Capital Loans for Groups

The research results show that providing business capital loans has a significant impact on women's social, economic and entrepreneurial empowerment. In the aspect of social empowerment, it was found that access to business capital loans can increase self-confidence, financial independence and social recognition. Women who have their own income become braver in voicing opinions and making important decisions, both for their families and their communities. In terms of economic empowerment, the impacts felt include increased income, welfare, and asset ownership and improvement. By utilizing loans, women are able to increase their economic capacity, both through business development and productive investments such as savings, vehicles, household equipment or gold. This not only strengthens the family economy but also makes a significant contribution to strengthening the community economy. In the aspect of entrepreneurship and self-motivation, providing capital loans encourages women to start new businesses or develop existing businesses. Apart from that, the motivation to continue to innovate and improve the business has a significant impact. These results show that providing business capital loans is able to create a sustainable cycle of empowerment, where women not only become more economically independent but are also able to contribute to the development of the wider community.

These findings are in line with previous research which states that access to microfinance can increase women's self-confidence, strengthen their position in the family, and encourage the courage to make economic decisions independently (Lamichhane, 2020). In the context of this research, increased self-confidence and financial independence can be seen in women who are starting to have their own income and are able to contribute more to household needs. In terms of economic empowerment, the research results show that business capital loans support increased income, welfare and asset ownership. This supports the findings Adnan & Kumar, (2021), which shows that microfinance contributes to family financial stability and encourages productive investments, such as children's education and residential improvements. However, this research also adds a new dimension, namely ownership of more diverse assets, such as savings, vehicles and electronic goods, which are indicators of the economic sustainability of women who receive loans. In the entrepreneurial aspect, research results show that providing capital loans is able to encourage women's enthusiasm to start new businesses or develop existing businesses. This is in line with research Maeenuddin et al.(2024), which emphasizes the importance of microloans in creating business opportunities in rural communities. However, these findings also expand the literature by highlighting how self-motivation fostered through mentoring and training plays an important role in women's business success. This motivation not only supports innovation in business but also creates long-term economic sustainability.

In line with the research objective, namely exploring group loan management strategies, these findings emphasize the importance of community-based approaches, such as group deliberation and joint responsibility systems, in overcoming operational obstacles. This strategy is in line with research Morduch (2023), which emphasizes the importance of social solidarity in the success of microfinance programs. Furthermore, this research underscores the relevance of flexible policies, such as rescheduling and loan forgiveness under certain conditions, as innovative measures that can be adapted by other institutions to ensure program sustainability. However, this research also has limitations that need to be considered. The geographical coverage is limited to Bandungan District and the qualitative approach used means that the results are descriptive and cannot be generalized to other regions. Further research with a quantitative approach and broader coverage can provide a deeper understanding of the impact of business capital loans on women's empowerment in different contexts.

Conclusions

This study clearly demonstrates that providing business capital loans through group mechanisms has a significant impact on women's social, economic, and entrepreneurial empowerment. In the social aspect, this program enhances self-confidence, financial independence, and women's ability to contribute more significantly to decision-making within households and communities. Economically, the primary impacts include increased income, improved welfare, and ownership of productive assets, which strengthen family economic stability. Meanwhile, from an entrepreneurial perspective, the loans encourage women to start and grow businesses, ultimately fostering economic sustainability at both individual and community levels.

This study is important because it provides new insights into how community-based management strategies, such as joint liability systems and flexible policies, can overcome technical challenges and strengthen group solidarity. Through a comprehensive approach, this research not only supports existing literature but also broadens understanding of the role of community-based approaches in empowering women through microfinance.

The findings of this research have significant practical implications, especially for microfinance institutions and policymakers, in designing sustainable and empowerment-based group loan programs. In an academic context, this study establishes its originality by highlighting how flexible policies, such as rescheduling payments and forgiving certain loans, can support program sustainability.

However, the limitations of this study, such as its limited geographical scope and qualitative approach, present opportunities for further research. Quantitative studies with broader coverage are needed to test these findings in various social and economic contexts. Thus, this research makes a relevant and original contribution to the literature on women's empowerment and microfinance.

Acknowledgments

The author extends heartfelt gratitude to the Community Empowerment Trust Fund (CETF) of Bandungan Subdistrict for their support and cooperation throughout this research process. Special thanks are also conveyed to the CETF administrators and the management of the Women's Savings and Loans (WSL) groups for taking the time to provide valuable information through interviews and discussions.
The author is also grateful to the academic institution where the author is affiliated for its support in providing facilities and guidance during this research. Special appreciation is given to the advisors and colleagues who have offered constructive feedback in the preparation of this article. Finally, the author thanks family and friends for their invaluable moral support throughout the research and writing process.

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