

Conference Paper

The Decision To Borrow From “Bank *Thithil*” (Case In The Society of Kopeng Village, Semarang Regency)

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Abstract

The paper aims to describe the profile of bank *thithil*'s customers and the bank *thithils* themselves. It also aims to analyze the motives, the causes of the decision to borrow money from bank *thithils* repeatedly, and the role of social capitals in the decision to borrow money from bank *thithils*. The method used in the research is qualitative research with open interviews. The mechanical determination with informants criteria by the researcher is tested by triangulation. The data are analyzed using interactive models of Miles and Huberman. The research shows that 36.36% of bank *thithil* customers are small-sized traders, 54.55% hotel labors, and 9.09% inn owners. Bank *thithils* are not Kopeng villagers. The non-economic motives include attractedness to bank *thithil*'s loan. The factors that cause the loan in bank *thithil* to last repeatedly are: consumptive characteristic of the people, bank *thithil*'s aggressiveness, and provision of new loans when the customer fails to repay their debts. The role of social capitals are very strong in the decision made to borrow some money from bank *thithils*. These social capitals act as an adhesive, bridges, and lubricants of bank *thithil* loan bussines. Social capitals have given negative impacts on society in a longer term because these make it harder for the people in Kopeng village to set themselves free from debts in the bank *thithils*.

Keywords: Bank *thithil*, Credit, Motive, Social Capital

1. Introduction

The limited access to formal financial institution available to rural community has given informal financial institutions a great opportunity to fill the gap. The one of these informal financial institutions which has survived for quite some time is loan sharks or moneylenders. The practice of loan sharks has lasted for ages ago and still survives until recently (Hamka and Tyas, 2010: 59). One of its users which remain faithful even now is Javanese society. This society calls loan sharks as ‘bank *thithil*’. Some others call it as “bank *plecit*” (Nugroho, 2001: 89).

Most of the people in Kopeng Village, Getasan District, Semarang Regency still use the non-formal financial services provided by this bank *thithil*. Kopeng Village has quite

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crowd population, amounting to 3,313 people (BPS, 2015: 23-30). Additionally, Kopeng village is one of tourism destination in Semarang Regency which has also been assigned as vocation village since 2009 (Ayuningrum, 2013: 77).

This has turned the economic activities in Kopeng village into crowded and complex ones. The crowded economic activities are characterized by, among others, the available number of economic facilities in Kopeng Village. Based on 2015 Getasan District BPS's data, Kopeng Village has the most crowded number of economic facilities in Getasan District, Semarang Regency. These economic facilities include 2 traditional markets, 1 mini market, 129 convenience stores, 10 food stalls, and 96 hotels (BPS, 2015: 15-16).

The crowded economic activities in Kopeng Village have given birth to its community's needs for access to financial services for loan. However, not many formal financial institutions such as banks and cooperatives are available in Kopeng Village. Only one formal financial institution is available in Kopeng Village in the form of government public bank, i.e. Bank Rakyat Indonesia (BRI) (BPS, 2015: 14). The minimum number of formal financial institutions in Kopeng Village has presented great opportunities to informal financial institutions such as bank *thithil* as providers of financial service. The results of observation that has been conducted show the phenomenon of society's dependence on loans from bank *thithil* as can be seen in table 1 below.

TABLE 1: Identification of Loan Sources of Society in Kopeng Village.

No	Name	Formal Loan	Informal Loan
1.	Mistress A	-	Bank <i>thithil</i>
2.	Mistress B	-	Bank <i>thithil</i> , ROSCA
3.	Mistress C	-	Bank <i>thithil</i> , ROSCA
4.	Mister D	BRI	Bank <i>thithil</i> , ROSCA
5.	Mister E	-	Bank <i>thithil</i>
6.	Mistress F	-	Bank <i>thithil</i> , ROSCA
7.	Mistress G	BRI	Bank <i>thithil</i> , ROSCA
8.	Mistress H	-	Bank <i>thithil</i>
9.	Mister I	-	Bank <i>thithil</i>
10.	Mistress J	-	Bank <i>thithil</i> , ROSCA

Note: ROSCA: rotating savings and credit association

Source: Primary data, 2016.

Table 1 shows that of the ten members of society under observation, all of them borrow some money from bank *thithils*. Two of them borrow some money from formal financial institution, in this case BRI, yet they also borrow some money from bank *thithils*. Six people use a financial service in the form of ROSCA (rotating savings and credit association) to support their loan activities. Nugroho, 2001: 17, suggests that

money is an important facility in any economic activity, in both within capitalistic and transitional societies such as those in rural areas. Therefore, financial institution service is really needed by rural communities. According to *liquidity preference* theory, rationally speaking people will prefer a loan at the lowest possible interest rate (Boediono, 2001: 68). However, the phenomenon found in the society in Kopeng Village shows different reality; people keep borrowing some money from bank *thithils* despite its relatively high interest rate which has caused some anxiety in the society.

Taking this state of affairs into consideration, it is important to conduct this study in order to analyze the motive that people have in borrowing some money from bank *thithils*. In addition, also important to be studied is the role that social capitals play in contributing the continuance of loan contract from bank *thithils*. Social capital is a form of social and economic work network in the society which occurs among individuals and groups of both formal and informal nature with some benefits (Suandi, 2014: 40). According to Damsar and Indrayani (2013: 214), the resources of social capital include network, trust, values and norms.

2. Research Method

This is qualitative research with phenomenology approach. This research emphasizes on in-depth interview to informants through open interview. This research focuses on: 1) profile of bank *thithil's* customers and bank *thithils* themselves in Kopeng Village, 2) the motive which underlies the society in borrowing some money from bank *thithils*, 3) the factors causing the borrowing activity from bank *thithils* to occur repeatedly, 4) the role that social capitals such as trust, network, values and norms play in the decision made to borrow some money from bank *thithils*.

This research uses primary and secondary data. The primary one comes from bank *thithil's* customers, bank *thithils* themselves, and Kopeng Village Chief. The characteristics of *key informants*, i.e. those people who are also bank *thithil's* customers, in this research are divided into five categories, namely: by occupation, spouse's occupational status, customer family's average total monthly income, length of time of borrowing from bank *thithils*, and the amount of loan from bank *thithils*. The researchers determine on ten bank *thithil's* customers, three bank *thithils*, and a Village Chief. When the data have not been adequate, more informants will be added until the data saturates.

The secondary data are used to support the primary one, including the data on micro financial institution businesses according to their types and classification of micro financial institution location by subdistrict-village, number of banking and cooperative

facilities by Village-subdistrict in Getasan District in 2014 and the data on general description of Kopeng Village from the *Rencana Kerja Pemerintah (RKP)* or Government Working Plan of Kopeng Village in 2016. In order for the data of this research to be valid, a source triangulation is made to the informants, i.e. bank *thithil*'s customers, bank *thithils* themselves, and Kopeng Village Chief. The data in this research are analyzed using *Miles and Huberman* interactive model.

3. Results and Discussion

3.1. Description of bank *thithil* practice in Kopeng Village

Bank *thithil* is the name assigned by Central Java people to a moneylender with special characteristics of relatively high loan interest rate amounting to 20% and short loan repayment term. The practice of bank *thithils* has existed in Kopeng Village for approximately 30 years. Bank *thithils* perform their practice by relying on easy administrative requirement, fast fund disbursement, and without any collateral. To borrow some money from bank *thithils* what one needs to bring is just a copy of their identity card. Bank *thithils* will give a piece of paper ripped off from larger one on which a certain number is written as a receipt of payment of the debt installment made by the customers. It is this act of ripping off a paper (*thithil*) which is later used by the people to refer to the moneylenders as 'bank *thithil*'. Differences exist in the loan mechanism applied by each bank *thithil* to find and maintain their customers. The loan mechanism differences can be seen in table 2.

Based on table 2, it is found that the requirement for applying a loan to each bank *thithil* is merely a copy of borrower's ID card and no collateral is required. Bank *thithil* applies administrative fee to their customers at 2.5% up to 5% of the amount of loan. In addition to loan, bank *thithils* also provide savings service by requiring their customers to pay it at 2.5% up to 5% from the loan for initial balance. Payment delay is allowed until the payment due date elapses. If the debt repayment is made after the term expires, bank *thithils* do not apply any penalty, rather they pass social sanction in the form of distrust to the relevant customers. Unlike the other three, bank *thithil* 3 applies specific penalty to customers who fail to repay their debts in timely manner to give some deterrent effect.

The average minimum loan limit is Rp. 500,000, and the maximum loan limit is Rp. 2,000,000 or more. The interest rate used by bank *thithils* is generally 20%. Based on the research result, bank *thithils* 1 and 2 apply an interest rate at 11.5% per loan. They do

TABLE 2: Loan Mechanism Differences among Bank *Thithils* Operating in Kopeng Village.

Description	Bank thithil 1	Bank thithil 2	Bank thithil 3	Bank thithil 4
Collateral requirement	Mandatory, copy of ID card			
Collateral	None	None	None	None
Administrative fee	Mandatory, 2.5% per loan	Mandatory, 2.5% per loan	Mandatory, 5% per loan	Mandatory, 5% per loan
Savings system	Mandatory, 2.5% per loan	Mandatory, 2.5% per loan	None	Mandatory, 5% per loan
Payment delay	Allowed	Allowed	Allowed	Allowed
Payment frequency	Weekly	Weekly	Daily	Daily
Payment maturity	30-74 days (2.5 months)	30-74 days (2.5 months)	24-30 days (1 month)	24-30 days (1 month)
Penalty	None	None	Occasional	None
Loan minimum limit	Rp. 500,000	Rp. 500,000	Rp. 200,000	Rp. 500,000
Loan maximum limit	Rp. 2,000,000 or more			
Interest rate	11.5%	11.5%	20%	20%

Source: Primary data, 2016

this to attract customers, since both bank *thithils* 1 and 2 are newcomers in the practice of bank *thithil* in Kopeng Village each for 2 and 4 years respectively. Meanwhile, bank *thithils* 3 and 4 have perform the bank *thithil* practice for 8 and 30 years respectively in Kopeng Village. In performing their practice, Bank *thithils* use the scouting technique by coming to people door to door.

3.2. Other informal financial institutions in Kopeng Village

The findings in the field show that in addition to the great number of money borrowers from the informal institution, i.e. bank *thithil*, most people in Kopeng Village also save their money in another informal institution. People of Kopeng Village prefer saving their many to one member of society residing in Kopeng Village named Rupiati or frequently called as ‘*Mbak Upik*’. Customers should give her Rp. 2,500 for every savings amounting to Rp.100,000 or less than Rp. 100,000 as a remuneration to *Mbak Upik*. The savings is a deposit, it can only be withdrawn when the Idul Fitri holiday approaches.

Customers can only save during off days. *Mbak Upik* would go around door to door to take the savings customer’s money. The basis of this savings is trust, since the savings bear no interest yet it will decrease for remuneration. People do not consider

the *opportunity cost* in saving their money. The number of *Mbak Upik's* customers has reached 120 people.

3.3. Profiles of bank *thithil's* customers and bank *Thithils* themselves

This section provides the profiles of economic actors directly involved in the debt from bank *thithils*. It can be explained that the society of woman *sex ratio* dominates the number of bank *thithil's* customers amounting to 8 people or 72.7%. Woman group dominates the number of bank *thithil's* customers in Kopeng Village since this group consists of mainly housewives. Housewives are more interested in the offers made by bank *thithils* compared to the man group.

These customers' age ranges between 30 and 60 year old. As to their educational level, 45.5% of them are graduated from Junior High School, and 36.4% are graduated from Elementary School. The low educational level makes these people lacking more information and knowledge, particularly on loan from formal financial institutions. Bank *thithil's* customers consist of small-sized traders (36.36%), hotel employees (54.55%), and inn owners (9.09%) in Kopeng.

Some of these customers are the persons on whom the members of their family rely. Another customer also say that both the customers and their spouses work to fulfill their family needs. 72.73% of the customers' spouses have some occupations. Bank *thithil's* customers are from middle and lower classes in the society at an average total monthly income of Rp.2,000,000. Most customers have been bank *thithils'* customers for a long time at a loan amount, on average, of Rp. 1,000,000.

The bank *thithils* operating in Kopeng Village are mostly man, since bank *thithil* is the occupation commonly done by man at a relatively young age of 20-30 year old. Most of bank *thithils* are graduated from Senior High School (SMA). As to their place of origin, bank *thithils* do not come from Kopeng Village. Three bank *thithils* become bank *thithil* as their main occupation. Successful bank *thithils* are those who do it as their main. On the contrary, less successful bank *thithils* treat it as their side job.

3.4. The motive underlying the decision to borrow some money from bank *Thithils*

Many motives underly the decision to borrow some money from bank *thithils*, both economic and non-economic ones. The reasons which are based on economic motives

can be explained by the information provided by Mrs Suharni, Mrs Tinah, and Mr Bapak Hadi Santoso who decide to borrow some money from bank *thithils* as they are in desperate need of money. The money lent by bank *thithils* are used for economic motives such as tuition fee, daily needs, and to repay other debts.

The non-economic motives underlying the decision made Kopeng Village people to borrow some money from bank *thithils* are more dominant than the economic motives. One of these non-economic motives are as explained by Mrs Suliyah who borrow some money from bank *thithils* since she feels indebted to the bank *thithil* who lent her the money while none of her relatives or neighbors are willing to do it. Mrs Suliyah has borrowed some money from bank *thithil* for 32 years and counting.

The most common non-economic motive underlying the decision to borrow some money from bank *thithil* is the attraction to their peers as what Mrs Wahyuni, Mrs Supinah, Mrs Surtini, and Mr Bapak Slamet experience. Additionally, another non-economic motive takes the form of social purpose such as to visit a hospitalized colleagues. This economic action in reality can occur based not merely on single motive, i.e. the economic motive directed towards profit or benefit. On the contrary, individuals or groups have multiexpectations, i.e. non-economic motives serving as the basis in making an economic decision.

3.5. Factors causing the decision to borrow some money from bank Thithils repeatedly

There are three factors which cause the decision to borrow some money from bank *thithil* are made repeatedly. The first one is the consumptive characteristics of the society, leading them to easily get attracted to the offers made by bank *thithils*. This is actually facilitating bank *thithils* in obtaining more customers. Therefore, Kopeng Village becomes the target of operation for bank *thithils* for its people's consumptive characteristics.

The second factor is the fact that people are not allowed to cease to borrow some money from bank *thithils*. This is done by bank *thithils* when people have repaid their debt to bank *thithils* and wish to stop borrowing from the bank *thithils*. Bank *thithils* will do everything to offer another loan to the relevant customers and they even resort to being aggressive, making these customers feel bad to refuse the offer even though they no longer need to borrow some money from them. When this happens, in order to let them free from the bank *thithils*, what the people generally do is they deliberately fail to repay their debts to make the *thithil* wary and stop lending their money to them.

The third factor is that bank *thithils* will keep giving the customers another loan even though they fail to repay the debt by the payment due date. People failing to repay their debts will be given another loan to cover their existing debts, and they will have to make installment for the new loan. Bank *thithils* do this so that people will once again borrow some money from them. This way, people will keep borrowing from bank *thithils* repeatedly.

3.6. The role of social capital in the decision to borrow some money from bank Thithils

3.6.1. The role of trust in the decision to borrow some money from bank Thithils

Trust plays the role as a replacement of collateral in the loan provided by bank *thithils* since the loan from bank *thithils* is highly susceptible to bad loan or default. The trust formed between people in Kopeng Village and bank *thithils* occurs through the process of interaction built by the economic actors intensely, because bank *thithils* themselves are not members of Kopeng Village people.

The trust built then develops and gives birth to a warm relationship. A perfect example of this is when Mrs Suharni, who is a trusted customer of a bank *thithil*, is authorized to lend the bank *thithil*'s money to her colleagues. In this case, the bank *thithil* trusts Mrs Suharni, with a consequence that Mrs Suharni would be the guarantor of those loans. When a loan is in default, the one to take the responsibility for it would be Mrs Suharni.

Trust can create bank *thithil*'s special treatment to their customers. When the trust has reached a high level, then the customers would be allowed to borrow some money at higher amount for their next loans. In addition, the customers are also given an extended payment term. On the contrary, when the level of trust is low, bank *thithils* will terminate the customer's access to their loans. The higher the trust they built, the harder the society to set themselves free from the debt to bank *thithils*. People will decide to keep borrowing some money from bank *thithils* since the trust plays a role of tightening the relationship between bank *thithils* and the people.

3.6.2. The role of network in the decision to borrow some money from bank Thithil

Two types of network develop between bank *thithils* and the borrowing people. The first one is the network formed by bank *thithil* within the customer scope. At the beginning,

bank *thithils* make an approach to the people through micro network. This micro network then develops within the range of people other than bank *thithil's* customers. The establishment of a network with customers will form a trust to other people who have not borrowed some money from the bank *thithil*.

Bank *thithils* would find and maintain their customers by emphasizing on the personal relationship of non-formal nature. This network establishment can be seen in the cases of Mrs Wahyuni, Mrs Supinah, Mrs Surtini and Mr Slamet who decide to borrow some money from bank *thithils* due to their attractedness to their colleagues. In addition to establishing a network with their customers, bank *thithils* also form a network with their fellow bank *thithils*. The establishment of network among bank *thithils* aims at improving their work efficiency, i.e. reducing the risk of bad loans.

Network plays the binding role since it is highly important to maintain a good relationship between customers and bank *thithils*. Additionally, network also plays the role of a bridge, since it becomes the connector between customers and non-customer people who finally decide to borrow some money from bank *thithils*. The widely-developed network can increase *profits* for the bank *thithil* because they have more customers.

3.6.3. The role of values and norms in the decision to borrow some money from bank Thithil

In executing their practice, bank *thithils* always put the patience value and politeness norm first. The politeness norm maintained in Kopeng Village even for now and the habits of Kopeng Village people which are quite different from those of the areas from which the bank *thithils* are from have been a unique challenge for bank *thithils* to be able to survive in doing their activity of lending money in Kopeng Village. When bank *thithils* fail to adhere with the norms and social values applicable in Kopeng Village, people will get angry and refuse to repay their debts to the bank *thithils*.

Bank *thithils* pay a great deal of attention to these social values applicable in Kopeng Village. Bank *thithils* keep attending traditional events of Kopeng Village. The role that the values and norms play in the decision to borrow some money from bank *thithils* in Kopeng Village people is to be like lubricant. In this case, the lubricant serves the purpose of making the loan business between bank *thithils* go smoothly in order for their existence to be acceptable to the society.

The role that the social capitals in the form of trust, network, values and norms play in the decision of borrowing some money from bank *thithils* is so strong. Social capitals bring about positive impact on the people for a short term, because people find it easier

to access loans from bank *thithils*. However, these social capitals also create negative impacts on the people in a longer term for it leads to the difficulty that people encounter in their efforts of setting themselves free from the debts in bank *thithils*.

4. Conclusion

Bank *thithil's* customers are those people from middle to lower class and most of them are labors of hotels, making up 54.55%. Most customers are graduated from Elementary and Junior High Schools, and most of them have been bank *thithils'* customers for quite a long time, despite the fact that these bank *thithils* are not from Kopeng Village.

The non-economic motives, including attractedness to peers, feeling indebted to bank *thithils*, and fulfillment of social needs, dominate the decision to borrow some money from bank *thithils* as compared to the economic motives which include fulfillment of daily needs, tuition fee, and repayment of other debts.

The factors causing the decision to borrow some money from bank *thithils* made repeatedly are the people's consumptive characteristics, element of aggressiveness on the bank *thithil's* side, and provision of new loan when the customers fail to repay the debts to bank *thithils*. These three factors exist because of the strong drive of social capitals used by bank *thithils* to facilitate their businesses.

The role that the social capitals play in the decision to borrow some money from bank *thithils* are so strong. Trust plays the tightening role, network plays the bridge role, and values and norms play the lubricating role for bank *thithils* in their loan businesses. These social capitals bring about negative impact on the people, since they make it hard these people to set themselves free from the debts to bank *thithils*.

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