

## **CHAPTER ONE: INTRODUCTION**

### **1.1 Background**

To address the problem of poverty, governments the world over massively adopted and implemented the modern microcredit model, while to reduce the number of those leaving school prematurely and in an effort to avoid illiteracy the education for all (EFA) framework became a guide for most of these countries. However, poverty has continued to present itself in multidimensional ways. In developing countries, Indonesia inclusive poverty is caused by many factors which include unemployment. Heryaldi and Yusuf (2013) point out that “among the critical problems in Indonesia is underemployment and low absorption rate of the formal labour market, which absorbs only 60% of the working labour force of the country, where by the earnings are below the normal working hours”.

The situation is reported to have become worse after the economic and monetary crisis of 1997-1998. Several years after the Asian crisis, a majority of Indonesia's population continues to live in poverty (Indonesia-European Community Strategy Paper, 2007-2013). According to the National Forum Coordination on Education for All (2005) the country's economy experienced a negative growth and it became sluggish in the next years. 52 % of the population is estimated to be living with less than US\$ 2 a day. Achieving Millennium Development Goals (MDGs) required targeting the poorest segments of the population (Indonesia-European Community Strategy Paper, 2007-2013). To eliminate poverty several steps have been taken more so after the start of the reform period. Among such measures is mentorship as a nonincome component in poverty alleviation and capital provision to poor clients.

However, despite the growing recognition of the nonincome dimensions of poverty, most attention tends to be focused on incomes when defining the number of people affected e.g., those living on less than \$1 a day (Steele, Oviedo, and McCauley, 2006). In Indonesia after the Period of Reform, a new chapter on how the Government handles poverty (Andrianto, 2006) set in. Evaluation of the prior

centralised approach to poverty alleviation and public consultations with government, universities, NGOs, donor organisations, economic players and poor communities (Andrianto, 2006; Kikis 1999) indicate that “the centralized approach is outdated and that poverty alleviation should be specific to local conditions. Poor communities should no longer be seen as objects of development, but rather participants to the solution”. The grass-root community organizations, religious organizations and also other non-government organizations were established. Some of these organizations have been and continue to offer education with credit Programmes. Among them is Misykat and BMT Khalifa. The present study attempts to examine and describe the education and microfinance integrated approach in poverty alleviation of both MiSykat and BMT Khalifa to help empower the poor in Bandung area.

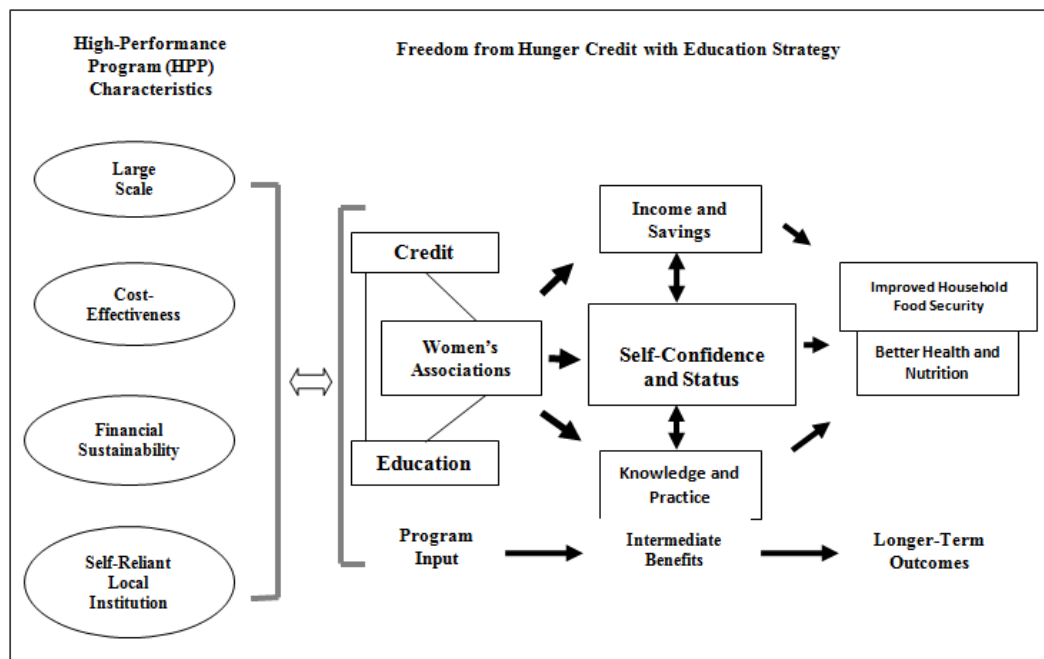
MiSykat and BMT Khalifa approaches are different from the credit with education model of the Freedom from Hunger. The education and microfinance approach of Misykat and BMT Khalifa is implemented based on religious values of Islam. Islam teaches that “Everyone has a direction to which he turns”. According to Basri (2001), some questions may arise given the above verse. Among such questions are: 1. is the economic field of any role in helping a given community to realize its vision? 2. are the different communities having different visions? 3. can the prevailing differences get reflected in the social approaches to community development?

MiSykat and BMT Khalifa hold the view that Muslims have their own vision. It because of this vision that during several decades ago the Muslim community developed it systems which ranged from the political, social and economic aspects the developments at this time aimed to attain the Islamic vision (Basri, 2001). The Muslim community believed that this vision could only be obtained through education. According Ainain (1978: pg. 147 see: Abdullah in the translated copy by Mutammam, 1991: pg. 36) education in Islam is comprehensive and it is not limited to certain aspects in life, but it is all embracing.

According to a translation of Sunan Abu Dawud by Hassan (Book 9, Number 1637), it is revealed that the prophet Muhammad (peace be upon him) empowered the poor by encouraging them to work. This is reflected in a hadith narrated by Anas ibn Malik (see chapter II of this report). The verse and the hadith imply that every effort must be made to avoid poverty. Everybody is required to work to avoid living a poor's life and of course a begging mentality. This makes accessing credit crucial in order to enhance entrepreneurship and self-employment throughout every strata of society for both women and men in Indonesia (Mustapha, R. B.; Jung-Kim, J and Zapata). Based on the above verse and hadith, Misykat and BMT Khalifa have integrated Islamic principles in their education and microfinance empowerment approach since they believe that Islam is the solution to the prevailing problems.

The religious component makes the approach different from the credit with education approach which integrates education into a microfinance delivery system as well as integrating impact evaluations and operational learning (MkNelly and McCord, 2002). The components of this combined approach reinforce each other by addressing the informational as well as the economic obstacles (Dunford, 2001). MkNelly and Watson mention that credit with education model is based on the assumption that to address the complexity and scale of malnutrition requires innovative and multi-level efforts (2003). They further point out that Freedom from Hunger's strategy in the form of an integrated microfinance and education programme called credit with education attempts to respond to challenges. It addresses malnutrition's principal underlying factor, poverty, while also providing information and problem-solving forum to address the more immediate factors, such as illness and deity quality (MkNelly and Watson, 2003). They also illustrate this argument using a figure. The figure depicts the hypothesized benefit of the credit with education strategy, reflecting both intermediate and ultimate impact goals (MkNelly and Watson, 2003). The figure is as below:

**Figure 1.1 Credit with Education Benefits Process**



**Source: Adapted from Barbara MkNelly and April Watson, October 2003**

This figure shows that inputs of credit and education channeled through women's associations have the potential to produce intermediate benefits, or first-order effects, which include change in knowledge and practice, increased self-confidence and improved income savings (MkNelly and Watson, 2003). The implication of this framework is a proof that education is the best effective tool for human transformation. Through education people work cooperatively and serve each other (UNESCO, 2006), and are also empowered. Thus, the integration of training activities in microfinance services for the empowerment of clients is a proof that in today's world, the academics, practitioners, and professionals of microfinance have accepted that there is need for a shift in the microfinance sector which need reform in service delivery to the poor people.

Providing education to microfinance clients on topics ranging from marketing to reproductive health is one of the key ways in which microfinance institutions (MFIs) can serve the broader needs of their clients (Capsuto, 2010). Ideally, this implies that a combination of microfinance and other development services (Dunford, 2002) such as education can help to eliminate the multiple sufferings faced by the poor. Using a multiple cases approach, this study examines



Misykat and BMT Khalifa's education and microfinance approaches in the empowerment of the poor clients. The two cases are just a small sample of Baitul Mal Waatamwil (BMTs). In Indonesia, microcredit organisations are divided into different categories.

According to Possumah and Baharuddin (2012) they refer to Baitul-Mal as one of the financial institutions in Islam. They further refer Baitul Mal Waatamwil as an alternative Shariah financial institution that has a social and productive dimension at both national and even global scale to foster Islamic economic development. In Indonesia, Islamic banking was started in 1992 with the establishment of Bank Muamalat Indonesia (BMI) which served as the first Islamic Bank in the country. The establishment process was supported strongly by the government. There was a community gathering in Bogor, West Java led by President Soeharto to raise the initial capital of the bank (Budi, 2007). Since 1995, Baitul Mal Waatamwil, as an alternative financial institution for the lower income groups of society has developed and grown rapidly (Hamzah, Rusby and Hamzah, 2013). It has been proved by the data taken from Incubation Center of Small Business (PINBUK) on 12 February 1998, that there were around 2000 units of BMTs established in Indonesia, but only 384 units of BMT registered in PINBUK, within a total number of investors being 79,325 people, and a total number who receive financing being 28,430 people, with the total amount of financing being IDR 11 billion ( $\pm$  MYR 31 million) (Hamzah, Rusby and Hamzah, 2013; Adiwarmanto, 2009).

Zahria (2012) has "established that there were approximately 3900 active BMT by the end of 2010. Total assets under management reached a value of Rp 5 trillion; customers served were around 3.5 million people, and the number of workers was approximately 60,000 people across Indonesia. In 2010, for West Java, it is reported that, according to the development trend, the polarization of economic activities in the region mainly the central region, growth (*core areas*) grew stronger, while the peripheral regions, called the rural, semi rural, urban and semi urban had a slow growth. It is noted that the disparity between the

rich and the poor widened. The poor areas grew became more poor because of the unequal distribution in development”.

## 1.2 Problem Identification

Just like the researcher mentions in the background, this research emanates from a prior study which was about the **“Post-Literacy Microcredit Social Empowerment Model (PMSE-M)”**. Several issues were noted which have been raised in this research since it was the foundation of this Dissertation. In a prior study conducted in Bandung in 2010, it was established that:

1. Indonesia’s literacy programme faced a lot of challenges which included the re-emergence of post-illiterates and the limited facilitation of the programme. This was said to be related to wide spread unemployment and poverty which are still some of the main problems faced by Indonesia more so the West Java Province.

To back-up this point, the August (2009) report on employment, reported that 8.96 million people were unemployed, that is about 7.87 percent, from a working age population of 113.83 million people. And according to the Indonesian Bureau of Statistics report of February 2009, 27.09 percent were graduates of primary education and below, 22.63% were graduates of first class of junior secondary education, 25.29% were graduates of the advanced level secondary education, 15.37% were graduates of the vocational schools and 9.63% were diploma level and degree level graduates.

And also, a total population of 10% was said to be a population of those who did not get chance to obtain the formal education. The latter was said to be the most disadvantaged group having no hope for the future, hence leading to a total vicious circle of poverty, being the biggest factor for unemployment and of course wide-spread poverty in Indonesia.

2. To be specific, the following were the identified main problems:
  - The number of job seekers was bigger than the number of jobs available.

- There was lack of or inappropriate skills in relation to the required competences needed by the job market;
- The high rate of school dropout which continuously contribute to unskilled labour;
- The rate at which people are stopped from work also became high due to lack of proper workers' policies for both the Government and the Private sector; and
- Also lack of effective literacy programme that combined the cognitive, affective and psychomotor aspects in order to improve the life of the disadvantaged groups including the poor.

Being specific about Bandung city, several problems were identified. When the researcher visited the city council, was referred to the Centre for Statistics (BPS) in Bandung which is located on Suci Street. According to the literature obtained, the following was established:

1. Demographic composition: a survey on the management of BOS in Bandung city of 2010 revealed that Bandung city has a population of 2,329,928 people and according to the 2008/2009 BPS statistic it is categorised in groups of the productive age population which is the ages of 20-24 years old (227,781 people), followed by 25-29 years old group (242,637 people), 30-34 years old group (210,437 people), and 15-19 years old group (207,967 people). This composition is influenced by the quality education in the region, implying that the majority population are the young generation with weak economic muscles. Besides education, the other factors acting as a pool of people to Bandung city is the promising business climate, like the service industry, trade and other promising sectors.
2. The employment rate. BOS management report also mentions that there are majorly three dominating sectors in Bandung city which act basic sectors for employment, namely: trade (37%), service (25%) and manufacturing industry (24%). The absorption rate of the three sectors surpass any other sector. However, on the one hand, it is noted that the

unemployment rate in Bandung stands at 12%, meaning that the 12% needs special attention to prevent economic hardships. Among them include the microfinance clients who are among the vulnerable groups, they are majorly from the very poor families with no special programme for their knowledge and skills improvement.

3. Education: the report also presents data from the national statistics department (BPS) of 2008/2009, showing the the education level of the people of Bandung city. It reports that 528,685 people out of the total population are elementary school (SD) graduates, while 636,224 people are said to be graduates of high school. The table below shows the participation rate in schooling in the year 2007.

**Table 1.1: Participation in schooling in Bandung in 2007**

Education	Male	Female	Number
Not/not yet attended school	2,481	9,278	11,761
Still attend school	213,145	168,240	381,588
No longer attend school	775,099	802,852	1,577,746
Total	990,725	980,370	1,971,095

**Source: Bandung Dalam Angka, BPS, 2007; A Report on the Survey of BOS, 2010**

From this table, we note that the school going population is 381,588 people, while those not attending school are 1,577,746 people. If compared to the population in school, this group comprised of 25% of the population. This is quite a big population that needs attention and proper programmes including competence or knowledge and

4. Macroeconomic growth of Bandung city in 2008: Still BOS survey report shows that there was significant improvement in the education and health sectors of Bandung City. The revenues are reported to have increased by 20% this implied that the aggregate performance of the economy of Bandung City improved significantly.

Besides, the researcher also established some of the following problems which are of relevance to the study. They included:



1. However, in the same period, it is noted that the microfinance banking sector provided many types of financial services to small and micro customers, which fall generally into the categories of loans/credits of various types and saving facilities (The Asia Foundation, 2002). Yet the microfinance clients rarely have any formal training in business skills (Karlan, and Valdivia, 2009), neither do they have any programme on entrepreneurship knowledge development something that renders them disempowered in the changing business climate.
2. There is increasing competition in the microfinance industry, many of the institutions are struggling to establish new clients or retain existing clients whose needs or expectations have changed. Some of the microfinance institutions have tried to develop new products including the social business approach to the clients. In the process education is part of the service menu for the clients. In Indonesia, small financial providing institutions to the poor have moved away from the credit perspective. They have incorporated education activities in the microfinance programme to empower their clients and ensure efficient service delivery to the clients. The institutions are then categorized as the formal, semi-formal, Informal microfinance institutions and also government programmes.
3. Though education and microfinance is taking root in most of the micro-lending industry, for Indonesia, little is known. In this research I intend to examine the education and microfinance combined approach which for over a decade now have been merged to increase the entrepreneurship knowledge and business skills and productivity of the microcredit clients in Indonesia. Education and easy access to credit services are fundamental elements in the support of the microfinance programs. Education activities on finance greatly enhance microfinance projects by improving the level of understanding of the clients about monetary management, fiscal policies, budget allocation and proper decision making before embarking on any venture. In a study by Karlan and

Valdivia (2009), they found that effects of training on institutional outcomes such as repayment and client retention.

### 1.3 Problem Statement

Since the microfinance clients comprise of mostly the disadvantaged people in society, the normal existing human resource development system does not cater for their education and learning needs. This is made worse by the fact that though there are many studies which have been conducted about the economic influence, and the impact of the empowerment programme of Misykat and BMT Khalifa, the education and microfinance approach has had little attention by academics, researchers and students alike. Hence, making the existing education activities integrated with micro-lending activities of BMT Khalifa and MiSykat less researched and less promoted, calling for special attention. Based on this, the current study sought to answer the following questions.

1. How is the existing education and microfinance combined approach for the empowerment of the microcredit clients of both Misykat and BMT Khalifa?
2. How does the education and microfinance approach work to empower the poor clients of MiSykat and BMT Khalifa?
3. How does the combined education with microfinance approach support the enhancement of skills of the poor microcredit clients of MiSykat and BMT Khalifa?
4. What are the themes that appropriately describe the education and microfinance combined empowerment approaches of MiSykat and BMT Khalifa in Bandung city?

### 1.4 Objective of the Study

The purpose of this study was to investigate the “education and microfinance approach used in the empowerment of the poor microcredit clients. The integration of education with microfinance programme is assumed to work as a magic approach in poverty alleviation. This research aims to address the existing gap. The researcher conducted a qualitative study to meet the following objectives:

1. To find out how MiSykat and BMT Khalifa describe their education and microfinance empowerment approach for the poor microcredit clients;
2. To investigate how education and microfinance approach work to empower the poor clients of MiSykat and BMT Khalifa;
3. To examine how this education integrated with microfinance approach supports the enhancement of entrepreneurship knowledge and business skills of the microcredit clients; and
4. To establish themes which can describe appropriately the condition about education and microfinance empowerment approach for the poor microcredit clients of MiSykat and BMT Khalifa.

Currently, there is no research about Indonesia's education and microfinance approach yet almost most BMT's are used this similar approach.

The research used a qualitative method with the help of a multiple cases approach to establish and describe the approach in use. The study involved collection of the data, field analysis and immediate desk top analysis and sorting out, compiling of the data and interpretation to extract meaning, and analysis of the data to answer the questions of the study. The field research activities comprised of a review of the literature, preliminary study, trial of questions and redesigning the questions for the final study, gathering data through interviews, observation, recording, use of telephone, coding, and transcription and authenticating the data. The researcher decided to carry out a qualitative research using a multiple cases study method, because currently education integrated with microfinance programmes need a thorough investigation if one is to understand how the approach operates and what might be the existing variables for the future research.

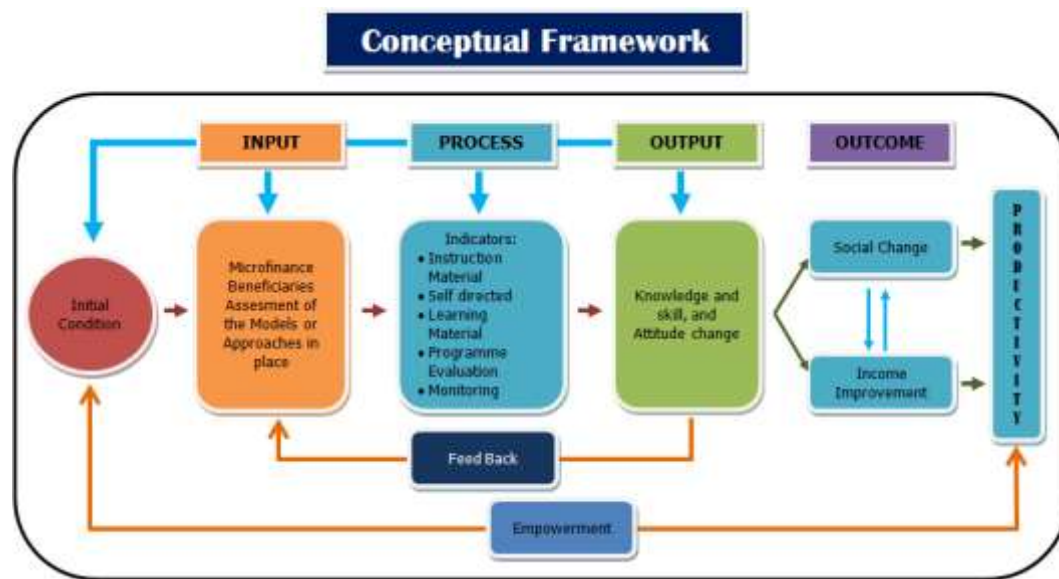
MiSykat and BMT Khalifa were chosen after a protractive qualitative survey. The researcher wanted to investigate those credit organizations which consider their clients than only focusing on their services. In the survey the researchers used both primary sources and secondary data. Grassroot means directly involved (both the local and the organization staff) work together to acquire a similar objective. The grass-root who are the clients want to be

empowered and they are actively involved, while the organization staff are the out-side or in-side members of the community who are genuinely working to empower the grass-root community through education and microfinance.

### 1.5 Conceptual Framework

A conceptual framework explains, either graphically or in narrative form, the main dimensions to be studied, the key factors, or variables, and presumed relationships among them. Thus, frameworks come in several shapes and sizes. They can be rudimentary or elaborate, theory driven or commonsensical, descriptive or causal (Miles & Huberman, 1984: 28; John W. Creswell, 97). Thus, in this research, the conceptual framework has been designed based on the problems which were identified during the preliminary study and also the theories discovered during the study of the various literature, which in turn has been developed to help in answering the problem of the research. This conceptual framework is therefore expected to act as guide in the identification, planning, development and implementation of the study. In the case of this research, poverty is seen as a big problem which comprises of all evils: it kills, it makes one turn into a dangerous creature, and it leads to powerlessness. Poverty is concentrated mostly in developing countries including Indonesia. It contributes to no education or school dropout and also deaths in some families. Worst of all, it also leads to incompetent human resources and lack of family income(s). This has led to innovations which have led to a shift within the microfinance industry. Nonfinancial services have been introduced. The framework is presented as in figure 1.2 below:



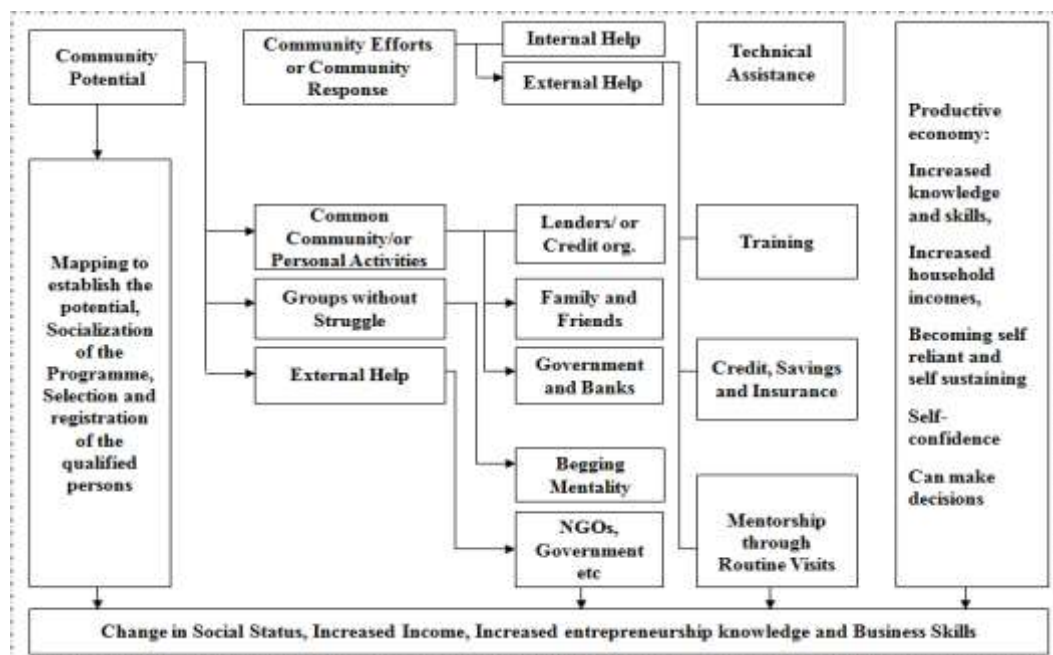


The education and microfinance is an innovation which aims to transform the lives of poor people both economically and in skills and knowledge. The idea emerged from the efforts of the Freedom from Hunger's initiatives and desire to avert the suffering caused by poverty and hunger more so in the poor communities. The credit with education model developed by Freedom from Hunger takes in consideration nutrition, food security and poverty alleviation.

Organizations in Indonesia have implemented almost a similar approach but in a different perspective. In other words with some modifications to suit the local condition of the country, the Indonesia one, the attempt is to look at a human being as a holistic creature who is only curtailed with the limited knowledge and lack of financial resources and others components like nutritional components and food security are just, but a cause of poverty.

The key elements of the approach are developed focused on changing the poor's brief that they are born to be poor, strengthening them in faith and being creative in their own way. The aim is to solve the extreme poverty and also instill creativity, confidence, and innovativeness and create awareness among the poor. Both the two credit organizations selected as the cases for this research had several points in common. Their activities entailed components illustrated in the figure 1.3 below:

**Figure 1.3 Elements of Education and Microfinance Cycle**



The figure 1.3 above describes the overview of a cycle of education and microfinance in the two selected credit organizations where the research was conducted, established during a preliminary study. It reflects the activities taking place in these organizations.

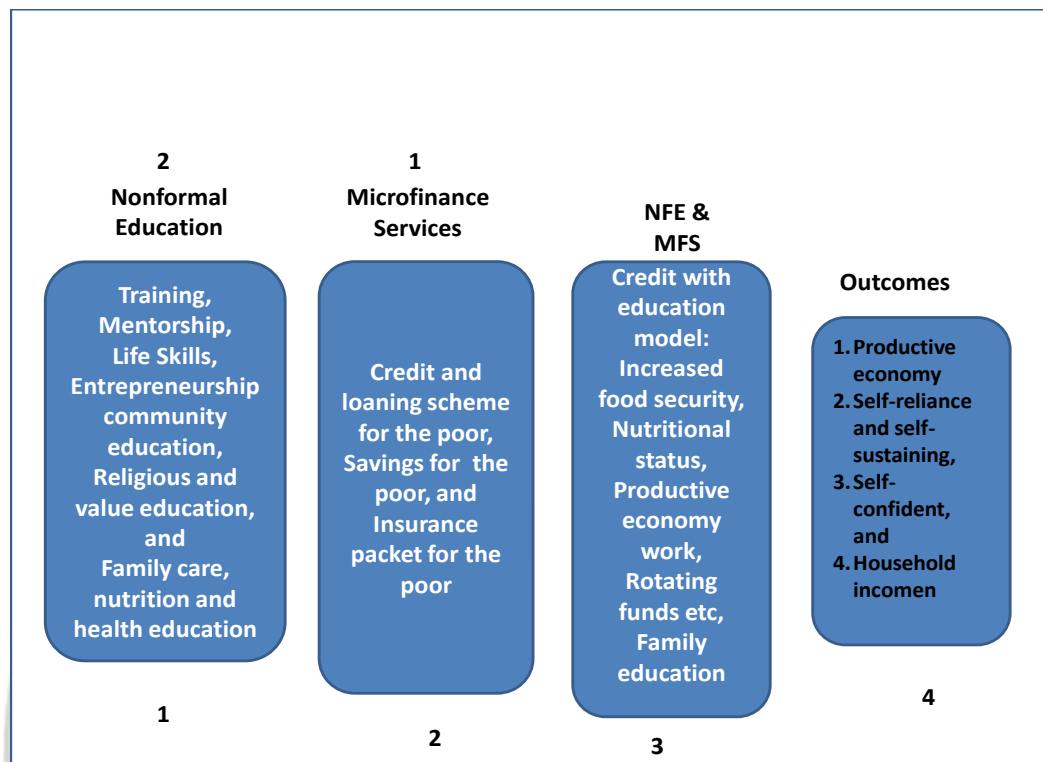
Community potential is considered an important element the condition about a given community's potential is attained through mapping. Mapping is carried out to identify as well as to register the qualifying community member who fulfills the organization's criteria. Once one has fulfilled the selection criteria, is expected to go through training before is allowed to attain credit and also to continue with receiving the mentorship services. All this is done to create a productive economy where there is change in social status, increased incomes, increased knowledge and skills which in turn are expected to lead to a self-reliant and self-sustaining community or individuals. This implies that each individual must be equipped to seize learning opportunities throughout life, in order to broaden knowledge, skills and attitudes and to adapt to a changing, complex and interdependent world (Delors, 1996). The prime objective is to increase the individual's "cope-ability" (Toffler, 1970).

Therefore, in this research, the priority is the human being who is the client of microfinance services. Because of the human nature, the microfinance sector which has changed, prioritizing people has become common. Education programmes have entered the system of the industry, since financial needs and people's changes are expected to suit a given situation and of current, the knowledge economy which looks at "human capital" as a very important aspect, has led to all the possible innovations which can help to strengthen the services of the microfinance industry in helping the poor communities.

The illustration 1.3 below was designed during the Preliminary study. In the preliminary study, it was established that the education activities integrated with microfinance are nonformal education activities. They Include: Training, Mentorship, Life Skills, Entrepreneurship community education, Religious and value education, and Family care, nutrition and health education, while the microfinance services are also carried out to suit the community groups or the target group, among the services include: Credit and loaning scheme for the poor, Savings for the poor and insurance packet for the poor. They education activities were considered nonformal due to the way they are implemented and the principles being used.

The education and microfinance as an approach combines the education with credit programmes which are run concurrently. In this research the approach is then described as a "Combined" approach. The activities in the combined approach include: Increased food security, Nutritional status, Productive economy work, Rotating funds etc, and Family education. The expected end product of the empowerment programme of the education and microfinance is: Productive economy, Self-reliance and self- sustaining, Self-confident, and Improved Household Income. This is illustrated below:

**Figure 1.4 Education and Microfinance Combined Approach Framework:  
Summary of Findings of the Researcher's Preliminary Study**



This empirical education and microfinance figure summarizes the findings during the preliminary study. In this final research, it has been used as one of the basis for the conceptual study. A conceptual framework explains, either graphically or in narrative form, the main dimensions to be studied, the key factors, or variables, and presumed relationships among them. Thus, frameworks come in several shapes and sizes. They can be rudimentary or elaborate, theory driven or commonsensical, descriptive or causal (Miles & Huberman, 1984: 28; John W. Creswell, 97). Thus, in this research, the conceptual framework has been designed based on the problems which were identified during the preliminary study and also the theories discovered during the study of the various literature, which in turn has been developed to help in answering the problem of the research.

## 1.6 Significance of the Research

The term significance is defined differently, in this research; the term refers to how this research contributes to the field of education and the microfinance



sector. It is to help us understand how important can education practices be in the other fields for this case the microfinance industry. This research will play the following role:

1. In the first place, this research is significant to knowledge improvement. Just like any other research, this study has contributed to my understanding. It has helped to increase my knowledge and probably it will contribute to the knowledge of others: students, researchers, policy makers and practitioners of microfinance and of course education for business or entrepreneurship.
2. Second, this research is to contribute to the practice of education integrated with microfinance services. Because of the changes taking place. Debates have risen on the need to integrated nonfinancial services to the microfinance sector. Education is among the key priorities to the sector. Due to the fact the microfinance industry is changing at a rapid pace hence in need for constructive innovations.
3. Third, this research though not its aim, will also contribute to policy debates. Before policies are implemented, surveys are carried out establish the existing gap and how policies can help fill the existing gap. I therefore hope that this research will also play a significant role in informing debates.
4. Fourth, it will contribute to the educational programme of the microfinance institutions. In the recent decade, researchers and practitioners in the microfinance field have realized that the training and the increment of the business skills of the micro-entrepreneurs is very important. Karlan and Valdivia (2009) point out that attempting to build the human capital of micro-entrepreneurs can improve the livelihood of the microcredit clients and help to further their mission of poverty alleviation. This research has come-up with already existing approaches in Bandung city which are expected to contribute to the knowledge and skills of the microcredit clients.

5. Fifth, it will contribute to research integrating education and microfinance programmes. Helping to facilitate the shift from the social conscious nature to the new product approach in providing services to micro-entrepreneurs. Historically, the promise of poverty alleviation through microcredit was tied primarily to one product: the productive loan invested in a microenterprise, delivered primarily by one type of provider, a microfinance Institution (Ledgerwood, Earne, and Nelson, 2013). Now, education is recognized as key to development and community transformation. This has led to the discussion human capital and human investment. Entrepreneurship education has been recognized and now integrated with microfinance as a knowledge transfer of how, by whom and with what effects, opportunities to create future goods and services (Hindle, 2007; Fayolle, 2010). This therefore implies that the other significance of this research is its contribution to human capital development within the microfinance industry.
6. Sixth, it will contribute to community empowerment. Today, most governments around the world have adopted microfinance as a tool for poverty alleviation and human welfare. However, with the changing nature of the industry, education has become a vital component within the industry. As we might be aware, the self-employed poor rarely have any formal training in business skills (Karlan and Valdivia, 2009). A research of this kind, will obviously contribute to the training of the microfinance clients, to help them cope-up with the rapidly changing world where one to survive, should be prepared to learn to new things, and
7. Lastly, it will also help to contribute to some of the problems faced by the microfinance and the post-literacy programmes in today's world.

### **1.7 Scope and Limitation of the Study**

This research covers studies related to education and microfinance. However, on the one hand, due to the limited nature of studies integrating education with microfinance programme, the researcher has also looked at

documents related human development, education rate of return, human investment, human capital and financial literacy and the microfinance industry in general.

The Study is limited to studies of 2001 to the present. The studies include: The new microfinance hand book by Ledgerwood, Earne and Nelson (2013), Teaching entrepreneurship and impact of business training on microfinance clients and institutions by Karlan and Valdivia (2009), A model for microfinance-supported education programs by Khumawala at the University of Houston (2009), Business training for Microfinance clients: How it matters and for whom by Frisanch, Karlan, and Valdivia (2008) and many others raging between 2001 to the present time.

The geographical location of the research was Bandung city. The researcher purposively selected two BMTs, namely: BMT Khalifa and Darut Tahuhiid BMT programme of Misyikat. These institutions were chosen because they are those few institutions integrating education with microfinance in their programmes for community empowerment and they are among the organizations which during the preliminary survey showed the readiness to help the researcher gain access to their education and microfinance programme. Besides they have also been in existence for an average period of 5 years and the most important point is that they have involved community members' right from the start. Because one of the researcher's previous researches was about the "Role of Community Participation in the Development of Nonformal Education Programmes through Community Learning Centres", it was more beneficial to take cases of the organizations which focus much on the client rather than the services they offer.

Though MiSykat and BMT Khalifa are not the only microfinance organizations offering their services in combination (of education and microfinance) to the clients, in the preliminary survey, the researcher discovered that spirit to serve the community was stronger compared to other microfinance institutions in Bandung Area. And lastly, their humble beginning made researcher to carry a more advanced study on their programme.

According to the prior study, it was found out that BMT Khalifa was established due the community needs. One of the reasons was poverty and low level of education of the community around the present BMT Khalifa offices. Darut Tahuhiid also started its services for the poor to help those who had problems with mobile banks or (*Bank Keliling*).

In this research the researcher seeks to investigate the education and microfinance approach in the empowerment of the microcredit clients in the two organizations of MiSykat and BMT Khalifa. The researcher wants to know whether education and microfinance empowers the poor and whether it helps them to improve the entrepreneurship knowledge and business skills.

### **1.8 Research Organization Structure**

This report is organized of five chapters (5). Each chapter is summarized as below:

- I. CHAPTER ONE: INTRODUCTION: This chapter is comprised of the background, Problem Identification, Problem Statement, Objective of the Study, Conceptual Framework, Significance of the Research, Scope and Limitation of the Study and Research Organization Structure.
- II. CHAPTER TWO LITERATURE REVIEW: While chapter two (2) leads us to the literature review try to shape the research and give it fresh in relation to concepts and theories about the Economy and Poverty in Indonesia, Nonformal Education as an Empowering Process, Islamic Concept, Education and Human Development , Microfinance, and Education and Microfinance.
- III. CHAPTER THREE RESEARCH METHODOLOGY: Chapter three (3) presents the research methodology employed in the study, Qualitative Research Method, Multiple Cases Approach, Description of (City) Location of the Study, Research Guide (Instrument), Data Collection Techniques, Data Analysis Procedure, Coding Categories and Authenticating and data verification.
- IV. CHAPTER FOUR: DATA ANALYSIS, PRESENTATION OF FINDINGS AND DISCUSSION: chapter four (4) is about the data



analysis, presentation of findings and discussion. It consists of Organization Background, Background of Misykat, Background of BMT Khalifa, Presentation of Findings and Discussion of the Findings.

- V. CHAPTER FIVE CONCLUSION AND RECOMMENDATIONS: chapter five (5) leads us to the conclusion and recommendation of the research and also the major findings of the study.

