



Coping Humanitarian Crisis and Building Community Resiliency: A case study of Muhammadiyah Microfinance for livelihood program after Earthquake 2004 in Yogyakarta, Indonesia.

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Abstract

This paper describes economic recovery after the earthquake. It will focus on a case study of Muhammadiyah, a largest social and religious organization in Indonesia. The conceptual framework is based on the role of microfinance in combating poverty and supporting livelihood activities during recovery process. The study, which is based on field work, shows that microfinance helped victims and poor people in coping further crisis before and after natural hazards. It also increased resiliency of community toward the catastrophic situation.



Why microfinance are important in economic recovery?

- Most vulnerable people have no savings, no insurance and lack of capital to restart their economic activities, therefore they rely on microfinance
- Micro/informal finance are localized, quick and flexible, was already in place and being used among the most vulnerable populations
- Informal finance speed up recovery as the sooner people go back to work, the better chance to get immediate income



Process and Mechanism

- Training for leaders/facilitators of MFIs/ ROSCAs in the most suffered areas (7 villages)
- Entrepreneurship training for recipients (200 people)
- Set up mechanism for grants and loans distribution
 - ✓ Small grants were given to borrower for replacing broken equipments and tools
 - ✓ loans and credits were provided for stimulating the business. Repayment was decided within group to maintain revolving funds
 - ✓ minimum borrow to allow maximum lending outreach



How did it work?

- It targeted women and female householders with a very small scale businesses and home-based enterprises (turnover \$15-50/day)
 - ✓ Low income women in rural and urban areas mostly work to support their families
 - ✓ Women have limited access to formal bank or financial institution
- Grants were given to existing microfinance institutions (MFIs) or groups that run by Muhammadiyah and its woman wing organization

Challenges

- economic recovery was often not considered as a priority and integrated plan in emergency/ relief phase
- Lack of human resources and skillful staffs to facilitate training and operate the loan distribution
- Microfinance staffs/facilitators were also victims, that often had conflict of interest and had difficulties in facilitating the process.



Lesson Learned

- MFIs/ROSCAs can speed up economic recovery and lead to sustainable livelihood
- It is important to recognize existing groups and social networks as a social capital that could enhance resiliency and reduce vulnerability
- It results significant difference when integrating economic recovery into emergency plan