Juggling Money in Yogyakarta. Financial self-help organizations and the quest for security

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Juggling Money: Introducing financial self-help organisations and social security

One day, when visiting his house, I ask Irwanto about the financial self-help organisations in which he is participating. He reacts by clapping his head with both hands as if to keep it from spinning around, and with a tormented face he moans: "Wah... pusing, pusing!!" (headaches, headaches).

Irwanto is a friendly man of 48 years, living with his family in a small bamboo house near the river in Bujung. Being considered one of the more responsible men he has repeatedly been elected head of the security section in his part of the neighbourhood. But the routine reports he has to present in the monthly neighbourhood meeting always make him nervous, and Irwanto obviously feels more at home on the old couch in his house or outside on the river wall, where he grumblingly comments on the behaviour of his neighbours.

Both he and his wife Gunem were born in Gunung Kidul, a dry agricultural district in the east of the province. As it was hard to find work in his home village, Irwanto decided to come to Yogyakarta city, where he became a pedicab driver. Even after he married he continued to live in a lodging, while Gunem remained with her parents, where she gave birth to their first child. When he heard about the possibility of renting a small house in Bujung, he decided to bring his wife and daughter. They gradually were able to do some more lucrative jobs and had three more children.

Irwanto is a buruh serabutan, a "jack-of-all-trades", picking up any interesting job available. His main source of income is digging wells, a dangerous job which provides a decent income but can only be done in the dry season. Next in order of importance is construction work, often on small jobs in Bujung but also on larger projects all over the province. Because of the economic crisis there are few jobs available, but Irwanto is strong, has good skills and many contacts, and so he is asked quite often. Another important source of income is digging sand from the river, a job typical of the rainy season. Irwanto also owns an old pedicab, which he does not use a lot any more. Gunem does laundry and cleaning for a Chinese family. It earns her a fixed monthly income with small bonuses for additional tasks,
especially for doing *kerokan*, a traditional massage whereby the skin is greased and scraped with a coin. Together with her daughters she makes artificial flowers at home, which are sold at the market. The oldest daughter used to work at a foodstall at the railway station, but this went bankrupt because of the monetary crisis. The oldest son works at a repair shop and he occasionally helps his father digging sand. The two youngest children are still at school.

The members of the household participate in many different financial self-help organisations (SHOs). Irwanto, Gunem, and the three oldest children are involved in small neighbourhood organisations. Two children are members of saving groups at their schools. Gunem participates in one linked to the prayer group at the mosque, as well as in a private saving group of one of the women in the neighbourhood, and a group linked to the government cooperative (KUD). Irwanto is involved in two self-help organisations of the neighbourhood civil guard (Hansip), one linked to the Bank Shinta Daya, and the other a newly established independent self-help organisation. And until recently, Irwanto and Gunem also participated in a large financial arrangement run by a shop owner in the main street.

Participation in these self-help organisations, and in their financial arrangements, benefits Irwanto and his family in a number of ways. It provides them with safe places for their savings and additional sources of money in time of need, while the meetings are good occasions for strengthening ties with neighbours and friends. On the other hand, the many associations of which they are a member also continuously demand fees, dues, contributions, and instalments, creating a money game that is hard to manage. "All these *arisan* and *simpan pinjam* [Indonesian names for different types of financial self-help organisation] can be very difficult. It is too much to keep in your head. Sometimes you forget there is a meeting and if you do not have any money, then you have to look for some quickly. That really gives me a headache", says Irwanto.

**Background of the Research**

In 1993, a group of historians, sociologists and anthropologists met in Amsterdam to discuss a comparison between financial self-help organisations and mutual benefit societies (Van der Linden and Sluijs, 1996;
De Swaan, 1996). 1 Financial self-help organisations stand for the large variety of collective financial arrangements encountered in developing countries at the present time, including the ones joined by Irwanto and his family. The term mutual benefit societies stands for quite similar collective financial arrangements that used to be immensely popular in 19th century Europe, and which played a role in the development of the Western welfare state. The Amsterdam conference was probably the first occasion on which experts on these two types of institution came together to discuss their differences and similarities. 2 The research project which is presented in this dissertation is partially a direct result of this meeting.

At the moment of the conference, I myself was still following courses in rural development studies at Wageningen Agricultural University, where I later finished my education with an MA-thesis on the workings of an agrarian financial market in the Venezuelan Andes (Lont, 1996). Inspired by the lessons of Frits Bouman and Otto Hospes I tried to find out how local vegetable farmers judged the quality of different forms of finance against the background of their particular life-worlds. The exercise helped me to understand how knowledgeable actors are able to make sense of the world in which they are living, and how they look for financial strategies that suit their needs. 3 This is where I stood when the opportunity came to conduct PhD-research at the Amsterdam School for Social science Research, on financial self-help organisations and social security in Indonesia. My supervisors encouraged me to study these organisations against the background of the historical and comparative questions raised at the 1993 Amsterdam conference.

Although a comparison between financial self-help organisations and mutual benefit associations is in itself rather new, financial self-help

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1 In September 1999, there was a similar conference in Fredericton, Canada (Lemire et al., forthcoming). The historical studies in both conferences focused on explaining the formation of these institutions in early modern history and their demise in the early twentieth century.

2 De Swaan (1996) distinguished between those that existed 'then and here' and those that exist 'now and there'.

3 Or, as Hospes (1997:7) put it: "For a better understanding of the complexity of informal finance, it is necessary to develop integrated approaches, analyzing savings and credit transactions of both individuals and institutions in relation to (changing) contexts. Inherent to such approaches is a comparative look at "informal" and "formal" institutions through the eyes of (different) individuals looking for possibilities to borrow, to save and/or to guarantee social security." See also Bouman (1989), Bouman and Hospes (1994) and Hospes (1996).
organisations have, in their own scientific discourse, already been identified as real or potential social security instruments. In many respects the Amsterdam project built upon a longer tradition of research on financial self-help organisations, which began in the early 1950s. By that time, a small number of economic anthropologists began investigating 'traditional' financial arrangements. Most prominent among them are Clifford Geertz (1962) and Shirley Ardener (1964) who in the 1960s debated about how financial self-help organisations should be understood against the background of processes of modernisation. Geertz argued that 'rotating credit associations' should be understood as 'middle-rung' institutions, helping their participants to lift themselves from traditional to capitalist society. He saw them as institutions that emerge typically in situations of transition. Ardener replied, emphasising that these organisations were found in a large variety of forms in different societies. She judged labelling them as transitional institutions to be an oversimplification, arguing that their spread was the result of cultural diffusion. In the following years, an increasing number of other anthropological studies appeared that discussed important aspects of these organisations in different parts of the world.

In the meantime, these institutions became a point of discussion in another circle as well. During the 1970s, Frits Bouman introduced financial self-help organisations into the field of development studies, in particular to those who were interested in rural financial markets (Bouman, 1977, 1979). This was the period when criticism arose about the ineffectiveness of large-scale subsidised credit programs, particularly from scholars of the 'Ohio School'. Bouman showed that there were other, indigenous, institutions that were functioning well, and apparently were better adjusted to the needs and perceptions of ordinary people. Various researchers followed his lead and turned to financial self-help organisations in order to criticise Western-biased policy interventions; others sought inspiration for improving financial programs or for finding ways to incorporate these institutions into financial programs. It is mostly within this tradition that financial self-help organisations were associated with social security.

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4 Among the first were Bascom (1952) and Little (1957, 1962).
5 Insightful anthropological studies in this tradition are those by Kurtz (1973) and Wu (1974), who argued about the significance of rotating savings and credit associations for dealing with poverty; and also Cope and Kurtz (1980) and Velez-Ibanez (1983), which dealt with problems of trust and default.
6 Von Pischke et al. (1983); Adams et al. (1984); and Adams and Fitchett (1992).
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Bähré (1999:1), Von Benda-Beckmann et al. (1988:16), Bouman (1994b:375; 1995a:118-127; 1995b:372), Van Ginneken (1999:20-6), Kane (2001), Midgley (1994:225), and Woodman (1988:81) all attribute a social security function to financial self-help organisations or identify them as social security institutions. Bouman (1994b:375), for instance, gives examples of special purpose self-help organisations, which insure against "illness, accident, death, and other possible mishaps", but may also provide financing for "rites of passage, life cycle events, spiritual and religious ceremonies and education". Also Van Ginneken (1999:21-2) and Midgley (1994:225) point to purposes ranging from marriages to survivor's benefits. The same authors not only attribute a social security function to special purpose self-help organisations, but also to financial self-help organisations in general. Van Ginneken (1999:21), for instance, states that ROSCAs⁹ are "above all a way of encouraging savings and can be perceived as a form of social insurance" (see also Calomiris and Rajaraman, 1998). In this understanding, it is up to the participants themselves to allocate acquired lump sums to cope with adversities and deficiencies. Lydon (1992:21) even claims for ROSCAs that "the range of social benefits procured through participation (...) has increased to encompass everything from security deposits against a possible famine, to safeguards for women in the event of separation or divorce".

I believe that such general statements run the risk of romanticising financial self-help organisations, exaggerating solidarity between participants, and obscuring institutional limitations. The host of examples provided by these authors, where financial self-help organisations help people to cope with adversities and deficiencies, do not clarify whether this form of protection is equally available to all participants in all types of financial self-help organisation. Much remains unclear about how this dimension of financial self-help organisations is regulated, what kinds of problems emerge, and what their limitations are. An exception is Gerdes (1975), who studied to what extent different Ethiopian financial self-help organisations "provide protection against various recognisable threats to income and security". He devotes ample attention to differences between

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⁹ ROSCA stands for Rotating Savings and Credit Association, a particular type of financial self-help organisation where participants contribute to a kitty, which is given to each participant in turn.
various types of financial arrangement, as well as to the actual financial practices that surround them.\textsuperscript{10}

The issue of financial self-help organisations and social security has become all the more timely because the above mentioned ideas have already been brought to a policy level, through the recently growing interest in "Microinsurance". Microinsurance is a direct spin-off of Microfinance, the whole set of development agencies active in the provision of financial services to low-income groups.\textsuperscript{11} As is the case with Microfinance, there is a growing group of experts who argue for the incorporation of financial self-help organisations into Microinsurance policy.

**Social Security in Developing Countries**

The study of social security in developing countries enjoys a growing scholarly interest. According to Schmidt (1994: 83), the term originates from the 1935 Social Security Act in the United States and it is still usually associated with state support. It is in this context that Marshall (1975:106) defined social security as: "Arrangements for providing cash benefits, by social insurance, family allowances in respect of children, and the various grants made subject to means test which we can refer to collectively as 'assistance'", a definition that refers directly to the role of the state. A simple transfer of this conceptualisation to Third World societies, as attempted for instance by Galjart (1994), is rather problematic. In contemporary developing countries - and Indonesia is no exception - the welfare policies of the state (still) fall short of providing any minimal form of protection against the most basic contingencies that may afflict their population.\textsuperscript{12} In times of trouble, most people will have to rely on other mechanisms, and it is

\textsuperscript{10} The issue of financial self-help organisations and social security has become all the more timely because of the recently growing interest in "Microinsurance", a direct spin-off of Microfinance. Its growing popularity can be seen from the several workshops that have been organised, among others by such organisations as CARE and MBP-DAI, ICWC and UNCDF, and the ILO, throughout the year 2000. See also The Microfinance Newsletter (Credit and Development Forum, Dhaka), No.7, 2000, and the theme issue of Small Enterprise Development, Vol.12, Nr.1, 2001.

\textsuperscript{11} For an impression of the Microfinance movement see Ortero and Rhyne (1994) and Morduch (1999; 2000).

\textsuperscript{12} Ahmad et al. (1991); Von Benda-Beckmann et al. (1988); F. and K. von Benda-Beckmann (1994); Dixon and Scheurell (1995); Van Ginneken (1999); Meereboer (1994a; 1994b); and Midgley (1984) situate this problem as a field of research.
unlikely that the developing states will be able to replace these mechanisms at any time in the foreseeable future. Their social policies are largely irrelevant to people like Irwanto, whom we met at the beginning of this chapter. The only occasion when he is entitled to state support is if one of his family members has to be treated in hospital. An arduous day-trip through a large number of local government offices could earn him a cash benefit sufficient to cover about 5% of the hospital costs. We therefore need a broader definition of social security in order to make it relevant to the life of Irwanto in any way, a definition that not only includes the state, but all other arrangements that have similar manifest or latent functions.

Recent studies have focused on a variety of institutions, arrangements and strategies that offer protection against the hazards of life, and which provide functions that are similar to those of the welfare state's social security system. Burgess and Stern (1991:43) argue that social security can be found in any form of public action, be it at the level of state, community, or household. Van Ginneken (1999:5) tries to define social security in the broad sense as: "The provision of benefits to households and individuals through public or collective arrangements to protect against low or declining living standards arising from a number of basic risks and needs." With a slightly broader focus, Drèze and Sen (1991: 5) also leave room for individual relations as they take social security to be the use of social means for the prevention of deprivation, and vulnerability to deprivation. A similar approach comes from F. and K. von Benda-Beckmann (1996:1), who state that "the field of social security covers all arrangements through which people unable to acquire food, shelter, care and education for themselves, are taken care of" (see also Hirtz, 1995). I will take as a starting-point that one can speak only of social security if the consequences of adversities and deficiencies of an individual are to a certain extent also borne by others. Social security thus refers to those social relations, arrangements and institutions where risks are being shared. Accordingly, social security arrangements can be conceived as social care arrangements for coping with individual deficiencies and adversities, whether in the form of assistance or insurance (De Swaan, 1989:153).

So far, this broader view of social security in developing countries has taught us a number of important lessons, and three of them have been central guiding principles in this research. The first one has to do with the fact that

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13 Irwanto is entitled to this form of support only because he is identified by the Social Department, according to a number of set criteria, as being 'genuinely poor'.
few people want to, or can, rely on a single source of social security and hence decide to commit themselves to a multiplicity of relations, institutions and arrangements. These multiple sources can only properly be analysed in relationship with one another, as a "layered fabric of social security" (F. and K. Von Benda-Beckmann, 1994:19). And even more strongly, those "(...) different social security structures operating at different scales of social organization and space may merge" (F. and K. von Benda-Beckmann, 1994:20). All the arrangements that play a role have different normative bases, and this results in different notions of need and, hence, care provided. They also apply different procedures and conditions, making them not equally useful for specific contingencies. Engagement in a variety of social security arrangements not only allows people to achieve broader protection but, as we will see, it is a strategy that may even mutually strengthen the separate elements.

Second, and this is an implication of the previous point, the analysis of social security requires consideration for the active role of the individuals involved. This is a requirement which in the studies of developed societies, where the state is a dominant player in social security, is all too often forgotten.14 Whether people will benefit from social security arrangements depends very much on their personal abilities and their resources, their position within a community, their activities in the past, and what they can do in the future. One should not fall into the trap of placing a demarcation between those who give support and those who receive it. After all, the receiver of today can be the giver of tomorrow. Furthermore, an active recipient of care is also able to carefully assess and choose between alternative coping strategies, that is to juggle with sources of security in order to achieve a perceived optimum.

A good appreciation of the active role of individuals also focuses our attention on the individual coping strategies that people use alongside or in place of their social security arrangements. They are often more relevant to people's attempts to diminish their vulnerability than social security arrangements are. This is for instance demonstrated by the story of Karto, a poor pedicab driver. Several years ago he had to undergo surgery in hospital because of a broken pelvis. From the municipal Social Department and from neighbourhood contributions he received around Rp.50,000. For the remaining Rp.300,000 of the hospital bill he preferred to sell his pedicab

14 Even in this case the distinction is problematic. Engbersen et al. (1993) have provided wonderful insights into how Dutch recipients of unemployment benefits have actively reinterpreted and reshaped state support.
rather than beg for more money from neighbours or relatives. After having recovered, he immediately purchased another pedicab, on credit, so that he could earn money again, and, equally important to Karto, so that he could sell that pedicab in case of a new adversity or urgent necessity. It would be short-sighted for a researcher not to take the sale of the pedicab into account only because it involved no help from others. After all, the pedicab proved to be much more relevant to Karto's security than his neighbours or the state.

The third lesson, and this is again related to the two previous points, says that one can gain more thorough insights if the subject is approached from the actual problems that have to be tackled, rather than from the institutions that are supposed to tackle them. The latter, institutional, approach fails to acknowledge the importance of those arrangements which are not normatively defined as social security arrangements, and it fails to direct attention to the role of social actors (F. and K. Von Benda-Beckmann, 1994: 11-5). It is preferable instead to follow a sequence of analysis as phrased by Platteau (1991:123): "Collective risks or specific risks may threaten from time to time the livelihood of either many or a few inhabitants. To face these uncertainties, villagers must adopt a range of coping strategies to reduce risks, to share and pool them, or to adjust to their consequences once they have materialised".15

The myriad uncertainties, insecurities and risks can best be described if a distinction is made between adversities and deficiencies, as was also the starting-point for De Swaan (1989). Deficiencies refer to a state of affairs, an insufficient access to resources in order to fulfil specific needs. Adversities are damaging events that the person involved could not reasonably have foreseen. In that sense, the concepts are closely related to what Drèze and Sen (1991:10) refer to as deprivation and vulnerability. Marshall's definition of social security (see above) also reflects this basic distinction. The occurrence of adversities and deficiencies bars people from attending to their basic needs. At a certain moment people may be unable to gain access to food, medicine, old age care, education, and so on, because they are either too poor or because they have been struck by adversity. This does not mean that this study is limited to the poor. Of course, adversities become all the more pressing if the people who experience them already live in a condition of deficiency, but people of all classes are confronted with adversities. Furthermore, there are some occupations with on average comparatively

15 This book may be built around the institutions that are meant to provide protection against contingencies, but in data collection the contingencies themselves formed an equally important starting-point.
high, but extremely fluctuating, remuneration.\textsuperscript{16} It is therefore logical that the consequences of adversities should be notably different if it concerns a wealthy factory owner or one of his workers. However, they are both vulnerable, and in some respects there could be even more at stake for the factory owner. For the analysis of financial self-help organisations it appears logical to concentrate on adversities rather than deficiencies. Because financial self-help organisations rely on contributions from participants, there is little reason for them to serve the needs of those who are permanently unable to contribute.

All the above is required to make an appropriate assessment of a field of social security. However, in order to go beyond description, questions have been raised regarding the dynamics of existing social security systems. From a policy perspective, there is a growing understanding that there is no future for Third World states as sole providers of care. This is a notion fostered by the fact that Western welfare states are increasingly under pressure. For example, neo-classical economists plead that family and community should take more care of social security again, "as they did in pre-industrial times" (Schrader, 1994: 30-1; see also Burgess and Stern, 1991: 70). On the other hand, even if one did consider such a development desirable, there are also those who observe that because of modernisation and commercialisation the circumstances are becoming more difficult for traditional systems of social security (Platteau, 1991). Instead of choosing one or the other, the integration of governmental and non-governmental activities is seen as the main challenge for public programs of social security (Drèze and Sen, 1991: 29; see also Gaventa, 1997).

From a scientific point of view, there is a desire to unravel the relation between ongoing social processes and the strength and effectiveness of social security arrangements. That is in fact the guiding question of this dissertation, beyond the analysis of the social security function of financial self-help organisations, a question which concerns the long-term transformation process of the Indonesian social security system. It would be unreasonable to pretend that this study can give the definitive answer, but it can certainly shed some light and provide a basis for further investigation.

The question can be asked in a very pertinent way by referring to the historical developments in the West as interpreted by De Swaan (1989). He argues that in Europe and the United States the mutual benefit associations

\textsuperscript{16} This is for instance the case with some coolies and pedicab drivers, whose circumstances are discussed in Chapter Two.
represented a stage in a collectivising process that eventually led to obligatory, collective and nation-wide care arrangements under the control of the state. It appears that the demise of those mutual associations in the Western context can be explained from their inability to compete with newly introduced forms of state care and commercial arrangements. A comparison between Europe and Indonesia may appear somewhat na""ive, but it by no means implies that Indonesia is bound to follow the same course of development as Western societies did. On the contrary, it starts from the observation that Indonesia is unlikely to experience a process of collectivisation of care in the near future. In Indonesian society, the role of the state in social security is still very small and the spread of commercial arrangements very limited. If we also consider the presence of a highly effective centralised state, where the wide majority work in regular wage-earning jobs, as a necessary precondition (De Swaan, 1989:159), it seems likely that the role of the Indonesian state will not become more important at any time in the near future. This situation suggests that, within the field of social security, Indonesian financial self-help organisations enjoy a relatively more advantageous position than their Western counterparts at the beginning of the 20th century.

Accepting this as a starting-point requires us to work out whether in Indonesia there has in fact emerged a form of redistribution of resources from the 'haves' to the 'have-nots', and whether there is a sense of institutionalised solidarity. In other words, can we see financial self-help organisations as a form of collectivisation of care? Are they able to overcome the inherent weaknesses of mutual benefit associations? Are they institutions through which people are able to cope with their individual adversities and deficiencies within a wider circle? If not, what are the barriers that prevent the sharing of risk? If they are, then what are the potentials for further widening the circle of solidarity or for any other mechanism to reduce individuals' vulnerability?

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17 Hospes (1998:8-9) in this respect rightly cautions against uncritically transposing De Swaan's collectivising thesis to other contexts, in his case Sub-Saharan Africa.
18 De Swaan's other precondition, an increasing awareness of a national identity, is sufficiently met in Indonesia.
Indonesia: a country in crisis

In 1997 East and Southeast Asia fell into an economic crisis that made headlines all over the world for months, and Indonesia has been widely recognised as being the hardest hit by this crisis. Around July 1997, international investors started losing their confidence in the Indonesian economy. This was caused by various factors including increasing political uncertainty, a weak banking sector, and economic instability in neighbouring countries. As a result the exchange rate of the rupiah plummeted. This, together with the effects of a drought and large-scale forest fires, triggered high inflation and even more political and economic instability, eventually leading to an economic meltdown in early 1998. Indonesia became disrupted by the monetary crisis, better known as Krismon. All sectors of the economy experienced substantial falls in activity, the most important being construction and trade, hotels and restaurants. Demand declined and production prices increased. Most layoffs occurred in the major cities of Java, but the negative effects trickled down to other sectors, and rising food prices meant a decrease in real income for most people (Johnson, 1998).

The crisis played an overwhelming role during my fieldwork, because it was in this period that it overtook Indonesia and reached its peak. While I went out to look for the common crises of ordinary life, I was suddenly confronted with this larger-than-life event. In my view, we should not lump this crisis in with all the other adversities as simply an extraordinarily great adversity. The Krismon most of all meant a giant multiplier of all other adversities and deficiencies. Hospital treatment and paying for school fees were suddenly problems ten times bigger than they used to be, and one day without work suddenly had more immediate consequences than before. The consequences of the economic crisis are treated separately in this dissertation, but will be echoed in all other chapters as well.

Central Research Question

In view of all the above, I formulated the following central research question: Does participation in financial self-help organisations provide suitable protection against adversities and deficiencies? What appears to be a narrow question can only be answered by taking into account a number of

19 In fact, it almost felt as if I was in a laboratory environment where the air pressure had been artificially increased in order to facilitate scientific observation.
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complicating themes or sub-questions. In which different ways can financial self-help organisations provide protection? Which types of financial self-help organisation are most suitable? For whom can they provide protection, and against what kinds of adversities and deficiencies? Can a financial self-help organisation also be a useful mechanism when an adversity strikes everyone at the same time, as was the case with the Indonesian economic crisis? Which part of this protection can be identified as a form of social security, meaning that it reflects a collective responsibility for individual adversities and deficiencies? And finally, to what extent is there any room for improvement in financial self-help organisations' social security functions, in particular through assistance from NGOs and government policies?

The research question needs to be approached from two different angles. First, we need a broad analysis of financial self-help organisations in order to examine how they operate and what kind of other purposes they serve for their participants. This is necessary in order to determine the relative importance of the social security function of these institutions vis-à-vis their other social and economic functions. This approach needs to be complemented with a second analysis from the perspective of adversities and deficiencies in order to see how they affect the lives of urban Indonesians and how these people tend to cope with them. Only in this way is it possible to determine the relative importance of financial self-help organisations for particular adversities in comparison with possible alternative coping instruments. This double approach avoids blowing the social security function of financial self-help organisations out of proportion, and keeps a keen eye on their limitations.

Moreover, the social security function of self-help organisations can only fully be understood if these institutions, and the decisions made by their participants, are analysed as embedded in a specific social context (Granovetter, 1985; esp. 507). Financial self-help organisations, like all other institutions, should be seen as dynamic social arrangements, which are closely linked to the surrounding world, and which are being changed as this world is changing. They can be found in different adaptations in many different environments. Too often scholars discuss the theoretical models of financial self-help organisations, saying little more about their background than that the arrangements are used by 'peasants' or 'the poor' (for instance

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20 This basic characteristic of society has been emphasised by many eminent sociologists (though differently elaborated), among others Elias and Giddens.
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Their approaches may perhaps provide new insights and ideas, but a more embedded approach is required to answer an empirical question such as the one asked here. Therefore, in this book, I give broad attention to the way in which these financial practices are related to change and continuity in the local community and to the way they are connected to crucial recent developments in the economic and political fields in Indonesia. These relations eventually determine the degree to which the potential social security functions of financial self-help organisations can actually take shape.

This study examines the social security function of financial self-help organisations specifically in the *kampung* 21 of Bujung, in Yogyakarta, Indonesia. It aims to analyse their functionality within that specific social context. The outcomes are bound to be different at other locations and in other countries, but that does not make this study any less useful. The study demonstrates how the social security function of financial self-help organisations is influenced by its context. It is meant to encourage scholars and policy makers to observe the social security function of self-help organisations elsewhere from the same critical viewpoint, and in appreciation of the different complicating factors that form the frame of analysis in this book. Although the research is concerned directly with Indonesia, where social insecurity is considered to be among the (many) pressing social problems, 22 the results may stimulate researchers and policy makers in other parts of the world to analyse the same themes along similar lines.

**Terms and concepts**

In the current literature 23, various terms are used to refer to institutions that can be termed 'financial self-help organisations'. In the anthropological literature, the terms 'voluntary associations' (Kerri, 1976), and 'solidarity groups' (Reinke, 1998) are currently in use. I find these terms less appropriate, not only because they are rather vague, but also because they

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21 In Java, the word *kampung* is commonly applied to urban quarters, or wards, in which most of Java's urbanites continue to live. *Kampung* are typified for their traditional appearance and strong emphasis on 'community' relations.

22 The research was conducted as part of an international research project entitled "Social Security and Social Policy in Indonesia" (Koning, forthcoming).

23 Very comprehensive overviews of the literature on financial self-help organisations can be found in "The Virtual Library on Microcredit" at <http://www.gdrc.org/icm/> and in Kerri (1976) and Bouman (1995a).
would exclude many relevant organisations that are only partly voluntary and not really based on solidarity. Even though a number of organisations are linked to and initiated by outside agencies, such as government, NGOs and banks, there is always a degree of self-help involved. In this research the term 'financial self-help organisation' is used to refer to institutions organised around one or more collective funds, which originate from contributions made by participants, and which are basically administered by the participants themselves.

In order to facilitate the description and classification of financial self-help organisations, I will use the terms ROSCA, ASCRA, and SAVA. The ROSCA (Rotating Savings and Credit Association) is "an association formed upon a core of participants who make regular contributions to a fund which is given in whole or in part to each contributor in turn" (Ardener 1995:1). In the ASCRA (Accumulating Savings and Credit Association), the pooled savings are not instantly redistributed but kept in custody and allowed to accumulate by lending parts of the fund to members or outsiders for interest (see Bouman 1994b:376; and 1995b). To distinguish the ASCRA from an accumulating fund in which no credit is provided, Smets introduced the term SAVA (Savings Association). In a SAVA, the fund will grow for a predetermined period, after which all the participants will get their deposits back in kind or in cash, or the fund is kept to provide for contingencies like illness, burials, etc. (Smets 1996:55, following Schrieder and Cuevas, 1992). This distinction is a theoretical typology. In reality, financial self-help organisations generally display a combination of these arrangements, or hybrid forms.

The prevalent Indonesian terms for these organisations are 'arisan' and 'simpan pinjam'. Throughout this dissertation, I will refer to arisan as synonymous to ROSCAs, and to simpan pinjam as synonymous to ASCRAs. This is in spite of the fact that in daily conversation the word 'arisan' is used to refer both to a ROSCA type financial arrangement, and to certain organisations which provide a ROSCA arrangement along with other financial and non-financial services.

Juggling with money

The title of this book gives an indication of my approach to the analysis of financial self-help organisations and social security. It refers to the similarity between juggling and participation in financial self-help organisations. In both cases, entertainment plays an important role, in the former for the
crowd, in the latter for the participants themselves. Probably more important is that the jugglers in both cases try to impose their will, on the juggling balls and on their money. Some manage to accomplish magic tricks, while others fail dramatically, often because they use more balls (or money) than they can handle. And finally, both activities leave ample room for dexterity and suspense. Many jugglers try to obscure the trajectory of their balls, so that their tricks appear more spectacular than they are. Also some participants and organisers of financial self-help organisations try to deceive the onlookers, in this case to benefit financially. In financial self-help organisations there is ample room for deceit and fraud. Such elements as these form the most important themes of this book.

Methodology

Entry and position in the kampung

I selected Bujung as my research area for a number of reasons. First and foremost, I required an area where I could find a large number of financial self-help organisations. Given that the basic economic purpose of financial self-help organisations is the provision of lump sums, and that the basic requirement is the ability to make regular payments, it is to be expected that they will flourish in an environment where most people earn small and regular incomes. Hence an urban context seemed to be most appropriate.\(^{24}\) Secondly, I was very much interested in the activities of NGOs with financial self-help organisations. With a list of associations related to the PHBK-project I went around visiting various kampung in the city of Yogyakarta where such associations could be found. In Bujung I encountered a kampung with several interesting characteristics. The kampung is quite heterogeneous with a large number of (lower) middle-class

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\(^{24}\) This idea was confirmed by Nooteboom (forthcoming), who found a low incidence of financial self-help organisations in the remote East Javanese village where he conducted research. On the other hand, Purnomo (1994) found a density of financial self-help organisations almost as high as in Bujung when he conducted research in a Yogyakarta village, while Marianti (forthcoming), who conducted research in the city of Malang, found a much lower incidence. The large number of organisations in Purnomo’s village can be explained from the fact that they were the object of his research. Many financial self-help organisations are hidden and are more likely to be found by a tenacious researcher. Apart from that, many in his village frequently commuted to the city and had access to regular income.
civil servants, and a large amount of lower-class labourers and self-employed people, mainly pedicab drivers. Most residents are first or second generation immigrants. The kampung is located on the far north-western corner of the city, far away from the Yogyakarta tourist industry. In many respects it seemed to be a very normal kampung. Of course there were other more practical motivations for my choice, among them the friendly assistance of the local administration (kantor kelurahan) and the possibility of renting a house in the kampung.

For the research, the kampung and its inhabitants functioned as a starting-point rather than a demarcated research area. It would have been unwise to limit the investigations to the territorial boundaries of Bujung, because the lives of the Bujungese are not limited by these boundaries either. Hence, while tracking people’s relations with relatives, co-workers and friends as well as their participation in financial self-help organisations, I frequently ventured outside the kampung. Nonetheless, the kampung is not a meaningless unit of analysis. In contrast to Bijlmer and Reurink’s observations on Semarang (1987:145-7), administrative boundaries in Bujung proved to be significant social boundaries as well. People within separate neighbourhood units (RW, RT, and kampung) share many working projects and ceremonies among themselves, purely because these activities are organised per administrative unit.

As I moved into the kampung at the beginning of October 1997, I was very fortunate to be immediately invited to join the annual recreational trip of the UKK, the largest financial self-help organisation of the kampung in terms of membership. In four hired buses we visited the grave of former President Suharto’s wife, a waterfall, and the lake near Wonogiri. It enabled me to meet a large number of people in a pleasant atmosphere and on neutral terrain, and provided an excellent introduction. Later I found out that through this trip I had mainly come into contact with the upper half of the kampung community. It took more than one month before I first got in touch with the poorer inhabitants, who live close to the river.

I consider it a major advantage having had the opportunity to live in the kampung where I did my research. It enabled me to observe the activities of my neighbours on any moment of day and night and to meet many inhabitants of the research area while shopping or eating out. Moreover, as an inhabitant of the kampung it was considered more normal for me to attend the monthly meetings of the men’s association. To my disappointment, though in a sense also to my delight, I did not attract a lot of people to my own house. That was caused partly by the fact that I lived on the compound
of a former neighbourhood leader, and one of the most respected people in the *kampung*. Many people felt too embarrassed to enter his compound. Apart from that, in Bujung neighbours always keep a close eye on each other, and a visit to my place would certainly have invoked rumours about asking for money. The few people who visited me told me that they made a large detour before arriving at my house.

### Research methods

During my fieldwork, which took place from August 1997 to August 1998 and in July and August 1999, I applied a number of different research methods. There were the semi-structured and open interviews, participatory observation, informal conversations, a survey and an analysis of the accounts of financial self-help organisations.

During the fieldwork I interviewed approximately 130 people. For these interviews I used the national language, Indonesian, although most respondents were more familiar with Javanese. Still, in this way I was able to conduct the interviews alone, without the practical problems and obtrusiveness of an interpreter. Only a limited number of interviews were taped, again in order to reduce obtrusion. I mainly interviewed the inhabitants of two neighbourhood sections, or sections of the *kampung*, where one had a large population of office workers, and the other a large population of unskilled labourers. Apart from them, I also approached local leaders, organisers of financial self-help organisations, and the elderly (on the topic of local history). As an interview tool, several times I used small cards on which I had written the names for different types of debt. With several questions about ‘seniority’ of debts, treatment of debts, and quality of debts, I asked respondents to put the cards in order. I also interviewed people outside the *kampung*, in particular representatives of NGOs and credit cooperatives, as well as members of the pedicab groups that are found throughout the city.

I undertook participatory observation in two different ways. First of all, I attended a number of public and private events. Most important of all were the meetings of many financial self-help organisations. I must say that this was not so much a participatory activity, because I only joined the social fund of one of them. In all the others I simply listened to the speeches, which
were mostly in Javanese\textsuperscript{25}, observed the borrowing and depositing, talked with my neighbours, drank tea, ate delicious snacks, and smoked a lot of *kretek* (Indonesian clove cigarettes). Apart from these meetings, I also attended weddings, funerals, prayer meetings, rice distributions, and voluntary work projects. The second form of observation meant a good deal of 'hanging around' (*jalan-jalan, cari angin, main, mampir*). This was done at foodstalls, in pedicabs, on the river wall, at the neighbourhood security post, in front of the television, out in the street, and on doorsteps. The morning and the early afternoon were usually spent in the company of the women, and the late afternoon and night with the men. Over gallons of tea and innumerable *kretek* cigarettes we discussed topics as diverse as Christianity and Krismon, work and world-cup, and diarrhoea and debt. These conversations helped me to gain the confidence of my respondents, so that they felt safe enough to reveal at least some of their feelings and stories. Apart from that, there would have been no other way in which I could have heard some of the most crucial information. Without these conversations I would have had no insight at all into the way people treat debt, and into their complex social relations.

The survey was conducted at a very late stage of my fieldwork. This enabled me to formulate questions that were closer to the locally relevant topics, and refer to local idiom. On the basis of information from some key-informants and personal observation, I had selected four neighbourhood sections from the *kampung*. Two of these neighbourhood sections were among the poorest in the *kampung*, while the other two were among the wealthier. From both categories one neighbourhood section was chosen where social solidarity was said to be strong, and one where solidarity was weak. Two of these neighbourhood sections were the ones that were already the focus of my qualitative research. From each of the four neighbourhood sections that were selected an equally sized random sample was made from all registered\textsuperscript{26} families living there. In total, 156 households were interviewed, and students from the Population Studies Centre of Gadjah Mada University conducted the interviews. In most cases, the wife was interviewed.\textsuperscript{27} She was asked questions about household composition, work, 

\textsuperscript{25}Though many Bujungese tried to teach me, I never managed to learn Javanese. At the end of the fieldwork I was only able to have a general idea of the topic of conversation, so that I had the least number of problems with discussions around financial practices.

\textsuperscript{26}This automatically excluded temporary inhabitants from our survey.

\textsuperscript{27}The wife was picked as a more suitable respondent for two main reasons. First, wives are more often at home during the day. Second, I felt that the wife would have a better view of the financial affairs in the household.
income, assets owned, participation in financial self-help organisations, savings and credit practices, and insecurities. The survey’s outcomes should be treated with care. My qualitative research allowed me to check part of the results, and it turned out that many respondents had given incomplete and incorrect answers. In some cases, they probably wanted to hide sensitive information from the interviewers whom they had never met before. In other cases, they probably did not understand what kinds of information we were looking for. The data became even more incomplete because the respondents were unable to oversee the financial wheeling and dealing of all household members. This resulted in particular in an underreporting on participation in financial self-help organisations. Nevertheless, the data provide extra material that is useful for, and complementary to, the analysis of qualitative data.

The collection of data from the accounting books of various financial self-help organisations was not an easy task, because the methods of bookkeeping varied considerably from one association to another, and this often made them difficult to read. The treasurer himself was also often more interested in small talk than in explaining his ‘boring’ books. Nevertheless, the books provided interesting insights. For some associations I was able to determine certain medium-term trends with regard to repayment and the build-up of funds. In other cases, the books revealed peculiar ways of participation and treatment of debt. And every once in a while, the books also revealed the participation of someone who previously had plainly denied participation in any financial self-help organisation. One other way in which I collected qualitative data was through booklets for household expenditures. I gave booklets to ten women and asked them to note all income and expenditure for the duration of one month. By working with only ten women I had the opportunity to explain the purpose of their task at length, and to discuss the contents of the booklets at the end of the month. Although the data are probably not meaningful in a statistical sense, the booklets gave me many insights about the cash flows within their households, and revealed expenditures that had never been mentioned before.

This approach and combination of research methods allowed me to draw a balanced picture of Bujung’s financial self-help organisations. I may have not been able to compile large sets of statistical data, nor to make a detailed comparison with another location, but that was a well-considered decision. Had I focused entirely on the collection of qualitative data, then I would not have been able to unravel many of the perceptions and practices that feature in this dissertation. Participation in financial self-help organisations involves
acts and thoughts, which a respondent is not likely to share with an unknown surveyor. There are things that a respondent thinks are irrelevant, insignificant, private or stupid. Only through participatory observation and frequent interaction is a researcher able to gain confidence and know what should be asked.

**Difficulties**

It goes without saying that the fieldwork did not always proceed along a smooth path. A number of the topics I investigated were considered off-limits, and not to be talked about. First, there was the subject of debts, in particular those with local moneylenders. Borrowing and lending are sensitive topics. Underreporting of transactions is one of the main research problems in this field (Shipton, 1993:134-5). This certainly applies to Bujung as well, where many people did not hesitate to deny their debts once I asked them. Many of them supposedly wanted to hide their private financial activities from an outsider who might spread their stories about in a wider circle. Those stories could eventually disrupt their image in financial affairs and diminish their creditworthiness with local lenders, be it professional moneylenders or neighbours and friends. On the other hand, shame also played an important role when people regularly denied personal debts that were widely known in the neighbourhood. There is for instance little point in denying a debt to a moneylender who happens to call at one's house every day.  

This presented a problem that I could only overcome to an acceptable degree after several months in the field. In accordance with Shipton's (1993:134) advice I applied a combination of research methods, which eventually proved useful in locating the contradictions in my own observations and the stories provided by informants and respondents. Probably equally important, by that time I had also gained the trust of a number of key informants, who were willing to explain things in a way

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28 Usually I had no problems trying to discuss financial self-help organisations, as long as I did not ask too much about conflicts and misuse of loans and funds. An exception was the individually managed ROSCA. Many of the women who organised these arrangements denied that they did and pretended to know nothing about it. After returning to the subject and showing that I knew they were organising ROSCA and had no harmful intentions, they were willing to talk openly. There was only one woman in the neighbouring *kampung* who, when I was too tenacious, said: "As I said, I do not organise an *arisan*, and I am not living in your research area anyway."
which was closer to reality. No researcher should have the illusion of ever gaining an absolutely correct view of local financial affairs, and neither do I. However, the way in which I conducted research certainly helped me to avoid many pitfalls that would have been fatal had I relied on more superficial research methods.

Another big problem had to do with the polished representation of self, which related to two, widely shared, normative ideals. The first was the image of people leading a life without problems. Probably their understanding of me as a researcher investigating adversities, or 'looking for trouble' so to speak, encouraged this presentation. Even at my first hints, they clearly stated that they had no problems with their relatives, no problems with their livelihood, and no problems with their financial self-help organisations. Secondly, they very much presented Bujung as a community where people are always ready to support one another in times of need. Each time I asked how a certain specific adversity had been dealt with, most people were more than likely to claim that 'the community' had solved it together. The tendency to present the polished picture made it harder to find out what really happened. In this connection, it comes as no surprise that there is also a strong taboo on Bujung's 'dark past', such as the bloody operations against communists in the 1960s, and against petty criminals in the 1980s. These events are strongly suppressed, which made it difficult for me to obtain detailed information.

Finally, financial self-help organisations and household finance are very much, but not exclusively, the domain of women in Bujung. As a young man who was living on his own, these married women seemed to be a social category as distant from me as could be. At first, I could never talk to a woman in the absence of her husband, so that he would answer all the questions I addressed to his wife. My initial strategy was to take a female research assistant, but for several reasons that did not work out as hoped for. In the end, however, the issue proved to be less problematic than it had seemed and I gradually gained the confidence of the women and their husbands, and I was able to talk to most of the women privately, without arousing too much suspicion. Some of them even became my most important informants. Most probably, this would have been much more difficult in a rural and more remote environment.

29 This view was most strongly felt among the local elite, for reasons that will be dealt with in the next chapter.
Outline of the Dissertation

This dissertation starts with a description of the socio-economic context, zooms in on financial self-help organisations and adversities and deficiencies, and brings these three elements together in Chapter Five. The book concludes with two commentaries, one on financial linkage programs and the other on the impact of the economic crisis.

Chapter One is a historical analysis of social organisation in the kampung where I conducted fieldwork, in which local developments are situated against the background of political and economic processes at the national level. The trip through history starts in colonial times, and continues into the post-colonial communist years. The bloody repression of the communist movement in 1965 is followed by a stable period of increasing wealth and a steady inflow of migrants. Among these immigrants there is a group of small criminals, which is violently removed in the 1980s. For each time period attention is given to population, appearance and physical landscape, politics, economy, and religion and morality. This trip automatically introduces us to Bujung's main social division, the one between the inhabitants of the Ledok areas and those of the Atas. The second part of the chapter discusses the differences between these two categories with respect to background, family life and neighbourly life, including an analysis of the collective production of stereotypes of each group vis-à-vis the other. Altogether, the chapter provides the reader with some background information necessary for understanding the complexities of local financial practices.

Chapter Two starts with a discussion on the material adversities and deficiencies faced by the Bujungese and presents the results of the various methodologies used to explore them. The chapter explains the origins of these adversities and deficiencies by describing the sudden and high expenditures with which the Bujungese are confronted, and by describing the fluctuating and uncertain incomes on which they rely. It goes on to argue that these patterns of income and expenditure constitute uncontrollable financial cycles, with irregular surpluses and shortages. Subsequently, it is explained how the resulting adversities and deficiencies have a differential impact with regard to class and gender.

Chapter Three is a detailed case study of the Usaha Kesejahteraan Keluarga, one of the largest financial self-help organisations in Bujung. All the major issues of this dissertation are treated for this, separate, particular case. There is a description of the history of the association and how it is embedded in the historical events of Bujung, a description of the changing
organisational set-up and its financial aspects, and finally also an analysis of how this association contributes to the coping strategies of individual members.

Chapter Four is a commentary on the latest vogue in the world of Microfinance, namely the promotion of linkages between financial self-help organisations and banks. This policy orientation has been put into practice in Indonesia through the nation-wide PHBK-project. After a short introduction to this project, a case study is given of one of the financial self-help organisations in Bujung that has participated in the project itself. The chapter explains why this initiative has been unsuccessful in Bujung and what kind of lessons can be learned from that experience.

Chapter Five starts with a brief discussion of the history of financial self-help organisations in Indonesia. This devotes attention to the role of the state, particularly the New Order regime, in the rise of some of these organisations. The larger part of this chapter is reserved for the detailed description of the other financial self-help organisations in Bujung, with regard to their origin, organisational set-up, size and turnover, membership, and meetings. In order to show the diversity of financial self-help organisations, a number of organisations are presented, as part of an overall distinction between five basic types of financial self-help organisation. Furthermore, I explain the ways in which trust and social control play a role in financial self-help organisations, and how notions of power and hierarchy shape decision-making processes.

In Chapter Six I will try to formulate an answer to the research question. It starts from the observation that financial self-help organisations can contribute to people’s coping strategies, either through providing a social network or through the allocation of lump sums. In other words, participation in financial self-help organisations produces social capital and economic capital, which can be used to take care of adversities and deficiencies. These two forms of capital are compared with social relations and lump sums that originate from sources other than financial self-help organisations. This leads to the conclusion that financial self-help organisations are only to a very limited extent and often indirectly important for coping with adversities. Their social security function, in the sense that they are a platform for sharing risks, turns out to be negligible. The chapter concludes by addressing the negative sides of participation in financial self-

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30 The PHBK-project is a major operator in the field of Microfinance in Indonesia, a project of the German GTZ and Bank Indonesia.
help organisations, such as the problems of (too) heavy contributions and of social exclusion.

Chapter Seven is devoted to the biggest economic crisis in Indonesia since the 1960s, a regional crisis that affected many other countries in Southeast Asia. For the people in my research area, this so-called 'Krismon' meant most of all drastically rising prices and increased difficulties for earning a stable income. In Chapter Seven I discuss the way in which Indonesia's economic crisis has affected social security in Bujung, and the performance of financial self-help organisations in particular. The chapter starts with a short introduction on the 'Krismon', the way in which the people of Bujung have experienced the consequences of this crisis, and how it has affected them. It then turns to show the impact that the crisis has had on participation in financial self-help organisations, and explains their recently increasing popularity. The conclusion starts with a short summary of the argument and an answer to the research question. It ends with a tentative comparison between Europe and Indonesia.