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

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Chapter Seven - Krismon: The impact of the economic crisis on financial self-help organisations

So far, the crisis has not featured prominently in this book. The reason is that before, during and after the crisis, people were confronted with emerging financial gaps and used different resources to cope with those gaps. In other words, although the crisis caused hardship for most people in Bujung, it did not drastically change the way in which they organised their lives. Nonetheless, it is useful to have a closer look at the 'Krismon'. The crisis is putting financial self-help organisations to the test, with regard to both their institutional strength and their efficiency as providers of social security and facilitators for other coping mechanisms.

Evidence from the literature suggests that anything could have happened to Bujung's financial self-help organisations. Abugre (1994:166) argues that informal financial systems are better equipped to work under conditions of turbulence. Hospes (1997:12) expects the decline of ASCRAs in times of economic instability, but adds that situations of financial instability can involve a breakdown of the banking system, and result in an increased popularity of financial self-help organisations. ROSCA s were found to have slumped during crises in Taiwan and Vietnam (Ardener, 1995:5). However, the ROSCA s in Taiwan recovered quickly, and those in Ethiopia flourished even during the crisis that followed the Italian war. Bijnaar (forthcoming) found participation in Surinam ROSCA s to increase as a result of the economic crisis. In the context of an economic crisis, ROSCA s can be made inflation-proof in various ways. Bidding ROSCA s can help to adjust the size of kitties to the inflation rate. The contributions can be tied to the dollar, or to the price of gold or rice. There is the possibility of introducing a pause, and postponing payments for a few months, if the crisis becomes too harsh.

7.1 Experiencing the Crisis

An economic crisis is a monster with many claws, but there were two of them which had direct consequences for the lives of the people in Bujung,
namely the rising prices of daily subsistence goods, and the increased difficulty in finding paid work.¹

7.1.2 Price Hikes

Even though the crisis primarily meant a drastic increase in the prices of luxury import goods, and even though the government tried to keep the prices of the nine basic commodities (*sembako*) at an acceptable level, it was the rising prices that most of all affected the lives of the people in Bujung.

The monetary crisis was first noticed in Bujung around Lebaran, at the end of the Fasting Month, in January 1998. From then on, the rising prices dominated conversations between neighbours, and it worried people a lot, like this wife of a civil servant, who said: "Petrol prices are going to rise and my husband uses one litre to go to work each day. Now that is Rp.20,000 per month, and it is going to be more than double tomorrow. The price of chicken has trebled, and the price of eggs has doubled. Many people only eat rice, sambal, and soybean cake and many people are angry because of the price hikes."

A pedicab driver spoke out at the meeting of a financial self-help organisation: "The situation has become too difficult for us. Our wages are not high enough to take care of our wives and children any more. I personally make Rp.5,000 per day and you all know that nowadays that is not enough to feed your family. To me it does not matter who is leading this country, as long as he makes sure that the nine basic goods are going down in price. That is what we all worry about." Especially moving was the sight of the wife of a shop assistant whom I met sitting in front of her house, as she was staring into her plastic bag and sighing deeply. She could not stand it any more:

¹ In this respect, the situation was quite different from Jakarta and other major cities, which witnessed massive lay-offs. Reports by Koning (1999), Marianti (1999) and White and Abdullah (1999) show that there were other situations similar to Bujung. There is an ongoing discussion about whether the urban poor or the rural poor have been most severely hit by the crisis. Those who suggest that the crisis has somewhat passed the villages argue that the rural population benefited from rising prices of rice and that villagers were able to rely heavily on the food they produced themselves (Hill, 1999). Such a view naively ignores the fact that many of those villagers do not have access to land and depend heavily on non-agrarian activities, as has rightly been pointed out by Breman (1999) and Booth (1999:131)
"Everybody is buying this cheap smelly rice now. We can't take this any more. And they say that the prices will keep on rising, Rp.200 per day, and they will stay high for three years (....) Nowadays Rp.5,000 per day isn't enough to feed a family with two children, but that is exactly what I receive from my husband. His wage is Rp.40,000 per week. He keeps Rp.5,000 for himself to buy himself *soto ayam* [chicken soup] every once in a while, when he is at work. The rest is for the family. For sweets for the children and their breakfast at school I need Rp.1,500 per day. That makes almost Rp.10,000 per week. Then you don't even have food, rice, vegetables, soybean cake, tea, soap, school fees, payments to *arisan*, contributions when someone dies. [Her child repeats her, saying *belum, belum, belum,...* She is obviously bored by her mother's complaining]. The money comes every Saturday. It is very hard to spend this money in a responsible way. The food should not be too luxurious, which mostly means rice, *sambal*, and sometimes vegetables. For the vegetables you need to negotiate vigorously at the market, although it is sometimes only for Rp.100. What is Rp.1,000 still worth these days? When you can't make it to the end of the week and the money is finished on Thursday the only solution is to borrow or to sell something. I can't borrow from the *bank plecit* [moneylender] because if my husband finds out he will be very angry, but it is difficult to borrow from neighbours."

The price of milk, widely used for babies and small children, went up the fastest. Other, more basic foodstuffs doubled or trebled in price in the period of a couple of months. In this respect rice, sugar, cooking oil, eggs, meat, soybean cake, and vegetables are the most important commodities. Almost all the products used in the kitchens of Bujung, including soap, became very expensive, and the crisis became disastrous for Bujung's many chain smokers as well. The rising prices of uniforms and paper made education of the children burdensome. School fees went up as well, and although the Habibie government decided to abolish school fees at public primary schools and junior high schools, considerable other fees still had to be paid. Medical costs increased because medicine had to be imported. Pedicab drivers were confronted with extremely high prices for spare parts, such as tyres. Soaring prices of building materials made home improvement very expensive and often impossible. The higher costs of electricity and of petrol and public

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2 In October 1997 the price of the lowest quality rice was Rp.800 per kilo. By July 1998, it had gone up to Rp.2,500. In October 1997 the price of milk was Rp.34,000 per tin. By April 1998, it had gone up to Rp.80,000 per tin. See also Booth (1999:134).
transport came relatively late in the crisis, but they were experienced as a sign that nothing could stop the crisis from that moment on.\(^3\)

### 7.1.2 Decreasing Income

Decrease in income made the price hike even more difficult to bear. The food stall holders were the first to feel the impact of the crisis on their income. When the prices started to rise in December 1997 they did not dare to raise their own prices as well. But in January they started raising their prices slowly, and their nominal income has not decreased much since. The fact that food vendors were not able to raise their retail price as much as the price of their ingredients does not necessarily mean that they were severely disadvantaged by the crisis.\(^4\) The large share of labour in their cost price, the price of which did not rise, checked the effect of rising prices of ingredients to some degree. The major difference was that, due to the crisis, the necessary capital per enterprise increased. Traders who did not have enough savings, and no extra access to credit, became the victim and reduced or closed their businesses.

A category which was struck much more severely is that of the construction workers. Investors for the larger projects were in financial difficulties and pulled out for the time being, whereas the high prices of building material were not an incentive for individuals to build either. At the peak of the crisis it was very difficult for these people to find a job, and a number of them did not work for months. The situation had a strong psychological impact on this electrician:

"Many building projects have stopped now and because of that I am also out of work. The competition for jobs is very hard and that makes it difficult to find a job. Just one job per week would be very nice."

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3 Levinsohn et al. (1999:21) studied the impact of price changes due to the crisis. They concluded that the urban poor were most affected by this aspect of the crisis. Thomas et al. (1999:17) studied the impact of the crisis on consumption patterns and found that higher proportions of income were spent on food.

4 An example is the business of Mas Kuncoro who produces and sells cakes (kukis). His production costs doubled from around Rp.15,000 to Rp.32,500, a rise of more than 100%. Afraid of losing customers, Kuncoro only raised his own retail price by 50%, from Rp.400 per pack to Rp.600 per pack. He continued to sell the same amount of cakes, and so his turnover went up from about Rp.33,000 to Rp.50,000 per day. Consequently, his daily profit remained stable at about Rp.18,000 per day. Other traders, who experienced a declining demand for their products, were in a less favourable situation.
Some days ago I was completely broke. There was not a single rupiah in my pocket, and I was not even able to buy rice for my children. They had no food when they went to school in the morning. I was frantically looking for a job but I could not find one, and when the children came back from school there was still no food, so I kept looking for a job. Late in the afternoon I gave up and I went to a small shop, bowing deeply and begging with my hands I asked the owner whether I could buy on credit. I felt so ashamed. The owner gave me the credit and my children could eat. The next day I did the same. When I still did not have a job I finally rang my brother in Jakarta to send some money and the next day I received it, so that I could pay back the shop owner. I am too ashamed to borrow from my neighbours. I have never done that."

A third category, which was also hit, is that of women who make artificial flowers at home. The material needed for making ten sets of flowers used to cost Rp.2,350. In May 1998 it went up to Rp.4,550. They used to sell ten sets for Rp.3,750. After the crisis, they could only sell them for Rp.4,000. As a result of this the production of these ornaments generated a loss and so most of these women stopped producing. Only a few continued and stored their products in the cupboard, hoping for the market price for artificial flowers to go up again.

And there were others: When the shops of Yogyakarta stopped ordering new stock, the coolies, who guide and unload trucks coming from Jakarta and Semarang, often did not see a single truck for several days. Food sellers, home producers, and laundry ladies also reported income-generating problems. The pedicab drivers who work in the tourist sector were obviously very much damaged by the absence of foreigners during the riots in May and June 1998. Of those pedicab drivers who cater for local passengers, a few pedicab drivers complained about fewer passengers, but most of them said that the situation was very normal. Some of them said that they often received higher payments because the passengers felt sorry for them. Two men working in the printing industry were both "sent home", working only two or three days per week and receiving only 50% of their wages. A labourer in a fibre factory continued working, even though he did not receive a wage any more, only a meal. The civil servants were not afraid of losing their jobs, because "that cannot happen in Indonesia", or because "that would be too dangerous politically". However, some civil servants complained that many special projects were stopped, and this made extra bonuses very scarce. A number of them experienced problems because their side-jobs were no longer productive.
In Bujung only a few people work in factories, so lay-offs were not as widespread as in the Jakarta area, and most people continued to receive more or less the same income as before. Still, for people in certain professions it became harder to earn money and their income decreased. The main factors involved were more expensive investments and raw materials, and the decreasing purchasing power of the customers.

7.1.3 One Year On

When I came back to Bujung in July 1999, the situation appeared to have stabilised. Some people were still complaining about the crisis, but most agreed that they had already seen the worst. "The crisis is fading already. That is because the leaders of the country are already doing a better job. Prices of rice and sugar have gone down and there is regular cheap rice. It is also easier to find a job, and when you find a job the income is higher." "The price of vegetables is now half the price it was." Incomes had increased over the past months and the prices were slowly going down. Wages of construction workers, pedicab drivers and housekeepers had risen by 50 to 60%, employees of private firms also saw significant increases, and all civil servants and pensioners received an extra Rp.150,000 per month. Although the situation was not back to normal yet, most people felt that they had grown accustomed to the crisis and were already able to make ends meet. One woman even said that there had never really been a crisis:

"The crisis now is not as bad as in the time of Japan when there was no food but sugar in the shops and at the market. There were also no clothes. I remember that once my mother's rice was stolen. That was in [the village in Gunung Kidul]. Now people can at least still eat, and my snacks have been in demand throughout the crisis. The only thing was that everybody was very shocked by the idea that there was going to be a crisis, and that it was going to be as bad as during the Japanese time. Now the people are already getting used to it. I always had enough money to buy food and to pay for the arisan and now the prices of basic goods have already gone down."

Bambang is a coolie who more or less shared her opinion:

"This crisis is nowhere near as bad as the crisis of 1965, which I remember as a child of six years old. Then there was really no money to buy food. My parents used to cut papaya trees, grind the inside and prepare food from it. It tasted awful. As vegetables we ate the leaves from the papaya tree and from cassava plants. I can still see all the people in the streets who were begging, but nobody could give them
anything, because everybody was out of money and food. In those days there was also a lot of typhus. Every day somebody would die. Nowadays, at least everybody can eat, only the bigger costs are a problem. (...) By far the most difficult time during this crisis was the moment one year ago when I had to pay the entry fee to senior high school for my daughter, which was Rp.500,000. I went to school to look for a solution and I asked if it was all right to pay Rp.100,000 first and the rest in instalments, but that was not allowed. At least I should pay half. I had Rp.50,000 from myself and borrowed Rp.100,000 from a moneylender, so I still needed another Rp.100,000. The son of the younger sister of my wife heard about the situation and asked me to come to his place. He is a teacher. It was the day on which I had to pay for the school. He understood the problem and asked how much money I needed. Then he gave me the remaining Rp.100,000. That was a situation of real headaches, and it took me to the end of this year to pay the complete school fees. Now I am having trouble again. I have to pay another fee of Rp.50,000 and I also have a nephew in Wonesari who is getting married. I need money for the trip and for a contribution. I do not know yet how to solve this. I hope for a few good jobs and for the arisan to come out."

Up to 1999 there were still a number of people in trouble because of the crisis. Salman, for instance, lost his job as a parking guard at a supermarket that closed down. His additional income as a fruit seller is very unreliable and so he was forced to take more debts than before, especially when his child fell ill. "The crisis is still tough for me. I borrow a lot because I suffer from empty pockets\(^5\), he said. Mbak Min is a woman who sells drinks and small meals from a pushcart in the kampung, where business is unstable. She was frequently forced to use her working capital to buy food and pay school fees for her son. Each time she had to go out of business for a few days until she is able to borrow some money somewhere. Mbah Darusman is a trader who sells rings and precious stones in the street. He had been quite successful over the past years and managed to save a considerable amount of money in the bank. In this year he was often ill and was taken to hospital three times. A few months earlier he had spent most of his savings on buying a house of his own. Because of the high hospital expenses he lost all the

\(^5\) My general impression was that people who had experienced previous crises were less distressed by the Krismon than younger people. The older Bujungese were of course aware that a crisis would pass and could be survived.

\(^6\) A popular joke in Bujung during the crisis was that there was an enormous increase in cases of cancer. The point of the joke was that kanker, the Indonesian word for the disease, could be understood as an acronym for kantong kering, or dried up pockets.
savings that were left, plus his working capital. Like Mbak Min he was waiting until he could borrow some money somewhere. Parman is a young man who had been out of work since it became quiet in the repair shop where he worked. He spent most of his savings on his recent wedding and on food, and he hoped to hold on for one more month until his baby was born.

These people have problems and their stories are sad. However, the real victims of the crisis are a minority, and many of them would also have had problems even if there had not been an economic crisis.

7.2 Coping with the Crisis

Most of the organised help that people received during the crisis was in the form of provision of rice. The local government, Chinese businessmen, the PKK, and student organisations were among the ones who organised such rice provisions. Mostly through RT channels, 'poor' households were given tickets with which they could receive free rice, or food packages at a price below the market level. In general the beneficiaries quite appreciated the rice provisions. But not all these initiatives were well intended\textsuperscript{7}, there were often conflicts among the poor about the distribution of tickets, and a few people complained that the packages were too large and they had to borrow money to pay for the tickets. And the help that it provided was quite limited. The packets usually represented a value of Rp.3,000 to Rp.5,000 and there were normally not more than four packets per month. The rice provisions present more a form of relief than an appropriate way of coping with the crisis. In contrast, a small survey in April showed that for the most basic expenditures of a family of four, one needed at least Rp.8,000 per day.

At a later stage, there was also the state-sponsored Social Safety Net program, or JPS, which meant a somewhat wider range of support. Apart from the provision of cheap rice, the JPS also introduced health cards for poor families, with which they could receive free medical care. However, because the costs of medicine for instance did not come under this arrangement, the card did not provide a much-improved access to health treatment. JPS also had a credit program for poor entrepreneurs based on

\textsuperscript{7} In many cases it was clear that these initiatives were public relation stunts, aiming to improve the social status of the benefactor. One pedicab driver organisation even used a rice provision to attract new members. As a notable exception, I should mention the anonymous people who drove around in the middle of the night to wake up sleeping pedicab drivers and give them a large bag of rice.
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Group lending. However, these groups failed to reach the targeted poor and had problems with a high rate of default. Some private support programs, particularly those connected with the churches, did have a positive impact on the livelihood of the poor. Their scholarships for pupils in primary school and junior high school benefited a large number of Bujung families, although the faulty co-ordination between these programs had the result that some families received scholarships from several programs for one and the same child. Altogether, whether public and private programs reached the poor or not, they were never able to provide more than symbolic relief. For the most part, the bitter reality was that every family had to find its own ways of dealing with the crisis.

When I came into the kampung, a few months before the crisis, a lot of people told me that their income was "pas-pasan". According to them, every rupiah earned was spent again, there was hardly an opportunity to save, and they had barely enough to live on. It seemed very logical that as the crisis worsened, more and more people would have serious problems with buying their household necessities. I was quite surprised when in fact they managed quite well.

Obviously, this meant that before the crisis their income had not been as pas-pasan as they would have liked me to believe. Roughly more than eighty percent of the people in the lower income groups had had some opportunity to save, which could be concluded from their ability to improve their houses, buy their own pedicabs, and buy luxury articles like television sets and radios. We can assume that since the beginning of the crisis their savings have stopped or have become significantly less. Besides this, almost everybody reacted simply by cutting back on expenditures, especially food. People who were used to eating meat turned to soybean cake. People used to soybean cake from now on just had their rice with sambal and some vegetables. Later in the crisis, for the most vulnerable this meant fewer meals per day, and skipping the vegetables. "It is possible to hold on in this crisis by just being economical. You have to adapt to circumstances when there is not so much you can buy.", "You have to buy food and pay for the school fees. The rest is less important and can wait.", and "If there are things that you want to buy and you do not have the money, then you should not buy them. So far, we still manage to eat two or three times a day and pay the school fees for the children. I do not eat many snacks when I am at work,

Koning (1999), Marianti (1999) and Dwiyanto (1999) also reported on the operational problems of support programs in Java. A particularly outspoken critique of the JPS can be found in Breman (1999).
Sometime s we have to borrow to pay for something, but not too much so that we are still able to pay it back. If you have to buy something and you do not have the money, there is no other choice than to borrow, you know." These were the main ways in which the people of Bujung managed to survive the first six months of the crisis, cutting back on expenses while gradually consuming savings.\(^9\)

However, it was not so easy for everybody, for Pak Kasar, for example: "I have already pawned a lot of clothes, four shirts and a few trousers. The government pawnshop does not want to give money for that, and that is why we took them to a private pawnshop. For the four shirts they gave [Rp.] 6,000. Maybe it is going to be difficult to repay those loans, and then..., then we can only start crying. My debts are mounting now, and I own only my clothes and our bed." For Pak Kasar, living in the house of his mother-in-law, saving less and eating less were not enough to make ends meet. There were more people in a similar situation who often felt they had no other choice but borrowing money. But in the poor quarters of the kampung it became more and more difficult to get a loan from a neighbour, because everybody was broke himself. Now people had to turn to the moneylender, and even the moneylender was not always an option either. One of them reported that his default rate had gone up from 25% to about 50% since the beginning of the crisis, and that he was virtually penniless. Over the months more and more goods were taken to a pawnshop, and at the same time the big clearance sale started. Whenever there was an urgent need, to pay school fees, medicine, or simply when people were broke, there were no monetary savings left and people sold anything of value. It was often gold, chickens, a dog, electronic equipment, and one could observe assets disappearing from the houses of the lower-income groups. Richer relatives, surprisingly, proved to be a final, rather than a first, source of support. Only in the later stages of the crisis, when people had long been confronted with prices that were really too high for them, did they first go to their relatives to ask for loans.

But not everyone was passively watching their debts rise. Another big surprise was that in spite of the rising unemployment quite a number of people managed to find extra jobs, whether dignified or not.\(^10\) There were women who started doing the laundry for local prostitutes, men were making

\(^9\) Figures in Appendix 2 indicate that during the first year of the crisis average expenditure per household (in Rp.) increased by almost fifty percent.

\(^10\) This basically two-sided coping strategy, cutting down on expenditure and looking for work, was also found in other parts of Java by Nooteboom (forthcoming) and Marianti (1999).
coins into rings which could be sold, women started making a new kind of flower garment, a construction worker went into the street seeking passengers for buses, pedicab drivers found fixed customers, and there was a widow who found work in a small restaurant. A number of men in the neighbourhood along the river decided to borrow money to build fish hatcheries (*karamba*) in the river. In three months times the first harvest from such a hatchery can produce a good profit, more than enough to repay the loan. The risks are high, however. One of the hatcheries was washed away in the rainy season, another time many fish were killed because 'someone had thrown poison in the river', and during my last visit the fish had to be sold prematurely when the water level suddenly dropped because the government had decided to close the upriver canal for maintenance. I spoke to two women who were not so enthusiastic about their husbands' efforts to make money from fish. They felt that they were spending urgently needed money on something that was too risky. Nonetheless, in the first half year of the crisis the number of hatcheries in the river increased from one to nine. One year later the number of hatcheries had reached twenty-four.

When I came back to Bujung in July 1999, there had been a strong shift in income-generating activities, particularly through small-scale "petty trading". Many enterprises had stopped, but more had begun. A fruit seller, a jewellery trader and several food sellers had closed their business. A parking guard had lost his job because the supermarket where he worked had gone bankrupt. A coolie and a shop assistant had been fired. At the same time two phone offices had opened in Bujung, and a number of small shops. Several women had opened a food stall or started ambulant trading, while others had begun producing snacks at home for the market. Two women had started trading second hand clothes. One man got a new job as a shop assistant, and another started selling liquor in the evenings. One woman found a job as a laundry lady. A few people had moved to Semarang to work as seasonal workers in shipbuilding.

Some trading activities had stopped because the owners had used their working capital for other needs, mostly education and health treatment. In only one case the entrepreneur had stopped because of low revenues, but he could afford to do so because he did have a basic income from another enterprise. The newly emerged enterprises had mostly started with capital from loans, from relatives, moneylenders or *simpam pinjam*. In the other cases the entrepreneurs had used their own savings or did not need much capital. Most entrepreneurs agreed that revenues had become tighter since the beginning of the crisis, partly because it was difficult to pass rising prices on to their customers, but also because of increased competition. Some food
vendors complained about competition from relief programs; in particular the cooking facilities that a local mosque had provided for pedicab drivers reduced the customers at some local food stalls.

Many people said that in order to generate more income for their families they were ready to take up any job, or do any kind of work, as long as it was halal (pure and clean). But some people went a little bit further. One pedicab driver, together with some friends, made a deal with the caretaker of a graveyard which had been closed. At night they dug up used coffins and sold the wood. Although not quite halal, this activity also attracted some sort of admiration. Public gossip was harsher on people who were suspected of trying to cheat their neighbours. Many were angry when the rumour went around that two people, who both allowed neighbours to tap electricity from their connection, raised their bills quicker than the electricity company. Another event that bothered public opinion was what happened between Pak Tejo and Bu Ratman. Their two families were living in the same house, their rooms separated by a thin cardboard wall. Pak Tejo rented the house and Bu Ratman always paid half of it. This year, Pak Tejo had announced that the rent had been raised by the landlord, from Rp.200,000 to Rp.350,000. Bu Ratman was in great distress because under current circumstances she would not be able to pay an extra Rp.75,000. The original sum was big enough already. So Bu Ratman went to the house of the landlord to demand a lower rent, but much to her surprise the landlord told that there had been no increase in the rent at all. The conclusion was quickly reached: Pak Tejo had made up the increased rent in order to get a lower rent for himself. Bu Ratman said nothing to Pak Tejo, but the same day she packed her stuff and moved to the house of her younger brother. It was hard to determine the degree of truth in these stories, but I believe they are at least a sign of increased mutual distrust, as a consequence of economic deprivation.

The examples also suggest that there has been hardly any basis for 'shared poverty' as a way to deal with the consequences of the crisis. On the other hand, one cannot say that there was a retreat into individualisation and selfishness. Helping people in need, most often by giving or lending money, also continued after the crisis. However, considering their own scarce resources, people concentrated more on their own extended family. Within the family, help was exchanged more frequently, and therefore there was often no money left when a neighbour asked for a loan.

11 Of course, there is always an exception. A group of coolies abandoned their practice to allow only two people on each truck. By allowing four or five people on a truck the available work is shared more equally among the workers.
In the way that it was felt, the economic crisis in Bujung was not really a totally new sort of crisis. It was not a situation in which people suddenly lost everything, like the industrial workers who were fired in Jakarta. For most people in Bujung the crisis became manifest when confronted with normal adversities that were exacerbated by the crisis. Although most people more or less manage to cope with the crisis, by cutting expenditures, borrowing, and selling goods, these strategies have made them more vulnerable. Since the beginning of the economic crisis it has become more difficult to deal with illness, to send one’s children to school, to secure one’s housing, and to take care of one’s social obligations. Under these circumstances, people suffer more frequently from worries and headaches. All these problems still have to be solved for the larger part by people themselves, on the basis of the resources available in their own household, although there are indications that during this crisis other relatives became more of an option for help than before.12

7.3 Consequences for Financial Self-help Organisations

When the economic crisis started, my expectations concerning the possible consequences of the crisis for financial self-help organisations in Bujung were rather pessimistic. It was obvious that the economic crisis in Indonesia was having a strong and significant impact on the lives of the people in Bujung. Due to the crisis household budgets were under pressure because people were confronted with increasing expenditures, and sometimes also decreasing income. Participants in financial self-help organisations also had to cut back on expenses, and that might be a good reason for them to withdraw from their self-help organisations. After all, most of the money received from these associations was used for consumption, and the obligation to make regular payments was already often a burden for the household budget. When people are up to their necks in financial problems, they might try to solve this problem by defaulting on contributions and

12 In that sense, I could not agree less with the almost hilarious picture drawn by Jellinek and Rustanto (1999) of the coping strategies of the Javanese poor. They say that "[p]eople have been thrown out of work and prices of rice and basic commodities have risen but Indonesia's informal sector has picked up the slack and seems to be experiencing an economic boom" (p.1). In their report, they present a situation of solidarity communities and unskilled workers who can choose from a wide variety of options provided by the informal sector. They see the crisis as a blessing that clearly separates the diligent poor from the lazy ones. Little could be further from the truth.
repayments. Even if such a decision were made by a small number of participants, it would pose a threat to the organisation, because such a retreat could have a snowball effect. When participants observe that other members stop paying because of private financial problems, they might consider that they themselves have also lost their obligation to pay. The inevitable loss of confidence in the institution might threaten the continuity of collective financial arrangements altogether. Even if there was no default, many participants could withdraw after they had fulfilled their payments, after they repaid their loan to the simpan pinjam, or at the end of the cycle of the arisan. This would result equally in a massive decline in self-help organisation savings and credit associations, although it would not be accompanied by a loss of confidence in the institution as such.

A second problem which might pose a threat specifically for arisan is that in these arrangements there is no calculation for inflation. In most arisan in Yogyakarta, the participants receive a fixed amount of money in turn. A person who received 3 million rupiah in December of 1997 was able to do a lot more with this money than the person who received the same 3 million rupiah in June of 1998. As the cycles of arisan run for periods of up to three years, inflation is a very real problem. Participants who pulled a number at the end of the cycle might feel that they did not get their fair share of the fund and might even claim that they had been cheated. Such conflicts could also pose a threat to the institution as such.

Over the past years it seems that not only many of the now liquidated banks have run into problems, but also some other financial institutions. One of the local moneylenders told me that default in his case had more or less doubled since the crisis started. The co-ordinator of one Microfinance institution working with credit unions acknowledged: "Well, we can see that money becomes increasingly scarce and repaying a loan to the co-operative usually does not have the highest priority in the household. In the household the cash flows have become disturbed. Because of this many groups have become short of cash and collapsed. I cannot yet say how much this is." A member of the staff of another organisation came up with a similar story. McGuire (1998:10), based on relatively early figures, reported negative effects on repayment rates of several Indonesian banks and Microfinance institutions to be mixed, ranging from stable rates to sharp drops in repayment.

At the end of my first fieldwork period, mid 1998, there were growing rumours that the crisis was indeed going to have consequences for local financial self-help organisations as well. More and more participants announced to me that they wanted to leave their arisan at the end of the
cycle, and others that they would take out fewer loans from the *simpan pinjam* in which they were participating. Furthermore, some associations had abolished certain complementary arrangements, such as a small *arisan* to buy plates and a small lottery. In some *arisan* there was discussion that after that cycle, the size of monthly contributions would not be raised as usual. A few informants even claimed to know that three large *arisan* in the *kampung* were about to be dissolved after their cycles had ended.

### 7.3.1 Resilient Organisations

These observations left me with moderately pessimistic expectations at the end of my first fieldwork period, but when I came back in 1999 it turned out that they had not been confirmed. Informants told me that in most of the local self-help organisations it was business as usual. Leaders and organisers of both *arisan* and *simpan pinjam* claimed that the situation was quite normal. "Of course nowadays there are a lot of people who have to borrow from others to repay their loans, but the payment rate is the same as before. The people who are late payers now, were also late payers in the past...." For a number of *simpan pinjam* I was able to photocopy their books from the past years, and these confirmed that the crisis had hardly affected these associations (see Appendix 3). The picture was even more astonishing when it came to the *arisan*. Many new *arisan* had emerged. There was just one single *arisan* that had ceased to exist during the crisis. All other groups had not only survived, but also strongly expanded their membership and increased the monthly or weekly contributions. In almost all *arisan* the original members in the meantime had had the opportunity to leave the association, because the previous cycle had already ended. After that point, most members had registered again and there were even new people who signed on. The bookkeeping of *arisan* invariably showed that none of the members had failed to pay his contribution. Most organisers acknowledged that there had been some problems with people who were often late with their payments, and that organising an *arisan* had become more burdensome because it required more time to go to the houses of those who were late with their payment. But these problems did not lead to disruption of the

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13 For my initial interpretation of the impact of the crisis on self-help organisation savings and credit associations, see Lont (1999a)

14 During my fieldwork I once spent one and a half hours at the meeting of an *arisan* waiting for one of the members who was in hiding because she did not have the money
association. The one *arisan* that had ceased to exist was the one organised by Bu Dwianto, the widow of a military officer who for years had had many problems with a number of members who were notoriously bad payers. The story was that she had been so fed up with them that her sons had persuaded her to stop organising the *arisan*. Almost all the women who had participated in this group had moved quickly to three other *arisan*, of which one was newly established. Many of these women were now contributing more than they did before.\textsuperscript{15}

![Figure 7.1 Increased popularity of arisan, 1998-1999](image)

<table>
<thead>
<tr>
<th></th>
<th>number of participants before</th>
<th>number of participants after</th>
<th>contribution before</th>
<th>contribution after</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pasar</td>
<td>60</td>
<td>70</td>
<td>Rp.1,000 per week</td>
<td>Rp.2,000 per week</td>
</tr>
<tr>
<td>Sugiyanto</td>
<td>30</td>
<td>36</td>
<td>same</td>
<td>raised</td>
</tr>
<tr>
<td>Darman</td>
<td>30</td>
<td>52</td>
<td>raised</td>
<td></td>
</tr>
<tr>
<td>Tini</td>
<td>18</td>
<td>42</td>
<td>Rp.5,000 per week</td>
<td>Rp.10,000 per week</td>
</tr>
<tr>
<td>Yayuk</td>
<td>40</td>
<td>70</td>
<td>same</td>
<td>raised</td>
</tr>
<tr>
<td>Hartono</td>
<td>12</td>
<td>13</td>
<td>raised</td>
<td></td>
</tr>
</tbody>
</table>

It is difficult to provide conclusive reasons for the resilience of the self-help organisations, because there is such a wide range in modes of participation. The changed economic circumstances had very different effects on different people, depending on their socio-economic conditions, but also depending on their attitude towards risks and deficiencies. Nevertheless, one good reason for the increased popularity of *arisan* is that people had to be more careful with their money, or rather needed to be more effective in spending. During the Indonesian economic crisis many observers assumed that poor people were in such destitute conditions that the only thing on their minds for her contribution. At another *arisan* the bookkeeping showed that out of roughly 300 payments there were 20 late.\textsuperscript{15} Koning (1999) also observed an increased participation in *arisan* in a Central Javanese village during the crisis.
was to get something to eat. Although the people in Bujung did have problems with food security, they also needed to meet occasional large expenditures. No matter how unfavourable the conditions, they were determined to send their children to school, to organise proper weddings, and to take sick family members to hospital, to name but a few things. Many participants gave their need for lump sums as a reason for their increased participation in the associations. At one meeting, when I asked for an explanation from the whole group, this was explained to me by Bu Nugroho, one of the members. In front of her she had the kitty of the arisan and she took off the Rp.1,000 note that lay on top. "This money cannot be used very well," she said. "If you have Rp.1,000 in your house there is not much that you can do with it. You can buy a bowl of bakso, or half a kilo of rice, but that is all. The money will be gone without us really enjoying it. Now suppose that you have all this money [she takes the whole pile of Rp.170,000]. That is much more useful. Especially during this crisis it has become important to get these amounts of money together, so that you can use your money in a more useful way." So, it was not only difficult to leave the association, but also undesirable.\(^{16}\) Obviously this increased demand for credit can only be accommodated if there is sufficient control on repayment of loans and regular payment of contributions.

When under pressure, and faced by financial obligations, people have no other choice than to juggle with their money. The people in Bujung either had to be very economical with what they had, or turn to the riskier game of repaying debts with debts. Most participants were able to continue making payments to their financial self-help organisations by a careful combination of these two strategies. They tried to cut back on their expenditures as much as possible, as we have seen in the previous section, and borrowed to pay instalments and contributions only if there was no other solution. A few participants in self-help organisations, especially those in the Ledok, engaged in repaying debts with debts in a much more dramatic way. More often than before, they needed to borrow in order to pay their contributions and were even forced to sell their arisan, only weeks after the cycle had

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\(^{16}\) It is quite difficult to understand why the rapid increase in the popularity of arisan did not happen in simpan pinjam. There are number of possibilities. First, women tend to participate more in arisan than in simpan pinjam. Women have a wider network of contacts within the kampung and hence wider access to their self-help organisations. Second, women have to make expenditures that cannot be postponed, while those of men come more in the category of 'luxury consumption'. Third, simpan pinjam are often linked to other social organisations, such as the neighbourhood section or a group of colleagues, and therefore have a limited number of potential members.
started. In some of these cases this was a matter of more or less calculated behaviour, and some of these women had already planned to sell their *arisan* before the cycle started. For others, it was more a case of overestimating their ability to pay contributions. Whether they did this willingly and knowingly or not, this practice did not lead to increased default.

However, we should not take the observation of increased popularity of *arisan* too positively. The total membership of *arisan* in Bujung has increased, but there are also a number of people who decided to leave the association in which they participated. Two organisers of *arisan* confirmed that there was a shift in membership where one or two poor and vulnerable people left their *arisan*, whereas a larger number of wealthier people, or people with a more stable income, became a member or took more shares. Those who left admitted that because of the crisis, they had to be more careful with their money, but they did not feel that the *arisan* was a good way to do so. They felt that the risks of participating in an *arisan* were too high. The *arisan* obliged them to regularly pay fixed amounts of money, and they felt that since the economic crisis their income had become too irregular for *arisan*. There were only a few of these cautious people who were simply too vulnerable and too poor to participate in financial self-help organisations.  

### 7.3.2 Inflation

The second problem related to *arisan* and the crisis did not seem to pose a problem either. In no *arisan* had big conflicts emerged because the value of the kitty decreased as inflation became stronger, nor were any inflation-resistant arrangements introduced. The Sriyono family was one of the families, participating in a large *arisan* at the market, who sustained a considerable loss because of inflation. They had bought land to build a house because their rent contract was about to expire. They had estimated the size of the *arisan* they needed to join in order to receive an amount that was big enough to pay for all the building materials. As the crisis developed it became clear that the money from the *arisan* would not be enough because

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17 One might argue that if financial self-help organisations are important for coping with insecurities, it would be logical if during this crisis vulnerable people had tried to participate more in these associations. However, the money needed to do so, is not always available, and this seems to be a variation on the 'second law of welfare' (Macarov, 1980:24): "When more welfare is possible, it does not seem needed, and when welfare is needed, it does not seem possible."
the prices of cement and iron had risen quickly. Sriyono and his wife were distressed about this, but they did not claim that the situation was unfair. "We took a high number and that is why we had to wait that long. We are less fortunate than the first, the more so because of the crisis. Our money has a lot less value. Really, it is just bad luck. We had agreed on the rules and these are the consequences. There is nothing we can do about it." Even though in reality they might have felt more cheated than they said, they did not really have any other option than to continue paying. If they stopped paying, they would lose all their money, and they also could not exert enough influence over the organiser and the other participants to change the arrangement at this moment. Furthermore they would have to face strong pressure from the organiser, with whom they also have an important business relation.

Even if Sriyono could have convinced the organiser and the other participants, there would be little scope for alterations in the rules of the arrangement. Tying contributions to the price of gold or rice might have made the arrangement more inflation-resistant, but it would also create other problems. The problem is that most participants join an arisan depending on the amounts of money they can regularly save and not directly on the amount they ultimately want to receive. Linking the contributions to the price of gold would quickly result in contributions that are much higher than most participants are able to put aside. Though not mentioned by informants, another possible reason for not adjusting to inflation rates is that inflation took place in two short periods of steep price hikes. This was also the case during the economic crisis in Surinam (Bijnaar, forthcoming). Participants might always have thought that inflation had (almost) stopped.\footnote{Koning (1999) found villagers establishing an arisan with rice as contribution instead of money. This is obviously less problematic in an agrarian context.}

7.3.3 Differential Impact

The situation in Bujung also shows that the economic crisis had a differential impact on several types of financial self-help organisation. There have been few consequences for those who have participated only in the social SHOs with their small contributions. In relation to income the contributions in this case are almost insignificant. It is true that many small contributions together do create a significant financial burden, but at the same time the social costs involved in default far exceed the immediate financial benefits.
If we turn to those who are actively engaged in more financially oriented organisations such as private arisan, public simpan pinjam, market arisan and credit cooperatives, we need to make a distinction on the basis of the expenditures made. When the money is a crucial source of working capital in small-scale enterprise, the financial self-help organisations have become more important because of the crisis. The prices of ingredients and raw materials have increased with an immediate impact on the working capital required. In one of the simpan pinjam the demand for loans increased after the crisis, so that in the end members were forced to borrow money from another simpan pinjam. The story is more or less the same if people participate because they need money for other purposes that cannot be postponed, of which education is the best example. In these cases, the participants are highly motivated to continue participating in order to have further access to lump sums. If participation in self-help organisations is closely linked to frequent repayment of debts with debts, the participants do not have much choice to stop or to continue. It means that there are a number of loans which need to be repaid, and for which any temporary solution is welcome. Avoiding obligations in financial self-help organisations would immediately create problems elsewhere. This is even more so if there is repaying debts with debts within the closed circle of the simpan pinjam itself. In other words, if loans from a simpan pinjam are always repaid by a new loan from the same simpan pinjam, which is frequently the case in quite a number of them, there is no other solution but to continue participating.

Only if participation is not targeted at some urgent expenditure, is it logical that during an economic crisis people are tempted to leave the association. This problem came to the fore in a number of simpan pinjam in Bujung where this mode of participation was prevalent. Many participants turned into 'sleeping members' who did not want to take out loans. This was seen as problematic because it left a large part of the loan funds idle, diminishing the annual profit. Eventually the organisers decided to solve the problem by lending part of the funds to another simpan pinjam where loans were in greater demand.

7.4 Afterthoughts

The economic crisis in Indonesia that brought many people in Bujung to despair has not damaged the financial self-help organisations. The self-help organisations proved to be strong institutions, particularly because they were useful. They enabled people to save lump sums under difficult
circumstances, lump sums that were of crucial importance to keep their livelihoods at acceptable levels. Self-help organisations may even have become stronger because of the crisis. The absence of widespread default must have resulted in a growing trust in the organisers of self-help organisations and in the institution as such. This is crucial as trust has always been and will always be the Achilles heel of arisan and simpan pinjam.

But there should also be a less positive remark. The increased participation in financial self-help organisations and particularly arisan also increases the risks that people take. It often means that people apply for a lump sum in the hope that they will be able to fulfil their obligations in the future. This can easily result in a more intensive game of repaying debts with debts, whereby the financial gaps that need to be filled in the end loom larger and larger. People have to look for loans that one day may not be available. In this way, increased participation in self-help organisations may make families more vulnerable to the adversities that are still to come.