

# **The Management of Relations and Money:**

## **The role of financial self-help organisations for social security**

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Financial self-help organisations (SHOs) are often among the first private institutions identified as real or potential social security instruments.<sup>1</sup> For that, most studies refer to the obvious burial funds and other special purpose arrangements, but several also imply that a social security function can be attributed to the whole range of financial SHOs, in the sense that they supply lump sums that can be used for emergency payments. They are “a way of encouraging saving, and can be perceived as a form of social insurance” (Van Ginneken, 1999:21). Still, there is a lack of detailed studies on how the social security function appears in practice. The host of examples where financial self-help organisations helped people to cope with adversities and deficiencies does not clarify whether this form of protection is equally available to all participants in all types of financial self-help organisations. Much remains unclear about how this dimension of financial self-help organisations is regulated, what kinds of problems emerge, and what their limitations are.<sup>2</sup>

This chapter aims to investigate the social security function of financial self-help organisations in a concrete social setting. It shows that the financial self-help organisations examined here provide little direct protection against adversities and deficiencies. They can only be useful for this purpose if used in combination with other financial strategies, arrangements and institutions. Hence, the chapter demonstrates that the social security function of financial self-help organisations cannot be taken for granted, and should be examined within its specific socio-economic context.

The research was conducted in Bujung, an urban *kampung* at the outskirts of Yogyakarta. Like many *kampung* in urban Yogyakarta, the area is divided in different social and topographical spaces that more or less coincide with each other (see Guinness, 1986:103-8). The elevated, upper section, of the *kampung* is mainly occupied by what could be termed the lower middleclass. This includes teachers and other lower echelon civil servants, traders and skilled labourers. Lowly or unskilled labourers, small traders and pedicab drivers occupy the lower section, which lies along the two rivers that border

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<sup>1</sup> Cf: F. von Benda-Beckmann et al., 1988:16; Bouman, 1994b:375,381; Bouman, 1995a:118-127; Calomiris and Rajaraman, 1998; Gerdes, 1975; Van Ginneken, 1999:20-6; Midgley, 1994:225; and Woodman, 1988:81).

<sup>2</sup> 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 among others be seen from the several workshops that have been organised, among others by CARE and MBP-DAI, ICWC and UNCDF, and the ILO, throughout the year 2000. See also The Microfinance Newsletter (Credit and Development Forum, Dhaka), Iss. No.7, 2000.

the *kampung*. The people from both sections have to work together in RT and RW meetings, but for the rest they very much keep to themselves. Roughly within the confines of their own sections, neighbours tend to have rather close relationships with each other. They spend many hours together on the streets, in their houses, and during the frequent meetings of different kinds of social organisations.<sup>3</sup>

In Bujung, occupational multiplicity is the norm. Generally more than one household member contributes to the household income and each of them can be engaged in more than one income earning activity. Some of these activities earn daily incomes, while others have weekly, monthly or even annual payment. Many of these activities provide highly uncertain incomes. Pedicab drivers and traders generally on one day earn more than on another. Construction workers may go many days without a job. And even civil servants, who have a regular basic income, depend heavily on infrequent bonuses. As a result, almost all households in Bujung are confronted with more or less fluctuating incomes.

On the other side of the household budget, expenditures are also unevenly spread over time. Households spend a relatively stable amount of money on daily food, but some expenditures on for instance housing and education have to be made on a monthly or annual basis. Spending's irregular component is found in relation to family ceremonies, hospital treatment and the purchase of luxury goods. Consequently, irregular financial cycles are a fact of life. Cycles of income and expenditure often do not neatly coincide, which inevitably results in 'financial gaps' that have to be filled in one way or the other. For almost all households in Bujung, which do not live in abundant wealth, these financial gaps create serious insecurities. Social security is the protection against adversities and deficiencies (see Van Ginneken, 1999:5). These adversities and deficiencies can take forms, but in the highly monetised economy of Bujung, most of them boil down to temporary or permanent financial gaps, meaning that income does not tally expenditure. Therefore, social security is here taken more specifically as the set of mechanisms used by individuals and households to cope with these constantly emerging financial gaps. It is the purpose of this chapter to examine whether Bujung's financial SHOs provide such social security.

Participation in financial SHOs is widespread in Bujung. One can generally find the members of one household to participate in a number of different financial SHOs. With regard to the organisational set-up, there is a basic distinction between *arisan* and *simpan pinjam*. The *arisan* is an arrangement whereby all participants regularly contribute to a collective fund, a kitty, which is subsequently disbursed to all members in turn. The sequence of disbursement is generally determined on basis of a lottery, but sometimes also on basis of bidding. The *simpan pinjam* is an arrangement whereby all participants contribute to a loan fund, from which all participants are entitled to take out

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<sup>3</sup> For vivid descriptions of *kampung* life in Yogyakarta, have a look at Guinness (1986) and Sullivan (1992).

loans. Those loans are repaid with interest so that the total amount in the loan fund can accumulate.<sup>4</sup> In addition, many financial SHOs manage ‘special funds’, which make contributions to participants’ funerals and in a few cases also for hospital treatment.

Five local types of financial SHOs can be distinguished in Bujung, primarily on basis of the size of contributions and the relative importance of socialising versus financial activities. The first cluster is termed the ‘social SHOs’, which manage small *arisan*, *simpan pinjam* and special funds. This is the most numerous category of financial SHOs. The Bujungese participate in hundreds of these organisations inside and outside the *kampung*. In many cases participation is obligatory, in the neighbourhood or workplace. Hence, I encountered not a single household where none of the members joined such a ‘social SHO’. The organisers and participants of these SHOs regularly emphasise that their only function is to strengthen feelings of togetherness and to provide information. The second category is that of the ‘private *arisan*’, entailing only a plain *arisan* arrangement. These SHOs have no meetings and the socialising aspect remains limited to a few minutes of chatting before and after the lottery. The financial contributions do not far exceed those in the social SHOs, but they supply bigger lump sums. There are a few dozen of private *arisan* in Bujung. The third category is that of the ‘public *simpan pinjam*’, of which there are also a few dozen in Bujung. These organisations have both *simpan pinjam* and special funds, sometimes with a small additional *arisan*. The two remaining categories, the ‘market *arisan*’ and the ‘credit cooperatives’, are more straightforwardly commercial in their orientation.

Financial SHOs provide lump sums in the form of kitties and loans. In the case of social SHOs, they may range from Rp.10,000 to Rp.50,000. Private *arisan* range from Rp.30,000 to Rp.400,000, public *simpan pinjam* between Rp.50,000 and Rp.600,000. Both market *arisan* and credit cooperatives are found roughly between Rp.300,000 and Rp.3,000,000. For comparison, during my fieldwork, a labourers daily wage was between Rp.5,000 and Rp.10,000. Most civil servant earned something between Rp.300,000 and Rp.500,000 per month. Almost all households join one or more of the social SHOs and a little more than half of them join one or more of the SHOs in the other categories. Women predominate in the private *arisan* and market *arisan*, whereas the other categories are mixed (although men and women often have their own groups).

### **Direct protection from financial self-help organisations**

Financial self-help organisations could in principle provide direct protection against financial gaps in two different ways. Insurance arrangements exist in most of Bujung’s financial self-help organisations,

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<sup>4</sup> These two types of arrangements roughly correspond with the more general terms of Rotating Savings and Credit Associations (ROSCAs) and Accumulating Savings and Credit Associations (ASCRAAs). See for example Ardener (1995) and Bouman (1995b).

with the exception of market *arisan*, private *arisan* and some credit cooperatives<sup>5</sup>. These organisations have emergency funds that are built up from regular contributions paid by all participants. The main problem with these arrangements is that they are usually limited to disbursements in case of death, and exceptionally also in case of illness. There are a large number of adversities and deficiencies that are not covered by these arrangements (housing, education, unemployment, etc.), in spite of the fact that they create urgent problems for most of the participants. Another problem is that the disbursements are comparatively small, mostly at around Rp.10,000. In the best case, there is a disbursement as high as Rp.60,000, whereas the costs of a funeral easily reach the tenfold amount.<sup>6</sup>

Of course, there does not necessarily have to be a targeted insurance arrangement to provide direct protection. *Arisan* and *simpan pinjam* could also fill financial gaps through direct allocation of a kitty or loan. The problem is that participants are only to a very limited degree able to determine the moment of disbursement of kitties and loans. Most *arisan* distribute the kitties on basis of a lottery and it is practically almost impossible to make the winner of the kitty exchange turns with someone who is in urgent need for money. *Arisan* organisers explained to me that most participants are so eager to receive it that nobody is willing to surrender the kitty. “Everybody needs the money!”<sup>7</sup> Formally, in *simpan pinjam* it is possible to take out a loan whenever one needs it. However, it happens that many organisers, with the support of a majority of the participants, are strongly focused on maximising the annual dividend. For that reason the loan fund needs to be lent out as much as possible and all participants who are without debt are pressured to take out new loans, even if they do not need them.<sup>8</sup> As a result, everybody is almost continuously indebted to the *simpan pinjam* and only those who have just repaid their old loan are able to take out a new one.

There are different ways used to solve the problem of not having immediate access to lump sums. For instance, there are market *arisan* that are organised according to a bidding scheme, which allows participants to influence the moment on which they receive the kitty. With *simpan pinjam* it is

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<sup>5</sup> These arrangements exist in office cooperatives of civil servants, but they are often absent with privately organised credit cooperatives.

<sup>6</sup> These insurance arrangements are also seldom mentioned in the literature on financial self-help organisations in Java. Exceptions are Kakisina et al. (1991:13), Bouman and Moll (1992:214), and Patma-Mingoen (1980:94). Kakisina et al. share my observation that these funds are relatively small. Bouman and Moll however describe a self-help organisation of pedicab drivers in the centre of Yogyakarta where the emergency fund is the central arrangement. Funeral funds seem to be much more widespread in African countries (see Bahre, 1999 and Kane, 2001). It goes beyond the scope of this chapter to fully discuss the possible reasons for the lack of insurance arrangements in Indonesia. In Lont (2001, forthcoming) I will argue that it is probably primarily caused by insufficient trust in organisers as money guards.

<sup>7</sup> An exception took place in a lower part *arisan* RT. Here it was decided that two participants, who because of illness were unable to work, could have precedence in the lottery of the *arisan*. If surrendering a kitty could happen somewhere it should be in *arisan* RT, where the kitties are small and participants frequently meet, also outside the meetings. However, in general it is certainly not true that “[I]f one is the victim of a sudden misfortune [...] one can always persuade the other members to take the pool out of turn”, as Geertz (1962:427) states for Modjokuto. Bouman (1995b:378) also mentions this to be a widespread practice in ROSCAs in general, and other Indonesian observations can be found in Murray (1991:79) and Mai (1992:7). It remains difficult to determine why this practice is absent in Bujung.

<sup>8</sup> This can be called the proportionality principle. All participants are expected to make the same contributions to the annual dividend, so that nobody benefits more than the others.

sometimes possible to take out a loan under the name of one of the other participants, one who at that moment is free of debt. The actual borrower pays the monthly instalments, while the ‘onlender’ remains formally responsible. This way, the onlender allows the actual borrower to take out a second loan from the *simpan pinjam*, although this is formally prohibited. Organisers of *simpan pinjam* regularly emphasise during the meetings that loans should be used for personal purposes only and not transferred to others. Onlending therefore happens most of the time secretly. It are usually people who participate primarily for socialising reasons and do not have a need for lump sums that do such onlending.<sup>9</sup>

However, as inventive as these solutions may be, it still remains necessary for the participant to wait until the day of the next meeting, which is usually organised only once a month. This makes it difficult to meet urgent necessities directly with money from *arisan* and *simpan pinjam*. To give an impression of the limited direct usefulness of financial SHOs: Only one respondent mentioned participation in *arisan* as a form of protection against adversities, whereas 118 respondents mentioned money and personal savings.<sup>10</sup> Only one respondent mentioned *arisan* as the solution for ‘the most difficult problem their household had ever experienced’, whereas borrowing money was mentioned by far most frequently. Financial self-help organisations were mentioned twelve times as a source of finance for paying the most recent hospital bill, much less than gifts (113), savings (73), and loans (29). Direct allocation of lump sums is mainly an option for necessities with which it does not really matter exactly when they are met, as for improving or building a house. The situation is fundamentally more difficult though for necessities that have to be met at a specific moment, such as hospital costs, school fees and presenting gifts at a wedding.

As a consequence, participants who want to make use of their financial self-help organisations for coping with financial gaps have to do so in an indirect way. There are basically two possibilities. They can either use the social capital that they have produced while participating in *arisan* and *simpan pinjam*, or they can allocate their lump sums (economic capital) in such a way that they provide indirect protection. This analytical distinction does not imply that these two possibilities are separate in reality. It is meant to clarify on the one hand how social capital produced in financial SHOs can be used to mobilise economic capital outside these organisations, and on the other hand how economic capital produced in financial SHOs can be used to mobilise other forms of economic capital and social capital outside these organisations.

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<sup>9</sup> An example was my landlord who explained what he did: “I allowed Priyanto to borrow on my name. He needed an operation at the hospital and I feel that I cannot refuse him the loan. I have known him for a long time, so there will probably be no problem with repayment”.

<sup>10</sup> More precisely, we asked respondents about the umbrella they had prepared for the rain, in reference to the well-known proverb ‘*Sedia payung sebelum hujan*’. The survey was held among 156 households equally divided over the upper and lower section of the *kampung*.

## **Managing relations: Coping based on social capital**

Participation in financial self-help organisations can, in an indirect way, provide access to loans or gifts from neighbours, relatives, acquaintances, and colleagues, from all those who also participate or are otherwise connected to the organisation. By participating in a particular financial SHO, those people come to know who you are and that you are able to deal with money in a responsible way. The building up of these contacts, through which one could eventually receive support, can be understood as the production of social capital in financial SHOs.

In recent years, the concept of social capital has become more and more popular in the social sciences, which has resulted in a wide diversity of interpretations and applications (Woolcock, 1998). For this chapter it is useful to stick to a very narrow interpretation close to that of Bourdieu (1989). According to Portes (1998:4-5) the concept of social capital is “decomposable into two elements: first, the social relationship itself that allows individuals to claim access to resources possessed by their associates, and second, the amount and quality of those resources”. In other words, people are able to mobilise (financial) resources if they have meaningful relationships with others who have these resources available, and participation in a financial SHO can be one of the ways to do so.

### ***Reciprocity***

We need to understand that the exchange of loans between relatives and ‘friends’ (in the broad meaning of the word including colleagues, acquaintances and neighbours) is in itself problematic and not self-evident in the context of Bujung. The Bujungese do not give their money to everybody they know, not even to everybody they like. They want to make sure that they will receive something in return and they have to trust each other. For this purpose, the exchange of loans and gifts is firmly rooted in the norm of reciprocity, a classical theme in anthropology (Gouldner, 1973:200).

Reciprocity is the practice whereby “gifts are given in order to evoke an obligation to give back a gift, which in return will evoke a similar obligation – a never ending chain of gifts and obligations” (Kopytoff, 1988:69). In that sense, gifts involve a kind of debt, not unlike debts generated by credit transactions. Also in Bujung, with regard to support from relatives and friends, it is difficult to make a distinction between loans and gifts. Very often, no clear repayment procedure for loans is stipulated among creditor and debtor. In many cases these debts are never definitively settled, but the debtor can return the favour in many other ways. Sometimes he will give a small sum of money once he can afford to, or lend a hand whenever that is required, for example when the creditor’s house needs to be repaired or when there is a preparation for a *slametan*. If he is able to do so, the debtor might reciprocate the loan by lending money to the creditor at a moment when he is in need of cash. Chains of support transactions are in such a way an intermingling of loans and gifts.

Gouldner (1973:242) explains that reciprocal relations are based on the norm of reciprocity, which entails that “people should help those who have helped them, and people should not injure those

who have helped them". What is typical of this kind of reciprocity<sup>11</sup> is that normally the debt is never settled completely. The debtor returns the favour but typically gives a little bit more than what he has received. In that way the original creditor becomes the debtor and vice versa. After this kind of exchange has occurred a number of times the parties may not very well remember who is indebted to whom, but both feel the responsibility to help the other if they can or when the other is in need of help.

Reciprocity mediates risk and trust. Reciprocal exchanges generally start small with token gifts and, if favours are appropriately returned, they can gradually evolve into an exchange of large sums of money. If reciprocal relations persist over a long term, as is often the case with close relatives and old time friends, they can be meaningful sources of support for all kinds of financial gaps. The fact that two people engage in a reciprocal relation shows that they trust each other, that they are willing to take a risk, willing to commit themselves to each other, and that each of them is capable of fulfilling his obligations towards the other. In this way it is both an exchange of obligations and an exchange of information between both parties. The existence of the norm of reciprocity explains how the act of supporting others might very well be in a person's own interest, and may create a safety network through which support can be mobilised (Rowlands, 1995:119; and Vel, 1994:159-63).

As beautiful as the theory may sound, except for a small circle of close relatives and intimate friends, the reciprocal loans that the Bujungese receive are small, rarely more than a few thousand rupiah to buy some groceries or repay a tenacious moneylender. Small short-term loans can solve many urgent problems that would otherwise be quite detrimental, but their usefulness is clearly limited.

The problem is that people can never be completely certain that support given is properly reciprocated. There is a realistic<sup>12</sup> risk that the other is 'fishing' for their money and intending to run as soon as he has acquired enough. It is always hard for a creditor to establish whether his debtor is also indebted to a number of other creditors. There are many stories circulating in Bujung about people who accumulated debts with a large number of their neighbours and subsequently fled somewhere else. In some cases, the debtor may not even run but try to stay stoical under the polite forms of social pressure exercised by his neighbours. If in these transactions favours are not quickly returned, in one way or the other, support relations can easily turn into a hefty quarrel. Jadiyo told me:

"Some years ago my wife lent Rp.75,000 to Asman's wife. It was decided that there was to be Rp.5,000 interest. We thought: 'she is a civil servant and has a fixed income, so there is no problem'. It was also decided that the money should be repaid at pay-day, say the 10<sup>th</sup> of the month. On the 10<sup>th</sup> my wife went to their house, and Asman's wife said that there was no money. There was no problem, we waited for the next month. That month my wife went back again. Again there was no money, but Bu Asman paid the interest, no more. The third month my wife went back again and knocked on the door for the third time. The door went open, Asman's wife saw that it was my wife and

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<sup>11</sup> Generalised reciprocity, in the terms of Sahlins (1972:193-5).

<sup>12</sup> I mean 'realistic' in the sense that this risk is perceived to be realistic by most Bujungese. Everybody is acquainted with the frequently told stories of apparently reliable people, who suddenly disappeared.

immediately slammed the door shut again. My wife was mad as hell, and therefore Asman's wife was also angry with my wife. The end was that Asman's wife was so terrified of my wife that she went to Salman and asked him to lend her a golden necklace worth Rp.150,000. She immediately brought it to the shop and sold it, to repay her debt. It was all very embarrassing."

Many other Bujungese warned me never to lend any money to anyone, asserted that they themselves never lent money to anyone, and recalled in disgust the stories of when they had been stupid enough to lend a neighbour some money. As one man said: "You should only lend money to someone you can trust, and you cannot trust anyone who asks for a loan." The only reason why some people still lend money to acquaintances is because they give in to those who tenaciously beg for money, and because they are afraid to look stingy.

The only sphere where reciprocal exchange seems to be much less of a problem is in the sphere of immaterial favours. For many people in Bujung it is much easier to find some time to help to help their neighbour, than it is to find money. If you do well to others, people come to visit you when you are ill, when your mother is dying and when your son is being circumcised. They come and give a hand when you want to refurnish your house or organise a *slametan*. The Bujungese were never tired of emphasising to me that the attention from their neighbours was an important form of support in their lives. "If you are ill, a visit from your neighbours is the best medicine you can get", someone said. Immaterial support is important and much appreciated by the Bujungese, but it is not the kind of support that fills financial gaps. Except then for the fact that at certain occasions the same people provide symbolic financial gifts, in case of death and illness, and at certain ceremonial occasions. All these small gifts together can make a substantial sum.<sup>13</sup>

### ***The role of financial SHOs***

Now what is the role of financial self-help organisations towards generalised reciprocity? It would be wrong to assume that, because the arrangements executed in financial self-help organisations also form a continuous exchange of credit and debts, all participants are automatically tied in reciprocal relations with each other. As we have seen from the unwillingness to exchange turns, joint participation in an *arisan* does not imply a sense of solidarity. There is no norm of reciprocity that dictates participants of financial SHOs also to supply loans to other participants on an individual basis. No participant of Bujung's *arisan* and *simpan pinjam* would dream of claiming support from others solely on basis of joint membership. Nonetheless, joint participation in a financial self-help organisation has certain relevance. Gouldner (1973:201) already demonstrated that reciprocity is not always just an arrangement between two singular parties, but that it can be embedded in a context of

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<sup>13</sup> Often the meeting of the financial self-help organisation is the platform on which these donations are collected. Each gift is in itself small (usually Rp.500 to Rp.1,500), but all of them together form a substantial amount.

normative social relations. There are situations in which A is obliged to help B because B has once helped C, for instance when A feels strongly affiliated to C.<sup>14</sup>

Reciprocity mediates risk and trust. Parties in a reciprocal relation show that they have concern for each other and that they are able to fulfil their obligations towards each other. A participant in a financial SHO shows to have concern for his fellow-participants, and shows that he is financially trustworthy. The norm of reciprocity dictates that such an act needs to be rewarded. The principle of negative reciprocity (Sahlins, 1972:193-5) makes that people who do not engage in such a relation, or do so badly, can be punished. Irresponsible spenders will either avoid these organisations or quickly build up a doubtful reputation. In that way the financial SHOs serve to filter the bad risks from local exchange relations. Reciprocity between participants of *arisan* and *simpan pinjam* takes place in a more or less controlled environment, closely monitored by the organisers and the other participants. Reciprocity is therefore more safely established and therefore immediately also less powerful. The smaller the risks taken, the smaller the reward. Participants in *arisan* and *simpan pinjam* cannot hope to gain as much in return as if they had invested in a personal relation.

Social capital can be built up in some types of financial self-help organisations and less so in others. The expansion and strengthening of social networks is only possible if participants know each other and preferably also have some interaction with each other. The participants of a market *arisan* never convene and generally do not know each other.<sup>15</sup> Most credit cooperatives only have annual meetings, which are only attended by a minority of the members. Private *arisan* usually do not have official meetings, but with these organisations the participants at least see each other when the lotteries are held. But obviously the significance of financial self-help organisations for social networks is greatest with public *simpan pinjam* and social SHOs, which have elaborate monthly meetings.

In and around Bujung, there are many ways to get into contact with other people. Many Bujungese like to hang around on the streets and in the alleys to chat with each other. They work together in *kerja bakti* to build sewers, bridges and pavements, and go to each other's *slametan*. The meetings of financial self-help organisations are an equally important form of social interaction.<sup>16</sup> As one man said: "wherever there is an activity, there is bound to be *arisan* or *simpan pinjam*". Rather than a platform for making friends, the meetings are an occasion to show your face, thus establishing a reputation. As one of the participants said: "By attending these meetings you can make friends. People will know who you are and where you live."

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<sup>14</sup> See also Portes (1998:7-9) who mentions internalised norms, calculation and social pressure as possible forms of motivation for others to make resources available on basis of social capital.

<sup>15</sup> With market *arisan* there is regular interaction between the organiser and each individual participant. Participation in the *arisan* is of great significance for their personal relationship as a trader and a client (see Alexander, 1987:83-4 and 111-33).

<sup>16</sup> Ideally one engages in all these activities to harvest most respect in the neighbourhood. When a young man from Boyolali, who grew up in Bujung, died in a traffic accident, several buses travelled the eighty kilometres to pay their condolences. Those who went felt obliged to do so because when he was a youngster, the man had been very active in Bujung's community life.

Sometimes, people join particular financial self-help organisations to strategically expand their social network. Bu Mantiyo for example, is the wife of an official at the Pertamina oil company who moved into Bujung recently. She immediately joined the private *arisan* run by a neighbour. She was not at all interested in the lump sum of Rp.70,000, which was peanuts to her, but in gaining a foothold in her new neighbourhood. Bu Nugroho is a relatively successful food trader from Bujung's lower section. She managed to join the upper section *simpan pinjam* UKK, through which she hoped to "drop outside" her lower section milieu.

If a self-help organisation is organised among members of an existing social network, one is usually expected to join like all the others, to confirm the importance of existing social ties. Whether it is a descent group, a group of pedicab drivers or a neighbourhood group, if that group decides to organise an *arisan* or *simpan pinjam*, all members of the group basically have to join the arrangement to show that they care. In this sense, participating in financial self-help organisations conveys a message. It shows that you are a good member of the community<sup>17</sup> and that you are concerned with all the others (a kind of 'good citizenship'). This message of group solidarity is also regularly expressed in the speeches held during the meetings and shared by almost all the participants.

Thus, participation in financial self-help organisations becomes a basic requirement for obtaining support from the not-so-intimate fellow-participants. It is not yet a guarantee for receiving support; one cannot claim help merely on basis of joint participation in a particular *arisan* or *simpan pinjam*. An upper section electrician explains what kind of support one can expect: "There is an advantage of joining *arisan* and being active in *kampung* life. Only if a person is exceptionally active in the organisation of a self-help organisation or participates in many of them, or indeed if he is very active in any other social activity within the community, he or she is likely to receive special attention in times of need. [A normal degree of participation] makes sure that when you need help, you do not need to ask people but they will come by themselves. It would be embarrassing if I had to ask."

If a person decides not to participate in *arisan* and *simpan pinjam* this conveys the message that he is not interested in the others. It means that he effectively excludes himself from establishing reciprocal relations with many members of the group. Not only are all the important issues of the neighbourhood section, working group, or group of friends discussed at the meeting, because of its regular occurrence the meeting becomes the basis for social interaction within the group.<sup>18</sup> Depending on the kind of group and the socio-economic circumstances of the individual, the gradual exclusion from such a group can have real consequences. Bu Joyo is a woman who never attends the *arisan* in

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<sup>17</sup> The same argument holds for less obvious 'communities' that host financial self-help organisations. Think of the ties between colleagues (co-workers) and between traders and customers at the market.

<sup>18</sup> Bu Ran, who recently migrated to Bujung from a village close to Yogyakarta, sees the negative side of the habitual participation in *arisan*: "Here in the city there are a lot of *arisan* and you have to contribute here and there. In the village there is no *arisan*. The men only have a meeting when the village head has anything to say. Here the *arisan* are needed to bring people together regularly, but not everybody is so happy with it because financially they can be a real burden."

her RT. When she had the *slametan* for the 35<sup>th</sup> day of her baby daughter, she not even had to ask for help but she also had to pay those who came to help.<sup>19</sup>

It is obvious that one does not need to, and often cannot, produce and strengthen intimate relations by participating in financial self-help organisations. A relationship based on mutual participation in financial SHOs, with meetings that never take more than a few hours, is unlikely to generate enough trust and social capital. But a small number of intimate relations is not all that people need. After all, it is improper to mobilise one reciprocal relation too frequently and therefore it is necessary to have a broad array of social capital at one's disposal. The relevance of financial SHOs therefore lies in the social capital that can be built up with more distant relatives, acquaintances and neighbours.

### **Managing money: Coping based on indirect lump sum allocation**

Financial self-help organisations can in another way be useful coping mechanisms in the sense that their lump sums can support other financial practices. Financial SHOs are excellent producers of lump sums. Those lump sums can provide collateral for loans, and provide a kick-start to savings and to investment. The first options, credit and savings, can offer protection against financial gaps, whereas investment can be seen as an attempt to enhance normal living conditions in order to eradicate problems of vulnerability.<sup>20</sup>

Although it is considered closely related to social capital in most of the literature, the meaning of economic capital receives hardly the same degree of attention. Bourdieu (1989:122) and Portes (1998:7) are very brief on their perception of economic capital. People like De Haan (2000:344) and Ellis (2000:8) elaborate more as they distinguish between natural capital, physical capital and financial capital, but their distinction remains rough and undercontextualised. The perceptions of people towards economic capital deserves much closer attention and it is necessary to investigate the existence of different kinds of money, in the sense that they serve different purposes, come with special obligations, and have specific qualities.<sup>21</sup>

### ***Borrowing, saving, and investing as coping strategies***

The Bujungese have a wide array of options available when they want to obtain loans. The bank gives relatively cheap and large loans, but requires sufficient collateral. Employers can pay wages in advance and do not deduct interest payments. As we have seen, relatives and neighbours, if they are

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<sup>19</sup> Jadiyo, a lower part shop attendant who was not so keen on participating in the *arisan* RT said that he increasingly felt like an outsider in his own neighbourhood. He thought that the attitude of his neighbours towards him was related to his absence at the meetings.

<sup>20</sup> Dreze and Sen (1991:3-4), with their concepts of protection and promotion, argue that the improvement of a person's income base should be considered in the way it contributes to social security.

<sup>21</sup> Studies that thoroughly discuss the implications of different types of money include Carsten (1989), Shipton (1989), and Zelizer (1989).

prepared to do so, generally provide interest-free loans but they do leave the borrower morally indebted. Pawnshops provide loans on basis of pawned assets, which are lost if the borrower is unable to repay soon enough. Moneylenders generally do not ask any questions, but demand a very high interest rate. And finally, small shops (where prices are higher than on the market) in the *kampung* are willing to provide goods on tick, but only for regular customers.

These loans can be used to fill financial gaps, but not all to the same extent. Each loan has different characteristics, qualities and disadvantages. An important factor is availability. Loans from moneylenders are quite readily available, whereas loans from banks can take a lot of time. Loans from employers are widely preferred, but their credit is usually limited to a month's wage, and many Bujungese have taken their credit already. Loans from relatives and friends are often small, smaller than the money that is needed, etc.

Also with regard to saving there are several options. Apart from participation in financial self-help organisations, the Bujungese also save at home and at the bank. Saving at home can be in cash and in kind, for example in gold, building material, chickens, pedicabs, televisions and other durable goods. Each form of savings has specific advantages and disadvantages. Savings at the bank yield interest, but also require an ability to make relatively large deposits and time to queue. Moreover, money at bank accounts cannot be accessed outside opening hours. Savings in cash are easily mobilised in case of need but simultaneously also easily spend on trivial expenditures. This latter problem is considerably smaller with savings in kind. Savings in kind are also more inflation resistant and can be made use of before they are mobilised for cash. A problem, on the other hand, is that a certain amount of money must be accumulated before such assets can be purchased.

With saving, everything turns around finding the balance between illiquidity and liquidity. Money ideally needs to be available in case of an emergency and unavailable when someone calls by to borrow some money or when the *bakso* seller passes by. To keep savings safe, it has to be set aside in one way or the other. The money has to be given a distinct status so that it is not mixed up with daily shopping money or pocket money, and spent accordingly. It can get such a status by keeping it in a separate place, for instance a moneybox or a savings account, or to keep it in a different form, that is in kind.

The third option is investing lump sums in order to improve the income basis of the household, so that it is less vulnerable against adversities and deficiencies. For most people in Bujung the ability to invest in enterprises is quite limited. Most of the entrepreneurial activities in which people are involved require a one-time investment and it is fairly difficult to make investments in order to expand the production capacity. First of all, such an expansion requires also an expansion in labour force, thus the employment of someone else. Most entrepreneurs in Bujung are careful not too employ anyone in their business apart from their own spouses and children. Such regular employees are more expensive, they are considered less trustworthy and to require constant control, and they are likely to make claims for loans, prepayment of wages and so forth. Many self-employed in Bujung do

not want to employ anybody else in their business, because “a worker will be more of a burden than a help”.

The second problem is that an expansion of production activity also requires an expansion of customers. When I was discussing the idea of investment with a foodstall owner on the main street, he said: “Well, I could build another level on top of my stall, but that does not mean that I would sell more. Now, every day I prepare nine kilos of rice. Some days I sell all of those nine kilos and other day there are some leftovers. There is a lot of competition here. With more seats, I would not sell more food. It is better to use the money for a sewing course for my daughter.”<sup>22</sup> Trade and home production are no activities where an investment will certainly pay itself back. It is always uncertain if there is a market for one’s product, and few of the (aspiring) small-scale entrepreneurs of Bujung are willing to take the risk of a loan for an investment in business. Most of the small-scale businesses in Bujung have been started with own capital, obtained from an inheritance or some form of ‘*rezeki*’<sup>23</sup>, or with a soft loan from a friend or relative. Since the loans from most *simpan pinjam* have to be repaid along strict terms, they are less attractive for small business investment.

### ***The role of financial SHOs***

The main advantage of financial SHOs in the sphere of borrowing, saving and investing is that they are unrivalled as a means through which to acquire lump sums. The lump sums that are built up in *arisan* and *simpan pinjam* are well protected because access to them is difficult. Neither the participant nor any other person is able to nibble from the accumulating savings. This is the illiquidity preference (Bouman, 1994a:117). But not only is money contributed to a financial self-help organisation most of the time unreachable, there is also an obligation to save and contribute on a regular basis. Those participants that fail to save regularly, and do not pay their contributions, face (reserved) public scorn and strongly felt embarrassment. This is an extra advantage, missing from saving in piggy banks or in saving in kind. With regard to this phenomenon, De Swaan (1996:12) speaks of social constraint to self-constraint, which is leading a person to be an exemplary saver, able to defer gratification. Social pressure together with potential feelings of embarrassment if one cannot pay, makes participants eager to fulfil their financial obligations.

Informants frequently mentioned this mechanism as the primary reason to participate in self-help organisations: “Without *arisan* I cannot save. If I save in the house I spend my money too easily.” Ratih, a small trader: “Goyup Rukun [a small *simpan pinjam*] is very good for me because if I would save at home I would be unable to save. The money is too easily taken away. I can spend it on all sorts of things, from presents for people who marry or to enjoy myself. For a loan of Rp.600,000 I only have to save Rp.2,000 per day from the profit of my *warung*.” Tini, the organiser of an *arisan* says: “I

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<sup>22</sup> Of course, with investment one can also think of investments in education for the children, which serve a similar final purpose.

like my *arisan* because it is impossible to save money in the house. Whenever my husband has had a good day as a *tukang ojek* (motorcycle taxi), I might try to save money in the house, but when a few days later there is no money coming in and the children are screaming, I am bound to take money from those savings. It is better not to have any money in the house.” Bu Warno, participant in another *arisan*, says that she likes to join *arisan* because it is every day a little bit and that does not feel so difficult (*tidak terasa*). “The advantage with [that *arisan*] is also that it is always a surprise whether you get the *arisan* or not.” The street trader Surono adds: “The advantage with *arisan* is that it becomes a fixed expenditure. You can count with it. Every month there is the electricity bill and the water bill. The same way we know that on certain dates we have to spend money on the *arisan*. When we would try to save alone, we would miss all the social contacts, but we would also not be able to save as much as we save now.”

The lump sums thus acquired are useful for borrowing in the sense that they can serve as collateral for loans. This makes that we have to turn shortly to a practice that is widely applied throughout Bujung, and which is called ‘*gali lobang tutup lobang*’. The term literally means "dig a hole, fill a hole" and refers to the practice of taking out new debts in order to repay old debts. Repaying debts with debts occurs because loans demand compensation in the future and therefore can create a financial gap just as much as they can solve one, especially when at some stage it becomes urgent to repay them. A loan can become urgent when it is very expensive, such as a loan from a moneylender or a bank. But it can also become very urgent when for example a man is indebted with his brother for a long time already. Every time he meets his brother he may feel more embarrassed that he has not repaid the debt, even more if he knows that his brother’s wife is in hospital and that he needs money for the operation. When they do not have any money readily available, many Bujungese prefer to replace urgent loans with loans that are less urgent and less nasty, so that they can have a few more weeks respite.

In principle the practice of repaying debts with debts can create a long chain of loans. A loan from a neighbour is repaid with a loan from a brother, which on its turn is repaid by a loan from a moneylender, a pawnshop, the bank, etc. The place in the sequence is for an important part determined by the seniority, or urgency, of a loan (see Hospes, 1997:9). People have clear ideas about the quality and seniority of different types of loans, whereby distinctions are made not only on basis of the price of the loan. Furthermore, loans are not necessarily urgent in themselves, but they can become more urgent over time and under specific circumstances.

A chain of debts can go out of control, creating a spiralling debt cycle (Rahman, 1999:78). In Bujung, the story about Harjo is often recalled. He was a pedicab driver who liked drinking and gambling. Harjo had debts all the time, but he was always able to repay them sooner or later. One day Harjo had the opportunity to buy his house at a cheap price. He took the offer and borrowed money to

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<sup>23</sup> The word *rezeki* has a connotation of luck, and is used to refer to a windfall, a sudden income, relatively large and more or less unexpected.

pay for the house. Actually the loan was a little too high for Harjo, and he had problems with repaying it. Not much later, Harjo fell ill. According to the stories, it was the stress surrounding the large loan that made him sick. Harjo had to stop working and he could not repay his debts anymore. When his condition became serious, there was no money anymore to bring him to the hospital, and so he died. Whether the story is entirely true or not, it is a frequent reminder not to be too careless about *gali lobang tutup lobang*.

Nonetheless, the practice of repaying debts with debts unmistakably has positive aspects, especially for those people with a highly fluctuating income. It makes it possible to keep debts fresh. This is very important given the pressure that can grow when a debt is not repaid soon enough. Agus, a furniture maker, explains: “When we are talking about *gali lobang tutup lobang*, it means that when you have a loan with a friend, you have set a date to return it. Suppose that at that date you do not have the money, then you ask for postponement (*semaya*). You can not ask for postponement all the time because that person will become angry. Three times is the maximum. To solve this problem you can take out a loan with another friend, with whom you start on friendly terms. This can go on forever, but you have to have a lot of friends for it, more than two.” Inability to repay debts can create tensions, conflicts and loss of reputation, but it can also mean the loss of goods, which served as collateral for the loan.

It is in the light of this practice that we must understand the use of lump sums from *arisan* and *simpan pinjam* as collateral for loans from other sources. The borrower indicates to a lender, for instance a friend or a professional moneylender, that he is likely to receive a loan or kitty in the near future. He promises the lender that he will repay the loan immediately once these lump sums arrive. Nugroho is someone who suggests that this is the primary reason to join an *arisan*: “We also joined an *arisan* of Rp.6,000 per day. That will give us 5.1 million rupiah within two years time. This *arisan* can be useful for collateral. When we need money we can show a friend who has money that we joined this *arisan*. When we receive the kitty we can use it to repay the loan.” This way, the participants of *arisan* and *simpan pinjam* can deploy their money at the moment when they need it, and before they are actually entitled to it.

The availability of collateral is equally important in providing the borrower himself with more confidence that the transaction will take place as planned. Most borrowers worry that they are not able to repay a loan from a friend. They are embarrassed if they fail to repay, i.e. violating the norm of reciprocity. Setro is a dishwasher who says: “When you take out a loan from someone, you do not want to have it for too long, and you do not want to have too many debts with too many different people. Then you will get dizzy. Therefore it is often good to borrow from a *simpan pinjam* to close a previous loan.” If it is a loan from a professional moneylender, borrowers worry about the high interest payment. If it were not for the approaching lump sums of financial self-help organisations many borrowers would not dare to engage in such credit relations.

Maximising the number of financial self-help organisations in which one is participating can further facilitate the use of lump sums as collateral. The quality of a lump sum as collateral depends partly on how soon it will arrive. The higher the frequency with which a participant obtains new lump sums, the bigger his chances to secure a loan. In addition, if a debtor participates in a number of financial self-help organisations the security of a loan does not depend on a single approaching lump sum.

The combination of financial SHOs with savings and investment strategies is a bit more straightforward. If participants receive their lump sum before they actually need it, they can spend it directly on some form of consumption. They can also choose to try and protect themselves against possible future adversities and deficiencies. In that case, they can stock their lump sums in a personal security fund from which they can draw in case of a financial gap, or they can use the lump sum in an attempt to expand the household income. Ratmi explains: “We have a bank account where we bring our extras. When the big sums from the *arisan* come in we usually bring it to the bank first, before we spend it on the expenditure we planned.” Some people decide to put the money from a *simpan pinjam* loan on their savings account and then pay their instalments out of regular income. In the same way, people also put the kitties from *arisan* on the bank or use the money to buy gold. In the light of self-constraint problems and illiquidity preferences, this is quite sensible. Bigger amounts of savings are much easier to keep than small change, and bringing it to the bank or converting it to gold makes it even more unreachable. In many cases this money becomes earmarked as special purpose money, for example for paying school fees or for ‘unexpected needs’. If there is a good investment opportunity, people can put their money in an enterprise as a means to strengthen the household’s income base. Eventually this is also meant to result in diminished economic vulnerability.

### **The different types of financial self-help organisations**

The six basic mechanisms through which one can obtain protection against adversities are not equally found in the different types of financial self-help organisations. Table 1 shows how the social security function is divided and where lies their primary importance. Social SHOs have comparatively little to offer, particularly because of the small sums involved. These small lump sums are only useful as collateral for small short-term loans. Their main relevance lies in their role for the reproduction of social networks. Private *arisan* and market *arisan* have no emergency funds and particularly important for the allocation of lump sums. Participants of market *arisan* rarely know each other and never meet, which results in a minimal contribution to the reproduction of social capital. All public *simpan pinjam* and part of the credit cooperatives have emergency funds, and both types give access to substantial lump sums. Credit cooperatives, as opposed to public *simpan pinjam*, have little relevance for strengthening social networks because there are hardly any meetings.

Table 1

	Social SHOs	Private arisan	Public simpan pinjam	Market arisan	Credit cooperatives
Emergency funds	+/-	-	+/-	-	+/-
Direct allocation of lump sums	-	-	-	-	-
Strengthening social networks	+	+/-	+	-	-
Building personal security fund	-	+	+	+	+
Lump sum as collateral	+/-	+	+	+	+
Investing lump sums	-	+	+	+	+

### Cautionary notes

*Non-participation and exclusion* – So far, this chapter has focused on the usefulness of the different forms of capital produced in financial SHOs but not on those required for financial SHOs. Economic and social capital however, is also required to participate in financial self-help organisations, to pay the contributions and to become eligible as a participant, and the social security functions described in this chapter are naturally only an option for those who (can) participate in financial self-help organisations.<sup>24</sup> Given the obligatory character of *arisan* RT, there are hardly any people in Bujung who do not participate in financial self-help organisations at all. Those who do not participate are in the first place the children up till the age of fifteen<sup>25</sup> and most elderly people who live with their children. Secondly, there are the so-called ‘temporary inhabitants’. These are usually men who have come to Yogyakarta to look for work and stay in Bujung with relatives or employers. Finally, there are the socially isolated people, including some poor scavengers but also the rich Chinese living along the main road.

For the households that do participate, a little more than half of them join financial self-help organisations with high contributions and big loans, the private *arisan*, market *arisan*, public *simpan pinjam* and credit cooperatives.<sup>26</sup> An often-mentioned reason for not participating in these more expensive organisations is being afraid to be unable to fulfil their financial obligations, for example because people consider their income to be too low or too unstable. Others feel that they can save enough by themselves. Whether someone considers participation in a self-help organisation to be too expensive or not can change over time. Most elderly people in Bujung said they quit their *arisan* and

<sup>24</sup> The exceptions are those non-participants who manage to secure loans from lenders.

<sup>25</sup> After this age they are expected to, and generally do, join the *arisan* for youngsters in their RT.

*simpan pinjam* when they started working less, and also after the economic crisis began affecting Bujung there were several people who stopped participating. Another reason to quit is when a major breadwinner leaves the household or passes away. It is also possible that the income situation of participants stays the same but that the level of contributions is raised. And finally, over the year *arisan* and *simpan pinjam* commonly grow financially, eventually requiring higher contributions than some of the members can afford.<sup>27</sup>

*Burden of contribution* - Financial self-help organisations can create lots of problems through the burden of the contributions that participants are obliged to pay. Irwanto expresses his ambiguity towards *arisan* and *simpan pinjam* like this: “*Kalau dapat uang senang-senang, kalau harus membayar nyut-nyut* [When we receive the money we are happy, but when we have to pay our hearts are thumping].” If people join a financial self-help organisation, they commit themselves to making regular payments over a longer period of time. During that period it is very likely that they will be confronted with downward fluctuations in their income or unforeseen expenditures. Thus, problems occur.

The trick is thus to hold a safe margin between the amount of contributions and the average amount of surplus income. However, this rule of thumb contradicts with the main financial purpose of participating in *arisan* and *simpan pinjam*, namely to tie as much surplus income as possible in a safe and inaccessible place, the illiquidity preference.<sup>28</sup> If the safe margin is too safe it will allow dear savings to leak away. It is this paradox that explains why some people take the risk to participate in financial self-help organisations of which they might not be able to pay the contributions. If they are subsequently unlucky and unable to pay there are a number of inventive, and sometimes costly, ways to solve the problem.

The solution for most is to turn to *gali lobang tutup lobang*, or repaying debts with debts. Many people in Bujung, especially in the lower section areas, have no principle objections against repaying debts with debts and they prefer to see it as a practical way, and often the only way, to make ends meet. Most of these people are unable to predict how much money they will earn on a day's work. They often participate in more financial self-help organisations than they can afford and they are constantly borrowing money in order to pay for the *arisan* or repay a loan in the *simpan pinjam*. Some of these people see this financial juggling as a burden in which they are forced, because as inhabitants

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<sup>26</sup> One may think that participation high contribution SHOs is limited to the wealthier inhabitants of Bujung, those who live in the upper section, but this is not the case. On average and for several reasons, the people from the lower section invest a larger part of their income in financial SHOs.

<sup>27</sup> The exception: I also came across the case of a self-help organisation where plans to expand the organisation with a *simpan pinjam* was abolished because the organiser felt that there were too many participants who could not afford it.

<sup>28</sup> To balance a bit Bouman's idea on illiquidity preference (1994a:117), which I think is generally quite valid, it is useful to add that several people told me that the difficulties around accessing their money was an important reason not to participate in self-help organisations.

of Bujung they are expected to participate in all those associations. Some others quite voluntarily tie themselves to the financial obligations of financial self-help organisations.

With private *arisan* and market *arisan* it is also possible to sell the kitty beforehand. Bu Tejo explains: “I once joined an *arisan* of Rp.10,000 per month, with a kitty of Rp.420,000. After seven months we needed money for the school of my oldest child. There was no money for this. In that 7<sup>th</sup> month I sold the kitty for Rp.250,000 to a neighbour. After that I had to continue paying the *arisan* and there was quite some money lost. We negotiated for the price but could not make it higher. It is not possible to exchange turns with someone else because everybody wants to have the kitty.” Such transactions are normally made with other participants of that *arisan* or with a local moneylender.

## **Conclusion**

Participation in financial SHOs produces social and economic capital. Both forms of capital can be put to use for coping with adversities and deficiencies that result in emerging financial gaps in the household budget, gaps that are an inherent consequence of the fluctuating financial cycles that most Bujung households have to live with. The production and mobilisation of social and economic capital involves activities of alert and scheming individuals who have an eye for what can and what cannot be done and achieved.

The social capital produced through financial SHOs can take the form of personal contacts and familiarity with other participants and of an improved reputation in social and financial affairs. The personal contacts and familiarity can be a basis for establishing reciprocal relations. A proper reputation can make a person more eligible for support in times of need, but can also serve as a kind of ‘human collateral’ for risky loans. The financial benefits that can be obtained in Bujung on basis of social capital are limited though. The Bujungese remain reluctant to engage in reciprocal relations, afraid as they are that their investments in these relations will not bring any returns. It is very rare to see reciprocal relations outside the family sphere where sizeable gifts and other forms of support are exchanged, mainly because it involves moral hazards. The social capital produced in financial SHOs brings little more than a broader access to small short-term loans and to immaterial or practical support.

For these reasons, most people in Bujung focus on coping strategies that are strongly based on economic capital instead of social capital. It is much more certain and much less troublesome to invest excess income in personal assets, to put it on the bank, to invest it, etc. than to give it to one’s neighbours, relatives and friends. In other words, people prefer to pool their financial risks over time and not over people. Economic capital can take many forms, each of them with different characteristics, advantages and disadvantages, opportunities and limitations. Those characteristics can originate from normative, institutional limitations, from the activities and decisions of other people involved, or from habitually and culturally determined ‘rules of the game’. This makes that certain

financial practices and arrangements are well equipped for certain purposes and less so for others, distinctions of quality that are well recognised by the people who engage in them.

The main advantage of kitties and loans derived from *arisan* and *simpan pinjam* lies in the imposition of illiquidity and self-constraint. Savings accumulating in financial SHOs are protected against financial erosion because the saver has no intermediate access to his money. Furthermore, *arisan* and *simpan pinjam* are also a form of protection for the accumulation of savings. However, protection of savings is immediately also the biggest disadvantage of financial self-help organisations. The lump sums are so inaccessible that it is difficult to activate them when adversities and deficiencies occur. Participants of *arisan* and *simpan pinjam* often have to wait several months before they have access to a much-needed lump sum. It is for this reason that financial SHOs generally play an indirect, but not unimportant, role in coping with adversities and deficiencies.

The financial landscape of urban Yogyakarta contains a large variety of different financial mechanisms. Though each of these mechanisms has specific characteristics, most of them are more readily available for coping with financial gaps in the household budget. For instance, the mobilisation of household savings in cash and in kind, and loans or gifts from employers, relatives, friends, pawnshops and moneylenders appear to have a much more prominent role. They are much more frequently used to cope with medical costs, school fees, and other prohibitive expenses.

This does not mean however that we should dismiss financial self-help organisations as irrelevant for coping with insecurities. Without participation in financial self-help organisations, many of the most used coping mechanisms would be unavailable. The lump sums from *arisan* and *simpan pinjam* allow people to repay big loans from relatives, friends and moneylenders. In many cases, the approaching lump sums are explicitly claimed as security for such emergency loans. The contribution of financial self-help organisations to the accumulation of household savings is probably even bigger. *Arisan* and *simpan pinjam* create a collective pressure to save, and a much-desired temporary illiquidity, which enables people to save relatively large amounts of money. Without *arisan* and *simpan pinjam*, few people would be able to convert their small incomes into jewellery and other assets, or to fill their bank accounts, savings that are so welcome in times of need.<sup>29</sup> The ‘problem’, or disadvantage, of illiquidity is solved by using financial self-help organisations in strategic combinations with other savings techniques and sources of credit. Each source of money, open to the Bujungese, can only be made use of to a limited extent, at particular moments, and against certain costs. The different sources of finance allow people to make combinations in a useful way, so as to adapt to their specific limitations.<sup>30</sup>

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<sup>29</sup> A remarkable example of this is the way in which onlending of loans from *simpan pinjam* can facilitate a reciprocal relationship. Bu Bantoro is a blind elderly woman who is a member of a *simpan pinjam* named UKK. Living with her children, there is nothing much that she can do with the loans from UKK. Instead she onlends part of the loans to neighbouring women, who come to visit her in return. Another part of the UKK-loans she gives to her children, who provide her with food and shelter.

<sup>30</sup> This juggling with social and economic capital, with financial mechanisms and arrangements involves decision-making. The decisions that people make can to a certain extent be explained in terms of the social-

Altogether, it appears that the way in which a social security function is usually attributed to financial self-help organisations is somewhat premature. Bujung's organisations hardly provide immediate and direct security to their participants. Their social security function takes several different forms, each with its own advantages and disadvantages, and can considerably vary from one type of organisation to the other. The evidence also suggests that protection provided by financial SHOs is closely linked to social networks and to other financial arrangements, which participants themselves have to combine in a strategic and purposeful way. Hence, the social security function of financial self-help organisations should be studied in context and cannot be assumed *a priori*.

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economic circumstances of life in Bujung. Still, different people make different decisions and one can in fact speak of a repertoire of options (compare Vel, 1994:6-14). Differences can be explained in terms of social networks and social background. An actively religious civil servant, born and raised in Bujung has different options than an irreligious *buruh serabutan* who has recently moved into the city.

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