

# Credit in Urban Indonesia

Hotze Lont

Just another quiet sunny afternoon in Yogyakarta. People are patiently queuing up at a local branch office of the BRI. Around the corner, a man parks his motorcycle under a tree, does not take off his helmet, and starts to walk from door to door. He carries a book with pink numbered slips, which he uses to document the repayment schedule of his debtors. Behind this moneylender's back, a few women are making their way to the house of Bu Seni. There they will sit in a circle with other women, drinking tea and eating a snack. The women fumble their money in small pellets before they throw them to the treasurer. In the kampung credit is everywhere

This paper attempts to show which types of credit are available in urban Indonesia, and how these types of credit are used and appreciated. It is an anthropological perspective on credit. An anthropological approach focuses on the way in which people's economic action is framed by social relations, cultural practices, symbolic constructions as well as by political and economic developments (see Hospes and Lont, 2004:4). Credit is in many ways embedded in other aspects of life. Anthropology draws attention to the so-called informal financial sector, which has long received little attention from financial market experts. Research shows that informal financial arrangements are not primitive and old-fashioned, but turn out to be sophisticated and based on detailed rules.

From this perspective, Bouman and Hospes (1994) have called for a "mapping of financial landscapes" as an attempt to develop an alternative to the technology driven approaches of microfinance. Financial landscapes show how different species co-exist, flourish in some circumstances and wither in other, and how they change and develop over time. Such studies teach a number of interesting lessons and can provide insights about issues that are not the first that spring to the minds of bankers and policy makers. These lessons and insights may force them to reconsider some of their most central decisions, including those concerning the further spread of credit cards.

The data presented in this paper are derived from fieldwork in an urban kampung in Yogyakarta. In a period of more than one year data were collected through participatory observation, semi-structured interviews, and a survey among 156 households. This took place in a year of intensive research in a kampung in urban Yogyakarta, in the period between 1997 and 1999. The inhabitants of this kampung were mainly poor and lower middle-class, occupations ranging from informal sector work to low-level civil servants.

The kampung is situated at the outskirts of the city. Within a century the kampung has evolved from an area of paddy fields and orchards into a fully urban neighbourhood, where few gardens are left. Until the 1980s it experienced a steady inflow of unskilled labourers from the surrounding districts. Its inhabitants had the name of being rough and criminal. Later on, most newcomers were civil servants and students. Nowadays, the kampung has a vibrant community life, where the poor and the somewhat better-off live side by side, but still very much in different worlds.<sup>1</sup>

Apart from this fieldwork, this paper's analysis also takes into account a number of other studies on local economic institutions and practices in other parts of Indonesia, comparisons with financial practices in other parts of the world, and different theoretical insights.

## **I Diversity of debts**

### ***Types of credit***

Shipton (1992:27) defines credit as "any transfer of goods or services by one person or group to another, or to any of its members, with the expectation of compensation at a later time". The overview below gives a description of all available types of credit and their main characteristics.<sup>2</sup>

Few people actually borrow from the bank. The bank requires monthly instalments and late payment is punishable with a fine. Interest is around 4-5% per month. Civil servants can borrow money at low interest rates, using their income as collateral, and they can receive special loans for example for buying a house in a housing scheme. Most other people need to have land as collateral, but those who have land often consider the risk of losing their land to be too high. Often the bank also requires that loans are used for business investments, but some local entrepreneurs said they fooled the bank by claiming to use the loan for investment, but using it for school fees instead.<sup>3</sup>

For employees, whether one is an office worker or a labourer, the employer is one of the most appreciated sources of credit. Most employers are willing to pay wages in advance, and these loans can be repaid through deductions on future wages, which minimises the risk of default. No interest is charged. In some cases it is possible to renew the loan before it is fully repaid. Similar arrangements exist between traders and suppliers. Problematic with this source of credit is that people who are known to have

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<sup>1</sup> For more details, see Lont (2005)

<sup>2</sup> Older impressions of the Indonesian 'financial landscape' include Dewey (1960), Prabowo (1985), and Hospes (1996).

<sup>3</sup> The difficulties that banks, but also other providers of credit, have with controlling the purpose of loans is related to the fungibility of money (see also Heidhues, 1994).

access to these loans are more often than others asked to contribute financially to family ceremonies such as weddings and funerals.

Relatives are another source of credit. Whether this is an option, very much depends on the wealth of your relatives. Poor people tend to have poor relatives, and richer people often have relatives who are also wealthy. In general, people do not like to lend money to their relatives, because it is highly uncertain that one will ever get the money back. "I only borrow from my father, which actually means that I ask for money", one person said. Repayment is often only asked for when the lender is in need of money, but people who do not get their money back from relatives can be very annoyed and express this behind their backs. However, people also find it difficult to deny favours to close relatives. A frequent solution for this problem is to pawn assets. A person lending money to his brother, can use his television until the money is paid back. In a sense, these loans are often also repaid in kind. That is to say, the borrower will always be ready to provide help or practical support in case this is needed.

Mechanisms are quite similar for neighbours and friends. In this case it is also very difficult to deny a person a favour. Likewise, There is a high risk that one will never get his money back. Especially the leaders of RT and RW get a lot of request for loans. In some cases people ask interest on loans to their neighbours, but this is not considered a very nice thing to do. In spite of the problematic nature of these loans, they are still widespread, especially among the poor.

Among themselves the kampung people talk a lot about the borrowing and repayment behaviour of their neighbours. One man told me about an experience of his wife: "Some years ago my wife once 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 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. We waited for the next month until 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 slammed the door shut again immediately. 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 150.000. She immediately brought it to the shop and sold it, to repay her debt."

In order to prevent such embarrassing situations, people take great care in monitoring those who want to borrow. Most people in the kampung have in their minds a list of people whom they consider trustworthy and whom they do not. Even then, they have to be careful. They ask for collateral, give only half the loan desired. A couple of

people told me about the rule of thumb when it comes to lending money to neighbours. When you want to have your money back, you have to ask three times in advance, one month before you want to have it, one week before, and a few days before. In that way, the borrower is given some time to find money in order to repay you.

Another type of credit can be found in the *simpan pinjam*, a group of people that join together to contribute money to a loan fund, from which they can borrow on a regular basis. In and around the kampung one can find various types of *simpan pinjam*. There are small RT-organisations in which every household participates and where loans are small. In those organisations the coming together is generally more important than the money that is distributed. Other *simpan pinjam* have a more financial orientation and disburse sizeable loans at equally pleasant meetings. Eventually these organisations can also appear as credit unions in which the social dimension is almost absent, and which start to resemble small banks. *Simpan pinjam* tend to have average interest rates. Participants are often keen on obtaining a loan. Each time they repay a loan in full, they immediately take a new one. It even happens regularly that the new loan is used to repay the old one. With *simpan pinjam* people take loans because they can, not because they need money for something. In some cases participants are even under pressure to borrow, so that each can give his contribution to the growth of the fund.

A very similar institution is the *arisan*, which is even more widespread. In *arisan*, participants contribute money to a kitty which is given to each participant in turn. All participants receive a lump sum, some early and some late. Before you receive the kitty you are technically a saver, and after you receive the kitty you are a borrower.

*Arisan* and *simpan pinjam* are extremely popular in urban Indonesia, compared to other parts of the world. In the study area, each household on average participates in around five different groups. Some households participated in up to twelve different groups. The high prevalence of these so-called financial self-help groups is mainly connected to the 'obligatory' organisations, such as *arisan RT* or *Dhasa Wisma*, in which almost everyone participates. The here described financial arrangements are interwoven in those organisations in order to stimulate presence at meetings. For most participants the sums that circulate in these organisations are meaningless. In contrast, there also exist *arisan* and *simpan pinjam*, especially at the market, where huge amounts of money are involved.

People in the kampung can pawn their durable goods with relatives and neighbours, but they can also go to the *pawnshop*. The government pawnshops are especially interested in jewellery, televisions, computers, etc. The interest rate is around 3% per month. Poor people usually go to the illegal pawnshops of the Chinese. They charge a much higher interest than the government pawnshops (around 20%), and are said to give less money for the same article, but they accept goods which the

government pawnshops do not, such as clothes and household utensils. If the loan is not repaid within three months, the goods are sold.

One of the least appreciated options for a loan is the *moneylender*. The people in the kampung distinguish different types of moneylenders. The *bank plecit* is a moneylender from whom you can borrow small amounts, roughly up to Rp.100,000. The *bank plecit* is usually a small company, which sends employees to the debtors' houses to collect the daily instalments.<sup>4</sup> A second type is the *rentenir*. The *rentenir* are usually single women who live in the ward, give big loans, and ask for collateral. Repayment is done on a monthly basis. Interest is mostly at 20% per month. These moneylenders usually allow you to delay repayment for some time (*semaya*), but when they get impatient they may enter your house and take away any asset, which more or less represents the same value as the debt. For this reason there are regularly people in the kampung who have to flee and go in hiding for a while. The main reason why people borrow from moneylenders is that they allow one to take a loan quickly, with a minimum of hassle. The *bank plecit* only go to the poor areas of the kampung, but the *rentenir* find a large part of their customers among the wealthier inhabitants as well.

A fourth type of moneylender is called the *tukang kredit*. This is, like the *bank plecit*, also a person who goes around the houses but from him you can buy all kinds of things, such as plates, thermos flasks, clothes, and bicycle tyres, and pay them in daily instalments.<sup>5</sup> There is no explicit interest rate, but the interest is calculated in a higher price. One *tukang kredit* explains: "I provide a valuable service, because paying in one time can be too heavy for a lot of people. This way they can have good clothes as well." Quite often these travelling salesmen visit the *arisan* meetings of women to sell their ware on credit. This type of moneylender does not have the same negative image as the *bank plecit* and *rentenir*.

This *tukang kredit* immediately brings us to another source of credit, *shops*. Most luxury goods, especially motorcycles, are bought on credit, and many shops in Yogyakarta advertise this possibility. More important are the small food stores, which can be found all over the ward. In many of these shops it is possible to buy your food on credit when one is penniless. With this, you are obliged to repay the debt as soon as one is solvent, in most cases on payday, otherwise further loans will be prohibited. You are also obliged to do most of your shopping there, even though prices on the market are lower. This is called *bon warung*, which is only an option for those people who have a weekly or monthly income.

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<sup>4</sup> These moneylenders are often 'disguised' as *simpan pinjam*. Their employees carry around business cards saying that they represent a *koperasi simpan pinjam*.

<sup>5</sup> In one case the *tukang kredit* was repaid with cigarettes instead of money.

Table 1. popularity of different types of credit<sup>6</sup>

Type of credit	%	Main purposes
Bank	19,2%	Housing, enterprise, education
Siblings	37,2%	Health, education, food
Parents	22,4%	Education, food, health
Neighbours	41,7%	Food, sumbangan
Friends	19,2%	Food, education, arisan
Moneylender	17,9%	Food, enterprise, education, debts
Employer	10.9%	Education, food
Simpan pinjam	70.5%	Food, education, enterprise
Cooperative	17,9%	Education, enterprise, food, housing

### ***Distinguishing characteristics***

From the above, it is clear that not all loans are the same. In fact they are different in many respects. Borrowers and lenders can include all kinds of characteristics in their decision making. The people in the kampung distinguish loans mainly in the following ways:

1. The size of the loan. Loans can be big or small. Size is relative and related to the income and assets of the people involved.
2. The relationship between the borrower and the lender. This can be an impersonal relation, as is often the case between banks and their clients, or a very personal relation, such as with relatives. It can be an unequal or an equal relationship. Friends can lend money to one another. The situation is different when an employer lends money to an employee.

These relations are not fixed. In fact, the relation is likely to change a result of giving a loan. Within personal relations, the lender is often considered to do the borrower a favour. The borrower is also morally indebted, which means that he has to pay respect or do favours in return. Giving loans is widely known as an effective way for local politicians to mobilise a following. The loan can also lead to a a changed relationship as a result of damaged or enhanced trust, depending on whether a loans is easily repaid or not. Many people are strongly focused on the way their borrowing and lending activities affect their relations with others. It influences their decisions.

3. The rules for repayment. The most obvious element is the interest that needs to be paid. Some loans are more expensive than others, with moneylenders on one end of the continuum and relatives on the other. But there is more. The repayment schedule. Loans can be repaid in daily, weekly, or monthly instalments. They can be repaid over

<sup>6</sup> Actual figures are probably considerably higher because people tend to underreport on their borrowing behaviour, in particular when moneylenders are concerned.

a long or a short period. There can be a grace period, repayment can be in kind or in cash, lenders may require collateral or a guarantor. Some lenders are more flexible than others when it comes to repayment. Shop owners do not mind when one misses an instalment. Parents often find that the loan only needs to be repaid when their children can afford to.

4. The purpose of the loan. Neighbours generally only lend money when someone is in need. They are more likely to give a loan when someone is ill than when someone is unemployed, the difference between bad luck and one's own fault. Although consumptive loans are becoming a more normal product for banks, banks and microcredit schemes often reserve their credit for productive investments. They feel that in those cases it is more likely that their loans can be repaid. However, it is often difficult to track where money actually goes. I have seen many examples of people who claimed to borrow for some economic activity, but used it to buy a new TV, refurnish the house, or pay the school fees. Money is fungible.
5. The borrower. He can be rich or poor, have a reliable or unreliable income. He can be careful, ambitious, or rash. One person may never borrow. Someone else will only borrow to make a profitable investment. Yet another takes every loan he can get. The attitude of the borrower influences the way the loan is appreciated by lender, borrower, and others.
6. Social acceptability. Many people are ashamed to admit that they borrow from moneylenders, because it is considered a last resort, only used by desperate and irresponsible people. On the other side, people tend to boast about being able to borrow from a bank, because it demonstrates that one is eligible for such loans.
7. Access. Some loans are easily accessible and some are not.<sup>7</sup> To obtain a substantial loan from a bank, one needs to have collateral or a fixed income, the right documents, and even the right clothes and appearance. To obtain a bag of rice from a local shop on credit one needs to be a regular customer. To borrow from your father, you need to be his child (... and he needs to have some money of course). To borrow 500 rupiah from somebody, one only needs to look like a nice person. Time is also a factor when access is considered. Some loans come with long procedures and with cooperatives one always needs to wait for the next monthly meeting. In some cases, people need money immediately, when the doctor needs to be paid or when the moneylender is banging on the door.

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<sup>7</sup> Access is also a central concept within the growing stream of livelihood studies (see Lont and Hospes, 2004).

Table 2: appreciation of different types of credit

Type of credit	Price	Flexibility	Moral pressure	Access	Social acceptability	Size	Speed
Bank	**	*	***	*	***	***	*
Siblings	***	***	*	**	**	**	***
Parents	***	***	*	**	**	**	***
Neighbours	***	***	**	**	**	*	***
Friends	***	***	**	**	**	*	***
Moneylender	*	**	***	***	*	**	***
Employer	***	**	**	**	**	**	**
Simpan pinjam	**	**	**	***	***	*	*
Cooperative	**	*	**	*	***	***	*

\* = unattractive to borrowers, \*\*\* = highly attractive, \*\* = neutral.

The above table illustrates the way different sources of credit are generally appreciated by kampung inhabitants. The scores given are represent the average picture. A parent may be willing to provide a large sum when he is rich and the loan is meant to pay for education expenses. It will be more difficult if the parent is poor, and the money is meant to buy a television.

### ***Different people, different use of loans***

Loans have many different dimensions, depending on the social and institutional context. This means that people will use loans differently, and appreciate them differently. Elsewhere (Lont, 2005), I portrayed five users of one credit provider, a *simpan pinjam*. It concerned an electrician, a *krupuk* producer, a *becak* driver, a caterer, and a teacher. The *simpan pinjam* was a simple affair, in which a few hundred people from all over the kampung participated. At monthly meetings, loans could be obtained up to Rp.600.000.

- ❖ The electrician is from a local family where it is normal to engage in kampung activities. He borrows every time he is eligible for a new loan. His wife says that the *simpan pinjam* is just a pastime, but the electrician claims that he tries to find a useful purpose for each loan. If there are no other expenses he uses the loan to buy building material for improving his house.
- ❖ The *krupuk* producer used loans from the *simpan pinjam* to pay for his study. Since he left university he has hardly borrowed again. He is a firm believer in the kampung's community spirit. That is why he feels obliged to participate in the *simpan pinjam*.

- ❖ The *becak* driver tries to get further in life. He used his first loan to buy his own *becak*. He has used every subsequent loan to buy additional *becaks*. He repairs those *becaks* and rents them out to other drivers.
- ❖ The caterer borrows money to pay for the education of her son. Neighbours accuse her of participating in the *simpan pinjam* in an attempt to become more closely involved with the kampung elite and to improve her status
- ❖ The teacher, finally, likes to be a benefactor for a number of poor people in the neighbourhood. He lends every loan to other people who are in need of money, charging no additional interest. If those loans are not repaid, he pays with his own money.

## **II Repaying debts with debts**

Loans are not always simply repaid. Many people choose to repay their debts with new debts. '*Gali lobang tutup lobang*' literally means "dig a hole, fill a hole" and refers to the practice of taking new debts in order to repay old debts. To explain what *gali lobang tutup lobang* means, it is perhaps best to describe an occurrence, which I observed during my fieldwork:

On the 25<sup>th</sup> of March 1998 the first meeting is held of the newly established *simpan pinjam* called Paguyuban Warga Mandiri (PWM). At the meeting, the 20 members all contribute 10,000 Rp. to the common fund. A lottery is held to determine the four members who will be allowed to take a loan of 45,000 Rp. from this common fund. When his name is drawn. Gunawan, a 32 year old coolie, lets out a scream of joy. He is more than happy with his new loan. Suprih, who is sitting next to Gunawan, cannot hide a smile. Nugroho quickly manoeuvres himself next to Suprih and laughingly whispers something in his ear.

After the meeting is over, Gunawan receives the loan and he immediately hands over 10,000 Rp. to Suprih, who had lent him the money for the initial contribution. Gunawan's wife has already positioned herself in the door opening to claim the money from her husband. Gunawan explains to her that 20,000 Rp. is for Nugroho, who is their landlord and has asked for the rent. Bambang, one of the other participants, who had lent some money to Gunawan's wife, claims another 10,000 Rp.. Within a matter of minutes, Gunawan and his wife have already lost most of the money they had just received, but they are happy all the same.

### ***Motivations***

Repaying debts with debts occurs because loans demand compensation in the future and therefore can create a need for money 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, which involves interest payments. But it can also become very urgent for example when 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 kampung inhabitants 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).

### ***Urgency of loans***

A number of people were interviewed on the issue of repaying debts with debts and seniority of debts, and asked to make a classification of debts. The people who borrowed from the bank placed the bank on top of their lists, as the most urgent loans. The reason they mentioned was that they felt the repayment scheme to be very strict. Additional interest and fines were mentioned only as a secondary reason. The *simpan pinjam* scored high with some, but not with others, mostly because of the variation of repayment rules from one *simpan pinjam* to the other. Debts with employers and neighbours scored low with most people, but high with some others. It appeared to reflect the dependency a person has on these loans. When one wants to borrow from ones neighbours relatively often, it becomes very important to repay as soon as possible. What is remarkable is that the moneylenders mostly ranked somewhere in the middle, and never completely on top. It indicates that people do not feel their high interest rates as being a problem, and also reflects the (limited) flexibility that moneylenders show when it comes to repaying their loans. The debts that ranked invariably low were those with relatives. Relatives are clearly more understanding than others are if someone has difficulties repaying a loan. However, during the interviews it was also mentioned twice that debts with relatives could suddenly become very urgent in case that relative is in need of money him- or herself.

Of course listing debts in this way is a bit artificial, but what became clear by asking this question was that people have clear ideas about the quality and seniority of different types of loans, whereby distinctions made not only on basis of the price of the loan. It also showed that loans are not necessarily urgent in themselves, but that they can become more urgent over time and under specific circumstances. People who engage in repaying debts with debts also do not always follow the sequence of senior debts. Which option they choose is also depending on the kind of loans they need and which loans are available at that particular moment. Furthermore, all these loans are accompanied by sets of rules and expectations, either expressed or unexpressed, which deal with the way the repayment should take place.

These characteristics of loans also determine whether they can and will be used for repaying debts with debts. For example, loans from employers are never repaid with new debts because they are already deducted from your wage. The same holds for participation in office co-operatives (It may of course be necessary to take loans in order to cope with the reduced income). Loans from a *bank plecit* or a *tukang kredit* are seldom repaid through repaying debts with debts, because the loans are repaid in small daily instalments, money that is easier to find. Only occasionally it happens that a debtor has to ask money from a neighbour or relative to repay these moneylenders. These loans, on their turn, are generally not repaid, or only by providing the same service to that neighbour whenever he is in trouble.

When people participate in *simpan pinjam*, they often find it impossible to repay the complete loan they took. If the rules allow this, the member can be allowed to take a second loan from the *simpan pinjam* in order to repay the first loan. In some *simpan pinjam* this is not allowed, but in those cases a solution is often found in looking for a friend who can advance the necessary amount, and who is then repaid after the meeting. The pawnshop has a clear deadline as a special characteristic. If the loan is not repaid within a predetermined period of time, usually three months, the pawned goods are lost and sold by the pawnshop. Thus, for some weeks these loans are not urgent, but they suddenly become urgent shortly before they have to be repaid.

### ***The negative side of gali lobang tutup lobang***

Repaying debts with debts has a clearly negative connotation in the kampung. A relatively wealthy retired civil servant with a prominent position in the local community warned me against the pitfalls of lending money to others. He told me about how he had lent money to people in the past, and that it was never repaid. "The problem with these people", he said, "is that they engage in *gali lobang tutup lobang*. They are irresponsible."

In the eyes of many wealthier people in the kampung, repaying debts with debts is a practice engaged in by people who are unreliable and uneducated, the lower classes. Those people get indebted because they want to buy all sorts of things, and do not consider how they want to pay for it." To my surprise, the people in the lower-class neighbourhood, who were accused in this way, largely shared the view of my landlord and his neighbours. "Yes, we do not think ahead, and that is why we get into trouble. We have no other choice than to repay our debts with debts, hahaha."

A chain of debts can go out of control if someone fails to estimate his repayment capability for the future correctly. It might also be that the person may very well understand that he or she will not be able to repay the debts in the future, but that the given circumstances are so urgent that one is simply forced to borrow.

In times of crisis it is difficult to keep the chain of debts under control. In the kampung, the story about Marzuki is often recalled. He was a pedicab driver who liked drinking and gambling. Marzuki had debts all the time, but he was always able to repay them sooner or later. One day Marzuki had the opportunity to buy his house at a cheap price. He took the offer and borrowed money to pay for the house. Actually the loan was a little too high for Marzuki, and he had problems with repaying it. Not much later, Marzuki fell ill. According to the stories, it was the stress surrounding the large loan that made him sick. Marzuki 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*.

The practice of repaying debts with debts also creates problems for lenders. Part of the practice is that the debtor often promises creditors that their loan will be repaid with another loan in the future. However, the creditor is unable to check whether that future loan is not also promised to somebody else. Often the creditor cannot base the decision to lend or not on anything else than his trust in the debtor. In the kampung there is a large deal of secrecy around people's borrowing behaviour, and creditors regularly do not get their money back. Obviously this substantially limits the supply of credit.

### ***The positive side of gali lobang tutup lobang***

In spite of the negative opinion of virtually everybody in the ward, the practice of repaying debts with debts unmistakably has positive aspects too, 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. 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 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.

Repaying debts with debts makes it possible to adjust the repayment time of loans to the income flows of the household. Different sources of credit are complementary. The strategy does not at all have to lead to indebtedness. Salman is the head of one of the neighbourhood sections (RT) in the kampung and he frequently engages in repaying debts with debts. He sells fruit at a school and, with his house as collateral, he regularly borrows from the bank to replenish his working capital. "The trouble with the bank", he says, "is that they only give one loan at a time." So, if Salman wants to repay debts before he has fully repaid the loan with the bank, he has to look for other solutions. His alternative options include the owner of the shop where he works as a parking guard and a second option is the credit cooperative of street traders, of which he is a board member, but also there he can have only one loan at a time. Salman, like many others in the kampung, experiences a continuous fluctuation of debts. At one moment he has many debts, and at another moment he has a lot of them, depending on windfalls in income and irregular expenditures. Another clear example is Irwanto, who earns money with digging wells. He can only do this work in the dry season, because in the wet season the water level is too high. Each year during the wet season he allows himself to get indebted, and when he is working he earns enough money to repay his debts. The only way for him to get through the wet season is to repay debts with debts. For that part, there is an important role for *rezeki*, the occasional windfall of more or less unexpected additional income. *Rezeki* plays a central role in the livelihood strategies of people in urban Indonesia, whether it is an unexpected bonus for a civil servant or a good customer for a *becak* driver. The arrival of *rezeki* allows people to reduce growing debts and start again with a clean slate.

### **III Conclusions**

Four main observations can be stressed:

1. There is a large diversity of types of credit. Some important dimensions in which types of credit can be distinguished are: its source, the arrangement for repayment, the purpose of the loan, and the relation between the lender and the borrower. All these dimensions consist of a large number of elements, which

manifest themselves differently over time, and from one person to the other. To be short, each loan is unique.

2. Similar types of credit are used differently by different people. An *arisan* can be used in multiple ways: to meet people, to save money, to obtain a lump sum, or to pass on information. In the same way, credit cards will also be used in multiple ways, depending on the circumstances and the preferences of the individual client.
3. People do not simply borrow money, repay the loan, and perhaps borrow again. Debts are often repaid with other debts. In this way, some people manage to replace expensive loans with cheap loans, others run into a vicious circle of spiralling debts.
4. The cost of a loan not only depends on the interest rate. Borrowers include social costs in their calculations as well. This may bring a person to take a loan with 10% monthly interest from a moneylender to repay a debt to her sister, who does not charge any interest at all. Status and social pressure are major influencing factors in this respect.

In these terms, Indonesia is not fundamentally different from other parts of the world. Also in Africa, Europe, the United States there exist studies that describe the diversity of financial arrangements that one can encounter. As a consequence, one must conclude that the diversity of financial arrangements found in Yogyakarta is not a relic of some traditional past. It is something that will last

Of course, financial landscapes and financial practices are not the same wherever one goes. Rural areas tend to have fewer options and a tendency to long-term and personalised credit relations. In Sub-Saharan Africa there seems to be a prevalence of more communally oriented arrangements. The literature suggests a preference towards arrangements that express or strengthen social relations. The number of debt relations one has is an expression of someone's network, and signifies status and social power. In The Netherlands, and probably in most of Western Europe, most people prefer to keep a strict boundary between private relations and business relations. We are not keen on lending money to friends, fearing that it will lead to trouble and damage a valuable friendship. This preference has a strong influence on the financial landscape that Dutch people are familiar with.

What does this general picture mean for the use of credit cards in Indonesia? Credit cards appear to be another pleasant extra option for modern consumers, who appreciate choice and flexibility in dealing with their cash flows. That is the theory and the model. Anthropological research can teach us that real developments can be different. Against the background of the present financial landscape in urban Indonesia we can say that

credit cards represent comparatively easy access to credit, low moral pressure, and high social status. These three elements combined make it likely that credit cards are going to be employed in *gali lobang tutup lobang*, and will lead to spiralling debts. Risks are highest among those who have relatively low and uncertain incomes, a low level of education, and a preference for immediate consumption. This hypothesis calls for informed research on the actual use of credit cards. In the meantime, basic state regulation and careful action by banks is advisable.

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