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SEMINAR ON INFORMAL FINANCIAL MARKETS IN DEVELOPMENT

THE ROLE OF INFORMAL FINANCIAL INTERMEDIATION IN THE MOBILIZATION OF HOUSEHOLD SAVINGS AND ALLOCATIONS IN INDONESIA

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ABSTRACT

Provides an overview of financial markets in Indonesia. Also presenta information on informal finance collected by a recent study in several urban and rural areas of the country. concludes with policy recommendations that derive from research on informal finance.

THE ROLE OF INFORMAL FINANCIAL INTERMEDIATION IN THE MOBILIZATION OF HOUSEHOLD SAVINGS AND ALLOCATIONS IN INDONESIA

by

Dibyo Prabowo

Since the late 1960s the Indonesian economy has been managed through a series of five-year development plans (FYDP) that have attained an almost sacred position and affected every sector of the economy. The FYDPs cover not only economic affairs but also encompass political and social life. The first FYDP (1969/70-1973/74) emphasized agriculture and transport to rehabilitating a badly shattered economy. The second FYDP put emphasis on increasing living standards and employment opportunities, improving education, health care, and family planning. In the third FYDP, agricultural growth was promoted and a number of major development projects were undertaken. The fourth and fifth FYDPs continued the priorities listed in the third FYDP under a series of objectives termed the trilogy of development--e.g., more equitable distribution of development and its results, fairly high economic growth, and political and defense stability[1]

In the beginning of the fourth FYDP the Indonesian economy was growing slowly, the state's budget was expanding modestly, exports were declining, and the balance of payments was deteriorating. These conditions were partly caused by the state of the world economy which, similarly, was not strong. In addition, the low prices of oil and the decline in the exchange rate of the US dollar against other international currencies also had a negative impact on the Indonesian economy.

Given Indonesia's resource constraints in the early 1980s there was an urgent need to raise more resources domestically and to enhance the efficiency with which existing resources were used to meet the short-run objective of maintaining financial stability and the longer-term goal of reviving growth.[2] Too achieve these objectives it was necessary to foster more efficient operations in financial markets in the country.

The financial system in Indonesia includes a broad spectrum of formal finance as well as informal transactions. In spite of the fact that various means have been devised and policies formulated to promote and encourage and extend formal finance, a substantial portion of the people in Indonesia in the late 1980s are still beyond the reach of formal finance.

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[1]Kieran Cooke, "Repelita IV: A Cautious Development Plan for Steady Growth," Kaleidoscope International (1985): 64.

[2] World Bank, "Indonesia: Rural Credit Sector Review: An Outline", unpublished report prepared by the World Bank, 1987, p. 2.

This paper looks at the role of informal finance in the mobilization of household savings. In addition, the following three related questions will also be discussed:

a) Why are many forms of informal finance sustainable while numerous formal finance programs are transitory?

b) Why can informal finance deal with the poor while the formal financial system generally does not?

c) And, what can be learned from informal finance that might allow formal finance programs to operate more equitably and efficiently?

In answering these questions, I utilize information from the Asian Development Bank study[3],recently completed, in which a total sample was drawn of 70 lenders and 240 borrowers in informal financial markets in rural areas, and 59 lenders and 187 borrowers from urban areas of Java and Bali. Before presenting details from this study, it may be useful to briefly describe some of the major types of finance found in Indonesia.

Formal Finance

A large variety of financial arrangements can be found in Indonesia ranging from sophisticated banks to rudimentary informal finance. There are three formal finance channels in the country all controlled to some extent by the Bank of Indonesia (the Central Bank). (a) The most closely regulated institutions include the state banks, development banks, commercial banks, and a number of foreign-owned banks. (b) A second channel, somewhat less closely regulated is the Secondary Banks. Under this category are nearly 6,000 institutions including BKD (Badan Kedit Desa/Village Credit Body) and Bank Pasar (Market Banks). c) A third channel that is even less closely regulated is called Non-Bank Institutional Finance and this includes BKK (Badan Kredit Kecamatan), KURK (Credit Urusan Rakyat Kecil), LPN (Lumbung Pitih Nagari), State-owned Pawnshops, and Credit Cooperatives.

Informal Finance

Informal lenders can be classified into two groups by their motives for lending: commercial and non-commercial. The commercial lenders include professional money-lenders, itinerant traders, input stores, output stores, pawning, and arisan call. The existence of land leasing and cek putih have been found in other studies but they were not found in the areas we researched for the Asian Development Bank study. The non-commercial lenders include traditional arisan called ROSCAs elsewhere, credit unions, and friends and neighbor (Table 1).

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[3]Dibyo Prabowo and others, "Study on Informal Credit Markets in Indonesia," unpublished study prepared for the Asian Development Bank, Manila, Philippines, September 1989.

Professional moneylenders are more prevalent in urban than in rural areas and they have been important at least since the 1930s. Most rural moneylenders we encountered in our study were operating on a small scale due, at least in part, to the fact that their activities are illegal. Loans by moneylenders are disbursed and recovered in either cash or in kind and interest charges vary widely depending upon necessities and urgency of demand.

Itinerant merchants who sell on credit are common in relatively remote rural areas. They travel from house-to-house offering a variety of goods and are often willing to make short-term loans and to collect periodic payments on these loans. These merchants have been common in Indonesia since at least the 1930s (Fruin).

Merchants who sell farm inputs or who buy farm products are also a popular source of financing for farmers. Individuals who cannot buy fertilizer at subsidized prices from government agencies often patronize input stores. Output stores sell a variety of household needs on installments.

The credit transaction in the traditional <u>ijon</u> system is characterized by borrowing cash and repaying in kind (Partadiredja). In some cases the ijon system involves the lender buying the crop green before it is ready to harvest. In this type of credit, the borrowers transfer the rights to harvest the crop to the lender as repayment of a loan. Under this system the lender assumes complete responsibility for harvesting and selling the crop, and, sometimes, even assumes some of the costs of growing the crop.

In some cases, a loan may involve a long-term transfer of use rights to a parcel of land that is cropped by the lender until the loan is repaid. This is often called land pawning. It is similar to cash renting except that the lender's earnings from the land are considered as interest payment on the loan. The length of the loan is variable because the tenant will continue to work the land until the principal is repaid in cash.

Several forms of informal group savings and credit activities can also be found in Indonesia. This includes credit unions that are not regulated by any central monetary authority, and, therefore, fall into the informal financial system. As is true in most countries where they are found credit unions are a saving and loan association that caters to people of modest incomes, mainly in towns or cities. Similar to credit union is <u>Usaha Bersama</u> (UB). UB is rooted in the <u>arisan</u> tradition but is influenced by modern cooperative philosophy. Even more common is the highly popular arisan which originally had mainly a social foundation, but which has gradually taken on serious economic functions. The arisan plays a particularly important role in deposit mobilization by introducing a mild form of forced savings.

<u>Importance of Informal Finance</u>

In this section an effort is made to determine the relative importance of informal finance in Indonesia. Two sources of information give insights into this: macro statistics, and survey data.

An estimate of the size of informal financial markets is provided by the Agricultural Census of 1983 which detailed credit use information during the late 1970s when heavy emphasis was placed on government credit programs for rural areas. This Census provides information on the magnitude of farmer borrowing. It showed that 17 percent of the total number of agricultural households had access to formal loans through government programmes such as BIMAS, KIK, KMKP, and others. The bulk of the agricultural households (83 percent) used informal loans or did not borrow (Table 2).

Macro statistics on credit use were also provided by the National Socio-Economic Survey or Susenas. It should be kept in mind that these surveys likely underreported informal finance. The 1983 Susenas showed that out of 18,582 households surveyed that were engaged in business activities, about 70 percent possessed capital assets below Rp 200,000. The majority of the households (89 percent) obtained their capital from their own funds and only 6 percent obtained funds from banks, 1 percent obtained loans from cooperatives, while the other 4 percent obtained loans from other sources. If "other sources" are largely informal loans, then the Susenas data indicate that the role of informal loans in providing the necessary funds for family business was still substantial when compared to formal sources.

A clearer picture of the importance of informal finance is provided by the recent studies we have done in Indonesia. Table 3 summarizes information collected on the number of individuals in rural areas using loans. In Central Java out of 120 respondents, 26 percent borrowed from cooperatives, 22 percent borrowed from BKD (Village Credit Body), 14 percent borrowed from BKK and another 14 percent borrowed from Bank Pasar. In East Java, out of 120 respondents a majority said they borrowed from BRI (People's Bank) and only 9 percent borrowed from cooperatives.

With regard to informal loans, our respondents in Central Java preferred itinerant traders and professional money lenders as sources of credit. Many of the respondents also relied on arisan, neighbors, and relatives for their loans. Output stores and input stores as source of loans were mentioned by some respondents and only one person indicated that pawnshops and ijon were sources of loan.

In Kebumen, Central Java, some of our respondents made kitchen utensils in small cottage industries. They used galvanized iron as the main raw material which they borrowed from stores. The common arrangement was to repay the loan after the product had been sold.

In our survey of villages and cities in Central and East Java we found a new type of moneylending scheme hiding behind the name of "cooperative" or "bank". The idea of using the names cooperative or bank was to present a better image to potential customers. These pseudo-cooperatives had legal status since they had licenses to operate. They resembled private moneylenders in many respects. They gave loans without collateral and no paperwork was required. Although they maintain an office, often in a Kecamatan or district capital, they actually operated from door-to-door. They charged a high interest rate (10 to 20 percent a month) and loan repayment to them was usually made daily. In Central Java, people refer to these pseudo-cooperatives as bank plecit which translates to mean: "the lender that always hunts or tries to locate the borrowers." Many people complained about the loan collection procedures used by these pseudo-cooperatives. In East Java these "cooperatives" were given the nickname of "bank thithil" and the village administration did not dare to take any action against them because they knew these "cooperatives" were operating legally.

In East Java, professional moneylenders were popular loan sources. Also popular were the arisans, credit unions, and friends and relatives. Informal pawnshops and ijon were also mentioned as sources of credit there. Pawning was handled by individuals who serviced people who were in urgent need of cash.

In urban areas, interesting information was gathered by the survey on informal finance. In Semarang, for example, formal loans were almost exclusively used by middle- and high-income groups. The vast majority of the sample respondents had no access to formal finance. Twenty-nine respondents indicated that they borrowed informal loans in Semarang. One interesting statement from those who received formal loans was that when they joined an arisan group they considered it to be more of a social obligation than fulfilling an economic need.

In Surabaya, our survey looked in more detail at the role of informal finance in providing loans to the middle- and low-income groups. Out of 51 respondents who had informal loans, 9 respondents also had formal loans. They had formal loans for investment purposes or to improve their housing.

In Jakarta, the majority of the respondents, who were mainly from the middle- and low-income classes, responded they had never borrowed from banks. In Denpasar, Bali, however, out of 60 households sampled that borrowed from informal sources, 80 percent indicated that they also used formal loans. The role of formal finance in Denpasar was more important than in other urban areas studied.

In addition to the number of people served, the magnitude of lending can also be measured from other angle, the value of loans. About 65 percent of the sampled borrowers in the urban areas had loans up to the amount of Rp 500,000, and 35 percent borrowed at least this amount (Rp 500,000) from informal sources (Table 4).

Table 4 provides an estimate of the average size of loans held by the sample respondents. This data shows that the average size of loan from formal sources in 1986 was Rp 1,645,178 while the average size of informal loan was Rp 947,036. The total value of loans held by individuals surveyed from formal financial sources in 1986 was Rp 23 million but much larger from informal financial sources: Rp 202 million. Therefore, only about 10 percent of the total value of loans used by the individuals surveyed came from formal sources.

Sustainability of Informal Finance

Why are many forms of informal finance sustainable while numerous formal finance programs are transitory? And why can informal finance deal with the poor while the formal financial system generally cannot? These two questions might be "restated" by asking why people borrow?

It is interesting to see how borrowers view their lenders and the borrowing process in general. The individuals we interviewed--especially the poor people--saw two main factors inhibiting their use of formal finance: collateral requirements and other administrative procedures. Any formal loan requires collateral and this excludes many low to medium income individuals from obtaining a formal credit.

Extensive paperwork also discourages borrowers of small amounts from seeking formal loans. The common administrative requirements are that a potential borrower should file an application together with other supporting documents including letters of recommendation, a plan on the use of the loan, curriculum vitae of the applicants, and others documents related to property title. Most of the respondents in our study felt these procedures took too much time and were too costly when compared to the small loans they might request. Respondents were also reluctant to state their assets because they disliked telling other people about their wealth, a process that is commonly required in getting a formal loan.

A further problem with formal loans is that it often takes a good deal of time to get loan approval and loan disbursement. The long wait involved in most formal loans preclude people from obtaining funds to meet urgent needs.

Professional moneylenders, specially in urban areas, sometime require loan collateral when personal good faith is not sufficient. The collateral will remain in the hands of the lender until the loan is repaid. Almost all kinds of items can be used as collateral but the common ones are electronics, jewelry, motorcycles, household items, land titles, insurance documents, retirement (pension) documents, and for poor borrower anything may serve for collateral.

The projected market value of collateral largely determines the value of the loan. Our survey showed that the value of collateral ranged between 130 to 2,000 percent of the value of loans, although the majority of the collateral values fell within the range of 100 to 200 percent.

The method of informal loan repayment varied. Repayments may be made yearly, monthly, weekly, or even daily. Monthly repayments appear to be the most popular. Many of the loans were repaid in one lump sum.

As it had been mentioned earlier, many output stores (retailers) sold items on credit or received goods on consignment. They obtained items from the wholesalers or bigger stores and then paid for the items later after the items had been sold.

Similar arrangements were also applied to households engaged in home industries. As we witnessed from our sample in Kebumen, Central Java households obtained raw materials from "input" stores in town on consignment without collateral. The stores automatically valued the goods on consignment at 3 to 5 percent higher than the regular price when customers paid in cash. Table 5 shows a variety of reasons for household borrowing.

Loan Usage

The survey showed that the stated-use of funds provided by informal loans varied from one area to another, although there was a general trend in all areas for the most common use to be for subsistence. Next in importance in use was for operating expenses and for the initial capital to start a business. Other significant uses were for schooling expenses and for emergency needs (Table 6). These results are very similar to the findings of Prabowo and Sajogyo in 1973.[4] They reported that around 75 percent of the respondents in rural areas of Cidahu, West Java and in Sidomulyo, East Java borrowed for subsistence.

In Denpasar, Bali the percentage of informal loans for consumption among urban households can be gleaned from the monthly borrowing patterns. About 60 percent of the lenders surveyed there said the demand for loans was particular strong during certain months of the year: prior to big national events such as Independence Day, New Year, Ramadhan, and others or in conjunction with the Hindu religion functions. To prepare for these important events, individuals need extra cash to buy nice food and clothing, while businessmen or traders also need additional working capital in anticipation of additional business opportunities at these times. Some lenders in Bali also mentioned that the demand for loans increased before the start of the school year. Tourist season is also cited as a factor influencing the demand for loans in Bali.

Formal Deposit Mobilization

Before discussing the deposit mobilization activities in informal finance, it is useful to briefly outline recent deposit mobilization efforts in the formal financial system.

Deposit mobilization in Indonesia received a strong impetus from the 1983 reforms of the financial sector. In 1985, bank deposits, in nominal terms, rose by nearly 32 percent, compared to a 26 percent growth in 1984. One of the factors contributing to the strong growth of rupiah time and savings deposits in 1985, was the lack of attractive investment opportunities. The ratio of time and saving deposits to GDP was 9.6 in 1983, 10.9 in 1984, and increased to 14.5 in 1985.

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[4] Dibyo Prabowo, The Difference in Performance of Credit Channeled Through BIMAS and Outside BIMAS, Mimeo, 1971, chap. 3.0.

The 1980 Demographic Census shows that some 80 percent and 20 percent of all households were located in rural and urban areas respectively. The ratio of regional household consumption to the mean national household consumption suggests that rural households account for 67 percent of total consumption. No estimate exists of the portion of total household income accruing to rural households. A rough estimate is possible, using rural consumption as a proportion of total consumption (67 percent), of the average propensity to consume of urban households, and the national average propensity to consume.[5] The national average propensity to save including savings by the public sector, by firms and by households, over the period 1975-80 is about 0.25. Given that typically in Indonesia the saving propensities of rural households exceed those of urban households, the average household propensity to save is likely to be between 0.10 and 0.25, a substantal amount.

The proportion of rural household income generated through agricultural activities is estimated at about one-half. To estimate the average propensity to save by rural households, the overall propensity to save which varies between 0.10 and 0.30 was adjusted by the information contained in SUSENAS for 1978, and direct estimates from SUSENAS data for 1980.

It is important to know who the savers are and how savings patterns vary from one household to another. Susenas data indicates that ranking households by receipts per person shows that most current savings in rural areas is done by households in the top income quartile. A preliminary indication of the link between saving and landownership is shown by comparing the ratio of household consumption to receipts and this shows that savings increases with landownership.

The marginal propensity to consume on the basis of the present estimate is about unity for those households in the bottom 75 percent of the distribution of households and 0.2 for those households in the top quartile. If mean income from sources other than employment and net farm output was 10 percent for households in the bottom 75 percent, and 30 percent for households in the top quartile, the average propensity to save in rural Indonesia would be 0.20 with wide variations between different groups. Tables 5, 6, and 7 show population households, and size of receipts, expenditure and land owned, respectively.

Rural deposits have largely been mobilized recently under the SIMPEDES scheme. SIMPEDES is operated by the Bank Rakyat (BRI) through its village level units called Unit Desas. It was started in 1984 partly in response to the 1983 Bank Deregulation Act which encouraged more competition among banks, especially in deposit mobilizations activities. It began on a pilot basis and has since been expanded nationwide. It continues to expand rapidly and is clearly popular with rural people. The interest rate is 12 percent per annum (added monthly). Savers are permitted an unlimited number of withdrawals, which they consider important. There is also a lottery every 6 months,

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[5]The World Bank, Indonesia: Rural Credit Survey, Indonesia Program Division, June 1983, page 4.

using account numbers, for which each account of Rp 5,000 or more is regarded as an entry.

In the urban areas TABANAS (National Development Savings) and TASKA (Insurance Savings) are more popular. Both schemes are operated by all banks (in the BRI system only down to branch/district level). TABANAS also has a nationwide lottery system that gives prizes annually to continuing savers, which is proving an attractive incentive. High paying TABANAS deposits have increased by 4 percent annually in real terms recent years.

Informal Deposits

Our surveys indicated that because of limited access to the banking system, inexperience in dealing with bureaucratic procedures, and lack of understanding of banks, rural people often hold their savings in land, gold, cattle, and other physical assets. These items rarely lose value due to inflation, devaluation, and other developments unpredictable to the general population. They are easily measurable and their value is relatively easy to access and can be easily sold in case of need.

As good as this system of saving may be, it has its shortcomings to the community as a whole and to individual savers because:

a) the savings are not usually put into fully productive use and thus contribute inadequately to the development of the community;

b) there is a risk of loss through theft, damage, or death.

The challenge therefore is to increasingly bring the rural population within reach of the formal banking system so they can access formal deposits.

The experience of the relatively limited P4K (Income Generating Project for Small Farmers and Landless) programme in Java demonstrates the savings potential of the poorer part of the rural population. By the end of March 1986 the total group savings mobilized was at the amount of about Rp 188 million.

The experience also showed that there is still much to be done by the banking system because only 18 percent of group savings were kept in banks, while the rest was retained within the groups.[6] The most likely reason for this is the lack of awareness of the advantages of institutional savings.

Another important form of saving mobilization is through arisan. Some arisans have developed lending and credit arrangements beyond those of traditional ROSCAs. Commencing from a simple saving function they utilize the group funds for granting

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[6]The International Funds for Agriculture Development, Mission to Indonesia Report, Rome, 1987.

credit or making investments. Such a development makes these arrangements functionally more important for several reasons. First, these are more advanced savings operations, as the objective is to accumulate financial savings, rather than to finance consumption as in the case on many arisans. Second, their activity extends beyond the mobilization of savings to include the use of savings. By including lending in their activities, they are effectively providing credit and performing an intermediation function. Third, under the savings and loan arrangement, credit is given to those with a demand for it and at a specific interest rate. These arrangements therefore perform a financial resource allocation role by transferring these savings to deficit enterprises.

All these characteristics render these associations an important informal financial arrangement. They are essentially communally organized cooperative endeavors to mobilize savings and meet credit needs. In our survey such associations are identified as Simpan Pinjam, Usaha Bersama, or Credit Union.

Policy Implications

An attempt is made in this section to highlight some policy implications from the research on informal finance that may have import for the formal financial sector in Indonesia The implications are the following:

Adapt Formal Finance to Local Conditions

Informal financial markets are an important part of the financial system of Indonesia; they provide the bulk of rural credit, and also provide an important part of urban loans. They play a particularly important role in channelling credit to small and poor borrowers in both urban and rural areas. They also constitute an important source of working capital for enterprises of all sizes, and serve generally to ameliorate inefficiencies in the allocation of resources caused by deficiencies in formal finance. In large part they do this because their operations are highly adapted to local conditions while many forms of formal finance are not.

A distinguishing characteristic of informal finance is that it functions outside the purview of government regulations imposed on the formal sector in respect to capital, reserve and liquidity requirements, ceilings on lending and deposits rates, mandatory credit targets, and audit and reporting requirements. This lack of regulation results in flexibility in informal finance, something that is very important to many people. Also, because of the procedures used, informal finance can deal in much smaller transactions than can formal finance, partly because most informal lenders operate in a circumscribed area where personal knowledge of borrowers enables informal lenders to keep transaction cost to a minimum. Many borrowers prefer to use informal loans because their transaction costs are low, even though their interest payments may be relatively high. Principally, borrowers value "time" as the key element in borrowing. Formal loans often devour a lot of the borrowers' time while informal loans usually do not.

To the extent possible, formal lenders should try to emulate informal finance and provide more flexible services that also reduce the borrower's transaction costs involved in obtaining loans. Several formal credit programs in Indonesia have done this, at least partially: the BKK program, and the SIMPEDES and KUPEDES programs administered by the Bank Rakyat. In part, these programs have been patterned after some of the strengths of informal finance. Policy makers should do more of this, and part of this process should involve doing more research on informal finance to uncover its strengths.

Increase Links between Informal and Formal Finance

Increasingly, research is showing that the traditional stereotypes applied to informal lenders are not characteristic of what goes on in complex informal financial markets. Contrary to popular opinion many of the intermediaries in informal finance provide valuable services to many clients who cannot be reached directly by the formal financial system. While not easy to do without disrupting delicate relationships, there does appear to be opportunities to expand the access of some informal intermediaries to formal financial services and thus indirectly expand the volume of credit available through informal markets. This, in turn, would likely lead to generally low interest charges in informal financial markets.

Improve Access of Small Borrowers to Formal Finance

In many countries, including Indonesia, traditional credit programs have stressed low interest rates on both loans and deposits. Experience has shown, however, that these low interest rates mainly benefit individuals who can get relatively large loans and that low rates also diminish the sustainability of formal credit programs. Further, many of these programs have involved extensive loan targeting that increases the transaction costs in formal financial systems and makes it less attractive for them to service the small borrower and depositor. Interest rate reforms must be accompanied by more efficient operations in formal financial systems so that formal lenders will have more incentive to provide loans and deposit services to the poor. This includes brings formal finance closer in terms of location to the poor, more loan officers per office, and more active and innovative approaches to lending. This in turn implies that banks and other institutions must generate adequate earnings, such earnings must come from increases in the lending rate and more efficient operations.

An important effect of expanded access to formal finance would be increased competition for the informal lenders.

Intensify Efforts to Promote Savings

While informal forms of finance handle substantial amounts of savings, by their very nature they are not the ideal form for mobilizing deposits. In most countries, formal finance should have a comparative advantage in this activity, especially in rural areas. Therefore, rural banks such as the BRI Unit Desas should mobilize rural deposits more aggressively. To do this they should provide more interest incentives. They may also experiment with some of the techniques used in informal finance: seeking deposits door-to-door, use of mobile units to visit remote villages more often, and using some of the features that make savings through arisans so popular in Indonesia.

Regulate the Pseudo-cooperatives

Most parts of the informal financial system appear to be providing valuable financial services, but the results of our study suggest that some abuses may be occurring through the pseudo-cooperatives discussed earlier. Some unscrupulous lenders are hiding behind licenses and it is time for the respective offices who given the license to act more carefully. Strict measures should be established. These offices must monitor and evaluate periodically the activities of these banks and give sanctions if lenders violate rules.

TABLE 1. TYPE OF INFORMAL LENDERS IN THE SURVEY AREAS CLASSIFIED ACCORDING TO THE MOTIVE FOR LENDING

	Commercial		Non-Commercial
1.	Moneylender	1.	Arisan/rotation Rosca
2.	Itinerant trader/mendring	2.	Usaha Simpan Pinjam/ saving and loan association/Credit Union/Usaha Bersama
3.	Input stores/kiosk		
4.	Output stores	4.	Neighbor
5.	IjonSystem		

[1]"Ijon" is derived from the Javanese word "green" meaning the crop is still young. The credit transaction is characterized by borrowing cash and repaying in kind.

[2]"Usaha Bersame" is a savings and loan association or "informal" cooperative.

Source: Survey Data

TABLE 2. NUMBER OF AGRICULTURAL HOUSEHOLDS RECEIVING CREDIT FOR THE WHOLE INDONESIA, 1981

Types of credit	Number of households	Percentage
BIMAS[1]	1,384,320	8.2
BIMAS & KIK[2]	9,054	.05
BIMAS & KMKP[3]	3,903	.02
Other credit	1,416,576	8.4
Do not know	14,281	.8
Do not receive credit	13,991,660	83.2
Total number of agricultural households	16,819,802	100.00

[1]BIMAS or Bimbingan Massal literally means "mass guidance". BIMAS then is a programme to raise food production, especially rice, and farm income by supplying credit, cash inputs at subsidized prices and extension.

[2]KIK or Kredit Investasi Kecil is a small-scale investment at 12% interest rate per annum, with a maximum loan at Rp 15 million and payable in 8 years.

[3]KMKP or Kredit Modal Kerja Permanen is a permanent working capital credit. The interest rate is also 12% per annum, with a maximum loan of Rp 15 million and payable in 5 years.

Source: Agricultural Census, 1983.

TABLE 3. NUMBER OF SAMPLE BORROWERS REPORTING THE SOURCES OF LOAN, CENTRAL AND EAST JAVA*

Source of loan	Central Java		East Java	
	No	%	No	%
Informal				
Itinerant trader	46	38.3	17	14.2
Prof moneylender	42	35.0	42	35.0
Factory owner	3	2.5	--	--
Output stores	4	3.3	--	--
Input stores	--	--	5	4.2
Arisan	28	23.3	51	42.5
USP	--	--	21	17.5
Pawnshop	1	0.8	8	6.6
Ijon	1	0.8	4	3.3
Neighbor	22	18.3	7	5.8
Relatives	35	29.2	35	29.2
Formal				
BRI	--	--	19	15.8
BKK	17	14.2	--	--
BKD	26	21.7	--	--
Cooperatives	31	25.8	11	9.2
Bank Pasar	17	14.2	--	--

*Sample households may mention more than one source of loan

Source: Survey Data

TABLE 4 AVERAGE SIZE OF LOAN ACCORDING TO SOURCES IN THE SURVEY AREAS, 1987

	Formal		Informal	
	Rp	n	Rp	n
RURAL				
East Java:				
Madiun	53,750	2	13,552	40
Tuban	425,000	1	1,261,340	22
Central Java				
Klaten	458,333	6	29,461	39
URBAN				
Jakarta			1,483,500	39
Semarang	916,600	3	81,350	22
Surabaya	8,500,000	2	2,107,400	55
Weighted average	1,645,178		947,036	

Source: Survey Data

TABLE 5 HOUSEHOLD: SIZE RECEIPTS, EXPENDITURE AND LAND OWNED BY LAND HOLDING CATEGORIES AND QUARTILES OF THE DISTRIBUTION OF RECEIPTS ACROSS HOUSEHOLD RANKED BY HOUSEHOLD RECEIPTS PER PERSON, RURAL JAVA - MAY 1978

		Land Ownership Categories (ha)					
		0	<0.33	0.33-0.65	0.66-0.99	>1	Total
I.	First Quartile						
	1. Households (in thousand)	1,539	1,313	653	196	190	3,891
	2. Household size	4.68	5.19	5.41	6.11	6.25	5.11
	3. Household receipts (Rp/mo)	9,931	11,013	10,506	10,053	13,134	10,555
	4. Household expenditure (Rp/mo)	9,641	10,860	10,700	11,353	14,449	10,551
	5. Land owned (thousand ha)	-	208	296	153	347	1,004
II.	Second Quartile						
	1. Households (in thousand)	1,878	982	548	197	285	3,889
	2. Household size	4.19	4.07	4.28	5.70	6.05	4.75
	3. Household receipts (Rp/mo)	14,239	16,014	18,733	20,182	20,834	16,105
	4. Household expenditure (Rp/mo)	12,782	14,250	17,250	18,043	19,516	14,542
	5. Land Owned (thousand ha)	-	140	258	152	416	966
III.	Third Quartile						
	1. Households (in thousand)	1,745	1,024	581	273	240	3,862
	2. Household size	3.83	4.07	4.28	5.61	6.05	4.22
	3. Household receipts (Rp/mo)	18,906	19,958	20,863	28,107	30,606	20,857
	4. Household expenditure (Rp/mo)	15,574	15,728	17,924	23,203	24,599	17,608
	5. Land owned (thousand ha)	-	161	275	211	535	1,181
IV.	Fourth Quartile						
	1. Households (in thousand)	1,417	796	837	281	549	3,880
	2. Household size	3.83	3.29	3.96	4.23	5.03	3.81
	3. Household receipts (Rp/mo)	43,299	32,831	55,732	50,737	99,771	52,370
	4. Household expenditure (Rp/mo)	27,534	23,639	29,702	31,938	41,085	29,441
	5. Land Owned (thousand ha)	-	136	394	231	1,018	1,779

Source: SUSENAS data tapes, round 2, 1978.

TABLE 6 HOUSEHOLD: SIZE RECEIPT, EXPENDITURE AND LAND OWNED BY LAND HOLDING CATEGORIES: RURAL JAVA AND OUTER ISLANDS - MAY 1978

			Land Ownership Categories (ha)				
		0	0.33- <0.33	0.66- 0.65	0.99	>1	Tntal
I.	Rural Java						
	1. Households (in thousand)	6,577	4,115	2,618	947	1,265	15,522
	2. Household size	4.05	4.45	4.73	5.32	5.64	4.48
	3. Household receipts (Rp/mo)	20,728	18,651	28,981	29,453	55,818	24,961
	4. Household expenditure (Rp/mo)	15,965	15,351	19,747	22,277	29,087	17,895
	5. Land owned (thousand ha)	-	646	1,222	747	2,315	4,931
II.	Second Quartile						
	1. Households (in thousand)	2,313	1,190	1,026	439	2,859	7,826
	2. Household size	4.91	4.64	5.02	4.91	5.36	5.05
	3. Household receipts (Rp/mo)	46,045	28,903	33.961	36,588	47,404	41,821
	4. Household expenditure (Rp/mo)	28,568	21,254	25,934	29,274	33,470	28,947
	5. Land Owned (thousand ha)	-	210	507	340	6,081	7,134

Source: SUSENAS data tapes, round 2, 1978

TABLE 7 QUARTILES OF THE DISTRIBUTION OF RECEIPTS ACROSS HOUSEHOLD RANKED BY HOUSEHOLD RECEIPT PER PERSON: HOUSEHOLD SIZE RECEIPTS AND EXPENDITURE BY REGION AND LOCATION, INDONESIA, MAY 1978

		Java		Other Island		
		Urban	Rural	Urban	Rural	Indonesia
I.	First Quartile					
	1. Households (in thousand)	345	5,516	74	1,088	7,023
	2. Household size	6.05	5.99	6.90	5.86	5.20
	3. Household receipts (Rp/mo)	14,724	11,600	13,903	14,375	5.20
	4. Household expenditure (Rp/mo)	14,656	11,600	20,529	15,046	12,102
II.	Second Quartile					
	1. Households (in thousand)	418	4,608	268	1,688	6,981
	2. Household size	4.79	4.51	6.69	4.93	
	3. Household receipts (Rp/mo)	20,350	18,286	28,130	24,013	20,171
	4. Household expenditure (Rp/mo)	19,096	15,914	26,051	22,463	18,277
III.	Third Quartile					
	1. Households (in thousand)	807	3,264	536	2,336	6,993
	2. Household size	5.18	3.99	604	5.10	4.67
	3. Household receipts (Rp/mo)	34,723	25,424	41,436	33,703	30,605
	4. Household expenditure (Rp/mo)	31.346	19,607	36,489	28,196	25,246
IV.	Fourth Quartile					
	1. Households (in thousand)	1,447	2,134	715	2,714	7,011
	2. Household size	5.03	3.83	4.88	4.20	4.33
	3. Household receipts (Rp/mo)	100,350	73,208	80,083	70,881	78,612
	4. Household expenditure (Rp/mo)	83,572	36,734	57,694	39,195	49,494

Source: SUSENAS data tapes, round 2, 1978.

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