Micro-Impact

Deconstructing the complex impact process of a simple microinsurance product in Indonesia

Martin Hintz
martin@hintz.biz

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Summary

This thesis analyses the social impact of *Payung Keluarga*, an obligatory enhanced credit life microinsurance product launched by Allianz in Indonesia in 2006. *Payung Keluarga* automatically insures micro-borrowers who take out microcredits from microfinance institutions. In case of death, the outstanding credit balance is canceled and the appointed beneficiary receives twice the original loan as an additional payout.

Payung Keluarga is a clear development intervention. It was conceived to ameliorate the assumed post-mortem financial crisis of low-asset families, and to prevent a drop in their already low asset base. Through qualitative-explorative field research from 2006 until 2008 I investigated if this developmental intention was realized. Research components consisted of a baseline-endline comparison with insured customers, beneficiary interviews, and ancilliary research components. Data analysis relies heavily on triangulation. It is the first impact analysis on microinsurance in Indonesia and one of the few on non-health microinsurance.

In the research process, I took the position of an observing participant. As the operational project leader for Allianz in Indonesia I was virtually doing research on my own work. The resulting challenge to research neutrality is primarily mitigated by the lack of financial research support from Allianz and by the sobering to discerning social impact which my research has eventually revealed and for which I hold myself responsible.

The majority of insured were married female Muslim petty traders in urban and semi-urban areas around Jakarta. Socio-economically these women stand at the upper end of the low-asset stratum. Their husbands were generally the main bread-winners of the family, and it was mostly them who received the insurance payouts. It could therefore be said that *Payung Keluarga* benefited the main breadwinner instead of insuring him.

The study found that norms of a moral economy are still exerting significant clout on the insured. The moral economy is a coercively egalitarian social structure prevalent in traditional societies. It aims at providing “subsistence insurance” for all community members through an intricate collective system of balanced exchanges. The corresponding “premium” is a denouncement of self-interested material asset accumulation. Next to structural reasons, it was this moral restriction that saw the businesses of the women stagnate at low and socially inconspicuous levels. Despite microcredit and *Payung Keluarga* few women ever “made it big”.

Payung Keluarga did not help to overcome the assumed post-mortem financial crisis. In reality, such crisis did not exist since community and family support among low-asset Muslim Indonesians is normally strong enough to largely cover funeral expenses and provide for the bereft family. This support is driven by the perception of death as a collective risk in the light of the moral economy and hinged on principles of balanced reciprocity.

For cultural and religious reasons, the beneficiaries used most of the insurance payouts for funeral ceremonies and repayment of informal debt. With the advent of *Payung Keluarga* especially familial post-mortem assistance has been reduced. This makes for a clear case of

crowding out. *Payung Keluarga* has even contributed to an inflation of funeral costs. It has thereby promoted a long-term societal shift from equality-seeking balanced reciprocity towards status-seeking and socially diversifying general reciprocity. In effect, *Payung Keluarga* has attacked cooperative social cohesion head-on where it is still strongest in a rapidly modernizing Indonesian society. The product has tackled the "wrong" risk and furthered social diversification. Unsurprisingly, coverage for education costs and expensive medical treatments was more demanded by customers, not the least because traditional risk management strategies do not cover these relatively modern risks well.

This discerning and unintended impact of *Payung Keluarga* is hardly offset by a positive increase in financial literacy among the insured. Furthermore, the effect on "peace of mind" on the insured is ambivalent: while most insured stated to feel safer, some declared to feel less secure with their obligatory coverage for fear of interference with divine predetermination. Business risk affinity of the insured has not been changed due to the limited coverage of *Payung Keluarga*. Its overall developmental impact can be literally described as "micro".

Instead of protecting the status-quo of the family, *Payung Keluarga* has assumed the role of an actor of social change. Not only because it has changed the funeral pattern of the beneficiaries, but also because it promotes a far-reaching conceptual paradigm shift from balanced reciprocity, which forms a core pillar of the insured's social structure, towards general reciprocity. As insurance is based on the principle of conditional general reciprocity, it requires an individualized frame of reference which knows clear winner and losers, something the moral economy with its carefully balanced exchanges has tried to suppress. In addition, microinsurance furthers processes of financialization, commoditization, formalization, and legalization.

The thesis hypothesizes that with sufficient insurance coverage provided, the insured will increasingly opt out of the coercively egalitarian "subsistence insurance" system which the moral economy guarantees. Such opt out will allow the insured to pursue a more aggressive economic asset accumulation strategy, particularly in combination with micro-credit. For the individual, this can be seen as a "liberating fortune" that would induce more women to grow their businesses to significant sizes. In parallel, it would deal a blow to cooperative social cohesion. I propose to call this the "double fortune / double blow" dilemma of microfinance. In fact, the empirical evidence points at a strong preference for autonomous individual protection instead of socially intricate collective protection: Customer satisfaction was high, demand for more products very vocal, and the emic perspective on microinsurance more positive than my critical stance. In case of better alternatives, low-asset people opt out of the moral economy.

Although this thesis is exemplary, some of its findings can be generalized: The impact of microinsurance is highly dependent on the cultural, religious and socio-demographic context. Any microinsurance intervention concerned with social impact should be preceded by a thick contextualization going beyond the usual demand assessments. In turn, microinsurance likewise impacts context as an actor of ambivalent social change. The complex influence of context and the role of microinsurance as an actor of social change have so far been hardly discussed in the development discourse.

Content

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1 INTRODUCTION

Since the turn of the Millennium microinsurance has received increasing attention from development practitioners and academics. Mosley (2003: 143) sees microinsurance as “one of the potentially most poverty-reducing of all services.” Microinsurance is a financial service which offers modern formal insurance to low-asset families in developing countries. Next to microcredit and microsavings, microinsurance is one of the three main pillars of what has become known as “microfinance”. Not microinsurance but rather microcredit is certainly the best known of these three services, not the least since in 2006 Muhammad Yunus and his Grameen Bank were awarded the Nobel Peace Prize for their microcredit program in Bangladesh. In fact, much of the public and academic discourse on microfinance concerns microcredit alone. For many observers the terms are still synonymous. Although a large number of impact studies on microcredit have been published, the question if and how microcredit contributes positively to poverty alleviation is still debated today (Armendariz and Morduch 2005: 199-230; Meyer 2007: 231; Leeuw 20009; Roodmann 2009). In comparison, the discussion on the impact of microinsurance has just started. Available evidence from microinsurance implementations is much scarcer than for microcredit (Young et al. 2006: 1; Dercon and Kirchberger 2008: 7-9). Moreover, just as in the case of microcredit the nascent discussion on the impact of microinsurance is dominated by economists whose prime focus is on broad quantitative field surveys and statistical analysis. A more holistic view on microinsurance and its potential social impacts has received far less attention. Little attention is also paid to the close connection of microinsurance to the general discourse on development. Today, academics and practitioners working on microinsurance are - with notable exceptions - not particularly concerned with the idea of microinsurance as an agent of social change and its relation to the general development discourse, especially the critical side of it (cf. Sachs 1992).

Turning to Indonesia, microinsurance is starting to make some inroads in Indonesia as well. In September 2006, German insurer Allianz launched *Payung Keluarga* (Indonesian for “Family Umbrella”), the first insurance product in Indonesia to be explicitly labeled as “microinsurance”. *Payung Keluarga* was a life insurance that was automatically attached to microcredits provided by local microfinance institutions (MFI) which cooperated with Allianz. Because *Payung Keluarga* was obligatory, the debtors of the MFIs could not opt out. Every microloan had to be insured. In case of the death of the debtor due to any reason, *Payung Keluarga* waived the outstanding credit balance and in addition paid the beneficiary an additional payout of twice the original loan amount. Technically speaking, such a product is called an enhanced credit life insurance because the extra payouts represent an enhancement over standard credit life insurance which only covers the outstanding loan. The applied distribution model was based on a partner-agent arrangement whereby Allianz acts as the partner and the MFIs as the agent.[1]

This thesis is concerned with the complex impact processes of *Payung Keluarga*, a product which I helped to develop, implement and administer as the responsible project manager for Allianz in Indonesia. If the focal point of this thesis is the impact of *Payung Keluarga*, the corresponding backdrop consists of two major components: (1) The emerging discourse on the effectiveness of microinsurance as a development tool, (2) and the local context in Indonesia. Indonesian society is still held to be in a largely embedded state (Evers and Schrader 1994a: 5; Schiel n.d.,b: 2-3). The concept of embeddedness was first proposed by Polanyi (1944) and refers to societies where the spheres of culture[2], religion, politics and especially economics are embedded and not segregated as they are in Western industrialized societies. Polanyi holds that in the course of the industrial revolution, Western societies have undergone a process of disembedding, especially of the economic sphere, in what he called "The Great Transformation" (Polanyi 1944). However, despite a comparably high level of embeddedness contemporary Indonesia is undergoing rapid change. This change is characterized by a range of simultaneous and intertwined processes of modernization: the spread of the market economy, monetarization, industrialization, increasing integration into the global economy, migration, urbanization, education and the consequent upheavals and reorganization of social structure (Evers and Schiel 1988: 14; Hefner 1998a: 3; Hüsken and Koning 2006: 7, 8; Ford and Parker 2008: 8). Since the fall of the New Order regime of former president Suharto in 1998, democratization and decentralization can be added to this list of "mega-concepts"[3]. Hüsken and Koning (2006: 25) therefore speak of "Indonesia's 'Great Transformation'". It is up for debate, however, if the Indonesian transformation towards modernity is inevitably leading to a disembedded state in the sense of Polanyi and to the secularization and individualization of society which Max Weber has strongly associated with modernization (Appelbaum and Chambliss 1997: 333). Several scholars on South-East Asia caution against such unilinear determinism (Evers and Schiel 1987; Evers and Schrader 1994a: 4; Hefner 1998a). Hefner (1998a: 26) points out that capitalism in South-East Asia is developing in distinct and localized ways. He argues that forecasts of capitalism's secularizing and individualizing impact in the region are premature. Hefner also points to the religious revival that the region experiences. With particular focus on Indonesia and Malaysia, Schröter (2007) describes the re-islamization process which the two countries are currently undergoing. My own experience from four years of living, working and doing research in Indonesia only confirms the assertion

[1] *Payung Keluarga* is still sold today. But in early 2008 significant changes have been made. A *takaful* version compliant with Islamic law has been added, as well as optional coverage of the debtor's spouse and other coverage options. Throughout this thesis, I only refer to the original "standard" version of *Payung Keluarga*.

[2] I understand culture in a holistic conception as presented by Geertz (1957: 33-34) and widely held in sociology and anthropology, whereby culture refers to an ordered system of meanings and symbols, in the terms of which social interaction takes place. Culture lays the normative foundation for social interaction. This definition differs decidedly from the popular definition of culture in largely disembedded societies like European societies, where culture is more confined to the realm of arts, theater and music.

[3] The term is borrowed from Clifford Geertz (2000: 23).

of a distinctively localized form of transformation and the ongoing and all-encompassing influence of culture and religion on everyday life, including its economic sphere.

The problem statement of this thesis can consequently be summarized as follows: "Indonesia is in an ongoing process of transformation and social change. Now, modern microinsurance steps onto the scene; and what happens? And why does it happen the way it does?" This problem statement indicates that my approach to microinsurance impact research distinguishes itself from the current economics-leaning mainstream in three ways: (1) It takes a decidedly holistic and social perspective, (2) it seeks to understand the dynamics of impact processes rather than to exactly measure them, and (3) I take a strongly localized approach. The corresponding fieldwork methodology is best described as qualitative-explorative, although I have used both quantitative as well as qualitative methods of data collection. Results and analysis are presented in form of narrative with occasional recourses on descriptive statistics.

Regarding the scientific contribution of this thesis, a major aspect to be named is that it represents the first detailed analysis of the realized impact of a formal microinsurance product in Indonesia.[4] A second distinguishing feature is my broad and contextualized approach. For this approach, I rely heavily on the concept of embeddedness, as well as on the closely related concepts of the moral economy (Thompson 1971; Scott 1976), reciprocity (Mauss 1954; Sahlins 1965; Platteau 1997; Hüsken and Koning 2006), and the traders' dilemma (Evers et al. 1991; Evers and Schrader 1994a). None of these concepts has ever been applied to impact research on formal microinsurance, although mention should be made that various authors have drawn on these concepts when discussing informal risk management arrangements, for example Scott (1976), Ravallion and Dearden (1988), and Platteau (1997). These concepts serve as tools to analyze the context in which *Payung Keluarga* operated. However, my core analytical framework to pinpoint actual impacts is a combination of an asset-based approach (Moser 1998; Heitzmann et al. 2002) with the more general understanding of economic and symbolic capital proposed by Bourdieu (1977; 1986). This framework, which I call the expanded asset-capital framework, has never been applied to impact research on microinsurance.

Although these key analytical concepts seem to mark this thesis as a work of sociology, I personally consider it firmly rooted in South-East Asian studies, the discipline in which I have received my academic training. As a typical area study, South-East Asian studies have an inherent predisposition for a localized, rather than a universal research approach. Not surprisingly then, advocates of South-East Asian studies insist on its multidisciplinary or interdisciplinary character. In order to analyze local South-East Asian phenomena the field relies heavily on the transfer and adaption of concepts and methods developed by other, more established disciplines of the social sciences which were, moreover, often developed for different, predominantly Western contexts (Halib and Huxley 1996: 5, 7). One renowned example is

[4] To date, I have published one academic article (Hintz 2010) and two journalistic articles (Hintz 2009a; Hintz 2009b) that already present excerpts of my findings. Wilhelm (2009) hypothesizes on the possible social impacts of flood-microinsurance in Indonesia before (!) its implementation.

Scott's (1976) application of the moral economy concept to explain the causes of South-East Asian peasant rebellions in the colonial period. Originally, the concept had been developed by the historian Thompson to explain food riots in 18th century England (Thompson 1971). As many scholars have rightly pointed out, such concept transfer bears the risk of ethnocentrism and 'orientalism'. Today, however, both Western and local scholars routinely acknowledge and try to avoid these risks (Halib and Huxley 1996: 6; Schröter 2000: 25), as do I. I therefore take the liberty to make flexible reference to concepts and publications from various academic disciplines - mainly economics, sociology, and ethnology - wherever they help to enlighten the specific local context and raw findings of my research.

Because of its heavy emphasis on localization, my impact research is first and foremost exemplary. I do not claim representativeness for other microinsurance products, other distribution models (for example mutual insurance), and conditions in other countries. In fact, I need to limit the scope even further: I only investigated the impact of *Payung Keluarga* as an obligatory microinsurance (as opposed to voluntary coverage) on a rather specific segment of Indonesian's low-asset population, namely micro-debtors, who for the most part were Muslim petty trading women living in urban or semi-urban areas around Jakarta, and who were far from being destitute. Only for this specific context does this thesis claim representativeness and validity of results. However, I hold that my non-standard methodology and some of my more general findings do bear relevance for microinsurance impact research at large. I therefore hope that this thesis on impact may itself exert a positive impact, however small, on the emerging academic microinsurance discourse and ideally even on microinsurance practice.

My aspiration for a meaningful scientific contribution is complemented by a second, equally powerful personal aspiration: Through my research I want to investigate the impact of my own work and thereby - if possible - legitimize it. As I was the main person responsible for the way *Payung Keluarga* was designed and implemented, I am also the main person responsible for its intended and unintended impacts. Naturally, this creates a potential conflict of interest between my role as key decision maker and my role as an academic researcher. Serious concerns regarding the required academic objectiveness and neutrality of my research are understandable and need to be addressed. A more comprehensive discussion of my role as an observing participant[5] is given in the chapter on methodology (see section 5.1). At this point I merely put forward two of the arguments as to how I think this conflict of interest is sufficiently mitigated: (1) Firstly, there was no extrinsic demand for impact research on *Payung Keluarga* and therefore no pressure for legitimization towards third parties. Neither the media, which often reported on the project, nor the involved MFIs ever demanded proof that *Payung Keluarga* was really as helpful in poverty alleviation. On the contrary, the project faced a situation where the positive impact of microinsurance was generally taken as an a priori fact. I was left with my own doubts whether I was doing the right thing, and whether I was doing things right. (2) Secondly, the results of my impact research, which received no dedicated financing from Allianz or another party, are sobering. Even if I had wanted to, they do

[5] The term is an inversion of the popular ethnological research method of "participant observation" which is described, among others, by Schweizer (1982: 24-25). I owe this fitting idea to Professor Schiel.

not serve to legitimize my past doing. They only serve as an encouragement to do things better next time.

If I describe my research findings as sobering, why is this so? This is because the developmental expectations that Allianz and myself had pinned to *Payung Keluarga* were by and large not fulfilled: *Payung Keluarga* has not helped to manage the death risk of low-asset micro-debtors in Indonesia significantly better than before. More precisely, *Payung Keluarga* has substituted rather than complemented the heavily institutionalized traditional forms of mutual post-mortem assistance. It has even contributed to the ongoing inflation of funeral costs. The original main purpose of collective funeral financing to provide "subsistence insurance" (Scott 1976: 5) to the community members is thus increasingly replaced by individualized financing which can be used for status production. *Payung Keluarga* has thereby accelerated a *longue dureé* process of a shift of scales from balanced reciprocity towards general reciprocity. The social equality and solidarity that is so rigidly enforced by traditional arrangements of mutual assistance is thereby further pushed towards a new social structure of increased social inequality. With reference to the employed expanded asset-capital framework, economic and protective assets have improved little while symbolic capital has risen. Responsible for this unintended result was a lack of consideration for the socio-demographic, cultural and especially religious context during the planning and implementation of *Payung Keluarga*, in short, a lack of thick contextualization[6]. Nonetheless, customer satisfaction was high and frequent demands for additional insurance products were raised by the insured. Not surprisingly, this demand was most salient for relatively modern risks that traditional informal arrangements had not had the time to adapt to effectively, namely costs for education and major medical treatments. Because death risk appears to be already rather efficiently covered by existing traditional arrangements, *Payung Keluarga* can be said to have tackled the wrong risk. The key reason why customer satisfaction ran high despite such apparent developmental mis-targeting seems to be a general preference of customers for reliable and affordable individualized arrangements over the financially demanding and complex social systems of mutual assistance. This stands in contrast with the Western tendency to romanticize such showings of collective help (Scott 1976: 5; Newberry 2007: 1303). In fact, the emic assessment of *Payung Keluarga* by the petty trading customers, beneficiaries and even the involved MFI staff was much more positive than my own critical stance.

Although *Payung Keluarga* does not have the capacity to do so on its own, positively seen, a more comprehensive individual microinsurance coverage which provides more complete protection than *Payung Keluarga* can disentangle customers from the still existing grip of the moral economy. This would allow for more aggressive and accelerated accumulation of economic capital (something the connected microcredits alone have not been able to do). On the other hand, the character of social cohesion is bound to change towards a more status conscious and exclusive direction. In addition to the increased status producing function of funer-

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[6] I derive the term by borrowing from Clifford Geertz' concept of "thick description" (Geertz 2000: 3) and transferring it from the observing level of the ethnological researcher to the operational level of the developmental actor.

als, this liberation from the bound of the moral economy is a second and more significant process where microinsurance may foster social inequality. In summary, what this thesis tries to show are the two sides of microinsurance: It can be fortunate for individual progress and at the same time deal a blow to social equality. This is especially likely in combination with microcredit. Such a combination can be seen as a double fortune or as a double blow. Under certain conditions (and naturally depending on the preferences of the observers) the fortune may outweigh the blow, or vice versa. However, in general I propose to describe this condition as the "double fortune / double blow" dilemma of microfinance. Whatever the exact balance of fortune and blow, microinsurance in Indonesia is clearly a development tool and an actor of social change. I contend that this holds true for other developmental contexts as well. To date, this role of microinsurance as an actor of social change has been realized and researched too little. Besides, microinsurance has not been sufficiently integrated into a critical discourse on development, where - now that private insurance companies are also enlisted as promoters of a development agenda - it actually renders a prime example of the ever expanding scope of development. Korff and Tigges Lizarazo (2008b: 3) denounce this process as the "totalization of development", in line with Sachs' general critique of development as an outdated, meaningless and self-interested cast of mind (Sachs 1992).

If we now take a closer look at the title of the thesis, "micro-impact" assumes multiple meanings. First of all, the term neutrally refers to the thesis' principal concern with the impact of microinsurance. At the same time it already carries the notion that the intended developmental impact of *Payung Keluarga* was literally "micro", and that microinsurance nonetheless has a certain ambivalent impact on social change. Compared to major transformational processes like migration and urbanization, the scale of this social impact can again be said to be "micro". The fact that the impact process of *Payung Keluarga* was complex, despite the simplicity of the product itself, results from the embedded and nonetheless changing environment in which the product operated. Therefore, in this thesis process does not refer to a linear and deterministic succession of events that could be neatly depicted in a schematic illustration. Instead, it refers to a conglomerate of intertwining preferences, reasoning and actions of various involved persons within an embedded and dynamic context. This warrants a careful and contextualized deconstruction of this process based on the unique methodology briefly outlined above and described in more detail below (see chapter 5).

Coming to the structure of the thesis, this structure itself borrows from the concept of embeddedness. In chapter 2, relevant concepts of the socio-theoretical embedding of the thesis are introduced such as embeddedness, moral economy, reciprocity, the traders' dilemma and the expanded assets-capital framework. I also question common perspectives on poverty, human aspirations and rationality. Chapter 3 provides the developmental embedding by outlining general considerations on development and the state of the art of microfinance and microinsurance, especially with regards to impact research. Chapter 4 contains the broad practical embedding. It describes "Indonesia's 'Great Transformation'", gives a brief overview on Indonesia's social security system and current microinsurance market, and lastly provides the background of the *Payung Keluarga* project. Chapter 5 completes the embedding of the thesis into its academic and practical context by outlining the applied research methodology. Here, I discuss at length my double role as actor and researcher. Moreover, rather extensive note is made of the various challenges which I faced during my field work. Chapter 6 presents key data from the field such as the narrative of exemplary claim cases. At this stage, no interpretation or discussion is provided. This is to highlight how little meaning field data provides if it is not properly contextualized. Only the discussion of my research findings in Chapter 7 brings the relevant concepts and the field data together. The communal *slametan* feast held at several occasions after death assumes a particular prominent role here. This is because, somewhat unexpectedly, the gradually changing pattern of the *slametan* and the related role of *Payung Keluarga* came to form a linchpin for my analysis. Lastly, chapter 8 summarizes the thesis and provides an outlook. It reprises many of the issues mentioned in this introduction.

At this point I would like to explain two particular wordings that I use throughout the thesis. Firstly, I prefer the term "low-asset" to the more common terms "poor" or "low-income". Firstly, this avoids the patronizing connotations implied when talking about 'the poor' (Dichter 2007c: 182). Secondly, it semantically underlines that welfare does not only depend on one's income, but on one's broadly defined asset-base (Moser 1998: 14; 2007a). Secondly, I use the term "family" instead of "household", although the latter is the quasi-standard in economics and development literature. This is because I found the concept of the household, which connotes a clearly delineated and homogenous social unit, too limited for what I experienced during my research. I rather encountered broad social networks comprising close and distant relatives, neighbors and friends with loose and blurry boundaries as to who was a family member and who was not. Even the delineation between individuals was sometimes unclear. During my research I faced several proxy respondents; that is, relatives who had naturally and without any notice assumed the role of the person I actually wanted to interview but who, for whatever reason, was not present. These fluid boundaries between the individual, the family and the external social network have also been noted by various authors writing on Indonesia (Alexander 1998: 215; Lont 2000: 162, 165; Witoelar 2005: 21; Newberry 2007: 1314; Ford and Parker 2008: 4).

2 The Socio-Theoretical Embedding

2.1 On poverty and human aspirations

Its most fervent proponents regard microfinance as a magic bullet to poverty alleviation. The majority of observers, however, take a more moderate stance and argue that under certain conditions and in combination with other means of development, microfinance can contribute to poverty alleviation (Armendariz and Morduch 2005: 4; Mahajan 2007a: 197; Matin et al. 2007: 23). Even particularly critical commentators do not question the poverty alleviation potential of microfinance. They rather remark that microfinance practice is far from perfect. Harper (2007a: 46), for example, speaks out against the still prevalent group-based methodology in microlending and clearly considers the provision of financial services on an individualized basis as the better alternative. Dichter (2007b: 2) cautions that too much focus on microfinance may create significant opportunity costs as other answers to poverty reduction get less attention. These perspectives, from optimistic to critical, make it clear that microinsurance - via microfinance - is conceptually tied to poverty and development.

It seems worthwhile to step back for a moment and briefly consider two paradigms that more often implicitly than explicitly underlie analyses on poverty and development, and research on microfinance in particular. The first paradigm holds that poverty exists. The second paradigm holds that people continuously want to achieve ever higher levels of welfare. I do not doubt that poverty exists almost everywhere in today's world. However, I consider poverty as socially constructed. I also acknowledge that many people are indeed driven by an incessant urge to attain ever higher levels of welfare. Here, welfare represents the equally socially constructed antithesis of poverty. And just as I hold poverty and welfare to be socially constructed, so I hold the urge for ever higher welfare levels as equally socially constructed. It is not an ever-constant natural human trait. Moreover, I assert that this second paradigm is even less universally applicable than a concept of poverty.

Let us consider poverty in more detail. Gerke (2002: 6) tells us that "until today there is no definition of poverty that is generally agreed upon". Pyatt (1999: 54) adds that considering the quantity of available poverty definitions it may be advisable not to be too precise on the matter. One of the most widely known definitions of poverty is provided by the World Bank (1990:29): "Poverty [is, M.H.] the inability to attain minimal standards of living." In 1990, the World Bank tied such minimal standards of living to the infamous international "one dollar a day" poverty line which referred to US$ 1 of consumption (not income!) per day per capita measured at purchasing-power-parity (PPP). In 2007, after a major reassessment the World Bank readjusted the international poverty line to US$ 1.25 PPP (Ravallion et al. 2008; Economist 2008). Most governments define national poverty lines to better reflect local conditions. The Indonesian government, for example, defines its national poverty line as the total expenditure needed to satisfy 2,100 calories per capita per day plus basic needs for clothing and shelter (Gerke 2002: 9-10). In 2008, this amounted to an average poverty line of IDR 182,636 (US$ 19.21) per capita per month. For urban areas, the poverty line was higher at IDR 204,896 (US$ 21.55), and in rural areas lower at IDR 161,831 (US$ 17.02) (BPS 2009). Despite this widespread tying of poverty to specific values of monetary consumption or income, poverty is nowadays commonly accepted as a multidimensional phenomenon. The Human Development Index (HDI), which UNDP introduced in 1997, reflects this wider concept of poverty. The HDI is based on the capabilities approach developed by Amartya Sen (1981; 1999) and combines three dimensions of life, namely longevity, knowledge, and living standards. Moreover, it is generally recognized that:

(1) poverty can be perceived and measured on absolute and on relative terms (cf. Sen 1999: 6, 22),

(2) poverty is essentially a personal, not a "household" matter, and often significant differences in poverty within families and between genders exist (Pyatt 1999: 54-55),

(3) poverty can be either involuntary (or as I maintain, sometimes just an unreflected) state, but also an explicitly voluntary state, for example in the case of religiously motivated asceticism (Dt. Bischofskonferenz 1997: 15),

(4) poverty, however defined, can be chronic or transient (Jalan and Ravallion 1999; Alwang et al. 2001: 30; Pritchett et al. 2002: 17-18). Poverty traps, often attributed to repetitive uninsured shocks, are identified as the main reason for chronic poverty (Geertz 1968; Scott 1976: 14-15; Jalan and Ravallion 1999; Carter and Barren 2006), while at the level of transient poor, "poverty is simultaneously created and destroyed" (Krishna 2007: 69).

What can be summarized is that seen from whatever perspective and based on whatever definition, poverty is generally associated with a state of lack or deficiency (Rahnema 1992: 159). Upon the realization that 'the poor' are in fact a fluid, non-static group, in recent years the discussion on poverty has increasingly incorporated the notion of vulnerability (Holzmann and Sipos 2008: 3). While poverty is widely regarded as a static concept, vulnerability is seen as its dynamic twin (Moser 2001: 361). Very generally speaking, vulnerability is the probability of a family to remain in or to fall into a particular defined poverty (Alwang et al. 2001: 29; Chaudhuri et al. 2001: 1; Cohen and Young 2007: 209). Just as with poverty, the definition and measurement of vulnerability is contested (Heitzmann et al. 2002: 53). Despite the obsession of many researchers with measurement - and therewith better controlling and containment - of poverty and vulnerability, I prefer to follow the recommendation of Pyatt (1999: 54) not to be too precise on the matter.

I take the complexity of the poverty concept and its many suggested definitions as a strong indication that it is socially constructed. The understanding of poverty clearly depends on historical and cultural conditions (Scott 1976: 17; Krishna 2007: 66). Rahnema (1992: 159) points out that in medieval Europe the "pauper" held a socially respectable position and that the modern understanding of the "poor" as living in a pitiful and deprived state was still unknown. It only came to the fore with the rise of the mercantile economy, the monetarization of society and the start of a massive urbanization drive. Rahnema (1992) also provides a striking anecdotal example of how the modern concept of poverty has gradually taken root in developing countries. He recounts how social activist Helena Norberg-Hodge found the notion of poverty to be hardly known in the north Indian region of Ladakh in the 1970s. However, several years later, local villagers there were asking for assistance to overcome their abject poverty. Rahnema concludes:

> Poverty is . . . a myth, a construct and the invention of a particular civilization. . . . Global poverty is an entirely new and modern construct. (Rahnema 1992: 158, 161)

Much of the spread and internationalization of the concept of poverty has to do with the spread of the ideas of development and under-development. The need to be exposed to certain concepts first before any understanding and realization of certain constructed realities such as poverty and under-development can develop is underlined by Esteva (1992):

> In order for someone to conceive the possibility of escaping from a particular condition, it is necessary first to feel that one has fallen into that condition. (Esteva 1992: 7)

If poverty - and in the same line of thought the idea of development and under-development - is socially constructed, how about the second paradigm, the principal human strive to overcome poverty and attain ever new heights of welfare? Here again, this strive depends on local conditions and local norms, that is on social construction (cf. Buss 1985: 35-36). In a subsistence economy untouched by the ideas of development and modernization where poverty and welfare are not conceptualized, how can the idea of an incessant struggle for increasing welfare be conceived? From Evans-Pritchard (1937) and many other successive scholars, for example Foster (1973: 36) and Platteau (1997: 768), we learn that in contrast to Western societies, traditional peasant societies regard available resources as finite and unexpandable. Therefore one person's overt fortune automatically means the misfortune of other community members. Excessive and especially self-interested asset accumulation was therefore frowned upon and socially sanctioned. Heryanto (1999) states that such attitudes were widely held in Indonesia until the early 1990s and still bear relevance today. Anderson (1972: 7) points out that the Javanese, the largest and culturally most dominant of Indonesia's over 300 ethnic groups, even considered immaterial resources such as power as finite and unexpandable. He also asserts that in traditional Javanese thought, money in itself was never to be the object of active pursuit (Anderson 1972: 41). In contemporary Indonesia, of course, the concept of poverty and eager pursuit of personal well-being are widely present, and what is more, often socially accepted. However, with my above comments I have tried to raise awareness that both such concepts are socially constructed. Moreover, I hold that in contemporary Indonesia, at least among the surveyed microinsurance customers, alternative concepts of what a good life means and how far human aspirations could and should go are still relevant. As I will outline further below (see section 4.2.7), I contend that while the insured MFI micro-debtors strive for a higher welfare level, they only do so up to a certain point. Upon attainment of such a more comfortable and socially still acceptable level, the commitment for further achievements subsides. This observation can be attributed to the still heavily embedded social structure and the still palpable sway of the moral economy, two concepts which I will outline in detail below.

2.2 The concept toolbox

At the moment I had concluded my fieldwork and was seriously starting to analyze my field data, I came to appreciate the concepts of (1) embeddedness, (2) the moral economy, (3) reciprocity, and (4) the traders' dilemma as invaluable tools of analysis, although I had hardly considered them beforehand. The four concepts are closely related to each other. While I was trying to make sense of what I had experienced in the field, these concepts helped me to realize that, if put into the proper socio-cultural context, the seemingly confusing perceptions and actions I had witnessed among microinsurance customers and beneficiaries indeed followed clear reasoning. Now I find it hard to discuss microinsurance in Indonesia without reference to these analytical tools. This is why I outline them here at the start, although chronologically my "discovery" of them occurred rather late in the research process.

2.2.1 Embeddedness

The concept of embeddedness was first proposed by economic historian Karl Polanyi (1944; Polanyi et al. 1957) and is strongly associated with the substantivist school in anthropology. Polanyi maintained that in non-Western pre-capitalist societies, the economic system was embedded in man's social relationships. To Polanyi, "the economic system is, in effect, a mere function of social organization" (Polanyi and Dalton 1968: 12). Embeddedness in the sense of Polanyi can be described as a state where the political, cultural and economical spheres are forming a compact, non-segregated unity (Schiel n.d.,a: 4), where all economic actions are at the same time social actions and vice versa (Schiel n.d.,b: 2). Similar ideas had been proposed before, but not under the term of embeddedness. Mauss (1954), for example, describes what came to be known as embeddedness as "total social phenomena":

> In these 'early' societies, social phenomena are not discrete; each phenomenon contains all the threads of which the social fabric is composed. In these total social phenomena, as we propose to call them, all kinds of institutions find simultaneous expression: religious, legal, moral, and economic. (Mauss 1954: 1) [7]

According to Polanyi, Western societies experienced the disembedding of the economic sphere during a period of rapid industrialization which, following Polanyi, lasted from 1815 until 1914, and which led to the subordination of society to impersonal economic powers. Polanyi refers to this process as the "Great Transformation" (1944). Rather than remaining an instrument of society as a whole, with the "Great Transformation" the economy begins to set the terms of its own operation and to dominate other spheres in society. Alternatively, Rahnema calls this process the "economization of society" (Rahnema 2007: 162). Material self-interest begins to reign supreme (Schrader 1994: 28; Hefner 1998a: 9). The misery, exploitation and social upheavals that the consequent unrestricted sway of the laissez-faire industrial capitalism caused, provoked "protective countermoves that blunted the action of this self-destructive mechanism" (Polanyi and Dalton 1968: 37). Such countermoves consisted for

[7] The original French version of Mauss' seminal work "The Gift" was published in 1925.

example of government led efforts such as welfare policies and labor legislation. However, Polanyi contended that also fascism can be seen as an extreme countermovement to the dis-embedding of the economy, because fascism aimed for (re)gaining extreme social control (Polanyi and Dalton 1968: xii). A notable feature of the process of embeddedness-disembeddedness-re-embeddedness is that man, where embedded conditions persist, primarily acts to safeguard his social standing, his social claims, and his social assets, not his individual interest in the possession of material goods (Polanyi and Dalton 1968: 7). In the disembedded state, however, the picture looks entirely different. Here, the pursuit of individual economic gain becomes the norm. This fits well to my earlier remarks that the character of human aspirations depends on the historical and cultural context (cf. section 2.1). Aspirations and especially realized economic behavior can look entirely different depending on whether we deal with an embedded or disembedded situation.

Polanyi's ideas of embeddedness have not gone unchallenged. The fiercest critique was launched by formalists who, instead of Polanyi's holistic and highly socialized view of the economy, held that economic behavior follows a set of formal rules of choice between alternative uses of scarce means (Schrader 1994: 29). Most relevant for our discussion, however, is the position of American sociologist Mark Granovetter (1985). He regards the views of Polanyi as being oversocialized and those of the formalist neo-classical economists as being undersocialized. Granovetter sees society neither constituted by *homo socious* nor by homo *oeconomicus*. He therefore asserts:

> The level of embeddedness of economic behavior is lower in nonmarket societies than is claimed by substantivists and development theorists, and it has changed less with 'modernization' than they believe; but I argue also that this level has always been and continues to be more substantial than is allowed for by formalists and economists. (Granovetter 1985: 482)

Granovetter proposes to conceptualize embeddedness as a middle ground between a view of economic action as determined by cultural norms on the one hand and rational choice analyses of economic behavior on the other. Thereby the social and the economic sphere have a certain life of their own. Both are mutually dependent and each exerts influence on the other. In the embedded states of Polanyi the weight of the social sphere may be stronger while in disembedded states the weight of the economic sphere becomes stronger. Neither however, loses its influence completely. Granovetter (1985) and later Hefner (1998a) translate this into a call for "sociocultural economics" (Hefner 1998a: 7). Because the respective objects of research, the economy and the social life, are in a state of embeddedness, economic and social research should combine accordingly.

My research data from Indonesia does not have the depth and breadth to soundly favor either Polanyi's or Granovetter's concept of embeddedness. Personally, I hold that both have their merit, especially since both renounce the idea of man as a purely economically motivated being. I can definitely assert from my research on microinsured low-asset families that norms of culture and religion continue to exert a strong influence on people's economic preferences and behavior. It is this notion of a particularly strong socio-cultural influence on the economic sphere that I understand as embeddedness in the context of my research.

The question arises whether under these conditions microinsurance belongs more to the social or to the economic sphere. While for disembedded societies, the placement points towards the economic sphere, in the case of *Payung Keluarga* social preference and reasoning were clearly dominant among customers and beneficiaries. For Allianz and the cooperating MFIs the picture was more balanced. A second, more general question arises as well, namely how - seen on a macro-level - "Indonesia's 'Great Transformation'" (Hüsken and Koning 2006: 25) is influencing the present state of embeddedness? Will this transformation lead to a disembedded state along the lines described by Polanyi? And, when seen from the perspective of "modernization" advocates like Rostow (1960), will Indonesia follow the footsteps of Western societies and undergo the same development from a pre-modern state of segmented agrarian communities towards a modern society largely governed by the regime of market capitalism (cf. Többe Gonçalves 2005: 26-32)? The fact that such trans-contextual parallelism is being put to serious doubts by numerous South-East Asian scholars has already been mentioned. A closer look at Indonesia's current transformation and its possible consequences follows in section 4.1. On a more micro-level, the dynamics and prospects of embeddedness among the surveyed microinsurance customers will be discussed in chapter 7. As noted above, it is this micro-level analysis, not a macro-level analysis of transformation, which is the key concern of this thesis.

2.2.2 Moral economy

The socio-historical concept of the "moral economy" was developed by leftist English historian Edward Thompson (1971). Thompson used it to conceptualize the motives of food riots in 18th-century England. Thompson defines the "moral economy" as follows:

> A consistent traditional view of social norms and obligations, of the proper economic functions of several parties within the community, which, taken together, can be said to constitute the moral economy of the poor. (Thompson 1971: 79)

Thompson found that perceived violations to the norms and obligations of the moral economy, on top of actual deprivation, were the trigger for the food riots he was analyzing. Scott (1976) has applied the same concept to peasant rebellions in colonial Burma and Vietnam. However, Scott classifies that active violence was only the ultimate measure taken, and only occurred under certain conducive conditions, and that furthermore such uprisings were not forward oriented but backward oriented (Scott 1976: 203); that is they were not revolutionary in the modern sense of the word but in the literal sense of the word as seeking to restore an original state.

Granovetter (1985: 482), Moser (1998: 4), and Schiel (n.d.,b: 4) closely associate the moral economy with the concept of embeddedness. In fact, the moral economy can be said to be pervasive in embedded societies.[8] Similar to the process of disembedding described by Po-

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[8] Despite their conceptual similarities, the respective epistemological background of the two concepts is different: The moral economy is rooted in historical sociology where according to Thompson it forms the counterpart

lanyi, Thompson (1971: 136) also postulates the slow demise of the moral economy in line with the rise of the new political economy of the free market. Where embeddedness breaks down, so does the moral economy. The moral economy is - even more so than embeddedness - associated with poor and rural societies (Scott 1976; Moser 1998: 4; Ravallion and Dearden 1988: 43). In his definition, Thompson himself speaks of the "moral economy *of the poor* [emphasis added]" (Thompson 1971: 79). However, as pointed out above, the definition of 'the poor' can be wide and blurry (cf. section 2.1). And just as embeddedness does not fade as you enter the city gates, so I hold that the moral economy is relevant to urban areas, too. Due to the apparent symbiosis of embeddedness and moral economy I propose to speak of "embedded moral societies", which is short for "embedded moral-economic societies".

The primary objective of the moral economy is to enforce minimum social standards to permit every community member a historically and culturally dependent decent level of subsistence. Scott speaks of a "subsistence ethic" (Scott 1976: 4). Many authors even ascribe an ideology of egalitarianism and solidarity to the moral economy, although opinions differ as to how strictly egalitarian they are (Scott 1976; Bourdieu 1977: 180; Evers et al. 1991: 1; Platteau 1997: 768; Hüsken and Koning 2006: 18). All, however, agree that the egalitarian ideology did not arise based on altruistic idealism but based on the sheer necessities of agrarian societies immersed in a subsistence economy (cf. Geertz 1968). This correlates well to Polanyi's assertion that in embedded states, preoccupation is more with the preservation of one's social standing and social assets, rather than with individual interest in material goods (Polanyi and Dalton 1968: 7; cf. section 2.2.1).

Sahlins (1965: 164) notes that for the purpose of "chiefly redistribution" individuals could rise to rank and power; that is, central authorities were functional in organizing the egalitarian state of their followers. Consequently, the egalitarian thrust of the moral economy focuses more on material than immaterial goods. Leaders are obliged by the very norms of the moral economy to share much of their accumulated material wealth. They are also morally hindered to display self-interest in wealth, status, and power too overtly (Mauss 1954: 69-70; Anderson 1972: 39; Scott 1976: 42). The good of the community had to be visibly put before the good of the individual. In line with this, Zacher (1988: 27) maintains that in regards to power, traditional societies are far from egalitarian. Especially with hindsight to Indonesia, I nonetheless like to conclude that in embedded moral societies there is a strong and morally charged tendency towards social equality, especially concerning material goods, and that this tendency is footed on practical reasons of survival. The ideology of egalitarianism brings with it a strong emphasis on social harmony or, more precisely, communal harmony, which in Indonesia is known as *rukun* (Geertz 1962: 243; Magnis-Suseno 1981: 37-53). The communal aspect is important here. Two neighboring traditional communities may apply the same norms of the moral economy, but they represent separate 'jurisdictions'. The ideology of egalitarianism

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to the political economy in a class based social analysis; embeddedness on the other hand originates from historical economics. I am grateful to Professor Schiel for pointing this out to me.

does not apply to virtual or complete strangers. In this sense, the moral economy is not universal but concrete and case-specific. It depends on who is dealing with whom.

The enforcement of the egalitarian tendency of embedded moral societies is functionally supported by a number of interdependent norms (which are therefore hard for me to put into a sequential order):

(1) *The input-output consequence is suppressed*. In order to maintain *rukun* and to prevent more successful community members from making claims on a larger share of material resources, and in turn to avoid accusations against the incapable or lazy, the input-output consequence in individual productive action is suppressed. Greater or lesser efforts of labor do not influence the eventual satisfaction of needs, and are even considered as suspicious and abnormal (Bourdieu 1977: 162, 176; Zacher 1988: 28). This point was vividly brought home to me when an MFI manager in Bali complained that his microcredit customers would often focus more on the input, namely the loan itself, than plan and work for an optimal output. He also noted that over-average efforts would be considered as strange (*aneh*).[9] Obviously, such suppression stifles technical innovation. On the other hand, microfinance exerts considerable pressure to uncover and acknowledge a clear input-output consequence. Notably, input-output suppression only relates to personal productive actions garnered towards individual asset-accumulation. It does not relate to inputs given into the social system. Here, on the notion of balanced reciprocity, a clear and equal return from others for personal inputs is expected.

(2) *Fortune and misfortune are explained exogenously*. In line with the disconnection of input and output, 'sudden' riches or misfortunes are not attributed to personal skills or faults and also not to coincidence, especially when they occur repetitively. Instead, metaphysical explanations are used. In consequence, the sharing of 'sudden' fortunes, which Indonesians refer to as *rezeki* (cf. Lont 2000: 166), is necessary to move back to communal equality and a balanced cosmic order. The same applies to mutual assistance in case a misfortune befalls a community member (Platteau 1997: 768; Forshee 2006: 39).

(3) *Personal asset accumulation is discouraged*. Just as nobody is supposed to fall below a certain subsistence limit, in order to maintain social equality one should not rise too much above it either, especially in material terms. Therefore, planned and sustained asset accumulation is discouraged. If notable accumulation occurs, a considerable sharing is required - just as in the case of *rezeki* - to appease the collective conscience and preserve *rukun*. There is a wide variety of opinions on how permissive traditional societies were of wealth accumulation. Bourdieu (1977: 180; 1986) argues for very tight restrictions on economic asset accumulation, which therefore leads to more disguised ways of asset accumulation, for example in power or education. Also Armendariz and Morduch (2005: 162-163), by referring to Platteau (2000), consider that embedded moral societies allow asset accumulation only up to a certain limit in order to keep everyone dependent on collective arrangements and to prevent wealthier community members from opting out. Evers (1993: 2) and Evers and Schrader (1994a: 14) con-

[9] Interview with I Nyoman Putra Sukasana, Microcredit Program Manager of WKP, in Bali on 24 May 2008.

sider the influence of the moral economy and its consequent subsistence orientations as so strong that standard labor market theory does not apply, which in turn implies severe limits to economic asset accumulation. Alexander (1998) takes a more permissive stance. She takes the strong presence of female petty traders in Javanese markets as an indication that traditional Javanese values were indeed compatible with economic success. Rather than moral restrictions she holds structural constraints responsible for the stagnation of most petty trade. With the help of the traders' dilemma concept I will later argue why I cannot fully support this argument (see section 2.2.4). Sahlins (1965), Anderson (1972), Hefner (1998a: 28), and Schiel (n.d.,b: 8) all hold that accumulation of assets in embedded moral societies is permissible as long as at least partial redistribution occurs and an excessive self-interest cannot be discerned. This is the position I prefer to support as it has been very consistently observed. Note should be made that the Qur'an, presumably the highest moral authority for the 87 percent Muslim population in Indonesia, also prohibits excessive self-interest and instead makes generosity the moral norm (Bobzin 2001: 43). In short, asset accumulation is not easily achieved and legitimized in a moral economy. I hold that for these reasons the majority of people refrain from trying. I even assert that this opposition against self-interested asset appropriation has been deeply internalized into the habitus (to use Bourdieu's famous concept) of low-asset families in embedded societies. This reverts back to my initial comments on human aspirations as being socially constructed. Under the impact of the moral economy human aspirations may well reach as far as a safe and comfortable limit only, safe from destitution and safe from social sanctions on exceeding the socially accepted asset limit.

(4) *Assets are considered limited*. Material assets, or resources, may certainly have come to be regarded as limited in embedded moral societies because they were in fact objectively limited. But at least to some extent the idea of finite assets also makes functional sense because it legitimizes the reproach against asset accumulation. If an increase of assets for some community members automatically means fewer assets for other community members, discontent is sure to follow unless carefully managed power differentials and generosity can maintain the notion of justice (Anderson 1972; Foster 1973: 36). Also the call for the distribution of spoils of *rezeki* can be legitimized this way.

Something should also be said about the dynamics of the moral economy. Although in the dichotomy of tradition and modernity, tradition is often constructed and displayed as static and modernity as dynamic, we should guard ourselves against considering traditional norms as completely unchanging (Schiel 1985: 13; Matis and Bachinger 2004). Life changes and so do norms. Nonetheless, processes of change in embedded moral societies are slow. The idea of maintaining social equality and the consequent suppression of innovation do not lend themselves well to rapid and potentially destabilizing changes (Geertz 1968). Bourdieu (1977: 162) even asserts a strong adversity to change. Menike (1993) reminds us of the contemporary relevance of such adversity when she comments that the comparably short time frames of modern development projects and the pressure to deliver quick and tangible results can be stressful for 'project beneficiaries' who are used to much slower *longue durée* changes, and, as some say, to a rather cyclical rhythm of time (cf. Anderson 1972: 19-20). Zacher (1988: 29) contends that modern development usually overstrains the adaptive capacity, or resilience, of ‘old rules’.

As embedded moral societies move forward slowly and with a strong subsistence orientation and egalitarian tendency, the entire system can be conceptualized as nothing different but - to use Mauss’ terminology - a ‘total’ collective risk management mechanism, a description that bears a close resemblance to Scott’s “subsistence insurance” (Scott 1976: 5). This helps to enlighten more holistically than standard economic perspectives why low-asset people in developing countries (most of whom I consider to still being influenced to some extent by a moral economy) are said to be risk averse. Holzmann et al. (2003) give a prime example of such standard economic explanations when they outline the rationale behind the Social Risk Management Framework (SRM) which the World Bank introduced in 2001 (World Bank 2001):

> The basic thrust of the SRM framework is based on two important assessments: (i) The poor are typically most exposed to diverse risks ranging from natural (such as earthquake and flooding) to manmade (such as war and inflation), from health (such as illness) to political risks (such as discrimination), and (ii) the poor have the fewest instruments to deal with these risks (such as access to government provided income support and market-based instruments like insurance). These assessments have important consequences: (i) the poor are the most vulnerable in society as shocks are likely to have the strongest welfare consequences for them. For welfare reasons, therefore, they should have increased access to SRM instruments; and (ii) the high vulnerability makes them risk averse and thus unable or unwilling to engage in higher risk/higher return activities. Access to SRM instruments would allow the poor more risk-taking and thus provide them with an opportunity to gradually move out of poverty. Hence providing risk management instruments to individuals, and in particular to the poor, is both an end as well as a means to development. (Holzmann et al. 2003: 5).

Roth (2001: 25) reasons even more bluntly why low-asset people are risk averse: “It is often the case that when one has very little, one becomes very careful with the little that one has.” Such explanations rightly identify a correlation between high risk exposure, limited assets and being risk averse. To their credit it should also be mentioned that Holzmann, Roth and practically all others who argue along the same line of thought are well aware that informal risk management mechanisms exist, and even clamor for their preservation, although they consider them insufficient, particularly in the face of large-scale shocks (Alwang et al. 2001: 19; Holzmann et al. 2003: 3, 6; Dercon 2005a: 5; Cohen and Young 2007; Heydel et al. 2009: 1). Nonetheless, such scarcity focused explanations fall short of integrating two additional points brought home by the moral economy concept: (1) Low-asset people have very elaborate risk management tools and the resources mobilized to cope even with large scale risks should not be underestimated (cf. Wilhelm 2009). In fact, the entire social structure of embedded moral societies, albeit under heavy transformational pressure, is geared towards the management of risks. (2) A great deal of risk averseness is not caused by having too few assets but also for fear of having too many. The latter constitutes the premium paid for the social guarantee of subsistence. The threat from below (falling into destitution) is complemented by a threat from above (raising suspicions and risking social sanctions). Moral and economic conditions both conspire against asset accumulation. Neutralizing just one of the two may not be enough to switch into risk affine gear. Consequently, giving microcredit to low-asset people (entrepreneurial skills assumed) does not necessarily unleash frantic profit-maximizing investments and significant business expansion. This is what the MFI manager in Bali was struggling with. To facilitate this, a 'moral economy of self-interest' would have to be created first. The provision of comprehensive individual risk coverage would have to be an integral part of it because only then would the moral economy have outlived its purpose of providing collective "subsistence insurance". This leads to the conclusion that microcredit may only unfold its full developmental potential if it is backed up by comprehensive microinsurance (or formal social security for that matter). As long as the moral economy continues to exert some influence, it should not surprise MFI managers that their customers cannot but divert much of the business related microcredits they receive to non-business purposes. The requirements of the moral economy have to be fulfilled first to legitimize economic investment. For the same reason, business profits are continually being siphoned off and invested in other areas, as Alexander (1998: 216) notes in her study on Javanese markets, albeit missing out on the moral obligations underlying this behavior. I believe that much of our surprise as researchers, development experts and microfinance practitioners stems from the fact that we, with our middle-class and highly educated background, apply a Western "frame of reference" to the phenomenon rather than fathoming the depth and breadth of the local moral economy. Personally, I was initially perplexed as to why the surveyed microcredit cum microinsurance customers and their beneficiaries behaved as 'uneconomically' as they did; and I still cannot claim to have deconstructed and understood the relevant socio-cultural setting completely, if this is ever possible (cf. Geertz 2000: 7; cf. Schröter 2000: 27, 30).

2.2.3 Reciprocity and other modes of exchange

What is easy to recognize even for the more perplexed observer of embedded moral economies is the importance of reciprocity and other modes of exchange. Polanyi (Dalton and Polanyi 1968) and others (Mauss 1954: 1; Sahlins 1974: 183; Scott 1976: 176; Schiel 1994: 16) have noted a strong connection between embeddedness and reciprocity. In fact, norms of reciprocity can be regarded as a core pillar in the social structure of embedded moral societies. Scott (1976: 176) describes reciprocity "as the central moral formula for interpersonal conduct" in embedded moral societies. Gouldner (1960) supports this claim at the universality of reciprocity as a fundamental norm:

> The norm of reciprocity may be conceived of as a dimension to be found in all value systems and, in particular, as one among a number of 'Principal Components' universally present in moral codes. (Gouldner 1960: 171)

Just as the moral economy at large serves risk management purposes, so does reciprocity in particular. The academic break-through of the concept of reciprocity is widely attributed to French sociologist and ethnologist Marcel Mauss (1925), although other scholars have been concerned with systems of reciprocal exchanges before him, for example Malinowski (1922, reprint 1987). Mauss' seminal work "The Gift" was originally published in French in 1925 (English in 1954). Therein he analyzes the processes of exchange and the process of reciprocal gift-giving in particular within the context of traditional societies. Mauss identifies a three-staged process consisting of the obligation to give, the obligation to receive and the obligation to make a counter gift (1954: 37-41). Most important is his identification of gifts as obligatory instead of voluntary. He states:

> In . . . many . . . civilizations contracts are fulfilled and exchanges of goods are made by means of gifts. In theory such gifts are voluntary but in fact they are given and repaid under obligation. (Mauss 1954: 1).

The details of the gift-giving process and its related obligations are governed by the particular cultural norms of the respective society. However, just like Sahlins and Gouldner after him, Mauss nonetheless contends that the basic principle that gifts create obligations is universal.

In short, every gift creates a debt for the recipient and, as Robinson (2001: 244) rightly adds, a saving for the giver. Furthermore, Mauss (1954: 71, 72) contends that gifts are never free of self-interest. This assertion is later supported by other authors such as Sahlins (1974: 180) and especially Bourdieu (1977: 173). To Mauss, even Malinowski's 'pure' gifts (Malinwoski 1987: 177), such as gifts given among spouses, are to some extent imbued with self-interest (Mauss 1954: 71), and so are charity and act of generosity. Mauss explains charity to be driven by the moral obligation not to appear selfish and greedy in a society where excessive wealth and individual happiness are held to draw a vengeance from spiritual forces. Charity therefore contributes to maintain the minimum balance of justice in a society. Generosity on the other hand, such as displayed in lavish feasts, is essentially status creating and status maintaining (Mauss 1954: 15-16, 41, 72), which is another of many assertions adopted and furthered by later authors, for example Bourdieu (1977: 192). Notably, Mauss' groundbreaking thoughts on exchange have continued to fascinate scholars of anthropology and ethnology and led to further diversification and specifications of the concept of exchange (cf. Hüsken and Koning 2006: 16).

Reminiscent of Mauss, Polanyi classifies three forms of exchange: reciprocity, redistribution and market-exchange (Polanyi and Dalton 1968). Polanyi defines reciprocity as obligatory gift-giving between kin and friends, and redistribution as obligatory payments to a central political or religious authority, which uses the receipts for (1) its own maintenance, (2) to provide community services, and (3) as an emergency stock in case of individual or community disaster. For Polanyi, reciprocity and redistribution are socio-economic transactional modes and the dominant forms of exchange in embedded societies. Market exchange, on the other hand, dominates in disembedded societies and differs from reciprocity and redistribution in that it is not an expression of social obligations. This makes it appear especially economic (Polanyi and Dalton 1968: xii, xiv). Sahlins (1965), departing from Gouldner (1960), provides an even more nuanced classification. He subdivides reciprocity into general, balanced and negative reciprocity (Sahlins 1965: 147-149). General reciprocity designates transactions which are putatively altruistic such as Malinowski's 'pure' gift or the care of parents given to their children. Such acts are not explicitly accounted for and create no counter-obligation. This does not mean, however, that a return may not be implicitly expected in the distant future. Such return, however, may take whatever form, does not need to be matching and is only appropriate if conditions allow for it. Sahlins also considers the relationship between assistance given today and assistance returned much later - if possible and necessary - as exchanges of general reciprocity. To Sahlins, traditional mutual assistance arrangements would therefore be exchanges of general reciprocity; a conclusion, which I would like to challenge in a moment. According to Sahlins, balanced reciprocity takes the middle ground between general and negative reciprocity (cheating, chicanery, theft). It also takes a middle ground between social and the economic interests. Ideally, in balanced transactions accounts are evened immediately or within a short time-frame. The counter-obligation is not left unfulfilled for long, and the value of the return has to match the value of the initial prestation. Here, it is important to note that transactions of general and balanced reciprocity are usually understood as non-monetary transactions, where goods and services in the broadest sense are exchanged for other goods and services without the intermediation of money. This does not mean that monetary prestations such as the parents' financing of their child's university studies cannot be subject to the rules of balanced or generalized reciprocity. In the sense of Sahlins, monetary market exchanges can be seen as the strictest form of balanced exchange,[10] although he insists that however strong the utilitarian value of a balanced exchange is, there is also always a 'moral' purpose to it (1965: 175). Sahlins adds another twist to balanced reciprocity in that he emphasizes that (in the absence of money as an intermediary) the accounts in a balanced transaction are only getting close to even, but are never exactly equivalent. He uses bride prices as an example where women move against hoes or cattle, goods of exchange which can hardly be called perfectly comparable. A "shadow of indebtedness" therefore remains and is socially endorsed (1965: 177). Otherwise balanced reciprocity would tend towards self-liquidation. Long term arrangements such as the Indonesian *slametan* or other "rotating communalism patterns", as Geertz (1962: 245) calls them, could not function properly. At a traditional *slametan* for example, the visitors help with food preparation, give moral support, and hold prayers in return for a lavish meal (Muhaimin 1995: 137). This constitutes an immediate balanced reciprocity of labor and services in return for food, and would, if a "shadow of indebtedness" would not remain, not necessitate the assistance of the original *slametan* holder at a future *slametan* of any of the participants.

Regarding redistribution, Sahlins defines redistribution as a "collection from members of a group, often under one hand, and redivision within this group." (1965: 141). For Sahlins, redistribution is pooling that can assume large scales. Moreover, he regards redistribution as "a system of reciprocities" (1965: 141) which I take to understand as an aggregate of reciprocities, or, more precisely, an aggregate of generalized reciprocities. The boundaries between generalized reciprocity and redistribution are therefore fluent (Sahlins 1965: 163; Spicker 2003: 6). Sahlins' understanding of redistribution closely resembles Polanyi's. The difference relevant to our discussion is that he strongly, but not as exclusively as Polanyi, attaches redistribution to a central political or religious power. This opens the door for insurance as a non-political, non-religious instrument to be considered in the context of reciprocity and redistribution, a question to which I will return in a moment.

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[10] I am grateful to Professor Schiel for pointing this out to me.

As we have already moved from Mauss over Polanyi to Sahlins, we even need to take a further step to arrive at the concept of reciprocity and redistribution that I would like to employ for the further discussion. Firstly, Hüsken and Koning (2006: 16), who analyze local ways of managing insecurities in Indonesia, expand on the time dimension of reciprocity in that they propose the idea of "indirect balanced reciprocity". Indirect balanced reciprocity means that the expected balancing of accounts does not necessarily have to take place over the short-term, as Sahlins maintains, but can be postponed into a distant future. Koning (2006: 29, 50) consequently regards traditional forms of collective assistance arrangements in Indonesia, such as *gotong royong* (mutual assistance, doing things together), *sumbangan* (contribution) and *bawon* (harvest share), as transactions of indirect balanced reciprocity, while according to Sahlins' definitions they would have to be described as general reciprocity. Koning and Hüsken do not only base this diversion from, or rather this further specification of Sahlins' exchange concepts on their own research in Indonesia but also on a seminal work by Platteau (1997). In his research on communities of Senegalese fishermen Platteau found their so-called informal insurance or risk-sharing arrangements to be both heavily institutionalized and based on (indirect) balanced reciprocity:

> When they enter into such arrangements members of these communities are guided by a principle of balanced reciprocity (they expect a return from any contribution or payment they make) rather than by a true logic of mutual insurance. More precisely, they do not conceive of insurance as a game where there are winners and losers and where income is redistributed between lucky and unlucky individuals. (Platteau 1997: 764)

Platteau found the same concept to be prevalent among slum dwellers in Nairobi and therefore asserts that (indirect) balanced reciprocity is the pervasive norm in traditional societies. However, Platteau softens his stance somewhat in that he understands balanced reciprocity in a rather loose sense allowing, not unlike Sahlins, for some discrepancy to arise between gifts and counter-gifts (1997: 770, 782, 785). I indeed prefer the position of Platteau (1997) and Hüsken and Koning (2006) over Sahlins'. This is because (and here I have to foreclose some of my more specific research results) the question of a premium refund at contract end in case of 'non-usage' of *Payung Keluarga*, that is, in the absence of a claim, was in fact the most frequently asked customer question. This is a clear expression of the customers' expectation of a return from any contribution or payment they make, especially because the premium itself was not perceived as expensive. It was a question of principle rather than a question of economic need.

Spicker (2003) adds a last specification to the concept of exchange. He outlines that in reciprocity, or generalized exchange, as he calls it, the recipient of the return gift does not necessarily have to be identical with the original giver:

> In generalised exchange, the people to whom a return is made are not necessarily those who have contributed, and the people who receive are not necessarily those who have given. The circle of exchange does not have to be completed. (Spicker 2003: 2)

He uses family care as an example where direct reciprocity (original giver is recipient of counter-gift) and generalized reciprocity (original giver does not have to be same as recipient of counter-gift) are closely interwoven:

> People are responsible for the care of their elderly relatives both because of direct reciprocity, and because of a generalised obligation because the old people cared for their parents before them. They have an obligation to look after children - and, even, in some views, to have children because their parents looked after them. Once more, however, these relationships are complicated by other factors and other norms. (Spicker 2003: 4).

This quotation again indicates how reciprocity is always cast into a moral framework, and, as Gouldner (1960: 170) already noted, constitutes only *one of several* principal norms that influence human actions and transactions.

In summary, if we speak of exchanges, three classifying variables seem to be of particular importance: (1) the type of exchange, (2) the timing of the counter-gift, and (3) the recipient of the counter gift. Table 1 summarizes the various combinations of these variables.

Table 1: Classification of exchanges

Type of exchange	Timing of counter-gift	Recipient of counter-gift
Reciprocity		
Negative	direct or indirect	direct
Balanced	direct or indirect	direct or indirect
General	indirect only	direct or indirect
Redistribution	direct or indirect	largely indirect, only conditionally direct
Market	direct or indirect	direct or indirect

Examples for each combination are provided in annex 3. Here, I limit myself to two examples only: An example for an exchange of negative reciprocity with indirect timing and direct recipient would be a false marriage entered into by the spouse with fewer assets with the goal of a later profitable divorce. The second example is more intricate and shows how market-exchanges are used to fulfill the norms of general reciprocity: Here, a grown-up child pays for a professional nursing service to provide care for his elderly parent. The child does this in order to make up for the child rearing provided by the parent much earlier, which makes for a case of general reciprocity of indirect timing and with a direct recipient. However, following Spicker (2003), this will also obligate the child to take care of the grand-children, which makes the grand-children indirect recipients of the counter-gift for the original child rearing between parent and child. And thus this chain of interwoven general reciprocities of direct and indirect recipients is perpetuated. The involvement of a professional nursing service adds a market exchange to the picture. This market exchanges is characterized by direct timing (payment and delivery of nursing service occur more or less simultaneously) and by the parent as an indirect recipient of the counter-gift, which is of course no longer a gift but a formal debt. Correspondingly, Schiel (1994: 17) notes that the dividing lines between gift and debt are rather blurry. It also needs to be noted that each of the various presented classifications of exchange represents in fact an *idealtypus* in the sense of Max Weber (1988: 191), namely an exaggerated, simplified and idealized reflection of a complex social phenomenon, which does not occur in such pure form in the social reality. Accordingly, Sahlins speaks of reciprocity as a “continuum of forms” (1965: 144). As our second example illustrates, even multiple forms of exchange can intertwine. It is therefore often difficult to discern what kinds of single or multiple types of exchange we are really dealing with.

Generally, the applied type of exchange depends on social distance, which in traditional societies is often equivalent to spatial distance. The closer the social and spatial distance, the more we see general reciprocity. General reciprocity is particularly dominant within the family and the immediate social network. Balanced reciprocity is more salient in dealings with distant relatives or unrelated community members. Negative reciprocity is most likely to occur in exchanges with complete strangers from outside the community (Sahlins 1965: 144; Bourdieu 1977: 173-174). The cheating of a kin is not accepted, but the cheating of a stranger may well be. As in the case of the moral economy in general, in traditional societies, the moral standards applied to exchanges are therefore not universal but concrete.

Sahlins (1965) and Bourdieu (1977) note the special role that trade plays in this interplay of social distance and reciprocity. Trade can overcome the spatial boundaries connected to social distance. For example, informal long-distance trade strongly depends on balanced reciprocity or even market-based exchanges. In fact, trade is best done with relative strangers because the exchanges can assume a more calculating and economic character (Bourdieu 1977: 173; Koning 2006: 39). However, traditional market exchanges cannot do without at least a limited showing of general reciprocity. The occasional generous gift helps to integrate a basically balanced trading relationship into a long-term social relationships, into a “good faith economy” as Bourdieu calls it (1977: 173). Gouldner (1960: 176-177) and Sahlins (1965: 161) regard gifts as the ideal “starting mechanism” to initiate social relations, not the least relations of trade: “If friends make gifts, gifts make friends” (Sahlins 1965: 139). Generous gifts in trading relationships serve to mitigate the risk of negative reciprocity. They create a moral obligation to reciprocate on equal or even better terms. Evers and Schrader (1994b: 64) capture this well in saying that “trust is costly, but lack of trust is even more so.” I argue that much of the above still holds true even in highly globalized and formalized modern market economies. Notion should also be made that general reciprocity is not only capable of fostering trade relationships with external parties, but that within a group, generosity creates leadership. The greater the generosity shown the smaller is the likelihood that the respective recipients can live up to their counter-obligation and the more they remain indebted to the benefactor. In this sense, Bourdieu (1977: 195) concludes that “giving is also a way of possessing.” Strongly connected to this status creating function of general reciprocity is its inflationary tendency. Already Mauss notes that general reciprocity, accumulated to redistribution, has a strong inflationary drive when used in showings of status. As he describes the redistributive *potlatch* ritual, Mauss (1954: 40) maintains that “normally the potlatch must be returned with interest like all other gifts. The interest is generally between 30 and 100 per cent a year.” Also Schrader (1994: 38) attests to this tendency, as does Haar (1948) when he writes on *adat* (traditional law) in Indonesia:

> An over-balance accrues to the advantage of the person who gives more than he receives. Therefore, giving more than you receive comes to be a desire, a duty, or even an act of preservation of your own respectability. (Haar 1948: 131)

Price inflation is only kept in check by the scarcity of valuables (Schrader 1994: 38). Under scarce conditions (duly acknowledging that the idea of scarcity is constructed), common people of traditional societies are more concerned with the maintenance of their carefully balanced assistance systems for their own “subsistence insurance” (Scott 1976: 5), rather than with status production. However, for those who have the means to show generosity, such as the leading political figures, generosity becomes ever more important the more they are able to show it. General reciprocity therefore increases with social inequality and vice versa. Sahlins (1965: 165) speaks of a certain *richesse oblige*, namely that the rich are morally obligated to assist relatives and community members in need. In that sense, even when occupied with status production, the wealthier community members of traditional societies are still tied to the rules of the moral economy. This means that, as noted above, excessive and self-interested asset accumulation is frowned upon and socially sanctioned, especially regarding material assets (cf. Scott 1976: 41).

So far, the discussion has focused on exchanges between humans. In embedded societies, where religion is not separated from the economic sphere, exchanges have a strong spiritual element as well. Exchanges work on a horizontal axis between humans as well as on a vertical axis towards the spiritual realm. A first indication is the already stated example of the *slametan* visitors who offer prayers and receive food in return. Mauss (1954) goes even further:

> Among the first groups of beings with whom men must have made contracts were the spirits of the dead and the gods. They in fact are the real owners of the world's wealth. . . . Sacrificial destruction implies giving something that is to be repaid. . . . This is expressed typically by the Toradja of the Celebes. Kruyt tells us that the 'owner' can 'buy' from the spirits the right to do certain things with his or rather 'their' property. (Mauss 1954: 13-14, referring to Kruyt 1923)

Based on the Maori exchange customs that he has analyzed, Mauss (1954: 8-10) even assigns a spiritual life to the gifted items themselves. In a similar line of thought, Bourdieu refers to the subjective and personalized character of arable land when he reports on the Muslim Kabyle in Algeria:

> The land is never treated as a raw material to be exploited, but always as the object of respect mixed with fear (*elhiba*): it will ‘settle its scores’, they say, and take revenge for the bad treatment it receives from a clumsy or over-hasty farmer. . . . ‘Give to the earth and the earth will give to you’, says a proverb. This can be taken to mean that in obedience to the logic of gift exchange, nature bestows its bounty only on those who bring it their care as a tribute. (Bourdieu 1977: 175)

Sahlins (1974: 156), however, criticizes Mauss’ analysis of Maori exchange customs, and doubts that there is anything particularly spiritual about them. Also on a general level, Sahlins questions the spiritual component of reciprocity and suggests a more rational and secular approach:

> Since Mauss, and in part by way of rapprochement with modern economics, anthropology has become more consistently rational in its treatment of exchange. Reciprocity is contract pure and mainly secular, sanctioned perhaps by a mixture of considerations of which a carefully calculated self-interest is not the least. (Sahlins 1974: 180)

Therefore, seen from an etic perspective, the spirituality of exchange may well be interpreted as a vehicle and disguise for worldly pursuits. The question is a tricky one and I refrain from delving too deeply into it. What I can certainly contend based on my observations in Indonesia is that seen from an emic perspective the vertical spiritual axis is definitely important. Although it is a well-known sociological perspective that religions are not decreed by God but socially constructed by human beings to fulfill certain human needs (Appelbaum and Chambliss 1997: 331), this disenchanted perspective was certainly not consciously reflected by the interviewed *Payung Keluarga* customers and beneficiaries. Even if much of the autochthonous spirit beliefs in Indonesia have been supplanted by Islam, this world religion asserts a different, but no less strong existence of spiritual reciprocity. Mauss (1954) and Bobzin (2001: 42) underline this point. Mauss refers to Sura 64:

> The famous Sura LXIV, 'Mutual Deception', given at Mecca to Mohammed, says: 15. Your possessions and your children are only a trial and Allah it is with whom is a great reward. 16. Therefore be careful [of your duty to] Allah as much as you can, and hear and obey and spend (*sadaqa*), it is better for your souls; and whoever is saved from the greediness of his soul, these it is that are the successful. (Mauss 1954: 75)

In fact, throughout the Qur'an the idea is constantly promoted that good deeds, good faith exchanges and even more so charity will be rewarded by worldly and even greater - and clearly inflationary - after-worldly benefits.[11] Just as frequent are the admonishments which the Qur'an gives on the divine retribution should a man engage in acts of selfishness and negative reciprocity.[12] Not surprisingly then, the giving of alms as the religiously sanctioned obligation for general reciprocity is one of the five pillars of Islam. The other four are the Confession of Faith, the daily prayers, the fasting during Ramadan, and the pilgrimage to Mecca. In fact, Geertz (1960: 122) concludes that all five obligations taken together serve the purpose of avoiding an adverse decision on Judgment Day. The idea of balanced accountability at Judgment Day is very strong in Islam. All worldly deeds are done under divine vigilance and will be exactly reciprocated in the afterlife, although the ideas of mercy and, as noted, even inflationary rewards exist (Bobzin 2001). By and large, this makes a system of vertical balanced reciprocity with indirect timing, and a system that believing Muslim are doubtlessly convinced of.

A last point to be made on reciprocity is that the norms that govern balanced, maintenance oriented reciprocity and general, status oriented reciprocity, are not necessarily liked by eve-

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[11] See for example Sura 2, 272-273; Sura 9, 71-72; Sura 10, 26; Sura 19, 76; Sura 92, 5-7.

[12] See for example Sura 9, 67-69; Sura 92, 8-11.

ryone living under their reign. Rankin (2006) illustrates this observation on the basis of her research on the Newar in Nepal. The Newar are known for their highly active religious and cultural associations called *guthi* which at times also distribute microcredit. Rankin poignantly summarizes her interviews with *guthi* members:

> [They] often describe the norms of association entailed in mandatory membership as exacting onerous, if not unbearable, costs in terms of time, labor, and money. These costs accrue most notably through the feasting obligations that punctuate all life cycle rituals, ancestor worship, festivals, and other occasions for propitiating the deities. Members endure these obligations, often at the expense of basic material comforts, only to escape the even more burdensome social sanctions against nonconformity - tantamount, in some cases, to excommunication from Newar social life. (Rankin 2006: 101-102)

Along the same lines, Scott (1976: 6) contends that in South-East Asia the observance of reciprocity norms is based on necessity, not on altruism. This reprises the point earlier made on the necessity-based emergence of an egalitarian ideology in embedded moral societies (cf. section 2.2.2) Regarding Indonesia, Hüsken and Koning (2006: 14) as well as Haar (1948) make the same point. Haar (1948: 133) speaks of "the dictates of what is at times a scrupulously controlled equivalence." Nonetheless, mutual assistance networks governed by rules of balanced reciprocity are often the only option for people to maintain adequate living standards. There are simply no better alternatives available. But if there are, people can be quick to leave the system. As soon as they are confident to get by on their own over the long term, their adherence to moral norms of reciprocity weakens drastically. Schrader (1994: 38) notes that "with increasing surplus production successive distributions lose their function." Increasing living standards in developing countries, coupled with migration and urbanization and other symptoms of modernization, do create such opportunities for escape.[13]

After this elaboration of concepts of exchange and reciprocity it is time to turn to the two questions I have already raised before in connection with embeddedness: (1) How does microinsurance fit into the concept of exchange in embedded moral societies, and (2) in what way is the concept relevant in contemporary Indonesia in general and on microinsurance impact in particular? First, I return to the question regarding the placement of microinsurance within the presented classification of exchanges. Here, to be clear, I refer to microinsurance as a formal risk management arrangement that relies on a true system of resource pooling and risk pooling financed by premium contributions which produces 'winners' and 'losers', to stick with Platteau's terminology (1997: 764). 'Winners' are those who receive a compensatory payout during the contract term based on the occurrence of the insured risk. This payout is far larger than their original premium contribution. 'Losers', on the other hand, are those who do not experience the insured risk during the contract term, who therefore cannot lay claim on a

[13] In support of this line of thought, I am thankful to Professor Bernhard Dahm for providing the account of a Vietnamese student of his at the University of Passau, who, upon return to his home village, refused to hold the traditional feast of reception and preferred the consequent social ostracism - simply because he could afford it. He moved to Hanoi and took up work as a well paid university lecturer. I experienced a similar incident in Indonesia where a business man from Nias explained to me that he had not returned to his home village for twenty years because his relatives would demand an outrageous share of the fortune he had made 'abroad'.

compensatory payout, and who consequently ‘lose’ their initial contributions. The number of ‘winners’ has to be much smaller than the number of ‘losers’. Otherwise the described insurance principle wouldn’t work, and the pool would run dry quickly. The ‘losers’ however, could consider themselves fortunate not to have experienced the insured risk in the first place.

According to Spicker (2003: 2) “systems of social protection, insurance and pooled risk commonly work on norms of generalized rather than balanced reciprocity: the people who receive are not necessarily the people who pay.” Schrader (1994: 38) and especially Platteau (1997) argue accordingly. Platteau (1997: 767-768) speaks of “conditional reciprocity” to distinguish insurance from the traditional mutual assistance arrangements that he found to be firmly based on balanced reciprocity. Platteau also identifies insurance as a redistributive system that follows from the operation of a mechanism of “conditional reciprocity”. I therefore consider microinsurance to consist of a great number of conditional reciprocities accumulated to a system of conditional redistribution. In line with the classification system suggested in table 1, the timing of the counter gift in insurance is indirect because in general payouts (if any) occur considerably later than the premium payments. The recipient of the counter-gift can be a direct or indirect recipient. In case of most non-life insurance and many health insurance contracts, the insured directly receives the compensation. In case of life insurance (without a savings element) not the insured, but the beneficiaries receive the payouts. Conditional reciprocity itself occupies a place somewhere along the continuum between general and balanced reciprocity. This is because generally speaking the individual insured cannot expect a payout due to the low frequency of payouts, but under specific and well-defined circumstances an exceptionally high return-gift, the payout, is guaranteed and therefore conditionally and explicitly expected. In fact, because of the higher likelihood of ‘losing’ than ‘winning’, conditional reciprocity seems to be closer to general than to balanced reciprocity.

If we only looked at mutual insurance in its purest form where a defined social group gathers to pool risks without external intermediation and without a for-profit objective, the discussion would be finished here. However, in case of the commercial variant of insurance, as represented by *Payung Keluarga*, an element of market-exchange slips in as well in two ways: (1) On top of the premium used to cover the insured risks, the insurance company is paid an additional fee in return for certain management, administration, and marketing services. This arrangement is therefore a pure market-exchange which facilitates the underlying conditional redistribution system. (2) In order to understand the second influence of market-exchange on insurance we have to recall that both Polanyi (Polanyi and Dalton 1968: xii, xiv) and Sahlins (1965: 148) regard the presence of a social component as a necessary characteristic for balanced reciprocity and even more so for general reciprocity. But where is the social element in formal microinsurance? This depends a lot on the way microinsurance is marketed. Commercial insurers do not usually emphasize the collective element inherent in the risk pooling mechanism. Instead, they put individual protection in the foreground of their marketing. The marketing of conventional insurance is mostly targeted at middle- and upper-class customers who supposedly respond most positively to images that display the individualized happiness of well-protected middle-class families living in nice houses with pretty lawns. Instead, images invoking the feeling of belonging to a great ‘standardized’ mass of people sharing exactly the same aspiration, would only mar the picture. Consequently, customers of the same insurance company usually develop even less of a group feeling than taxpayers do. On the other hand, providers of Islamic insurance, which is also known as *takaful* insurance or *syariah* insurance, tend to put more emphasis on the collective risk pooling element of insurance. Not surprisingly, they also add a religious touch to their marketing. These efforts render the insurance to appear more social because the social horizontal and the spiritual vertical axis of conditional redistribution are appealed to. Not least of all, this also serves to distinguish *takaful* providers from their conventional competitors. Although *Payung Keluarga* was not a *takaful* but a conventional product, Allianz also tried to emphasize the social asprect of risk pooling in the marketing of the product. This was done in order to mitigate the strong expectations of a premium refund which I have already mentioned. Moreover, the fact that microinsurance was mostly distributed to low-asset female micro-borrowers organized in groups only seemed conducive to conveying microinsurance as a collective social experience. On a technical level then, microinsurance is certainly operating as a system of conditional redistribution. Socially speaking, however, microinsurance can oscillate from conditional redistribution to pure market-exchange. It can be perceived as a collective or individualized risk management tool. The overwhelming practice, however, is to regard microinsurance as an individualized risk management tool (Wilhelm 2009: 20). I will generally follow this practice.

This brings us to the second question, namely how reciprocal patterns are changing in Indonesia in general and under the influence of microinsurance in particular. I will consider the general trends on a macro-level in section 4.1. Regarding microinsurance, however, what should have already become clear is the magnitude of change to key norms of social life which the advent of microinsurance brings with it. Traditionally, balanced reciprocity was the norm of collective risk management arrangements. Moreover, such arrangements form a key element of the embedded moral societies and therefore of social structure. Now, with microinsurance, the idea of conditional reciprocity akin to generalized reciprocity is introduced, moreover in highly formalized, legalized and commoditized form, and added with an individualized touch. Even in the case of mutual insurance or in the case of socially marketed commercial insurance, the paradigm shift in reciprocity principles is clear. The fact that such a major paradigm shift does not leave the underlying embedded social structure unaffected is obvious. On a rather theoretical level we have therefore already identified microinsurance as an agent of social change.

Unfortunately, there has been little discourse so far on how microinsurance affects social structure. It is not that the question has not been asked, but it has been barely discussed and even less researched (Attanasio and Ríos-Rull 2000: 1257; Dercon 2005c: 444; Armendariz and Morduch 2005: 195; Wright 2006: 155). One of the few to have touched on the issue in more detail is of course Platteau (1997) with his conclusion that traditional collective risk management is based on balanced reciprocity rather than the conditional reciprocity of proper insurance schemes. He notes that the two approaches make for an entirely different “frame of reference” which made it challenging for him to discuss insurance with the Senegalese fishermen (Platteau 1997: 770). Unfortunately, Platteau’s clear cut analysis stops short of posing the question what social impact a shakeup of the fishermen’s frame of reference may have. Here, Wilhelm (2009) goes further when he hypothesizes what impact the introduction of flood microinsurance could have on collective risk management and social cohesion among low-asset urban *kampung* dwellers in Jakarta. In an urban Indonesian context, *kampung* is a synonym for generally low-asset neighborhoods with a high population density, small houses and narrow alleys which have nonetheless preserved a village-like atmosphere somewhat removed from the big city bustle (cf. Newberry 2007: 1300-1301). Severe flooding is an ever-recurring event in the *kampung* surveyed by Wilhelm. This has led its inhabitants to develop sophisticated mechanisms of risk adaptation and collective risk management. Wilhelm casts his analysis into a framework of integrated vulnerability analysis rather than a framework of embedded reciprocity. Moreover, unlike me, he has no opportunity to analyze actual impacts of the introduction of mircoinsurance but can only speculate on its potential impacts. With this different approach and research setting it is telling that he nonetheless arrives at conclusions similar to my own. He forecasts flood microinsurance to largely substitute rather than complement effective collective risk management strategies. According to Wilhelm, this crowding out effect will promote erosion of cooperative social cohesion and even on collective participatory involvement in administrative and political affairs.[14] In chapter 7, I will present the empirical substance to support my similar conclusions, which - it should be noted - can also be framed positively as liberating the insured from collective norms and pressures.

2.2.4 The traders' dilemma

Evers and Schrader (1994a) define the traders' dilemma as follows:

> . . . the dilemma faced by traders . . . out of their moral obligation to share proceeds with kinsfolk and neighbors, on the one hand, and the necessity to make profits and accumulate trading capital, on the other. (Evers and Schrader 1994a: 5).

The traders' dilemma as an analytical concept was introduced by sociologist and South-East Asian scholar Hans-Dieter Evers (Evers et al. 1991). It is one of the few analytical concepts that have originated from South-East Asian studies which hold the potential, although to date only tentatively realized, to be applied to other areas of research (cf. Van der Grijp 2003; cf. Korff and Schröter 2006: 65, 68). For my own analysis on the impacts of *Payung Keluarga*, the traders' dilemma is especially relevant because most insured were female petty traders. Here, the traders' dilemma can enlighten further why the businesses of these traders' tended to get stuck on a certain economic level, despite their access to microcredit (see section 3.2.7). I suppose that a great many development experts, economists and microfinance practitioners would benefit and overcome some of their surprise when analyzing this question from a traders' dilemma perspective. Evers and Schrader (1994a) rightly point out:

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[14] It is noteworthy that a recent microinsurance market study on disaster risk commissioned by GTZ and MunichRe (Heydel et al. 2009) in the same areas where Wilhelm undertook his research comes to directly opposite conclusions: A high demand for flood microinsurance among low-asset *kampung* dwellers is asserted and beneficial development impacts are forecast. Wider social impacts are not discussed. Based on these findings, the recommended index-based flood microinsurance was introduced by MunichRe and GTZ in May 2009 (GTZ 2009b).

> The traders' dilemma does not arise when the traders' position is seen with purely economic eyes. This is due to the embeddedness (Polanyi) of economic activities into the society as a comprehensive whole. (Evers and Schrader 1994a: 5)

Therefore, the traders' dilemma is clearly a sub-concept of embeddedness and the moral economy. It can only be applied successfully in such a larger analytical framework. Moreover, it is closely aligned to the concepts of reciprocity and other exchanges outlined above. Only where egalitarian tendencies among kin, friends and neighbors exist and generosity is obligatory can the traders' dilemma arise in the first place. The good thing, and the real strength of his proposition, is that Evers (1994a) does not stop at outlining the traders' dilemma; he also presents five distinct options for overcoming it:

(1) *Immigration of trading minorities*. Jews and Chinese are classic examples of trading minorities who can conduct business on more explicitly economic terms because the norms of the non-universal moral economy do not apply to them, which in turn comes at the price of new risks such as discrimination.

(2) *Formation of ethnic or religious groups*. One example for this solution are the fervently Muslim *santri* traders who are renowned for their business acumen (Geertz 1963; Alexander 1998: 204). In fact, it may well be that in general their business skills are not above average, but their exposed religious orthodoxy insulates them from suspicions of economic self-interest and enables them to leverage their business skills especially well. I hold that such functionality may, as one of many other factors (cf. Hefner 1998b; cf. Schröter 2007), contribute to the recent revival of Islam in Indonesia. It legitimizes the more assertive pursuit of increasing economic opportunities. In the more extreme case of the formation of an entirely new religion or ethnicity, the moral economy would lose its 'jurisdiction' on its members due to its non-universal character.

(3) *Accumulation of status honor*. This relates to general reciprocity and redistribution. Generosity can allow for considerable leeway in trading transactions and accumulation of economic assets. Even more so, it allows for accumulation of honor, status and power; that is, assets which Bourdieu (1977) calls symbolic capital and which he considers interconvertible with economic capital. However, the risk of a sudden loss in legitimacy looms in case overt self-interest (*pamrih*) is detected and socially sanctioned (Anderson 1972). Moreover, the display of generosity requires sufficient means and significant skills in economic management and power management, which after all makes this solution a rather restricted one.

(4) *Emergence of a cash-and-carry petty trade*. Establishing and remaining in a state of petty trade helps to keep a low profile. This in turn guarantees that at least a small economic profit can be accumulated without being subjugated to the redistributive pressures of the moral economy. This is the solution most relevant to the microinsured petty traders. It explains why they do not aspire for unlimited growth. According to the "double fortune / double blow" dilemma of microfinance this could only change if sufficient risk insurance is provided from other sources, for example microinsurance in combination with microcredit. The contentment with petty trade also explains the extreme differentiation of trading networks in terms of the

number of traders offering similar or often identical goods and services. This is because compared to the other options, petty trading is the easiest solution to at least partially solve the traders' dilemma. It does not require many resources and much collective action, but it also does not lead very far. This is why I differ from Alexander (1998) when she claims:

> The main reason Javanese, by and large, remained mired in petty commerce until very recently was nor a lack of desire or ability bur the practical difficulties in effectively appropriating the finance and labor of others. (Alexander 1998: 215)

I maintain that this explanation is valid but does not display the full picture. Through the impediments of the moral economy and the resulting traders' dilemma, voluntarily stagnation was certainly also involved, in addition to more immediate structural constraints like access to labor and finance.

(5) *The depersonalization (disembedding) of economic relations*. The disembedding of the economy is of course the most thorough solution to the traders' dilemma. It is also a large and *longue durée* process which individual actors can hardly influence. In a way it is the most collective solution to the traders' dilemma.

Finally, our discussion has come all the way from the overarching concepts of embeddedness and the moral economy to reciprocity and the sub-concept of the traders' dilemma. Although I have so far revealed little of my detailed research findings, the importance and complexity of the socio-cultural context in which *Payung Keluarga* was implemented should already have become clear. This context is decidedly different from highly modernized and industrialized societies in Western Europe and North America. As the two respective "frames of reference" encounter via *Payung Keluarga*, a certain irony arises: The petty traders covered by *Payung Keluarga*, a product that Allianz perceives as a social business (see section 4.4.1), are actually engaged in heavily socialized businesses. Following the "double fortune / double blow" dilemma of microfinance, Allianz' social business will eventually contribute to making these businesses more economic. The 'social business' of a multinational cooperation will, to a certain extent, de-socialize the activities of its customers.

2.3 On rationality

Where does the surprise stem from that external observers, including myself, experience when microfinance customers make unanticipated and apparently uneconomic uses of their microcredits and microinsurance payouts? Why are we tempted to denounce such behavior as irrational? Here the question of rationality deserves some scrutiny. As researchers and microfinance practitioners, we often approach the interpretation of observed behavior with a totally different "frame of reference" than the customers. Our "frame of reference" is not the embedded moral economy with its reciprocity norms and particular dilemmas. I hold that our "frame of reference" is rather conditioned by a disembedded state that I associate with Western societies. If we are not clear on the matter of rationality, the interpretation of the behavior of the microfinance customers (and thereby microfinance impacts) may be ethnocentrically skewed and at worst terminate in the condescending classification of the customers' behavior as irrational and instinctive (cf. Bourdieu 1977: 177-178). My concern follows that of Thompson (1971: 76-77) and Scott (1976: vii) who strove to refute the widely held impression that food riots and peasant rebellions were spontaneous, irrational, and instinctive outbursts of violence.

The rationality that we usually have in mind during impact assessments is a singular means-end rationality. The rationality that the customers apply to the matter can be very different. In fact, many types of rationalities exist and could, even simultaneously, be at play. Max Weber maintains that our reality is socially constructed, and so are our concepts of rationality (Bayer and Mordt 2008: 20). Next to customs and emotions, Weber classifies value-oriented-rationality and means-end-rationality as ideal types of action motivators. Actions motivated by value-oriented-rationality are guided by external norms and expectations which the actor perceives to be imposed on him. A weighing of possible consequences does not take place. The action is an end in itself. On the other hand, actions driven by means-end-rationality include a careful evaluation process of the means that could be applied to achieve a certain end and of what intended and unintended consequences may arise. The end to be achieved by means-end-rationality may be defined by norms and values, but not necessarily. In absence of norms and values, means-end-rationality tends towards a maximization of subjective individual utility. Weber notes that from a perspective of means-end-rationality value-oriented-rationality is actually irrational, and increasingly so the more absolute the subscribed values are set (Buss 1985: 11; Bayer and Mordt 2008: 87). Weber also notes that the process of modernization brings with it an increased dominance of means-end-rationality over the other three action motivators. According to Weber, this eventually leads to the disenchantment of society, a process not least promoted by modern scientific research (Bayer and Mordt 2008: 16).

Disenchantment and disembeddedness do not only bear a certain phonetic resemblance, but also strong conceptual similarities along historic and spatial lines. Where disembedding in Polanyi's sense occurs, so does disenchantment in Weber's sense. As researchers, our strong coding on means-end-rationality causes the temptation to declare value-based actions as irrational. Fortunately, awareness of this caveat and efforts to mitigate it are supported by many researches, especially in the field of sociology and ethnology. Korff (1994: 213) therefore proposes a much broader definition of rationality: "Rationality means . . . that what a person does makes sense to him or her." I would like to follow this more culturally sensitive definition and modify it slightly by replacing "rational" with the more neutral term "reasonable". Reasonable is what makes sense to people. Moreover, making sense does not mean that people have to consciously reflect their actions beforehand, for example routine actions. Such reflection can also occur in hindsight, for example when the field researcher asks people why they did certain things the way they did. Such self-reflection may of course still not be capable of enlightening the complete context of an action. Otherwise the researcher's job would be much easier. Even in hindsight, context and individual preferences are not easily uncovered, neither by the actor nor the researcher. Bourdieu (1977: 79) speaks of the habitus, the obscure part of practice which is nonetheless sensible or reasonable. In order to capture the reasoning behind the answers of the respondents as comprehensively as possible (with full enlightenment being questionable), an in-depth knowledge and appreciation of the relevant socio-cultural context, the habitus, and ideally a familiarity with the individual preferences and character of the interviewee are needed. In line with Geertz' postulate for "thick description" in ethnography (Geertz 2000: 7, 16), we would otherwise be left with rather meaningless thin descriptions, instead of thick descriptions. Besides Geertz, Granovetter (1985) and Hefner (1998a: 26) are also strong proponents of contextualized research. Granovetter writes:

> What looks to the analyst like nonrational behavior may be quite sensible when situational constraints, especially those of embeddedness, are fully appreciated. (Granovetter 1985: 506)

Another relevant point made by Korff (1994: 213), Geertz (2000) and Sen (1977) is that the coherence of behavior is an illusion. This is because of the different preferences, and the varying, even simultaneous social positions - or different overlapping fields with different habitus, as Bourdieu puts it (1977: 83) - which are simultaneously at work when individuals formulate, however consciously, their reasoning for action. Sen (1977) argues that those whose actions are guided by a single, consistent, individual, and utility-maximizing means-end-rationality are actually 'rational fools'. They are devoid of freedom and flexibility of choice. According to Sen (1977), economic rational choice theory, which heavily relies on exactly such conceptualization of man as a *homo oeconomicus*, does not live up to social reality. Neither does it take account of context nor of multiple preferences, nor of a time horizon, nor of the collective dimension of choice which the prisoner's dilemma so clearly uncovers.

In summary, if we make due reference to a framework of moral embedded societies, the rules of reciprocity, and the traders' dilemma, then we can hope to fruitfully advance on our way to the deconstruction or de-mystification of the complex impact processes of *Payung Keluarga* as perfectly reasonable and meaningful occurrences.

2.4 The expanded-asset-capital framework

The sociological concepts introduced earlier provide the tools to analyze the context of my impact analysis. The expanded asset-capital framework I would like to present here forms its theoretical core. Put another way, while so far we have looked at structure, now we move closer to agency. The expanded-asset-capital framework is a combination of an asset based approach and Bourdieu's more general understanding of economic and symbolic capital. Like the contextual concepts discussed earlier (cf. section 2.2), I only "discovered" and merged the asset based concept and Bourdieu's capital theory after the end of my field work.

The terms "asset" and "capital" are often synonymously used (Moser 2007b: 84) and I follow this practice. I nonetheless speak of an expanded asset-capital framework to indicate an "asset footing" on the so-called asset based or asset-vulnerability approaches and a "capital footing" on Bourdieu's capital definitions. The expanded-asset-capital framework defines the concrete tools that low-asset actors have at hand to manage daily life, not only regarding risk management but in the same breath also regarding status and power management. The expanded asset-capital framework helps to identify which assets at the disposal of low-asset families have improved through the introduction of microinsurance, which have remained unaffected, or which have decreased, and how this impacts options of risk management and status management. From there, we can later continue to consider the wider social impacts. Closely following the OECD's general impact definition I define microinsurance impact as positive and negative, primary and secondary changes produced by a microinsurance intervention, directly or indirectly, intended or unintended over the short-term and long-term (cf. OECD 2007: 24).

When classifying the asset base of low-asset families, I follow the asset approaches presented by cultural anthropologist Caroline Moser (1998; 2007a; 2007b) and socio-economist Karin Heitzmann (Heitzmann et al. 2002). They, in turn, draw on the extensive works of Sen (1981), Swift (1989), Davies (1993), Putnam (1993) and others. Closely aligned to Heitzmann et al. (2002: 16), I decompose a family's asset base into the following seven components:

(1) labor,

(2) human assets such as health status, education, skills, information and psychological states such as peace of mind and optimism,

(3) physical assets, especially productive assets such as land, equipment, livestock, and housing,

(4) social assets such as ties and networks within the family and between families and even extending to the community and state (e.g. access to safety net mechanisms),

(5) financial assets such as cash, savings, social security coverage, and insurance,

(6) location and infrastructure such as proximity and access to water and sanitation, educational facilities and markets, and

(7) political and institutional assets such as participation in family decision making as well as in organizations at the community, civil or political level.[15]

I have expanded Heitzmann's list of assets only slightly by adding psychological states such as optimism and peace of mind to human assets. I have done so because I hold that optimism and peace of mind help to facilitate daily life in similar ways as does good health. Moreover, peace of mind is seen as one of the immediate benefits provided by microinsurance. When I later want to assess which assets have been positively impacted by *Payung Keluarga*, it of course makes sense to have peace of mind included in the list of potential variables. Naturally, the addition of such rather subjective and soft assets renders the asset base even less inaccessible to econometric measurement than before. Although Moser (2007a: 3) aims for the development of an econometric methodology for constructing an asset index, I am more concerned

[15] Like Moser's original five-fold asset classification (1998) my own classification largely limits itself to the individual and family level. Heitzmann et al. (2002) also include collective assets at the community and extra-community level, which for their tenuous definitions and for reasons of simplicity I have chosen to exclude here.

with qualitative than quantitative analysis. My further expansion of an already broadly defined asset base therefore enriches rather than constraints my research options.

Common wisdom has it that the more assets a family can draw on the higher its welfare level. However, as with poverty before I prefer not to be too precise and normative on the matter. Again, I question if human aspirations naturally aim for an ever increasing asset base. Moser (2007b) herself notes, based on her longitudinal research project on intergenerational asset accumulation and poverty reduction in Ecuador, that aspirations between the parents and children can differ due to changing conditions:

> Today, their adult sons and daughters, better educated but with greater expectations and aspirations, face different challenges in a globalized context. (Moser 2007b: 85)

Besides becoming less measurable, my further expansion of the asset base definition also affects the convertibility of assets. The broader and more subjectively assets are defined, the less convertible they become. By and large, however, I consider the different assets as interconvertible. Peace of mind, for example, can be achieved through investment in insurance or social relations. However, important disclaimers need to be added. The different asset classes are clearly interdependent and convertibility may bring with it certain offsetting effects. For example, credit may be invested in productive assets such as machinery. This, however, may add to the worry about repayment of the credit and decrease peace of mind. This example also adds a time dimension to asset management and asset convertibility. A decrease in assets today may be strategically planned in order to increase the asset base of the long term (Banerjee et al. 2009: 20). Another constraint on convertibility is that under certain conditions the giving of one additional unit of an asset A may render decreasing additional quantities of the sought-after asset B. Hunger rents or agricultural self-exploitation may be fitting examples (Geertz 1968; Scott 1976: 14-15). Economies of scale are the opposite example. In this case, for every stable unit of asset A given one receives increasing quantities of the sought-after asset B. This brings us to the conditional contingencies of assets. In general, the value and comparability assigned to assets is historically and culturally dependent and therefore socially constructed. As mentioned above, in certain societies women can move against hoes or cattle and are therefore tradable and convertible assets (Sahlins 1965: 177), even if Sahlins points to the importance of non-perfect comparability in connection with “the shadow of indebtedness”. Today, trade in women is something morally restricted (and nonetheless happening) in Western societies. The assignment of certain goods to the asset classifications as outlined above is also socio-culturally dependent. For example, I already noted that in embedded moral societies savings and credit may be regarded more of a social rather than a financial asset (Geertz 1963: 36; Dichter 2007a: 13; 2007c: 182) However, with an increasing modernization of societies, the monetarization of the economy, and the accompanying processes of disembedding and disenchantment the importance of financial assets is growing. This facilitates and speeds up the conversion between assets, as is noted by Mahajan (2007a: 198-199). Mahajan takes education costs and medical costs as an example for the financialization of human capital or - an extreme case for the financialization of human assets - the enormous sums paid for football players. Also social capital, he argues, can today be instantly accessed by paying the membership fee of country clubs or golf clubs. Even most natural and public goods like clean air are undergoing a financialization process through the introduction of pollution credits. An obvious example I would add to this list is the financialization of protection through insurance. Instead of the labor, asset, and time intensive social process of building up and maintaining social capital as a safety net against adversity, microinsurance can ease and abbreviate this process significantly, although as noted this needs the application of an entirely different "frame of reference" (cf. section 2.2.3). In any case, neither microinsurance nor social capital nor any of the other assets is free of costs. There is, modernly speaking, a maintenance fee attached. Social capital, for example needs careful maintenance which can be very costly (Mahajan 2007a: 199). In summary then, the issue of convertibility of assets as well as their protection, maintenance and furtherance are complex issues and need sophisticated management. Accordingly, Moser regards low-asset families as "managers of complex asset portfolios" (1998: 1), which is a far cry from the outdated but not entirely shelved perception of 'the poor' as passive and helpless creatures, a perception which seems especially persistent among proponents of microfinance and microinsurance interventions (McCord et al. 2006: v; Dichter 2007c: 182; Heydel et al. 2009: ix).

In the face of risk, the asset base serves as the tool box from which risk management strategies can be constructed and applied. The asset base therefore heavily influences the vulnerability, or positively seen, the resilience of low-asset families. I would like to conceptualize this point in some more detail. It was already stated that generally speaking, vulnerability is the probability of a family to remain in or to fall into poverty, however defined (cf. section 2.1). According to Heitzmann et al. (2002: 6), vulnerability can be decomposed into a risk chain. Mainly building on Heitzmann et al. (2002) and also Borst (2004: 8-10), I decompose the risk chain into four consecutive steps:

(1) *Risk appearance*: Risk is a probability distribution of events which - if they materialize - can become downward shocks and might cause severe asset losses.

(2) *Risk analysis*: This involves the identification and assessment of risks, as well as taking stock of available response options and their possible consequences. The availability of response options depends on the asset base. The greater the breadth and depth of the asset base, the more response options can be applied.

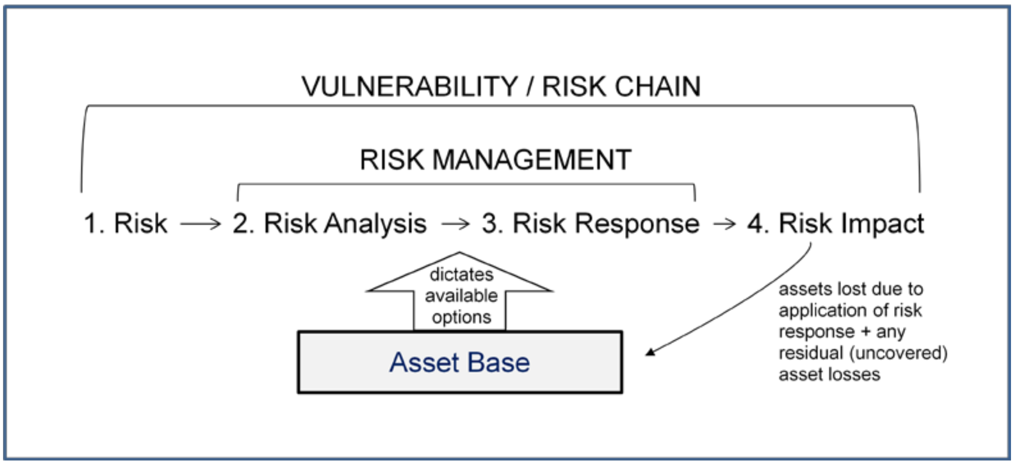
(3) *Risk response*: A risk response decision is made and applied. Application strategies may occur before the materialization of a risk (ex-ante) or after the risk materializes as a shock (ex-post). However, the broad decision on which strategy to use is usually taken before the materialization of a risk. Typical ex-ante strategies are risk avoidance (e.g. moving out of a malaria affected area), risk eradication (e.g. elimination of malaria transmitting mosquitoes), risk reduction (e.g. malaria pills or mosquito nets), and risk mitigation (e.g. informal assistance arrangements or health insurance). Risk mitigation is also called risk transfer and has an ex-post component to it as well (e.g. insurance claim after a malaria bout). Typical ex-post strategies are risk coping (e.g. taking emergency credit to pay for medical treatment) and risk adaptation (e.g. building up bodily resistance against malaria over the long term). In theory as in practice the distinction between these strategies is not always clear cut. Several slightly

varying classifications are proposed in the literature (Moser 1998: 5; Alwang et al. 2001: 2-3, 12; Moser 2001: 364; Heitzmann et. al. 2002: 4, 9; Holzmann et al. 2003: 7; Dercon 2005b: 10; Cohen and Young 2007: 210-211).

(4) *Risk impact*: Risk impact is the asset loss due to the costs of the risk response (which may accrue without the risk ever occurring) and the eventual materialization of a risk.

Risk analysis and risk response are commonly summarized together as risk management. Risk management always comes at a cost. The cost for insurance, for example, is called premium. The price paid for "subsistence insurance" in moral embedded economies through balanced reciprocity consists of the more restricted options for personal asset accumulation. Therefore, risks produce strains on the asset base even before they have materialized as shocks. But of course, the highest asset losses are attributed to the shocks themselves. The asset base therefore provides both the means for the risk response as well as the objects of protection. The options for a risk response are contingent on the available assets (illustration 1).

Illustration 1: The relation between risk chain and asset base



Source: author, based on Heitzmann et al. (2002: 6) and Borst (2004: 8)

Cohen and Sebstad (2003: 3) distinguish between low, medium and high stress risk responses, depending on how much the asset base is strained by the risk response. Depletion of discretionary savings, for example, is a relatively low stress risk coping strategy. Reducing food consumption or removing kids from school are high stress coping strategies with long term consequences. Scott (1976: 14) describes such extreme coping measures as mortgaging the future. Because risk management basically serves to protect the status quo of the asset base, it is easier to connote better risk management as positive than it is to connote an increasing asset base as positive. This is because nobody wants to be worse off than before, but at least some people may be quite happy with the current state of their personal affairs.

Next to the concern with asset protection through risk management, the asset approach is equally concerned with asset accumulation, for example through carefully planned risk taking (Brainard and Farias 2007: vii; Moser 2007b). Moser therefore distinguishes between the protective, preventive and promotional character of assets (Moser 2007b: 96). I could criticize that the approach somewhat unquestioningly subscribes to the notion of (measurable) poverty and even more so to the notion of a universal and incessant human asset accumulation drive (cf. Moser 2007: 4). Nonetheless the asset approach is useful for my impact research. It clearly puts low-asset families into an acting position and it clearly identifies their tools for action. It is therefore easier to operationalize for research than related but more complex approaches such as the sustainable livelihood approach or the more normative capabilities approach developed by Sen (1981; 1999) and Nussbaum (2006). This is why I have given the asset approach preference over these alternatives.

However, what the asset approach as well as the other related analytical frameworks fail to fathom is the ambivalent character of assets, or rather the ambivalent usage that one can make of them. These frameworks display assets as generally a good thing and claim that asset accumulation helps furthering progress and - importantly - reducing inequality (cf. Brainard and Farias 2007: vii). Rankin (2006: 89, 98), on the other hand, rightly criticizes current development discourse to focus too much on the benign qualities of social capital after research by Putnam (1993; 1995) has boosted the notion of social capital as an agent for positive social structures of cooperation. Using the example of the *guthi* associations of the Newar in Nepal, she illustrates how social capital also lends itself to the preservation of social inequalities. Similarly Wright (2006) reports on "the darker side of microfinance" (2006: 154) where she exemplarily illustrates how credit-group leaders in Bolivia make use of their superior social capital to cheat on their fellow credit-group members, and that the rules of the game even induce the cheated to keep quiet (2006: 159). Along the same lines, Sen and his capabilities approach has been criticized for his simplistic concept of man and naïve belief in "good governance" (Matis and Bachinger 2004). If only sufficient capabilities were bestowed on everyone, inequality would cease to exist. With Sen, the inherent potential of assets, also of broadly defined assets such as rights and freedoms, to be turned against others does not make a strong showing.

This is where Bourdieu's concept of economic and symbolic capital comes in as a counterbalance (1977; 1986). Bourdieu more clearly captures the ambivalence of assets, even leaning towards the conflictive social potential of assets. Bourdieu argues that any kind of tangible or intangible asset has an inherent economic (or material) value and an inherent symbolic value which he accordingly distinguishes as economic and symbolic capital. Depending on the asset and context at hand, either the economic or the symbolic aspect of an asset can be more important. Consequently, Bourdieu also distinguishes between material and symbolic profits that can emerge from any asset usage (1986: 249). Economic capital such as material assets or property rights can be easily converted into money. Symbolic capital, on the other hand, is associated with notions of honor, status and prestige. It is more tenuous, less transparent and measurable, but under certain conditions it can nonetheless be converted to economic capital (Bourdieu 1977: 67, 177-179; 1986: 243). In addition to economic and symbolic capital, Bourdieu also speaks of cultural capital such as education and social capital such as group memberships (Bourdieu 1986: 243). Bourdieu is not particularly consistent and explicit in his definitions of the different capital forms, or rather, he adapts his concepts to specific academic contexts. However, I hold that by and large cultural and social capital can be subsumed under symbolic capital.

In line with above discussion Bourdieu argues that in embedded moral societies the accumulation of material assets is suppressed to maintain visible equality and cohesion of the community. Armendariz and Morduch (2005: 163) more directly relate this suppression of material asset accumulation to the dependency of mutual assistance arrangements on the participation of all community members: “In order to keep the arrangement together, your surpluses thus get ‘taxed’ by the community making it difficult to save over the long term.” Bourdieu concludes that such heavily moralized ‘taxation’ of material assets leads to symbolic capital becoming the only recognized, legitimate form of asset accumulation (Bourdieu 1977: 180). Symbolic capital hinges on its acceptance by others much more than economic capital does. The dependent, namely those relying on reciprocity arrangements to maintain their subsistence, as well as the powerful both need the group. There is no incentive to opt out and leave. Bourdieu therefore strongly connects symbolic capital with notions of power and domination of others. He emphasizes the inequality vector of assets much stronger than the equality vector which development proponents put to the foreground. Following Bourdieu and the empirical evidence cited above, social capital lends itself to much more ambivalent uses than mainstream development discourse contends. In parallel, political and institutional assets, which Heitzmann et al. (2002) positively frame as participation, are likewise strongly connected to the question of power. Political participation may foster social equality or its polar opposite, social inequality. Especially for embedded moral societies with little social and political differentiation, I hold that social assets and political assets are very much overlapping in character and usage.

Bourdieu also analyzes the way that symbolic capital is maintained. He argues that this is largely done through institutionalization such as family names and titles of nobility:

> The title of nobility is the form par excellence of the institutionalized social capital which guarantees a particular form of social relationship in a lasting way. One of the paradoxes of delegation is that the mandated agent can exert on (and, up to a point, against) the group the power which the group enables him to concentrate. (Bourdieu 1986: 251)

Here again the ambivalent character of symbolic capital in the form of power is evident. Another characteristic which Bourdieu assigns to capital is that despite the huge expenditures needed to maintain symbolic capital, nonetheless “capital go[es, M.H.] to capital” (Bourdieu 1977: 181). There are clear economies of scale at work which tend to accentuate inequalities. It is in fact often commented by researchers that the social networks of higher-asset families are stronger than those of lower-asset families and that the low-asset families tend to seek the material assistance of the high-asset families in return for their loyalty and support (Kozel and Parker 2000: 66; Miguel et al. 2002: 10; Dercon 2005a: 4; De Weerdt 2005). Bourdieu (1977: 182) also notes that preoccupation with status and prestige does not only lead to acts of generosity but also to acts of violence and revenge, such as when the family name has been insulted and the good reputation of the family has to be restored, at often exorbitant economic costs and nowadays even at the risk of legal punishment. When seen from a narrow economic perspective, such actions would be regarded as a pure wastage of assets. With regards to the question of rationality, therefore, Bourdieu (1977: 177-178; 1986: 253) calls for a holistic accountability of economic and symbolic capital and profits. This is in line with the earlier discussion on the need for socio-culturally contextualized research and a thick description of the actors' reasoning. Such holistic accountability would underline even more clearly that the actions of the microinsurance customers and their beneficiaries were not only reasonable on a footing of moral norms but also, in their specific context and seen over the long term, made economic sense. Just as I outlined earlier that the often praised solidarity of traditional societies is not footed on ideal altruism but on practical needs and best self-interest, similarly the concept of symbolic capital - as the example of violent revenge illustrates - brings home the point that assets are not necessarily benignly and altruistically used to promote social equality.

In summary, the asset approach of Moser (1998; 2007a; 2007b), Heitzmann et al. (2002) and others gives us a clear and detailed classification of the asset base and an idea of how it can be positively used to manage risks and to promote equality. Bourdieu, on the other hand, contributes the notion that assets have both economic as well as symbolic value and that assets may not only be used benignly but also to assert and perpetuate power differentials and inequality. This is what I call the two vectors simultaneously inherent in assets, the equality leaning and the inequality leaning vector. In the further discussion, I will apply the outlined classification of assets and the accompanying understanding of their ambivalent character when I deconstruct and interpret the impact process of *Payung Keluarga*.

3 THE DEVELOPMENTAL EMBEDDING

In the previous chapter I have provided the socio-analytical tools for the analysis of the socio-cultural context in Indonesia as the first back drop of this thesis. This chapter provides the developmental embedding of this thesis, which is the second backdrop. In contrast to the previous chapter, this chapter focuses more on transfer of knowledge and the outlining of current discourses rather than on the positioning of analytical tools. It is more narrative in nature. The history and related discourses of development, microfinance and microinsurance will be consecutively presented. As *Payung Keluarga* was mostly attached to group-based microcredits, these represent the "natural microfinance environment" for *Payung Keluarga* and are therefore discussed in particular detail.

3.1 Development

3.1.1 Development and modernist thought

Microfinance is deeply rooted in development discourse and practice. It is even regarded as one of development's favorite tools (Dichter 2007b: 2; Harper 2007a: 47). A general understanding of development discourse and practice is necessary to comprehend why microcredit has risen to prominence since the 1990s and why microsavings and microinsurance have followed suit since the turn of the Millennium. This will also reveal the background of related optimism and critique.

Korff and Tigges Lizarazo (2008a) provide a general definition of development:

> Development is the attempt to modify or influence processes of change (economic, political, social and cultural) through interventions towards a goal understood as positive. . . . In other words, development is contrasting what is with what should be, or it works at tensions between a present and possible future. (Korff and Tigges Lizarazo 2008a: 1)

Although a number of alternative development definitions have been proposed, I prefer the suggestion by Korff and Tigges Lizarazo. It is neutral and flexible because it leaves the positive goals undefined whereas others insert normative values such as “freedom” (Sen 1999) or “economic sufficiency and social egalitarianism” (Hooker 1978: 8). On the other hand, Korff and Tigges Lizarazo are specific in that development refers to active interventions. These interventionist attempts at active change distinguish development from transformation as a process of gradual and undirected change. Development tries to manage change while transformation is any kind of change, whether purposely influenced or not. The equation of development with directed interventions fits well with the earlier definition of impact as the broadly defined changes induced by directed interventions (cf. section 2.4). In this sense, the definition of impact can be further specified as the broadly defined changes induced by development.

As the following historical outline of the different phases of development will show, the mainstream notion of what exactly should be the positive goal of development interventions has changed over the decades since the idea of development first hit world stage in 1949. Moreover, these goals have always been contested, as the reference to “tensions” in Korff and Tigges Lizarazo’s definition already indicates.

When I refer to the mainstream of development I refer to the ‘modernist’ school of development, which, as its name implies, proposes modernization as the positive goal of development. Modernization theory postulates development as a natural, unilinear long-term transformation process from “tradition” to “modernity” (Matis and Bachinger 2004). The best known modernization theory is the five-stages model of development proposed by economic historian Walt Rostow (1960). According to Rostow, all societies must chronologically pass through the same five stages from “tradition” to “modernity” (Többe Gonçalves 2005: 28). Western societies have already reached the highest stage of development which Rostow calls the “age of high mass consumption”. There is no generally accepted definition of what “modernity” and its antithesis “tradition” mean in fullest detail (cf. Schiel 1985: 2). These concepts are best fathomed through certain aspects that have been generally ascribed to this dichotomy. Diversification of labor and a consequent social diversification are certainly important socio-economic aspects of modernization (Evers and Schiel: 1988: 20). Max Weber, who viewed modernization processes rather skeptically, regarded rationalization, secularization and the rise of an impersonal bureaucracy as the antipodes of “tradition” (Bayer and Mordt 2008: 17).

Matis and Bachinger (2004) provide a general overview of “traditional” and “modern” variables in developmental modernist thought (table 2):

Table 2: Traditional - modern: aspects of a dichotomy

	Traditional	**Modern**
Economy	agrarian subsistence	industrialized market economy
Technology	low	high
Productivity	low	high
Income	low, large variation	high, low variation
Social stratification	hierarchical, nobility	egalitarian, skill based
Mobility	low	high
Conflicts	open	institutionalized, ritualized
Social control	direct, personal	indirect, bureaucratic
Communication	personal	media
Family	extended family and clan	nuclear family
Settlement	rural	urban
Life expectancy	low	high
Governance	local, personal	centralized, anonymous
Political participation	low	high
Norms	concrete	universal
Religion	dogmatic, linked with governance	secularization, laicism

Source: Matis and Bachinger (2004) - translated and slightly adapted by author

As mentioned, modernist thinkers regard development towards modernity as an inevitable historical transformation process. In theory, modernist thinkers hold transformation, development, and modernization to be the same. In fact, the influence of modernist thought has been strong enough to equate “developed” and “modern” in common parlance. Many of the attributes of “traditional” and “modern” as displayed in table 2 have become deeply imbued in public conscience, not only in the West but also in the so-called developing countries themselves (cf. Sachs 1992: 2). Particularly relevant is the more or less overt association of modernity with capitalism (Matis and Bachinger 2004). This association permeates development discourse until today.

The equation of transformation and development by the modernists differs from the explicit distinction between development and transformation proposed here. This asymmetry can be resolved if we focus on actual development practice as advocated by modernists. Modernist development practice is highly interventionist because it holds that the development process can be actively accelerated. Obstacles for modernization, such as the persistency of traditional customs, are endogenously defined and need to be overcome (Matis and Bachinger 2004). Due to the strong conviction of the unilinearity of development, negative side effects do not preoccupy modernization advocates. If development projects go wrong and produce unintended results, such failures are attributable to persistent endogenous blockades to modernization.

Today, orthodox modernist thought has been widely discredited and gone out of academic fashion. Criticism is most loudly voiced by dependency theorists and post-development advocates (Sachs 1992; Korff and Tigges Lizarazo 2008a; 2008b). Both schools will be further discussed below. However, also generally modernism is regarded as too unilinear, too deterministic, too focused on economic growth, ethnocentristic, and insensitive to the complexities and differences of historical and social processes (Sachs 1992; Többe Gonçalves 2005: 30-32; Matis and Bachinger 2004). Modernist thought leaves no room for an intertwining and persistent coexistence of both "traditional" and "modern" elements in society although this phenomenon is often observed (Buss 1985: 40; Mulder 2005). Moreover, Matis and Bachinger (2004) point out that the modernist concepts of "modernity" and "tradition" are highly constructed. In a first step, "modernity" is being defined as the positive and well-known, and then "tradition" is constructed as the negative opposite. For Indonesia, Van Bruinessen (1996: 165) regards the absence of an indigenous Indonesian term for tradition as an indication that the present awareness of tradition as such is relatively recent. Time has moved on and several of the values which the modernists depicted as modern and positive have been changed or abandoned. For example, a high degree of industrialization is no longer a necessary benchmark for modernity. Thriving urban centers like Dubai are built on services, not on heavy industry. Knowledge, not industry, is being invoked as the most important resource of the 21st century societies (Cerroni 2007). And the belief in the benefits of mass consumption is coming under heavy attack from environmentalists who maintain that the resources of multiple earths would be necessary if all humanity were to consume as much as Europeans and US-Americans do (Sachs 1992: 2; Herrmann 2009). In this sense, it could be said that orthodox modernist development thought is a thing of the past. However, this does not mean that it has not been modified and adapted as development discourse and practice have moved on. In fact, I still hold that the conviction that "modern" Western concepts and solutions are *per se* superior to current 'irrational' traditional solutions still forms a powerful substratum of many development projects. Here, I explicitly include the *Payung Keluarga* project and my initial thinking at the commencement of the project. Neither has the strong connection between development and economic growth been entirely cut. Instead, just as the concept of poverty has become multidimensional (cf. section 2.1), development has increasingly expanded its scope to include additional supporting factors of modernization such as provision of education and health care. And lastly, the basic belief that developmental interventions can influence transformational processes in a positive way is certainly still going strong (Korff and Tigges Lizarazo 2008a: 6). Otherwise, development as such would be a thing of the past.

3.1.2 Phases of development

So far, I have outlined the conceptual underpinnings of how development was initially conceived. I now turn to describe the phases of development which lead up to the how and why of the emergence of microfinance. It is striking that the phases of development are commonly and conveniently constructed as "development decades". This speaks of the faster, more linear, more precise, and more interventionist attitude regarding the concept of time as applied by development discourse in comparison to the *longue durée* gradual transformations that embedded moral societies are accustomed to (Anderson 1972: 19-20; Menike 1993: 177-179).

(1) 1948-1960 - The invention of development and under-development

In 1948, in one of its first reports, the World Bank defined countries with an average per capita income of less than US$ 100 as poor and underdeveloped (Rahnema 1992: 161). For the first time, entire nations were considered as underdeveloped. Thereby, under-development and income related poverty as the antitheses of development were constructed and spread on a global scale (cf. section 2.1). The political break-through for development came with the inaugural speech of US-President Truman in 1949 (Sachs 1992: 2). Truman promised American help for underdeveloped countries along modernist lines. Consequently, the first development interventions were conceived and they heavily focused on promoting GDP growth and industrialization. Belief in the merits of technological progress was unfaltering while the Cold War added a political dimension to development. Western governments rushed to 'assist' pro-western developing nations through the transfer of Western technology. These efforts, however, met with limited success (Kuhnen 1987: 158).

(2) 1960 - 1970 - The first development decade

The 1960s were officially declared by the UN as the "First Development Decade" (Kuhnen 1987: 158; UN 2009c). Faced with the limited success of a purely growth-focused development approach, the consensus on modernization theory began to crumble. Social aspects of development were brought into focus, and development was redefined as "growth with change," referring to economic and cultural change. Development projects consequently expanded their scope to also intervene in political and social transformation processes (Korff and Tigges Lizarazo 2008a: 6-7). Nonetheless, poverty was still constructed as income poverty. The 1960s also saw the rise of dependency-theory as an academic counter-theory against modernism. Dependency theorists argued that under-development was caused by the dominance of the industrialized nations in the world market. Due to this structural constraint dependency theorists saw little chance for under-developed nations to ever reach the level of the industrialized countries. In hindsight, dependency theory has seen more academic than practical impact. It is sometimes described as a "theory without strategy" (Matis und Bachinger 2004). Moreover, dependency theory is being denounced for uncritically accepting the existence of under-development and poverty which only lend further academic legitimization to these concepts, although dependency theorists had originally set out to oppose them (Esteva 1992: 11). One achievement of dependency theory, however, is the weakening of the academic dominance of modernization theory and the push for a more multidimensional and less ethnocentristic approach to development (Matis and Bachinger 2004).

(3) 1970-1980 - The second development decade

While the first development decade had tackled economic and social dimensions of development separately, at the beginning of the second development decade, real integration of these dimensions became the watchword. GDP was finally dethroned as the undisputed development indicator and the call for a more broadly defined decent standard of living measured by human development indicators was raised. In 1970, World Bank President Robert McNamara launched his “war on poverty”. In the same year, the UN proposed a global strategy for a unified approach to development. This strategy called for an inclusion of all sectors of society in development, the creation of employment opportunities and the promotion of social equality. The scope of development had therefore further globalized and broadened. One of the measures taken was the large scale provision of cheap credit by state-owned banks to smallholders and low-asset families with the aim to promote growth and alleviate poverty (Armendariz and Morduch 2005: ix, 9-10). In 1972, the “discovery” and conceptualization of an informal sector of employment by the ILO was another consequence of this broadening scope (Dichter 2007b: 3). The importance of social welfare for ‘the poor’ was emphasized, as well as the fiscal incapability of developing nations to establish full blown social security systems as in developed societies (Zacher 1988: 30; Hüsken and Koning 2006: 10). This led to a limitation of governments to a “basic needs” approach to poverty alleviation which focused on ex-post coping measures such as food aid (Rankin 2006: 89). It also led to a search for alternative measures such as the emphasis on non-statutory traditional self-help institutions and lastly to the fallback on NGOs which at the time made a forceful appearance on the main stage of development. NGOs were considered to reach the poor more effectively than the cash-strapped governments of under-developed nations (Hüsken and Koning 2006: 10; Dichter 2007b: 3) According to Dichter (2007b: 3), after NGOs got involved in poverty alleviation and in the hatching of the informal sector, the appearance of the first microcredits was only a further logical step. In 1976, later Nobel Peace Prize winner Muhammad Yunus started his group-based microcredit program in Bangladesh on an NGO basis. Much later, this project turned into a commercial bank, the Grameen Bank.

Despite the significant expansion of development in terms of scope, methods and actors, a unified consensus on development did not emerge during the 1970s. Instead, the decade saw a successive chain of the newly identified dimensions of development rising to prominence. Concerns with environment, population, hunger, women, habitat or employment, were successively brought to the forefront and disappeared again from collective development conscience (Esteva 1992: 13-15). The decade therefore saw the final break through of a still ongoing pattern in development which Ellermann (2007) calls “development fads”:

> One response to failing organizational effectiveness in . . . development assistance is chasing ersatz 'solutions' or fads that promise to quickly address long-standing problems or at least their symptoms. Over the course of time, there is indeed some 'learning' but it is a kind of breathless pseudo-learning as one fad after another is taken up and dropped. (Ellermann 2007: 150)

On a political level, moderately authoritarian forms of government in developing countries were considered advantageous. Such governments were held to have the means and power to quickly push through the ever new development initiatives proposed by international donors (Hofmann and Schröder 2003: 14; Korff and Tigges Lizarazo 2008a: 7).

(4) 1980-1990 - The lost decade of development

During the 1980s, the World Bank and its related international financial institutions embarked on rigorous restructuring programs in developing countries. These Structural Adjustment Programs (SAP) called for a deregulation of markets, privatization of state enterprises and severe cut-backs of government spending. This induced frequent scale-backs of the already weak public social protection systems in developing countries. The trigger for restructuring was the debt crisis of the early 1980s. The driving rationale was that in face of the failure of even moderately authoritarian governments to promote the planned economic and social changes this task should now be taken over by the free market (Korff and Tigges Lizarazo 2008a: 7). Again, much as in the 1950s, the main concern of development was economic and market-based growth. Efficient markets were considered instrumental, necessary and sufficient for income generation and thus, by way of the infamous trickle-down effect, to poverty alleviation. Although poverty alleviation was still upheld as the main development objective, in practice the potential environmental and social side effects of SAPs were hardly considered. The results of readjustment were severe. In many developing countries SAPs led to rising unemployment, real wage reductions, deteriorating social indicators and growing in-country inequality (Hofmann and Schröder 2003: 13-14). According to some observes the SAPs destroyed much of the development achievements of previous decades. The 1980s therefore came to be called the “lost decade of development” (Esteva 1992: 16; Korff and Tigges Lizarazo 2008a: 7). One of the criticisms against microfinance is based on this period of breakneck deregulation. The argument runs as follows: market-based microcredit, which received increasing attention during the 1980s, is criticized for privatizing the costs of readjustment, for privatizing public debt (Kron 2004: 16). However, one of the more positive aspects of readjustment policy was the halt to government credit programs which had left a legacy of inefficiency, corruption, millions of dollars of squandered subsidies and, if any, limited positive impacts on the low-asset credit takers (Armendariz and Morduch 2005: ix, 10). Those programs had, with a few exceptions, ended up with default rates between 40 to 95 percent. Now, public banks were reorganized to take a market-based approach. One successful example is the reorganization of the Bank Rakyat Indonesia (BRI) that was started in 1984 and has turned the grossly loss-making bank into a highly profitable microfinance enterprise with over 27 million low-asset customers. Today, BRI is sometimes considered the largest MFI in the world (Robinson 2001: 59; Simtowe 2008: 29; Heydel et al. 2009: 15). Consequently, the focus on market-based microfinance gained significant strength in these years (Rankin 2006: 99).

(5) 1990-2000 - The fourth decade of development

The upheavals which followed the SAPs caused the World Bank to adjust its own adjustment agenda towards “adjustment with a human face” (Hofmann and Schröder 2003: 14). In practice this meant the continuation of deregulation and privatization efforts. However, the market based approach was expanded to also include investment in infrastructure, human assets and social protection. In what has become known as the Washington Consensus this was a reaffirmation of market based solutions as the panacea to development in its now greatly expanded scope (Fischer and Burchhardt 2003: 4). Noteworthy is the World Bank's World Development Report of 1990 (World Bank 1990). It outlines a three pronged development strategy consisting of (1) economic growth, which - among other measures - was to be promoted by intensively using the poor's labor as their most important asset; (2) investments in basic health and education to enable the poor to use their labor productively; and (3) the provision of - still ex-post coping oriented - social safety nets to protect vulnerable groups and the very 'poor' (Moser 1998: 2). Moser (2001: 361) criticizes that in practice this strategy amounted to a "two and a half leg" approach to poverty alleviation, with safety nets as the poor relation. At the time, social risk management had still not been recognized as a crucial component for achieving the commonly accepted goals of development. However, something that gained rapid acceptance and quickly turned into a new "development fad" was microfinance. Microfinance, which at the time still exclusively meant microcredit, fit well into the market-based thrust to poverty alleviation of the time, especially because it appeared to offer an easy "silver bullet" solution to a world tired of the complexity of the poverty problem and the lack of success in resolving it (Mahajan 2007a: 197; Cohen and Young 2007: 208). More scathingly, Kron (2004: 16) speaks of microcredit as the "neoliberal panacea in the fight against poverty." Consequently, a surge in funding and subsidies propelled the Grameen Bank and other MFIs to stellar growth (Morduch 1999b: 229; Dichter 2007b: 3). If microfinance had started off as a socially oriented small-scale NGO movement, it now turned into a rapidly expanding and professionalizing industry, with many NGOs converting to MFIs (Mosley 1996; Dichter 2007b: 3-4). Robinson (2001: 10) calls this process of rapid expansion and professionalization the "microfinance revolution". Again, microfinance is therewith a clear development tool. I consequently agree with Rankin (2007: 99) who considers "the recent flourishing of microfinance as a development strategy."

The widely acknowledged failure of structural adjustment policy in the 1980s saw the rise of a new academic challenge to the foundations of development. In 1992, Sachs and other development critics launched a call for the complete abandoning of development and the ushering in of an era of post-development. According to Sachs (1992: 2), development had outlived its four founding premises: (1) the placement of the United States and other industrialized nations at the top of the evolutionary scale in line with Rostow's five-stages model (today seriously challenged by the multiple-earths paradigm); (2) the East-West conflict as the political background of development (which was quickly subsiding since the late 1980s); (3) the (unfulfilled) promise of rapid 'modernization' and abolition of poverty; and (4) the alleged self-perpetuating tendency of development which does not strive for abolition of poverty but for a continuation of poverty. Sachs considers development as bereft of meaning, without a proven track record, and as a threat to cultural diversity. Esteva (1992: 19), in reference to Polanyi's concept of embeddedness and to Sahlins' reciprocity concept, adds that the threat of market based development was most serious to the social structure of societies in which non-economic assumptions governed lives and which renounced the idea of scarcity. Sachs and his fellow post-development advocates perceived development as an ever-expanding cast of mind:

> By now development has become an amoeba-like concept, shapeless but ineradicable. Its contours are so blurred that it denotes nothing - while it spreads everywhere because it connotes the best of intentions. (Sachs 1992: 4)

Korff and Tigges Lizarazo (2008a: 9; 2008b) describe the expanding scope of development in terms of issues, actors and spatial spheres as the "totalization of development" (2008b: 3). They also acknowledge that in hindsight - and similar to the fate of dependency theory - post-development has not had much practical influence:

> Certainly, development like it was conceived during the fifties as modernization is over, but does this mean that development has lost its appeal? In fact, speaking with people in developing countries, development is still alive and kicking. . . . Thus, the end of development is perhaps a post-modern meta-narrative shared among the blasé cynics of the developed world. (Korff and Tigges Lizarazo 2008a: 6)

Interestingly enough, Max Weber had already formulated much of the rationale of post-development advocates before the modernist development agenda had even been invented. Weber regarded history as a "chain of circumstances" (Weber 1920: i, cited by Bayer and Mordt 2008: 81) which renders efforts at predictions and planning of the future futile. Moreover, Weber dreaded the consequences of too much development in Western societies. He did not consider them as a role model for other societies (Buss 1985: 28, 32).

With regards to the question of the role model function of Western societies, another critical stance towards development, the "Asian Way" concept, should be noted. Since the early 1980s, this concept had been gaining an ever-growing political clout in the rapidly growing Asian "tiger economies". It was politically spearheaded by Singapore and Malaysia. Their governments maintained that the adoption of Western technology to drive economic growth was welcome, but that the adoption of Western culture was not. Asian leaders argued for a strong reliance on 'traditional' Asian values such as family, community and national unity. In effect, they argued for a combination of "the best of two worlds" (Buss 1985: 37-38). Naturally, these Asian "traditions" were just as constructed and idealized as was the modernist idea of "tradition". Moreover, the "Asian Way" concept has often been criticized for being a political excuse for poor human rights track records (Reding 1999). Nonetheless, the rapid economic rise of some Asian nations despite the little outreach of externally funded development interventions in these areas has left development practitioners and academics wondering and debating as to the underlying causes (cf. Ellermann 2007: 149).[16]

Despite the sharp intellectual critique of post-development advocates and the increasing economic, social and political emancipation of the Asian "tiger states", development continued to go strong in the 1990s. But it soon faced new challenges. The Asian financial crisis that erupted in 1997 brought home the fact that the singular focus on economic growth and the simultaneous neglect of social protection was responsible for a sharp rises in Asian poverty rates in the crisis' wake (Dercon 2005b: 13; Koning and Hüsken 2006: vii). Therefore, the

[16] For an introduction to these debates see Appelbaum and Chambliss (1997: 177-180).

softened continuation of market based adjustment came increasingly under fire. In addition, academic research had furthered the multidimensional understanding of poverty, to now also incorporate considerations of vulnerability and risk management. Lastly, a series of major UN conferences raised political concern for poverty alleviation and for more “good governance”. “Good governance” can be understood as a benign regulatory involvement to smooth the disruptions caused by a market economy on the loose (Hofmann and Schröder 2003: 12; Holzmann et al. 2003: 18; Schramm et al. 2005: 51; Grusky and Kanbur 2006: 2; Korff and Tigges Lizarazo 2008a: 8).

(6) 2000 up to today

In the face of the resurging international attention on poverty alleviation, the UN did not even wait for its fourth development decade to end before launching the next development decade under the label of the “decade of the eradication of poverty” in 1997 (cf. UN 2009c). This indicates the gradually increasing time pressure put on the development agenda. UNDP introduced its multidimensional Human Development Indicator index in 1997 to reflect an expanded conception of poverty. In continuation, the 2000/2001 World Development Report of the World Bank also took up the concerns which had been boiling since the late 1990s (World Bank 2000). The report re-emphasized the importance of the three pronged poverty alleviation strategy of the 1990 World Development Report, namely spurring economic growth, creating jobs and focusing on social protection. However, the decisive difference was that this time around the Bank’s focus on social protection and the related issue of vulnerability and risk management was taken more seriously. Other major organizations such as the ILO and UNDP quickly followed suit and adopted risk management as a major theme in their work (Morduch 2006: 338). In 2001, the World Bank presented its Social Risk Management (SRM) framework in a social protection strategy paper (World Bank 2001). The paper outlines the three principal features of SRM: (1) it conceptualizes risk management strategies much the same way as outlined above (cf. section 2.3); (2) it stresses that risk management efforts should go beyond public social protection and include informal and market-based risk management solutions;[17] and (3) it recognizes that good risk management can be an important driver for economic growth. This led the World Bank to call for developing public social protection and the broader social risk management from a safety net into a springboard, from the previous minimalist ex-post focus on risk coping into an active and economically conducive ex-ante risk management drive:

> As the World Bank moves toward a broader understanding of poverty reduction and the relationship of risk to poverty, the standard concepts and interventions of social protection are no longer sufficient. This first sector strategy paper for social protection reflects this view and argues for the development of social protection programs that not only help poor women and men cope with the result of downturns (a safety net), but proactively help them take on higher return activities with less concern about the risks (a springboard). (World Bank 2001: iii)

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[17] A more detailed definition of social protection, social security, social insurance and safety nets is provided in section 3.3.3.

The paper continues to explicitly mention the potential of market-based risk management solutions and the World Bank's commitment to support microsavings and microinsurance:

> Specifically, the strategic directions would expand the World Bank's support for informal and market-based social protection arrangements . . . The World Bank will support pilot programs that better integrate social protection interventions with microfinance products, especially microsavings and microinsurance. (World Bank 2001: iii, 37)

Moser (2001: 361, 362) concludes that by 2000, the World Bank had finally expanded its previous two and a half leg approach to a full-blown three leg approach to development. This created conducive conditions within the development discourse to throw its financial and political clout at the promotion of microinsurance and microsavings. Several years before, microcredit had been boosted by the development community's drive for market-based, growth oriented, and poverty focused initiatives. Now that risk management had moved to center stage, the time had come for microsavings and microinsurance to follow the pathway of microcredit and to grow far beyond their feeble beginnings in the mid-1990s. Meanwhile, interest in microcredit rose to a crescendo when the United Nations declared 2005 as the "Year of Microcredit" (UN 2009c); notably not as the "Year of Microfinance" (which may be yet to come). Public attention rose even further when Muhammad Yunus and his Grameen bank were awarded the 2006 Nobel Peace Prize.

A number of other buzzwords, or "development fads", accompanied this "reinvention of development" that became known as the Post-Washington Consensus (Chaves and Guttal 2003: 33; Fischer and Burchardt 2003: 4). These buzzwords were good governance, sustainability, empowerment, gender, capacity building, participation and the already critically discussed emphasis on strengthening social capital (cf. section 2.4). The simultaneous appearance of such a concentrated number of "development fads", instead of appearing successively as before, further demonstrates the ever increasing speed and totalization of development discourse and practice. As usual, critics were quick to denounce the new development buzzwords as window-dressing efforts masquerading a continued neo-liberal agenda (Chaves and Guttal 2003: 33). For example, the World Bank's understanding of participation was denounced as friendly listening instead of addressing existing power-differentials and rights-based inclusion of development "beneficiaries" in decision making processes. In parallel, the claim for "good governance" was considered as a mere tool to produce an enabling environment for the private sector and for protecting the rights of corporate, usually foreign, investors (Chaves and Guttal 2003: 31, 33; Korff and Tigges Lizarazo 2008a: 8).

The Millennium Development Goals (MDG) probably make for the greatest proof of the totalization of development. The MDGs were endorsed by the UN in 2000 and set eight specific development goals to be achieved, mostly until 2015 (UN 2008):

(1) eradicate extreme poverty and hunger,
(2) achieve universal primary education,
(3) promote gender equality and empower women,
(4) reduce child mortality,

(5) improve maternal health,
(6) combat HIV/AIDS, malaria and other diseases,
(7) ensure environmental sustainability,
(8) develop a global partnership for development.

These eight targets are further broken down into over 20 sub-targets and finally over 60 concrete and measurable indicators (UN 2008: 4). The most famous of these indicators relates to MDG1 and calls for the reduction of extreme poverty by half (taking the US$ 1 PPP poverty line) until 2015 as compared to a 1990 baseline. Almost all of the mentioned buzzwords make their appearance in the MDG agenda. Its proponents openly acknowledge the MDG agenda to be the most ambitious but nonetheless achievable developmental undertaking ever embraced by the international community (Sachs 2005: 25; McGillivray 2008; UN 2009b). The MDG8 on a global development partnership explicitly aims to include the private sector. One institutionalized form of this expansion of development onto the private sector is the United Nations Global Compact. The Global Compact initiative was established by the United Nations in 2000 to better align the activities of private businesses with its own agenda in the areas of human rights, labor, environment and anti-corruption, and last but not least to catalyze private sector action in support of the other seven MDGs. Today, over 5200 businesses have joined the Global Compact, among them, since 2002, Allianz (UN 2009a). Next to development's recent refocus on risk management, this simultaneous integration of the private sector into the development agenda has certainly contributed further to the conducive environment for microinsurance to flourish since the turn of the Millennium. In addition, at this time the idea of a double bottom line (DBL) of socially responsible and profitable investments started to gain increasing currency within the private sector. Sometimes, the idea is even expanded to refer to a triple bottom line (TBL) of socially, environmentally and economically sustainable investments. The realization that profitable business and poverty focused development were no polar opposite but could be congruent was further expanded by a seminal paper of Prahalad and Hart (2002) called *The Fortune at the Bottom of the Pyramid*. This paper triggered a lively debate among business leaders and development advocates known as the "Bottom of the Pyramid" debate or BoP-debate. Not surprisingly, it was under such conditions that at the turn of the Millennium the first public-private development partnerships were conceived. The life cycles of development interventions had meanwhile sufficiently shortened to match the average three-years planning horizons of private enterprise.

Now, after six decades of development it needs no fortune-telling to foresee that interventionist development practice will continue, as will the debate on its veils and merits. Using the MDGs as their new yardstick, supporters of continued and reasserted development efforts point to the measurable progresses already made, such as the reduction of extreme poverty from 28 percent of the world population in 1990 to 21 percent in 2002, and that, moreover, this trend is consistent with non-monetary indicators such as the declining percentage of stunted children or the increasing enrollment rates in schools (Holzmann and Sipos 2008: 4). Furthermore, Holzmann and Sipos (2008: 4) contend that recent rigorous impact evaluations of World Bank-led development interventions in the social protection and labor sector have confirmed the positive impacts of these interventions on poverty, malnutrition, access to health services and access to education. On the other hand, development critics like Sachs (1992), Chaves and Guttal (2003: 33), Dichter (2007b), Ellermann (2007: 150, 152) and Harper (2007a: 47) argue that by and large much of the recent progress has been made not because of development efforts but in spite of them. This relates to the post-development argument that the development industry is primarily interested in its own self-perpetuation. Even the most rigorous impact evaluations on development project are not spared from critique. The standard critique questions the neutrality and objectivity of impact evaluations since the implementing organizations and research funding organizations are often identical or closely related. Moreover, impact evaluations regularly take “doing nothing” as a counterfactual instead of analyzing through a cost-benefit-analysis whether the deployed resources could have been put to better use. Not surprisingly, comparing “doing something” against “doing nothing” often meets with positive results. (Ellermann 2007: 154-155; Armendariz and Morduch 2005: 224).

This thesis is too localized and too focused on a singular development intervention to provide a general answer as to where the pendulum is heading, towards the veils or the merits of development. However, I reiterate my stance that concepts of poverty and human aspirations are socially constructed and context specific (cf. section 2.1). A globalized measurement of poverty and development progress as epitomized by the MDGs should therefore be regarded as idealized and highly simplified at best. What a careful analysis of development’s six decades of history can definitely reveal - in line with Sachs (1992) and Korff and Tigges Lizarazo (2008b) - is that a totalization of development has occurred in terms of issues, actors and spaces. Whether this totalization is devoid of meaning and aimed at self-perpetuation as Sachs (1992) contends or whether it is necessary to tackle pressing development issues through a global partnership for development (MDG8) remains up for debate. This history of totalization, however, has definitely provided the conducive conditions for a public-private-partnership like the GTZ-Allianz PPP on microinsurance to materialize. In hindsight, it appears perfectly sensible as to why this has occurred at the turn of the Millennium and not any earlier or later.

3.2 Microfinance

3.2.1 What is microfinance?

Microfinance is the provision of small-scale financial services to low-asset people, in particular to those who do not have access to financial services through established channels like conventional banking or conventional insurance (cf. Robinson 2001: 9; cf. Karmakar 2009: 21). Until the 1990s, microfinance was largely synonymous with microcredit, in particular with credits for working capital and very small investments to farmers, fishers, petty traders and small scale service providers. Since the turn of the Millennium, microfinance has widely broadened in scope. Today, it refers to an array of financial services, the three major ones being microcredit, microsavings and microcredit (Armendariz and Morduch 2005: 14; Leeuw

2009: 2). Payment services, such as remittances, mobile micro-banking, and micro-business consulting are sometimes considered as additional ancillary microfinance services. Customer numbers of microfinance services are somewhat hard to calculate as there are no standard definitions and many local variations exist of what is considered a microcredit, microsavings or microinsurance. The Indonesian Central Bank considers all credits below IDR 50 million (US$ 5,270) as microcredits (Bank Indonesia 2009). Generally, however, the cap for microcredits is set much lower; in Africa, Asia and the Middle East at US$ 300; in Latin America and the Caribbean at US$ 400 and in Eastern Europe and Central Asia at US$ 1,000 (Sinha 2006: 9). For microcredit, market measurement has been most unified and institutionalized, especially by the Microfinance Information eXchange (MIX) market initiative. For 2005, MIX market reports 50 million microcredit customers worldwide with an outstanding gross loan portfolio of US$ 18 billion. For 2007, MIX market already reports 72 million microcredit customers with an outstanding gross loan portfolio of US$ 36 billion (MIX Market 2009). This points to the strong growth and to the significant size of today's microfinance industry. As not all MFIs report to the MIX market, the number of actual microcredit customers is likely to be several millions higher. Dieckmann (2007: 18) estimates them at around 100 million for 2007. And the hopes for the future are exceeding the stellar growth of the past. All microfinance practitioners agree that the microcredit market is currently far from saturated. Optimists like Dieckmann (2007: 18) put the potential demand at approximately one billion microborrowers.

The number of microsavings customers is harder to define and calculate. That is because group-based credit as the dominant form of microcredit usually comes with an attached compulsory savings component. Therefore, most microcredit customers automatically have some form of microsavings. However, these savings are not voluntary. It is therefore debatable if they can be fully reckoned as microsavings. On the other hand, BRI alone has 27 million voluntary savings accounts (and much less credit accounts) and in general the importance of voluntary microsavings is growing. Therefore, the number of microsavings accounts is definitely amounting to several million.

Regarding microinsurance, customer numbers for 2007 were calculated at 78 million worldwide. They are assumed to have since risen to 135 million customers (Roth et al. 2007: ii; Creagh 2009). Although the number of microinsured seems to be in the same range as the number of the microcredit customers, this is largely due to the definitions applied and the fact that most microinsurance is provided in form of credit life insurance, which - like compulsory savings - is tied to microcredit. However, it is commonly held that microcredit is by far the most dominant of the three major microfinance services and that the number of voluntarily microinsured low-asset families is very low in comparison.

Microfinance services are mostly offered and distributed by so-called microfinance institutions (MFI). The MIX market captures information from over 1,100 MFIs worldwide, many of which are more or less replicating the group-based Grameen model. The actual number of MFIs is likely to be much higher. Allan (2007: 205) and Dieckmann (2007: 5) both estimate their total number in the range of 10,000 worldwide. Those who do not report to the MIX market, however, are generally of small size. MFIs can appear in a wide range of institutional forms, such as NGOs, cooperatives, credit unions, specialized microfinance banks, or - in increasing numbers - microfinance units of commercial banks. If commercial insurance companies engage in microinsurance, they prefer to distribute their products with the help of MFIs, rather than through their own agents (see section 3.3.1). MFIs do not only come in a variety of institutional flavors but take an even wider variety of methodological approaches. Some MFIs lend exclusively to women, some do not follow a gender focus; some provide group-based loans only, others take a mixed approach or, like BRI, even limit themselves to the provision of individual credit only; some MFIs restrict themselves to a no-frills credit-only approach, others pursue a wider agenda of financial services, capacity building and other developmental campaigns. MFIs can either operate on a non-profit or a for-profit basis. Today, most MFIs are seeking to at least achieve financial sustainability. Sinha (2006: 4) fittingly concludes that “every MFI is different”.

3.2.2 Why microfinance rose to prominence

Above discussion on development (cf. section 3.1) has already alluded to how development history provided increasingly conducive conditions for microfinance’s rise to prominence. The “war on poverty” of the 1970s initiated the first NGO-driven trials at microcredit. The simultaneous large-scale failure of government credit programs and the following market-leaning SAP policies of the 1980s pushed microcredit further ahead. With the continuing structural adjustment of the 1990s and an increasing emphasis on sustainability and participation microcredit rose to ever higher levels of donor support and public attention. So much so, that at the first microcredit summit in 1997, Muhammad Yunus famously declared credit to be a human right and predicted that microcredit would make poverty history (Kron 2004: 16; Dichter 2007c: 180). In the wake of the Asian financial crisis and several big UN conferences, the Post-Washington consensus or the “reinvention of development” brought social protection and risk management to more earnest attention of development proponents. As donor preference for market-based solutions to development problems remained unshaken and corporate awareness of the potential “Fortune at the Bottom of the Pyramid” grew, this provided the springboard for voluntary microsavings and especially for microinsurance to follow the footsteps of microcredit.

However, this is very much a development and supply side perspective. The demand of low-asset families for financial services, including insurance, has not developed in line with growing donor and corporate enthusiasm, but was, however latently, present long before that. After all, in many developing countries, low-asset families eager for a safe place to save were even paying fees to informal deposit collectors for guarding their savings, naturally with no interest being paid or expected (Rutherford 1999: 13). If the microfinance market was therefore out there “untouched” all along, why have private financial companies not tried to serve low-asset customers any earlier? This leads to the standard challenges which bankers mention with regards to the low-end market. Traditionally, low-asset families were considered as “unbankable” because of the perceived high business risks involved. This risk was attributed to low-asset families’ lack of conventional collateral for credits, such as housing, cars or land with the proper legal documents. Moreover, transaction costs were considered prohibitively high due to information asymmetries, anti-selection[18], moral hazard, insufficient infrastructure and weak judicial systems (Armendariz and Morduch 2005: 2, 6-8). In general, 'the poor' were considered to have no money. Bankers referred to microcredit as financial "suicide in installments" (Buse 2008: 55). Moreover, until the 1980s, government programs offered credit at subsidized interest rates which was an additional entry barrier for private financial service providers. This attitude only began to change when NGO-led and heavily donor-funded microcredit programs proved that the poor in fact did have money to spare and even showed remarkably high repayment rates. These experiments made it clear that the challenges of microfinance were not "lack of market" and "access" combined, but in fact only "access". The microfinance bottleneck lies with the supply side, not with the demand side. Group-based lending methodologies proved that by innovative means the "access" challenge could be overcome. The resulting tenuous interest of private financial companies was greatly pampered by generous donor support. This allowed private companies to establish low-risk, low-cost pilot projects.

Today, the involvement of multinational finance companies in microfinance is no longer hinged on donor support. According to Dieckmann (2007: 10), private sector investments in microfinance amounted to US$ 2 billion in 2006 and are forecast to increase tenfold to US$ 20 billion by 2015. Large multinational companies (MNC) like Citibank, Deutsche Bank, and HSBC are now directly providing loans to MFIs or engage in the securitization of the MFIs' loan portfolios (Economist 2005; Dieckmann 2007: 6). Today, it is not only the puplic relations (PR) compatible message of a DBL and the prospect of short-term profits which drives the MNCs on, but also the prospect of developing new markets (where old ones are often saturated) and the goal of creating customer loyalty "from early on". High hopes are pinned on the further rapid economic growth in developing countries. It is reckoned that sooner or later a significant number of today's microfinance customers will 'emancipate' or 'develop' to become normal profitable mass market consumers. This business rationale is not only held by MNCs, but also among smaller microfinance players, as a case study by Seibel and Parhusip (1999: 7) on the Indonesian commercial rural bank BPR Bank Shinta Daya's reasons for getting involved in group-based lending shows. What resounds here is the old modernist idea of incentivizing humanity with ever increasing aspirations and bringing everyone up to Western consumption levels. The notion that such consumption levels are dangerously high and in fact over-developed quickly fades behind the electrifying effect which the prospect of stellar growth exerts on big and small companies alike, all the more as public opinion is much in favor of their 'socially responsible investments'.

Microfinance could have developed earlier from a technical point of view. The market was there before the 1970s and joint liability and group-lending methods are nothing new either.

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[18] Anti-selection refers to the tendency of "bad risks", for example chronically ill people, to seek insurance coverage and moreover try to hide their condition from the insurer, while "good risks", such as young and healthy people, opt against insurance. Having too many "bad risks" in the risk pool can quickly threaten the financial stability of insurance companies.

They have been recorded for Ireland since the early 18th century and for Germany since the 19th century (Armendariz and Morduch 2005: 140; Simtowe 2008: 27). Dichter (2007c: 187) regards the US-Morris Plan thrifts of the early 20th century, which also used joint liability, as perhaps the first true microcredit precursors. However, for microfinance to be conceived as feasible and to "take off", it needed the particularly conducive circumstances of the overall development discourse. Therefore, development initiatives have definitely had an enormous business impact in hedging a whole new industry. Whether the impact on poverty alleviation can be seen just as positively is up for debate. Section 3.2.5 on microfinance debates and section 3.2.6 on microcredit impact discusses this question further.

3.2.3 Microcredit

The rationale of donors and MFIs to support microcredit is simple. They hold that many low-asset people have significant entrepreneurial skills and need credit to realize their business potential, but that they were credit constrained before the advent of microcredit (Sadoulet 2005: 390). The principal challenge is therefore "access", not "affordability" or "lack of market". Once sufficient credit is provided for working capital or small-scale investments, the small scale businesses of low-asset borrowers will grow and flourish to provide their families with higher and more stable incomes. Until today, most microcredits are short-term loans of up to one year duration which are targeted at business purposes. However, some MFIs have started to provide microcredits free of any usage restrictions (Banerjee et al. 2009: 4).

Who are the recipients of microcredits? Robinson (2001) provides a good summary:

> People who farm or fish or herd; who operate small enterprises or microenterprises where goods are produced, recycled, repaired, or sold; who provide services; who work for wages or commissions; who gain income from renting out small amounts of land, vehicles, draft animals, or machinery and tools; and . . . other individuals and groups at the local levels of developing countries, both rural and urban. Many such households have multiple sources of income. (Robinson 2001: 9)

In fact, most microcredit borrowers today are women, and the main supported business activity is petty trade (broadly defined). The character of these micro-businesses deserves some attention. Usually, these are family run business without any non-family employees. In Indonesia, most petty trades are in fact one-person nano-enterprises. The female petty traders do not account for their working time and have few other fixed and variable costs. Consequently, these businesses often show extremely high rates of return (Schrader 1994: 45-46; Banerjee et al. 2009: 20). Moreover, as the businesses are very small, the "principle of diminishing returns" works in their favor. This principle says that enterprises with relatively little capital should be able to earn higher returns on their investments than enterprises with a great deal of capital (Armendariz and Morduch 2005: 5). The female petty traders often achieve and surpass profit margins on invested capital of 100 percent per year. Such high returns help to explain part of the high credit repayment rates which MFIs have constantly been reporting. However, this favorable situation starts to disappear once the business starts to grow beyond its original nano-size. As soon as employees, rent, inventory keeping and diminishing returns get involved, an entirely different from of business management is needed. Most petty trades never make it to that level of complexity. They rather remain stagnant on a low economic level. The fact that this may even be in the interest of the petty trading women as a low-profile solution to the traders' dilemma has already been mentioned above (cf. section 2.2.4).

High repayment rates are often mentioned when speaking of the success of microcredit. The Grameen Bank has long reported loan recovery rates of over 98 percent (Morduch 1999b: 229). ASA, another large MFI in Bangladesh, even reported a loan recovery rate of 99.9 percent in 2003 and full cost coverage since 1993 (Armendariz and Morduch 2005: 1). Several authors, however, rightly point out that such spectacular figures are only representative of the better-known and better-managed so-called "top tier" MFIs, while financial sustainability is elusive for over 90 percent of MFIs (Armendariz and Morduch 2005: 4; Allan 2007: 49; Mahajan 2007a: 205; Dieckmann 2007: 6). Morduch (1999b: 231) adds that the definition of repayment rates varies widely across microfinance institutions. In any case, the "top tier" MFIs have proven that microcredits can achieve near perfect repayment rates, and that seen from this perspective, low-asset families can represent a lower credit risk than conventional customers (Simtowe 2008: 27). It also needs to be considered that interest rates for microcredits are much higher than for conventional credits in Western countries. Effective interest rates often amount to over 30 percent per year and can easily be as high as 50 percent or more. Although this is still considerably less than what informal moneylenders usually charge, the high interest rates nonetheless add a significant additional financial burden onto the loan to be repaid.

Besides the fact that the loan portfolios need to be well managed and that the micro-debtors can indeed afford timely installment payments despite high interest rates, the success of microcredits is attributed to five distinct features: (1) group-based lending, (2) incremental loan sizes (or progressive lending), (3) short installment frequencies, (4) the disconnection of installment payments from actual business success, and (5) lastly the much commented gender focus on women.

(1) *Group-based lending*. Most microcredits today are provided on a group basis rather than on an individual basis(Harper 2007a: 36). Group-based loans work on the principle of joint liability. Loans are provided to anywhere from five to forty members of a credit group. If one credit group member does not repay the loan, the fellow group members have to step in for her[19]. If this is not done, all group members are considered to be in default and none of the group members can apply for a follow-up loan (Sadoulet 2005: 390). The joint liability principle therefore replaces the material collateral of conventional credits with social collateral. Out of their best self-interest, the group members exert the necessary social pressure on their fellow members to ensure timely loan repayments. Joint liability groups are often equated with solidarity groups (IDB 1998: 27; Simtowe 2008: 27). It should be clear, however, that joint liability in group-based lending does not work on altruistic solidarity but on solidarity motivated by self-interest (Rankin 2006: 102). This reprises the pattern that we have observed earlier regarding the balanced reciprocity arrangements in embedded moral societies (cf. sec-

[19] As the majority of microcredit customers are female, I refer to them in female terms.

tion 2.2.2). Some MFIs even use public repayments to heighten the ability to generate stigma or, more powerfully, the threat of stigma in case of non-repayment (Armendariz and Morduch 2005: 138). Moreover, the women self-assess the character and the business prospects of their fellow members and only allow "reputable" and "reliable" women to join the group. This resolves much of the information asymmetry problems previously associated with lending to low-asset customers. In its most traditional form, group credits are disbursed at the same time to all group members and repaid following exactly the same installment schedule over the course of a few months to a year. However, there are many different varieties of the group-based lending methodology. Dian Mandiri (DIMAN), one of the MFI partners of Allianz in Indonesia, requires the credit group members to pledge some soft collateral such as refrigerators or TV sets to the group. In case of default, the group is entitled to confiscate and sell the soft collateral instead of providing cash assistance. PPKM Bina Swadaya, another of Allianz' MFI partners, provides individual credits but nonetheless uses group meetings for efficient loan installment collection. Moreover, PPKM Bina Swadaya does not provide credit to any group members if other members, who had taken an earlier turn at disbursements, were not up-to-date with their credit installments. Instead of a direct contractual joint liability obligation, this creates an indirect liability and still seems to generate the required level of social pressure.

(2) *Incremental loan sizes (progressive lending)*. Microcredit programs often operate on a sequence of loan cycles. With every successfully completed loan, the women can apply for higher loan amounts than before. The prospect of increasing loan sizes, and the threat of not receiving any loan upon default, serves as another strong incentive for timely repayments (Sadoulet 2005: 388-389; Armendariz and Morduch 2005: 122). The micro-debtors thereby prove their reputability and create their own credit-history, which is again a measure to reduce information asymmetries. Although credit group members typically start with the same or very similar loan amounts, later on, as the group moves from cycle to cycle, some members are granted higher loans than others, depending on business prospects and credit history. This leads to increasing disparities and potential conflicts. MFIs often try to resolve this problem by splitting the larger initial credit group into several smaller groups. Many MFIs also offer the possibility of eventually "graduating" to larger individual loans. Nonetheless, most MFIs have certain limits regarding the maximum loan size provided. When group-based customers reach this limit (not all do, and many who do are content with the achieved limit), the incentive of incremental loan sizes diminishes. Consequently, repayment discipline often tends to weaken after several loan cycles.

(3) *Short installment frequencies*. Group-based loans are typically repaid during weekly group meetings. Some loans are even repaid on a daily basis, while for larger and individual loans monthly installments are often used. The lump-sum repayments of investment credits which are common in conventional banking are unknown in microfinance. Such short repayment frequencies suit low-asset borrowers because of the volatility of their income and their limited possibilities to save for upcoming loan installments over the long term. Moreover, frequent meetings generate more opportunities to exert social pressure on late payers. Therefore, the

short installment frequencies of microcredits have also been linked to high repayment rates (Harper 2007a: 44).

(4) *Disconnection of installment payments from business success*. Typically, loan installments start immediately after the microloan has been disbursed. This is because the repayment capacity of the micro-debtors is evaluated on a “without the loan” basis; that is, microloans are not provided on the basis of expected revenues from the loan in question but based on the current repayment capacity of the entire family (not only the credit taker). The MFIs want to make sure that the loan can be repaid even if the planned investment fails; and they want to put this obligation into practice as timely as possible (Von Pischke 2002: 374; Armendariz and Morduch 2005: 132). Agricultural micro-loans to farmers differ somewhat from this pattern as they in fact differ from many other of the generalizations presented here. Farmers usually borrow for seeds and fertilizers at the beginning of the planting season while repayments are often postponed until the harvesting season when money is more easily available. In general, loans for agricultural activities are considered to be more risky. As they only played a minor role among Allianz’ MFI partners they are not further dealt with here.

(5) *Gender focus on female borrowers*. Next to group-based lending, the fact that most microcredit customers are women is certainly the best known peculiarity of microcredits. In the beginning, however, there was no particular focus on women. Initially, Grameen lent to a large number of men as well. Only when Grameen realized that repayment rates of female customers were higher than those of male customers did it start to focus on women (Armendariz and Morduch 2005: 138). Many other MFIs have made the same experience and followed suit. The gender focus of microfinance therefore originated from logistical reasons, not because of an inherent agenda of “female empowerment”. This was only attached to microfinance when the gender and empowerment concerns became more salient in the development discourse. Several reasons have been suggested why women show higher repayment rates in group-based programs (not in individual lending): In most cultures, women hold the main responsiblity for maintaining social networks and for guarding family welfare. They are therefore said to be more sensitive to social pressure, more cautious in their investment decisions, and - unlike men - more reliable to invest in ultimately welfare enhancing activities rather than risky businesses or even gambling, tobacco and alcohol. Women are generally also more confined to the home than their more mobile husbands. It is therefore considered easier to involve women in the highly social and time consuming group-lending methodology with its frequent meetings (Armendariz and Morduch 2005: 139; Rankin 2006: 99). Regarding Indonesia, the female focus of most MFIs there is supported by the fact that most petty traders, at least on Java island, are women. In a sample of petty traders in Java, the female ratio was over 80 percent (Evers 1994b: 74). Moreover, many authors have commented that Javanese women are the principal responsible not only for social relation management but also for domestic financial management (Papanek and Schwede 1988: 71, 89; Lont 2000: 162; Forshee 2006: 161). My own research findings confirm this (see section 7.1). Naturally, this makes Indonesian low-asset women very suitable microcredit customers.

Apart from the outlined five main features of primarily group-based microlending, it should again be noted that most microcredit programs have a compulsory savings feature. As much as 5 to 10 percent of the loan is withheld by the MFIs as compulsory saving. Upon successful loan repayment, the withheld money is either paid out or retained for the next loan cycle, most often at no interest. Some MFIs require customers to save for a certain time before the first loan is disbursed in order to prove their credit-worthiness. However, such compulsory savings are generally not used as a financial tool of the debtors but rather serve as a way for the MFIs to acquire relatively cheap capital and to secure a form of collateral from borrowers (Dercon 2005c: 447; Armendariz and Morduch 2005: 149; Hulme 2007: 19). Also the frequently inbuilt insurance feature against death of the debtor or natural disasters should be mentioned. For example, the Grameen methodology waives the outstanding loan balance in case the debtor dies (Simtowe 2008: 28). However, extra payouts are not provided. This self-insurance is often financed through internal provisioning of the MFIs. Typically, 0.5 to 1 percent of the disbursed loan amounts are accounted for as emergency reserve. Such arrangements are usually calculated by rule of thumb and not properly assessed from an actuarial risk management perspective. Especially in case of disasters, the customers have no clear contractual claims against the emergency fund. This gives the MFIs great flexibility to make use of their emergency reserves at their own discretion. Although customers are generally informed of their "life" protection, the word "insurance" is not mentioned. MFIs prefer to speak of a "service" or "feature" in order to avoid the negative connotations and questions that insurance arises in many low-asset societies.

The typical group-lending process starts with the formation of the credit group. Usually, the loan officer of an MFI enters a low-asset area or a *kampung* and identifies potential group leaders. These are women of high social repute, extensive social connections and a thriving micro-business. Naturally, these women also need to be interested in obtaining microcredits. The group leader then starts to gather other interested women to form a credit group. Before the loans are disbursed, the loan officer provides some upfront training and information. Part of the preparation process is the formal election of the group leader, who may be supported by a deputy and a treasurer. The group leaders are not paid for their work. Their compensation therefore consists of symbolic capital only. The groups also choose a group name. In Indonesia, names of flowers such as "Bougainville" are popular, as are names of near or far away locations such as "Kampung Daun" or "Eiffel Tower". When the moment of loan disbursement approaches, the loan officer makes a formal loan assessment. One of the purposes of the loan assessments is to verify that the applying women really have an existing micro-business and a credible intention to invest in that business. Another purpose is to match the loan amount with the repayment capacity of the women. Loans which exceed the borrower's absorption capacity can quickly lead to defaults and spirals of debt (cf. Robinson 2000: 31). Most MFIs require all women to already have a microenterprise running for some time. Because of the high associated risk, the establishment of entirely new businesses is rarely supported. Upon successful completion of the loan assessment, the loans are disbursed. Repayment meetings usually start immediately the following week, always at the same time on the same weekday. This routine is important in order to make repayment a habit. The loan officers, who generally have senior high school or higher education and are often male, make their daily rounds on motorcycles and sometimes even on foot to visit four to five groups per day. Roughly speaking, from Monday to Thursday the loan officers of Indonesian group-lending MFIs can serve 15 to 20 credit groups with a total of 200 to 300 members. Unlike the Grameen Bank in Bangladesh, Indonesian MFIs often do not require all group members to be present at every group meeting. Sometimes the group leader has already collected the due installments and just passes them on to the loan officer; or the loan officer spends a good hour at the house of the group leader and the group members drop in at any time during that visit to pay their installments. On Fridays, loan officers often dedicate themselves to administrative work, training and other internal MFI activities. Few MFIs open on Saturdays.The fact that the loan officers go out to visit their low-asset customers, a process very different from conventional branch-based banking, explains a good part of the generally high transaction costs in microcredit and consequently the relatively high interest rates. The small loan amounts, which in Indonesia can start as low as US$ 50 and rarely exceed US$ 500, are another reason for high interest rates. It would be cheaper to process a single large loan than to take the same amount of money and partition it into many small microcredit portions.

It was already noted that every MFI is different. In addition, the MFIs and their credit groups are very dynamic. MFIs constantly try to improve their lending methodology; changes are made to the customer selection and loan assessment process; new branches are opened, others are closed; loan officers join and leave again; new products are developed and launched while others are abandoned et cetera. Moreover, in the field, the rules of the prescribed lending methodology are often bent and interpreted in different ways. The credit groups themselves are even more dynamic than the MFIs. Members leave the group and others join; some groups disband quickly, others survive over several loan cycles; some groups show very good repayment performance, others get stuck quickly; young groups are still intimidated by the threat of sanctions on late repayments, while more experienced groups already find ways to negotiate and influence the MFIs' terms to their favor. This dynamic process is thrilling to observe. However, the constantly changing conditions in the field pose a challenge to impact research, especially to longitudinal research that runs for several months or years, as was the case with *Payung Keluarga* (see section 5.3.3).

3.2.4 Microsavings

Microsavings has taken a long time to emancipate itself from its former role as a compulsory assistant of microcredit. Microsavings is now being recognized by development advocates as a highly demanded microfinance service and an effective risk management tool. However, Dercon (2005c: 447) reports that "with few exceptions, [microsavings, M.H.] initiatives remain relatively thin on the ground." He refers to initiatives by classic grassroots MFIs who have previously specialized in microcredit alone. Outside the classic developmental MFIs, small-scale savings have been popular for a long time. For example, informal rotating credit and savings associations (ROSCAs) like the Indonesian *arisan* have often been described by economists and anthropologists (Geertz 1962; Bouman 1989; Von Pischke 1991; Low 1995; Rutherford 1999; McCord et al. 2006: 10-11, 89; Heydel et al. 2009: 35-37). Formal credit unions and cooperatives have had strong savings elements all along (Dichter 2007b: 5); not to forget the 27 million microsavers of BRI. I should also reiterate that, following Bourdieu (1977), savings (and debts) are not only accumulated in material economic terms, but also in form of symbolic capital such as reciprocal obligations. It is nonetheless true that until today much less is known about the workings and impacts of monetary microsavings than about microcredit (Meyer 2007: 226). Several opinions have been brought forward as to why microsavings have not emerged more strongly in mainstream microfinance practice before the “reinvention of development”. After all, unlike microcredit, from the perspective of the MFIs microsavings are not beset by problems of information asymmetry, anti-selection and moral hazard (Dercon 2005c: 447). Moreover, as with any conventional bank, savings can be used as a relatively cheap source of capital which can be lent on in form of microcredit. As a possible explanation, Dercon (2005c: 447) refers to the still remaining challenge of transaction costs. Collecting minute savings by way of door-to-door collection, as has been pioneered by SafeSaving in Bangladesh (Rutherford 1999: 17-19), is more expensive than auto-debit deductions in conventional banking. Dichter (2007b: 4) and Kiviat (2009) rightly point out that many MFI are prevented by regulations to mobilize savings. Institutions that safeguard people’s money have to fulfill much higher regulatory requirements and scrutiny than those that only distribute money to people. In Indonesia, several MFI have pointed out this problem to me. In this respect, the compulsory savings attached to microcredits often operate in a rather grey legal area.

Again, as with microcredit, some additional constraints are not technical but discourse related. Microsavings need less development intervention to be set up and need longer to accumulate. Unlike with microcredit, few restrictions can be put on the use of microsavings. Customers may use their savings for investment, but they may also use them to buy TV sets and refrigerators. Microsavings therefore do not lend themselves as well as microcredits to the interventionist and short-term agenda of development. In short, microsavings has less development appeal than credit. Consequently, even the business models and product design of many MFIs who could legally mobilize savings are fully geared towards donor-financed expansion of their loan portfolio (cf. Dichter 2007b: 5; cf. Hulme 2007: 20).

Much better understood than microsavings products and their impact is the demand for microsavings. Churchill (2002: 381) remarks that micro-savers and micro-borrowers are often different people, because thoroughbred entrepreneurs are not noted for their savings habits since they often plow excess cash back into their businesses. Churchill is certainly correct that borrowers and savers do not have to be the same person, although some MFIs demand exactly that and exclude customers who do not want to continue borrowing but just want to continue with their savings (Hulme 2007: 20). However, as the discussion on embedded moral societies and the resulting traders’ dilemma has shown, not all petty traders plough their profits back into their business; quite the contrary, profits are often siphoned off for consumptive purposes and eventually for savings in symbolic capital (cf. section 2.2.4). Whether savers are micro-entrepreneurs or not, in any case demand for savings is high and widespread. Morduch (2006: 353) reports of a high demand for savings in Indonesia. My own research findings also show a particularly high demand for saving products, especially those geared towards education savings (see section 7.3.1). Several authors regard the demand for savings as higher than for microcredit (Robinson 2001: 31; Allan 2007: 49; Dichter 2007c; Mahajan 2007a: 200). Lont (2000: 167-168) explains the high demand for savings products, moreover for particularly rigid savings product, with the illiquidity preference of low-asset customers. As "cash is vulnerable to erosion through . . . the simple inability to keep temptation at bay" (Armendariz and Morduch 2005: 160-161) low-asset families, especially women, prefer self-imposed obligations to save, such as in ROSCAs and *arisan* rather than keeping money at home. This fends off personal temptations of quick consumption, but also helps to circumvent the frequent financial claims by husbands, children and the social network. Illiquidity preference and preoccupation with savings even go so far that people prefer to borrow rather than to deplete their carefully accumulated savings (Lont 2000: 167; Armendariz and Morduch 2005: 137).

As noted above, low-asset families are willing to pay for savings services and do not expect interest payments (Rutherford 1999: 13; Armendariz and Morduch 2005: 137; Harper 2007a: 40; Mahajan 2007a: 200). Karmakar (2009: 24) even describes low-asset families as generally "interest insensitive". Seen from a pure economic perspective this is an expensive strategy. However, as soon as a risk management perspective is added and the absence of cheaper risk management means is assumed, such preferences appear more reasonable (cf. Churchill 2002: 382). This is because savings, just as much as microcredit, are often regarded as consumption smoothers and safety cushions for a rainy day rather than as business capital.

3.2.5 Microfinance debates

As alluded to before, microfinance has many fervent proponents, but also an increasing number of more moderate observers and a small but noteworthy minority of critics. However, few people doubt that financial services for low-asset families are generally a good idea. Moderate and critical observers rather question the exaggerated hopes which are put towards microfinance. They also question the way microfinance is practiced today. Generally, most debates focus on intermediate and technical issues, while a fundamental discourse on the long term social impacts and its relation to development is, with a few notable exceptions such as on the issue of empowerment, more subdued. This again may be due to the fact that the positive potential of microfinance and the underlying paradigms of poverty's existence and unlimited human aspirations are rarely put to doubt. Due to the imbalance in microfinance towards microcredit, most debates range around this particular component. In the following I will present some of the contested issues, starting from the more general issues towards more technical debates. As usual, the advocates of the various positions each refer to empirical evidence, where available, which confirms their respective positions. Indeed, the problem of impact research in microfinance is tricky. I will outline some of the major challenges and some general findings on microcredit impact in section 3.2.6. Later, in section 3.3, I focus on microinsurance in particular. There, several of the debates and impact research challenges outlined in the following will show up again.

The most general of the debates on microfinance concerns the question whether microfinance only helps to sooth the symptoms of poverty and social inequality or if it really helps to cure the cause of poverty and to change social structure towards a more inclusive and egalitarian society. Development and microfinance advocates clearly favor the first position. The UN's "Year of Microcredit" in 2005 and the Nobel Peace Prize for Muhammad Yunus in 2006 are institutionalized proof of this stance. Critics like Kron (2004) contend that microfinance is a picture book example of the neo-liberal development agenda that seeks to spread Western capitalism. Menike (1993) and Wright (2006) speak of the tensions that can arise when group-based microcredit methodologies collide with local culture. This can lead to a change from conciliatory social practices to negative social coercion as Menike (1993: 181) observes in Sri Lanka, and to the reaffirmation of power differentials as Wright (2006: 168) reports from Bolivia. More generally, Rankin (2006: 97) criticizes that microcredit leaves low-asset families alone "as agents of their own survival" and excuses the withdrawal of the state from public protection provision and from efforts to reduce social inequalities. Kron (2004: 16) and Harper (2007b: 258) raise similar concerns of less government engagement in public welfare after the advent of microfinance. The same discussion also affects market-led microinsurance as we will see below.

A range of studies point out that microcredit can in fact leave some debtors worse off than before. Armendariz and Morduch (2005: 200) refer to Mosley (1996) who reports that in one study of Bolivia's BancoSol, for example, staff estimated that in any given cohort roughly 25 percent of the microcredit customers showed spectacular gains after borrowing, 60-65 percent stayed about the same, and 10-15 percent went bankrupt. Mahajan (2007a: 205) reports that a study on the Indian MFI BASIX revealed that "only 52 percent of its three-year-plus microcredit customers reported an increase in income; 23 percent reported no change, while another 25 percent actually reported a decline." Interestingly, further analysis showed that the main reasons for the declining incomes were poorly managed risks, low productivity in crop cultivation and livestock rearing, and inability to get good prices from the input and output markets. This strongly points to the importance of risk management and prevalent market conditions, and it confirms Hulme (2007: 21) when he claims that "providing effective microfinance services to poor people is part of a poverty reduction strategy, but only a part."

Critics also argue that microfinance, in the form of microcredit, integrates micro-businesses further into the global economy and advances the commoditization of products and services, which - while potentially resolving old dependencies - can create new ones. With microinsurance for example, the insured need to trust the prudent management and stability of the insurance company, something that is much harder to assess for them than the resources, reputability and assistance obligations of their neighbors. Moreover, businesses that start to produce for the world market instead of focusing on traditional home markets become dependent on market fluctuations far beyond their control. Development critic Rahnema (1992: 169) notes that "the modern economy . . . , in the name of poverty alleviation, . . . only forces the poor to work for others rather than for themselves."

A related debate concerns what low-asset families need most urgently, credit or savings and insurance, and whether credit is actually good for promoting low-asset business or whether credit rather promotes consumptive habits. In 1997, Muhammad Yunus claimed - based on the assumption that microcredit would unleash frantic business growth among low-asset families - that microcredit would make poverty history (Kron 2004: 16). Dichter (2007c) takes the opposite view. Using the history of economic growth in industrialized countries as an example, he claims that economic growth came first, along with savings and insurance, and that credit, when it eventually made headways among low-asset families, was largely used for consumptive purposes (Dichter 2007c: 180-181). Dichter (2007c: 191) contends that, almost following modernist thinking, this historical lesson from Western countries still holds true for the developing world today. However, it may be cautioned that the economic development of today's developing countries does not look like a perfect repetition of the Western past. For example, despite high economic growth rates the informal sector in developing countries is hardly giving way to formal employment; on the contrary, as more young people in developing countries enter the labor markets than the formal sector can absorb, the informal sector is even growing (Barta 2009). But Dichter (2007c: 181) certainly has a point when he asserts that "the distribution of entrepreneurial characters is pretty much the same everywhere in the world. Some people have it, others do not." The notion that all so-called micro-entrepreneurs are business savvy and prefer self-employment over other forms of employment needs to be abandoned. This argument runs along the lines pointed out earlier, namely that low-asset families have various motives of engaging in business, and that aggressive business expansion is not on everybody's agenda, whether due to structural, normative or skill-based constraints. Along with Dichter, Ellermann (2007: 152) claims that apart from a few well publicized cases, the bulk of microcredits goes to consumption. This claim is at least partly supported by other authors (Lont 2000; Churchill 2002: 382). In a large quantitative survey on the customers of an Indian MFI, which puts no restriction on the usage of its credits, Banerjee et al. (2009: 8) found that only 52 percent of the respondents used at least part of their credit to expand existing businesses or establish new ones. 30 percent repaid existing loans, 15 percent bought durable household goods and the 15 percent used funds to smooth consumption.[20] Lont (2000) notes that, comparable to India, in the Yogyakarta *kampung* where he did his anthropological field work a significant portion of formal and informal credit is used to repay other debts. Indonesians have even coined an idiom for this practice: *gali lobang tutup lobang* (literally: dig a hole, fill a hole). However, due to the negative connotations associated with being indebted in general, and with repaying old debt by taking on new debt in particular, few of his interviewees would admit to it. This leads to another of Dichter's objections against excessive microcredit provision, namely that it can lower the previously morally reinforced objections against indebtedness (Dichter 2007c). This in turn may eventually lead to consumerism and potential spirals of debt. He gives the striking example of the United States, where consumers held 1.2 billion credit cards in 2006; and approximately half of US-consumers do not pay off their balance on a monthly basis. They are therefore perpetually indebted (Dichter 2007c: 190). Dichter scathingly remarks that such democratization of credit was certainly not what Muhammad Yunus had in mind when he proclaimed credit a human right. Dichter, like many others, therefore strongly advocate the promotion of savings instead of credit. With the "reinvention of development", this urgent call is increasingly being heard.

[20] Multiple choices were possible. Totals therefore add up to more than 100%.

The insight, and certainly the customer demand, has been out there for grabs all along. As early as 1962, Geertz remarked:

> Unless the basic savings habits of the people of a country can be altered, the prospects for sustained economic growth are dim indeed. (Geertz 1962: 241)

If we consider the portion of microcredits which is in fact used for business investments, I have to add that even these investments do not necessarily need to follow a clear profit-maximizing strategy. Along the lines of the discussion above on the traders' dilemma (cf. section 2.2.4), business investments may also be geared towards limited growth only, towards the establishment or furthering of social relations and towards the pursuit of a micro-business as just an interesting pastime. It is also startling that some studies suggest that microcredit, although probably being the only form of formal credit available, may only account for a small portion of the overall budget of the supported families (Armendariz and Morduch 2005: 208; Wilson 2007: 105). In other words, microcredit may be too small to make a significant difference. It may only represent one of many sources of financing for low-asset families. In addition, Ellermann (2007: 154) holds that where microcredit does indeed support business investment, it is used for the establishment of easy-entry petty trades that face cut-throat competition and lack a unique business proposition that could guarantee sustained growth. This argument is very much in line with the petty trading solution of the traders' dilemma. Again I add that this also entails that such investments are geared at petty trade not only for structural reasons, but also due to moral constraints. Ellermann goes on to claim that an expansion of microcredit-financed nano-enterprises may crowd out other petty traders, and, even worse, undercut efforts aimed at long-term business expansion. More recently, Karnani (2009: 1) comes to the same conclusion. Ellermann calls for more efforts at developing larger scale businesses which may create employment opportunities. He concludes:

> In many ways, microfinance programmes may be like fast-growing weeds that will choke the ground before the slower ('development oriented') crops can grow. . . . In this sense, microfinance may be an anti-development intervention. (Ellermann 2007: 154)

Ellermann's point certainly has some merit to it. However, Robinson (2001: 110) directly responds to such claims of stagnant growth. She contends that by and large microcredit-backed businesses are indeed growing significantly. To underline her case she presents several individual success stories from various countries, which nonetheless cannot evade the criticism of being anecdotal. Banerjee et al. (2009: 3, 20) provide more representative empirical evidence in their quantitative study on Indian microfinance customers: For those loans that were invested in new or existing businesses (52%), on balance their results show significant and not insubstantial impact on both how many new businesses get started and the profitability of pre-existing businesses. They also find no indication that newly established businesses crowd out existing ones.

Banerjee et al. (2009) also investigate on another debate surrounding microfinance, namely whether microfinance helps to empower low-asset families and women in particular, and whether microfinance enhances positive social capital. This debate is the only major issue where current microfinance discourse is frequently touching upon social impact, probably because the notions of positive social capital and empowerment have been heavily propagated by mainstream development proponents since the "reinvention of development". However, Banerjee et al. (2009: 14) do not find evidence of female empowerment: "Women in treatment areas were no more likely to make decisions about household spending, investment, savings, or education." One study on a large Indonesian MFI, however, finds positive signs of female empowerment (MBK Ventura 2009: 43-47), although I contend that Indonesian women have always been pretty much financially empowered. The negative sides of the invocation of social capital in group-lending have already been mentioned above (Menike 1993; Wright 2006), while others regard credit groups as a positive addition to social capital (McGregor 2000: 5).

Something that microinsurance advocates and skeptics surprisingly agree on is that microfinance does not reach very low-asset families. It is commonly said that microfinance is serving the 'working poor' and excluding the 'poorest of the poor' (Moser 2001: 365; Kabeer 2003: 112; Rankin 2006: 103; Heydel et al. 2009: x). While microfinance proponents consider this failure to reach the real bottom of the pyramid as a temporary obstacle yet to be resolved, critics consider it a permanent situation which leaves the very low-asset population behind and increases social inequalities instead of resolving them (Kabeer 2003: 112). The exclusivist character of group-based microcredit has in fact often been noted (Miguel et al. 2002: 10; Mahajan 2007a: 204; Lont 2005). Churchill (2002) describes how exclusion is promoted from three sides: by the excluded themselves, by the MFIs, and by the credit-group members:

> The poorest households exclude themselves from microcredit programmes because they are not willing to risk being unable to repay and the public censure that often accompanies delinquency. They may also be excluded by the MFI because they do not have existing businesses, which is a requirement for many institutions, or by borrower groups because they represent bad credit risks. (Churchill 2002: 382)

This exclusivist character is clearly driven by the rules of balanced reciprocity. All group members should be able to reciprocate evenly. Therefore, by tendency, such exclusivist traits can not only be observed in formal (and informal) financial arrangements but also in mutual risk sharing arrangements (Kozel and Parker 2000: 66; Pan 2008: 6). A related observation is that families which already command a considerable asset base, the 'not so poor', benefit the most from microcredit support (Hulme and Mosley 1996: 206; Mahajan 2007a). This phenomenon seems to be related to their generally higher education levels, larger social network, and lastly their better material asset position which allows for taking on relatively higher business risks which in turn tends to reap higher returns. Moreover, it may also be likely that because "subsistence insurance" is not as pressing an issue for higher-asset families, the bounds of the moral economy on asset accumulation may be easier to ignore. Kabeer (2003: 112) and Dichter (2007a: 9) take the discussion further when they illustrate that formal microfinance, through its exclusivist arrangements and accentuation of social inequalities, may negatively influence informal safety-net arrangements and ultimately erode social cohesion. These concerns represent one of the rare examples where microfinance is being critically reflected in terms of its wider social impacts. Some observers note this lack of a more holistic view on microfinance as a research gap (Armendariz and Morduch 2005: 3; Wright 2006: 155), while the majority of observers is either content with not looking too closely at the matter or simply assumes the social impacts to be positive. In fact, the further the discussion on microfinance moves away from the micro-level of individual customers towards more general social questions, the less discussion occurs and the less evidence is available. Hardly ever is the question of the effect of microfinance on patron-client-relations discussed although these relations have been noted as being pervasive in many low-asset settings (Mackie 1998: 139; cf. Casino 1988: 54). In short, as with microinsurance, the magnitude of change from informal, heavily socialized forms of financing towards commoditized, formalized, and legalized financing is hardly ever fathomed and its consequences are poorly understood today. Microfinance is not just about changing from the moneylender to an MFI. Microfinance induces an entirely new "frame of reference", to reprise Platteau's expression (1997). Microfinance changes the way low-asset people interact with their environment. Microcredit and microsavings, just as microinsurance, have to be recognized as actors of social change. Social changes induced by microfinance may not only be restricted to empowerment and increases in social capital, but can also mean unintended changes which can be viewed rather critically.

If the debates outlined so far were rather general in nature, a number of more intermediate and technical debates are derived from them. One such debate relates to the question if microfinance should be offered on a no-frills basis or if it should be combined with educational messages, usage restrictions, business consulting et cetera. MFIs can be placed along a continuum that spans between these polar opposites (Buse 2008). In Indonesia, most MFI partners of Allianz were leaning more towards the latter integrated model. A fervent debate also surrounds the issue of group-based versus individual credit. While group-based methods help to significantly reduce transaction costs and thereby often make microcredit possible in the first place, Harper (2007: 35) argues that methods for individual lending should be explored further and that "groups should be regarded as a regrettable short-term second-rate expedient." Much of his argument rests on the fact that the principle of joint liability is not liked by the customers. This line of thought is supported by several other authors (Menike 1993; Simtowe 2008: 5), and is moreover in line with the earlier observation that mutual assistance arrangements are entered to due to need and lack of alternatives, not because of altruism (cf. 2.2.2). Churchill (2002: 383) reports that several group-lending MFIs have experienced an exodus of borrowers as soon as a competitor with individual lending entered the market. An MFI manager in Indonesia commented that his customers did not like the joint liability scheme but had they had no other option than to accept it.[21] In addition, Buse (2008: 57) argues that group-lending leads to tensions when successful customers are held back by less successful group members. Armendariz and Morduch (2005: 114) declare that in this matter empirical research once again lags far behind theory. It should also be borne in mind that there are many variations of group-based and individual lending. Von Pischke (2002) even argues for individual lending that is no longer secured by collateral but by sound individual cash-flow analysis or

[21] Interview with Mickey Felder, Operational Manger of MMS, as part of the MFI management component in Jakarta on 20 October 2008.

even by propensity scoring as it is already used by credit card companies based on a statistical default risk analysis. In general, market observers note that individual microlending is gaining ground, especially in sparsely populated areas or in situations were more established clients are seeking greater flexibility (Armendariz and Morduch 2005: 119; Harper 2007: 44).

One particularly disturbing realization for microfinance practitioners seems to be that the moneylenders, which microcredit had set out to make obsolete, have still not disappeared. Numbers on the "moneylending market" are hard to obtain because moneylending is often illegal and operates in hiding. However, Rahman (2007: 193) reports that even in Bangladesh, the country with the highest microfinance density in the world, moneylenders are still a dominant force in rural financial markets. Many of the MFI customers which I interviewed in Indonesia confirmed that moneylenders were operating in their area just as before, and some even admitted using their services every now and then. There are several reasons why there is still a demand for moneylenders, despite their particularly high interest rates of as much as 20 percent per day (cf. Robinson 2001: 204). Most importantly, moneylenders are often used for different purposes than microcredit. Moneylenders are not used to finance business expansion or normal consumption. Moneylenders are rather used in times of emergency when money needs to be on hand quickly and without much paperwork (Ingelson 1996: 578; Lont 2000: 171). MFIs and even informal arrangements like ROSCAs are often not able to provide cash on hand as quickly as moneylenders can. Not only are moneylenders more flexible than MFIs at the moment of loan provision, they can also be more flexible when it comes to loan repayment. Although often veiled as merciless credit sharks, moneylenders have been noted to flexibly extend credit term in case of repayment difficulties - at no additional interest (Armendariz and Morduch 2005: 171). In addition to flexibility and convenience, many customers are very familiar with moneylenders and trust these relationships more than relationships to more distant and formal institutions like MFIs and banks (cf. Samik-Ibrahim 1963: 38). Lastly, Harper (2007) notes that the continued presence of moneylenders may also be promoted by the preference of low-asset families to have several financing options on hand:

> Microfinance loans are still costly, and microfinance services do not generally replace moneylenders or the ubiquitous 'friends and family', but they do complement them and enable their customers to spread their risks and access a wider range of services. (Harper 2007: 40)

Both, the presence of moneylenders and the general ability of their customers to cope with their high interest rates once again points to the surprising resourcefulness and intricate asset management of low-asset families. The mentioned studies which show that microfinance may often only represent a small portion of the overall family finances further confirm that microfinance assumes more of a complementary rather than a replacing function. This in turn relativizes earlier concerns that microfinance may lead to the demise of informal arrangements and social cohesion. The less portion microfinance assumes in family finances, the less strong this potential replacement effect, if any, is going to be. I will later argue along similar lines in the case of microinsurance (see section 3.3.3). This makes the example of microcredit versus moneylenders particularly relevant for the discussion.

The interest rates charged by MFIs are generally significantly lower than those of moneylenders. MFIs usually state interest rates as “flat” monthly interest rates, for example 2.5 percent “flat” per month. 2.5 percent “flat” is a typical interest rate for the MFI partners of Allianz in Indonesia. This would mean that a for a US$ 100 microcredit of 12 months duration, 30 percent or US$ 30 of interest would have to be paid over the course of the year (12 x 2.5% = 30%). Stated in the effective terms which are common in conventional banking this amounts to an effective annual interest rate of 49.90 percent.[22] Adding various administrative charges the loans become even more expensive (cf. Harper 2007: 38). For many microfinance observers, these costs of borrowing are still too high. Ways are sought to reduce interest rates. It is noteworthy that the critique of the high interest rates is not coming from the side of the microcredit customers, but from concerned observes in the donor countries, as Robinson illustrates:

> Politicians, journalists, social workers, and the general public often have a difficult time understanding why interest rates on microloans need to be higher than those on larger loans. This is after all, somewhat counterintuitive. (Robinson 2001: 30)

The high interest rates of microfinance can of course largely be explained by the peculiarities of the business such as the labor intensive training, disbursement, and collection process, as well as the small loan amounts. The question of interest rates, however, is closely related to the question of how much money can potentially and morally be made from the poor. In pure economic terms, a lot of money can be made with business from the poor. Prahalad (2004: 11-12) demonstrates that compared to high-asset consumers low-asset consumers pay a hefty premium on many of their daily needs, for example municipal water, medication, rice and not least of all, credit. Much of this premium is due to having these products served in small portions and under worse infrastructural conditions. After all, the price for 100 one milliliter shampoo sachets is intuitively higher than a single bulk purchase of a 100 milliliter package; and this does not account for opportunity costs such as the time spent on going to the corner shop several times instead of dropping by the supermarket once a month for bulk shopping. Compartamos, a Mexican MFI that went public in an initial public offering (IPO) worth US$ 450 million in April 2007, at times charged interest rates of over 100 percent and is the most profitable Mexican bank today. With a return of 55 percent, Compartamos is an investor’s favorite (Economist 2005; Buse 2008: 58). Also BRI’s microfinance unit has been highly profitable after restructuring started in 1984, even throughout the Asian financial crisis in 1997/98 (Robinson 2001: 34; Armendariz and Morduch 2005: 164). Now that Wall Street is starting to get excited about microfinance, Saltmarsh and Contiguglia (2009: 1) report of fears for “the profit motive to trump poverty efforts in microfinance.”

High profits from microfinance are therefore not a question of feasibility, but a moral question that is intensely discussed in microfinance circles (Buse 2008; Saltmarsh and Contiguglia 2009). If microfinance would be just business as usual for investors and MFIs this discussion would probably not raise much attention. However, as microfinance continues to be deeply

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[22] Conversion of flat interest rate to effective interest rate done with Loanwala (http://www.loanwala.com/calculators/flat-interest-rate.html).

enmeshed in development discourse, which itself is a highly moralized discourse (Korff and Tigges Lizarazo 2008a), the question of how high interest rates and profit margins can be remains salient. The situation is especially acerbated by development's obsession with measurement and its rejuvenated focus on market-based solutions. As this draws in private investors, "development profits" have to be made more transparent. Back in the 1950s, large scale dam projects did not make it particularly easy to discern who of the involved contractors and bureaucrats profited how much in legal and illegal ways. With microfinance, the profit dimension behind development initiatives has been dragged into the open. And eventually, Kron (2004) may be increasingly proven right that after all microfinance has a tendency to further global capitalism and promote a neo-liberal agenda, albeit without really liberating low-asset people.

3.2.6 Microfinance impact

Many of the above discussions relate to the question of microfinance impact. However, there is still more debate than empirical impact evidence in microfinance (for this reason I have outlined the debates before the evidence). This can partly be explained by the methodological intricacies of impact research, but for the larger part, as I hold, because the rock bottom of microfinance discourse is moral, not technical. Fortunately, however, the interest in microfinance impact research is growing. An increasing number of academic studies are published. Roodman (2009) outlines the situation well:

> Thirty years into the movement, it might seem strange that researchers are still asking whether microfinance reduces poverty. In fact, by the standards used to judge whether drugs are safe and effective in the bloodstreams of people, the safety and effectiveness of microfinance injected into the fabric of villages and barrios remains unproven. Somewhat by chance, 2009 is turning out to be a pivotal year in the study of the impacts of microfinance. A new generation of studies is emerging that promises to give us a clearer view of the effects. (Roodmann 2009)

Unfortunately, much of these studies come too late for the inclusion in this thesis, for example the first systematic review on quantitative and integrated microcredit impact studies which follows a standardized review protocol (Leeuw 2009). Here, the final version is due for publishing at the end of 2009. However, it is not that we have known nothing until today. In the following discussion I will successively present the main disciplinary and methodological approaches taken to date and lastly summarize the respective findings. As most impact research naturally focuses on microcredit (Meyer 2007: 225), and because microinsurance impact will be dealt with separately in section 3.3.4, I limit my review to microcredit only.

Seen from a disciplinary perspective, research into microcredit impact is dominated by economists (cf. Armendariz and Morduch 2005: x; cf. Leeuw 2009: 2). Leading scholars like Jonathan Morduch, David Roodmann, Abihijit Banerjee and Esther Duflo are all economists. In contrast, sociological and anthropological research only occupies a marginal position. Noteworthy is the work of anthropologist Thomas Dichter that I am frequently referring to. I especially appreciate his reflections on the symbolism of debt (Dichter 2007a) and the historical relationship of economic growth, savings, credit and consumption (Dichter 2007c). Also Rankin (2006) and Wright (2006) approach microcredit from an anthropological perspective. Other sociologists and anthropologists do not focus on formal microcredit in particular, but rather discuss formal and informal financial management as a part of the daily life of low-asset families, for example Geertz (1962), Ardener (1964), Smets (1992), Sullivan (1994), Lont (2000; 2005), and Koning (2006). As can be noted from my references so far, the stance of anthropological research on formal microcredit is particularly critical. These concerns relate to the wider impacts of microcredit on social structure and social inequalities, and to the conceptualization of poverty in the first place. It could be critically remarked that sociologists and anthropologists may have a tendency to romanticize the past while economists focus more on the economic benefits for individual actors. It is consequently not surprising that socio-anthropological research into microcredit receives less attention and less funding from mainstream development proponents and donors, whose primary objective is to prove the positive impacts of microfinance.

If the dominant discipline in microcredit impact research is economics, it is also not surprising that with regards to methodology, quantitative survey-based research takes precedence over qualitative methods. For quantitative surveys, randomized experimental approaches such as randomized controlled trials (RCTs), where people are absolutely randomly allotted to treatment and control groups, are considered the optimum to estimate project impact (Baker 2000: 2). If randomized approaches are not possible, which is often the case in microfinance, the quasi-experimental double difference (or difference in difference) method is considered second best choice (Rao and Woolcock 2003: 175; Leeuw 2009: 8). In this method, a treatment group and a control group, which should closely match the treatment group in its characteristics, are surveyed before the start of an intervention (baseline survey) and again after the intervention has started or already finished (endline survey). The differences between the treatment group and the control group over time are then used to calculate the impact of the intervention on the treatment group (Ravallion 2001: 138).

I have already stressed the importance of context in order to understand impact, especially if context is at least partly influenced by notions of the moral economy, a concept which is not necessarily familiar to the researcher. In line with Geertz (2000: 7, 16), Bamberger (2000) notes that conventional quantitative impact research does not lend itself well to the contextualized understanding of impact:

> Conventional quantitative research approaches have not been able to capture the subtleties and complexities of culture. Culture is either ignored in the modeling, or it is reduced to one or more dummy variables in what Obermeyer (1997) describes as the 'add fieldwork and stir' approach. (Bamberger 2000: 18, referring to Obermeyer 1997)

Therefore, several authors are proposing an earnest integration of quantitative and qualitative methods as a middle ground to impact research, or - to reuse a phrase derived from the "Asian Way" debate - as combining the best of two worlds (Bamberger 2000: 5; Kozel and Parker 2000: 67; Baker 2000: 9). Nonetheless, most impact research on microcredit to date is still quantitative research. There are a number of related challenges. Some of these are common to all kinds of quantitative and in part also to qualitative research, while others are more particular to impact research and microcredit:

(1) *Neutrality and objectivity*: Ellermann (2007: 154) notes that the neutrality of impact research is frequently obstructed by the close alignment of MFIs, donors and research institutions. Funders and researchers may therefore have vested interests in positive outcomes. Meyer (2007: 230) cautions that even respondents may want to please researchers in replying "as expected" (which I found to be very true during my own field research).

(2) *Selection bias*: Microcredit customers are often different from their neighbors. Credit-groups usually self-select their members along certain criteria which the excluded do not fulfill. In short, it is difficult to build valid control groups and execute truly randomized surveys (Armendariz and Morduch 2005: 200-201; Rankin 2006: 103; Banerjee et al. 2009: 1). This makes it difficult to establish a valid counterfactual; that is, a proof of what really happens without the intervention.

(3) *Poverty and welfare proxies*: Many different definitions and perceptions of poverty exist (cf. section 2.1). As poverty is essentially understood as a multidimensional state of being, quantitative research must identify and agree on proxy indicators for poverty and welfare, such as income, asset value, health status, education level. And even such decomposed proxies may be difficult to measure in practice (Meyer 2007: 226).

(4) *Causality and attribution*: It is difficult to trace the impact of a particular loan on family welfare or even on enterprise profit; that is, to establish a clear correlation and attribution. Moreover, it is hard to establish causality. The entrepreneurial skill or individual preferences of the debtor may have been more influential than the loan itself (Armendariz and Morduch 2005: 223; Meyer 2007: 228). Moreover, as microfinance coverage grows, the so-called "overlapping" of MFIs is an increasing problem, not only for attribution in impact research. Overlapping refers to a condition when various MFIs are active in an area and customers borrow from several MFIs simultaneously (Armendariz and Morduch 2005: 128; Banerjee et al. 2009: 2).

(5) *Fungibility and additionality*: Fungibility is a finance-related phenomenon. It refers to the fact that particular funds cannot be exclusively tied to particular expenditures. As a consequence, additional funds from microcredit inevitably become interchangeable with other monetary flows (Leeuw 2009: 3). Even if microcredit funds are used for business investment, it is well neigh possible that such investment had already been scheduled before and that the originally designated funds for this purpose, for example from family contributions, are now used for educational purposes. The addition that the loan makes in this situation is therefore not on the business side, but on the consumptive side (Meyer 2007: 228).

(6) *Effects beyond the unit of analysis*: Impact research may take the microenterprise of a female borrower as the unit of analysis. However, other entrepreneurs may be negatively or positively affected as well, for example by the mentioned crowding out effect (negative) or by spillovers such as increased customer numbers in a particular business location (positive). The

composition of family finances (and family structure on a broader perspective) may also be affected (Armendariz and Morduch 2005: 202; Meyer 2007: 227; Banerjee et al. 2009: 20). Lastly, we have the question of wider social impacts on community structure and norms (Kabeer 2003).

(7) *Attrition and drop-outs*: Unsuccessful customers may drop out of a microfinance program while the more successful customers remain. Particularly successful customers may also leave to obtain larger loans for commercial banks. In addition, customers may move and migrate. If impact research neglects such drop-outs, there will be a serious attrition bias. By tendency, attrition bias in microcredit impact research skews results towards the positive since generally more unsuccessful and unsatisfied customers leave than successful customers graduate to banks (Ravallion 2001: 128; Armendariz and Morduch 2005: 209; Meyer 2007: 227). I have noticed this particular flaw of attrition neglicence in impact assessments that were done on two MFIs that work with Allianz in Indonesia which both consequently present very positive impact results (DIMAN 2006; MBK Ventura 2009).

(8) *Differential impact by poverty level*: It has been mentioned above that families with a favorable starting position in terms of their asset-base tend to make more use of microcredit offerings and by and large also benefit more from them. Impact research may need to be sensitive to such differential impacts and analyze impacts for various customer segments (Meyer 2007: 228).

(9) *Influence and dynamics of exogenous factors*: Exogenous factors such as the regulatory environment, educational or advertisement campaigns, new infrastructure projects and not the least culture may all influence the impact of microcredit interventions. Such factors are often condensed into control variables, which, as noted, do not fully reflect reality. Moreover, exogenous factors can be highly dynamic. Therefore, consideration of exogenous factors is especially critical for longitudinal research.

(10) *Questionnaire design*: Most surveys use questionnaires. Here, the challenge is to make sure that questions are not ambiguous and can be easily and correctly understood by the respondents. The given answers have to be likewise correctly understood by the surveyor. Questionnaire design is especially difficult if the research designer and the respondents are from different socio-cultural backgrounds. Another difficulty is that written questionnaires are often not understood by illiterate respondents and questions therefore asked orally. This adds a further interpretative and blurring element to questionnaires.

(11) *Measurement error*: Errors inevitably occur during data collection, especially for large scale surveys. Customer replies may be recorded erroneously or incompletely, numbers are easily switched et cetera. Measurement error is especially acute if recalls are involved, for example when customers are asked to recall the results of a long ago investment. The longer the recall period, the less valid the provided information will be (Baker 2000: 36).

(12) *Statistical analysis*: The application of different statistical methods on the collected raw data can lead to varying and even opposite results (Ravallion 2001: 135; Armendariz and Morduch 2005: 212, 217; Meyer 2007: 236).

(13) *Benchmarking*: As every MFI is different, comparison of impact results over various MFIs is extremely challenging (Meyer 2007: 229).

I have explained these intricacies at some length because to a certain extent they also apply to impact research on microinsurance and have influenced my methodological approach (see section 5.3.3). Secondly, such overview makes it more understandable as to why Armendariz and Morduch (2005: 207) can claim that “there have been few serious impact evaluations of microfinance so far, . . . so a collection of definitive results is still awaited.” As mentioned the situation is gradually improving, and the often cited study by Banerjee et al. (2009) on the Indian MFI Spandana is a recognized example for methodically sound quantitative impact research based on an RCT approach (Roodmann 2009). Other highlighted studies are those by Coleman (1999; 2002) on Northern Thailand and an extensive longitudinal study by the World Bank on Bangladesh (Khandker 1998; cf. Meyer 2007: 233). Armendariz and Morduch (2005) aptly summarize the impact findings to date:

> The number of careful impact studies is small but growing, and their conclusions, so far, are much more measured than the anecdotes would suggest. . . . The results to date are decidedly mixed, with some evidence of modest positive impacts of microfinance on income, expenditure, and related variables, while other studies find that positive impacts disappear once selection biases are addressed. (Armendariz and Morduch 2005: 199, 207)

Even Roodmann’s still ongoing review on the most recent robust impact studies indicates that this sobering picture is not changing (Roodmann 2009). In effect, the optimistic expectations of microfinance proponents like Muhammad Yunus have for the most part been greatly exaggerated. Harper (2007: 41) is therefore certainly right when he resumes that “the problem is one of exaggerated expectations rather than with microfinance itself.” In particular, the following general conclusions can be deducted from existing acclaimed impact research: (1) On the positive side, microcredit can, under certain conditions, boost micro-business. Conducive conditions are accessible markets and sales channels, sufficient entrepreneurial skills and a high propensity to invest and accumulate capital. Initial loans have the highest likelihood of achieving significant results compared to later loans. With consecutive loans, results start to flatten out if other constraints to improving business performance are not resolved. It also needs to be recognized that a fair portion of customers sees no long-term effects or is even left off worse than before. (2) Positive effects on gender equality, health status, education and human capital are less confirmed than the potential for positive business impact. (3) Microcredit impact is strongly hinged on context and does not work on its own. (4) Microcredit excludes very low-asset families. Instead, it favors families close to or above the so-called poverty line. (5) A significant proportion of microcredit, even when explicitly disbursed for business purposes, goes to risk management, consumption and the repayment of other debt. (6) Microcredit does not fully replace other forms of financing such as moneylenders and family and friends but rather complements them. In fact, the overall contribution of microcredit to overall family cash-flows can to be quite small. (7) No robust quantitative empirical findings exist as to the long term social impacts of microfinance.

Identified research gaps relate to: (1) the profiling of who has improved his asset base through microcredit, and who has not (Dichter 2007b: 4), (2) the relationship of gender and social capital in microfinance, (3) the impact of microfinance on skill acquisition, education and women's access to the formal sector, (4) the effect of microfinance on intra-family income distribution, (5) the extent to which microfinance can contribute to changes in social norms, rather than being a vehicle for reinforcing existing norms (Armendariz and Morduch 2005: 195; Wright 2006: 155).

This overview of microfinance and the intricacies and sobering results of impact research shows how complex, dynamic and contested the field of microfinance is. The understanding and awareness I have tried to convey is intended to more fully understand the context of *Payung Keluarga* as a product that was symbiotically tied to microcredit interventions.

3.2.7 Why ibu-ibu do not make it big - A glance at microcredit impact in Indonesia

Although Indonesia boasts a large microfinance sector which is considered as one of the world's most diverse, little research on microfinance impact in Indonesia is available. Hulme and Mosley (1996: 102) report that credits of BRI were effectual in creating non-family employment. However, BRI caters to a relatively high-asset clientele well above the national poverty line. This supports the point made by several observers that support of medium sized enterprises may indirectly lead to more poverty alleviation through the sustained creation of employment opportunities when compared to direct support for nano-businesses (Ellermann 2007: 154; Mahajan 2007b: 243). Two grassroots MFIs working with Allianz, DIMAN and MBK Ventura, have done quantitative impact studies of their microcredit customers. The impact study of DIMAN was done in-house (DIMAN 2006) while MBK Ventura's study was executed by an independent US-university team (MBK Ventura 2009). Both studies report significant income increases for customers. MBK also reports increases in housing index and empowerment of women. DIMAN, for example, records that 62 percent of new customers in 2004 earned less than US$ 1 per day. Among mature customers in 2006, this figure had dropped to 43 percent (DIMAN 2006: 2). MBK Ventura reports that the percentage of customers living above the poverty level rose from 19 percent prior to joining the program to 61 percent by their fifth year of participation (MBK Ventura 2009: 5-6). However, both studies show serious methodological flaws which diminish the validity of these positive findings. DIMAN's study was done internally and is therefore not independent. Moreover, the customers surveyed in 2004 and 2006 are not the same, there are no control groups, and drop-outs are not dealt with. While MBK Ventura's study is more independent and has a control group, attrition is nonetheless not considered. Results are therefore likely to be seriously skewed towards the positive. I do not put to doubt, however, that microcredits in Indonesia lead to some observable increases in the asset-base. But I claim that few businesses ever grow to medium or large scale.

87 percent of the microcredit customers of the MFI partners of Allianz in Indonesia were women. The great majority of these women were married with children and had passed 30 years of age. Indonesians respectfully refer to such socially accomplished women as *ibu* or, in its plural form, *ibu-ibu*. Here, I want to pull together some of the issues and observations mentioned so far and add some of my own empirical findings to investigate the question: Why do so few of these micro-borrowing and generally petty trading *ibu-ibu* turn their micro-businesses into mid-scale or even large-scale enterprises? Why do so few of them become "big boss", as one credit group member jokingly said, using the little English she knew? This question was nowhere to be found in the original scope of my field research plan (see section 5.2). And I do not claim any particular robustness and representativeness for my following train of thought and the underlying observations. However, I hold that these considerations are relevant, especially in combination with my findings on the impact of *Payung Keluarga* regarding the "double fortune / double blow" dilemma of microfinance. Specifically, I hold that a number of social, structural and moral reasons accumulate to form the key constraint to business success, namely that the majority of *ibu-ibu* lacks the aspiration and commitment to make it big. Their main target is to achieve a somewhat higher income level. Beyond this comfortable level aspirations quickly fade. Not the least of the underlying reasons is the continued impact of the moral economy and the related lack of sufficient alternative risk management options outside the moral economy.

First, why do I claim that few *ibu-ibu* make it big? That is because all staff from various MFIs who I talked to admitted that this was in fact so, despite their assumed vested interest in claiming the opposite. MFI managers and loan officers noted that the number of full-blown success cases was indeed very low. However, they could not name any specific criteria for success or a percentage of customers who fulfilled them. Moreover, none of the hundreds of microcredit customers I have met in Indonesia struck me with a particularly palpable success story. Admittedly, there may be the possibility that successful micro-entrepreneurs diversify their businesses somewhat clandestinely while keeping a low profile, as Robinson (2001: 110) asserts. Nonetheless, I trust the honest feedback of the loan officers; I also do so when they claim that modest progress was much more frequent than outlier success stories. One MFI manager phrased it this way: "With microfinance, people no longer have to ask: Will I eat tomorrow? Now they can ask: What will I eat tomorrow?"[23] I would add to this that microfinance in Indonesia does not push people so far as to ask: "Where will I eat tomorrow? In a restaurant or at home?"

Secondly, what lets me conclude that the ultimate reason for this at best modest advancement is ultimately a motivational constraint? When I asked a number of credit group leaders on their motivations to borrow, the unanimous immediate answer was their intention to use the

[23] Interview with Yoseph Arihadi (CEO) and Didit Wijayanto (CFO) of LKM Bina Arta as part of the MFI management component on 20 October 2008. The particular comment was made by Didit Wijayanto.

loans for working capital.[24] This was naturally the expected answer, especially as the MFI partners of Allianz wanted to disburse their loans for business purposes only. However, as the discussion went on, other motives emerged as well. Most frequently, the credit group leaders mentioned the aim to assist the husband in securing the family income. A few women mentioned that the ultimate intention of their business endeavors was the financing of their children's education. Singular references concerned: (1) low interest rates, (2) having an independent income from the husband, (3) looking for a pastime, and (4) becoming rich. It is telling, that the women mentioned assistance to the husband more often than the motive of becoming rich. Even the one woman who initially claimed that becoming rich (*kaya raya*) was her goal later said in passing that being rich would certainly be stressful and that a good and secure life would actually be preferable. Although the women did not expressly refer to consumptive objectives (for good reasons), this motive emerged when I asked 19 loan officers on the borrowing motives of their customers (table 3):

Table 3: Loan officers' opinion on customers' motivation to borrow

Question: Why do your customers take out a loan from you? (n=19)								
Motive	no customer (weight: 0%)	few (25%)	some (50%)	many (75%)	all (100%)	total votes	weighted average	
							%	frequency
Supporting the husband in making a living	0	0	2	15	2	19	75%	many
Passing the loan to the husband	0	6	8	5	0	19	49%	some
Getting rich (*kaya raya*)	2	6	3	8	0	19	47%	some
Looking for a pastime (*kesibukan*)	0	9	4	6	0	19	46%	some
Consumption	1	16	1	1	0	19	28%	few

[1] The options for borrowing motives were already pre-set.

The loan officers (n=19) were asked to assess the frequency of each of the pre-given borrowing motives among their customers. Their answers confirm that consumption motives indeed play a role for a few of customers. However, the most frequent reason is in line with the feedback of the group leaders, namely the support of the husband in making a living. This does not imply, however, that husband and wife are working together in a joint business (this was in fact very seldom the case); it only indicates that the women want to contribute to the total family income. It is interesting that taking up business as a pastime (*kesibukan*) is at least as important a motive as becoming rich, and also that many loans are passed on straight to the husband (something the MFIs often seek to prevent). If we combine the two actor perspectives of group leaders and loan officers, indications are strong that women overwhelmingly see themselves in an economic support function rather than as main agents of the economic

[24] The data collection with the credit group leaders was mostly in form of open-ended group questioning. I did not record the exact number of motives mentioned per person, which keeps me from stating any precise frequencies here.

welfare of their families. Becoming rich is, if anything, just one among several motives for taking out microcredits.

Thirdly, what are the underlying reasons for this aspirational restraint? First of all, I am strongly in favor of Dichter's claim (2007c: 181) that the majority of micro-enterprising women are not natural born business savvy Schumpeterian entrepreneurs. This may of course not keep the women from dreaming of riches, but probably from considering their achievement a realistic option. Secondly, I see a continuing influence of the moral economy on Indonesian petty traders. This continuity may be partly considered a mere persistence of old traditions, but I hold that it still bears some of its practical value today, namely to secure minimal protection for all community members. In the absence of other risk management options which the women may consider sufficient, the norms of the moral economy still need to be followed to some extent in order to participate in its still needed benefits. Although the situation may not be quite as rigid as observed by Scott (1976), and although the setting has changed from a homogenous rural to a more heterogeneous urban setting, I hold that the essence of his remark on the effect of the moral economy is still relevant:

> If treating the peasant as a would-be Schumpeterian entrepreneur misses his key existential dilemma, so do the normal power-maximizing assumptions fail to do justice to his political behavior. . . . It is this 'safety-first' principle which lies behind a great many of the technical, social, and moral arrangements of a precapitalist agrarian order. (Scott 1976: 4-5)

With the persistent influence of the moral economy, its various norms also continue to function (cf. section 2.2.2), for example the suppression of a rigid input-output consequentiality in individual labor and the denouncement of aggressive self-interested wealth accumulation. This blocks, or at least blurs the perspective of a gradual individual wealth accumulation through hard work. In addition, as much as the moral still economy continues to extend some clout, so does the traders' dilemma, and so are its various solutions still relevant today. *Ibu-ibu* have practically chosen the easiest option of establishing and maintaining low-profile trades. Thirdly, the womens' lack of commitment to making it big is not only caused by often limited entrepreneurial skills and the overall social structure of the moral economy but also by family structure. Here, Hefner (1998a) and Alexander (1998) certainly have a point when they describe that Javanese, unlike Chinese-descent business people (who dominate the Indonesian economy until today), have difficulties in effectively and cheaply appropriating the labor of others, most importantly the labor of their own family members:

> Quite unlike their Chinese counterparts, Malay and Javanese youths are reluctant to submit to patriarchal authority, at least when it comes to economic affairs. Working adolescents do not readily pool their incomes to meet family goals or contribute unpaid labor to family enterprises. . . . Indeed in some cases, as among the Javanese merchants described by Alexander, even husbands and wives regard their partner's enterprise as a separate concern . . . . The result is that Malays, Javanese, and many other indigenous Southeast Asians cannot, as Li puts it, 'rely upon the nuclear family as a business resource.' . . . Malay and many other Southeast Asian families look more individualistic than their Chinese counter parts. (Hefner 1998a: 13, referring to Alexander 1998 and Li 1998)

Alexander adds:

> This inability to use 'the nuclear family as a [cost-free] business resource' (see Li, this volume), let alone draw on the resources of a larger kinship group, is one constraint on the growth of Javanese enterprises. (Alexander 1998: 216, referring to Li 1998)

Hefner and others attribute this individualistic trait among most native South-East Asians to their mostly cognatic (bilateral) decent system which differs from the Chinese patrilinear descent system (Hefner 1998a: 22; Mackie 1998: 143; Hüsken and Koning 2006: 19; Setiadi 2006: 370; Ford and Parker 2008: 7). I also consider the issue of balanced reciprocity strongly related to this point. Just as wider traditional labor exchange arrangements (*bawon*, *gotong royong*) and informal mutual assistance arrangements (*sumbangan*) are based on balanced reciprocity (Platteau 1997; Koning 2006), so do intra-familiar labor arrangements among Javanese, Indonesians and South-East Asians in general for the most part rely on balance reciprocity rather than on general reciprocity. A further point related to the moral economy, to cognatic kinship, and to the balanced reciprocity principle is noted by Hefner, namely an aversion towards the "economization" of family ties:

> Kinship is insulated from the vicissitudes of the market and the volatile pursuit of self-interest. Numerous researchers in insular Southeast Asia have noted a similar antipathy toward the explicit 'economization' of family ties. (Hefner 1998a: 23)

If kin stay out of each other's business, the economization of family ties, which balanced reciprocity would require, is avoided and familiar harmony, so important to Indonesians, is preserved. The fact that I only found two of the 24 interviewed Muslim beneficiaries to have had joint businesses with the insured micro-borrower somewhat confirms that Indonesian low-asset families still show a tendency to keep separate business activities. Most MFI customers whom I visited likewise ran their petty trade as a one-woman affair. Only among the microinsured rice farmers in Bali and Sumba (the only farming customers I visited) did I find that husband and wife generally shared the work of rice cultivation.

While the constraints on appropriating gratuitous labor of kin apply to men and women alike, one further constraint to the business expansion of female petty trades relates to the role of women in particular. It has often been noted that, with some qualifiers added, Indonesian women enjoy more liberties than women in other Muslim societies, especially in terms of finance and small business (Papanek and Schwede 1988: 72; Lont 2000: 162; Ford and Parker 2008: 7; Forshee 2006: 44). After all, most petty traders in Java are women. During my fieldwork I noted little opposition of husbands against the economic activities of their micro-borrowing wives, mostly under the condition that their domestic obligations would not suffer. This assessment may be somewhat biased because the MFIs require the spouse's consent for the credit transaction, which automatically excludes families were husband and wife are in disagreement. However, Papanek and Schwede (1988: 88) reach similar conclusions in their more general investigation on gender and business in Indonesia. I have also mentioned the central role that women play in the family's domestic money management. There are, however, two opposing forces at work here: economic and risk management perspectives support female labor, especially when the family's asset base is so low that productive female labor is required to maintain subsistence levels; on the other hand, status considerations and traditional gender roles speak against independent female self-employment. Ironically, this latter force becomes ever more salient the more successful businesses expand because then economic and risk management necessities lose their influence. Alexander (1998: 211) and Forshee (2006: 152) note that petty trading, heavy bartering and money management do not lend themselves well to status production in Indonesian society. Such activities are regarded as coarse and unharmonious and are therefore "considered beneath the concerns of men", as Forshee (2006: 152) puts it. These activities are therefore better left to women. Moreover, women's productive roles are generally considered subordinate to their reproductive roles in the home. Being a good housewife accrues more status than petty trade. The New Order regime has contributed its fair share in reinforcing such orthodox gender notions (Papanek and Schwede 1988; Alexander 1998: 214; Forshee 2006: 44; Ford and Parker 2008: 9). Among the female MFI customers who I surveyed, 16 percent (n=209) described their principal occupation as "housewife" despite having a petty trade. Among the group leaders (n=30), which generally hold higher social status than the average member, even 30 percent considered themselves principally as housewives. Although day-to-day domestic money management is the responsibility of women, the role of the family head and main income earner is clearly assigned to the husband (Papanek and Schwede 1988: 88; Setiadi 2006: 374). Among the female married MFI customers who I surveyed (n=111), only nine percent openly admitted to earn more than their husband. Ten percent reported more or less even earnings. 81 percent reported their husband to be the main income earner. These answers may be biased because they are culturally expected. However, my field observations and the data from the beneficiary interviews strongly support the fact that among the micro-insured low-asset families men generally contribute more to the family income than their wives (cf. table 26 in section 7.6). The already mentioned conditional approval of men to their wives' economic activities, which is lenient compared to other Muslim societies, is strongly hinged on the continued acceptance of the husband as the family head and main income earner. Another consequence of the emphasis on female reproduction instead of female production is the preference for petty trade to be carried out at home or close to the home (Ford and Parker 2008: 13). Most of the microbusinesses which I observed during my fieldwork fulfill this requirement. They were located in the home or close to it. Lastly, as economic activities are subordinated to domestic duties, female economic activities should be held flexible enough to be quickly discontinued and reestablished depending on domestic demand (Papanek and Schwede 1988: 88). These factors strongly speak against a long-term commitment to entrepreneurial expansion. The better the asset situation of the family as a whole, the more do status considerations and orthodox gender roles suppress self-organized economic activities. As businesses expand and as business conduct becomes more sophisticated and sublime, they become a male domain. Evers (1994b) notes:

> As soon as business expands, as in the case of petty traders who start to act as wholesalers, men take over the trading enterprise. In Jatinom most of the wholesalers in agricultural produce and all cattle traders were men. (Evers 1994b: 74)

As noted, these men are often identified as good Muslim or belong to a different ethnic group such as the Chinese. These two alternative solutions of the traders' dilemma are no option to Indonesian female petty traders. After all, orthodox Islam only supports the domestic confinement of women.

In summary, for reasons of (1) lacking entrepreneurial character, (2) continued influence of the moral economy and its related norms and the traders' dilemma, as well as for reasons of (3) family structure and (4) gender roles, long-term business expansion of female headed micro-enterprises in Indonesia, even when supported by microcredit, is severely hampered. This explains why many micro-borrowers experience significant initial asset increases but then stop their expansion and content themselves at an acceptable socio-economic level where the various contextual constraints put to them are in an agreeable balance. This is the reason why, as the result of a complex mesh of accumulated underlying reasons, stagnant growth of female headed micro-business in Indonesia is a motivational issue. *Ibu-ibu* do not envision to make it big. I contend that the women do indeed enjoy the independence of their work and moreover regard their work as a helpful, sometimes even urgently necessary, contribution to family income. However, it does not present any long term growth options to them. Interestingly, similar to Moser (2007b: 85) for Ecuador, Papanek and Schwede (1988: 89) note that in Indonesia rising asset levels and rising status produce new consumptive aspirations. These heightened consumptive aspirations induce women to continue seeking employment to secure appropriate financing, but this time around not as self-employed petty traders but as status-accruing formal sector employees. This also helps to avert the impression that petty trading women are fatalistic and passive. Quite the contrary; in my experience they are rich in ingenuity and full of vigor and enthusiasm. After all, they actively seek out microcredits as a new alternative to various other financing options. But such vigor and activity does not automatically make *ibu-ibu* self-interested capitalists free of moral and structural bonds (cf. Evers 1994b: 71; cf. Alexander 1998: 215). As Schiel (1994) explains:

> There has to be a specific sociocultural environment, initially brought about by social change, until an option to become a pure trader, to adopt the role of *homo oeconomicus*, becomes attractive or makes sense. (Schiel 1994: 18)

It is apparent that the necessary disembedded sociocultural environment has not yet fully emerged where *ibu-ibu* are living and trading. However, microinsurance in combination with microcredit is bound to hasten its break-through.

3.3 Microinsurance

3.3.1 What is microinsurance?

Closely following Churchill (2006b: 12), I define microinsurance as the protection of low-asset people against specific perils in exchange for regular premium payments proportionate to the likelihood and cost of the risk involved. Where Churchill uses "low-income people", I refer to “low-asset people” instead. It is the focus on low-asset people that distinguishes microinsurance from conventional insurance, because - technically speaking - all basic insurance principles of conventional insurance also apply to microinsurance. For a description of the basic insurance principle of risk and resource pooling see section 2.2.3 where insurance is defined as a system of conditional reciprocities accumulated to conditional redistribution. Another basic principle to be added would be the law of large numbers; that is, the stochastic principle that as the number of observations increases, the sample mean will tend to approach and stay close to the expected value. A simple example is the distribution of men and women in a population. From past experience, we would expect the distribution of men and women in a population to be roughly 50/50. However, if we randomly step into a school class, it is unlikely that we will exactly find one boy for every girl. If we look at the entire school, this probability increases. If we finally look at the entire city where the school is located we can be fairly sure to get close to a 50/50 ratio. An insurance related example is the number of deaths in a population in a given year. If we take a small village, there may be few deaths this year and many the next. However, if we consider a much larger population the number of deaths will remain fairly stable across the years with only slowly changing patterns. The law of large numbers implies that resource and risk pooling in insurance works best the larger the risk pool is. With large risk pools the frequency and the value of insurance claims become more predictable. Insurance contributions can consequently be calculated more precisely and sufficient reserves can be maintained.

Regarding microinsurance, Heydel et al. (2009: ix) rightly point out that microinsurance products cannot simply be determined through absolute numbers such as premium and sum insured, although insurance regulators are sometimes trying to do so, for example the Indian Insurance Regulatory and Development Authority (IRDA) (IRDA 2005: 13). I would add to that, that microinsurance is strongly connected to a developmental intention on the side of the insurance provider. The microinsured themselves do not refer to their insurances as “micro”, but simply describe them as affordable insurance; and affordable insurance products have been sold to low-asset families long before the term “microinsurance” was coined in the wake of the “reinvention of development”. In short, the “micro” in microinsurance refers to its developmental intention.

Microinsurance, just as conventional insurance, is generally split into life and non-life microinsurance. Non-life microinsurance protects material assets such as huts, machinery or livestock. Health insurance is positioned somewhere in between. Microinsurance can be provided on a commercial basis by a corporate insurer or on a mutual basis by a mutual insurer. Microinsurance products can either be offered to individuals or to groups. While individual microinsurance is nearly always voluntary, group microinsurance is often mandatory, for example credit life insurance such as *Payung Keluarga*. Microinsurance products can be short-term or long-term. By and large, life microinsurance contracts tend to be long-term while non-life and health microinsurance contracts tend to be short-term. However, in general, microinsurance contracts have started with relatively short durations. Only gradually long-term products are making their appearance.

A crucial distinction needs to be made between microinsurance on the one hand and microcredit and microsavings on the other hand. The latter two are based on balanced reciprocity and involve definite lump sum payouts, either at the start (credit) or at the end (savings) as well as more or less regular small intermediate (re)payments. Microinsurance also involves regular intermediate payments, but there is no guaranteed payout. This makes insurance inherently more complex than savings and credit (McCord et al. 2003: 73), and, as Platteau (1997: 767) puts it, "implies a rather abstract mode of thinking" unfamiliar to many low-asset families in developing countries. Because of their already noted strong reliance on balanced reciprocity in traditional informal collective risks management practices (Platteau 1997; see section 2.2.3), they often do not understand the basic insurance principles and do not undertake the required conceptual "paradigm shift". Low-asset people therefore often mistake microinsurance for a savings arrangement with a guaranteed return on premiums; that is, a balanced reciprocity arrangement. In fewer cases, they mistake it for a gratuitous support or aid from the insurance company; that is, a general reciprocity arrangement (Heydel et al. 2009: 53; see section 7.7.2). One consequence of this phenomenon is that, at least as far as Indonesia is concerned, low-asset people are reluctant to take out insurance that has no repayment feature or no-claim bonus (Heydel et al 2009: 11). Not surprisingly, education endowments have so far been the most popular insurance product with low-asset people in Indonesia, because these are essentially savings products with additional insurance features (Heydel et al. 2009: 48). Microinsurance products can therefore be further distinguished into those with a savings element and those that are pure insurances. Where the former are popular it is even more difficult to explain insurance principles to low-asset people.

Indeed, next to technical challenges, the low understanding of insurance principles among low-asset families and even among insurance agents, banks, and MFIs is frequently identified as the biggest obstacle to the marketing of microinsurance (Churchill 2002: 384; Cohen and Sebstad 2006: 42; Cohen and Young 2007: 209; Heydel et al. 2009: x, 48). So far, Churchill (2002: 384-385), who refers to Platteau, seems to be the only observer who has conceptually connected this educational challenge to the widespread notions of balanced reciprocity. This connection, which I want to reiterate here, is therefore not new but still little acknowledged. On top of the difficulties in understanding the general principle of insurance, difficulties in understanding the insurance contracts themselves can be added as a further complexity. Despite the frequent calls for simple policy contracts, microinsurance policies nonetheless use to contain several exclusions and special provisions, coupled with heavily formalized legal wordings and special insurance terminology (Cohen and Sebstad 2003: 54; McCord et al. 2005: 35). I assume that also the readers of this thesis will be aware of the length and intricacies of their own insurance policies. How is it for the often illiterate or semi-literate microinsurance customers then? Moreover, MFIs and insurance providers have been criticized for not taking customer education seriously enough (McCord et al. 2005: 17-28, 22; Churchill and Cohen 2006: 182; Young et al. 2006: 10).

As mentioned, microinsurance is strongly characterized by its footing in developmental practice. There are four principal developmental hopes connected to microinsurance:

(1) *Protection*. The most frequently stated hope assigned to microinsurance is that it improves the risk management capabilities of low-asset families. In case of shocks, microinsurance should compensate for the lost assets and thereby prevent the application of high stress ex-post coping mechanisms and a further descend into 'poverty'. Here, microinsurance is essentially seen as a safety net to maintain the status quo. If connected to microcredit and microsavings, as it frequently is, microinsurance can protect the gains produced by these sister services (Cohen and Young 2007: 222; Mahajan 2007a: 203).

(2) *Promotion*. Microinsurance is also seen as a springboard for asset growth. Insurance makes it easier for people to tolerate risks by replacing the uncertain prospect of large losses with the certainty of small, regular payments (Mosley 2003: 143). More risk taking usually implies higher returns. Over the long-term, microinsurance therefore fosters asset growth (Cohen and Young 2007: 222). This relates to the "double fortune / double blow dilemma" where comprehensive insurance coverage may induce the insured to loosen their traditional growth-limiting risk management networks and to pursue a more individualistic and assertive asset accumulation strategy. However, this way the excluded and uninsured may be faced with decreasing risk management capacities. It should also be noted that microinsurances which contain savings features are *per se* asset-building (Mahajan 2007a: 203).

(3) *Easier credit access*. Comprehensive insurance coverage may reduce the applicants' credit risk in the eyes of the MFIs and therefore provide easier access to credit (Mosley 2003: 144).[25] This point is especially relevant in agricultural microfinance. Due to high risks of droughts, floods and plagues and highly volatile incomes, microcredits to low-asset farmers are considered particularly risky. The relatively recent innovation of index-based microinsurance products is hoped to better manage these risks and promote agricultural lending.

(4) *Boosting institutional investment*. In industrialized countries, insurance companies are important institutional investors. In developing countries, the insurance market has so far not fulfilled this role to the same extent. With the large-scale accumulation of microinsurance premiums, insurance companies are hoped to better fulfill this role and to ideally invest their funds in local infrastructure and other 'modernizing' projects.[26] Although this hope seems somewhat farfetched, on a small scale this is what is already happening. In 2009, for example, Allianz' Indian subsidiary BajajAllianz Life Insurance acquired a small stake in its MFI partner SKS (Financial Express 2009). Despite the fungibility of money and the problem of attribution, it could be considered that this direct equity investment into the microfinance sector was partly paid for by microinsurance premiums.

Resuming these four hopes, their respective weight and perceived feasibility in the microinsurance discourse decreases from (1) protection over (2) promotion and (3) easier credit

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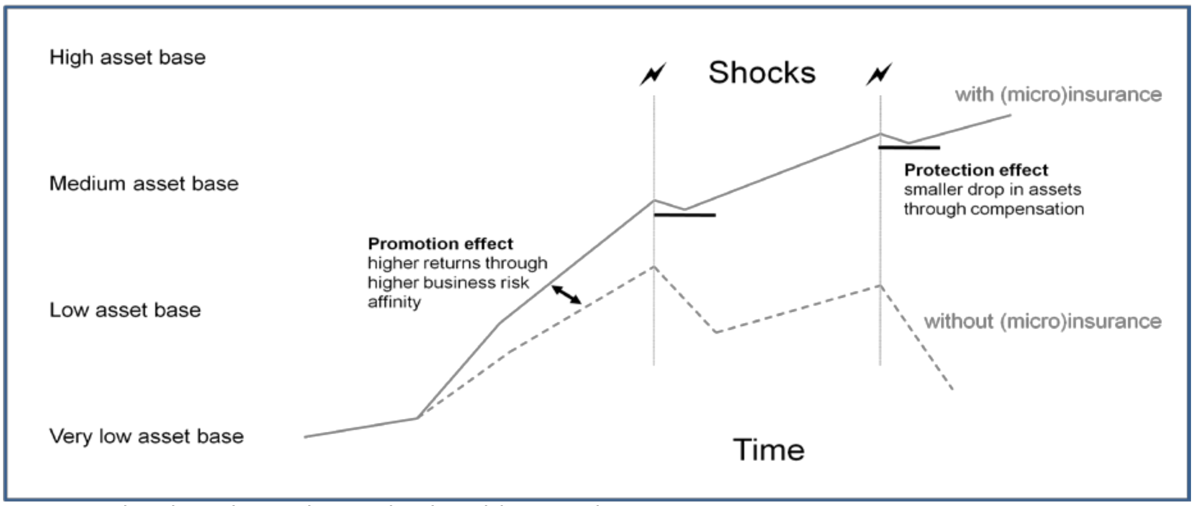
[25] This hope was also expressed by Bambang Ismawan, founder of the Indonesian MFI Bina Swadaya, in an interview on 2 February 2007.

[26] This hope was explicitly expressed by Ir. B. Munir Sjamsoeddin, principal of the Indonesian Institute of Risk Management and Insurance (STIMRA), during an informal talk on 31 October 2008.

access to (4) boosting institutional investment. The first two hopes are graphically combined and explained in illustration 2.

Illustration 2: Two hopes: poverty protection and welfare promotion through microinsurance



Source: author, based on Cohen and Sebstad (2006: 25).

Regarding distribution, there are four basic distribution models for microinsurance. Largely building on Radermacher and Dror (2006) these basic models, of which several variations and hybrids exist, are:

(1) *Partner-agent model*: The partner-agent model is certainly the most popular model for large scale commercial microinsurance operations. In this model, a commercial insurance company acts as the partner who provides the insurance products and assumes the associated risks. One or more MFIs act as the agents and distribute the products to their customers. Apart from distribution, customer education and administrative tasks such as premium collection are often "outsourced" to the MFIs. The MFIs are compensated with a commission or a profit share. In this scheme, the insurance company benefits from low transaction costs as well as the outreach and the trust that the MFIs have already established in the target market. The MFIs benefit from the insurer's technical know-how, its risk absorption capacity and its access to reinsurance. *Payung Keluarga* was distributed through a partner-agent model.[27]

(2) *Community-based or mutual model*: Here, a larger social group gathers to pool their resources and risks in a formal insurance arrangement. This way, ownership and control remains with the insured. This model is renowned for its flexibility and customer centeredness. However, mutual schemes become increasingly complex, anonymous and capital-constrained as they expand. Mutuals therefore tend to remain small. Those that expand often convert into

[27] Formally speaking, Allianz Indonesia was "the partner" in the partner-agent arrangement. However, this thesis consistently speaks of the involved MFIs as "partners" because seen from an Allianz perspective, the MFIs were the partners in a teamwork arrangement. The two different usages of "partner" should not be confused.

publically listed commercial insurers in order to overcome management complexities and to gain access to capital markets.

(3) *Full-service model*: Here, the MFI runs its own insurance operation with full control over the scheme. In this model, it is important that insurance risk and insurance accounting are strictly separated from the credit and savings side. Ideally, a separate insurance unit is established or eventually a professional insurance partner is sought who can contribute the necessary technical know-how and - most importantly - provide access to reinsurance.

(4) *Provider-driven model*: In this case, an insurance provider runs the entire microinsurance scheme including its distribution. This could be done through the establishment of an own network of insurance agents. As such a network is expensive insurers usually prefer the partner-agent model instead.

In terms of products, life microinsurance has so far certainly been the most widely spread and most profitable. This holds especially true for credit-life products like *Payung Keluarga* which the MFIs attach to their microcredit on a compulsory basis. Credit-life, however, offers little value to the customer unless it provides additional benefits like *Payung Keluarga* does. Otherwise credit life largely benefits the MFIs because their entire loan portfolio is protected against individual and catastrophic death risks and the MFIs can moreover gain a commission or profit share (Armendariz and Morduch 2005: 166, 168; Cohen and Young 2007: 213-214, 220). Credit life has also rightly been criticized for only providing coverage while customers have a loan (Cohen and Young 2007: 220). Health microinsurance, on the other hand, is perceived as being in highest demand and has consequently received most donor attention. However, health insurance is significantly more complex than life insurance. The related schemes are often small and profitability is still elusive for many health microinsurance schemes (McCord et al. 2005: 9; Armendariz and Morduch 2005: 168; Roth et al. 2007: 25; Wipf and Garand 2008: 42). Compared to life microinsurance, non-life microinsurance products are scarcer. Especially in India, there have been efforts that combine non-life and life products into so-called composite products.

The already mentioned index-based approach to non-life microinsurance is a relatively new innovation. Index-based products tie the payout to a proxy index instead of directly tying it to the actual shock. For example, index-based draught insurance would pay claims when rainfall for the respective area drops below a certain critical threshold which makes the occurrence of a draught highly likely. In May 2009, German reinsurer MunichRe and GTZ, a development organization owned by the German government, together with a local insurance partner launched a flood-index microinsurance product for low-asset *kampung* dwellers in Jakarta. For a premium of US$ 4.72 per year, the product pays US$ 23.60 in the case that water-levels at a nearby flood gate rise to 950 cm which is a good proxy for severe inundations in the area (GTZ 2009). In the recent past, such severe inundations in Jakarta have occurred every five years (1997, 2002, 2007). As I will outline later I am highly critical of this product, not only because of its low payout-to-premium ratio (see section 4.3). However, it is the first index-based microinsurance product in Indonesia and one of very few index-based microinsurance products worldwide. High hopes are pinned to the index-based concept for a timelier and more effective dealing with natural disasters, especially as their frequency is predicted to rise as climate change progresses. There are even considerations to securitize such index-based risk pools on the world capital market which after all has greater financial resources than all available reinsurance capacity combined (Hess and Syroka 2005; Manuamorn 2007; Skees et al. 2007).

The microinsurance market is rapidly expanding. From 78 million microinsurance customers, which one global study found in 2007 (Roth et al. 2007: ii), customer numbers are estimated to have risen to approximately 135 million by 2009 (Creagh 2009). Similar to microcredit, optimists put the total global demand for microinsurance at one billion people (Von Canstein 2009). India is the largest and most active microinsurance market. This can largely be attributed to an IRDA regulation from 2002 which obliges life and non-life insurance companies in the country to derive some portion of their business from rural or disadvantage sectors, which in effect meant from microinsurance (IRDA 2002). This unique regulation is known as the Indian quota system. Consequently, virtually all insurance companies in India have, either optimistically or grudgingly, become involved in microinsurance. This has certainly boosted the quantity of microinsurance. However, the quality of products and services has often suffered (Roth and Ramm 2006: 5-6). Another highly active microinsurance market is the Philippines. The Philippines have a special microinsurance regulation that favors the establishment of small but regulated mutual insurance schemes. The microinsurance market in Africa is characterized by a large number of mutual health insurance schemes which, however, are often of minuscule size (Roth et al. 2007: ii). Indonesia, on the other hand, can be considered a sleeping giant on the microinsurance landscape. Despite its highly active and diverse microfinance sector, microinsurance schemes other than credit life are scarce (McCord et al. 2006; Heydel et al. 2009: x).

3.3.2 Why microinsurance rose to prominence?

I have repetitively drawn the connection between the "reinvention of development" which occurred around the turn of the Millennium and the rise of microsavings and microinsurance (cf. section 3.1.2 and section 3.2.2). The first microinsurance trials started almost as a charity initiative when the ILO began to experiment with very cheap insurance policies in the early 1990s. After all, this was the time when the no-frills readjustment policy of the 1980s adopted a 'human face'. A number of local insurance companies, mutuals, and NGOs also started to decidedly target the low-asset market with low-cost insurance services since the early 1990s. A cooperation between American insurer AIG and the MFI FINCA in Uganda started in 1996 without any donor involvement. It is commonly regarded as the first partner-agent implementation (McCord et al. 2005; Churchill 2006a: 6-9; Creagh 2009). As these first tentative steps occurred on a local basis without much donor involvement, they only received wider attention around the time of the "reinvention of development". Even the term "microinsurance" makes its first documented appearance in literature only by 1999 (Microinsurance Network 2009a).

Parallel to microsavings, and following the footsteps of microcredit, interest in microinsurance has been continuously rising since 2000 (Churchill 2002: 382; Armendariz and Morduch

2005: 150). In 2006, alluding to Robinson's famous phrase of the "microfinance revolution" (Robinson 2001), Morduch (2006) entitled one paper "Microinsurance - The next revolution?" And the speed of public and academic recognition seems to be increasing. Creagh (2009) cites an insurance specialist at the World Bank: "Interest in microinsurance has been exploding throughout the world." Large insurance companies like AIG, Allianz and Zürich have become engaged in microinsurance. In 2007, Zurich even established its own microinsurance unit at headquarters level in Switzerland (Insurance Journal 2007). In 2009, "Leapforg", the first private investment fund dedicated to microinsurance, was established (Creagh 2009).

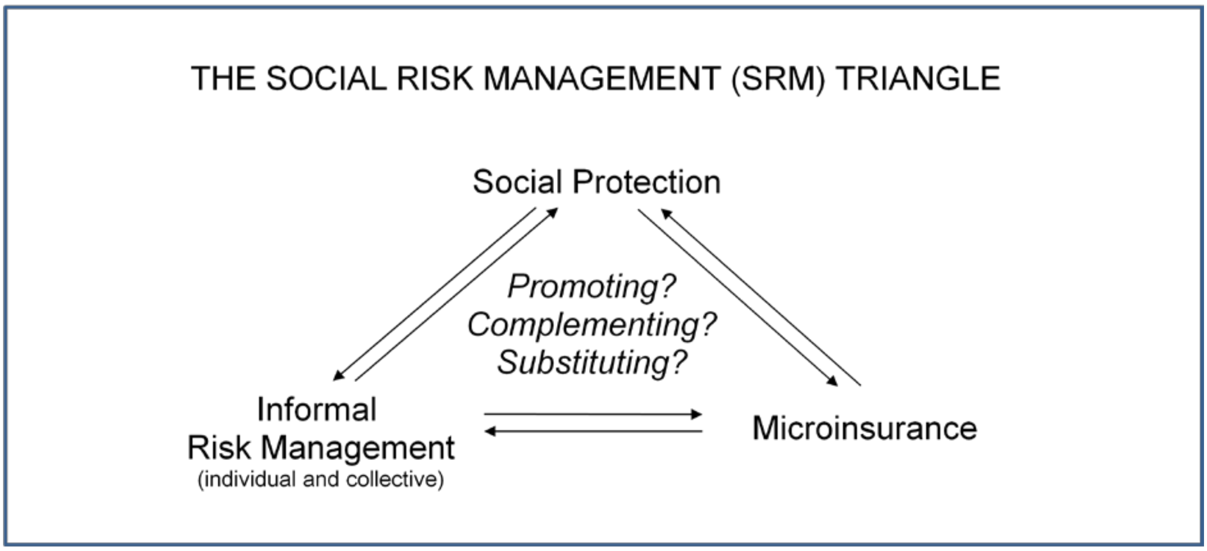
With the meteoric rise of microinsurance to global attention now firmly documented, and a rough connection with the "reinvention of development" already drawn, we can turn to a more detailed analysis of the driving reasons behind the rise of microinsurance. The first reason is certainly the substantial donor support which set in after the turn of the Millennium. The World Bank and the multi-donor CGAP group that works under its auspices have financed a substantial amount of research into microinsurance, albeit more on the practical than on the academic side. Since 2004, for example, CGAP has financed more than 20 case studies of microinsurance implementations. CGAP has also drawn up donor guidelines (CGAP 2003) and established a microinsurance working group, which has meanwhile spun off to form the Microinsurance Network. The World Bank is involved in multi-million-dollar microinsurance implementations in India, Mongolia, Morocco and elsewhere. It especially focuses on index-based projects. Private donors have become active as well. In 2008, the ILO could establish its Microinsurance Innovation Facility thanks to a US$ 34 million donation from the Bill and Melinda Gates Foundation (MicroCapital 2007; ILO 2009). The facility now gives grants and technical assistance to microinsurance projects worldwide. It also offers research grants to academics working on the issue. In fact, as is usually the case with every new "development fad", over the course of time a very active consultancy industry has evolved around the issue of microinsurance.

Heavy donor involvement and co-financing made it particularly easy for private insurance companies, wary of the unfamiliar risks involved but keen to improve their public image, to become involved. Such involvement of the private sector is particularly needed with microinsurance. Microinsurance is inherently more complex than microcredit and microsavings. The necessary skills are often not available with NGOs and MFIs. Moreover, large scale microinsurance operations almost always require expensive and heavily regulated insurance licenses which neither donors nor MFIs can provide. In addition, although still a somewhat dormant issue, microinsurance schemes may eventually need access to reinsurance. This access can only be provided through regulated first-line insurers. Lastly, with microinsurance issues such as contract enforcement, anti-selection and moral hazard are even more salient than with microcredit and microsavings. This has kept private insurance companies hesitant for a long time; not to forget the universal microfinance concern with transaction costs (World Bank 2000; Armendariz and Morduch 2005: 166). However, from the turn of the Millennium onwards, not only was co-financing from donors and market knowledge from consultants available, but there was also rising excitement with the "bottom of the pyramid" market that promised new growth potentials at a time when most developed insurance markets had reached high saturation levels (cf. Creagh 2009). Moreover, "business with the poor" not only promised a single bottom line but even better, a double bottom line. What is more, microcredit could be taken as a leading and encouraging example, apart from the fact that it had established a potential distribution network of MFIs who already had won the trust of millions of customers. Just as donors, many MFIs became eager to expand their product portfolio and approached commercial insurers for assistance.

3.3.3 Microinsurance debates

As with microfinance in general, there are both fundamental and technical debates on microinsurance. These run along similar lines as with microfinance (cf. section 3.2.5). Nonetheless, the debates on microinsurance do have their own specifics. For example, more than microcredit, microinsurance finds itself caught in the middle between public social protection measures and informal risk management arrangements. Many observers are concerned that microinsurance may crowd out informal schemes; fewer observers are worried that microinsurance could induce the state to cut back its safety net and social protection measures. To complete the picture, although less relevant for the focus of this thesis, public social protection measures may also directly crowd out informal schemes. The opposite is also thinkable (cf. Jowett et al. 2003). This results in a mutually influencing triangular constellation which I call the social risk management (SRM) triangle (illustration 3).[28] The basic question with the SRM triangle is by how far do the three risk management measures of informal schemes, social protection, and microinsurance complement, substitute or even promote each other?

Illustration 3: The social risk management triangle



Source: author

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[28] Other authors have noticed very similar triangular relationships in welfare policy before. Neubourg and Weigand (2000: 20) speak of "the social welfare triangle of which markets, families and public authorities form the cornerpoints."

As noted above (section 3.2.5), concerns about the crowding out of informal schemes have also been raised regarding microcredit, for example by Kron (2004), Rankin (2006: 97); Dichter (2007a: 9), and Harper (2007: 258). With microinsurance, however, the debate is understandably more salient because microinsurance is even more about risk management than microcredit. It is also noteworthy that this most fundamental of microinsurance debates, just as most of the others, is taking place among academics and development experts of mostly Western background. In the developing 'beneficiary' countries, debate among media, civil society and microfinance customers is more subdued, although not totally absent. Naturally, the MFIs and insurance companies are least concerned with this matter as they focus more on the immediate customer demand and business prospects than the societal pro and contra of microinsurance.

Regarding the SRM triangle, let us focus on the relationship between informal risk management arrangements and microinsurance first. Informal risk management arrangements consist of individual precautions such as savings or income diversification, and collective arrangements such as mutual assistance (on balanced reciprocity basis) or patron-client relationships (Scott 1976; Casino 1988; Dercon 2005b: 12). Both can involve ex-ante and ex-post measures. The large majority of scholars agrees that informal risk management arrangements alone do not cover all risks low-asset families are facing, especially in case of repetitive shocks or large-scale covariant[29] shocks that affect the entire community (Scott 1976: 9; Alwang et al. 2001: 19; Holzmann et al. 2003: 3, 6; Dercon 2005a: 5; Cohen and Young 2007: 222; Dercon and Kirchberger 2008: 5; Pan 2008: 6; Heydel et al. 2009: 59, 69). Repetitive and covariant shocks can quickly deplete the asset base of small family based or community based risk pools where the effect of the law of large numbers is limited. In a somewhat alternative stance, Townsend (1994; 1995) finds - based on a longitudinal panel survey on three low-asset South Indian villages - that these communities are well able to share their risks and strive towards full collective insurance. Townsend's findings, however, have been criticized for their over-simplicity (Morduch 2006: 341-342) and methodological faults (Pan 2008: 7). Interestingly, Pan finds no communal risk sharing taking place in her remote analysis of survey data from rural Ethiopia (Pan 2008: 7). I find this startling because anthropological on-site research has found communal risk sharing to take place in just about every traditional society (Sahlins 1974; Scott 1976). Morduch (1999a: 191), on the other hand, rightly remarks that migration can spatially spread informal risk management networks and thereby make them more resilient in case of covariant shocks. This seems to be especially relevant in Indonesia, where a lot of migration, especially to urban centers, is occurring. In my own ex-ante customer survey, 53 percent of all respondents declared to have a migratory background. In urban areas, it was 87 percent (see table 14 in section 7.1). Dercon (2005c) rightly points out that the effectiveness of informal risk management differs depending on the exact nature of the risk or shock, not only on whether it is covariant or idiosyncratic. Another concern with

[29] In the literature, the terms "covariant" and "covariate" are synonymously used at about the same frequency. I chose to consistently use the term "covariant" when referring to large-scale collective risks (flooding, drought, earthquakes, epidemics) as the opposite of idiosyncratic risks, which are risks that only affect one or few individuals at a time (death, non-epidemic illness, injury, theft).

informal collective risk management networks relates to the already mentioned observation that the lower the asset-base the more restricted is the access to such networks. In other words, such collective arrangements are exclusivist. They are strongest among better off families (Kozel and Parker 2000: 66; Miguel et al. 2002: 10; Dercon 2005a: 4; De Weerdt 2005).

In summary, by and large, researchers agree that informal risk management does not provide full risk coverage to low-asset families, especially to the most destitute among them. In turn, this absence of “full insurance” hampers the asset accumulation strategies of low-asset families and may even lead to so-called poverty traps (Morduch 1994; Dercon 2005c). Dercon describes this potential vicious cycle:

> In the presence of insurance and credit market failures, there is a further problem: the poor may enter into activities and asset portfolios with low risk, but also low returns. This in turn affects their long-term income and their ability to move out of poverty. Furthermore, shocks may have long-lasting effects: productive assets may be destroyed or sold off to survive, health may be undermined or children may be taken out of school. The result is higher poverty that may persist. This suggests that uninsured risk may lead to poverty traps. (Dercon 2005c: 439)

Reiterating one of my principal arguments of this thesis, I would add to this rationale that even if informal collective risk management arrangements do not provide perfect risk coverage in all cases (and they certainly do not), one part of the premium that low-asset families have to pay for their membership are the moral restrictions that the moral economy imposes on material asset accumulation. The obstacles to asset accumulation are therefore not only due to individual choices of income diversification, but also due to collective hindrances.

I find a certain irony here in the way microinsurance is supposed to assist low-asset families. If it is the very low-asset families who are most excluded from informal networks but at the same time microinsurance is closely knit with microcredit (which we have discussed to not reach the very bottom of the pyramid (cf. section 3.2.5)), then microinsurance may in fact be applied at the wrong leverage and leave very low-asset families more excluded and worse off than before (cf. Morduch 2006: 351). Several authors note that by tendency the better educated and economically richer and urban low-asset families are most likely to seek microinsurance coverage (SyncConsult 2006: 17; Asfaw and Jütting 2007: 850; Heydel et al. 2009: 48). However, the concern that microinsurance may leave those that need most protection worse off is less often raised than the more general concern that microinsurance may generally crowd out informal risk management schemes with possible negative side effects (Churchill 2002: 385; Dercon and Kirchberger 2008: 9; Heydel et al. 2009: 1). In terms of empirical evidence, systematic data on the existence and scale of crowding out caused by private microinsurance has previously not been readily available, but significant crowding out of familial assistance is evident in the case of *Payung Keluarga* (see section 7.8.1). In the absence of broad empirical evidence on microinsurance itself, we may alternatively look at public social protection measures. Here, the introduction of public social protection systems in developing countries have often been found to crowd out informal schemes to some extent (Dercon 2005c: 444). It therefore appears reasonable to assume a crowding out effect for private microinsurance implementations in general. This worry has induced calls to aim for perfect complementarities of microinsurance with informal insurance risk management networks. Microinsurance should exactly fill those gaps which are left uncovered by informal schemes (and public schemes) (Dercon 2005c: 444; Heydel et al. 2009: 1, 61). However, I hold that such calls are largely illusory. Even if the risks covered by microinsurance are indeed different from those which informal traditional arrangements cover, indirectly and over the long term the introduction of individualistic risk protection is highly likely to weaken the social structure of such informal arrangements. As with microcredit and microsavings, there are certainly some complementarities, but there is also substitution; and I hold that with microinsurance, the substitution effect is even greater than with microcredit. Why so? Regarding microcredit, it has been already mentioned that microcredit adds to a family's array of financing options while family financing, moneylenders and other financing ways remain strong (cf. section 3.2.5). This may be due to the fact that these different financing channels serve different purposes; and even if microcredit crowds out some moneylenders, the remaining moneylenders can pursue their business as usual in a more limited market. Moneylenders do not depend on the law of large numbers. Of course, also informal risk management arrangements continue to operate after the advent of insurance as Cohen and Young (2007: 221) observe. However, informal risk management arrangements cannot continue to operate at the same strength and scope when the better off members decide to opt out in pursuit of more individualistic risk management options such as microinsurance. The extent of substitution is therefore going to be greater than with microcredit. As mentioned, *Payung Keluarga* has by and large substituted rather than complemented family assistance (see section 7.8.1). Due to my mostly qualitative research approach in this matter I cannot prove my point with statistical figures, especially as parallel measures on the crowding out effect of microcredit in Indonesia (and elsewhere) are lacking. This must be left to further quantitative research. Nonetheless, Morduch (2006: 352) and Dercon and Kirchberger (2008: 7) rightly caution that holistically seen the mere introduction of microinsurance may not always be what serves low-asset families best. Other alternatives should be seriously considered, such as leaving informal arrangements untouched or, if possible, strengthening such arrangements. Also the promotion of microsavings and special emergency credits may be appropriate alternative options (cf. Churchill 2002:382). Lastly, Dercon (2005c: 448) alludes to the possibility that the crowding out of informal schemes may be evaluated positively if it breaks down old power relations. However, he does not consider that new and more formalized dependencies may emerge instead (cf. Benda-Beckmann et al. 1988: 17).

Now, let us look at the second relation of the SRM triangle, namely the relation between social protection and microinsurance. Although social protection has been touched upon several times already, it is best to first define social protection more clearly. Following Norton et al. (2000) and Moser (2001: 363), social protection refers to public actions taken in response to levels of vulnerability, risk and deprivation which are deemed socially unacceptable within a given polity or society.[30] This means the protection of those who fall temporarily, or persis-

[30] Other authors use an even wider definition of social protection to also include community based and private measures. In effect, this equates social protection with social risk management (Heydel et al. 2009: 75). Howev-

tently, under a level of livelihood deemed acceptable. It does not entail the promotion of a general standard of opportunity and livelihood for all citizens. It is important to note that social protection means public, not private action, or more specifically, government policies and government backed systems and measures (cf. Holzmann and Sipos 2008: 1). Typical components of social protection include (Moser 1998: 365; Churchill 2006b: 21-22):

(1) unemployment and disability benefits,
(2) universal healthcare,
(3) maternity benefits,
(4) old-age pensions,
(5) protection for children and the disabled,
(6) workfare programs,
(7) social funds,
(8) public microfinance programs,
(9) cash transfers,
(10) emergency aid.

Social protection is generally more broadly understood than social security. Social security is a specific, highly institutionalized subset of social protection. Those social security programs which rely on direct contributions from members are also called social insurance programs. Unemployment benefits and old-age pensions are typical examples of social security / social insurance measures. On the other hand, public food aid after flooding or draught is a clear social protection measure, but not part of social security. Such latter measures are also referred as safety net measures.

As mentioned, the principal concern is that microinsurance may induce the state to cut back on social protection or refrain from expanding it. This way, private microinsurance may crowd out public social protection and leave the financing of risk management at the hands of low-asset people "as agents of their own survival", as Rankin (2006: 97) has expressed similar criticism in relation to microcredit (cf. section 3.2.5). However, as alluded to, such concerns are less salient in the discourse than concerns of the crowding out of informal schemes. The most widely held position seems to be a pragmatic, or rather a developmental one, namely that microinsurance simply fills the gap that the generally weak and cash-strapped social protection systems in developing countries cannot fill (Schuck 2005: 34; Churchill 2006b: 21; McCord et al. 2006: vi; Heydel et al. 2009: 75). Some authors are quick to add that this does not principally relieve the government of its social protection responsibilities (Schuck 2005: 34; Churchill 2006b: 21). Heydel et al. (2009:ix) as clear market-leaning proponents even imply that microinsurance can help low-asset people to take matters into their own hands instead of passively waiting for government assistance. Churchill (2006b: 21) and Jacquier et al. (2006) take an optimistic and conciliatory stance by considering the possiblity that microinsurance can create delivery mechanisms to extend government programs and subsidies to the

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er, for the current discussion it is important to have a clear distinction between public, informal and market-based risk-management solutions which is why I prefer the definition presented here.

informal economy, and in doing so microinsurance may even help to integrate informal risk management and formal social protection systems. Therefore, critical voices on microinsurance crowding out social protection are hard to find in the academic discourse. Moreover, such crowding out would be somewhat hard to verify. It is interesting then that particularly in Indonesia, where microinsurance is hardly ever critically discussed, such concerns briefly flared up in connection with the already described GTZ-MunichRe flood-index microinsurance product in Jakarta (cf. section 3.3.1). The launch of the product in May 2009 was attended to by high-ranking government officials. Consequently, NGOs have criticized the government because it apparently supports privately financed microinsurance instead of being serious about reducing the causes of the notorious flood problem in the city (Kurniasari 2009). Because of its very low payout-to-premium ratio, which I consider inadequate, and because low-asset people in Jakarta have found effective ways to adapt to the flood risk (Wilhelm 2009) I predict this voluntary product not to sell well. This will, at least temporarily, thwart the suspected public-to-private transfer of risk management responsibilities. *Payung Keluarga* is less susceptible to such concerns because it tackles the risk of death of micro-debtors. This is generally not considered as interfering with the domain of social protection.

Some note has to al least be made of the possible direct crowding out of informal risk management by social protection (and vice versa). Although this third relation of the SRM triangle is of less relevance for this thesis, it is quite salient in the general debate on vulnerability and risk management (Devarajan and Hammer 1998; Attanasio and Ríos-Rull 2000:1226; Gertler and Gruber 2002:68; Heitzmann et al. 2002:11; Jowett et al. 2003; Dercon 2005a: 5; Dercon 2005b: 21). This is most likely due to the fact that the issue of social protection vis-à-vis informal risk management had been around long before microinsurance entered the scene.

Going back further in history, it would be interesting to see how social protection, market based insurance and informal risk management have evolved in industrialized countries. Concepts and empirical evidence might be available here which may prove useful for the current discussion on the SRM triangle in developing countries. Yet, reference to the "Western" experience is hardly ever made in the microinsurance literature. In fact, during my literature study I found no works that specifically deal with the social impacts that the popularization of insurance may have had in industrialized countries. From the few available remarks in the microinsurance literature it seems to be clear that the mass popularization of insurance, particularly of life insurance, in today's industrialized countries started off with very cheap insurance policies which, going by today's terminology, would be called microinsurance. These were either offered by commercial insurance companies or by highly popular mutual benefit societies (Koch 1967; Van der Linden 1996; McCord 2006: 357; Microinsurance Network 2009a). These microinsurance forerunners were targeted to low-asset factory workers who had apparently been bereft of informal risk management mechanisms by the social upheavals that accompanied the "Great Transformation". This indicates that these insurances only made their appearance after, or at best, parallel to the rapid industrialization and formalization of work in the era of industrialization, just as has been the case with formalized savings, and even later with (consumptive) credit (Koch 1967: 3; Dichter 2007c: 187). The name, with which these early insurance policies were referred to, further underlines this point: They were called "industrial insurance" (McCord 2006: 357). While industrial insurance seems to have been a reaction to the demise of informal risk management strategies, microinsurance, at least by tendency, seems to take a more pro-active approach of "preparing" its beneficiaries for modernization. Moreover, industrial insurance clearly aimed at workers of the formal sector, while microinsurance mostly targets the informal sector. According to orthodox modernist thought this may be considered as not according to sequence. Also Dichter (2007c:187) notes that "in the current microfinance movement, everything seems to have been done the other way around." However, it has already been noted that apparently modernization in developing countries is not leading to the same ubiquitous formalization of work that has occurred in Western societies, and that, on a more general level, modernization is running along different paths than in the West. It may therefore be reasonable to consider formal insurance for the informal sector and not wait until low-asset people may eventually enter the formal sector. In fact, this historical asymmetry may be held as a reason why I consider pro-active microinsurance as an agent of social change while in Western history, reactive insurance was never seen in such way, which in turn led to a lack of academic interest in the social consequences of industrial insurance.

Regarding the historical development of insurance in Indonesia, the largest local insurance company Bumiputera was established in 1912 as a mutual insurer by the teachers' union Persatuan Guru Hindia Belanda (PGHB). Initially, Bumiputera only provided support to families on the death of members. At first, Indonesian teachers employed by the Dutch colonial government could become members. In 1915, membership was opened to all local government staff and later, when it had already lost much of its mutual character, to all workers. Other mutual insurers and later commercial and government insurers were also established but did not reach the scale of Bumiputera (Ingelson 1996). Ingelson notes:

> The better paid and higher status urban workers were the predominant participants and beneficiaries. It was much more difficult to enroll the unskilled workers and the urban poor in casual employment or in the informal sector of the urban economy. In general, mutual benefit societies widened the economic gap between the small minority of skilled and literate Indonesians and the vast majority of unskilled urban workers. (Ingelson 1996:585-586)

Ingelson's observation illustrates that until the advent of microinsurance, insurance in Indonesia seems to have followed the same path as in Western societies in that it emerged only after a certain degree of labor formalization had taken place. Interestingly enough, Ingelson notes the exclusivist character of insurance and the fact that it helped to further socio-economic inequalities. It therefore seems reasonable to also be concerned about similar effects with microinsurance. Even more astonishing is that according to Ingelson the leaders of the nascent indigenous worker's movement in Indonesia were concerned that mutual societies may sooth the symptoms of poverty and social inequality instead of curing their underlying causes:

> Many labour union and political leaders . . . while supporting the creation of mutual benefit societies . . . argued that this must not be allowed to divert attention from questioning the structures of society that led to such feeble economic and social conditions for the people. Worker militancy must not be blunted by action which could only alleviate poverty and not remove its fundamental causes. (Ingelson 1996: 580)

This resounds, or rather historically forecloses, the concern put towards modern microfinance as a mere symptom soother that was discussed in section 3.2.5.

Moving to more intermediate and technical debates on microinsurance, it has already been noted that the general understanding of insurance principles and insurance contracts among low-asset people is low. Therefore one debate concerns how (prospective) customers may be educated about insurance. This debate has been far more subdued in regards to microcredit and microsavings because these two financial services do not require such a large "paradigm shift" in conceptual thinking. Generally, it can be observed that discussing insurance and risk management is not directly touching any taboos among low-asset families. The overwhelming majority of (prospective) customers whom I questioned in Indonesia stated that they were openly discussing insurance matters with their family, friends and neighbors. However, insurance may collide with certain beliefs, such as the belief in the divine predetermination of all fortune and calamity (*takdir*), and also with religious norms, such as the Islamic prohibition of gambling (*maysir*), uncertainty in business contracts (*gharar*), and interest taking (*riba*). In addition, I found that some low-asset people who had bought relatively expensive education endowment policies for their children were not admitting this during group discussions, presumably in order not to be regarded as show-offs. Roth (2001:16) notices that in South Africa, where formal and semi-formal life insurance is much more widespread among low-asset families than in Indonesia, people preferred to keep information on their insurance policies a private matter; firstly to keep relatives from demanding part of the payouts, and secondly to prevent widows being accused of having murdered their husbands through witchcraft in order to "cash in" on their husbands' life insurance policies. In general, however, in line with other authors I found that low-asset people are generally open to discuss insurance related information (cf. McCord et al. 2005: 17-18). The debate on microinsurance education therefore circles not so much around how to get low-asset people interested but around how to get the intended messages across in the face of substantial illiteracy rates, low understanding of conditional redistribution and low familiarity with legal documents. There seems to be little doubt among observers, however, that microinsurance customers need to be educated and adapt the 'right attitudes'. In this respect, I find a comment by Cohen and Young (2007: 221) particularly revealing when they discuss microinsurance and financial education:

> Designing the right product is essential, but it is not enough. Financial education offers a way to address this gap in consumer knowledge. Financial education is teaching the knowledge, skills, and attitudes required to adopt good money-management practices for earning, spending, saving, borrowing, and investing. (Cohen and Young 2007: 221)

In effect, this comment implies that so far, low-asset people have gotten it mostly wrong and that their attitudes need to be changed. Korff and Tigges Lizarazo (2008a) are scathingly criticizing such notions of underdeveloped capacities:

> The popular training courses that are always an integral part of any development project, imply already that the "target groups" lack capabilities and capacity . . . . The message is that only with development will they be able to become functioning members of 'world society'. Interestingly, this arrogance is not only limited to official development practice, but is wide spread among NGOs. (Korff and Tigges Lizarazo 2008a: 9)

The point I want to make here is that just as microinsurance itself, any kind of education on it is also a driver of social change. I do not doubt that customers have a need and even a right to be well informed on the policies they are intending or obliged to buy, but I want to reiterate that much of the customers' frame of reference and many of their attitudes are reasonable if the specific contextual conditions and social structures are taken into account. Customer education is walking a thin line between providing factual information and efforts at social engineering. This tightrope walk has so far not been sufficiently acknowledged and critically discussed in the microfinance discourse and in particular in the debate on microinsurance.

Another debate on microinsurance concerns the question of compulsory vis-à-vis voluntary coverage. *Payung Keluarga*, for example, was a compulsory product which customers had to accept if they wanted to get access to the MFIs' microcredits. For insurance companies and MFIs, compulsory products have a number of advantages: They reduce anti-selection because "good risks" cannot opt out. Moreover, they greatly reduce marketing and transaction costs, and lastly they greatly enlarge the number of customers covered (cf. Heydel et al. 2009: 68). In case of credit life insurance, the MFIs are of course interested in having their entire loan portfolio covered, which is why credit life is almost always sold on a compulsory basis. For the customers, compulsory coverage may bring the following benefits: Reduced premiums due to less administrative complexity, and a reduced risk of mis-selling. Mis-selling refers to the denounced but nonetheless frequent practice that sales agents misinform customers about their policies in order to sell insurance more easily and receive the corresponding commissions. Usually, customers are provided little information on compulsory microinsurance products but at least the risk of this information being skewed is reduced. Voluntary coverage, on the other hand, offers the customers freedom of choice. Here, customers need to be actively won for the product which promotes more customer focus in product development. It also increases the amount of information provided but may encourage mis-selling. Voluntary coverage comes at the disadvantage of higher anti-selection, higher administrative costs and higher marketing expenses such as commissions which eventually results in higher premiums (cf. Heydel et al. 2009: 68). In 2002, Churchill found that most microinsurance available through MFIs at the time was mandatory (Churchill 2002: 384). With the continuing dominance of credit life microinsurance this is unlikely to have changed until today. McCord et al. (2005:9) report that AIG and FINCA in Uganda switched their partner-agent group accident product from voluntary to mandatory coverage because of increasing concerns with MFI staff fraud. It is noteworthy that this compulsory AIG-FINCA policy returns less than 35 percent of the total collected premium as claim payouts and is highly profitable for AIG, FINCA and other involved MFIs (McCord et al. 2005: iv, 26, 36). This speaks for suboptimal customer value and shows that the potential benefits that compulsory coverage could theoretically bring for customers are often thwarted by low service quality and high profit objectives of the involved MFIs and insurance companies. Consequently, Rahman (2007: 199) clearly speaks out in favor of self-determined voluntary coverage. Enarsson et al. (2006: 126-127) and Wipf et al. (2006: 173) take a more moderate case-dependent stance.

If compulsory credit life microinsurance is generally considered profitable, sometimes even overly profitable to the disadvantage of the insured, the same cannot be said for other microinsurance products such as health microinsurance. Here, the discussion still relates more to how microinsurance can be made profitable in the first place. Compulsory coverage is naturally regarded to greatly enhance prospects of profitability (Churchill 2002: 384; 2006a: 3). Therefore, the moral discussion on how much profit could be decently extracted from low-asset people is still not as salient in microinsurance as it is for microcredit.

Lastly, looking at the debates surrounding microinsurance to date, little notice has been made of just how large a paradigm shift microinsurance induces. The situation is similar to microcredit, and - because of the even more abstract and 'modern' thinking needed - even more severe. Microinsurance is not just about simply buying insurance coverage from an agent or MFI instead of asking your neighbor for help. Microinsurance entails switching from social rules of balanced reciprocity to legalized rules of conditional redistribution. Microinsurance needs the insured to think more "straight" about probabilities, as Morduch (2006: 345) puts it, which eventually means more pervasive application of means-end rationality. Microinsurance commodifies risk management. Instead of reliance on social cohesion and carefully managed social relationships, protection becomes a straight-forward, formalized, and legalized affair with a clear-cut price tag attached. Especially for low-asset people with low functional literacy, new dependencies are created. Low-asset people have to trust the benevolence of MFIs and the financial stability of insurance companies, something which is far beyond their means of control. Claiming legally enshrined rights is still no easy matter for low-asset people in developing countries with their often weak judicial systems. Moreover, microinsurance contracts may require new social delineations which were previously unknown. Health microinsurance contracts, for example, often require the entire family to join the insurance scheme in order to avoid anti-selection; that is, to avoid that only the elderly and sick join while the young and healthy do not. The question arises who belongs to the family and who does not? Thus, nuclear families become more formally defined than before. Insurance companies and local MFIs are of course aware of this problem on a technical level. Sometimes, even indigenous definitions are used to define families and their dependents (Wipf et al. 2006:164). However, the general fact of a further formalization and legalization of what a "family" is, is not resolved by this. With *Payung Keluarga*, only members of the nuclear family could be named as beneficiaries. Technically, this was done to ensure an insurable interest on the side of the beneficiary and to avoid - negatively thinking - crimes in order to avail insurance benefits. However, socially this sometimes led to tensions at the moment of beneficiary choice because the insured themselves did not distinguish between in-laws and the nuclear family, between foster children and natural children, and so forth.

References to these matters within the microinsurance discourse are still extremely scarce. As indicated above, Platteau (1997) and Wilhelm (2009) have made some tentative inroads here. Another noteworthy exception is Mosley (2003), who concerns himself with the wider social impacts of microinsurance. His astonishingly positive findings will be discussed below (section 3.3.4). By and large, however, microinsurance is hardly connected to the overarching discourse on development where arguments on social change and modernization are frequently discussed. So scarce are qualified remarks that I have to turn to a quotation from Zacher

(1988) on the social impact of social legislation, to indicate that the same holds true for microinsurance:

> Social legislation can change the situation within the family unit. In some circumstances the payment of an educational grant to a child tends to separate this child from the family unit. Payment of children's allowances to the head of the family increases the children's dependence. Generally we find that the laws referring to social security establish completely new structures and standards of behaviour for the life of the individual, and the groups and the society to which he or she belongs. (Zacher 1988: 26)

Naturally, just as with microcredit (cf. section 3.2.5) the extent of social impact of microinsurance depends on the extent by which it is integrated into the families' and individuals' risk management practices. The more it substitutes other risk management practices, especially informal collective strategies, the higher the impact is going to be. However, I reiterate here that I hold microinsurance to be more substitutive than microcredit.

3.3.4 Microinsurance impact

To date, little sound empirical evidence on the realized impacts of formal microinsurance implementations is available. This is especially true with regards to commercial microinsurance implementations, and when compared to the relatively vast (and yet still inconclusive) impact research available on microcredit. In 2005, Dercon noted:

> In general, there is surprisingly little research on microinsurance, at least compared to the vast microcredit literature. (Dercon 2005c: 446)

In a more recent literature survey on microinsurance, Dercon and Kirchberger (2008) still have to conclude:

> It is in any case correct that there are few studies that can really credibly evaluate the welfare or other benefits from insurance. (Dercon and Kirchberger 2008: 9)

It has been noted that in general the development of microinsurance closely traces the previous development of microcredit; this applies to the interest in impact as well. Just as the question of microcredit impact was only asked more insistently long after the industry had firmly established itself, the same seems to be occurring with microinsurance. As microinsurance is currently still a young concern of development, the principal thrust at the moment is to get microinsurance "up and running" first and worry about impacts later. However, with microinsurance the timeline seems to be somewhat more condensed than with microcredit. During the last two years the question of impact has already received increasing, if yet still limited, attention. Apart from its relative newness, another reason for the scarce amount of concluded impact research lies with the respective technical intricacies which I will outline in further detail below. Different from microcredit, however, the discourse on microinsurance is far less morally charged than microcredit. With microcredit, both available research and moral arguments are relatively manifold. With microinsurance, on the other hand, both research and moral arguments are rather scarce, although I have tried to outline above that microinsurance and related customer education as agents of social change hold clear potential, even the necessity, to be critically discussed.

In terms of regions, microinsurance impact research naturally follows the path of microinsurance implementations. As those are most frequent in South Asia and in Africa, it is here where most impact surveys are located. Neither Central and Latin America nor South-East Asia have found particular attention so far. Regarding Indonesia in particular, there is so far no known academic research on the impact of realized microinsurance impacts. Wilhelm (2009), as noted, only hypothesizes on the possible impacts of a flood microinsurance in Jakarta, such as has been recently introduced by MunichRe and GTZ.

In terms of products, health insurance has received most attention, especially the numerous mutual health schemes in Africa. The few available relevant studies that can be named are Dong et al. (1999); Jütting (2001; 2004); Ranson (2001); Preker et al. (2002); Mosley (2003); Ekman (2004); Wagstaff and Pradhan (2005); Diop et al. (2006); Dror et al. (2006); Asfaw and Jütting (2007); Schneider and Hanson (2007); Wagstaff et al. (2007). The focus on the impact of health microinsurance runs in line with health being considered the most demanded and the most donor supported field of microinsurance. Moreover, the impact of government financed health insurance schemes has received considerable attention, too. Relevant studies were done by Attanasio and Ríos-Rull (2000), Jowett et al. (2003) and Thornton et al. (2009). However, public health schemes are not formally included in the scope of market-based microinsurance. Interest in the effectiveness in index-based schemes for disaster prevention is also high although here the number of schemes which could be surveyed is still small. Two such studies on India and Malawi are Gine et al. (2007) and Gine and Yang (2007). Life insurance and conventional non-life insurance have attracted far less attention (Dercon and Kirchberger 2008: 11). In fact, apart from my own preliminary publications on *Payung Keluarga* (Hintz 2009a, 2009b, 2010), I could only find two impact studies which to some extent deal with commercial, non-mutual, non-public life insurance: SyncConsult (2006) and Young et al. (2006). These two come closest to my present study in terms of product, context, and distribution arrangement. They also show methodological similarities.

A clear sign of the rising interest in microinsurance impact analysis is the fact the ILO Microinsurance Facility has made impact research a pillar of its overall microinsurance research strategy (ILO 2008c). The facility has already awarded one small impact research grant and more are to follow soon (ILO 2009). Unfortunately, the maximum funding of US$ 10,000 per grant may only suffice for small scale, exploratory studies. The Microinsurance Academy (MIA), which was established in New Delhi in 2007, is also investing considerable resources into the investigation of microinsurance impact, especially health microinsurance. Furthermore, CGAP has recently spun-off its microinsurance working group to form the Microinsurance Network as an independent legal entity. The Microinsurance Network in turn now has its own "Impact Working Group" (formally the CGAP sub-working group on microinsurance impact) which is taking first steps to seek funding for impact research. Moreover, the Impact Working Group is currently compiling the first review of available publications on microinsurance impact following a standardized research protocol. The first preliminary results confirm that full-fledged academic publications on microinsurance, except in case of health insurance, are indeed still extremely rare (Microinsurance Network 2009b). If anything, most material is available in form of journalistic articles or consultancy reports (such as SyncConsult and Young et al. 2006). Moreover, the impact results reported by these sources are generally found to be seriously tainted by methodological flaws.

If literature on realized microinsurance impact is generally scarce, the situation looks naturally better for the scoping of microinsurance. Quite a number of academic studies and reviews that analyze risk and vulnerability in low-asset contexts have done so by explicitly considering the potential of introducing formal insurance solutions; to mention just a few noteworthy examples: Rosenzweig and Wolpin (1993), Townsend (1994; 1995), Morduch (1995; 1999a), Dercon (2005b); Elbers et al. (2007), Pan (2008), and Wilhelm (2009). As already alluded to (cf. section 3.3.3), by and large these studies and reviews find that a significant portion of low-asset families' risks remains uninsured, especially for frequent and covariant risks, and therefore conclude that sufficient scope and need for microinsurance or public social protection interventions exist (cf. Dercon and Kirchberger 2008: 6). A noteworthy exception, also methodologically, is Wilhelm (2009), who by way of qualitative sociological field research finds that low-asset *kampung* dwellers in Jakarta have already adapted well to flood risk. He consequently cautions against the introduction of flood microinsurance as a socially disintegrative measure.

With regards to the academic disciplines involved, just as with microcredit, microinsurance impact research is dominated by economists. As noted, there are also a number of less formal reports by microinsurance practitioners without a specific academic agenda. The favored methodological approach is large scale randomized studies, ideally in form of quantitative longitudinal panel surveys or RCTs (cf. Dercon 2005b: 10). However, especially in the more explorative and practice oriented researches, for example Young et al. (2006: 6), qualitative data collection methods such as focus group discussions and key person interviews have also been used. An ongoing longitudinal impact survey on a health microinsurance pilot project of the Aga Khan Foundation in Pakistan is explicitly employing a parallel integrated approach of quantitative and qualitative methods. Research of other academic disciplines into the impact of actual microinsurance implementations is even scarcer than on the economics side. In fact, I know of none - not even of currently ongoing research. As the impact research field is fortunately becoming increasingly dynamic it may nonetheless be that some non-economics research is being undertaken or at least planned. However, major research players like the ILO Microinsurance Innovation Facility are clearly favoring quantitative econometric research, although Dercon and Kirchberger (2008), in concluding their microinsurance literature review (undertaken for the Facility), note the need for a wider disciplinary approach to microinsurance:

> A study of the understanding of risk and of insurance may well have to go beyond standard economic, business or insurance analysis into the realm of psychology or anthropology. (Dercon and Kirchberger 2008: 19)

Even though anthropologists and sociologists are still to make a stance at microinsurance impact research, in terms of more general works on the financing and risk management of low-asset families, practically the same works as on microcredit can be named because informal financial management and informal risk management very much overlap in embedded moral societies. Some noteworthy examples are Evans-Pritchard (1940), Geertz (1962), Ardener (1964), Sahlins (1968), Scott (1976), Sullivan (1994). More recent noteworthy work along anthropological or sociological lines was done by De Weerdt (2002; 2005) in a network analysis of a village in Tanzania, by Goldstein et al. (2005) on inclusion and exclusion in mutual insurance networks in southern Ghana, and - most relevant to the current study - by Lont (2000; 2005) on "juggling money" in a Yogyakarta *kampung*, by Koning (2006) on mutual arrangements in Java, and by Wilhelm (2009) on the complexities of flood risk management in low-asset *kampung* in Jakarta.

The challenges that microinsurance impact research faces are largely the same as those for microcredit noted above (cf. section 3.2.6). In addition, microinsurance impact research often faces the challenge of low claim frequencies. I will first revisit the microcredit research challenges to scrutinize in how far they apply to microinsurance impact research. Afterwards, I will outline the specific microinsurance research challenge of low claim frequency. I will revisit these challenges once more in section 5.3.3 when I discuss their specific influence on my own research methodology.

(1) *Neutrality and objectivity*: This challenge holds true for microinsurance just as it does for microcredit.

(2) *Selection bias*: It has been noted that customers who take up microinsurance hold different attitudes and have higher education than their immediate neighbors, especially in case of voluntary insurance (SyncConsult 2006: 17; Young et al. 2006: 9; Asfaw and Jütting 2007: 850; Heydel et al. 2009: 48). This makes the establishment of control groups difficult. Regarding microinsurance, in case of compulsory credit life products, perfect control groups are well neigh impossible because all MFI loan customers have credit life insurance (unless some are excluded for reasons of age or for the purpose of research). Comparing insured micro-borrowers with non-insured non-borrowers would actually lead to a double selection bias. Selection bias is therefore as much of an issue with microinsurance impact research as it is with microcredit.

(3) *Poverty and welfare proxies*: It is often argued that one principal benefit of microinsurance is buying "peace of mind" (Churchill 2002: 384; Mosley 2003: 151; Young et al. 2006: 10). This is a notoriously subjective benefit and consequently hard to measure. Another hope connected with microinsurance is increased risk appetite through better protection (cf. section 3.3.1). This is likewise an intangible benefit that is hard to conceptualize, measure, and attribute. In case of actual claims, there are two opposite forces at work: The shock itself which exerts downward pressure on the asset-base and the insurance payout which stems against it. These two forces are somewhat difficult to detangle and measure separately. The problem of establishing and measuring poverty and welfare proxies is therefore quite similar, if not more complex, than with microcredit.

(4) *Causality and attribution*: This problem is also related to intangible factors like "peace of mind" and increased risk appetite. How much of a change of "peace of mind" or risk appetite, if observable, can be attributed to the insurance? In case of a claim, how much did the insurance contribute to the risk management and how much was provided by other sources, such as mutual assistance. These complexities are difficult to tackle, much the same as with microcredit.

(5) *Fungibility and additionality*: Fungibility of funds seems to be less of a problem than with credit because usually claims are paid to compensate for a specific condition. In case of cashless health insurance, where claims are directly paid to the health care provider, the problem is entirely absent. However, in case of cash payouts, such as with *Payung Keluarga*, at least the problem of additionality remains. Maybe money has already been saved for the funeral and is now being put to a different use.

(6) *Effects beyond the unit of analysis*: This issue is as relevant for microinsurance as it is for microcredit, and probably for all types of impact research. One example would be the worse off position of non-insured if the advent of microinsurance weakens informal collective risk management arrangement. The wider social impacts of microinsurance may affect entire communities and society at large. Such effects are difficult to discern and measure.

(7) *Attrition and drop-outs*: The problem of drop-outs does not seem quite as relevant for microinsurance as for microcredit because omission of drop-outs, especially if they have not raised a claim, may not skew impact assessment (of claims) as much to the positive side as in the case of microcredit. Moreover, for compulsory coverage, the issue of drop-outs is likely to be related to the underlying reason of group membership, such as having a microcredit, rather than to the insurance itself. Nonetheless, the following up of drop-outs could reveal where microinsurance may have collided with religious and cultural norms, not least with the expectation of a premium refund and therewith the continued importance of balanced reciprocity thinking. Attrition through moving or dropping out of the surveyed group may cause a strain on the sample size in longitudinal impact research.

(8) *Differential impact by poverty level*: Along the lines of what has already been noted on the matter of selection bias, the appreciation and ultimately the benefit of microinsurance may differ by different social strata.

(9) *Influence and dynamics of exogenous factors*: This challenge holds true for microinsurance as it does for microcredit.

(10) *Questionnaire design*: This challenge holds true for microinsurance just as it does for microcredit. In addition, the understanding of insurance principles and insurance contracts may be lower than the technicalities of microcredit.

(11) *Measurement error*: This challenge holds true for microinsurance just as it does for microcredit.

(12) *Statistical analysis*: Also this challenge holds true for microinsurance just as it does for microcredit. Pan (2008) recounts a vivid example of how different statistical methods and assumptions may render opposite results with regards to microinsurance scoping:

> Elbers et al. (2007) find that insurance will be effective in asset accumulating and growth in rural Zimbabwe. Rosenzweig and Wolpin (1993) conclude the opposite. The cause of the difference is the assumption on informal arrangements. (Pan 2008: 127, making reference to Elbers et al. (2007) and Rosenzweig and Wolpin (1993))

(13) *Benchmarking*: It has already been noted that every MFI is different. Similarly, every microinsurance product is different. Several of the dimensions in which products can differ have been outlined above (cf. section 3.3.1), for example group versus individual contracts, compulsory versus voluntary coverage and of course the exact risk insured. Contractual specifics like the number of exclusions, minimum and maximum entry age, or the sums insured make it even more difficult to compare microinsurance products, even those of the same product type. For example, *Payung Keluarga* is hard to compare with other credit life products because it somewhat uniquely offers additional payouts directly proportionate to the loan amount. With microinsurance, comparing different products is often a classical “apple to peaches” comparison; and due to different product configuration options, the same may even hold true for the same product being applied across several MFIs. I was therefore fortunate that *Payung Keluarga* was applied in a single standard configuration across all MFI partners (before the product later diversified).

(14) *Low claim frequency*: This is a specific challenge for microinsurance impact research on claims. Insured risks like death, disability, accident, fire, or natural disasters do not occur frequently among a given population. The impact of claim payments for these risks is therefore difficult to survey within a scheduled research window. Ideally, impact research on life insurance or non-life insurance should be longitudinal; that is, running over several months or years in order to accumulate sufficient cases for robust and representative analysis. Claims should ideally be investigated shortly after the claim payout; that is, on the go. If beneficiaries are all asked at the same time, the respective recall periods may be different and render imprecise results (Asfaw and Jütting 2007: 840). With certain risks, like death or disability, the challenge of low claim frequency may be reduced if particularly large populations are surveyed. However, life insurance beneficiaries are sometimes hard to track down, especially in highly dynamic low-asset settings (cf. Young et al. 2006: 10). With catastrophic risks like earthquakes it is impossible to survey claims in a planned survey. Surveys would have to be executed right after the earthquake. Randomized sampling and double-difference methods are rendered impossible by the unpredictability of most catastrophic risks. More regular occurrences like draughts and flooding may lend themselves easier to well designed claim impact research. The problem of low claim incidence rates does not apply to health insurance where claim experience usually builds up fairly quickly, even among smaller populations. The problem is also less salient when qualitative research methods are used. However, interviewing just a handful of life insurance beneficiaries, for example, exposes such research to the risk of being dismissed as anecdotal (cf. Young et al. 2006; cf. Armendariz and Morduch 2005:199). Of course, non-claim related impact research, such as research focusing on benefits like

“peace of mind”, changes in business risk affinity, or general changes to the way how families and communities manage risks ex-ante (!) are possible at any given time.

As noted, by and large microinsurance scoping studies and reviews assert a need for microinsurance (or public intervention) to cover uninsured risks of low-asset families. In line with this assertion, empirical findings from the scarce research on actual microinsurance implementations have generally reported positive impacts. Due to being the most intensely studied field, research on health insurance shows the most robust results. For example, Asfaw and Jütting (2007) draw positive conclusions from a quantitative impact assessment of health insurance provision in Senegal, although they are not specifically referring to health microinsurance:

> All these results reveal that insured respondents were more likely to get health care given need, to use in-patient services more frequently and to be admitted to a hospital sooner, less likely to raise the affordability issue as a reason for not seeking health care and not getting the full medicine prescribed to them, and so on. (Asfaw and Jütting 2007: 841-842)

Young et al. (2006) report similar findings from their explorative qualitative research on health microinsurance in Uganda. However, they do not find indications that being health insured encourages the insured to incur higher business risks. Jowett et al. (2003: 337) note on their study of voluntary public (!) health insurance in Vietnam that the correlation between being insured and seeking medical advice earlier was weakly positive. Interestingly, their study also notices that where informal networks are particularly strong, this may hinder the uptake of new insurance products. This makes for a case of informal networks crowding out voluntary social protection, which is therefore also thinkable in case of private microinsurance. Going by the available evidence, health insurance does seem to reduce precautionary savings for health shocks, induces more timely consultation of medical facilities in case of illness, and ultimately has beneficial impacts on the insured’s health. However, where positive outcomes are noticeable, they may still be relatively moderate.

Regarding the impact of a personal accident insurance provided by AIG and FINCA in Uganda which Young et al. (2006) were trying to survey in an explorative qualitative research (one of the two studies closest to my own), only a few beneficiaries could be tracked down and interviewed. The beneficiaries were reported to be grateful for having received payouts from the insurance company (AIG) via the MFI (FINCA). But the evidence remains highly anecdotal. The insured themselves reported to feel more “peace of mind” but they apparently did not change their business risk affinity either. Interestingly, Young et al. (2006: 9) notice a certain fatalism among non-insured and the influence that religious believes have on attitudes on insurance. In absence of insurance, praying was regarded as an effective risk management strategy.

Next to Young et al. (2006), an impact study conducted on behalf of CARE International in Ghana is closest to my own impact research (SyncConsult 2006). The study investigates the impacts of a voluntary life microinsurance policy which contains a savings element and apparently also a hospitalization benefit. Coverage is available for the policyholder and optionally also for the spouse and two children. The product is provided by a private insurance company and distributed through several rural banks in a typical partner-agent arrangement. CARE International had earlier incentivized and consulted the insurer for the product development. The study follows a similar single difference approach to mine in that a baseline study on prospective customers was conducted in 2004 and an endline study with similar questions was done in 2006, when 119 customers were interviewed. The study draws very positive conclusion on the impact of microinsurance. Apparently, the vulnerability of the insured to life cycle risks has been greatly reduced. The preoccupation with risks such as health, education costs and old age seem to have been mitigated by the savings component (2006: 21). Also the acceptance of insurance as an adequate risk management tools seems to have risen dramatically (2006: 22) and the reliance on informal risk management was somewhat reduced, which indicates some crowding out (2006: 25). However, the study also notices that death risk, which is the basic risk that the product covers, is not perceived as a major risk factor compared to the other risks. Interestingly, the report attributes this to the strong informal assistance of the family after death and the belief that any precautions against death would only lead to its premature occurrence (2006: 21). Thus, similar to Young et al. (2006) this study indicates the importance of religious beliefs and cultural practices on the perception and application of insurance.

However, despite its very positive results, the CARE study has a number of flaws. The study was financed by CARE which had initiated the microinsurance project in the first place. Neutrality is therefore questionable. The study presents the narrative of only two claim cases which moreover make perfect show-case examples of the positive impacts that microinsurance payouts may have (2006: 31-32). It is not explained and remains questionable why not more than these two cases are presented. Moreover, the ex-ante and ex-post interviewees of the customer research component were not the same. In fact, the 119 interviewed customers of the endline survey seem to be compared to all prospective customers of the baseline survey. As many prospective customers may have chosen not to take out insurance, much of the reported positive impacts seem to be due to self-selection; that is, selection bias. In fact, the study notes that especially formal employees with regular incomes and higher than average education had opted for the product. In short, the results of the CARE studies are interesting but the highly positive results need to be taken with considerable caution.

The impact work mentioned so far hardly ever touches on the wider social impacts of microinsurance. Here, one review by Mosley (2003) on the impact of health microinsurance is noteworthy. Among other impacts, it is expressly concerned with the wider social impacts of health microinsurance. In particular, Mosley summarizes impact findings from two health microinsurance implementations in Bangladesh and Uganda. The respective impact studies are stated to have employed a conventional control group approach. Mosley's highly positive results are astonishing because they are somewhat counterintuitive and sound almost too good to be true, most importantly with respect to social cohesion:

> Microinsurance . . . protects social capital by preventing groups, including families, from breaking up due to stress over unpaid debts. (Mosley 2003: 144)

> There is some evidence that [these microinsurance schemes, M.H.] improve repayment rates; insurance appears to have a positive impact on physical and human capital expenditures, apparently mediated via higher absorptive capacity for loans; insurance clients perceive themselves as less vulnerable than non-clients; and several of the 'wider impacts' on which we speculated above do indeed materialize, including, in Bangladesh, higher stability of income of expenditure and incorporation of the ultra-poor and lower exposure for the lender. (Mosley 2003: 150)

> Within local communities there is compelling evidence that 'bonding' social capital in the sense of trust, has indeed been strengthened as a consequence of the advent of insurance. In many cases this was as a consequence of expenditure and liability becoming more predictable, so that individuals had an increased incentive to trust one another. A particular aspect of this predictability was reduced reliance on informal emergency borrowing. (Mosley 2003: 151)

What appears somewhat counterintuitive here is the implication that the introduction of microinsurance and the corresponding reduced reliance on mutual assistance has positive effects on social capital. Thought further this would mean that in societies with high insurance penetration, like Western societies, social capital would be stronger than among low-asset embedded moral societies, which is something I seriously question (cf. Putnam 1995; cf. Mahajan 2007a: 199). Maybe Mosley refers to positive forms on social capital as opposed to those that rely on coercion and stifling collective norms. Unfortunately, methodology and context of the respective studies in Bangladesh and Uganda are not described. As this study is rarely mentioned in other microinsurance literature, it is likely that they have not found widespread acclaim. Nonetheless, Mosley (2003) can at least be credited for being explicitly concerned with the social impacts of microinsurance where others simply note this as a research gap or do not mention the issue at all.

In conclusion, the available evidence on microinsurance impacts is encouragingly positive, especially regarding health microinsurance. However, impacts are depicted more moderately than fervent optimists may have hoped for, particularly in those studies which have found wider acclaim in the microinsurance debate for their methodological rigor. Many of the particularly positive studies are tainted by methodological flaws and doubtful objectivity. In general, microinsurance seems to be catering to those of relatively high education and asset levels within the heterogeneous group of low-asset people. This tendency is in line with the somewhat exclusivist character of microcredit. Some crowding out of informal schemes seems to be occurring as well, although this occasionally may also work the other way around as Jowett et al. (2003) have shown. No study has found microinsurance to completely replace informal risk management strategies. Therefore, the argument of complementarities as discussed above (cf. section 3.3.3) certainly holds some merit. Nonetheless, I do maintain that substitution is likewise taking place; and to a greater extent than with microcredit. Those studies which have relied on more qualitative methods such as customer interviews and focus group discussions notice the importance of religion and cultural practice on the way microinsurance is perceived and used. This seems to be most salient in the case of life insurance.

4 THE PRACTICAL EMBEDDING

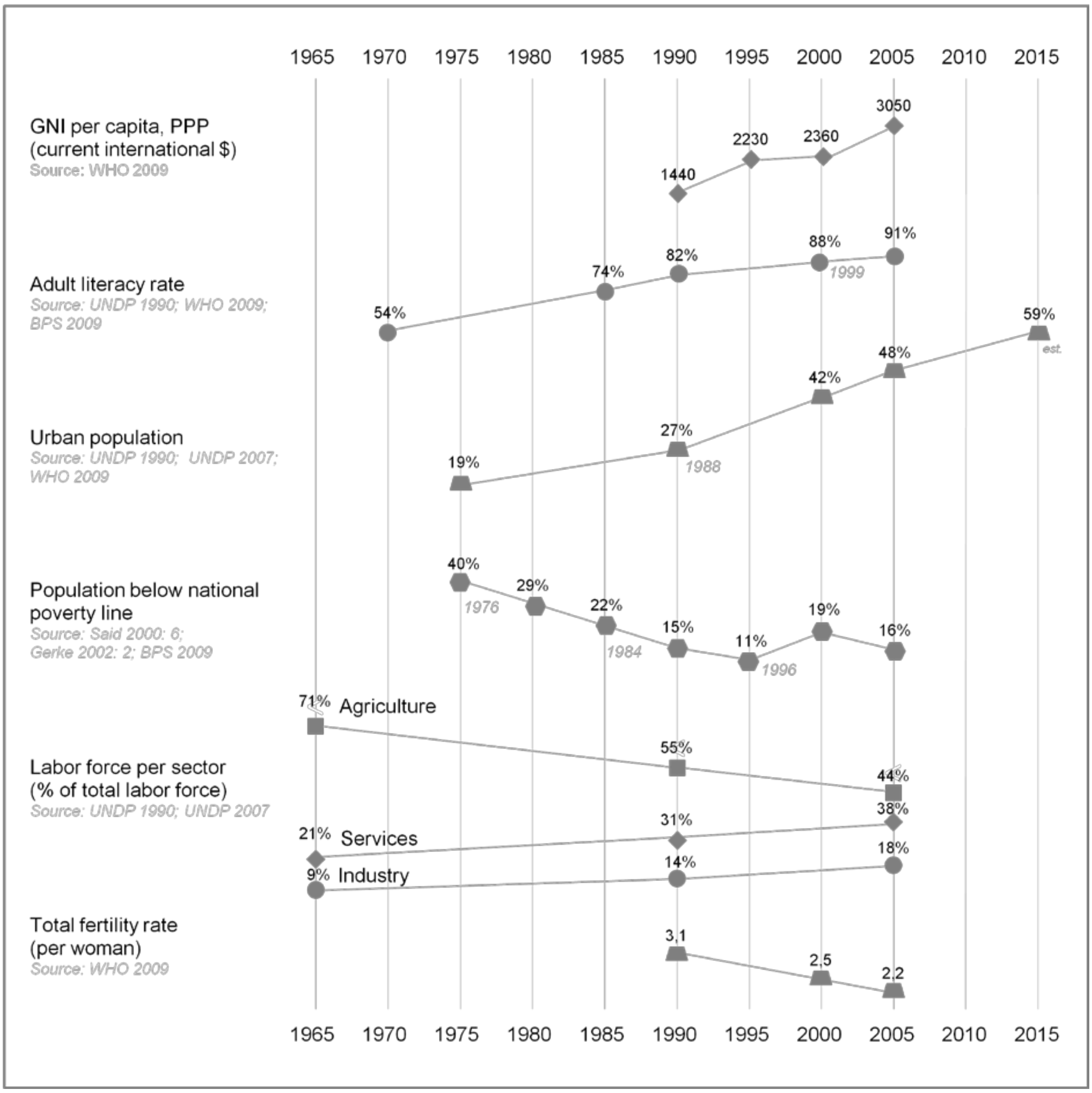
This chapter shifts the focus from theory towards the broader research setting in Indonesia. It provides the practical embedding of the thesis in terms of the general situation in Indonesia and the background of the surveyed microinsurance project.

4.1 Indonesia's "Great Transformation"

In the past, the different ethnic groups in Indonesia were living an embedded state characterized by a relatively slow-moving dynamism of change (Anderson 1972; Evers and Schrader 1994a: 5; Chambert-Loir and Reid 2002: xxv). Contemporary Indonesia, on the other hand, is rapidly changing. Like elsewhere in South-East Asia this change is characterized by a range of simultaneous and intertwined processes of modernization: spread of the market economy, monetarization, industrialization, increasing integration into the global economy, migration, urbanization, education and the consequent upheavals and reorganization of social structure (Evers and Schiel 1988: 14; Hefner 1998a: 3; Hüsken and Koning 2006: 7, 8; Ford and Parker 2008: 8). Since the fall of the Suharto regime in 1998, democratization and decentralization can be added to the list (cf. Heitzmann et al. 2002: 1). In reference to Polanyi (1944), Hüsken and Koning (2006: 25) therefore speak of "Indonesia's 'Great Transformation'". Schröter speaks of the "intrusion of modernity" (2000: 16). This process of change is most salient in urban areas and on Java (Koning and Hüsken 2006: vii-viii; Hüsken and Koning 2006: 8). To put things into proper perspective, I need to stress that in this large-scale transformational process, microinsurance assumes only a relatively minor role as a driver of social change. More precisely, microinsurance is but one of many ingredients of the spread of the market economy. It is one of many tangible examples for monetarization, formalization and legalization. Microinsurance pales in importance in the face of other large scale processes such as migration and urbanization. In order to capture the velocity and scope of change in Indonesia, table 4 presents a number of descriptive indicators of transformation. Afterwards, I will analyze the major drivers of change and lastly discuss the social consequences of such change.

Table 4 shows that the gross national income (GNI) per capita has more than doubled from 1990 to 2005 to reach $ 3,050 measured in international PPP. This indicates a strong growth in national wealth, although it does not show which segments of the population are benefitting most. The sharp decrease in the national expenditure poverty rate from 40 percent in 1975 to 16 percent in 2005 - with an intermediate bump during the Asian financial crisis - shows that low-asset people have by and large been able to reap some of the benefits of rapid economic growth. Nonetheless, in absolute numbers a sizeable 36 million of Indonesia's 220 million inhabitants were still defined as poor in 2005 (BPS 2009). Because modern employment opportunities in services and industry are concentrated in urban centers, poverty rates are lower in urban areas compared to rural areas (cf. BPS 2009). Not surprisingly, urban centers exert a pulling attraction upon the rural population. A strong migratory move towards urban centers is discernable.

Table 4: Transformation indicators for Indonesia



Compared to an urbanization rate of 19 percent in 1975, today slightly more than half of Indonesians live in urban areas. By 2015, this number is estimated to reach 59 percent. It should be added, however, that the spatial size of urban centers has greatly expanded over the last decades. Moreover, large parts of formerly rural Java could today be better described as semi-urban, or as McGee (1991) notes, as *desakota* regions.[31] The change of the labor force structure is closely interrelated with a change in employment opportunities, migration and urbani-

[31] The term *desakota* is a combination of the Indonesian words for village (*desa*) and city (*kota*). McGee (1991: 7) defines *desakota* regions as "regions of an intense mixture of agricultural and nonagricultural activities that often stretch along corridors between large city cores. These regions were previously characterized by dense populations engaged in agriculture, generally but not exclusively dominated by wet-rice."

zation. Agriculture is rapidly losing its dominant position as the largest employment sector. In 1965, 71 percent of the labor force was employed in agriculture. By 2005, this figure had dropped to 44 percent. On the other hand, services (38% in 2005) and especially the industrial sector (18% in 2005) are experiencing high growth rates of employment. The sectors' contribution to the GDP gives the inverse picture to the labor force distribution: in 2006, the industrial sector contributed 46 percent to the national GDP of US$ 935 billion (PPP). Services accounted for 41 percent and agriculture for a mere 13 percent of the national GDP (CIA World Factbook 2007). By and large, business activities and consequently employment are therefore most lucrative in the industrial sector, while agriculture trails far behind. Indonesia's transformation is therefore characterized by a fast-moving industrialization process. At the same time, the population's average educational level is rising. This is epitomized by an increasing literacy rate which reached 91 percent in 2005. At the same time, nuclear family sizes are experiencing a downward turn as total fertility rates are rapidly dropping. In 1990, on average a woman could still be expected to bear 3.1 children during her reproductive years, while only 15 years later, this figure had dropped to 2.2 children. In summary, compared to only a few decades ago Indonesian society today is more industrialized and more urbanized, it has a high proportion of in-country migrants, a considerably higher levels of education and wealth, and smaller nuclear families. The economic importance of agriculture, formerly the backbone of the Indonesian economy (and society), is rapidly diminishing.

What are the socio-cultural consequences of Indonesia's rapid transformation? Let us look at the consequences of the spread of the market economy and the accompanying monetarization first. Today, the market economy not only prevails in the industrial and services sectors, but increasingly permeates the agricultural sector as well. Evers and Schiel (1988: 51) discern a clear turn from a subsistence mode of production towards a market-based system. When I asked several Indonesian academic experts on the most important trends that Indonesian society faces today, the issue of the spread of the market economy, also to rural areas, usually emerged foremost. In fact, this process is not particularly recent but already started to gain traction in the mid-19th century. The accompanying monetarization of exchanges makes the workings of the economy more transparent (Bourdieu 1977: 172; Schiel n.d.,b: 5). This in turn uncovers the correlation between input and output in labor more clearly, a correlation which, as mentioned, the moral economy strives to suppress (cf. section 2.2.2). In consequence, the economic value of many goods and actions takes increasing precedence over their ritual or symbolic value. This resounds the claim of Mahajan (2007a) about the increasing financialization of other assets classes (cf. section 2.4) or Rahnema's postulate of the "economization of society" (Rahnema 1992; cf. section 2.2.1). Koning gives a palpable example of this phenomenon regarding the value of rice paddies (*sawah*) in Java:

> Apart from its economic and nutritional importance, rice also has a cultural and social value, particularly in the tradition of food exchanges (*sumbangan*) during celebrations of life-cycle events. Should a family not have its own rice stock this means that before it attends a *selamatan* it has to buy rice at the market, sometimes at high prices. Hence, *sawah* not only means economic capital, but also provides social and symbolic capital. . . . The growing tendency in 1994 to sell the standing crop (*tebasan*) to middlemen, who harvest the land with their own work group (usually from

> outside the village), had become a rather normal practice in 1998. . . . The economic value of sawah therefore jeopardises the other forms of capital. (Koning 2006: 33-34)

The spread of the market-economy and the accompanying monetarization process also affects the way labor is appropriated. Traditional reciprocal labor forms are gradually being replaced by wage labor contracts (Abdullah and White 2006: 55). This does not mean that the informal sector of the economy is rapidly giving way to the formal sector. Ford and Parker (2008: 8) note that “even after an extended period of rapid industrialization . . . over half of all working women and over 40 per cent of working men are in the informal sector.” For 2007, the ILO estimated that 63 percent of the employed population or 61.5 million people were working in the informal sector, while only 37 percent or 36 million were formally employed by companies or in the civil service. Moreover, the ILO notes that the proportion of the informal sector has been on the rise since the Asian financial crisis (ILO 2008a: 2, 4). Here, we see one of the differences in the transformation of Indonesia (and many other developing countries) to Western societies where industrialization went hand in hand with a near complete formalization and legalization of work.

The increasing integration of Indonesia’s economy into the global economic network runs parallel to the spread of the market economy within the country itself. This leads to an augmenting exposure to trends, shifts and downturns in the global economy, which also feeds back into Indonesian society. The Asian financial crisis of 1997/98 gave a vivid example of the possible negative consequences of this increasing international dependency. Koning and Hüsken vividly summarize the effect of the Asian financial crisis on Indonesian society:

> Modern Indonesian society is deeply enmeshed in global and regional economic networks and hardly resembles the image of self-sufficient local communities and self-evident solidarity. The economic crisis that hit Indonesia hard in 1997 and that left its marks in subsequent years, laid bare one of the major weaknesses of the development model of the New Order state. The lack of adequate social security provisions for a population that had to cope with sudden unemployment and price hikes proved to be a major barrier to rapid recovery from the crisis. (Koning and Hüsken 2006: vii)

Here, Koning and Hüsken also make a point that the crisis not only hit Indonesia hard, but that the consequences were further aggravated by “homemade” problems such as the lack of adaptation of the social protection system to the ongoing economic and societal transformations. Holloh (2001: 8) adds incomplete and inconsistent market reforms to the list of such aggravating “homemade” problems. However, the integration of Indonesia into the world economic system is far from complete and homogenous. In Indonesia, several MFI managers told me that the crisis had not severely affected the businesses of their micro-borrowing customers precisely because these petty trades were conducted only slightly above subsistence levels and on a very much localized scale. The connection of these micro-businesses to world economic markets was at best weak, which made them less vulnerable to the market upheavals of the time. The fact that BRI, the LPD community banks in Bali, and the cooperative sector, and -with certain restrictions - the system of rural banks (BPR) weathered the Asian financial crisis better than many commercial banks that focused on the higher end, more globalized market, seems to support this point further (cf. Robinson 2000; cf. Holloh 2001). This phenomenon of a considerable financial resilience of the low-asset informal economy at large and MFIs in particular to international economic and financial downturns seems to be repeating itself during the current world financial crisis (Welt 2009). Dieckmann (2007: 18) even sees the apparent low correlation of microfinance with the movements of mainstream capital markets as a favorable argument for investment in microfinance as a means of risk diversification.

Naturally, the spread of the market economy and monetarization also affects social structure, especially as this goes hand in hand with migration and urbanization. The above quotation by Koning and Hüsken already indicates that the image of the rural self-sufficient village in Indonesia is no longer valid, if it ever was. Through the migration of mostly young community members to the cities the social homogeneity of village society has eroded. The villages are now highly connected with the urban centers, socially and economically, for example through the remittances sent home by the urban migrants. The family planning initiatives of the government have lead to smaller families even in rural areas which in turn diminishes the size of the families' social network (Miguel et al. 2002:1-2; Hüsken and Koning 2006: 7). In the cities, a new middle class is emerging with distinct consumptive habits and largely independent of the restrictions of the moral economy. Hefner notes:

> In Jakarta . . . ., the new middle class lives in neighborhoods in which local social controls-especially those that may be exercised by people of less privileged class standing - are less important than conformity to lifestyle ideals disseminated in the media. (Hefner 1998a: 28)

With migrants arriving in the rapidly growing urban centers from each part of the vast archipelago, an unprecedented degree of ethnic mixing is occurring. Along with an increasing diversification of labor this contributes to a fair degree of social urban heterogeneity. Under these conditions, modern education becomes a primary leverage for social mobility. More traditional notions of status, such as titles of nobility, are rapidly losing their social clout (Sutrisnaatmaka 1987: 146; Schröter 2000: 16; Hüsken and Koning 2006: 7).

These changes in social structure have not left informal collective risk management arrangements unaffected. Hüsken and Koning (2006: 25-26) assert that arrangements of balanced reciprocity are becoming even more exclusivist than they were before. Dealings with other community members are increasingly economized and changed to a basis of market-exchange. And eventually, market-based dealings with outsiders are often preferred to still socially "obstructed" transactions with community members, as the case of the increasing use of external middleman for the rice harvesting shows (Koning 2006: 33-34). In short, the scope of protection that informal collective risk management arrangements have offered in the past is diminishing. Authors have consequently criticized the New Order government for its continued insistence on communal self-help instead of implementing public social protection measures while the strength of these informal networks had apparently gone into decline (Koning and Hüsken 2006: vii; Hüsken and Koning 2006: 7, 17). In fact, Miguel et al. (2002: 31) regard this insistence and propagation of *gotong royong* and community self-help groups as a distinct feature that differentiates Indonesia's transformation process from other developing countries. Here, it is useful to recall Zacher's postulate that the more rapid a transformation occurs the lower the resilience of traditional arrangements such as mutual community assistance (Zacher 1988: 29; cf. section 2.2.2). In summary, the size of mutual assistance networks based on balanced reciprocity has contracted and assumed a more pronounced exclusivist character in the course of "Indonesia's 'Great Transformation'". It is interesting that Hüsken and Koning (2006) note that the contraction of balanced reciprocity is not only being met by an expansion of market-based arrangements but also paralleled by an expansion of general reciprocity in social life:

> Ritual exchanges on the other hand appear to be on the increase, becoming more elaborate as they tend to take on features of conspicuous consumption and ways to show off recently acquired wealth and modernity. (Hüsken and Koning 2006: 19)

To me, this means nothing different than that for a large part of the population the primary preoccupation is no longer with "subsistence insurance" but with the accumulation of status. With increasing wealth and social heterogeneity, the necessity and even the possibility to maintain a socially more or less equal community has eroded while opportunities at social distinction through status have increased. Earlier, I have spoken of the two usage vectors inherent in assets, one which aims towards social equality and one which aims as social inequality (cf. section 2.4). I therefore hold that "Indonesia's 'Great Transformation'" is continually shifting the pendulum from balanced reciprocity towards general reciprocity in social relations. In consequence, the inequality vector in asset usage is becoming more pronounced. Additionally, with increasing wealth the inflationary tendencies in the gift-giving process, which Mauss (1954) and Schrader (1994: 38) have noted (cf. section 2.2.3), are now less constrained by the scarcity of valuables. Therefore, the more wealth increases the more the trend towards general reciprocity is accelerating.

So far, all this seemingly adds up to an impression of utter dissolution of social equality and social cohesion. A process of disembedding along the lines earlier described by Polanyi for Western societies seems to be occurring, which would in turn strengthen the case for microinsurance interventions to better protect low-asset people from the associated social upheavals. However, the picture is not as dismal as it has been depicted so far. The capacity of Indonesians to adapt foreign influences to their needs, to fuse, to merge, to syncretize, to harmonize, and to be entrepreneurial in their accommodation to changing conditions has been noted in various contexts (Geertz 1960: 5; Anderson 1972: 62; Sutrisnaatmaka 1987: 146; Hüsken and Koning 2006: 24, 25). Especially in urban centers new social networks are created. Old social patterns are reenacted and adapted to meet the changing conditions. Already in 1962, Geertz recognized that traditional *arisan* arrangements have been refitted by farmers, low-asset urban dwellers and even the better off urban middle class to meet the requirements of a rapidly changing society (Geertz 1962: 260). Even earlier, in 1948, Haar (1948: 134) noticed that where traditional villages are becoming lax on communal endeavor and where migration is increasing, a tendency towards the formation of alternative associations can be observed. More recently, in a quantitative analysis of social capital processes in Indonesia, Miguel et al. (2002) find that in rapidly industrializing districts, social capital in form of non-governmental credit cooperatives, community recreational groups and spending on local festivals and ceremonies are actually increasing as industrialization progresses. However, Miguel et al. (2002:

3) also note that “the migration of millions of young Indonesians from rural areas to nearby factory jobs appears to have reduced social capital in the districts they left.” Miguel et al. (2002) have a point when they correlate people’s degree of social involvement with matter of long-term residence. When urban migrants have the perspective of remaining within their new communities for longer, they get involved with community affairs. Wilhelm’s vivid description of the communal flood disaster management in low-asset *kampung* in Indonesia adds to the point that especially in urban areas, new communal arrangements make their appearance (Wilhelm 2009). It also seems that these are processes of readjustment, reformation, and recycling rather than the creation of something entirely new. I will later argue, that also the *slametan* pattern is undergoing such a reformation in an urban context (see section 7.8.1).

In summary, the social consequences of “Indonesia’s ‘Great Transformation’” have led to a more heterogeneous and urban society, where equality oriented balanced reciprocity is becoming increasingly exclusivist and status oriented general reciprocity is expanding. Especially in rural areas, social cohesion and informal collective risk management arrangements have weakened. However, in the highly dynamic urban centers, inhabitants are investing into the build-up of adapted social networks and social capital. Indonesian society is certainly not on a straight path to becoming individualistic in a sense of “atomistic individualism” in an anonymous market-based society, as often postulated by mainstream economist thought (Kabeer 2003: 108) and as feared by Polanyi (Dalton and Polanyi 1968: xxx). Life in Indonesia is still very much social, even if now socialization is more occupied with showing status than before. Nonetheless, the ongoing or reenacted resilience especially of urban low-asset dwellers to manage risks on a communal basis should not be underestimated when considering microinsurance interventions. If anything, the case for microinsurance seems to be stronger for the “socially depleted” rural areas rather than in the dynamic urban areas. In addition, if microinsurance remains as closely associated to the work of MFIs as it is today, and thereby continues to target the middle to upper echelons of the heterogeneous low-asset strata, then the probability is high that microinsurance only enhances exclusivist tendencies which in turn leaves very low-asset families with even less protection than before (cf. Hüsken and Koning 2006: 25-26).

If we have so far concluded that Indonesia used to be in an embedded state, and that Indonesia is currently undergoing a specifically Indonesian form of a “Great Transformation”, how embedded can Indonesia still be considered today? Are the norms of the moral economy and the traders’ dilemma still relevant? Focusing on the context of the microinsured female petty traders of various ethnic and often migratory backgrounds in urban Java, I hold that these women still find themselves in a significantly embedded state. I have already referred to the moral economy being a still discernable constraint on the asset accumulation of these petty traders (cf. section 3.2.7). Based on his own work with Javanese petty traders, Evers (1994a: 13) states that “the social situation of petty trade in the informal sector still poses the traders' dilemma to some extent.” Newberry (2007) gives a vivid example of how strong communal values and interactions still are in low-asset *kampung* in urban Yogyakarta:

> This idea of sharing burdens and cooperating in the management of local problems was a powerful ethic in the kampung where I lived and worked, whatever its genesis. Indeed, the idea of cooperation and sharing within the community was such a powerful sentiment that it was used to evaluate neighbours and how well they fit in the kampung. It was a powerful local critique to suggest that someone did not act ‘kampung’ (a critique susceptible to reversal by elites who use it to denigrate the lower class). (Newberry 2007: 1308)

In passing, Newberry’s comment also affirms the point of Hefner (1998a: 28) as quoted above, namely that people of higher assets are relatively free from the constraints of communal social control and its normative constraints.

For me, the greatest indication that the economical sphere in Indonesia has still not separated itself clearly from the other spheres of social life is the continuing importance of spiritual beliefs and religion. Secularization has certainly not made comparably deep inroads into social life as in Western societies. The deeply rooted belief of Indonesians in all kinds of ghosts, collectively summarized under the term of *hantu*, strikes every external observer who stays in the country for more than a few days (cf. Schröter 2000). A wide variety of locally produced mystical TV series and movies enjoy great popularity. However, even more palpable and definitely more asserted by Indonesians is the continuing clout of religion. Today, Indonesian’s still have a hard time to understand that a person may not be religious. Should foreigners declare to be atheist they are often met with consternation and outright disbelief by their Indonesian counterparts. As with the glorification of mutual assistance and the creation of ‘traditionalized’ orthodox gender roles, government policies also play a decisive role here. The first of the five principles of the state ideology *pancasila*, which was developed by the country’s first president Sukarno and reinforced by its successor Suharto, is the believe in a single divine power (*ketuhanan yang maha esa*).[32] In consequence, Indonesians are legally required to adhere to one of originally five, and now - after the inclusion of Confucianism - six religions recognized by the state (Islam, Protestantism, Roman Catholicism, Hinduism, Buddhism, and Confucianism). Especially Islam has witnessed an unprecedented revival in recent years (Hefner 1998a: 26; Hefner 1998b: 233; Schröter 2007). When laborers and managers alike interrupt their work at the call for prayers the subordination of the economic under the religious sphere becomes very visible. I also wonder how much macroeconomic sense economists make of the month-long fasting during Ramadan which ostensibly lowers workers’ productivity. Evers and Schiel (1988: 23) certainly have a point when they identify rapid transformation, modernization and social dislocation as one of the reasons for the revival of religion and spiritual beliefs. In the sense of Weber, religion is more than ever required to lend meaning to quickly changing social realities and provide people with authoritative direction for behavior (Bayer and Mordt 2008: 24, 32). This intertwining of modernization and religious revival makes it difficult to clearly delineate between disembedding and re-embedding in the sense of Polanyi. In the case of Indonesia, I argue that the process of disembedding has so far not nearly been as complete as in Western societies, and that tendencies of

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[32] Darmaputra (1988: 153) presents numerous proposed English translations for *ketuhanan yang maha esa*, such as “The One Lordship”, “Divine Omnipotence”, “The Being of Supreme Deity” and several others. According to Darmaputera, the most frequently used and semi-official translation is “Belief in God”.

re-embedding or rather re-assertion of embeddedness have appeared almost in parallel with disembedding forces (cf. Geertz 1962: 261). It should also be remembered that a strong religious assertiveness represents one solution to the traders' dilemma. The reemerging emphasis of religion can therefore not only be seen as a search for meaning in a changing environment but may at least partly be also been driven by the opportunity it gives for resolving the conflict between material asset accumulation and being submissive to socially agreed good moral standards. These considerations also explain why, as I hold it to be, re-islamization is most salient in the middle class. Here, emerging economic opportunities and social transformation are proceeding most rapidly. However, the reasons for the noted revival of religion are manifold, complex and often intersecting with politics. A closer examination is therefore beyond the scope of this thesis.[33] The point I want to make here is that process of transformation and modernization in Indonesia certainly has a distinct local touch. It is clearly happening and it is happening fast. But nonetheless, it has so far not led to a thorough disembedding of the economic sphere along Western lines. The economic sphere is still closely intertwined with culture and religion, and in many respects in a subordinated position. Indonesian society is becoming more heterogeneous and stratified, which means that it becomes even more complex than before. In the process, old traditions persist, are reasserted or adapted, and often complemented rather than replaced by modern practices (Buss 1985: 40; Van Bruinessen 1996: 164; Hefner 1998b: 226). It is consequently a highly diverse and dynamic context in which microinsurance in the simple form of *Payung Keluarga* has made its appearance.

4.2 Social protection in Indonesia

Measured by Western standards, the public social protection system in Indonesia can at best be called rudimentary (Arifianto 2004: 20; Jordan 2005; Schuck 2005: 34; Hüsken and Koning 2006: 21). This system consists of a tight-knit social security system for civil servants, a relatively wide social security coverage of private formal employees, and a rather fragmented and disjoint array of social assistance measures for the very low-asset families. Those virtually devoid of any form of social protection are the large number of medium-asset to better-off people in the informal sector (Heydel 2009: 75). For the *Payung Keluarga* customers and beneficiaries who I surveyed for this thesis public social protection only played a minor role in their overall risk management (see section 7.3.1). For this reason, this relatively complex issue will only be dealt with briefly here.

As noted above, the New Order regime was hostile to the introduction of Western-style social security systems. Such systems were seen as characteristic of a type of Westernized and individualized society that was incompatible with Asian values of family and community solidarity, and that would lead to a culture of welfare dependency. The New Order regime therefore emphasized the importance traditional mutual assistance arrangements and the extended fami-

[33] For a more detailed overview of the process of religious revival in South-East Asia and the process of reislamization in Indonesia refer to the works of Hefner (1997; 1998b; 2000 and others), and Schröter (2007).

ly as more adequate resources of social protection (Hüsken and Koning 2006: 4-5). Due to their substantial political and economic clout, coverage for civil servants and formal employees was nonetheless tackled through successive legislation but a wider coverage of Indonesians by social security was not envisaged. For the informal low-asset sector, the government limited itself to disjoint and ad hoc measures of emergency aid. Of course, apart from ideological constraints, financial constraints can also be held responsible for the feeble standing of social protection in Indonesia. Lastly, Zacher (1988) notes that modern social security needs a minimum level of social equality, or "normality", as he calls it, to work smoothly. As the social spectrum in developing countries ranges from subsistence farmers over low-asset traders up to the middle-class and extremely wealthy urban elites, there is not a single "normality" but many "normalities". Zacher (1988: 32) therefore concludes that "this variety can be so extensive and significant that no system of modern social security can satisfactorily accommodate it."

Since the fall of the New Order regime, the issue of social protection is back on the table. In 2002, a special task force was established to provide suggestions for a general overhaul of the country's social security system to provide more effective social security to all Indonesians. In October 2004, outgoing president Megawati Soekarnoputri signed the resulting new social security reform law no. 40/2004 into force. The law prescribes a gradual expansion of the national social security system to all Indonesian citizens until 2025. While for high asset families in the formal and informal sector a contributory system is planned, contributions for very low-asset families will be covered by the government. The scope of the law covers five social security programs, namely: (1) health insurance, (2) employment injury, (3) old age (provident fund), (4) pensions, and (5) death benefits. While the general intention and thrust of the law has been lauded, its slow and lackluster implementation to date is being criticized. Arifianto (2004: 20) even denounces the bill as unrealistic, overly generous, devoid of private incentives for protection, and therefore economically destructive. Until 2007, only in the area of health insurance for low-asset families some progress was discernable. The new 15-member National Security Council which law no. 40/2004 prescribes has not been installed yet. Many necessary executive presidential decrees are still outstanding (Koning and Hüsken 2006: vii; Hüsken and Koning 2006: 2; ILO 2008b; Heydel et al. 2009: 75).

In consequence, today most of Indonesia's social protection system, and the social security system in particular, remain in effect as conceived after the last major legal overhaul in 1992. The formal sector, consisting of civil servants and formal employees, is catered to by four social security carriers (ILO 2008a: 1):

(1) *JAMSOSTEK (Jaminan Sosial Tenaga Kerja)*: JAMSOSTEK is the social insurance fund for private sector employers and their employees. It provides four programs: employment injury, death, health insurance, and a provident fund type old age benefit.

(2) *TASPEN (Tabungan dan Asuransi Pegawai Negeri)*: TASPEN is the fund for public sector employees. It provides a retirement lump-sum, and a pension program.

(3) *ASKES (Asuransi Kesehatan)*: ASKES provides health insurance cover for public sector employees and some others.

(4) *ASABRI (Asuransi Sosial Angkatan Bersenjata Republik Indonesia)*: ASABRI is the counterpart fund for the armed forces and police. It provides lump-sum retirement benefits and pensions similar to TASPEN.

In total, these four providers cover 17 percent of the entire labor force and still less than half of all formal employees (ILO 2008a: 2). In general, coverage also extends to the spouse and children of the covered employees, albeit often with reduced benefits. Despite voluntary programs of ASKES and JAMSOSTEK which target the informal sector, their outreach to the informal sector is very limited (ILO 2008a: 2-3). The informal sector is therefore de facto excluded from formal contributive social security. Nonetheless, a wide array of safety net type social protection measures organized and administered by a number of government ministries and institutions exists. Heydel et al. (2009: 75) note that "each of them is operating in isolation and no coordination between those programs takes place." Besides lack of consistency and coordination, other problems which beset safety net programs in Indonesia are: (1) identifying the "needy", (2) preventing drain of benefits towards higher asset families, (3) providing adequate socialization[34], (4) frequent limitation to ad hoc, ex-post and short-term measures, and (5) budgetary constraints (Koning 2006: 44; McCord et al. 2006: 21; ILO 2008a; Heydel et al. 2009: 75). Bearing these constraints in mind, the following are some of the more important safety net type social protection institutions and measures:

(1) *PUSKESMAS (Pusat Kesehatan Masyarakat)*: PUSKESMAS is a nation-wide system of health posts that was established by the New Order regime and heralded as one of its most significant achievements. PUSKESMAS provide outpatient medical treatment only. They also give referrals for inpatient treatment at hospitals or clinics. Everyone can use the services of the PUSKESMAS, either free of charge or against a relatively low and often discounted usage fee. Free or discounted coverage is provided to holders of a variety of government documents which identify the holder as poor or entitled. The quality of service at PUSKESMAS varies widely (McCord et al. 2006: 22). The PUSKESMAS also serve as immunization centers during the recurring gratuitous national immunization campaigns, for example against polio. These campaigns achieve a very wide outreach within the population.

(2) *GAKIN (Keluarga Miskin)*: GAKIN is essentially a letter from the head of the neighborhood ward (RT) which confirms that the GAKIN holder and his family are "poor". The letter eventually entitles to free or discounted outpatient and inpatient treatment. However, various administrative steps are needed before that. Next to the RT, also the local PUSKESMAS, the head of the hamlet (RW), the village head (*kepala desa* or *kepala lurah*) as the lowest public administration level, and lastly one of the offices of the Department of Social Affairs (DEP-

[34] Socialization (*sosialisasi*) as used here and in many other instances throughout the thesis refers to the activity of informing someone about something, usually in the context of a crowd being informed of an upcoming (administrative) measure. The term is frequently used in this sense in Indonesia. It naturally also entails elements of promotion and marketing.

SOS) which are directly located at hospitals, need to confirm the entitlement for free or discounted treatment. Not surprisingly, the issuance of the GAKIN letter can be an easy or a complicated matter, depending on the social network of the applicant, transportation times et cetera. GAKIN letters are reported to sometimes benefit better off families as well (Heydel et al. 2009: 45-46). The exact benefits which the fully authorized GAKIN letter entitles to are hard to discern. Medication at pharmacies, hospitals and clinics does not seem to be covered. From my respondents I obtained diverging information as to the scope of the available discount, the maximum possible coverage and whether access to private health facilities was possible with GAKIN. What seems to be clear is that GAKIN does not cover all health related costs in all cases.

(3) *ASKESKIN (Asuransi Kesehatan Miskin)*: The ASKESKIN program was started in 2005 as the only concrete follow-up measure so far to the new social security reform act no. 40/2004. ASKESKIN provides families below and near the national poverty line with ASKESKIN cards that should replace the old GAKIN letters and other health care entitlements. In mid-2007, ASKESKIN allegedly had achieved a coverage of 76.4 million people (ILO 2008a: 3). Nonetheless, the effectiveness of the program is put into doubt by apparently insufficient budget allocation, targeting problems and the complexities which the newly introduced political decentralization adds to the problem, as local governments and stakeholder groups now have their say in the program as well. Moreover, previous systems such as the GAKIN letter appear to be in continuous use (McCord et al. 2006: 19; ILO 2008a: 6).[35] There seems to be a wide regional variation as to the effectiveness and smoothness of implementation. Whatever the eventual benefit of ASKESKIN and other public health programs, Gertler and Gruber (2002: 53) note that many people nonetheless opt to pay out of pocket for private medical services which they perceive to be of higher quality.

(4) *RASKIN (Beras Miskin)*: Through the RASKIN program, the government provides subsidized rice to entitled recipients.

(5) *Unconditional cash transfers*: At various stages, for example in 2005, when fuel prices hiked over 100 percent due to cuts in fuel subsidies, the government has provided unconditional cash transfers to entitled recipients. These are ad hoc measures of short duration.

As mentioned, these social security programs and wider social protection measures only played a minor role in the risk management of the surveyed customers and beneficiaries. Their strongest impact can be seen in the field of health. Overall, their importance is on a similarly low level as the importance of market-based (micro-)insurance. This will be outlined in more detail in section 7.3.1. The overwhelmingly dominant form of risk management still consists of informal individual and collective measures. This will also be outlined further in section 7.3.1. The two previous microinsurance market studies conducted on Indonesia (McCord et al. 2006; Heydel et al. 2009) render a similar picture.

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[35] The problem of the underfunding of ASKESKIN was also mentioned by several of the academic and business experts who I interviewed.

4.3 Microinsurance in Indonesia

Indonesia has a small but rapidly growing insurance market. In 2007, total insurance premiums amounted to almost US$ 12 billion (SwissRe Sigma 2009). Indonesia's insurance penetration, which measures insurance premiums as a percentage of the GDP, is still trailing far behind more developed South-East Asian nations such as Malaysia and Singapore, and trailing even further behind the levels reached in industrialized Western countries. In a 2007 ranking of worldwide insurance penetration, SwissRe Sigma (2009) found Indonesia to rank 98th out of 126 countries, with an insurance penetration of 2.05 percent of GDP (table 5).

Table 5: Insurance penetration of selected countries in 2007

Rank	Country	Estimated Insurance Penetration (Premiums/GDP)
1	Luxembourg	7.21%
12	United States	7.10%
21	Germany	7.00%
23	Singapore	6.89%
59	Malaysia	3.06%
80	Thailand	2.40%
93	China	2.14%
98	Indonesia	2.05%
100	Philippines	2.01%
108	India	1.90%
113	Vietnam	1.87%
119	Bangladesh	1.81%
126	Malawi	1.77%

Source: SwissRe Sigma (2009)

The largest part of the insurance premiums in Indonesia stems from the middle to upper market segments as well as from industrial insurance. The microinsurance sector is still in a nascent state (Heydel et al. 2009: 20), especially as far as commercial microinsurance offered by private insurance companies is concerned. In line with what has been said above, the demand for insurance coverage from low-asset families has been present for some time, however latently expressed. However, for the also mentioned reasons of high transaction costs, small premiums and problems of anti-selection, information asymmetries et cetera insurance companies have only hesitantly explored this market in the past (cf. sections 3.2.2 and 3.3.1). However, McCord et al. (2006: 6) notice that interest by insurance companies in Indonesia is on the rise and the microinsurance segment growing.

In terms of products sold by commercial insurers to the low-asset market in Indonesia, credit life is clearly dominating. Almost all insurers offer group-based compulsory credit life insurance, and most commercial banks automatically attach it to their credits, many of which, as in the case of BRI or more recently Bank Danamon Simpan Pinjam, target the upper low-asset market. Among grassroots MFIs the usage of credit life insurance is less prevalent. Some insurance companies and banks are also cooperating on so-called savings or savings completion insurance. This insurance coverageguarantees the payout of the targeted savings amount, for example in a scheduled savings plan, should the savor die before the target date. This way, savings insurance is an inversion of credit life insurance. Some cheap term life coverage is also on offer. Term life insurance covers the death risk for a stated sum assured and a predefined term. It is not connected to credit or savings and can be bought separately. Sometimes term life insurance is attached to certain group memberships, for example membership in political parties. Because these insurances are mainly automatic add-ons onto other services and their existence and features are often unknown to the insured, the customer value of such products is doubtful. Noteworthy, however, are various individual education endowment plans offered to the low-asset market by local insurance companies such as Bumiputera. For premiums as low as US$ 5 per month, parents can save for their children's education and receive scheduled payouts (the endowments) at certain intervals, such as entry into elementary school, high school, and university (cf. Heydel et al. 2009: 20-21). These education endowments are the most popular form of individual insurance among low-asset customers in Indonesia, not only because they are targeted towards the highly valued education of children, but also because they guarantee a return at the end of the contract. This satisfies the wide-spread expectation of a "counter-gift" for the premiums paid. On the non-life side, product variety is even scarcer than on the life side. Many of the popular financing schemes for motorcycles come with a "loss insurance" for the motorcycle. In a way, this is a non-life version of credit life. Heydel et al. (2009: 60) note that actually many of the available housing insurances for fire and earthquake have affordable premiums. But their complex features and their distribution system are not targeted towards the low-asset market. This confirms the earlier statement that microinsurance cannot be defined by low premiums and low payouts alone (Heydel et al. 2009: ix; cf. section 3.3.1). Private health insurance plans for low-asset families are extremely rare. The local *takaful* insurer Asuransi Takaful has a simple health plan on offer which costs US$ 19.20 per year for adults and US$ 9.90 per child. In case of inpatient treatment it provides fixed daily payouts irrespective of the actual illness (Heydel et al. 2009: 21). Global insurer AIG is offering a similarly cheap health insurance plan through a bancassurance[36] cooperation with the local bank NISP. However, this product is sold through telemarketing to existing customers and is paid for by auto debit from the NISP customers' bank account. Although allegedly highly popular with NISP customers it is unlikely to achieve significant outreach because NISP is a relatively small bank, and what is more, most low asset people in Indonesia do not have a proper checking account in the first place.

Regarding products which are explicitly labeled as "microinsurance", during my four and a half years of work in Indonesia (2004 - 2008) I have only found four instances where insurance companies attached the label "micro" to any of their insurance activities. (1) The first one is of course Allianz with its *Payung Keluarga* product. It entered the market in September

[36] Bancassurance is the term employed to describe a partnership between a bank and an insurance company whereby the insurance company uses the bank as a sales channel in order to sell its insurance products.

2006. Here, the term “micro” was justified with the additional payouts on top of the standard credit life coverage, which eventually, by way of this study, have proven to have little to concerning developmental effects. Moreover, Allianz underlined the social aspect of the business and expressly chose the very low-asset market as its target group. (2) Shortly afterwards, in December 2006, a local NGO called TAKMIN, which acts as a kind of microinsurance broker, started a *takaful* microinsurance pilot in corporation with local insurer Asuransi Takaful (Asuransi Takaful 2008). The coverage provided here is actually only credit life, but TAKMIN is clearly pursuing this initiative with a microinsurance agenda. Their aim is to sensitize and educate Islamic MFIs and their low asset customers on insurance based on Islamic *takaful* principles. In late 2008, TAKMIN had less than 10,000 active insured through 24 MFI partners. Because of the high educational effort involved and the low size of the MFI partners the product is certainly not financially viable. In fact, the project is strongly hinged on support from international donors. In the future, TAKMIN wants to gradually expand the product range.[37] In the case of TAKMIN, the primary reason for this initiative calling itself “microinsurance” is therefore not connected to the actual product on offer but to the motivation and mission behind the entire project. (3) Another insurer which expressly sees part of its business in microinsurance is the local insurance company Megalife. However, apart from credit life and savings insurance, no other microinsurance products seem to be offered by this company (Media BPR 2007a; 2007b). (4) Lastly, the already mentioned flood-index microinsurance pilot project of MunichRe and GTZ in corporation with local general insurance company Wahana Tata should be listed here (cf. section 3.3.1 and 3.3.3). After intensive preparations this product was launched in May 2009 and is currently being tested in a number of flood prone low-asset *kampung* in Jakarta (GTZ 2009). I have already mentioned the extremely low payout-to-premium ratio, which makes the premium akin to normal savings, only with less fungibility of funds. I have also alluded to the worry of NGOs that such products may stifle government efforts to reduce the flood risk. Here, two more aspects may be added which lead to my very critical assessment of this product : (1) Because MFIs operating in the area have declined the offer to distribute the product due to the perceived low customer value, distribution is now being tried via the system of RT (heads of the neighborhood ward) and RW (hamlet head) in the area. This bears the risk that, depending on the commission scheme involved, the considerable social influence of these community leaders is being instrumentalized to persuade low-asset residents into buying the product despite its low customer value. (2) My own research on the major daily risks voiced by low-asset customers as well as research by McCord et al. (2006: 26) and Wilhelm (2009) have repeatedly shown that flood insurance is not a top priority of low-asset customers in Jakarta. On the contrary, flood risk is being ranked at the bottom of the priority list (see table 11 in chapter 6.1). Only Heydel et al. (2009) find a high demand for flood insurance. As the respective study was financed by GTZ and MunichRe and strongly focused on disaster risk instead of taking a more holistic view, this outcome is highly susceptible to selection bias and lack of neutrality. Despite serious doubts from observers which were already raised during the product development process, the product

[37] Most information on TAKMIN is based on a series of interviews in 2007 and 2008 with leading members of TAKMIN, especially with their chairman Agus Hariyadi, the former CEO of Asuransi Takaful Indonesia.

launch went ahead nonetheless. Here, it seems that the political and market necessities in the home market of GTZ and MunichRe played a more crucial role in the project than the actual needs of the 'beneficiaries' on site. After all, GTZ and MunichRe have doubtlessly launched the first flood-index based microinsurance worldwide and the first ever index product in Indonesia. This gives a prime PR message to the public in the home markets. In this case, the term "micro" therefore seems to be connected to the strong desire to push a product to the low-asset market at all costs and regardless the negative consequences on social cohesion, of which Wilhelm (2009) is rightly concerned.

These four microinsurance examples highlight that the interest in microinsurance from the supply side is in fact growing in Indonesia. However, they also show that this increasing interest is starting off from a very low baseline. In addition, these examples also make it clear again that microinsurance is at least as much about the (developmental) intentions and motivations that stand behind a product as about the actual product design itself (cf. 3.3.1). This is what makes microinsurance a somewhat blurry and subjective concept.

It should be noted that not only formal insurers are providing insurance coverage for the low-asset market. For instance, one of the biggest associations of credit unions in Indonesia, Induk Koperasi Kredit Indonesia (INKOPDIT), has been offering unregulated life and health insurance coverage to over 700,000 members of more than 1,200 primary cooperatives for decades (INKOPDIT 2005; Heydel et al. 2009: 18). The credit life coverage of INKOPDIT is expensive and apparently helps to subsidize the loss-making health insurance component. Noteworthy are also initiatives by politicians and local governments to provide insurance in cooperation with private insurers. Several politicians have provided simple term life insurance as incentives for party members or even for prospective voters (Republika 2008). Since 2007, the local government of Depok district south of Jakarta has been offering continuous life insurance with a coverage of US$ 220 to all its 1.5 million citizens. Every year, this contract is tendered to interested insurance companies (Republika 2009). No case of kickbacks and corruption has been proven in this context, but it may be reasonable to be concerned about such "side-effects". In any case, what seems to play a role in these efforts to provide cheap insurance as a means to achieve political ends is the apparent positive connotation of insurance as something "modern" and "progressive". The respective politicians and the meanwhile directly elected governments apparently aim for this image to rub off on themselves.

4.4 The *Payung Keluarga* project

This section gives an overview on the background and details of the *Payung Keluarga* project. I discuss my operational role in the project, the product specifications, the underlying causal model, and how the product was distributed and marketed through MFIs.

4.4.1 Project background

In February 2006, the promising results of an initial microinsurance market study (McCord et al. 2006) led Allianz Indonesia to the decision to go ahead with a first microinsurance pilot test. Allianz Indonesia saw microinsurance as an opportunity to build customer loyalty from early on (Allianz 2006a). It has been mentioned above that this motivation often plays a role in "bottom of the pyramid" business (cf. 3.2.2). The formula used by the Allianz Indonesia was that microinsurance represented a "good business" opportunity in the moral and economic sense of the word (Allianz 2006b). The emphasis on business, however, also entailed that microinsurance needed to be profitable, ideally as soon as possible.

As Allianz Indonesia was in the middle of a major restructuring process from 2004 to 2006, principal management support did not translate into many resources dedicated to the project. On the contrary, the clear direction was that microinsurance was a good and worthy initiative but should not burden the normal resources of the company. Because I had voiced my interest in microinsurance as early as 2004, I was appointed as the project responsible. Initially, I could only dedicate approximately 30 percent of my working time to microinsurance. Due to the aforementioned resource constraints there were no other project team members. I was therefore virtually left to my own devices.

Actual product development for *Payung Keluarga* started in May 2006. Although the international consultants who had worked on the initial market study (McCord et al. 2006) had found education costs and hospital costs to be the major risks to prospective customers, Allianz Indonesia - under my own influence as project leader - decided to tackle the much simpler death risk first, and develop a compulsory credit life coverage with additional benefits. After all, the consultants had found that death was the fourth most salient risk among prospective customers (McCord et al. 2006: 26). What I did not notice then, although the consultants had already provided some indication of it, was the wide gap between the priority given to education and health as the two major risks and all other risks, including death, flood and other natural disasters. I only realized this during my own impact research (see table 11 in section 6.1). And after all, it still sounded good to insure a top-5 risk. The main reasons for choosing compulsory credit life over other possible types of products, even over the voluntary education endowment rightly recommended by the consultants, run very much along the lines already outlined above (cf. section 3.3.3), namely easier administration, reduced anti-selection risk, reduced transaction and risk costs, reduced premium and better coverage of the MFIs' loan portfolios. In the light of the tenuous resource situation of the project at Allianz and my own conviction that profitability of microinsurance needed to be demonstrated quickly in order to ensure its own survival, compulsory credit life in fact appeared as the only feasible option. I reckoned that once microinsurance was firmly established through a small-scale low risk pilot project and no longer perceived as "the great and risky unknown", the access to necessary resources for larger follow-up initiatives would be easier and less hinged on benevolent CSR strategies.

Much of the actual product design was consequently developed by me. Most importantly, the idea of providing additional payouts of twice the original loan amount in case of death of the debtor was based on my own initiative. I proposed and promoted this proactively in order to at least attach some developmental meaning to the project. These additional payouts were to become a lynchpin of my later impact research, which eventually brought me to realize that this idea may not have been as outright beneficial as I had originally assumed.

In May 2005, I conducted a number of product acceptance interviews with customers. I primarily did this to satisfy the omnipresent call for development projects to have an element of participation. However, in effect I had already taken the major product design decisions beforehand based on the outlined constraints within Allianz itself. The customers therefore only influenced minor product details such as the automatic sequence of beneficiaries in case the originally appointed beneficiary was dead, disappeared, in jail or otherwise unavailable in case of a claim. Participation in the case of *Payung Keluarga* was therefore fulfilling the critique of Cooke and Kothari (2001: 1) who denounce much of the participatory efforts in development as a “process undertaken ritualistically”.

In July 2006, I finally managed to convince one MFI, namely DIMAN located in Tangerang City to the West of Jakarta, to team up with Allianz as its first distribution partner. On 1 September 2006, the first DIMAN microcredit customer was automatically insured with *Payung Keluarga* (see section 4.4.6 for an overview of the eventually seven MFI partners, and section 4.4.7 for *Payung Keluarga* sales figures).

4.4.2 My operational role

In its beginning, microinsurance at Allianz Indonesia was essentially a one-man project. I was the main person responsible for the development of the product, I wrote most of the policy wording and adjacent documents (enrollment forms, claim forms et cetera), developed a simple IT administration system, set up the necessary partnerships with local MFIs, did the training for the MFIs’ loan officers, and eventually handled the regular data entry, the cross-checking of claims (which were being paid by the MFIs) and the reporting to management. When the initial one year pilot phase ended successfully in August 2007, I also took the initiative to make the product more flexible in order to incorporate some of the pilot’s lessons, and to make the product more attractive to a wider range of MFIs. In addition, I handled much of the PR work related to the project and the relationship building with interested or involved national and international organizations. Naturally, help by other staff was provided such as management supervision, assistance with product registration with the regulatory authorities, and with accounting. Nonetheless, I was responsible for roughly 75 percent of all work related to *Payung Keluarga* from its first tentative twitches until June 2008 when I left the company to pursue my PhD. At this point, over 60,000 microcredits had already been insured. Notably, from January 2007 onwards, I was fully assigned to microinsurance. Shortly before my contract end in June 2008, two local Indonesian staff were assigned and trained to continue the microinsurance activities of Allianz Indonesia.

My strong and decisive involvement with the project has led to a likewise strong emotional attachment. Colloquially put, *Payung Keluarga* was “my baby”. But at the same time I need to clearly acknowledge that this also means that I hold extensive responsibility for the eventual impact of *Payung Keluarga*. As *Payung Keluarga* - precisely because of the additional payouts that were my idea - has substituted traditional community and family assistance without resolving an acute risk management challenge (see section 7.8.1), this highly doubtful impact is my responsibility. I therefore regard my operational role in the project as critical in the double sense of decisive and not entirely positive. Naturally, this critical operational role also bears strong implications for my role as a researcher. This is further outlined in section 5.1.

4.4.3 Payung Keluarga product description

Table 6 provides the details of the *Payung Keluarga* product. Much of the features and terminology introduced in section 3.3.1 is used.

Table 6: *Payung Keluarga* product description

Category	**Specification**
Product type	Credit life insurance which additional benefits
Product name	*Payung Keluarga* (English: Family Umbrella)
Contract type	Group-based contract
Insurable microloans	• Maximum accepted loan amount is US$ 1,054 (IDR 10,000,000) • Loan term must not exceed two years • Loans can be group-based and individual
Compulsory or voluntary	Compulsory
Person covered	• All debtors of the MFI are automatically covered • No health check is necessary • Spouse and children are not insured
Event covered	Death due to any circumstances including HIV/AIDS, suicide and catastrophic events
Exclusions	None
Term covered	Original length of the loan
Benefits	1. To MFI: loan outstanding on the day of death according to the initial repayment schedule 2. To beneficiary: two times the initial loan amount paid as a lump sum
Premium	• Calculation: 0.1% of the loan principal multiplied by the number of months of the loan term => 1.2% p.a. of the loan • Same rate for all customers, regardless of age and gender • Payment: one-time payment at loan disbursement
Age limit (entry age)	15 – 60
Beneficiary	• There can only be one beneficiary • One beneficiary can be chosen from the nuclear family (usually on the loan application form) • Should the chosen beneficiary be unable to receive the claim payout, the natural order of beneficiaries is: 1. Legal spouse, 2. children (eldest to youngest, but no younger than 15), 3. mother, 4. father, 5. siblings (eldest to youngest, but no younger than 15)

Claims	• Claims cannot be paid earlier than 8 days after death • Claims are checked and paid by the MFI from the collected premium, without prior information to and approval by Allianz
Profit sharing / Commission	• The MFI receives no fixed commission • Profits are shared with the MFI on a yearly basis • Losses will not be shared with the MFI • The profit due to the MFI are calculated as this: (Total premium earned from finished credit terms x 0.78% - Total claims paid for finished credit terms) x 80%

A few things about the product design are noteworthy. First of all, the product clearly strives for as much simplicity as possible, just as recommended by leading microinsurance consultants (McCord et al. 2003: 78; Churchill 2006b: 18, 23; Churchill and Cohen 2006: 188). The product benefits are straight-forward. The covered event is clear-cut: death of the borrower due to all circumstances. There are no exclusions although an entry age limit exists. Different from conventional life insurance, with *Payung Keluarga* Allianz abstained from standard exclusions such as HIV/AIDS and suicide because the cost of explaining such exclusions and for checking claims accordingly was deemed prohibitively expensive in view of the small sums assured. Instead, a corresponding safety margin was added to the premium. A maximum entry age of 60 was set because mortality increases with age and steeply rises from an age of approximately 55 years onwards. If elderly customers beyond the age of 60 were covered, the premium rate, which was the same for all insured, would increase significantly. Fortunately, the MFI partners served few customers beyond their sixties. Some even had a self-imposed age limit of 60 or 55. The premium rate was set the same for all customers and eventually fixed at an easy-to-remember rate of 0.1 percent per month (or 1.2 percent per year). For example, for a typical US$ 100 6-months microcredit the necessary one-time premium is easily calculated: 0.1% x US$ 100 x 6 months = US$ 0.60.

Regarding claims, *Payung Keluarga* prescribes that claims cannot be paid earlier than eight days after death. This makes *Payung Keluarga* probably the only insurance product in the world where claims are explicitly not allowed to be paid as fast as possible. The reason for this provision was my worry that customers might spend the money inconsiderately while still in mourning, for example on the large *slametan* feast traditionally held seven days after death. Thus, already from the start, *Payung Keluarga* aimed at being culturally sensitive - quite unsuccessfully as I was to find out later because *slametan* are also held 40 days, 100 days and several other stages after death (see section 7.8.1). In any case, on average claim payments happened 28 calendar days after death (n=64). Only in seven cases did the claim payment take ten calendar days or less. When debtors died, the MFIs' loan officers verified the claim by obtaining a death certificate and also undertook the claim payment by using the funds from the collected premiums. Contrary to conventional insurance, Allianz did not need to be asked for claim payment authorization beforehand. This put another key task usually performed by insurance companies into the hands of the MFIs, next to other tasks such as distribution, customer education and premium collection. Again, this was done in order to reduce transaction costs for Allianz and to speed up claim payment.

The maximum insurable loan amount was set to US$ 1,054, and the maximum loan duration was fixed at two years in order to further reduce the risk for Allianz. With such small sums insured the potential for disastrous losses to the company was minimized. With the short loan durations the possibility was given to exit the project relatively quickly and end all insurance obligations in case the project would go wrong. For classic group-lending grassroots MFIs these limits proved no obstacle because their loan amounts and loan duration were all below these thresholds. However, for MFIs which serve a slightly higher market such as the nationwide network of BPR secondary banks (Bank Perkreditan Rakyat) or the Balinese LPD village banks (Lembaga Perkreditan Desa), *Payung Keluarga* proved unattractive because it could not cover their many loans above the mentioned thresholds. Moreover, these banks rightly argued that their better off customers would not need the additional payouts and would not be willing to pay the respective premium. As *Payung Keluarga* was not flexible in these points, no BPRs and LPDs could be won as partners.

Regarding administration, as mentioned, most typical insurance work was outsourced to the MFIs. In return, they were compensated with 80 percent of profits. Once a month, the MFI partners electronically reported all newly insured loans and all claim payments to me at Allianz. The MFIs also transferred the collected premium to Allianz minus the claims paid and minus a residual safety margin which allowed the MFIs to have money on hand to pay those claims which happened shortly after the bulk of the collected premium had just been transferred to Allianz. My administrative task at Allianz therefore consisted mostly of transferring the sent loan and claim data into a simple database, and to check the receipt of the premium transfers and - somewhat randomly - the correct documentation of paid claims.

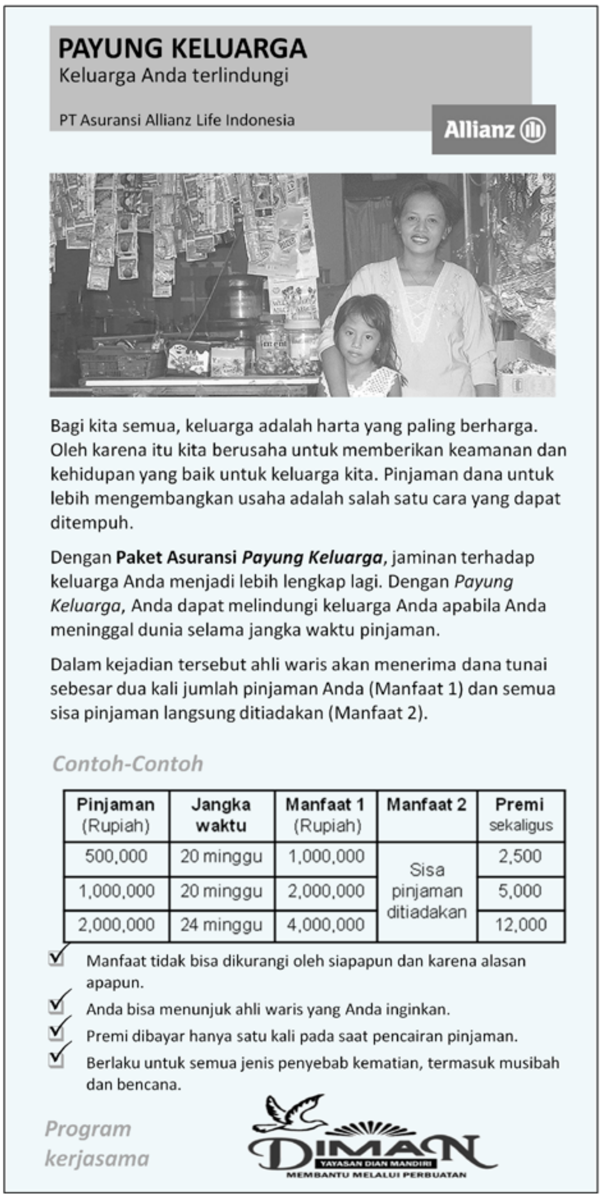
4.4.4 Causal model

The original causal model, or theory of change, for Payung Keluarga as conceived by Allianz, and therefore primarily by myself, was straight forward. The death of the micro-borrower as a main breadwinner was assumed to cause severe financial difficulties to the bereft families, who were supposed to command a very low asset-base. The waiving of the debt balance and the additional payout of Payung Keluarga were intended to help the family overcome this post-mortem crisis. I assumed that the payouts would prevent the recourse to high stress ex-post coping strategies such as the sale of land or productive assets. I also hedged the hope that a good part of the additional payouts would be used for economic investment in order to secure and promote the income generating capacity of the family. In this respect, the causal model of Payung Keluarga very much focused on the protection aspect ascribed to microinsurance (cf. section 3.3.1).

4.4.5 Customer education

Informing the customers about *Payung Keluarga* was of key importance to the MFIs and Allianz. As the MFIs perceived *Payung Keluarga* not only as a convenient protection of their loan portfolio, but also as an added value for customers and a competitive advantage over competing MFIs, the MFIs' management was naturally interested in letting customers know about the insurance, the more so as the customers were paying the premium, not the MFIs (as it is often the case for standard credit life). For Allianz, the long term strategy of building customer loyalty naturally needed the customers to be aware that they were insured by the company. Therefore, Allianz provided the MFIs with simple, customized brochures to be distributed through the MFIs' loan officers. Illustration 4 shows a typical *Payung Keluarga* brochure as used by the first MFI partner DIMAN, alongside an English translation.

Illustration 4: *Payung Keluarga* brochure



PAYUNG KELUARGA
Keluarga Anda terlindungi

PT Asuransi Allianz Life Indonesia

Allianz

Bagi kita semua, keluarga adalah harta yang paling berharga. Oleh karena itu kita berusaha untuk memberikan keamanan dan kehidupan yang baik untuk keluarga kita. Pinjaman dana untuk lebih mengembangkan usaha adalah salah satu cara yang dapat ditempuh.

Dengan **Paket Asuransi *Payung Keluarga***, jaminan terhadap keluarga Anda menjadi lebih lengkap lagi. Dengan *Payung Keluarga*, Anda dapat melindungi keluarga Anda apabila Anda meninggal dunia selama jangka waktu pinjaman.

Dalam kejadian tersebut ahli waris akan menerima dana tunai sebesar dua kali jumlah pinjaman Anda (Manfaat 1) dan semua sisa pinjaman langsung ditiadakan (Manfaat 2).

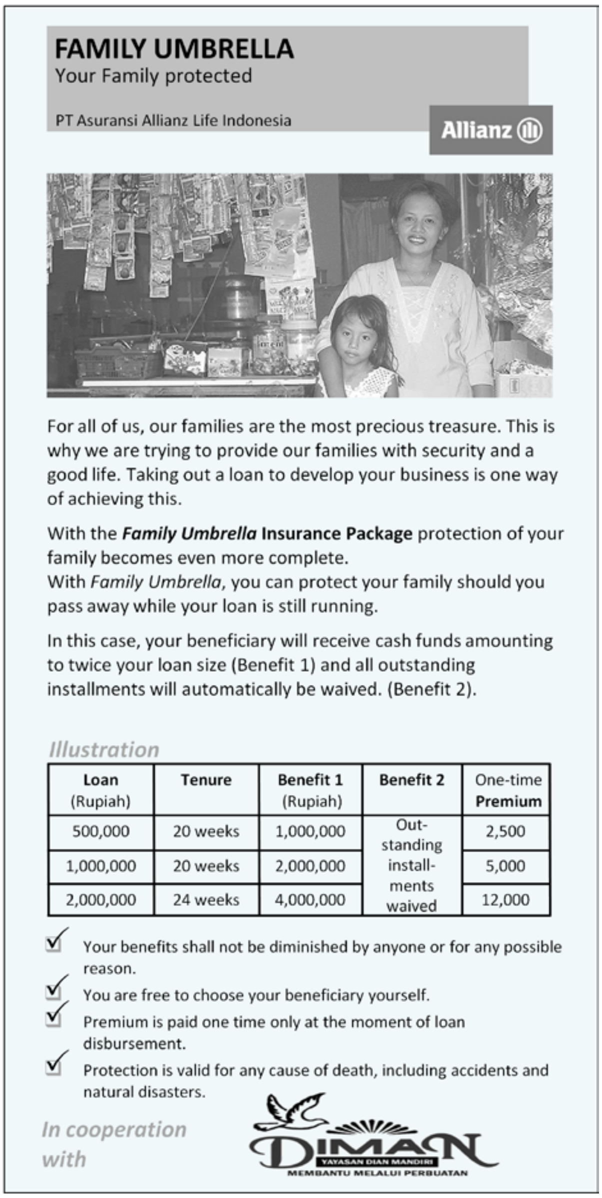
Contoh-Contoh

Pinjaman (Rupiah)	**Jangka waktu**	**Manfaat 1** (Rupiah)	**Manfaat 2**	**Premi** sekaligus
500,000	20 minggu	1,000,000	Sisa pinjaman ditiadakan	2,500
1,000,000	20 minggu	2,000,000		5,000
2,000,000	24 minggu	4,000,000		12,000

- ✓ Manfaat tidak bisa dikurangi oleh siapapun dan karena alasan apapun.
- ✓ Anda bisa menunjuk ahli waris yang Anda inginkan.
- ✓ Premi dibayar hanya satu kali pada saat pencairan pinjaman.
- ✓ Berlaku untuk semua jenis penyebab kematian, termasuk musibah dan bencana.

Program kerjasama

DIMAN
YAYASAN DIAN MANDIRI
MEMBANTU MELALUI PERBUATAN



FAMILY UMBRELLA
Your Family protected

PT Asuransi Allianz Life Indonesia

Allianz

For all of us, our families are the most precious treasure. This is why we are trying to provide our families with security and a good life. Taking out a loan to develop your business is one way of achieving this.

With the ***Family Umbrella* Insurance Package** protection of your family becomes even more complete.
With *Family Umbrella*, you can protect your family should you pass away while your loan is still running.

In this case, your beneficiary will receive cash funds amounting to twice your loan size (Benefit 1) and all outstanding installments will automatically be waived. (Benefit 2).

Illustration

Loan (Rupiah)	**Tenure**	**Benefit 1** (Rupiah)	**Benefit 2**	One-time **Premium**
500,000	20 weeks	1,000,000	Out-standing install-ments waived	2,500
1,000,000	20 weeks	2,000,000		5,000
2,000,000	24 weeks	4,000,000		12,000

- ✓ Your benefits shall not be diminished by anyone or for any possible reason.
- ✓ You are free to choose your beneficiary yourself.
- ✓ Premium is paid one time only at the moment of loan disbursement.
- ✓ Protection is valid for any cause of death, including accidents and natural disasters.

In cooperation with

DIMAN
YAYASAN DIAN MANDIRI
MEMBANTU MELALUI PERBUATAN

In some versions of the product brochure, and during my trainings to MFI loan officers, I tried to bring the message across that *Payung Keluarga* was nothing different than a large system of *tolong menolong* (mutual help). I did so for three reasons: (1) to find a fitting connection of insurance to local traditions in explaining insurance principles as has been recommended by leading microinsurance consultants (Churchill and Cohen 2006), (2) to avoid the expectations of a premium return upon contract end, and (3) to change the potentially distressing focus on one's own death into the positively connoted focus on helping others. However, despite my sincere efforts in applying cultural sensitivity to the marketing of *Payung Keluarga*, I did not realize until much later that the concept of *tolong menolong* is based on balanced reciprocity rather than on conditional general reciprocity as I had assumed. Unintentionally, my insistence on insurance as a large mutual assistance scheme may therefore have heightened expectations of a premium return instead of lowering it. This example underlines the intricacies and risks of trying to exploit local culture for educational and marketing purposes without properly understanding the frame of reference of the 'beneficiaries'.

As another measure to increase customer awareness for the Allianz brand, the company's logo was sometimes integrated into the MFIs' own documents, for example on the loan application next to the field for the beneficiary appointment. The fact that the beneficiary needed to be appointed by the women instead of being automatically fixed as the spouse, then children et cetera, did have as much to do with (1) promoting the name of Allianz as with (2) making the women aware of the insurance coverage and giving them at least a quantum of freedom and "empowerment" in an otherwise compulsory insurance contract. Naturally, when a claim was paid, this was done by the MFIs in a solemn and carefully photographed ceremony. This spread the word that insurance "really worked" throughout the respective *kampung*. Moreover, the MFIs sometimes showed the photos as "proof of concept" to other customers. However, despite the interest of the MFIs' management and Allianz in a certain degree of customer information, the loan officers proved to be a bottleneck for customer education. With the loan officers' tight working schedules and the lack of specific incentives to promote insurance, the time and quality of explications on insurance to customers somewhat suffered.

In summary, with *Payung Keluarga* Allianz and its MFI partners took customer education more seriously than has been criticized in other microinsurance implementations (McCord et al. 2005: 17-18, 22; Churchill and Cohen 2006: 182; Young et al. 2006: 10). But despite best of intentions and tangible self-interest, customer education on *Payung Keluarga* cannot be said to be optimal, or - put in common development talk - "best practice".

4.4.6 MFI partners

Table 7 gives an overview of the MFI partners of Allianz. These seven MFIs distributed *Payung Keluarga* in its original version as described above (section 4.4.3) and participated in my impact research.

Features common to all seven MFI partners were (1) their social agenda, (2) their focus on microcredit for low-asset borrowers, (3) a clear priority towards women (except MBM), (4) the overwhelming reliance on group-based loans for business purposes, and lastly (5) the predominantly Christian background of their founders, management and loan officers. In general, these MFI therefore provide classic examples for grassroots, credit-focused, group-lending, and female-oriented MFIs as described in section 3.2.3. Only the Christian background may be surprising, especially in a predominantly Muslim country. This is mostly because it proved much easier for me to establish rapport with Christian-leaning MFIs rather than with non-religious or explicitly Muslim MFIs. With Christian-leaning MFIs, the cultural frame of reference was apparently most similar to mine. Moreover, the international orientation of these MFIs also helped. Unlike many Muslim MFIs, virtually all MFI partners of Allianz had at some stage been supported by Western donor organizations and were therefore accustomed to working with large multinational organizations such as Allianz.

Table 7: Profile of the MFI partners of Allianz

Abbreviation	BINA	BISWA	DIMAN	DINARI	MBM	MMS	WKP
Full name	Bina Arta	Pusat Perkembangan Keuangan Mikro (PPKM) Bina Swadaya	Dian Mandiri	Dian Bhuana Lestari	Maha Bhoga Marga	Mitra Masyarakat Sejahtera	Wahana Kria Putri[1]
Legal form	Lembaga Keuangan Mikro (Microfinance Institution)	Yayasan (Foundation)	Koperasi Serba Guna (Multipurpose Cooperative)	Yayasan (Foundation)	Yayasan (Foundation)	Yayasan (Foundation)	Yayasan (Foundation)
Established	2007	2003 (parent organization Bina Swadaya 1967)	1998	1992	1982	2000	1996
Area of operation	Jakarta, West-Java	Jakarta, West-Java	Jakarta, West-Java, Banten, Aceh, South Sumatra	Bali	Bali	Jakarta, Sumba, Surabaya	Bali
Target market	female petty traders	female petty traders	female petty traders	female petty traders, famers	traders, famers	female petty traders, previously also farmers	female petty traders
Lending methodology	group only	group only	group and individual	group and individual	group and individual	group only	group and individual
First debtor insured	7 Oct 2007	7 May 2007	1 Sep 2006	5 Apr 2007	2 Aug 2007	4 Jul 2007	13 Jun 2007
Female ratio of insured	100%	99%	90%	73%	37%	81%	85%
Total insured loans until 30 Sep 2008	3,413	2,971	56,053	2,091	1,606	2,923	2,832
Active insured loans per 30 Sep 2008	3,411	2,210	12,214	877	1,497	1,882	227
Average loan duration (months)	12.2	12.1	4.7	6.4	17.2	5.6	4.2

Average loan size (US$)	101	180	126	203	336	158	112
Claims until 30 Sep 2008	2	3	52	1	3	2	1

[1] Numbers for WKP are only until 30 Jun 2008. Afterwards, this MFI adopted a different product configuration which became possible when Allianz added more flexibility to the product in early 2008.

Notwithstanding their more or less pronounced Christian background, all MFIs declared to make no difference between customers based on religion. They also stated not to proselytize; and indeed, during my time working with these MFIs I never noticed them proselytizing.

Despite the mentioned general similarities, the stance that "every MFI is different" nonetheless holds true for these MFIs. There were differences in the exact lending methodology, the geographic focus, and the profile of the borrowers. DIMAN, by far the largest of the MFIs, was using direct joint-liability contracts and also lent to women which were living for rent instead of having permanent housing (which signifies higher credit risk). On the other hand, BISWA was using successive individual contracts only loosely connected to group structures and moreover preferred to lend to borrowers with permanent housing. In terms of loan sizes, MBM's average loan size was almost three times as high as DIMAN's. This indicates considerably higher-asset (and more male) customers. Lastly, the "corporate culture" of the MFIs showed significant variations. MFIs like DIMAN and MMS had a heavy social focus and a definite "NGO touch" to them. MFIs like BINA on the other hand took a more business-like no-frills approach to microlending.

Naturally, I could only engage in field research with the MFIs after they had agreed to adopt *Payung Keluarga*. As the varying dates of the first insured debtor in table 7 show, this happened at successive stages from mid-2006 to mid-2007. In short, I needed to win and train the MFI partners for *Payung Keluarga* first, which was a time consuming process, before I could eventually do research with their customers.

4.4.7 Payung Keluarga performance

Table 8 displays key figures on the performance of *Payung Keluarga*, from its launch date on 1 September 2006 until 30 September 2008, which serves as the reference period for this thesis. The displayed figures are accumulated from the seven MFI partners listed above (table 7). Because *Payung Keluarga* was also distributed by MFIs that did not participate in the field research (mostly because they joined the program too late for that), and sometimes sold different versions of the product (which became possible in early 2008), the below figures do not represent the entire *Payung Keluarga* business until 30 September 2008, but approximately 75 percent of it. Unless otherwise indicated, for this thesis the term "MFI partners" exclusively refers to the seven MFIs listed above (table 7). With *Payung Keluarga* I only refer to the product as it was sold by those MFI during the reference period.

What is immediately striking with the performance figures of *Payung Keluarga* are the small sums involved. This highlights why seen from a financial perspective this form of insurance is rightly termed microinsurance, although as noted the developmental mission behind the products also plays a significant role. The average insurance premium per loan of US$ 0.92 is "micro", even for low-asset customers. The average claim amount of US$ 387 is minute compared to conventional life insurance contracts. The total premium earned in the course of just over two years (US$ 65,939) represents about 0.12 per mille of the approximately US$ 540 million in premiums collected by PT. Asuransi Allianz Life Indonesia during that period. Measured by these purely economic standards, the company's CEO should not have spent more than a blink of an eye on microinsurance. On the other hand, the 22,318 active microinsurance customers on 30 September 2008 represented a slightly more tangible 4 percent of the company's total customer base at that point. This highlights that with microinsurance the number of insured customers weighs more heavily than the related premium volume.

Table 8: *Payung Keluarga* facts and figures (1 September 2006 until 30 September 2008)

Total insured loans 1 Sep 2006 - 30 Sep 2008	71,889
Active insured loans per 30 Sep 2008	22,318
Female ratio of insured	89%
Average age of insured (at loan disbursement)	39.3
Average loan duration (months)	5.7
Average loan size (US$)	135
Average premium per loan (US$)	0.92
Total premium collected 1 Sep 2006 - 30 Sep 2008 (US$)	65,939
Claims until 30 Sep 2008	64
Death to claim payout (average calendar days)	28
Claim ratio (12 months rolling) per 30 Sep 2008	60%
Total claim amount (US$)	24,528
thereof outstanding loan balance (US$)	5,290
thereof additional payouts (US$)	19,493
Average claim amount (US$)	387
thereof outstanding loan balance (US$)	83
thereof additional payouts (US$)	304
Female ratio of claims	78%
Female ratio of beneficiaries	27%

One figure which nonetheless stands out as surprisingly high among all these "micro"-figures is the claim ratio of 60 percent. This means that 60 percent of premiums are being returned to the insured, or rather their beneficiaries, by way of claim payments. Generally speaking, the higher the claim ratio the better the customer value (Wipf and Garand 2008: 23). Although, as mentioned, comparisons of microinsurance products are difficult (cf. section 3.3.4), it appears that a claim ratio of 60 percent is indeed comparatively high (cf. McCord et al. 2005: 35; cf. Wipf and Garand 2008: 24). It should also be noted that different from other microinsurance implementations the MFIs did not top-up the premium but only charged the rate as set by Allianz.

One figure which bears special significance for the analysis of the impact of *Payung Keluarga* is the low ratio of female beneficiaries (27%). As most borrowers were married women, these overwhelmingly appointed their husbands as beneficiaries. This explains the low number of female beneficiaries. The husbands were generally the main income earner of the family while the women were earning supportive incomes (cf. section 3.2.7). By and large then, the main breadwinner of the family benefitted from the insurance payouts rather than being insured. In section 7.9 I will further elaborate on the consequences of this observation.

Of course, the question arises whether *Payung Keluarga* has become profitable in the time-frame of the PPP as I had originally intended. The profitability of *Payung Keluarga* was never analyzed on the basis of international controlling and accounting standards. Such an analysis would have probably cost more than all potential losses or profits of the product combined. As *Payung Keluarga* was a one-person project I tried to keep an eye on profitability through a layman's approach. This way, I managed to at least make it convincingly clear to the management that with big MFI partners like DIMAN *Payung Keluarga* was profitable while with smaller partners it was not. This was because the working time and therefore the administration costs were about the same for all partners, while the premium from the smaller partners was not enough to cover these costs effectively. In short, small MFI partners could not cover the fixed costs associated with them. As all MFI partners apart from DIMAN were small, the entire *Payung Keluarga* portfolio was therefore likely making slight losses. However, the potential profitability of microinsurance had been proven and the decisive condition for profitability had been identified, namely sufficiently large MFI partners. In addition, as the monetary sums relating to *Payung Keluarga* were small, any potential monetary loss or profit would be miniscule in relation to the overall company performance. The realization that microinsurance was not posing a business risk but rather a business opportunity induced the management of Allianz Indonesia to eventually promote microinsurance form a "trial project" status to the status of "regular business" in late 2007.

5 THE METHODOLOGICAL EMBEDDING

After the socio-theoretical embedding (chapter 2), the developmental embedding (chapter 3), and the preceding practical embedding (chapter 4), this chapter delivers the methodological embedding as the last necessary component to properly locate and contextualize the findings which I will present in chapter 6 and chapter 7. Here, I discuss my research motivation, my double role as "actor" and "researcher", my research objectives, and the resulting methodological approach. Furthermore, I will discuss at some length the challenges that my research faced, as well as my mitigation strategies, and the advantages which played in my favor. Personally, I consider such critical and extensive reflection of the applied research methodology as crucial for two reasons: (1) it creates transparency of the research process and helps the reader to better assess the validity of the respective findings, and (2) I hold that some of the challenges which I faced during my field work are common to other impact research projects on microinsurance as well. I am actually left to wonder why the majority of methodological accounts often report smooth research execution, sometimes mixed with a carefully dosed presentation of challenges that do not endanger the accuracy and validity of findings. With my comparatively detailed account I therefore hope to provide valuable insights for future impact research. After all, I acknowledge that representativeness, accuracy and consistency of data are flawed in my research. I therefore only claim "validity by tendency", not validity by robustness of data and by methodological rigor and faultlessness.

5.1 My double role as observing participant

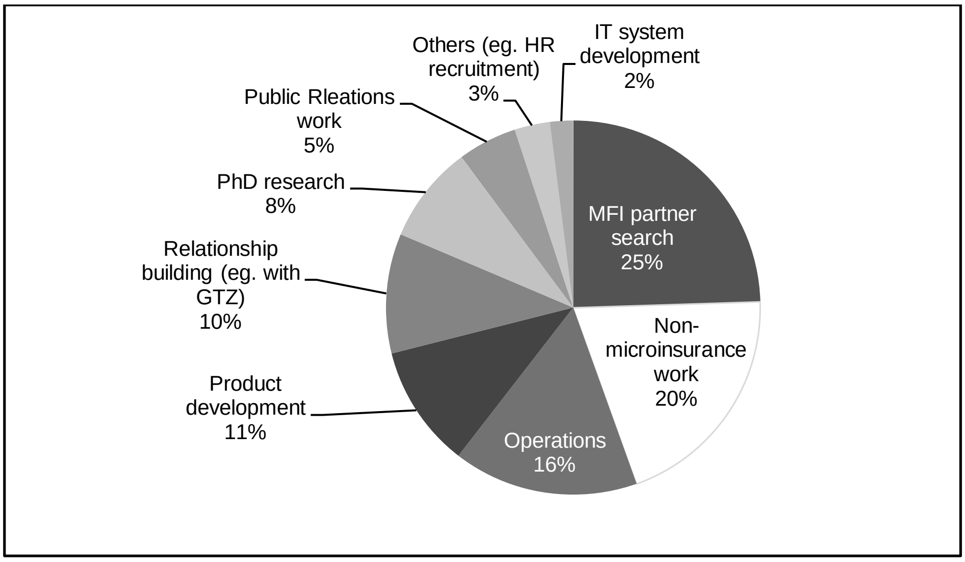
In section 4.4.2 I have outlined my decisive operational role in the planning and execution of *Payung Keluarga*. As I did scientific research on *Payung Keluarga* at the same time I assumed the double role of an "actor" with a vested interest in the research subject and the parallel role of a "researcher" bearing the requirements of scientific neutrality and objectiveness. These two roles fuse into the role of an observing participant. Because one of the key questions in the analysis of any kind of phenomenon is the question of motivation, I want to first outline the motivation that stands behind my observing participation and therewith behind this entire thesis.

My motivation to assume an operational role on *Payung Keluarga* is easily defined. After the completion of my diploma in South-East Asian studies in 2003, the job opportunity at Allianz in Indonesia allowed me to gain a stable income in a region which I had focused on during my studies. When microinsurance appeared on the scene at the end of 2004 I perceived this as a thrilling opportunity to try and shape something new. Moreover, I was attracted by the social touch of the assignment and sensed the opportunity to combine my daily work with the still loosely defined idea of undertaking PhD-studies. With the operational motivation thus defined, what were my exact motivations to assume an additional research role on *Payung Keluarga*? First of all, as already alluded to, I had planned for a PhD-research ever since finishing university because of the intellectual challenge and not least because of the symbolic capital connected to it in form of academic capital, with the possibility of convertibility into economic capital later on (cf. Bourdieu 1986: 248). *Payung Keluarga* presented the ideal conditions to combine an interesting money earning job with the scientific empirical field work that is almost indispensable for a PhD in South-East Asian studies. I must add here that I had never done empirical field work before. This put another interesting challenge to the idea, but certainly also accounts for a good deal of the methodological friction which I will outline below (see section 5.3.3). The second motivator was my intrinsic wish to prove the meaningfulness of my own doing and formulate a soundly reflected position on it. After all, already Max Weber recognized that the two intertwining processes of (1) attaching meaning to perceived phenomena (*Sinngebung*) and of (2) formulating one's own (subjective) position towards them (*Stellungnahme*) are crucial for defining humans as cultural beings (Bayer and Mordt

2008: 18). For me, the central driving question here was: "How does my own work influence the insured, and does it really benefit them?" I knew from early on that Allianz was not planning to answer this question through independent or internal impact assessments. This led me to conceptualize my own customer-centered impact research. Alternative topics would have been demand research, the CSR strategy of Allianz, or the financial effect of microinsurance on the MFI and Allianz, but these topics did not have the same potential to answer my question of meaning.

By late 2004, I had already formulated a rough plan to do impact research on *Payung Keluarga*. I then needed to intensively see to the operational side first to make sure that the product was actually developed and launched; simply put: without a product, no research opportunity. My intention to do impact research was supportively acknowledged by the local Allianz management. However, Allianz completely stayed out of my research work and provided no direct funding. To preserve the neutrality of my research, I did not ask for financial support either. But in practice my research work was very much overlapping with my operational work, so that some indirect funding took place. For example, when I visited an MFI to train their loan officers in the morning, I used the afternoon to meet customers or beneficiaries for data collection. Sometimes, I even dedicated entire working days mainly to research and just added some minor operational work (such as a courtesy visit to the respective MFI branch office) to give such ventures a legitimizing business touch. Overall, however, business definitely took precedence over research during my entire research phase at Allianz. This research phase, which is longer than the operational reference period, started with the first ex-ante group questioning on 24 July 2006 and lasted until my contract end on 30 June 2008. It was complemented by one return visit to Jakarta in October and November 2008. Illustration 5 shows how my research time related to my other tasks at Allianz during this period.

Illustration 5: My activity distribution 1 Jul 2006 until 30 Jun 2008 (n=4185 working hours)



Source: Activity log book of the author

In effect, I spent eight percent of my working time or 353 hours on research. For Allianz, this means work related expenses of approximately US$ 4,000. My point is that at least indirectly Allianz provided financial support for my research. This negatively affects research neutrality. Indeed, I am thankful to Allianz for providing me the opportunity to use some of its resources to pursue my research. Moreover, without Allianz undertaking microinsurance in the first place, I could never have conceived my research project. Nonetheless, I hold my research to be sufficiently independent to be scientifically credible. Why so? I have four reasons for this assertion:

(1) *No external pressure for legitimization*: As mentioned in the beginning (cf. chapter 1), neither the media nor the public sincerely questioned the positive social impact of *Payung Keluarga*. Internally, Allianz did even less so. Under these conditions, a serious investigation into the impact process of *Payung Keluarga* posed more of a threat to the positive image of microinsurance than holding the potential of increasing it. I therefore hold my research not to be motivated by a need to prove my work worthwhile to external parties.

(2) *A personal critical stance*: Seen from a business perspective, I was convinced of the positive business potential of *Payung Keluarga* from early on. I also consider the long-term strategy to firmly establish microinsurance as a business through a relatively low-risk step-by-step approach as reasonable under the given conditions. But seen from a social perspective, I hedged gnawing doubts about the positive social impact of *Payung Keluarga*. This provided an intrinsic need for investigation and legitimization which I could only credibly satisfy by taking a critical approach to microinsurance.

(3) *Independent research approach*: Despite a certain indirect financial dependence on Allianz, during my research I was completely left to my own discretion. None of my Allianz supervisors ever inquired on the exact content of my research. The only research guidance I had was via the occasional exchange with my supervisor at university. In fact, I was free of the pressure to write research proposals and intermediate research reports to any kind of institution or research funding organization. This greatly increased my research independence, albeit at the expense of limited academic peer discussion on my actual methodology. Next to my inexperience this certainly took another bite at research quality.

(4) *Transparent display of double role*: Last but not least I am (hopefully visibly) anxious to make the intricacies of my double role as observing participant as transparent as possible to the reader as a form of mitigation through transparency.

I am aware that in my particular situation as a researcher on my own work, critical results are likely to be taken more seriously than an outright positive absolution. In this respect, my research may well have been biased towards critical results from the start. However, it is still up for the reader to decide whether my case makes sense to him or her. Besides, I hold a critical research outcome as beneficial and balancing for the overall discourse on microinsurance, which is currently skewed towards the positive (cf. section 3.3.3 and section 3.3.4).

5.2 Hypothesis and objectives of research

As mentioned, on a very personal level my initial research question was: “How does my own work influence the insured, and does it really benefit them?” Realizing that contemporary Indonesia is undergoing a particularly rapid transformation (cf. section 4.1.), and in order to take a more scientific neutral stance rather than an outright moral approach, I reformulated the problem statement of this thesis as follows: “Indonesia is in an ongoing process of transformation and social change. Now, modern microinsurance steps onto the scene; and what happens? And why does it happen the way it does?” During the preparation of my field work, I refrained from breaking this problem statement down further into precise research hypotheses. I only assumed that the context in which *Payung Keluarga* would operate was likely to heavily influence the product’s impact, and that there was the potential that *Payung Keluarga* would likewise exert an impact on its wider context. As I had studied a number of practitioners’ narratives and consultancy reports on microinsurance beforehand, I was naturally aware of the principal developmental hopes pinned to microinsurance. I was especially keen to scrutinize the degree of realization of the first hope (protection) and second hope (promotion) in the context of *Payung Keluarga* (cf. section 3.3.1). Here, the question as to what beneficiaries would do with the insurance money was of particular interest. Would the payouts help the beneficiaries to manage the supposed financial difficulties after death better than without insurance? I was also considering that the majority of *Payung Keluarga* customers would never raise a claim. I felt that the perspective of this “silent majority” was also worthwhile investigating. I have to reprise here that I only hit the concepts of embeddedness, moral economy, reciprocity et cetera after the end of my field work (cf. chapter 2). I therefore did not deduce any research hypotheses and research objectives from these concepts.

In short, at the onset of my actual field research in mid-2006 I was left with a basic problem statement, a concern for context, and a vague array of notions where *Payung Keluarga* may make its impact felt, but without precise research hypotheses. Part of the difficulty in formulating a more precise research agenda was that (next to my own methodological inexperience) no well documented precedents for microinsurance impact research were available at the time. In the same year, Young et al. (2006) acknowledged the scarcity of proven methodologies for microinsurance impact research:

> Known collectively as microinsurance, these new financial products seek to help the poor by reducing their vulnerability to unexpected shocks like illness or death. Whether and how they actually do help the poor, however, is up for debate. . . . Indeed, because the field of microinsurance is still new, it is not even clear where to look for the impact. Although numerous studies have sought to assess the impact of micro-credit and savings by measuring changes in indicators such as household income and expenditures, whether these same indicators apply to microinsurance is unknown. (Young et al. 2006: 1)

Based on these conditions, my research aimed at the following objectives: (1) it should focus on customers rather than the MFIs or Allianz; (2) it should be as holistic as possible in order to be sensitive to a broad range of impacts; (3) it should be responsive to the socio-cultural context; (4) it should focus on detecting and understanding impact processes rather than precisely measuring them, which resounds Geertz' call for thick description (Geertz 2000: 7, 16); and (5) it should nonetheless achieve a certain degree of representativeness in order not to be dismissed as outright anecdotal by mainstream microfinance discourse which is clearly dominated by economists preoccupied with sample sizes. Just as Armendariz and Morduch (2005: 199) note: "Anecdotes . . . are not a substitute, however, for careful statistical evidence on impacts from large samples." As a rule of thumb, sample sizes of 100 or more respondents or participants seem to be generally regarded as accruing a certain degree of statistical representativeness (Morduch 2005:54; Pan 2008: 92-93). Next to these five major objectives, one additional logistic objective was that my research needed to fit into my operational work schedule. In effect, this rendered large scale or nonstop continuous research efforts unfeasible.

5.3 Methodological approach

5.3.1 Basic considerations

The essence of the methodological approach that resulted from the research objectives outlined above is aptly summarized by late anthropologist Clifford Geertz:

> This backward order of things . . . may seem odd, or even perverse, but it is, I think, at least most of the time, standard procedure in cultural anthropology. Some pretenders to high science and higher technique aside, we do not start out with well-formed ideas we carry off to distant places to check out by means of carefully codified procedures systematically applied. We go off to those places . . . with some general notions of what we would like to look into and of how we might go about looking into them. We then in fact look into them (or, often enough, look instead into others that turn out to be more interesting), and after doing so we return to sort through our notes and memories, both of them defective, to see what we might have uncovered that clarifies anything or leads on to useful revisions of received ideas, our own or someone else's about something or other. The writing this produces is accordingly exploratory, self-questioning, and shaped more by the occasions of its production than its post-hoc organization into chaptered books and thematic monographs might suggest. (Geertz 2000: v-vi)

Just as Geertz describes it, I started out with very rough ideas only. My research was exploratory and iterative, with several thematic and methodological twists and turns applied on the go. It was only during the data analysis phase that I started to properly organize my thoughts, and seek out, modify, and expand (where necessary) existing concepts that may prove useful in making sense of what I had observed in the field (cf. chapter 2). However, my research methodology was certainly not as ethnological as practiced by Geertz. I was no participant observer but rather the opposite, a very much involved observing participant. I also had to be pragmatic in the sense that I needed to wait for research opportunities to occur, such as new MFI partners joining or some claim being reported, and exploit these opportunities on the fly, always with a tight operational work schedule sneaking up from behind and with the necessary coordination and related work burden for the MFIs in mind.

I organized this somewhat fuzzy approach into the six distinct research components described in the next section. With regards to the epic distinction between quantitative and qualitative research I would describe the mixture of group questionings and interviews that I applied in these components, and which I eventually enriched with a fair deal of personal observations and light bulb moments, as an integrated approach, at least by intention. The delineation between qualitative and quantitative aspects is clearly blurred. Taking into account the several challenges which I faced in the field and which all dented into the robustness and accuracy of my data (see section 5.3.3), I came to regard even my more quantitative data as merely indicative and therefore in effect qualitative. Overall, I would therefore resume my methodological approach as explorative-qualitative in the sense of Bamberger (2000: 9), or as somewhere in between narrative econometrics as proposed by Moser (2007a: 3, 10) and classic ethnological field work as described by Schweizer (1982), Geertz (2000) and Korff and Schröter (2006: 65-66). What had started out as an attempt at integrated research therefore ended up becoming an explorative-qualitative approach.

5.3.2 Research components and locations

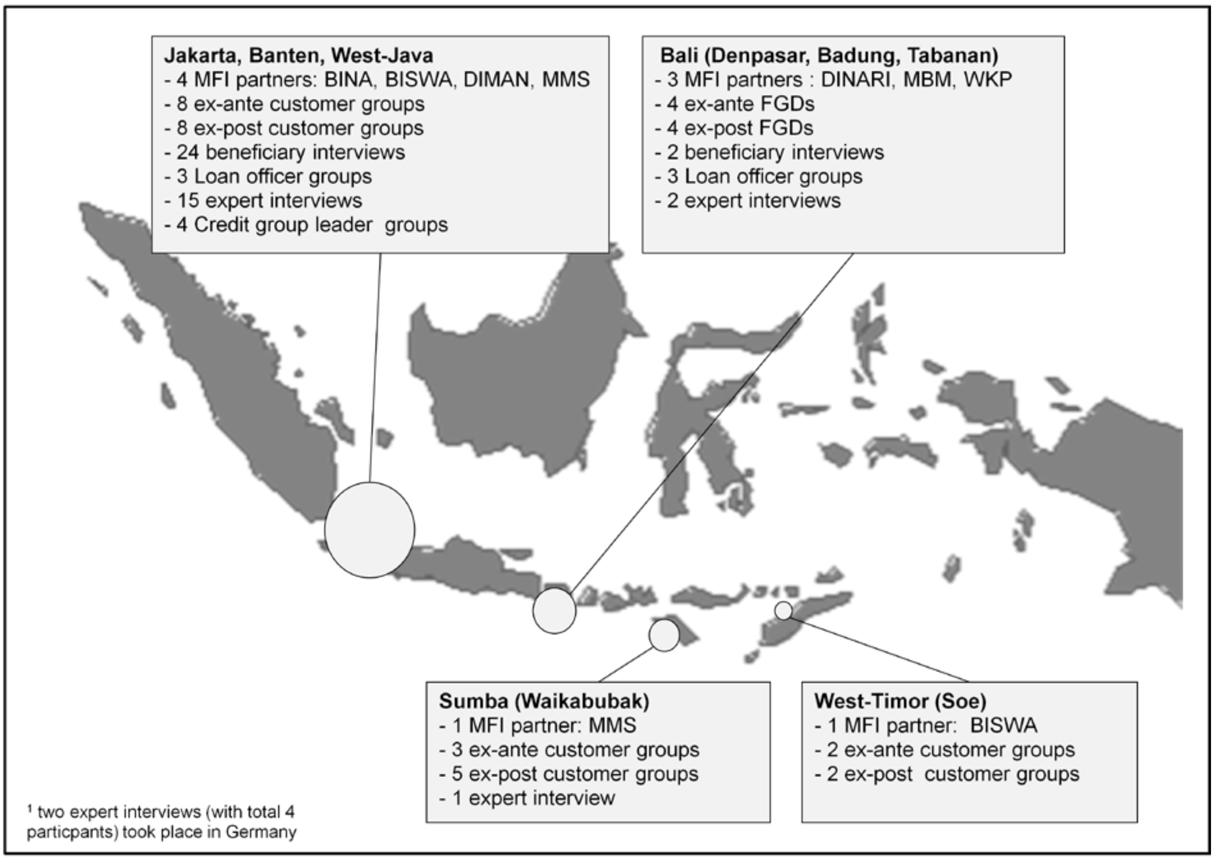
Table 9 lists the six components of my research. One of the components, the customer component was split into an ex-ante and an ex-post phase. Illustration 6 gives a geographic overview of my field research. This illustration underlines that the clear geographic focus of my research was on Jakarta and surroundings. Research activities on Bali, Sumba and West-Timor were much more limited in scope.

Table 9: Research components

Phase	#	Component name	Component description	Timeframe	Repondents	No. of group questionings or interviews
Ex-ante	1	(ex-ante) customer	group questionings with prospective insured	Aug 2006 - Jul 2007	174	17
Ex-post	1	(ex-post) customer	• group questionings • ideally with insured ex-ante respondents • 1 year after ex-ante group questionings	Aug 2007 - Oct 2008	139 *(thereof 62 same as ex-ante)*	19
	2	Beneficiary	interviews with *Payung Keluarga* beneficiaries	Aug 2007 - Oct 2008	26	26
	3	loan officer	group questionings with loan officers of the MFI partners	Aug 2007 - Oct 2008	66	6
	4	Expert	background interviews with academic, cultural, religious, or business experts and politicians	Jan 2008 - Jun 2009	24	20
	5	credit group leaders	group questionings with insured credit group leaders	Oct 2008 - Nov 2008	31	4
	6	MFI management	interviews with managers of the MFI partners	Oct 2008	6	3
			Total	Jul 2006 - Jun 2009	404 *(62 of them participated twice)*	95

An in-depth description of the various research components is provided below. All components were conducted by me in Indonesian (*Bahasa Indonesia*). The customer component and beneficiary component took place at the homes of the respondents. The other components took place at the MFIs or other office locations. The last versions of the questionnaires of four components (customer, beneficiary, loan officer, and credit group leaders) are contained in annex 1.

Illustration 6: Geographic distribution of research activities



(1) *Customer component*: This component started with ex-ante group questionings of micro-credit groups shortly before the introduction of *Payung Keluarga* at the respective MFIs. I prefer to speak of group questionings rather than focus group discussions because different from the classical focus group concept there was hardly any free or loosely moderated discussion among the research participants on a given topic (cf. Fern 2001). Instead, the sessions consisted mostly of a systematic question and answering process between me and the participants. In 17 group questionings a total of 174 prospective *Payung Keluarga* customers participated in the baseline survey. As a second step, ex-post group questionings took place approximately one year after the introduction of *Payung Keluarga* at the respective MFIs. In 19 ex-post group questionings a total of 139 respondents participated. An estimated 80 percent (111) of these had received a new loan during the previous year and had therefore at some point been covered by *Payung Keluarga*. 45 percent (62) were repeat respondents from the baseline survey. Both surveys were held orally following a structured questionnaire. I mainly

inquired on (1) risk profile and risk management strategies of respondents, (2) experience, demand, knowledge, and attitudes of insurance, (3) satisfaction with *Payung Keluarga*, and (4) changes to any of these variables. For the customer component I therewith applied a single difference approach which compares baseline data with endline data of the treatment group, however, without the inclusion of control groups (which would make for a double difference approach). Notably, five of the ex-post group questioning sessions had no ex-ante participant. These groups served as "semi-control groups" because through them I could at least verify whether certain variable changes may have been promoted by my initial sensitization of respondents during the ex-ante sessions. The main reason why I chose to use group questionings instead of individual questionnaire-based surveys was to achieve significant respondent numbers in a time-efficient way.

(2) *Beneficiary component*: Here, I held personal interviews with 24 Muslim and 2 Christian beneficiaries out of a total of 64 claims which had occurred during the reference period. On average, interviews took place 83 days after death and 55 days after claim payment. The basis of the interviews was a structured questionnaire. The focus of the beneficiary interviews was on (1) claim experience, partly in narrative form, (2) usage of payouts, and (3) imagination of a counterfactual ("What if no insurance?").

(3) *Loan officer component*: Here, 66 MFI loan officers of five MFI partners were clustered by MFI into a total of six group sessions. The main purpose of these sessions was to cross-validate findings from the customer and beneficiary components. After all, by way of their "localness" and daily work the loan officers had much broader and deeper experience with the MFI's customers than me. I therefore wanted to benefit from their "helicopter perspective". The sessions took place between one and two years after the introduction of *Payung Keluarga* at the respective MFIs. They consisted of written individual questionnaires and an ensuing oral group questioning. These sessions focused on the loan officers' perspective of (1) how *Payung Keluarga* was received by their microcredit clients, (2) what obstacles and frequently asked questions emerged in the socialization of the program, and (3) the loan officers' impression on the impact of claims.

(4) *Expert component*: This component consisted of loosely structured interviews with 24 experts from various fields: academics, religion, insurance, microfinance and politics. 22 experts were Indonesians while two were Germans or of German decent.[38] These expert interviews were meant to (1) gather background information on social, cultural and religious perceptions and behaviors observed among customers and beneficiaries, and (2) to shed a light on the relation of microinsurance with the general transformation processes occurring in Indonesian society.

(5) *Credit group leader component*: Here, I held four group questionings with 31 key informants from among the *Payung Keluarga* customer base. Respondents were predominantly

[38] Here I count Professor Frans Magnis-Suseno as being of German decent although he has meanwhile received Indonesian citizenship.

women (97%) and many held the position of elected credit group leaders. With a number of controversial and open questions, these sessions came closest to the ideal of a moderated focus group discussion. However, I still classify them as group questionings. The sessions were held in October 2008 as the final stage of my field work in order to follow-up on open issues and questions which had emerged during the earlier components with customers, beneficiaries, and loan officers.

(6) *MFI management component*: For additional cross-validation of the other components I interviewed six managers of three MFI partners of Allianz, applying a semi-structured questionnaire.

Of these six components, the customer component and the beneficiary component were certainly the most important. The customer component with its two phases proved to be the most challenging exercise. The remaining four "ancillary" components served two purposes: The first purpose was to facilitate data triangulation. Triangulation refers to consistency checks through applying the same question or method to two or more different data sources (or repetitively to the same data source) in order to increase the validity of one's findings (Baker 2000: 9; Bamberger 2000: 14; Kabeer 2003: 113; ILO 2008c: 8). The earlier example of asking credit group leaders and loan officers separately on the micro-borrowers motivation for taking out loans is an example of data triangulation (cf. section 3.2.7). The second purpose was to gather additional information on issues which had emerged in the customer and beneficiary components. In fact, I added the last three components (experts, credit group leaders, MFI management) only after the original components had raised nearly as many new questions as they had been able to answer. I should also note that apart from these six components I used other data sources for my research, such as the *Payung Keluarga* customer database and a vast range of informal and in-between talks with customers, loan officers, experts and managers. Last but not least, I rely heavily on my own personal working experience on *Payung Keluarga*.

Although over 400 respondents participated in the formal field research components I was only able to surpass the "magic" 100 mark in case of the customer component. As only 64 claims occurred during the reference period, the attainment of 100 interviewed beneficiaries was rendered mathematically impossible. Eventually, I only managed to visit 26 beneficiaries. This is still considerably more than in the few comparable efforts (SyncConsult 2006; Young et al. 2006). For the remaining four components I did not particularly strive to reach 100 or more respondents because, as mentioned, these components served mainly for cross-validation and additional qualitative data collection. For data validity, I therefore rely more on the triangulation of data than on the size of the discrete samples.

Regarding the total three years time span of my research (August 2006 until June 2009), this does not mean three years of non-stop continuous research. It rather means that I undertook a range of sporadic research activities during these years. As stated above, during my time with Allianz I only spent 353 hours on field work (including time for methodological preparation and travelling) and in total probably not more than 400 hours which makes for approximately 50 working days until the commencement of the data analysis phase.

Photo 1

Customer component group questioning (ex-ante)
Bali, 9 March 2007

Photo 2

Brand awareness exercise with prospective customers
East Jakarta, 28 May 2007

Photo 3

Filling demographic questionnaires
Sumba, 10 July 2007

Photo 4

Explaining a short written multiple choice questionnaire
Tangerang, 7 August 2007

5.3.3 Research challenges and their mitigation

The major research challenges to microinsurance impact research have been outlined above (cf. section 3.3.4). In their entirety, these challenges probably apply more to quantitative research than to qualitative research. I nonetheless maintain that these challenges are relevant for this thesis. After all, it was the incomplete mitigation of these challenges in the first place which led me to consider even my intended quantitative results to only have qualitative validity, and to consequently classify my research as generally explorative-qualitative. In the following discussion I revisit these challenges and describe the applied mitigation strategies as well as the successfulness of these strategies.

(1) *Neutrality and objectivity*: In section 5.1 I have already dealt with the crucial issue of research neutrality in my particular case as an observing participant. To reprise the conclusion, on the financial side I was not completely independent from Allianz. However, on the side of actual research execution, data analysis and findings, I contend not to have been pushed towards positive results. On the contrary, if anything, my findings may be skewed towards the

negative side in order to compensate for my intricate involvement with Allianz and *Payung Keluarga*. Different research on the same matter may therefore render more positive results, which leads to the issue of objectivity. Regarding research objectivity, full research objectivity is of course an idealized goal. I hold that I was sincerely striving for research objectivity, not least because I would not have been able to respond to my intrinsic doubts regarding the social impact of *Payung Keluarga* without applying self-convincing objectivity. Moreover, I also strive for transparency of the research process to enable the readers to form their own subjective opinions, which in their accumulation also contribute to research objectivity. If the overall feedback is good, my research was likely reasonably objective.

Two additional challenges regarding neutrality and objectivity were (1) the fact that I was often perceived by the respondents as a representative of Allianz, and (2) that MFI loan officers were present during all but a few customer groups and beneficiary interviews. Although I presented myself as an independent researcher, the loan officers had often announced me as "someone from the insurance company". This has certainly influenced the response patterns of respondents, all the more in the face of the present MFI staff and keeping in mind that after all the MFIs' microcredits were much more important to the women than the small microinsurance attachment. The women therefore had a vested interest in preserving their "creditworthiness" in the presence of MFI staff. This strong microcredit focus was tangible when the women sometimes mistook my questions to relate to microcredit instead of microinsurance. At various times I needed to point out that we were talking about microinsurance, not credit. While a fair number of researchers are consequently very strict on excluding MFI staff or any other person of authority during research activities, I took a more flexible stance. The presence of the MFI staff probably created as much trust and confidence among the respondents in face of a highly unusual situation as it may have obstructed "honest" answers. Moreover, the beauty of the chosen single difference method is that it allows me to validly measure changes in spite of a potential positive answering bias. Bluntly put, if prospective customers stated ex-ante that they were somewhat fond of the idea of insurance in the presence of MFI and insurance staff and one year later stated that they were now very fond of the idea of insurance in the presence of the same MFI and insurance staff, then the finding that acceptance of insurance has increased appears valid, although the respective absolute acceptance levels may not be objectively accurate. Unfortunately, for the beneficiary component such single difference change measurement was not possible because the beneficiary interviews only took place ex-post. However, here questions with a high risk of inducing "expected" answers were few and far between. And lastly, during the few group questionings and beneficiary interviews which I held completely on my own, I noticed no diverging response patterns.

(2) *Selection bias*: Next to ensuring research neutrality and objectivity, selection bias is probably the biggest challenge in all but the most qualitative research methodologies. How did the selection process work for my various components and how did I thereby try to avoid selection bias? For the ex-ante customer component neither a randomized selection of respondents nor the forming of control groups was possible. As research usually started immediately after a co-operation with an MFI was established, I had no prior access to the MFI's customer database in order to randomize the sample. Moreover, the time schedule for the ex-ante group

questionings was usually quite tight (half a day). It would have been difficult to find logistically convenient but nonetheless randomly selected credit groups. The formation of control groups was practically impossible because all MFI credit customers would automatically receive *Payung Keluarga* with their next loan. After a year, when the ex-post phase was bound to start, the entire MFI portfolio was already scheduled to be fully insured (except in the case of MBM which had longer loan terms). Theoretically, it would have been possible to do research with non-cooperating MFIs targeting similar customers in the same area. However, I did not have access to such MFIs. Another possibility would have been to purposely exclude some customers from *Payung Keluarga* during the first year for an RCT. However, for ethical and administrative reasons, I did not consider this. Therefore, I had to rely on respondent selection by the MFIs and on the validity of single difference measurement. For respondent selection for the ex-ante group component, I provided the MFIs a catalogue of selection criteria such as the request for "representative" credit groups of six to eight members. In the ex-post phase, I intended to revisit the same groups as the year before. Therefore, no separate selection process was needed. However, as I soon noticed high rates of attrition, I allowed MFIs to include new insured respondents in the group questionings. In five ex-post customer groups, in fact no ex-ante respondent at all was present. These groups could consequently serve as internal "semi-control groups". Unfortunately, the MFIs often did not closely follow my selection criteria. Sometimes I was faced with groups as large as 15 or 20 people. In these cases, it was extremely difficult to run through the entire questionnaire. Here, I tended to skip some questions which partly explains the varying sample sizes for my questions. Even more discerning than large group sizes was the realization that also a significant number of uninsured MFI customers (who had either dropped out completely or were taking a pause at lending) joined the ex-post groups. This problem will be further dealt with below in the discussion on measurement error. Despite the bumpy selection process, my initial worry that the MFI partners would only guide me to "show-case" groups turned out unfounded. I experienced as many good and average groups as I met "sub-prime" groups. Not surprisingly, I was unable to revisit three of the 17 ex-ante groups because these groups had meanwhile disbanded, mostly due to loan repayment issues. This in turn acerbated the problem of attrition in the customer component.

For the beneficiary component, the selection process was much easier. Bluntly speaking, selection was done by death itself. When claims were reported, I tried to arrange an interview with the beneficiaries two months after the claim payout date. Naturally, I had to leave out claims at more remote places unless some business was taking me there anyway. Moreover, sometimes the MFIs could not locate and contact the beneficiary for an interview, or the respective loan officer was too busy to assist me with the arrangements. When claim numbers rose towards the end of the reference period and time and logistics did not allow following up all of them, I started to guard a fair balance of low, middle and high claim payouts.

For the remaining four components, I attached less importance to selection. The loan officer groups were organized by the MFIs without any selection criteria. Only once, at BINA, I specifically requested to interview Muslim loan officers because all previous loan officer respondents had been Protestant, Roman Catholic or Hindu. For the credit group leader component I had naturally asked the MFIs to invite credit group leaders instead of normal members. However, it turned out that only 40 percent of participants (n=31) held a leading position in their respective groups, which was nonetheless still much higher than in the customer component. For the expert component, I was using snowball sampling; that is obtaining referrals through trust networks (Spalter-Roth 2000: 51; Rao and Woolcock 2003: 167). First, I started off interviewing personal acquaintances of mine and then continued to interview relevant friends which they recommended. However, here I was also trying to find a good balance of respondents and not let one "thread" gain dominance over the others. This was especially important with academic and religious experts in respect to their affiliation to either Nahdlatul Ulama (NU) or Muhammadiyah, the two largest Muslim socio-religious organization in Indonesia, where the former is generally perceived as traditionalist and pluralistic while the latter pursues an agenda of a purified orthodox, so-called "modern" Islam.

Despite the outlined challenges and non-randomness in the selection of respondents, the socio-demographic picture of the customer component and the beneficiary component are generally well aligned to the characteristics of all *Payung Keluarga* insured (see section 7.1). Nonetheless, the non-randomization of respondent selection, the absence of control groups and the relatively small sample sizes are certainly discerning. These shortcomings were at least partly mitigated by the single difference approach of the customer component and a wide triangulation of data. I therefore once again claim "validity by tendency" for my research results without claiming the respective numbers to represent unfailing objective and accurate truths. What is also clear is that the surveyed MFI customers, and by tendency also their beneficiaries, are by no means representative for all low-asset families in Indonesia. In fact, due to the high concentration of research activity in and around Jakarta I can only assert a certain level of representativeness for female urban Muslim petty traders who borrow from Allianz' MFI partners in that area. The research stints in Bali and especially in Sumba and West-Timor merely provide ancillary information and help to color the overall picture.

(3) *Poverty and welfare proxies*: In order to conceptualize poverty and welfare proxies, I employed the expanded asset-capital framework as outlined in section 2.4. For the customer component, this meant an investigation into changes of peace of mind as a human asset, both by way of direct asking as well as by comparing changes in risk perception. With the customers, I also investigated for possible changes in financial literacy, again through directly asking for a self-assessment, inquiring into the understanding of insurance principles, and through analyzing changes to brand recognition of various insurance and banking brands. Moreover, as a means of triangulation, I inquired with loan officers on the most frequently asked customer questions to gauge the customers' level of knowledge. With customers, I also tried to gauge changes to their business risk affinity which may indirectly point to a potential increase and decrease of economic welfare. These exercises generally worked well. Through the comparison of ex-ante and ex-post values they rendered meaningful results.

For the beneficiary component, the situation was more difficult because the beneficiaries had just faced a severe emotional and economic shock through the death of a close relative. Here, I mainly asked what the beneficiaries had done with the money and what would have happened without the insurance payout. This way I tried to gauge a counterfactual of how social and physical assets would have looked in the absence of insurance, and how social and economic capital had been impacted. In fact, much of my (subjective) assessment of a particular payout's impact depended on the respective claim circumstances as recounted by the beneficiaries. In short, especially in the case of the beneficiaries the poverty and welfare proxies were not econometric in the strict sense of the word, but rather fuzzy and qualitative, which once again points to the context-dependent and qualitative "validity" of my findings.

What I consistently refrained from was an in-depth measurement of the income or expenditure level of customers and beneficiaries, as this would have added too much complexity and a whole host of additional methodological difficulties to my research scope (cf. Foster et al. 1984; cf. Sinha 2006:12; cf. Pan 2008:79). Although Chen and Schreiner (2009) have recently presented a quick poverty measurement scorecard for Indonesian families which takes about ten minutes to fill in, such tools were not yet available when I planned my research. I therefore took the loan amount as an indicative proxy for the absorption capacity of the respondents and their families and thereby for their economic status and general asset situation. In addition, I supplemented this first indicator through observations of the respondents' living standard and with occasional inquiries into the financials of their businesses, all of which eventually confirmed my initial association of higher loans with higher asset bases, not the least in terms of education.

(4) *Causality and attribution*: For the customer component, I relied on the single difference method to discern by how far insurance coverage was responsible for any detected changes. Again, control groups would have further increased validity. Exogenous factors could have influenced these changes as well. However, the intermediate time span of just one year was rather short. I also checked for any major insurance or financial education campaigns and inquired if the customers had taken out insurance in between. Nonetheless, the establishment of clear causalities was somewhat obstructed by the fact that also non-insured participated in the ex-post groups. Through the use of the internal ex-post "semi-control groups" I could at least check if any detected changes had been promoted by the fact that I had done ex-ante microinsurance research with the respondents, which may have overly sensitized them (I found that this was not the case). With the beneficiaries, causality was not much of a challenge. The insurance payout had generally just happened and the beneficiaries could well recall what they had done with the money and to what effect.

(5) *Fungibility and additionality*: Fungibility did not pose a challenge. For the customer component no money was involved except for the small one-off premium payment at loan disbursement, and this was deducted from the loan amount, which made the financing very clear. The 26 interviewed beneficiaries, on the other hand, had all received payouts ranging from US$ 105 to US$ 1,050. Due to the relatively short recall period of two months the beneficiaries' information on what they used these payouts on was reasonably precise and credible. I also asked the beneficiaries to hypothesize on the counterfactual which clearly revealed the extent of additionality.

(6) *Effects beyond the unit of analysis*: The two main units of analysis were the insured and the beneficiaries. As I questioned the insured in groups, in many respects the credit groups themselves became unit of analysis instead of the individual group members. The beneficiary interviews were often attended by other family members as well who contributed and thereby added a somewhat broader “family” perspective. Naturally, due to my holistic approach I was concerned that the introduction of formal insurance would make an impact on the community at large and possibly on excluded community members. This adds a certain degree of sensitivity for effects beyond the unit of analysis. Realistically speaking, however, such effects, especially when related to normative changes, are difficult to detect and measure over such a short period of time. Moreover, I did not make an explicit survey on non-insured, for example in the form of control groups. Instead, I inquired with the customer component on how insurance was discussed with neighbors and friends, and whether social cooperation in the community was changing. With the beneficiaries I inquired how the news of the claim payment was being received by their social network and whether their social relations had changed since. Generally, I found that the more abstract my questions were in this respect the more imprecise and divergent the answers became. In short, although I was concerned with effects beyond the unit of analysis and undertook some efforts to gauge them, these efforts were not more than explorative and potentially left a number of wider effects unnoticed.

(7) *Attrition and drop-outs*: While attrition was no issue with the other components, the customer component was heavily affected by it. Of 174 ex-ante respondents I was only able to meet 62 again during the ex-post phase (and not all of these had taken out new loans). This amounts to an attrition rate of 64 percent! On a group basis, the picture looks somewhat better. Of 17 ex-ante credit groups, I could revisit 14 groups, although over the course of the year these groups had greatly changed in composition. The main reason for this high attrition rate is the dynamics and fluctuations of the MFIs’ customer base (cf. section 3.2.3). As mentioned, three groups had completely dissolved before the ex-post phase. Other groups had split into smaller groups or even graduated to individual contracts. Some members had migrated or dropped-out of the MFI program, or had decided to take a break from borrowing (*istirahat*). I had anticipated some attrition and had therefore aimed at an ex-ante sample size well beyond 100 in order to still reach 100 ex-post respondents. Yet, when the ex-post phase started I was still surprised by the extent of attrition. I therefore decided to include the three ex-ante test groups (for questionnaire testing) in my proper sample and to do an ex-post survey on these as well, and to moreover allow for new insured respondents to fill up the ranks in the ex-post survey as “drop-ins”. Eventually, 139 respondents participated in the ex-post customer component of which 62 were ex-ante participants and 77 were “drop-ins”. While I had prepared my ex-post questionnaire to handle the influx of new participants, I was unprepared for participants who had not actually been insured during the year and had consequently never made any personal product experience with *Payung Keluarga*. In the field, it was difficult for me to clearly establish who had been insured and who had not, especially as on site I did not have access to the *Payung Keluarga* customer database for instant verification. Sometimes the women could not remember when exactly they had taken their last loan, before or after the introduction of *Payung Keluarga*. Some contended to have been insured when it later turned out that this was not the case. Some even claimed to have participated in the ex-ante survey

when in fact they had not. Logistical problems such as one person using different names or proxy respondents not exactly knowing the insurance status of the actual respondent further acerbated the situation. During the ex-post sessions I therefore had to improvise a lot. Eventually, I had to rely on the data analysis phase, where I had access to the *Payung Keluarga* customer database, to as good as possible segregate ex-post respondents into the four possible categories: (1) ex-ante insured participant, (2) ex-ante uninsured participant, (3) new insured participant, (4) new uninsured participant. Rather indicatively I conclude that 80 percent of the ex-post respondents had been insured at some point. It is clear that such fuzzy conditions thwart any claim at absolute data accuracy and further support my acknowledgement of "validity by tendency". While attrition was a major problem, drop-outs in the sense of disgruntled insured leaving the MFI and not being surveyed were not. Because *Payung Keluarga* was compulsory and only constituted a minor aspect in comparison to the major aspect, the microcredit itself, drop-outs because of insurance are highly unlikely. Despite the noisiness of the data at least a positive bias of my findings due to attrition and dropouts is therefore unlikely.

(8) *Differential impact by poverty level*: This challenge was most acute for the beneficiary component. As mentioned, by and large higher loan sizes serve as a good indicator of higher asset bases, including higher average educational levels. Those beneficiaries whose relatives had taken out small loans and were therefore considerably low-asset received small payouts. Those with higher loans and higher asset bases received higher claim payouts. Somewhat ironically, in absolute monetary terms *Payung Keluarga* therefore helped those insured the least who had the lowest asset base. In my interviews and especially during data analysis I was therefore interested to assess how the combination of low asset bases and low payouts would fare in comparison to relatively high asset bases and high payouts. This was one of the reasons why I strove to get a balanced sample of beneficiary cases by size of payouts.

With the customer component, differential impacts on financial literary, peace of mind, risk affinity et cetera based on differential asset bases (especially education), as well as based on religion and geographic situation are certainly imaginable. Although I made efforts at analyzing this during the data analysis phase, sample sizes often proved too small to produce more than feeble indications.

(9) *Influence and dynamics of exogenous factors*: One of the key premises of this thesis is the strong influence of context on the impact of microinsurance. Exogenous factors such as socio-economic situation, cultural norms, religion and the dynamics of Indonesia's socio-economic transformation therefore build a key concern of my research. In purely quantitative research, exogenous factors are usually incorporated into the research design as control variable (Bamberger 2000: 18; Meyer 2007: 228-229). Through specific written (!) demographic questionnaires (see annex 1) I included potential control variables such as gender, age, marital status, educational level, religion and principal occupation into my research design. I also investigated patterns of migration and support networks. However, most often sample sizes were too small to discern clear correlations between such exogenous factors and the observed impact of *Payung Keluarga*. This proved most difficult in the customer component because there I only recorded answers on a group basis, which was much quicker than individual recording, but

prevented me from relating a person's individual answer to that person's demographic profile. In addition, some questions were answered through anonymous voting using voting cards. Naturally, this prevents the application of individualized control variables. However, one particularly clear case of the influence of exogenous variables is religion. For example, the two Protestant beneficiaries whom I interviewed displayed such remarkably different usage patterns for their payouts as compared to the 24 Muslim beneficiaries that I excluded them from the data analysis. Unfortunately, these two Protestant cases taken separately make for anecdotal evidence only, which is why I do not present them in this thesis.

That exogenous factors can be dynamic was most relevant for the customer component because the ex-ante and ex-post phase were one year apart, a time in which exogenous factors could change. Although factors like religious affiliation, education, marital status and age were not going to change significantly during such a short period of time, I was on the lookout for other potential influencing factors such as major insurance advertising or educational campaigns by competitors or the government (which did not take place) and changes in the general economic, political and environmental situation. Fortunately, the economic and political environment during my research was relatively stable. The Asian financial crisis and the accompanying political upheavals had long passed in 2006. The kindling "sub-prime" crisis and the approaching second world economic crisis had not yet left its mark on the surveyed low-asset customers when I undertook my last field research trips in November 2008. There were also no major environmental changes or natural disasters in my research area.

After all, my most detailed efforts at discerning the influence of exogenous factors was not on the quantitative, but on the qualitative side. As I was focusing more on the understanding than on the measuring of impact, many of my more open questions to the insured and beneficiaries served to discern the interplay between insurance and context. Last but not least, the expert component explicitly aimed to further enlighten the relevant socio-cultural background and its dynamics. In summary, the challenge of exogenous factors was at the center of my research efforts rather than being a methodological threat that I needed to mitigate.

(10) *Questionnaire design*: My questionnaires certainly did not comply with the orthodox quantitative research ideal of carefully planned and pre-tested questionnaires that stay constant throughout the research. Regarding pre-testing, I undertook prior consultations with my research supervisor and with Indonesian colleagues on the appropriateness and cultural sensitivity of my questionnaires, but these consultations only prompted superfluous changes. As mentioned, I pre-tested the customer component questionnaire in three ex-ante group questionings, which resulted in a decisive shortening of my questionnaire's length. However, I later decided to include the data from these test groups into my proper sample in order to increase my sample size. Regarding constancy, throughout my field research my questionnaires underwent several revisions, especially those for the customer and beneficiary component. I noticed that some questions where ambiguous or irrelevant and decided to drop them. At other times I noticed the importance of certain variables which I had not included before. One example was the realization that the affiliation of the beneficiaries to either NU or Muhammadiyah could influence their respective funeral patterns. Therefore, I started to inquire on such

affiliations, but only after I had already conducted half of my beneficiary interviews. In case of such latter additions, sample sizes are even smaller than the size of the total sample. What I nonetheless made sure of was that questions were not rephrased because this would have destroyed the consistency and credibility of the response pattern. I either dropped or added questions, but I did not rephrase them.

Next to my questionnaires not being intensively pre-tested and held constant, another element which adds “noise” to the data is the fact that virtually all my surveys were conducted orally. The exact phrasing of the questions varied from session to session. Although I tried to hold the wording as constant as possible, some groups and beneficiaries understood the questions immediately while others needed additional explanations and examples. This deals another blow as orthodox scientific consistency, as much as I had striven for it. I only used written questionnaires on three occasions: (1) short demographic questionnaires at the end of each group questioning or interview (except for the expert component), (2) anonymous written questionnaires for the first half of the loan officer groups, and (3) a simple multiple choice questionnaire with four questions as a part of the ex-post customer component. The filling in of the demographic questionnaire provided few obstacles. Here, the illiterate were helped by other group members. The written questionnaire for the loan officers also worked very well. But the short ex-post multiple-choice questionnaire was a complete failure. Already in the field I noticed that many respondents had difficulties with it although I provided instructions and even accepted that the illiterate were helped by more literate participants. During the data analysis phase I then had to realize that the response patterns for these questionnaires made little apparent sense which is why I decided to not consider them further.

A last realization regarding the intricacies of questionnaire design was the influence that the sequence of questions can take on outcomes. This has been noted by Baker (2000: 35) before. Of course, I had aimed for a coherent and harmonious ordering of questions. For example, I put those questions which I considered most sensitive towards the end. I also introduced some control-questions at various stages of the questionnaire to later check on consistency of response patterns. For the beneficiary interviews for example, I started off with a very general request to the beneficiary to recount his story. This served the purpose of a sensitive, respondent-led entry into a potentially emotional discussion relating to the recent death of a relative. However, only during data analysis did I fully realize how much interviews and group questionings represent a learning process for the respondents in their own right; and that this phenomenon is especially pronounced if the familiarity and comfort level of the respondents with the discussed topic is low. The most tangible example here is probably the observation that three of 19 ex-post customer groups showed a higher acceptance of *Payung Keluarga* when the premium was to increase by 50 percent. Three more groups showed no difference to acceptance level despite the price increase. Investigating this counter-intuitive phenomenon I found that I had asked the initial acceptance question - assuming the standard *Payung Keluarga* premium - at the beginning of the session through anonymous voting. Then, in the course of the session I had explained several aspects of insurance, and only then had I asked for acceptance levels if premiums were to increase by 50 percent, again through anonymous voting. It therefore appears that the appreciation of insurance among respondents had increased during the session based on my information, which in turn induced a heightened tolerance for price increases.

In summary, my questionnaires and their application did certainly not comply with “best practice”. On the positive side they revealed very rich and explanatory information, ironically often evoked by lessons from methodological faults. On the negative side, absolute accuracy and consistency levels as well as sample sizes suffered.

(11) *Measurement error*: The challenges outlined so far make it easy to conclude that measurement error poses a severe problem to my research. This is especially true for the more quantitative elements of the customer component with its heterogeneous mix of ex-post respondents, the mostly oral group questioning technique, and the inquiry into chronically subjective issues such as peace of mind. I have already indicated that in consequence I do not claim data accuracy but only validity and representativeness of the discerned trends. Measurement error is less of a problem in the other components which leads to better data accuracy and better validity. But for these components small sample sizes reduce representativeness. My key mitigation strategy for measurement error in the customer component was the application of the single difference method. Bluntly speaking, if ex-ante and ex-post conditions were equally obstructive, observed changes still preserve their validity. As mentioned, my focus here is more on detecting such changes between samples rather than on ensuring data accuracy for the respective samples. As a tangible example I reprise the example given earlier (in the discussion of neutrality and objectivity) of the measurement of insurance perception where the respective ex-ante and ex-post results may not be objective and true, but any observed change in this time series is nonetheless objective and true, and likely to come close to a reasonable data accuracy as well.

There were two additional challenges to data accuracy, or rather data collection in general, during the customer component: (1) Intra-session fluctuation of participant numbers, and (2) a “one-voice” phenomenon. Intra-session fluctuation refers to the dynamics of the credit groups during the actual execution of the group sessions. These group sessions took place at the home of one of the group members, normally the credit group leader’s home. Usually, there were several bystanders and especially curious children swarming around the location. Several women brought their babies along. Sometimes some members arrived after the session had already started, or had to leave early to attend to some urgent business. Some also left in-between and came back later. Naturally, such a lively and bustling atmosphere is not comparable to an orderly and quiet office atmosphere. This made data collection more difficult. Because respondent numbers varied during the sessions themselves, the sample sizes for various questions were stirred even further, next to the fact that with large groups or especially “noisy” groups I could not do some of the more intricate exercises (such as brand awareness measurement) in the first place. These intra-session dynamics come on top of the inter-session dynamics and fluctuations between the ex-ante and ex-post sessions which I explained earlier. On the positive side, doing research right at people’s places of living heightened their trust and confidence and provided me with an in-depth insight into their living conditions.

The one-voice phenomenon refers to the tendency of the group questioning respondents to answer with a high degree of uniformity to my close-ended questions. Usually, these offered three to five answering choices, such as “yes”, “maybe”, and “no”. To verify the extent of the one-voice phenomenon, I checked on 1,796 individual answers provided by approximately 150 participants in 35 group sessions (ex-ante and ex-post) answering 12 distinct oral questions. These twelve oral questions had no obvious “right” or “wrong” answer choices in order not to bias the analysis results. One example is the ex-ante question if the respondents considered insurance to be generally expensive, mid-price or cheap. It turned out that in 91 percent of all answers, respondents had chosen the majority answer of their group. The probability of respondents choosing a slightly diverging answer, such as a “maybe” when the majority answered “yes”, was only 6 percent. The probability for completely diverging answers, such as a “no” when the majority answer was “yes” was even lower at only 3 percent. In consequence, this indicates how strongly coordinated the given answers were. I cannot tell, however, by how much group leader opinions where decisive here. Generally, a lively debate among respondents preceded the final answering by a show of hands. In light of the one-voice phenomenon it is therefore hard to speak of independent and personal answers in the case of the group component. This adds to my earlier observation that here the unit of analysis was basically the group and not the individual participants. I tried to mitigate the one-voice phenomena by encouraging participants to speak their mind. In addition, I provided small candies as “rewards” for diverging answers (to the delight of the present children). However, the level of diverging answers turned out as low as observed above. As an alternative, for particularly crucial questions such as on product satisfaction, I used anonymous voting questions instead of open oral questions. For example, the participants were given voting cards indicating “I agree/yes”, “maybe/don’t know”, and “I disagree/no”. The women had to put their chosen answer card up-side down on the ground first, upon which I mixed and revealed the cards. This greatly reduced the amount of collective discussion and provided security that the individual answers could not be associated with a particular respondent. However, even the response pattern to such “action questions” still show 79 percent majority answers, 11 percent slightly diverging answers, and 10 percent strongly diverging answers (n=410 answers). It is noteworthy, however, that the one-voice phenomenon did not necessarily lead to positive answers in the sense of “pleasing” the researchers. Measurement error is therefore given, but it does not imply a positive bias. Interestingly, there was a strong positive correlation of r=0.51 between the average education level of the groups and the prevalence of diverging answers; in short, the higher the education the higher the tendency for speaking one’s mind.[39]

Despite these manifold measurement challenges, next to applying a single difference approach for the customer component, there are also other factors which mitigated or even reduced the extent of measurement error, namely (1) usage of intra-component and inter-component control questions (triangulation), (2) the uniformity of research timing, and (3)

[39] Like all correlations throughout this thesis, this correlation refers to the Pearson product-moment correlation coefficient. Nota bene, the Pearson product-moment correlation coefficient only shows the degree of correlation between two variables, but it does not indicate any causality (Akkerboom 2008: 108-109). To establish causality, further (qualitative) analysis is needed.

research execution by a single researcher. Regarding the first factor, the usage of intra-component and inter-component control questions, I have already referred to the use of triangulation between different data sources. Such triangulation does not make measurement at the individual data sources more accurate, but it reduces the negative influence of erroneous measurement on the validity of findings. In addition, I used several intra-component control questions to check on the consistency and consequently the validity of response patterns. For example, in the ex-post customer component, five differently phrased and chronologically dispersed questions dealt with the issue of customer satisfaction. Regarding the second factor, the timing of the customer component, on average ex-ante and ex-post sessions were 12.1 months apart. The shortest time-span was 10.7 months and the longest 14.9 months. Also the "semi-control groups" which were only carried out ex-post took place about one year after the introduction of *Payung Keluarga* at the respective MFIs. The length of "exposure" of the various respondents to *Payung Keluarga* was therefore more or less equal. Regarding the beneficiary component, also here I tried to keep the recall period as uniform as possible: on average beneficiary interviews took place 83 days after death and 55 days after claim payment. However, variance is somewhat wider here. Standard deviation is 26 days. The "fastest" interview took place 12 days after claim payment, the "slowest" interview took place 128 days after claim payment. Lastly, the strongest advantage I can bank on is the fact that all research and data analysis was carried out by one single person. Despite all challenges, this at least ensures consistency in the tackling of such challenges, and promotes a congruent research approach and analysis. It especially prevents the difficulty which larger surveys face that are executed by a team of researchers, analysts and data collectors, namely that despite methodological rigor and carefully pre-tested questionnaires slight differences in research execution, and different ad hoc mitigation strategies to unexpected obstacles in the field tend to accumulate to sizable measurement errors. It is often stressed that the data collection teams of large scale surveys should be well trained and led by experienced researchers, precisely to prevent such accumulation of minuscule divergences into a large scale problem, and I strongly agree to that demand. Ideally, re-checks should be done on a selected number of respondents to verify the degree of data collection quality and measurement error. However, I still hold that even the most careful training, questionnaire design, pre-testing, and re-checking cannot eliminate all measurement error produced by different researchers faced with different respondents and different field conditions.

(12) *Statistical analysis*: Despite a significant number of descriptive statistics and simple calculations, my data analysis does not involve any advanced statistical analysis. At best, I have occasionally tried to test for correlations between certain variables, notably with leaving significance testing aside. Mostly, however, these efforts proved futile due to the small sample sizes involved. The often observed phenomenon that different statistical methods applied to the same dataset can lead to diverging or even opposing results is therefore less likely in the present case (cf. section 3.2.6 and section 3.3.4). The difficulty lay clearly with data cleaning rather than with data analysis.

(13) *Benchmarking*: Because this study only focuses on the complex impact processes of a single product, the usual “apple to peaches” challenge that affects comparative analyses of insurance products and their impacts in different contexts does not apply.

(14) *Low claim frequency*: For the beneficiary component, low claim frequency was a definite concern. As a mitigation strategy, I opted for a relatively large reference period of slightly more than two years (1 September 2006 - 30 September 2008). However, during that time only 64 claims occurred. Due to logistical constraints I only managed to interview 26 of the respective beneficiaries. For a representative analysis of how *Payung Keluarga* affects the post-mortem pattern of bereft Indonesian low-asset families this sample is admittedly too small. On the other hand, the sample is at least large enough so as not to be dismissed as purely anecdotal, especially from a qualitative “thick description” point of view. Once again, the compromise which I am suggesting is to take the resulting findings as “valid by tendency”. The low claim frequency also had an unexpected advantage: None of the ex-ante customer groups I met had experienced a claim themselves. At most 18 percent of the ex-post customer respondents had heard of a claim payment in their area. As claim experience usually increases product satisfaction (Cohen and Young 2007: 222), the low prevalence of such experience ensured that by and large I could assume ex-post customer satisfaction not to be heterogeneously and positively biased through claims.

5.3.4 Research advantages

There were not only many challenges to my research, but also a number of facilitating advantages. First of all, *Payung Keluarga* was absolutely uniformly implemented across all MFI partners. Therefore, I did not need to worry about different “instances” of the product endogenously affecting my research. In addition, *Payung Keluarga*, in the original form which I surveyed, was a particularly simple product. Since the research context was already complex enough, I found it very helpful that at least the development intervention into this context was kept simple. In addition, I perceive my role as observing participant not only as a challenge to research neutrality and research objectivity (cf. section 5.1) but at the same time as a clear chance for gaining more in-depth and enlightening results, or in the words of Geertz, for a thicker description. Schröter (2000) rightly remarks that researchers (of ethnology) and the researched actors and informants all try to influence and construct the outcome of the research, and that instead of artificially trying to uphold the illusion of distance, objectivity and neutrality, a pro-active and involved approach of the researcher can render meaningful, and scientifically relevant results, critical self-reflection and transparency provided. Following Schröter, I therefore hold that my in-depth involvement into the planning and execution of *Payung Keluarga* provided me with insights and in-depth knowledge of the inner workings of the product, and to some extent its context, which third-party researchers, even through a longitudinal approach, may not have noticed; and while claiming this, I am trying to live up to the necessary level of self-reflection and transparency.

Lastly, another advantage was that, as mentioned, by and large insurance was not a sensitive issue for the respondents (cf. section 3.3.3). It was therefore easy to gain access to a considerably number of respondents and to openly discuss the matter with them. In addition, German born scholar Magnis-Suseno, who has decades of research and living experience in Indonesia and moreover referred to similar experiences made by Geertz in the 1950s, assured me that my role as a foreigner may have further promoted the general openness of respondents.[40] According to Magnis-Suseno, and according to many Indonesians I spoke to, Indonesians and Javanese in particular are constantly preoccupied with behaving along accepted social norms in order to avoid making a fool of themselves or their counterparts. Hefner (1998a: 23), and Forshee (2006: 44) also remark this preoccupation with face and etiquette. This constant preoccupation was often associated with the feeling of *malu* (awkwardness, shame). Indonesians try to avoid *malu* situations. When talking to foreigners, many of the deeply internalized social norms do not apply and Indonesians often speak more freely. However, situations where I was truly alone with my respondents were few and far between. So even if being a foreigner really helps in uncovering personal thoughts and preferences of respondents, this advantage is likely to have rather seldom played to my advantage. But even so, the unsensitivity of insurance as a matter of research definitely proved advantageous.

5.4 Critical assessment of research methodology

In many respects, my research methodology may appear unorthodox. Different from the current quantitative-economic mainstream in microfinance research, I take a decidedly holistic and social perspective; I seek to understand the dynamics of impact processes rather than to exactly measure them, and in doing so I take a strongly localized approach. However, my research methodology is also not ethnological in the classical sense of long term residence in remote villages. In fact, I have tried to integrate the demands for representativeness posed by mainstream microfinance research with the strive for a deeper understanding of the underlying complex impact mechanisms of *Payung Keluarga*. In effect, my approach was therefore originally planned as an integration of quantitative and qualitative measures. I had only developed a very rough problem statement and had not clearly operationalized my research hypotheses at the onset of my field work. Time and logistics for preparation and execution of my field work were severely constrained by and also contingent on my parallel work schedule for Allianz. Primarily for reasons of small and heterogeneous samples, lack of control groups, non-randomized respondent selection, and measurement error, eventually I cannot claim accuracy of data. However, what I indeed do claim for my data is a certain degree of representativeness and "validity by tendency". In hindsight, this bestows my methodology with a qualitative-explorative character somewhat removed from the intended integrated approach and even further removed from the "gold-standard experimental design evaluations" favored by World Bank development advocates such as Holzmann and Sipos (2008: 4). Table 10 provides an overview of the challenges, mitigation strategies and advantages related to my field

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[40] Interview with Professor Frans Magnis-Suseno, principal of Driyarkara University, in Jakarta on 26 March 2008.

work. It is not entirely self-explanatory and heavily relies on the previous two sections. Table 10 quickly shows that critically assessed data accuracy and robustness of my research suffered most, while the picture for validity and in part also for representativeness looks better.

Table 10: Research challenges, mitigation strategies and research advantages

#	Research challenge / research advantage	Specifications	Mitigation	Net effect on research
Challenges				
1	Neutrality and objectivity	- double role as "actor" and "researcher" - high emotional attachment to object of research - indirect financing (of working time) by Allianz - perceived by respondents as Allianz employee - presence of MFI staff during research	- no external pressure for legitimization - personal critical stance - independent research approach - transparent display of double role in thesis - trying to position myself as independent researcher to respondents (customers and beneficiaries) - single difference-method applied to level any bias	- negative bias from strong double role mitigation - positive bias from Allianz-association and MFI staff involvement
2	Research bias	- non-randomized selection of respondents - lack of control groups (customers and beneficiaries) - small sample sizes - selection criteria not always followed by MFIs (customers and credit group leaders) - difficulty in reaching all beneficiaries	- respondent selection by defined selection criteria - balanced snow-ball sampling (experts) - single difference approach to level any bias (customers) - ex-post only "semi-control groups" (customers) - "imagined" counterfactual (beneficiaries) - striving for a balanced distribution of claim amounts (beneficiaries) - triangulation of data	- reduced data accuracy - reduced representativeness
3	Poverty and Welfare proxies	- no rigorous econometric evaluation of income and expenditures - no other clearly econometric poverty proxies measured - subjective welfare indicators used (e.g. peace of mind)	- apply expanded asset-capital framework - use loan sizes as proxy for (economic) asset levels - observation of living standard - focus on measurement of change, not absolute start and end values - triangulation of data	- reduced data accuracy
4	Causality and attribution	- non-insured participate in ex-post customer component	- single difference method (customers) - check for possible exogenous factors (customers) - ex-post only "semi-control groups" (customers)	- reduced data accuracy - reduced robustness
5	Fungibility and additionality	- beneficiaries have received high payouts	- short recall period (beneficiary) - "imagined" counterfactual (beneficiary) - analysis of the narrative of the claim stories (beneficiary)	- no effect
6	Effects beyond the unit of analysis	- no specific community related research - wider effects difficult to gauge	- inquiry on community reaction (customers and beneficiaries) - inquiry with loan officers on overall effects	- community wide effects possibly underrepresented
7	Attrition and drop-outs	- extremely high attrition rate of 64% (customer component)	- aim for high ex-ante sample size (customers) - inclusion of new ex-post "drop-ins" (customers)	- reduced data accuracy (but no positive bias) - reduced representativeness
8	Differential impact by poverty level	- could be due to different claim sizes and different asset levels (beneficiaries) - sample sizes too small to establish correlations with asset indicators (customers)	- striving for a balanced distribution of claim amounts (beneficiaries)	- well controlled for beneficiaries - insufficiently controlled for customers

9	Influence and dynamics of exogenous factors	- sample sizes too small to establish correlations (customer component)	- make this key concern of thesis - include a number of control variables (customers and beneficiaries) - check for possible exogenous factors (customers)	- slightly reduced validity
10	Questionnaire design	- ambiguous questions - unnoticed variables and issues - largely oral questioning due to illiteracy - some groups needing more explanation than others (customers) - unrecognized effect of in-session learning experience	- (limited) pre-testing and peer-screening - maintaining constant phrasing of questions in (written) master questionnaire - use same oral wording and same examples as consistently as possible - intra-component control questions - triangulation of data	- reduced data accuracy - slightly reduced consistency - reduced sample sizes (in some cases)
11	Measurement error	- heterogeneous mix of old and new, insured and uninsured respondents (customers) - no immediate insurance status verification possible (customers) - proxy respondents (customers) - fluctuation of respondents during sessions (customers) - noisy environment (customers) - one-voice phenomenon (customers) - oral questioning - subjective welfare indicators used (e.g. peace of mind)	- single difference method (customers) - separate insured from non-insured through data analysis (customers) - ex-post only "semi-control groups" (customers) - consistent time span between ex-ante and ex-post sessions (customers) - use voting/action questions against one-voice phenomenon (customers) - use candies to incentivize diverging answers (customers) - consistent recall period (beneficiaries) - research execution by a single researcher	- reduced data accuracy (but not necessarily with positive bias) - reduced robustness
12	Statistical analysis	- small sample sizes - insufficient data accuracy	- stick to descriptive statistics - refrain from elaborate statistical analyses	- no effect
13	Benchmarking	- *not applicable*		- no effect
14	Low claim frequency	- few death claims (beneficiaries)	- longitudinal research	- reduced representativeness (for beneficiary component)
15	Research experience & external review[1]	- lack of previous personal research experience - scarcity of proven methodologies for microinsurance impact research	- do (limited) methodological peer discussion and pre-testing	- reduced robustness
16	Time pressure[1]	- precedence of business over research - limited time for research preparation and execution	- adapt methodology to be able to be carried out "on the job"	- reduced robustness - reduced consistency
Advantages				
1	Uniformity of product	- same product configuration across all MFI partners		- increased robustness - increased validity
2	Simplicity of product			- increased robustness - increased validity
3	Research topic not sensitive	- insurance topic was not perceived as "dangerous" or as a "taboo" by respondents		- increased data accuracy
4	Broad insider knowledge	- researcher brings in-depth knowledge of the researched subject to the research		- increased validity

[1] This challenge was not listed separately in the relevant sections (3.2.6; 3.3.4; 5.3.3) but instead included in the explanation of other research challenges or the general discussion.

Of the six distinct research components which I employed, the customer component proved to be the most difficult, not the least because of the single difference approach and the group questioning technique that I employed here. Instead of using group questioning, individual customer interviews would have probably rendered less "noisy" results, and this benefit would have outweighed the corresponding smaller sample sizes. Yet, I have described the related challenges at some length as an example of "lessons learned the hard way", even at the risk of somewhat discrediting my overall research methodology. However, the customer component was only one of six research components. Execution of the other five components ran much smoother. In particular the data which I obtained from the beneficiary component are at least as important for my overall analysis as those from the customer component. Moreover, the triangulation of data obtained from the various sources combined with my insight knowledge of the *Payung Keluarga* project increases overall validity of findings. Representativeness and validity, however, only relates to the microinsured *Payung Keluarga* customers, in other words N = 71,899 insured microcredits during the reference period, and here especially to those petty trading Muslim *ibu-ibu* in urban and semi-urban areas around Jakarta. My findings are not representative for low-asset customers in Indonesia in general. They are also not representative for other microinsurance products, although I hold that many of my observations are not confined to *Payung Keluarga* alone. I also hold that the difficulties and upheavals I faced in my field research are not unique to my own personal experience. I again wonder whether even so-called "gold standard" surveys are not beset by similar problems to some extent.

By disclaiming my data as "valid by tendency", the question arises whether to use any precise percentage figures at all in the presentation of my findings, knowing that these figures do not represent full objective accuracy, if this is possible in the first place. However, I have decided to do so nonetheless because I still hold the figures to be more informative and tangible than fuzzy classifiers such as "few", "some" or "many". Moreover, I hope to have sufficiently provided for transparency in the research process to enable the reader to make an informed personal assessment of my findings' validity. I have also striven to present my research as sufficiently neutral as not to be positively biased. It may even be somewhat negatively biased.

Despite all methodological intricacies, I have to return to Geertz' observation that he only started to make sense of the collected data during the data analysis phase, often by applying (and modifying) concepts developed by other scholars which fit the picture emerging from data and which enabled him to understand what was actually going on. The one major point which finally convinced me of the "utility" of my own data was the realization how well the concepts of embeddedness, moral economy, reciprocity, the traders' dilemma and the expanded asset-capital approach fit my own data. This good match, achieved after I had "discovered" these concepts during the data analysis phase, verifies the value and depth of both these concepts and my data; much more so than if I had approached my field research "with well-formed ideas we carry off to distant places to check out by means of carefully codified procedures systematically applied", to reprise the words of Geertz (2000: v).

6 KEY DATA FROM THE FIELD

The previous chapter has concluded the preparatory discussion of theory, context and methodology. This chapter in turn serves as a build-up for the presentation of my research findings in the following chapter. It presents key data from the field. First of all, table 11 presents ex-ante customer component data on the risk perceptions of the prospective customers and their respective risk management methods (“What are your major daily worries and how do you deal with them?”). Second, table 12 displays the accumulated usage of the additional *Payung Keluarga* payouts by the 24 interviewed Muslim beneficiaries (“What did you do with the insurance money?”). After the two tables, the narrative of four exemplary claim stories is provided as recorded during the beneficiary interviews.

This presentation of evidence from the field is decidedly descriptive. One purpose of this exercise is to lay open the most important raw data as unbiased as possible. Of course, even raw descriptive accounts already contain interpretation. They do not represent natural facts. And their selection is clearly non-randomized and in fact heavily biased. I have selected them (and ignored others) to serve as examples for certain points I want to highlight in the following discussion. Nonetheless, it should become apparent how little can be gained from the data without an explicit contextualized interpretation. This serves as a case in point for the second purpose of this exercise, namely to tangibly underline how important a detailed qualitative analysis is for a comprehensive understanding of the impact processes of microinsurance.

6.1 Key tables: Risk perception, risk management and payout usage

Column (C) of table 11 shows a weighted ranking of perceived risks in the respondents’ lives. This ranking was derived by first asking the participants of the ex-ante group questionings to give examples of major daily worries. These worries were therefore not pre-set, and the collected ideas consequently differed by group. The collected ideas were written on cards which were put on the ground. Participants were then asked to simultaneously rank their top three risks by attaching post-it notes numbered “1”, “2”, and “3” to the respective cards. In the following weighing process each top-1 ranking was assigned three points, each top-2 ranking two points, and each top-3 ranking three points. Column (C) therefore displays the accumulated points for each risk that was named by participants at least once. Column (D) displays how often these risks had actually happened to the respondents. Sample size is only n=63 because this was an open-ended qualitative question. The majority of respondents did not share their experiences, mostly because I could not take the time to ask every participant individually. Columns (E) and (F) show coping measures which the respondents had applied, roughly separated into high stress and low stress measures. Again, not all those who had recounted their experiences shared information on how they dealt with them, which further reduces sample size here. Notably, the recall period for columns (D), (E), and (F) was open-ended.

Table 11: Risk perception and risk management among ex-ante customer component participants

A	B	C	D	E	F
#	Risk	Risk ranking by points (n=174 respondents)	Observed frequency (n=63 respondents)	Applied coping - High Stress (observed frequency)	Applied coping - Low Stress (observed frequency)
1	Educational expenses	248	6	Asset sale (5)	Family assistance (1) Pawnshop (1)
2	Severe illness	230	28	Asset sale (3)	Family assistance (10) Savings (7) Free treatment (4) Family ROSCA (*arisan*) (1) Community assistance (1)
3	Expensive social obligations	62	2	Asset sale (2)	
4	Death (of family member)	56[1]	17		Family assistance (6) Office loan (1) Family ROSCA (*arisan*) (1) Community assistance (1)
	Death (of spouse)		6	Asset sale (1) Moneylender (1)	
5	Transportation accident	42	5		
6	Bankruptcy	32	0		
7	Draught	22	5	Asset sale (5)	Overdue credit (5)
8	Old age	21	0		
9	Natural disaster (flood, earthquake)	16	11	Asset sale (10) Moneylender (1)	
10	Fire	6	11	Asset sale (10) Moneylender (1)	
11	Theft	4	2		Family assistance (1)
12	Lay-off	0	0		

[1] During risk perception measurement, no difference was made between death of spouse and death of other family members. This difference only became salient during the risk management assessment.

Table 12: Accumulated payout usage of 24 Muslim *Payung Keluarga* beneficiaries

		US$		Frequency	
Rank by US$	Usage	US$	%	#	%
1	Funeral ceremonies (*slametan* etc.)	2,950	37%	18	37%
2	Paying off other debt	1,630	21%	6	12%
3	Business investment	1,110	14%	6	12%
4	Savings / remaining money	900	11%	8	16%
5	Medical costs	420	5%	1	2%
6	Education	360	5%	5	10%
7	Charity (*amal*)	300	4%	1	2%
8	Others	150	2%	2	4%
9	Living expenses	80	1%	1	2%
10	Distributing to other family members	40	1%	1	2%
Total		7,940	100%	49	100%

The information compiled in table 12 was derived by first asking the beneficiaries to recount their claim story. Later, I asked what the payout money had been used for, but without insisting on definite amounts. Only in a third question did I ask the beneficiaries to name the specific amounts dedicated to the respective usages. These three distinct questions served (among other purposes) to check the consistency of the beneficiaries' accounts, which was generally very good. Here, it was clearly advantageous that the recall period was relatively short. Because the two additional Christian claims which I surveyed show a decidedly different usage pattern from these 24 Muslim claims, and because by themselves they only make for anecdotal evidence, I exclude them from table 12 and the further discussion. However, I am sure that because of the generally strong influence of religion on the behavior of Indonesians, usage patterns would differ greatly if larger samples of Muslim and Non-Muslim beneficiaries could be compared.

6.2 Four exemplary claims

6.2.1 Claim 1: Ibu Zakiyah

In October 2007, in East Jakarta 29-year old Zakiyah (see photo 50 on page 285) receives a *Payung Keluarga* payout of US$ 210, because her mother had died 29 days before. Zakiyah's mother had taken out an automatically insured microcredit of US$ 105 from a local MFI partner of Allianz in order to invest the funds into her small doughnut selling business. Zakiyah's mother had suffered from diabetes. Eventually, the family couldn't afford the necessary insulin rations any longer. Zakiyah's mother died from the ensuing health complications. The appointed beneficiary is actually Zakiyah's father but because Zakiyah is generally handling family finances, he leaves her in charge of the insurance funds. First of all, Zakiyah uses US$ 52 of the insurance funds for the funeral ceremonies of her mother, especially for the various *slametan* feasts held after death. Her neighbors, relatives and friends contribute an additional US$ 126 to these funeral ceremonies. From the remaining insurance funds, Zakiyah invests US$ 142 into her own small textile selling business. At the time of my visit, Zakiyah still keeps US$ 16 as emergency savings for a rainy day. Zakiyah says that it is perfectly legitimate to invest the larger part of the payouts into her business. After all, she has to support a family of seven who share her small home. Moreover, she still has to pay for the education of her youngest brother. Zakiyah reports that now, after she has acquired a better stock of textiles from the insurance funds, she makes US$ 6.30 on an average day. Before, it was only US$ 2.10. In effect, she has tripled her income. Zakiyah says that in combination with the income provided by her father, who works as a parking lot guard, and the occasional jobs of her siblings, the family is getting by well. Zakiyah asserts that the family has even more money at hand now than when her mother was still contributing to the family income. Zakiyah also notes that her home was flooded up to the roof during the severe flooding of February 2007. However, after a quick clean-up life continued as usual. Apart from income lost due to business interruption, no major assets were lost.

6.2.2 Claim 2: Haji Mustani

Haji Mustani (58) and his wife, Ibu Rohani (52) and some of their five children live in a two-storied, relatively spacious and well-furnished home in the city of Tangerang. The house is conveniently located on a busy road. Its front yard hosts the garage business which is mostly run by Haji Mustani. His children occasionally help out as well. In addition, Haji Mustani has a side job as a driver. Sometimes, Ibu Rohani helps with the administration of the garage business, but she mainly works as a freelance aerobics trainer.

In February 2008, Ibu Rohani falls sick and is diagnosed of cancer. Through his good connections Haji Mustani manages to obtain a GAKIN letter within a day, but the designated public cancer hospital has no appropriate third class rooms available for which the GAKIN letter would provide free coverage of room and board. Ibu Rohani therefore has to return home where she dies a few days later. Until then, medical costs have run up to US$ 631. To cover these expenses, Haji Mustani draws down some of his savings, receives considerable contributions from his children and also uses the funds that visiting friends and relatives had donated before death. On her death bed, Ibu Rohani asks her husband to take care of the outstanding debt from a US$ 420 loan she had taken from a local MFI partner of Allianz. She does not know or has forgotten that her loan was credit life insured. Haji Mustani is therefore surprised when 15 days after his wife's death he receives an insurance payout of US$ 840 and learns that the outstanding debt of his wife of a remaining US$ 158 has been paid by the insurance. At the time of claim payment, Haji Mustani has already collected US$ 368 in post-mortem contributions (*sumbangan*) and has spent US$ 494 on the funeral ceremonies and *slametan* of the first seven days. Haji Mustani covers the shortfall between *sumbangan* and funeral spending by again drawing down more of his savings and asking his friends for additional support. Now, with the claim payment, his friends urge him to spend more on the further *slametan* than Haji Mustani has originally intended. He describes the situation as follows:

> Of course I wanted to do a proper funeral for my wife, including the 40-day *slametan* as it is prescribed by local tradition. I received lots of donations which were enough for the [festivities of the, M.H.] first seven days. For the 40-day *slametan* I didn't want to spend as much as I actually did. My friends came and pressed me to spend even more, and so I spent more, but not as much as they recommended. . . . Yes, the pressure to spend a lot on the *slametan* is increasing. When I first moved to this area the situation was different. (Interview with Haji Mustani on 12 May 2008)

Eventually, Haji Mustani spends US$ 262 of the insurance funds on the 40th day *slametan* for his wife, which increases his total funeral costs until this date to US$ 756. He uses US$ 420 of the remaining insurance funds to open a food stall (*warung*) in front of his home (see photo 52 on page 286). The *warung* is run by one of his previously unemployed sons and earns a discretionary profit of around US$ 1 to US$ 2 on an average day. Haji Mustani saves this extra money with a trustworthy neighbor. At the time of our interview, Haji Mustani still holds US$ 158 from the insurance payout. He plans to spend this money on the 100th day *slametan* of his wife. He says that by the time of the *slametan* for the first and second anniversary, he will probably have to rely on his own resources again, and those of his friends. The same holds true for the very last *slametan*, which is held 1000 days after death.

When I ask him where the huge insurance payout of US$ 840 was originating from as his wife has only paid US$ 2.52 in premium, Haji Mustani has no idea at first. Then he laughingly says: “Maybe from Allah the Almighty.”

6.2.3 Claim 3: Pak Wahyu[41]

After the birth of her second child in 2006, Ibu Djunah (29) is diagnosed with diabetes. She lives with her husband, her two children, her grandmother, her brother-in-law and other relatives in a small home in a *kampung* in Central Jakarta. Every time her husband, Pak Wahyu (35), receives his monthly salary as an office boy, he passes around US$ 63 to his wife to finance all domestic affairs. Ibu Djunah uses part of this money to buy insulin. She also uses part of her own income from a small textile selling business to finance medication. Unfortunately, every month the insulin rations only last for about two to three weeks. In July 2008, Ibu Rahyu falls seriously ill and dies one day after being admitted to hospital, supposedly due to diabetic complications. In my interview, Pak Wahyu states that he does not know how much his wife used to spend on medication. He also does not know how much money his wife made from her textile business. He said that this was entirely her concern. Pak Wahyu also states that through his formal employment, his wife was co-insured with the public social insurance company JAMSOSTEK. Therefore, the insulin rations may have been subsidized or even provided for free. But the couple never investigated this option. However, due to his JAMSOSTEK coverage, Pak Wahyu did not need to pay for his wife’s second birth, and also not for her last hospital treatment, except for US$ 52 in administration fees and for medication. Pak Wahyu does not know whether JAMSOSTEK may eventually provide a death benefit as well.

After the death of his wife, Pak Wahyu receives US$ 84 as *sumbangan* from the *kampung* community. Because of his wife’s US$ 105 microcredit from a local MFI partner of Allianz, Pak Wahyu also receives a US$ 210 claim payout for *Payung Keluarga*. In total, he spends US$ 294 on all funeral activities up to the 40th day *slametan*. Next to the *sumbangan* and a further US$ 105 taken from the insurance funds, he covers the remaining balance through financial support from his closest relatives. He says that without the insurance payout, his family would have been happy to provide more support in order to guarantee the decent and proper execution of the necessary *slametan*. He also states that the provided family contributions are clearly marked as gifts. He will not have to repay them later on. At the time of our interview, Pak Wahyu therefore still holds US$ 105 from the insurance funds. He has already earmarked half of these remaining funds for the 100th day *slametan*. He plans to keep the other half as emergency savings.

[41] As this beneficiary did not give permission for publishing his claim story, I have changed his name and that of his wife.

6.2.4 Claim 4: Lulu Setiawan

In April 2008, 23-year old Lulu Setiawan (see photo 21 on page 278), a recently married but still childless factory worker who still lives with his parents in a suburb of Jakarta, receives a payout of US$ 631 from the *Payung Keluarga* insurance of his mother. The mother has died of breast cancer 15 days earlier. She was insured because she had taken out a loan from a local MFI partner of Allianz in order to invest it in her own catering service. According to Lulu, this catering service mainly served as a past time because the income of his father was much higher and sufficient to maintain the entire family. First of all, Lulu uses US$ 50 of the payout to repay debts which his mother had with a number of acquaintances. Then he uses US$ 284 for the funeral ceremonies of his mother to which his neighbors also contribute an additional US$ 105. Lulu states very clearly that without the insurance, he would have had to ask his friends and relatives for help. But in any case he would not have spent as much as now, with the insurance. Moreover, he would have repaid the outstanding debts of his mother in small installments. Lulu plans to donate the remaining insurance funds of US$ 287 as charity (*amal*). Lulu considers it inappropriate to keep this money a savings, or to invest it in some business, or to use it for the needs of his own recently established family. He declares that the insurance funds belong to his mother and should be used for her good, not for the good of the living. He also states that he is not sure where the insurance money is stemming from, whether it is "good money" (*uang jelas*) or "bad money" (*uang kurang jelas*). Lulu therefore considers a donation as the safest option that would benefit his mother in the afterlife.

7 FINDINGS AND DISCUSSION

If we consider the theoretical, developmental and broad practical embedding provided by the first chapters and the uncommented field evidence presented in the previous chapter, then a tension should have been created, an unresolved confrontation between “tools” and “subject” and this final discussion will aim to resolve this tension. It is the center piece of the thesis. First, I will discuss the profile of the customers in more detail, as well as their risk perception and risk management strategies. This will allow for a contextualized interpretation of the risk perceptions and risk management strategies depicted in table 11. Furthermore, I will analyze the impact of *Payung Keluarga* on customers. From there, the focus shifts to the beneficiaries and the interpretation of why a payout usage pattern as observed in table 12 has emerged. In this context, the *slametan* feast and its changing pattern in contemporary Indonesia play a crucial analytical and exemplifying role. During the discussion, a substantial amount of empirical data from my field research is presented. In order to further underline and validate my findings, I also make frequent reference to related works, as well as to the thoughts and facts presented in the preceding chapters, especially to the theoretical concepts outlined in chapter 2.

7.1 Customer profile

Some profiling information on *Payung Keluarga* customers has already been provided above, particularly in the discussion why the insured women seldom “make it big” (cf. section 3.2.7). This section reprises and further completes this picture. Table 13 presents key socio-demographic and insurance information of the entire *Payung Keluarga* “population” (N) represented by the 71,889 insured loans during the reference period. This is matched with data from the surveyed customers and beneficiaries. This comparison allows for an assessment of how well the surveyed customers, and to a certain extent the surveyed beneficiaries, are representative for the “normal” *Payung Keluarga* customer. Here, data accuracy is reasonably good because it is largely based on the quality controlled *Payung Keluarga* customer database (for N), and on the written demographic questionnaires used in the customer and beneficiary components.

Looking at table 13, in terms of living surroundings the customer component matches the distribution of all customers (N) fairly closely. In fact, the high proportion of urban and semi-urban customers reflects the rapid urbanization trend of the general Indonesian population (cf. table 4 in section 4.1). The surveyed beneficiaries, on the other hand, are overly concentrated in urban areas because most of them stem from DIMAN, the largest of the seven MFI partners which operates in urban and semi-urban areas around Jakarta, and which moreover has the longest time of program participation, and consequently more claims than other institutions.

Table 13: Socio-demographic and insurance information of customers and research participants

	All insured (N)	Customer component[1]	Muslim beneficiaries
Cases	71,889	313	24
Living surroundings	urban 43% semi-urban 42% rural 15%	urban 49% semi-urban 37% rural 14%	urban 62% semi-urban 38% rural 0%
Female ratio	89%	83%	25%
Average age	39.30[2]	38.73	40.67
Marital status	-	single 5% married 86% widowed/divorced 9%	single 13% married[3] 83% widowed/divorced 4%
Religion	Muslim 83% Protestant 10% Catholic 5% Hindu 2%	Muslim 55% Protestant 25% Catholic 8% Hindu 12%	Muslim 100%
Avg. years of schooling	-	8.94	9.05
Estimated illiteracy rate	-	10%	0%
Employment status	-	informal 98% semi-formal 0% formal 2%	informal 38% semi-formal 38% formal 24%
Principal occupations	-	trading 50% farming 17% housewife 15%	trading 29% office boy 8% construction worker 8% taxi driver 8%
Estimated avg. income (US$/month)	100	125	150
Payung Keluarga coverage ratio (ex-post only)	100%	80%	-
Average loan (US$)	134.75	177.60[4]	-
Average loan length (months)	5.68	8.30[4]	-
Average premium (US$)	0.92	1.33[4]	-

[1] Ex-ante (n=174) and ex-post participants (n=139) are summed up together. 62 repeat participants are therefore counted twice. This procedure recognizes a sizeable number of intermediate changes e.g. on age or occupation.
[2] Age at loan disbursement. Note that the date of birth of MFI customers is often inaccurate.
[3] Includes spouse beneficiaries who became widowed because of a claim.
[4] Last loans of those ex-post participants who had taken a loan since the ex-ante survey.

For the female ratio, matching between N and the surveyed customers is good. Regarding the beneficiaries it has already been mentioned that due to the high ratio of female insured, beneficiaries were predominately male (husbands). Average age is very similar in all three categories. Although precise marital status data on N is missing, also here all three categories can be assumed to match well. After all, 80 percent of *Payung Keluarga* customers (n=17,019) chose their spouse as beneficiary, which means that minimum 80 percent of them were married (see table 25 in section 7.6). Regarding religion, the discrepancy between customer component and N is rather wide. I surveyed a larger portion of Protestant and Hindu customers than would be justified based on N, while the portion of surveyed Muslim respondents (55%) is much lower than in N (83%). The reason for this discrepancy are my research stints in Bali, Sumba and West-Timor where Hinduism and Christianity are more widespread than on Java, but where only a relatively small portion of the insured was actually located. The clear majority of insured reside in the area around Jakarta. However, I do not hold this religious “misrepresentation" to significantly influence my overall analysis because most of my other components, especially the beneficiary component, put a counterbalancing emphasis on overwhelmingly Muslim Java. For example, 100 percent of my relevant beneficiary sample was Muslim. Here, it is important to note that the dominant affiliation of Muslim insured and beneficiaries was with NU rather than with the modernist Muhammadiyah. Discerning such affiliation, however, is not always easy. Some decades ago, the confrontation between NU leaning "traditionalists" and Muhammadiyah leaning "modernists" was creating severe social upheaval, as Geertz vividly reports from the 1950s (Geertz 2000: 153-169). Nowadays, Indonesian Muslims are often reluctant to reveal their respective affiliation in order to preserve social harmony and avert the drawing of dividing lines. However, when I asked the Muslim customers, credit group leaders and beneficiaries what the dominant affiliation in their area was, the unanimous answer was always NU. Directly asked, eight beneficiaries admitted their NU affiliation. None declared to be close to Muhammadiyah. Three stated to be neutral. One neutral beneficiary was saying: "*Yang penting Muslim*" ("What is important is being Muslim"). Except among the expert component I was not able to find one single declared Muhammadiyah follower among all my respondents. The fact that all Muslim beneficiaries were performing the traditional *slametan*, which is of pre-Islamic origin and therefore denounced as un-Islamic by Muhammadiyah followers (cf. Geertz 1960: 139; cf. Van Bruinessen 1996: 170-171; Forschee 2006: 37, 38), further indicates the strong dominance of an NU coded "frame of reference" among the Muslim insured.

Regarding education, average years of schooling are about the same for surveyed customers (8.94) and beneficiaries (9.05), but the variance among customers was larger with at least 10 percent illiteracy levels. I gauged illiteracy from the number of respondents who needed help with filling the demographic questionnaire. Yet, not all other respondents were automatically perfectly literate. A wide spectrum from almost illiterate to perfectly literate could be observed. Understandably, comprehension of demanding texts like loan contracts or insurance policy wordings was beyond the capacity of the majority of customers. Their daily lives did not require and train such skills. Very telling are the differences in employment status between surveyed insured and beneficiaries. While the overwhelming majority of insured is active in the informal sector (98%), only 38 percent of beneficiaries can be associated to this sector. Semi-formal and formal employment was much more dominant among beneficiaries. While informal work means work without any kind of working contract and institutional attachment, semi-formal work refers to work without a fixed employment status but with attachment to a larger company or organization, such as taxi-drivers leasing their taxis from a large taxi cooperative. Formal employment refers to employment under a formal employment contract. Visibly, the majority of insured women (and men) worked as petty traders, which is not surprising regarding the focus of the MFI partners. The portion of farmers (17%) is likely overrepresented compared to N due to relatively large group questionings with male farmers which I held in Bali and Sumba. Interesting is the high portion of housewives (15%) among the surveyed customers. Among female respondents alone, the portion increases to 16 percent. As mentioned above (cf. section 3.2.7), this may have to do with (1) the women simply regarding their domestic responsibility as their main occupation while regarding their petty business as a side activity, or with (2) the women passing on the loans to their husbands.

With respect to income, I can only make a rough guess. For the average insured I assume a monthly income of around US$ 100. This is congruent with estimates or empirical data from other sources on the same clientele (Heydel et al. 2009: x; MBK Ventura 2009: 19). Because the average loan sizes of the surveyed customers were significantly higher than average (which is mostly due to the higher loan levels in Bali and Eastern Indonesia), I also hold their average monthly incomes to be slightly higher at US$ 125. Beneficiaries were clearly earning more than the insured at around US$ 150. This can be at least partly explained by the higher formalization of their employment status. It should still be noted that although these income figures suggest a certain degree of income stability, incomes among the insured customers are exposed to a high degree of volatility. Volatility is highest among farmers, but also occurs with petty traders.

Turning to the issues of migration and family structure, as noted the rapid urbanization of the Indonesian population in general is reflected by the insured MFI customers, many of whom are migrants or children of migrants When I asked MFI customers during the ex-ante customer component whether they would define themselves as being from "this area" or as originating from a different area, overall 53 percent asserted a migratory background (n=172) (table 14).

Table 14: Migration among ex-ante customer component participants

Question: Are you from this area? (n=172)				
Living surroundings	Migrants		Non-Migrants	
	#	%	#	%
Urban	73	87%	11	13%
Semi-urban	18	29%	44	71%
Rural	0	0%	26	100%
Total	91	53%	81	47%

Among urban respondents, the migratory rate was as high as 87 percent, while it was considerably lower in semi-urban areas (29 percent). Rural areas saw no influx of migrants. Most migrants still had relatives living at their place of origin, or had family members who had migrated to other areas. Especially among the urban migrants, inter-ethnic marriages were common, which through the addition of the often equally dispersed in-laws further expands the family network. Some respondents described their ethnic background as *campur-campur* (all mixed). For the surveyed customers and beneficiaries in Jakarta, which form the clear majority of all surveyed respondents, I therefore cannot depict them as clearly belonging to a Betawi, Javanese or Sundanese cultural sphere. I rather prefer to neutrally speak of low-asset urban Indonesians.

If ethnic and spatial family delineation is difficult for the surveyed customers, a related challenge is the investigation of familial power distributions and family structure. The emic understanding of family is flexibly scoped to include spouse, children, grand-parents, in-laws, closer and more distant relatives, and even neighbors and friends. Quite a number of informal family rearrangements seem to be common, such as informal adoptions or the “passing on” of children to childless siblings. The phenomenon of proxy respondents in my field research shows that even the social boundary between the individual and the family are fluent. It is perfectly acceptable for a sibling or a spouse to take on the role of the respective individual in certain circumstances. Quite a number of authors writing on Indonesia have noted this fluidity of family structure (Alexander 1998: 215; Lont 2000: 162, 165; Witoelar 2005: 21; Newberry 2007: 1314; Ford and Parker 2008: 4). It is this fluidity which lets me speak of (extended) families instead of the more econometric term of household (cf. chapter 1). Nonetheless, there seems to be a clear trend of an increased focus on the nuclear family whose size is moreover shrinking. This effect is especially pronounced among the middle class, where “Indonesia’s ‘Great Transformation’” generally seems to be advancing fastest, but it is certainly also discernable among low-asset families (Alexander 1998: 214; Koning 2006: 30; Setiadi 2006: 374). While some of the elder surveyed women still reported to have as many as 13 children, among the younger women below their forties, four children were already considered plenty.

Within the nuclear family, formally speaking the father is the undisputed head of the family (*kepala keluarga*). He represents the family in public and in formal affairs, and he is expected to be the main breadwinner (cf. Setiadi 2006: 374). As noted above (cf. section 3.2.7), 81 percent of married women in the ex-ante customer component declared that their husband was earning more than them (n=111), although this high figure may have to be discounted for an “expected answer” bias (cf. Lont 2000: 162). Among the generally more outspoken married female group leaders, the ratio of male main breadwinners was still 67 percent (n=24). However, group leaders can be considered especially successful with their businesses, which may close the income gap to their husbands. In any case, on average men are doubtlessly earning considerably more than their wives. The key role of women is rather related to the domestic sphere, the maintenance of the social network within the *kampung* and also the financial management of the family, where some petty trading commercial activity to gain supportive income is perfectly acceptable or even necessary, at least among very low-asset families (Papanek and Schwede 1988; Setiadi 2006: 374; Newberry 2007: 1315). Despite the strong financial and public role of the husband, power differentials among Indonesian families are not clear cut. Alexander (1998: 212) notes the absence of clearly demarcated lines of power and the emphasis on individual autonomy. She adds that moreover gender differences are not strongly marked, and that power is not identified with economic control. It has already been noted that generally in low-asset families it is the women who manage family finances (cf. section 3.2.7), although Lont (2000: 163) remarks that the family budget in fact consist of several budgets such as a budget for shopping money as well as separate accounts for wife, husband and children. He adds that especially in decisions on major expenditures the husband has an important say as well. Magnis-Suseno on the other hand contends that it is clearly the women who hold executive power, at least in Javanese families, while husbands are confined or confine themselves to public representative duties.[42] When I asked the credit group leaders

[42] Interview with Professor Frans Magnis-Suseno, principal of Driyarkara University, in Jakarta on 26 March 2008.

who was responsible for taking financial decisions in their families the unanimous answer was that it was them. Some, but certainly not all, noted that in certain cases they would consult their husband. The narratives of sample claim 1 and sample claim 3 provide additional evidence that women are responsible for at least a good deal of money management and moreover often keep their own income to themselves. In short, my empirical evidence supports most authors' claims of a very high level of financial decision making power of women among the insured customers. In addition, in line with findings from Papanek and Schwede (1988: 88), the credit group leaders and loan officers generally considered the husbands as supportive of their wives income seeking activities, provided that their domestic duties were not neglected. It should be restated, however, that both husband and wife need to agree to the loan application. This presupposes a supportive attitude by the husband and eliminates those cases where husbands might be less supportive. Both, credit group leaders and loan officers, stated that in the majority of cases it would not lead to tensions if the wife was earning more than the husband. Yet, some credit group leaders were quick to add that the formal position of the husband as the head of the family needed to be respected at all times. Thus, as often in Indonesian society, with regards to familial power distribution, outward appearance and inner workings are markedly different.

It has already been noted that despite the wide and fluid family conception, the lack of clear lines of authority and an emphasis on individual autonomy hinders the women to appropriate familial labor "for free" for their micro-businesses (cf. section 3.2.7). Yet, in times of crisis the ability of families to mobilize astonishing resources from their social network has struck me time and time again. As Setiadi (2006: 375) notes, in times of crisis the extended family and especially the closer kin are expected to assist in kind and money. This obligation is stronger the closer the degree of relation and spatial proximity. These kinship liabilities extend well beyond the usual life cycle events such as birth, marriage, and death, although here they are most institutionalized. They also include shocks like illness, natural disaster and even social threats like the non-payment of debt of other family members which are ultimately considered as a collective family responsibility (Haar 1948: 136; Setiadi 2006: 375). A good empirical example for the resourcefulness of low-asset families in times of need are the severe medical costs that frequently preceded *Payung Keluarga* claims. 15 of the 24 Muslim death claims (63%) occurred after preceding costly medical treatment of minimum US$ 105. In only five of these 15 expensive cases did social protection provide some cost coverage (1x ASKESKIN, 3x GAKIN, 1x JAMSOSTEK), for example in the case of claim 3 where JAMSOSTEK covered most hospital costs for Pak Wahyu's wife. In only one of these latter five cases all costs were covered by social protection. On average, the families of the 15 expensive medical cases still had to cover US$ 649 by themselves. The medical costs preceding death were therefore significantly higher than the average funeral costs of US$ 375. For example, Haji Mustani of sample claim 2 had to mobilize US$ 631 for his wife's medical treatment from his savings, family and friends. Unfortunately, as in Haji Mustani's case, even the mobilization of significant funds was sometimes not enough to cover all required medical treatment. Eventually, Haji Mustani could not afford to put his wife in a first class hospital room which would have been the only class available, and had to take her home to die. In three more of the surveyed claim cases, fund mobilization either took too long or was not attempted at all (out of fear of prohibitively high treatment costs) which greatly diminished survival chances for the insured. Again, my point here is that the resource mobilization capacity of low-asset families through their social network should not be underestimated. On the other hand, it is not always sufficient to meet the financial needs at hand. In a quantitative panel study of private health financing in Indonesia, Gertler and Gruber (2002: 67) reach similar conclusions.

In many ways, the spatial extension of family networks through migration and inter-ethnic marriages has positive influences on the resource raising capacity of families in times of need. Witoelar (2005: 2), and Hüsken and Koning (2006: 19) both voice the hypothesis that remittances and emergency transfer from remote family members may assist Indonesian families in managing shocks. And indeed, of those ex-ante customer respondents who reported to have family members living far away (n=78), 72 percent stated that they could expect emergency assistance from these kin (see table 15). Regular remittances, on the other hand, were much fewer in number. Only eight percent of those with remote family members stated to receive regular remittances, while on the other hand eleven percent stated to be sending regular remittances to their distant relatives. The latter was especially prevalent among Muslim respondents in Bali who had migrated from Central and East Java and whose asset situation was apparently better than that of their remote kin. Surprisingly, despite the large number of Indonesian overseas workers, I found no examples of family members having gone abroad among the customer component and Muslim beneficiaries.

Table 15: Remittances among ex-ante customer component participants

	#	% of respondents with far away relatives (more than half day travel) (n=78)	% of total respondents (n=158)
Receiving regular remittances	6	8%	4%
Sending regular remittances	18	23%	11%
Expecting emergency remittances	56	72%	35%

Access to emergency remittances certainly helps to balance the observed loosening and more exclusivist character of communal mutual assistance networks, especially in those rural areas which the migrants have left (cf. Miguel et al. 2002; cf. Hüsken and Koning 2006; cf. Koning 2006). As migration geographically spreads accessible resources, it improves the protection against covariant shocks, something where communal mutual assistance networks have been noted to have their weak spot (cf. section 3.3.3). In addition, migration and the resulting urban-rural dependencies further undermine the image of the autonomous rural village community which a number of authors have rightly identified as outdated, if such autonomy ever existed in the first place (Geertz 1962: 245; Koning 2006: 39; Newberry 2007: 1303).

One question closely related to the resourcefulness of their social network is the question whether the microinsured customers can be considered low-asset or ‘poor’. I have already outlined that the conception of poverty is socially constructed and context related (cf. section

2.1). I have also outlined that poverty is multidimensional, multi-asset, and that I did not do an absolute and holistic poverty assessment. My approach is rather to measure relative changes in certain types of assets and thereby induce the social impact of microinsurance. Despite this somewhat blurry and relative approach to poverty analysis of the insured, there are manifold indications that the insured cannot be considered very low-asset. Indeed, they were a far cry from any possible notion of destitution, hunger, and undernourishment. First of all, the women's estimated personal average income of US$ 100 per month was well above the national urban poverty line which stood at IDR 204,896 or US$ 21.55 per capita per month in 2008 (cf. BPS 2009). I take the urban poverty line here, because firstly it is higher than the overall or rural poverty lines, that is, it is the most conservative value, and secondly because most insured lived in urban and semi-urban surroundings. Including the husband's (higher) income and assuming minor contributions from grand-parents, grown up children and other transfers, it is fair to assume an average monthly family income of around US$ 250. Conservatively assuming six nuclear family members, this still makes US$ 41.67 per month per capita, or about twice the national urban poverty line. It is also well above the new international US$ 1.25 PPP per capita per day poverty line (cf. section 2.1). Naturally, incomes and expenditures among the low-asset insured are volatile. Moreover, many customers earn less than the average so it is safe to assume some vulnerability to or realization of transient income or expenditure poverty among the insured customers. However, Morduch and Armendariz (2005: 160) rightly remark that even most families "below the poverty line are in truth fairly far from the brink of subsistence." Also visibly speaking, the physical asset situation of the families was not destitute. TV sets, refrigerators, motor cycles, quality furniture and decent clothes were standard items in the homes where I conducted my field work. Regarding social assets I have just mentioned the astounding resource raising capacity through extended social networks. Another, slightly more formal indicator for social assets is the high prevalence of membership in groups like *arisan*, which literally means "cooperative endeavor" or "mutual help" and by and large represents an informal rotating savings and credit association (ROSCA) (Geertz 1962: 243). The majority of customer component respondents were moreover members of other non-familial groups such as Muslim prayer groups (*pengajian*) or Church-based groups. 58 percent (n=165) stated to be members of at least one *arisan*, especially female urban respondents. Among the respondents of the credit group leader component, even 94 percent (n=29) were currently active in at least one *arisan*. Some were active in as many as four *arisan* at the same time, and the average was 1.69 *arisan* memberships. Time and time again, the high prevalence of *arisan* among low-asset *kampung* dwellers, especially among women, and in Indonesian society in general has been affirmed by other authors as well (Geertz 1962; Papanek and Schwede 1988: 191-192; Lont 2000: 161; Koning 2006: 45; Heydel et al. 2009). These authors also note the double function of *arisan* as social integrators and as economic savings (and credit) vehicles. Lont (2000: 161) notes that many RT (in Yogaykarta) have installed compulsory *arisan*, an arrangement which I also encountered in several *kampung* around Jakarta. Lastly, the high level of autonomy and power of low-asset *ibu-ibu* within their family networks serves as a clear asset to them. Regarding peace of mind and "happiness", I was impressed by the positive and merry atmosphere during my group sessions. Even more so then the participating men, the women were often joking and laughing.

The women certainly complained that making ends meet was difficult, but they went about it rather pragmatically. I did not gain the impression that they were facing life with a gloomy and dismal outlook. A last and particularly strong indicator that the insured were not of a very low asset base was their emic social positioning. In the group leader component, respondents mostly classified themselves and their fellow group members as middle class (*ekonomi menengah*). Only some women spoke of being lower middle class (*ekonomi menengah ke bawah*), and very few women saw themselves at a low socio-economic level (*ekonomi lemah; rakyat kecil*). However, all women were very clear about not being "poor" (*miskin*). They unanimously defined being poor as not having enough to eat, something that they declared not to worry about. A local Muslim religious teacher (*ustaj*), whom I interviewed, confirmed the colloquial definition of poor (*miskin*) as people who earn less per day than their necessary food expenditure.[43] He further specified that colloquially speaking being destitute (*faqir*) means earning less than half of what is needed for food per day. Hence, in terms of asset assessment the emic perspective of the respondents is much in line with my own assessment. The insured definitely did not belong to the 'poorest of the poor'. On the contrary, I hold the average *Payung Keluarga* customer to be at the upper end of what can be considered the low-asset strata of society. This finding matches well with the earlier discussion on the motivation of the microinsured women to take out microcredits from their MFIs (cf. section 3.2.7). For reasons of their relatively stable socio-economic standing, the preservation and maintenance of family subsistence is certainly not the undisputed primary motivation for women to borrow. Motivations such as (financial) independence, pursuit of a meaningful and enjoyable pastime, as well as borrowing on behalf of the husband do play a role as well. And as noted before, the aspiration to become particularly rich is also not particularly present among the women, presumably because of a lack of structural and social perspective, as well as due to contentment with the initial economic gains derived from microcredit. I recall here that the bounds of the moral economy and the resulting traders' dilemma are still very much discernable among the surveyed petty traders. The noted informal character of the women's petty businesses is therefore not only attributable to a lack of entrepreneurial skills and lack of alternatives, but also to a more or less actively pursued socio-economic strategy. Informal single-employee micro-businesses are extremely flexible. They can be established and stopped as needed. They can be pursued part-time and close to home. In fact, most women I met only worked part-time, preferably in the morning (I adapted to this by trying to arrange my group sessions for the afternoon). Their businesses allow the women to keep their accounts separate from their husbands and use their proceeds as needed for personal and family purposes (cf. Papanek and Schweder 1988; cf. Lont 2000). Sample claim 3 palpably illustrates how Pak Wahyu had no idea of how much his wife had been earning. This reflects feedback from other male beneficiaries.

To summarize the profiling of the surveyed *Payung Keluarga* customers, my survey and the resulting findings are most representative for urban and semi-urban married female petty traders of Muslim religion with a clear NU affiliation and of often migratory and mixed ethnic

[43] Interview with Ustaj Nurjamil of Yayasan Miftahul Ulan, in Jakarta on 18 October 2008.

background. Considered from various asset perspectives the women belong to the upper echelons of the low-asset population and are generally reasonably educated, although cases of illiteracy are still noticeable. Within their families, the women enjoy considerable autonomy and wield significant socio-economic power, although the husband remains the formal head of the family and main breadwinner. The women pursue their petty trades for a variety of reasons, and by and large provide supportive income for the family's shopping budget and for the women's own separate accounts. The women are closely integrated into their respective communities and into an extended social network of kin which is often geographically spread. In times of need, the women can raise a considerable amount of resources through their community and extended social network.

7.2 Risk perception

In general, risk perception of low-asset people in Indonesia seems to be very much related to the notion of limited material and immaterial resources discussed in section 2.1 and section 2.2.2. Just as personal fortunes, such as *rezeki*, are regarded as bringing misfortune to other community members and are exogenously explained, so the occurrence of shocks is generally exogenously explained and to a large extent managed through networks of balanced reciprocity. Also the disconnection between input and output seems to play a role here. Bad luck and disaster are not necessarily directly connected to preceding misbehavior of the affected individual, but exogenously explained and linked to the interference of spiritual powers. Although Platteau (1997) is not focusing on Indonesia in particular, his respective comments summarize the perceived exogenous nature of risk well:

> It must be borne in mind that in traditional egalitarian rural societies, as we know from the pioneering work of Evans-Pritchard, prolonged luckiness or repeated ill-luck inevitably arouses suspicions of supernatural manipulation through witchcraft practices. As a matter of fact, villagers just do not believe in accidents and they do not easily admit the idea of coincidence. This is why, when (repeated) accidents occur, witchcraft (the sending of evil spirits) is summoned to explain the inexplicable. In the same way as failure is thus traced back to the works of evil spirits, (continuous) success is never ascribed to the personal efforts or just the luck of the successful person. (Platteau 1997: 768)

Along similar lines, Forshee (2006) argues with particular respect to Indonesia:

> People more often than not explain misfortune as supernaturally caused, in response to human misdeeds, bad faith, or community failures to carry out proper ceremonies - all provoking an upsetting of social and cosmological balance. (Forshee 2006: 39)

Of course, the microinsured low-asset customers in Indonesia are no longer living in traditional egalitarian rural societies, but often live in heavily urbanized and socially heterogeneous surroundings. But as much as I hold that the moral economy nevertheless still holds considerably clout among the insured, so I also hold that the connected notion of exogenous risks is sill exerting its influence on risk perception and risk management. Why so? On a theoretical level, it appears logic that the most fundamental cultural notions such as the perception on the origin of risk (and the principal reaction to it in form of balanced reciprocity risk sharing) are slowest to change in a transformational setting. However, also on an empirical level there are strong indicators for such trans-continuity. A prime empirical example is death risk. Unanimously, my respondents expressed their strong conviction that the moment of birth and death, that is one's lifespan (*ajal*), are decided by God.[44] Sometimes even the preceding illness and the eventual death were not seen as a logical chain of events. This is much in line with similar observations by Geertz' from the 1950s (Geertz 1960: 74-75; cf. Sutrisnaatmaka 1987: 50). Moreover, death is perceived as a collective risk concerning the entire community. The death of a community member threatens the balance and harmony (*rukun*) of the entire community. If death is not dealt with as properly and ritually cleanly as possible, the bereft family as well as the surrounding community may risk future misfortune. The still strong-going death *slametan* feasts which involve the entire community, even in urban areas, are a clear indication of this continuing collectiveness and exogeneity of death risk. Schröter (2000) provides a similar recent example from the Christianized Sara Langa in Flores. Also with other collective, or so to say socially constructed covariant risks such as natural disasters, the exogeneity and outright transcendence of their origin seems to be deeply imbued in the conscience of low-asset Indonesians. Heydel et al. (2009: 49), for example, report that among low-asset residents of Padang, West Sumatra, earthquakes were perceived as being sent from Heaven and that consequently praying was an appropriate risk management strategy.[45] In fact, this resounds similar observations made by Young et al. (2006: 9) in Uganda, and thereby once again indicate that such patterns of risk perception are not unique to Indonesia (cf. section 3.3.4). Under these conditions, it is comprehensible that the idea of individualized insurance against divinely influenced and collective risks causes a fair amount of initial consternation. Similar to the findings of SyncConsult (2006: 21) in Ghana, I met quite a number of respondents who were suspicious of life insurance as interfering with divine will. It was feared that it may attract bad luck and premature death. I often experienced that dwelling too much on the issue of death in the socialization of life insurance caused listeners to grow restless and exclaiming safety-phrases such as "God behold that this does not happen." I therefore did not find the same nonchalance in face of death which Geertz (1960: 74) has reported on. Indeed, I came to call this wide-spread phenomenon *takut cepat mati* (fear of dying prematurely). I will deal more closely with it in section 7.4.2. However, depicting risk perception as something outright exogeneity-oriented and fatalistic is too restricted. The picture is more complex. First of all, collective arrangements like the rotating communal pattern of the *slametan* are very practical collective risk management arrangements. As mentioned, the entire traditional social structure of traditional agrarian societies can be perceived as being geared towards collective risk management (cf. section 2.2.2). So it is not that low-asset Indonesians had not done anything about the

[44] Although none of the respondents referred to the Qu'ran or a Hadith to underline this stance, Sura 3, 139 clearly supports it: "It is not given to any soul to die, save by the leave of God, at an appointed time" (translation by Arberry 2008).
[45] I have enriched the published quote with information derived from personal communication with the study's authors.

risks they are facing. Quite the opposite is the case! Nonetheless, the general focus is that collective risks need to be collectively managed. The idea of individual risk management for collective risks, or for any kind of risk, by way of insurance is (still) not as well perceived among low-asset Indonesians as it is in today's industrialized societies. Low-asset Indonesians do not approach the matter of risk with a similar secularized means-end rationality as Westerners. Of course, the accumulation of livestock and gold as safety cushions are well known traditional individualized risk management strategies. But as noted, the moral economy puts certain limits to the socially accepted accumulation of material assets. It should also be noted, that the perception of risk varies by the nature of the risk. Illness, for example, is regarded as a more private affair than death (cf. Van der Linden 1996: 16). Here, taking medication as a counter-measure to illness is of course allowed; and not surprisingly, the collection of community donations for medical treatment is less institutionalized than in case of death. With illness, the financing responsibility rests much more with the closer family. In consequence, personal health insurance does not meet the same superstitions of bringing bad luck as life insurance. The matter of education costs is a similar example. When I asked the credit group leaders in which case they received most donations, the unanimous ranking was death as number one, illness as second, and education costs as a distant third. To a Western observer it may appear somewhat strange that donations are highest when it is already too late to save a life. However, seen from the perspective that death is perceived as posing a greater risk to the community and its future welfare than an individual illness, then this pattern becomes reasonable in the local context. It should also be added that high costs for medical treatment and education are relatively modern phenomena to which traditional risk management strategies have had no time to adapt yet. While death and flooding, for example, have been ever-recurring events to which communities have adapted well and even created their own spiritualized "frame of reference", this is not the case with medical costs and education. This at least partly explains why these two modern risks clearly come out on top as the two major daily worries of Indonesian low-asset families, far ahead of any other type of risk (see table 6.1). After all, I found the insured women to be quite pragmatic in their approach to risk management. On a practical level, those risks which occur most frequently and which people are least prepared to cope with become those which are perceived as the most salient daily worries. This realization is not new. It has been generally noted by Brown and Churchill (1999) and with particular regards to Indonesia by McCord et al. (2006: iv).

In summary, risk perception among low-asset Indonesian's is influenced by traditional concepts of risks as an exogenous force. This is especially valid for risks which are perceived as being collective, including death, and which have been an element of societies for ages. Here, the idea of individual protection through insurance is met with a fair degree of consternation. For more individual and modern risks such as health and education costs the situation looks different. Here, pragmatic new solutions such as insurance are welcomed by low-asset families. But even then, it should not be forgotten that the frame of reference for risk management is still heavily influenced by the notion of balanced reciprocity, quid pro quo mechanisms.

7.3 Risk management

7.3.1 Evidence from the ex-ante customer component

Here, I mainly refer to table 11 which displays the risk perception and risk management strategies of ex-ante customer component respondents. As mentioned, the applied risk management strategies in table 11 are hardly representative and only valid by tendency. Interestingly, previous research has rendered very similar results in terms of risk prioritization (Lont 2000: 166; McCord et al. 2006: 26), and in terms of applied risk management strategies (McCord et al. 2006; Heydel et al. 2009). However, these previous efforts have not tried as much as I do here to quantify and match risk perception with respective risk management strategies. What is more, with the exception of Lont's ethnographic material, the underlying social structures and norms have previously garnered little attention.

According to table 11, education costs came out as the top challenge, closely followed by costs for severe illness. Education costs were quite often met with the high stress coping strategy of selling assets. Surprisingly, no savings depletion was reported. According to the tentative figures, family assistance and pawning assets with the nationwide government-owned pawnshop monopoly Pegadaian only played a minor role in covering education costs. However, from informal comments during my time in Indonesia I learned that pawning is quite frequently used to cover education expenses (cf. Yuliandini 2006), and that also the close family is often called upon to help out with education expenses. Older siblings in particular who are already working as well as wealthier relatives are expected to assist. One clear difficulty here is that education costs affect families (and the community) at the same time, namely twice a year at the commencement of the semester and particularly when enrollment into the next level of schooling is due (cf. Heydel et al. 2009: 46). When everyone faces the same difficulty at the same time, the scope for mutual assistance is severely limited. In recent years the government has intensified its efforts to provide free primary education and sometimes even free secondary education up to junior high school. I found that in Eastern Indonesia, respondents reported that primary education was indeed often free of charge, including for private schools, while around Jakarta, free education still seemed to be largely elusive; and even where primary education was free of charge, costs for books, uniforms, daily transportation and informal fees still accrued to significant amounts. Moreover, starting from senior high school onwards no more free education is provided, while many of the married women I spoke to had children of junior and senior high school age.

In any case, what is definitely not forthcoming is collective community assistance in order to cover education costs. One reason for this has already mentioned above: education costs are a modern phenomenon. However, a more fundamental reason seems to be that education costs are perceived as an individual risk and successful education as a major vehicle of individual upward social mobility. Bourdieu (1986) has identified education as a prime example of discrete symbolic capital accumulation (in its sub-form of cultural capital), and thereby as an attractive alternative to the often socially denounced accumulation of economic capital (cf. Schröter 2000: 36). In short, in embedded moral societies, education threatens social equality and arrangements of balanced reciprocity. In consequence, the community as a whole sees little reason to support the education of certain individual members, while the nuclear family does in fact gain definite advantages from it. Thus, next to the lack of communal support for education costs, a closely related motivation for education coming out on top of the priority lists of low-asset Indonesians is that education still represents the most accepted form of capital accumulation within the present social structure. This may also explain why severe illness, which internationally usually ranks at top position (Roth et. al 2007: 8-9), only came out second in my survey of risk priorities despite the fact that its occurrence was reported more often by respondents (28x) than difficulties in covering education costs (6x). The effective dealing with health risks may maintain the status quo, but unlike education it offers little opportunity for social advancement. Here, it has to be noted that the risk of severe illness is twofold. It consists of the medical treatment costs, but also of foregone income of the sick person and those family members attending to the sick person's care, most often women.

According to table 11, the risk management strategies for health risks are most diverse. Asset sales seem to be sometimes applied, but the brunt of financing comes from family assistance and the depletion of savings. Besides, it is here that social protection shows its biggest impact. Four respondents reported to have been assisted during previous health crisis by social security programs like GAKIN or ASKESKIN. It is also interesting that *arisan* were used at least once to cover health costs. Although I did not investigate this particular case further, the *arisan* assistance may have occurred in three ways: (1) The respective *arisan* participant may have had the luck that by coincidence it was her turn to draw the *arisan* kitty at the time of need. (2) She may also have asked her fellow members to assign the pending kitty to her due to the emergency situation at hand. Geertz (1962: 247) and Heydel et al. (2009: 46) mention that this is possible in certain *arisan* arrangements. (3) The *arisan* may contain a social fund from the start, which the participants may have granted to the family in need. Lont (2000: 160) observes that *arisan* often reserve some of the regular contributions for social purposes instead of allotting all funds to the kitty. I found this to hold especially true in case of one *arisan ibu-ibu* I learned about during one credit group leader session: Here, approximately hundred women pay monthly contributions of IDR 25,000 (US$ 2.62). For the accumulated monthly kitty of roughly US$ 262, three winners were drawn who receive US$ 58 each (and who become ineligible for the draws of the following months). The remaining balance of US$ 88 is assigned to consumption during the group meetings (*konsumsi*), to operational costs (*kas operasional*), and lastly to the alluded social fund. This sums up to an overhead of roughly 34 percent of the paid in amounts, which illustrates how important the social function of *arisan* still is vis-à-vis its economic savings function for the low-asset women. In fact, economically the women are incurring heavy losses on this arrangement in form of negative interest. A completely different *arisan* arrangement is described by McCord et al. (2006: 10-11, 83). For this particular family *arisan,* all contributions go to a social fund which provides a precisely defined risk coverage. No kitty is built up and distributed. In addition, richer family members pay higher contribution than others. These various examples serve to illustrate the wide variety of *arisan* arrangements. The impression gained from the literature indicates that the higher the regular *arisan* contributions, that is the wealthier the *arisan* members, the more the economic motive of *arisan* as a convenient savings vehicle comes to the fore (Geertz 1962: 246;

Papanek and Schwede 1988: 93; Koning 2006: 46). An additional point on *arisan* is that the rotating lump sum payouts which the *arisan* generally provide to their members are mainly used for consumptive purposes (Geertz 1962: 247; Papanek and Schwede 1988: 93; Lont and Hill 2008: 931). The exception seem to be special traders' *arisan* where the payouts are mainly used as working capital, but not to establish new businesses (Geertz 1962: 248-249). This proves Dichter (2007c) right when he claims that low-asset people in developing countries only rarely use their funds at hand, even when provided through microcredit, to establish or grow their businesses (cf. section 3.3.3).

Returning to the issue of risk management in case of health shocks, as just discussed, access to *arisan* seems to be one of several options, even if it was only mentioned once. Although also only mentioned once, community assistance in case of sickness is in any case not as prevalent as in the case of death. The vote of the credit group leaders was very clear here (cf. section 7.2).

Social obligations came out as the third most important daily worry, although with a significant distance to education costs and health costs. With social obligations respondents mostly referred to *sumbangan*, which is the social requirement to render in-kind or cash contributions to other community members on special occasions such as house-building or life-cycle ceremonies, not the least death *slametan*(cf. Koning 2006: 47). *Sumbangan* are formally given as gifts. However, Koning (2006), referring to Sahlins, clearly identifies *sumbangan* as being based on notions of balanced reciprocity. In line with Mauss (1954), they are not free of self-interest. Therefore it is not surprising that Koning also notes that people who can no longer expect to eventually benefit from *sumbangan* stop contributing themselves (2006: 48). Furthermore, she finds that while other arrangements of mutual assistance such as *bawon* and even *arisan* are getting more exclusive and that this trend has been promoted by the Asian financial crisis, the social institution of *sumbangan* seems to be going as strong as ever (2006: 47). In fact, I find that *sumbangan* represents the most collective and most inclusive of all such arrangements. No life cycle event can occur without *sumbangan*. Why then are *sumbangan* perceived as a threat by the surveyed respondents? This is because their timing is often hard to calculate, and the required contributions can reach significant sizes and strain the finances of the donor families. While *sumbangan* is a blessing for the recipient, it can be a burden for the donor. Not surprisingly, in managing the obligation to give, the sale of assets has been reported twice in table 11. This speaks for the moral strength of the obligation to give and against Western tendencies to romanticize and popularize the notion of altruistic mutual help in such arrangements. As alluded to above (cf. section 2.4), over the long run these arrangements were ultimately to the best self-interest of the community members, especially due to the lack of alternatives. They are moreover connected to heavy premiums, not only in form of the obligatory social pressure to give and receive (cf. Mauss 1954), but also by the resulting limitations on individual asset accumulation. In short, while *sumbangan* are still considered an absolutely necessary institution among low-asset respondents, it is by no means so that these arrangements are particularly cherished by them. This situation is approximately similar to the ambivalent relationship of customers to the joint liability obligation within their credit groups (cf. 3.2.5).

Looking at death of a family member as the fourth ranked worry in table 11, a distinction has to be made between death of non-spouse family members and death of the spouse, who in this case is mostly the bread-winning husband. While during risk ranking the respondents made no difference between the two, looking at the applied risk management such a distinction appears sensible. Death of a non-spouse family member did not lead to high stress coping measures, while over the long term the death of the bread winning spouse can apparently lead to high stress coping measures as indicated by the stated asset sales and use of moneylenders. This is explained by the fact that the death of a main breadwinner has the most serious long term effects on the family's asset base. The death of any other family member does not seem to draw such significant long term effects. Again, it is important to note that such negative effects and corresponding high-stress coping measures seem to make themselves felt over the long term, not immediately after death. In case of death of any family member, including the spouse, the immediate shock was largely compensated by family assistance and a number of other measures such as (informal) office loans, help from *arisan* and last but not least help from the community. It is somewhat surprising that the drawing down of savings is not mentioned at all and that community assistance seems to play such an insignificant role. Here, I see a clear misrepresentation which I attribute to the methodological difficulties in my exercise to disentangle the complex risk management processes of low-asset people. In this case, the group questioning format was clearly not conducive to good data collection. The long recall period further blurred the data. Nonetheless, this is still better than previous efforts; and complementary and better data is available from the beneficiaries, at least for handling death risk (see table 16 in section 7.3.2). This beneficiary data shows that savings depletion and especially community assistance in fact do play a considerable role in financial post-mortem coping.

Proceeding towards the less important risks in table 11, a few additional observations are noteworthy. Draught risk as the top 7 risk in table 11 was already eleven times less important than education costs when measured by points. It was most salient among rural respondents in Bali and Sumba. Not only the farmers themselves but also petty traders in the area referred to draught as an important risk, albeit still far behind the importance of education costs and severe illness. Petty traders in Sumba said that in case of draught, prices would usually surge while their farming customers would have less money to spend at their shops. They were therefore also negatively affected by draughts. Selling assets and postponing credit repayments were frequent risk management strategies in case of draught. This confirms the earlier observation that agricultural microcredits are beset with an especially high credit risk (cf. section 3.2.3). If the portion of rural respondents had been higher in my sample, draught would have certainly featured higher as well. Not surprisingly, McCord et al. (2006: 26), who had a significantly higher proportion of rural respondents in Indonesia (but a much smaller overall sample), rank "bad harvest" as the third most important risk, behind severe illness and education costs.

Old age fares particularly low in the risk perception, likely because the family is still being regarded as a reliable care provider at old age (cf. Setiadi 2006: 375, 377). In addition, many low-asset Indonesians in the informal sector continue to work and contribute to the family budget for as long as possible. There is no retirement in the formal sense of the word.

Even lower on the risk priority scale are fire and natural disasters like floods and earthquakes. Just like draughts, these risks are frequent occurrences in Indonesia. People have generally adapted to them to a certain extent. Wilhelm (2009) comprehensively outlines the intricate collective risk management strategies that low-asset *kampung* dwellers in Jakarta have devised. And yet, table 11 shows ten cases of asset sales and one case of moneylending both for natural disasters and fire. At first sight such risk management appears more stressful than for any of the listed risk categories. How can this be? All these cases derive from one particular ex-ante group questioning which I held with ten women in East Jakarta. The womens' houses had been severely affected by a *kampung* fire in 2002 and by unprecedented flooding in February 2007. In consequence, they reported to have sold off several of their assets, but no large assets, and that through collective efforts of cleaning and mutual assistance business quickly returned to normal. I was nonetheless stunned to observe that the ten women still ranked education and severe illness as their top challenges while fire and flooding very low on their priority list. As already alluded to various times before, this again raises doubts if the flood micro-insurance product recently launched by MunichRe and GTZ tackles a major concern of low-asset people. In any case, this example of one group session heavily influencing the results of my inquiry clearly shows the disadvantages of small sample sizes, where such unique occurrences can make themselves felt particularly strongly. It also shows how incoherent quantitative results can appear if the respective "history" as to how these data were collected and their respective contextual background are unknown to the analyst.

7.3.2 Evidence from beneficiaries

Table 16 casts a light on what funding sources beneficiaries drew on for the financing of funerals. Only those beneficiary interviews where I could obtain sufficient monetary information are used (n=18). The figures are in fact distilled from qualitative questions. This is why the data is not as systematically complete as if an outright quantitative approach would have been taken. Funding from multiple sources was possible and in fact the rule. It needs to be borne in mind that table 16 shows the situation after the introduction of *Payung Keluarga* and that not all *Payung Keluarga* payouts were used for funeral financing (cf. table 12). Besides, financing of other post-mortem costs such as repayment of outstanding debts is not included.

Table 16 shows that Payung Keluarga has financed 34 percent of all funeral costs. The remainder is split over various sources whereby community assistance (sumbangan) (22%) and family assistance clearly make up the lion's share (16%). The depletion of savings has played a role, but only a minor one. This is also the case for institutionalized assistance from the RT (financed by compulsory regular collections called uang mati (death money)) and token assistance provided by the credit groups. What stands out very clearly here is that depletion of physical assets is hardly used, expect maybe in form of depleting working capital. In summary, this confirms the findings derived from table 11 that severe asset depletion does not play a role in funeral financing. This does not exclude the possibility that over the long term, the diminished income capacity of the family may eventually lead to asset sales. In addition, here the complementary evidence is rendered that next to family financing, community assistance is in fact playing a crucial role in financing funeral expenses.

Table 16: Funeral financing of Muslim beneficiaries (n=18)

	US$	%	#[1]
Total funeral expenses	6,750	100%	18
from *Payung Keluarga* payouts	2,304	34%	14
from other sources	4,446	66%	25
Community assistance (*sumbangan*)	1,467	22%	8
Family assistance	1,068	16%	8
Savings	158	2%	2
RT	84	1%	2
Credit group	18	0%	2
Working capital	n.a.	n.a.	2
Informal loan	n.a.	n.a.	1
Source unclear	1,652	24%	n.a.

[1] All mentionings are recorded here, even those where no monetary amount was discernable. Frequency of mentionings therefore has a different sample base from US$ and percentage values.

The earlier claim narratives have already given a first impression of the importance of such community and family help (cf. section 6.2). Without such triangulation of data, this complementary picture would not have emerged. Stated once again, table 16 presents the situation after the introduction of *Payung Keluarga*. In section 7.8.1 I will further discuss how *Payung Keluarga* has substituted traditional financing, especially financing provided by the family.

7.3.3 Utilization and understanding of insurance

Looking at the empirical risk management evidence presented so far, the absence of insurance as one “ingredient” of the respondents’ risk management strategy is obvious. This is of course apart from the compulsory *Payung Keluarga* coverage. Is it really so that the surveyed low-asset respondents made no use of insurance? Could it be that insurance was something entirely new to them? Table 17 shows that this was not the case.

Almost half of the respondents (46%) had been covered by some kind of insurance before. 19 percent had been covered by social protection programs at one stage, thereof 10 percent by the governmental social insurance companies JAMSOSTEK and ASKES. In many cases, social insurance coverage was obtained through the formal employment of the spouse, as in sample claim 3; and in most cases, social insurance coverage was no longer active at the moment of my baseline survey because either the respondent or the spouse had meanwhile lost their jobs. As many as 18 percent of respondents had bought private insurance in the past, not surprisingly with education endowments (12%) being the most popular type. No respondent reported to have bought private health insurance or non-life insurance in the past. Similar to social insurance coverage, many of the private insurance contracts where no longer in force. Only two respondents reported that they had finished paying for their education endowment and that they had already received the corresponding endowment payouts. In the majority of cases, however, insurance coverage had stopped due to (1) difficulties in paying the premium, (2) agents allegedly having run off with the premium, (3) misunderstanding of and consequent dissatisfaction with the policy benefits, and (4) in one case the bankruptcy of the insurance company.

Table 17: Insurance coverage of ex-ante customer component (before *Payung Keluarga*)

Question: Have you ever been insured? If yes, by whom?		
Insurance type[1]	#	%
Respondents	170	100%
Any kind of insurance	79	46%
Social Insurance[2]	32	19%
Jamsostek	7	4%
ASKES	11	6%
GAKIN and others	6	4%
ASKESKIN	9	5%
Private Insurance[2]	30	18%
Education Endowment[3]	20	12%
Life Insurance	9	5%
Old age savings plan	2	1%
Credit Life (through MFI)	36	21%
Insurers	24	100%
Bumiputera (local)	12	50%
Jiwasraya (local)	6	25%
Prudential (foreign)	1	4%
Others (all local)	5	21%

[1] All insurance instances recorded, even if already expired or no longer in-force
[2] Multiple coverage possible. Subtotals therefore do not sum up to totals.
[3] Counted once, even if several children were insured with different policies

The overwhelming majority of insurance providers were local companies such as Bumiputera or state-owned Jiwasraya. Unlike most foreign insurers, these companies have a nationwide network of branches extending down to smaller cities. Moreover, they traditionally serve lower market segments than foreign insurers.

Because one MFI partner had a credit life contract with a local insurance company before switching to *Payung Keluarga*, all their surveyed customers, that is 21 percent of the total sample (n=170), had been credit life insured before. This credit life coverage did not provide additional benefits. The respective customers were nonetheless well aware of their previous insurance coverage because the corresponding premium (1%) had been visibly deducted from their loans.

All in all, it is clear that insurance coverage of the surveyed customers was patchy before the advent of *Payung Keluarga*, but not completely inexistent. In fact, regarding the low overall insurance penetration in Indonesia and the noted nascent state of microinsurance in the country (cf. section 4.3) I consider 18 percent coverage with private insurance, even if largely no longer active, as astoundingly high. Naturally, the notion of formal insurance was even more widespread than this. Almost all respondents who I talked to had already heard about insurance before and could even name a number of insurance types, mainly life, health and education insurance. However, as alluded to above, this does not mean that the contractual intricacies and basic principles of insurance were widely understood. In a self-assessment of their insurance know-how, ex-ante customer component participants (n=174) attested themselves a weighted average insurance know-how of 23 percent (with zero percent marking low know-how and 100 percent marking good know-how). This strongly indicates a low insurance know-how. Even those who had bought individual insurance did not know about the risk and resource pooling principle of insurance. Only after I gave a number of hints did some respondents get an idea where the money for claim payments was actually coming from, namely from the contributions of others who where insured. In several cases, even giving hints was not successful, and I had to "unveil the mystery" of low premiums and large payouts myself. This corrobates Platteau's finding that in terms of risk management, low-asset people in developing countries are approaching insurance with a frame of reference coded by balanced reciprocity (cf. section 2.2.3). The list of most frequently asked customer questions as collected from the loan officers further underlines this (table 18).

The question of a premium refund as an indication of balanced reciprocity expectations clearly comes out on top of the frequently asked questions (FAQ) list. At the same time, issues of affordability only make a tenuous appearance. It is therefore clear that premium refunds are more a question of principle than of economic need. The question of what insurance actually is was only mentioned twice by the loan officers. Thisfurther confirms that the term insurance is already familiar to customers. Issues of trust, which are usually very frequent with regards to microinsurance (Churchill 2006b: 20; Cohen and Young 2007: 221), are almost absent in my sample. This indicates a high level of trust into the services of the MFI partners which moreover rubs off on Allianz. On the other hand, what is clearly visible from these FAQ is the demand for more coverage, including for other family members and for health insurance. Something else which these FAQ indicate is a general openness towards the topic of insurance and an eagerness to learn more about its possibilities. Together with evidence from a brand awareness exercise presented further below (see table 21 in section 7.4.4), this serves to confirm my personal impression that despite some reports of bankrupt companies and run away agents, insurance was generally perceived as something neutral to positive, not as a threat or as being notorious for failed promises. Notably, this goes against the assertion of Heydel et al. (2009: 38) that "insurance providers have a poor image in Indonesia especially among low-income communities, being seen as quick to sell and slow to pay."

Although I noted that discussing the issue of death at greater length often made respondents feel awkward and anxious, by and large neither the loan officers nor I found insurance to be directly connected to particular religious concerns and taboos (cf. section 3.3.3). Not even the fact that *Payung Keluarga* was not *takaful* compliant gave rise to concerns. A case in point is that according to table 18, the question as to whether insurance was colliding with religious principles only played a minor role. Besides, in the ex-ante customer component 87 percent of respondents (n=159) regarded insurance as something they would discuss with their neighbors and friends. Only a group of Balinese farmers collectively said that they would not discuss insurance. Here, the issue of *takut cepat mati* may have played a role as it was particularly salient in this group. One year later, almost all insured customers knew that they were insured and 83 percent of them (n=105) reported to have discussed *Payung Keluarga* with their neighbors and friends. This is a relatively high "compliance rate" (even if figures are to be taken as indicative only). It underlines the openness, sincerity and consistency of the respondents' answers regarding insurance.

Table 18: Frequently asked customer questions on Payung Keluarga as reported by MFI loan officers (n=66)

Question: What are most frequently asked customer questions (FAQ) regarding "Payung Keluarga"?			
rank	Question	mentionings by 66 loan officers	
		#	%
Total	39 different questions	191	100%
1	Is the premium returned if the borrower does not die? Why not?	31	16%
2	Does the insurance cover my family too?	20	10%
2	What is the benefit of this insurance?	20	10%
3	How much is the premium?	14	7%
3	How does the claim process work? How long does it take?	14	7%
4	How much is the claim payment?	12	6%
5	Is there health insurance?	8	4%
6	(Why) is the insurance compulsory?	8	4%
7	Can I buy any other kind of insurance (excl. health)?	7	4%
8	How long is the coverage term?	7	4%
9	Can coverage period be extended?	5	3%
10	Can the premium be decreased?	4	2%
…	…		
-	What is insurance?	2	1%
-	Why is the premium so cheap?	1	1%
-	Do insurance and religious principles collide?	1	1%
-	What if Allianz forsakes us one day?	1	1%

Naturally, the farmer group in Bali had also stuck to their line and not discussed insurance with others. Somewhat qualifying, however, is the finding that only 14 of 24 beneficiaries stated to have known about the insurance beforehand (which includes the possibility that they had forgotten about it). However, even among the beneficiaries, only 4 of 24 stated to have tried to keep the payout a secret, and only two negated permission to use their claim story in the media. All in all, this empirical evidence underlines that in case of the surveyed low-asset respondents in Indonesia, insurance was by and large not perceived as a sensitive issue. Evidence from other countries shows that this is not always the case. The example from South Africa reported by Roth (2001:16) has already been mentioned (cf. section 3.3.3). There, where formal life and funeral insurance is much more widespread than in Indonesia, women are sometimes afraid of being accused of witchcraft and “cashing in” on their husbands should it become known that the husband was life insured. This raises the unanswered question whether eventually, as private insurance coverage becomes more widespread, microinsurance in Indonesia may also turn into a private individual matter as well.

If insurance was therefore generally familiar to customers, although not in detail, and even a number of them had taken out insurance before, it is still surprising that insurance does not seem to play a role in the observed risk management strategies of the respondents. Even endowment insurance, the most widely spread form of private insurance, was not mentioned to reduce the preoccupation with education costs. I therefore conclude that the match between microinsurance products on offer and the risk management needs of the surveyed low-asset customers is still not very good. It is clearly visible that the demand for insurance is concentrated on two major risks only, namely education costs and severe illness as modern and largely individualized risks. While some education products are available, they may still not be sufficiently adapted to customer needs; and as noted above, affordable health insurance is extremely scarce (cf. section 4.3). Furthermore, despite the general openness to insurance, the general frame of reference applied by low-asset families, which is still coded along the lines of collective risk management for collective risks and of arrangements of balanced reciprocity, somewhat speaks against the usage of insurance as a long-term risk management solution.

7.3.4 Risk management revisited

Analyzing the empirical evidence presented in the previous sections, it appears as if most risk management currently applied by the surveyed low-asset families in Indonesia was ex-post risk coping (cf. Heydel et al. 2009: ix). Social insurance and private insurance as typical ex-ante risk mitigation strategies only play a very small role compared to informal ex-post donations and contributions received from the family, the community and other informal sources such as *arisan* and credit groups. Other ex-post measures include the depletion of savings and in some cases the sale of assets. However, in reality, the system of family and community donations is based on a carefully constructed and maintained system of reciprocities, mostly of a balanced kind, which in fact started to operate long before the individual community or family member experienced a shock, and which in their ex-post "draw down" already lay the basis for counter-obligations to be fulfilled in the future. The boundary between ex-ante and ex-post management is therefore blurred. Especially community assistance in form of *sumbangan* appears to be a continuous system of risk management, just as the underlying social structure of the moral economy is geared towards permanent risk management, or in other words social risk mitigation. This speaks against the claim that low-asset customers in developing countries would not engage in long term planning (cf. Holzmann et al. 2003: i).[46] In fact, their continuous social involvement in balanced reciprocity networks speaks for a very long term approach to risk management. As Miguel et al. (2002) and Koning (2006) have noted, only if there is no probability of a definite return over the long term, do people start to withdraw from balanced reciprocity arrangements. They also do so if they cannot afford the contributions or have become wealthy enough to voluntarily opt out. What should be distinguished then is the existence of long-term risk management, even if sometimes unconsidered and habitual, from the absence of long-term financial planning in the sense of planning for one's own private asset accumulation. Heydel et al. (2009: 61) attribute the lack of financial planning to the inability to save due to low and volatile incomes. However, in line with the above discussion (cf. section 3.2.7) I strongly add the influence of the moral economy as a complementary explanation for this phenomenon. As the moral economy denounces the ac-

[46] I often heard such claims from local Indonesian observers and experts, most strongly during an interview with I Nyoman Putra Sukasana, Microcredit Program Manager of WKP, in Bali on 24 May 2008.

cumulation of economic capital, the scope for financial planning is diminished. On the other hand, the strong preoccupation with education costs shows that low-asset families do have a long-term strategy for asset accumulation as well, albeit more on the symbolic capital rather than on the economic capital side.

Informal collective risk management strategies are naturally most concerned with risks which are perceived as collective risks. In tightly knit and socially relatively undifferentiated traditional agrarian societies, the majority of risks are perceived as collective risks because the balance of the community was perceived to be threatened by the misfortune (or fortune) of some of its members. This leads to the exogenous explanation for such events and collective efforts to reestablish social balance. In this respect, death of a community member was clearly identified as a public event and a collective risk. Ill health and other misfortunes were perceived to be somewhat more individual risks. However, as Ravallion and Dearden (1988: 43) have well shown in a quantitative (!) analysis of a household panel for central Java, at least in rural areas also such more individual risks are being at least partly mitigated through collective transfers, whereby moreover generosity increases over-proportionally with income, meaning that wealthier community members are showing exceptional generosity (cf. Mauss 1954). Ravallion and Dearden (1988) fittingly attribute this phenomenon to the impact of the moral economy. However, “Indonesia’s ‘Great Transformation’” has given rise to new risks such as the growing importance of education as a source for social mobility and status, as well as inflationary health costs going well beyond the customary charges of traditional healers. These risks then, and education costs in particular, are not effectively dealt with by informal collective risk management strategies. In case of education, this is even for good reason as education, especially if selectively provided, can endanger social equality and collective “subsistence insurance”. Not surprisingly, such modern risks emerge as the top concerns of the surveyed low-asset customers. In fact, the main message derived from table 11 is that modern individual risks are least covered by other risk management strategies and therefore raise demand for insurance. The more “traditional” and collective a risk is perceived, the better traditional mechanisms are able to mitigate them. However, through social differentiation and modernization these collective risk management strategies are coming under increasing pressure (cf. Koning 2006). From such analysis, *Payung Keluarga* can be interpreted as tackling precisely the wrong risk, namely one where traditional informal risk management strategies are still particularly strong, especially over the short term. The long term consequences of the death of the main (male) breadwinner of the family may be less well covered. The further analysis of the beneficiaries experiences provided in section 7.9 will further reinforce this point, and enrich the picture as far as the socio-economic post-mortem pattern is concerned.

The contextualized analysis of low-asset families risk management strategies reveals clearly how complex these strategies are. It proved methodologically difficult to disentangle and understand what was going on. Nonetheless, the explorative-quantitative mapping of weighted risk perception, risk frequency and risk management strategies as intended in table 11 and enriched with qualitative interpretation and beneficiary information has provided valuable insights. Still, the emerging picture is far from being perfectly representative and coherent, and it is questionable if it could ever be, even with the most rigorous quantitative econometric or ethnological analysis (cf. Geertz 2000: 16). Reprising considerations of section 2.4 on the expanded asset-capital framework, Moser (1998: 1) is well neigh right to claim that low-asset families "themselves are managers of complex asset portfolios". I would add that with low-asset families under the influence of the moral economy a very large part of this complex management is directed towards risk management rather than towards asset accumulation.

7.4 Impact on the insured

This section analyses the impact of *Payung Keluarga* on the insured, that is on the "silent majority" where no claim has occurred. In particular, the following questions will be dealt with regards to the expanded asset-capital framework: Has the peace of mind of customers increased? Has the financial literacy of the insured increased? Has the risk perception of the insured changed? Do the insured show a higher risk affinity in their business ventures?

7.4.1 Awareness of Payung Keluarga

The first important clarification needed here is certainly whether the insured knew that they were insured, because supposedly without knowledge no impact on the insured is possible. As mentioned above, it can fairly be assumed that most customers knew that they were insured, and that their insurance was life insurance covering only them, not their spouses and children. After all, 83 percent of the insured ex-post respondents claimed to have discussed *Payung Keluarga* with their neighbors and friends. However, during the group sessions I also noticed a small number of insured who were not aware of the insurance, or at least unsure whether they were covered or not. As a case in point, the wife of Haji Mustani in sample claim 2 did not seem to be aware of her insurance coverage when she asked her husband to take care of her debts. While I nonetheless assert a generally high awareness of *Payung Keluarga*, knowledge about its details was certainly less profound. Sometimes, the women were unsure if next to death also injuries and sickness were covered. Others were unsure if other family members were covered as well. Only about half of the respondents were able to correctly tell the exact height of the death benefits. Despite these apparent gaps in detailed product knowledge, I was astounded to see that the majority of customers stated to feel well informed about *Payung Keluarga*. When I asked ex-post customer groups on what they regarded as advantages and disadvantages of *Payung Keluarga*, only three groups raised the issue of lack of product socialization (see table 24 in section 7.5). Among the credit group leaders, 28 of 31 participants (90%) stated to feel well informed about the product while three felt not well informed. Naturally, such questions posed by a researcher who was often perceived as an insurance employee, moreover in attendance of MFI staff, are prone to severe positive answering bias; and in this case, no corresponding baseline question was possible to neutralize such bias. However, there are two more indicators that the tendency of this overall positive outcome on product awareness is correct. Firstly, the loan officers did not raise the issue of insufficient training or product socialization, neither on behalf of their customers nor on behalf of themselves. Secondly, I routinely asked respondents if they had any open questions at the end of the group sessions or interviews. Here, only on one occasion did a male ex-post customer component participant in Sumba ask me to explain all the terms and conditions (*syarat-syarat*) of *Payung Keluarga*. All other questions posed by respondents rather related to technical details (which in fact indicates a general product understanding), and even more often to the possibilities of additional insurance coverage such as education and health insurance. In short, even when given a relatively neutral opportunity to inquire on the product, customers showed no particular enthusiasm or need for doing so. This situation is certainly different from what McCord et al. (2005) have observed on a microinsurance implementation in Africa:

> Focus group discussions seemed to generate frustration regarding how little clients actually know about the policy. Their inability to answer questions made them more animated in their desire for more education and information. Clients noted that they had never been given written documentation about the policy. (McCord et al. 2005: 17-18)

In summary, regarding customer education we have three phenomena: (1) Customers were generally aware that they were life insured, but there were definite gaps in detailed product knowledge and the understanding of insurance principles. (2) Customers tended to grow restless and anxious when the matter of death and the related death benefits were discussed at greater length. (3) Customers discussed insurance with their neighbors and friends and did not identify insurance as a sensitive topic. This leads to three conclusions: (1) The high general awareness level among customers confirms what has been claimed above, namely that customer education was taken seriously by Allianz and the MFIs, although it was certainly far from perfect (cf. section 4.4.5). (2) There does not seem to be a direct correlation between being objectively well informed about the product and taking the initiative to discuss it with others. The possible hypothesis that low product understanding leads to low product promotion by customers is therefore disproved in case of *Payung Keluarga*. (3) Customers do not necessarily want to know everything about their insurance contract, especially if possibly discerning issues such as misfortune and death are touched upon. Instead, customers often seem to content themselves with a general superfluous product knowledge and the trust that what the MFI was doing for them was good. In fact, this phenomenon may not be entirely unknown among readers. After all, who is keen on learning all about the fine-print provisions of his or her insurance contracts? What often counts more is the trust in the selling agent, in the image of the insurance company, and - where applicable - in the laws of consumer protection and the general jurisprudence. I feel that the realization that for various cultural and psychological reasons customers may not always want to know everything about insurance is something rather new. I do not find it in the microinsurance literature, but it may hold important implications for microinsurance marketing.

However, returning to the major issue of general customer awareness of *Payung Keluarga*, such awareness can be confirmed. The exact level, however, was methodologically hard to discern. These considerations have to be borne in mind for judgment of the following impact evidence. In addition, a further difficulty arises from the fact that some 20 percent of the ex-post customer component participants were not insured. Strictly speaking, due to lack of actual product experience these were therefore not “entitled” to give information on *Payung*

Keluarga's impact. I have therefore tried to filter these uninsured from below data. I will indicate those cases where this has proven particularly difficult and unsatisfactory.

7.4.2 Peace of mind

Regarding peace of mind as a human asset (cf. section 2.4), 44 percent of the insured participants of the ex-post customer component (n=109) stated to feel "a lot safer" because of *Payung Keluarga*. 45 percent felt "somewhat safer", six percent reported "no change" and five percent felt "less safe". As mentioned above such figures are to be taken as "valid by tendency" only, and I admit that in an insurance survey, such questions are particularly prone to a positive answering bias. Nonetheless, an increase in the feeling of protection of the majority of respondents can surely be noted. More interesting, however, is the question as to why some customers actually felt less safe with *Payung Keluarga*. I found such concerns to be based on two beliefs: (1) one's lifespan (*ajal*) is based on divine decision (cf. Geertz 1960: 75; cf. Sutrisnaatmaka 1987: 50); (2) it is consequently impossible and blasphemous to try to insure a life; doing so would entail divine retribution through cutting short one's life (cf. Samik-Ibrahim 1963: 122). While the first conviction was unanimously shared by all respondents regardless of religion, the second is based on a literal interpretation of the term life insurance in the sense of insuring that a person will not die, or at least of taking precaution against the effects of divine will. This second belief, which I came to call *takut cepat mati*, was held by a much smaller portion of respondents and was especially concentrated in rural areas in Bali and Eastern Indonesia. Above numbers suggest a rate of five percent. However, further qualitative feedback shows that *takut cepat mati* concerns were shared to a varying degree by many of the insured. There was an ambivalence of feelings between fears of life insurance as bringing bad luck, that is, insurance as a risk in itself, and more pragmatic notions that insurance can provide protection against risks. Although by and large the latter pragmatism clearly outweighed the former superstitions, this ambivalent perception explains why customers were contended with knowing they were insured but without wanting to worry too much about the details (cf. section 7.4.1). A further case in point is the failure of a related control question where I wanted to inquire how often respondents had already thought "how good that I am insured". This amounted to a request to quantify how often the women had thought about bad luck happening to them. This "aggregation of negative thinking" made the women feel visibly uncomfortable, rendered very inclusive responses, and induced me to quickly drop this question from my questionnaire.

The fact that some customers openly admitted to feel less secure with *Payung Keluarga* complicates the judgment of the product's impact on the customer's feeling of protection. Not only that the issue is very subjective to start with, having both positive and negative answers raises the additional question of the respective answers' weight? Does the fear of the few offset the increased feeling of protection of the many? I hold that this is impossible to answer based on the collected empirical information. I therefore only dare to conclude that in terms feeling of protection, the overall result is ambivalent: a majority of respondents stated to feel safer, despite the fact that many of this majority had ambivalent feelings about life insurance themselves, and a minority clearly stated to feel less safe. One obvious technical solution to this dilemma would be to make *Payung Keluarga* a voluntary product. However, as indicated above, this would increase administrative and pricing complexity and lead to considerably higher premiums (cf. section 3.3.3).

7.4.3 Business risk affinity

Although the reported feeling of protection among many insured may have increased, from the very outset of my research I did not expect *Payung Keluarga* to greatly affect the overall business risk affinity of customers. I reasoned that for such an effect to clearly materialize and to be clearly attributable to the provision of insurance, insurance coverage would have to be much wider, for example by including continuous long-term family life coverage, family health coverage, and the coverage of certain non-life business risks such as business interruption due to fire or flooding. Because the promotion of business risk affinity and consequent higher returns is a central hope pinned to microinsurance I nonetheless inquired with customers on their business risk affinity (cf. section 3.3.1). For this exercise, I gave three examples of (1) a daring and pioneering entrepreneur, (2) a more hesitant and observing entrepreneur, and lastly (3) an entrepreneur who is satisfied with the current state of affairs and does not seek out new business opportunities. Then, I asked the respondents to associate themselves with one of these three types, which represent three different levels of risk affinity. Table 19 shows the results of this exercise.

Table 19 seems to indicate that the business risk affinity of *Payung Keluarga* customers has slightly increased, from a weighted ex-ante average of 47 percent to a weighted ex-post average of 52 percent. This increase seems to be particularly due to a drift of moderately cautious customers towards a more assertive business risk affinity. However, for this exercise the segregation of insured and uninsured customers is particularly important, as is the close match between ex-ante and ex-post respondents.

Table 19: Business risk affinity among customer component participants

Question: Regarding business opportunities, would you say you are a risk taker, more cautious or definitely cautious?				
	risk taker (weight 100%)	more cautious (weight 50%)	definitely cautious (weight 0%)	weighted average
ex-ante n=170				
#	31	98	41	
%	18%	58%	24%	47%
ex-post n=81				
#	23	39	19	
%	28%	48%	23%	52%

Since business risk affinity is very much dependent on individual character, measurement error is bound to be wide if ex-post respondents are different from ex-ante respondents, especially in case of small sample sizes. I hold that the conditions of sufficient clarity on the respondents "insurance" status and the close overlap of ex-ante and ex-post respondents has not been sufficiently met in this case. I am consequently very cautious with regards to these results, and prefer to conclude that an increase of business risk affinity could not be ascertained. As mentioned, I still hold that only more comprehensive and ideally voluntary risk coverage could potentially increase business risk affinity and consequently lead to higher returns. After "discovering" the concepts of the moral economy and the related traders' dilemma, I moreover hold that overall insurance coverage must be sufficient enough to render the reliance on informal collective risk arrangements largely unnecessary in order for the insured to opt out of the moral economy structure and the related restrictions on economic capital accumulation. This reverts back to the "double fortune / double blow dilemma" posed by microinsurance in combination with microcredit (cf. section 2.2.4).

Despite the indefinite outcome regarding its original question, risk affinity testing was nonetheless worthwhile in that is shows, with some claim to validity and representativeness, that on average the insured low-asset micro-entrepreneurs in Indonesia are moderately risk affine. From a character point of view, they seem to be neither particularly risk averse, nor are they daring micro-entrepreneurs which unleash their economic potential upon the provision of microcredit. In fact, this conclusion of a balanced spread of business risk affinity among low-asset people in Indonesia is conducive to the claim of Dichter (2007c: 181) that entrepreneurial skills are as evenly distributed among low-asset people as among the general population (cf. section 3.2.5).

7.4.4 Financial literacy

The impact of *Payung Keluarga* on financial literacy is easier dealt with than the impact on peace of mind and on business risk affinity. Here, a clear increase in insurance literacy as a sub-category of financial literacy can be observed. It has already been mentioned that in an ex-ante self-assessment, customer component respondents attested themselves a weighted average insurance know-how of a low 23 percent (cf. section 7.3.3). In the repetition of this self-assessment during the ex-post survey one year later, self-assessed knowledge levels (n=117) had increased more than twofold to 57 percent (see table 20). In the absence of exogenous factors like large awareness and marketing campaigns by the government or other private insurers this is a remarkable result.

Table 20: Changes in insurance know-how of customers

Question: How would you consider your knowledge about insurance?				
	good (weight 100%)	middle (weight 50%)	not much (weight 0%)	weighted average
ex-ante (n=159)				
#	12	49	98	
%	8%	31%	62%	23%
ex-post (n=117)				
#	38	58	21	
%	32%	50%	18%	57%

On a methodological note, table 20 gives a good example for the appliance of the single-difference method because ex-ante and ex-post responses to the same question are compared. The self-assessments and the resulting percentage figures are naturally subjective. However, it is certainly an objective finding that there is a significant increase of self-assessed insurance knowhow. Furthermore, looking at the five “semi-control groups” which I only interviewed ex-post, self-assessed ex-post insurance knowledge of these groups was even higher at 67 percent. This speaks against the consideration that my preceding ex-ante sessions may have overly sensitized respondents.

Further proof for an increase in financial literacy comes from a brand recognition exercise in the customer component. In this exercise, each participant received ten paper cards, each showing the logo of a different bank or insurance company. Then, I asked the respondents to put their ten logo cards onto four different fields drawn on the ground, depending on what image the respondents had of the company. The four fields were marked “?”, standing for “I do not know this logo/company”, “-” standing for “I have a bad impression of this company, “0” standing for “I know this company but don’t know if it is good or bad”, and lastly “+” standing for “I have a good impression of this company”. First, a volunteer was selected to allocate the first two or three of her cards as a demonstration effect. Then I asked all customers to simultaneously distribute their cards. Such simultaneity was meant to avert a one-voice effect. The depicted logos were naturally the same in the ex-ante and ex-post phase. Although this exercise was the most complicated of all my action questions, it proved to render reasonably good results (table 21).

Table 21: Recognition of insurance and bank brands among customer component participants

Question: Do you know any of these 10 company logos? If yes, what image do you associate with these companies?		
	ex-ante (n=1544 votes)	ex-post (n=957 votes)
Company not known ("?")	64%	39%
Company known	36%	61%
bad image ("-")	2%	5%
neutral image ("0")	11%	17%
good image ("+")	22%	39%

In the ex-ante customer component, participants recognized 36 percent of the shown logos. One year later, the portion had risen to 61 percent. Unsurprisingly, the biggest jump in brand recognition was registered by Allianz. From the least recognized of the ten logos with only 6 percent ex-ante brand recognition Allianz jumped to second best known company with an ex-post brand recognition of 82 percent. If we exclude Allianz, overall recognition levels of the remaining nine companies jumped from 39 to 58 percent. Besides a mere increase in brand recognition, this exercise also rendered information on the image of banks and insurance companies in Indonesia. Here, neutral and positive perceptions clearly outweigh instances of bad impressions. Although the card placement was virtually anonymous, when I found some logos put on the negative image field I nonetheless routinely inquired who had put those particular cards and for what reason. I found the related critique to be most often concerning negative hearsay from friends and neighbors and impressions of low service quality. All in all, these results confirm my earlier claim that the image of insurance among low-asset customers is surprisingly good (cf. section 7.3.3).

If we combine the findings from the knowledge self-assessment and the brand awareness exercise, this combination renders strong evidence of an increased sensitization to insurance related messages, and probably to financial messages as a whole (after all, bank logos were also included in the brand awareness exercise). This sensitization has led to a clear increase in insurance literacy, and therewith in financial literacy. It is highly questionable if a mere insurance awareness campaign would have been able to achieve the same results at similar costs. It should be added, however, that despite such sensitization only one single respondent had voluntarily bought a new insurance product in the intermezzo between baseline and endline surveys, again unsurprisingly an education endowment. Because of a lack of appropriate follow-up products, Allianz has therefore not yet managed to turn its increased brand awareness into up-sales and cross-sales. However, at least the company has achieved its goal to significantly increase its brand awareness, not only through media reports, but first and foremost among the sizeable number of microinsured customers. Mathematically speaking, the jump in brand awareness from 6 percent to 82 percent amounts to an increase of over 1,200 percent.

7.4.5 Impact on the insured seen from an expanded asset-capital perspective

In terms of changes to the asset base and ex-ante risk management strategies of customers, the overall impact of *Payung Keluarga* has been minor. Financial literacy as a human asset has certainly increased. The results on peace of mind as another form of human asset are at best slightly positive and at worst rather ambivalent. Moreover, whatever the change to peace of mind, it has not led to a discernable change in business risk affinity. Access to insurance as a financial asset has increased by default, but when considering the above, the merits of such an obligatory asset increase are far from certain, moreover as it is offset by a decrease in cash through the payment of premiums. I found no indication that these minor changes to the asset base had changed the way the insured were configuring their ex-ante risk management strategies. In short, ex-ante risk management behavior among customers does not seem to have changed through the advent of insurance. By and large, the impact was more intangible and psychological, rather than resulting in behavioral change. Of course, ex-post risk management of beneficiaries was more significantly affected. This will be outlined in section 7.8.

The fact that the insured where now “using” a modern and positively connoted new product may have increased their symbolic capital. This consideration is tenuously supported by the fact that the women proved almost eager to discuss the insurance with their neighbors and friends. Several group leaders were asserting that they used the insurance coverage as a selling argument to win new members for their credit groups. I also met several customers who stated that they felt proud of having insurance. But as I did not inquire deeply into this particular matter, I have to leave this consideration open as a largely unproven hypothesis.

7.5 Customer satisfaction

Customer satisfaction with *Payung Keluarga* was good. On the Indonesian elementary school grade scale from 0 to 10, ex-post customer component participants (n=137) rated the program with 8.3 (see table 22). Discounting this value somewhat for a positive answering bias still renders a reasonably good result. Ranking was done anonymously. The customers had to write their ranking on a small paper and put it upside down on the ground in the middle of the circle in which the participants were usually sitting. Writing numbers was no problem for the illiterate and no discussion or assistance was allowed during the voting process. This helped to reduce the one-voice phenomenon, although response patterns within the groups were still remarkably aligned. Some groups were clearly more satisfied than others.

Table 22: Satisfaction ranking among ex-post customer component participants (n=137)

Question: How satisfied are you with Payung Keluarga on a scale from 0 to 10?												
	Worst										Best	Summary
Grade	0	1	2	3	4	5	6	7	8	9	10	Average grade: 8.3
Votes	0	0	0	0	0	2	5	35	37	21	37	Total votes: 137

There are a number of other quantitative indicators that customer satisfaction was high. For example, in a hypothetical question on customers' readiness to repurchase *Payung Keluarga*, 86 percent of respondents stated that they preferred *Payung Keluarga* to be attached to their next loan (see table 23). Even when premiums were supposed to increase by 50 percent, still more than half of the customers were in favor of having *Payung Keluarga*. This indicates a considerable price elasticity on the side of the customers, which in turn further supports a significant satisfaction level.

Table 23: Hypothetical repurchasing rate among ex-post customer component participants

Question: Would you prefer *Payung Keluarga* to be attached to your next loan?			
	No, I would prefer loans without insurance	Don't know yet	Yes, I would prefer loans with insurance
if premium stayed the same (n=139)			
#	8	11	120
%	6%	8%	86%
if premium was to increase by 50 percent (n=137)			
#	41	26	70
%	30%	19%	51%

The repurchasing rate (or renewal rate) of short-term insurance contracts is considered a good indicator of customer satisfaction (Wipf and Garand 2008: 26). Because *Payung Keluarga* was obligatory and a realized repurchasing rate could therefore not be observed, above exercise is admittedly hypothetical. Supposedly, there is gap between customer's declared intention to part with their money and them actually parting with it. Churchill (2002: 386) notes that customers of micro-health schemes are significantly less likely to renew their usually yearly contracts if they have not experienced a claim during the year (and do not receive a premium refund). Of course, this is strongly related to the unfulfilled expectation of balanced reciprocity. I suppose that the same would happen if *Payung Keluarga* were voluntary.

On a methodological note, regarding table 23 it should be mentioned that in three of 19 ex-post groups, acceptance levels of *Payung Keluarga* stayed the same and in three other groups acceptance even rose in sight of a 50 percent increase in premium. As noted above (cf. section 5.3.3), this may be due to the fact that there were an number of other questions and additional information on *Payung Keluarga* in between the two questions of table 23, which may have further endeared the product to the respondents. It would have been better to ask these questions consecutively. On the other hand, this methodological flaw has the merit to highlight the importance of question sequencing and to reveal that the research process itself is a learning process for the respondents. In addition, this observation illustrates that customer satisfaction can be quite volatile. Nonetheless, the hypothetical high repurchasing rate and an equally hypothetical considerable price elasticity as observed in table 23 supports the notion of a relatively good customer satisfaction.

Further support comes from the group leader component. Here, 97 percent of credit group leaders (n=31) stated that *Payung Keluarga* was one of the reasons which made the MFI's credit program attractive. Only one credit group leader declared that to her it made no difference whether her loan came with insurance or not. The loan officers were more moderate but still positive in their feedback. 82 percent (n=66) reported that their customers perceived *Payung Keluarga* as an additional benefit. 18 percent saw no effect and no loan officer reported a negative effect on overall MFI program attractiveness.

It is based on this triangulation of data from customers, credit group leaders and loan officers that I base my claim of good customer satisfaction with *Payung Keluarga*. After this rather quantitative exercise, it is of course interesting to analyze the reasons behind the noted customer satisfaction, and at the same time look for possible issues of critique. During my time working and researching on *Payung Keluarga* I could not help perceiving a certain “this must simply be good” attitude among MFI managers, loan officers and customers, very similar to the mentioned uncritical a priori endorsement by Allianz (cf. section 4.4.8). Unfortunately, this subjective general impression is hard to pin down. However, after some encouragement from my side, ex-post customer component respondents were quite precise in pointing out what they liked and disliked about *Payung Keluarga*. Table 24 presents the respective results. Here, I did not record how many participants supported each of the raised points. I therefore count every mentioned reason on the basis of the 19 ex-post groups, not on the basis of their individual participants. This makes the groups the relevant unit of analysis. If for example the number of recorded mentionings for “good price” is ten, this means that in ten of the 19 ex-post groups this pro-reason was voiced at least once.

Table 24: Pro and contra reasons for *Payung Keluarga* as perceived by ex-post customer component groups (n=19 groups)

Pro/Contra	Reason[1]	# of mentionings	% of mentionings
Total		46	100%
Pro sub-total		34	74%
Pro	Feeling of protection	10	22%
	Good price	10	22%
	Mutual assistance	7	15%
	Good socialization	2	4%
	All okay	1	2%
	Heard that claims are paid quickly	1	2%
	Promotes togetherness with MFI	1	2%
	Proud to be pioneers	1	2%
	Trusted (*terpercaya*)	1	2%
Contra sub-total		12	26%
Contra	Protection too limited	7	15%
	Insufficient socialization	3	7%
	Takut cepat mati	1	2%
	Too expensive	1	2%

[1] Reasons are aggregated from more detailed customer feedback.

Table 24 clearly shows that the groups found more positive (74%) than negative (26%) arguments related to *Payung Keluarga*. The primary satisfaction drivers were (1) feeling of protection, (2) good price, and (3) mutual assistance. The fact that many groups reported an increased feeling of protection is in line with the more detailed findings presented in section 7.4.2. It may be nonetheless critically added once more that this is a very obvious and "expected" and therefore somewhat biased answer in relation to insurance. Regarding "good price", the broad impression that *Payung Keluarga* was cheap certainly relates to the fact that it only made up a small portion of the insured loan, and that with an average premium of US$ 0.92 per loan it was also perceived as cheap in absolute terms. Moreover, the premium rate seems to have been below the original premium expectations of the customers. In the ex-ante survey, when I had already explained the upcoming products benefits but still not mentioned the price, participants (n=123) estimated a "fair" premium for *Payung Keluarga* to be US$ 2.35 for a one-year US$ 100 loan, while in fact the respective premium was only US$ 1.20. Compared to "feeling of protection", I hold "good price" as a less obvious and less "expected" pro-reason, and therefore consider the corresponding results as a more accurate answer than in the case of peace of mind. "Mutual assistance" as the third major driver of satisfaction relates to my efforts to display insurance as a large mutual assistance arrangements, even while ignoring that traditionally such arrangements are based on balanced reciprocity rather than on conditional redistribution. Coming back to the issue of question sequencing, my pro/contra question came after I had earlier asked if customers knew where the money for the large claim payments was coming from. As virtually no customers related the payouts to the accumulation of their own small premium payments, I had consequently explained this relationship. I am sure that it was my re-emphasis of this point shortly before posing the pro/contra question which made this point gain particular importance to the customers. However, this still indicates that in fact the idea of helping others through their own premium contributions resounds well with low-asset customers. I therefore reprise my earlier point that the marketing of insurance to low-asset customers may gain from focusing more on the social, collective aspect of insurance rather than on the individual protection which forms the key message in most marketing to the middle class (cf. section 2.2.3).

The observation that customers strongly approved of the social assistance aspect of insurance although it definitely represents an individualized risk management tool, leads me to suspect a fourth major driver of customer satisfaction: It was not explicitly stated by the customers but at least to a certain extent customers seem to prefer individual, autonomous protection over the socially and financially demanding informal collective arrangements such as *sumbangan*. This is even more so if they can formally uphold the socially very much approved notion of participating in a mutual assistance arrangement. This creates a further example of a divergence of inner substance (individualized formal insurance) and outer form (mutual assistance) which I hold characteristic for many social institutions in Indonesia, much in line with the earlier example of the husband as undisputed family head in public vis-à-vis more balanced power differentials within the family (cf. section 7.1; cf. Schiel 1985: 15). This observation does not necessarily contradict the often repeated assertion that customers base much of their risk management conception on balanced reciprocity and therefore have a hard time to fathom the risk and resource pooling principle of insurance. This is because respondents were generally very much aware what insurance was for and that it did not entail the same social intricacies as traditional mutual arrangements.

We find further indications for the preference for individual protection if we combine feedback of beneficiaries as receivers of *sumbangan* with feedback of customers as givers of *sumbangan*. Ten out of the twelve Muslim beneficiaries who I asked on the matter admitted to a feeling of *malu* (shame, awkwardness) when having to rely on assistance from others, although the level of *malu* varies depending on circumstances and the proximity to the lender. Magnis-Suseno underlines this further:

> Borrowing money, even from relatives, is always something connected with shame with Indonesians. Everybody does it, it is very common. . . . Money dealings within the family, this is always a delicate and precarious affair.[47]

In line with Mauss (1954), this awkwardness relates to the fact that receiving a gift first and foremost creates a social debt towards the donor. If the recipients of *sumbangan* do not feel comfortable with it, neither do the donors. Table 11 ranks the social obligation to give to others on special occasions as the third highest daily worry. This is a clear indication that *sumbangan* in fact imposes a heavy (financial) burden on the donor as well. This observation points back to the earlier claim of informal mutual assistance systems not being based on al-

[47] Interview with Professor Frans Magnis-Suseno, principal of Driyarkara University in Jakarta, on 26 March 2008. Translation from German by the author.

truism but on practical need and lack of alternatives (cf. section 2.2.2 and section 2.2.3), and is also reflected in the ambivalent position of customers towards joint-liability in group-based lending (cf. 3.2.5). In consequence, when viable long-term alternatives like microinsurance make their appearance, low-asset families are interested in accepting them, not only for those risks where informal arrangements have provided very limited coverage before (education, health), but also in those cases where such arrangements have provided reliable coverage.

Although *Payung Keluarga* with its limited coverage has certainly not induced any significant exodus from the moral economy, other scholars support the notion that people tend to opt out of the moral economy when possible. Hefner (1998: 28) descirbes how the new middle-class in South-East Asian urban centers like Jakarta or Bangkok is hardly bound by the collective social controls prevalent among low-asset people. Newberry (2007: 1308-1309) recounts the self-legitimizing perspective of a low-asset *kampung* dweller who contrasts the positive, intimate, and mutually supportive life in his *kampung* with the lifestyle of the rich, who do not need mutual support any longer, and therefore lead secluded and individualistic lives. Scott (1976: 61), writing on the moral economy among South-East Asian peasants under colonial rule, states that villagers who had economically benefitted from the colonial regime, were no longer heeding the claims and demands of the low-asset village population, and instead pursued their economic self-interested claims in a more assertive way.

I therefore reprise my claim that the provision of comprehensive market-based insurance coverage can be socially and economically liberating to the individual, especially when combined with microcredit, while at the same time this liberation erodes existing traditional structures and may eventually leave other individuals worse off. This then adds further evidence to my postulate of the existence of a "double fortune / double blow" dilemma in microfinance. It is even possible that a "portion" of the increased feeling of protection does not relate to protection from the financial consequences of death itself, but instead to more protection from the intricate and precarious post-mortem social pattern. Interestingly, Mosley (2003) also asserts high customer satisfaction and a preference for formal protection in his impact assessment of micro-health insurance schemes in Uganda and Bangladesh (cf. 3.3.4). However, his conclusions regarding the impact on social capital are the polar opposite of my own, as he writes:

> Within local communities there is compelling evidence that 'bonding' social capital in the sense of trust, has indeed been strengthened as a consequence of the advent of insurance. (Mosley 2003: 151)

For Mosley, insurance strengthens social cohesion instead of leading to more autonomy of the families. As his methodology and reasoning are not clearly spelled out, it is difficult to understand why this may be so. One reason could be the different contextual conditions in Uganda and Bangladesh as compared to Indonesia. The point I want to make here is that in the current discourse on the social impact of microinsurance, as limited as it may be, there are opinions that very much diverge from my own.

If we now look at the customer critique of *Payung Keluarga* as reflected in table 24, unsurprisingly most critique relates to the product's limited coverage. This critique is understandable if we consider that in effect *Payung Keluarga* did not address any of the major risks of customers, and that not even the husband was covered by the policy - quite in contrast of what the product's name as an "umbrella for the entire family" implies. This critique can also be interpreted positively as a clear demand for more microinsurance. "Lack of socialization" features as the second most frequent critique by customer groups. However, only three of 19 groups have voiced this complaint, while another two groups were actually lauding the "good socialization" of the product. As mentioned before, I therefore hold the socialization process of *Payung Keluarga* not to be a critical issue.

Looking at the raised critique, it is also enlightening which of the "usual candidates" did not appear as critical: First of all, the issue of affordability did not play a great role. This is of course in line with most groups endorsing the cheap premium of *Payung Keluarga*. In fact, when I asked credit group leaders how much they could spare for an education endowment product per month, IDR 50.000 (US$ 5.30) was the overall consensus. The women indicated that they could finance this from their business profits, and - except for one participant - stated that for this they would not cut back on other spending such as *arisan* contributions. To me, this is a further example of the resourcefulness of the insured customers. Another typical (micro-)insurance issue which does not appear as a concern in table 24 is the issue of trust. As alluded to before, the strong attachment and trust in the MFI has successfully averted such concerns. On the contrary, if anything, trust appeared as a positive point. Some groups stated "trusted", "heard that claims are paid quickly", and "promotes togetherness with MFI" as advantages of *Payung Keluarga*. The by and large satisfactory socialization has certainly also contributed to the confidence in the product. The customers seem to have had little problem with the compulsory character of the product. A last, a rather surprising absence from the list of critiques is the unfulfilled expectation of a refund. Although this is a matter of principle and the most frequently asked customer question (cf. section 7.3.3), the small monetary amounts involved seem to render this point too feeble to make it a serious point of critique. By and large, however, a comparison of the list of frequently asked questions as reported by the loan officers (table 18) with the pro and contra reasons provided by the customer groups themselves (table 24), renders a mutually supportive picture: While demand for more coverage is salient in both inquiries, issues of affordability and trust do not play a critical role.

In summary, customer satisfaction with *Payung Keluarga* was good, mainly due to an increased feeling of protection, good affordability, high levels of trust, and lastly the preservation of the image of engaging in mutual assistance while in reality switching to the preferred form of more autonomous individual protection. The inquiry into the background of customer satisfaction clearly reveals that if given a better alternative, low-asset people are inclined to opt out of traditional mutual assistance networks which impose severe moral restraints on people's asset accumulation strategies and can cause "social stress". However, taking the critique of the limited protection of *Payung Keluarga* as an indicator, the "liberating" impact of this simple product alone will not be sufficient to unravel the clout of the moral economy. Yet, the provision of more comprehensive microinsurance is likely to signficantly promote such a process. This probability is not critically reflected upon by the microinsurance customers. The emic perception of microinsurance is considerably more positive than my own critical stance. I do not want to romanticize mutual assistance as practiced in Indonesia as a "traditional ideal". More pragmatically, I argue again that microinsurance is an agent of social change. I add that by tackling the relatively well covered death risk, *Payung Keluarga* has acerbated this role. It has virtually attacked traditional risk management strategies head-on (cf. 7.3.4). The following discussion on the beneficiaries' payout usage pattern provides further evidence for this. Presumably, dealing with health and education first would have led to a smoother integration of new with existing risk management strategies. However, as outlined above, the project constraints did not allow for such daring ventures (cf. section 4.4).

7.6 Beneficiary profile

The insured had to appoint a beneficiary from their closest relatives at the moment of loan application. This was done as a measure to further raise awareness of the insurance coverage, and in addition to provide some minimal choice on an otherwise completely obligatory product (cf. section 4.4). Initially, I asked the MFIs to electronically record and submit the beneficiaries' names and kinship status to Allianz. This was due to my intention to later analyze the beneficiary choice patterns. During the product acceptance group questionings which preceded my formal field research some women joked that their husbands may use the payouts to finance a remarriage or conspicuous consumption. I therefore wanted to analyze the beneficiary choices to gauge if there was indeed a level of mistrust of women towards their husbands which may induce them to instate their children, siblings or parents as beneficiaries instead of their husbands. After I had collected a reasonably large sample of n=17,019 beneficiary choices, the electronic recording of beneficiary choices was abandoned because the corresponding data entry process was time consuming for Allianz and operationally unnecessary. In case of a claim, the MFIs and Allianz could always seek out the original loan application document to check on the beneficiary choice. Table 25 presents the pattern of beneficiary choices from my sample.

Table 25: Beneficiary choices of *Payung Keluarga* customers 2006 - 2007 (n=17,019)

Sex of insured	Beneficiary kinship status	#	% of female/male
Female	Husband	11,837	80%
	Child	2,402	16%
	Sibling	335	2%
	Mother	177	1%
	Father	67	0%
	Other relative	46	0%
Male	Wife	1,725	80%
	Child	192	9%
	Sibling	106	5%
	Mother	67	3%
	Father	56	3%
	Other relative	9	0%
Total		17,019	

Table 25 shows that proportionally just as many women as men chose their spouses as beneficiaries, namely 80 percent. If we recall that 14 percent of the customer component participants were either single, widowed or divorced (cf. table 11 in section 7.1) it appears that in fact the overwhelming majority of married women had chosen their husband as beneficiary and vice versa; and those who did not may have done so for practical reasons such as the spouse living and working far away. There is therefore no indication of a particular level of distrust of women about the “appropriate” fund usage of insurance payouts by their husbands. It has to be noted, however, that the loan applications had to be co-signed by the spouses. The freedom of non-selection of spouses may thus have been severely limited. Moreover, co-signature (which is legally required and practically necessary to engage the spouse in case of non-repayment) presupposes a certain level of agreement and trust among the spouses. Regarding the choice of other beneficiaries, particular social patterns are hard to make out. Because by terminology Indonesians mostly do not distinguish between male and female relatives, but neutrally refer to *anak* (child), *adik* (younger sibling), and *kakak* (older sibling), the data does not allow to distinguish if more boys than girls were chosen as beneficiaries. However, due to the prevalent cognatic decent system in Indonesia I consider a particular male preference as unlikely. I rather suppose that by default the eldest child was chosen. From the sample it nonetheless appears that women tend to prefer their children over other non-spouse beneficiary choices, and moreover their mothers over their fathers, while with male insured, the preference for children is not as strong and the ratio between father and mother is more balanced. It would be interesting to verify this further through larger samples and to learn why this is so. However, apart from above data the person of the beneficiary remained obscure in the daily operational work of *Payung Keluarga*. Of course, my beneficiary interviews render a more detailed picture, but on an admittedly small sample base of only 24 Muslim beneficiaries. Most of their socio-demographic data has already been depicted in table 11. In reprise, these beneficiaries were mostly male (75%), had a better education then the insured (0% illiteracy), more formalized employment, and higher average incomes. Moreover, my beneficiary interviews were limited to urban and semi-urban areas. I did not interview any “rural” beneficiaries. In addition to this factual information, the sample claim stories in section 6.2 have provided narratives on four beneficiaries. Not surprisingly, three of them were male, while Ibu Zakiyah of sample claim 1 became *de facto* beneficiary just because her father had delegated this responsibility to her. Below, in table 26, I present some additional information regarding the beneficiaries’ profile (and also the claimants’ profile). Here, the kinship status and the principal occupation is stated, as well as qualitative and quantitative information on the mutual financial dependency of insured and beneficiary.

Table 26: Relationship and financial dependencies of insured and beneficiaries (n=24)

Insured		Beneficiary			Financial dependencies			
F/M	Principal occupation at moment of death	F/M	Kinship relation	Principal occupation at moment of death	Narrative	Ben. on insured (min 0 - max 5)	Ins. on benef. (min 0 - max 5)	
F	Housewife	M	Son	University student	- main income earner is father who runs a garage - insured (mother) sometimes helped in the fathers garage, but was mainly housewife - beneficiary (son) had his own income as a freelance math teacher - his parents supported him by providing food and housing	1	0	
F	Housewife	F	Sister-in-law	Clinic employee	- insured was housewife and had borrowed for education purposes - the husband (original beneficiary), who had a small business, had run off with another woman - sister-in-law became beneficiary and has her own income from her job in a clinic	0	0	
F	Trader (cosmetics & clothes)	M	Husband	Taxi driver	- insured (wife) had her own income - beneficiary (husband) had his own income	2	4	
F	Trader (textiles)	M	Husband	Trader (decorative stones)	- beneficiary (husband) was unemployed before, but was just about to open a decorative store trade with funds saved from the income of his wife	5	0	
F	Food stall	M	Husband	Trader (fish)	- insured (wife) and beneficiary (husband) shared their respective incomes	3	3	
F	Housewife	M	Husband	Trader (vegetable hawker)	- insured was housewife - beneficiary (husband) earned money through trading	0	5	
F	Aerobic trainer	M	Husband	Driver and garage	- husband and wife shared their respective incomes, but husband's income was higher	2	3	*sample claim 2*
F	Trader (shoes, sandals, bags)	M	Husband	Tailor	- insured (wife) was trading for a pastime - beneficiary (husband) was main income earner	2	4	
F	Trader	M	Son	Factory worker	- insured (mother) earned her own income - beneficiary (son) nevertheless sometimes supported his mother financially	0	2	*sample claim 4*
F	Trader (textiles and electronics)	F	Daughter	Trader	- insured (mother) had her own business - beneficiary (daughter) nonetheless had higher income as trader and often supported the mother financially	0	3	
F	Trader (textiles)	M	Son	University student	- insured (mother) had her own small income - beneficiary (son) had no income as he was a student but he was only supported by the income of father	0	0	
M	Employee of TV company	M	Father	Farmer	- insured (son) was single, had his own income, and sometimes supported his mother and father (beneficiary)	1	2	
F	Trader (textiles)	M	Husband	Office boy	- insured (wife) had her own income - beneficiary (husband) had his own income as office boy - all income was pooled and managed by wife - not clear who earned more	1	3	*sample claim 3*
F	Trader (vegetables)	M	Husband	Freelance construction worker	- insured (wife) had her own regular income from trading - husband had irregular income from construction projects - overall, husband's income was nonetheless higher - the wife was the clear money manager of the family	2	3	
M	Freelance electrician	F	Wife	Trader	- incomes of insured (husband) and beneficiary (wife) were separated - the husband's income was higher	4	2	
M	Trader (dried fish)	F	Wife	Trader (dried fish)	- the entire family was engaged in a joint family business (dried fish production and trading) - income was pooled and shared	3	3	
F	Trader (textiles)	M	Husband	Driver	- business of wife (insured) and beneficiary (husband) were strictly separate - the husbands income was higher - the husband provided the initial capital for the business of his wife	1	3	
F	Trader (textiles, food)	M	Husband	Unemployed	- beneficiary (husband) was laid off as a bus driver for a public bus company - he now waited for his pension - meanwhile, the insured (wife) supported him from her income	4	0	

F	Food Stall	M	Hus-band	Food Stall	- insured (wife) and beneficiary (husband) ran a food stall (*warung*) together and shared the revenues	3	3	
F	Unclear	M	Son	Office boy	- insured (mother) had her own income - beneficiary (son) also had his own income - he sometimes supported his mother out of gratitude, not because of the mother's need	0	1	
F	Mobile beauty salon	M	Hus-band	Freelance construc-tion worker	- incomes of insured (wife) and beneficiary (husband) were kept strictly separate	1	2	
F	Trader (food)	M	Hus-band	Taxi driver	- insured (wife) and beneficiary (husband) had two sepa-rate sources of income - husband stopped working to care for wife - after wife's death, husband continues his wife's business	2	3	
F	Trader (donughts)	F	Daugh-ter	Trader (textiles)	- insured (mother) and beneficiary (husband, then passed on to daughter) had separate incomes - incomes were pooled and administered by the women	3	3	*sample claim 1*
F	Food stall	F	Mother-in-law	Production and sales of trad. medicine (*jamu*)	- insured (daughter-in-law) had her own income which supported her own nuclear family - there was no financial relationship to the beneficiary (mother-in-law) - the original beneficiary (husband of insured) had died before	0	0	
					Average (all) n=24	1.7	2.2	
					Average (wife insured - husband beneficiary constellations only) n=13	2.1	2.8	

I concluded on the stated quantitative numerical values for financial dependency in table 26 from the beneficiaries' overall claim story, not from precise measurement of income and expenditure flows. It is therefore a subjective assessment. The aim of table 26 is to highlight as palpably as possible what has been mentioned several times already, namely that on average the beneficiaries were more independent from the insured (2.2) than vice versa (1.7), especially in the case of the insured being the wife and the beneficiary being the husband (2.8 vs. 2.1). However, it also becomes clear that while being the main breadwinner, the husband is rarely the sole earner of the family. The fact that many beneficiaries had separate incomes from the insured does not automatically mean that the two incomes were kept separate for family money management. The most frequent arrangement was that the husband passed (most of) his income on to the wife who was the primary family money manager, and who also put in her share to the family budget. In this arrangement, the husbands often did not know how much their wives were actually earning, just as in case of Pak Wahyu in sample claim 3 (cf. section 7.1.1; cf. Lont 2000).

7.7 Perceptions of death and the insurance payouts

Much of the reasoning behind the payout usage as documented in table 12 is influenced by the perception of death as the trigger for the payouts, as well as the perception and timing of the claim payouts. These influencing factors are described first before a more detailed discussion of the various payout usages follows in section 7.8.

7.7.1 Perceptions of death

As alluded to, death is traditionally regarded as a particularly critical life cycle event and moreover as a collective and exogenous risk (cf. section 7.2). Van Gennep (1960) has described death and the accompanying funeral rituals in traditional societies as rites of passage.[48] The spirit of the dead is believed to embark on a passage of certain length before arriving in the afterlife. During the time of passage the deceased is still a "living dead" (Chambert-Loir and Reid 2002: xx). Only when funeral rites have been properly performed, and the flesh and the fluids have disappeared, and the bones are perfectly dry, then the pacified soul can reach its ultimate abode. In case that the prescribed funeral rites are not performed properly, the spirit's passage to the afterlife fails and leaves the spirit caught up between the present world and the afterlife where it would continue to haunt the living and bring misfortune upon the family and the community as a perpetual disgruntled "living dead". This is why death in traditional societies is perceived as a collective risk (cf. section 7.2). Funeral rites are not only necessary for the benefit of the deceased, but also for the protection and long-term benefit of the living (Van Gennep 1960: 160-161). According to this reasoning, funeral rituals therefore serve pragmatic and economic purposes. Among other things, they are an investment into the future prosperity of the family and community. All matters surrounding death have to be dealt with as properly as possible. Where pragmatism was allowed during life, in death this is not the case. Death has to be clean. Chambert-Loir and Reid (2002) argue that this basic perception of death also applies to traditional Indonesian societies and bears relevance until today. Building on the many respective comments I received from customers and beneficiaries I can only confirm this. One good example is the worry of Lulu Setiawan in sample claim 4 about the origin of the insurance payouts and his decision to play as safe as possible and donate the remaining insurance funds as charity. Similar concerns regarding life insurance payouts in Indonesia have been reported by Samik-Ibrahim (1963: 106). An *ustaj* who I interviewed also acknowledged that in his community the origin of funds needed to be particularly clear in case of death.[49] Because death threatens the balance of the family and the community, overt expressions of grief and bereavement are disapproved in Indonesia as further accentuating the precarious situation. This is particularly so among the Javanese. Instead, the family is supposed to maintain a state of willed unaffectedness (*iklas*) and the community has to strive for preserving its communal harmony (*rukun*) (Sutrisnaatmaka 1987: 76; Geertz 2000: 153). The preservation of inner balance and harmony is therefore intertwined with the preservation of collective harmony, which naturally calls for strong community support for the bereft family. Already Van Gennep (1960: 165) notes that traditional funerals are collective affairs involving the serving of food. In Indonesia, this traditional feast is the death *slametan* which is of autochthonous, pre-Islamic origin (Forshee 2006: 37-38), despite some claims that the *slametan* is an entirely Islamic affair (Muhaimin 1995: 11).[50]

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[48] *Rites de passage*, the French original of Van Gennep's treatise, was first published in 1909.

[49] Interview with Ustaj Fahmi of Pesantren Al-Futuwah in Jakarta on 7 May 2008.

[50] All academic and religious experts, who I interviewed - whether affiliated with NU or with Muhammadiyah - agreed that the *slametan* was not authentically Islamic.

The important underlying presumption in the perception of death as a rite of passage is the belief in the continuity of a relation between the dead and the living. The dead, at least for a considerable amount of time, can still influence the fortunes of the living. Especially powerful dignitaries in the present world, such as the founders of a village or leaders of a clan, can even become powerful spirits in the afterworld with a continuous influence in worldly affairs. Such ancestor cult is an important ingredient of many autochthonous belief systems, also in Indonesia (Chambert-Loir and Reid 2002: xix). Opinions vary, however, as to the extent of ancestor worship in contemporary Indonesia. Already in the 1950s, Geertz perceived no particularly elaborate ancestor worship in Central Java:

> Javanese 'ancestor worship' . . . amounts to little more than a pious expression of respect for the dead plus a lively awareness of the necessity of being on good terms with one's own deceased father and mother and of being sure to feed them some rice or flowers when they appear in one's dreams. (Geertz 1960: 76)

Chambert-Loir (2002), on the other hand, regards a more holistic ancestor cult to be vibrantly alive in modern Indonesia. He exemplifies this by the still strong-going worship of Muslim saints in Java, and he criticizes Geertz for not having sufficiently taken note of this phenomenon (Chambert-Loir 2002: 133). I have not inquired deeply into the matter during my research. However, as far as my own findings allow for it, I can at least confirm Geertz' statement that there is a strong reverence for one's own deceased parents among NU leaning microinsured customers. In addition, just as before, death seems to be still perceived as a collective and exogenous risk and in consequence funeral rites are a collective affair. One particular telling episode took place during a group leader session in Tangerang in Oktober 2008. The participants and I were just discussing the issue of *slametan* and that Muhammadiyah was critical of this practice when the group reported how a recently deceased Indonesian horror movie actress, Suzana, had wished that no special funeral rites were to be held for her (cf. Antara News 2008) The group leaders then - somewhat jokingly - remarked that for this strange behavior Suzana would probably become a *hantu* herself to haunt the living. Despite the humorous overtones of this episode, it nonetheless reveals real undertones of an ongoing preoccupation with death as a collective risk. Orthodox Islam, on the other hand, takes a rather rigid attitude towards death which is perceived as a definite cut between the dead and the living without further interaction (Smith and Haddad 1981: 7; Van Bruinessen 1996: 170-171). Muhammadiyah as the largest modernist Islamic organization in Indonesa therefore denounces all kinds of ancestor worship and the continuous preoccupation with the deceased after death as epitomized by the prolonged sequence of death *slametan* at various stages after death (Geertz 1960: 139; Van Bruinessen 1996: 170-171). Contrary to Muhammadiyah and other modernists, NU takes a more accommodative stance towards traditional perceptions of death and the accompanying funeral rites. Several of my interview partners confirmed that NU and preceding Muslim missionaries in Indonesia had opted for an Islamization of the traditional funeral rites instead of an outright ban in order to spread Islam more easily among the population. The NU leaning *ustaj* who I spoke to all endorsed the holding of *slametan* and accompanying rites such as the nightly *tahlilan* prayer sessions for the first seven days after death (cf. Van Bruinessen 1996: 170). However, the *ustaj* were quick to point out that a *sla-*

metan should only be held according to the means of the family. It should not create a financial burden to the family. It was therefore not required of the 'poor' (*orang miskin*). Moreover, the *ustaj* basically acknowledged that death represented a general cut between the deceased, who were now in the afterworld (*akhirat*), and the living, who were still in the present world (*dunia*) (cf. Smith and Haddad 1981: 6-7). Death also ends the possibility for Muslim to accumulate merits (*pahala*) for the final accounting of their personal good and bad deeds at the Day of Judgment. However, as typical for an NU perspective, the *ustaj* saw some flexibility here. According to them, three things of the present world could still benefit the dead in the afterworld and increase their *pahala*: (1) *ilmu*, that is knowledge which the deceased has created during his lifetime and which continues to do good among the living, (2) *amal*, that is charity which the deceased has given during his lifetime and which still continues to exert positive impact, and lastly (3) *anak yang sholeh*, that are well behaved children who continue to be good Muslim full of gratitude for their parents. Not surprisingly, I also found this three-pronged idea of *ilmu*, *amal* and *anak yang sholeh* among the surveyed customers and beneficiaries. Especially relevant to the matter of death and funeral rites is the interpretation of what *anak yang sholeh* entails. First and foremost, it seems to refer to children continuing to pray for the good of their parents. All respondents emphasized the importance of the prayer of the children after death. The prayer of more distant relatives and friends and especially of orphans was considered helpful and supportive, but ultimately of less importance. Smith and Haddad (1981: 60) point out that the belief in the benefits of praying for the dead are a widespread, but not unanimously accepted Islamic tradition. Next to praying, the microinsured customers and the beneficiaries also considered the holding of a proper *slametan*, including all the prescribed foods, as an expression of *anak yang sholeh*.[51]

The interviewed *ustaj* further outlined the *de facto* continuance of a connection between the dead and the living by recounting various stories from the Hadith. The Hadith are a vast collection of stories of the life of the Prophet Muhammad and his early followers. In fact, various different collections of Hadith exist. Different from the Qu'ran they are not fully canonized and there is a fair amount of disagreement among Muslim scholars as to which of the stories are authentic and authoritative and which are not (Gibb and Kramers 2001: 116-120). One of the interviewed *ustaj* recounted the Hadith story of a man to whom his late father had appeared naked in a dream. Hearing about it, the prophet Muhammad recommended that the man should give clothes to the poor. This done, the man again dreamed of his late father, who wore clothes this time around. The *ustaj* then interpreted this story as a clear indication of how the good deeds of the children done in memory of their parents were still benefitting the dead parents. However, the *ustaj* also acknowledged that such stories were not universally acknowledged as authentic. During my *ustaj* interviews, I was in fact told a number of similar stories from the Hadith. Smith and Haddad (1981: 51-52) also report on a number of analogous stories, albeit not the same which I was told. Besides effectively blurring the boundary

[51] The notion of those three continuing *pahala* generators was also shared by some Muhammadiyah leaning experts who I interviewed. However, they exposed a much more limited definition of them. *Slametan*, for example, was definitely not included into their definition of *anak yang sholeh*.

between the present world and the afterlife, the *ustaj* also emphasized that according to their Islamic practice, the handling of the funeral was very much a collective affair. The *ustaj* called it a collective duty (*fard kifayah*) of all Muslim in the community to take care of the proper funeral of a deceased Muslim community member (cf. Jonker 1997: 161, 163; Gibb and Kramers 2001: 100). The principal purpose of this is to alleviate the burden of the bereft family. The family, already emotionally burdened by the loss of a loved one, is not to be doubly burdened by adding the logistic and financial worries of a funeral. This Islamic idea of collectivity corresponds well with the autochthonous perception of the funeral as a collective responsibility. Nonetheless, the *ustaj* pointed out that the proper Islamic funeral only consists of four specific tasks to be carried out as soon as possible after death: (1) the washing of the dead (*dimandikan*), (2) the wrapping of the dead in clean cloth (*dikafani, dibungkus*), (3) the prescribed prayers for the dead (*disholat*), and (4) the actual burying of the corpse (*dikubur*). These four tasks have been widely described as the basic Islamic funeral rites in the literature (Geertz 1960: 139; Granqvist 1965; Idlemann Smith and Haddad 1981: 31-62; Muhaimin 1995: 150-151; Jonker 1997: 153-158). Some experts in Indonesia, who all showed awareness that the core Islamic burial only consisted of these four tasks, added that an additional fifth requirement is the praying of the children for their late parents. This praying, however, is not defined in terms of content, timing and frequency. Also customers, group leaders and beneficiaries were generally aware that only those four to five steps made up the core Islamic burial and that the *slametan* was not prescribed by religion but by tradition (*tradisi*). When I asked respondents on their motivation to hold a *slametan*, the unanimous first answer was that this was done because tradition prescribed it this way, not because religion did. However, in some cases there was some initial discussion and confusion as to whether the *slametan* was or wasn't a religious duty before the groups came to the concise answer that it wasn't. When I inquired further what the benefit of the *slametan* tradition was, typical comments from the respondents were: (1) "*slametan* untuk masa depan lancar" (The *slametan* is for a smooth future); (2) "*slametan* untuk menambah rezeki, baik di dunia maupun di akhirat" (The *slametan* serves to increase our fortune, in the present world as well in the afterworld); and (3) "bila tidak ada *slametan,* masih rasa berhutang" (Without a *slametan*, there is still a feeling of open accounts). These comments show how deeply ingrained the notion of the importance of a proper funeral - the bulk of which is made up by the death *slametan* - still is among low-asset NU leaning people in Indonesia. Moreover, the comments point out that a *slametan* is perceived as being mutually beneficial for the living and the dead, and in fact necessary for the future prosperity of the living (cf. Geertz 1960: 14-15). This all resounds the ideas of death as a collective risk and of a proper funeral as a risk mitigation tool which I have previously outlined.

Eventually, a rather complex mixture of autochthonous and Islamic perceptions of death and related practices emerges from among the low-asset respondents I could talk to: (1) In both perceptions, death is perceived as a collective event and the funeral as a collective duty. (2) In both perceptions, there is a more or less continuing relationship between the living and the dead, even if orthodox Islamic doctrine - much softened by an NU perspective - speaks against it. (3) In the autochthonous perspective, the dead influence the fortune of the living, while the Islamic perspective adds the idea that the living can influence the *pahala* of the dead. These two perceptions are not mutually exclusive, but seem to have merged into a harmonious symbiosis. Conducting proper funerals, from the core Islamic burial ritual on to the autochthonous (although heavily Islamized) funeral rites, is therefore mutually beneficial and in effect a balanced reciprocal relationship. Also Sutrisnaatmaka (1987) clearly observes this vertical, transcendental reciprocity:

> First, ancestor worship was originally intended especially to ask help and protection from them. But after receiving the doctrine of life after death; their devotion changed: now they pray for the salvation of their ancestors' souls by holding slametans from the day of the death until the thousandth day. (Sutrisnaatmaka 1987: 134)

However, while Sutrisnaatmaka primarily sees a reversal of direction (first prayer for one’s own protection, then prayer for the salvation of someone else), I see both aspects to be simultaneously at work: The death *slametan* still has a worldly utility of protection (its simultaneous status utility will be discussed in section 7.8.1), but through the advent of Islam it has been further enriched by a transcendental component. This way, the ritual has become even more beneficial for all involved - the dead and the living - than before. This may help to explain why despite the rapid transformation of Indonesia and the strong call of the Islamic modernists to abandon the practice, the *slametan* is still going strong. In fact, I hold the *slametan* as a prime example for the much discussed ability of Indonesians to adapt and enrich external influences to their needs, not only in outward practice as epitomized by the Islamization of the *slametan* itself, but also in the underlying belief system.

One may note here that the perception of death as a collective risk was originally conceived in more or less egalitarian and socially relatively undifferentiated agrarian village communities. There, labor intensive agrarian (wet-rice) production and the accompanying risks to subsistence created mutual dependencies, which in turn created a self-interested concern of one community member for the welfare of the other. It is fair to ask if the concept of the community as sharing a “common destiny” and sharing collective risks such as an individual’s death is still relevant in the urban or semi-urban context where I conducted most of my research. I hold that this concept is indeed still very much relevant. Despite their social heterogeneity I found the insured customers very much active in widespread social networks in their *kampung*, not the least through their MFI credit groups and various *arisan* memberships. I perceived this as an effort to reenact a sense of community and homeliness which had been lost through the migration from their villages of origin. The obligation of the surrounding families to attend a *slametan* was still very much emphasized and treasured among my respondents. In fact, the *slametan* may thereby serve as a starting mechanism for communal relationships in new surroundings. Moreover, if the villages were rich in various kinds of ghosts (cf. Schröter 2000), urban centers are by no means free from them. In fact, urban ghosts can be taken as less well known than the age-old rural ones. To the migrants, the *kampung* is therefore not only spatially and socially new terrain, but also spiritually. All the more is it imperative under such circumstances to be particularly careful in well-known precarious situations such as the death of a neighbor.

It is possible that particularly high levels of migration, high fluctuation of people, and ethnic diversity may thwart such efforts to reenact a sense of community along with reenacted rites.[52] In such fluid social conditions, the case for microinsurance as a complementary rather than supplementary form of protection may be strengthened, but this has to remain a hypothesis as I have not done research in such areas. In the *kampung* where I did my research such reenacted communities were visible and thriving, although they may have been somewhat more exclusivist than in rural areas (cf. Koning 2006).

7.7.2 Perceptions of the insurance payout

The claim payouts occurred on average 28 calendar days after death, although the individual variance was high. In all but a few cases, payout occurred before the 40th day death *slametan*. On average, the 24 interviewed Muslim beneficiaries received payouts of US$ 331. The average waived loan balance amounted to US$ 68. My beneficiary interviews where held about two months after payout and three months after death. At the time of my interviews, the beneficiaries gave an almost ideal impression of the state of *iklas*, of willful affectlessness. Only at very few occasions did I notice the beneficiaries, women and men alike, to become emotional when they recounted the circumstances of death and the following claim process and claim payout. By and large, the beneficiaries were indeed very much composed and factual in their accounts.

14 of 24 Muslim beneficiaries stated that the insured had told them about the insurance. Of these 14 “informed” beneficiaries, only four claimed to have known the exact benefit amount while the insured was still alive. Three more stated to have had a vague idea of the insurance benefits. In other words, most beneficiaries had no or only vague ideas of the insurance coverage of the insured. When I asked the beneficiaries about how it was possible that they had received such high payouts while the insured had only paid a minimal contribution, no beneficiary knew the answer. Here, the finding of a lack of understanding of the risk and resource pooling principle is the same as earlier with the insured (cf. section 7.3.3). When I asked the beneficiaries what they thought was the source of payout funds, 14 stated to have no idea, including Haji Mustani of sample claim 4 who eventually referred to Allah as the source of all things, including the insurance payouts. Only two beneficiaries identified the payout as coming from the insurance as a due service. Very telling is the explanation of the remaining eight beneficiaries: They perceived the payouts as some form of donation, mostly originating from the MFIs but also from the insurance company or even from some foreign government. The association of insurance payouts with donations has been noticed by Heydel et al. (2009: 53) before, but they do not provide an explanation as to why this occurs. According to my findings such association can be attributed to several reasons: (1) Most beneficiaries had only a vague idea of the insurance contract of the insured, (2) no beneficiary knew about the relationship between premiums and payouts, (3) and most importantly, all traditional assistance in

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[52] This observation is based on personal communication with Mario Wilhelm, who had noticed a considerable degree of social atomization in several highly diverse and migratory *kampung* in Jakarta where he conducted research.

case of a death comes in form of donations by the community and the family, unless money is borrowed on more or less informal terms. As the insurance payout was clearly not a loan arrangement, what else could it be than a donation, the only other well-known option?

Because the post-mortem *sumbangan* donations are clearly marked for the benefit of the dead, this usage limitation is also transferred onto the insurance payouts. Two beneficiaries considered it *haram* (religiously prohibited) to use the insurance payouts for anything else than the benefit of the insured, for example in form of funeral ceremonies, *amal*, or repayment of outstanding debts. While one beneficiary, Lulu Setiawan of sample claim 4, had doubts as to the freedom of usage and preferred to play safe in donating the remaining money, the remaining Muslim beneficiaries saw no explicit religious restrictions on how payouts could be used. However, many noted the moral constraint that religious obligations and traditional obligations needed to be fulfilled first, and that the remaining money (if any) was not to be used erroneously (*tidak salah guna*), for example for buying cigarettes, mobile phones et cetera. By tendency then, payouts were perceived as donations and as belonging more to the dead than to the living. Apart from a few exceptions, the idea that the insurance payouts may be used as compensation for lost income or for searching new income opportunities was alien to the beneficiaries. Religion again plays a role here. The idea of compensation seems strange for something which has been preordained by divine will. It has also been noted before that unlike all other "donations", the source of funds from the insurance payout was unclear to many beneficiaries, which caused some of them to feel anxious, for example in case of Lulu Setiawan of sample claim 4. By and large, however, the payout was perceived positively by the beneficiaries as a form of *rezeki*, as an unexpected financial windfall in consequence of the death of the insured. This in turn entailed not only the obligation to use the money wisely in remembrance of the deceased, but also the obligation to share at least some of the spoils. This perception was not only held by the beneficiaries themselves, but also by their social network. The pressure which the friends of Haji Mustani of sample claim 2 exerted upon him to hold a particularly large *slametan* with good food and small income opportunities for many community members is a case in point. Here again we find a key precept of embedded moral societies, namely the sharing of misfortune and fortune alike in order to maintain the social communal balance. In line with this is the observation that 19 out of 24 claim payment ceremonies were non-private. They were attended to by a variety of persons other than the close family, the credit group leader, and the MFI staff. Although these non-private ceremonies were not large in the sense of large scale public events with a stage, tent, and food, they were nonetheless collective. Very often the RT and various members of the credit group attended. In fact, most beneficiaries asserted that they preferred the claim payment ceremony to be public instead of private. They said that they felt more comfortable if there were witnesses to the procedure and if it was generally more lively (*lebih ramai*). By and large then, beneficiaries did not try to keep the payouts their own private secret. One beneficiary remarked that this was not possible in the tightly crowded *kampung* anyway. It has also been noted already that the great majority of beneficiaries talked openly about the claim payment with their friends, neighbors and colleagues (cf. section 7.3.3). Although there were exceptions to any of the above observations, by tendency insurance payouts are nearly as much collective affairs as the death of a community member.

7.8 The payout usage pattern explained

7.8.1 Slametan and other funeral ceremonies

37 percent of all additional payouts of *Payung Keluarga* which the 24 interviewed Muslim beneficiaries had received were spent on funeral ceremonies (see table 12). 18 of the 24 beneficiaries had spent at least some part of their payouts on these ceremonies. The question as to why this has occurred can easily be answered when taking recourse to the preceding discussion. The beneficiaries unanimously considered a proper funeral as obligatory. To all beneficiaries, a proper funeral consisted of both the prescribed Islamic funeral, which is relatively simple, and a number of *slametan*. Such proper holding of the funeral would ensure a safe passage of the deceased to the afterlife and increase the deceased's *pahala* for Judgement day, while in turn the living would benefit from the protection from evil, misguided spirits and even from blessings provided by the deceased ancestors. This makes for a symbiotic mix of Islamic and authochtonous beliefs. As the insurance payouts were perceived as donations primarily targeted to the benefit of the deceased, one of the most obvious usage options was therefore an investment into a proper funeral. I consciously call this usage an investment because customers and beneficiaries alike perceived funeral spending as a precondition for their own prosperous future. In Western terms, this may be dubbed a social investment, but in the embedded context of the low-asset *Payung Keluarga* customers I hold funeral spending to be a socio-economic investment. As is typical for embedded contexts, the social sphere cannot be segregated from the economic sphere.

Even if the question of the "why" of such usage has thus been answered, there is still the question of the corresponding impact of *Payung Keluarga* on the funeral pattern. This remaining open question prompts me to first consider the question of the *slametan* and how its pattern is changing in contemporary Indonesia at some length. The way the *slametan* pattern is changing offers a micro-reflection of the way Indonesian society is changing in the course of its "Great Transformation" and how it is demonstrating time and time again its fundamental ability to adapt, absorb and mix different external influences with existing local patterns. In the sense of Schröter (2000: 22), in a condensed and rather standardized form the *slametan* ritual mirrors the general state of society and its transformational processes. This makes it a prime opportunity for researchers to study larger societal processes as if seen through a fixed-focus lens. What is more, the way microinsurance has impacted the *slametan* pattern is throwing a light onto the consequences which a larger scale spread of microinsurance may have. As these realizations occurred to me quite late in the research process and only hit me in their full force during the data analysis, the *slametan* much unexpectedly became a lynchpin for my line of argument. I have to admit that I have never participated in a death *slametan* myself as this was not part of my research agenda until very late. I have of course witnessed *slametan* in passing as they were quite frequent in the *kampung* where I was living. But my information on *slametan* is largely based on my interviews with the beneficiaries and on ancillary expert interviews, and also complemented by excellent descriptions of this ritual by scholars such as Geertz (1960; 1962; 2000), Sutrisnaatmaka (1987), or Newberry (2007).

Although the *slametan* and other funeral ceremonies have already been mentioned several times during the discussion, at this stage it is nonetheless useful to present a comprehensive description: Death is announced in the *kampung* using the loud speakers of the local mosque. This is also true for non-Muslim deaths. Word of the recent death spreads quickly, especially now when most Indonesians have access to mobile phones. As soon as the news spreads, community members start to gather in the home of the bereft family. An open basket called *baskom* is put up in the home to receive the *sumbangan* donations of the visitors. Previously, *sumbangan* were given in kind, but with the monetarization of the economy, they are now mostly given in cash by putting small envelopes filled with Rupiah bills into the *baskom* (cf. Geertz 1962: 245). The size is of the donation is therefore not immediately visible, but according to my respondents, everybody knows well enough how much to give: namely according to one's financial capacity. Amounts generally seem to vary between IDR 10,000 (US$ 1.05) and IDR 100,000 (US$ 10.50). If death occurs in hospital, the process of giving *sumbangan* and preparing for the funeral starts immediately after a phone call has confirmed that the medical death certificate has been issued. In any case, the corpse (*jeenazah*) has to be brought home and put up in the home. This relates to the belief that the soul (*nafs*) or the spirit (*roh*) of the deceased leaves the body soon after death and then likes to linger around the familiar atmosphere of the home before embarking on the passage to the afterlife a few days later.[53] Preparations are coordinated by the RT or the local *ustaj* and carried out by various community members who are often specialists in the various aspects, such as erecting a tent with seating on the alley in front of the home to accommodate the increasing number of visitors. As mentioned, the core Islamic burial ritual is initiated as early as possible and is kept relatively simple and brief. The body is washed, wrapped, prayed for and then buried in a nearby cemetery. Coffins are not used because it is an Islamic belief that the dead body has to touch the soil in the grave to ensure a smooth passage. All in all, this ritual is relatively inexpensive. The cloth for wrapping the *jeenazah* is often provided free of charge by the local mosque. The grave diggers and the leading *ustaj* receive token fees for their services. Among the beneficiaries, the burial ground was provided free of charge at the local community cemetery. Other informants, however, mentioned that in urban centers a burial place often needs to be rented from the municipality at considerable costs. If death occurs before the afternoon, the burial takes place in the afternoon of the same day. If death occurs later in the day or during the night, the next day is awaited (cf. Muhaimin 1995: 150). After the burial, the first *slametan* is held at the home of the deceased. The *slametan* is a communal feast. It is attended to by the members of the surrounding community. Food is served and prayers are held. Contrary to the elaborate funeral ceremonies on Sumba or those of the Toraja in Sulawesi, the *slametan* is a relatively small event. Geertz (1960: 11) describes it as a "simple, formal, undramatic, almost furtive, little ritual." However, I will shortly outline how the contemporary urban *slametan* is gradually becoming more conspicuous. As noted, *slametan* are of pre-Islamic origin and

[53] There is some discussion among scholars regarding the differences of soul (*nafs*) and spirit (*roh*). However, Idlemann Smith and Haddad (1981: 17-18) point out that most past and present scholars fail to precisely distinguish between the two. I follow this general interchangeability of terms, although all experts who I interviewed spoke of *roh*, not of *nafs*.

widely practiced in Java. Sutrisnaatmaka (1987: 13) notes that also Catholic Javanese hold *slametan*. This further adds to the evidence of *slametan* being of pre-Islamic origin. I also found people in Aceh, Padang, and Manado to be practicing *slametan* much along the same lines as in Java. However, generally speaking, the *slametan* is strongly associated with Muslim Javanese.

Traditionally, *slametan* are held at any major life cycle event such as birth, circumcision, marriage and death. *Slametan* can also be held when moving houses, when embarking or returning from a journey, or at any other occasion which the holder of the *slametan* regards appropriate. Furthermore, *slametan* are held in connection with calendrical events, at the occasion of the traditional communal cleansing of the village, and in connection with the agrarian cycle of wet-rice production (Sutrisnaatmaka 1987: 54-55). However, with the decreasing social and economic importance of agriculture, these agrarian *slametan* are rapidly losing ground (Sutrisnaatmaka 1987: 107). Of all *slametan*, the death *slametan* seems to have retained most of its original importance and still forms a central part of everyday life in the low-asset *kampung* which I visited (cf. Sutrisnaatmaka 1987: 146; cf. Newberry 2007: 1309). Due to the fact that the death *slametan* is the only one relevant in connection with *Payung Keluarga*, the following discussion focuses on this type of *slametan* and moreover only in its application among NU leaning Muslim in urban and semi-urban Java. Yet, as the diverse ethnic background of the beneficiaries indicates, the holders of the *slametan* do not necessarily have to be of Javanese origin. One woman in the group leader component reported that back in her hometown of Padang, her relatives sometimes held *slametan*, and sometimes did not. In Jakarta, on the other hand, her family invariably held *slametan* in order to adapt to local custom. Other credit group leaders confirmed the observation that many migrants choose to follow the local *slametan* custom as a measure of integration. In addition, two cultural experts reported that even Muhammadiyah followers were starting to hold *slametan* as a measure of social reconciliation and integration.[54]

The death *slametan* as held in Javanese agrarian villages was originally intended to (1) affirm the togetherness, equality and harmony of the community, (2) to provide support to the bereft family in order to achieve a state of *iklas*, (3) to protect the community from evil spirits by establishing harmony (*rukun*) between the living and the spirits, a purpose already ingrained in the meaning and origin of the word *slametan* which Geertz (1960: 14) translates as “nothing is going to happen (to anyone)”, and which according to Muhaimin (1995: 136) derives from the Arabic *salamah*, meaning “peace” or “safety”, (4) to provide for its own financing through the collection of *sumbangan*, and to (5) reinforce the obligation of the holder of the *slametan* to reciprocate with moral support and *sumbangan* in the case of another community member’s future death. Geertz (1962: 245) notes that “the expectation is that over a period of time the giving of slametans will balance out among all the families of the neighborhood.” In today’s urbanized low-asset environment, the *slametan* pattern has further evolved from this more traditional pattern. Next to reinforcing the sense of community, the *slametan* now also

[54] Joint interview with Rahman Abbas and Mardalenna I.F. of Rahmania Foundation in Jakarta on 19 October 2008.

serves as a social starting mechanism in the sense of Gouldner (1960) and Sahlins (1965: 161), as a vehicle to get a sense of community going. Furthermore, as the need for absolute social equality to preserve subsistence insurance for all diminishes, the element of showing conspicuous consumption as a measure of demonstrating status is increasing in importance. The long-term balancing of accounts fades into the background while status enhancing general reciprocity becomes stronger. This trend is further promoted by the high social fluctuation in urban *kampung*, which forestalls a longer term accounting of reciprocal contributions. One expert fittingly called the modern *slametan* a networking opportunity, meaning that it offered opportunities to meet new influential people and establish connections which may prove beneficial for one's upward social mobility.[55] This function is similar to modern career networking events organized for aspiring managers in industrialized countries. In this respect, the *slametan* is turning from a safety net into a springboard, to reprise the formula propagated by the World Bank in connection with its SRM framework (cf. section 3.1.2). At the same time, the autochthonous spiritual character of the event is increasingly fading into the background. For more traditional *slametan*, Geertz (1960: 15) claims that the food is the most important ingredient. The smell of the food is thought to please the spirits. The spirits are even believed to take part in the feast. Newberry (2007: 1315) describes the joint preparation of the food by the women of the community as an important spiritual and social unifier. However, today, food preparation is often outsourced to a catering service and not necessarily served at the height of the *slametan* where the prayers take much more room than before. The food and its spiritual connection have therefore lost much of their former importance. In high-asset families, so-called "goodie bags" have complemented or even replaced the obligatory box of food which the visitors used to take home. Among the surveyed beneficiaries, however, no "goodie bags" were used.

The receding emphasis on the autochthonous spiritual element and the corresponding increasing status consciousness are a long term process. It has been noticed by Geertz (1960: 11), Sutrisnaatmaka (1987: 145) and Hüsken and Koning (2006) before. Hüsken and Koning write:

> Local allegiance is no longer carrying great moral weight, and reciprocal labour forms are gradually being replaced by wage labour contracts. . . . Ritual exchanges on the other hand appear to be on the increase, becoming more elaborate as they tend to take on features of conspicuous consumption and ways to show off recently acquired wealth and modernity. (Hüsken and Koning 2006: 19)

This process does not necessarily mean that the *slametan* is becoming a secularized event, although Sutrisnaatmaka (1987: 145) claims that this is at least partly the case. As mentioned, Islamic prayers now take up much room in the ceremony. The credit group leaders consistently emphasized the importance of the prayers. Despite the largely acknowledged non-Islamic origin of the *slametan*, they regarded it as an appropriate vehicle to mobilize as many prayers

[55] Interview with Karna Sutisna Priatna, Seto Hardjana, and Umar Abdul Aziz of the University of Passau on 24 June 2009. The respective comment was made by Seto Hardjana.

as possible. In addition, the accompanying ritual of *tahlilan*, nightly prayer sessions held for the first seven nights after death, is also gaining ground (cf. Van Bruinessen 1996: 170).

Yet, something which is definitely happening to the modern *slametan* pattern is its economization, which is in line with the all-encompassing financialization of virtually all asset classes (Mahajan 2007a; cf. section 2.4). First of all, as already noted, cash has replaced the previous in-kind *sumbangan* donations. Then, instead of joint food preparations, often a catering service has to be paid. Many beneficiaries and experts recounted that important ritual tasks like the washing and wrapping of the corpse or the leading of the prayers used to be performed for free by experienced community members. Today, such tasks are largely performed by specialists who charge fixed fees for their services. In addition, all respondents except for the interviewed *ustaj* saw a strong inflationary tendency of *slametan* costs. One example is Haji Mustani in sample claim 2 who noted that "the pressure to spend a lot on the *slametan* is increasing." So why did the NU leaning *ustaj* assert that *slametan* costs were not increasing? They stressed that the *slametan* should not be about showing status, that the food was not important, and that the poor did not need to hold it. Although they generally endorsed the holding of the *slametan*, it should be done according to one's means and ideally entirely financed by the community. Such reasoning appears to be a heavily biased and "expected" answer from pious Muslim teachers, especially as it runs counter to the more straight-forward and sober observations of the beneficiaries and other respondents. In fact, a diminishing of *slametan* costs would financially hurt many NU *ustaj*. The great majority of them do not receive fixed salaries. Instead, they obtain a large part of their income from performing religious services such as the leading of *slametan* ceremonies.[56] It is therefore unlikely that the *ustaj* are full-heartedly promoting a scale down of *slametan* expenses; that is, of their own income opportunities. Not surprisingly, the group leader respondents reported that their local *ustaj* were generally propagating to hold *slametan* according to one's means rather than a low-cost version. In short, although I have not done a longitudinal inquiry on it I am quite sure that by and large *slametan* costs are increasing, and in fact increasing faster than the normal inflationary rate in Indonesia, which gives another indication that status considerations are of increasing importance in the *slametan* pattern. This does not necessarily have to be a conscious reflection by the *slametan* holders. Haji Mustani clearly speaks of the pressure exerted on him to spend more than planned on the *slametan*. The pressure to add more conspicuous consumption and ritual to the *slametan* is therefore also exerted by the social network. This is quite understandable as bigger and more monetarized funeral ceremonies offer a number of income opportunities to participants while the pressure to reciprocate on balanced terms is diminishing.

In line with the assertion of Geertz (2000: vi; cf. section 5.3.1) that the reality as perceived by the researcher is more complex than its post-hoc organization into chaptered books and thematic monographs might suggest, so also the described transformation of the *slametan* pattern

[56] I am grateful to Dr. Zurkon Kamil of the Center for the Study of Religion and Culture (CSRC) at Universitas Islam Negara (UIN) in Jakarta for pointing this out to me during our interview on 6 February 2008. I am also grateful to Dr. Werner Kraus of the University of Passau for further confirming this observation during our interview on 23 June 2009.

from safety net to springboard, from balanced to general reciprocity is not as linear, uniform and coherent as the above analysis might suggest. Quite recently, for example, Newberry (2007: 1313) notices that the food, which was still self-prepared in the *kampung* where he did his research, was not distributed to low-asset families in the community, but strictly kept within the rather exclusive network of families of equal socio-economic standing. This would indicate a strong continuance of the more traditional *slametan* pattern based on balanced reciprocity. On the other hand, the respondents I talked to confirmed time and time again that it did not matter whether the neighbors who attended were rich or poor. According to their opinions, everyone was welcome at a *slametan*, regardless of status and religion, and only needed to give as much *sumbangan* as he or she could afford. Some experts reported that the *slametan* for particularly well-known persons are also attended by poor persons from distant locations who can only contribute US$ 0.52 in *sumbangan* but nonetheless want to express their solidarity. In such occasions, there is of course no expectation of a balancing of accounts. In addition, respondents generally contended that it was only the reputation of the deceased which decided whether a *slametan* was attended or not, irrespective of his or her material wealth. In the emic perspective, the *slametan* is therefore much more socially and spiritually explained than economically. In summary, I think I can nonetheless conclude that the *slametan* pattern has definitely expanded its scope in an urban context, and that on average status considerations are playing an increasingly important role, quite in line with the increasing social heterogeneity and diversification in urban areas. Naturally, the status vector inherent in the *slametan* pattern increases with the asset base, while among low-asset families, the equality vector still exerts significant clout. In any case, the original driving factors of the *slametan* have not disappeared; they have rather been enriched, reinterpreted, and readjusted along the line. From a pre-Islamic ritual, the *slametan* has turned into a heavily Islamized ritual. Originating in an agrarian society, it has survived the transition into an urban context, and next to being a guarantor of community harmony and mutual assistance, it is increasingly assuming the function of a starting mechanism and status vehicle. In the process, the *slametan* has admittedly become more conspicuous, but in this respect it has also become stronger than ever. This makes the *slametan*, the core ritual of Javanese society (Geertz 1960), a perfect example of the continuity, adaptability and reinvention of long-running social institutions in a rapidly transforming Indonesian society, and in fact of the resilience, flexibility and synergetic power of this society itself.

In order to return to the chronology and choreography of the funeral ceremonies, the *slametan* of the 1st day is repeated in a very similar fashion on the 3rd, 7th, 40th, 100th and 1000th day after death, always in the late afternoon at the home of the deceased.[57] The beneficiaries also noted the tradition to commemorate the 1st and 2nd anniversary of death (*khaul*) with a *slametan* (cf. Sutrisnaatmaka 1987: 82; cf. Van Bruinessen 1996: 170). Five beneficiaries reported to have also held a *slametan* on the 14th day after death. They called this *slametan ngujuh* and explained that the term was derived from two times the Indonesian word for seven (*tujuh*).

[57] For explanations for this particular sequence of dates, see Sutrisnaatmaka (1987: 76-84) and Muhaimin (1995: 151-152).

However, this seems to be a special tradition as such 14th day *slametan* were not known to other beneficiaries, customers or experts I talked to. Traditionally the 1000th day *slametan* is considered the most important, because on this day the soul is believed to leave the present world forever and the body is believed to have decayed entirely (Sutrisnaatmaka 1987: 82). However, among the beneficiaries and customers all death *slametan* beyond the 100th day seem to have diminished in relevance. The focus is clearly on the early *slametan*, especially on those of the 7th and 40th day. Geertz (1960: 72) reports that all adult children who maintain a separate home are supposed to hold the entire series of *slametan* at their place, but I only found *slametan* to be held at the home of the deceased and organized by the entire nuclear family and the surrounding community. The *slametan* used to be mainly attended to by men as the heads of the neighboring families, while the women were traditionally confined to the kitchen preparing the food (Geertz 1960: 12). Today, men, women, and children can attend. This is often due to the pragmatic reason that the men are away working, and their wives and children have to attend as their deputies. Because catering is increasingly replacing the joint preparation of food, formal attendance by women in the *slametan* proper is further facilitated. Geertz (1960: 96; 1962: 245; 2000: 156) is certainly still right that a death *slametan* still comes with the greatest obligation of the surrounding families to attend, and that it is therefore primarily geographically defined. However, while before absence was automatically excused and attributed to an important and urgent reason, nowadays attendance seems to be more closely scrutinized, not only in terms of which families attend, but also which members of those families. This is a further indication that the earlier communal egalitarian character of the *slametan* is dwindling in favor of a more heterogeneous crowd of visitors.

The food, whether prepared on site or delivered by catering, always consists of rice and refreshments. While in pre-Islamic times, alcohol seems to have been served as well, this has long since been replaced by water.[58] For the 3rd day *slametan*, chicken is served. For the more important 7th and 40th day *slametan*, goat meat is considered more appropriate. Even some of the more low-asset beneficiaries served goat meat on those occasions. In practice, the core *slametan* ritual can be further elaborated at will, only constrained by the availability of resources. The holding of a *tahlilan* ceremony on the first seven nights after death was standard among the beneficiaries. In this ceremony, the host and the mostly male visitors chant verses of the Qu'ran and other ritual texts, for example the Sura 112 (*al-ikhlas* or "Sincerety"), the so-called Throne Verse (*ayat al-kursi*) of Sura 2,225, and the repetitive recitation of the creed *la ilaha illa'llah* ("there is no god but Allah") from which the *tahlilan* derives its name (cf. Van Bruinessen 1996: 170). The *tahlilan* proper only lasts from the fourth prayer of the day (*magrib*) until the fifth and last prayer of the day (*isah*); that is, roughly from 18:00 until 19:30 in the evening. The praying men are compensated for their services with refreshments and token payments, which can nonetheless accumulate to considerable sums and represents one of the mentioned earning opportunities which funeral ceremonies provide (cf. Geertz 1960: 72). Those who can afford it have the praying men take turns to chant all through the

[58] This information and all following information on pre-Islamic *slametan* is based on an interview with Dr. Nurhayati Djamas, Dean of the faculty of Islamic studies at Al-Azhar University in Jakarta, on 8 January 2008.

night or even around the clock. One *ustaj* in Jakarta reported that it was considered especially meritorious (and especially expensive) to have the *tahlil* repeated 10,000 times per day for the first seven days.[59] Such conspicuous extravaganzas were out of reach of the surveyed beneficiaries. Nonetheless, some of them followed the custom to hold additional *tahlilan* sessions every Friday night until the 40th day after death.

Regarding the costs and financing of the *slametan* and surrounding ceremonies, as indicated by table 16, the 18 Muslim beneficiaries of whom I could obtain sufficient financial information spent US$ 375 on average on the entire funeral ceremonies up until the 40th day. The lowest amounts spent were US$ 210. Haji Mustani of sample claim 2 recorded the most expensive funeral ceremonies with US$ 756. Table 27 gives a patchy overview about common expenses at funeral ceremonies. This information is based on interviews with the only two beneficiaries with whom I happened to discuss the itemization of funeral costs in more detail. Thus again, this information is explorative rather than authoritative, and it neglects the *slametan* beyond the 40th day.[60]

Table 27: Common funeral expenses among low-asset Muslim *Payung Keluarga* beneficiaries (n=2)

Item	US$
Ustaj on 1st day	6
Grave diggers	47
7 *tahlilan* sessions for the first 7 days	26-37
3rd day *slametan*	63
7th day *slametan*	74-121
14th day *slametan* (not always held)	79
40th day *slametan* (especially for chicken and goat meat)	158-210

Apparently, not even the beneficiaries with the lowest asset base had made use of the theoretical option, so frequently mentioned by the interviewed *ustaj*, to skip a *slametan* for lack of funds. The credit group leaders were not surprised by this finding. They stated that not holding a *slametan* would make the respective family feel extremely *malu* for not being able to fulfill socially accepted good standards. It would also induce a feeling of *malu* towards the deceased, a feeling of not being *anak yang sholeh*, of being disloyal and ingrate. In fact, the lower asset families in particular, where private disposable assets and the provided *sumbangan* were far from reaching the minimum of US$ 210, went to great length to nonetheless finance a proper *slametan*, even at the risk of being *gengsi* which in this context means to go beyond ones means in order to live up to a (perceived) social norm (see annex 4 for a more

[59] Interview with Ustaj Nurjamil of Yayasan Miftahul Ulan, Jakarta, on 18 October 2008.

[60] One of the few other authors, if not the only one, who provides a cost overview of *slametan* expenses is Geertz (1960: 35-37). As his figures are based on a different historical, geographic, and social context they are hard to compare to my own figures. I have therefore refrained from doing so.

detailed description of *malu* and *gengsi*). Nonetheless, as has already been noted, the sale of assets and other high stress coping methods is hardly ever applied in coping with funeral costs, at least over the short term (cf. table 11 and section 7.3.1). This also holds true for the surveyed beneficiaries (cf. table 16), including those with the lowest asset base. Why then were no physical assets sold or no formal emergency loans taken? The beneficiaries and the credit group leaders considered these options as strange (*aneh*) because it was not customary. One beneficiary even contended that such measures were prohibited in case of death. In addition, the credit group leaders pointed out that it would be difficult to obtain emergency loans from banks due to their long processing time and requirements. The MFIs do not provide emergency loans either. The moneylender as the only timely option was considered too risky in this case. However, I believe that apart from such logistic reasons the absence of asset sales, formal lending and even the small role of savings depletion strongly relates to constraints of religion and tradition. Traditionally, the family was assisted by the community to overcome its crisis. In pre-Islamic times, contributions seem to have been raised by way of gambling; that is, by donating part of the gambling proceeds, while in modern times, this has been replaced by outright contributions. Moreover, the Islamic doctrine of *fard kifayah* underlines the necessity to alleviate the burden of the bereft family, although formally speaking *fard kifayah* only extends onto the Islamic burial as such. If the family were to sell its assets or to take out formal loans this would be an open confession that community assistance and *fard kifayah* have failed. This would undermine one of the key purposes of the exercise, namely to demonstrate communal harmony and equality. However, informal borrowing at lenient terms from family members, friends, or from work was considered as still acceptable. In fact, while *sumbangan* of the community were always marked as donations, family contributions can oscillate from *sumbangan* to informal loans with more or less clear terms of repayment; that is, from direct balanced reciprocity to indirect balanced reciprocity in terms of timing of the counter-gift. According to the beneficiaries' comments, the exact nature of family contributions was case dependent. In the light of Sahlin's concept of reciprocity, it seems to be necessary for the family to spend at least slightly more than what comes in through *sumbangan* in order to bestow a "shadow of indebtness" on the attending families which emphasizes the obligation to reciprocate in the future (cf. Sahlins 1965: 177; cf. section 2.2.3). Otherwise it could be held that the exchange of prayers and *sumbangan* for food in a *slametan* is already balanced, which may push the arrangement towards self-liquidation. But again, expenditures in such basically balanced arrangements should not be overtly self-destructive. In short, in case of funeral financing, religious and cultural norms keep funeral cost inflation through high stress methods in check, a task which is usually assigned to microinsurance but obviously unnecessary here, at least over the short term (cf. section 3.3.1).

Before the advent of *Payung Keluarga*, funeral expenses were largely covered by two sources, *sumbangan* of the community and family contributions. While *sumbangan* are given shortly after death and cover the costs of the first seven days, albeit not completely, the assistance of the family is called upon for the later *slametan*, especially the 40th and the 100th day *slametan*. With the insurance payout arriving 28 calendar days after death on average, and almost always before the 40th day after death, it is hardly surprising that much of the funds were used for the 40th day *slametan*, with some additional funds being saved for the 100th day (cf. sample claims 2 and 3), and in a few cases even for paying back informal debts incurred for the financing of earlier *slametan*. It is therefore also hardly surprising that the insurance payouts have substituted a considerable part of the family assistance which would have otherwise been forthcoming. Nine beneficiaries reported that without *Payung Keluarga* their family and friends would have had to contribute more funds, such as in case of Pak Wahyu of sample claim 3. The insurance has therefore crowded out informal familial assistance which was moreover highly institutionalized and seemingly effective, most likely even in the case of covariant shocks because of the migration-induced geographic spread of social networks. But not only that: six beneficiaries, including Haji Mustani of sample claim 2, declared that due to *Payung Keluarga* they had spent more on the funeral ceremonies than they would have done without it. *Payung Keluarga* has therefore not only substituted familial assistance but also promoted the long standing inflationary trend of funeral costs, and therewith the continuing shift of balances from balanced reciprocity towards status oriented general reciprocity. Because the insurance payouts were perceived as a form of *rezeki* that needs to be shared, such usage was clearly socialy endorsed and not associated with creating a financial burden to family and with being self-destructive. Due to the explorative-quantitative nature of my research, the exact amount of substitution and additional cost inflation is impossible to measure, especially because no hard counterfactual in form of control cases is available. As table 16 indicates, *Payung Keluarga* has financed approximately 34 percent of funeral costs. Subsitution can therefore not be higher than this, and - in the light of a certain degree of parallel additionality in form of inflation – it is in fact likely to be lower. *Sumbangan* and familial assistance are obviously still very much necessary. It is nonetheless clear that the two phenomena of crowding out and cost inflation are happening; nota bene, not in all cases but in sufficient cases to give this observation validity by tendency. This also entails that the benefits of *Payung Keluarga* are often literally atomized as they are virtually distributed onto the many family members who now have to give a little less than before. The sister of one beneficiary openly expressed her satisfaction because due to *Payung Keluarga* she had to give less of her scarce funds to her brother. Therewith, *Payung Keluarga* clearly demonstrates how it is an actor of social change, at least as far as funeral financing and the respective reciprocal arrangements are concerned. It furthers a transformation of the *slametan* pattern which has been ongoing since long before the advent of microinsurance. This small-scale example hints at the possible impact which the large scale application of microinsurance may, in the worst of cases, have on the overall transformation of Indonesian society, namely a further acceleration of this ongoing trend towards status generating general reciprocity, social differentiation and increasing social inequality.

7.8.2 Debt repayment

Paying off other outstanding debts consumes the second largest portion of funds (21%). Such debt repayments were religiously motivated, even more so than proper funeral rites. According to the unanimous belief of customers and beneficiaries, the repayment of debts is a precondition for Muslims to enter Heaven. Although none of the customers and beneficiaries, and not even the interviewed *ustaj* were able to pinpoint any precise Sura or Hadith story to support this claim, Sura 4 (“Women”),11-12 endorses such an understanding as it stresses several times that the distribution of the deceased’s inheritance can only start after all debts have been settled. Haar (1948: 211) points out that also according to *adat* law instant debt repayment upon death is obligatory, and that repayment must take place before funeral ceremonies commence. Hooker (1978: 120-121) affirms that the obligation to repay the debt of the deceased is common for all *adat* systems in Indonesia. In addition, Haar (1948: 136) reports that according to *adat* the debt of a person is perceived as debt of the entire clan, and that this joint liability is particularly strong among husband and wife. Although only some respondents, particularly in West-Timor, were knowledgeable enough about their own *adat* tradition to confirm this *adat* obligation, it is likely that such age-old practice still exerts its influence and thereby strengthens the parallel Islamic demand. One *ustaj* described debt as a negative inheritance (*warisan negatif*), which needs to be taken care of by the heirs as much as the positive inheritance (*warisan positif*).[61] The same *ustaj* also explained that before entering Heaven, all open affairs on a horizontal axis, namely among humans, needed to be sorted out before the passage on the vertical axis, namely to Heaven, could proceed smoothly. In fact, this comment indicates the principal reason for the urgency of debt repayment: Open financial accounts are a palpable threat to communal harmony, which is what funeral ceremonies have traditionally tried to avert as much as possible. Therefore, the faster debts are repaid, the better for the deceased and the community, ideally even before the actual funeral commences.

It was evident that these considerations, although not necessarily consciously reflected, were strongly present among customers and beneficiaries. This can be gauged from typical comments such as: (1) “Hutang lunas, mati lancar” (With debts repaid, death will be smooth); (2) “Orang meninggal bawa hutang, bingung” (If someone dies and carries debt, that’s confusing). We can also recall that Haji Mustani’s wife pleaded him on her death bed to take care of her debt (sample claim 2), and that the first thing Lulu Setiawan did after the insurance payout was to repay the outstanding informal debts of his mother (sample claim 4). As these comments and actions strongly focus on a religious and psychological level, I argue that the repayment of debt is largely of social benefit rather than being an urgent economic necessity. A second observation supporting this argument relates to the nature of the repaid debt. It was informal and interest free. Creditors were family members, neighbors or employers. Such creditors are unlikely to urge the bereaved family for immediate repayment. Several beneficiaries noted that in the absence of insurance they would have repaid the debts in small installments, and only if their fortune had allowed for it (*kalau rezeki*). I did not find one beneficiary who reported that the insured had left outstanding formal debts. In addition, various customers, beneficiaries, and one *ustaj*[62] reported that it was standard procedure during the Islamic burial rites, in between the wrapping of the corpse and the recitation of the funeral prayers, to call upon any attending creditors to voice their claims (cf. Muhaimin 1995: 150-151) The creditor then has the option to insist on debt payment or to waive it. Haar (1948:

[61] Interview with Ustaj Nurjamil of Yayasan Miftahul Ulan in Jakarta on 18 October 2008.
[62] Interview with Ustaj Nurjamil of Yayasan Miftahul Ulan in Jakarta on 18 October 2008.

211) finds that this procedure is also known in *adat* law, and among Protestant customer component respondents in West-Timor, the practice was also known. The waiving of debts is considered highly meritorious for the creditor and seems to occur quite frequently, especially in case of minor debts. This underlines the social component of informal financial debt. It is questionable if the cancellation of informal debt will remain just as frequent if life insurance becomes the norm. When payouts provide the beneficiaries with sufficient funds for debt repayment so as not to create a burden from them, why should debt be cancelled any longer? Indeed, one beneficiary reported that after the word of the claim payment had spread, a number of creditors of his late mother had made their appearance although there were no witnesses or written records of their debt claims. In order to play safe and fulfill his religious obligations, the beneficiary nonetheless chose to satisfy and pay these claims.

Naturally, the practice of debt claiming or debt cancellation during funerals does not apply to formal credits from banks or MFIs. For banks, respondents voiced the expectation that debts are automatically cancelled, probably due to the pervasive use of credit life insurance in the banking sector. The MFIs had various and apparently case dependent practices on how to handle outstanding debts of deceased customers before the advent of *Payung Keluarga*. DIMAN reported that sometimes they had only noticed that a customer had died when they wanted to issue the next loan since the family had continued to regularly pay the loan installments. In other cases, the family had paid off the debt in a lump sum, in yet other cases the family had demanded that the debt be cancelled. Other MFIs had kept small provision funds to be used for writing of the debts of deceased customers. In any case, the MFIs were careful not to press the heirs too insistently on the repayment of debts because after all the relationship between the MFIs and the credit group is heavily socialized, especially through the figure of the loan officer. Dunning the heirs too overtly may have caused a backlash on the MFIs.

In summary, the instant cancellation of informal debts by using some of the insurance funds primarily fulfilled social and religious purposes. Psychologically speaking, it was a great relief for the beneficiaries. For the community, it assured the balancing of accounts and preservation of communal harmony. Purely economically speaking, however, such instant debt repayment was less urgent and necessary, as the repayment of debts could have been greatly extended until economic conditions had allowed for relatively stress-free repayment. Looking at the customer and beneficiary comments cited above, I am certain that similar to the execution of a proper funeral, also the repayment of debt contributes to a “smooth death” (*mati lancar*) which eventually promotes the prosperity of the living. After all, this finally adds an economic long term perspective to instant debt repayment, which makes this fund usage - when seen from the perspective of the beneficiaries - an equally socio-economic and equally reasonable investment as the spending on funeral ceremonies. Seen from a *homo oeconomicus* perspective, however, it would appear that almost 60 percent of the total additional payouts, namely for funeral expenditures (37%) and for debt repayments (21%), were largely “wasted” for unproductive social purposes

It should not be forgotten here that *Payung Keluarga* also waived the outstanding loan balance. As noted before, the average outstanding loan balance of the 24 Muslim beneficiaries was US$ 68, which is considerably less than the corresponding average additional payout of US$ 331 (cf. 7.7.2). Such waiving of the loan balance certainly contributed to the religious and psychological relief described above. Besides, this debt was more formal than the remaining debts of the insured. From an economic perspective, this repayment was therefore more urgent and formally obligatory. The cancellation of the loan balance thus clearly provided a certain economic relief, but this relief should not be overrated due to the relatively small sums involved and the previous leniency by the MFIs in dealing with such debt.

7.8.3 Business investment

The third highest position in terms of payout usage, namely economic investment, was more in line with the original causal model and the expectations of Allianz (cf. section 4.4.4). However, with only six instances and 14 percent of funds used, such cases serve more as PR-compatible show-cases than as representative average cases. Sample claim 1 (Ibu Zakiyah) and sample claim 2 (Haji Mustani) certainly make for good show cases, while sample claim 3 (Pak Wahyu) and sample claim 4 (Lulu Setiawan) do not. In fact, I argue that especially sample claim 3 serves as a good example for an average claim: the beneficiary was a formally employed male, no economic investment was made, most funds were spent on the funeral, and only a small portion of the payout was saved for emergency purposes. By and large, *Payung Keluarga* has not "behaved" according to the original causal model of Allianz (cf. section 4.4.4). It can neither be said that it brought broad economic relief for the beneficiaries, nor that it generally stimulated economic recovery. Economic investments were few and far between. More critically, by tendency such investments were made by better-off beneficiaries (like Haji Mustani), who can be considered to have commanded the most stable asset bases in the first place.

There appear to be several factors which are conducive to the undertaking of investment after the receipt of an insurance payout: (1) a relatively high asset base of the beneficiary, (2) payouts well above the customary funeral costs, (3) absence of semi-formal or formal employment of the beneficiary, (4) presence of an entrepreneurial spirit, and (5) a religious attitude which sanctions the usage of payouts for forward-looking purposes. Regarding point (1), a high asset base strongly correlates with higher loan amounts, which in turn produces payouts with a higher likelihood of exceeding customary funeral costs (point 2). Point (3), the absence of semi-formal or formal employment, relates to the fact that those beneficiaries who receive a fixed and stable income are little inclined to give up this security and venture into self-employed businesses, all the more if no entrepreneurial spirit is present, as point (4) suggests. Here, claim 3 of Pak Wahyu, the office boy, makes a particularly fitting example. As most beneficiaries were men who commanded considerable and independent incomes, often from semi-formal or formal employment, they could well afford the documented social investments. Even more influential than economic need and entrepreneurial spirit was the religious attitude of the beneficiaries with regards to the insurance payout (point 5). As outlined above, most beneficiaries agreed that the primary purpose of the insurance payout as a perceived donation was to serve the "religious" needs of the deceased, not the material needs of living (cf. section 7.7.2). Only beneficiaries with a relatively flexible perception in this respect, like Ibu Zakyiah of sample claim 1, felt morally authorized to use parts of the insurance payouts for their own purposes such as economic investment.

It should be noted that in the few cases where business investments were actually undertaken, the returns were considerable. Ibu Zakiyah reported a tripling of her income. The *warung* which Haji Mustani established with the payout generates discretionary savings of US$ 1 to US$ 2 per day. Although difficult to measure and standardize, such returns come close to or even exceed annual profit margins on invested capital of 100 percent or more. As outlined before, such dramatic returns are not uncommon in informal micro-businesses (cf. section 3.2.3). If these returns would be properly accounted for, computed onto a time series of three years and more, and then added to the claim amounts, it is likely that the aggregated "economic return" to the insured and their beneficiaries by *Payung Keluarga* would be much higher than the observed 60 percent claim ratio. It could well be that seen from the perspective of the customers *Payung Keluarga* even creates an economic surplus, which means that the overall return is higher than the original premium payments. Because of the small sample size of observed economic investments (and because of my lack of the necessary accounting skills) I have refrained from calculating such precise projections. I thus have to leave the question of the overall economic return to customers of *Payung Keluarga* (and other products) open for future research.

7.8.4 Savings / remaining money

At the time of my interviews, 11 percent of the total insurance payouts had still not been spent and had not been definitely allocated to a definite purpose, such as for the 100th day *slametan*. Some beneficiaries, such as Ibu Zakiyah (sample claim 1) and Pak Wahyu (sample claim 3) perceived these funds as emergency savings. Others, however, said that they just had not decided yet what to spend the money on. In any case, this visible but comparatively small portion of savings can be positively credited to the protection function of *Payung Keluarga*. At the same time it also needs to be considered that such emergency funds reduce the necessity to rely on one's family in case of need, which again comes with the noted positive aspects on personal financial and social freedom, but with likely negative effects on the level of mutual familial and communal cooperation.

7.8.5 Other usages

The fact that insurance payouts are often perceived as donations for the deceased explains why few funds were spend on education (5%), distribution to other family members (1%) or to cover living expenses (1%). While it might be generally expected that family members demand a more explicit share of the sudden *rezeki* of the beneficiary, just as it has been noted in case of funeral insurance in South Africa (Roth 2001: 16), in case of *Payung Keluarga* this was prevented by the piety of family members. Nonetheless, the finding still stands, that indirectly, family members benefitted from *Payung Keluarga* payouts by having to contribute less to the funeral expenses. Moreover, family members can also be seen to share at least some of the beneficiary's socio-economic interest in a decent funeral, and therefore benefit from its proper execution partly financed by *Payung Keluarga*; and not least of all, the family members can enjoy the good treat provided during the *slametan* feast as much as the other community members (cf. Geertz 1960: 13).

Something I find especially noteworthy is the extremely low usage of payouts for living expenses. Only a minuscule one percent of total funds were spent on daily consumption. This confirms the earlier observation that beneficiaries were far from facing severe poverty int the immediate aftermaths of the death of the insured. This falsifies the underlying hypothesis of the original Allianz theory of change (which I very much subscribed to), namely the assumption of a severe post-mortem financial crisis. If anything, such crisis seems to develop only a considerable time after death, and potentially only if the deceased was the husband and the main breadwinner.

7.9 Impact on beneficiaries

This section serves as the concluding analysis of the above discussion on the beneficiaries, their profile, their perception of death and the insurance payouts, as well as their payout usage pattern. In line with the general thrust of this thesis, the central question here concerns the social impact of *Payung Keluarga* on the beneficiaries, especially in relation to the expanded asset-capital framework.

One obvious observation is that much of the observed payout pattern is hinged on the fact that the beneficiaries were overwhelmingly male and had higher incomes than the insured. This raises the question if the usage pattern would have looked different if Allianz had insured the spouses instead of the debtors. To examine this question, I asked the largely female credit group leaders and two of my last ex-post customer component groups (n=44) on their recommendations for payout usage. Table 28 compares the obtained recommendations with the actual payout usage by the beneficiaries.

Table 28: Comparison of actual and recommended payout usage

Usage	Actual claims (n=24 beneficiaries, 100% Muslim, 75% male)		Recommendations (n=44 insured, 84% Muslim, 98% female)	
	% of payouts	rank	rank	% of points
Funeral ceremonies (*slametan* etc.)	37%	1	4	14%
Paying off other debt	21%	2	1	28%
Business investment	14%	3	3	18%
Savings / remaining money	11%	4	5	7%
Medical costs	5%	5	8	0%
Education	5%	6	2	23%
Charity (*amal*)	4%	7	7	3%
Others	2%	8	8	0%
Living expenses	1%	9	6	7%
Distributing to other family members	0%	10	8	0%

The procedure applied in the gathering and weighing of the usage recommendations displayed in table 28 is the same as used for the compilation and weighing of risk perception in the customer component (cf. section 6.1): First, the respondents gathered ideas of possible usages through a brain storming process and then ranked their ideas by signaling their top 1, top 2, and top 3 usage recommendations, which each received 3, 2, or 1 point respectively. The underlying assumption of this exercise is that the achieved weighing by points is comparable to the actual fund usage of the beneficiaries. It has to be acknowledged, however, that expressed intention and actual behavior are almost never 100 percent correlated. The match is therefore taken to be approximate, not accurate. Naturally, this exercise was done before I outlined how the beneficiaries had actually used the funds. The respondents were therefore not influenced by a previous real-life example.

Table 28 shows that the usage recommendations of the insured female respondents were somewhat more forward-looking and in line with the initial expectations of Allianz compared to the actual usage pattern of the beneficiaries. However, the recommendations were nevertheless still closely aligned with the actual usage pattern. The financing of education was ranked as second usage priority by the female customers (23%), while in the actual usage pattern this clear investment into human capital only ranks a distant fifth drawing five percent of payouts. Female customers seem to prefer more business investment (18%) than the beneficiaries (14%). This likely relates to the fact that the women are more informally employed than the beneficiaries. The women clearly recommended using fewer funds on funeral ceremonies (14%) than done by the beneficiaries (37%). This also indicates a more forward looking attitude. But this may also be due to the implicit expectation that *sumbangan* and family support would be as forthcoming as usual in case of death, without calculating the actual pressure to use the insurance payouts instead of relying on family help. The fact that the women considered spending on living expenses (7%) more urgent than in reality (1%) could relate to the realization that with the husband's death, the main income earner would be gone and provision for the family would become more of a problem than it was with the actual male beneficiaries. Not surprisingly, the insured showed much interest in insuring their spouses. Despite these forward-looking and slightly more economic tendencies, it should not be overlooked that the repayment of debt was of greatest importance to the women (28%), even more so than education. This makes another vivid showing of the deeply felt obligation to settle accounts after death. It should also not be overlooked that with the women funeral expenditures still managed to capture fourth spot (14%). Hence, they also acknowledged the importance of a decent funeral, including the various *slametan* feasts. In summary, there is some tentative evidence that the usage pattern of female beneficiaries would show a more forward-looking and pragmatic orientation. But the evidence is weak and the concrete social pressure to spend considerable amounts on the funeral gives reason to suspect that in the concrete situation, the usage pattern may well move closer to the observed usage pattern of the beneficiaries. It would be interesting to examine the payout usage segregated by gender based on more empirical evidence. Unfortunately, I could not obtain sufficient empirical evidence for that. A comparison of the usage pattern of the five female beneficiaries with that of the male beneficiaries does not render credible evidence. It only indicates that among those five female beneficiaries spending on funeral ceremonies (31%) and debt repayment (29%) were considerable and in the same range as the overall sample.

The exercise of table 28 further underlines one general finding of the beneficiary component, namely just how much religion and culture influence the way risks are perceived and payouts are used. In this respect, the beneficiaries are located in a highly embedded context where social factors greatly influence economic behavior. The socio-economic utility derived from debt repayments and funeral spending illustrates how closely the social and the economic sphere are still intertwined among the low-asset families. Virtually the entire usage pattern shows that for the beneficiaries the scope to freely decide on the payout usage is severely restricted by socio-religious norms and social pressure. The case of Haji Mustani (sample claim 2) gives a good example of this struggle between “structure” and “agency” inherent in the usage of insurance payouts.

The financing pattern of the funeral ceremonies serves to demonstrate the benefits derived from the social dependence on mutual communal and familial assistance in a context which I once again hold to be largely a moral economy context. The provision of considerable funds for the funeral is highly institutionalized and thereby virtually guaranteed in case of death. The low usage of insurance payouts for living expenses indicates that the worry of a subsistence threatening financial crisis after death is unfounded. By and large, the asset base and risk management options of the beneficiaries have not been visibly improved by *Payung Keluarga*, apart from a few retained emergency savings and some successful economic investments, which moreover tended to benefit the better off beneficiaries. Ex-ante risk management has changed even less than ex-post risk management because the beneficiaries were generally not aware, or only faintly aware, of the insurance coverage. Therefore, an important attribute in the optimization of risk management through insurance is missing: planning! This may of course change if life insurance becomes more widespread among low-asset families. However, the negative sides of such developments have also been shown again, just as in the discussion on the impact on the insured before (cf. section 7.3.4 and section 7.5): *Payung Keluarga* has precisely intervened in an area of risk management where initial risk perception was relatively low and informal collective risk management particularly strong. Bluntly put, *Payung Keluarga* wanted to assist where it was least needed (cf. section 7.3.4). Even worse, the introduction of *Payung Keluarga* has substituted and thereby weakened familial assistance. So far, communal assistance appears largely unaffected. Nonetheless, negative long-term consequences for cooperative social capital, that is social capital which emphasizes the egalitarian vector, are foreseeable. The additional payouts of *Payung Keluarga* have not only reduced familial assistance but also inflated funeral costs. In this respect, *Payung Keluarga* has contributed to status generating symbolic capital. *Payung Keluarga* has pushed the balance clearly towards a more conspicuous and status-conscious *slametan*, a development which the *slametan* has been experiencing for long and which reflects a general societal trend. As mentioned several times before, this can be perceived as liberating by the beneficiaries, and in part also by the family. The need to give contributions has been reduced. Thereby, *Payung Keluarga* may slightly reduce the risk perception of *sumbangan*, which is after all the third highest ranked risk (cf. table 11).

In short, the impact of *Payung Keluarga* on the beneficiaries and their family has been low and sobering, even offering reasons for concern. *Payung Keluarga* promotes individual risk management where it is not necessarily needed. It weakens cooperative social cohesion where this appears to make least sense. Once again then, *Payung Keluarga* acts as an agent of social change, all the more in a way which was certainly not intended. From a developmental perspective, I would therefore recommend to abolish the additional payouts all together or at least reduce them, and to insure the spouse instead. If the husbands as the main bread-winners were insured, the developmental impact may look better, but this is also not certain.

The extent of social change induced by *Payung Keluarga* depends on the extent by which it manages to replace other forms of risk management. It is clear that the product's influence is significant as far as the post-mortem *slametan* pattern is concerned. Yet, on the overall risk management pattern of low asset families and on a larger societal level, *Payung Keluarga* alone is certainly not going to have a signifianct impact. Here, the product is too limited to significantly push the ongoing shift of scales from balanced towards general reciprocity. The small-scale example that *Payung Keluarga* has nonetheless set allows the forecast that this is what is going to happen if microinsurance is provided with wider coverage and on a wider scale, for the better or for the worse.

8 CONCLUSION AND OUTLOOK

Let us look at the most palpable findings of this thesis first. The empirical evidence presented in this thesis, even though it is only "valid by tendency" due to its qualitative-explorative approach, shows that the positive social impact of *Payung Keluarga* was literally "micro". In many respects social impact was even discerning. The product has not fulfilled the developmental hopes of Allianz. By and large, *Payung Keluarga* has not "behaved" according to the original causal model employed by Allianz and promoted by myself. Instead of protecting bereft family members in an actually non-existent post-mortem financial crisis, *Payung Keluarga* has proven to be an actor of social change. Quite unintentially, the social change promoted by *Payung Keluarga* leads towards an individualization of risk management in an area where it is not necessary and furthers the erosion of social cohesion.

However, looking at the positive side first, for the predominantely Muslim low-asset insured a clear increase in financial literacy as a human asset can be ascertained. Nonetheless, the risk and resource pooling principle of insurance is not comprehended by the great majority of insured. As far as an increase in "peace of mind" as a further human asset is concerned, the picture looks ambivalent. While many insured reported to feel safer with the insurance, a small portion stated to feel less secure, out of fears that life insurance collides with divine predetermination, a phenomenon which I came to call *takut cepat mati* (fear of dying prematurely). To a certain degree, *takut cepat mati* concerns were present among many insured in combination with a more pragmatic demand for financial protection. However ambivalent the effect on peace of mind may be, *Payung Keluarga* has apparently not changed the business risk affinity of the insured. Hence, seen form an expanded asset-capital perspective, neither the asset base not the resulting ex-ante risk management options of the insured have significantly changed. Despite of this, customer satisfaction was high, not least of all because microinsurance in general offers the appreciated opportunity to evade the intricate social mechanisms of mutual assistance that were - and in fact still are - the dominant risk management mechanism before the advent of microinsurance. By and large, the impact on the insured was primarily intangible and psychological, rather than resulting in behavioral change.

The social impact on the beneficiaries is more discerning than in case of the insured themselves. The surveyed Muslim beneficiaries used the majority of the additional life insurance payouts for funeral ceremonies and repayment of informal debts. Here, *Payung Keluarga* has shown a clear tendency to substitute familial assistance which would otherwise be forthcoming. What is more, the insurance payouts have contributed to a further inflation of funeral costs. The repayment of informal debt, which also consumed considerable funds, did not fulfill a pressing economic need. It was rather religiously motivated. Only one percent of all payouts were used to cover living expenses. I therefore found the original assumption unfounded that the bereft family would face severe financial difficulties and increased vulnerability to poverty. In addition, also different from Allianz' expectations, and therwith different from my own personal expectations as the responsible project leader, few conventional economic investments were undertaken, and if so, they largely benefited those beneficiaries of a relatively high asset-base.

The beneficiaries regarded the payouts largely as a donation for the benefit of the deceased and in effect distributed much of the "spoils" onto their family and friends in form of conspcious funeral feasts (*slametan*), token payments, and immediate informal debt repayment. For the beneficiaries then, *Payung Keluarga* certainly did not form part of a consciously planned risk mitigation strategy. For the insured and even more so for the beneficiaries, *Payung Keluarga* is still not so much a strategically applied risk management tool, but rather an obligatory service of unfamiliar value, and in case of a claim payout, an unexpected "blessing from the sky" or *rezeki*.

As noted, these are the most palpable of my field research on *Payung Keluarga*, but also they are also the most superfluous. What this thesis has particularly striven to investigate is to enlighten the process of interaction between context and product that has lead to these observed impacts. In short, while the "what" is relatively obvious the question of the "why" is more intricate and interesting. Why has this impact occurred in the way it did? And immediately following is the question of what will happen next? What are possible impacts of microinsurance in the future? Regarding the "why" and the "what next", this thesis has produced a number of in-depth findings.

Most importantly, the cultural and demographic context in which *Payung Keluarga* operated has greatly influenced the way the product was perceived and utilized. The majority of insured were married female petty traders living in urban or semi-urban areas around Jakarta. Most of these women were Muslims with a clear leaning towards the pluralistic and syncretistic perspectives on Islam favoured by NU, as compared to the orthodox and modernizing stance of Muhammadiyah. The women, many of which had a migratory background, commanded a considerable asset base. They were not "poor" but rather belonged to the upper levels of the low-asset segment of society. Most importantly, the women did not consider themselves as "poor", but rather as "middle class". They pursued their micro-businesses for a number of reasons, of which becoming rich is just one among many. The idea of enjoying a meaningful pastime and a degree of financial independence from the husband, who is generally the main breadwinner of the family, as well as the prospect of supporting the family budget figured as additional powerful motivations for borrowing. In any case, when borrowing the focus of the women was certainly on the microcredit and not on the insurance that came as a minor attachment with it.

As most women chose their husbands as beneficiaries, the *Payung Keluarga* payouts went mostly to men, who moreover enjoyed considerable incomes from often semi-formal to formal employment. This way, the main breadwinner of the family became the beneficiary, instead of being insured. Insuring the bread-winner had been the original intention of Allianz. One may therefore conclude that the payout usage may have looked differently if the husbands had been insured instead of their wives. This consideration has some merit to it, although I found tenuous evidence that in this case the payout usage pattern would only slightly change towards a more forward-looking and economic one. In fact, having insured wives instead of the economically more important husbands is only one, albeit the most obvious component of a comprehensive explanation for the unexpectedly low social impact of *Payung Keluarga*. The second and far more decsive component is the realization of how much the worldview and actions of the insured are being influenced by the norms of an embedded moral society as their predominant cultural context. Essentially, these norms aim at preserving a more or less egalitarian social structure which guarantees "substistence insurance" for its members. This means that social structure is greased by a carefully balanced system of exchanges, by so-called balanced reciprocity arrangements, of which the communal rotating *slametan* pattern is but one. The entire structure of the embedded moral society can therefore be said to be geared towards risk management. However, subsistence insurance for all comes at the premium of social sanctions on self-interested accumulation of material asset by individual community members. While accumulation of symbolic capital and power is tolerated, especially to fulfill redistributive functions, embedded moral societies reject the idea of aggressive economic asset accumulation. This is because the opting out of economically wealthier community members would quickly unravel the stability of the entire "subsistence insurance" system. This phenomenon bears similarities to the anti-selection challenge in conventional insurance.

The ongoing clout of the moral economy has shown itself very visibly among the petty trading women. For example, they ranked the social obligation to give contributions (*sumbangan*) to other community members as their third highest daily worry, after education costs and medical costs. This points at the significant influence that the system of mutually equalizing exchanges still has among the insured. It also shows that such arrangements are not particularly liked but rather followed out of lack of alternatives. It is not surprising then that insurance was welcomed as a possible alterantive, leading to good customer satisfaction and to a vocal demand for more products. A second indicator for the ongoing influence of the moral economy can be seen in the fact that despite taking on micro-credits, the petty trading women tend to only grow their businesses up to a socially accepted level. Very few of them really “make it big”. To the women, keeping a low profile is their personal solution to the traders’ dilemma which poses itself in embedded moral societies; that is, the conflict between profit maximization through trade and the obligation to immediately share the spoils with the social network. In this situation, the equality vector inherent in all forms of assets by and large still dominates over the simultaneously present inequality vector. Of course, next to the morally induced self-restriction to small business, other reasons for a lack of business growth have been identified as well, such as lack of entrepreneurial character, a family structure which prevents easy appropriation of familial labor, and gender roles which gurantee considerably leeway in small-scale business activities but also emphasize the domestic roles of women, especially on higher social levels. These reasons combine to an apparent lack of perspective and a consequent lack of motivation for long-term business expansion of female headed micro-enterprises in Indonesia, even when supported by microcredit.

The continuing influence of the moral economy, also in urban areas, can be observed despite the fact that contemporary Indonesia is in a phase of rapid modernization. Indonesia’s so-called “Great Transformation” is characterized by the spread of the market economy, stronger connection to globalized markets, monetarization, industrialization, migration and urbanization, and lately also democratization and decentralization. Socially, this produces increasing levels of general economic wealth, but at the same time increasing social diversification and social inequality. This is especially notable in the rapidly growing urban centeres. Other related consequences are a migration-induced geographic spread of family networks, the increasing importance of education for upward social mobility and status production, and ultimately the general shift from balanced reciprocity towards status conscious general reciprocity in social exchanges. Assets are increasingly used to accrue status instead of investing in equality strengthening exchanges. For many Indonesians, this becomes possible because increasing wealth levels have greatly reduced the immediate need for “subsistence insurance”.

The *longue durée* change from a society build on balanced exchange towards one that is build on market-exchange and general reciprocity is eptitomized by the changing *slametan* pattern. From a humble communal feast aimed at managing the collective risk posed by the death of a community member, the death *slametan* is increasingly becoming a social starting mechanism and status generator complete with increasingly conspicuous consumption. However, it would be too simple to assume that the previosus safety net purpose is being neatly replaced by the new springboard purpose. In fact, it seems that to a fair degree the old and the new functions have integrated and further enriched the death *slametan* which today goes as strong as ever, if not stronger; not despite “Indonesia’s ‘Great Transformation’”, but because of it. This way, the *slametan* makes a prime example for the adaptive and recreative capacity of Indonesian society. What has become clear in the discussion is that transformation in Indonesia is not leading to a disembedded state in the straight-forward sense of Polanyi. Neither is it leading to a disenchanted and secularized society of atomized individuals in the sense of Weber. Here, especially the continuing and even increasing influence of religion can be named as a case in point. Even if it is more status conscious than before, Indonesian society is and will probably remain highly social and hinged on ideas of collectivity rather than on individualistic seclusion. Instead of a linear embeddedness-disembeddedness-re-embeddeness process as observed by Polanyi for Western socities, in Indonesia disembedding and reembedding seem to run parallel, and even original elements of embeddedness are being retained, reformulated and combined with new influences. Although this complex process of social changes is proceeding fastest among the middle class, it is also tangible among the (not so) low asset customers of *Payung Keluarga*.

It is consequently a highly dynamic and rich socio-cultural setting where microinsurance in the form of *Payung Keluarga* has made its appearance as one of many new influences assailing Indonesian society. The entire *Payung Keluarga* project was conceived as an interventionist development project. In fact, as I have shown, microinsurance as such is not only defined by its focus on low-asset customers, but also by its developmental intention. Nonetheless, microinsurance has so far not wittnessed much critical scrutiny in the development discourse, likely because of its relatively young developmental history and the scarcity of available quality impact research. The field is still dominated by donors and practicioners keen on getting microinsurance set-up first before worrying about the impacts later. Nonetheless, microinsurance as a part of microfinance lends itself well to the general critique on development, first and formost to the critique of propagating a neo-liberal market-based agenda that forestalls the emergence or strengthening of local solutions while at the same time creating new, more globalized and less controlable dependencies. Particularly the crowding out of public protection efforts as well as the crowding out of informal risk management arrangements is a critical issue with regards to microinsurance. In any case, microinsurance definitely adds another chapter to the ongoing totalization process of development in terms of issues, actors and spaces, for example by incorporating private companies like Allianz into the development agenda.

Payung Keluarga was primarily conceived to assist low asset families in an assumed post-mortem financial crisis. But there was no financial crisis. The underlying assumption was wrong. Instead of providing the intended assistance to maintain the status quo of a family, *Payung Keluarga* has quite unintentionally proven to be an actor of social change. This can be illustrated through three examples of varying levels of abstraction which this thesis has elaborated on: (1) a push for more general reciprocity in the funeral pattern, (2) a paradigm shift in the “frame of reference” applied to risk management, and ultimately (3) the discovery of “the double fortune / double blow” dilemma of microfinance.

The first example is certainly the most concrete and tangible. *Payung Keluarga* has contributed to a further emphasis of general reciprocity in the funeral pattern. The beneficiaries have used large parts of the payouts on funerals. In total, *Payung Keluarga* financed approximately 34 percent of the funeral ceremonies up until the 40th day after death. Such ceremonies are perceived as a religious and traditional duty. In fact, a symbiotic mix of Islamic and autochthonous beliefs makes the funerals with their several *slametan* celebrations a meritorious affair, both for the deceased and for the living. Proper and ritually clean funerals are still very much perceived as a pre-condition for future propersity. In this sense, funeral expenditures are a reasonable socio-economic investment with a clear present-wordly utility. Before the advent of *Payung Keluarga*, funerals were almost solely financed by community and familial support. Such support is forthcoming and in fact highly institutionalized because death is perceived as a collective risk to communal harmony and safety and a proper funeral is therefore regarded as a collective duty. High stress coping measures are rare and only appear to occur over the longer term. This is because the sale of assets or moneylending is prevented by religious and customary perceptions. Such measures would be regarded as openly self-destructive and as a highly disharmonious accusation against insufficient community assistance. This phenomenon makes for another of many examples that I encountered during my research where religious and customary perceptions showed their impact on risk management. The post-mortem financial exchanges of course work mostly on the basis of balanced reciprocity to be repaid at future funerals. With *Payung Keluarga*, however, the family is somewhat relieved of its obligation to give by the sudden *rezeki* of the payouts. Quite naturally, the insurance payouts are still perceived as a form of donation to be spent for the benefit of the deceased, and in effect to be distributed onto many recipients by way of (considerable) token payments for services, by providing food, by lowering of the gift obligation of the family members, and also in form of informal debt repayment. This way, the benefits are literally atomized and the principle of balanced reciprocity undermined. For the beneficiaries, this accrued status in form of symbolic capital. In short, *Payung Keluarga* has further promoted a long-going trend to move *slametan* away from equality-strengthening events towards status events, although as mentioned the former purpose is still making itself felt, especially in emic descriptions of the event. What is especially critical here is that in a post-mortem situation, informal collective risk management is especially strong, much stronger than in case of illness or when people have difficulties with paying for the education of their children. Instead of complementing informal risk management (as demanded by several microinsurance proponents but deemed an ideal illusion by myself), *Payung Keluarga* has tried to help where it was least needed. It has insured the wrong risk. It has attacked the existing cooperative social capital where it is still strongest. Even the argument that microinsurance offers better protection in case of covariant shocks does not help much to remedy the situation, as today risks and resources are also spread by way of the migration-induced spatial expansion of the social network.

The second aspect of social change related to *Payung Keluarga* is the required paradigm shift in risk management. Instead of jointly managing collective risks based on balanced reciprocity, insurance is based on conditional general reciprocity accumulated to generalized redistribution. This means that insurance knows clear winners and clear losers. Balanced arrangements, on the other hand, are actually striving to prevent people from delineating obvious winners and obvious losers. Instead, every input is supposed to be eventually repaid with a tangible return. As the entire social structure of embedded moral societies is based on this balanced principle, the switch to insurance puts this entire social structure into question. However, the observed high expectations of a premium refund upon contract end demonstrate that at present customers are still far from making this paragdim shift in their "frame of reference". This point therefore serves as a caveat for the future, namely that microinsurance is not simply about buying insurance instead of asking the neighbor for help. Next to initiating processes of commoditization of risk, monetarization of risk management, first and foremost insurance switches risk management from a collective social affair towards a formalized, individual affair of winners and losers.

The "the double fortune / double blow" dilemma of microfinance, as the third major aspect of social change related to *Payung Keluarga*, postulates that microinsurance would need to be provided to such a comprehensive extent as to make people feel better proctected by insurance than by informal collective assistance. This would induce customers to opt out of the socially and financially demanding intricacies of the embedded moral society. Only then can people pursue a more assertive strategy of economic asset accumulation; and only then can microcredit unfold its full potential of promoting significant economic growth; conducive structural conditions and sufficient entrepreneurial skills provided. It is this combination of insurance and credit which can truly "liberate" people from the coercive and severly limiting clutches of the moral economy, and make the emergence of a "moral economy of self-interest" likely. However, what this thesis has striven to point out is that this "individual fortune" is likely to erode cooperative social capital and leave very low-asset people even more excluded and unprotected than before. In short, microinsurance in combination with microcredit has a high potential of dealing a blow to social cohesion. It is up for debate whether the fortune ways heavier than the blow. It certainly depends on context and perspective. The high customer satisfaction with *Payung Keluarga* and the vocal demand for more products clearly indicates that people are indeed inclined to quickly opt for more individual protection is the opportunity arises, not only for those risks so far little covered by other arrangements, such as education and health, but also for those which have been collectively dealt with before.

This multifaceted role of microinsurance as an actor of social change has so far been hardly discussed in the academic discourse. I do not claim that this thesis has completely "unravelled the mystery", but I claim that the identification of microinsurance an ambivalent actor of social change in low-asset settings is a definite and sobering finding. Of course, the extent of social change depends on the degree by which microinsurance substitutes other risk management arrangements. It is unlikely that substitution will be quick and complete. Similarly to the findings on microcredit which has not managed to replace moneylending, for a long time to come people may want to put their eggs in several baskets and maintain access to several risk management options. However, I claim that the substitutive effect of microinsurance is more salient than for microcredit. While informal financing, for example moneylending, can well survive in a contracted market, informal risk management is weakened every time the size of the risk and resource pool becomes smaller.

In short, the impact process of *Payung Keluarga* as a particularly simple microinsurance was astoundingly complex and heavily context-dependent, especially with regards to the ongoing and omnipresent clout of religious and cultural norms. The impact of *Payung Keluarga* did not unfold in a linear chain of actions and reactions. It rather appears as a conglomerate of intertwining preferences, reasoning and actions of actors within a multidimensional socio-cultural setting. The observation and deconstruction of this complex process was challenging and is certainly far from complete, but a number of revealing findings and challenging issues for future discussion have nonetheless come to light. The fact that most of the observed impact has been unintended is certainly due to an insufficient understanding of context during the product planning phase. With microinsurance, especially in case of life insurance, there is an obvious need for thick contextualization before a development intervention is planned. Thick contextualization might reveal that in some cases, such as *Payung Keluarga*, the assistance by way of microinsurance is actually not needed.

This leads to the question of in how far my findings can be generalized. First and foremost, my research has been exemplary and moreover exploratory. I only claim representativeness of findings and "validity by tendency" for the small section of Indonesia's low-asset population which I have surveyed. Nonetheless, I hold several of the more general findings to be applicable to almost any microinsurance context, not the least based on complementary evidence provided by other authors: (1) First of all is the realization, that microinsurance impact is strongly dependent on context. In case of *Payung Keluarga*, culture and religion made their influence felt at every twist and turn. I go so far as to claim that understanding the context means understanding the impact. (2) Second comes the realization that microinsurance is an interventionist development approach that induces social change, whether intended or not. While the impact of microinsurance is heavily influenced by context, microinsurance does not leave the context unchanged either. (3) Thirdly, the ideal of perfect complementarity of microinsurance with existing informal arrangements and social protection is illusory. Microinsurance cannot precisely fill the "protection gap" left by other measures. A certain amount of crowding out will always occur, for the better or worse. (4) Fourthly, microinsurance is particularly susceptible to undermining balanced reciprocity in favor of general reciprocity, not the least because microinsurance itself is based on conditional general reciprocity. (5) Lastly, one additional realization forcefully brought to light by my own research, as well as by other authors such as Moser (1998; 2007a) can certainly be generalized: Low-asset people are savvy asset managers of complex and multidimensional asset bases. Their resourcefulness, resilience and adaptability particularly in times of crisis should not be underestimated; nota bene net of microinsurance. The risk managagement strategies build upon these asset bases are intricate and definitely reasonable when seen from a contextualized perspective.

If by way of this entire thesis on microinsurance and its impact, microinsurance appears to be a major factor in the general process of modernization and social change in societies, this perspective of course needs to be relativized. The influence of microinsurance on societal trends is minor. Microinsurance is just one of many examples of processes of financialization, commoditization, and formalization. Microinsurance pales in importance compared to large-scale processes such as migration and urbanization, which can naturally also be deconstructed into lower-level processes. Next to the fact that the impact of microinsurance in form of *Payung Keluarga* was "micro" in a developmental sense, it is therefore also "micro" in a societal sense. These two realizations are connoted in the title of this thesis.

With my findings I hope to contribute to the further evolvement and improvement of microinsurance discourse and practice. I acknowledge again that the sobering impact of *Payung Keluarga* is my responsibility as the critical person for the product's conceptualization and implementation. A better, thicker ex-ante contextualization would have certainly helped to forecast and plan its eventual impact more accurately, even if perfect prediction is impossible. This serves as an encouragement to do it better next time; - and there will definitely be a next time. Microinsurance is bound to grow and expand further, on a global scale, but also at Allianz and in Indonesia. This leads to the last question, namely the outlook for microinsurance.

Why am I so sure that microinsurance will continue? The high demand from customers for more products points to this direction. Their emic perspective on microinsurance is much more positive than my own. Critical reflections of the social consequences of microinsurance are virtually absent among customers, loan officers, and even most experts whom I interviewed. Especially among customers, a down-to-earth and pragmatic search for ways how to possibly manage life better prevailed. Satisfaction with *Payung Keluarga* was also high among the involved MFI partners and at Allianz, which further promotes the programs continuity and expansion. Particularly for Allianz in Indonesia, microinsurance has proven that it is a potentially profitable business which increases customer numbers and brand awareness.

I see it as an irony that this "social business" is bound to make the micro-businesses of the supported women less social and more economic by way of the "double fortune / double blow" dilemma. I also consider it ironic that microinsurance by way of further undermining balanced reciprocity arrangements leaves those that need most protection, namely very low asset people not reached by microcredit and microinsurance, less protected, and microinsurance thereby furthers social inequality. Nonetheless, from a business perspective, microinsurance has a clear business potential. In this light, also the strategy to tackle death risk first has proven beneficial to the establishment of microinsurance as a sustainable business activity, even if from a developmental perspective this was counterproductive (which is hopefully offset by future endeavors). As far as *Payung Keluarga* is concerned I would therefore recommend abolishing the extra payouts and insuring the spouses instead.

Seen from a developmental perspective, for future projects those areas and risks should be considered where traditional risk management arrangements have broken down or not developed yet, and where moreover the risk of crowding out public social protection is lowest. Acknowledging once more that perfect complementarity is not possible, potential areas could be rural areas presumably depleted of social capital by migration, and low-asset urban areas with a particularly high rate of social fluctuation. Potential risks to be tackeled are education and health. These two risks are by far in highest demand and show the least prevalence of informal collective risk management. Of course, it may be critically argued in line with Bourdieu (1986) that education financing will further social diversification and social inequality. However, at least tackling education through insurance does not attack social cohesion as head-on as *Payung Keluarga* has done. In addition, it is definitely in widespread demand and presents the best business prospects. Eventually, health insurance may appear as the most sensible choice in terms of positive developmental impact, but it also presents the greatest challenges in terms of risk, product complexity and administration. In any case, whenever microinsurance is approached from a developmental perspective, a thick ex-ante contextualiztion should be done first of all. This call goes far beyond the usual demand assessments. It encompasses an analysis and in-depth understanding of the cultural and socio-demographic context. As this thesis has shown, even after a product has already been launched this is easier said than done. If the impact process of simple *Payung Keluarga* was already highly complex, the situation will certainly not get any easier in case of more complex products. I therefore consider it doubtful if the developmental impact of a microinsurance intervention can be accurately planned and predicted, especially with regards to wider social impact and social change. However, as microinsurance is driven on by business considerations anyway, it is well worth to continue trying to make microinsurance as context-adapted and beneficial for the customers' asset base as possible. This way, microinsurance can at least be hoped to assume more of a "smoothing" role in processes of social change rather than accentuating its "pushing" role.[63]

[63] I am thankful to Profesor Emil Salim for incentivizing me towards this train of thought during an interview in Jakarta on 25 June 2008.

ANNEX 1: USED QUESTIONNAIRES

The questionnaires underwent several revisions during research. They are displayed here in their latest versions. Questionnaires for expert component and MFI management component are not included as these were semi-structured.

A Customer component questionnaire (ex-ante)
B Customer component questionnaire (ex-post)
C Beneficiary component questionnaire
D Loan officer component questionnaire
E Group Leader component questionnaire
F Written demographic questionnaire (sample from ex-post customer component)

A Customer component questionnaire (ex-ante)

Duration: approximately 80 minutes

Table 29: Customer component questionnaire (ex-ante)

#	Question	Working instructions	Answer options
Insurance Know-How & Experience			
1	Have you ever heared of Allianz before?		Yes: No:
2a	Have you ever had insurance, either paid by you or someone else, e.g. employer?	Including social insurance like Askes & Jamsostek	Yes: No:
2b	If yes, what kind of insurance?	Including social insurance like Askes & Jamsostek	
2c	If yes, why did you take insurance?	Minimum one comment from each person who said "yes"	
2d	If no, why not?	Minimum one comment from each person who said "yes"	
3	How would you consider your knowledge about insurance?		Good: A bit: Not much:
4	In general, would you think that insurance is something that is cheap, mid-prize or expensive?	To explain, you can work with an example such as: Mercedes -> Expensive, Instant noodles -> Cheap,	Cheap: Mid-prize: Expensive:
5	If nothing happens to you, i.e. you didn't need the insurance, would you expect your premium to be returned to you?		Yes: Maybe partly: No.
6	Which of the shown insurance brands do you know - and how good an impression do you have of them? (logos: Allianz, AIG-Lippo, Askes, Bank Danamon, BRI, Bumiputera, Jamsostek, Jasindo, Jiwasraya, Prudential)	a) Draw four symbols onto post-it notes and put them on the ground: - "+" stands for "This company is good" - "0" stands for "I know the logo but don't know if the company is good or not (neutral) - "-" stands for "This company is not good" - "?" stands for "I don't know this company" b) Hand out insurance brand logo cards to	

		everybody c) Ask participants to simultaneously put cards onto respective symbol (maybe ask one pioneer to do it first)	
Risk Perception and Risk Management			
7	What do you think are the biggest problems that your family (under same roof) faces, e.g. high school fees, business failure etc.?	a) Collect ideas first. Note all ideas on post-it notes. b) Distribute three post-it notes to each participant, with numbers "1","2", and "3" written on them respecitvely c) Ask participants to simultaneously rank the top risks by using their post-it notes, i.e. "1" should be put on personal top-1 risk etc. (maybe ask one pioneer to do it first) d) Decide with particpants which of the risk appears to be most important e) Later, after finish, each "1" gets 3 points, each "2" gets 2 points, each "3" one point. Thus, a more precise ranking can be done.	Top 1 risk: Top 2 risk: Top 3 risk:
8	After the recent natural disasters (Tsunami in Aceh, earthquake in Yogyakarta, Jakarta floods etc.), do you think more often now that this could happen in your area as well? Do you feel more at risk?		Yes, definitely: A little bit: No:
9	Would you say you are: a) a risk taker who takes business opportunities as they come and doesn't worry too much about the future? b) a more cuatious person who needs time to think for some time before taking business decisions and who also thinks what may happen in the future? c) are you definitely a cautious person who likes to do business as they already know well and sometimes or often worries about what the future may bring?	Giving a number of real life examples may be needed here to illustrate the question.	Risk taker: More cautious: Definitely cautious:
10a	Have you experienced death, critical illness or loss of house/flood in the close family? What happened?		
10b	What was done to overcome the loss of income or pay for expenses (if any)?		
11	Is it okay to use insurance to make sure your family can continue without you in the event you die?		Yes: Don't know: No:
12	If you had a life insurance, would this be something you would talk about with your friends?		Yes: Maybe: Rather not:
Sharia Part: The following questions are only for focus groups with at least 1 Muslim member			
13a	For those of you whose religion is Islam, do you think your current loans are Sharia compliant?		Yes: Not sure: No:
13b	Those who answered "yes", why do you believe so?		
13c	Those who answered "no", why not?		
14	Would you prefer sharia compliant loans to non-sharia loans?		Yes: It doesn't matter: No:
15	What is needed to make you trust a product is really sharia compliant: a) It is enough if my MFI assures you it is sharia compliant. b) I need confirmation from my MFI and the local ustaj.		MFI only: MFI & *ustaj*: MFI, *ustaj* & Nat. Sharia

	C) I need confirmation from my MFI, the local ustaj, and the seal of the National Sharia Board.		Board:
Socio-Demographics / Migration / Group Memberships			
16	Are you from this area?		Yes: No:
17a	Are you the main income generator for your family?		Yes: No:
17b	Do other family members contribute to your family's income?		Yes: No:
18a	Do you have close family members living more than half day travel away (excluding plane)?		Yes: No:
18b	Do you receive <u>regular</u> financial support from those family members?		Yes: No:
18c	Would you receive financial support <u>in times of emergency</u> from those family members?		Yes: No:
19a	Have you ever received any assistance from the government e.g. food, money, free vaccination?		Yes: No:
19b	If yes, what kind of assistance?		
20a	Are you member of one or more *arisan*?		Yes: No:
20b	If yes, what kind of *arisan* (savings group, social, help in times of emergency)?		
21a	Are you a member of any other group (ex-cluding this loan group), e.g. prayer group, qu'ran study group?		Yes: No:
21b	If yes, what kind of groups?		
22	In the last 10 years, how has the level of solidarity in your community has changed (e.g. feeling of togetherness, gotong royong, support in times of crisis)?		Increased: Same: Decreased:
Product			
Explain product first			
23	How much premium would you consider fair for a 1 mio loan for 1 year	a) Participants write estimate on post-it notes. b) Participants show post-it notes at the same time. c) Note all given values and their frequency d) Calculate average (at least roughly)	Min: Max: Average:
Demographics			
24	Filling of short <u>demographic questionnaire</u>	Distribute pens and questionnaires (7 ques-tions) and collect again	

B Customer component questionnaire (ex-post)

Duration: approximately 60 minutes

Table 30: Customer component questionnaire (ex-post)

#	Question	Working instructions	Answer options
1	Does your loan come with insurance or not?	Open question to get a general feeling of awareness level of group.	
2	Do you know what is insured?	Open question to get a general feeling of awareness level of group.	
Short written and anonymous multiple-choice questionnaire (10 minutes)			
3	Have you been interviewed last year?	Ask group members not to talk during filling	Yes: No:
4	What is the name of the organization that gives you the credit life insurance?		*[MFI Name]:* *Jamsostek:* *Allianz:* *Government:*
5	What is the name of the insurance product?		Payung Jiwa: Payung Keluarga: Has no name: Payung Kasih: Life insurance:
6	What benefits does the product provide?		A) 2x loan amount of which outstanding balance is deducted: B) 2x loan amount and besides this the outstanding balance is waived: C: 1x loan amount and besides this the outstanding balance is waived:
Verbal discussion			
Discuss written questionnaire questions first and clarify product			
7	Who has seen the product brochure?		Yes: Don't remember: No:
8	If you could choose for your next loan, would you prefer a loan without insurance and rather save the premium?	a) Distribute “yes”, “maybe” and “no” cards b) Group members put their chosen card face down on floor c) Mix and reveal cards	Yes, I would prefer loans <u>with</u> insurance: Don't know yet: No, I would prefer loans without insurance:
9	Has anyone taken out additional insurance in the last year? If yes, what type and why?	including Askeskin, Askes, Jamsostek	Yes: No:
10	Have you heard about any claims actually being paid by your organization? What happened? What was your impression?		Yes: No:
11	How would you consider your knowledge about insurance?	- Same question as ex-ante - Separate those who were interviewed before from those newly joined	**Interviewed before:** Good: A bit: Not much: **Newly joined:** Good: A bit: Not much:
12	Do you know, why the premium is not returned to you after the end of the	- Open question to get a feeling - If no (correct) ideas forthcoming,	

	credit?	give hints - If still no correct idea, explain insurance mechanism	
13	Did you actually tell your friends and neighbors about this insurance?	- Direct follow-up question from ex-ante - Separate those who were interviewed before from those newly joined	**Interviewed before:** Yes: Can't remember: No: **Newly joined:** Yes: Can't remember: No:
14	How happy are you overall with the insurance program on the elementary school scale from 0 to 10?	a) Give 1 post-it note to each participant b) Each participants writes his rating on the post-it note c) Participants lay post-it notes face down in the middle b) Mix and reveal votes	Very good 10: 9: 8: 7: 6: 5: 4: 3: 2: 1: 0: Very bad
15	Which of the shown insurance brands do you know - and how good an impression do you have of them? (logos: Allianz, AIG-Lippo, Askes, Bank Danamon, BRI, Bumiputera, Jamsostek, Jasindo, Jiwasraya, Prudential)	- same question as ex-ante a) Draw four symbols onto post-it notes and put them on the ground: - "+" stands for "This company is good" - "0" stands for "I know the logo but don't know if the company is good or not (neutral) - "-" stands for "This company is not good" - "?" stands for "I don't know this company" b) Hand out insurance brand logo cards to everybody c) Ask participants to simultaneously put cards onto respective symbol (maybe ask one pioneer to do it first)	
16	Would you say you are: a) a risk taker who takes business opportunities as they come and doesn't worry too much about the future? b) a more cuatious person who needs time to think for some time before taking business decisions and who also thinks what may happen in the future? c) are you definitely a cautious person who likes to do business as they already know well and sometimes or often worries about what the future may bring?	- Same question as ex-ante - Giving a number of real life examples may be needed here to illustrate the question.	Risk taker: More cautious: Definitely cautious:
17	What are reasons for you to be happy / unhappy with the insurance program?		
18	Do you feel more "peace of mind" now that you are insured? Any comments?		Yes, definitely: A litte bit: No difference: Less safe:
19	If the insurance premium were to increase from 1.2% per year to 1.8% per year would this still be acceptable	a) Give some concrete Rupiah examples first b) Distribute "yes", "maybe" and "no"	Yes, I would prefer loans <u>with</u> insurance:

	for you?	cards c) Group members put their chosen card face down on floor d) Mix and reveal cards	Don't know yet: No, I would prefer loans without insurance:
20	If you could, would you insure your spouse with the same product?		Yes: Maybe: No:
21	What would you expect your beneficiary to spend the payout on?	a) Collect potential usage ideas first, write them on post-it notes and put on the ground b) Distribute 3 post-it notes with numbers "1", "2" and "3" to each participant c) Ask participants to put their post-it notes on the recommended usages, with "1" being the most pressing of all etc.	
22	What term would you prefer to describe your social strata?		
23	Anything else you would like to ask, anything else you need or that we can improve?		
Demographics			
24	Please fill the short demographic questionnaire	a) Distribute pens and questionnaire (10 questions) and collect again	

C Beneficiary component questionnaire

Duration: approximately 50 minutes

Table 31: Beneficiary component questionnaire

#	Question	Working Instructions	Answer options
Warm-up and Socializing			
1	Please tell the claim story? What were the circumstances of death and claim payment?	- To gain understanding and show empathy - To refresh memory and do socializing before going to the technical questions	
2	Did the insured ever tell you that she had insurance?		Yes: Maybe: No:
3	Did you know what was the benefit of the insurance before the insured died and you made a claim?		Yes: I had some idea: No:
4a	Was a public claims ceremony held?	- A big ceremony means 10+ people	A) Yes, a big ceremony: B) Yes, but only with group members and family: C) No, the claim was paid privately at home:
4b	Would you have preferred a public or a private ceremony?		Private: Doesn't matter: Public:
Claim Payment			
5	Before the claim was actually paid, how sure were you that it would be paid?		Absolutely sure: Not so sure: I did not believe it:
6	How much money did you receive?	Should be exactly two times the original loan amount of the credit that the insured took out from the MFI	
7	Was any money deducted at payment or afterwards by the organization	Should not happen	Yes, IDR ________ No:
8	Do you feel you received the insurance benefit fast enough?		A) No, it took a very long time: B) Yes, it was ok: C) Yes, the benefit was paid fast:
9	Were there any difficulties to make the claim?	E.g. bureaucracy, getting death certificate, bribes	
10	How easy did you find the claim process?		Very easy: Easy: OK: Somewhat difficult: Very difficult:
11	How helpful was the MFI in handling the claim?		Very helpful: Somewhat helpful: Not helpful:
Claim Effect			
12a	What was the money used for?	Open question first	

12b	Can you specify further?	Gather as much specific information as possible	A) Social purposes, e.g. selamatan, amal IDR ____________ B) Invested in exsisting / new business IDR ____________ C) Education of children IDR ____________ D) Cover living expenses IDR ____________ E) Savings / not spent yet IDR ____________ F) Distribute to family members IDR ____________ G) Paying of the remaining outstanding MFI debt IDR ____________ H) Paying of any other outstanding debt IDR ____________ I) Others: IDR ____________
13a	If money was used for investment, please describe investment and result. Was new income generated?		
13b	If money was NOT used for investment, why not?		
14a	How much did you spend on the funeral activities in total?		
14b	Would you have spent the same amount if there hadn't been insurance?		Yes: No, less: No, more: Don't know:
14c	If yes, where would you have gotton the additional money from?		
15	Did you have to mobilize any extra funds or sell assets to cover post-death expenses? What exactly?		
16	What would you have done without the insurance benefit?	Counterfactual question	
17	In summary, was the amount sufficient to help you through this difficult time?		A) More than enough: B) Yes, definitely enough: C) Helped somewhat but could have been more: D) Helped only a little bit: E) Did not help at all:
18	If you would have to or actually had to receive money from family and friends, how do you feel about this?		
19	If you are Muslim, would you consider more leaning towards NU or Muhammadiyah?		NU: Muhammadiyah: Neutral:
20	According to you, is it prohibited (*haram*) to use insurance funds for anything else than the "selamatan" and "debt repayment", i.e. proceeds are exclusive ownership of the deceased?		A) It's okay to use funds for needs of the living: B) I am not sure: C) It is *haram* to use funds for needs of the living:

21a	Please describe the financial relationship of the insured to you?		
21b	Did you have your own independent income?		Yes: No:
21c	Did you receive financial support from the insured?		Yes: No:
22	Is your own source of funds still the same as before? If not, what's the change and why?		A) Yes, still the same: B) No, has changed to _______________
23	Was there any request from other family members and friends or even pressure to share the money?		Yes: No:
24	Has the attitude of friends and family towards you changed because of the money you received?		A) No, there is no change in the quality of the relationship: B) Maybe a little bit: C) Yes, there has been the following changes: _______________
25	Did you tell your friends openly about the claim or did you keep quiet?	Cross-check question for the earlier question on open/private claim ceremony	A) I talked openly and shared my experience: B) I only told my close family: C) I tried not to let anyone know:
26	How much has the insurance helped you overall (on the elementary school scale from 0 to 10)?		
Insurance Know-how			
27	According to you, where did the money for your claim come from?		
28	According to you, who is the insurance provider?		
29	If you could, would you insure yourself now with the same product?	Cross-check question to earlier satisfaction questions	Yes, definitely: Maybe: No, no need: No, I am already insured:
30	Is it okay for you if your MFI and Allianz use your story to socialize and promote the idea of insurance?	Use example of journalist asking on microinsurance and interviewer replies: "Yes, just yesterday I visited this family in …..."	Yes: No:
Demographic Questionnaire			
31	Please fill the short demographic questionnaire	All family members and bystanders who contributed to the interview	

D Loan officer component questionnaire

Duration: approximately 40 minutes

Table 32: Loan officer component questionnaire

#	Question	Working instructions	Choice Answer
Anonymous up-front questionnaire (20 minutes)			
1	How is the program received and accepted by your customers?		A) Very well: B) Good: C) Overall OK: D) Overall OK, but sometimes difficult: E) Frequent criticism and resistance:
2	Regarding the premium, how do your customers feel about it?		A) All clients are happy with the premium: B) Most clients are happy with the premium, but some clients complain about it: C) Many clients are ok with the premium, but many also complain about it: D) Most clients feel the premium is an extra burden for them: E) All clients complain about the expensive premium:
3	How do you think MI has affected your organization's customer numbers?		A) Positively. Customers see insurance program as additional benefit to join: B) Neutral. No effect: C) Negatively. Customers tend to drop-out because of issues related with the insurance program:
4	When explaining the program, what is your most successful strategy to explain it? What is your trick?		
5	What is the most difficult obstacle when socializing microinsurance?		
6	What are the 3 most frequently asked questions you encounter?		1. _______________? 2. _______________? 3. _______________?
7	What other noteworthy questions are asked by the customers?		
8	Would you recommend your management to continue the microinsurance program?		A) Yes: B) Yes, but only with improvements: C) It makes no difference to continue or not: D) No, I would recommend to stop it:
9	What improvements would you recommend?		
10	Any other comments / suggestions you would like to share with your management and Allianz on the insurance program?		

Verbal Discussion			
11	Did you encounter any cultural, religious, social obstacles or superstitions?	- Possible repeat from written questionnaire, but here there is a chance to discuss and explain - E.g. afraid of dying faster / ill wishing - E.g. *haram* - E.g. Taboo to talk about death	
12	Did you encounter people saying "*takut cepat mati*" (fear of dying prematurely)? Why do they say so?		
13	Are your customers still more fatalistic (100% *takdir*) or are they action driven?		
14	Why do customers take out a loan?	a) Draw a matrix with (on y-axis): (1) Help support family income to make ends meet, (2) *Pastime*, (3) Pass on to husband, (4) Consumption, (5) Building a really big and successful business, and (on x-axis) (A) none, (B) few, (C) some, (D) many, (E) all b) Have each loan officer cast his votes for each category	
15	Is it socially acceptable if the woman earns more than the husband?		
16	Do you think brochure is a good marketing tool? Especially when there is a claim photo on it?		
17	Do you think "claim stories" make for good promotion or scare people away? Would you tell it?		
18	Were customers ever asking for more insurance? If yes, what kind?		Yes, often: Yes, sometimes: No:
19a	Have you ever personally handled a claim?		Yes: No:
19b	If yes, were there any difficulties when processing the claim?		
19c	How was claim payment organized and received by the community?		
19d	Do you think the claim has prevented the family from falling deeper into poverty? Why so? Why not?		A) Yes, definitely: B) A little bit: C) I do not know what happened after the claim payment: D) No, the claim payment didn't help the family.
19e	What effect did the claim have on the credit group and the community at large?	E.g. drop in solidarity (for *slametan*) or increased pressure on group or better popularity?	

V Open discussion			
20	Any other comments and suggestions you would like to make openly?		
VI Demographic Questionnaire			
21	Please fill a short written demographic questionnaire on your personal data.		

E Group leader component questionnaire

Duration: approximately 90 minutes

Table 33: Group leader component questionnaire

#	Question	Working instructions	Answer options
Profiling			
1	Why have you and your credit group members decided to take a loan?	Pay special attention on *kesibukan* (pastime) motive	
2	Can you describe the financial situation of your family, especially who is contributing to your family income and how much?	A general picture of income flows is desired here, not necessarily exact Rupiah amounts	
3	What term would you use to describe your socio-economic level?		
4	Now on expenses: Who generally decides what to do with the money in your family? I.e. how much to give to *arisan*, etc.?	☐	
5	Could you generalize this for your group members or do you see differences?		
6	How much extra income do you get out of your loan (the portion that is invested)?	- To discern an average rate of return - No ready made figure expected - Discuss height and usages of loan and result of investment in detail - Get some form of monetary return value (i.e. extra per day, per week)	
7	Would it be okay, if you and your credit group members were earning more than the husband/wife?		
Insurance Know-How & Satisfaction			
8	Do you think you have received enough information on the insurance you got from the MFI?		Yes: Don't know: No:
9	A customer said: *Kalo tidak jelas tidak puas* ("If it [the product] is not clear, I am not satisfied"). How do you think about this?		
10	Is there any connection between how much you know about the product and how you promote/explain it to other group members and friends?	Because I found that customers still openly shared information on their insurance although they had not fully understood it	
11	If you were still a non-customer, would this insurance be one reason for you to join the credit program?		Yes: Maybe: No:
12	What do you like and dislike about this insurance?		
13	How do you comment on frequent the *takut cepat mati* (fear of dying prematurely) concern? Were such concerns raised in your group?	☐	
Death and Insurance			
14	Most insurance payout is used for *slametan* and *tahlilan*. Why is this so important?		
15	How much would you say a *slametan* costs in total up to the 100th day?		
16	Do you believe that a *slametan* and *tahlilan* give extra benefits for the afterlife? For who? The deceased and/or yourself?		

17	Do you feel these costs are rising or decreasing? Why so?		
18	What is your local ustadj saying regarding funeral costs?		
19	*In addition, many borrow from friends and family? Can you describe this more closely? Under what conditions do you borrow, receive a gift? If, how and when do you need to repay? Do you feel malu to borrow?*	Optional question	
20	Another big portion is used for debt repayment. Why is this so important? How are your local customs on non-bank debt repayment?	☐	
21	So far, not a single formal loan was taken out to arrange death ceremonies. Why would that be?	☐	
22	When is community support strongest: for education, illness or death? Why?	☐	
23	What would you actually expect your beneficiary to spend the payout on?	a) Collect potential usage ideas first, write them on post-it notes and put on the ground b) Distribute 3 post-it notes with numbers “1”, “2” and “3” to each participant c) Ask participants to put their post-it notes on the recommended usages, with “1” being the most pressing of all etc.	
New products & Arisan			
24	In how many *arisan* are you members? What types?	Ask every participant individually for an answer.	>4: 4: 3: 2: 1: 0:
25	How do the *arisan* work exactly in which you participate?	How much is paid? What happens if you don't pay? Are men members, too?	
26	How could these *arisan* help you in times of urgent needs?		
27	If there was an attractive education insurance for your children with contribution of Rp. 50,000 per month in which you are interested. How would you raise this money?	E.g. would you scale back on *arisan*?	
28	How about sharia insurance? What would you prefer sharia insurance over conventional insurance? Would you prefer sharia in any case, even if more expensive?		
29	In you group, is NU or Muhammadiyah more dominant? Does this distinction still play a role in daily life?		
30	Anything else you would like to ask, anything else you need or that we can improve?		
Demographics			
31	Please fill the short <u>demographic questionnaire</u>	Distribute pens and questionnaire (9 questions) and collect again	

F Written demographic questionnaire (sample from ex-post customer component)

Duration: approximately 8 minutes

Table 34: Written demographic questionnaire (sample from ex-post customer component)

#	Question	Answer options
1	Name:	
2	Credit Group Name:	
3	Have you been interviewed last year (ex-ante)?	Yes: No:
4	Have you ever received insurance with your credit?	Yes: No:
5	Age:	
6	Sex:	F: M:
7	Your primary occupation?	A) Trader: B) Farmer: C) Food stall (*warung*): D) Food production: E) Good production: F) Housewive: G) Others: ____________
8	Religion:	A) Islam: B) Protestant: C) Catholic: D) Hindu: E) Buddhist:
9	Marital status	A) Single: B) Married: C) Widowed: C) Divorced:
10	Last attained education[1]:	A) None: B) SD: C) SMP: D) SMA: E) D1-D3: F) S1-S3:

[1] For abbreviations, see list of abbreviations at the end of the thesis.

ANNEX 2: DATA AND PHOTOS OF RESPONDENTS

A Customer component data
B Beneficiary component data
C Loan officer component data
D Expert component data
E Group leader component data
F MFI management component data
G Customer component photos
H Beneficiary component photos
I Loan officer component photos
J Group leader component photos

A Customer component data

Table 35: Logistic and demographic data of customer component participants[1]

#	Name	Sex	Age	Principal occupation	Religion	Satus	Last attained educa-tion[2]	Group code	Phase[2]
1	Agus	F	28	Trader	Catholic	Single	SMA	BAS6	a
2	Ahmad Dasuki	M	20	Trader	Islam	Married	SMP	DIMAN3	a
3	Aisah	F	38	others	Islam	Married	SD	BAS1	a
4	Aksa	F	40	Trader	Catholic	Married	None	BAS6	a
5	Alexander M. Malana	M	44	Farmer	Protestant	Married	SMA	MMS4	a
6	Anaci Lessi Lasboi	F	29	Trader	Protestant	Married	SMP	BAS5	ap
7	Ance Tahun	F	35	Trader	Protestant	Single	SD	BAS5	ap
8	Anisia	F	44	Teacher	Catholic	Married	D1-D3	MMS2	a
9	Anna Aletha Beri Eluama	F	39	Trader	Protestant	Married	SMA	BAS5	p
10	Ari	F	37	Trader	Protestant	Married	SMA	MMS3	a
11	AS. Yuliana Yublina Malelak	F	40	Housewife	Protestant	Married	SMA	MMS7	p
12	Bet Waang	F	62	Trader	Protestant	Married	SMP	BAS5	a
13	Betty TC	F	49	Food Stall	Islam	Married	SMP	BAS2	a
14	Betty TC	F	38	Goods production	Protestant	Married	SMA	DIMAN1	ap
15	Bodu Tera	M	55	Farmer	Protestant	Married	SMA	MMS3	a
16	Cendy Pa Pilaja	F	50	Trader	Protestant	Widowed/ divorced	SMA	DIMAN1	a
17	Dahlia	F	27	Food pro-duction	Islam	Married	SMP	DIMAN2	a
18	Dahlia	F	40	Trader	Islam	Married	SD	DIMAN3	a
19	Diana Dada Kasa	F	41	Trader	Protestant	Married	SMA	MMS6	p
20	Dina Orance Nomleni	F	35	Housewife	Protestant	Married	SMA	BAS6	p
21	Djunah	F	42	Housewife	Islam	Married	SMP	DIMAN3	p
22	Dor Heppy Hutabarat	F	45	Housewife	Protestant	Married	SMA	DIMAN1	p
23	Eem Fatmawati	F	27	Housewife	Islam	Married	SMA	BISWA3	p
24	Ela	F	25	Trader	Protestant	Married	SMA	MMS3	a
25	Eliyana	F	39	Trader	Islam	Married	SMP	DIMAN2	a
26	Elpi	F	24	Trader	Islam	Married	SD	WKP1	a

27	Emirensiana T. Embu	F	37	Trader	Catholic	Married	SMA	MMS2	ap
28	Endang Mulyati Ningsih	F	36	Trader	Protestant	Married	SMA	MMS3	ap
29	Endang Sugianti	F	35	Trader	Islam	Married	SD	WKP1	a
30	Endang Susilowati	F	26	Trader	Islam	Married	SMA	WKP2	a
31	Endrawaty	F	36	Trader	Islam	Married	SMP	MMS5	p
32	Engkar	F	43	Housewife	Islam	Married	SMP	BAS4	a
33	Erna Fatimah	F	23	Housewife	Islam	Married	SMP	BISWA3	a
34	Ernawati	F	28	Trader	Islam	Married	SMP	WKP2	a
35	Ernesta Niga Pare	F	33	Trader	Catholic	Married	SMA	MMS2	ap
36	Ester Magi Diala	F	42	Others	Protestant	Married	S1-S3	MMS3	ap
37	Eti Sumarsih	F	32	Housewife	Islam	Married	SMP	BISWA3	ap
38	Etty	F	38	Trader	Catholic	Married	SMA	BAS6	a
39	Euis Rosida	F	39	Trader	Islam	Widowed/ divorced	SD	BAS2	p
40	Ewalda Olla	F	25	Trader	Protestant	Married	D1-D3	BAS6	p
41	Farida	F	48	Trader	Islam	Married	SMP	DIMAN1	a
42	Ferderika Tahun	F	31	Trader	Protestant	Married	SMP	BAS5	ap
43	Fransina V. Lirik	F	36	Trader	Protestant	Married	SMA	BAS6	ap
44	Fride Risma	F	42	Housewife	Protestant	Married	SMA	DIMAN1	p
45	Goling Laga	M	48	Farmer	Protestant	Married	SD	MMS4	a
46	Hadijah Radia	F	45	Farmer	Islam	Widowed/ divorced	SMP	MMS2	ap
47	Haryati	F	39	Trader	Islam	Married	SMP	DIMAN2	a
48	Henry	F	36	Trader	Protestant	Married	SMA	DIMAN1	a
49	Herlina	F	50	Food pro-duction	Protestant	Married	SMP	BAS4	a
50	Hermin	F	41	Housewife	Protestant	Married	S1-S3	DIMAN4	p
51	Heru Nursanti	F	40	Housewife	Islam	Married	SMP	BISWA3	a
52	Herwinah	F	35	Trader	Islam	Married	SMP	DIMAN3	p
53	Hj. Sukasni	F	55	Trader	Islam	Widowed/ divorced	SD	DIMAN3	ap
54	Husnawati	F	45	Trader	Islam	Married	SMP	WKP2	a
55	I Gede Ketut Raiyasa	M	37	Farmer	Hindu	Single	SMA	MBM1	ap
56	I Gede Saja	M	66	Farmer	Hindu	Married	SD	MBM1	a
57	I Ketut Kardi	M	53	Farmer	Hindu	Married	SD	MBM1	p
58	I Ketut Sabda	M	53	Farmer	Hindu	Married	SD	MBM1	p
59	I Ketut Sukaja	M	75	Farmer	Hindu	Married	SD	MBM1	p
60	I Made Sondra	M	35	Farmer	Hindu	Married	SMA	MBM1	ap
61	I Made Sumiada	M	35	Farmer	Hindu	Married	SD	MBM1	p
62	I Nengah Kandra	M	44	Farmer	Hindu	Married	SD	MBM1	p
63	I Nengah Raka	M	40	Farmer	Hindu	Widowed /divorced	SMA	MBM1	ap
64	I Nyoman Desin	M	49	Farmer	Hindu	Married	None	MBM1	p
65	I Nyoman Godang	M	50	Farmer	Hindu	Married	SD	MBM1	p
66	I Nyoman Koming	M	41	Farmer	Hindu	Married	SD	MBM1	ap
67	I Nyoman Nurjana	M	36	Farmer	Hindu	Married	SMP	MBM1	p
68	I Nyoman Sadia	M	54	Farmer	Hindu	Married	SD	MBM1	p
69	I Wayan Cadra	M	51	Farmer	Hindu	Married	SD	MBM1	ap
70	I Wayan Kondra	M	65	Farmer	Hindu	Married	SD	MBM1	p
71	I Wayan Sukada	M	33	Farmer	Hindu	Married	SD	MBM1	p
72	I Wayan Tantra	M	39	Farmer	Hindu	Married	SD	MBM1	ap
73	I Wayan Weter	M	43	Farmer	Hindu	Single	SMA	MBM1	a
74	Ida Royakit	F	34	Trader	Islam	Married	SMA	BISWA3	a
75	Ida Royani	F	32	Housewife	Protestant	Married	SMA	DIMAN1	a
76	Ida S.	F	41	Trader	Islam	Married	SMA	MMS8	p
77	Iis Sugianti	F	25	Trader	Islam	Married	SMA	WKP1	a
78	Ika	F	25	Trader (Textiles)	Islam	Married	SMA	BAS1	a
79	Ika	F	25	Goods	Islam	Married	SMA	MMS5	p

				production					
80	Ike Komalawati	F	36	Trader	Islam	Married	SMA	BAS4	ap
81	Ira	F	45	Trader	Islam	Married	SMP	DIMAN2	a
82	Iroh	F	37	Housewife	Islam	Married	SD	DIMAN3	p
83	Ison	F	33	Housewife	Islam	Married	SMP	WKP2	p
84	Iti	F	40	Trader	Islam	Married	None	DIMAN3	ap
85	Jasrip	M	50	Trader	Islam	Married	SD	DIMAN3	a
86	Johana Gholo	F	48	Food Pro-duction	Catholic	Widowed/ divorced	SD	MMS6	p
87	Johanis Rehi Gheda	M	57	Farmer	Protestant	Married	SMA	MMS6	p
88	Julaeha	F	35	Trader / Food pro-duction	Islam	Married	SMA	MMS8	p
89	Julaeha	F	29	Trader	Islam	Married	SMP	BAS4	ap
90	Juriah	F	47	Trader	Islam	Married	SMP	DIMAN2	a
91	Karwati	F	33	Trader	Islam	Single	SMA	MMS1	a
92	Katrina K. Magi	F	43	Trader	Protestant	Married	SD	MMS7	p
93	Kd Sumiasih	F	32	Food stall / Food pro-duction	Hindu	Married	SD	WKP2	a
94	Koni Wolka	F	64	Trader	Protestant	Widowed/ divorced	D1-D3	MMS3	ap
95	Kusmiati	F	37	Food Stall	Islam	Married	SMA	MMS8	p
96	Kustiyatni	F	44	Goods production	Islam	Married	SMP	DIMAN2	a
97	Lady Angel Amelia	F	22	Housewife	Protestant	Married	SMA	DIMAN1	a
98	Letty Emma H. Waangsir	F	57	Trader	Protestant	Married	SMA	BAS6	a
99	Lisa	F	38	Trader	Islam	n.a.	SMA	DIMAN3	a
100	Lodia	F	65	Trader	Protestant	Widowed/ divorced	SD	BAS5	a
101	Lola Alice Juliani	F	41	Trader	Islam	Married	SMA	DIMAN4	p
102	Lucia	F	55	Farmer	Catholic	Married	SD	MMS2	a
103	Magdalena Bili	F	39	Housewife	Protestant	Married	SD	MMS7	p
104	Magdalena Tulle	F	28	Housewife	Protestant	Married	SMA	BAS6	ap
105	Mahdalena HS	F	27	Trader	Islam	Married	SMA	DIMAN4	p
106	Margaretha Niga	F	35	Trader	Catholic	Single	SMA	MMS6	p
107	Margaritha Sipa Eluama	F	45	Trader	Protestant	Married	SMA	BAS5	ap
108	Maria Aloysia Waga	F	33	Trader	Catholic	Married	SMA	MMS2	ap
109	Maria Banoet Banfatin	F	54	Trader	Protestant	Married	SD	BAS5	ap
110	Maria Biaf	F	35	Trader	Protestant	Married	SD	BAS6	ap
111	Maria Bulu	F	40	Housewife	Protestant	Married	SMA	MMS7	p
112	Maria Goreti Niut	F	37	Housewife	Catholic	Married	SMA	BAS6	ap
113	Maria Imakulata Bela	F	55	Housewife	Catholic	Married	SD	MMS6	p
114	Maria Magdalena Toto	F	39	Teacher	Protestant	Married	SMA	BAS5	p
115	Maria Wimi Porli	F	40	Farmer	Catholic	Married	SMP	MMS6	p
116	Marni	F	40	Trader	Islam	Widowed/ divorced	SD	DIMAN3	p
117	Marni	F	30	Housewife	Islam	Married	SD	DIMAN3	p
118	Marsalina Lin Banoet	F	38	Trader	Protestant	Married	SD	BAS5	p
119	Marsiti	F	43	Food Stall	Islam	Married	SD	BISWA3	a
120	Martha Likn	F	39	Trader	Protestant	Married	SMA	MMS3	ap
121	Martheda Lassa	F	51	Trader	Protestant	Married	SMA	BAS5	ap
122	Marthen Boru Dedy	M	46	Farmer	Protestant	Married	SMA	MMS4	a
123	Marthen Saefatu	M	34	Farmer	Protestant	Married	SMA	MMS4	a
124	Maryam	F	35	Trader	Islam	Married	SD	WKP1	a
125	Maryati	F	37	Trader	Islam	Married	SMP	BAS1	a
126	Maryati	F	44	Food pro-duction	Islam	Married	SD	DINARI 1	ap
127	Masniatun	F	34	Trader	Islam	Married	SD	WKP1	ap
128	Mateus Deta	M	42	Farmer	Catholic	Married	SD	MMS6	p

129	Melda	F	50	Trader	Catholic	Widowed/ divorced	SD	BAS6	a
130	Meri L. Tara Wini	F	35	Trader	Protestant	Married	SMA	MMS3	ap
131	Meri Tloen	F	35	Trader	Protestant	Married	SD	BAS5	a
132	Mina	F	34	Housewife	Catholic	Married	SD	BAS6	a
133	Misripah	F	49	Trader	Islam	Married	SD	WKP1	a
134	Mufidah	F	32	Trader	Islam	Married	SMP	DIMAN4	p
135	Muji Haririyani	F	41	Trader	Protestant	Married	SMA	MMS7	p
136	Murni	F	17	Goods production	Islam	Single	SD	DINARI 1	a
137	Nanik Maryati	F	30	Food Stall	Islam	Married	SMA	DINARI 1	ap
138	Netti	F	25	Trader (Textiles)	Islam	Married	SMP	BAS1	a
139	Ni Luh Ayu	F	26	Trader	Islam	Married	SD	DINARI 1	a
140	Ni Luh Sriani	F	43	Trader	Hindu	Married	SD	WKP2	ap
141	Ni Made Ayu	F	33	Goods production	Hindu	Married	SMA	WKP2	p
142	Nia	M	28	Farmer	Hindu	Married	SMA	MBM1	a
143	Nini Sumini	F	53	Trader	Islam	Married	SMA	DIMAN1	a
144	Nining Sariningsih	F	30	Food Stall	Islam	Married	SMA	BAS4	ap
145	Nova Fatimah	F	40	Food Stall	Islam	Widowed/ divorced	SD	BISWA3	a
146	Novi Is Tanti	F	20	Trader	Islam	Married	SMP	DIMAN2	a
147	Novi Maulida Ningsih	F	22	Housewife	Catholic	Married	SD	MMS7	p
148	Nunung Sumarni	F	38	Trader	Islam	Married	SMP	BISWA3	ap
149	Nur Adlah	F	32	Trader	Islam	Married	SD	DIMAN3	a
150	Nur Rodiyah	F	34	Trader	Islam	Married	SMA	MMS8	p
151	Nur Yujani	F	41	Trader	Islam	Married	SMP	BAS1	p
152	Nur'adaniah	F	34	Trader	Islam	Married	SMP	MMS5	p
153	Nurhasanah	F	33	Goods production	Islam	Married	SMP	MMS2	ap
154	Nurlela	F	31	Housewife	Islam	Married	SMP	BISWA3	a
155	Nurningsih	F	41	Trader	Islam	Married	SMP	BAS1	ap
156	Nuryani Z	F	39	Trader	Islam	Married	SMA	MMS8	p
157	Orsina Toto	F	35	Teacher	Protestant	Married	D1-D3	BAS5	ap
158	P. Dandi	M	30	Farmer	Hindu	Married	SMA	MBM1	ap
159	P. Sri	M	31	Farmer	Hindu	Married	SMP	MBM1	ap
160	P. Suartama	M	39	Farmer	Hindu	Married	SD	MBM1	ap
161	Pan Wilianta	M	35	Farmer	Hindu	Married	None	MBM1	a
162	Pan Winastre	M	65	Farmer	Hindu	Widowed/ divorced	SD	MBM1	a
163	Pansamotan	F	37	Food stall	Protestant	Married	SMA	DIMAN1	a
164	Parman	M	30	Trader	Islam	Married	SD	MMS1	a
165	Pasta	M	37	Farmer	Hindu	Widowed/ divorced	SMP	MBM1	a
166	Paulina Bera Tinus	F	27	Trader	Catholic	Married	SMP	MMS6	p
167	Pinki	F	41	Trader	Islam	Married	SMP	BISWA3	p
168	Pipih Sunarti	F	46	Trader	Islam	Married	SD	BAS2	ap
169	Pujiati	F	30	Housewife	Islam	Married	SD	WKP2	p
170	Ragil	F	30	Housewife	Protestant	Married	SMP	BAS6	a
171	Rarabodu	F	39	Farmer	Protestant	Widowed/ divorced	SMP	MMS4	a
172	Rastini	F	40	Trader	Islam	Widowed/ divorced	SD	DIMAN2	a
173	Rati	F	41	Food Pro-duction	Islam	Married	SMA	BAS4	p
174	Raymond R. Toka	M	46	Farmer	Protestant	Married	D1-D3	MMS4	a
175	Retno Sari	F	23	Trader	Islam	Single	SMA	DIMAN1	a

176	Riris Parhusip	F	39	Trader	Protestant	Married	SMA	DIMAN1	p
177	Ro	F	41	Trader	Islam	Married	SMP	BAS2	a
178	Roliah	F	40	Food Stall	Islam	Widowed/ divorced	SD	DIMAN3	ap
179	Rosalima Tefa	F	45	Trader	Protestant	Married	SD	BAS6	ap
180	Rosmawati	F	30	Housewife	Islam	Married	D1-D3	BAS2	a
181	Rosmini A. Rahman	F	41	Trader	Islam	Married	SMA	MMS2	ap
182	Rubi Walyati	F	32	Others (Employee)	Islam	Married	S1-S3	MMS8	p
183	Rudyanto W. Bora	M	33	Farmer	Protestant	Married	SMP	MMS4	a
184	Saima	F	40	Trader	Islam	Married	SD	WKP2	a
185	Sakinah	F	40	Trader	Islam	Married	SD	WKP1	a
186	Sampe Sayang Parhasip	F	30	Food Stall	Protestant	Married	D1-D3	DIMAN1	p
187	Sari	F	43	Trader (*jamu*)	Islam	Married	SMP	MMS1	a
188	Sarifah	F		Trader	Islam	Widowed/ divorced	SD	MMS2	p
189	Sarmah	F	50	Goods production	Islam	Single	SMP	DIMAN3	ap
190	Satinam	F	50	Trader (*jamu*)	Islam	Married	None	MMS1	a
191	Sisi	F	59	Teacher	Catholic	Married	D1-D3	MMS2	a
192	Siti	F	31	Goods production	Islam	Married	SD	BAS4	p
193	Siti Aranah	F	40	Trader	Islam	Married	SD	BAS2	a
194	Siti Nurain	F	27	Trader	Islam	Married	SMA	DIMAN2	a
195	Siti Rochani	F	36	Trader	Islam	Married	SD	WKP1	ap
196	Siti Setiawati	F	36	Housewife	Islam	Married	SMA	BAS4	p
197	Sopiah	F	40	Trader	Islam	Widowed/ divorced	SD	DIMAN3	p
198	Sri Astuti	F	32	Others	Islam	Married	SMP	WKP1	ap
199	Sri Kasima	F	33	Housewife	Islam	Married	SMA	BAS1	a
200	Sri Rahayu	F	53	Others (Transpor-tation)	Islam	Married	SMA	DIMAN1	a
201	Sri Rohati	F	49	Trader	Islam	Married	SMP	BISWA3	p
202	Sriarti	F	46	Housewife	Islam	Married	SD	BISWA3	a
203	Stefanny	F	20	Food pro-duction	Islam	Married	SMA	DIMAN4	p
204	Sudini	F	32	Housewife	Islam	Married	SMP	BISWA3	a
205	Sufia Nahak	F	48	Trader	Protestant	Married	SD	BAS5	p
206	Sugiyah	F	28	Trader	Islam	Married	SMP	BAS1	a
207	Sugiyem	F	15	Goods production	Islam	Single	SD	DINARI 1	a
208	Suhani	F	58	Trader	Islam	Widowed/ divorced	None	BAS2	ap
209	Sulistianawati	F	33	Trader	Protestant	Single	SMA	DIMAN4	p
210	Sumarnik	F	28	Food stall / Trader	Islam	Married	SD	WKP2	a
211	Sumartik	F	35	Goods production	Islam	Married	SD	DINARI 1	a
212	Sumiyati	F	52	Trader	Islam	Married	SMA	WKP2	ap
213	Suparmi	F	19	Trader / Food pro-duction	Islam	Married	SD	DINARI 1	a
214	Suparmi	F	40	Trader	Islam	Married	SMA	DIMAN4	p
215	Supiati	F	54	Food stall	Islam	Married	SD	WKP2	a
216	Supiati	F	46	Food Stall	Islam	Married	SD	DINARI 1	ap
217	Suratmi	F	27	Housewife	Islam	Married	SD	DIMAN1	p
218	Suryanah	F	36	Trader	Islam	Married	SMP	DIMAN2	a

219	Suryantis	M	34	Trader	Islam	Married	SMA	MMS1	a
220	Suryati	F	53	Food Stall	Islam	Married	SMP	MMS5	p
221	Susiani	F	41	Trader	Islam	Married	SD	DINARI 1	ap
222	Sutini	F	45	Trader	Islam	Married	None	WKP2	a
223	Suyati	F	33	Trader	Islam	Married	SD	WKP1	a
224	Tati S.	F	35	Trader	Islam	Married	SMP	BAS4	a
225	Taxoci Tualaka	F	41	Housewife	Protestant	Married	SD	BAS6	p
226	Theresia	F	60	Trader	Catholic	Married	SD	MMS6	p
227	Tini Kurniati	F	37	Housewife	Islam	Married	SMP	BAS4	p
228	Titin	F	31	others	Islam	Married	SD	BAS1	ap
229	Tiwarma Simbolon	F	37	Housewife	Islam	Married	D1-D3	BISWA3	a
230	Tri Wulan Susilowati	F	49	Trader	Islam	Married	D1-D3	DIMAN1	a
231	Tuda Lona	M	37	Farmer	Protestant	Married	SD	MMS4	a
232	Tursinah	F	26	Trader	Islam	Married	SD	DIMAN2	a
233	Tursinah	F	42	Trader	Islam	Married	SD	BISWA3	p
234	Usup Supandi	M	32	Trader	Islam	Married	SD	DIMAN3	ap
235	Warliah	F	48	Food Stall	Islam	Married	SD	BAS1	a
236	Warsini	F	39	Others	Islam	Married	SMP	BAS1	ap
237	Wasiah	F	42	Trader	Islam	Married	SD	DINARI 1	ap
238	Wehelmus Mulyono	M	50	Farmer	Protestant	Married	SMA	MMS4	a
239	Wiwik Winarti	F	31	Food Stall	Islam	Single	SD	DINARI 1	ap
240	Wiwin	F	32	Trader	Islam	Married	SMP	DIMAN3	a
241	Yanni	F	25	Trader	Islam	Married	SD	MMS8	p
242	Yati	F	50	Trader	Islam	Widowed/ divorced	None	DIMAN3	a
243	Yati	F	33	Trader / Food stall	Islam	NA	SD	DIMAN3	a
244	Yayah Yuliana	F	37	Housewife	Islam	Married	SMP	BAS4	ap
245	Yohamah	F	43	Food Stall	Islam	Married	SD	BISWA3	ap
246	Yuliana	F	40	Trader	Protestant	Widowed/ divorced	SD	WKP2	a
247	Yuliana Tilna	F	41	Farmer	Catholic	Married	SMA	MMS6	p
248	Yus	F	40	Trader	Protestant	Married	SMA	BAS5	a
249	Yusmandiar	F	56	Trader	Islam	Widowed/ divorced	SMA	BAS2	a
250	Yusmiati	F	32	Trader	Islam	Married	SMA	BAS2	ap
251	Yustina	F	34	Trader	Islam	Married	SD	WKP2	a

[1] For demographic data of repeat participants (ap), ex-post data is displayed.
[2] "a" = ex-ante, "ap" = ex-ante and ex-post (repeat participants), "p" = ex-post.
[3] For abbreviations, see list of abbreviations at the end of the thesis.

B Beneficiary component data

Table 36: Logistic and demographic data of beneficiary interviews

#	Interview code	Interview Date	Name	Relation	Sex	Age	Principal occupation	Religion	Marital status (before claim)	Last attained educa-tion[1]
1a	DIMAN1b	08. Aug 07	Entus Mulyadi	Insured	M	22	Others (TV station employee)	Islam	Single	
1b	DIMAN1b	08. Aug 07	Rasnya	Father	M	63	Farmer	Islam	Widowed	SD
2a	DIMAN2b	08. Aug 07	Sukiman	Insured	M	52	Others (freelance electrician)	Islam	Married	
2b	DIMAN2b	08. Aug 07	Sarima	Wife	F	40	Others (household maid)	Islam	Widowed	SD
3a	DIMAN3b	09. Aug 07	Musa Markani	Insured	M	55	Trader (dried fish)	Islam	Married	
3b	DIMAN3b	09. Aug 07	Asinah	Wife	F	47	Trader (dried fish)	Islam	Widowed	SD
4a	DIMAN4b	14. Aug 07	Nariah Bt Kesah	Insured	F	38	Trader (texti-les)	Islam	Married	
4b	DIMAN4b	14. Aug 07	Tarmuji	Husband	M	42	Others (dri-ver)	Islam	Widowed	SMP
5a	DIMAN5b	14. Aug 07	Sunarni	Insured	F	49	Trader (tex-tiles and staple food)	Islam	Married	
5b	DIMAN5b	14. Aug 07	R. Djoko Djuharyanto ko	Husband	M	51	Others (unemployed)	Islam	Widowed	SMA
6a	DIMAN6b	20. Aug 07	Saminem	Insured	F	55	Food Stall	Islam	Married	
6b	DIMAN6b	20. Aug 07	Sutiman	Husband	M	60	food stall	Islam	Widowed	SD
7a	DIMAN7b	08. Okt 07	Juhana	Insured	F	58	n.a.	Islam	Widowed	
7b	DIMAN7b	08. Okt 07	Ibnu Lokita	Son	M	30	Others (of-fice boy)	Islam	Single	SMA
8a	DIMAN8b	14. Dez 07	Yuliana	Insured	F	37	Others (sa-lon)	Islam	Married	
8b	DIMAN8b	14. Dez 07	Niman	Husband	M	45	Others (constructor)	Islam	Widowed	SMP
9a	DIMAN9b	18. Dez 07	Eris Novita	Insured	F	35	Trader (food)	Islam	Married	
9b	DIMAN9b	18. Dez 07	Zulkifli Siregar	Husband	M	36	Others (taxi driver)	Islam	Widowed	D1-D3
10a	DIMAN10b	18. Dez 07	Rumyati	Insured	F	35	Trader	Islam	Married	
10b	DIMAN10b	18. Dez 07	Toto Sukanto	Husband	M	45	Others (taxi driver)	Islam	Widowed	SMP
11a	DIMAN11b	18. Dez 07	Erliana Tinambuna n	Insured	F		Trader	Islam	Married	
11b	DIMAN11b	18. Dez 07	Gunung Siregar	Husband	M	44	Trader	Islam	Widowed	SMA
12a	MMS1b	19. Dez 07	Siti Muhibah	Insured	F	50	Trader	Islam	Married	
12b	MMS1b	19. Dez 07	Zakiyah	Daughter	F	29	Trader	Islam	Married	SMP
13a	DIMAN12b	24. Jan 08	Fitriani	Insured	F	30	Food Stall	Islam	Married	
13b	DIMAN12b	24. Jan 08	Moh. Jafar	Husband	M	38	Trader (fish)	Islam	Widowed	SMP
14	DIMAN13b	12. Mai 08	*No permision for publication given*							

15a	DIMAN14b	12. Mai 08	Rohani	Insured	F	52	Others (aerobics trainer)	Islam	Married	
15b	DIMAN14b	12. Mai 08	Hadji Mustani	Husband	M	58	Others (driver and garage)	Islam	Widowed	SMP
16a	DIMAN15b	12. Mai 08	Martini	Insured	F	38	Trader (shoes, sandals, bags)	Islam	Married	
16b	DIMAN15b	12. Mai 08	Aznar Efendi	Husband	M	36	Goods production	Islam	Widowed	SMP
17a	MBM1b	21. Mai 08	I Made Sudiatmika	Insured	M	29	Others (staff of Synode)	Protestant	Married	
17b	MBM1b	21. Mai 08	Komang Sudarsini	Wife	F	28	Housewife	Protestant	Widowed	SMP
18a	WKP1b	26. Mai 08	Eka Wahyuliani	Insured	F	28	Food Stall	Islam	Widowed	
18b	WKP1b	26. Mai 08	Kartini	Mother-in-Law	F	40	Trader (*jamu*)	Islam	Married	SD
19a	DIMAN18b	02. Jun 08	Buntu Simanjuntak	Insured	M	52	Trader	Protestant	Married	
19b	DIMAN18b	02. Jun 08	Romida Sinurat	Wife	F	45	Others (teacher)	Protestant	Widowed	D1-D3
20a	DIMAN19b	02. Jun 08	Amanah Bt. H. Hasanudin	Insured	F	44	Trader	Islam	Married	
20b	DIMAN19b	02. Jun 08	Ismet Apriyanto	Son	M	23	Others (university student)	Islam	Single	SMA
21a	BISWA1b	09. Jun 08	Pariah	Insured	F	44	Housewife	Islam	Married	
21b	BISWA1b	09. Jun 08	Sugeng Mulyadi	Son	M	24	Others (university student)	Islam	Single	SMA
22a	BISWA2b	09. Jun 08	Sulistini	Insured	F	37	Housewife	Islam	Married	
22b	BISWA2b	09. Jun 08	Yeni Meyanti	Sister-in-Law	F	37	Others (employee in clinic)	Islam	Married	SMA
23a	DIMAN16b	12. Jun 08	Sadia	Insured	F	48	Trader	Islam		
23b	DIMAN16b	12. Jun 08	Lulu Setiawan	Son	M	23	Others (factory worker)	Islam	Married	SMP
24a	DIMAN17b	12. Jun 08	Marsiti	Insured	F	52	Trader	Islam	Married	
24b	DIMAN17b	12. Jun 08	Ratna Wulan	Daughter	F	28	Trader	Islam	Married	SMA
25	DIMAN20b	30. Okt 08	*No permision for publication given*							
26a	DIMAN21b	31. Okt 08	Lenih	Insured	F	43	Trader (vegetables)	Islam	Married	
26b	DIMAN21b	31. Okt 08	O'O Suparji	Husband	M	57	Others (freelance construction worker)	Islam	Widowed	SD

[1] For abbreviations, see list of abbreviations at the end of the thesis.

C Loan Officer component data

Table 37: Demographic data of loan officer component

#	Name	Sex	Age	Religion	How long with organization (years)	Last attained education[1]
1	Adrianus Lassa	M	31	Protestant	5.5	SMA
2	Agus B. Sugiarto	M	26	Buddhist	0.2	SMA
3	Andreas Ola Tokan	M	34	Catholic	0.2	D1-D3
4	Anton Endio	M	49	Catholic	0.8	S1-S3
5	Anwar	M	24	Islam	0.7	SMA
6	Ariati	F	44	Hindu	7.9	S1-S3
7	Ayu Diah Somawati	F	24	Hindu	4.9	SMA
8	Christian N. Rumayon	M	29	Protestant	2.2	D1-D3
9	Daniel Tri Laksono	M	28	Protestant	0.4	S1-S3
10	Dewi Janna Puspa Ningrum	F	20	Islam	0.8	D1-D3
11	Dewi Kartika	F	23	Protestant	2.5	SMA
12	Dina	F	38	Protestant	9.1	S1-S3
13	Ebenhaezar	M	23	Protestant	0.2	S1-S3
14	Elpita R.	F	31	Protestant	4.3	D1-D3
15	Ezra Fransisca	F	24	Protestant	1.0	SMA
16	Ferdinand	M	27	Protestant	0.2	S1-S3
17	Florentina	F	26	Protestant	3.5	D1-D3
18	Florentina	F	28	Protestant	4.7	D1-D3
19	Gede Panca Hartana	M	35	Protestant	0.2	D1-D3
20	Gunawan	M	21	Islam	0.9	SMA
21	Gusti Ayu Wirayudani	F	39	Hindu	2.5	S1-S3
22	I Gede Mustika	M	47	Protestant	21.4	S1-S3
23	I Gede Widya Udayana	M	36	Protestant	9.9	S1-S3
24	I Gusti Agung Dwiatmika	M	25	Protestant	0.1	D1-D3
25	I Ketut Sumiasa	M	41	Protestant	0.9	SMA
26	I Made Agus Eddy Saputra	M	39	Protestant	0.4	S1-S3
27	I Made Suparta Yasa	M	39	Protestant	4.9	S1-S3
28	I Made Winaja	M	28	Hindu	2.9	SMA
29	I Made Wiyasa	M	40	Protestant	2.2	S1-S3
30	I Nyoman Pastya	M	38	Protestant	4.1	SMA
31	I Nyoman Putra Sukasana	M	25	Protestant	3.9	S1-S3
32	I Putu Widyana	M	31	Hindu	0.2	D1-D3
33	Iwan	M	39	Protestant	3.7	S1-S3
34	Iwan Darmawan	M	23	Islam	0.9	SMA
35	Joseph Sony	M	29	Catholic	1.5	S1-S3
36	K. Ferdinand Huru S.	M	26	Protestant	0.9	D1-D3
37	Ketut Ardi Budi Sucanya	M	36	Protestant	3.9	SMA
38	Marlina Adelina Sianaan	F	30	Protestant	4.3	S1-S3
39	Masita Vera Basauli Sirait	F	29	Protestant	4.3	S1-S3
40	Ngurah Sukaadnyana	M	36	Hindu	2.5	S1-S3
41	Ni Kadek Sunariati	F	36	Protestant	8.1	SMA
42	Ni Ketut Miasi	F	38	Hindu	3.9	SMA
43	Ni Luh Roji	F	42	Protestant	0.8	S1-S3
44	Ni Made Jeniari	F	20	Hindu	0.6	SMA
45	Ni Nyoman Narki	F	39	Hindu	10.9	SMA
46	Ni Nyoman Sri Aryani	F	39	Hindu	8.0	S1-S3
47	Ni Nyoman Yulia Wiratni	F	37	Protestant	4.9	S1-S3

48	Nikolas Metom	M	27	Protestant	0.1	SMA
49	Peter Marga Wiyara	M	36	Protestant	4.9	S1-S3
50	Pisna D.	F	23	Islam	0.5	SMA
51	Putu Cahya Hernayanti	F	28	Protestant	4.9	D1-D3
52	Putu Hans Widiatmika	M	n.a.	Protestant	4.9	S1-S3
53	Ratih	F	43	Protestant	11.9	S1-S3
54	Ria Sirait	F	27	Protestant	2.3	D1-D3
55	Ristia Lestari	F	24	Protestant	3.9	SMA
56	Rita Lianti H.	F	30	Protestant	0.4	D1-D3
57	Saefullah, ST.	F	28	Islam	1.1	S1-S3
58	Sahat Marbun	M	30	Catholic	4.5	S1-S3
59	Sitem Wasma R	F	25	Islam	0.3	S1-S3
60	Teti Sri Haryati	F	20	Islam	0.9	SMA
61	Theresia Tiurma Parulian	F	36	Protestant	1.3	SMA
62	Tini	F	24	Hindu	4.5	SMA
63	Tri Tistiyanto	F	27	Islam	1.1	S1-S3
64	Tuana Robert Manupung	M	27	Protestant	0.9	S1-S3
65	Widodo	M	40	Islam	2.4	S1-S3
66	Yoel Tabun	M	30	Protestant	1.3	SMA

[1] For abbreviations, see list of abbreviations at the end of the thesis.

D Expert component data

Table 38: Logistic and demographic data of expert component

#	Name	Classification	Organization	Responsibility	Address	Interview date
1	Abdul Mujib, Dr.	Academic	Al-Azhar University Indonesia	Head of Healing & Counselling Unit	Universitas Al Azhar Indonesia Fakultas Agama Islam Kompleks Masjid Agung Al Azhar Jl. Sisingamangara, Jakarta	18-Jan-08
2	Agus Haryadi	Microfinance expert	TAKMIN Working Group	Head of TAKMIN working group	Ruko Ananda Tour Jl. Sindangbarang Loji, No. 252 Bogor 16117	1-Nov-08 (joint interview with 11)
3	B. Munir Sjamsoeddin	Academic	STIMRA (Sekolah Tinggi Manejemen Risiko dan Asuransi)	STIMRA chairman, former head of Dewan Asuransi Indonesia	Bina Sentra Arimbi R-102 Kompleks Bidakara Jl. Jend. Gatot Subroto Kav.71-73 Jakarta Selatan 12870	11-Feb-08
4	Emil Salim, Prof. Dr.	Politician and activist	Association for Community Empowerment (ACE)	Chairman of ACE; UN advisor; former environment minister,	Kuningan Jakarta	25-Jun-08
5	Fahmi	Religious teacher	Islamic boarding school "Al-Futuwah"	*Ustaj*	Pesantren Al-Futurwah Jl. H. Tolib Cipete Utara Jakarta	7-May-08
6	Fauzan Abschuetz	Social activist	Lembaga Informasi Perburuhan Sedane (LIPS)	Executive Director	Jl. Dewi Sartika 52F Bogor 16212 Indonesia	18-Oct-08
7	Frans Magnis Suseno, Prof. Dr.	Academic	Sekolah Tinggi Filsafat Driyarkara	Head of Driyarkara University, Scholar	Jl. Cempaka Putih Indah 100A, Jembatan Serong Rawasari - Jakarta 10520	26-Mar-08
8	I Nyoman Putra Sukasana	Microfinance expert	Wahana Kria Putria (WKP)	Micro-Credits Program Manager	Jalan Tukad Saba no 10A, Denpasar 80225, Bali	24-May-08
9	Ishaq Thoyib	Religious teacher	PT. Asuransi Allianz Life Indonesia	Alternative Distribution Manager	PT. Asuransi Allianz Life Indonesia Summitmas II, 20th floor Jl. Jend. Sudirman, Kav.61-62 12190 Jakarta	3-Nov-08
10	Jenny	Microfinance expert	Mitra Masyarakat Sejahtera (MMS)	Branch Manager	Jl.Udayana no.19 RT 001/002 Kelurahan Kampung Sawah Waikabubak 87212 Sumba Barat Nusa Tenggara Timur	18-Jun-08
11	John Wipf	Microfinance expert	Garand & Associates Consultancy	Microinsurance consultant	Puerto Princesa Palawan Philippines	01-Nov-08 (joint interview with 2)

12	Karna Sutisna Priatna	Academic	University of Passau	Indonesian lecturer	University of Passau Department of Southeast Asian Studies Innstarße 43, ITZ 105 94032 Passau Germany	24-Jun-09 (joint interview with 19 and 22)
13	Mardalenna I.F.	Philantrop hist	Rahmania Foundation	Managing Director	Jl Mesjid III No. 3 Pecompongan Jakarta	19-Oct-08 (joint interview with 17)
14	Nurcahya	Microfinan ce expert	GTZ-ProFI	Senior Microfinance Advisor	GTZ-ProFI office Bank Indonesia Office Denpasar Bali	23-May-08
15	Nurhayati Djamas, Dr.	Academic	Al-Azhar University Indonesia	Dekan	Universitas Al Azhar Indonesia Fakultas Agama Islam Kompleks Masjid Agung Al Azhar Jl. Sisingamangara, Jakarta	8-Jan-08
16	Nurjamil	Religious teacher	"Miftahul Ulum" mosque and foundation	*Ustaj*	Jl. Yayasan Miftahul Ulum RT07/08 No2 Gandul Jakarta	18-Oct-08
17	Rahman Abbas	Philantrop hist	Rahmania Foundation	Executive Director	Jl Mesjid III No. 3 Pecompongan Jakarta	19-Oct-08 (joint interview with 13)
18	Rianto A. Djojosugito	Insurance expert	PT. Asuransi Allianz Life Indonesia	Chief Financial Officer and Vice-President	PT. Asuransi Allianz Life Indonesia Summitmas II, 20th floor Jl. Jend. Sudirman, Kav.61-62 12190 Jakarta	15-Oct-08
19	Seto Hardjana	Academic	University of Passau	Master student	University of Passau Department of Southeast Asian Studies Innstarße 43, ITZ 105 94032 Passau Germany	24-Jun-09 (joint interview with 12 and 22)
20	Siti Mustach Mulia	Social activist	Indonesian Conference on Religion and Peace (ICRP)	ICRP chairwoman	Jl. Cempaka Putih Barat XXI, No 34 Jakarta	25-Jun-08
21	Sukron Kamil, Dr.	Academic	Center for the Study of Religion and Culture (CSRC)	Program Coordinator	Universitas Islam Negri Pusat Bahasa dan Budaya, lt. 2 Kampus 2 Jl. Kertamukti No. 5 Pisangan Ciputat Jakarta 15419	6-Feb-08
22	Umar Abdul Aziz	Academic	University of Passau	Master student	University of Passau Department of Southeast Asian Studies Innstarße 43, ITZ 105 94032 Passau Germany	24-Jun-09 (joint interview with 12 and 19)
23	Werner Kraus, Dr.	Academic	none	Freelance art consultant and university lecturer	Passau, Germany	23-Jun-09
24	Zarkasih Afif	Religious teacher	"Baitul Ihsan" mosque at Bank Indonesia	*Ustaj*	Bank Indonesia Jl. M.H. Thamrin No. 2 Jakarta	20-Feb-08

E Group leader component data

Table 39: Logistic and demographic data of group leader component

#	Name	Sex	Age	Occupation	Religion	Marital status	Last attained education[1]	Group code
1	Aan Irawati	F	33	Trader	Islam	Married	SMA	MMS1kt
2	Amsi Efendi	M	40	Trader (*jamu*)	Islam	Married	SMA	DIMAN1kt
3	Dadat Suwayi	F	54	Food stall	Islam	Married	SMP	BISWA2kt
4	Dewi Yulia Sari	F	31	Trader (medicine and shoes)	Islam	Married	SMA	BISWA1kt
5	Eka Inda Toresia	F	31	Trader	Islam	Married	SMA	MMS1kt
6	Elisa Purnawati	F	49	Trader	Protestant	Married	D1-D3	BISWA2kt
7	Heni Rohaeni	F	53	Housewife	Islam	Married	SMA	BISWA2kt
8	Hindun	F	45	Housewife	Islam	Married	SD	BISWA2kt
9	Hj. Atik	F	47	Others (catering)	Islam	Married	SMA	DIMAN1kt
10	Ica Ramadhanis	F	29	Housewife	Islam	Married	SMA	BISWA1kt
11	Komariah	F	36	Housewife	Islam	Married	SMA	BISWA1kt
12	Margaretha Sumari	F	50	Trader	Protestant	Widowed/ divorced	SMA	BISWA2kt
13	Mariani Sibarani	F	41	Housewife	Protestant	Married	SMA	BISWA1kt
14	Murtini	F	46	Trader / Masseur	Protestant	Married	SD	DIMAN1kt
15	Neli Juangsih	F	26	Trader (Cookies)	Islam	Married	SMA	DIMAN1kt
16	Neneng Nur'aini	F	38	Trader / food stall	Islam	Married	SMA	MMS1kt
17	NY Endang Ismawati	F	45	Trader	Islam	Married	SD	BISWA1kt
18	Puryandariningsih	F	49	Trader	Islam	Married	SMA	DIMAN1kt
19	Rosdiana	F	31	Housewife	Islam	Widowed/ divorced	SMA	MMS1kt
20	Rubi Walyati	F	32	Others (employee)	Islam	Married	S1-S3	MMS1kt
21	Sawiyah Bt Saweh	F	55	Trader	Islam	Married	SD	BISWA1kt
22	Siswaeni	F	31	Housewife	Islam	Married	SMA	BISWA2kt
23	Siti Jjulaeha	F	38	Trader	Islam	Married	SMA	BISWA2kt
24	Sri Maryati	F	38	Trader	Islam	Married	SMA	MMS1kt
25	Sri Mulyani	F	55	Trader	Islam	Widowed/ divorced	SMP	BISWA2kt
26	Sukartina	F	58	Trader	Islam	Married	SD	BISWA2kt
27	Sukijemi	F	62	Trader	Islam	Married	SMP	BISWA2kt
28	Tjayah	F	53	Trader	Islam	Widowed/ divorced	SD	BISWA2kt
29	Wahyuni	F	40	Trader	Islam	Married	SD	BISWA1kt
30	Y. Yayu Yuliati	F	35	Housewife	Catholic	Married	SMA	MMS1kt
31	Yulnita	F	43	Goods production	Islam	Married	SMA	DIMAN1kt

[1] For abbreviations, see list of abbreviations at the end of the thesis.

F MFI management component data

Table 40: Logistic and demographic data of MFI management component

#	Name	Responsibility	Organization	Address	Interview date
1	Bona	Accounting manager	LKM Bina Arta	LKM Bina Arta Komp. Rukan Artha Gading Niaga Blok B No. 6 Kelapa Gading Jakarta 14240	20-Oct-08 (joint interview with 2 and 6)
2	Didit Wijayanto	Chief financial officer	LKM Bina Arta	LKM Bina Arta Komp. Rukan Artha Gading Niaga Blok B No. 6 Kelapa Gading Jakarta 14240	20-Oct-08 (joint interview with 1 and 6)
3	Dino V. Hadjarati	Exectuive director	Koperasi Serba Usaha Dian Mandiri (DIMAN)	Dian Mandiri Ruko Liga Mas Blok A2 No. 10-11 Karawaci Tangerang 15115 Banten	30-Oct-08 (joint interview with 5)
4	Mickey Felder	Operational manager	Mitra Masyarakat Sejahtera (MMS)	Mitra Masyarakat Sejahtera (MMS) Head Office Jl. Cawang Baru Utara No.10 RT 001/ 011 Kel. Cipinang Cempedak Kec. Jatinegara Jakarta Timur 13340	20-Oct-08
5	Victor	Director	Koperasi Serba Usaha Dian Mandiri (DIMAN)	Dian Mandiri Ruko Liga Mas Blok A2 No. 10-11 Karawaci Tangerang 15115 Banten	30-Oct-08 (joint interview with 3)
6	Yoseph Arihadi	Chief executive officer	LKM Bina Arta	LKM Bina Arta Komp. Rukan Artha Gading Niaga Blok B No. 6 Kelapa Gading Jakarta 14240	20-Oct-08 (joint interview with 1 and 2)

G Customer component photos

Abbreviations such as "DIMAN1" indicate the respective MFI and the sequence of groups with the MFI. Ex-ante groups are shown on the left, the respective ex-post group on the right.

Photo 5

DIMAN1 ex-ante
Tangerang, 24 July 2006

Photo 6

DIMAN1 ex-post
Tangerang, 7 August 2007

Photo 7

DIMAN2 ex-ante
Tangerang, 24 July 2006

No ex-post follow-up for DIMAN2.
The credit group had meanwhile dissolved.

Photo 8

DIMAN3 ex-ante
Tangerang, 26 July 2006

Photo 9

DIMAN3 ex-post
Tangerang, 6 August 2007

Photo 10

DINARI1 ex-ante
Bali, 9 March 2007

Photo 11

DINARI1 ex-post
Bali, 28 May 2008

Photo 12

WKP1 ex-ante
Bali, 19 May 2007

Photo 13

WKP1 ex-post
Bali, 24 May 2008

Photo 14

WKP2 ex-ante
Bali, 19 May 2007

Photo 15

WKP2 ex-post
Bali, 24 May 2008

Photo 16

BISWA1 ex-ante
East Jakarta, 28 May 2007

Photo 17

BISWA1 ex-post
East Jakarta, 9 June 2008

Photo 18

BISWA2 ex-ante
East Jakarta, 29 May 2007

Photo 19

BISWA2 ex-post
East Jakarta, 10 June 2008

Photo 20

BISWA3 ex-ante
East Jakarta, 30 May 2007

Photo 21

BISWA3 ex-post
East Jakarta, 11 June 2008

Photo 22

BISWA4 ex-ante
Bandung, 4 June 2007

Photo 23

BISWA4 ex-post
Bandung, 10 June 2008

Photo 24

MMS1 ex-ante
East Jakarta, 15 June 2007

No ex-post follow-up for MMS1.
The credit group had meanwhile dissolved.

Photo 25

MBM1 ex-ante
Bali, 3 July 2007

No photo available.

Photo 26

MMS2 ex-ante
Tambulaka, Sumba, 9 July 2007

Photo 27

MMS2 ex-post
Tambulaka, Sumba, 16 June 2008

Photo 28

MMS3 ex-ante
Waikabubak, Sumba, 10 July 2007

Photo 29

MMS3 ex-post
Waikabubak, Sumba, 17 June 2008

Photo 30

MMS4 ex-ante
Warnukaka, Sumba, 10 July 2007

No ex-post follow-up for MMS4.
The credit group had meanwhile dissolved.

Photo 31

BISWA5 ex-ante
Soe, West-Timor, 13 July 2007

Photo 32

BISWA5 ex-post
Soe, West-Timor, 20 June 2008

Photo 33

BISWA6 ex-ante
Soe, West-Timor, 13 July 2007

Photo 34

BISWA6 ex-post
Soe, West-Timor, 20 June 2008

MMS5 was an “ex-post only” group.

Photo 35

MMS5 ex-post
East Jakarta, 12 June 2008

MMS6 was an “ex-post only” group.

Photo 36

MMS6 ex-post
Waitabula, Sumba, 16 June 2008

MMS7 was an “ex-post only” group.

Photo 37

MMS7 ex-post
Waikabubak, Sumba, 17 June 2008

MMS8 was an “ex-post only” group.

Photo 38

MMS8 ex-post
East Jakarta, 20 October 2008

DIMAN4 was an “ex-post only” group.

Photo 39

DIMAN4 ex-post
Tangerang, 30 October 2008

H Beneficiary component photos

Photos are ordered chronologically. The relationship to the insured is stated in brakets.

Photo 40

Beneficiary 1: Rasnya (father, absent), represented by Suhana (mother, middle)
Tigaraksa, Banten, 8 August 2007

Photo 41

Beneficiary 2: Sarima (wife, 3rd from left, in the back)
Tigaraksa, Banten, 8 August 2007

Photo 42

Beneficiary 3: Asinah (wife, 3rd from left)
North Jakarta, 9 August 2007

Photo 43

Beneficiary 4: Tarmuji (husband, 2nd from left)
Tangerang, 14 August 2007

Photo 44

Beneficiary 5: Djoko Djuharyantoko (husband, 4th from left)
Tangerang, 14 August 2007

Photo 45

Beneficiary 6: Sutiman (husband, 2nd from left)
South Jakarta, 20 August 2007

Photo 46

Beneficiary 7: Ibnu Lokita (son, 1st from the right)
West Jakarta, 10 October 2007

No photo available.

Beneficiary 8: Niman (husband)
South Jakarta, 14 December 2007

Photo 47

Beneficiary 9: Zulkifli Siregar (husband, 2nd from left)
Tigaraksa, Banten, 18 December 2007

Photo 48

Beneficiary 10: Toto Sukanto
Tigaraksa, Banten, 18 December 2007

Photo 49

Beneficiary 11: Gunung Siregar (husband, right)
Tigaraksa, Banten, 18 December 2007

Photo 50

Beneficiary 12: Zakiyah (daughter, 2nd from right)
East Jakarta, 19 December 2007

Photo 51

Beneficiary 13: Mohammad Jafar (husband, right)
North Jakarta, 24 January 2008

No permission to publish photo given.

Beneficiary 14: *anonymous*
Bekasi, West Java, 12 May 2008

Photo 52

Beneficiary 15: Haji Mustani (husband, left)
Tangerang, 12 May 2008

Photo 53

Beneficiary 16: Aznar Efendi (husband, middle)
West Jakarta, 12 May 2008

Photo 54

Beneficiary 17: Komang Sudarsini (wife, left)
Bali, 21 May 2008

Photo 55

Beneficiary 18: Kartini (mother-in-law, 2nd from left)
Bali, 26 May 2008

Photo 56

Beneficiary 19: Sugeng Mulyadi (son, 2nd from right)
Cileungsi, West Java, 9 June 2008

Photo 57

Beneficiary 20: Yeni Meyanti (sister-in-law, right)
Bogor, 9 June 2008

Photo 58

Beneficiary 21: Lulu Setiawan (son, left)
West Jakarta, 12 June 2008

Photo 59

Beneficiary 22: Ratna Wulan (daughter, left)
Bekasi, West Java, 12 June 2008

Photo 60

Beneficiary 23: Romida Sinurat (wife, 2nd from left)
Tangerang, 2 June 2008

Photo 61

Beneficiary 24: Ismet Apriyanto (son, 2nd from right)
Tangerang, 2 June 2008

No permission to publish photo given.

Beneficiary 25: *anonymous*
Central Jakarta, 30 October 2008

Photo62

Beneficiary 26: O'O Suparji (husband, right)
East Jakarta, 31 October 2008

I Loan officer component photos

Photos are ordered chronologically.

Photo 63

DIMAN loan officer group questioning (1 of 2 at DIMAN)
Tangerang, 10 August 2007

No photo available.

MBM loan officer group questioning
Bali, 19 May 2008

Photo 64

WKP loan officer group questioning
Bali, 24 May 2008

No photo available.

DINARI loan officer group questioning
Bali, 26 May 2008

Photo 65

BINA loan officer group questioning
East Jakarta, 20 October 2008

Photo 66

DIMAN loan officer group questioning (2 of 2 at DIMAN)
Tangerang, 31 October 2008

J Group leader component photos

Photos are ordered chronologically.

Photo 67

MMS group leader group questioning
East Jakarta, 20 October 2008

Photo 68

DIMAN group leader group questioning
Tangerang, 30 October 2008

Photo 69

BISWA group leader group questioning (1 of 2 at BISWA)
East Jakarta, 4 November 2008

Photo 70

BISWA group leader group questioning (2 of 2 at BISWA)
East Jakarta, 4 November 2008

ANNEX 3: EXAMPLES OF EXCHANGES

Table 41: Examples of exchanges in a three-variable-matrix

Type of exchange	Timing of counter-gift	Recipient of counter-gift	Example
Negative reciprocity	direct	direct	Theft
	indirect	direct	Marrying with the intention to later provoke a financially beneficial divorce agreement
Balanced reciprocity	direct	direct	Changing land for cattle
		indirect	Parents treating a manager for lunch so their child gets hired by that manager
	indirect	direct	Contributions given for someone's wedding to be returned at one's own wedding
		indirect	Accomodating a friend from a different city for a night so that later another family member, should she pass through the friend's city, can also stay at the friend's place.
General reciprocity	indirect	direct	Caring for one's children so that some of them may care for oneself at old age
		indirect	Caring for one's children so that they will also take care of their own children
Redistribution	direct	(conditionally) direct	Playing tombola
		indirect	German pension system where present contributions pay for present pensions
	indirect	(conditionally) direct	Taking out formal insurance
		indirect	Tax money invested for the benefit of future generations (e.g. to counter climate change)
Market	direct	direct	Shopping at the supermarket
	direct	indirect	Paying a nursery service to take care of one's parents
	indirect	direct	Contributing to one's private pension plan
	indirect	indirect	Contributing to a child's or grand-child's education savings plan

ANNEX 4: ESSAY ON *MALU* AND *GENGSI*

I frequently encountered the terms *malu* and *gengsi* during my field research. They are pervasive in everyday colloquial language in Indonesia. On the other hand, I found no ready-made explanations of these particular terms in the non-Indonesian literature (I did not investigate the Indonesian literature). This is why I became interested in them.

Very roughly *malu* can be translated as *awkward*, *shy*, and *afraid of feeling shame*, or in fact already *being ashamed*. *Gengsi* is even harder to fathom. Some people recommended to translate it as *pretentious*, but although certainly still not fully accurate I prefer *actions motivated out of improper self-interest* as a first working translation.

Both terms represent profound social concepts, which is why such direct translations can only scratch the surface of the terms' full meaning and leave their multilevel implications in the obscure. Both terms are often simultaneously used, but are obviously not synonymous. While *malu* still seems familiar to foreign scholars on Indonesia, this seems less the case for *gengsi*, although some of my Indonesian counterparts insisted that particularly the preoccupation with *gengsi* in everyday life is ever increasing, sometimes "beyond all rationality", as one Indonesian observer put it. Here, I therefore outline some thoughts on the matter as collected on the sidelines of my research on microinsurance. This is a tentative first scoping and a pointer at a potential research gap rather than a full blown authoritative investigation.

Malu

Malu is the one of the two terms which is easier to explain. *Malu* stands for the fear of not performing according to socially accepted standards. Examples for socially accepted good standards are honesty, humbleness, unpretentiousness, clamness, selflessness, generosity, doing ones work well (more input than output related), but importantly also behaving according to ones social status. This short sample list already indicates that the various socially accepted norms are not always perfectly complementary. In fact, to a certain degree fulfillment of one status may decrease fulfillment of another.

Malu describes the risk of exposing and embarrassing oneself or others. If a person does not fulfill those standards although it could be expected of her or him, or if the fulfillment of those standards is a must and the person does not comply, then this person is bound to feel *malu*, and potentially the social surrounding will feel *malu* as well. *Malu* is always two-sided. It affects the individual and the respective counterparts.

Malu is not necessarily connected to active affirmations of social status, power, and economic interests. *Malu* is about preserving face and eventually about preserving one's social status. The concept has a preventive, protective, and almost passive character.

Sample situations for *malu* are: (1) If I do not know how to get to a place and I ask a casual bypasser on the street for the way, I do not expect this person to definitely know the way. Instead, asking the bypasser is a chance try. So this person does not need to feel *malu* if she or he really does not know the way. This is because it is not expected of her or him. However, if the street is nearby and the person is a local and still doesn't know the way, then this would be a reason for *malu*, because such knowledge could justly be expected of her or him. (2) If I am hanging out with friends for a karaoke night and my friends ask me to sing along, but I am really sure that I am an awful singer and decline, this would prevent a situation of *malu*. Singing along is not necessarily expected, so non-fulfillment does not cause anyone to feel *malu*. But singing along awfully would be an embarrassment and therewith a *malu* situation.

Due to the many social norms prevalent in embedded moral societies, of which modern Indonesia still appears to retain a lot, the risk of a social faux-pax is always imminent. Malu situations create disharmony and disrupt social harmony (*rukun*). The consequent preoccupation of Indonesians with etiquette and preservation of face has been widely noted. That this constant preoccupation is epitomized by the autochthonous concept of *malu* has been less noted and may by itself already be worthwile reiterating. However, the real intricacies start if *malu* is put into relation with gengsi, because *gengsi* cannot be fully understood without reference to *malu*.

Gengsi

As noted, *gengsi* can generally refer to an action motivated out of improper self-interest. It is more negatively connoted than *malu*. By and large, it is also a more promotive and active concept than *malu*. For gengsi to "materialize", such improper self-interst needs to be uncovered or at least suspected. This can be tacitly done by the *gengsi* person herself, but usually the *gengsi* lable is assigned by others. Even more than *malu*, *gengsi* is therefore a social denominator. Uncovered *gengsi* will almost invariably cause the "accused" to feel *malu*. *Gengsi* bears obvious similarities to the old Javanese concept of *pamrih*, which refers to a person, often a ruler, amassing material wealth and power out of excessive self-interest with the immediate consequence of the downfall of such ruler. However, very different from *gengsi* I have never encountered anyone using the term *pamrih* while living and researching in Indonesia.

Gengsi seems to appear in two basic types. The first type (A) refers to being dishonest about one's true condition in order to pursue some improper self-interested. The second variety (B) refers to actually being honest about one's elevated status but thereby violating other good standards.

For *gengsi* of type (A) type three different situations are imaginable:

Situation 1: I intentionally show less than I have. For example, if I hide my economic wealth in order to protect it from the claims of other family members, I am not being honest, because honesty would lead to demands for generosity, but instead I am self-interested. However, if I am not displaying my wealth in order not to be boastful, this is not *gengsi* but humble (*rendah hati*). A variation of this theme would be the non-showing of wealth where this is absolutely expected as a good standard. A top manager who uses a second-hand car and a second-hand mobile phone may arise suspicions of being *gengsi;* that is, hiding her or his true condition for some improper purpose, although this may actually not be the case. Such situations are rare among Indonesians. They tend to arise in dealings with foreigners who are sometimes unfamiliar with what is socially expected of them.

Situation 2: I intentionally do not show that I do not have enough money. For example, I do not admit that I cannot pay for my children's education, because this would violate a socially accepted good standard, lower my public image or status, and therefore make me feel *malu*. In this situation, I try to hide this "shortcoming" as good as possible and do not ask my relatives to lend me money. Indonesians refer to this situation as *gengsi hutang*.

Situation 3: I actively try to show more than I have. This is the clearest case of *gengsi* and the one that can best be translated as *pretentious*. One example would be to borrow money from friends in order to buy a status accruing state-of-the-art mobile phone, although I could actually not afford to buy one. Indonesians refer to this situation as *berhutang demi gengsi*, as borrowing in order to fufill one's personal boastful needs.

Gengsi of type (B) is strongly connected to preservation of social status. It stands especially close to *malu*, where behavior according to one's social status is a socially accepted and even expected good standard. For example, a manager who does not clean litter from the floor in the bathroom although he could technically do so without much hassle honestly behaves according to his social status. Cleaning bathrooms would be far below her or his social status. However, by affirming social status the equally prevalent standards of humbleness and selflessness are violated. If a manager is plainly observed with such behavior, she or he may be denounced as being *gengsi*. A similar example would be a manager not apologizing for a mistake to a subordinate. This would unravel her or his social status so honestly displayed. At the same time this would nonetheless violate the good standard of honesty and humbleness.

As noted, Indonesians are not only concerned with avoiding *malu* situations for oneself, but also for others. In some situations, this may lead to a conscious incurring of *gengsi*. For example, if a microinsurance customer tells the insurance staff that she is satisfied with the product although in reality she is not, this is done in order to avoid that the insurance staff feels *malu* for not having having done a good job, especially after probably having put a lot of effort into it. Here, the customer is being dishonest about her true condition, but her self-interest is actually translated onto the counterpart.

Conclusion

Malu and *gengsi* are both highly socialized and multidimensional, even ambivalent concepts. They are overlapping in practice. An exact standardization of these terms is difficult and going by the fluidity of cultural concepts in Indonesia probably impossible. Above categorization is already highly idealized and far from all-encompassing. Presented with different potential *malu* and *gengsi* situations, my Indonesian counterparts almost always showed at least slight differences in their interpretation of whether a situation was *malu*, *gengsi*, both or nothing of the two. Things become especially intricate if people act to prevent others from feeling *malu*.

What is clear is that the less one is concerned with social norms and social status, the less one is affected by notions of *malu* and *gengsi*. However, the fact that *malu* and *gengsi* are so prevalent concepts in everyday life indicates that Indonesian society is still particularly hinged on ideas of collectivity and the definition and construction of the self through others. Modernization in Indonesia has therefore not (yet) led to a far-reaching social individualization in the sense of social atomization. The observation that the preoccupation with *gengsi* appears to be increasing rather indicates that a growing number of people are concerned with actively managing and promoting their social status, and that the number of conflicts between what one is and possesses with what one expects or is expected to be and to possess are increasing. Such development is only possible in a highly socialized environment.

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Acronyms and abbreviations

AIDS	Acquired Immune Deficiency Syndrom
AIG	American International Group
ASA	Association for Social Advancement
ASABRI	Asuransi Sosial Angkatan Bersenjata Republik Indonesia (Social Insurance for the Army of the Republic of Indonesia)
ASKES	PT. Asuransi Kesehatan (Health Insurance Company)
ASKESKIN	Asuransi Kesehantan Miskin (Health Insurance for the Poor)
BASIX	Bhartiya Samruddhi Finance Limited (and other sister companies)
BCM	Business Continuity Management
BINA	Bina Arta
BISWA	Pusat Perkembangan Keuangan Mikro (PPKM) Bina Swadaya
BoP	Bottom of the Pyramid
BPR	Bank Perkreditan Rakyat (People's Credit Banks)
BPS	Badan Pusat Statisik (Central Bureau of Stasitics)
BRI	Bank Rakyat Indonesia (Indonesian People's Bank)
CARE	Cooperative for Assistance and Relief Everywhere; formerly: Cooperative for American Remittances to Europe
CEO	Chief Executive Officer
CGAP	Consultative Group to Assist the Poor (formerly: Consultative Group to Assist the Poorest)
CIA	Central Intelligence Agency
CSR	Corporate Social Responsibility
D1-D3	D1 = Diploma 1 (lowest), D2 = Diploma 2, D3 = Diploma 3 (highest)
DBL	Double Bottom Line
DEPSOS	Departemen Sosial (Department of Social Affairs)
DIMAN	Dian Mandiri
DINARI	Dian Buhana Lestari
FAQ	Frequently Asked Questions
FINCA	Foundation for International Community Assistance
GAKIN	Keluarga Miskin (Poor Family)
GDP	Gross Domestic Product
GNI	Gross National Income
GTZ	Deutsche Gesellschaft für teschnische Zusammenarbeit (German Technical Corporation)
GTZ-ProFI	GTZ-Promotion of Small Financial Insitutions
HDI	Human Development Index
HIV	Human Immune Deficiency Virus
HSCB	Hongkong and Shanghai Banking Corporation
IDB	Inter-American Development Bank
IDR	Indonesian Rupiah
ILO	International Labour Organization

INKOPDIT	Induk Koperasi Kredit Indonesia (Indonesian Credit Union Association)
IPO	Initial Public Offering
IRDA	Insurance Regulatory and Development Authority of India
IT	Information Technology
JAMSOSTEK	PT. Jaminan Sosial Tenaga Kerja (Employees Social Protection Company)
KfW	Kreditanstalt für Wiederaufbau (Bank for Reconstruction)
LKM	Lembaga Keuangan Mikro (Microfinance Institution)
LPD	Lembaga Perkreditan Desa (Village Kredit Banks)
MIA	Microinsurance Agency
MBK Ventura	Mitra Bisnis Keluarga Ventura (Family Business Partners Venture Capital Company)
MBM	Maha Bhoga Marga
MDG	Millennium Development Goals
MFI	Microfinance Institution
MIX	Microfinance Information eXchange
MMS	Mitra Masyarakat Sejahtera
MNC	Multinational Corporation
NGO	Non-Governmental Organization
NU	Nahdlatul Ulama (Revival of the Religious Scholars)
NISP	Nilai Inti Sari Penjimpan
OECD	Organization for Economic Cooperation and Development
PGHB	Persatuan Guru Hindia Belanda (Teachers Union of the Duch Indies)
PIA	Poverty Impact Assessment
PPKM	Pusat Perkembangan Keuangan Mikro (Microfinance Development Centre)
PPP	Public Private Partnership
PPP	Purchasing Power Parity
PR	Public Relations
PT	Perseroan Terbatas (Limited Company)
PUSKESMAS	Pusat Kesehatan Masyarakat (People's Health Center)
RASKIN	Beras Miskin (Rice for the Poor)
RCT	Randomized Control Trial
ROSCA	Rotating Savings and Credit Association
RT	Rukun Tetanga ([Head of the] "Harmonious" Neighborhood Ward)
RW	Rukun Warga ([Head of the] "Harmonious" Hamlet)
S1-S3	S1 = Bachelor, S2 = Master, S3 = Doctorate
SAP	Structural Adjustment Program
SD	Sekolah Dasar (Elementary School, year 1-6)
SMA	Sekolah Menengah Atas (Senior High School, year 10-12)
SMP	Sekolah Mengenah Pertama (Junior High School, year 7-9)
SE	Societas Europeae
SEWA	Self-employed Women's Association
SKS	Swayam Krishi Sangham (Self-help Union [in Indian Telagu language])
SRM	Social Risk Management

TAKMIN	Takaful Micro Indonesia
TASPEN	Tabungan dan Asuransi Pegawai Negeri (Savings and Insurance for Civil Servants)
TBL	Triple Bottom Line
TV	Television
UN	United Nations
UNDP	United Nations Development Program
US	United States (of America)
WKP	Wahana Kria Putri

Glossary

All terms are Indonesian (including Arabic foreign words) unless otherwise stated.
No particular spelling system is used.
Terms are spelled as I encountered them most frequently in Indonesia.

adat	customary law; tradition
adik	younger sibling
ajal	predetermined lifespan
akhirat	afterworld
al-iklas	Sincerety (Sura 112)
amal	charity
anak	child
anak yang sholeh	well behaved and grateful children
aneh	strange
arisan	Indonesian ROSCA; lit: cooperative endeavor
ayat al-kursi	Throne Verse (Sura 2,225)
Bahasa Indonesia	Indonesian; lit: Language of Indonesia
baskom	open bawl for collecting cash contributions
bawon	harvest share
campur-campur	all mixed
de facto	in effect; the actual state of affairs (Latin)
desa	village
desakota	Intermediary area with geographic attributes of both village and city (cf. McGee 1991)
dibungkus	being wrapped
dikubur	being burried
dimandikan	being washed
dikafani	being wrapped
disholat	being prayed for
dunia	present world
ekonomi menengah	middle class; lit: middle economic level
ekonomi menengah ke bawa	lower middle class; lit: lower middle economic level
ekonomi lemah	lower class; lit: weak economic level
faqir	destitute
fard kifayah	collective duty
gharar	uncertainty; risk
gali lobang tutup lobang	repaying debt with debt; lit: dig a hole, fill a hole
gengsi	pretentious (see annex 4)
gotong royong	mutual assistance; doing things together
guthi	religious and cultural association of the Newar in Nepal
hantu	ghost
haram	religiously prohibited

homo oeconomius	(exclusviely) economically thinking person (Latin)
homo socius	(exclusively) socially thinking person (Latin)
ibu	(married) woman
ibu-ibu	(married) women
idealtypus	ideal (stereo-)type
iklas	state of willed unaffectedness; alternatively spelled *ikhlas*
ilmu	knowledge; science
isah	5th prayer of the day (approx. 19:30)
istirahat	taking a break (e.g. from microcredit taking)
jamu	traditional medicine
jeenazah	corpse
kakak	older sibling
kalau rezeki	when sudden fortune befalls someone
kampung	(low-asset) urban neighborhood
kas operational	kitty for operational costs
kaya raya	(very) rich
kepala desa	village head
kepala keluarga	family head
kepala lurah	head of an urban quarter
kesibukan	pastime; occupation; business
ketuhanan yang maha esa	single divine power; (belief in) one God
khaul	anniversary
konsumsi	consumption
kota	city
la ilaha illa'llah	there is no god but Allah (Arabic)
lebih ramai	more lively
longue durée	long duration (French)
magrib	4th prayer of the day (approx. 18:00)
malu	shame, akwardness (see annex 4)
mati lancar	smooth death
maysir	gambling
miskin	poor
nafs	soul
orang miskin	poor people; the poor
pahala	credit for the weighing of scales on Jugdment Day
pamrih	(excessive) self-interest
pancasila	Indonesian state ideology; lit: five principles
Payung Keluarga	family umbrella
pengajian	Muslim prayer group
per se	through itself
potlatch	ritual of total prestation among North American Indians (Chinook language; cf. Mauss 1954: 4)
rakyat kecil	lower class; lit: small people

rezeki	(sudden) fortune
riba	interest
roh	spirit
rukun	(communal) harmony
salamah	safety; peace (Arabic)
santri	fervent orthodox Muslim
sawah	rice paddy
syariah	Islamic law (lit: path to the watersource)
slametan	communal feast at special occasions; alternatively spelled *selamatan*
slametan ngujuh	*slametan* 14 days after death
sosialisasi	socialization
sumbangan	contribution
syarat-syarat	terms and conditions
tahlil	denominator for the expression of faith (*la ilaha illa'llah*)
tahlilan	post-mortem prayer session in the early evening
takaful	Islamic insurance
takdir	(predetermined) fate; destiny
takut cepat mati	fear of dying prematurely; lit: fear of quickly dying
terpercaya	trusted
tidak salah guna	not making wrong use of something
tolong menolong	mutual help
tradisi	tradition
tujuh	seven
uang jelas	clear (clean) money
uang kurang jelas	unclear (unclean) money
uang mati	death money
ustaj	Muslim religious teacher
warisan negatif	negative inheritance (debt)
warisan positif	positive inheritance
warung	food stall

Exchange rate

Unless otherwise stated, the applied exchange rate is as of 30 September 2008, which is the end of the reference period for this thesis (1 September 2006 until 30 September 2008):

US$ 1 = IDR 9,506

Source: www.oanda.com