

Factors Associated to Rural Households' Access to Financial Services in Rural Lombok, Indonesia

Faktor-faktor Berasosiasi Dengan Akses Rumahtangga Pedesaan Pada Jasa Keuangan Pedesaan di Pedesaan Lombok Indonesia

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Abstrak

Dalam upaya untuk memahami tingkah laku menabung dan meminjam rumah tangga pedesaan di Lombok, Paper ini menganalisa faktor-faktor yang berasosiasi dengan akses rumah tangga pada jasa keuangan mikro dengan menggunakan data survai 180 rumah tangga yang diambil secara acak dari 6 desa dan 3 kabupaten di Lombok, Indonesia. Keberartian dari asosiasi antar faktor-faktor dalam penelitian ini diuji dengan uji Chi-square, Korelasi atau T-test tergantung pada jenis datanya. Ditemukan bahwa akses rumah tangga pada jasa tabungan berasosiasi secara berarti dengan karakteristik sosial ekonomi dan menabung-meminjam rumah tangga itu sendiri. Karakteristik sosial ekonomi rumah tangga dimaksud adalah jenis pekerjaan, adanya pegawai negeri dalam keluarga, pendapatan, kecukupan pendapatan, agama, pendidikan, dan kepemilikan ketrampilan khusus. Sementara, karakteritik menabung-meminjam rumah tangga dimaksud meliputi: rasa percaya diri berurusan dengan lembaga keuangan, kepemilikan kredit formal, tabungan informal dan kredit infomal. Faktor-faktor tersebut menggambarkan kapasitas dan preferensi menabung rumah tangga pada lembaga keuangan formal. Akses rumah tangga pada layanan jasa kredit formal juga berasosiasi secara berarti karakteristik sosial ekonomi dan karakteritik menabung-meminjam rumah tangga itu sendiri. Karakteristik sosial ekonomi dimaksud adalah jenis pekerjaan kepala rumah tangga, keberadaan pegawai negeri dalam keluarga, dan pendidikan kepala rumah tangga. Karakteristik menabung-meminjam rumah tangga dimaksud meliputi: rasa percaya diri berurusan dengan lembaga keuangan, kepemilikan tabungan formal, kepemilikan kredit informal, dan jumlah kredit. Faktor-faktor ini pada intinya adalah menggambarkan kebutuhan kredit dari rumah tangga dan preferensi lembaga keuangan pada rumah tangga peminjam.

Kata Kunci: Jasa keuangan, Pedesaan Lombok, Indonesia

Abstract

In an attempt to understand saving and credit behaviours of rural households in Lombok, this paper analyzed factors associated with the households' access to financial services, using a survey data of 180 households randomly selected from 6 villages and 3 districts in Lombok, Indonesia. The data collection was carried out

from January-June 2007. Factor associations were tested using Chi-square, Correlation and/or t-test, whichever is appropriate, depending on data measurement. It was found that the households' access to formal savings is associated with their socio-economic and banking characteristics. The former includes occupation, government employee, income, income sufficiency, religion, education, specific skill, and banking confidence while the latter includes formal credit possession, informal saving possession, and informal credit possession. These factors essentially reflect their saving capacity and preference toward formal savings. The households' access to formal credits is associated with the socio-economic characteristics and banking characteristics of the households. The former include occupation, government employee possession, and education while the latter include banking confidence, formal saving possession, informal credit possession and total credit amounts. These factors reflect the households' credit need and preference along with the financial institutions' preference toward borrowers.

Key words: Financial Services, Rural Lombok, Indonesia

Introduction

This paper attempts to understand saving and credit behaviours of rural households in Lombok, within the context of improved rural financial market incorporating larger number of rural financial institutions resulting from liberalisation. In particular, the aim is to identify factors that are associated with the households' access to financial services.

The data used are mainly based on a survey of 180 households using a structured questionnaire. The household sample was randomly selected from six villages, representing six sub-districts, and three districts in Lombok. The villages are The sub-districts are Narmada and Kediri in Lombok Barat district; in Lombok Tengah, and in Lombok Timur district. The data collection was carried out from January-June 2007).

The association between the dependent and the independent variables is tested in pair using Chi-square, Correlation and/or t-test, whichever is appropriate, depending on data measurement. Chi-square is to test association between categorical variables, correlation is to test association between continuous variables, and t-test is to test association (mean difference) between categorical and continuous variables.

The Paper is organised into 5 Section. Section 1 introduces the paper. Section 2, 3 and 4 discussed the socio-economic characteristics of the households; households' access to formal financial services; and factors associated to the households' access to financial services, consecutively.

Socio-Economic Characteristics of the Rural Households

The Socio-Economic characteristics of the households are summarized in Table 1. It shows that the majority of the households are Moslem, male headed, small in size, having land assets, having two earners, and living in a relatively close distance to the nearest office of financial institutions. Agriculture is the principal occupation¹ of most the households, followed by small entrepreneur, formal employee, and other category. There are up to five earners per household, two income earners in average. Slightly less than one half of the households have specific skill possession for (off-farm) income generating activities. Small traders, such as: market vendors, small shops and processed-food sellers, are dominant among the specific skills owned by the households. The household heads are generally in their productive ages (50 years old or less), but with no university training. A few of the households have government employee and tertiary (university) education possession, 15 and 10 percents. The average household income is IR 5.52 Millions per household per year.

Table1. Selected Socio-Economic Characteristics of the Households

Household Characteristics	Brief description
Religion	90 percents are Moslem, 10 % are Hindhus and Christians
Gender of hslld head	10 percents are female, 90% are male
Age of hslld head	22-70 years, average 41 years, and 85 percents are 50 years or less
Education of household head	0-18 years, average 7 years, and 96 % have 12 years or less
Household size	2-9 persons, average 4 persons and 90 percents have 3 persons or more per household
Household income	IR 175,000-IR 42 millions, average IR 5.52 millions, and 63% IR 5 millions or less
Occupation of household head	44% agriculture; 27% small enterprise; 18% formal employee and 13% other
Number of earners	1-3 earners, average 2 earners, and 93 % with 1-2 earners
Specific skill possession	49 percents with specific skill possession; trading & small enterprises 75%, and technical 25%
Land assets	IR 0-388 millions, average IR 25 millions, and 71% have less than IR 21 millions
G.Employee possession	15% with government employee possession, 85 % without
T.Education possession	10% with tertiary education possession, 90 % without

Source: Household Survey

Notes: G = government; and T = tertiary

¹ Since the rural households generally diversify their incomes involving various income activities (e.g., farming, migrant labouring, and small enterprise), the occupation, here, refers to the occupation considered by the respondents as the major source of the household incomes.

Households' Access to Financial Services

Traditionally, only informal forms of savings and informal sources of credits were available to the rural households, in Lombok. As the development goes on, formal financial services become more available to the rural households. At the present, there are relatively more diverse financial service options, formal and informal, available to the rural households to choose from. Moreover, it appears that the market for financial services in rural Lombok is segmented. Different groups/types of financial institutions serve different market segments, although there is always a space for overlaps between them.

The rural households appear to have no difficulty in getting the formal financial services. The households' saving and credit possession show that about a half of the 180 rural households have savings and credits in one or more financial institutions.² These figures, however, may underestimate the potential figures (of access) since there are households who do not borrow with the no-need (of credits) reason.

The low rate of the households' failure in getting access to financial services also suggests that the rural households' access to formal financial services is also high. None of the households have experienced a failure experience to open a (passbook) saving account in the formal system, as there is practically no restriction imposed by the existing financial institutions.³ Only a few (8%) of the respondents have experienced failures in getting formal credits, despite several restrictions imposed by the existing financial institutions.

For example, rural banks, which offer small credits, limit their lending to borrowers whose incomes are daily/weekly, despite no physical collateral requirements. As their assets are small, rural banks opt for quick return investments, such as: working capital of small shops and traders. Commercial banks, which generally offer larger amounts of credits, award credits to credit applicants whose estimated income and physical collateral are sufficiently large to meet their obligations (repay the credits). As a result, they opt for secure earning investments besides credit repayments by lending to those have permanent businesses and incomes.

One possible explanation of this low rate of access is that the households are generally aware of the criteria of borrowers particular financial institutions prefer or wish to lend to. This point as reflected by their responses to the question '*who should borrow from the formal system*', namely: own a business, honest and responsible, formal employee, the have, in need, understand formal credit, own farm land, seriously to start a business, good in managing money, and can repay. Of these

² The types of the formal savings, e.g., passbook and time deposits, are ignored as the study particularly concerns with the question: whether the households access, or make use, the financial services offered by the existing financial institutions or not?

³ There are financial institutions (e.g., BRI-units) that set minimum limits for saving balances to be eligible for prizes and interest earning, discussed in previous chapter.

criteria, own a business is the criteria most mentioned by the respondents, accounting for 65% of respondents.

Most of those having failure experience point to either insufficient physical collateral (53%) or inappropriate credit purposes (33%) as the failure's reasons.⁴ The rest are either because of distrusted by the financial institutions (7%) or non-repayment of past credits (7%). The first failure reason implies that the borrowers ask for credits at sizes larger than the sizes considered appropriate for them by the financial institutions. The second failure reason implies that the financial institutions have particular preferences in the uses of the proposed loans. For example, RFIs with small assets generally opt for quick return investments, such as: working capital of small shops and traders. The other two failure reasons show that the formal sources also refuse to give credits to those considered as bad borrowers, for instance, having previous bad loans.

The denied borrowers in one financial institution (including those with previous bad loans) do not necessarily have no access to other formal sources, as there is no mean in place to share client information between one and another formal sources. For example, a respondent who has a bad loan in a BRI-branch office is also denied in a BRI Unit but he manages to obtain a credit from a BPR. This fact further highlights that access to formal credits is relatively easy to many of the rural households in Lombok.

Easy access to formal financial services is also suggested by the repeat borrowing status of the households, 73% in the formal system and 90% in the informal system. The existence of repeat borrowing in the formal system, however, is not always implying that the borrowers have a good access to credits. It may imply that the borrowers are dependent on the credits for running their income earning activities, which give net earning just enough for their survivals. The existence of multiple sources of financing also suggests that the households have no difficulties to access the formal financial services. Several households can borrow from two or more financial institutions (combination), eight (8) percents of the formal borrowers.

Inspite of relatively easy access to formal financial services, further improvements in the rural financial system are considered necessary for the reasons, as follows. In several respects (such as: loan amounts, time, and repayment system), a mismatch between the characteristics of the households' demand for financial services and the existing financial institutions' supply of financial services in rural Lombok exists.

The rural banks and credit cooperatives generally offer small loans (less than IR 0.5 million) with daily or weekly payment system and no physical collateral. This type of service is suitable for households with daily incomes, such as: traders, but not for households with monthly or seasonal incomes, such as: formal employees, and farmers. Contrarily, the credits offered by the commercial banks are generally large (IR .5 million or larger) with a monthly repayment system and physical collateral requirements, which is suitable for households with permanent incomes, such as: formal employees and permanent business owners. Hence, households with agriculture main occupation (69%) tend to be non borrowers of formal credits

⁴ There are 15 responses obtained.

while those with non-agriculture main occupation (57%) tend to be borrowers of formal credits. The formal credit possession of the households is significantly associated with the households' main occupation (discussed latter).

Although about a half of the households manage to obtain credits from the formal system, there are, at least, two reasons to believe that quite a substantial part of them cannot obtain credits at the amounts as they want to. First, a relatively large proportion of the formal credit borrowers (45%) stated that they wanted credits at amounts larger than the ones they have got, when they were asked whether they wanted larger credits. Second, the average amount of credits demanded by the households borrowers is slightly less than IR 2.5 millions, in average, well above the amounts of credits generally offered by the rural banks and cooperatives with relatively easy requirements (less paper works and no physical collateral).

On the other hand, the commercial banks (such as BRI Units), which offer larger credits, generally require more paper works, complex procedure, and physical collateral. These requirements unfortunately screen out a part of the rural population who can not meet the requirements. Only 19 percents of the rural households borrow from BRI-units, although the proportion is larger when the total amounts of credits are concerned. The households eligible for BRI Units' credits are generally with permanent incomes, such as: registered business owners, convenient-store owners and formal employees. So, only the households from these groups have the access to formal credits, at the right amounts. The rest who do not meet the commercial banks' requirements have to borrow from other sources, such as: rural banks and moneylenders (at smaller amounts and higher interest rate). To meet the amounts they demand, they may borrow from two or more sources (i.e., multiple sources of financing).

A series of recent studies on access of rural households to formal credits in four different regions in Indonesia also found that only the rural elite can get credits from BRI Units. Most of them are not farmers (Akhmadi & Budiyati, 2000; Hastuti & Nabi, 2000; Sartono, Soelaksono, & Rahayu, 2000; Wibowo & Munawar, 2000).

As a large proportion of the households are farmers whose main incomes are seasonal (see Table 1), they do not have the right access in terms of the repayment system, despite having credits either from the commercial banks or the rural banks. This because, as mentioned above, the income streams of the farmers generally do not suit the repayment systems generally adopted by the rural banks (daily/weekly system) or the commercial banks (monthly system). This and the reluctance of commercial banks to finance the farming activities may imply that the commercial rural-microfinance framework (as promoted by the financial liberalisation) fail to improve access of agricultural households to financial services.

The rural households generally do not think of taking credits before the needs are due, and, when they decide to look for credits, they are in urgent needs for credits. Such urgent needs are least likely to be met by the formal sectors because they generally apply some sorts of a prudential banking standard in lending, which normally needs several days or weeks (depending on the size of the loans) before the credit award finally made.

The households that demand for credits available within three days or less will be more likely to borrow from the informal system, as most (96%) of the informal

credit borrowers obtain the credits within three days or less, and one day, in average. Contrarily, those can wait for at least four days are more likely to obtain credits from the formal system, as most (77%) of the formal borrowers obtain the credits within at least four days and 10 days in average. This supports the view that the rapid response and flexibility characteristics of the informal sector suit better the borrowing behaviors of many of the rural households; and serves as an explanation of why the informal credit/saving system remain important to the rural households, up to the present.

Therefore, attempts to improve access of rural households to financial services may have to consider not only the households' possession of financial services (have and don't have) but also the match between the households' demand for financial services and the financial services they can access. In this attempt, as suggested by the households' purposes and reasons to borrow, several aspects should be considered in designing microfinancial service products for the rural households include the convenient of services, the saving/credit size, benefits (or interest), fund/collateral safety, and transaction costs.

This is inline with the present direction of the microfinance development and thought, towards more client or demand driven. Cohen (Cohen, 2001) argues that mismatch between the services and the clients' needs may result in none participation of the clients, high transaction costs, over-borrowing (multiple loans), and, in turn, failures of many microfinance initiatives. In contrast, providing financial services well match the clients' preferences will bring about an increase in market share (broadening and deepening outreach), higher levels of client retention and lower operational costs. Among the clients' preferences should be considered by the financial service designers include their cash flow cycles across the year, their cash needs for diverse purposes (including unanticipated and anticipated expenses) (Cohen, 2001; Sebstad & Cohen, 2001).

However, any attempts to develop new or redesign microcredit (or microfinance) policies to broaden and deepen the outreach or improve access will also have to consider the likely negative effects of the changes on the repayments. This, at least, attests in the study areas where the repayment rate of financial institutions that apply more prudential lending policies (BRI-units) was significantly better than that of those applied less prudential lending policies (such as rural banks and cooperatives).

Comparing non performing loans (NPL) of six types of credits (KUT, P4K, Kukesra, IDT, KUPEDES and others) at the farmer level, Sudjatmiko (2001) also found that KUPEDES (of the BRI-units), which adopts the most prudential lending policy, was the best performer. In addition to prudential lending policy, the better performance of BRI-units was also due to the use of right incentives for staff, clients and management which ensured better repayment rate (Mosley, 1995).

Factors Associated with Access to Financial Services

The households' access to formal financial services is represented by variables, as follows:

- Households' access to formal savings – measured as their formal saving possession
- Households' access to formal credits – measured as their formal credit possession

The factors whose associations are tested with these dependent variables include selected socio-economic characteristics of the households, banking characteristics and features of availed financial services. The association between these variables is tested in pair using Chi-square, Correlation and/or t-test, whichever is appropriate, depending on data measurement. Chi-square is to test association between categorical variables, correlation is to test association between continuous variables, and t-test is to test association (mean difference) between categorical and continuous variables. The results of the analysis are orderly discussed, below.

Factors Associated with the Households' Access to Formal Savings

The households' access to formal savings is associated with factors representing the socio-economic characteristics and banking characteristics of the households but the market environment (Table 2). It shows that formal savers are more likely found among the households with non-moslem religion, higher education, tertiary education, specific skill, non-agriculture occupation, government employee, larger income, sufficient income, banking confident head, larger total saving amount, and formal credit possession. But less likely found among households with informal saving and credit possession.

As noted above, the study is in the context of a more liberalized rural microfinance market involving larger number of small rural financial institutions. Although there are fewer RFIs in a sub-district with less competitive (LC) environment than those in a sub-district with more competitive (MC) environment, their services are evenly available across the market environments. This is because some of them (BPR and KSP) use mobile service units that cover wide geographical areas including those outside the sub-district where their offices are located. Because of this reason the households' access to formal savings is insignificantly different between the market environments.

With that context and the fact that there is essentially no restriction enforced by the financial institutions to households for accessing formal savings, the differences in their access to formal savings is also mainly determined by their saving capacity and preference, as their demand for formal savings. The factors associated with the households' access to formal savings (Table 2) appear to confirm this point. Households with larger income tend to access formal savings as they have larger saving capacity and are generally confident in banking.

Table 2. Factors Associated with the Households' Access to Formal Savings

Factors	Significance	Description
<i>Socio-Economic Characteristics of the Households</i>		
Religion	X ² *	Moslem households are less likely to have formal saving (28%) than non-moslem households (55%)
Education	t **	Households with formal saving possession have higher average education (8 year) than those without (6 year)
Tertiary education possession	X ² **	Households with tertiary education are more likely to have formal savings (89%) than those without (48%)
Specific skill possession	X ² *	Households with specific skill are more likely to have formal savings (58%) than those without (42%)
Occupation	X ² **	Households with non-agriculture main occupation are more likely to have formal savings (69%) than those with agriculture main occupation (31%)
Government employee possession	X ² **	Households with government employee are more likely to have formal saving (93%) than those without (45%)
Income	t **	Households with formal saving possession have larger average income (IR 6,518,000) than those without (IR 4,429,000)
Income sufficiency	X ² **	Households with sufficient income are more likely to have formal savings (67%) than those without (41%)
<i>Banking Characteristics of the Households</i>		
Banking-confidence	X ² **	Households with banking confident heads are more likely to have formal savings (65%) than those without (22%)
Informal saving possession	X ² **	Households with informal saving possession are less likely to have formal savings (35%) than those without (62%)
Informal credit possession	X ² **	Households with informal credit possession are less likely to have formal savings (42%) than those without (62%)
Formal credit possession	X ² **	Households with formal credit possession are less likely to have formal savings (73%) than those without (35%)
Total saving amount	t **	Households with formal saving possession have larger average total saving amount (IR 2,545,968) than those without (IR 828, 605)

Notes: * is significant at p 5%, ** is significant at p 1%.

Similarly, households with larger total saving amounts tend to access the formal system for savings. Households with agriculture occupation are less likely to save in the formal system since their income is seasonal beside less confident in banking and poorer. Additionally, farmers may find saving in the informal sector (in produce forms) more convenient and profitable (resulting from price increase) than saving in the formal system. In contrast, households with non-agriculture occupation (such as traders, and formal employees including government employees) are more likely to access formal savings since their incomes are more steady, frequent (monthly, weekly, or daily), often paid through banks and even larger.

Households with tertiary-education possession, specific skill, sufficient income, and non-moslem religion⁵ are more likely to access the formal system for saving, relative to those without such attributes, because they generally work in non-agriculture sector (whose income pattern is noted above), confident in banking and earn higher income (richer).

The association between the households' access to formal savings and formal credit possession is because the existing financial institutions (commercial and rural banks) generally suggest their borrowers to save in their banks. As a result, the households with formal credit possession tend to have formal savings, compared to those do not have formal credits. Another possible reason is that as there is no restriction to access the formal system for savings, the households that happen to access the formal system for savings become confident in banking. As they are confident in banking they are more likely to access the formal system when they need credits.

The association between the households' access to formal savings, and informal saving and credit possession further reflects the attitude of the households toward formal or informal financial services. There are households that prefer the formal system to the informal system while there are also households that prefer the informal system. Households with informal saving possession are less likely to access the formal system for savings (*visé versa*). Once the households decide to save their funds (either the formal or informal ones) the households have no capacity to save in the other system due to income constraint, exception for the rich who can do both. The households that access the formal system for savings tend to access the formal system for credit, *visé versa*.

Factors Associated with the Households' Access to Formal Credits

The factors significantly associated with the households' access to formal credits include namely: government employee possession, education, occupation, banking confidence, formal saving possession, informal credit possession, and total

⁵ Differences in formal saving access between households with different religion are less likely due their religious teaching or belief but their income-expenditure pattern and preference (noted above). In support to this, there is no indication of objection to interest-base banking system observed among the rural households although the majority of them are moslem, whose (according to some) supposedly reject interest rate based finance/banking service.

credit amount. The first three represent the households' socio-economic characteristics and the last four represent their banking characteristics (Table 3).

Table 3. Factors Associated with the Households' Access to Formal Credits

Factors	Significance	Description
<i>Socio-Economic Characteristics of the Households</i>		
Government employee possession	X ² **	More households with government employee possession borrow formal credits (85%) than those without (39%)
Occupation	X ² **	More households with non-agriculture main occupation borrow formal credits (57%) than those with agriculture occupation (31%)
Education	t **	Households with formal credit possession have higher average education (8 year) than those without (6 year)
<i>Banking Characteristics of the Households</i>		
Banking confidence	X ² **	More households with banking confident heads borrow formal credits (58%) than those without (17%)
Formal saving possession	X ² *	More households with formal saving possession (64%) borrow formal credits than those without (26%)
Informal credit possession	X ² *	Fewer households with informal credit possession borrow (33%) formal credits than those without (56%)
Total credit amount	t**	Households with formal credit possession have larger average total credit amount (IR 2,640, 598) than those without (IR 455,393)

Notes: * significant at p 5 and ** significant at 1 percents.

Factors associated the households' access to formal credits should represent not only the lenders' preference for particular borrowers but also the borrowers' preference for particular lenders. On one hand, households generally consider the suitability of available credit services to their credit needs and purposes, given the opportunity. On the other hand, financial institutions generally limit their lending to certain borrowers, considering their estimated ability to repay and lending risks *vis a vis* to the amount of credits they ask for. Households with smaller ability to repay, for instance, are to be awarded with smaller loans, *vis versa*.

The analysis indicates that the households' capacity to repay (as reflected by income and land assets) is insignificantly different between those with and without access to formal credits. This suggests that access to formal credits is equally available for households with different economic groups. This is because there are small (rural banks and credit cooperatives) and large financial institutions (commercial banks) serving different economic groups of the rural households in Lombok. The rural banks and credit cooperatives offer small credits to lower income

households without physical collateral requirements while the commercial banks generally offer larger credits to higher income households with sufficient physical collateral requirements.

Households with government employee possession are more likely to have access to formal credits because they are considered as the least risky borrowers (among the rural households) by financial institutions.⁶ As this group of the rural households has permanent incomes, the banks can easily and accurately assess their income (ability to repay) and assure repayments by making special arrangements with the wage/salary payers. Apart from this, households with government employee possession are generally confident in banking and more educated than those without. Similarly, households with non-agriculture occupation are more likely to avail formal credits than those with agriculture occupation because they (the former) have frequent income (daily/weekly/monthly), which are compatible to the repayment system generally adopted by the existing financial institutions.

Households with higher education are more likely to have access to formal credits because they are generally more confident in banking matters. The association between the households' formal credit access and banking confidence is straightforward. As the household heads are confident in banking they tend to access the formal system when they are in need of credit.

The association between the households' formal credit access and formal saving possession mirrors the limitations of access set by the financial institutions, which screen out credit applicants whose characteristics do not meet the financial institutions' wishes. In this regard, the financial institutions generally suggest (often require) the borrowers to have saving accounts in their institutions. By doing so, the financial institutions can deduct the credit installments directly from the borrowers' saving accounts and, in the same time, monitor the borrowers' cash flows.

The association between the households' access to formal credits and their informal credit possession further reflects the attitude of the households toward formal or informal credit. Households with informal credit possession are less likely to access the formal system for credits (*visé versa*), exception for a few who can do both. The households with larger total credit amounts tend to access the formal system is because the formal system (commercial banks) generally award larger credits than the informal one.

Conclusion

- The households' access to formal savings is associated with their socio-economic and banking characteristics. The households' socioeconomic characteristics include: occupation, government employee, income, income sufficiency, religion, education, specific skill, and banking confidence. The households' banking characteristics include: formal credit possession, informal saving possession, and informal credit possession. These factors

⁶ Only a few of the households with members engaging in the private formal sectors as most of the few private formal entities in the region are located in the city district.

essentially reflect their saving capacity and preference toward formal savings.

- The households' access to formal credits is also associated with the socio-economic characteristics and banking characteristics of the households. The households' socio-economic characteristics include occupation, government employee possession, and education. The households' banking characteristics include banking confidence, formal saving possession, informal credit possession and total credit amounts. These factors reflect the households' credit need and preference along with the financial institutions' preference toward borrowers.

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