

RESEARCH REPORT

Baseline Study for the Socioeconomic Impact of the Tamadera Insurance Program in Jakarta

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Stephen Girschik

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ABSTRACT

Baseline Study for the Socioeconomic Impact of the Tamadera Insurance Program in Jakarta

Bambang Soelaksono, Asri Yusrina, Rika Kumala Dewi, Armand Arief Sim,
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The Tamadera insurance program is a female-targeted multifunctional micro-endowment saving plan with integrated life insurance and critical illness coverage that was launched in October 2010. Given the pioneering nature of the program, this study is being carried out as the first stage of an impact assessment study of Tamadera. The study is conducted in Jakarta Timur and Jakarta Utara. Using quantitative and qualitative surveys, the study found that sampled household heads are generally well educated as most of them are graduates from senior high school. Family size of the sampled households is higher than the BKKBN's ideal family size. Family size is found to have a positive correlation with the position of the household within the quintile per capita expenditure. Health and education are found to be important aspects in influencing a household's financial position. In accessing funds for medical treatment and their children's education, sampled households tend to be dependent on the availability of their own money. Indeed, Jakarta Utara is found to be lagging behind Jakarta Timur. Large household sizes, high numbers of households receiving Raskin, and low education levels of household heads are some of the conditions found commonly in Jakarta Utara. Meanwhile, a widely held perception among households in Jakarta Timur about their ability to finance their children's education shows that they regard this more highly than households in Jakarta Utara.

The level of financial knowledge and ability of the community remains low. Respondents in the first quintile have the lowest percentage score in a financial literacy test compared to respondents in the other quintiles. Moreover, the respondents' educational attainment and age are statistically significant in regard to their financial literacy score.

Most of the respondents are interested in a savings program that provides health insurance and a death benefit. Amongst those who are interested in the program, the first priority for their Tamadera savings would be to provide finance for their children's education. However, one of the rules of the program is that savings accounts can only be withdrawn from after five years and that there is a 15% reduction penalty if they decide to withdraw their savings before the end of the five year term. This penalty has shown to discourage respondents from joining the program.

Keywords: baseline survey, life insurance, poverty reduction program

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LIST OF ABBREVIATIONS

ADP	: Area Development Program
Askeskin	: Asuransi Kesehatan Keluarga Miskin/Health Insurance for the Poor
BPS	: Badan Pusat Statistik/Statistics Indonesia
BKKBN	: Badan Koordinasi Keluarga Berencana Nasional/National Family Planning Board
CGAP	: Consultative Group to Assist the Poor
FGD	: focus group discussion
FLT	: financial literacy test
JPK Gakin	: Jaminan Pemeliharaan Kesehatan Keluarga Miskin/Healthcare Insurance for the Poor
JPKM	: Jaminan Pemeliharaan Kesehatan Masyarakat/Community Healthcare Insurance
Jamkesmas	: Jaminan Kesehatan Masyarakat/Community Health Insurance
Jamkesda	: Jaminan Kesehatan Daerah/Local Health Insurance
KSM	: <i>kelompok swadaya masyarakat</i> /community self-supporting groups
LKS	: <i>lembar kerja siswa</i> /student's exercise page
LPG	: liquefied petroleum gas
MFI	: microfinance institutions
MMS	: Mitra Masyarakat Sejahtera/People's Welfare Supporter
polindes	: <i>pondok bersalin desa</i> /village maternity unit
posyandu	: <i>pos pelayanan terpadu</i> /integrated health service post
PPP	: purchasing power parity
puskesmas	: <i>pusat kesehatan masyarakat</i> /community health center
pustu	: <i>puskesmas pembantu</i> /secondary community health center
RS	: <i>rumah sakit</i> /hospital
SKTM	: <i>surat keterangan tidak mampu</i> /statement of poor condition from the village/ <i>kelurahan</i> administration
Tamadera	: Tabungun untuk Masa Depan Sejahtera/Building a Prosperous Future
VFI	: Vision Fund Indonesia
WVI	: World Vision Indonesia

EXECUTIVE SUMMARY

Despite various social protection programs in Indonesia, none of them have proven to create sustainable livelihoods to vulnerable groups or to assist them out of poverty. Due to an increasing awareness of reducing the risks faced by these groups, especially in terms of health expenses, PT. Asuransi Allianz Life Indonesia (Allianz) launched a micro-insurance program in October 2010.

The program, Tamadera, is a female-targeted multifunctional micro-endowment saving plan with integrated life insurance and critical illness coverage. The product principally aims to provide access to education and health financing. The project is expected to create a sustainable and positive impact on the psychosocial, health, and educational outcomes of the individually insured women and their households. The pilot project mostly involves the urban poor in DKI Jakarta (Jakarta Utara and Jakarta Timur) and Surabaya. The project is also being targeted to expand to Kota Pontianak (West Kalimantan). In all areas, Allianz reached customers through PT Vision Fund Indonesia (VFI), a microfinance institution, as the implementing distribution partner.

The study will consist of at least two stages: a baseline study conducted prior to the program's introduction and an endline study to be carried out two years after the program's initiation. This report describes the results of a baseline survey for the future socioeconomic impact evaluation of Tamadera.

The baseline surveys used a combination of quantitative and qualitative methods. Baseline surveys in DKI Jakarta were conducted between 27 October and 3 November 2010 in five urban villages (*kelurahan*ⁱ): three in Jakarta Timur, two in Jakarta Utara. Among these suburbs there will be control and treatment areas to allow for assessing the impact of the Tamadera. The key results of the baseline survey are as follows.

Key Results of the Baseline Survey

1. Almost every respondent is female (94.3%), of them 82% are the spouse of the household head of a family. Most of the respondents are working in the service sector (40.51%) and 24.45% of household heads are working in the trade sector. The spouse of the household head is also working in order to support their family financially (71.5%). More than half of them are working in the trade sector.
2. The average per capita expenditure of household in Quintile 1 is Rp267,351 (per month) and in Quintile 5 is Rp1,262,956. Households in Quintile 1 have the highest average number of household members with 6.2 persons, which is about 6–7 persons per household. The average number of household members in Quintile 5 is 4.15 persons, which is about 3–4 household members. The chi-square test reveals that the household quintile is correlated to the number of household members.
3. According to the FGD (focus group discussion) participants, happiness comes from a balance between economic and non-economic factors. Economic factors are those that affect household income or expenses. Non-economic factors are factors that influence people's well-being and happiness, and can be related to: a household member's health,

ⁱA *kelurahan* is a village level administrative area located in an urban center.

internal household relationships (husband and wife, parent and children), and the household's relationship with its neighbors. Respondents believe that regardless of a household's positive economic situation, they will not feel happy if their relationships within the family and with others is poor.

4. Based on the survey, 26.67% of households, which represents the largest percentage, in Kelurahan Cawang is in Quintile 5 of household expenditure per capita. In Kelurahan Pisangan Timur, most of the households (24%) are in Quintile 4. In contrast, Kelurahan Tugu Utara has the highest percentage of households (26.67%) in Quintile 1. While in Kelurahan Semper Barat the highest percentage (28%) is in Quintile 2. Generally, it seems that respondents in Jakarta Utara are less wealthy than respondents in Jakarta Timur. Overall, using the official poverty line of DKI Jakarta in 2010, (Rp331,169 per month), there are only sixty households, or 20% of all samples in this research, that can be categorized as poor. A similar result of household well-being was revealed during the FGD.
5. Participants of the FGD considered their present well-being and happiness to be lower than that of three years ago. This is because nowadays business is slow and the prices of all their daily needs have soared up. Some participants also gave the reason that they felt dissatisfied with their present situation because: their children had started school, the absence of their husband or the main "bread winner" in the family, an increasing intensity of business competition, and an increase in the prices of basic necessities. They felt that a higher income creates a happier life since they already have a good relationship with their family members and their neighbors. They felt that the best way to increase their feeling of well-being and happiness was through increasing their income.
6. About one third of the household sample (37%) own a house. About 25% of respondents rent a house which increases their living costs significantly, especially with the high housing cost in Jakarta.
7. The Raskin and Bantuan Gas Elpiji programs are extensive government programs. Tugu Utara is the highest in terms of the number of households receiving Raskin, and Cawang is the lowest. The households receiving Raskin can be used as a predictive tool to approximately reveal the poverty map in every *kelurahan*. However, Bantuan Gas Elpiji cannot be used to create a poverty map since this program is not exclusive to the poor.
8. The perception of households about their ability to finance their children's education in Jakarta Timur shows a more positive situation than households in Jakarta Utara. About 85% of total households in all *kelurahan* have at least one child studying at school, whereas in Kelurahan Cawang, only 42.65% of households, and 34.38% households in Kelurahan Pisangan Timur, gave a positive perception about financing the education of their children. In Kelurahan Semper Barat, Jakarta Utara, about 48.33% of households expressed neither a poor nor good situation, and in Kelurahan Tugu Utara 40.62% of households described their situations as poor when considering the financing of their children's education.
9. About 70% of sampled households depend on the availability of their own money to pay for medical treatment. The provincial government of DKI Jakarta distributes JPK Gakin (Jaminan Pemeliharaan Kesehatan Keluarga Miskin) to help poor families in dealing with health problems. The insurance premium is paid by the provincial government from a gasoline subsidy compensation budget. Only 13.7% of households across four *kelurahan* use JPK Gakin as their source of health funding.

10. Households across four *kelurahan* prefer to go to a *puskesmas* when they need medical treatment (56.67%). The second most preferable way to get medical treatment is by buying nonprescription medication (47.33%).
11. Households often join an *arisan*ⁱⁱ in their neighborhood. In all *kelurahan*, 57.33% of households are members of an *arisan*. The highest rate of participation in an *arisan* (73.33%) is in *Kelurahan Cawang*. There is no significant correlation between participation in *arisan* and households's quintiles of expenditure per capita.
12. The FGDs revealed that sources of funds from within the community (relatives, neighbors and buying groceries on credit) and savings are more important than funds sourced from outside the community, because they are the closest and easiest to access. Funds from the community are also easier to process, especially when the money is required by the households immediately. In terms of sourcing funds from outside the community, the VFI is more important than informal money lenders because of the service they provide. But from the perspective of closeness to the community, respondents think that informal money lenders are closer to the community than the VFI because informal money lenders are easier to access and are relatively easy to meet with.
13. According to the FGD participants, the most reliable source of funding to fulfill a household's basic needs is from a monthly salary or business earnings. Borrowing, both money and goods, is one of the "coping strategies" employed by households to handle the range of risks that they might face. These risks usually include meeting basic living needs, school expenses, house and health expenses, and other disaster-related risks.
14. The level of financial knowledge and ability of the community indicated by scores from the financial test showⁱⁱⁱ that the ability of the community to calculate percentages is low. According to the results from FGD respondents, only 30% answered correctly to question number 1 and 40% of the respondents answered correctly to question number 2. But for question number 3, they are of the opinion that despite the amount of money being the same the quantity of goods that they are able to buy is reduced because the price has increased. In a situation like this money is usually used for capital, children's school fees or to buy daily essentials.
15. For the question concerning inflation (Question 2) 69.3% of all respondents were able to answer it correctly. Repeating the question in the FGD, participants also gave the correct answer. They are aware that when prices increase, the utility of money becomes less and the variation of money usage also decreases. They notice this situation when they use their money to buy stock for their kiosks, paying their children's school fees and buying daily essentials. Question 3, had the lowest percentage of correct answers from the respondents. It seems that the respondents' knowledge of the "time value" of money is low. However,

ⁱⁱ *Arisan* is a community rotating savings and credits association where in a regular social gathering, its members contribute to and take turns at winning an aggregate sum of money.

ⁱⁱⁱ In the survey, four questions were asked to measure respondents' financial knowledge and ability: (1) Suppose you borrow Rp100,000 from a money lender at an interest rate of 2% per month, with no repayment for three months. After three months, do you owe less than Rp102,000, exactly Rp102,000, or more than Rp102,000? (2) If in 2011 your income is still the same as current year (2010) and prices have increased, in 2011 can you buy more than, less than, or the same amount of goods? (3) If your friend inherits Rp1 million and in the next three years your friend's sibling inherits another Rp1 million, which one do you think is richer because of the inheritance? (4) Suppose you need to borrow Rp500,000. Two people offer you a loan. One loan requires you to pay back Rp600,000 in one month. The second loan requires you to pay back in one month Rp500,000 plus 10% interest. Which loan represents a better deal for you?

in the FGD, the same question was asked again with a different result that all participants were able to answer correctly. Some female participants expressed that they always became confused when it came to calculating percentage.

16. In regards to the questions about compound interest, (Question 1 and 4^{iv}), most of the participants admitted that it was confusing when they are required to count in terms of percentage. This does not mean that they cannot calculate the numbers, but they feel more comfortable when they choose to borrow money, that the installment and payment methods are stipulated in advance. The respondents said that the method to calculate percentage is quite difficult and they feel reluctant to mentally or manually calculate the numbers. Other than that, respondents in Kelurahan Sempur Barat had the lowest percentage of correct answer across all *kelurahan*.
17. The ability of respondents to deal with financial literacy questions can also be evaluated using the welfare status of respondents based on their particular quintile. Respondents in Quintile 1 have the lowest percentage of perfect score in the financial literacy test compared to respondents in the other quintiles. For a total of three correct answers, respondents in Quintile 5 have the highest percentage and respondents in Quintile 3 have the lowest. However, the data does not show a clear relationship between financial literacy and household well-being.
18. Using a chi-square test, the data shows that the respondents' educational attainment and age are statistically significant to their financial literacy score. Most respondents who had graduated from senior high school received a perfect score. With an increase in the respondents' ages, the number of those who attained a perfect score decreased. The financial literacy score, however, is not correlated with household's quintile. The stronger the financial position of a respondent, therefore, does not mean a better score in answering the questions. This is because their financial status could be contributed to by other household members and may not be a direct result of the respondent's earnings.
19. Similar responses regarding a household's most concerning situation arose from participants of the FGD as well. Illness was considered to be the most concerning risk that participants could face followed by flood, accidents and fire.
20. In terms of the survey results generally, respondents are attracted to a savings program that provides insurance benefits covering health and death (95.2%). However the criteria which states that the savings account can only be withdrawn from after 5 years would discourage them from joining the program (74.1%). The rule about a 15% reduction if they decided to withdraw their savings before the end of a five year term would also be a significant burden to their total savings and would further reduce interest in the product (58.8%). Although there is a 15% penalty for withdrawals before the end of five years, the percentage of respondents who would still be willing to withdraw their savings even with the consequence of a penalty is still relatively high (52.8%).
21. The findings above are almost the same as the FGD results. Of all the criteria of the program, the rule concerning a 15% reduction penalty for withdrawing savings within five years makes the product become much less attractive. Some participants objected to this rule and others thought that it would motivate them to use their savings more

^{iv}Question 1: Would you be interested in opening a savings account, with a minimum payment of Rp10,000 per week, that gives a health insurance/death benefit? Question 4: If you decided to withdraw your savings before the five year cycle has ended, would you accept a 15% reduction of your total savings as a transaction cost?

effectively. Some participants thought that the saving period was too long and they suggested a shorter term, for example two or three years. Some respondents were interested in the program but are unable to join because their current financial situation makes it impossible as they already have a loan or they do not have enough income to make the weekly savings payment.

22. A question about the priority of uses for the savings funds was asked to the 236 respondents who stated their interest in participating in Tamadera. The first priority for the use of Tamadera savings as indicated by the majority of respondents was for the financing of their children's education. The second priority was as an additional savings source that respondents can keep until sometime in the future. The third priority use of Tamadera savings was for financing personal business investment.

I. INTRODUCTION

1.1 Background

Indonesia is in desperate need of a sustainable poverty reduction instrument that can work effectively for the poor and other vulnerable groups. In 2010, the BPS stated that 13.3% of the Indonesian population (31.02 million people) were living below the national poverty line. By using the US\$2 PPP international poverty line figure, it can be calculated that about half of the Indonesian population live in poverty. Based on quintiles of per capita expenditure, the vulnerability of monetary poverty is exacerbated by a substantial gap in education and health outcomes between the poorest 20% of households and the richest.

While the Indonesian government has developed social protection schemes to assist the poorest of the poor, the upper and the near-poor receive less attention. Meanwhile, the services of existing microfinance institutions have not been sufficiently developed to provide self-initiated transformative social protection for these vulnerable groups.

Economically active low income people commonly rely on their own resources as well as the people surrounding them as sources of resilience in times of crisis. The types of vulnerability faced by these low income households can be in the form of poor nutrition, reduced access to healthcare, economic changes, accidental death and disability, natural disaster, and theft (Leftley and Mapfumo (2006: 4) in Brown and Churchill (1999: 5)). Exposure to these risks may cause potential financial losses that make them more vulnerable to sliding into poverty. Therefore, low income households need financial instruments to overcome the loss that they face when risky events or crises arise.

Increased attention towards a poverty reduction instrument, that was assumed would create more sustainable livelihoods for vulnerable groups, comes from the potential availability of micro-insurance. There is no single and simple definition of micro-insurance. Even though the term “insurance” has an agreed definition; i.e., the provision of financial protection contingent on the occurrence of a predefined risk in exchange for an ex-ante premium payment; the term “micro-insurance” does not. Churchill (2006) and Kleibo (2009: 5) reveal that “micro” refers to the poor as the target market of the insurance, while Preker et al. (2002) assert that “micro” indicates the involvement of the community in the financial agreement.

Meanwhile, CGAP (Consultative Group to Assist the Poor) refers to “micro-insurance” as low premium and low benefit insurance (CGAP, n.d). Dror and Jacquier (1999: 8) use the “micro” and “macro” concepts in terms of decision-making. They argue that micro-insurance is the insurance that functions as an economic instrument at the “micro” level of society. Without wanting to expand the debate on the definition of “micro”; in terms of the target population, low-income households are the target of micro-insurance; in terms of price, micro-insurance has a low premium and a low benefit; and in term of process, micro-insurance involves the community in its financial agreements.

Previous researchers have shown the positive impacts of micro-insurance based on surveys. Cai et al. in Radermacher et al., (2009: 9) found that micro-insurance changed the production pattern and thus increased the assets of households. Analysis by Dror, Koren, and Steinberg (2006: 314) in five regions in the Philippines found that health micro-insurance units in the Philippines improved the equality of access to hospitalization and medical consultation in cases of illness. In Brazil, Werner (2009: 571) found that micro-insurance for health reduces

barriers to health services for the poor and encourages them to utilize available clinics and trained medical care providers for basic and preventative health care.

In regard to these issues, PT Asuransi Allianz Life Indonesia (Allianz) launched a micro-insurance program, namely Tamadera, in October 2010. Tamadera is a female-targeted multifunctional micro-endowment savings plan with integrated life insurance and critical illness coverage. Given the pioneering nature of this initiative, a well-designed impact assessment study is to be carried out to contribute to the future development of micro-insurance innovations targeted at increasing the welfare of the poor.

The study will consist of at least two stages: a baseline study conducted prior to the introduction of the program and an endline study to be carried out two years after the program's initiation. This report describes the results from the baseline survey in Jakarta as part of the impact assessment study for all future socioeconomic impact evaluations of Tamadera.

1.2 Study Objectives

The main objective of the study is to analyze the impact of Tamadera on the welfare and financial literacy of the program participants. Specifically, the study will address the following questions:

1. What factors influence participation in Tamadera and the decision to continue or stop participating in the program?
2. Does participation in Tamadera affect the welfare level of the participants in general, and in particular, the education of the participants' children and their access to health treatment?
3. Does participation in Tamadera affect the psychology of the participants and their households?
4. Does participation in Tamadera affect participation in other formal and informal financial services?
5. Does participation in Tamadera affect the business decisions of the participants?
6. How do demographic and socioeconomic factors impact on the levels and distribution of financial literacy?
7. Does participation in Tamadera affect the financial literacy of the participants?

1.3 Methodology

This study focused on an area supervised by PT Vision Fund Indonesia (VFI), formerly MMS (Mitra Masyarakat Sejahtera). VFI is a microfinance institution that provides micro-loans to the families and communities where its mother organization, World Vision Indonesia (WVI), operates. VFI focuses its development in two provinces: DKI Jakarta (Jakarta Timur and Jakarta Utara) and East Java (Surabaya).

In general, clients of VFI are female and work in the informal sector, such as kiosk retailers and peddlers. As a new client who intends to borrow money they need to join an existing group consisting of 5–10 members, or, alternatively form their own group. Males are not excluded, and can also become members of the group if they wish. If a client has a good history as a borrower in a particular group, then she/he is allowed to apply for an individual loan from VFI.

VFI in DKI Jakarta was selected as Tamadera’s first launch area. In the first year of the newly-launched program, the baseline study aimed to analyze the respondents’ “take-up” rate and perception of Tamadera. Baseline surveys in DKI Jakarta were conducted between 27 October and 3 November 2010 before the actual roll-out of the program started in those areas. This survey was conducted in five *kelurahan*¹; three in Jakarta Timur, two in Jakarta Utara. Amongst these *kelurahan*, there will be distinct “control” and “treatment” areas to allow for an assessment of the impact of Tamadera in the preceding endline study. The selection of whether a *kelurahan* is in a treatment or control area is based on their membership in VFI. Once the areas are categorized as an Area Development Program (ADP) area, they will have the opportunity to be selected as a treatment area; otherwise only the areas that are the non-ADP areas could be selected as the control² (see Figures 1 and 2).

The selection of treatment and control areas in each district are based on: the number of active VFI clients in the *kelurahan*, the similarity of economic characteristics between treatment and control areas, and the probability of clients in both the treatment and control areas having no interaction with each other.

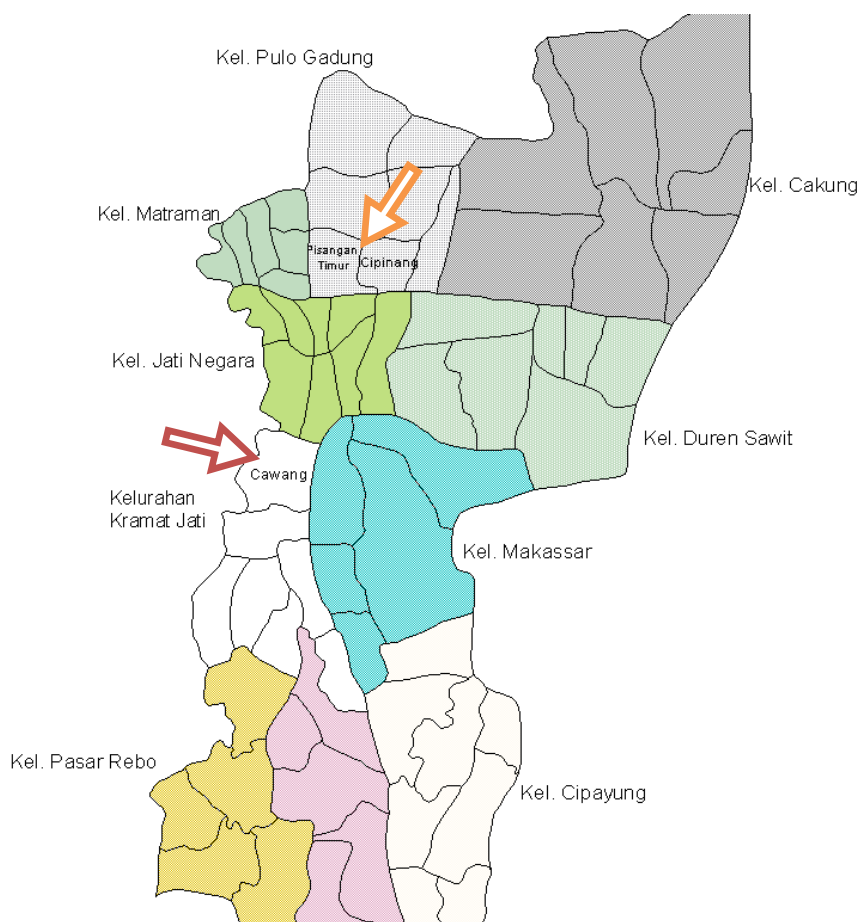




Figure 1. Sample areas in Jakarta Timur

Note:  : Treatment Area (Kelurahan Cawang)
 : Control Areas (Kelurahan Pisangan Timur and Cipinang)

¹A *kelurahan* is a village level administrative area located in an urban center.

²A *kelurahan* located within an ADP area is facilitated by WVI, whereas a *kelurahan* in a non-ADP area is facilitated by VFI.

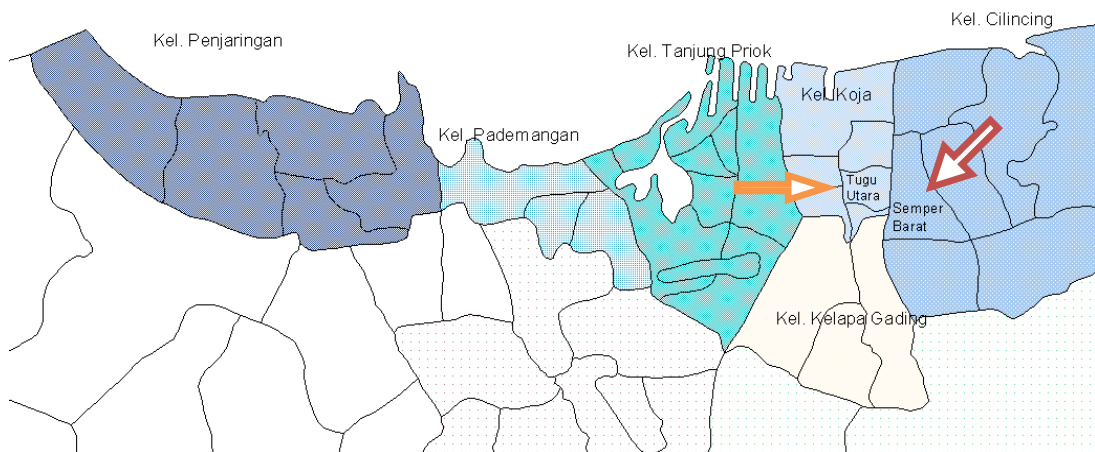




Figure 2. Sample areas in Jakarta Utara

Note:  : Treatment Area (Kelurahan Semper Barat)
 : Control Areas (Kelurahan Tugu Utara)

A. Quantitative Survey

The quantitative analysis used a questionnaire as the data collecting tool in its household survey. Some of the clients are selected randomly to be sampled respondents of this survey. The total number of respondents to the survey in Jakarta was 300 people, which consisted of: 150 respondents in Jakarta Timur and 150 respondents in Jakarta Utara. To understand the impact of Tamadera in each administrative city, two *kelurahan* are selected with one *kelurahan* as a treatment area, (which received Tamadera), and one *kelurahan* as a control area (see Table 1). Due to insufficient numbers of Vision Fund clients in the control *kelurahan* in Jakarta Timur additional *kelurahan* were required; Kelurahan Cipinang was selected because it has similar socio-demographic conditions to Kelurahan Pisangan Timur. Considering that there were more respondents from the latter area, only Kelurahan Pisangan Timur is mentioned in the following analysis.

The first of the surveys was conducted in Kelurahan Cawang (Jakarta Timur). In this *kelurahan*, it was a challenge to find the selected respondents as the data from VFI only shows the last name of the client and gives no additional information as to which group they are associated with. As a solution to this problem, once the respondents from the selected sample could not be located, other VFI clients were selected as replacements, regardless of whether they were still active or not.

To minimize the number of selected sample respondents who could not be located in other *kelurahan*, attempts were made to ensure that the first name of the respondent, their associated group, and their address were made available by coordinating with VFI's staff prior to beginning the field research.

The number of sample collected during the baseline survey in both the treatment and control areas are shown in Table 1.

Table 1. Number of Samples in Treatment and Control Areas

	Jakarta Timur		Jakarta Utara	
	Area	Number of Sample	Area	Number of Sample
Treatment	Cawang	75	Semper Barat	75
Control	- Pisangan Timur	48	Tugu Utara	75
	- Cipinang	27		
Total		150		150

Since most of the respondents are females, who have a husband, they are recognized as a spouse and not as the head of the household. Regardless of their status in the family, they are identified as the person who knows best about their household's livelihood. Thus, they are the most suitable representative to describe their households.

B. Qualitative Approach

The qualitative approach was performed through a focus group discussion (FGD) among VFI's clients. One FGD was conducted in each sample *kelurahan*, thus in total there were four FGDs: two in the treatment *kelurahan* and two in the control *kelurahan*. The participants in each of the FGD numbered between 9–14 VFI clients that belonged to 2–3 VFI client groups (KSM – Kelompok Swadaya Masyarakat). Most of the participants were traders of various kinds (owners of small stalls, street hawkers, sellers of vegetables, cosmetics, etc).

Discussions during the FGDs included topics of discussion and activities such as: a financial literacy test, a seasonal calendar, perceptions about welfare levels and well-being, access to financial resources, relations with and perceived benefit from various formal and informal institutions in their area, risk analysis, impact and coping strategies, government assistance, and response to a proposed savings cum insurance program.

Table 2. Number of FGD Participants in Treatment and Control Areas

	Jakarta Timur		Jakarta Utara	
	Area	Number of Participant	Area	Number of Participant
Treatment	Cawang	11	Semper Barat	14
Control	Cipinang	9	Tugu Utara	13

1.4 About the Tamadera Program

Economically active low income people are highly vulnerable to changes in economic conditions. In most cases, a shrinking income will lead to a decrease in household living standards, higher school attrition rates, and even cuts in health care spending. As these people are typically not covered by social protection programs and conventional commercial insurance, it is very important to provide them with appropriate risk protection schemes through micro-insurance programs that are affordable.

In October 2010, Allianz launched its five year micro-endowment savings plan program called Tamadera (Menciptakan masa depan sejahtera—Building a prosperous future). This is a traditional savings plan combining life insurance and critical illness coverage. Participants pay premiums of Rp10,000 per week, 50 times a year for 5 years. If no claims are made during the 5 years, participants will receive their full premium back as a maturity benefit, which amounts to a lump sum payout of Rp2,500,000 (Rp10,000 x 50 x 5). Once paid out the policy and coverage then cease. Tamadera, therefore, provides a 100% no-claim cash-back guarantee but provides no interest. The death and critical illness benefit also pay out Rp2,500,000. The types of critical illnesses covered by Tamadera are: heart attack, cancer, stroke, kidney failure, and serious burns.³

Tamadera is a female-targeted systematic group savings program. The program is specifically targeted at: low income customers of non-bank microfinance institutions, low income customers of microfinance programs of commercial banks, members of associations, proactive cooperatives, NGOs, low wage factory workers, and overseas workers. Currently, no medium-term savings combined with life insurance program, (like Tamadera) is available to a targeted market (low income people) in Indonesia. Tamadera is the replication of a similar program that was very successfully implemented by Bajaj Allianz Life in India. The program is flexible and can be customized to meet the needs of the distribution partners and its members/customers.

During Tamadera's pilot phase, Allianz decided to cooperate with VFI, a subsidiary of World Vision Indonesia (WVI), because of their successful outreach to the community and the difference that their intervention had made in their development area.

- WVI (World Vision Indonesia)

World Vision is a Christian humanitarian organization working to create lasting change in the lives of children, families and communities living in poverty. World Vision's relief, development and advocacy work is based on a vision of a world committed to the well-being of children. World Vision focuses its development, emergency, and advocacy programs in nine provinces in Indonesia. They are Aceh, North Sumatra (Nias), Jakarta, East Java (Surabaya), West Kalimantan, Central Sulawesi, North Maluku, East Nusa Tenggara and Papua.

- VFI (PT Vision Fund Indonesia)

VFI is a microfinance subsidiary of WVI which provides micro-loans to the families and communities where WVI works. VFI focuses its development in two provinces: DKI Jakarta (Jakarta Utara and Jakarta Timur) and East Java (Surabaya). In 2010, VFI changed its name from MMS (Mitra Masyarakat Sejahtera) and its legal form from a foundation to a venture capital company.

³See the program specifications for complete details, Appendix 4.

II. ANALYSIS OF THE RESULTS OF THE BASELINE STUDY

2.1 Characteristics of the Head of Household

The 300 randomly sampled households in this study consist of 1,509 household members. Across study areas the average family size is 5.03 persons, which is higher than BKKBN's ideal family size of 4. The sex ratio of female and male is relatively equal.

Table 3. Population Characteristics

	Jakarta Timur		Jakarta Utara		Total
	Cawang	Pisangan Timur	Semper Barat	Tugu Utara	
Number of residents	346	400	364	399	1,509
Number of families	75	75	75	75	300
Average family size	4.61	5.33	4.85	5.32	5.03

There is a disproportionate amount, in terms of gender, of the head of the household. Almost every household sampled has a man as its head, far surpassing the amount of households that have a woman as its head.

Table 4. Gender of Head of Household (%)

Gender	%
Male	86.67
Female	13.33

The percentage of household heads that have graduated from senior high school is higher than those who have graduated from junior high school or did not finish primary school. This indicates that household heads in Jakarta are reasonably well educated. However, household heads in Jakarta Timur are relatively better educated than those in Jakarta Utara.

Table 5. Education Attainment of Household Heads (%)

	Jakarta Timur		Jakarta Utara		Total
	Cawang	Pisangan Timur	Semper Barat	Tugu Utara	
Never attended school	2.7	0	0	2.7	2
Did not finish primary school	2.7	4	4	4	3.7
Finished primary school	8	17.3	17.3	17.3	15.3
Finished junior high school	21.3	21.3	21.3	30.7	24
Finished senior high school	57.3	52	52	37.3	48.3
Finished academy/ diploma	4	4	4	6.7	4.7
Finished university	4	1.3	1.3	1.3	2

In Jakarta Utara 91.33% of household heads are employed. Most of them are employed in the service sector (40.51%) followed by those employed in the trade sector (24.45%). The spouses of the household heads are also working in order to support their family financially, this occurs in 71.5% of cases. More than half of these working spouses are employed in the trade sector.

Table 6. Working Sector of Household Heads (%)

Working Sector	Jakarta Timur		Jakarta Utara		Total
	Cawang	Pisangan Timur	Semper Barat	Tugu Utara	
Animal husbandry	1.5	0	0	0	0.4
Processing industry	9	1.4	6.2	4.2	5.1
Construction	7.5	5.6	4.6	8.5	6.6
Trade	32.8	31	18.5	15.5	24.5
Transportation	10.4	14.1	7.7	25.4	14.6
Service	37.3	32.4	53.8	39.4	40.5
Other	1.5	15.5	9.2	7	8.4

2.2 Characteristics of the Respondents

Respondent characteristics are pivotal in determining the quality of answers and information collected from the survey. There are several determinants; such as, gender, status in the family, working status, and parental status. As expected, almost every respondent is female, accounting for 94.3% of respondents, of which 82% of them are spouses in a family. This fact enhances the reliability of our data since females, particularly spouses, possesses the necessary information needed in this survey, especially data concerning family expenditure. There is a very small fraction, amounting to only 3% overall, of female respondents who are daughters, daughters-in-law, or sisters, but this does not highly distort the data's reliability.

Table 7. Gender of Respondents (%)

Gender	%
Male	5.7
Female	94.3

Table 8. Relationship of Respondent to the Head of Household (%)

Relation to Head of Household	%
Head of Household	19
Spouse	78
Child	1.33
Son/Daughter-in-law	0.33
Mother/Father -in-law	0.33
Brother/Sister	1

For the most part, respondents participating in the survey are working as employees and entrepreneurs. This gives the research a distinct advantage because the respondents' work experience and current daily activities could enhance their ability to answer questions about financial literacy, and the likelihood of them becoming participants in Tamadera.

Table 9. Employment Status of Respondents

Employment Status	%
Income Receiver (no self-income)	2.33
Employee	53
Entrepreneur	44.67

With the relatively young age of respondents, 84% of whom were less than 50 years old, we can be confident that they have sufficient memory and intelligence to answer the survey questions and, therefore, a good chance of presenting accurate information.

Table 10. Age Category of Respondents

Age Category	%
<30	9.33
30 – 39	35.67
40 – 49	38.00
50 – 59	15.33
60 – 69	1.67

2.3 Household Well-being

There are many ways to understand household well-being. According to the FGD participants, household well-being comes from a balance between non-economic and economic factors. Non-economic factors are conditions that cannot be measured in monetary terms; while economic factors are conditions that affect a household's income or expenses.

Non-economic factors that have an influence on a household's well-being are: household members' health, internal household relationships (husband and wife, parent and children), and the household's relationship with its neighbors and close family. The FGD participants believe that regardless of a household's overall positive economic situation, they would not feel content if the relationships within the family and with other people were poor. For instance, the ability of a household to visit its hometown once a year to interact with their extended family makes them happy; even though in monetary terms it means that extra earnings will have to be spent to make this journey. Elder participants stated that their relationship with their children also influences their sense of happiness. In particular when their children respect and follow their advice and are able to succeed independently of them.

Economic factors mentioned by the FGD participants include: kiosk or business-gain profit, households being supported by the continuation of a fixed income, household members being well fed, having access to savings, being free of debt, and being able to pay monthly utility bills such as electricity and water.

Based on the results of the household surveys, economic factors affecting household well-being could be examined through the household's expenditure, housing situation and whether they received assistance from government programs or not.

2.3.1 Household Expenditure

Quintile 1 is the lowest quintile, and represents the poorest households in the sample, while Quintile 5 is the highest quintile, and contains the wealthiest households in the sample. Across all *kelurahan*, the average per capita expenditure of households in Quintile 1 is Rp267,351 and in Quintile 5 is Rp1,262,956. Table 11 shows that households in Quintile 1 have the highest average number of household members (6.2), which is about 6–7 persons, living in the household. The average number of household members in Quintile 5 is 4.15, which is about 3–4 household members.

Using a chi-square test to establish if there is a relationship between the two categorical variables, it is evident that the household quintile has a significant correlation with the average number of household members' category (see Table 11). The data also clearly shows the association between the higher the number of members in a household category and the lower the per capita expenditure of that household, and vice versa.

Table 11. Expenditure per Capita and Number of Household Member

Expenditure per Capita in Quintiles	All Kelurahan					
	Average per Capita Expenditure (Rp)	Average Number of Household Members	Categories of Number of Household Member			
			<3	3-4	5-6	>=7
1	267,351	6.2	0	13	25	22
2	394,107	5.63	0	21	23	16
3	549,104	4.78	4	28	19	9
4	705,443	4.38	2	31	23	4
5	1,262,956	4.15	12	28	15	5

Table 12 shows that according to the households' expenditure per capita data, 26.67% of households in Kelurahan Cawang, which is the highest percentage, are located within Quintile 5. In Kelurahan Pisangan Timur, most of the households (24%) are in Quintile 4. In contrast to this, Kelurahan Tugu Utara has the highest percentage of households (26.67%) in Quintile 1. While in Kelurahan Semper Barat the highest percentage of households (28%) are located in Quintile 2. From the data it would appear that respondents in Jakarta Utara are less wealthy than respondents in Jakarta Timur. Overall, using the official poverty line figure for DKI Jakarta in 2010, Rp331,169, there are only 60 households or 20% of the entire sample, in this research that can be categorized as poor. Since the expenditure data requested in the questionnaire was not sufficiently detailed, a poverty line figure could not be used to identify the poor. Therefore, the data will require a proxy when using national or provincial poverty line figures. For this reason quintile expenditure is used in the analysis.

Table 12. Expenditure Per Capita in Quintiles Based on *Kelurahan* (%)

Expenditure per capita in Quintiles	<i>Kelurahan</i>			
	Cawang	Pisangan Timur	Semper Barat	Tugu Utara
1	18.67	22.67	12	26.67
2	12	17.33	28	22.67
3	20	16	21.33	22.67
4	22.67	24	17.33	16
5	26.67	20	21.33	12
	100	100	100	100

A similar result regarding household well-being resulted from the FGD. The qualitative analysis tried to quantify the participants' well-being by scoring their perception of well-being on a scale of 0–100 (see Figure A1 in Appendix 1). The lowest score is 0, and represents the poorest or least wealthy, while the highest score is 100 for the wealthiest households. Participants with similar household conditions could potentially give different assessments of their well-being. From the data it appears that respondents in Jakarta Timur gave a higher score for their well-being than respondents in Jakarta Utara. The score was also used for participants to describe their household's present well-being compared to that of three years ago. On average, participants rated their present household well-being lower than three years ago.

The reasons that caused “happiness” among the participants three years ago (in 2007) but currently tend to cause dissatisfaction with their current life include the fact that:

- a) Their children had not attended school yet three years ago. They have attended school now and this incurs costs.
- b) Their husband was still alive, meaning he could still earn money for the family. The family now has to earn a living on their own and there is no certainty whether they will have enough money and where they will get it from.
- c) Business was still good for participants who had a car rental business at that time as there were people who would quite often rent their cars. Now business is slow and they are unable to compete.
- d) Prices were still affordable. Now prices of all daily needs have soared up.

2.3.2 House Ownership Status

About one third of the households sampled (37%) own a house. This would decrease their living costs significantly, especially with the high cost of housing in Jakarta. For homeowners this means that more resources can be allocated to other necessities, including the possibility of saving their money in Tamadera. The second highest percentage in response to the question of house ownership status was renting, with 25% of respondents having to regularly outlay money for rent.

Table 13. House Ownership Status

House Ownership Status	%
Own	37
Undivided Inheritance	20
Rent	24.67
Government housing	2.67
Family's house	13.33
Stays with Relatives	2.33

Based on responses from the FGD participants, owning a house is also one of the factors that positively affect household well-being. For them, owning a house is indicative of higher well-being and lower living costs. However, some participants valued this factor less. This shows that some participants are aware of the impossibility of purchasing their own house in Jakarta. They stated that they are already satisfied if they are able to pay their monthly bills, in particular, the rent on their house.

2.3.3 Access to Government Programs

About one third of the households sampled can be categorized as poor, as defined by the number of households receiving government programs that are aimed at poor households, (as shown in Table 14). The most indicative program is the number of households receiving assistance from the Raskin program, as this is the most extensive program from the government. One hundred households in the sample are shown as being covered by the Raskin program; where Tugu Utara has the greatest number in terms of households receiving Raskin, and Cawang has the least. This information can be used as a predictive means to approximate the “poverty map” in every *kelurahan*. However, the Bantuan Gas Elpiji program cannot be used to see the poverty map in the same way as this program is not exclusive to the poor. Non-poor households can also access this program. However, leakage and under-coverage issues will not be addressed here.

Table 14. Access to Government Programs by Kelurahan

Government Programs	Jakarta Timur		Jakarta Utara		Total
	Cawang	Pisangan Timur	Semper Barat	Tugu Utara	
Raskin	8	27	29	36	100
Jamkesmas/Gakin/SKTM	17	9	19	30	75
PKH	0	0	3	8	11
Simpan Pinjam Perempuan	0	0	0	1	1
Dana Bergulir	3	0	0	1	4
Bantuan Gas Elpiji	26	28	20	32	106
Others	2	4	2	6	14

2.4 Perception of Financial Ability

Since Tamadera is aimed at financing education and provides the benefit of health/life insurance, households are expected to be able to use their five year savings to finance their children's education without having to worry about critical health shocks. Thus, there are two factors affecting household financial ability, education and health, which are related to the Tamadera program.

2.4.1 Education

As stated in the FGD, having children studying at school could affect a household's financial ability as a result of stationary and uniform expenses, school fees and other education expenses. The correlation between a household's quintile and the existence of children studying at school has shown to be statistically significant (see Table A1 in Appendix 1).

This correlation is significant because about 78% of sampled households used their own money as the main source of funding to pay for their children's education expenses (see Table A2 in Appendix 1). Households can also accept assistance from their extended family, student scholarships, or even take a loan, if their own money is not enough. Participants in the FGD stated that schools could also be an indirect source of funding for their children's education. They could, for example, ask for a dispensation from school expenses, such as for purchasing text books and the costs associated with graduation.

When households were asked about their perceptions of being able to finance their children's education in the current year, households in Jakarta Timur reacted more positively than households in Jakarta Utara. About 85% of all households in each *kelurahan* have at least one child studying at school. There are 29 households (42.65%) in Kelurahan Cawang who admit that they have a good ability to finance their children's education this current year. Twenty two households (34.38%) in Kelurahan Pisangan Timur gave the same perception, a good ability to finance the education of their children. Households in Jakarta Utara gave a different perception about their financial ability. About 29 of the 60 households (48.33%) in Kelurahan Semper Barat that have a child studying at school, expressed that their ability to finance their children's education in this current year as being average; neither poor nor good. Most of the sampled households with children at school (26 of 64 households or 40.62%) in Kelurahan Tugu Utara stated that their financial ability is somewhat poor when considering paying for their children's education expenses this year.

Table 15. Perception of Households' Financial Ability to Pay for Their Children's Education in the Current Year

Financial Ability	Jakarta Timur		Jakarta Utara		Total
	Cawang	Pisangan Timur	Semper Barat	Tugu Utara	
Poor	3	6	1	3	13
Somewhat poor	12	17	18	26	73
Average	24	19	29	18	90
Good	29	22	12	16	79
Very good	0	0	0	1	1
	68	64	60	64	256

Note: Only relevant for households with children studying at school.

To increase the households' awareness of the importance of joining Tamadera, another question was asked about the households' ability to finance their children's education for the next three years. Most of the households in Kelurahan Cawang and Pisangan Timur stated that they have the ability to finance their children's education this year and estimated that this would remain the case over the next three years. Households with an average financial capability in Kelurahan Semper Barat answered that they are likely to remain in an average financial situation, no different than in the current year. However, households in Kelurahan Tugu Utara, who are mostly in a somewhat poor financial situation, stated that in the next three years they would mostly likely have a reduced ability to finance their children's education.

2.4.2 Health

It is important to explore a household's behavior towards health before enquiring about the household's ability to finance health expenses. Households could give more than one preference when indicating the use of medical treatment facilities. Households across the four *kelurahan* (56.67%) preferred to go to a *puskesmas* when they needed medical treatment. The second most preferable way to obtain treatment was by buying nonprescription medication (47.33%). However, a different result was given by the FGD participants.

Table 16. Medical Treatment Facilities Used by Households (%)

Medical Treatment Facilities	Jakarta Timur		Jakarta Utara		Total
	Cawang	Pisangan Timur	Semper Barat	Tugu Utara	
Puskesmas/pustu	13.33	12.33	14.67	16.33	56.67
Nonprescription medication or drug store	12	14.67	8	12.67	47.33
Clinic	9.33	7.67	7	2.67	26.67
Public hospital	3.67	4.67	2.67	6.33	17.33
General practioner	2	2.33	3	4	11.33
Private hospital	2.33	2.33	2.67	2.33	9.67
Midwife/nurse/medical aide	1.33	1.33	1.67	2.33	6.67
Traditional medicine/doctor (shaman)	0.67	1	2.33	1	5
Posyandu/polindes	0.67	1	1	1.33	4

Note: Respondents may provide more than one answer to this question.

Table 17. Source of Health Funding (%)

Source of Health Funding	Jakarta Timur		Jakarta Utara		Total
	Cawang	Pisangan Timur	Semper Barat	Tugu Utara	
Own money	68	70.7	72	69.3	70
Askeskin/JPKM/Jamkesmas/Jamkesda	16	6.7	13.3	18.7	13.7
Reimbursed by office/company	8	12	6.7	2.7	7.3
Private Health Insurance	4	5.3	4	2.7	4
Aid/loan	1.3	5.3	2.7	1.3	2.7
Other	2.7	0	1.3	5.3	2.3

Note: Respondents may provide more than one answer to this question.

According to FGD participants, to overcome the risks of being exposed to disease and illness, people preferred to buy drugs (nonprescription medication) from a *warung* (kiosk) because they consider it to be the easiest and cheapest solution. If the illness persists a visit to a *puskesmas* is the second best option. A visit to an affordable hospital is the most popular choice for the majority of respondents when the sickness gets worse. Women in the Kelurahan Pisangan Timur mentioned RS Persahabatan as the hospital most accessible to them. But despite the accessibility of this hospital, some of these women still needed to borrow money to pay for their medical expenses.

Table 18. Households' Perception of Ability to Finance Health Expenses in the Current Year

Household Ability Perception in Financing Health Expenses	Jakarta Timur		Jakarta Utara	
	Cawang	Pisangan Timur	Semper Barat	Tugu Utara
Poor	2	5	2	4
Somewhat poor	9	7	7	8
Average	27	35	42	37
Good	36	28	22	25
Very good	1	0	1	1
Total	75	75	74	75

In the household survey, households could give more than one answer to indicate the source of health funding that they most commonly used. About 70% of sample households rely on the availability of their own money to pay for medical treatment. The provincial government of DKI Jakarta distributes JPK Gakin (Jaminan Pemeliharaan Kesehatan Keluarga Miskin) to help poor families in dealing with health problems. The insurance premium is paid by the provincial government from an oil subsidy compensation budget. Only 13.7% of households across four *kelurahan* use JPK Gakin as their source of health funding.

Thirty-six households in Kelurahan Cawang stated that they have a good ability to finance their health expenses in the current year. They also admitted that this ability was unlikely to change in the next three years. Most of the sampled households in the remaining *kelurahan* stated an average ability to finance their health expenses in the current year. They also thought that their ability to finance any future health expenses will remain at this average level for the next three years.

2.5 Household Financial Behavior

Aside from the household's financial ability, especially in regard to education and health, their behavior in managing other expenses also affects their decision to join Tamadera. About 67% of sampled households never make notes about their income and expenditure. However, this behavior does not correlate with their ability to manage their income as 50% of respondents admit that their income, most of the time, is able to fulfill their monthly expenses until the next month's income is received.

2.5.1 Participation of Households in *Arisan*

If a household joins an *arisan*⁴ in their neighborhood this is assumed to be part of their overall financial behavior and will therefore affect the household's decision to participate in Tamadera. If a household is able to allocate money to an *arisan* then it is more likely that she/he will be able to join Tamadera. In all *kelurahan*, 57.33% of households are participants in an *arisan*. The highest rate of participation in *arisan* (73.33%) is in Kelurahan Cawang.

Table 19. Amount of Fees and Participation of Households in *Arisan* across the *Kelurahan*

<i>Kelurahan</i>	Average of <i>Arisan</i> Fees in a Month (Rp)	Amount of Total <i>Arisan</i> Fees per Month		<i>Arisan</i>		N
		Min	Max	n	%	
Cawang	158,854.5	20,000	800,000	55	73.33	75
Pisangan Timur	119,282.6	20,000	670,000	46	61.33	75
Semper Barat	116,914.3	20,000	900,000	35	46.67	75
Tugu Utara	168,055.6	5,000	500,000	36	48.00	75
Total	141,662.8	5,000	900,000	172	57.33	300

Looking at the amount of *arisan* fees and participation of *arisan* across quintiles (Table 20) gives a different picture about household well-being and their financial behavior patterns. Despite the fact that the number of respondents who joined an *arisan* in Quintile 5, the richest quintile according to the data, is higher than the other quintiles, the data does not show any clear pattern of relationship. The maximum amount of fees in Quintile 1 shows that there are respondents, who according to the data are the poorest, participating in an *arisan* with total fees of Rp900,000 per month. Data on household well-being is not consistent with its financial behavior. A chi-square test also shows that there is no statistically significant relationship between the quintiles of expenditure per capita and participation in an *arisan* (chi-square with four degrees of freedom = 2.9433, $p = 0.567$).

Table 20. Amount of Fees and Participation of Households in *Arisan* across Quintiles of Expenditure per Capita

Quintiles of Expenditure per Capita	Participation in an <i>Arisan</i>			
	n	Yes		No
		Min	Max	N
1	32	Rp20,000	Rp900,000	28
2	32	Rp20,000	Rp500,000	28
3	34	Rp20,000	Rp800,000	26
4	34	Rp5,000	Rp750,000	26
5	40	Rp25,000	Rp670,000	20
Total	172			128

⁴ *Arisan* is a community rotating savings and credits association where in a regular social gathering, its members contribute to and take turns at winning an aggregate sum of money.

2.5.2 Household Sources of Funding and Intended Expenses

The most reliable source of funding to fulfill a household's basic needs is from a monthly salary or business earnings. In general, households save their money in a bank or at home in a "piggy bank". However, some households claim that they do not have any money left to save after paying all their monthly expenses. To cover unplanned expenses, households usually borrow money from several established sources.

Table 21. Institutions from Which Households Borrow Money

Financial Resources	Jakarta Timur		Jakarta Utara		Total
	Cawang	Pisangan Timur	Semper Barat	Tugu Utara	
VFI	52	55	74	74	255
Bank	3	9	2	1	15
Cooperation	3	8	3	0	14
Individual (relatives/neighbor/friends)	4	1	3	3	11
Informal Creditor (<i>Bank Keliling</i>)	3	1	0	2	6
MFI (Microfinance Institution)	1	3	0	0	4
Others	3	0	0	0	3

Note: Respondents may give more than one answer to this question.

Besides borrowing money from VFI, sampled households had also borrowed money from other institutions, as shown in Table 21. In a question about the source of loans, households could answer by indicating more than one source that they had used in the past. From the results of the survey, borrowing money from an individual is the second most preferable financial resource in Kelurahan Cawang, Semper Barat and Tugu Utara. While Kelurahan Pisangan Timur gives a somewhat different picture than many of the other households, nine of the households there borrowed money from banks.

There are other ways for households to borrow money, which were mentioned in the FGDs. The participants mapped two broad categories of sources of funding; within the community and outside the community. Sources of funding from within the community (relatives, neighbors, and buying groceries on credit) are considered to be more important than those from outside the community because of their proximity and ease of access. Borrowing money from a source within the community is also far easier to process when the household needs the money immediately.

In terms of the sources of funding from outside the community, participants think that VFI is a more important source than informal money lenders because of the service that they provide. However, in terms of closeness to the community, participants consider informal money lenders to be closer to the community than VFI. The reasons for this are that informal money lenders are convenient and relatively easy to meet with. Household members can meet informal money lenders on any day while they can only meet representatives of VFI at certain times. There are no requirements that they need to fulfill in order to borrow money from an informal money lender but if they want to borrow from VFI they have to meet certain requirements and it takes at least a week for their application to be processed.

The use of staff cooperatives and pawning are also important sources of instant financing, although these sources have the obvious constraint of requiring the person to possess goods of value that can be pawned, or being a cooperative member. Most of the cooperatives that are used by household members are located at their offices and places of employment and therefore can only be accessed by current employees.

Table 22. Household Expenses and Access to Source of Funding

No	Household Expenses	Number of Potential Sources of Funding Being Used				Source of Funding
		Cawang	Cipinang	Semper Barat	Tugu Utara	
1	Basic Needs	2	3	3	3	4: Salary, Grocery sales, Neighbors, Informal money lender
2	School Expenses	3	2	5	4	5: Salary, Neighbors, Office Loan, VFI, Relatives, Cooperative
3	Business Investment	2	2	4	2	4: VFI, Salary, Informal money lender, Saving
4	Medical Care	3	3	3	4	4: Salary, Relatives, SKTM, Saving
5	Rent Expenses	3	3	1	2	3: Salary, Relatives, Neighbors
6	Electricity or water bills	1	1	3	2	3: Salary, Neighbors, Relatives
7	VFI installment / motorcycle installment /Debt	1	1	1	2	3: Salary / Business earnings, Saving, Pawning

Source: FGD results.

Through the FGDs, cross tabulation of household expenses data and their source of funding in four *kelurahan* were developed. Participants admitted that aside from their own salary, borrowing from neighbors or informal money lenders, they sometimes “borrow” basic necessities from nearby and well-frequented grocery stores to be paid back after they have money. Thus, there are four potential sources of funding that households can access to finance basic needs expenses. The FGD participants in Kelurahan Cawang only access two out of four of these identified sources.

In funding school expenses, most participants in Kelurahan Semper Barat use five out of the six identified sources of funding. In financing urgent needs, such as paying rent or health expenses for a sick member of the household, other than their own salary, participants rely on their relatives or neighbors. For those who have access to the health safety net fund for poor families (JPK Gakin program) or a relief-letter (surat keterangan tidak mampu/SKTM), they can use these to get free access to medical treatment.

Participants of the FGD using the services of informal money lenders admit that they usually borrow money to cover basic needs and business investment expenses. However, borrowing money from informal money lenders is usually their last option due to the high rate of interest that they charge.

2.6 Financial Literacy Test

The financial literacy test is used to measure the respondents' behavior towards everyday financial matters. Hence, the analysis is conducted on an individual level by the respondent or VFI client. However, there are ten respondents who are either former clients of VFI or families whose children received scholarships from WVI. Regardless of their membership status, the financial literacy test aimed to identify the least financially literate respondents and examine the relationship between financial literacy and demographic indicators, as well as economic indicators and the financial behavior of the respondents.

There were four questions used to measure financial literacy:

1. Suppose you borrow Rp100,000 from a money lender at an interest rate of 2% per month, with no repayment for three months. After three months, do you owe less than Rp102,000, exactly Rp102,000, or more than Rp102,000?
2. If in 2011 your income is still the same as the current year (2010) and prices have increased in 2011, can you buy more than, less than, or the same amount of goods?
3. If your friend inherits Rp1 million and in the next 3 years your friend's sibling inherits another Rp1 million, which one do you think is richer because of the inheritance?
4. Suppose you need to borrow Rp500,000. Two people offer you a loan. One loan requires you to pay back Rp600,000 in one month. The second loan requires you to pay back Rp500,000 plus 10% interest in one month. Which loan represents a better deal for you?

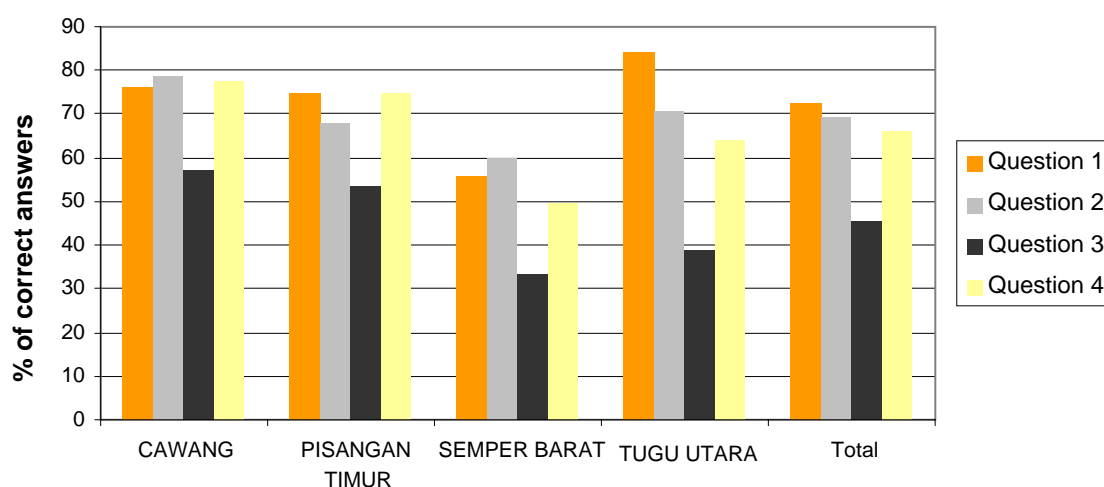


Figure 3. Percentage of correct answers in the financial literacy test in each *kelurahan*

For the question about inflation (Question 2) 69.3% of all respondents were able to answer it correctly. Repeating the question in the FGDs, participants also gave the correct answer. They are aware that when prices increase, the utility of money become less and the variation of money usage also decreases. They notice this particular situation when they use their money to buy stock for their kiosk, pay their children's school fees, and purchase daily essentials.

The figure above shows that Question 3 has the lowest percentage of correct answers from all respondents. It seems that the respondents' knowledge of the time value of money is low. However, in the FGDs, the same question produced a different result. There are no logical explanations of why this occurred.

The questions regarding compound interest, Question 1 and 4, caused participants to admit that they were confused when asked to calculate percentage. However, this does not mean that they cannot calculate the numbers, but that they feel more comfortable when choosing to borrow money if the installment and payment methods are agreed to in advance. The method of calculating percentage is quite difficult for them and so they are reluctant to attempt to calculate the numbers themselves. Other than these remarks, respondents in Kelurahan Semper Barat have the lowest percentage of correct answer across all *kelurahan*.

The financial literacy score is developed through the number of correct answers to all four questions. The lowest possible score of 0 means that the respondent could not answer any of the questions correctly, and the highest score of 4, means that the respondent could answer all questions correctly. The analysis of the scores will be compared to the respondents' individual characteristics.

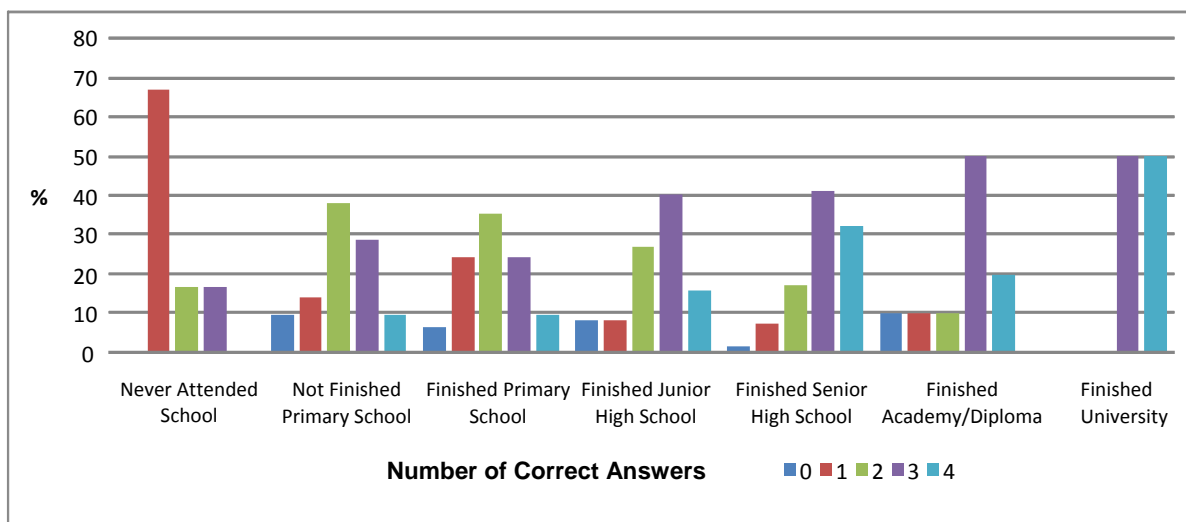


Figure 4. Respondents' educational attainment in each financial literacy score

Based on the educational attainment of respondents, the higher the education level of the respondent, the more likely it is for them to answer questions correctly. This is shown clearly in the Figure above. Two thirds of respondents who never attended school can only manage one correct answer, compared to only 16% of them that can manage to get two and three correct answers. On the other hand, 40% of respondents with senior high school graduation managed to answer three questions correctly. Unsurprisingly, half of the respondents with a university degree are able to give at least three correct answers.

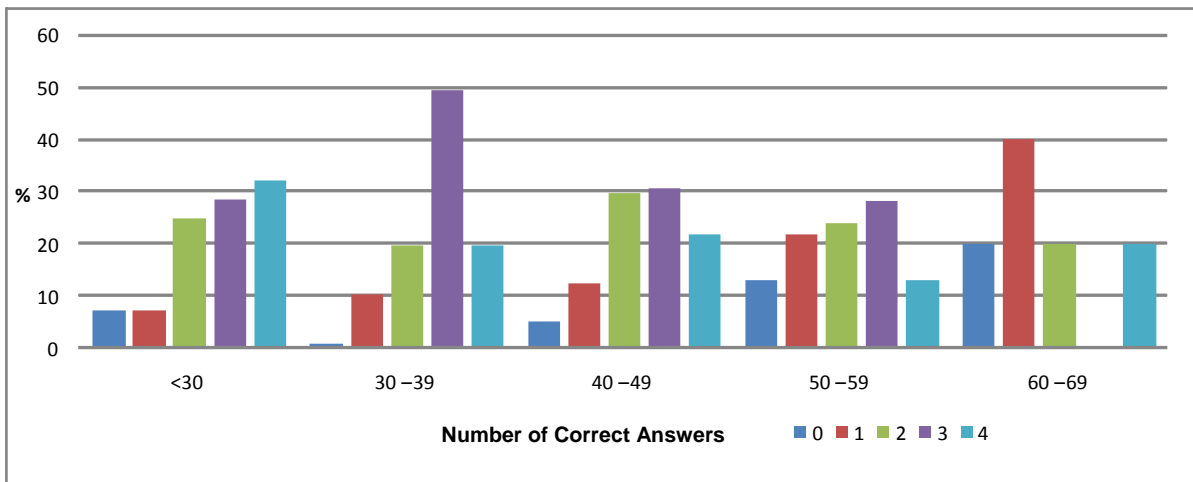


Figure 5. Age categories of respondents in each financial literacy score

There is a negative correlation between the age of respondents and the number of correct answers they gave (see Figure 5). Generally speaking, the younger the age of the respondent the more correct answers they achieved. In general, as assumed, people who are more than 60 years old tend to have less memory or ability to answer questions with mathematical content correctly. The data tells us that respondents aged between 60 to 69 years old dominate the pool of respondents with zero correct answers. Younger respondents show the highest quantitative intelligence by being ranked at the top of those who are able to answer all questions correctly.

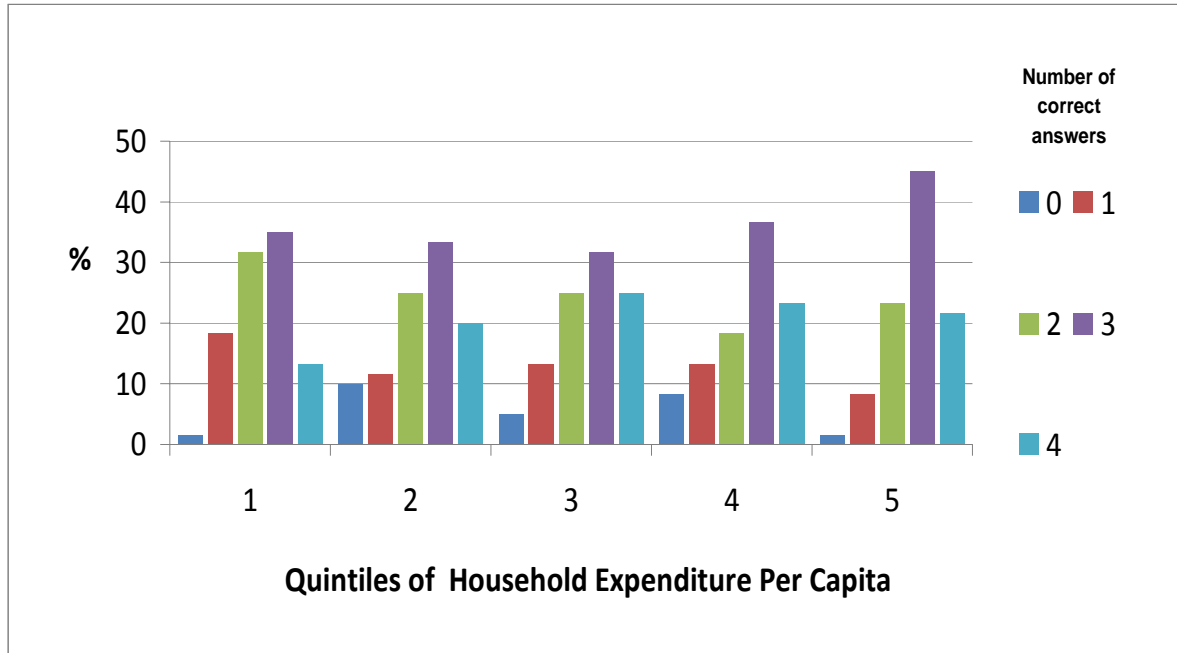


Figure 6. Quintiles of respondent's household expenditure per capita in each financial literacy score

The ability of respondents to deal with financial literacy questions can also be assessed through the welfare status of respondents based on quintile. From Figure 6, respondents in Quintile 1 have the lowest percentage of perfect score in the financial literacy test compared to respondents in other quintiles. Of those respondents who achieved a total of three correct

answers, Quintile 5 was the highest percentage whereas Quintile 3 was the lowest. However, the data does not show a clear relationship between financial literacy and household well-being. It is unclear whether respondents with better welfare conditions have more of an ability to answer financial literacy questions correctly or not. Thus, further statistical testing of the data is required.

To understand the correlation between the financial literacy score and the respondents' characteristics, a chi-square test was used. The data showed that the respondents' educational attainment and age are statistically significant to their financial literacy score. Most of the respondents who had completed senior high school or better received a perfect score. Also, as the respondents' age increased the number of those who obtained a perfect score decreased. However, a respondent's financial literacy score is not correlated with their well-being (household's quintile). Financial ability does not determine how well they could answer the questions since their financial status does not always represent the respondent's earnings and could be contributed to by other household members.

Table 23. Correlation of Financial Literacy Score With Respondent Characteristics

Respondent Characteristics	P-value
Education Attainment	0.000
Age Categories	0.008
Quintiles of Expenditure per capita	0.506

Note: The coefficients do not mean causation.

2.7 Preference Towards a Savings Product With Insurance

Ascertaining a preference towards a savings product with a health insurance and death benefit component was done by firstly asking a question about the types of emergency situations a household would be most concerned about. The respondents were allowed to mention a maximum of three situations that they are most concerned about. It was assumed that respondents, without being given any set choice of answer, would provide answers related to health issues.

Table 23 shows that the most concerning situation for a household in each *kelurahan* is illness or an accident involving a household member. The second most concerning situation is the impact of a natural disaster, such as flooding. An interesting answer coming from the respondents to the open-ended question of other concerning situations is a fear of fire. About 6.3% of sampled households gave this answer when asked to state their most concerning emergency situation.

Similar responses to the question of what households consider their most concerning situation arose from participants of the FGDs. The qualitative analysis of risks encountered by households also provides additional information to the survey of why these answers occur and what households do to cope with certain risks. Table 23 below shows a ranking of risks that most concern households across all *kelurahan*, code I is the most concerning and VII is the least concerning.

Table 24. Households' Most Concerning Emergency Situation (%)

Emergency Condition being Concerned	Jakarta Timur		Jakarta Utara		Total
	Cawang	Pisangan Timur	Semper Barat	Tugu Utara	
Illness or accident	66.7	69.3	68	78.7	70.7
Natural disaster	41.3	29.3	36	46.7	38.3
Death of main breadwinner	20	36	17.3	32	26.3
Death of yourself	14.7	21.3	12	20	17
Losing job/business	9.3	9.3	1.33	18.7	9.7
Increase of prices	5.3	2.7	2.67	14.7	6.3
Fire	1.3	6.7	12	5.3	6.3
Theft or robbery or other crime	0	5.3	1.33	2.7	2.3

Note: Respondents may have more than one answer to this question.

Table 25. Analysis of Risk Encountered by Households

No.	Kind of Risk	Kelurahan				Rank of Risk (level of impact)
		Cawang	Cipinang	Semper Barat	Tugu Utara	
1	Illness	I	II	I	I	I
2	Accidents	I	V	IV	III	III
3	Flood	II	-	II	II	II
4	Fire (tank-gas explosion, electricity problem)	-	I	III	VI	IV
5	Bangkrut	-	-	V	IV	
6	Death/Loss of Husband	-	-	III	VII	
7	School Expenses	-	III	-	-	
8	Increase of Prices	III	-	-	-	
9	Daily Needs	-	IV	-	-	
10	Eviction	-	-	-	V	
11	Business down turn	-	-	VI	-	

Source: FGD result.

Illness is the most concerning risk that the families of participants face. Respondents admit that they usually buy nonprescription medicine from a *warung* and then go to a *puskesmas* if the illness persists or worsens. There were some participants who stated that they prefer traditional medication when trying to cure a high fever, which is a common symptom of dengue fever or typhus. The main ingredient for curing a high fever is a mixture of medicinal plants, mainly *daun saga*.

The FGD participants stated that the occurrence of the wet season is now unpredictable and can happen during any month of the year. For poor households, the wet season affects their business/trade activities. The combination of the wet season's arrival, poor drainage systems, and an increased flow of water from the upper courses of rivers running through Jakarta, caused extensive flooding in the sample areas. However, this type of flooding does not last long, usually a couple of hours only. For almost the last two years, flooding rarely happens in Kelurahan Pisangan Timur due to the construction of a vast drainage system, namely Banjir Kanal Timur. While in the other three *kelurahan*, flooding occurs repeatedly often 2–3 times a year. In all sampled areas, flooding most often occurs during the months from November

through to February when there is heavy rain. Additionally, although flooding does not cause participants to take refuge, flooding means extra work for them aside from their daily activities. The more serious consequence of flooding is that it can cause disease. In an effort to anticipate the risk of flooding, people often rebuild the floor of their houses higher. There are cases in Kelurahan Sempur Barat where the distance between the roof and the floor of a house has become narrow because the owners have not increased the height of the roof when rebuilding their floors to a higher level. The recurrence of these risks makes people become accustomed to it and causes them to depend more on external assistance during incidences of flooding.

The FGD results identified households' concerns about house fire, something that was confirmed in the survey results. This was caused by a rising incidence of LPG gas bottle explosions at that particular time. The exploded gas bottles were part of those distributed by the central government as part of their Gas Conversion Program. The Program gave poor households a free gas stove and a 3kg gas bottle. Due to the poor quality of the gas stove, and an undetected leakage in the pipeline, once connected to a gas bottle it had the potential to cause an explosion. On August 2010, fire due to a gas bottle explosion occurred in Kelurahan Tugu Utara. Fortunately, the fire did not spread to other households.

Another concern experienced by households is school-related expenses that were identified as a significant problem for households. For example, the cost of expensive text books (LKS) which are not covered by the BOS program. Families whose children continue to private secondary schools must be prepared for higher tuition fees and expenses.

In order to control the increasing price of daily expenses, households tend to change their food choices to less expensive ones. For instance, families that usually consume chicken would switch to eating eggs, while those that usually buy a kilogram of chicken would reduce this amount by half, and families who are used to eating chicken twice a week would change to eating it only once a week. The most important thing for the respondents is that their families can still eat every day, regardless of the nutritional value of what they eat.

An increase in the prices of common food staples was identified as the lowest risk faced by most people. Those who owned kiosk or retail businesses are also exposed to this risk as well. For example, when prices are high, they are forced to sell their goods at high prices as well, which exposes them to the risk of unsold goods. When they lower the prices of the goods being sold in their kiosks they will most likely incur some losses.

Borrowing money is acknowledged by most respondents as only a temporary solution to cope with incidents such as accidents, theft, or fire. After receiving the loan, borrowers have to secure an additional source of money to pay back their loan, such as taking a part-time job. Aside from borrowing money, FGD participants admitted that they sometimes asked food stall (*warteg*) or *warung* owners to allow them to take food or goods without paying for them, promising to pay at sometime in the future. They usually pay for what they have taken after one or two days later so that they can earn trust from the *warteg* or *warung* owners and be able to rely on them for this type of credit in the future.

After identifying the situations of most concern to the respondents, as well as understanding the why and how of those risks, a brief explanation about Tamadera—without mentioning its name—was given in the survey and during the FGD. In the survey, 236 respondents are interested in a savings product that provides health insurance and a benefit in the case of death. The highest take up rate perception is in Kelurahan Cawang. However, the criteria that

stipulates that the savings account can only be withdrawn from after a five year cycle has discouraged them from joining the program, only 184 of the respondents agree to the criteria. About 127 respondents say they will withdraw their savings before the five year cycle has ended if they never make a claim on the health insurance within the five year time frame. Most of the respondents who indicated that they would withdraw their savings are in Kelurahan Tugu Utara. The rule about a 15% reduction of their total savings if they decide to withdraw within the five year term also reduces their interest in the product. There are 143 respondents willing to accept the reduction rule.

Table 26. Perception of the Product

No.	Questions	Yes	No	Do Not Know	Total
1	Would you be interested in opening a savings account, with a minimum payment of Rp10,000 per week, that gives a health insurance/death benefit?	236	52	12	300
2	Would you be interested in opening a savings account, with a minimum payment of Rp10,000 per week, with a health insurance/death benefit and commit to it for a 5 year cycle?	183	44	9	236
3	If you never made a claim on your health insurance within the 5 year cycle, would you withdraw your saving before the 5 year cycle has ended?	127	93	16	236
4	If you decided to withdraw your savings before the 5 year cycle has ended, would you accept a 15% reduction of your total savings as a transaction cost?	143	85	8	236

Source: Author's calculation based on data collected from survey.

Table 27. Reason for Interest or Non-Interest in the Program

Reasons	Reason for Interest or Non-Interest				Frequency
	Cawang	Pisangan Timur	Semper Barat	Tugu Utara	
a. Reason for interest					
1. Insurance	v	v	V	v	4
2. The installment cost	v	v	V	v	4
3. Savings are not being reduced	-	v	V	v	3
4. Offering a good benefit	-	v	-	-	1
b. Reason for Non-Interest					
1. The time cycle is too long	v	-	V	v	3
2. There is a penalty (withdrawal before the five year cycle has ended)	v	-	-	v	2
3. The amount of saving (Rp 10.000) is too much	-	v	-	-	1
4. Do not have extra income/already have too many expenses	-	v	-	-	1
5. Afraid of the funds being managed incorrectly	-	-	V	-	1

Source: FGD Source.

A similar four questions were asked in the FGD with a brief introduction about the program. At first the participants had doubts about the product. After they listened to an explanation of the product they thought that it was quite interesting and wanted to participate in it. Their responses were not dissimilar when compared to the respondents of the survey.

Participants are attracted to the program because of the insurance benefit included in the program so if they become sick or die the insurance benefit will cover the cost. The amount of the payment is relatively small and achievable for them, with a minimum payment of Rp10,000 per week. The total amount of savings will not be deducted even when they have claimed the insurance.

Of all the criteria of the program, the rule about a 15% reduction for withdrawing savings within the five year term makes the product become much less attractive. Some participants object to this rule and some others think that it can motivate them to use their savings more optimally. Some participants thought that the saving period is too long and they suggested a shorter term, for example 2 or 3 years. Some of them are interested in the program but cannot join the program because their financial situation makes it unfeasible, for example, because they already have a loan or they do not have enough income to make the weekly savings payment.

Besides the benefits given by Tamadera, the expected outcome of this product is to ensure the financial ability of the participant to pay for their children's education for the next five years. A question about the priority use of their expected savings was asked to the 236 respondents who stated their interest in Tamadera. They were asked to mention, at most, the three priority uses of their Tamadera savings once the five year cycle had ended. The first priority use of Tamadera chosen by most respondents is to finance their children's education. The second priority is as additional savings that they will keep for sometime into the future. The third priority use of Tamadera savings is for financing their business investments.

Table 28. Priority of Uses of Tamadera Savings in the Next Five Years

No.	Utilities	Yes	No	Total
1	Child Education	137	99	236
2	Saving	96	140	236
3	For business investment	93	143	236
4	House Renovation	43	193	236
5	Medical Care	41	195	236
6	Daily needs	25	211	236
7	Buy luxury goods	20	216	236
8	Buy Motorcycle	11	225	236
9	Buy farm animal	10	226	236

CONCLUSIONS

1. Almost every respondent is female (94.3%), and of them, 82% are the spouses of the family's household head. Most of the respondents are working in the service sector (40.51%), As many as 24.45% of household heads are working in the trade sector and most spouses work in order to support their family financially (71.5%). More than half of them are working in the trade sector.
2. The average per capita expenditure of households in Quintile 1 is Rp267,351 and in Quintile 5 is Rp1,262,956. Households in Quintile 1 have the highest average number of household members being 6.2, which is about 6–7 persons per household. The average number of household members in Quintile 5 is 4.15, which is about 3–4 household members. The chi-square test reveals that the household quintile is correlated with the number of household members.
3. According to the FGD participants, happiness comes from a balance between economic and non-economic factors. Economic factors are those that affect income or household expenses. Non-economic factors that have an influence on people's well-being and happiness are: the health of household members, internal household relationships (between husband and wife, parent and children), and the household's relationship with its neighbors. Respondents believe that regardless of a household's good economic situation, they will not feel happy if the relationships within family and with others are poor.
4. Based on the survey, 26.67% of households, which is the highest percentage, in Kelurahan Cawang is in Quintile 5 of household's expenditure per capita. In Kelurahan Pisangan Timur, most of the households (24%) are in Quintile 4. On the contrary, Kelurahan Tugu Utara has the highest percentage of households (26.67%) in Quintile 1. While in Kelurahan Semper Barat the highest percentage (28%) is in Quintile 2. Generally it seems that respondents in Jakarta Utara are less wealthy than respondents in Jakarta Timur. Overall, using the official poverty line figure for DKI Jakarta in 2010, Rp331,169, there are only 60 households or 20% of all households sampled in this research that can be categorized as poor. A similar result for household well-being was revealed during the FGD.
5. Participants of the FGD expressed that their present well-being and happiness is lower than three years ago. This is because nowadays business is slow and all of the costs of their daily needs have soared. Some participants gave other reasons why they felt dissatisfied with their present situation, namely because: their children had started school, the absence of their husband or the main "bread winner", an increasing intensity of business competition and an increase in the prices of basic necessities. They felt that a higher income would create a happier life since they already have a good relationship with their family members and their neighbors. They felt that the best way to increase their value of well-being and happiness was through increasing their income.
6. About one third of the household sampled (37%) own a house and about 25% rent a house. Paying rent increases their living cost significantly, especially with the high cost of housing in Jakarta.

7. Raskin and Bantuan Gas Elpiji programs are widespread government programs. Tugu Utara has the most number of households receiving Raskin, and Cawang has the least. This data can be used as a predictive means to approximately see the poverty map in every *kelurahan*. But, Bantuan Gas Elpiji cannot be used to create a poverty map because this program is not exclusive to the poor.
8. The perception of households in Jakarta Timur about their ability to finance their children's education is shown to be better than households in Jakarta Utara. About 85% of all households in every *kelurahan* have at least one child studying at school. In Kelurahan Cawang, there are 42.65% households, and 34.38% households in Kelurahan Pisangan Timur that perceive a good ability to finance their children's education. In Kelurahan Semper Barat, Jakarta Utara, about 48.33% of households expressed neither a poor nor good situation, and in Kelurahan Tugu Utara 40.62% of households reported a somewhat poor situation when considering the payment of their children's education expenses.
9. About 70% of sampled households depend on the availability of their own money to pay for medical treatment. The provincial government of DKI Jakarta distributes JPK Gakin (Jaminan Pemeliharaan Kesehatan Keluarga Miskin) to help poor families in dealing with health problems. The insurance premium is paid by the provincial government from a gasoline subsidy compensation budget. Only 13.7% of households across the four *kelurahan* use JPK Gakin as their source of health funding.
10. Households across four *kelurahan* prefer to go to *puskesmas* when they need medical treatment (56.67%). The second most preferable way to get treatment is by buying nonprescription medication (47.33%).
11. Households often join an *arisan* in their neighborhood. In all *kelurahan*, 57.33% households are members of an *arisan*. The highest rate of participation in *arisan* (73.33%) is in Kelurahan Cawang. There is no significant correlation between participation in an *arisan* and households's quintiles of expenditure per capita.
12. The FGDs revealed that the source of funds from within the community (relatives, neighbors and buying groceries on credit) and savings are more important than those from outside the community because these are the closest and easiest funds to access. Funds from within the community are also easier to process especially when money is required immediately. In terms of sources of funding from outside the community, VFI is more important than informal money lenders because of the service they provide. But from the viewpoint of closeness with community, respondents think that informal money lenders are closer to the community than VFI because informal money lenders are easier to access and relatively easier to meet with.
13. According to the FGD participants, the most reliable source of funding to fulfill a household's basic needs is a monthly salary or business earnings. Borrowing, both money and goods, is one of the "coping strategies" employed by households to handle the range of potential risks they face. The risks are usually in the form of: paying for basic essentials, school expenses, house and health expenses or other disasters related risks.
14. In the survey, four question were asked to measure respondents financial knowledge and ability; (i) Suppose you borrow Rp100,000 from a money lender at an interest rate of 2% per month, with no repayments for three months. After three months, do you owe less than Rp102,000, exactly Rp102,000, or more than Rp102,000?; (ii) If in 2011 your income

is still the same as current year (2010) and prices have increased in 2011 can you buy more than, less than, or the same amount of goods?; (iii) If your friend inherits Rp1 million and in the next three years your friend's sibling inherits another Rp1 million, which one do you think is richer because of the inheritance?; and, (iv) Suppose you need to borrow Rp500,000. Two people offer you a loan. One loan requires you to pay back Rp600,000 in one month. The second loan requires you to pay back in one month Rp500,000 plus 10% interest. Which loan represents a better deal for you?

15. The level of the financial knowledge and ability amongst the community shown in the financial test is low especially in terms of calculating percentage. According to the results from the FGD respondents, only 30% of them could answer Question 1 correctly and 40% of respondents answered Question 2 correctly. But for Question 3, they generally have the opinion that despite the amount of money being the same the quantity of goods that they are able to buy is less because the price has increased. In a situation such as this the money is usually used for business capital, to pay children's school fees or to buy daily essentials.
16. Question 2 in the financial knowledge test was about inflation and 69.3% of all respondents were able to answer it correctly. Repeating the question in FGD, participants also gave the correct answer. They were aware that when prices increase, the utility of money becomes less and the variation of money usage also decreases. They notice this situation when they use their money to buy goods for their kiosk, paying their children's school fees and buying daily needs. Question 3 had the lowest percentage of correct answers from the respondents. It seems that the respondents' knowledge of time value of money is low. However, in the FGD, the same question was asked again with a different result—all participants were able to answer correctly. Some female participants expressed that they always became confused when calculating percentage.
17. In regard to the questions about compound interest, Questions 1 and 4, most of the participants admitted that it was confusing when they had to count in terms of percentage. This does not mean that they cannot calculate the amount of interest but they feel more comfortable when they have to borrow money that the installment and payment methods are set out in advance. The percentage method is quite difficult for them and they are reluctant to think about or calculate the numbers. Respondents in Kelurahan Sempur Barat have the lowest percentage of correct answer across all *kelurahan*.
18. The ability of respondents to deal with the financial literacy questions can also be evaluated through the welfare status of respondents based on quintile. Respondents in Quintile 1 have the lowest percentage of perfect score in the financial literacy test compared to the respondents in the other quintiles. For a total of three correct answers, respondents in Quintile 5 have the highest percentage and respondents in Quintile 3 have the lowest. However, the data does not show a clear relationship between financial literacy and household well-being.
19. Using a chi-square test, the data shows that the respondents' educational attainment and age are statistically significant when compared to their financial literacy score. Most of the respondents who had finished senior high school received a perfect score. Also, the older a respondent's age, the number of those with a perfect score decreased. The financial literacy score is not affected by a household's quintile. Higher financial position of respondent does not mean better score in answering the questions. It is because their financial status could be contributed by other household members and not a direct result of the respondent's earnings.

20. Similar responses regarding a household's most concerning situation arose from the participants of the FGD. Illness is the most concerning risk that participants might face followed by flood, accidents and fire.
21. Interpreting results from the survey generally, respondents are attracted by a savings program that provides health insurance and a death benefit (95.2%). However, the stipulation that the savings account can only be withdrawn from after five years would discourage them from joining this program (74.1%). The rule about a 15% reduction from their total savings if they decided to withdraw their savings before the end of five years is also a factor in further reducing the respondents' interest in the product (58.8%). Even though there is a 15% penalty if they withdraw their savings before the end of five years, the percentage of respondents who still want to withdraw their savings with this consequence is still high (52.8%).
22. The findings above are almost the same as the FGD results. Of all the criteria of the program, the rule about a 15% reduction for withdrawing their savings before the end of five years makes the product become much less attractive. Some participants object to this rule and some others think that it can be used to motivate them to use their savings more optimally. Some participants thought that the saving period is too long and they suggested a shorter term, for example 2 or 3 years. Some of them are interested in the program but cannot join the program because their financial situation makes it impossible, for example because they already have a loan or they do not have enough income to make the weekly saving payment.
23. A question about the priority use of savings was asked to the 236 respondents who stated their interest in Tamadera. The first priority use of Tamadera as chosen by most respondents is for financing their children's education. The second priority is as additional savings that they will keep for sometime in the future. The third priority use of their Tamadera savings is for financing their business investments.

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APPENDICES

APPENDIX 1

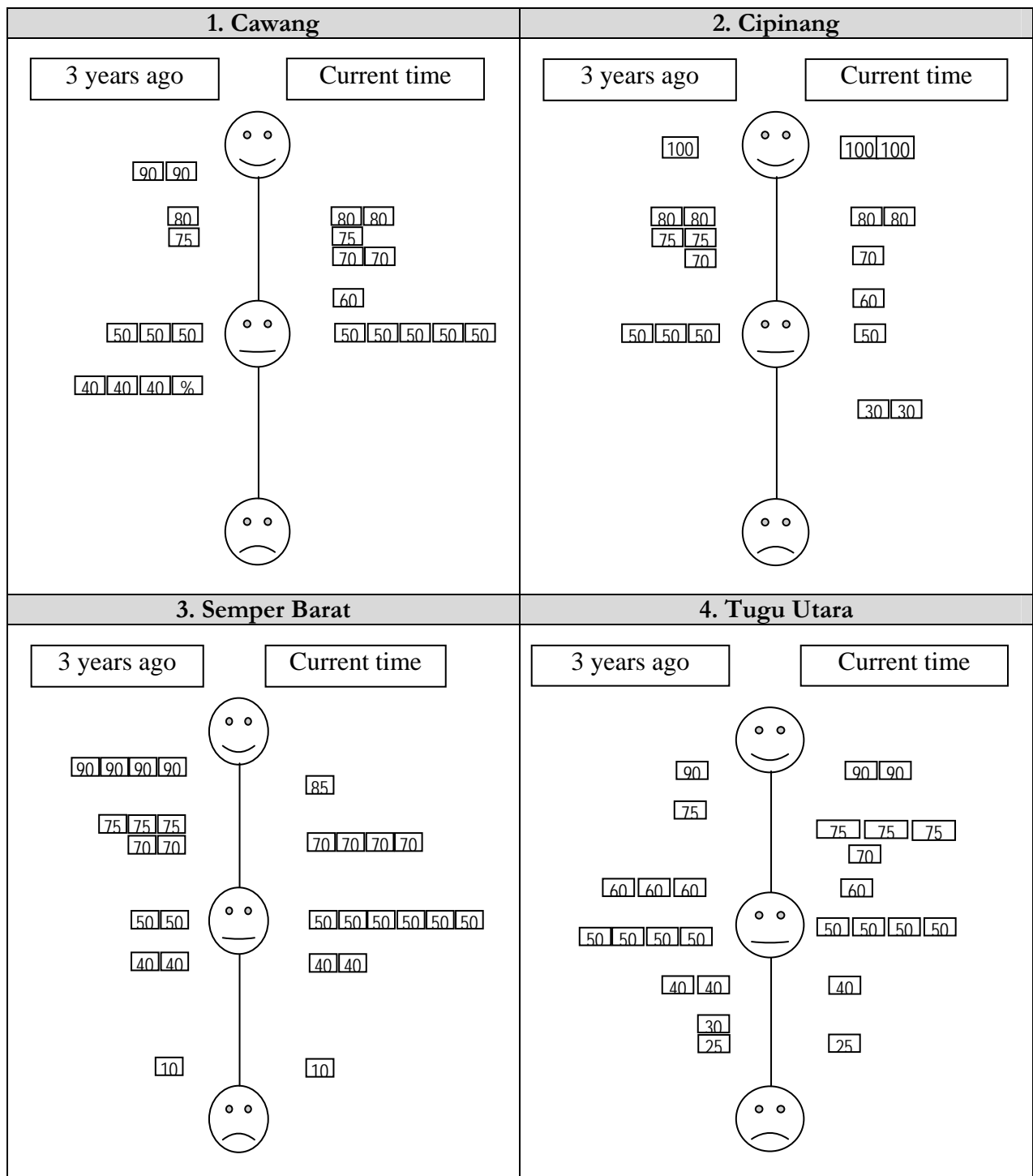


Figure A1. Condition of well-being three years ago and current time (score 0–100, score 100 is the highest welfare)

APPENDIX 2

Table A1. Chi-Square Test for Quintiles and Households with Children Studying at School

Quintile of Expenditure per Capita	Households with Children Studying at School		Total
	Yes	No	
1	51	9	60
2	48	12	60
3	44	16	60
4	44	16	60
5	36	24	60
	223	77	300

Pearson chi2(4) = 11.1118 Pr = 0.025

APPENDIX 3

Table A2. Source of Funding for Children Education

Source of Funding for Children's Education	Average of "Yes" Answer				
	Cawang	Pisangan Timur	Semper Barat	Tugu Utara	All <i>kelurahan</i>
Own money	70	77.6	71.1	67.4	78
Assistance from family/relatives (i.e., the elder paying for the younger)	14.4	7.9	7.9	9.3	11
Assistance from individuals (non-family/relatives) (i.e., neighbor)	0	2.6	0	1.2	1
Scholarship (in the form of money and/or stationeries)	7.8	3.9	13.2	15.1	11
Loan	2.2	3.9	3.9	4.7	4
Child's own income	5.6	3.9	3.9	2.3	4.33

APPENDIX 4

Table A3. Product Specification of “Asuransi Tamadera” (Menciptakan Masa Depan Sejahtera)

Product Name	“Asuransi Tamadera” (Menciptakan Masa Depan Sejahtera)
Product Positioning	Systematic group savings plan with life insurance and additional insurance coverage
Highlight Product Benefits	<ul style="list-style-type: none"> • Savings-cum-insurance micro-insurance product • Group policy • Traditional savings plan with 100% cash-back guarantee • Provides life insurance and extra-benefits coverage for members
Competitive advantages	<ul style="list-style-type: none"> • High customer demand • Enables some business partners (MFIs, NGOs, etc.) to mobilize savings from their customers (which they are not allowed to do) • A similar product was very successfully implemented by Bajaj Allianz Life in India • The product is flexible and can be customized to the needs of the distribution partners and its members/customers
Target Market	<ul style="list-style-type: none"> • Low-income customers of non-bank microfinance institutions (Venture Capital companies) • Low-income customers of microfinance programs of commercial banks • Members of associations, productive cooperatives, NGOs • Low-wage factory workers • Overseas workers
Type of Product	Voluntary Group Savings and Insurance plan (Micro-insurance)
Currency	Indonesian Rupiah
Rider	<ul style="list-style-type: none"> • Critical Illness for <ol style="list-style-type: none"> 1. Heart attack 2. Cancer 3. Stroke 4. Kidney Failure 5. Serious burns or HIV/AIDS (to be decided)
Insured Event	<ul style="list-style-type: none"> • Death • Hospitalization (for Hospital Cash rider) • Critical Illness (for Critical Illness rider)
Insured Sex	<ul style="list-style-type: none"> • Insured can be pay or payer’s spouse • Male & female
Age Limit	<ul style="list-style-type: none"> • Minimum entry age: 17 • Maximum entry age: 50 • Maximum exit age: 55
Premium Payment period	<ul style="list-style-type: none"> • Five years
Protection period	<ul style="list-style-type: none"> • Five years starting from day the of enrollment for life insurance and after 90 days for critical illness coverage
Benefits	<ul style="list-style-type: none"> • Maturity: Rp2,500,000 (i.e. gross premium paid), only paid in case of no claim • Death: Rp2,500,000 • Critical Illness: Rp2,500,000
Lapse	<ul style="list-style-type: none"> • Policy lapses after the end of the grace period. • Grace period can be flexibly agreed with group policyholder, but max. 30 days. • Capital remains (non-forfeiture)
Surrender	<ul style="list-style-type: none"> • Policy can be surrendered earliest after 12 months • Surrender value is always 85% of gross premium paid
Payment Mode	<ul style="list-style-type: none"> • Weekly
Premium	<ul style="list-style-type: none"> • Rp10,000 per week
Claims	<ul style="list-style-type: none"> • Claims are checked and paid by Allianz to the group policy holder • Group policy holder is responsible to pay to the member and provide proof of payment in a timely manner

Source: PT Asuransi Allianz Life Indonesia.

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