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The Role of *Arisan* in Alleviating Household Asset Poverty in Indonesia

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Abstract
This study explored the impact of participation in Rotating Savings and Credit Associations (ROSCAs) on household asset poverty in Indonesia. It used secondary data from the Indonesia Family Life Survey (IFLS) waves 4 and 5. Asset poverty was measured using indicators from the Socioeconomic Data Collection; households were considered asset poor if they failed to meet nine out of 14 indicators. The analysis applied panel logistic regression with a fixed effects model. The results showed that ROSCA participation significantly reduced the likelihood of asset poverty. These findings supported previous studies that emphasized the positive effect of ROSCAs in reducing expenditure poverty. The study provided empirical evidence of ROSCAs' role in improving household economic resilience. It suggested that government and related institutions could support and encourage ROSCAs as part of broader poverty reduction and financial security strategies.

Keywords: Rosca, Asset-Based Poverty, IFLS

Peran Arisan dalam Penanggulangan Kemiskinan Aset Rumah Tangga di Indonesia

Abstrak
Studi ini mengeksplorasi dampak partisipasi dalam Rotating Savings and Credit Associations (ROSCAs) terhadap kemiskinan aset rumah tangga di Indonesia. Studi ini menggunakan data sekunder dari Survei Kehidupan Keluarga Indonesia (IFLS) gelombang 4 dan 5. Kemiskinan aset diukur menggunakan indikator dari Pengumpulan Data Sosial Ekonomi; rumah tangga dianggap miskin aset jika mereka gagal memenuhi sembilan dari 14 indikator. Analisis ini menerapkan regresi logistik panel dengan model efek tetap. Hasilnya menunjukkan bahwa partisipasi ROSCA secara signifikan mengurangi kemungkinan kemiskinan aset. Temuan ini mendukung studi sebelumnya yang menekankan efek positif ROSCA dalam mengurangi kemiskinan pengeluaran. Studi ini memberikan bukti empiris tentang peran ROSCA dalam meningkatkan ketahanan ekonomi rumah tangga. Studi ini menyarankan bahwa pemerintah dan lembaga terkait dapat mendukung dan mendorong ROSCA sebagai bagian dari strategi pengurangan kemiskinan dan keamanan keuangan yang lebih luas.

Kata Kunci: Rosca, Kemiskinan Berbasis Aset, IFLS

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INTRODUCTION

The issue of poverty continues to persist in economic development, both in developed and developing countries. Broadly, poverty is defined as a state in which an individual is unable to meet their basic needs and those of their family. According to the Handbook on Poverty and Inequality, poverty is characterized as pronounced deprivation in well-being or a

significant lack of overall welfare (Haughton & Khanker, 2009). According to BPS (2022), over the past decade, the Indonesian government has achieved relative success in reducing the poverty rate. However, the figures still remain considerably high. In 2012, the population living in poverty stood at 29.25 million and only decreased by 2.24% over the course of a decade to 26.16 million individuals living below the poverty line.

Nevertheless, the issue of poverty needs to be addressed collectively, with both the government implementing fiscal policies and the society engaging in social approaches (Kharisma et al., 2020). Indonesia possesses high cultural and social values. One common social practice found within Indonesian society is the rotating saving and credit association, known as "*Arisan*." *Arisan* is prevalent in many developing countries and is considered an avenue for individuals who lack access to formal financial institutions to save money and fulfill their needs (Acquah & Dahal, 2018; Anderson & Baland, 2002; Satkunasingam & Shanmugam, 2006; Benda, 2013; Gugerty, 2007; Ibrahim, 2019; Kimuyu, 1999; Wapwera et al., 2011).

The Rotating Savings and Credit Association (ROSCA) or *Arisan* is an informal institution commonly found in developing countries (Anderson & Baland, 2002; Dagnelie & Lemay-Boucher, 2012; Gugerty, 2007; Ibrahim, 2019; Levenson & Besley, 1996). This practice goes by various names in different countries; however, the scheme is relatively similar overall. In this practice, a group of individuals collectively contributes a fixed amount of money at each meeting, whether it's weekly, monthly, or yearly. During these meetings, the accumulated sum is given to one of the members until everyone receives a share (Ibrahim, 2019). *Arisan* lacks a formal payment supervision mechanism but relies on social control enforced by the leader or chairperson of the *Arisan* group (Gugerty, 2007).

Arisan shares similarities with *qard hasan* in Islamic literature, which refers to an interest-free lending practice (Sadr, 2017). Tarmizi (2012) mentions at least two differing views regarding the Shariah aspect of *Arisan*. The first opinion considers *Arisan* as impermissible (*haram*) and categorizes it as *riba*. This is because fundamentally, *Arisan* involves a loan contract. Within this loan contract, there is a benefit for the lender in the form of receiving a loan on the condition that other members provide loans in return. Since any loan that brings a benefit is considered *riba*, this viewpoint categorizes *Arisan* as a *riba* transaction.

The second viewpoint asserts that the *Arisan* practice is not a form of *riba* because fundamentally, in *Arisan*, there is only one contract occurring, which is that the member receiving the accumulated funds is taking a loan and will later repay it periodically to each member (Tarmizi, 2012).

There are mechanisms that can explain the relationship between *Arisan* activities and poverty. The first mechanism is the purchase of indivisible goods. These goods tend to be expensive for some individuals because they cannot be bought separately, requiring significant efforts to acquire them. Research by Maitra et al., (2023) found that participation in *Arisan* has a positive influence on the use of LPG as a household cooking fuel. A study by Ademola et al., (2020) indicates that some households utilize funds obtained from *Arisan* to acquire assets such as tables, chairs, and sofas.

Purchasing goods resulting from participation in *Arisan* activities like these can increase household assets, thereby reducing the probability of households experiencing poverty. Second, the relationship between *Arisan* and poverty can be explained through the transmission of business capital. Funds acquired from *Arisan* can be utilized for business purposes such as purchasing machinery or agricultural equipment (Ademola et al., 2020; Kimuyu, 1999). Allocating *Arisan* funds for investment in productive assets can increase turnover, ultimately reducing the likelihood of households experiencing poverty.

Thirdly, through the self-control transmission. *Arisan* is considered capable of addressing self-control issues (Ambec & Treich, 2007; Dagnelie & Lemay-Boucher, 2012). Research by Banerjee et al., (2010) indicates that some impoverished families struggle to break free from their impoverished status due to their own behaviors. One reason is their choice to spend money on non-essential items. Individuals with self-control issues tend to be unable to weigh the consequences of their current consumption (Gul & Pesendorfer, 2001). This becomes particularly problematic in impoverished communities. *Arisan*, with its unique characteristics, can address this issue by encouraging members to consistently set aside funds. Consequently, households participating in *Arisan* may exhibit greater prudence and wisdom in allocating their financial resources, thereby reducing the probability of poverty within those households.

Research on *Arisan* in Indonesia has been conducted by Acquah & Dahal (2018), Ajija & Siddiqui (2021), Anggraeni (2009), Kharisma et.al., (2020), and Pambekti et.al. (2022). Acquah & Dahal, (2018), Ajija & Siddiqui (2021), and Kharisma et.al., (2020) using secondary data obtained from IFLS. Kharisma et.al., (2020) measured the impact of *Arisan* participation on poverty alleviation, assessed through expenditure levels. Ajija & Siddiqui (2021) examined the impact of *Arisan* participation on household assets. Meanwhile, the study by Acquah & Dahal (2018) looked into the role of *Arisan* for households in Indonesia when facing the crisis in 1998.

Various studies on *Arisan* currently focus solely on individual motivations for participating in *Arisan*, as conducted by Anderson & Baland (2002), Anggraeni (2009), Dagnelie & Lemay-Boucher (2012), Donoso et al., (2011), Ibrahim (2019), Kimuyu (1999), Levenson & Besley (1996), and Shoaib & Siddiqui (2020). Meanwhile, research on *Arisan* and its impact on poverty has only recently been undertaken by Kharisma et al. (2020), utilizing an expenditure-based approach to measure poverty. Therefore, this study aims to fill this gap by attempting to analyze the influence of *Arisan* participation on poverty alleviation using an asset-based approach. Through this analysis, the study seeks to understand whether engaging in *Arisan* activities can contribute to improving household assets, which may help reduce overall vulnerability to poverty, even in the absence of direct monetary interventions. Our hypothesis is that *Arisan* can reduce the probability of asset poverty through three key mechanisms. First, *Arisan* facilitates the purchase of durable goods, enabling participants to acquire items that might otherwise be unaffordable in a single payment. Second, participation in *Arisan* encourages a longer time preference, fostering patience and forward-looking financial behavior. Third, it helps individuals overcome self-control problems by creating a structured savings commitment that reduces

impulsive spending. These mechanisms suggest that *Arisan* plays a crucial role in improving household asset ownership and overall financial stability.

METHOD

We utilized secondary data obtained from the Indonesian Family Life Survey (IFLS) during wave 4 and 5, which is publicly available through the RAND research institution accessible via https://www.rand.org/. The IFLS dataset comprises longitudinal survey data covering social, cultural, economic, and health conditions collected from individuals and households in 13 out of the 27 most populous provinces in Indonesia. The IFLS data represents 83% of the conditions of the total population in Indonesia. IFLS 4 data was collected in 2007, and IFLS 5 data was collected in 2014. We employed IFLS 4 and IFLS 5 data to examine the relationship between *Arisan* participation and household asset poverty.

This study employed a fixed-effects logistic regression model to estimate the association between *Arisan* participation and household asset poverty during the 2007 and 2014 periods, adapted from the research model proposed by Kharisma et al., (2020) as follows.

$$Pr\,(Asset\ Poverty) = \alpha + \beta_1 ROSCAs_{it} + B_2 X_{it} + U_{it}$$

In the specified logistic regression model *Pr* (*Poverty Asset*) represents the probability of experiencing asset poverty. The variable '*Arisan*' denotes participation in *Arisan* activities, functioning as a dummy variable with a value of one if the household incurs expenses for *Arisan* and zero if no expenditure is made. X_{it} encompasses other variables influencing asset poverty, including the household head's age, gender, educational attainment, household size, marital status of the household head, household location, homeownership, vehicle ownership, and access to household loans. The poverty variable utilized in this research derives from the 2005 Socioeconomic Survey (Pendataan Sosial Ekonomi, PSE 2005). PSE 2005 does not measure monetary aspects of household finances, such as per capita expenditure, but focuses on non-monetary dimensions. Non-monetary aspects captured in the PSE 2005 dataset describe household characteristics such as flooring type, housing area, and sanitation, among others. The PSE 2005 includes 14 criteria by which individuals are categorized as poor if they meet at least nine of these criteria (Yandri & Juanda, 2018). The criteria are as follows.

Table 1. *Measurement of Asset-Based Poverty*

No.	Indicators	IFLS Variable Name
1.	floor area of the residence is less than 8 square meters per person	1 = Yes (KRO05a/HH Size >= 8)
2.	type of flooring in the residence made of earth/bamboo/cheap wood	1 = Yes (KRK08 has values of 2, 3, and 95)
3.	type of wall in the residence made of bamboo/low-quality wood/unplastered bricks	1 = Yes (KRK09 has values of 2, 3, and 95)
4.	lack of private or shared toilet facility	1 = Yes (KR20 has values other than 1 and 2)

No.	Indicators	IFLS Variable Name
5.	absence of electricity as the household's lighting source	1 = Yes (KR11 has a value of 3)
6.	household's drinking water source from an unprotected well/spring/river/rainwater	1 = Yes (KR13 has a value other than 10)
7.	use of firewood/charcoal/kerosene as the daily cooking fuel	1 = Yes (KR24 has values other than 1 and 2)
8.	consumption of meat/milk/chicken only once a week	1 = Yes (FM03B/FM03B/ FM03B has a value of 1)
9.	purchase of only one set of new clothing per year	1 = Yes (Value of KS08A/HH Size lower than 250.000)
10.	ability to afford meals only once/twice a day	1 = Yes (FM01 has values of 2 and 3)
11.	inability to cover medical expenses at health clinics or polyclinics	1 = Yes (KS08C has no value)
12.	household head's income source: small-scale farmer with less than 500m2 of land, farm laborer, fisherman, construction worker, plantation laborer, or other occupations earning below Rp 600,000 per month.	1 = Yes (AR015B/12 > 600.000)
13.	highest educational attainment of the household head: no education/elementary school/unfinished elementary school/finished elementary school.	1 = Yes (AR16 & AR17 <= 6)
14.	absence of savings/easily sellable items worth a minimum of Rp 500,000, such as a motorcycle (credit/non-credit), gold, livestock, motorboat, or other capital goods	1 = Yes (Total of HR01_D1-HR01_J less than 500.000)

FINDING AND DISCUSSION

The data analysis of IFLS 4 and 5 yielded a total 8,835 household panel observations from 2007 and 2014. Overall, there was a decrease in asset poverty from 2007 to 2014. Asset poverty in 2007 stood at 15.1 percent, which equated to 1,335 household respondents experiencing asset poverty.

In 2014, the asset poverty rate decreased to approximately 6.4%, equivalent to 562 households. In 2007, 83% of households hadn't utilized gas or electricity for cooking. This percentage declined to 30% by 2014. Consequently, it can be inferred that a majority of the respondent households had adopted LPG as a cooking fuel. Household sanitation has also improved. The percentage of households lacking adequate sanitation decreased from 27% in 2007 to 17.2% in 2014. Additionally, the proportion of households without savings exceeding 500,000 IDR also declined from 39.1% to 23.1%.

Table 2. *Descriptive Statistics of Asset Poverty*

Variable	2007		2014	
	mean	**N**	***mean***	**N**
Asset Poverty	0.151	8835	0.064	8835
Income	0.601	8835	0.351	8835
Frequency of meals	0.377	8835	0.481	8835
Electricity	0.04	8835	0.008	8835
Floor type	0.682	8835	0.511	8835
Fuel	0.836	8835	0.305	8835
Health access	0.131	8835	0.116	8835
Education of head of Household	0.56	8835	0.525	8835
Mean consumption	0.208	8835	0.337	8835
Floor area per capita	0.141	8835	0.266	8835
Sanitation	0.27	8835	0.172	8835
Saving	0.391	8835	0.231	8835
Clothing consumption	0.635	8835	0.629	8835
Type of wall	0.283	8835	0.218	8835
Water	0.755	8835	0.607	8835

Table 3. *Dynamics of Household Panel Poverty*

Poverty Pattern	**2007**	**2014**	**Percentage (%)**
Poor twice	Poor	Poor	3.63
Poor once	Poor	Not poor	11.48
	Not poor	poor	2.73
			14.20
Never poor	Not poor	Not poor	82.16
Observation (N)			8.835

Table 4. *Participation in ROSCAs based on household head characteristics*

Variable		**ROSCAs Participation**		**Amount**
		Yes	**No**	
Head of HH Characteristic	Male	6672	7951	14623
	Female	1185	1862	3047
	Married	6851	7625	14503
	Others	1006	2161	3167
	Work	6558	7809	14367
	Not Work	1229	2004	3303

The matrix displaying the change in poverty status between 2007 and 2014 is presented in Table 4. The first row of the table indicates that 3.63% out of the total 8,835 sampled households experienced poverty in both years, signifying their consistent poverty status during that period. The second row demonstrates that 14.20% of households encountered a change in poverty status between 2007 and 2014, encompassing those who

transitioned out of poverty (11.48%) and those who fell into poverty (2.73%). In other words, more households managed to escape poverty than those that entered into poverty during this period. In this context, households in poverty in 2014 comprised 3.63% that were also impoverished in 2007 and 2.73% that were initially not impoverished in 2007 but later experienced poverty in 2014.

Based on Table 4, households are predominantly led by male heads. Among these households, those led by a male head participating in *Arisan* are fewer (45.53%) compared to those not participating. Similarly, households led by a female head participating in *Arisan* are also fewer (38.89%) than those not participating. Married household heads are less inclined to participate in *Arisan* (47.24%) compared to those not involved. Furthermore, employed household heads are more prevalent among those not participating in *Arisan* (54.35%).

Referring to the data in Figure 1, households participating in *Arisan* tend to have a larger percentage of heads with more than 15 years of education compared to households not involved in *Arisan*. Additionally, the majority of household heads without formal education or only completing primary education tend to refrain from participating in *Arisan* activities.

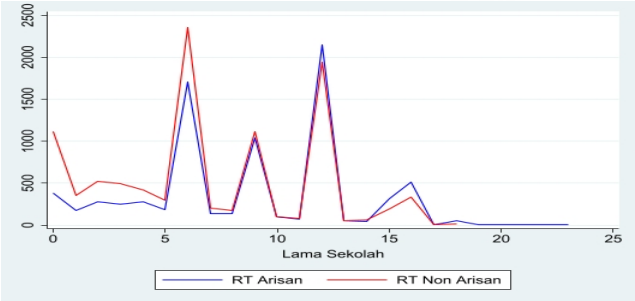

Figure 1. Education and ROSCAs

According to Figure 2, the most prevalent age range of household heads participating in *Arisan* is around 40 years old. The same applies to non-*Arisan* households. However, this percentage tends to decrease as the age of the household heads increases. Meanwhile, based on the number of family members, the largest percentage of households, both participating in *Arisan* or not, have around three to four members in their family (Figure 3).

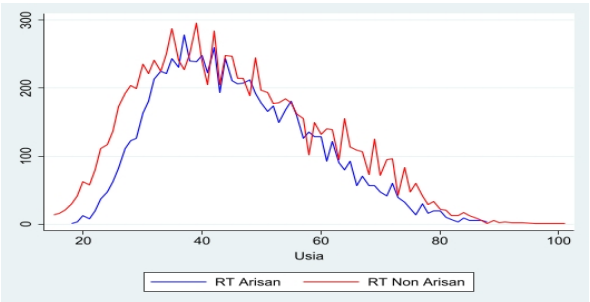

Figure 2. Age and ROSCAs

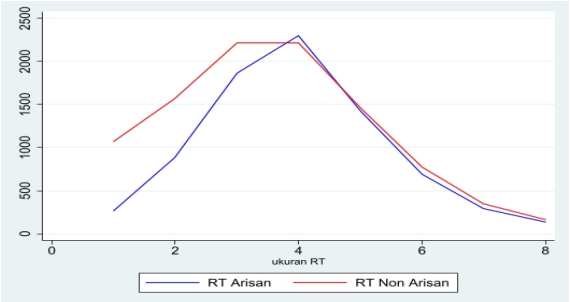

Figure 3. Household Size and ROSCAs

In this study, logistic regression analysis was conducted using common effect, fixed effect, and random effect approaches. Each approach consisted of three models, where the first model was the basic model containing only one independent variable, which is participation in a rotating savings and credit association (*Arisan*). The second model added variables such as the age of the household head, the education level of the household head, and the number of household members. The third model included additional control variables such as marital status, place of residence, household head's employment status, financial access, homeownership, and vehicle ownership.

The results of the logistic regression analysis using the common effect (CE), Fixed Effects (FE), and Random Effects (RE) approaches in Table 5 show that the *Arisan* variable has a highly significant influence on the probability of poverty. In all three approaches, it can be observed that the coefficient of the *Arisan* variable has a strong negative value and is statistically significant. This indicates that individuals actively participating in *Arisan* have a lower likelihood of experiencing poverty compared to those not involved in *Arisan*.

The common effect approach assumes that the effect of the *Arisan* variable remains constant across all observations, disregarding individual differences or changes over time. The fixed effect approach, considering fixed differences among individuals, indicates that *Arisan* significantly affects the poverty status after controlling for those factors. Meanwhile, the random effect approach, which takes into account variations among individuals, also confirms that participation in *Arisan* correlates with a significant decrease in the probability of poverty. In other words, from all these approaches, the conclusion can be drawn that involvement in *Arisan* consistently has a positive impact on reducing the probability of households experiencing asset poverty.

In panel logistic regression analysis with a fixed effect approach, it is evident from Table 4.6 that the number of observations becomes smaller compared to the model using the random effect approach. This occurs because the fixed effect approach focuses on variations in data stemming from changes within individual units (in this case, households) over time. In other words, the fixed effect eliminates much of the variability originating from unchanged differences among households throughout the study period.

Some households exhibit outcomes that remain unchanged throughout the observed period, such as households consistently in poverty at two-time points or households that never experience asset poverty. The fixed effect approach discards such observations. Consequently, the number of observations used in the fixed effect model becomes smaller. The estimated results of the panel logistic regression demonstrate that participation in *Arisan* can decrease the probability of households falling into asset poverty. These findings consistently show a negative sign across all three models and are significant at the one percent level (p-value < 0.001).

Additionally, the results indicate that variables such as the age of the household head, education level of the household head, and residing in urban areas also significantly reduce the probability of experiencing asset poverty. Older age and higher education levels among household heads tend to reduce the risk of falling into asset poverty, while household size has varying effects depending on the model used. Gender and marital status variables do

not have a significant impact on reducing the probability of experiencing poverty. Vehicle ownership consistently exhibits a significant influence in reducing poverty.

From the regression results, the conclusion is drawn that participation in *Arisan* has a significant negative relationship with the probability of households experiencing asset poverty. These results align with the research hypothesis and earlier findings regarding the benefits of *Arisan* activities. This study reaffirms the findings of Kharisma et al., (2020), which discovered that *Arisan* participation can decrease the probability of households experiencing expenditure poverty as well as poverty measured by asset-based approaches.

The negative relationship between *Arisan* participation and poverty can be explained through three transmissions. First, through the transmission of purchasing indivisible goods. These goods tend to be expensive for some individuals because they cannot be bought separately, requiring substantial effort to acquire them. Research by Maitra et al., (2023) found that *Arisan* participation positively influences the use of LPG as a household cooking fuel. Additionally, research by Ademola Abimbola et al., (2020) suggests that some households use *Arisan* earnings to acquire assets such as tables, chairs, and sofas.

Buying goods resulting from participating in *Arisan* activities like this can increase household assets, thus reducing the probability of households experiencing poverty. Secondly, through the transmission of business capital. Besides purchasing consumable items, money obtained from *Arisan* can also be used for business purposes such as buying machinery or agricultural tools (Ademola et al., 2020; Kimuyu, 1999). Allocating *Arisan* funds for investment in productive goods can increase turnover, ultimately reducing the likelihood of households experiencing poverty. Thirdly, the negative relationship between *Arisan* participation and poverty is explained through the transmission of self-control. Banerjee et al., (2010) mention that some individuals in poverty cannot break free from their impoverished status due to their own behavior patterns.

One of the reasons for this is because some individuals choose to spend their money on non-essential items. Someone who struggles with self-control tends to be unable to weigh the consequences of their current consumption. This becomes a particular issue, especially within impoverished communities. *Arisan*, with its unique characteristic, has the potential to address this issue by encouraging its members to consistently set aside funds. This aligns with research by Ambec & Treich (2007) and Dagnelie & Lemay-Boucher (2012) which found that *Arisan* can be used as a tool to address self-control issues. Therefore, households participating in *Arisan* tend to be more careful and wise in allocating their financial resources, consequently reducing the probability of poverty within those households.

Table 2. *Result Of Logistic Regression*

Variable	(1) CE **poor**	(2) CE **poor**	(3) CE **poor**	(4) RE **poor**	(5) RE **poor**	(6) RE **poor**	(7) FE **poor**	(8) FE **poor**	(9) FE **poor**
ROSCAs (1=yes)	-1.024***	-0.720***	-0.432***	-1.190***	-0.824***	-0.503***	-0.496***	-0.449***	-0.381***
	(0.0560)	(0.0586)	(0.0615)	(0.0726)	(0.0723)	(0.0738)	(0.107)	(0.112)	(0.123)
HH Age		-0.00764***	-0.00724***		-0.0119***	-0.00993***		-0.0387***	-0.0356***
		(0.00195)	(0.00213)		(0.00255)	(0.00267)		(0.00564)	(0.00613)
HH Age		-0.241***	-0.205***		-0.302***	-0.250***		-0.221***	-0.207***
		(0.00770)	(0.00851)		(0.0114)	(0.0117)		(0.0261)	(0.0283)
HH size		0.00393	0.104***		0.00799	0.118***		-0.0336	0.0248
		(0.0158)	(0.0177)		(0.0202)	(0.0220)		(0.0372)	(0.0430)
Gender			0.236**			0.285**			0.193
			(0.0952)			(0.117)			(0.215)
Married (1=yes)			-0.139			-0.150			0.00207
			(0.0944)			(0.116)			(0.211)
Urban (1=yes)			-0.638***			-0.756***			-0.977***
			(0.0605)			(0.0758)			(0.239)
Work (1=yes)			-0.0171			-0.0315			-0.0517
			(0.0721)			(0.0865)			(0.129)
Financial access (1=yes)			-0.298***			-0.282***			0.151
			(0.0657)			(0.0797)			(0.115)
Home ownership (1=yes)			-0.102			-0.0998			-0.0593
			(0.0761)			(0.0917)			(0.157)
Vehicle ownership (1=yes)			-1.506***			-1.731***			-1.355***
			(0.0599)			(0.0753)			(0.118)
lnsig2u				1.045***	0.653***	0.419***			
				(0.0876)	(0.105)	(0.126)			
Constant	-1.760***	-0.0936	0.418**	-2.593***	-0.129	0.416**			
	(0.0285)	(0.134)	(0.165)	(0.0716)	(0.173)	(0.205)			
Observasi	17,670	17,670	17,670	17,670	17,670	17,670	2,510	2,510	2,510
Number of id				8,835	8,835	8,835	1,255	1,255	1,255

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

CONCLUSION

This study aimed to examine the influence of participation on household asset poverty in Indonesia. Based on the logistic regression results, it is concluded that participating in *Arisan* has a significant negative correlation with the probability of households experiencing asset poverty. This finding is consistent with previous research indicating that participation in *Arisan* can reduce the likelihood of households experiencing poverty. Poverty alleviation efforts implemented by the government, such as the Program Keluarga Harapan, can still be improved. In addressing poverty, the government needs to consider the socio-cultural perspective, where common community practices like *Arisan* have been proven to help reduce poverty. Therefore, the government is encouraged to promote *Arisan* and other social activities as a means for households across Indonesia to strengthen financial resilience and prevent poverty. In practical terms, it may even be possible to introduce a requirement for PKH beneficiaries to participate in *Arisan*.

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