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Banking with the Patron: The Case of Patron-Client Relations in Makassar, Indonesia

By IMTFI researchers [Tiar Mutiara Shantiuli](#) & [Salmah Said](#)

There is a general acceptance that the growth of rural financial institutions in Indonesia will increase the access people have to formal banking. However, the growth of these rural financial institutions is developing alongside a (long-standing) informal lending system: the patron-client relationship. We examined to what degree this informal patron-client lending system persists. We found that these patron-client relationships still exist even in the areas with intensive rural-financial institutions in Makassar, Indonesia. From the sub-regencies of Pacinongan, Panakkukang, and Panampu, we select 6 patron-client relationships in different businesses including sea cucumber fish, game centers, calfskin crackers, land plot sales, garages, and fried shallots. The sea cucumber fish business has lasted for two generations, while the others are one generation old. The game center is new and is run by students. All are similar in the informality of their labor relations (recruitment, types of duties, hours of work, and wages). In general, there is a fixed wage directly related to the main job or revenue, with some additional wages related to additional tasks (e.g. housework). As Ahimsa-Putra (2007) noted, the presence of additional transactions is observed in all of these patron-client relationships. Recruitments could be based on: kinship, the origin of the business owner, recommendation by an existing worker, neighborhood proximity, or friendship.



Daeng Munding with son, nephew, and friend's son working at calfskin cracking business.

The patronage relationship begins with worker recruitment. The recommendation of existing workers, family ties, and friendship enables the business owner to connect with workers. Recruitment proceeds depending on the needs of the employer. It could be more swift and direct if new workers are found via family ties and the recommendations of existing workers. Or, it could take longer and require more

processing because the business owner needs to ensure that the new worker will not disrupt the existing working environment. The importance of a workforce's harmony is attested to by one game center worker's statement that the joyfulness of working is the most important reason why they stay.

One of the cucumber sea fish workers told us that when they make their trip from Central Sulawesi to work on Kodingareng Island in South Sulawesi, they usually bring family members with them as new recruits. With permission from the employer, those family members are recruited to work as divers. Usually, it costs the employer around 10 million Rupiah (about \$818USD) to hire a new recruit, which covers their transport and the living costs of the family back in Central Sulawesi. Even though this initial money is thought of as a loan, the worker never actually pays off the debt, making it harder for the employee to leave.

Since the workers also live with the business owner and the main activities on the job do not absorb all of the workers' time, they must be willing to take on a variety of unspecified tasks. However, the owner does not just add to the worker's duty, but also offers in-kind rewards such as shelter, food, holidays, and paying for other unexpected expenses. This

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- ▶ [2021](#) (14)
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- ▶ [2018](#) (14)
- ▶ [2017](#) (54)
- ▶ [2016](#) (51)
- ▶ [2015](#) (84)
- ▶ [2014](#) (46)
- ▶ [2013](#) (49)
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helps to develop a mutual dependency between the worker and the business owner. The garage and the fried shallot businesses are an exception to this pattern, as the workers are the neighbors and do not stay with the business owner. Still, additional duties to the main labor tasks (or “additional transactions”; Ahimsa 2007) are observed in these businesses.

The inexact working hours, and the closeness of habitation, build up trust between the business owner and the worker. In addition, the closeness of their habitation and the informality of their contract make the relation less like an employee-employer relation, and more like a family one. Even in the case of exact job descriptions, the informality still endures in the rewards/ payment aspect of the



Daeng So'na working at her fried shallot business with her neighbor.

relationship. Such an informal relationship between the workers and the business owner can also be observed in the case of young businesses. Even though their connections might not be as old and living as close, the kind of duties they do are not always related to the main business.

Nahar, the game center owner, said that the business does not have a fixed work schedule. It depends on who has spare time, as they are university students. There is no fixed salary, as it depends solely on the everyday rental income of games. Yet, he told us, “In spite of the uncertain income they get everyday, they do enjoy working in this game center because of their friendship and they are willing to offer any help to me whenever I need them inside or outside of the games center.”

In all of our selected cases, the business owner is a resource that helps solve the financial needs of the worker. As with the informality of the working relationship, lending and borrowing are also carried out informally. Even though the rotating savings association, local cooperatives, and banks are familiar to them, the workers prioritize the employer as the primary lender from which to borrow. It seems that the flexibility and mutual aid attached to the loan and its repayment are the key reasons for those preferences.

In the land plot selling business we were told that the basic salaries for the marketers is a weekly payment between 200.000-250.000 Rupiahs (about \$16-\$20USD), plus daily pocket money of either 20.000, 30.000 or 35.000 Rupiahs (about \$1.60, \$2.45, \$2.86 USD). As a bonus, the marketer earns a fee of around 2.500.000 Rupiahs (\$204.50USD), if the buyers pay in cash, and around 1.000.000 Rupiahs (\$81USD) if the buyers pay in periodic installments. While the workers stay in their boss's house, she provides for daily expenses (food, cigarettes, etc.). Doubtlessly, these workers also do housework. The informality also persists in cases where workers need extra money. Borrowing is always to the boss. It is not clear how the marketers pay her back, but we gather from our investigation that she acts almost like a mother to them.

In the fried shallot business and the game center, banks are used for saving and for transferring payment. When the game center business grows, the owners plan to use workers who have more formal contracts. Thus, when the informality and mutual aid motives fade, the likelihood of using formal banking institutions increases.

You can read *Tiar Mutiara Shantiuli & Salmah Said's full report* [here](#).

Posted by HowardPastaGrillman at 9:53 AM



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