

Abstract

This study compares the role of financial self-help groups among eight communities under different socio-economic conditions in rural Java. The financial self help group, called ‘*arisan*’ in Indonesian, is formed by a group of individuals who agree to regularly contribute money to a common fund that is allocated to one member who wins a lottery. Additionally, some *arisan* groups engage in loan activities using accumulated savings. There are two main motivations for villagers to participate in *arisan* groups: to get small savings and loans (economic motivation) and to maintain good contact with other participants (social motivation). Using data collected in the eight communities, this study examines how the *arisan* groups’ modes of operation have changed over economic development and analyzes its impact on the poor people in each community. Also, policy implications on how we should utilize *arisan* groups for poverty alleviation program, such as microfinance programs, are discussed.