

# Credits and Mortgage as An Effort to Prevent Poverty in *Afdeeling* Demak Grobogan, During Colonial Era

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**Abstract**— This research was conducted using a historical research by collecting the related sources, then it was criticised and analysed as writing materials. Poverty occurred in *Afdeeling* Demak Grobogan in the middle of 19th century carried out tremendous impacts, so the Dutch colonial government tried to overcome the situation. Thus, the realisation was implemented in the early 20<sup>th</sup> century. One of the efforts was by establishing financial institutions in the rural areas. Their services were mortgage and credits which assisted the costs of planting rice, sugarcane, etc.

**Keywords**— poverty; credits; mortgage

## I. INTRODUCTION

Demak and Grobogan were parts of Semarang Residency, and they appalled the Dutch Indies in the 19<sup>th</sup> century due to poverty which caused many people were starving and die [1]. As a settlement, these areas developed economic sectors, not only from the agricultural sector but also the trade sector. The trading routes were through both the coast and Lusi river surrounding Demak and Grobogan areas [2].

Hence, the cultural negotiation of local society and liberal colonial system applied by the Dutch Indies government had extinguished the local wisdom and the economic potency in these areas. The researcher would provide a depiction of poverty in the Demak and Grobogan society before 20<sup>th</sup> century. In addition, the researcher also described an effort to prevent the poverty through credits and mortgage in Demak and Grobogan from the decade of the early 20<sup>th</sup> century.

## II. RESEARCH METHODS

This article was based on the historical research. Data were collected from several sources, namely Jakarta National Library, the Dutch National Archives, and the collections of KITLV Leiden. Then, the data were

analysed through historical analysis using economic approach.

## III. THE PREVENTION OF POVERTY IN THE RURAL AREAS

In the early 20<sup>th</sup> century, Demak and Grobogan areas received great attention which was in line with the prosperity policy applied in Java. Several policies to prevent poverty were carried out. These policies were focused on the problems in the Demak and Grobogan society, namely the poor environmental management. Therefore, these policies were implemented in both physical and non-physical developments. The physical development included the establishment of irrigation facilities, drinking water facilities (clean water) and roads or bridges. On the contrary, the non-physical ones were improving health in order to decrease the mortality number of populations, providing the banking services, such as mortgage and credits including *lumbung desa* (the village barn), and improving education. However, this article only focuses on providing credits and mortgage by the colonial government at that time.

Another indicator used as a means of measuring the prosperity or welfare level of populations in *afdeeling* Demak and Grobogan areas after the colonial policy were applied was the amount of credits intake in the credit institutions, for instance banks and pawnshops. Based on MG Sulistyawardhani, the credit institutions in the early period of 20th century in Java and Madura were *lumbung desa* (the village barn) and the village banks [3]. However, the data related the amount of credit intake in the *afdeeling* Demak and Grobogan areas were not available. The data that the researcher found in discussing the amount of credit intake from the people in these areas included several causes which motivated people came to the pawnshops along with the amount of deposit paid by the pawnshops in *Afdeeling* Demak and Grobogan. The detailed data were provided in Table 1

Table 1  
The Development of Mortgage Entered in the Pawnshops in Demak and Grobogan (20<sup>th</sup> Century)

Year	Locations of Pawnshops							
	Purwodadi	Demak	Wirosari	Kuwu	Godong	Gubug	Dempet	Gajah
1906	62310	87657	-	-	-	-	-	-
1907	93255	101767	-	-	-	-	-	-
1908	97868	89915	-	-	-	-	-	-
1909	117072	96874	-	-	-	-	-	-
1910	134293	107977	-	-	-	-	-	-
1911	142768	104099	-	-	-	-	-	-
1912	127057	114497	-	-	-	-	-	-
1913	141347	113927	-	-	-	-	-	-
1914	141508	110214	52156	43183	58269	56037	38734	25032
1915	117162	120244	66939	55068	83190	89199	64519	38644
1916	112108	117785	84029	58653	75487	79853	51025	33345
1917	133424	117785	100135	64590	97644	86514	59009	39541
1918	146006	140924	108919	68441	118549	111701	85186	77966
1919	124356	118402	87691	64421	74988	86134	60702	59656
1920	103029	115919	69453	66081	81379	85841	71627	50403
1921	88436	93453	60953	66660	57976	65394	51982	39901

Source: *Verslag betreffende Gouvernement - Pindhuisdienst over het jaar 1906-1922.*

Based on table 1, it could be described that the visitors of the pawnshops in *afdeeling* Demak and Grobogan gradually increased over year, either in the number of visitors or the credits issued by the pawnshops. These increases were due to the success of the government in providing credits for the people which had smaller interest compared with the shark loans. The shark loans initially became the only ones who assisted the farmers to overcome difficulties. Another reason was these institutions were credible and easy in providing credits rather than the loan sharks. Table below showed the total amount of money given by the pawnshops to the people. Furthermore, it also illustrated that these institutions were established in the capital city of *afdeeling* in 1906, then followed by the district capitals since 1914.

Since 1908, the amount of money spent in Purwodadi (*afdeeling* Grobogan) was greater than in *afdeeling* Demak. The highest number of loans in the pawnshops occurred in 1918. This increase not only occurred in the capital of *afdeeling*, but it also in most pawnshops in entire districts.

With regard to the data founded, there were several reasons which caused the people came to the credit institutions to borrow money. The main reason from various purposes they came to the credit institutions over

years was to work on the rice fields, moors, and gardens. In 1912, the total amount of debtors in the credit institutions in Demak was 5746 people with the total loans by 287068 guilders, while in *afdeeling* Grobogan, the debtors were 2072 people and the total loans were 97498,25 guilders. The highest amount of credits was to plant rice. In *afdeeling* Demak, from 3939 debtors, the amount of credits reached 71967 guilders, while in *afdeeling* Grobogan, from 402 debtors, the total loans were 77675 guilders. The high amount of credits in Demak was used by the people to plant rice and to buy livestock. This livestock purchase was carried out by 209 debtors with the total loans by 83945 guilders [4].

In 1914, the total number of debtors in the credit institutions in Demak was 145464 people with the total loans by 419650,42 guilders, while in *afdeeling* Grobogan, the debtors were 5990 people, and the total credits were 502304,85 guilders. The main reason borrowing money was to work on rice fields, moors, and gardens. In *afdeeling* Demak from 5676 debtors, the amount of credits were 111797,50 guilders, while in Grobogan from 853 people, the amount of credits reached 13479,50 guilders. Another reason to borrow money was to purchase livestock, that was in *afdeeling* Demak from 452 people, the total credits were 43492 guilders. In

*afdeeling* Grobogan, the highest number of credits was used to purchase woods, boats, fishing gears, and from 457 people, the amount of credits was 416590 guilders. For the main purpose borrowing money was related to the payment of home repairs and purchasing clothing materials for each *afdeeling*. In Demak, from 231 people, the total credits were 16770,71 guilders, and in Grobogan from 920 debtors, the credit values were 27430 guilders. The highest credit values in *afdeeling* Grobogan were not only used to agriculture, purchasing woods and home repairs, but also to purchase horses, equipment and vehicles. The credit values for these purposes reached 30052,35 guilders [5].

Based on the data in 1919, the highest credits in *afdeeling* Demak were used to plant tobacco. The amount of credits spent were 22119 guilders from 267 debtors. The reasons were to redeem mortgage goods, to pay debts and to run craft business. Craft business in *afdeeling* Demak was regarding to preserve fish, to make brown sugar and handicrafts. The amount of credits issued from 137 debtors was 7415 guilders. Meanwhile, in order to redeem the mortgage goods and to pay debts from 181 debtors, the total credits were 11680 guilders. For *afdeeling* Grobogan, the main reason was used to plant tobacco and to purchase woods. Credits issued to plant tobacco from 2270 debtors were 45020 guilders. Whereas, to purchase woods from 28 debtors, the amount of credits were 1525 guilders. Data this year showed that overall, the number of debtors in each *afdeeling* was 687 debtors in Demak, the total of credits was 45758 guilders. In *Afdeeling* Grobogan, the number of debtors reached 2745 people with the total of credits reached 62015 guilders [6]. The complete data regarding the number of debtors and the credit values issued by the credit institutions in each *afdeeling* could be shown in Table 2.

Table 2

The Development of Loans to the Credit Institutions in *afdeeling* Demak-Grobogan

Year	Number of People (people)		Amount of Loans (f)	
	Demak	Grobogan	Demak	Grobogan
1912	5746	2072	287068	97498,25
1914	145.464	5990	419.650,42	502304,85
1919	687	2745	45758	62015
1925	4804	5816		

Source: *Verslag van het Volkscredietwezen ultimo loopende 1912-1925* (Druk Emmeriek; Weltevreden ).

#### IV. CONCLUSION

This could be concluded that the Dutch colonial government conducted an effort to prevent poverty through providing credits and mortgage. Thus, the people were spared by the loan sharks. Furthermore, credit and mortgage could increase the production of rice and tobacco which became mainstay commodity from Demak and Grobogan *afdeeling* at that time.

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