



Abstract

This thesis deals with the effect of the rainfall on the rural economy in Indonesia by three aspects. The first aspect is about the agricultural incomes, the second is about the amount of savings of rural people, the third is about the precautionary savings. The spill out effect from farmers to the other rural people through the local economy is also measured. 4836 households, 359 communities and 258 sub distinct by four time point surveys from Indonesian Family Life Survey are used in this study and collaborated with rainfall data. Panel data analyses are applied to analyze. This thesis revealed that the irrigation equipment improve farmers' income by 5.11%, the education significantly improve income from households' own business, non-farmers are natively affected by age on saving 30.4% more than farmers, non-farmers are affected by gender less than farmers, and the precautionary saving accounts 31.27% of the farmers household saving, and 15.39% of the non-farmers household saving. The precautionary saving rate is lower than developed countries while their risk seems higher than developed countries. Under this situation, the irrigation equipment encourage rural people to prepare the precautionary saving by 27.38%.

Keywords: Indonesian Family Life Survey, Precautionary Saving, Saving Factors, Income Determinants.