

Insights into the Financial Status of Rural Households

(Status of Household Income, Expenses, Savings, Indebtedness etc.)

A study of Ajmer District, Rajasthan



2006

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Preface

One of the reasons for poverty and backwardness is the 'lack of access of poor to financial services'. There are still a large number of people, both in rural and urban areas, who do not get credit when they need, who do not have a safe and secure place to keep their surplus earnings, and who are forced to either sell their assets or take credit at exorbitant rates to meet their cash needs.

Formal financial institutions have been able to reach out to only around 35% of households so far. Some alternative strategies like 'microFinance' through Self Help Group- Bank linkage and through Micro Finance Institutions have emerged in last two decades. But still a large part of financial needs of poor are met through informal sources.

As rapid economic growth and development is taking place at the macro level, the situation at micro level is also in transformation. The income sources, expenditure pattern, savings, credit needs and the need of other financial services of a poor family should also have changed with time. There are macro level studies and surveys that provide some idea about this but still there are very few micro studies that can tell about the status at the household/ family level.

Center for microFinance is working for strengthening microFinance sector in Rajasthan. One of its strategy is to generate knowledge and disseminate to practitioners and policy makers so that there are appropriate products, services, programmes and also there is enabling policy environment for poor to have access to financial services as per their need, on time, on just terms and conditions and with dignity.

Taking the help from Prof M S Sriram who has conceptualized and conducted cash flow studies of poor elsewhere, CmF undertook this study. The aim of the study is to understand the existing pattern of cash flow, acquisitions, investments and credit in the rural areas of the state of Rajasthan and to identify opportunities of financial interventions for planning a comprehensive business strategy to ensure certain degree of financial stability among the rural population.

The study covered 1604 rural households in 36 villages of 6 blocks in 5 districts- Pugal and Nokha in Bikaner, Khandar in Swai Madhipur, Nadoti in Karauli, Suwana in Bhilwara and Pisangan in Ajmer. These blocks were selected to cover diverse agro-climatic zones. The study did not focus on any particular category or class, the sample households were randomly chosen. A structured questionnaire for Household data and a checklist for Focus Group Discussion were used.

The study report contains details about the occupation pattern, income sources and their respective contribution in household economy, asset base, expenditure pattern, status and practices of savings, sources of credit, indebtedness, repayment behaviour, etc. of rural households in Ajmer District.

We feel that the findings of the study and its data would be highly useful for mF practitioners working in NGOs, Banks, and Government and also to policy makers. We also expect the study to generate further thoughts and provoke researchers to undertake in-depth study on issues highlighted.

We acknowledge the unstinting support of Prof M S Sriram in this study. He not only provided all technical guidance but also provided much needed financial support. We also thank Consultus, Ranchi and its team of researchers for data collection, analysis and writing of the report. We would also like to acknowledge the contribution of a number of field investigators and organisation- BAIF, URMUL and Dang Vikas Sansthan for their uninhibited support in logistics. Finally thanks to Ms Vartika Jaini and Sir Ratan Tata Trust for their valuable support.

Jai Pal Singh¹

¹ Executive Director, Centre for microFinance, Jaipur

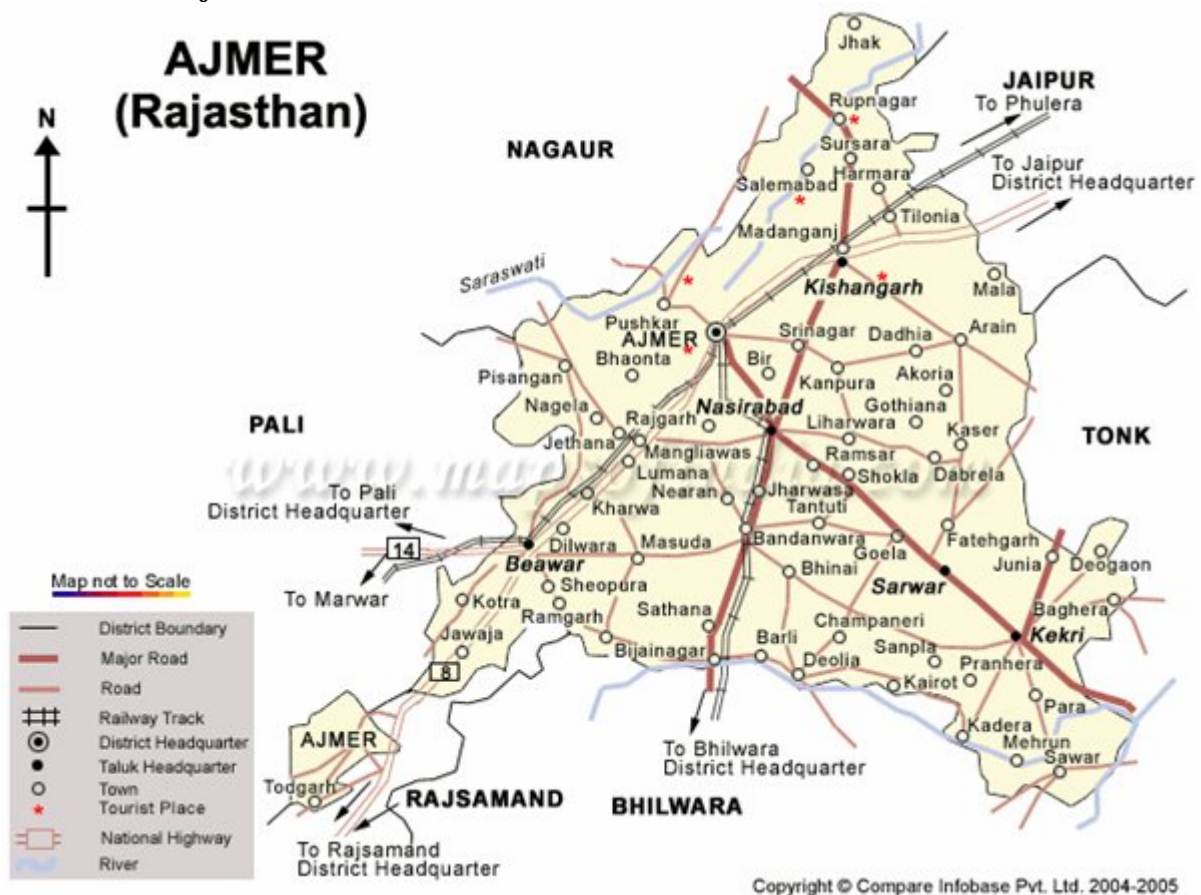
Background

Centre for microFinance (CmF) with its headquarters in Jaipur (Rajasthan), has been set up to widen, deepen and upscale the microFinance (mF) movement in Rajasthan. It 'strives for facilitating timely availability of mF services on fair terms with dignity, to help people enhance their livelihood'.

In 2005, CmF commissioned a study in five districts (six blocks) - Ajmer (Pisangan block), Bikaner (Nokha and Pugal blocks), Bhilwara (Suwana block), Karauli (Nadoti block) and Sawai Madhopur (Khandar block) - of Rajasthan to understand the existing scenario including the type of financial services that the people in rural parts of backward areas are presently accessing, along with their assessment on certain attributes. It also sought to holistically understand cash flows of households in the rural areas of the state of Rajasthan.

Since the understanding derived from this study is likely to be useful for different stakeholders, this report presents a summarized version of the findings from the study in Pisangan block of Ajmer District.

1. Profile of Ajmer District



The district of Ajmer is situated at the centre of the state of Rajasthan and is surrounded by Jaipur and Tonk districts in the east and Pali in the west. Nagaur district touches its northern boundaries while Bhilwara district lies along its southern boundary. Ajmer has a total area of 8481 square kilometres.

It has four sub-divisions, Ajmer, Beawar, Kekri and Kishangarh. The sub-divisions are further divided into six tehsils namely Ajmer, Beawar, Nasirabad, Kekri, Kishangarh and Sarwar, and comprise 985 villages in total.

Reporting area in Ajmer district for land utilisation purposes is 842,345 hectares. Net sown area is 389,413 or 46.2% of land area. Nearly 6.5% is forest area. Nearly 26% of the land is either not available for cultivation or is otherwise uncultivated land. Nearly 9% is culturable wasteland. About 12.5% is fallow land².

Normal annual rainfall is 601 mm. Annual precipitation fluctuates widely ; in 2002 the total rainfall was only 190 mm while in 2002 it was 563 mm.

Ajmer district's net irrigated land in the year 2001-2002 was 92807 hectares. Nearly 81% of this area is irrigated by wells and tube wells. Through tanks a further 13% is irrigated. Canals and other sources account for the balance.³

Land holding is highly skewed in the favour of medium to large farmers. As per the 1995-1996 category wise numbers and area of operational holdings there are 215411 holdings covering an area of 502477.37 hectares in Ajmer. Marginal farmers with operational holding of less than one hectare account for over 44% of the holdings but hold only 8% of the total area. Small farmers with holdings of 1 to 2 hectares account for nearly 21% of the holdings but only 13% of the area. Semi medium holders (with 2 to 4 hectares of land) account for 18% of the holdings but only 22% of the area while medium and large holders (with holdings greater than 4 hectares) account for nearly 17% of the holdings and over 57% of the area. In the past ten years since this data was generated and in absence of land reforms further land fragmentation could have only worsened the above scenario.⁴

As per Census 2001, it has a total population of 2.18 million of which 61% lives in rural areas. People from the scheduled caste constitute about 18% of the population and 2.4% scheduled tribe people. The sex ratio of Ajmer district is 931, which is a tad lower than the national figure of 933. The population density of Ajmer is about 257, which is lower than the national average of 324 persons per square kilometre.

As per Census 2001, the overall literacy rate of the district is 65% (only 53% in rural areas). At 79% the overall male literacy is significantly higher than the female literacy figure of 49%. In the rural areas, the female literacy is even lower, at about 32%.

² Statistical Abstract Rajasthan, 2002, Directorate of Economics and Statistics, Rajasthan, Jaipur, page 129-130

³ Statistical Abstract Rajasthan, 2002, Directorate of Economics and Statistics, Rajasthan, Jaipur, page 59

⁴ Statistical Abstract Rajasthan, 2002, Directorate of Economics and Statistics, Rajasthan, Jaipur, page 126-127

The occupational pattern (as per Census 2001) indicates that the overall workforce participation is 39.3%, with male and female participation in the workforce being nearly 50% and 28% respectively. About 38% of workforce is cultivators and another 10% work as agriculture labourers, further 4% of the population as household workers and the rest 48% are employed in manufacturing, processing or in the services sector.

The major crop of this area is bajra, jowar, maize, gram, groundnut, paddy, red chillies rapeseed, mustard, barley and wheat. The district is known for its milk production, bulk of which comes from buffaloes.

In 2001, the District had 145 Agricultural Credit Societies and 242 Non-Agricultural Credit Societies.

The district has 20 offices of Regional Rural Banks and 117 offices of Scheduled Commercial Banks. The credit deposit ratio of banks in the district is a poor 39%.

2. Methodology

Pisangan block in Ajmer was selected purposively for this study. Based on relative distances⁵ from the block headquarters, six villages (namely Baseli, Chainpura, Mewariya, Lyalikhhera, Kundel and Dungariya Khurd) were randomly selected from different distance zones in Pisangan.

Households were then randomly chosen from the voter list. In all, 330 households across six villages were targeted but complete data of only 277 households (HH) (representing population of 1679) has been used for analysis and in this study.

Focus Group Discussions were held to understand social composition, availability of basic infrastructure facilities and people's perception of the employment trend. A detailed survey was undertaken (during the months of December 2005 and January 2006) by a team of trained enumerators conversant in the local dialect, through the survey we sought to understand the existing cash flows including income (of the households as a whole and of individual members), expense, asset (livestock, house, household and agricultural asset) acquisition/ depletion, savings and credit facilities accessed (including their terms and conditions) and people's perceptions and the impact of various events on household financial flows.

⁵ To take the random sample, two villages within 15 km radius from Block headquarter and two villages each from 15-30 kms radius and more than 30 kms distance were selected

3. Survey Findings

3.1 Overview of the study villages

Community form other Backward Caste (OBC) or Scheduled Castes and tribes (SC/ST) dominate the study villages. Chainpura, Lyalikhhera have a much larger proportion of OBC and Mewariya of SC/ST.

All villages have electricity. Most villages have access to bus facility in the village itself and for two others it is available within 1-3 kilometres. There are primary schools in each village. Post offices are also located at a distance of 0-3 kilometres from the village centre. A bank branch was found to be located in only one of the studied villages, while other villages were located at a distance of 3-12 kilometres from the nearest bank branch.

About 18% of the households are Below Poverty Line (BPL). About 24% of the surveyed household reported that at least one member of family had a bank account. Already 18% of the households have life insurance policies, but asset insurance has reached barely 0.7% of the households. While the membership of village credit cooperative is encouraging, as stated in the records , only 5% households reported active membership.

Most households voiced a greater need for loans in months of June, July, August and October and reported possessing surplus cash during March, April and November every year.

3.2 Educational status

Overall literacy rate in our sample was 60% (incidentally the highest in the six blocks that the study was conducted). About 9% of boys and 15% of girl child (in the age category 7-14 years) are still illiterate.

An analysis of current educational engagement revealed there are less girls enrolled in schools and also there is a substantial decline in the number of children who continue education beyond 14 years of age and this decline is higher in the case of girl child.. While enrolment in 7-14 years is 87% for boys and 74% for girls (overall 80%), in the age category 15-18 years about 62% of the male and only about 29% of the female continue with their education. Thus, gender discrimination persists.

3.3 Employment and Income:

The percentage (Refer Table 1) of people classified as unemployable (due to health or on fitness grounds) generally aligns with age related disabilities. In the 18 to 59 years age group, about 1% of the population is unemployable. Unemployment is not widely acknowledged and was reported as being less than 1% for the population as a whole.

People in rural areas typically pursue more than one vocation or may be engaged in activities like pursuing education or household chores. Based on the primacy of different activities in the lives of the people we looked at occupation in terms of primary and secondary employment. Overall, only about 11% of the total sample (22% of people available for employment in 18-59 years age group) was found to have a secondary engagement. Agriculture and agriculture wage labour are the most recurrent sources of secondary employment.

3.3.1 Individual activities

Employment status of the population in the age bracket 18-59 years of age is indicated in Table 1.

Table 1: Primary and secondary Employment scenario of 18-59 years age group									
	Primary Employment				Secondary Employment				Total %
	No.		%		No.		%		
	M	F	M	F	M	F	M	F	
Unemployable	5	8	1.2	2.0					1.5
Student	28	12	6.7	2.9					4.8
Total considered for employment after above	387	389							0.39
Unemployed	3	0	0.8	0.0					
Housework	10	317	2.6	81.5	1	20	0.3	4.9	44.85
Agriculture/farming	79	28	20.4	7.2	45	29	10.7	7.1	23.32
Agricultural Labour	36	7	9.3	1.8	15	13	3.6	3.2	9.15
Average income (Rs.)	11513	3313			5082	3565			
Non-agricultural Labour	115	27	29.7	6.9	16	10	3.8	2.4	21.65
Average income (Rs.)	15780	7413			4958	4725			
Non-farm business	37	2	9.6	0.5	5	1	1.2	0.3	5.80
Average income (Rs.)	37325	37200			15200	1200			
Service	88	6	22.7	1.5	6	1	1.4	0.3	13.02
Average income (Rs.)	35691	25400			12467	0			
Minor Forest Produce	1	0	0.3	0	0	0	0	0	0.13
Average income (Rs.)	9600	0			0	0			
Others	18	2	4.7	0.5	4	5	0.95	1.2	3.74

Average income (Rs.)	28711	6000			18000	7800			
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Across all age groups, 23% of the population is engaged in agriculture, but only 20% of the male and 7% of female of 18-59 years reported agriculture as primary activity. In fact, we found that mainly senior citizens pursue agriculture as 32% of the male senior citizens reported agriculture as their primary activity.

Non-agriculture labour is the key source of employment for 29% of males in the 18-59 age group, who earn around Rs.15,000/- per annum, pursuing it as primary employment. Returns as secondary employment is almost one third. In fact about 16% of the males in the age group 15-17 years are also working at non-agriculture labour. But as few women pursue it therefore agriculture continues as the activity with marginally higher employment than non-agriculture wage labour.

The other 'more pursued' employment opportunities are employment in public/private sector enterprise and non-agri based businesses (which include in grocery shops or itinerant trading etc.). Involvement in agriculture wage labour is limited only to about 9% population (both primary and secondary employment) in the age group 18-59 years. Males of 18-59 years age group pursue other activities and engage in agriculture operations in times of dire needs and hence agriculture is generally a secondary occupation.

Service (employment with private/public sector enterprise) involves 21% of the men in the age category 18-59 years. Such employment appears to start early for some, as 12% of the males in the age group of 15-18 years are already employed. There is negligible involvement of women in the services.

From an income perspective, employment in non-agri based business fetches the highest income, followed by services. 'Other' activities, which include grazing of animals, is today more an activity for senior men, even though it brings in high income.

In the case of businesses we found male senior citizens' earnings are nearly at par with those of males in the 18-59 years age group. The involvement of women in non-agri based business is negligible. Income is high from these businesses but less number of people is pursuing them. This suggests that high entry barriers in terms of investments and generally lower opportunities.

Household chores are largely seen as 'female work'. Their contribution to agriculture is viewed as peripheral with very few women reported as farmers.

As per Table 2 about 12% of the studied households have members migrating to other places for work

	No. of HH	Average annual amount remitted home (Rs.)
Households with 1 migrating member	17	5,039
Households with 2 migrating members	7	15,109
Households with 3 migrating members	5	23,453

Households with 4 migrating members	3	41,422
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It is the male member of the household and also usually the adolescent or older son of the family who migrates. The study also clearly reveals that with increasing number of migrants from the same household, the average remittance to the household increases several folds. It seems that for such households migration becomes a clear vocation and rather than a purely seasonal activity.

Most migrants work in households in the destination as domestic help. No one works as non-agricultural labourer at the destination, even when it is a widely pursued activity in their native villages. Some work as sharecroppers or agricultural labourers, others get into jobs or run their own businesses.

3.3.2 Income from activities collectively pursued by family members:

This head includes such activities where two or more members of the family work on same/different aspects of the activity including certain caste based occupations, which require the family's involvement.

	No. of HH	Average (Rs.)
Milk, milk products, animal product sale	47	18,777
Horticulture/ vegetable	10	45,950
Minor forest produce	1	300
Wood	3	1,550
Regular animal sale for income generation	23	2,963
Family remittances	14	6,731
Family/ caste occupation	1	36,000

Only 4% of the households reported any income from vegetable and horticulture sales and this may be due to high investment on irrigation etc., but for those engaged in horticulture, the average economic returns are higher than from any other option.

About 17% of households reported income from the sale of milk and milk products and considering the average income, it is an important source of supplementary cash for the households of the area.

3.3.3 Agricultural Land Details and Agricultural Income

With 28% households landless, overall landlessness is quite high. The average land holding size per landowning household in our study is 3.56 acre but 51% of households own 1.98 acre or less

of land. Only 59% land owning households have irrigated land with an average holding size of about 2.37 acre. And 19% of those who own land, own 1.98 acre or more of irrigated land.

The result of high proportion of landlessness, dominance of small rainfed landholdings is that a fairly large number of people are employed as non-agriculture labourers.

About 20% of the households owning arable land reported agricultural surplus of Rs.11, 300 on an average, while about 56% reported a cash deficit. This suggests that agriculture is a cash guzzler not a net contributor to the household cash flows. However, for most households it prevents higher cash outflows on account of purchase of food grains.

	No. of households	Average extent (Rs.)
Cash surplus from agriculture	41	11312
Cash deficit from agriculture	113	(-) 4575

Thus a cash deficit does not automatically denote cash loss, as there are households that keep their agricultural production for their own consumption.

3.4 Expenditure

Size of Expenditure (Rs)	Food	Local Conveyance	Minor health problems	Fuel	Clothes	Social Exp.	Education	Alcohol	Animal Feed	Litigation	Migration
Total HH	232	231	204	187	177	167	166	134	91	45	35
Average Expenditure (Rs)	12571	2391	1040	1141	1994	879	1331	2744	5676	3204	4676
Average Expenditure of BPL Household (Rs.)	9365	1430	781	276	2062	895	370	1643	1610	0	2526

In most households the expenditure incurred under different head is less than the Rs 2500 per month except in the case expenditure incurred on food items where many report higher figures. Food expenses include expenses on spices, condiment, oil, vegetables and also necessary grains. Broadly across all heads, the expenditure incurred by BPL households is significantly lower than the average for the sample as a whole except in the clothes and social expenditure. As expected the maximum average expenditure is incurred on food with an annual average expense of Rs 12,571/-. Around 16% households did not report buying any food. Also about Rs.5,600/- is incurred on animal feed annually and is an important head of recurrent expenses after food.

Minor health problems include small episode of illnesses, cold, skin diseases, which generally recur each year and may require intervention by a health provider. The average expense incurred on local conveyance is around Rs.2400. Clothes are not purchased each year for all members judging by the number of households reporting annual expenses. Yearly house repairs involves on an average a low Rs. 475 and perhaps is the result of brick walls and stone roof being the norm in the area.

The average annual expenditure on education is about Rs.1300 for all the children of the family together. The average expenditure on litigation is also quite high and 45 households (16% of total households) report such expenditure. The scale of average expenses on migration indicates the prevalence of migration amongst the sample population.

The expenditure on alcohol/ mahua exceeds expense heads like education and the occasional minor health problem – a finding that is troubling for those who advocate ensuring optimal functioning of government facilities in health and education to plug leak on account of health expenses of households.

3.4.1 A Comparison of Income And Expenditure

Average expenses incurred on food, clothing, fuel, conveyance, education, animal feed and such other common household expenditure is compared with average income which includes primary income, secondary income, annual common income and cash surplus from agriculture is about Rs.40, 000.

Table 6: Average Annual Expenditure vs. Average Annual Income		
	No. of Households	Average (Rs.)
Current Expenditure	277	27,936
Income	277	39,615

Around 43% of the households report less than or equal to Rs 20,000 in income and 35% report less than or at most Rs. 20,000 as expenses. Yet, in contrast there are a few households reporting upward of Rs 100,000 in income and expenses.

Average annual income of BPL households is Rs 23,218 and lesser than the average for the population as a whole.

Table 7: Total Annual Expenditure vs. Total Annual Income				
Size of Expenditure/ Income	Household with given size of Total Current Expenditure		Household with given size Total Income	
	No.	Cumulative %	No.	Cumulative %
5,000	5	2	18	7
15,000	70	27	48	24
20,000	43	43	31	36
30,000	75	70	56	56
50,000	53	90	60	78
51,000	28	100	60	100

3.5 Assets

Households own assets like dwelling units, arable land, livestock, jewellery, bore wells and other movable assets. We have already reviewed landholding status in an earlier section on income; here we review the other assets.

3.5.1 Livestock:

Table 8: Livestock Details (nos.) (Sample households -277, Total Sample population -1679)			
Animal	Total	No. of households	% of HH
Bullock	28	15	5
She-Bufferalo	175	79	29
Cow	221	81	29
Goat	677	164	59
Sheep	120	6	2
Camel	3	3	1

Only about 10% households possess bullocks, which are reared primarily for draught purpose. Thus these sample households are likely to own land. There is a greater stress on milch animals rather than draught cattle, judging by the number of she-buffalo, cow and even goat in the area. About 59% household rear goat; on an average, each household has four goats. Poultry is non-existent in the surveyed villages.

Table 9: Source of finance of livestock acquisition

	Bank	Money Lender	SHG/MF	Relatives	Own Capital	Migrated Family	Inherited	Total
Bullock	1	5	0	2	1	0	1	10
She- Buffalo	4	11	1	4	13	1	5	39
Cow	0	4	0	2	17	0	4	27
Goat	10	15	1	9	24	0	63	122
Sheep	0	2	0	1	0	1	0	4
Camel	1	0	0	1	1	0	0	3
Total	16	37	2	19	56	2	73	205

The key source of finance for asset purchase in 27% of the cases is own capital. In 18% of the cases, livestock has been acquired through moneylenders, in 35% through gifts or inheritance or multiplied using existing household stock and thus not purchased by present owner. Of the 8% of bank finance people have borrowed from bank to purchase goat and in four cases she-buffalo.

Livestock is purchased for the household's own use as about 88% of the households reported ownership of animals for fulfilling their own household needs and only about 11% reported purchase for the sake of sale of animals at a later period. While a clear distinction is difficult, 5% of the households reported rearing livestock for income generation.

All animals except goats are seldom sold. In rare instances, household needs are the prime drivers for asset sale. There was no instance of sale for meeting educational expenses or legal expenses or releasing mortgaged assets, through sale of livestock.

3.5.2 Dwellings:

Only one household owns two houses. Majority i.e. 56% of the houses are of medium size. We found most of the houses have cemented roof (75% have actually roof made of stone slabs) and 61% also have walls made of brick. Likewise brick wall is dominant possibly because of the prevailing culture. Nearly 83% of all the houses were constructed before the year 1994, thus there is limited house building activity.

There was only one instance of sale of a small house for meeting some household. Houses are clearly for living and not an investment for future.

A separate kitchen is available in about 56% dwellings. Toilets are located in about 7% dwellings. A separate cattle shed is there in about 41% dwellings. Electricity connections are available only in 55% of the dwellings although electricity connection is available in all the villages under study. Cooking Gas has made inroads in about 6% of the total households that suggests possibly declining wood availability or even provision of refill in the vicinity coupled with ability to pay due to regular income.

3.5.3 Other Assets:

Investment on bore wells (35% HH owning) and pump set (28% household owning) is a clear priority over white goods like TV (only 18% households own it) and radio. Agriculture clearly warrants high capital investment for especially for assuring irrigation. With the advent of electricity as expected considering the prices, more households have invested on fan. Of the 152 households with electricity, 68% own fans and only 33% own TVs. Judging by the high incidence, fan is likely to be an aspiration for the rest and loan products around it may interest more households, though loan products for assets like T.V. too may hold some interest. Cycles are owned by about 27% of the households and availability of bus facility may reduce its incidence. Around 12% households each own sewing machines and almirah.

Given the 96 bore wells and 77 pump sets in the area, it is clear some families have invested in them early as only six bore wells and 29 pump sets were acquired in the past ten years. Charpai/ beds are owned only by 64% of the households. As per Table 10, for purchasing assets across a ten-year period people have relied on their own capital in 75% of the instances. Borrowings from banks and moneylenders are marginal in these cases. In additional 15% of the cases, assets are either inherited/gifted.

	Bank	Money Lender	SHG/ MFI	Relatives	Own Capital	Total
Radio	0	0	0	0	30	30
Television	1	2	0	1	42	46
Almirah	0	0	0	0	5	5
Charpai/ bed	0	1	0	0	96	97
Chair	0	0	0	0	31	31
Table	0	0	0	0	19	19
Fan	1	0	0	0	83	84
Sewing machine	0	1	0	0	10	11
Camel cart	1	0	0	1	1	3
Bullock cart	0	0	0	2	0	2
Well/Bore well	0	5	0	1	0	6
Pump set	2	11	0	1	13	27
Kutti machine	0	0	0	0	1	1
Cycle	0	2	1	0	46	49
Two wheeler	5	5	0	0	10	20
Tractor	2	0	0	0	2	4
Truck	1	1	0	0	0	2
Telephone	1	1	0	1	24	27
Other	0	0	0	1	9	10

People are resorting to moneylenders for bore well and pump. This may be because either banking processes are tough or there is a previous, unpaid loan that debars them from seeking a fresh loan from the bank. Even for two wheelers and trucks people are going to moneylenders or to finance companies. We find quite a few cases of relatively big-ticket purchases funded by the moneylenders thereby indicating the amount of fund this source involves.

In the normal course, assets are never sold. Only two instances have been cited wherein a tractor and a pump set had been put up for sale for meeting family need.

Jewellery (gold and silver ornaments) owned by the families is inherited or received as gifts on the occasion of marriage. Ornaments may be bought as part of marriage expenses and are rarely mortgaged or sold. Only one instance of mortgaging gold in the year 2003 for a sum of Rs.15000/- and another incidence of sale of silver ornaments in the year 2002 for repaying a loan of Rs.1000/- has been cited.

3.6 Savings

About 27% of the total households do not save even in their own homes.

Table 11: Savings (Sample households -277, Total Sample population -1679)	
No. of households that save in one or more avenue	201

Table 12: Household's saving in only one avenue	
No. of Households saving only in Post Offices	2
No. of Households saving only in Banks	8
No. of Households saving only in Cooperative	1
No. of Households saving only in Company/Life insurance	15
No. of Households saving only in Chit Fund	1
No. of Households saving only in SHG/MFI	4
No. of Households saving only as cash parked at home	86
Total HH saving in only any one avenue	117

About 58% of the 201 households that save do so only in one avenue, the remaining households park their savings in multiple locations. About 7% of the households, which save invest their savings only in life insurance or in company accounts thereby indicating the penetration of agents. Rs. 500-2000 is the most preferred bracket of amount saved at one time but amounts as high as Rs 30000 were also reported.

Monthly deposits are the most common (representing 64% of households which save) in the case of all options including cash parked at home. We found this is true for all sources except Company/Life Insurance wherein 65% people saving in this option do so at half yearly interval. Half yearly interval remains the second most preferred option.

According to Table 13, in terms of total value, Company/ Life Insurance is the most popular followed by Post Offices. But in the case of average size, the order is Post Office, Company/ Bank. Formal avenues are relied upon for savings large amounts.

Table 13: Different Avenues of Saving				
	Total Amount (Rs)	% of Total Savings	No. of instances	Average (Rs.)
Post Offices	262,200	14	19	13,800
Bank	511,300	27	47	10,879
Cooperatives	17,800	1	3	5,933
Company/Life Insurance	806,812	42	72	11,206
Chit Fund	17,500	1	5	3,500
SHG/MFI	53,540	3	22	2,434
Cash parked at home	154,710	8	134	1,155
Temporary Asset (money lent out)	75,000	4	3	25,000
Total	1,898,862	100	305	6225
Average Saving Amount per BPL Household				4320

In terms of the number of instances, cash parked at home predominates in money terms Company/LIC is the next most important alternative with 42% of the total savings parked even ahead of the banks which are the next most important source, with 27 % of the total savings. .

Savings of less than Rs 3000 are parked mainly with home and 30% of such small savings are divided nearly equally across company/insurance, bank and SHG/MFI.

Thus, we see that the savers not only keep their savings in formal avenues but a significant number of bigger denomination deposits are actually parked in formal avenues viz. post offices, bank and Insurance/Company accounts.

Only about 12% of the total households report having withdrawn savings in the past, average size of withdrawal is small, only about Rs 1099. Only a tenth of them have withdrawn in excess of Rs 10,000/-. Apparently withdrawal is not preferred trait of Savings Avenue since much larger amounts are actually parked in different savings options. About 58% of the withdrawals are for meeting household needs and that withdrawals are far less often for meeting minor health or educational expenses.

3.6.1 Ranking of the Savings Avenue

Table 14: Overall ranking of savings product						
	Extremely Important	Important	Ambivalent	Less Important	Irrelevant	Total
Accessibility	95	184	7	22	0	308
Return	39	110	4	69	86	308
Security	44	152	24	47	43	308
Liquidity	103	98	11	85	12	308

Households that have opted for a particular savings avenue shared the reasons for doing so (on the basis of certain attributes viz. accessibility, returns, security and liquidity), based on their responses and extent of importance attached to a particular trait ranking of savings product was done by the enumerator.

Accessibility is a crucial consideration across all the savings avenues. In case of banks 63% say accessibility is important but interestingly additional 30% of savers in bank rate it as less important. But in case of Company/LIC and SHG unequivocally 95% consider accessibility as an important consideration in savings decision suggesting thereby that only people having access consider it.

Returns are an important but not paramount consideration as overall 48% of the total households that save, rank return as important. Overall 51% (principally consisting of those who save at home) consider it irrelevant or are ambivalent to this attribute.

Security is important consideration in 63% of the instances. It is largely less important to irrelevant as a consideration for more than 50% of those who save at home.

Easy liquidity is crucial consideration in savings over all for all avenues. In case of bank, we found, 59% rate liquidity to be important, while another 25% rate it to be less important. While saving in Company/LIC, 65% households rate liquidity clearly as not important or even irrelevant. When money is parked away from home for a latter day eventuality ease of converting to liquid cash is not a valid attribute.

3.7 Outstanding Credit

The loan outstanding on households at the time of study was profiled. In all, 217 households had loans. In terms of source wise value of principal amount of such outstanding loan, Cooperatives/ Bank are the most important source but in terms of number of instances of loan availed from a particular source, family members offering loan with interest is most important followed by moneylender without collateral.

	No. of instances	Average loan size (Rs.)
Cooperatives/ Bank	70	71,417
Chit Fund	2	13,500
SHG/MFI	6	5,167
Moneylender Shop with Collateral	48	44,573
Moneylender Shop without Collateral	125	39,196
Family members with Interest	159	27,149
Family members without Interest	39	17,808

The 217 households having outstanding credit had taken the 449 loans (Refer Table 15), accessing on an average, two loan sources per household. When people have to borrow large amounts, they approach banks and cooperatives. There are few cases of people accessing loans from Chit Funds or SHGs/MFIs.

The study reveals that the average loan size is above Rs 2000/-

Size of loan	Loan Cooperatives/ Bank	Loan Chit Fund	Loan SHG /MFI	Loan Moneylender With Collateral	Loan Moneylender Without Collateral	Loan Family Friends with interest	Loan Family Friends without interest	Loan Contactors (Migration)	Loan Others	Total	%
1000	0	0	1	0	1	0	1	1	0	4	1
2000	1	0	0	3	2	5	2	1	0	14	3
5000	1	0	3	5	11	15	6	6	0	47	10
7500	4	0	0	2	4	6	1	1	0	18	4
10000	7	0	2	7	11	22	7	6	0	62	13
15000	9	2	0	0	11	19	4	4	0	49	10
20000	7	0	0	4	16	27	9	7	0	70	14
30000	14	0	0	2	20	30	4	2	1	73	15
40000	8	0	0	4	23	13	1	1	0	50	10
50000	6	0	0	9	14	9	2	2	0	42	9
75000	2	0	0	2	2	13	2	2	0	23	5
100000	3	0	0	6	7	3	0	0	0	19	4
More	8	0	0	4	3	2	0	0	0	17	3
Total	70	2	6	48	125	164	39	33	1	488	

In the Rs.1000-5000 range, 31% of the loan is taken from family friends with interest another 20% is from moneylenders against collateral.

In Table 17, loans outstanding from different sources have been clubbed to arrive at total outstanding per household:

Table 17: Size of Total Outstanding Loan		
Outstanding Loan Amount	No. of Households	Cum %
1000	1	0.46
2000	2	1.38
5000	8	5.07
7500	3	6.45
10000	10	11.06
15000	15	17.97
20000	30	31.80
30000	26	43.78
40000	23	54.38
50000	26	66.36
75000	34	82.03
100000	14	88.48
More	25	100.00
Average outstanding loan = Rs. 60,755		
Average Loan Outstanding /BPL Household = Rs. 40,686		

As per the Table 17 about 34% of the sample household have loan outstanding amounting to Rs.50, 000 and above. The average outstanding loan size is quite high even for BPL households.

About 42% of the total instances of loan involve annual repayments and 33% half yearly deposits. In case of cooperatives/ banks about 43% of the loan involves monthly repayments, while about 33% have annual repayments. Similar trend is evident in case of moneylenders providing loan with collateral.

In case of moneylenders offering loan without collateral half yearly repayments is the norm (52 %). Annual repayments get precedence with 46% in case of family and friends offering loan with interest.

Periodicity of loan repayment does not play a very vital role in deciding the source of the loan. Half yearly and annual repayment is more common even though loans do not specify a repayment schedule.

Table 18: No. of interest bearing loans at different interest levels						
<=10%	>=10% <=12%	>=12% <=18%	>=18% <=24%	>=24% <=36%	>=36% <=60%	Total loans
42	43	7	273	33	6	404

Interest is not levied on all loans. On the loans that it is levied 18-36% is the most prevalent interest band. In around 68% of the total loans with interest, the rate of interest is 24%. In case of cooperatives/ bank about 45% of the borrowers pay an interest of 10% and another 42% are charged an interest rate of 12%. Barring banks/ cooperatives, on a bulk of the loans irrespective of source is levied 18-24% interest.

About 87% of the loan availed from the moneylender (without collateral) is charged interest at the rate of 24% and only 3% is charged an interest rate of 60% per annum. Similarly in case of family and friends about 80% of the loan is charged an interest rate of 24%. Thus overall we may construe that rate of interest is not a crucial factor in deciding the source of loan.

The reason for availing loan from cooperative and banks is primarily for asset purchase (36%), followed by income generation (31%).

3.6.1 Ranking of Credit Sources

Households that have current outstanding from a particular source shared the reason for taking loan from it, in terms of certain attributes viz. accessibility, and cost. Based on their responses and extent of importance attached to a particular trait, ranking of the loan sources on particular trait were done by the enumerator.

Table 19: Ranking of loan products						
	Extremely Important	Important	Ambivalent	Less Important	Irrelevant	
Accessibility	87	338	14	12	0	451
Cost	42	178	70	129	11	430*

*No information on remainder

Rate of interest levied and periodicity of loan repayment is not of much significance but accessibility is crucial consideration for taking loans across all sources. Even the cost of loan is less important. It is important in case of cooperatives, bank and moneylenders offering loan with collateral as across all the other sources majority are either ambivalent or consider it less important. Cost is not the criterion in deciding the source of loan as about 51% respondents rate the cost of loan to be important parameter but again 46% are either ambivalent over the issues or consider the cost of loans less important. About 60% in cooperative/ banks rate cost to be important while 40% are ambivalent or consider it as less important. A similar trend is witnessed in the case of moneylenders as well.

3.6.2 Loan in Kind

Loan in kind are such loans which households take in terms of goods (and not cash) and includes credit based transaction with the local grocery shops and the like. Such loans may be repaid in cash. About 54% of the households borrow in kind and the average loan size in this case is about Rs.1, 450. Over 95% have borrowed between Rs. 1,000 – Rs 5,000/-. Only two loans are between Rs 7,500 to Rs 20,000.

3.8 Financing of Events

For the sample as a whole, across a ten-year period there were 335 birth related events, 231 instances of asset purchase, 158 marriages, 101 instance of animal purchase, 89 irrigation equipments were purchased and 29 wells sunk and 80 deaths. The population over all reported around 137 events of health/ accident related heavy expenditure. As per Table 20, when all the events are considered collectively, in about 62% of the cases the expenditure on the event is met, at least partly, through savings and 55% events have used loans, indicating there is an overlap in the sources being used.

Table 20: Proportion of different sources as % of total no. of events				
Savings	Sale of asset	Grants	Remittances	Borrowings
62	8	9	1	55

Overall, in terms of the number of events involved, more people draw on savings than borrowings. But in money terms, the expenditure has a high component of borrowings (except in the case of births and purchase of other assets and litigation). We see in Table 21 that in money terms around 74% is contributed by borrowing and only 18% is from savings. The next availed around source is spending from own savings (18%).

Table 21: Proportion of Funds Expended On Events					
	Savings	Sale of asset	Grants	Remittances	Borrowings
Marriage	15	4	1		79
Birth	43	3	4	1	48
Health	18	7	1	1	73
House building / repairs	18	3	1		78
Agricultural land purchase/ lease-in	10	23	-	-	67
Livestock purchase	22	-	-	-	78
Other asset purchase	33	-	-	-	67
Death	8	2	16	-	74
Litigation	44	16	-	-	39
Irrigation equipments	11	14	-	1	74
Water Well	9	28	-	-	63
All events	18	6	2	0	74

In the case of birth, the family savings make an almost equal contribution. Litigation is one head that compels asset depletion without the creation of any other asset.

Table 22: Source of Loan for Financing of Events (No. of instances and average amount)					
Events	Bank	Moneylender	SHG/MFI	Relatives	Others
Agricultural land	1	6	-	1	-
	6,000	27,750	-	150,000	-
Birth	3	78	-	23	-
	22,767	4415	-	4,913	-
Death	-	46	-	25	-
	-	24043	-	20280	-
Health	1	62	-	39	-
	5,000	14452	-	12,321	-
House building / repairs	8	23	1	31	-
	166,250	42,478	5,000	47,000	-
Irrigation equipments	15	32	1	29	-
	50,367	38438	3,000	23655	-
Litigation	1	-	-	1	-
	20,000	-	-	4,000	-
Livestock purchase	16	29	2	22	-
	22,344	8366	6,000	4,673	-
Marriage	8	85	1	57	-
	34,125	51682	12,000	30842	-
Other asset purchase	12	21	1	6	1
	85,083	64700	100	13,000	30,000
Water Well	2	8	1	4	-
	55,000	31438	10,000	9,875	-
For all events	67	390	7	238	1
	58900	28117	6014	22587	30,000

Borrowing is the most important source of cash to finance events in average value terms. The average size of expenditure from savings and sale of assets is generally small except in the case of agriculture land purchase.

We also analysed events as a proportion of total events where the total fund was expended exclusively from a particular source. Generally 38% of total events were financed exclusively from loans.

Livestock purchase, agriculture land purchases are some investment options related to livelihood and these have higher instance of exclusive finance. Around 86% of the wells, 69% of irrigation equipments, 83% of livestock purchase, 71% of total agriculture land purchases are from a single source. In the case of marriage (31% of total marriages), house repair (50%), household assets purchase, health (57%) the dependence on exclusive finance is lower as 31-57% of these events are financed from a single source.

For procuring assets that enable or expand livelihood options, people are more likely to seek a single source. Suboptimal amount sizes (lesser than the total requirement) from a source compel them to go to different sources, especially when financial support is required to meet consumption needs.

Of the total events in 53% cases the households resort to moneylenders both in the hours of celebration and at the times of crisis. Banks have no direct role in unplanned events like health, death etc. For irrigation most households rely more on moneylenders and relatives than on banks/ cooperatives. But at the same time the largest loans (in terms of amount) have been taken from banks.

The average loan size is highest in the case of house building and major repairs.

In about 78% instances of loan with interest incurred for events, borrowers reported paying interest at 24%.

4. Conclusion

A high proportion of landlessness and dominance of small rainfed landholdings together contribute to the fact that large numbers seek other wage employment options. Agriculture is practiced but its primary activity for few and people over 60 years tend to manage it more. Cash is earned from different sources like employment and non-agriculture wage labour. To assure irrigation for agriculture people finance it even by sale of assets. Migration of multiple members of households is becoming an important survival strategy given the progressively higher returns accruing when more members are involved. In their destination sites, migrants generally work as sharecroppers or as agricultural labourers. Remittance service may be important for such households.

A key finding is only 73% of the households are saving and admit possessing an average saving of over Rs 6000 (which is Rs 4000 for BPL households). Liquidity of savings is the most valued trait. In case of Company/Insurance liquidity is not important or is even irrelevant. There appears to be two notions driving savings – one where en cashing it quickly is a consideration and another where putting away money in secure but less easy to withdraw options is the stronger need. Our effort as enablers needs to focus on those who do not save at all or are able to do so only at home.

A small minority access loans at usurious rates, many are accessing loans without any interest, OR at 18-24% interest rate. Accessibility is a crucial consideration for taking loans across all sources. A predetermined schedule of repayment is not common though annual/six monthly repayment is practiced more commonly. The fact that only 2% households have total out standings of Rs 2000 or less and that the average cumulated outstanding is over Rs 60,000 (Rs 40,000 in case of BPL households) indicates high credit demand and also a high level of monetisation. Incidence of investment in land purchase, bore well in the past ten years is less common. Asset depletion is not a very common method of financing. Assets are acquired for household use or for augmenting income.

Microfinance activities through SHG are at best confined to some specific pockets within the district – its strong presence is not evident from this study. Judging by loans and saving amount parked with it relative to other options, it appears where it does exist SHGs are peripheral to the lives of even the present members.

Please also refer to the brief note on the findings of the 'Cash Flow Study of Rural Households In Rajasthan'.