

# Insights into Financial Status of Rural Households

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

A study in Bhilwara District, Rajasthan



2006

## TABLE OF CONTENTS

### Preface

1. Profile of Bhilwara district.....	5
2. Methodology .....	7
3. Survey Findings.....	7
3.1 Educational status.....	7
3.2 Employment and income .....	8
3.2.1 Individual activities.....	8
3.2.2 Income from activities collectively pursued by family members: .....	10
3.2.3 Agricultural Land Details and Agricultural Income: .....	10
3.3 Expenditure .....	11
3.3.1 A comparison of income and expenditure .....	12
3.4 Assets.....	12
3.4.1 Livestock.....	12
3.4.2 Dwellings .....	13
3.4.3 Other Assets.....	14
3.5 Savings .....	15
3.5.1 Ranking of the Savings Avenue .....	16
3.6 Outstanding Credit.....	16
3.6.1 Ranking of credit sources.....	18
3.6.2 Loan in kind .....	18
3.7 Financing of events .....	18
4. Conclusion.....	20

Annexure I: Brief Note on the findings of the ‘Cash Flow Study in Rural Rajasthan’

Annexure II: Comparative Statement of Cash Flow Study in Five Districts, Rajasthan

## 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 Sawai Madhopur, 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 Bhilwara District.

We feel that the findings of the study and its data would be highly useful for mF practitioners working in NGOs, Banks, 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.

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## 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 Bhilwara.

### 1. Profile of Bhilwara District



Bhilwara lies in the southeastern part of Rajasthan and is bound by the districts of Ajmer in north, Chittaurgarh in south, Udaipur in west and Bundi in the east.

The district has a moderate climate. Summers are dry and winters are severe. (Statistical Abstract, Rajasthan, 2002<sup>2</sup>, page 59) Normal rainfall in the district is 683 mm, but in the past five years rainfall has ranged from 314 in 2002, 441 mm in 1998 to 704 mm in 2001.

(Statistical Abstract, Rajasthan, 2002, (pages 129-130) Utilization of 1,047,451 hectares of the land in the district in 2001-2002 was as follows: 7% was forestland, nearly 32% was land unavailable for cultivation and uncultivated land, about 15% was culturable waste land and 11% was fallow. Over all the net sown area was 35 %. With a gross cropped area of 501879 ha, cropping intensity of Bhilwara is barely 135%.

In 2001-2002 (page 159), about 149,020 hectares i.e. 40% of the net sown area was irrigated. Nearly 72% of this area was irrigated by wells and tube wells and nearly 14% each, by canals and tanks.

In 1995-1996, (pages 126-127), there were 288,304 operational holdings with an area of 591287.79 hectares. The land holding pattern in the area is highly skewed. Nearly 39% of the holdings are of less than a hectare, but these represent barely 10% of the total area. A further 27% holdings around upto 1 to 2 ha, and account for less than 19% of the area. Nearly 21% of total holdings are semi medium ones (ranging in size from 2 to 4 ha, ) these account for only 29% of the area. Barely 13% holdings are bigger than 4 hectares but represents nearly 43% of the total area.

As agriculture is mostly dependent on monsoon, kharif crops constitute the bulk of food production in the district (which includes maize, groundnut, moong gram etc.)

As per Census 2001 the total population of Bhilwara is 2,013,789, of which over 79% is rural. Of the total population 16% and 9% belong to the Scheduled Castes and Scheduled Tribes respectively. This ratio at 949 is even lower in the six and below age group with only 949 females for every 1000 male. Overall literacy is 51%, female literacy rate is 34% and male literacy is almost double at 67.4%.

Work Participation Rate is 54.4 % in males and 38.6% in females. About 56.7% are cultivators, 7.3 % agricultural labourers, 3% home based workers and 33% are engaged in business or services. A significant section of the workforce is engaged in textile and other allied industries as this district has about 9200 power looms.

As per the Statistical Abstract, Rajasthan, 2002 (pages 180-181) there are 200 Agricultural Credit Societies with 200,038 members and 46 Non-Agricultural Credit Societies with 20,658 members in the district.

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<sup>2</sup> Statistical Abstract Rajasthan, 2002, Directorate of Economics and Statistics, Rajasthan, Jaipur

The district has 34 Regional Rural Banks and 73 public sector banks. The average deposit and credit per branch (as on March 2003) was Rs 74 million and Rs 72 million respectively, a credit-deposit ratio of 97%<sup>3</sup>

## 2. Methodology

In Bhilwara, Suwana block was purposively selected for the study. Based on a criterion of relative distance<sup>4</sup> from the Block headquarters, six villages, namely Gatheelakhera, Dantajati, Bhaisa Kundal, Kanyakheri, Jawasiya and Agarpura, were randomly selected.

In all, 308 households across these six villages were surveyed, but complete data of only 292 households (HH) representing a population of 1724 persons was used for analysis.

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.

## 3. Survey Findings

All the study villages have electricity. All the villages except Dantajati and Kanyakheri have primary schools located in the village. Post offices and commercial banks are also located at a distance from the study villages.

A majority of males in these villages are engaged in service. There are several cloth mills, employing both skilled and unskilled labourers on monthly contracts. Non-agriculture labour provides employment to a significant proportion of the population (50%) in the village of Bhainsa Kundal.

### 3.1 Educational status

The overall literacy rate in the study villages is about 42%. About 78% of children belonging to the age group of 7-14 years are literate: 89% of the boys are literate as against 64% of the girls. Thus Gender based differences in the literacy rates are evident in this area, 25% in this age group. In the age group 15-17 years, 87% of the males but only 50% of the females are literate.

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<sup>3</sup> Centre for Monitoring of Indian Economy, 2005

<sup>4</sup> 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

The reason for this difference is evident from the review of the current engagement status of children aged 7-14 years: about 80% boys and only 54% girls (overall 68%) are in school. Comparing the literacy rate and current engagement it becomes clear that some children in the age group 7-14 years have already dropped out of school before crossing the age of 14 years. In the age category of 15-17 years, only 38% males and 20% females were continuing their education at the time of this survey.

### 3.2 Employment and income

The study explored the engagement of people in the study villages in various livelihood related activities also. We looked at the primary and secondary employment, based on the primacy of different activities in the lives of the people and other collectively pursued activities.

#### 3.2.1 Individual activities

Table 1: Primary and Secondary Employment of 18-59 years age group									
	Primary Employment				Secondary Employment				Total %
	No.		%		No.		%		
	M	F	M	F	M	F	M	F	
Unemployable	10	3	2.2	0.7					1.5
Student	16	2	3.6	0.5					2.04
Total considered for employment after above	423	428							
Unemployed	2	3	0.5	0.7					0.6
Housework	5	360	1.2	84.1	2	16	0.5	3.7	45.0
Agriculture/farming	176	45	41.6	10.5	81	62	18.0	14.3	42.7
Agricultural Labour	25	5	5.9	1.2	20	18	4.45	4.2	7.9
Average income (Rs.)	10496	8468			5371	3745			
Non-agricultural Labour	77	11	18.2	2.6	34	5	7.6	1.2	14.9
Average income (Rs.)	16948	7878			7614	6072			
Service	107	2	25.3	0.5	15	-	3.3	-	14.6
Average income (Rs.)	26271	8000			11350				
Business	24	-	5.7	-	3	2	0.7	0.5	3.4
Average income (Rs.)	33363				16900	15000			
Others	6	1	1.4	0.2	4	-	0.9	-	1.3
Average income (Rs.)	22320				24300				



People classified as unemployable (on health/ fitness grounds) constitute 5% of the total sample but only 1.5% of the age group 18-59 years. In this age group unemployment is lower than 1%, and about 39% reported a secondary engagement as well.

Household chores are largely seen as 'female's work'. But interestingly about 1% of men reported helping out in the house by way of primary engagement.

Amongst men nearly 42% in the age group 18-59 years and nearly 57% above 60 years of age are engaged in agriculture as a primary employment. Overall only about 8% women (10% in the case of women aged 18-59 years) can be declared as cultivators on the basis of their in primary employment during the household survey. About 14% of women and 18% men aged 18-59 years are cultivators by secondary employment.

Only about 5% men (with an average income of Rs.10, 500) in the age category of 18-59 years, reported agriculture labour as their occupation, whereas only 4% males of this age group report it as secondary employment. The extent of engagement of women in income generating activities is even lower, at about 1% in primary employment (earning nearly Rs. 8,500 on an average) and 4% in secondary employment. The returns as secondary employment are nearly half the returns as primary activity. Overall agriculture wage labour is a peripheral activity in the studied villages.

Non-agriculture wage labour engages 18% men in the 18-59 years age group as a primary employment, through which they earn an average of Rs.17, 000/- per capita per annum. But the participation of women in this activity is low at less than 3% for the same age group. Incidentally average return from non-agricultural labour is quite more than those from agriculture wage labour.

Nearly 25% men of 8-59 years category are employed in a private/public sector enterprise as primary employment, due to higher industrialisation in the area. There is practically no such involvement of women, however interestingly we also found people over 60 years reported substantially higher average incomes than those belonging to 18-59 years age group and this may be perhaps due to the former holding supervisory level positions or due to continued return from pension after superannuating at a higher level.

Given the local availability of work, the compulsion to migrate is low among the people in the study villages with only 13 members from 11 households migrating. Migration helps the migrants to remit on an average about Rs 8-9000 per annum to the household in the source villages.

In the case of small business establishments, viz. grocery shops or itinerant trading, etc. about 5% male in the age group 18-59 years reported an average annual income of about Rs.33, 000. However, there is negligible involvement of women in these annual activities.

### 3.2.2 Income from activities collectively pursued by family members:

These include activities that the family members pursue collectively. Livestock rearing primarily (for earning income by regular sale), is an important source of supplementary cash for over one-fifth of the surveyed households.

Table 2: Annual Common Income		
	No. of HH	Average (Rs.)
Milk and animal by-products	98	12278
Horticulture/ vegetable	2	453
Minor forest produce	3	240
Wood	13	3592
Regular animal sale	66	3290
Family remittances	5	4404
Family/ caste occupation	3	6067

Sale of milk and milk products is a major source of income for one third of the 292 households, generating an average an income of Rs.12, 000 per annum. About 4% of the households are engaged in the sale of wood as evident from Table 2.

### 3.2.3 Agricultural Land Details and Agricultural Income:

The average land holding per household in the area is small, at about 2.49 acres. About 67% of the land owning households have irrigated land and of them about 50% have at least 1.2 acres or more of land. Around 9% households in the area are landless.

Few households reported cash surplus from agriculture than those reporting deficit. the condition of cash deficit as reported in Table 3 below denotes that the included households have either actually incurred a loss in agricultural operations or those that do not sell the produce but keep it for their own consumption.

Table 3: Cash Flow from Agriculture		
	No. of households	Average (Rs.)
Cash surplus from agriculture	95	8982
Cash deficit from agriculture	165	(-) 4227

### Field notes 1: Agriculture and other occupations

In the villages of Jawasiya and Dantajati agriculture is not considered as an important occupation yet migration is not quite prevalent amongst the population as the location of large number of cotton industries in the close vicinity provides ample opportunities of employment for the villagers to explore.

Industries provide employment opportunities for the villagers, but the wages earned are not sufficient to meet their family requirement. As a result the villagers are compelled to take consumption loans viz. about 30% of the villagers from Bhil, Kanjar, and Bhadai Ghani community had to take loans for meeting food requirements and another about 30% of the villagers have lost their land as mortgage for loan.

### 3.3 Expenditure

Size of Expenditure (Rs)	Food	Local Convey	Minor health problems	Fuel	Clot hes	Social Exp.	Educati on	Alcoh ol	Anim al Feed	Litiga tion	Migrati on
Total HH Reporting expense	289	269	287	172	278	257	151	232	175	18	42
Average Expenditure (Rs)	10190	3957	1326	3387	3179	1044	684	2273	2565	414	191
Average Expenditure of BPL Household (Rs.)	7364	1406	996	1833	1651	787	251	1941.3	1679.9	68	89

Most households incur the maximum annual average expenditure on procuring grains, oils, spices and vegetables that can be together clubbed as food expenses. Households also incur substantial expenditure on local conveyance (required, for instance, for their daily commute to work if employed or if working as a non-agricultural wage labourer) and on fuel. The fuel cost included cost of firewood and also of fuel for running vehicles like two wheelers. The average annual expenditure on education is barely Rs.700. On an average, about Rs.2500 is expended on purchasing animal feed.

The 24% households that possess BPL card reported significantly lower annual household expenditure as against the general community.

### 3.3.1 A comparison of income and expenditure

The studied households manage nominal surplus.

Table 5: Average Expenditure and. Average Income		
	No. of Households	Average (Rs.)
Current Expenditure	292	31877
Income	292	32736

Table 6: Total Expenditure and Total Income				
Size of Expenditure/ Income	Household with given size of Total Current Expenditure		Household with given size Total Income	
	No.	%	No.	%
>0<=5,000	5	1.7	25	8.8
15,000	91	31.3	58	20.4
20,000	50	17.2	29	10.2
30,000	65	22.3	57	20.1
50,000	52	17.9	51	18.0
51,000->	28	9.6	64	22.5
	291	100.0	284	100.0

Half of the surveyed households spend less than Rs. 20,000 per annum while 38% earn less than Rs 20,000 per annum.

### 3.4 Assets

The studied households' own assets like dwelling units, arable land, livestock, jewellery, bore wells, and other movable assets.

#### 3.4.1 Livestock

Table 7: Livestock Details (nos.) (Total Sample households -292, Total Sample population -1724)		
Animal	Total	Total no. of Households
Bullock	142	64
She- Buffalo	367	153
Cow	429	162
Goat	567	156
Sheep	326	20
Poultry	22	4

Milch animals are popular assets in the area. Cows are owned by 55% and buffaloes by 52% of the 292 households. Dairy may be an activity with the potential for up scaling, as several channels trade and marketing may already be in operation in the area.

While 91% of total 292 household own land, only 22% households possess bullocks, which area key source of draught power in other areas (even though its actual incidence here is higher than other study areas for instance in Karauli). Large herds of goat/ sheep are not common, 53% household rear goats on an average, each of these households possesses four goats

	Bank	Money Lender	Relatives	Own Capital	Migrated Family	Inherited	Total
Bullock	0	10	3	8	0	1	22
Buffalo	1	28	4	20	0	7	60
Cow	2	9	5	32	0	15	63
Goat	4	9	15	37	1	20	86
Sheep	0	0	1	3	0	1	5
Poultry	0	0	0	2	0	0	2
Total	7	56	28	102	1	44	238

The chief means of financing purchase of livestock has been own capital in 43% cases, where money has been used mostly for the purchase of cows. own capital is followed by moneylenders in 23% of the cases, mainly for purchasing buffaloes. The involvement of bank for purchases of livestock is limited to 3% of all purchases, and interestingly, more than half of such finance is for the purchase of goats.

### 3.4.2 Dwellings

A separate kitchen is available in 30% dwellings. A separate cattle sheds exists in about 45% dwellings, and a toilet exists in only 3% of the dwellings. Electricity is available in 59% of the dwellings. Only 1% of the total households have access to potable water facility, either inside their house or in its close vicinity, set up specifically for their use. Cooking gas has made inroads in the village households, though so far about 4% households have established a unit.

Two dwellings have been sold in the study villages over the past ten years, for meeting social expenses.

Social Practices: Events like marriages, post birth ceremony involves huge expenditures and these occasions often emerge as the primary reason of indebtedness amongst the rural population. For instance: Raju, 17 years old and his brother only 10 years belong to a family of the backward class community. Both the brothers got married in the year 2004 and during this occasion for purchasing jewellery, the family had to take a loan of about Rs.53, 000 from the moneylender at an interest rate of 60%. Two years later the loan amount escalates to Rs.70, 000 and the likelihood of rise in the loan amount in the near future is further going to be multiplied.

Villagers mortgage small items viz. watch, bicycle, and utensils as security for small loans. But in the case of loans where the amount is large, the villagers have to either mortgage jewellery or agricultural land, mortgaging agricultural land is the last resort for the inhabitants. Villagers have hardly disclosed the occurrence of incidences with regard to mortgaging of jewelry.

### 3.4.3 Other Assets

Mode of Finance	Bank	Money Lender	Relatives	Own Capital	Migrated Family	Inheritance	Others	Total
Radio	1	2	-	37	-	2	-	42
Television	1	7	2	46	-	5	-	61
Almirah	-	2	-	10	-	17	-	29
Charpai/ bed	-	13	3	139	-	11	-	166
Chair	-	-	-	20	-	8	-	28
Table	-	-	-	14	-	9	-	23
Fan	1	8	2	103	-	10	-	124
Sewing machine	-	4	1	10	-	14	-	29
Bullock cart	-	10	6	7	-	-	-	23
Well/Bore well	-	12	4	2	-	1	-	19
Pump set	1	23	10	15	-	4	1	54
Kutti machine	-	1	-	3	-	1	-	5
Cycle	1	11	7	90	1	3	1	114
Two wheeler	8	9	4	18	1	-	2	42
Tractor	1	-	-	-	-	-	-	-
Truck	2	-	-	2	-	-	1	5
Telephone	-	1	-	13	-	-	-	14
Other	4	3	1	21	-	1	1	31
<b>Total</b>	<b>21</b>	<b>105</b>	<b>40</b>	<b>550</b>	<b>2</b>	<b>86</b>	<b>6</b>	<b>809</b>

In 68% of cases (without considering the scale of expenses warranted) assets have been purchased from own capital and 13% of the times using loan taken from moneylenders. Some cases of bank finance are reported for the purchase of radio, fan, television etc, only in a few cases where credit from bank has been accessed. That too, in 38% of the cases was for purchase of two-wheelers. Unlike other types of assets, household and farm assets have either been inherited or gifted; thus most assets are self-made. Neither SHGs nor MFIs do figure as a source of finance for purchase of any asset in the studied village.

### 3.5 Savings

No. of households that save	199 (68% of surveyed HH)
No. of HH that did not report any savings	93

	No of HH
Post Offices	3
Banks	16
Cooperatives	5
Company/Life Insurance	12
Chit Fund	4
SHG/MFI	3
Cash parked at home	80 (40% of households that save)
Temporary Assets (money meant for lending)	10
Total	133

Nearly 30% of the surveyed households are not able to save anything at all. Nearly 66% households that do save, do so in only in one avenue. Further, nearly 40% of the saving households save only in their homes.

	Total Amount	Instances	Average
Post Office	85,750	15	5717
Bank	880,625	50	17613
Cooperatives	64,200	10	6420
Company/Life insurance	596,714	50	11934
Chit Fund	47,000	8	5875
SHG/MFI	4,960	6	827
Cash parked at home	427,900	134	3193
Temporary Assets	23,300	7	3329

In terms of value parked, banks emerged as the most important saving avenue followed by other company/life insurance accounts. In terms of instances of savings, however cash savings at home predominate. While Bank and Company/Life insurance emerge as the next alternatives.

### 3.5.1 Ranking of the Savings Avenue

Table 13: Overall ranking of savings product						
	Extremely Important	Important	Ambivalent	Less Important	Irrelevant	Total
Accessibility	72	153	52	12	2	291
Return	34	75	21	56	105	291
Security	39	97	54	69	32	291
Liquidity	103	110	29	29	20	291

People accessing a particular savings avenue mentioned various reasons for their choice, viz. in terms of accessibility, returns, security and liquidity. Based on their responses and the extent of importance they attached to particular traits, ranking of different savings avenue was done, the results of which have been presented in Table 3.5.1

Accessibility is an important parameter for choosing a saving avenue; except in the case of SHG/MFI and to a lesser extent in the case of chit funds. No clear-cut stand is apparent on the importance attached to security of deposits. Savers generally rate the security of savings in formal avenues to be an important consideration. Relatively more respondents considered return on saving as a less important and even an irrelevant criterion. About 38% of savers, other than those saving at home, rank the returns to be important consideration. Easy liquidity is a crucial consideration in parking savings across all avenues, except in the case of life insurance/Company.

Status of Self Help Groups (SHG) and other such formal/ informal groups: In order to provide respite to the villagers from financial crisis, various agencies have played their role. For e.g. SAHARA has recently launched its services in the villages of Jawasiya, Dantajati and in the nearby areas as well. Under this scheme the villagers are offered with both the options of daily deposit and fixed deposit schemes and about 10-12 families have already started investing with an initial deposit of Rs.10. The agent comes to the village to collect the deposits and this scheme has now become popular with the small 'Kirana' shops owners, betel and tea stall owners also. This scheme has been successful amongst those households who are dependent on daily wage labor as their major source of livelihood.

### 3.6 Outstanding Credit

Even though the number of loans is relatively lower in the case of Cooperatives/ Bank, the highest average loan size is from this source. In terms of average loan size, the importance of loans accessed from family/friends and moneylenders (who provide loans against a collateral or even without it) follow next, the average amount involved is also quite large. But considering the instances of borrowing, people appear to have a relatively easier access to loans from friends/family with interest and from moneylender without collateral. There is no loan outstanding from SHG/MFI.



**Table 14: Source wise size of Loan**

Size of loan	Cooperatives/ Bank	Chit Fund	Moneylender Seeking Collateral	Moneylender Not seeking Collateral	Family Friends seeking interest	Family Friends not seeking interest	Total	%
1000	3	-	2	3	3	1	12	3
2000	1	-	3	1	10	11	26	6
5000	5	1	4	11	13	11	45	10
7500	2	-	2	4	9	3	20	5
10000	3	-	8	14	24	11	60	14
15000	4	1	3	15	16	3	42	10
20000	4	-	5	14	23	6	52	12
30000	6	-	5	19	26	5	61	14
40000	3	-	2	8	16	1	30	7
50000	1	-	7	9	15	1	33	8
75000	-	-	4	4	11	1	20	5
100000	1	-	2	10	6	-	19	4
More	4	-	-	4	3	-	11	3
<b>Total</b>	<b>37</b>	<b>2</b>	<b>47</b>	<b>116</b>	<b>175</b>	<b>54</b>	<b>431</b>	
<b>Average</b>	<b>34,837</b>	<b>10,000</b>	<b>25,900</b>	<b>30,278</b>	<b>26,661</b>	<b>11,996</b>		

Loans of less than Rs 5000 (which is often the market served by SHGs) account for less than 20% of the total current loans. The maximum number of loans has been taken from family members, but with interest. Moneylenders offering loans without collateral appear to be the next most sought after source of loans. Roughly two thirds of the total loans from the banks are valued over Rs. 10,000.

**Table 15: Size of total outstanding loan**

Outstanding Loan amount	No. of HH
1000	9
2000	4
5000	18
7500	10
10000	26
15000	16
20000	24
30000	38
40000	23
50000	23
75000	31
100000	18
More	9
Average outstanding loan =Rs.36671	

About 32% of the studied households had loan out standings amounting to Rs.40, 000 and above, while the average outstanding loan size is about Rs.36, 700.

Less than 9%	9% -10%	10% - 12%	12%-18%	18%-24%	24%-36%	Total
17	24	40	121	218	5	425

Of the total loans disbursed on interest, over 90% are being serviced of 24% per annum.

Even the moneylenders, who are normally accused of charging usurious interest rates, seem to be charging around only 24%. About 94% of the loans from moneylenders with collateral and 90% of loans from moneylender without collateral interest rate are equal or lower than 24% with collateral or lower.

### 3.6.1 Ranking of credit sources

	Extremely Important	Important	Ambivalent	Less Important	Irrelevant	Total
Accessibility	83	291	51	17	7	449
Cost	33	106	137	156	18	450

About 83% respondents rated the accessibility of the loan source as an important or very important consideration in deciding the credit source. Cost of loan, on the other hand, is not a significant consideration. Contrary to the general trend, in the case of cooperatives/ banks, about 56% respondents rated cost to be important consideration in seeking loans from them.

### 3.6.2 Loans in Kind

About 63% of the sample households were found to be taking loans in kind. The average loan size in those cases was only about Rs.1800. There were some exceptions too, wherein loan amount was as high as Rs.20, 000 and above.

### 3.7 Financing of events

Across a ten-year period and for the respondent households as a whole, there were 379 birth related events, 397 instances of asset purchase, 194 marriages, 149 instances of animal purchase, 107 irrigation equipments purchased and 68 wells were sunk and 117 deaths occurred. The instances of overall population, reported 125 events of health, accident for which heavy expenditure was incurred.

Table 18: Proportion of different sources as % of total no. of events				
Savings	Sale of asset	Grants	Remittances	Borrowings
62	13	11	3	54

Overall, in about 62% events the expenditure was met through savings/ own funds, while borrowings helped finance 54% of the events. Actually this trend holds true mainly in occasions like that of celebrating any birth or purchase of certain asset. In case of all other events in maximum number of cases the requisite fund is arranged from borrowings.

In money terms borrowings are the bigger contributors and savings help meet only 20% of the total costs In the case of expenditure associated with celebration of childbirth, the family savings make an almost equal contribution as the loans.

Table 19: Proportion of funds expended on events					
	Savings	Sale of asset	Grants	Remittances	Borrowings
Marriage	17	9	3	1	69
Birth	46	7	8	2	37
Health	14	21	1	1	63
House building / repairs	19	6	9	-	67
Agricultural land purchase/ lease-in	9	19	6	1	65
Livestock purchase	26	7	1	-	67
Other asset purchase	37	3	-	-	60
Death	9	9	2	1	79
Litigation	7	-	-	-	93
Irrigation equipments	14	17	-	2	67
Water Well	11	36	1	3	49
All events	20	10	3	1	66

Of the total events, in about 53% cases loans have been obtained from moneylenders. In the case of marriage, major health problems, and birth, the family/ friends are approached for accessing loans. Banks feature in only 5% of the cases.

**Table 20: Source of loan for financing of events (no. of cases)**

	Bank	Moneylender	SHG/MFI	Relatives	Others
Marriage	3	100	1	98	-
Birth	-	80	-	49	-
Health	2	42	1	46	1
House building / repairs	2	54	-	41	-
Agricultural land purchase/ Lease-in	1	6	-	2	-
Livestock purchase	5	53	1	26	-
Other asset purchase	16	60	1	57	1
Death	1	61	-	68	-
Litigation	1	1	-	3	-
Irrigation equipments	7	45	-	33	-
Water Well	6	23	-	11	-
All events	44	525	4	434	2

#### 4. Conclusion

Overall, nearly 43% people in the age group of 18-59 years are engaged in agriculture. Agricultural wage labour is a peripheral activity for a majority of households as only about 5% of men and 1% women (over all around 8%) falling in the age bracket 18-59 years have reported agriculture labour as an occupation. Agriculture is practised, but is not the mainstay of even the land owning households; elders in the family attend to it. About 56% of the households reported a cash deficit from agriculture, including households that retained the produce for their own consumption.

Non-agricultural labour and services appear to be the main cash generators for households in the studied villages. Non-agriculture wage labour engages 17% men in the 18-59 years age group, whereas, participation of women is very low at less than 3% for the same age group. Nearly 25% men (18-59 years old) are employed in a private/public sector enterprise. The presence of large number of textile mills in the area ensures greater industrial employment. Given the local availability of work, the compulsion to migrate is low and the need for remittance services is also non-existent. Rather than trying to reach people at their door steps, recurring savings products can be considered where contribution will be collected at factory gates or somewhere nearby with the same periodicity as that of wage payment to non-agricultural labourers and to people employed at the lower levels..

While certain financial level needs of households can be met in this manner, a separate strategy will be required to service women, since there is practically no involvement of women in the industrial sector. An important finding of this study is that accessibility to an avenue is a prime determinant of savings.

Livestock rearing is an important contributor of supplementary cash for over one fifth of the surveyed households. Sale of milk and other animal products is a major source of income for one third of the surveyed 292 households, generating an average income of Rs.12, 000 per annum. Milch animals are popular; cows are owned by 55% and buffaloes by 52% of the households. For the purchase of livestock (mainly cows) own capital has been used in 43% cases, followed by moneylenders in 23% cases (mainly for buffaloes). Livestock rearing emerges as potential livelihood activity for upscaling as several channels and linkages may already be in existence or can be built in.

Without considering the promotion scale of investment warranted, assets are mostly purchased. About 66% the time assets are purchased from own capital. Bank loans are rare but loan from moneylenders helped finance 13% of such purchases. Very few assets of this class are inherited, pointing to opportunities for creating loan products around prized household and farm items.

Nearly 30% of the surveyed households are not able to save anything, while 66% households save only in one avenue. In fact nearly 40% households save only at their home. Accessibility and easy liquidity are important/overriding considerations for choosing a saving avenue in all cases, except life insurance and company deposits. Options that enhance access to credible savings options may be well received including the factory gates saving as proposed earlier.

Around 84 % of the surveyed households had one or other outstanding loan. In fact the appetite for loans is quite high in this area, about 32% of the households had loan outstanding amounting to Rs.40, 000 and above and the average outstanding loan size was about Rs.36, 700. No loan has been accessed from SHG/MFI.

Accessibility (and not cost of a loan) is a principal determinant of loan source. In any case, a majority of the households appear to be able to access loans at 24% or lesser rate of interest. Other things being equal, it appears that people would prefer taking loans from banks because of the cost advantage. This suggests the existence of scope for forging linkage between the community and banks through systems like the SHG bank linkage model.

Interventions around providing loan in kind including helping families lift their monthly entitlement from Public Distribution Shop in one lot and pay off a MFI affiliated credit provider in small lots across the month may be valued as about 63% of the sample households take loans in kind and the average loan size is only Rs.1800.

When all the events are considered collectively, in money terms, borrowing helps finance nearly 60% of the household expenditure while savings helps meet only 20% of the total. This is true in all cases except in the celebration of childbirth in the family. Life cycle event related savings that will assist the households in collecting 'pay ins' in times of cash surplus may be valued by the community and should, thus be designed. Rather than expecting the depositor to come to the bank, an outreach agent system can be considered after building in certain checks for ensuring fidelity transactions.

For additional conclusions and suggestions for the study as a whole, please refer to - A Brief Note on the findings of the 'Cash Flow Study of Rural Households in Rajasthan', provided in Appendix 1.