HOW THE POOR MANAGE THEIR FINANCES: A STUDY OF THE PORTFOLIO CHOICES OF POOR HOUSEHOLDS IN ERNAKULAM DISTRICT, KERALA

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ABBREVIATIONS

ATM	:	Automated Teller Machine
BPL	:	Below Poverty Line
BSUP	:	Basic Services to the Urban Poor
ESAF	:	Evangelical Social Action Forum
FD	:	Fixed Deposit
HSC	:	Higher Secondary Certificate
IHSDP	:	Integrated Housing and Slum Development Programme
ITC	:	Industrial Training Course
JNNURM	:	Jawaharlal Nehru National Urban Renewal Mission
LPG	:	Liquefied Petroleum Gas
MFI	:	Micro-Finance Institution
MGNREGS	:	Mahatma Gandhi National Rural Employment Guarantee Scheme
NABARD	:	National Bank for Agriculture and Rural Development
NBFC	:	Non-Banking Financial Company
NRI	:	Non-Resident Indian
NSSO	:	National Sample Survey Organisation
OBC	:	Other Backward Caste
PDS	:	Public Distribution System
RBI	:	Reserve Bank of India
SC	:	Scheduled Caste
SDP	:	State Domestic Product
SHG	:	Self Help Group
SSC	:	Secondary School Certificate

EXECUTIVE SUMMARY

This study of the portfolios of the poor is based on the data provided by 107 poor households in Ernakulam district in Kerala, a State known for its achievements in poverty reduction and social development. The study is primarily based on a financial diary kept by these households for one month (September 17- October 16, 2012). Additional information on the assets, liabilities, socio-economic and demographic background of the households, as on the first day of diary keeping, were captured by administering a household questionnaire. The households were selected from three rural localities and urban slums in Kochi city in the district of Ernakulam, Kerala.

The challenges faced by the poor households in the sample are not only the insufficient income, but also irregular and unpredictable income flows. The poor households, on an average, had a cash inflow of ₹ 15,553 during the one month of diary keeping of which only 61 per cent was on account of income. The difference between outflows and income inflows was met mainly through loans. A third of the total inflows during this month are in the form of loans, which averaged ₹ 5,322 per household. About 5 per cent of the shortage was met from donations, hand loans returned by others, drawing from one's own savings and sale of assets/durables. A Snapshot of the Structure of Portfolio Choices of the Sample Households is furnished in the Table at the end of this summary.

On an average, there were three loan transactions per household in the month of diary keeping. Four out of five poor households have taken loan for meeting shortfalls. Though large majority of the poor had depended on friends/relatives/neighbours, such loans were small in quantity and therefore formed only one-fourth of the total loan amount. The biggest source of loans, however, was SHGs/MFIs. Though only 17 per cent had taken loan from SHGs/MFIs, 28 per cent of the loan amount was from these sources. Of these, majority have depended on SHGs under Kudumbashree, the State's Poverty Eradication Mission. One-fourth of the loans and the loan amount are from money lenders. Just two per cent had taken loan from cooperatives but one-fifth of the loan amount was from these institutions. Outflows related to the purchase of food items formed only 22 per cent of the total outflow of the poor households. Non-food consumption expenditure is a much bigger component with a share of one-third of the outflows. But a major component of the cash outflows of the poor households in the sample,

with a share of 17 per cent, is the repayment of loans indicating the high debt service burden of these households. Savings mainly held at home, SHGs or in Chit funds, formed about one-tenth of the income inflow. Of the total outflows, 12 per cent have gone for assets/durables. None of the poor families in the sample has received loans from or saved money in commercial banks during the one month period.

During the month of diary keeping, the poor households have used different financial instruments, mostly informal, to make both ends meet. About 60 per cent of the households faced a shortfall in meeting the consumption expenses at least one day during the month. Though only one-fourth of the households faced deficit in meeting consumption outflows, more than half showed deficit when commitments on loan repayment and contractual savings are added. The poor households, on an average, turned over 1.3 times the month's income through financial instruments. They also take heavy risks in their strategy for survival. Some of them indulge in a good deal of financial jugglery for meeting their daily requirements and emergencies. However, it needs to be acknowledged that despite all their shortcomings and vulnerabilities, the households are constantly trying to improve their prospects such as buying an asset, improving the house, exploring new employment avenues, etc. even if for the same they have to incur huge debts. The poor have also designed their own instruments for meeting some unpredictable events like death (Burial Fund) and certain events like Onam Festival with attendant huge demands for funds (Onam Fund).

When the shortfall is for meeting daily expenses, the first option of the poor is to fall back on their social capital base which includes their friends, relatives, neighbours and neighbourhood grocer. A never ending cycle of lending and borrowing small amounts among households was observed. The SHGs, mostly those under the Kudumbasree have emerged as an important agency for savings and credit requirements of the poor. Any meaningful involvement of the banks in the financial lives of the poor depends on the ability of banks to meet the credit requirements of the poor. The dependence on the money lenders on gold loans despite the lower interest rates in the banks indicates that more than the interest rates, it is the easy and timely availability which matters to the poor. Here, the co-operative societies and the money lenders score over commercial banks. Cooperative societies are seen by the poor as the most approachable among banks. Commercial banks, on the other hand, seem to suffer from a perception problem. It is not considered as a friendly neighbourhood institution on which one can rely for their financial requirements. There is a clear need for removing this perception highlighting simultaneously the lower cost of the bank credit. The poor needs credit for meeting the frequent gaps in income inflows and consumption outflows. This highlights the need for small consumption loan or a line of credit or an overdraft. Besides, the banks' credit schemes will have to be tailor-made to meet the specific requirements of the poor including that of financial emergencies. The banks' procedures will also have to be made more flexible and simple. Their response time to the requirements of the poor also has to be shortened.

Though the month long diary keeping helped in understanding the nuances of the cash flow of the poor, it is felt that only an year-long tracking of the households will take care of the seasonality of income and other inflows as well as outflows. Such a study, with sample households selected from different occupational and social categories spread across Kerala will help to shed light on the financial lives of the poor in the State.

A Snapshot of the Structure of Portfolio Choices of the Sample Households

Cash Inflows			Cash Outflows		
	Average (₹)	Share in Total(%)		Average (₹)	Share in Total(%)
1. Total Inflows (2+3+4+5)	15553	100.0	1. Total Outflows (2+5)	14624	100.0
2. Income Inflows	9432	60.6	2. Consumption Outflows (3+4)	8106	55.4
3. Total Loans	5322	34.2	3. Consumption Outflows-Food	3287	22.4
4. Loan returned	167	1.1	4. Consumption Outflows-Non Food	4819	33.0
5. Sale of assets, Withdrawal from savings and Donations	631	4.1	5. Non-Consumption Outflows	6518	44.6
Share in Percentages					
Head	Share in Total Inflows (%)	Share in major head(%)	Head	Share in Total Outflows (%)	Share in major head(%)
Total Inflows	100.0		Total Outflows	100.0	
Income Inflows	60.6	100.0	Consumption Outflows	55.4	
Wages and Salaries	54.9	90.5	Consumption Outflows-Food	22.4	100.0
Self Employment	1.5	2.5	Cereals/Cereal substitutes	3.9	17.5
Agriculture and allied	2.6	4.3	Pulses	1.1	4.8
Interest/ Rent	0.1	0.2	Sugar, Salt	1.1	4.8
Welfare Pensions	0.1	0.2	Oil	1.2	5.2
Remittances	1.3	2.2	Milk&Milk products	1.9	8.6
Total Loans	34.2	100.0	Egg, Fish & Meat	4.6	20.5
Loans from Cooperative Banks	6.0	17.6	Vegetables & Fruits	3.5	15.5
Loans from Cooperative Societies	0.5	1.4	Processed food /Bakery products	2.3	10.2
Gold loans from Money Lenders	3.5	10.1	Food from outside	2.1	9.2
Other Loans from Money Lenders	5.9	17.3	Others	0.8	3.6
Micro Finance / SHG Loans	9.5	27.8	Consumption Outflows-Non Food	33.0	100.0
Loans from friends /neighbours	8.0	23.3	Toiletries	1.1	3.4
Wage Advance	0.8	2.5	Health	7.1	21.6
Loans returned	1.1		Education	2.3	6.9
Sale of Assets	0.2		Petrol/Diesel	2.9	8.9
Withdrawal from Savings	1.5		Fuel	1.7	5.0
Donations	2.3		Water and Electricity	1.4	4.3
			Travel	4.8	14.5
			Entertainment	0.6	1.9
			Communication	1.7	5.3
			Rent	0.9	2.6
			Clothing and Footwear	1.8	5.4
			Other Consumables	2.0	6.2
			Livestock	0.5	1.5
			Agriculture	0.3	1.0
			Lottery	0.7	2.0
			Maintenance of vehicles	1.2	3.7
			Alcohol/Tobacco	1.9	5.8
			Non-Consumption Outflows	44.6	100.0
			Building and maintenance of assets	11.4	25.7
			Savings	5.6	12.5
			Loan Repayment	16.9	37.9
			Chit Funds	2.3	5.1
			Other Recurring Outflows	6.1	13.6
			Gifts/ Donations	2.3	5.2

Deficit indicators	
Deficit Indicator	Households faced Deficits (% to Total)
Income Inflows -Consumption Outflows	23.4
Income Inflows - (Consumption Outflows + Loan Repayments)	42.1
Income Inflows - (Consumption Outflows + Loan Repayments Forced Savings)	51.4
Households faced deficit in meeting consumption outflows using income inflows at least one day during the month	58.9

SECTION I
INTRODUCTION

1.1 Background of the Study

There is a widespread debate going on in India whether and to what extent the fruits of economic growth in the country in the post liberalization era have managed to reach the poorer sections of society. Though a number of schemes meant to reach the fruits of growth to the poor have been implemented by the Central and State Governments, they have not reached them to the extent envisaged or considered desirable. It is in this context that the Government of India has placed inclusive growth in their policy agenda. Reserve Bank of India on its part has made financial inclusion a policy priority. Financial Inclusion and inclusive growth are inter-related. While financial inclusion facilitates inclusive economic growth, the latter in turn, lead eventually to widening the customer base of the banks. In order to reach across the poor, the banks, at the initiative of Reserve Bank of India, have introduced zero balance accounts or no frill accounts. The Government on its part has helped inclusive banking by making MGNREGS and a number of social security payments credited to the bank accounts of the poor. The present move of the Government of India to pass on the subsidy to the target groups through banks is another initiative in this direction. With the wide spread introduction of Aadhar cards in the country, opening bank accounts by the poor and transferring money to the poor will become much easier.

Before developing strategies for financial inclusion and designing financial products to suit the poor, it is necessary to understand their financial needs, both short and long term. It is also necessary to understand how surplus funds are utilized by the poor for meeting their short term, long term and emergency requirements. A grass root level understanding on these aspects may help in devising a scheme for meaningful financial inclusion. A number of studies have shown that even the poor have their own cash management and portfolio management strategies. There are also informal institutions and instruments in the locality which cater to the diverse needs of the poor. It is in this context that the present study is undertaken among 107 poor households in Ernakulam district, Kerala State as suggested by the Governor of Reserve Bank of India.

1.2 Objectives of the Study

The broad objective of the study is to understand how the poor in Ernakulum district manages their finances in the context of low income and uncertainties in cash inflows and outflows. The specific objectives are:

1. To understand the nature of the cash inflows and outflows of a sample of poor households in the district.
2. To understand the cash flow management strategies of the poor households.
3. To make an assessment of the structure of the financial assets and liabilities of the poor households.
4. To understand the saving pattern of the poor households.
5. To understand the extent of dependence of the poor on formal and informal financial instruments/institutions for savings and credit.

1.3 The Context

The development experience of Kerala, located in the south-western corner of India, has been different from that of the country. Often referred to as the "Kerala model of development", the experience of the State was characterised by high level of social development disproportionate to the level of economic growth. In terms of almost all conventional indicators of physical quality of life, Kerala is way ahead of not only most other States in the country, but also most of the middle income countries. Of late, the per capita State Domestic Product (SDP) is one of the highest among the States in India[1]. The State has also been ranked on the top among the major States in per capita consumer expenditure (NSSO 2011), a situation which has been prevailing for long.

The State has been successful, to a great extent, in tackling poverty. The proportion of poor in Kerala is the lowest among major States in India. According to the Planning Commission, the head-count ratio of poverty in Kerala was only 12.0 per cent in 2009-10 as against 29.8 per cent in the country.[2] But the State Poverty Eradication Mission (Kudumbashree) has defined

[1] Goa, Haryana, Delhi and Tamil Nadu are the States with per capita SDP higher than Kerala in 2011-12.
[2] The estimates are based on the methodology of the Tendulkar Committee report.

poverty in a different way taking into account the multiple deprivations of the poor[3]. The adoption of the methodology resulted in a substantial increase in the proportion of the poor of the State. However, for becoming eligible for subsidised provisions under the Public Distribution System (PDS), the criteria for categorising households as poor are different from the ones adopted by the State Poverty Eradication Mission and the Planning Commission (Issac and Ramakumar, 2010). These households which hold a BPL ration card are eligible to receive rice at ₹ 1 per kg. In spite of disagreement about the proportion of the BPL population and the criteria for defining them, there has been some consensus within the State that poverty levels have declined during the last four decades. Though poverty in the rural context in India is often visible through dilapidated housing conditions, absence of sanitation facilities and electricity, poor health status, illiteracy, etc, the scenario in Kerala is different. As may be seen from Table 1.1, most of the households including the poor have access to basic facilities such as proper housing, latrines, electricity etc.

Table 1.1: Indicators of Development- Kerala and India

Sl.No.	Indicator	Kerala	India
1	Per Capita State Domestic Product (2011)	₹ 83725	₹ 60972
2	Monthly Per Capita Consumer Expenditure (2009-10):		
	Rural	₹1835	₹1054
	Urban	₹2413	₹1984
3	Poverty Ratio (2009-10):		
	Rural	12.0	33.8
	Urban	12.1	20.0
	Total	12.0	29.8
4	Literacy Rate (2011)	94	74

[3] Kudumbashree is a joint programme of the Government of Kerala and NABARD implemented through Community Development Societies (CDSs) of poor women, serving as the community wing of Local Governments. Kudumbashree is formally registered as the "State Poverty Eradication Mission", a society registered under the Travancore Kochi Literary, Scientific and Charitable Societies Act 1955. It has adopted a nine-point criteria to assess poverty: 'kutcha' house for shelter, inaccessibility to sanitary latrine, inaccessibility to safe drinking water, presence of illiterate adults in the family, having just one or no earning member in the family, the family getting only two meals a day or less, presence of children below five years, family having an alcoholic or drug addict and the family being one belonging to a Scheduled Caste or a Scheduled Tribe. In this method, the families meeting four out of the nine criteria are treated as poor.

5	% of households (in 2011) with:		
	Latrine in the premises	95.2	46.9
	2 or more dwelling rooms	91.6	59.0
	Electricity connection	94.4	67.2

Source: For 1, http://mospi.nic.in/Mospi_New/upload/State_wise_SDP_2004-05_14mar12.pdf. accessed on 11-12-2012; for 2, National Sample Survey Organisation, Key Indicators of Household Consumer Expenditure in India,2009-10, Ministry of Statistics and Programme Implementation, Government of India, 2011; for 3, http://planningcommission.nic.in/data/datatable/0904/tab_45.pdf viewed on 20-10-2012; for 4 &5, Census of India 2011.

Kerala had been well ahead of other regions in India in terms of banking infrastructure even before independence. During 1926-30, the erstwhile Travancore State alone accounted for about one-fifth of the total number of banks then existing in the combined area of erstwhile British India and Travancore[4]. In the range of area and population served by an office of a commercial bank, Travancore-Cochin had been credited with the highest position at the time of Indian independence. The average area served by an office of a commercial bank in Travancore-Cochin in December 1949 was 18 square miles as against 222 for the country as a whole. Average population served by an office of a commercial bank was 16,000 as against 65,000 for the country as a whole (Government of India 1953). The lead of the State in banking infrastructure still continues. In 2011, the population coverage per branch of commercial banks in Kerala was much lower (7,167) than for the country (13,056).

After describing the broad context of the study, a description of Ernakulam, the district in which the study was undertaken is given below. Within Kerala, Ernakulam district has certain unique characteristics. It has the credit of being the first district in the country to achieve universal literacy. It is also the economic nerve centre of the State. Kochi city, the commercial capital of Kerala is located in the district. It has the highest per capita SDP among the districts in Kerala (₹ 85,070 in Ernakulum district as against ₹ 56,107 for the State in 2010-11). The share of the tertiary sector in domestic product of the district is as high as 59 per cent. Primary sector contributes 9 per cent and the rest (32 per cent) by the secondary sector (Government of Kerala 2012). According to the Kerala Human Development Report, the district is ranked first on Human Development Index and second in Gender-related Development Index among the districts in Kerala. According to Census 2011, the total population of the district is 32,79,860. The Scheduled Castes constitute 8.0 per cent and Schedule tribes form just 0.3 per cent of the district population. Access to proper housing facilities, including latrines, electricity etc. is seen to be slightly better in Ernakulam district compared to the State scenario. The population

[4] Kerala was formed by merging Travancore and Cochin States with Malabar, a part of Madras Province of British India.

coverage per branch of commercial banks in Ernakulam, at 4420, is better than the figure for the State reported earlier.

1.4 Methodology

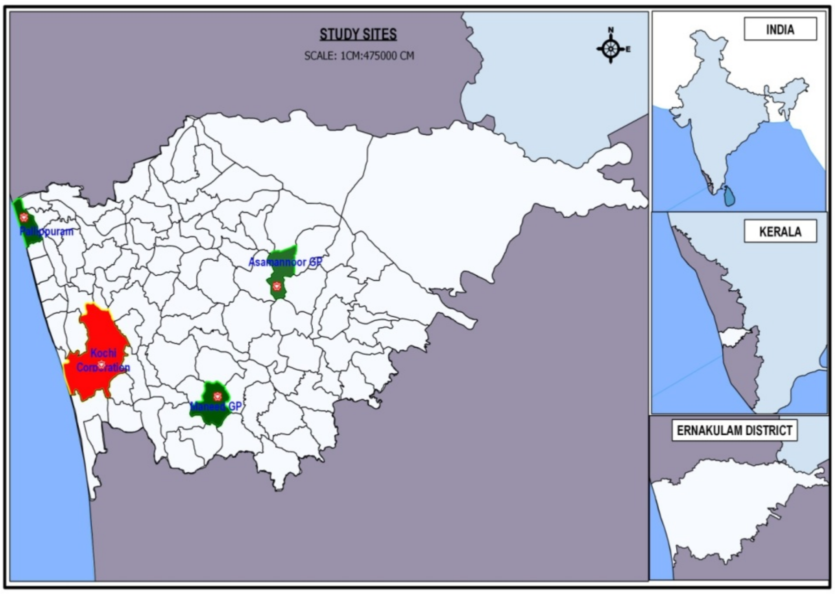
The study employed two methods for collecting relevant information from the poor households. One is a household survey among a sample of poor households using a questionnaire. The second is to track the cash flows of the same sample households using financial diary method. Financial diaries aim at collecting financial inflow and outflow data from a small group of households usually for a long period of time. The idea is that the richness of the analysis compensates for the relative smallness of the sample (Collins and Morduch 2007). The diary method is more effective than the method of interviewing people one or more times as the former elicits relatively more precise information on cash flows. Besides, recalling income and expenditure after some time can often go wrong. As the financial diaries capture all inflows and outflows of the households, it is different from the consumption and expenditure surveys.

The first Financial Diaries study to track the financial lives of the poor households took place in Bangladesh in 1999. The study led by Stuart Rutherford covered 42 households located in the slums of Dhaka city and a rural area. Later, a study was undertaken in India by Orlanda Ruthven. Data was collected from 48 households. Daryl Collins studied the daily cash flows across 152 households in South Africa drawn from an urban area, a rural village and a suburban area. Based on the three studies conducted in three different countries, a book titled “Portfolios of the Poor: How the World’s Poor Live on $2 a Day” was authored by Collins and others (Collins et al 2009). All these studies tracked the cash flows for a period of one year. But in the present study, cash flows were tracked only for a period of one month.

The sample for the present study included only BPL households which are eligible for subsidized public distribution system. These households are provided five kilograms of rice at one rupee every week. In addition to ensuring that the sample households hold BPL ration card, discussions were held with elected representatives and key informants such as the Kudumbashree functionaries to ensure that the selected households are poorer among the BPL card holders. The daily cash flows of 112 households were collected. Two households discontinued keeping the diary mid way. Based on the data collected during the survey, it was found difficult to categorise three households as poor and hence excluded them. Thus the final analysis was done on the data collected from 107 households.

As mentioned earlier, apart from the financial diary, a questionnaire was administered to all the sample households. Information on the socio-economic and demographic background, dependence on formal and informal financial instruments/institutions and financial assets and liabilities of the households in the sample were collected using the questionnaire. While sections on the socio-economic background of the household and ownership of assets and financial liabilities were captured prior to the period of diary keeping, responses on other sections of the household questionnaire were captured during the course of data collection when the diary was kept by the households. The willingness of the households to maintain a diary as well as to provide information on cash flows throughout the period of the study is very important in such a study. Building the rapport with the households is also very important. Rapport was built not only with the person who is maintaining the diary but also with the other members of the household. Hence, it was difficult to ensure randomness. However, some efforts were made to ensure representation of households from different occupational groupings. In addition, in order to account for geographical and socio-economic diversities of the district, households were selected from three Grama Panchayats (hereinafter panchayats) and one urban area in Ernakulam district (Kochi Corporation).

Figure 1.1: Study Sites



Among the three panchayats covered by the study, one was in the coastal area (Pallippuram) with a good section of the population depending on fishing, directly or indirectly. Maneed panchayat is predominantly agriculture based. Asamannoor panchayat has some agriculture base but has a few small scale industrial units (mainly plywood manufacturing units). The households from two slum like localities in the city of Kochi formed the urban sample of poor households. All the three panchayats had at least one branch of a commercial bank. In Pallippuram panchayat, five branches were available. Pallippuram also had a branch of the District Cooperative Bank. In addition, all the three rural areas (panchayats) have one cooperative society. The final sample from each locality is presented in Table 1.2.

Table 1.2: Sample Size of the Study

Grama Panchayat/ Municipal Corporation	Number of sample households
Pallippuram	27
Asamannoor	28
Maneed	27
Kochi Corporation	25
Total	107

Households form a broad range of occupational categories (based on main source of income of the household) such as agricultural labourers, workers in the fisheries sector, small and marginal farmers, casual labourers, cleaning workers, house maids, sales people, auto rickshaw drivers, petty traders, hotel/restaurant workers, factory workers, plantation workers, construction workers etc. The sample included daily/irregular wage earners, weekly wage earners and monthly wage earners.

Data on daily cash flows of each household were collected for a continuous period of one month starting from mid September (17-9-2012) and ending in mid October (16-10-2012). To get the data with minimum omissions, each sample household was given a diary to note down the day-wise cash flows under different heads. Households were requested to note cash flow under different heads on each day in the diary maintained by them. One member of the family, mostly an educated member was made responsible for maintaining the diary. The person entrusted to maintain the diary collected information on cash flows from other members of the household and recorded it in the diary on a daily basis. The data from the diary was collected by the investigator on the next day. While collecting the data, investigator made probes to avoid omissions and mistakes on any inflow or outflow head. There are chances of under-reporting of data on certain categories, especially on expenditure related to alcohol consumption, smoking, earnings etc. To minimize this, investigator cross checked the data in the diary with other members of the household at least once in a week. In order to familiarize the diary as well as to minimise errors in entering data in the diary, the households were asked to enter the data for two days before the start of the actual data collection.

The supervisory staff monitored the data collection and visited the households at least once in a week. In the first week of diary keeping, they also accompanied the investigators on rotation basis. The investigators and supervisors were provided a two-day training prior to data collection. The training included field visits. Apart from editing the dairy and the questionnaire for household survey in the field by the field supervisor, editing was also done at the office of CSES before data entry to reduce errors. The office editing and data entry were done simultaneously with the data collection.

1.5 Limitations of the Study

Unlike other studies using the financial dairy method, the cash inflows and outflows of the poor households in the sample were tracked for a period of only one month. Given this, some categories of inflows (for instance bonus usually given during the month of August/September during the Onam festival) and outflows (such as educational expenses during the start of academic year, expenses related to festivals such as Onam, Christmas, Bakrid, etc.) are not captured. It was also noticed that the period of data collection is not considered to be auspicious for marriages. Therefore, a major expense category viz., ‘donations for marriages of friends and relatives’ may not be captured by the study. More importantly, the long term savings pattern of the poor households can be understood only if the outflows of a full year are captured. The chance of reporting emergencies in a period of one month is also low. It is felt that tracking for a full year would have helped to capture changes in assets and how cash flows are managed over seasons and during financially significant events. Despite these limitations of the period of reference, the study helps to uncover some of the major aspects of the financial lives of the poor households in the sample though a one year study would provide a deeper and fuller understanding of the issues. Secondly, as the sample was not selected randomly, the sample may not be representative of the poor households in Ernakulam district. It is also likely that poor in Ernakulam district may not be representative of the poor in the State as a whole. Though Ernakulam district has a small group of Scheduled Tribe households, we have not included them in the present study as they form just 0.3 per cent of the district population. Most of them are residents of one panchayat viz., Kuttampuzha. Since our focus was on cash flows, transfers in kind have not been tracked in the present study.

1.6 Scheme of the Report

This report is divided into seven sections. First section discusses the background of the study, the characteristics of the State and the district where the study was conducted and the methodology adopted for the study. The second section provides the profile of the households in the sample. Section III examines the access of the poor households in the sample to organized financial institutions. Fourth section discusses the physical and financial assets of the sample households and their financial liabilities. Section V examines the cash inflows and outflows of the sample households based on the data from the financial diaries. Section VI discusses the cash flow management strategies adopted by the poor households. This section also discusses the financial instruments preferred by the poor households. Section VII is the concluding section where a summary of the findings and conclusion of the study are reported.

SECTION II

PROFILE OF THE HOUSEHOLDS

This section profiles the respondent households of the study. The profile covers aspects such as gender and age of the household head and the chief wage earner. With regard to occupation and the interval of receiving income, the profiling relates to the chief wage earner as he/she is the main source of income for the household. This being a cash flow study, the profile of the chief wage earner is an important determinant of the inflows and outflows of the household. The living conditions of the sample households are also presented. The analysis is done across rural and urban classifications and also gives the overall picture of the sample households.

2.1. The Household Head and the Chief Wage Earner

The characteristics of the head of the household are regarded to be important determinants of the well-being of the households. The following section presents a few of the demographic characteristics of heads of household. It is seen that the head of the household as reported by the household is often the eldest male member of the household (or else the eldest female member; in cases where the spouse is deceased or is separated). It is found that one-fourth of the households in the sample were headed by women. In large majority of such cases, the head of the household was the eldest living member of the household and was a widow. In majority of the households it was seen that head was aged below 60. The average age of the head of the household was seen to be around 50 years. More than four-fifths of the head of the households are in the working age population. There is no significant difference in the age of the heads of the rural and urban households (See Table 2.1).

Table 2.1: Demographic Characteristics of the Head of the Household

Particulars	Area				All	
	Rural		Urban			
	No.	%	No.	%	No.	%
Gender						
Male	60	73.2	20	80.0	80	74.8
Female	22	26.8	5	20.0	27	25.2
Age						
15-59 years	67	81.5	21	84.0	88	82.1
60 and above	15	18.5	4	16.0	19	17.9
Total	82	100.0	25	100.00	107	100.0
Average Age in years	49.6		47.8		49.2	

Source: Household Survey

It needs to be clarified at this point that in many cases the reported head may not necessarily be the one who provides the main economic support to the family or the one who takes important household decisions in matters relating to cash flows. It is therefore felt that the assessment of a household's economic status will be more realistic when the characteristics of the person on whom the household is largely dependent upon for economic support; *i.e*. the chief wage earner, are also analysed. This is of particular importance to the present study as it relates to cash inflows and outflows of the poor households. The chief wage earner will invariably be contributing in a significant manner to the inflows and will be a major deciding force behind the pattern of outflows of the household. It was seen in the survey that in 69 per cent of the households, the chief wage earner was the head of the household. The head of the household did not have a job or was no longer active in the labour market in 14 per cent of the households. In most other households, person from the next generation; *i.e*. the son or daughter was the chief wage earner. In this section the characteristics of the chief wage earner; *i.e*. the main source of income of the households, are presented.

As opposed to 25 per cent of the heads of households being women, it was seen that a slightly lesser proportion, *i.e*. 22 per cent of the households had a woman as the chief wage earner (See Table 2.2). Female headed households are considered to have an economic disadvantage due to the lower earnings and also the time constraints at work, given the dual responsibility at work and at home. It has also been suggested that rather than female-headed households, it should be whether the household is being maintained by female income that should be looked into as a characteristic influencing the probability of a household being poor. (Gammage, 1998)

It was seen only in three per cent of the households that the chief wage earner was aged above 60 years. The average age of the chief wage earner was 43 years and there was no significant difference in the average age between rural and urban households. However, it may be seen that on an average, there is a significant difference of seven years between the head of the household and the chief wage earner.

Table 2.2: Demographic Characteristics of the Chief Wage Earner

Particulars	Area				All	
	Rural		Urban			
	No.	%	No.	%	No.	%
Gender						
Male	64	78.1	19	76.0	83	77.6
Female	18	22.0	6	24.0	24	22.4
Age						
15-59 years	80	97.6	24	96.0	104	97.2
Above 60 years	2	2.4	1	4.0	3	2.8
Total	82	100.0	25	100.00	107	100.0
Average age in years	42.8		42.7		42.7	

Source: Household Survey

Only about one-tenth of the chief wage earners were seen to be educated above SSC. A large section of the chief wage earners had not completed SSC. However, only five percent of them were reportedly illiterate. It seems surprising that despite the widespread efforts of the literacy mission and the achievements of the district in the same, the proportion of illiterates or poorly educated are seen to be higher in the urban areas. It seems that chief wage earners with higher education levels are seen more in rural households (See Table 2.3).

Table 2.3: Educational Profile of the Chief Wage Earner

Education	Area				All	
	Rural		Urban			
	No.	%	No.	%	No.	%
Illiterate	2	2.4	3	12.0	5	4.7
School education received : up to 4 years	11	13.4	4	16.0	15	14.0
School education received : 5-9 years	39	47.6	12	48.0	51	47.7
SSC	20	24.4	4	16.0	24	22.4
HSC/Certificate course	9	11.0	1	4.0	10	9.3
Graduate/Post graduate	1	1.2	1	4.0	2	1.9
Total	82	100.0	25	100.0	107	100.00

Source: Household Survey

A large section of the chief wage earners are engaged in casual labour, followed by construction workers (See Table 2.4). The chief wage earners of households from the coastal panchayat were engaged in fishing and allied activities.

Table 2.4: Occupational Details of the Chief Wage Earner

Occupation	Area				All	
	Rural		Urban			
	No.	%	No.	%	No.	%
Casual labour	25	30.5	14	56.0	39	36.4
Construction worker	12	14.6	2	8.0	14	13.1
Fishing	8	9.8	0	0.0	8	7.5
Agricultural labour	3	3.7	1	4.0	4	3.7
Cleaning worker	1	1.2	3	12.0	4	3.7
Auto driver	2	2.4	2	8.0	4	3.7
Petty trader	3	3.7	1	4.0	4	3.7
Painting	4	4.9	0	0.0	4	3.7
Sales people	2	2.4	1	4.0	3	2.8
Factory worker (plywood/others)	3	3.7	0	0.0	3	2.8
House maid	2	2.4	0	0.0	2	1.9
Hotel worker	1	1.2	1	4.0	2	1.9
Automobile Mechanic	2	2.4	0	0.0	2	1.9
Furniture Polishing	2	2.4	0	0.0	2	1.9
Rubber Tapping	2	2.4	0	0.0	2	1.9
Tailor	2	2.4	0	0.0	2	1.9
Carpenter	1	1.2	0	0.0	1	0.9
Ice Plant	1	1.2	0	0.0	1	0.9
Driver	1	1.2	0	0.0	1	0.9
Office Asst.	1	1.2	0	0.0	1	0.9
Collection Agent	1	1.2	0	0.0	1	0.9
Librarian(PT)	1	1.2	0	0.0	1	0.9
Lottery	1	1.2	0	0.0	1	0.9
Welding	1	1.2	0	0.0	1	0.9
Total	82	100.0	25	100.0	107	100.0

Source: Household Survey

With respect to the interval of receiving income, nearly three-fourths of the chief wage earners of the households were receiving the income on a daily or irregular basis (See Table 2.5). It is seen that even when the payment for the work is on a daily basis as in the case of casual labour, agricultural labour, etc. the actual flow of income into the households is related to the days the person gets work. Such irregular income inflows necessitate the adoption of many cash management strategies. It may also be added that this relates only to the chief wage earner, while there are families with other members also contributing towards the income inflow.

Table 2.5: Interval of Receiving Income by the Chief Wage Earner

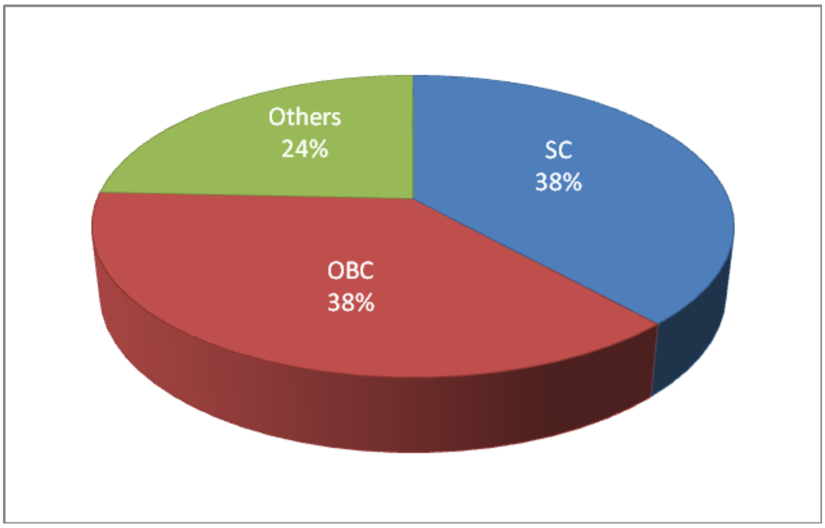
Interval of receiving income from occupation	Area				All	
	Rural		Urban			
	No.	%	No.	%	No.	%
Daily/ Irregular	60	73.2	11	44.0	71	66.4
Weekly	11	13.4	4	16.0	15	14.0
Monthly	11	13.4	10	40.0	21	19.6
Total	82	100.0	25	100.0	107	100.0

Source: Household Survey

2.2. Composition of the Households

This section profiles the sample households. Aspects such as the social composition, demographic details, economic composition, dependency load etc are looked into. Three-fourths of the households were from the backward sections of the society; *i.e*. the either Scheduled Castes or Other Backward Castes (See Figure 2.1). The proportion of poor households belonging to Scheduled Castes was seen to be higher in the rural areas (43 per cent of rural households vis-à-vis 24 per cent of urban households). The sample households from the urban areas comprised mainly of households from other castes (44 per cent of urban households vis-à-vis 18 per cent of rural households). It also needs to be added that the social category presented here is that of the head of the household. However, inter caste marriages have been observed in some families, more so in the urban households.

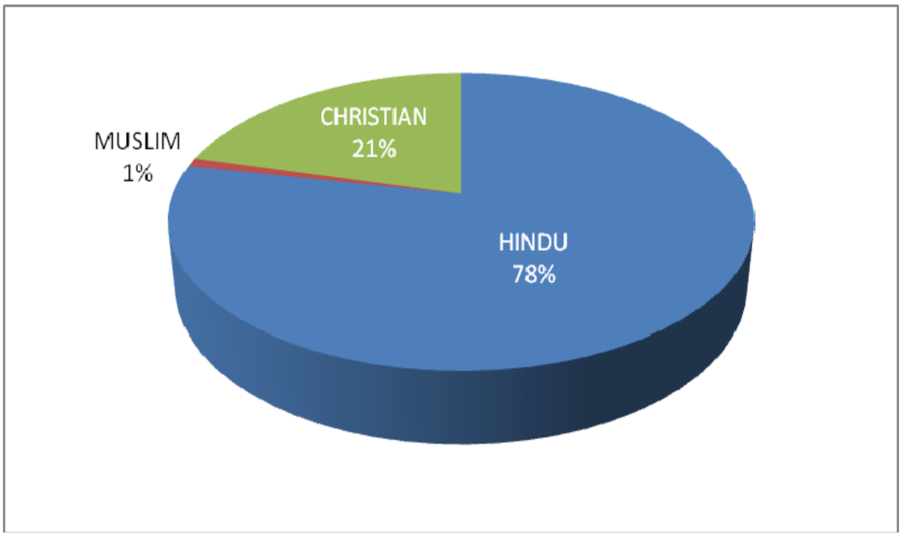
Figure 2.1: Social Composition of the Households



Source: Household Survey

As regards the religious composition of the households in the sample, large majority are Hindu households (See figure 2.2.).

Figure 2.2: Religion of the Head of the Sample Households



Source: Household Survey

The average household size was seen to be 4.4, with the household size being marginally higher in urban areas. Majority of the households were seen to be nuclear families with three or four members (See Table 2.6). Only one household was a single occupant household. The larger households in the sample were seen to be mostly extended families having three generations; *i.e*. grandparents, parents and children, among which the largest household size was eight, a family comprising of grandparents, parents, children and extended family members; *i.e.* aunt and niece.

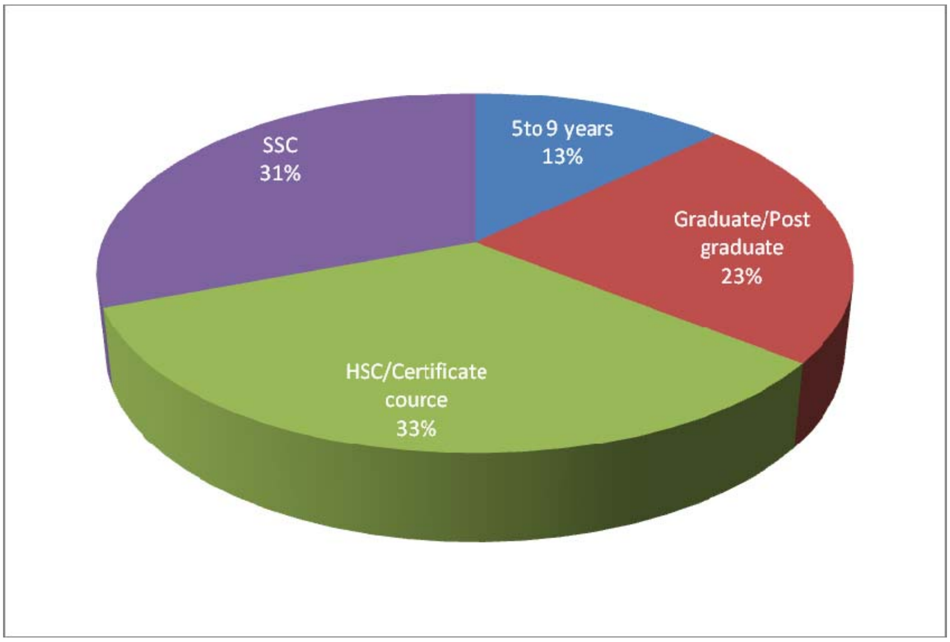
Table 2.6: Household Size

Household size	Area				All	
	Rural		Urban			
	No.	%	No.	%	No.	%
1-3	18	22.0	6	24.0	24	22.5
4-5	54	65.8	11	44.0	65	60.7
More than 5	10	12.2	8	32.0	18	16.8
Total	82	100.0	25	100.0	107	100.0
Average Family Size	4.3		4.6		4.4	

Source: Household Survey

In one-third of the houses the highest education received by a member of the household was Higher Secondary or a Certificate course (See Figure 2.3). It was seen that in most of the households, the highest educated member in the family is a younger member of the family currently undergoing studies. It was also seen that in all the households, members in the school-going age of 4-14 years are currently going to school. It was also seen that some members of the household were going for undergraduate and postgraduate studies.

Figure 2.3: Highest Education Received by any Household Member



Source: Household Survey

It was seen that in majority of the households there were one or two earning members. In majority of the households there were three or more dependants. The average dependency load, *i.e*. the number of non-earning members or dependants supported by an earning member in the household, was about two. The dependency load was observed to be marginally higher in urban households (See Table 2.7).

Table 2.7: Economic Composition and Dependency Load

Particulars	Area				All	
	Rural		Urban			
	No.	%	No.	%	No.	%
Number of earning members						
1	33	40.2	11	44.0	44	41.1
2	42	51.2	8	32.0	50	46.8
More than 2	7	8.5	6	24.0	13	12.1
Number of dependants						
0	7	8.5	2	8.0	9	8.4
1-2	32	39.0	10	40.0	42	39.3
3-4	39	47.6	10	40.0	49	45.8
More than 4	4	4.9	3	12.0	7	6.5
Dependency load						
No dependants	7	8.5	2	8.0	9	8.4
Less than or equal to 1	25	30.5	9	36.0	34	31.8
1.1-2	25	30.5	5	20.0	30	28.1
2.1 - 3	11	13.4	3	12.0	14	13.1
3.1 - 4	12	14.6	3	12.0	15	14.0
Above 4	2	2.4	3	12.0	5	4.7
Total	82	100.0	25	100.0	107	100.0
Average number of workers	1.7		1.9		1.7	
Average number of dependants	2.6		2.7		2.6	
Average dependency load	1.9		2.1		1.9	

Source: Household Survey

2.3. Living Conditions

This section looks into the living conditions of the households. Apart from the condition of the house, the basic facilities available in the houses are also looked into. Majority of the houses were owned by the households (See Table 2.8). Households living in rented accommodation were seen only in the urban areas. Only seven per cent of the families were living in kutcha houses. It was seen that the average area of the house for the sample households was 474 sq.ft and per capita dwelling area was 118 sq.ft. The average dwelling size in Kerala is around 600 sq.ft and the average per capita dwelling size is 156 sq.ft in the State (NSSO 2010). The dwelling area size was seen to be lower, especially in the urban households. However, it needs to be mentioned that provision of houses and also improvement of living conditions among urban poor is a major mandate of programmes implemented in urban areas such as JNNURM, IHSDP, BSUP, etc.

Table 2.8: Living Conditions

Particulars	Area				All	
	Rural		Urban			
	No.	%	No.	%	No.	%
Households living in own house	82	100.0	23	92.0	105	98.1
Condition of House						
Pucca	70	85.4	10	40.0	80	74.8
Semi Pucca	7	8.5	13	52.0	20	18.7
Kutcha	5	6.1	2	8.0	7	6.5
Area of House						
200 sq.ft. or less	4	4.9	1	4.0	5	4.7
201 - 400 sq.ft.	17	20.7	8	32.0	25	23.4
401 - 600 sq.ft.	46	56.1	15	60.0	61	57.0
Above 600 sq.ft.	15	18.3	1	4.0	16	15.0
Per capita area of house						
Up to 50 sq.ft	3	3.7	3	12.0	6	5.6
51-100 sq.ft	32	39.0	10	40.0	42	39.3
101-150 sq.ft	30	36.6	11	44.0	41	38.3
More than 150 sq.ft	17	20.7	1	4.0	18	16.8
Total Households	82	100.0	25	100.0	107	100.0
Average area of house (Sq.ft)	490		421		474	
Average per capita area of house (Sq.ft)	123		100		118	

Source: Household Survey

As regards basic amenities in the house, it was seen that there were very few houses (only among rural households) which did not have a toilet (See Table 2.9). Almost all the houses were electrified. Only one-fourth of the households were seen to have a tap connection in their house. A large section of the households were depending on public tap for water, followed by well which was seen only in rural households. Wood was reported to be the main source of fuel for cooking in rural areas, while LPG was the main source of fuel in urban households. It may be observed that kerosene is not accorded much significance, despite the same being heavily subsidized and supplied through PDS to the poor.

Table 2.9: Basic Amenities in the House

Particulars	Area				All	
	Rural		Urban			
	No.	%	No.	%	No.	%
Households with latrine in the premises	78	95.1	25	100.0	103	96.3
Households with electricity connection	79	96.3	25	100.0	104	97.2
Main Source of Drinking Water						
Tap(inside the residence/plot)	18	22.0	8	32.0	26	24.3
Tap(shared/public)	28	34.1	17	68.0	45	42.1
Hand pump/Bore well	2	2.4	0	0.0	2	1.9
Well	30	36.6	0	0.0	30	28.0
Others	4	4.9	0	0.0	4	3.7
Main fuel for cooking						
Wood	53	64.6	3	12.0	56	52.3
LPG	27	32.9	21	84.0	48	44.9
Kerosene	2	2.4	1	4.0	3	2.8
Total	82	100.0	25	100.0	107	100.0

Source: Household Survey

2.4. Summary

Large majority of the households own pucca houses and have basic facilities such as latrine in the premises and electricity connection. The average household size is 4.4. The proportion of Schedule Castes in the sample is more than three times their proportion in the district population. In majority of the households, the highest educational level among the members was higher secondary education or above. All children in the sample households in the age group of 6-14 years are currently going to school.

In more than one-fifth of the households, the chief wage earner is a woman. Nearly three-fourths of the chief wage earners receive income on a daily basis or have irregular income. One-fifth of them are receiving income on a monthly basis and the remaining on a weekly basis. In about 40 per cent of the sample households, chief wage earner is the only earning member in the family. The average number of earning members per household was 1.7 in rural areas and 1.9 in urban areas. The occupation of the chief wage earner in the sample households fall in diverse categories such as casual labourers, agricultural labourers, workers in the fisheries sector, small and marginal farmers, cleaning workers, house maids, sales people, auto rickshaw drivers, petty traders, hotel/restaurant workers, factory workers, construction workers etc. One-tenth of the chief wage earners are educated above SSC. Only five percent of them are illiterate. The average age of the chief wage earner was 43. Only in three per cent of the households, the chief wage earner was not in the working age (14-59 years).

Several studies have pointed out the differences between the living condition of the population in Kerala and those in other regions of the country. The picture emerging from the present study is that Kerala's poor may also be sharing some of State's achievements in providing better access to basic needs including education. Kerala's poor may be different from the poor in other parts of India in terms of access to basic amenities and social status (Ann George 2010). A definite conclusion, however, requires a comparative study.

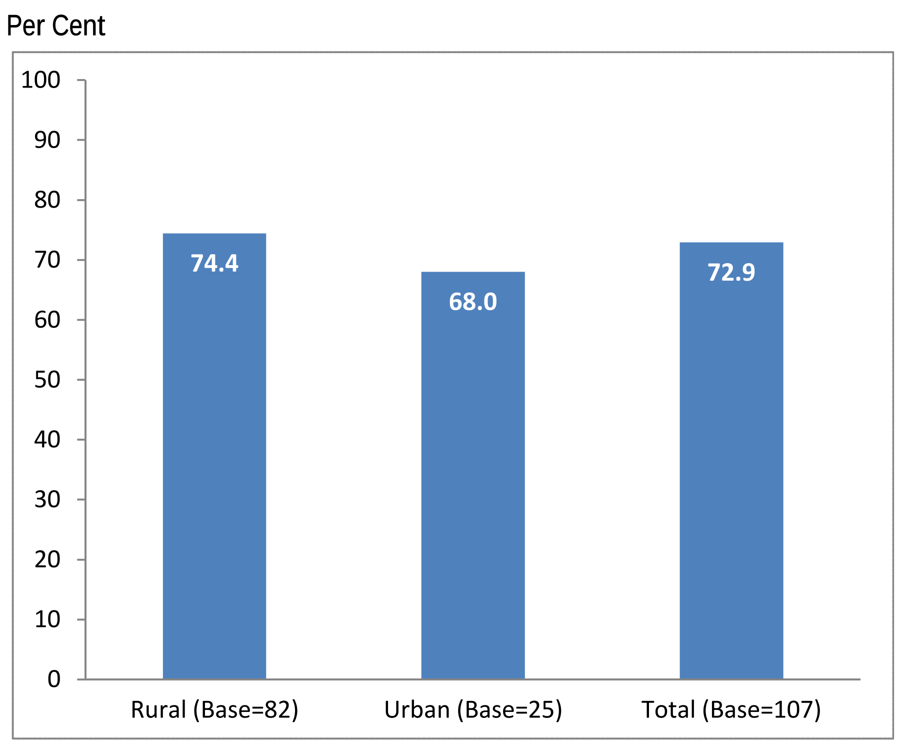
SECTION III

ACCESS TO ORGANISED FINANCIAL INSTITUTIONS

To formulate policies which will lead to improving the banks' reach among the poor and strengthening financial inclusion, it is important to understand first to what extent the poor have been brought under the ambit of organised financial institutions. The present study, therefore, explored how far the poor households in the sample have accounts; deposit as well as credit, in commercial banks, cooperative banks and primary cooperative societies.

Figure 3.1 presents details about the accounts the sample households had in commercial banks on the first day of diary keeping. About three-fourths of the poor households covered by the study in the rural areas and two-thirds of those in urban areas have account in a commercial bank.

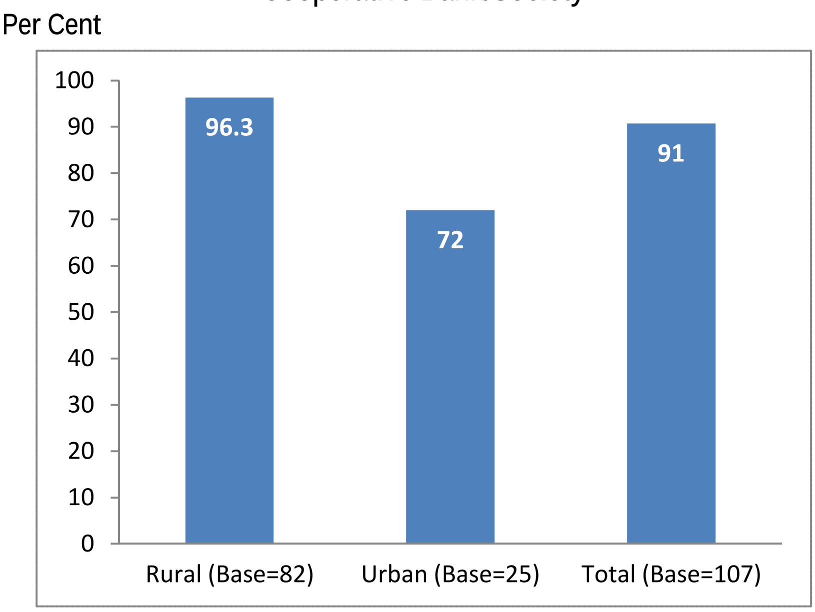
Figure 3.1: Proportion of Households having Commercial Bank Account (Deposits + Loans)



Source: Household Survey

But when accounts in cooperative banks and cooperative societies are also considered, the proportion having an account goes up especially in the rural areas (See Figure 3.2).

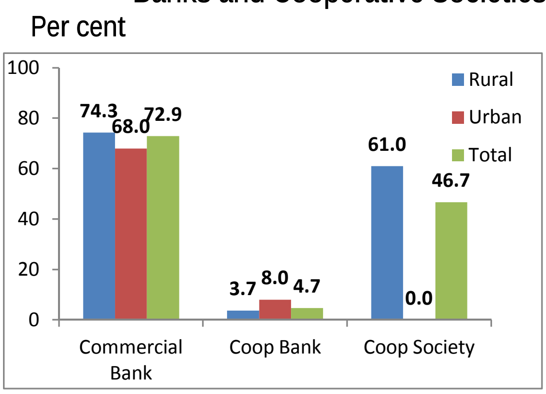
Figure 3.2: Proportion of Households having Account in either Commercial Bank or Cooperative Bank/Society



Source: Household Survey

The cooperative movement is strong in Kerala and has been able to attract the rural community including the poor into its fold. When the cooperative institutions are also taken into consideration, most of the rural poor households have an account, either a deposit or a borrowal account. But such a change is not visible in the urban areas. It may be because the cooperative sector in the urban areas is not as strong as in rural areas or are not reaching out to the urban poor. It is interesting to note that the rural poor have better access to banks and cooperative institutions than urban poor. The situation can be better understood from Figure 3.3 and Table 3.1.

Figure 3.3: Proportion of Households having account in Commercial Banks, Cooperative Banks and Cooperative Societies



Source: Household Survey

While nearly three-fourths of the households have an account in a commercial bank, nearly half of the households have an account in the cooperative society. Table 3.1 also shows that about half of those in rural areas having a commercial bank account also hold an account in a cooperative society. The average number of commercial bank accounts per household is 1.2 (not shown in the table).

Table 3.1: Households having account in Commercial Banks, Cooperative Banks and Cooperative Societies*

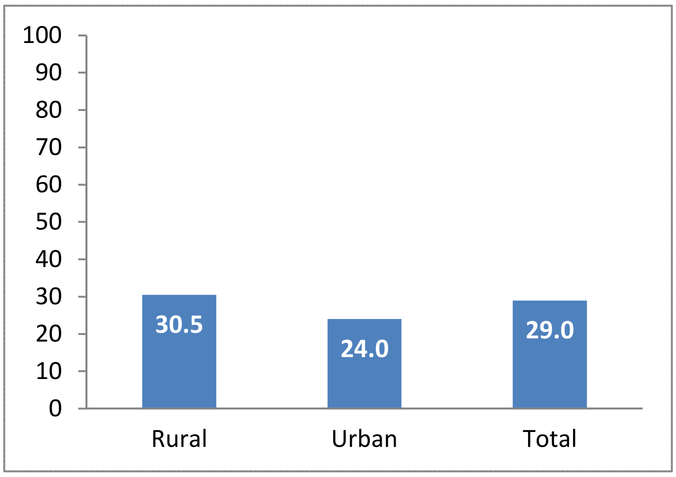
Type of Bank	Area				All	
	Rural		Urban			
	No.	%	No.	%	No.	%
Only in Commercial Bank	29	35.4	16	64.0	45	42.1
Both in Commercial and Cooperative Bank	0	0.0	1	4.0	1	0.9
Both in Commercial Bank and Cooperative Society	30	36.6	0	0.0	30	28.0
In all the three types	2	2.4	0	0.0	2	1.9
In Cooperative Bank and Society	1	1.2	0	0.0	1	0.9
Only in Cooperative Bank	0	0.0	1	4.0	1	0.9
Only in Cooperative Society	18	22.0	0	0.0	18	16.8
No Account	3	3.7	7	28.0	10	9.3
Total	82	100.0	25	100.0	107	100.0

Source: Household Survey
Note: * - Include deposit and loan accounts

Another aspect that the study examined is whether the poor households in the sample have access to the ATM services of the commercial banks. In nearly one-third of the poor households in the rural areas, at least one member holds an ATM card. Surprisingly, the proportion is lower in the urban sample with only a quarter of the households having access to such a service from the commercial banks (See Figure 3.4).

Figure 3.4: Proportion of Households having Access to ATM Card

Per cent



Source: Household Survey

The situation indicates that poor in the rural areas access banking facilities more than the urban poor. This is true of not only of the proportion of households having account in commercial banks or cooperative banks/societies but also in terms of access to ATM cards. The situation may be peculiar to Kerala or Ernakulam district. It was also found that none of the sample households had a Kisan Credit Card.

The survey also looked into the membership of the households in Self Help Groups (SHGs). These SHGs, especially the ones under the Kudmbashree Mission have emerged as an important agency for meeting the saving and credit requirements of the poor. Kudumbashree, which is State Government sponsored, is the principal agency for implementing the Central Government's National Livelihood Mission in Kerala. It was seen that a large majority of the households have membership in SHGs, mostly in Kudumbashree SHGs (See Table 3.2). Few households also had membership in other SHGs such as Janasree, Brahmasree, Gurusree, ESAF, etc.

Table 3.2: Households with SHG Membership

SHG Membership	Area				All	
	Rural		Urban			
	Number	Per cent	Number	Per cent	Number	Per cent
Households with SHG membership	76	92.7	24	96.0	100	93.5
Households with membership in Kudumbashree*	72	94.7	23	95.8	95	95.0

* Base: Households with SHG membership
Source: Household Survey

It may be mentioned that there exists a link between these SHGs and the financial institutions; *i.e*. commercial banks as well as co-operatives, as these SHGs maintain an account in these institutions. The thrift and credit operations of these SHGs are carried out through these accounts as the loans that they give are bank-linked. However, it was seen that with respect to links with the SHGs as well, the Co-operatives, especially the Co-operative societies have a strong presence. The reach of the Commercial banks to the poor could be strengthened by improving the linkages of the banks with SHGs particularly the Kudumbasree.

Summary

It was seen that about three-fourths of the poor households covered by the study in the rural areas and two-thirds of those in urban areas have accounts in a commercial bank. Cooperative banks have reached out to only a few of the poor households in the urban sample. One-third of poor households in the rural area are catered exclusively by the commercial banks while one-fifth is catered to only by the cooperative societies. Sixty per cent of the rural households have membership in co-operative societies while such cooperatives do not have any presence among the urban sample. It may be noted that many of the respondents termed 'cooperative societies' as 'bank'. When the cooperative societies are also taken into consideration, most of the rural poor households have an account, either a deposit or a borrowal account with a bank. But such a phenomenon is not visible in the urban areas as the cooperative sector in these areas is not as strong as in rural areas. The situation with respect to ownership of ATM cards also indicates that poor in the rural areas access banking facilities more than the urban poor. In the rural areas, the poor also have access to cooperatives for their credit and saving requirements. It was also found that none of the sample households had a Kisan Credit Card. It was also seen that SHGs, especially Kudumbashree have emerged as a major institution catering to these requirements of the poor. Large majority of the households have membership in an SHG, mostly Kudumbashree SHGs. There exists a link between these SHGs and the financial institutions; *i.e*. commercial banks as well as co-operatives, as the SHGs have an account in these institutions. The reach of the Commercial banks to the poor could be strengthened by improving the linkages of the banks with SHGs particularly the Kudumbasree.

SECTION IV
ASSETS AND LIABILITIES OF THE HOUSEHOLDS

In this section, the assets and liabilities of the sample households are presented. Both physical and financial assets are discussed. The scenario as presented in this section refers to the situation on the day of the start of the study as these details were collected using a household questionnaire. This section gives an overall picture of the asset ownership of the households and also their indebtedness; *i.e*. their outstanding liabilities. Changes in the position during the month of the study are not reflected in this analysis. Aspects such as debt repayment, incurring of new debts, sale and purchase of assets, etc. which has an impact on the presented scenario will be discussed in the section on cash flows of the households during the month of the study.

4.1. Physical Assets

The ownership of land was seen to be much better among rural households. The ownership of land in the rural areas needs to be seen in the light of the land reforms implemented in the State which resulted in the redistribution of the land in favour of the landless. There is a significant difference of 11 cents[5] with respect to average ownership of land between urban and rural households. It was seen that, on an average, the poor households in the urban area own one cent of land (See Table 4.1). The households which are seen to be landless despite living in own houses are the households which have built houses on land for which they have no ownership rights, *i.e*. *Purambokk* land.

Table 4.1: Ownership of Land

Particulars	Area				All	
	Rural		Urban			
	No.	%	No.	%	No.	%
Area of land owned						
Landless	2	2.4	5	20.0	7	6.5
Less than 1 cent	0	0.0	10	40.0	10	9.3
1 – 3 cents	7	8.5	10	40.0	17	15.9
3.1 – 5 cents	17	20.7	0	0.0	17	15.9
5.1 – 10 cents	24	29.4	0	0.0	24	22.5
Above 10 cents	32	39.0	0	0.0	32	29.9
Total	82	100.0	25	100.0	107	100.0
Average land owned in cents	12		1		9	

Source: Household Survey

[5] 1 cent = 0.405 ares.

With regard to ownership of gold, it was seen that only 17 per cent of the households had no gold. It can also be seen that there is no significant difference in the average quantity of gold owned by rural and urban households; *i.e*. nearly three sovereigns (See Table 4.2). This also indicates the significance that poor households attach to having gold, so as to fall back on during emergencies. The ownership of gold can also be related to aspects such as the cultural significance attached to wearing gold, practice of dowry, etc. seen in the State. There are schemes designed to attract households by gold shops, NBFCs, etc. such as buying gold on installment basis, giving a gold coin as free gift, etc.

Table 4.2: Ownership of Gold

Particulars	Area				All	
	Rural		Urban			
	No.	%	No.	%	No.	%
Ownership of Gold						
No Gold	12	14.6	6	24	18	16.8
8 gm. or less	17	20.7	5	20.0	22	20.6
9 -16 gm.	15	18.3	4	16.0	19	17.8
17 – 40 gm.	25	30.5	7	28.0	32	29.9
Above 40 gm.	13	15.9	3	12.0	16	15.0
Total	82	100.0	25	100.0	110	100.0
Average gold owned in grams	22		23		22	

Source: Household Survey

Television was available in most of the houses. The ownership of other household appliances such as refrigerator was low. Nearly two-thirds of the households reported to have mixer/grinder. The ownership of household appliances is more in urban households, except in the case of TV. Mobile phone is also available in most of the households. However, households with a landline connection were relatively lesser. Majority of the households did not have any vehicle. However, more than one-fifth of the households had a motor bike. It is also observed that the ownership of a vehicle is significantly lower in the urban areas. This may be because of the better spread of and access to public transport in urban areas. It was also seen that auto was available in 14 households but it is a means of livelihood (a household member being an auto driver). The most common furniture item was chair and *almirah*. Only seven per cent of the households did not have chairs in the house while only ten per cent did not have *almirah*. It was seen that around one-fifth of the households did not have a cot or a table. The unavailability of cot is seen to be more pronounced in urban households (See Table 4.3). The procurement of furniture items, especially large items such as cot is related to the area of the house, which was seen to be relatively less in urban households. There is a practice among the poor households of procuring assets through credit or installment or by taking loans. In this process, the poor households incur debts and liabilities, which will be discussed in the section on liabilities of the households.

Ownership of livestock and poultry provides the households with an income generating activity along with products for self consumption. It was seen that none of the households in the urban area were rearing any dairy or poultry animal or bird. Among the rural households ten out of 82 households had cow while goat was owned by six households. However, more than one-fourth of the rural households were seen to be rearing poultry birds (See Table 4.3).

Table 4.3: Ownership of Household Physical Assets

Particulars	Area				All	
	Rural		Urban			
	No.	%	No.	%	No.	%
Durables						
TV	74	90.2	21	84.0	95	88.8
DVD/CD Player	25	30.5	10	40.0	35	32.7
Refrigerator	19	23.2	11	44.0	30	28.0
Mixer/grinder	49	59.8	19	76.0	68	63.6
Landline phone	13	15.9	2	8.0	15	14.0
Mobile phone	76	92.7	23	92.0	99	92.5
Two/three wheelers						
Cycle	6	7.3	1	4.0	7	6.5
Bike	23	28.0	1	4.0	24	22.4
Furniture						
At least one cot	77	93.9	8	32.0	85	79.4
At least one table	62	75.6	20	80.0	82	76.6
At least one chair	74	90.2	25	100.0	99	92.5
At least one *almirah*/shelf	73	89.0	23	92.0	96	89.7
Livestock/Poultry						
Cow	10	12.2	0	0.0	10	9.3
Goat	6	7.3	0	0.0	6	5.6
Hen/duck	24	29.3	0	0.0	24	22.4
Total	82	100.0	25	100.0	107	100.0

Source: Household Survey

4.2. Financial Assets

This section looks at the financial assets owned by the households. The data pertains to the period before the month of diary keeping and for the same reason does not reflect the changes in the assets of the households during the month. The analysis looks into the ownership of a particular financial asset by a household and also the average amount saved by the households in a particular financial asset. This section thus gives an insight into not only the financial base of the poor households but also their saving practices in terms of their choice of instruments for financial investments.

The cash in hand reflects the liquidity position of the households on a particular day. It refers to the opening balance of the financial diary; *i.e*. the cash that the household members had in their hands on the first day of the study. It was seen that in more than one-fifth of the households, the only financial asset that they had was the cash in hand. Among the financial asset options, savings with SHGs or MFIs seem to be the most popular option as 41 per cent of the households reported having saved with them. Savings in chit funds (28 per cent) was the next preferred option. But this form of savings was found only among rural households. Only 16 per cent of the households had saved in insurance, reflecting on their vulnerability in the event of a health or income shock. However, it also needs to be added that the State provides free health insurance for the members of the BPL households. The reliance on bank instruments for investment is reported only in 13 per cent of the households (as Fixed Deposit and other savings). Seven per cent of the households have put their savings in post office (See Table 4.4).

Table 4.4: Ownership of Financial Assets

Households having:	Area					
	Rural		Urban		All	
	No.	%	No.	%	No.	%
Home savings/ cash in hand	73	89.0	23	92.0	78	72.9
Savings with MFIs/SHGs	36	43.9	8	32.0	44	41.1
Savings with chit funds	29	35.4	0	0.0	30	28.0
Life Insurance Savings	15	18.3	2	8.0	17	15.9
Other Savings with bank	8	9.8	2	8.0	10	9.3
Post Office Savings	6	7.3	0	0.0	7	6.5
Bank FD	4	4.9	0	0.0	4	3.7
Co-operative Society Savings	4	4.9	0	0.0	4	3.7
Loans extended to friends/relatives/neighbours	1	1.2	0	0.0	1	0.9
Households having only cash in hand as an asset	12	11.2	12	48.0	24	22.4

Source: Household Survey

The rural households, with an average financial asset base of around ₹ 19,768, seems to have a better financial asset base. The financial asset base of the rural households was more than four times that of the urban households. The major financial asset for the households, especially the rural households, seems to be savings with chit funds. The chit funds are neighbourhood institutions with staff or the organiser being known to the community. Some of the chit funds in the rural areas are run in an informal way among households in the neighbourhood though registered chit fund companies also have good reach among the rural community. Savings in SHGs/ MFIs is the next major saving for rural, but not for urban households. This may be because the SHGs in rural areas are seen to be stronger than the ones in urban areas. The SHGs also have the advantage of informal or semi-formal relationship among the members as they are from the neighbouring households. As regards saving in insurance, it has been seen that in poor households the insurance policy lapses as the household does not make the premium payments after a few initial payments (See Table 4.5).

Table 4.5: Average Holding in Financial Assets (in ₹)

Particulars	Area		All
	Rural	Urban	
Home savings/ cash in hand	848	332	728
Savings with MFIs/SHGs	2420	1007	2090
Life Insurance Savings	7937	2240	6606
Bank FD	457	0	351
Other Savings with bank	304	156	270
Co-operative Society Savings	439	0	336
Post Office Savings	976	400	841
Savings with chit funds	6267	0	4802
Loans extended to friends/relatives/neighbours	61	0	47
Others	60	0	46
Total	19768	4136	16115

Source: Household Survey

Nearly one-fourth of the households were seen to be having a poor asset base of less than ₹ 500. On the other end of the spectrum, one-fifth had a financial asset base of more than ₹30,000 (See Table 4.6). Urban households were seen to have a relatively poorer asset base. This indicates the intra-poor disparities which exist, even among the poor.

Table 4.6: Distribution of Households according to Value of Financial Assets

Financial asset	Area				All	
	Rural		Urban			
	No.	%	No.	%	No.	%
Less than or equal to ₹500	13	15.9	11	44.0	24	22.4
₹501 to 2500	7	8.5	5	20.0	12	11.2
₹2501 to 5000	13	15.9	3	12.0	16	15.0
₹5001 to 10000	16	19.5	3	12.0	19	17.8
₹10001 to 30000	13	15.9	2	8.0	15	14.0
Above ₹30000	20	24.4	1	4.0	21	19.6
Total	82	100.0	25	100.0	107	100.0

Source: Household Survey

4.3. Financial Liabilities

The financial worth of a household depends not only on the financial asset base, but also the outstanding liabilities of the household. As regards indebtedness of the poor households, it was seen that only one-tenth of the households did not have any liability or outstanding loan repayment. More than half of the households had taken loans from SHGs; either as group loan or as individual loans; more so as the latter. Nearly one-tenth of the households which had taken some loan from the SHG had taken loan as part of a group or as an individual. Another oft resorted source for funds seems to be money lenders from whom nearly half of the households had taken either a gold loan or other kinds of loans. Loans from banks had been taken by 12 per cent of the households. However, it seems the households depend more on Co-operatives; *i.e*. Co-operative Banks and Societies as they collectively have a liability due from 44 per cent of the households. The dependence on SHGs/MFIs and Co-operative institutions is seen to be significantly higher among rural households. Gold loans from NBFCs had been taken by around 16 per cent of the households. Repayment for goods purchased on credit from shops and on installment was pending for 14 per cent and 16 per cent of the households, respectively (See Table 4.7).

Table 4.7: Liabilities of the Households

Particulars	Area				All	
	Rural		Urban			
	No.	%	No.	%	No.	%
Loans from MFIs/SHGs:						
Group loans	9	11.0	3	12.0	12	11.2
Individual loans	44	53.7	6	24.0	50	46.7
Gold loan from NBFCs	14	17.1	3	12.0	17	15.9
Bank loans	11	13.4	2	8.0	13	12.1
Loans from Co-op banks	3	3.7	2	8.0	5	4.7
Loans from Co-op society	42	51.2	0	0.0	42	39.3
Gold loan from money lenders	15	18.3	5	20.0	20	18.7
Other loans from money lenders	25	30.5	6	24.0	31	28.9
Loans from friends/relatives/neighbours	8	9.8	2	8.0	10	9.3
Interest free loans from friends/relatives/neighbours	6	7.3	0	0.0	6	5.6
Shop keeper credit	15	18.3	0	0.0	15	14.0
Chit funds	3	3.7	0	0.0	3	2.8
Installment purchase payment	15	18.3	2	8.0	17	15.9
Interest free loan from employer	1	1.2	2	8.0	3	2.8
Private sector MFI	3	3.7	0	0.0	3	2.8
Households with some liability	76	92.7	20	80.0	96	89.7

Source: Household Survey

The households were seen to have an average outstanding liability of around ₹80,065. The rural households had much higher liability than the urban households. Rural households were also seen to have liabilities across all major heads of liabilities. However, the liability to money lenders, NBFCs and banks were seen to be substantially higher in urban households. The largest average outstanding liability was seen in the case of loans from co-operative institutions (See Table 4.8).

Table 4.8: Average Liability of a Household (in ₹)

Particulars	Area		All
	Rural	Urban	
Loans from MFIs/SHGs- Group loans	1250	1120	1220
Loans from MFIs/SHGs Individual loans	7131	1880	5904
Gold loan from NBFCs	5372	8080	6005
Bank loans	10276	3664	8731
Loans from Co-op banks	5854	28000	11028
Loans from Co-op society	42201	0	32341
Gold loan from money lenders	4112	4840	4282
Other loans from money lenders	2817	9440	4364
Loans from friends/relatives/neighbours	3273	2080	2994
Interest free loans from friends/relatives/neighbours	1065	0	816
Shop keeper credit	164	0	125
Chit funds	412	0	315
Installment purchase payment	432	256	391
Interest free loan from employer	9	2440	577
Other liabilities	793	0	608
Private MFI	476	0	365
Total Liabilities	85634	61800	80065

Source: Household Survey

Nearly one-fourth of the households were seen to have an outstanding liability of more than ₹.1, 00,000. One-tenth of the households did not have any outstanding liability (See Table 4.9). It may be because the households did not have any need which required a loan to be taken or they have relatively poor credit worthiness. It also seems that many of the households have taken small amounts of loans as is entailed from SHGs and money lenders, and from more than one source.

Table 4.9: Household Distribution as per Size of Outstanding Liabilities

Outstanding liability	Area				All	
	Rural		Urban			
	No.	%	No.	%	No.	%
Nil	6	7.3	5	20.0	11	10.3
10000 or less	9	11.0	10	40.0	19	17.8
10001 to 20000	7	8.5	2	8.0	9	8.4
20001 to 50000	24	29.3	3	12.0	27	25.2
50001 to 100000	13	15.9	2	8.0	15	14.0
Above 100000	23	28.0	3	12.0	26	24.3
Total	82	100.0	25	100.0	107	100.0

Source: Household Survey

The survey looked into the major purpose for which the households took loans. However, it is often seen that the households spend a portion of the loan amount on purposes other than the one for which the loan was taken. Majority of the loans had been taken for construction/maintenance of house. Another major purpose for which the households took some loan was for meeting some household expenses. The fact that one-fourth of the households took a loan towards financing of health care points to the vulnerability these households suffers during health care shocks. One-tenth of the households took some loan for educational purposes. It needs to be mentioned here that this situation prevails despite the provision of subsidised education and health care by the Government, indicating the increasing reliance on the private sector for these services. Nearly one-tenth of the households took a loan towards servicing or repayment of loans taken earlier (See Table 4.10).

Table 4.10: Major Purpose for which the Loan was taken

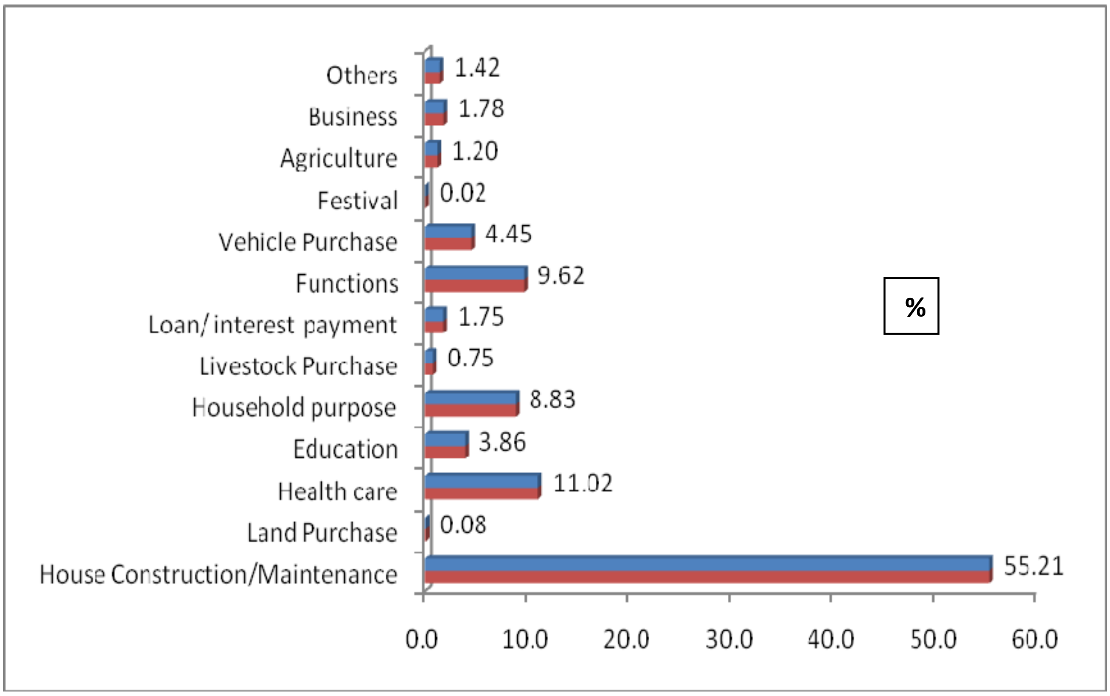
Purposes	Area				All	
	Rural		Urban			
	No.	%	No.	%	No.	%
House Construction/Maintenance	62	75.6	8	32.0	70	65.4
Household purposes	54	65.9	9	36.0	63	58.9
Health	22	26.8	4	16.0	26	24.3
Education	10	12.2	2	8.0	12	11.2
Social/family functions	8	9.8	2	8.0	10	9.3
Loan/ interest payment	8	9.8	1	4.0	9	8.4
Vehicle Purchase	3	3.7	2	8.0	5	4.7
Agriculture	4	4.9	0	0.0	4	3.7
Business	4	4.9	0	0.0	4	3.7
Livestock Purchase	2	2.4	0	0.0	2	1.9
Festival	2	2.4	0	0.0	2	1.9
Land Purchase	1	1.2	0	0.0	1	0.9
Base*	82		25		107	

*Totals exceed 100 per cent as these are multiple responses; *i.e.* the households would have taken loans from more than one source and for different purposes.

Source: Household Survey

With regard to the composition of total amount of loan taken among the households, majority of the loan amount has been for the construction or maintenance of the house. As Stated earlier, the vulnerability of these households with respect to health care financing is more evident as one-tenth of the loan amount was towards financing of health care. This indicates that there is a need for home loans and health care financing especially catering to the poor. However, one-tenth of the total amount may be seen as ostentatious as the same was seen to be spent on celebrating festivals (See Figure 4.1).

Figure 4.1: Break-up of Total Outstanding Debt Amount across Major Purposes



Source: Household Survey

4.4. Excess of Financial Assets over Financial Liabilities

The value of the financial assets over the value of the financial liabilities was assessed to get a rough idea of the financial worth of the households. However, it does not give an idea of the financial net worth of the households as the assessment does not take into account the value of physical assets of the households. On an average, the financial liabilities exceeded financial assets by nearly ₹ 64,000. The difference was more among rural households despite having a better financial asset base (See Table 4.11).

Table 4.11: Excess of Value of Financial Assets over Liabilities

Area	Value of Financial Assets over Liabilities (₹)
Rural	-65866
Urban	-57664
All	-63949

Source: Household Survey

Only in one-fourth of the households, financial assets exceeded financial liabilities. Around one-tenth of the households were highly indebted vis-à-vis their financial asset base (See Table 4.12). It also needs to be reminded that this is the position as seen at the beginning of the study and the change in the financial base which may have occurred over the study period of one month has not been explored.

Table 4.12: Household Distribution according to Value of Financial Assets over Liabilities

Value of Financial Assets over Liabilities (₹)	Area				All	
	Rural		Urban			
	No.	%	No.	%	No.	%
Less than -200000	8	9.8	3	12.0	11	10.3
-199999 to -100000	12	14.6	0	0.0	12	11.2
-99999 t0 -50000	11	13.4	2	8.0	13	12.1
-49999 to -10000	20	24.4	3	12.0	23	21.5
-9999 to -1	11	13.4	10	40.0	21	19.6
0 to 10000	7	8.5	7	28.0	14	13.1
Above 10000	13	15.9	0	0.0	13	12.1
Total	82	100.0	25	100.0	107	100.0

Source: Household Survey

4.5. Summary

It was seen that on an average poor households owned around nine cents of land. There is a significant difference with respect to average ownership of land between urban and rural households. Households were also seen to have built houses on land on which they have no ownership, *i.e*. *Purambokk* land. It was seen that only 17 per cent of the households had no gold, while the other households owned on an average nearly three sovereigns. Durables such as TV, mixer and mobile phone were available in a large majority of the houses. Large majority of the households have furniture such as chair, *almirah,* cot and table. It was seen that none of the households in the urban area were rearing any dairy animal or poultry bird. More than one-fourth of the rural households were rearing poultry birds, while less than one-tenth of the households had a cow or a goat.

As regards financial assets, it was seen that three-fourths of the households had some financial asset apart from some cash/savings at home. Two-fifths had savings in SHGs, while more than one-fourth had savings in chit funds. One-tenth had savings with commercial banks, while less than four per cent had fixed deposit in banks. The households, on an average, have financial assets to the tune of Rs. 16,115. The financial assets of the rural households were more than four times that of the urban households. Only one-tenth of the sample households did not have any outstanding financial liability. More than half of the households had taken a loan from SHGs; either as a group loan or as an individual loan; more so as the latter. Another oft resorted source for funds seems to be money lenders, from whom 40 per cent of the households had taken either a gold loan or other kinds of loans. Loans were taken from banks by 12 per cent of the households and gold loans were taken from NBFCs by 16 per cent of the households. The dependence on SHGs and co-operative institutions is significantly higher among rural households. The households have an average outstanding liability of around Rs.80,065. The rural households have, on an average, two-fifths more of the liability of the urban households. The largest outstanding liability of rural households was seen in the case of loans from co-operative institutions. Majority of the loans had been taken for construction/maintenance of house, followed by household purposes like meeting the shortfall in income flows. One-fourth of the households took a loan towards financing of health care points to the vulnerability these households suffer during health care shocks. One-tenth of the households took some loan for educational purposes. Nearly one-tenth of the households took a loan towards servicing or repayment of loans taken earlier. It is also often seen that the households spend a portion of the loan amount on purposes other than the one for which the loan was taken. The study also found that in the case of three-fourths of the households, the financial liabilities exceeded financial assets. It may be noted that the financial assets does not include the value of the physical assets of the household.

SECTION V

CASH FLOWS OF THE POOR HOUSEHOLDS

A major objective of the present study is to analyse the cash inflows into and cash outflows from the selected poor households. This section examines the practices with respect to sources of inflows and patterns of outflows, management of cash shortfalls and utilization of funds if there is excess of inflow over outflows among the poor households in the sample.

5.1. Cash Inflows

This section looks into the cash inflows which came into the family during the period of the study; *i.e*. one month when the households were required to maintain their financial diaries. Cash inflow, as looked into, is any money that came into the household, through varied sources such as income from occupation, returned hand loans[6], donations, proceeds from sale of assets, etc. It excludes inflows in kind; *i.e*. the returns or gifts in kind.

It was seen that on an average, ₹ 15,553 came into the households during the month of the study, as cash. The average inflow into rural households was seen to be around 30 per cent more than the inflow into urban households (See Table 5.1).

Table 5.1: Average Cash Inflow of the Sample Households

Area	Average Inflow (₹)
Rural	16467
Urban	12553
All	15553

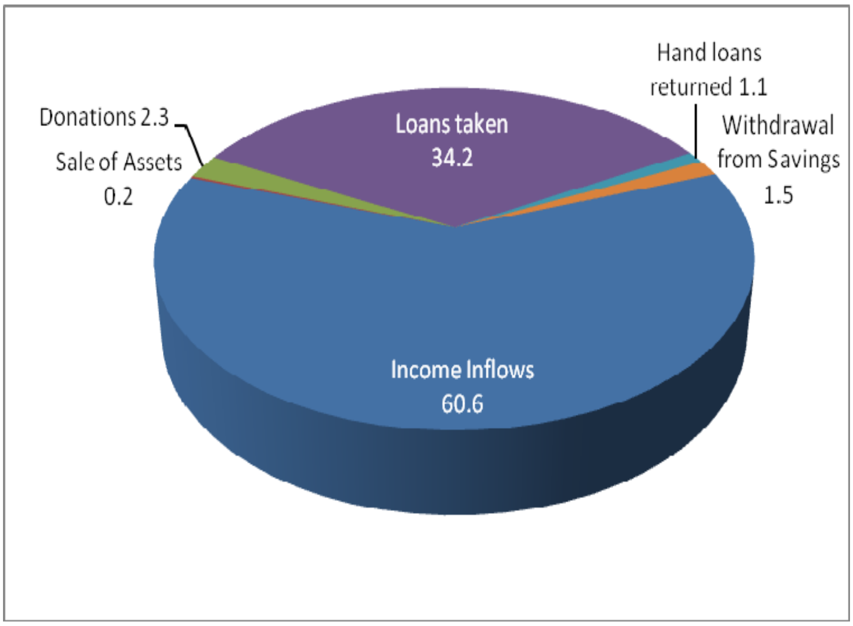
Source: Financial diary

Income inflows are seen to constitute two-fifths of the total cash inflows into the sample households. The next important source of inflow is loans which accounted for one-third of the total inflows. Donations, drawing from one's savings, return of hand loans given to

[6] A hand loan usually refers to a money-management tool resorted to mostly by poor households during dire need of cash. These loans, which are short term in nature and of modest value, serve as an intermediate to the low and irregular cash flows in these households. During periods when the income is not flowing in or is low, such a loan ensures a household's access to cash to meet day-to-day requirements. Easy and timely access is a significant characteristic of hand loans.

friends/relatives/neighbours and proceeds from sale of assets constituted the remaining five per cent (See Figure 5.1).

Figure 5.1: Composition of Cash Inflows of the Sample Households (Per cent)



Source: Financial diary

'Chit funds' was a head under which inflow was expected as 28 per cent of the households had savings in chit funds. However, no inflow via chit funds was recorded in any of the households in the month. This implies that none of the households which subscribed to chit funds have auctioned the prize money or got selected via draw of lots. It may also be due to earlier borrowings from the subscribed Chit funds. It was seen earlier that chit funds had been listed as a liability in some households, which indicated that these households had already drawn the chit fund amount and are now in the process of repaying the same, which would be recorded in the outflows.

Although income inflow was the major component of inflow in both rural and urban households, it was observed that the share of income was much higher in urban households than in rural households. As opposed to this, loans constitute 37 per cent of the inflow into rural households, while it was only 23 per cent in the urban households. The phenomenon of families receiving donations also was more in rural households (See Table 5.2).

Table 5.2: Composition of Cash Inflows

Head of Inflow	As percentage of total inflow		All
	Rural	Urban	
Income inflows	57.8	73.0	60.6
Loans taken	36.9	22.5	34.2
Donations	2.8	0.2	2.3
Withdrawal from savings	1.4	1.8	1.5
Hand loans returned	0.8	2.1	1.1
Sale of assets/durables	0.2	0.4	0.2

Source: Financial diary

The following section analyses the average inflow under each head. Averages for the entire sample of 107 households as well as the averages specific to the households which reported a particular inflow are presented. As can be seen, the sample households had an average income inflow of ₹ 9,432 (See Table 5.3). Loans had been resorted to for meeting shortfalls in income by 80 per cent of households, incurring an average debt of ₹ 5,322. It may be mentioned here that the average debt in rural households was more than double the average debt incurred by urban households in the month of study; ₹ 7,674 vis-à-vis ₹ 3,532 (not shown in table). Thirty households got back hand loans given earlier at an average of ₹ 168. Donation had been received by seven households while five households had sold some asset to raise funds. One-tenth of the households had drawn from their savings to meet their needs in the month of the study.

Table 5.3: Average Cash Inflow in the Sample Households across Major Heads (₹)

Head of Inflow	Average for the Entire Sample	Number of Households reporting the inflow	Average for the reporting households
Income inflows	9432	107	9432
Loans taken	5322	85	6699
Donations	363	7	5543
Hand loans returned	168	30	597
Withdrawal from savings	232	11	2259
Sale of assets/durables	36	5	776
Total Cash Inflow	15553	107	15553

Source: Financial diary

There seems to be an upward trend in the average inflows in income as well as loans taken as one moves from smaller to larger households (See Table 5.4). This may be because larger households have the probability of having more earning members which not only ensures more income inflow but also improves the credit worthiness of these households. Larger households may also have to take loans in order to close the shortfalls in expenses vis–a-vis income inflows, on account of more expenditure requirements. This will be looked in to in the next section on cash outflow analysis.

Table 5.4: Average Cash Inflows across Household Size (₹)

Head of Inflow	Household Size		
	1-3	4-5	More than 5
Income inflows	7592	9756	10716
Loans taken	3604	5689	6287
Donations	35	569	56
Hand loans returned	173	186	95
Withdrawal from savings	521	187	11
Sale of assets/durables	17	52	6
Total Cash Inflow	11942	16438	17170

Source: Household Survey and Financial diary

Now, we look into the sub-heads of each of the reported major heads of inflow; *i.e*. income inflow and loans, starting with the former. As can be seen, 90 per cent of the income inflow is from occupational income as wages or salaries (See Table 5.5). It was also seen that while income from employment constitutes almost the entire amount of income inflows into the urban households, income inflows from other sources such as agriculture and allied activities is relatively higher in rural households. It was seen earlier that ownership of livestock and poultry was seen only in rural households, albeit few.

Table 5.5: Sub-Heads of Income Inflows of the Sample Households

Head of Inflow	Rural		Urban		All	
	As % of total inflow	As % of the inflow head	As % of total inflow	As % of the inflow head	As % of total inflow	As % of the inflow head
Income Inflows	57.8	100.0	73.0	100.0	60.6	100.0
Wages and Salaries	51.1	88.5	71.2	97.5	54.9	90.5
Agriculture and allied activities	3.1	5.4	0.5	0.7	2.6	4.3
Self Employment	1.7	3.0	0.8	1.1	1.5	2.5
Remittances	1.6	2.7	0.2	0.3	1.3	2.2
Interest/ Rent	0.1	0.1	0.3	0.4	0.1	0.2
Welfare Pensions	0.2	0.3	0.0	0.0	0.1	0.2

Source: Financial diary

The averages income inflows for the entire sample households as well as for households reporting specific heads of inflow are presented in Table 5.6. An average of ₹8,539 came into the households as wages and salaries (See Table 5.6). Wages and salaries also include wages received from MGNREGS works. It was seen that more than one-fourth of the rural households had received wages under the scheme; averaging ₹ 1,770. It is seen that the payments under the MGNREGS are often released as a lump sum for work undertaken over a period of time. So the inflow may not relate to wages paid for the particular month's work. There may also be households where some members had undertaken MGNREGS works this month, but have not received the payment for the same. Agriculture and allied activities yielded an average inflow of ₹ 407. It was also seen that in four rural households the proceeds from sale of livestock/poultry or the produce contributed from 22 to 37 per cent of the income inflow (not shown in the table). An average of ₹240 was earned by households engaged in self employment, which comprised of tea shop, fish vending, auto driving, etc. Remittances from relatives employed in other parts of the country were reported in eleven households, which averaged ₹205. Interestingly, welfare pensions were reported in only two households though Kerala is a State known for its numerous social security schemes designed and implemented for the welfare of the poor. It may be that these pensions are released as a lump sum over a period rather than as monthly payments and these households have to borrow as these payments seldom help them to make their daily grind.

Table 5.6: Average Income Inflows of the Sample Households across Sub-heads

Component	Average for the Entire Sample (₹)	Number of Households reporting the inflow	Average Income Inflow for the reporting households (₹)
Income Inflows	9432	107	9432
Wages and Salaries	8539	104	8786
Agriculture and allied activities	407	12	3630
Self Employment	240	10	2571
Remittances	205	11	1997
Welfare Pensions	21	2	1100
Interest/ Rent	20	2	1050

Source: Financial diary

As may be understood, income inflow, especially the wages and salary component is determined by the number of workers in the family. As mentioned earlier, it was seen that most of the households have members who are engaged in casual labour and the like that is characterized by irregular payments; *i.e*. the income inflow is dependent on the number of days one gets work. Forty one per cent of the households had only one earning member in the family. The average income per household was seen to be ₹ 7,639 (See Table 5.7). In 47 per cent of the households, two of the members were reportedly in the labour force. These households had an average income of ₹ 9,706, with ₹ 4,853 per earning member. When there are three or more earning members, the average inflow per household increases but the inflow per earning member comes down further.

Table 5.7: Average Inflows from Wages in the Sample Households

No. of earning members	No. of households	Average Inflows (₹)	
		Inflow from wages	Per earning member
1	44	7639	7639
2	50	9706	4853
3	10	12535	4178
4	3	12060	3015

Source: Household Survey and Financial diary

Many factors apart from the number of earning members in the family come into play in determining the income inflow, such as occupational profile of each earning member, interval of receiving income which in turn depends on the days the person was employed, etc. It was also observed that the income inflow is relatively higher in families where there are members earning monthly income, thus overcoming the seasonality and irregularity of casual labour.

As seen earlier, one-third of the inflows into poor households consist of loans. It was higher in the case of rural households than the urban households. It was seen that 80 per cent of the sample households had resorted to taking loans in the month when the diary was maintained. Loans from SHGs/MFIs constituted the largest component of the total loans taken by the households, *i.e*. 28 per cent (See Table 5.8). Nearly one-fourth of the total loans comprised of loans from friends/neighbours, followed by loans from co-operatives; from co-operative bank and co-operative society. It was seen earlier that 41 percent of the households have savings in SHGs. It was also seen that loans taken from the SHGs, as a group or as individual was an important constituent of the total liabilities of the poor households. The reliance on SHG loans is higher in rural households, while the dependence on loans from friends is seen to be greater in urban households. It may be because the institution of SHG is generally seen to be stronger in the rural areas in the State. Both the phenomenon of increasing reliance on SHGs and decreasing reliance on hand loans seem to go hand in hand. It appears that with the availability of SHGs as a source of funds, the households might feel more comfortable taking loans from them as in the latter case there may be a loss of self esteem. However, in the case of SHGs one needs to wait for the weekly meetings and the approval of loans. Therefore, during short falls of daily expenses one might have to still depend on friends/neighbours. Paradoxically, the dependence on formal institutions for loans is seen only in rural areas. It may be noted that not a single household took a loan from a commercial bank in the study month. It seems that despite the physical access to formal institutions not being an issue in the State, there still exist an issue of cultural and procedural access for the poor, especially in urban areas. Money lenders are seen to be a significant source of loan, especially for loans other than gold loans. Money lenders are seen to be a more important source in urban households. Wage advance had also been received by few households. But such an option is available only to those persons in the household who are employed with an institution or associated regularly with an employer, which is not so common among these households.

Table 5.8: Sources of Loan Inflows in the Sample Households

Component and Sub-components	Rural		Urban		All	
	As % of total inflow	As % of the inflow head	As % of total inflow	As % of the inflow head	As % of total inflow	As % of the inflow head
Total Loans	36.9	100.0	22.5	100.0	34.2	100.0
Micro Finance / SHG Loans	11.6	31.3	0.7	3.2	9.5	27.8
Loans from friends /neighbours	7.0	18.8	12.3	54.8	8.0	23.3
Loans from Cooperatives	8.0	21.7	0.0	0.0	6.5	19.0
Other Loans from Money Lenders	6.1	16.4	5.3	23.6	5.9	17.3
Gold loans from Money Lenders	3.3	8.9	4.1	18.4	3.5	10.1
Wage Advance	1.0	2.8	0.0	0.0	0.8	2.5

Source: Financial diary

As in the case of income flows, the averages for loans is also presented as an aggregate and for the transaction reporting household (See Table 5.9). The average loan taken by a poor household in the month of the study was seen to be ₹ 5, 322. The highest average debt was reported as loan from MFIs/SHGs. The highest incidence of loans with respect to the source is seen to be from friends, relatives or neighbours; nearly nine in every ten households which had taken a loan in the study month had taken a loan from a friend/relative. Two-thirds of the households have taken a loan from the friend or neighbor during the month, *i.e*. nearly nine in every ten households which took a loan had taken a hand loan from a friend or neighbor.

Table 5.9: Components of Average Loan Inflows in the Sample Households

Component	Average for the Entire Sample (₹)	Number of Households reporting the inflow	Average for the reporting households (₹)	Average number of transactions in a month
Total Loans	5322	85	6699	2.9
Micro Finance / SHG Loans	1482	18	8810	1.2
Loans from friends /neighbours	1240	73	1817	2.6
Loans from Co-operatives	1009	2	54000	1.0
Other Loans from Money Lenders	922	16	6169	1.2
Gold loans from Money Lenders	538	10	5750	1.1
Wage Advance	131	2	7000	1.5

Source: Financial diary

The average number of loan transactions undertaken by the households was also looked into. It was seen that, on an average, the households had made three loan transactions during the month. The highest frequency with respect to transactions in the study month is seen in loans from friends; the maximum number of transactions recorded being ten.

The above analysis of the loan transactions undertaken by the households in the one month of study also reveals interesting facts about the credit seeking practices of these households. As was seen, four in five of the households had taken some loan during the period. The loan amounts ranged from Rs. 15 taken as a hand loan from a neighbour for buying provisions to Rs. 100000 taken as loan from a Co-operative bank for purchasing land. As can be inferred from the frequency of taking loan from a particular source as well as the average amount taken by the households, it seems the households tend to fall back on their friends and neighbours frequently for small amounts. It may also be added that the average loan from the friends as seen in the above table, would not have been taken at one time but was spread over a number of transactions, averaging around thrice during the one month of study. With the increasing presence of SHGs, the social capital of the households have further expanded to include these SHGs as well (SHGs are also known as Neighbourhood Groups or NHGs) for loans, ranging from Rs.200 to Rs.21500. Only in cases where there was a need of large sum of money, they consider formal institutions. Only two households in the sample took such loans during the month of the study. Both depended on cooperatives for the loan.

It was seen earlier that the highest outstanding liability of the poor households is towards Co-operative institutions. Among the formal financial institutions it seems the cooperative societies have been more responsive to the cash needs of the poor, as against the commercial banks. It seems the borrowers are on the one hand perplexed with regard to the various procedural complications as well as processing time associated with securing loans from commercial banks. On the other hand they are more familiar with the functionaries of the Co-operative societies as they will be most probably residing in the same village. Banks are not yet considered as a friendly neighbourhood institution on which one can rely for their financial requirements. It seems that it is the easy and timely availability which matters to the poor, as seen in the preference for hand loans and loans from private money lenders, despite the usurious rates of interest charged by the latter. There is a clear need for removing this negative perception about commercial banks in the minds of the poor, highlighting simultaneously the lower cost of credit and other advantages.

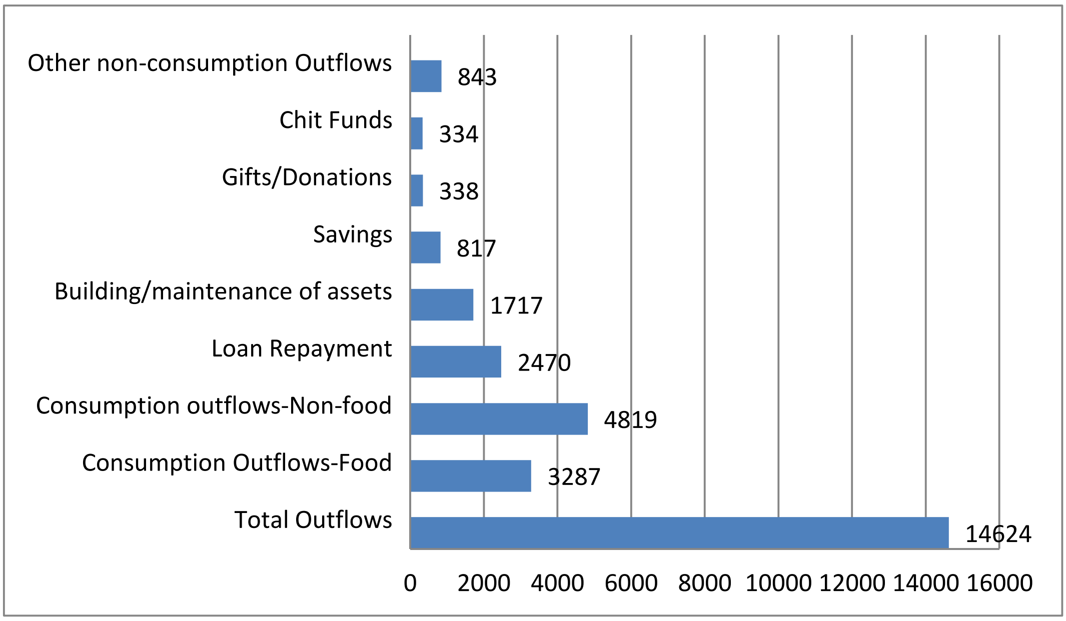
5.2 Cash Outflows

In this section, we examine how the poor in diary households have managed their cash outflows during the one month of diary keeping. The challenges faced by the poor households are not only low incomes but also how to manage the outflows in a situation when the inflows are irregular and unpredictable. Even when a household does not have income flow for some time, they are forced to meet the demands for making payments which in most times cannot be postponed. The households may also have to face financial emergencies like illness. The imbalance between income and outflows has to be met through loans, donations, dis-savings etc. As seen earlier, majority of the households in the sample are engaged in casual work. Even when households were fortunate to have monthly incomes for the chief wage earner, there may be other members working as daily wage earners in the same family. As a result, the income flows can be irregular even in such households.

The total outflows of the households include the expenditure on domestic consumption (food and non-food), expenses towards building assets, savings, repayment of loans, payment to chit funds, donations/gifts etc. Since we were interested only in the cash flows of the sample households, we have not examined the outflows in kind. Moreover, as the diary was kept only for a period of one month, some of the payments particularly relating to non-food expenses may have a seasonal character and may not have occurred in the period of keeping the diary as noted earlier. It needs to be mentioned that some of the items of outflow (such as marriages and festivals) occur rarely in the month of the study and are reported by a much smaller numbers of households. Therefore, we are reporting at first the averages for the sample as a whole and then the averages for specific items of outflow for those households which reported the occurrence of the particular outflow item.

The outflows have been broadly categorised as consumption outflows-food and non-food, building and maintenance of assets, gifts and donations, savings, loan repayments, payments to chit funds, and ‘other non-consumption outflows’. Figure 5.2 presents the average outflows under major sub-heads of the 107 sample households. The average outflow per household of the poor households in the sample during the one month period of the study is ₹ 14,624.

Figure 5.2: Average Cash Outflows under Major Sub-heads (₹)



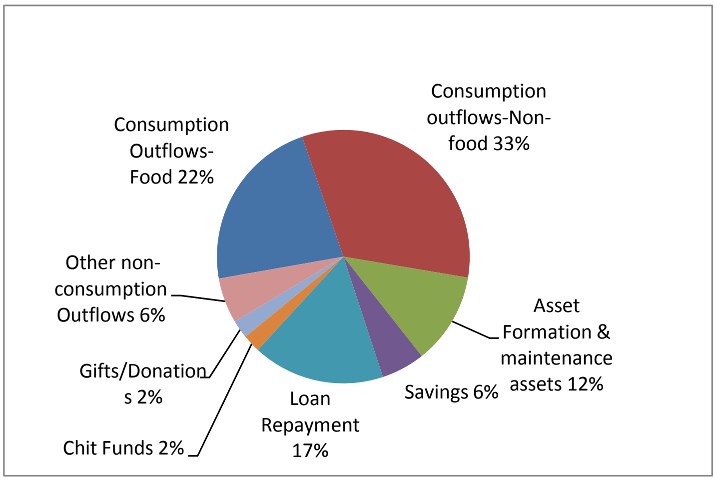
Source: Financial diary

The broad composition of the total outflow is presented in Figure 5.3. Outflows related to the purchase of food items form only 22 per cent of the total outflow of the poor households. Non-food consumption expenditure is a much bigger component of the cash outflows. These two components which are meant to meet the regular requirements of the households together form only 55 per cent of the total outflow of the households. A major component of the outflows, with a share of 17 per cent, is the repayment of loans, which include principal and interest, indicating the high debt service burden of these households. However, it is heartening to note that 12 per cent of the outflows have been towards buying, building or maintenance of assets or durables and six per cent of the outflows was savings. Chit funds, a saving and loan scheme prevalent widely in Kerala, forms two per cent of the total outflow[7]. Though it is generally seen as a saving scheme, we have categorised it separately as it can also be seen as a debt when the person has drawn the prize money and is continuing paying chit instalments. It was found that 19 out of the 107 households (18 per cent) in the sample have made payments towards chit schemes (Table 5.10). We have seen earlier that there were no

[7] Under the chit fund, a certain number of persons agree to pay in regular instalments for a definite period. The subscriber of the chits gets back the money either through draw of lots or tendering which is done periodically. In case of tendering, the Kerala Chit Act that prize money should be not less than 70 per cent of gross sum assured. Chit funds are conducted by companies or institutions with the necessary registration. It is also organised among friends, neighbours and relatives informally. The main activity of a State-owned company viz., Kerala State Financial Enterprise is to run chit schemes. The advantage of chit schemes is that individuals can start saving in anticipation of a major cash requirement in the foreseeable future. Moreover, it provides some convenience in saving money as often the chit organiser or their agents visit the subscribers to collect the instalments.

inflows under chit head. This has happened because none of the households have received the prize money in the month of diary keeping.

Figure 5.3: Major Components of Cash Outflows (Per Cent)



Source: Financial diary

Another interesting finding is that non-food consumption related outflows is much higher than outflows on food. It is partly due to subsidised Public Distribution System (PDS) existing in Kerala. In addition to the PDS, the stores run by the Civil Supplies Department of the Government of Kerala and Consumerfed provide grocery and other provisions at subsidised rates to the poor. Various rounds of NSSO consumer expenditure surveys have pointed out a similar situation for the State as a whole while the converse is true at the all-India level. Our study points out that the situation of the whole population prevails even for the poor households in Kerala.

Table 5.10 indicates that only 30 out of the 107 households did not report any outflows towards repayment of loans. It was also seen that 79 households were making savings. This implies that a large number of poor households are making savings even while they are repaying loans they have already taken. Given the fact that the savings were tracked only for a period of one month, only small amounts have been saved by the households. These savings were mainly as cash in hand and savings in SHGs. None of the poor families in the sample have saved money in commercial banks during the one month period of the study. It was seen earlier that the average income inflow to the sample households was ₹ 9,432. Table 5.10 indicates that the average savings of the sample households is only ₹ 817. Thus, nearly one-tenth of the income inflow goes to savings. While large part of the income is spent on current consumption, the study finds that a good number of the poor households in the sample were able to spent some money on asset building including buying durables. It can also act as a source of security against contingencies and emergencies and generally helps to improve the well being of the households. It is not that the money for asset building/buying durables has been generated during the month of diary keeping alone, but has been accumulated over a period of time. Some of them also borrowed money for the purpose. As noted earlier, 12 per cent of the total outflows is towards building and maintenance of assets and buying durables. Of the 107 households, 16 have reported outflows on asset building/improvement and buying durables. Among those who reported expenses under this head, all except three have spent less than ₹ 5,000 which are generally used for buying durables and making small improvements in the house.

Gifts/donation is an expense head for more than half of the households even when only one month's data is taken. As noted earlier, the one month period when the households were tracked for inflows and outflows was not considered an auspicious time for marriages. The period is also not a festive season. Therefore, the outflows under this head can be higher in some other months.

Table 5.10: Number of Households Reporting Incidence of Major items of Outflow and the average for the Sample households and for households reporting the occurrence of an outflow item

Category of Outflow	Average for the whole sample (₹)	Number of households reporting incidence	Average for households reporting incidence (₹)
Total Outflows	14624	107	14624
Consumption Outflows-Food	3287	107	3287
Consumption outflows-Non-food	4819	107	4819
Savings	817	79	1106
Loan Repayment	2470	70	3775
Chit Funds	334	19	1880
For Assets & Durables	1717	44	4175
Gifts/Donations	338	59	613
Other non-consumption Outflows	843	77	1171

Source: Financial diary

Details of the consumption outflows related to food are presented in Table 5.11. The poor households in the sample are eligible for subsidised rice for one rupee per kilogramme. As noted earlier, some grocery items are made available to these households at subsidised rates through the PDS and the State-run Maveli stores. This could be one of the reasons why the share of cereals/cereal substitutes and grocery is only 32 per cent of the outflows on food. The table also indicates that a substantial amount is being spent on milk, milk products, egg, fish, meat, processed food, bakery products etc. NSSO data also shows that the expenditure on these items in Kerala, both in rural and urban areas, is higher than in the country. The situation of the poor in Kerala may be different from the poor in other parts of the country as in the case of general population. This may also be due to the fact that the price level of such products is higher compared to other States.

Table 5.11: Average Consumption Outflows- Food

Items	Average Outflow (₹)	Share in total outflows-food (%)
Cereals/Cereal substitutes	576	17.5
Pulses	157	4.8
Sugar, Salt	158	4.8
Edible Oil	172	5.2
Milk & Milk products	283	8.6
Egg, Fish & Meat	673	20.5
Vegetables & Fruits	511	15.5
Processed food /Bakery products	337	10.2
Food from outside	303	9.2
Others*	118	3.6
Total Outflows-Food	3287	100.0

Source: Financial diary

*Others include spices, coffee, tea and other non-categorised items.

Table 5.12 presents the average outflows related to non-food-consumption items. The table indicates that, on an average, the poor households incur about one-fifth of the non-food consumption expenses on health care (₹ 1,041). They also spend a significant amount on travel. A major portion of this may be spent on travel for work from the rural areas. Seven per cent is spent on education related expenses. Obviously, the large amount under this head is likely to be much higher when the educational institutions reopen after annual vacation in the month of June. Six per cent of the outflow on non-food consumption is used for alcohol/tobacco. It is also interesting to note that, on an average, nearly one hundred rupees is spent by a poor household on buying lottery tickets.

Table 5.12: Average Consumption Outflows- Non-Food

Items	Average Outflow (₹)	Share in total outflows-Non-food (%)
Health	1041	21.6
Travel	699	14.5
Petrol/Diesel	427	8.9
Education	333	6.9
Other Consumables	300	6.2
Alcohol/Tobacco	278	5.8
Clothing and Footwear	260	5.4
Communication	253	5.3
Fuel	241	5.0
Electricity and Water	208	4.3
Maintenance of vehicles	180	3.7
Toiletries	163	3.4
Rent	127	2.6
Lottery	96	2.0
Entertainment	94	1.9
Livestock	74	1.5
Agriculture	46	1.0
Consumption Outflows- Non-food	4819	100.0

Source: Financial diary

5.2.1.Rural-Urban Differences in Outflow

Analysis of the rural-urban differences in outflow brings out some interesting findings. Firstly, the average outflow is more for rural households than for the urban households. The average outflow of a rural household was 35 per cent more than that of the urban household (See Table 5.13).

We have seen earlier that the inflows including income inflows are higher for rural households. The outflows also show a similar picture. The higher outflows are not towards consumption related expenses, as seen earlier. Outflows for both food and non-food consumption was much lower for rural households than for the urban households. This may be partly because of the differences in the cost of living and chances of consuming produces of own agriculture and allied activities (which has not come in cash flows). The differences in the life styles also might have contributed to the difference. Larger proportion of the rural households has set apart money on savings, loan repayment and in chit funds compared to the urban sample. Loan repayment (average of ₹ 2,965) constituted one-fifth of the total outflows of the rural poor. The savings was only one-third (average of ₹ 1,016) of the amount spent on loan repayment indicating the high debt burden of the rural poor. In the case of the urban households, both the loan repayment (average of ₹ 844) and savings (average of ₹ 164) were lower. About three-fourths of the rural poor recorded savings during the one month period and almost equal number have made outflows towards repayment of loans. It appears that the rural poor, in general, take more loans and also save more money compared to the urban poor. But they also spend more on gifts and donations as also on asset building.

Table 5.13: Rural-Urban Differences in Outflows

Category of outflow	Rural Households			Urban Households		
	Average (₹)	Share in total inflow (%)	Number of households reporting incidence	Average (₹)	Share in total inflow (%)	Number of households reporting incidence
Total Outflows	15585	100.0	82 (100.0)	11474	100.0	25 . (100.0)
Consumption Outflows-Food	2989	19.2	82 (100.0)	4264	37.2	25 (100.0)
Consumption outflows-Non-food	3594	30.9	82 (100.0)	4846	42.2	25 (100.0)
Savings	1016	6.5	63 (76.8)	164	1.4	16 (64.0)
Loan Repayment	2965	19.0	59 (72.0)	844	7.4	11 (44.0)
Chit Funds	281	1.8	16 (19.5)	508	4.4	3 (12.0)
For Assets/Durables	2172	13.9	15 (18.3)	40	11.4	6 (24.0)
Gifts/Donations	401	2.6	44 (53.7)	132	1.1	15 (60.0)
Other non-consumption Outflows	950	6.1	73 (89.0)	676	5.9	12 (48.0)

Source: Financial diary

Note: Figures in parentheses are the proportion (per cent) of households reporting outflow under the sub head to the total number of households in the sample.

5.2.2.Per Capita Outflows

The outflows of a household, particularly the consumption related outflows are dependent on the number of members in the family. Table 5.14 indicates that though the average outflows increase as the size of the family increases, the per capita outflows decrease as the number of members in the household increases. The pattern is similar in total outflows and outflows related to non-food consumption. Expectedly, family's food consumption increases as the number of members goes up. But the difference was not high. The per capita outflows related to food consumption, though decreased from an average of ₹ 865 among households with 1-3 members to ₹ 723 among families with 4 or 5 members, it is slightly higher for households with more than five members (₹ 760).

Table 5.14: Average Cash Outflows per Household and Per capita Outflows according to Family Size (₹)

Category of Outflow	Average Outflow in families with:			Per capita Outflow		
	1-3 members	4-5 members	More than 5 members	1-3 members	4-5 members	More than 5 members
Total Outflows	11342	15402	16192	4187	3452	2579
Consumption Outflows-Food	2343	3225	4770	865	723	760
Consumption outflows-Non-food	3688	4765	6521	1362	1068	1039
Savings	713	927	558	263	208	89
Loan Repayment	2494	2669	1716	921	598	273
Chit Funds	474	225	539	175	51	86
For Assets/Durables	115	2359	1222	57	529	195
Gifts/Donations	674	240	246	249	54	39
Other non-consumption Outflows	802	991	620	296	222	99

Source: Household Survey and Financial diary

5.3. Summary

Of the total cash inflows during the month, 61 per cent was on account of income. Loans formed the second most important inflow head of the households. One-third of the total inflows was through loans. On an average, there were three loan transactions per household in the month of the study. Donations, drawing from one's savings, returned hand loans and proceeds from sale of assets/durables constituted the remaining five percent. Four out of five poor households have taken loan for meeting shortfalls in income. The average debt contracted by the sample households was ₹ 5,322 in one month. Nine-out of ten households which have taken loan had taken it from the friends/neighbours or relatives. But such loans were of small amounts and therefore formed only one-fourth of the total loan amount. A bigger source of loan, in terms of the amount of loan, was the loans from SHGs/MFIs. Though only 17 per cent of the households had taken loan from SHGs/MFIs, 28 per cent of the loan amount was from these sources. Of these, majority have depended on Kudumbashree SHGs. One-fourth of the loans and the loan amount are from money lenders. Just two per cent had taken loan from banks/cooperatives but one-fifth of the loan amount was from these institutions. It appears that the poor households depend on banks and cooperatives mostly when large amounts are needed. It seems that despite the physical access to formal institutions not being an issue in the State, there still exist an issue of cultural and procedural barriers to access for the poor.

Outflows for the purchase of food items formed only 22 per cent of the total outflow of the poor households in the sample. Non-food consumption expenditure is a much bigger component with a share of one-third of the outflows. A major component of the poor households in the sample, with a share of 17 per cent, is the repayment of loans indicating the high debt service burden of these households. The average outflow towards loan repayment was ₹ 2,470 which is only half the average amount of loan taken. However, it is heartening to note that 12 per cent of the outflows has gone for assets/durables. Chit funds, a saving and loan scheme, forms two per cent of the total outflow. Gifts/donation is an expense head for more than half of the households even when only one month's data is taken.

Three-fourths of the households reported outflows on repayment of loans. An almost equal proportion was making savings implying that a large number of poor households are making some savings even while they are repaying loans they have taken before. No doubt, only small amounts have been saved by the households in the month of the study. The average savings of the sample households is only ₹ 817 forming about one-tenth of the income inflow. These savings were mainly held at home and in SHGs. None of the poor families in the sample have saved money in commercial banks during the one month period.

It was found that inflows and outflows were higher for rural households. The share of inflows from income was much higher in the urban sample than in the rural sample while converse was true about the inflows on account of loans. The average inflow into rural households was significantly higher than that of urban households. Outflows for both food and non-food consumption was lower for rural households than for the urban households. This is likely to be because of the differences in the cost of living, probability of receiving gifts in kind and the chances of using one's own produce. The average debt incurred in the month in a rural household was seen to be more than double the average debt incurred by an urban household; ₹ 7,674 vis-à-vis ₹ 3,532. Larger proportion of the rural households has set apart money on savings and chit funds than the urban sample. The former also spend more on gifts and donations as also on assets/durables. It appears that the rural poor, in general, takes more loans even when they have higher income flows than the urban poor. They also save more money. The reliance on SHGs is seen to be much higher in rural households both for savings and loans, while the dependence on loans from neighbours and relatives is seen to be greater in urban households. The dependence on formal institutions like banks and cooperatives for loans is seen only in rural areas.

SECTION VI

CASH FLOW MANAGEMENT STRATEGIES OF THE POOR HOUSEHOLDS

This section analyses the cash management strategies adopted by the poor households. As was mentioned before, the study was for a relatively short period of time, *i.e*. one month, and during this month not many households reported income shocks or had financial emergencies. However, it was also seen in the previous section how the families tried to balance their outflows with their inflows. This section further analyses the households on three parameters *i.e*. deficit indicators or households operating on deficit, financial turnover or usage of financial instruments to manage money and the cash flow intensity of income. The strategies adopted by the households are further illustrated using case studies which provide insights into specific cases of cash management observed in households when faced with cash shortage, some emergencies, adoption of specific financial instruments, etc. Finally, the perceptions of the households with regard to their preference for financial instruments towards meeting daily expenses, for addressing cash shortages and emergencies and to park surplus income are also enquired.

6.1. Deficit Households

In the previous section the inflows and outflows of the households were discussed. It was seen that one-third of the cash inflows of the households was constituted by loans. This indicates that many of the households had to resort to taking loans when their inflows were not sufficient to meet their outflows; *i.e*. the households were operating on a deficit in the cash inflows. In this section, the performance of the households as per three deficit indicators is analysed. The first deficit indicator presents the households which could not meet their consumption expenditure solely through their income inflows; *i.e*. these households had to depend on some loans even to meet their day to day consumption expenditure. The second deficit indicator relates to the households which could not sustain their consumption expenditure and loan servicing only on the basis of their income; households needed loans to sustain the servicing of earlier loans and meeting their consumption expenses. Finally, deficit was computed wherein the contractual/obligatory savings of the households were also incorporated into the ouflows of the households sustained by income inflow. Table 6.1 presents how the sample households performed on the three deficit indicators. It was seen that nearly one-fourth of the households could not meet their consumption expenditure solely through their income inflows. More than two-fifths of the households had to depend on other sources of inflow when loan repayments were also materialised in their outflows. It was observed that majority of the households could not sustain their outflows which included consumption, debt servicing and contractual savings from their income inflows. It was also seen that a higher proportion of urban households were deficit households as per the first two deficit indicators, while the converse was true of the third deficit. This may be because rural households are seen to be engaging in more contractual savings such as in SHGs.

Table 6.1: Households' Performance on Deficit Indicators

Deficit Indicator	Per cent of Households		
	Rural	Urban	All
Deficit I (Income Inflows-Consumer Outflows)	19.5	36.0	23.4
Deficit II (Income Inflows-Consumer Outflows + Loan Repayments)	41.5	44.0	42.1
Deficit III (Income Inflows-Consumer Outflows + Loan Repayments + Contractual Savings)	52.4	48.0	51.4

Source: Financial Diary

6.2. Financial Turnover and Cash Flow Intensity of Income

The study assessed the financial turnover and cash flow intensity of income based on the data collected from sample households for the one-month period. Financial turnover is defined as the sum of money 'pushed' and 'pulled' through financial instruments (Collins et al 2009). 'Push' means deposit, lend or repay. Pull means withdraw, borrow or accept deposits. Cash flow intensity of income is the ratio of the total financial turnover to the total income inflow. The average financial turnover of the sample households was ₹ 12,241 in the month of diary keeping (See Table 6.2). This means that poor households in the sample have pushed or pulled ₹ 12,241 through various financial instruments during the one month period of the study. The financial turnover of rural households was much higher than the urban households. The poor households in the rural areas, on an average, shifted 1.5 times the month's income. In the case of urban households, the financial turnover was 60 per cent of their income inflow.

Table 6.2: Financial Turnover and cash Flow Intensity of Sample Households

Particulars	Rural	Urban	All Households
Financial Turnover (₹)	14240	5457	12241
Cash Flow Intensity of Income	1.5	0.6	1.3

Source: Financial Diary

6.3. Case Studies of Cash Flow Management of Poor Households

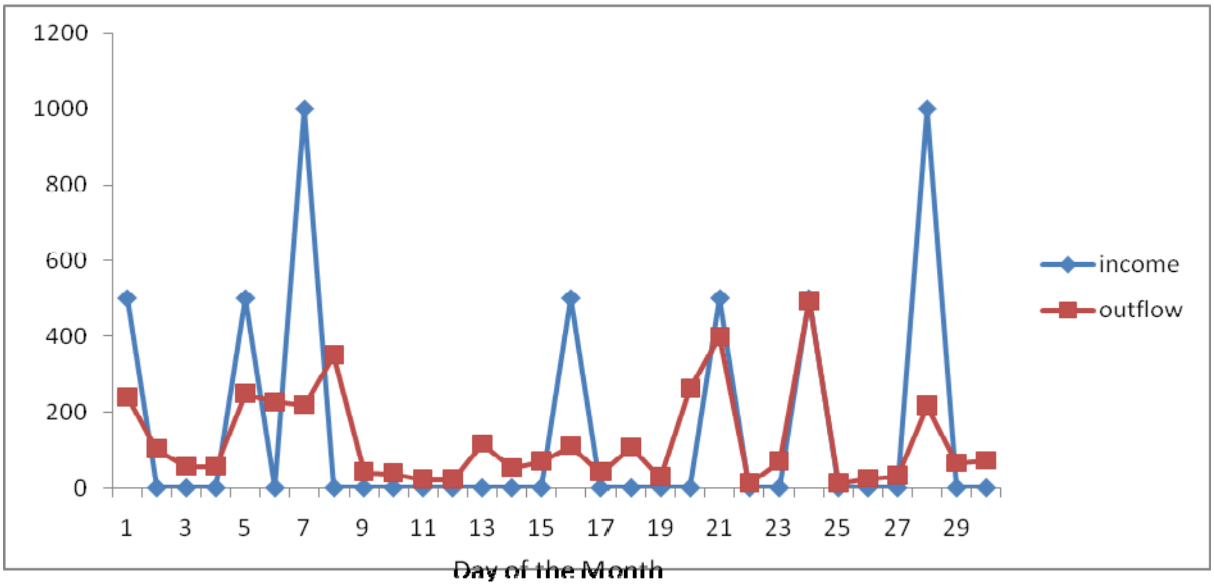
This section is a collection of case studies showcasing the cash management strategies followed by the poor households. As mentioned earlier, the study was for a relatively short period of time, *i.e*. one month in which not many households reported income shocks or emergencies. For the same reason, case studies present specific cases which provide insights into the strategies adopted by households during situations such as when faced with cash shortage, some emergencies, adoption of specific financial instruments, etc. The case studies provide insights into a range of aspects such as how the poor households match their outflows with inflows, how they make up the shortfalls, what leads to such shortfalls, *i.e*. a reduction in inflow or an increased outflow (recurrent or otherwise), what are the instruments the households use for managing cash, etc. The case studies cover rural and urban households, single and multiple earning member families, different occupational categories, etc. All names in the case studies have been changed so as to protect the identity of the household.

Case 1: Cash Management when Flow of Income is Irregular

This is the case of Thomas, a fisherman by profession who has a family comprising of his wife and two sons. Thomas is the sole earning member in the family as his wife is not working and both his sons are studying. Fishing is an occupation wherein regular inflow is not guaranteed. On the day of a regular haul, the fisherman gets an income of `500. When the haul is good, he gets an income of ₹1,000 or even more. Thomas got employed in a fishing boat only on five days in the month within which two good haul days are also reported.

The diary of the household opened with a balance of ₹500 that he had got as wages for the day before and ended with a better balance of ₹ 760 on account of a good haul two days prior to the closing. A pattern that can be seen is that every peak in income inflow is matched with a peak in outflow as well (See Figure 6.1). It was seen that the household had a daily outflow of less than ₹ 100 on non-income days and it is on the days when the income comes in that the household meets major expenses such as repair of assets, stocking provisions, firewood, etc. The expenses of travel for the children who are both students seem to be the recurring expense along with food expenses. Although the household did not resort to taking hand loans this month as on all occasions when the household was about to run out on cash, Thomas was fortunate to get work. However, the household ranked taking hand loans as its most preferred instrument to meet cash shortfalls for daily expenses as the neighbours are sure to help him. And in case they get any surplus income their only priority will be repaying loans. Thomas's response on what he will do in case of surplus inflow was, "loans have to be repaid. Any other thing will be done only after that." The household was seen to have an outstanding debt of ₹ 85,000 taken from the co-operative society for house construction and ₹ 4,000 taken from the SHG for the sons' education. The household also had a credit of ₹ 390 at the local provision shop. Given the fact that Thomas does not have a regular income inflow, it is reported that the house buys provisions on credit from the shop and clears its dues as and when he gets income.

Figure 6.1: Daily Inflow and Outflow of the Household for the month in ₹



Source: Financial Diary

Case 2: Foreseeing an Expense and Managing Cash in an Urban Household

This is the story of a family which had migrated from Tamil Nadu and settled in Kochi. The head of the household Murugan, runs a small tea shop. However, the major income earners for his house were his wife and eldest son. They collect wastes from households at a monthly rate of ₹ 60 and earn around ₹ 7,300 in a month (both of them together). Murugan also has two other children, a son and a daughter, both of them studying for HSC and SSC, respectively. The last member of the household is the eldest son's wife. Incidentally, the eldest son who is a graduate is the highest educated member of the family.

It was seen that in the month of the study, the household had a major expense when the daughter-in-law, who is pregnant had to be taken to her native house in Tamil Nadu (as per the custom of having the first baby delivered at the wife's house). The household had to raise funds for meeting the travel expenses of the entire family to Tamil Nadu and also for holding traditional feast there in connection with the occasion. It was seen that the total cash inflow into the household in the month was ₹ 48,750; income inflow of ₹26,850 and loans amounting to ₹ 21,900. As can be seen, a loan to the tune of 82 per cent of the income inflow this month has been raised. Foreseeing this major expense, Murugan's wife and son did not collect their wages for some time and collected the same along with part of this month's wages so that a lump sum amount could be raised in this manner. In addition, the household took a gold loan of ₹10,000 from local money lenders. Apart from this, the family had also taken a number of loans from various sources such as money lenders, SHG and friends for meeting other day to day expenses.

The practices with regard to the household's cash management strategies as seen in the one month of study was in accordance with the preferences Stated by the household in the household questionnaire. The household had responded that it prefers covering short falls in day to day expenses by seeking hand loans from friends and neighbours, followed by deferring payments and thirdly loans from money lenders. The household took hand loans from friends six times in one month, the amount of loan ranging from ₹200 to ₹5,000 (averaging ₹ 1,500) for meeting expenses such as fees, loan repayment, fuel expenses, etc. These instruments were preferred by the household as they were easy to get as and when new needs arise. Even though the household had ranked SHG loans as first preference for seeking big loans, it was seen that the household had opted for taking gold loan from money lender for a big amount, *i.e*. ₹ 10,000; *i.e*. the second preferred option.

With respect to income inflow, the family has two sources; *i.e*. the tea shop (which was seen to generate an income averaging around ₹ 450 a day) and the cleaning work undertaken by the mother and son. The household had resorted to four debt instruments; *i.e*. gold loan and other loan from money lender, loan from SHG and hand loans from friends. The household had also saved up the past month's income for meeting the current month's major expense. There are two characteristics different from a monthly pattern of the household with respect to income as well as expenditure. The income comprises of a lump sum saving of previous months' income while the expense has a major non-recurrent component. It may also be mentioned that the family will now be foreseeing another incumbent major expense; *i.e*. delivery and related expenses.

Case 3: Raising Loan from a Formal Source for Building asset

This is the case of Ramachandran aged 60 living in a rural area. He is a construction worker, who works on daily wages. His family consists of his wife, who is a casual labourer and two daughters. His elder daughter is pursuing higher studies while his younger daughter who had joined for nursing discontinued her studies.

This case is being documented to report on the incidence of taking loan from a bank to buy land. Ramachandran bought four cents of land adjoining his household compound (his house stands on 5 cents) from his neighbor when he came to know that the latter was disposing his land. The land was priced at ₹ 1,26,500. In order to raise this amount, Ramachandran first resorted to a formal instrument; he raised a loan of ₹ 1,00,000 from a Co-operative bank. However, on seeing that the same would not suffice to cover the cost of land as well as other related expenses such as registration, he resorted to two informal sources. He took a loan of ₹ 16,500 from a private money lender and a loan of ₹ 10,000 from his mother in law. As can be seen, this is a typical portfolio of a mix of formal and informal instruments.

Now for the income inflow into the household in this month. Ramachandran had got work on two-thirds of the days of the month, with an average daily income of ₹ 500. His wage income was supplemented by income from the work of his wife on a few days (averaging around ₹ 300). So, the household received a monthly cash inflow of ₹ 14,200. As can be seen, the loan inflow for the month is nearly nine times the income inflow. The loan repayment capacity can also be related to the household's financial assets. The household was seen to have ₹ 50,000 as savings in chit funds and an insurance of ₹ 2 Lakhs. On the other hand, the household already has an outstanding loan of ₹15,000 from SHG. The family owns around 24 grams of gold. It seems highly likely that the household could end up in a debt trap as the entire financial as well as physical assets (such as land, gold, etc.) may be used up just for debt servicing, given the low income inflow. It also needs to be added that there are higher expenses likely in the near future of this household such as the weddings of the two daughters.

Case 4: A Single Woman household surviving on MGNREGS wages.

This is the case of Rosakutty, a 55 year old woman. Rosakutty lives alone in a small shed. The only relative she has is a brother who lives in the same village. She depends mainly on the wages that she gets through MGNREGS works. She has opened an account with the Co-operative bank just to receive the MGNREGS payments. On days when she does not get MGNREGS work, she tries to find some other work such as clearing of grass, etc. for which she gets ₹ 200. She does not have any financial asset. The only physical asset apart from the shed that she stays is a one-sovereign chain which she has pledged with money lenders for ₹7,000 to meet household expenses. During the month in which she kept the financial diary, she could get work only on three days. On one day she took ₹ 500 from her MGNREGS wages and on another day she took a hand loan of ₹ 200 from her brother. On days when there is an income inflow, Rosakutty buys items such as tapioca, fish, kerosene, etc., and on the other days she hardly records any outflow.

Case 5: Improving Household Prospects by Undertaking Foreign Employment

Maniyan is the head of a three member household living in Kochi city. He is engaged in casual labour while his wife was a housemaid earning monthly wages. The third member of the household is a daughter who is studying. The household had been trying to improve its prospects by sending the wife abroad as housemaid. All preparatory expenses such as ticket and visa charges were met by the sponsor. For the initial paperwork, the household took a loan of ₹ 5,000 from private money lenders. The wife left for employment abroad during the month of the study and in a run up to the same, the family had saved up the wages the wife had earned while being employed in Kochi as a house maid. In addition to this, the household sold an asset; *i.e*. sewing machine for ₹ 1,500. By arranging funds from varied sources, all informal, the household was able to meet the preparatory expenses for the household member to go abroad. At the same time, the family undertook constant exchange of hand loans with neighbours to meet day to day expense.

Case 6: Survival Story of a big family of seven members

The story is about Lakshmi living in one of the poor households from a rural locality. Her family of seven is surviving in spite of difficulties because of her hard work to make both ends meet. Her family includes her husband, his parents, two sons and her husband's daughter (who is a divorcee). Her husband's mother and her husband's sister have mental illness. Her husband's sister's daughter has been sent to a monastery as maid. She and her husband have only primary schooling. Her eldest child is studying a technical course (ITC) after completing matriculation and the younger one is studying in 9th standard. Her house (of 450 sq. ft) has all the basic facilities such as own flush toilet, water and electricity connection and LPG. The family also has a TV.

Though her husband has some mental ailments (for which the family has spent about ₹ 400 in one month on medicines), he goes for work as a carpenter. During the one month period of dairy keeping, he has worked for 21 days (out of 30 days) and earned about ₹ 500 per day. Though her husband may get work for more days, he does not go for work some days due to fatigue caused by the intake of medicines for mental illness. He also spends some money on alcohol and tobacco on most days. The family gets a small support from the panchayat in the form of a grant of ₹ 150 per month and some food items for her husband's ailing sister. However, the family did not get the assistance from the panchayat in the month of the study. In view of the uncertainties of work for her husband and his alcohol consumption, she started working as a house maid in Kochi city. Two years back, she met with a road accident on her way to work. She fell ill and had to discontinue her work. Her leg got fractured and she had to undergo a surgery, for which interest-free loans from friends and relatives were used. Subsequently, the family arranged a loan of ₹ 60,000 from the cooperative society (by pledging her house) to repay the loans from friends and relatives. She still has difficulties to walk. Her husband is irregular in work and the family is facing a crisis. To tide over the financial crisis, she bought a cow soon after recovering from the accident using a loan of ₹ 30,000 which she was able to manage from a private micro-finance institution. The family again approached the cooperative society for another loan of ₹ 45,000 one year back when her son decided to go for the technical course that he is presently undergoing. Again, the family took a loan of one lakh rupees to build a cattle shed and buy two more cows. She earned around ₹ 5,700 from dairying in the one month period of the study. The payments of the milk sales are usually settled in the beginning of the next month. When she gets the money, she uses it for repayment of loan from the cooperative society. She has also taken a loan of ₹ 7,000 from

Kudumbashree SHG to meet the daily expenses. One positive aspect amidst the difficulties is that the family has been almost prompt in repayments. She is paying ₹ 250 to Kudumbashree SHG every week. The interest rate of Kudumbashree loan is much lower than that of the micro-credit from the private institution. She is paying ₹ 525 every week to the micro-credit institution. She repays the educational loan taken from the cooperative in weekly instalments of ₹ 275. She is also paying ₹ 6,000 annually towards the other loans from the cooperative society. During discussions with her, she said that the staff of the cooperative society were very helpful. She was provided loan whenever there was a need because she is prompt in making repayments. Being closer to the community and staff being from the same locality, the cooperative appears to be more flexible in meeting the financial needs of the people in the locality including the poor.

During the month of diary keeping, she has taken loans from friends/neighbours ten times ranging from ₹ 95 to ₹ 2,500. She had paid back such loans only once in the month of diary keeping. She has also taken loans from money lenders two times in the month of the study and is paying it back on a daily basis (₹ 65-75 per day). The first loan from the money lender was for ₹ 4,000 which was partly used for meeting daily expenses. The money was also used for giving a donation of ₹ 1,000 to a neighbouring family where a member was undergoing treatment for cancer. The second loan of ₹ 10,000 from the money lender taken during the month was used mainly for a pilgrimage to Velankanni church.

On the whole, she has sourced money from cooperative bank (₹ 2.05 lakhs), money lenders, SHGs (two SHGs), friends and relatives. The debts she already had before the start of the study did not prevent her from taking further loans. Taking loans and repaying previous loans happen in the same month. She also practices deferring payments of the shop keeper. The loan repayment of the money lender takes place on a daily basis, for which the money comes from her husband's work.

Case 7: Case of Cash Management following an Income Shock: Death of Chief Wage Earner

Chacko, the chief wage earner of one of the rural households in the sample died during the survey period. He was under treatment for liver Cirrhosis for the last six years. The disease, caused due to excessive drinking, made him incapable of going for regular work for quite some time. The family had to find money for his treatment and at the same time faced irregular income inflows. The family now survives on the support provided by relatives and friends. The family owns 600 sq.ft pucca house which has all the basic facilities. He has two daughters, the elder one who joined an under graduate course this academic year is yet to go to college as the condition of her father worsened soon after she joined the course. The younger one is studying Plus 2 course.

Chacko was engaged in making fishing nets. He used to earn ₹ 400-500 per day. The income became irregular when he fell ill as he was not able to take up work on many days. As they were earning sufficiently before he became ill, they took a loan of ₹ 3.5 lakhs from the District Cooperative Bank for making improvements in their house by pledging the 26 cents of land they had. Immediately after getting the loan from the bank, he fell ill and the family met the expenses for his treatment using the bank loan. His wife, a member of Kudumbashree SHG, has also taken a loan from the SHG. Her brother had helped her to avail a loan from the micro-credit institution run by the church. She has also taken a gold loan from a money lender (₹ 10,000). The total liability of the household at the beginning of the study was ₹ 3,85,000. All these loans were taken for the treatment as well as to meet daily expenses. During the month of diary keeping, the family had taken two loans from SHGs (₹ 5,000 and ₹ 15,000) mainly to meet the treatment expenses. She had repaid small amounts of the loan taken from SHGs three times. The death of the lone earning member has left the family in a difficult situation. They had no money for the burial expenses. But relatives and friends helped them to meet the burial expense. An amount for ₹ 37,000 was received as donations. Their relatives, some of whom are well off, have been supporting the family ever since he was detected of liver cirrhosis. ₹ 15,700 was spent on funeral expenses. A portion of the balance amount (₹ 7,000) was used to repay a loan from the money lender. The family preferred to take loans from SHGs and money lenders because it was easier to get it from such sources. Chacko had an account in a commercial bank but had never used it for availing credit. As noted earlier, he, however, had taken a loan from the District Cooperative Bank by pledging the only collateral they had.

Case 8: A Local Informal Financial Instrument - Burial fund (*Marana Sahaya fund*)

Sandeepan's is one among the several families in Pallippuram panchayat which have taken membership in a Maranasahaya fund (burial fund). Such an institution is not in existence in the sample households in the other two rural localities and the urban area covered by the study. Though families belonging to all caste and religious groups can become members of the society, the membership is mainly from Hindu community. The fund organised by the society (Samoohya Kshema Society) is used to provide financial assistance for expenses towards burial of any member of the family. The society is functioning from 1966 onwards. Membership is provided to families who make a one-time payment. The one-time membership fee, at present, is ₹ 7,000. Financial assistance to the tune of ₹ 5,000 is released to a family in case of death of any of its members towards burial expenses. There is also a provision for taking membership in the society by paying half the membership fee (₹ 3,500) initially. The members enrolled by paying half the membership fee has to pay ₹ 15 for every subsequent death in the families of the members of the society. If there are any overdues for a family, the amount will be deducted from the amount due to the family in the event of a death.

There are 800 members in the society. The society has a 12 member governing body and has president, secretary and treasurer as office bearers selected in the annual general body meeting. In addition to the Burial Fund, the society also organises chit schemes and Onam fund.

Case 9: A Local Informal Financial Instrument: *Onam* Festival Fund

Sathyan is one among the rural householders in the sample who have joined an Onam Festival Fund. Onam is the annual State festival celebrated by all religious groups. The festival is celebrated by Malayalees to commemorate the golden days when Mahabali, a king of the olden times, ruled the State according to legends. The festival comes soon after the harvest season in the Malayalam month of Chingam (August/September). It is marked by various festivities, including intricate flower carpets and elaborate traditional feasts. Usually, all families buy new clothes during Onam. The festivities demand substantial requirements of cash even for poor households. In order to make sure that sufficient funds are available for celebrating Onam festival, poor families set apart small amounts from their daily income as Onam fund. The fund was in existence in all the three Panchayats where the present study was conducted, but not among households in the urban area. A person or a society act as the organiser of the fund. The fund collection is usually done weekly though monthly collection is also prevalent. The collection is done by the organiser by visiting the subscribers. This has two advantages viz., the subscriber does not have to go anywhere to make the payments and that s/he will be compelled to make the payment. The funds are given back to the subscribers two weeks before Onam. The weekly subscription amount is usually ₹ 50, ₹ 100 or ₹ 200. The first installment is the commission for the fund organiser. In case of default for a week, no fine is charged if the installment is paid next week. This provides some flexibility in weekly payments for the subscribers. Though the subscribers do not get any substantial interest on the amount paid, the lump sum which they get during Onam will be slightly more than they have paid in the Onam fund (equivalent to about one weekly installment). The fund organiser usually lends the money collected every week to others as short term loans at high interest rate (4-5 per cent per month). The fund works on the trustworthiness of the fund organiser and the strength of his/her relationship with the community.

As was noted earlier, the poor households save small amounts of money throughout the year in view of the anticipated expenses related to a festival. The money is not meant for any asset building but is spent towards consumption.

Case 10: A Case of Micro-credit Loan taken even when there was no Immediate Need for Cash

Jose is a rubber tapper living in a rural area. His wife also assists him in rubber tapping. The other members of his family are his two sons and his mother. Jose and his wife together earned ₹ 9,000 in the month of diary keeping. On the day the study began, the only financial liability they had was a loan of ₹ 4,300 taken from a money lender for meeting daily expenses. The family took a loan from a NBFC as micro-credit on the first day of the study period. As the representatives approached them offering credit, they decided to take it along with some others in the locality. The micro-credit agency approaches households and offer credit (fixed amount). Once they identify 20-25 people who are willing to accept the loan offer, the agency groups them as an SHG. At the first instance, they offered ₹10,000. When this amount was paid back, they offered ₹ 14,000. Discussions with the family indicated that they had taken the loan with no purpose in mind. Even at the end of the study period of one month, the family had a large portion of the borrowed money as cash in hand. The balance amount was spent on consumption.

6.4. Preference for Financial Instruments

The preceding sections on deficit households, financial turnover and cash flow intensity as well as the selection of case studies were based on the data from the one-month long financial diaries maintained by the household. This section presents the perceptions of the household with respect to preferences for managing cash shortfalls to meet daily expenses and during emergencies and also their preferences with respect to utilizing surplus cash inflow. These perceptions of the households were sought during the household survey held prior to the maintenance of the financial diary. This exercise was undertaken to understand the preferences of the households regarding financial instruments as the actual adoption of these instruments may not be observed across the households in the limited period of the study *i.e*. one month. Responses were requested separately for daily cash shortages and in case of emergencies. Similarly, the options they have in mind for utilizing surplus funds also were enquired. The options were ranked by the householders according to their preference. Only ranks up to five have been taken for the final analysis. Some of the sample households have given fewer than five options.

Table 6.3 presents the financial instruments preferred by the poor households in the sample (based on the first five ranks) to manage cash shortages to meet daily expenses. Hand loans from friends, neighbours or relatives was the most frequently reported option when there is a shortage to meet the daily expenses. As high as 85 per cent of the households reported this option. Money lenders are the next preferred source of money. Deferring payments including that to the shop keeper and taking wage advance came next in preference. Loans from self help groups were seen as an option by about one-fourth of the poor households. The preference for formal institutions as a source for small credit for short duration was relatively low. Only 14 per cent have shown preference to taking bank loans.

Table 6.3: Financial Instruments Preferred by Poor Households to Manage Cash Shortage to meet Daily Expenses

Options	Area				All	
	Rural		Urban			
	No.	Per cent	No.	Per cent	No.	Per cent
Loans from friends/neighbours/relatives	71	86.6	20	80.0	91	85.0
Shop keeper credit/deferring payments	36	43.9	15	60.0	51	47.7
Wage advance	33	40.2	7	28.0	40	37.4
Loans other than gold loan from money lenders	30	36.6	9	36.0	39	36.4
Gold Loans from money lenders	22	26.8	7	28.0	29	27.1
Micro Finance/Self Help Group Loans	22	26.8	7	28.0	29	27.1
Bank loans	9	11.0	6	24.0	15	14.0
Utilize Bank savings	13	15.9	1	4.0	14	13.1
Gold loans from NBFCs	6	7.3	2	8.0	8	7.5
Selling assets	4	4.9	0	0.0	4	3.7
Base	82		25		107	

Source: Household Survey

The respondents were further asked to mention the financial instrument they will consider first (*i.e*. option ranked 1) in case of shortage to meet the daily expenses. The responses are summarized in Table 6.4. Hand loans, deferring payments and wage advance remain on top. The preference for loans from SHGs is much higher than that from money lenders. Only a few households consider taking loans from money lenders as the first option to meet short-term contingencies. But we have seen in Table 6.3 that more than a quarter of the households would consider approaching money lenders, banks and NBFCs even for small short-duration credit. This may happen when their more preferred financial instruments are exhausted or are not available. In general, the poor households do not consider money lenders as the first option to tide over difficulties to meet daily expenses but consider it as a major source only when the less costly options are not available. Friends or relatives may not have the cash to help the family or may be unwilling to help. Wage advances also may not be always available especially for those who are doing casual work on daily wages. In the case of SHGs, a household can avail a new loan only when the previous loans are fully paid back. Only when these options fail, they depend on money lenders. The poor households do not perceive any major role for formal financial institutions in supporting them in meeting their cash needs for small amounts for short duration. Bank savings are not considered as something they should use for meeting the day to day expenses. It will be used only when other sources such as friends, relatives, neighbours, shopkeepers and even money lenders fail.

Table 6.4: Financial Instrument Poor Households Consider First to meet shortfall in daily expenses

Options	Area				All	
	Rural		Urban			
	No.	Per cent	No.	Per cent	No.	Per cent
Loans from friends/neighbours/relatives	45	54.9	14	56.0	59	55.1
Shop keeper credit/deferring payments	14	17.1	2	8.0	16	15.0
Wage advance	10	12.2	4	16.0	14	13.1
Micro Finance/Self Help Group Loans	5	6.1	4	16.0	9	8.4
Gold Loans from money lenders	3	3.7	1	4.0	4	3.7
Other loans from money lenders	2	2.4	0	0.0	2	1.9
Gold loans from NBFCs	1	1.2	0	0.0	1	0.9
Bank loans	1	1.2	0	0.0	1	0.9
Selling of assets	1	1.2	0	0.0	1	0.9
Utilise bank savings	0	0.0	0	0.0	0	0.0
Base	82		25		107	

Source: Household Survey

The studies further enquired about the cash management strategies the poor households adopt to meet emergency requirements. Table 6.5 presents the options the sample householders consider to tide over the crisis. Usually the amount to meet the emergency need is high. However, perceptions about the amount that they may require can vary from household to household. When in need of cash to meet some emergency needs also, hand loans from friends, neighbours or relatives is the most preferred option. Nearly two-thirds of the households consider this option. Loans from SHGs come next in preference followed by money lenders. Banks are preferred as a source in case of emergencies by more than one-third of the households. Utilising own savings (in the bank, cash savings or loans to others) was considered as an option only by a small group of households. Two out of the 107 households covered by the study reported that they keep aside a portion of their income to meet emergency situations.

Table 6.5: Financial Instruments Preferred by Poor Households to Manage Cash Shortage during Emergencies

Options	Area				All	
	Rural		Urban			
	No.	Per cent	No.	Per cent	No.	Per cent
Loans from friends/neighbours/relatives	51	62.2	16	64.0	67	62.62
Micro finance/self help group loans	43	52.4	9	36.0	52	48.60
Loans other than gold loan from money lenders	35	42.7	10	40.0	45	42.06
Gold Loans from money lenders	30	36.6	12	48.0	42	39.25
Bank loans	26	31.7	13	52.0	39	36.45
Take Wage advance	26	31.7	4	16.0	30	28.04
Gold loan from NBFCs	18	22.0	3	12.0	21	19.63
Utilise Bank savings	14	17.1	1	4.0	15	14.02
Utilize own savings	12	14.6	0	0.0	12	11.21
Selling assets	7	8.5	0	0.0	7	6.54
Keep cash in hand for emergencies	2	2.4	0	0.0	2	1.87
Others	2	2.4	1	4.0	3	2.80
Base	82		25		107	

Source: Household Survey

As in the case of cash shortages to meet day to day expenses, the first source that the households may depend is analysed separately. The results are presented in Table 6.6. Gold loans from money lenders, hand loans from friends, relative or neighbours and loan from SHGs are the most important options the poor will explore first in case of emergency. More than half of the households consider any one of these options before opting to approach other sources in case of emergencies. There is not much difference between rural and urban sample in the preference on these three instruments. These three instruments were considered first by the poor households mainly because it is easier to get the loans. To avail credit, the procedures are not cumbersome. In the past, taking loans by pledging gold was considered only when other options are exhausted as it was bad for one's prestige. But in view of the massive advertisement campaign with the message that "why should one go out begging for money when you have gold in your hand' by some of the big NBFC players in gold loan business, this stigma appears to have changed. In the case of loans from SHGs, there is distinction between the loans from Kudumbashree SHGs and those from private micro-credit institutions. There is more flexibility for loan repayment in the former. The interest rate is lower for Kudumbashree loans than for loans from private micro-finance institutions. Three other instruments considered as the first option in case of emergencies are Gold loans from NBFCs, bank loans and loans from money lenders other than gold loan. More than a quarter of the urban sample reportedly prefers to take a bank loan to meet any cash needs arising out of emergencies. It is the most frequently occurring first option in the urban sample. But only 5 per cent of the rural sample considered bank loans as a first option. The reason for opting for bank loans is the low interest rate. While 13 per cent of the rural sample considers gold loans from NBFC as the first option, only 4 per cent of the urban households consider so. Loans other than gold loan are the first option for about one-tenth of the households. This may be because these families do not have any gold to pledge.

Table 6.6: Financial Instrument Poor Households Consider First to Manage Cash Shortage during Emergencies

Options	Area				All	
	Rural		Urban			
	No.	Per cent	No.	Per cent	No.	per cent
Gold Loans from money lenders	15	18.3	5	20.0	20	18.7
Loans from friends/neighbours/relatives	15	18.3	4	16.0	19	17.8
Micro finance/self help group loans	15	18.3	4	16.0	19	17.8
Gold loan from NBFCs	11	13.4	1	4.0	12	11.2
Bank loans	4	4.9	7	28.0	11	10.3
Other loans from money lenders	8	9.8	2	8.0	10	9.3
Utilize Bank savings	3	3.7	1	4.0	4	3.7
Take Wage advance	4	4.9	0	0.0	4	3.7
Utilize own savings	3	3.7	0	0.0	3	2.8
Selling assets	3	3.7	0	0.0	3	2.8
Keep aside a portion of the income to meet emergencies and use it	1	1.2	0	0.0	1	0.9
Others			1	4.0	1	0.9
Base	82		25		107	

Source: Household Survey

A comparison of the most preferred (ranked 1) financial instrument to meet daily expenses and financial emergencies provides some interesting findings. Firstly, preference for depending on friends/neighbours/relatives is much lower in case of financial emergencies. Microfinance institutions have a role in both types of situations. Loans from money lenders and also from NBFCs are preferred mainly for emergencies. Bank loans are preferred mainly during emergencies particularly by households in the rural areas.

In order to understand the management of surplus income, the householders were asked to mention how they are likely to use it if they are able to generate surplus funds. The responses on the saving/investment options of the householders are given in Table 6.7. Large majority of the households considered repaying the loans as the most preferred option in case they are able to generate surplus funds. The next in the hierarchy of preferences is depositing in banks. About one-third desires to save the money in banks. Co-operative societies are also seen as financial institutions where they can park the surplus income by one-fourth of the households. One-fifth consider purchasing gold as an investment that they can make using surplus income.

Keeping aside the surplus money with oneself or with neighbours/friends was reported as an option by about one-tenth. Depositing in NBFCs is a much lesser preferred option.

Table 6.7: Preferred Options to utilize Surplus Income

Options	Area				All	
	Rural		Urban			
	No.	Per cent	No.	Per cent	No.	Per cent
Repay loans	74	90.2	17	68.0	91	85.0
Deposit in Bank	22	26.8	15	60.0	37	34.6
Deposit in co op Society	22	26.8	8	32.0	30	28.0
Purchase gold	12	14.6	10	40.0	22	20.6
Keep aside for future requirements with money lenders/chit funds	18	22.0	0	0.0	18	16.8
Purchase consumer Durables	14	17.1	3	12.0	17	15.9
Purchase/Improvement of other assets	15	18.3	2	8.0	17	15.9
Keep aside to meet anticipated expenses in the future	10	12.2	2	8.0	12	11.2
Keep aside to meet emergencies with one self	6	7.3	4	16.0	10	9.3
Keep aside for future requirements with friends/neighbours	8	9.8	1	4.0	9	8.4
Deposit in NBFCs	7	8.5	1	4.0	8	7.5
Others	3	3.7	0	0.0	3	2.8
Base	82		25		107	

Source: Household Survey

The first option of the poor households in utilizing surplus income was analysed separately. The householders generally gave highest priority to repaying their loans (See Table 6.8). Depositing in banks comes as distant second among the first preferences. Depositing in cooperatives has been seen as the first option only by one rural household. Purchasing gold was the first option for four out of the 25 urban households and one among the rural households (out of 82).

Table 6.8: First Option considered to utilize Surplus Income

Options	Area				All	
	Rural		Urban			
	No.	Per cent	No.	Per cent	No.	Per cent
Repay loans	67	81.7	13	52.0	80	74.8
Deposit in Bank	8	9.8	6	24.0	14	13.1
Purchase gold	1	1.2	4	16.0	5	4.7
Purchase consumer Durables	2	2.4	0	0.0	2	1.9
Purchase/Improvement of other assets	2	2.4	0	0.0	2	1.9
Deposit in co op Society	1	1.2	0	0.0	1	0.9
Deposit in NBFCs	0	0.0	1	4.0	1	0.9
Keep aside to meet anticipated expenses in the future	1	1.2	0	0.0	1	0.9
Keep aside to meet emergencies with one self	0	0.0	1	4.0	1	0.9
Base	82		25		107	

Source: Household Survey

6.5. Summary

The challenges faced by the poor households in the sample are not only of insufficient income but also of irregular and unpredictable income flows. During the month of diary keeping, the poor households have used different financial instruments, mostly informal, to make both ends meet. Nearly 60 per cent of the households faced a shortfall in meeting the consumption expenses at least one day during the month. It was seen that one-fourth of the households were deficit households; *i.e*. the households were not able to meet their consumption expenses solely from their income inflows and had to resort to taking some loans to meet the expenses. About half of the households operating on a deficit when repayment of loans and contractual savings; *i.e*. payments which needed to be compulsorily paid by the households, were added into the outflows. This reflects on the vulnerability of these households and highlights the importance of the cash management strategies that are adopted by the households. The financial turnover of the households; *i.e*. how the households ‘push’ and ‘pull’ their money through financial instruments was also assessed. The poor households in the sample, on an average, turned over 1.3 times the month’s income.

The case studies presented in this section highlighted various aspects of cash management followed by poor households. It was seen that there is dependence on informal financial instruments whenever the household face a cash crunch. When the shortfall is for meeting daily expenses, the households mostly depend on hand loans from friends/neighbours. A never ending cycle of lending and borrowing small amounts among households was observed. During emergencies as in the case of death, there seems an overwhelming support for the poor households. As regards need for raising huge amounts for purposes such as house construction, purchase of land, etc. it was seen that the households sought the support of formal institutions, mostly co-operative societies. It seems that the cooperative societies have been more responsive to the cash needs of the poor. In cases where the household is able to foresee a major expense, they save their income to finance the impending expense. They also resort to borrowings. However, it needs to be acknowledged that despite all their shortcomings and vulnerabilities, the households are constantly trying to improve their prospects such as buying an asset, improving the house, exploring new employment avenues, etc. even if for the same they have to incur huge debts.

SECTION VII

SUMMARY OF FINDINGS AND CONCLUSION

This section presents the summary of the findings and the conclusions emerging from the study. The study on the portfolios of the poor is based on the data provided by 107 poor households in Ernakulam district in Kerala State, a State known for its achievements in poverty reduction and social development. The study is primarily based on a financial diary kept by these households for a period of one month (September 17- October 16, 2012). Additional information on the assets, liabilities, preferences of households towards different financial institutions and instruments, socio-economic and demographic background were captured by administering a household questionnaire among the sample households. The households were selected from three rural localities and urban slums in Kochi city.

7.1 Profile of the Sample Households

Large majority of the households own pucca houses and have basic facilities such as latrine in the premises and electricity connection. The average household size is 4.4. The proportion of Schedule Castes in the sample is more than three times their proportion in the district population. In majority of the households, the highest educational level among the members was higher secondary education or above. All children in the sample households in the age group of 6-14 years are currently going to school.

In more than one-fifth of the households, the chief wage earner is a woman. Nearly three-fourths of the chief wage earners receive income on a daily basis or have irregular income. One-fifth of them are receiving income on a monthly basis and the remaining on a weekly basis. In about 40 per cent of the sample households, chief wage earner is the only earning member in the family. The average number of earning members per household was 1.7 in rural areas and 1.9 in urban areas. The occupation of the chief wage earner in the sample households fall in diverse categories such as casual labourers, agricultural labourers, workers in the fisheries sector, small and marginal farmers, cleaning workers, house maids, sales people, auto rickshaw drivers, petty traders, hotel/restaurant workers, factory workers, construction workers etc. One-tenth of the chief wage earners are educated above SSC. Only five percent of them are illiterate. The average age of the chief wage earner was 43. Only in three per cent of the households, the chief wage earner was not in the working age (14-59 years).

Several studies have pointed out the differences between the living condition of the population in Kerala and those in other regions of the country. The picture emerging from the present study is that Kerala's poor may also be sharing some of State's achievements in providing better access to basic needs including education. Kerala's poor may be different from the poor in other parts of India in terms of access to basic amenities and social status (Ann George 2010). A definite conclusion, however, requires a comparative study.

7.2 Access to Organised Financial Institutions

The access to financial institutions has been examined on the basis of data collected from the sample households using a household questionnaire. It is found that about three-fourths of the poor households covered by the study in the rural areas and two-thirds of those in urban areas have accounts in a commercial bank. Cooperative banks have reached out to only a few of the poor households in the urban sample. One-third of poor households in the rural area are catered exclusively by the commercial banks while one-fifth is catered to only by the cooperative societies. Sixty per cent of the rural households have membership in co-operative societies while such cooperatives do not have any presence among the urban sample. It may be noted that many of the respondents termed 'cooperative societies' as 'bank'. When the cooperative societies are also taken into consideration, most of the rural poor households have an account, either a deposit or a borrowal account with a bank. But such a phenomenon is not visible in the urban areas as the cooperative sector in these areas is not as strong as in rural areas. Only about one-third of the poor households in the rural areas and one-fourth in the urban areas have access to ATM cards. In the rural areas, the poor also have access to cooperatives for their credit and saving requirements. It was also found that none of the sample households had a Kisan Credit Card. It was also seen that SHGs, especially Kudumbashree have emerged as a major institution catering to these requirements of the poor. Large majority of the households have membership in an SHG, mostly Kudumbashree SHGs. There exists a link between these SHGs and the financial institutions; *i.e*. commercial banks as well as co-operatives, as the SHGs have an account in these institutions. The reach of the Commercial banks to the poor could be strengthened by improving the linkages of the banks with SHGs particularly the Kudumbasree.

7.3. Financial Assets and Liabilities

It was seen that on an average poor households owned around nine cents of land. There is a significant difference with respect to average ownership of land between urban and rural households. Households were also seen to have built houses on land on which they have no ownership, *i.e*. *Purambokk* land. It was seen that only 17 per cent of the households had no gold, while the other households owned on an average nearly three sovereigns. Durables such as TV, mixer and mobile phone were available in a large majority of the houses. Large majority of the households have furniture such as chair, *almirah,* cot and table. It was seen that none of the households in the urban area were rearing any dairy animal or poultry bird. More than one-fourth of the rural households were rearing poultry birds, while less than one-tenth of the households had a cow or a goat.

Three-fourths of the households had some financial asset apart from some cash/savings at home. Two-fifths had savings in SHGs, while more than one-fourth had savings in chit funds. One-tenth had savings with commercial banks, while less than four per cent had fixed deposit in banks. The households have financial assets to the tune of ₹ 16,115, on an average. The financial assets of the rural households were more than four times that of the urban households. Only one-tenth of the sample households did not have any outstanding financial liability. More than half of the households had taken a loan from SHGs; either as a group loan or as an individual loan; more so as the latter. Another oft resorted source for funds seems to be money lenders, from whom 40 per cent of the households had taken either a gold loan or other kinds of loans. Loans were taken from banks by 12 per cent of the households and gold loans were taken from NBFCs by 16 per cent of the households. The dependence on SHGs and co-operative institutions is significantly higher among rural households. The households have an average outstanding liability of around ₹ 80,065. The rural households have, on an average, two-fifths more of the liability of the urban households. The largest outstanding liability of rural households was seen in the case of loans from co-operative institutions. Majority of the loans had been taken for construction/maintenance of house, followed by household purposes like meeting the shortfall in income flows. One-fourth of the households took a loan towards financing of health care points to the vulnerability these households suffer during health care shocks. One-tenth of the households took some loan for educational purposes. Nearly one-tenth of the households took a loan towards servicing or repayment of loans taken earlier. It is also often seen that the households spend a portion of the loan amount on purposes other than the one for which the loan was taken. The study also found that in the case of three-fourths of the households, the financial liabilities exceeded financial assets. It may be noted that the financial assets does not include the value of the physical assets of the household.

7.4 Cash Flows of the Poor Households

The cash flows of the poor households in the sample have been captured using financial diaries kept by the households for a period of one month. Of the total cash inflows during the month, 61 per cent was on account of income. Loans formed the second most important inflow head of the households. One-third of the total inflows was through loans. On an average, there were three loan transactions per household in the month of the study. Donations, drawing from one's savings, returned hand loans and proceeds from sale of assets/durables constituted the remaining five percent. Four out of five poor households have taken loan for meeting shortfalls in income. The average debt contracted by the sample households was ₹ 5,322 in one month. Nine-out of ten households which have taken loan had taken it from the friends/neighbours or relatives. But such loans were of small amounts and therefore formed only one-fourth of the total loan amount. A bigger source of loan, in terms of the amount of loan, was the loans from SHGs/MFIs. Though only 17 per cent of the households had taken loan from SHGs/MFIs, 28 per cent of the loan amount was from these sources. Of these, majority have depended on Kudumbashree SHGs. One-fourth of the loans and the loan amounts are from money lenders. Just two per cent had taken loan from banks/cooperatives but one-fifth of the loan amount was from these institutions. It appears that the poor households depend on banks and cooperatives mostly when large amounts are needed. It seems that despite the physical access to formal institutions not being an issue in the State, there still exist an issue of cultural and procedural barriers to access for the poor.

Outflows for the purchase of food items formed only 22 per cent of the total outflow of the poor households in the sample. Non-food consumption expenditure is a much bigger component with a share of one-third of the outflows. A major component of the poor households in the sample, with a share of 17 per cent, is the repayment of loans indicating the high debt service burden of these households. The average outflow towards loan repayment was ₹ 2,470 which is only half the average amount of loan taken. However, it is heartening to note that 12 per cent of the outflows has gone for assets/durables. Chit funds, a saving and loan scheme, forms two per cent of the total outflow. Gifts/donation is an expense head for more than half of the households even when only one month's data is taken.

Three-fourths of the households reported outflows on repayment of loans. An almost equal proportion was making savings implying that a large number of poor households are making some savings even while they are repaying loans they have taken before. No doubt, only small amounts have been saved by the households in the month of the study. The average savings of the sample households is only ₹ 817 forming about one-tenth of the income inflow. These savings were mainly held at home and in SHGs. None of the poor families in the sample have saved money in commercial banks during the one month period.

It was found that inflows and outflows were higher for rural households. The share of inflows from income was much higher in the urban sample than in the rural sample while converse was true about the inflows on account of loans. The average inflow into rural households was significantly higher than that of urban households. Outflows for both food and non-food consumption was lower for rural households than for the urban households. This is likely to be because of the differences in the cost of living, probability of receiving gifts in kind and the chances of using one's own produce. The average debt incurred in the month in a rural household was seen to be more than double the average debt incurred by an urban household; ₹ 7,674 vis-à-vis ₹ 3,532. Larger proportion of the rural households has set apart money on savings and chit funds than the urban sample. The former also spend more on gifts and donations as also on assets/durables. It appears that the rural poor, in general, takes more loans even when they have higher income flows than the urban poor. They also save more money. The reliance on SHGs is seen to be much higher in rural households both for savings and loans, while the dependence on loans from neighbours and relatives is seen to be greater in urban households. The dependence on formal institutions like banks and cooperatives for loans is seen only in rural areas.

7.5. Cash Flow Management Strategies of the Poor

The challenges faced by the poor households in the sample are not only of insufficient income but also of irregular and unpredictable income flows. During the month of diary keeping, the poor households have used different financial instruments, mostly informal, to make both ends meet. Nearly 60 per cent of the households faced a shortfall in meeting the consumption expenses at least one day during the month. It was seen that one-fourth of the households were deficit households; *i.e*. the households were not able to meet their consumption expenses solely from their income inflows and had to resort to taking some loans to meet the expenses. About half of the households operating on a deficit when repayment of loans and contractual savings; *i.e*. payments which needed to be compulsorily paid by the households, were added into the outflows. This reflects on the vulnerability of these households and highlights the importance of the cash management strategies that are adopted by the households. The financial turnover of the households; *i.e*. how the households 'push' and 'pull' their money through financial instruments was also assessed. The poor households in the sample, on an average, turned over 1.3 times the month's income.

The case studies presented in this section highlighted various aspects of cash management followed by poor households. It was seen that there is dependence on informal financial instruments whenever the household face a cash crunch. When the shortfall is for meeting daily expenses, the households mostly depend on hand loans from friends/neighbours. A never ending cycle of lending and borrowing small amounts among households was observed. During emergencies as in the case of death, there seems an overwhelming support for the poor households. As regards need for raising huge amounts for purposes such as house construction, purchase of land, etc. it was seen that the households sought the support of formal institutions, mostly co-operative societies. It seems that the cooperative societies have been more responsive to the cash needs of the poor. In cases where the household is able to foresee a major expense, they save their income to finance the impending expense. They also resort to borrowings. However, it needs to be acknowledged that despite all their shortcomings and vulnerabilities, the households are constantly trying to improve their prospects such as buying an asset, improving the house, exploring new employment avenues, etc. even if for the same they have to incur huge debts.

7.6 Conclusion

The present study shows that the poor in Kerala continues to remain vulnerable because of the mismatch in the cash inflows and outflows. The study finds that the poor takes heavy risks in their strategy for survival. Some of them indulge in a good deal of financial jugglery for meeting their daily requirements as also emergencies. The study shows that large majority of the sample households have taken one or another form of loans during the month of the study for meeting a variety of needs. They depend on variety of sources both formal and informal. They also rely on a number of instruments. The first option of the poor is to fall back on their social capital base which includes their friends, relatives, neighbours and neighbourhood grocer. SHGs and money lenders also come handy as 'friends in need' despite the high interest rates of the latter. Chit funds, an indigenous financial institution, continues to attract the savings of the poor and to meet their requirements. The study has shown that the poor have designed their own innovative instruments for meeting some uncertain events like death (Burial Fund) and certain events like Onam Festival with attendant huge demands for funds (Onam Fund).

The position revealed by our study shows indebtedness by a large majority of households. The picture that emerges is that the sample households as a whole were net borrowers, *i.e.*, their financial liabilities exceeded their financial assets. Part of the borrowings may be for unavoidable reasons and as part of their strategy for sheer survival. But a good proportion seems to be with a view to building up and maintaining assets which provides them increased securities and better living standards. No doubt part of the expenditures is for keeping up with the Jones. But the poor cannot be faulted entirely for not being immune from the consumerism which prevails in the Kerala society and the demonstration effects of the consumption pattern of the affluent. The promotional strategies of the State Government (eg:Grand Kerala Shopping Festival), NBFCs and the traders seem to have reached the poor also.

The study shows that a vast majority of the households have savings bank accounts with commercial banks. But any meaningful financial inclusion of the poor by the commercial banks depends on their ability to meet the credit gaps of the poor households which have been brought out by the present study. The track record of the commercial banks in reaching timely credit leaves much to be desired. Commercial banks are not reported as the much sought after option of the poor in times of need. The dependence on the money lenders for gold loans despite the lower interest rates of such loans in the banks indicates that more than the interest rates, it is the easy and timely availability which matters to the poor. Here, the co-operative societies and the money lenders score over commercial banks.

The banks seem to suffer from a perception problem. It appears that the banks are not yet considered as a friendly neighbourhood institution on which one can rely for their financial requirements. There is a clear need for removing this perception highlighting simultaneously the lower cost of their credit and other advantages. The study finds that the poor needs credit for meeting the frequent gaps in income inflows and consumption outflows. This highlights the need for small consumption loans including festival loans by way of a line of credit or an overdraft. Besides, the banks' credit schemes will have to be tailor-made to meet the specific requirements of the poor which are of diverse nature. The study shows that the co-operative societies have done much better possibly because of the borrowers' familiarity with the functionaries of the society living in the same village. The banks' procedures will also have to be made more flexible and simple. Their response time to the requirements of the poor also has to be shortened if they have to ensure meaningful financial inclusion of the poor. It may be necessary that the co-operative institutions including the primary co-operative societies with their local roots have to be incorporated in the financial inclusion efforts. The Self Help Groups mostly those under the Kudumbasree have emerged as an important agency for parking surplus funds and for giving loans to the poor. It is both easier and more cost effective if the commercial banks' linkages with SHGs particularly the Kudumbasree are both strengthened and widened. It may be noted that the Kudumbasree Mission, a State Government sponsored agency in Kerala, has a wide reach in all parts of the State and they function in association with the Local Self Governments. At present there are more 2 lakh Kudumbasree SHGs with a coverage of 37 lakh women. It is the principal agency for implementing the Central Government's National Rural Livelihood Mission in Kerala.

Three-fourths of the households in our sample are already reached by the commercial banks. It is thus easy for the banks now to include all the poor households in their fold. One or more commercial banks are already present in the areas covered by the study. It is easier for the banks to reach across to the poor in Kerala because of the literacy and higher educational levels attained even by the poor. Once the Aadhar card reaches all households and with increased coverage of rural poor households by MGNREGS, it may be much easier for banks to open accounts of the poor and conduct their banking operations.

Though the month long diary keeping has helped us to understand the nuances of the cash flow of different categories of poor, it is felt that only an year-long tracking of the households will take care of the seasonality of income and other inflows as well as outflows. Such a study, which can draw from the insights gathered during the course of the present study, will help to provide a clearer picture of the borrowings, savings, repayments of long term advances etc. Such a study, with sample households selected from different occupational and social categories spread across the State of Kerala will help to shed light on the financial lives of the poor in the State of Kerala.

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APPENDIX I - FIELD TEAM

Investigators

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2	Ms.	Rathymol K.A.
3	Ms.	Indira Rajendran
4	Ms.	Remadevi Muraleedharan
5	Mr.	Shinto Joseph
6	Mr.	Sarath A.R.
7	Mr.	Basil Sunny
8	Mr.	Manu Narayanan
9	Mr.	Rajeesh C.T.
10	Mr.	Vinod K.V.
11	Ms.	Sonia Michael
12	Ms.	Kavitha S.

Supervising/Coordinating Staff

1	Mr.	Jayan K.M.
2	Mr.	Ratheesh P.B.
3	Mr.	Bibin Thambi

APPENDIX II - GLOSSARY OF TERMS

Borrowal account: Account opened solely for the purpose of processing a loan is referred to as a borrowal account.

Cash flows: In the study, cash flows include cash inflows and cash outflows. Cash inflows are inward receipts of cash and cash outflows are outward expenses. The study looks at only cash flows; *i.e*. the value of receipts or payments in kind is not accounted for. The study is for a period of one month and cash transactions occurring within the month only are assessed.

Cash flow intensity of income: Cash flow intensity of income is the ratio of the total financial turnover to the total income inflow.

Chit fund: Under the chit fund, a certain number of persons agree to pay in regular installments for a definite period. The subscriber of the chit gets back the money either through draw of lots or tendering which is done periodically. In case of tendering, the Kerala Chit Act ensures that the prize money should be not less than 70 per cent of gross sum assured. Chit funds are conducted by companies or institutions with the necessary registration. It is also organised among friends, neighbours and relatives informally. The advantage of chit schemes is that individuals can start saving in anticipation of a major cash requirement in the foreseeable future. Moreover, it provides some convenience in saving money as often the chit organiser or their agents visit the subscribers to collect the instalments.

Contractual Savings: These are savings in which a commitment is made to regularly deposit a fixed amount for fixed period of time. Such savings are used to accumulate money for meeting specific needs of the future.

Deficit indicators: In the study, the performance of the households on cash flow management is analysed using three deficit indicators. The first deficit indicator; Deficit I (Income Inflows-Consumption Outflows) presents the households which could not meet their consumption expenditure solely through their income inflows; *i.e*. these households had to depend on some loans even to meet their day to day consumption expenditure. Deficit II (Income Inflows-(Consumption Outflows + Loan Repayments)) relates to the households which could not sustain their consumption expenditure and loan servicing only on the basis of their income; households needed loans to sustain the servicing of earlier loans and meeting their consumption expenses. Finally, Deficit III (Income Inflows-(Consumption Outflows + Loan Repayments + Contractual Savings)) presented households wherein the contractual/obligatory savings of the households were also incorporated into the outflows of the households sustained by income inflow.

Financial turnover: Financial turnover is the sum of money 'pushed' and 'pulled' through financial instruments. 'Push' means deposit, lend or repay. 'Pull' means withdraw, borrow or accept deposits.

Hand loan: It is an inter-personal loan from friends or relatives mostly for short periods. Easy and timely access is a significant characteristic of hand loans. Today's borrower can be tomorrow's lender.

Kudumbashree: Kudumbashree is an initiative to eradicate poverty in the state of Kerala. There are over 2 lakh Neighbourhood Groups (NHGs) of poor women under Kudumbshree. The Kudumbashree was launched by the Government of Kerala in 1998 and has close links with Local Self Governments. Kudumbashree, with more than 37 lakh members, has wide reach in both rural and urban areas. Literal meaning of Kudumbashree is prosperity (shree) of family (Kudumbam). The Neighbourhood Groups under Kudumbahsree are called Kudumbashree units.

Purambokk land: Land under state ownership.