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# FINANCIAL BEHAVIOUR STUDY

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**BLOCK: GOGUNDA AND KELWARA**

**AJEEVIKA BUREAU**





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# 1 Introduction

In December 2006, the Aajeevika Bureau initiated a study to examine the financial status and behaviours of migrant households within Gogunda and Kelwara Blocks of Udaipur and Rajsamand Districts of Rajasthan. The aim of the study was to gather data that will aid in the building of financial services products and processes, as well as to bridge the knowledge gaps concerning financial behaviour of the migrant population within these Blocks. Data was collected through a survey of migrant households.

## 1.1 Aajeevika Bureau



Figure 1. Map of Rajasthan, highlighting South Rajasthan, the region served by the Aajeevika Bureau.

The Aajeevika Bureau is a public service initiative set-up to support rural dwellers who undertake seasonal and distress migration from the southern districts of Rajasthan into high growth states of Gujarat, Andhra Pradesh, Maharashtra, etc. The terms of migration are exploitative and the living and working conditions sub-human. The organization facilitates a range of support services<sup>1</sup> to seasonal labour migrants in order to reduce the distress associated with this movement and to turn migration into an opportunity.

The Bureau operates in four source blocks (Gogunda, Kotada, Railmagra and Kelwara) and in two destination centres in the neighbouring state of Gujarat (Idar and Ahmedabad). It has a rapidly expanding registered base currently consists of over 3,000 migrants.

## 1.2 Gogunda and Kelwara Block



Gogunda is a block headquarter located within Udaipur district and Kelwara is the block headquarter of Kumbhalgarh block in Rajsamand district. Both the districts are situated in South Rajasthan. According to 2001 census data, there were 151,175 persons in Gogunda Block, within 30,133 households, 45 Panchayats, and 147 villages. The literacy rate was 49.7%. Similarly, Kumbhalgarh block had a population of 131,346 within 27,959 households, 37 panchayats and 164 villages. The literacy rate was 46.0%

Gogunda and Kumbhalgarh are characterized by continuous

<sup>1</sup> Registration and Photo ID, Communication and Tracking, Training and Placement, Legal Aid and Counselling, and Financial Services.

mountain chain ranging between 2500-4000 feet. In past centuries, the village of Gogunda was the seat of a feudal estate administered by a family belonging to the Jhala clan of rajputs. Kumhalgarh is famous for its fort, the wall around the fort measuring 36kms in perimeter.

But as with much of South Rajasthan, limited rainfall, lack of agricultural land and a variety of spending pressures result in widespread seasonal out-migration.

## 2 Methodology

The survey was conducted over a four-week period, beginning December 15, 2006. It was conducted by one hired surveyors. Information from 180 households was collected – or about 2.25% of migrant households in Gogunda and Kelwara. Accounting for poor data collection, the aim was to yield an eventual sample size of roughly 150 households. If the migrant was not present at home, then family members were interviewed.

Households for the survey were chosen using the Aajeevika Bureau's existing registration base, as the client base targeted by the Bureau's financial services program will mostly include migrant registered with the bureau. From the existing database, villages were selected to maximise geography and coverage. In all, surveys were conducted in 50 villages with 180 households.

Data collected by the surveys pertained to:

1. Basic household demographics;
2. Household financial background;
3. Migration particulars; and
4. Structural details of the financial services used – with respect to credit, savings, remittances, and insurance.

To gather additional information not amenable to survey format, four focus group discussions were conducted. These were conducted with

1. Women from migrant families; and
2. Migrant men (on of ST and the other non-ST)

The purpose of these groupings was to ensure a diverse set of respondents, rather than to generate varying data based upon the group type. Each discussion had approximately ten participants.

## 3 Household Demographics

### 3.1 Household Composition

On average, surveyed households have 5.02 members. Among them, there are 3.02 individuals generating income for the household, including 1.32 migrants.

### 3.2 Caste

Like most of South Rajasthan, the majority of the population of Gogunda and Kelwara belongs to the Scheduled Tribe (ST) Caste (SC) category. Amongst the surveyed households, 64% of households were ST, 14% were SC and the remaining 22% belonged to the OBC category. None of the surveyed households belonged to the general category.

### 3.3 Household Education

In the survey analysis only the most educated member of each family was considered. This data facilitated in establishing linkages between education and household behaviour with respect to migration. In this regard the Households showed a moderate level of education, with 95% of the households surveyed having at least 1 literate member. About 70% households had at least 1 member who studied till class five or above. In all, only nine percent of the households showed class 12 as the highest level of education. No household recorded a member having a graduate degree or above. In about 85% of the cases the migrant was the most educated member of the family.

Data results indicate a mild correlation of .311 between education and household income which is higher than expected as most categories of work stated by the surveyed households required little or no education.

## 4 Household Financial Background

### 4.1 Income and Expenditure

Out of the 180 surveyed household, migration and agriculture are the largest

Household Income		
	HHs	Pct
Farming	173	96%
Agri Labour	80	44%
Non-agri Labour	138	77%
Business	7	4%
Salary	11	6%
Migration	177	98%
Other	100	56%

reported sources of income with an almost equal number of households reporting both as a source. While 98% of the surveyed household had a migrant generating some source of income, 94% of the household were involved in agricultural activities also. A large chunk of the surveyed households were involved in labour work locally with 77% involved as agricultural labour and 44% as non agricultural labour. Business and salary accounted for very income of a very small percentage of family. Both were recorded at less than 10%. The survey brought out the fact that the households were involved in multiple activities to raise income at different times of the year.

For the purpose of simplicity the survey was divided in six income categories. The lowest was Rs.5000-10000 category while the highest were households having more than Rs.30000 as their annual income. Among the surveyed households, about 41% fell into the above 30,000 per year category which was the highest income category. These data were collected by calculating income of a household from all income generating sources it was involved in throughout the year and then collating that data.

Household Income		
	HHS	Pct
5000-10000	2	1%
10000-15000	22	12%
15000-20000	24	13%
20000-25000	28	16%
25000-30000	31	17%
>30000	73	41%

The exact average monthly income could not be calculated due to so many households lying in the highest income bracket (as shown in the table). But estimates put the median income at approximately Rs. 27,000.

Similarly expenses were also divided in six categories ranging from Rs.5000 to more than Rs.30000 annually. The data followed a similar pattern to income and an unexpectedly high 28% of the surveyed household were in the highest bracket. Majority of the household were spending between Rs.10000-20000 annually. An estimate would put the median expense at around 19,000.

Income and expense show a strong correlation of .68. This could also be attributed to the fact that a lot of the sampled households lie in the highest brackets.

Household Expenditure		
	HHS	Pct
5000-10000	7	4%
10000-15000	32	18%
15000-20000	40	22%
20000-25000	31	17%
25000-30000	19	11%
>30000	51	28%

The number of earners and the annual income show a correlation of 0.53. Even accounting for the fact that a lot of the households lay in the highest income bracket, this figure is low. A reason for this could be that a large proportion of income is generated by the

migrant member (there is usually only one) and the other earning members do not contribute much, involved, as they usually are, in agriculture and household chores.

## 5 Migration Details

### 5.1 Reasons for Migration

When asked, 97% of the sample stated lack of employment opportunities as the reason for migration. About 71% stated low productivity of land and 28% stated shortage or lack of land. A small percentage also migrated in search of better earning opportunity. Some people also migrate in order to pay back the moneylender. These people borrow money from moneylenders for basic, health or social needs and are unable to repay due to lack of employment opportunities in their native villages, hence they migrate. Migration is usually led by contractors and employers in this region. These contractors and employers in the villages are usually acquaintances of the workers. Taking advantage of the migrants trust in them, the contractors and employers are highly irregular in payments and the full amount promised is rarely given. This creates a vicious circle in which the workers are forced to continue working for the employers to get back pending payments and hence, leads to exploitation.

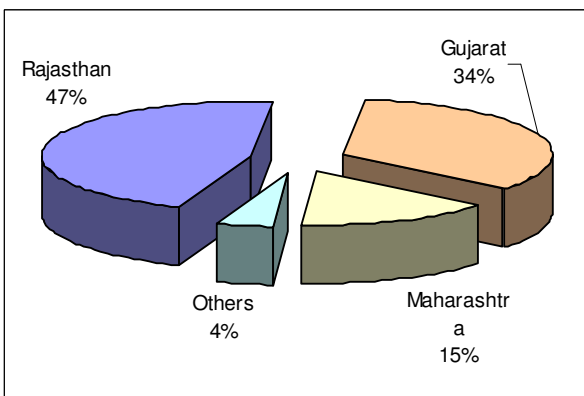
For most of the surveyed households, the basic aim to migrate is to meet the food requirements of self and the family.

Only a small percentage of people migrate with an objective to improve the standard of living and are otherwise able to satisfy the basic needs of the family. This study brings out the fact that most of the people of this area are not able to meet even their basic requirement like food etc. and are forced to migrate.

### 5.2 Destination

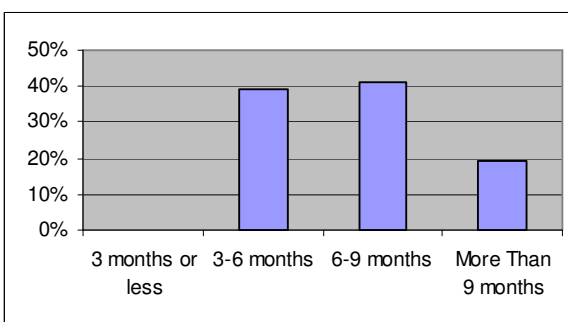
A majority of the migration was within the state of Rajasthan. The other two states with high in-migration from this region are Gujarat and Maharashtra. Gujarat accounts for nearly a third of the surveyed populations' choice as destination.

The most popular destinations are Surat (21%) and Mumbai (13%). The Migration destinations varied from Haryana in the north to Karnataka in the south



### 5.3 Duration

While migration periods may differ, the respondents were asked to give an average duration. The migration periods exhibited by the surveyed households varied greatly but median migration period is around 8 months. About 60% of the surveyed households had migrants staying away for 6 months or more. Only one person out of 180 recorded as migrating for three months or less. The data show that duration of migration is not proportional to the destination. In other three duration ranges of more than 3 months migrants go to nearby as well as distant places. So it's difficult to identify the migration pattern only by duration of migration.



Annual Income and migration term show a very mild correlation of .256. This probably shows that migrants who get lower wages tend to stay at the destination place for longer periods.

longer periods.

Similarly numbers of migrants in a household and annual income show a correlation of only .2597. This may be due to the fact that most households have only one migrant member and multiple members will migrate only in the case of the first migrant getting low wages or in case of a financial emergency.



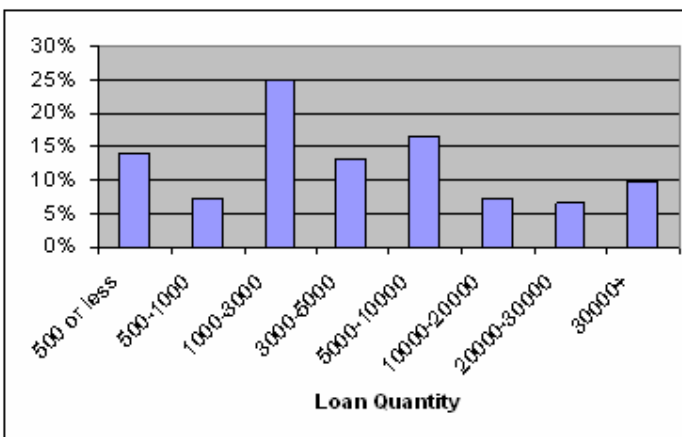
## 6 Financial Services

### 6.1 Credit

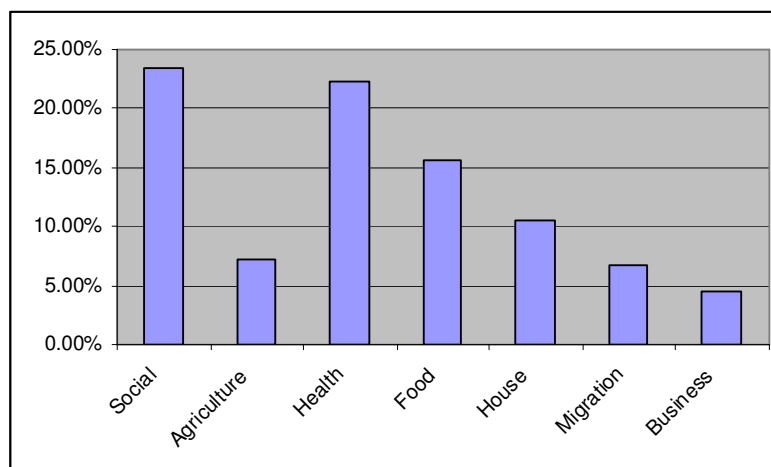
Households were asked to provide details of the last loan taken and loans outstanding. In total about 230 separate loan instances were reported by the 180 households' surveyed meaning that households have more than one loan outstanding.

#### 6.1.1 Credit Amount

The amount of the loan taken varies greatly as is illustrated by the table given. About a fourth of all loans taken lie between 1000 and 3000 and about 83% of the loans are below 20,000. There is a correlation of 2.6 between household income and the loan amounts



The data shows that loan is mostly needed to fulfil the social, health and migration expenses. This fact is also supported by utilization pattern of loans as depicted in the chart below.



### 6.1.2 Credit Source

About 62% of reported loans were taken from moneylenders and nearly a third of the loans were sourced from either friends or relatives. Banks and employers were the other two sources of credit with banks accounting for three percent and employers four percent. This data shows that lending through formal source is limited to a very less number of families. Most of the small loans to meet the food requirements and basic amenities was taken from friends or relatives.

It will also be relevant to note loan sources at various points – source and destination. At source, 212 loan instances were reported while only 18 were reported at destination.

At Destination, friends/relations accounted for nearly half of the loans while employers were a choice of nearly a third of the migrants. The number of loan instances at destination may not be complete because in the absence of the migrant, the family members were unaware of the loan availed at the destination.

	Pct
VC	0%
SHG/MFI	0%
Moneylender	22%
Friend/Relative	44%
Employer	33%
Bank/Co-op	0%
Others	0%

At source, moneylenders were the largest source (60%), followed by family and

	Pct
VC	2%
SHG/MFI	2%
Moneylender	60%
Friend/Relative	28%
Employer	1%
Bank/Co-op	3%
Others	3%

friends. Out of the 212 loan instances at source 128 were given by money lenders.

Interestingly, SHGs and formal financial institutions like banks and co-operatives accounted for a very small proportion and that too only at the source end of the migrants.

### 6.1.3 Reasons for Credit

The reasons for loans varied greatly with a more or less uniform distribution between a numbers of factors, with about a fourth of total surveyed households stating multiple reasons for the loans. The most commonly stated reason was for occasions of social importance such as marriages, coming of age, death etc. with about 28% of the surveyed households borrowing for this reason. Health, consumption, migration and house renovation were other reasons with a more or less equal distribution. From the FGD's it was found that loans for household expenses are usually taken from friends and relatives who charge little or no interest. However, there is the issue harassment in some cases. Loans for social functions are usually taken from moneylenders who charge a fairly high rate of interest. This rate of interest increases if the repayment is not on time.

Credit Uses	
	Pct
Agri	7%
Health	14%
Consum	18%
Business	7%
Migration	8%
Home Imp	16%
Social	29%
Other	4%

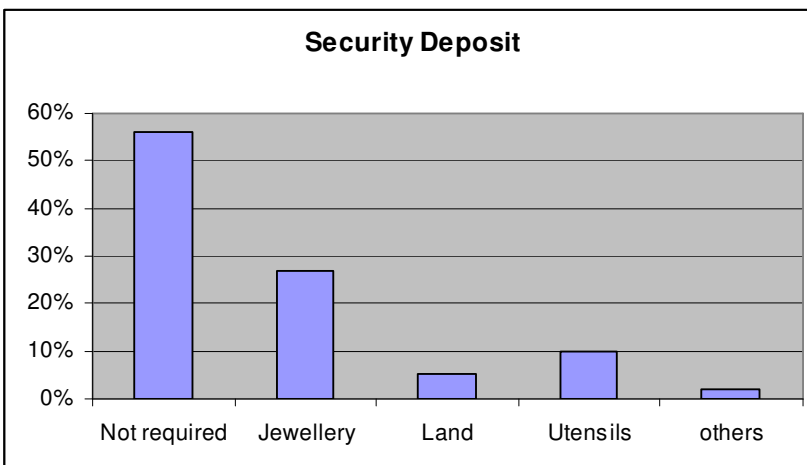
The average interest rate charged is about 2.65%, but interest rates show a great deal of variation with a standard deviation of 2.39%. The figure for the average interest is lower than it should be because a number of loans (mainly from friends and relatives) were given without interest. The average interest rate when taken from sources other than friends and relatives is 3.25% which is much higher than other areas of South Rajasthan.

### 6.1.4 Upfront Fees

For a little over half of the loans, an upfront fee was taken. This practice is common amongst money lenders. There is no fixed amount or percentage for upfront fess and it is normally in the form of a reduction in the loan amount.

### 6.1.5 Security

Security was required for 46% of the total cases. About 88% of the total securities were in the form of jewellery, utensils or other household goods. There is no correlation between the securities and the loan amount. The requirement of securities depended upon the creditworthiness of the borrower and his relationship with the lender. When the loan is taken from relatives, neighbours or friends, security deposit is not required. An interesting fact which came to light was security had to be maintained in about 4% of the cases even though the money was borrowed from a friend or a relative.



## 6.2 Savings and Insurance

About 87% of the households reported some form of saving or another. But it is important to note that these are usually very small and are quickly converted to assets. Almost negligible percentage of people had access to formal banks. Most of the people maintained their savings with their employer.

With respect to insurance, only 42% of the households claimed to have some form of insurance. This was also mainly, life insurance promoted as savings instrument.

## 7 Recommendations

Based upon the survey data and feedback from focus groups, it appears that there is a strong need for general lending within the Gogunda and Kelwara. Though there are nine bank branches in Gogunda block and an even number in Kumbhalgarh, almost negligible percent of migrants have access to it, either for loan or for savings. Though the demand for credit is high with the number of outstanding loan per household lying at 1.3, the average interest rate charged in case of a formal loan is 3.25% per month. In many cases the interest rate exceeds 5% per month. Apart from it acquiring a loan is not easy and the borrower has to make several rounds to the moneylender before the loan is disbursed.

There seems to be a great need of a remittance product as the many times the family of the migrant has to take a loan in absence of remittance from the destination by the migrant. In many circumstances, the migrant has to break employment in order to provide money at his home. An efficient remittance product with

low transfer time and reasonable commission is a much needed product in this area. The Business Correspondent model will be very effective for remittance from various destination locations to source end.

A saving service at the destination end is also required. The income generation of the migrant's family happens at the destination where a room is usually shared by more than two migrants and the migrants have no safe place to keep their money in absence of a bank account. So most of them maintain their savings with the employer and there has been instance of exploitation and cheating by the employer because of this.

The survey also brought to light the inability of the spouse of the migrant to obtain a loan in his absence. A simple and easy to get credit product offering amount in the range of Rs.1000-3000 will be a great help for these people. A good remittance product will also reduce their requirement of a loan during her husband's absence.

The people from this area have a natural flair for construction jobs like plumbing, masonry, carpentry etc. Another good product can be providing loan to buy tools for these workers. It will help not only to enhance their income but will also give them an opportunity to work near their home.

As the offerings and capacities of the Aajeevika Bureau's financial services program progress, this will help to offer a much needed and competitive solution.