

Cash Flow Study

Jaipur District



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CASH FLOW STUDY OF URBAN POOR

District: Jaipur

In Jaipur city, cash flows of 300 urban poor households were studied. The study was spread over two localities (slums) Jagatpura Kattchi Basti, which is located near the Jagatpura Bus Stand and Soot mill colony which falls under ward no 8.-

1. Profile of the Localities:

1.1 Jagatpura Kattchi basti : It falls in ward no 23 and has around 1200 households most of which settled around three to four decades back in the area. Most of the households have migrated from within the state; some are from west Bengal, Tamil Nadu and Andhra Pradesh. Though a variety of caste groups live in the community, the dominant ones are Dalits, Berwa and Regar who have their own hamlets within the settlement. Most of the households contribute to the informal economy, predominant amongst the occupation groups are daily wage labourers, vegetable vendors, rickshaw pullers, balloon sellers and puppet makers.

The current legal status is that most households have been issued the 'awantanpatra' i.e land distribution certificate by the municipal authorities. However, the document clearly states that the municipal authority has the right to vacate the land if it is to be used for 'public good'. Some Households have also missed out on the 'awantan patra' as they were not present in their homes in the period on which the authorities undertook the survey. The quoted value of land is around Rs 40 per gaj, however legally the HH that have been allotted the 'awantanpatra' are not allowed to sell the land, as it is public property.

In terms of basic amenities, the locality is electrified. A number of HH have meters installed. The locality has water supply connection, most HH take water from the community taps and handpumps. As the locality is located near the Jagatpura bus stand it is well connected by a *pucca* road, however inside the locality the by lanes are *kuccha*. The post office and government hospital are located within a km, there are public telephone booths and people also have cell phones. However, BSNL post paid connections are not available to the residents. The ration shop is within a km and most residents are quite aware about PDS and their rights. There are two anganwadi kendras in the locality. There are five DWCD promoted SHGs in the locality and one SHG promoted by an NGO.SBBJ and ICICI are the nearest banks in terms of physical distance. Within a Km there are six private schools and government primary, middle and high school.

1.2 Soot Mill Colony: As the name suggests, the locality is situated next to a cotton mill which was shut down around two decades back. It is located in ward no 8, near Ram Mandir. The early residents of the colony were laborers that worked in this factory, in later years once the factory was shut other occupation groups also settled in the colony. The colony has around 500 odd households. Most of the people are wage earners, petty shop owners and vendors. The caste composition is mixed though dominated by other Backward Castes and Schedule Castes.

The current legal status is that the colony occupies the private property of the mill owner; a case is pending in the high court where the mill owners have appealed for vacating the settlement. There have been rare instances where some HH have taken the settlement money offered by the mill owners and left.

As the settlement was earlier a mil workers colony, the houses are neatly constructed in a row and kuccha lanes run through the slum. Most HH have an illegal electricity connection. Hand pumps installed in the locality are the main source of water. An Anganwadi Kendra is located within the community. The post office, schools and government hospital is located within a few kilometers. Most children attend the nearby government school. DWCD has promoted a couple of SHGs in the community.

2. Period of settlement and demographic details:

As evident from the pie chart, Most of the residents (65%) have lived in the locality for more than 15 years and most people have voter ID and ration cards. . The 6% HH that have settled in the last 5 years are mostly those which have been rehabilitated from other parts of the city due to a splurge in construction of residential apartments and malls in the city.

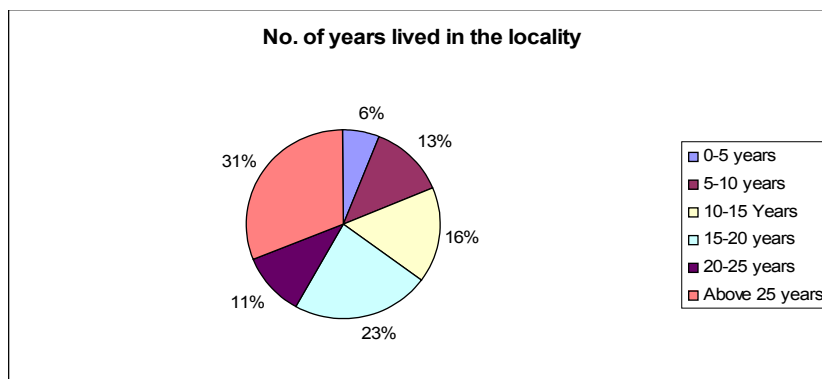


Figure 1: No of years residing

2.1 Social and demographic profile:

The Schedule castes form the majority of the population with a 48% share, followed by Other Backward Castes at 21%.

The average household size was five, with around two children in most families. In terms of gender, households had three male and two female members. Around 21% of the HH had one or more senior citizen (above 60 years).

2.2 Housing and basic amenities:

Majority (64%) of the HH reported that they ‘owned’ the house. The average value of a house was Rs 1, 36,738¹. Most households were kuccha, with only 14% HH with pucca roofs. Around 33% HH had no electricity connection; 35% had an electricity connection and 31% used electricity illegally. Only 34% of the HH had a toilet within their houses which with increasing lack of open spaces has created a problem for women. About 19% of the HH had a water connection at home, in rest of the cases community taps and hand pumps were the major source of water.

2.3 Economic profile

2.3.1 Asset Details:

As evident from Table 1, bicycle, television and fan are the most commonly owned assets, with approximately 50% of the HH having them. About a quarter of the HH own radio and mobile phones. Saving is the most important source of financing assets, with 78% of all assets cutting across HH being acquired through savings. The second important source of finance is ‘gifts’ with 13% of all assets being gifts. Generally televisions, almirahs and sewing machines received are given as dowry. Credit is the least important source for financing of assets with less than 9% of the total assets been brought through credit. Credit from formal sources like banks/cooperatives is mostly taken for motorcycle finance. Informal sources like friends/relatives are approached for credit to acquire varied assets. Sale of assets to acquire new assets is a rare phenomena, could be because most HH do not have much of resale value. Purchase of jewellery is limited to silver on special occasions like marriage.

¹ Calculated on the basis of discussion with community and HH as per prevalent rates, though legally they are not allowed to sell.

Income

Table 1: Income details of the household

HH Assets	HH (nos)	% of Total HH	Source of financing					
			Savings	Gift	Credit -moneylender	Credit-F/R	Bank/Co Op Finance	Sale of Assets
Bicycle	184	61.3	165	9	6	4	0	0
Fan	171	57	147	19	0	5	0	0
Television	148	50	105	27	5	8	3	0
Chair/Table	121	40.	100	17	2	2	0	0
LPG (Cooking Gas)	114	38	88	6	4	14	1	1
Sewing Machine	100	33	61	32	4	1	2	0
Mobile Phone	80	27	67	2	4	7	0	0
Radio	69	23	66	3	0	0	0	0
Air Cooler	58	19.	39	13	2	4	0	0
Almirah	51	17	20	28	2	2	0	0
Motorcycle	37	12.	21	3	2	3	8	0
VCD	32	11	28	1	0	2	1	0
Tape recorder	15	5	14	1	0	0	0	0
Box(Trunk)	15	5	14	1	0	0	0	0
Thela (Cart)	10	3	9	0	0	1	0	0
DTH Antenna	4	1.	4	0	0	0	0	0
Stove	4	1	3	1	0	0	0	0
Moped	3	1	2	0	0	0	1	0
Grand total			953	163	31	53	16	1

3. Employment and Occupation Details

The most prevalent primary employment for the entire population are daily wage labour and house work with around 31% of the adult population engaged in each of the activity. Around 45% men and 73% women have reported daily wage labour and house work as their primary employment. It illustrates that most adult women do not work outside their house. Besides house work, approximately 12% of the women population works as daily wage laborers. Salaried employment is also common with around 29% men engaged as salaried worker. Most of them work as salesman, security guards, factory workers etc. Some of the women are also engaged in salaried jobs primarily as saleswoman, tailors and others. The self employed men and women practice a host of occupations like vegetable vendors, petty traders, rickshaw, scrap dealers, rag pickers, pan shop owners etc.

Unemployment amongst men stands at 8%. Most of them are youth who are school drop outs. Interestingly, unemployment amongst women is nil as all women staying at home have been attributed as engaged in house work. What is notable is that amongst adult men

and women less than 2% of the population consists of students, thus most youth do not study beyond high school.

Thus, the majority of the population is part of the informal economy, often unskilled earning meager incomes.

Table 2: Employment details of the surveyed households

Primary Employment scenario of 18-60 years age group						
	Men (Nos)	Women (Nos)	Total (Nos)	Men (%)	Women (%)	Total (%)
Daily Wage labour	221	36	257	45.74	12.9	58.66
Salaried	134	21	155	28.545	6.7	35.245
Self Employment	76	22	98	16.5	7.7	24.2
House work (women do not earn monetary income)	0	260	260		73	31
Student	45	0	45	2	1.3	3.3
Grand Total	476	339	815			

3.1 Income and expenditure of Households

3.1.1 Income levels

The average annual income of HH is Rs 58536. From the figure 2 below, it is evident that the Household income of most HH (45%) ranges between Rs 12000-48000 per month. Second, the income category between Rs 48,000 –Rs 96,000 with 43% of HH falling in this income range. Thus, around 87% of the HH fall in the income range of Rs 12000 – Rs 96000 per annum.

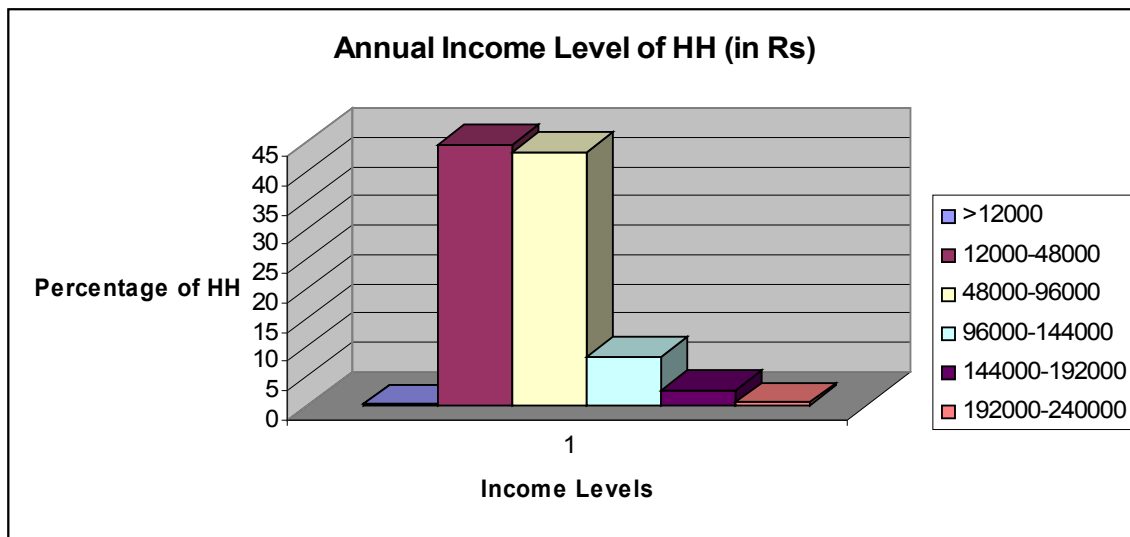


Figure 2: Annual Income of households

As evident from the table below even though only 10% of the HH fall under the BPL category there is not much variance between the income of BPL and APL families. Both APL and BPL Households have low income and are engaged in similar occupations.

Table 3: Household wise income profile

Economic Profile	No. of HH	Average Monthly Income	Average Annual income

		(in Rs)	(in Rs)
BPL	32	4881	58572
APL	223	4879	58380
DO NOT KNOW	45	4933	58872
Grand Total	300		

About 7% of the HH are women headed. However, like in case of BPL families not much difference was found in the income of Women headed households and other households.

In terms of occupation groups, as evident from the table 4 women wage laborers are the lowest paid occupation groups. As shown in the table below, there is not much difference in the income levels of most occupation groups. Though self employed men do earn higher than any other occupational group followed by salaried women. However, both these categories account for less than 7% of the total population. Sex disaggregated data of daily wage labor shows that women laborers are the lowest paid amongst all occupation groups. Amongst men those with a salaried job emerged as the least income earning group as they are generally employed at the ‘bottom of the pyramid’ as security guards, maids, factory workers etc.

Table 4: Average Annual Income of occupation groups

Average Annual Income of occupation groups			
	Men (in Rs)	Women (in Rs)	Total Income (in Rs)
Daily Wage Labour	29688	26004	27840
Salaried	27720	30900	29304
Self Employment	34176	25164	29676

Most HH (55%) have more than one earning member. As individual income levels are low, it becomes imperative for more than one member to work. However, the income of Households which have more than one earning member is almost at par with Households with only one earning member.

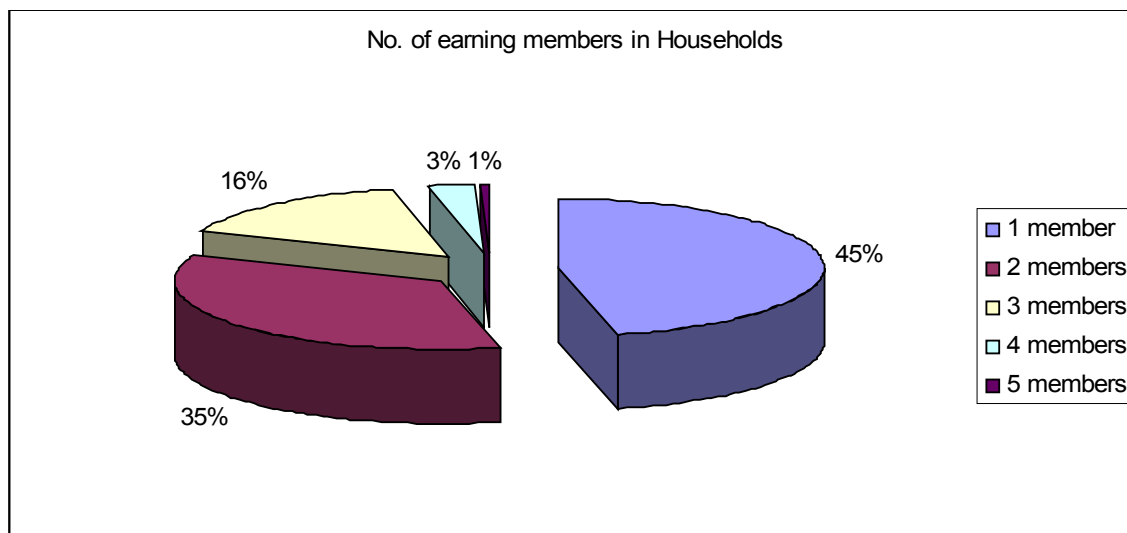


Figure 3: No of earning members in the households

The average annual income of HH with one earning member and those with more than one earning member is Rs 58524 and Rs 58560 respectively.

Income from different sources

Primary employment is the main source of income and one or more than one person in all HH is gainfully employed. Only 12 people (i.e. 4%) of the adult population have a secondary employment. The primary reason for this is that most people are engaged in the informal sector with long working hours, which leaves very little scope to practice a secondary occupation

Table 5: Sources of income

Income from different sources		
Type	Av Annual income	No. of HH
Primary and secondary employment	58300	300
Income from rent	7600	9
Other sources		1
	4800	

As most people ‘own’ houses which are primarily one room shanties, house rent is not a major source of income.

3.1.2 Expenditure Details

The average annual expenditure per household is Rs 50172 which amounts to a monthly expenditure of Rs 4181.

In consistency with the income, most HH (55 %) spend between Rs 12,000 –Rs 48,000 per annum. Around 40% of the HH spend between Rs 48,000-Rs 96,000. Thus, the cash outflow of 95% of the HH is in the range of Rs12, 000 - Rs 96,000.

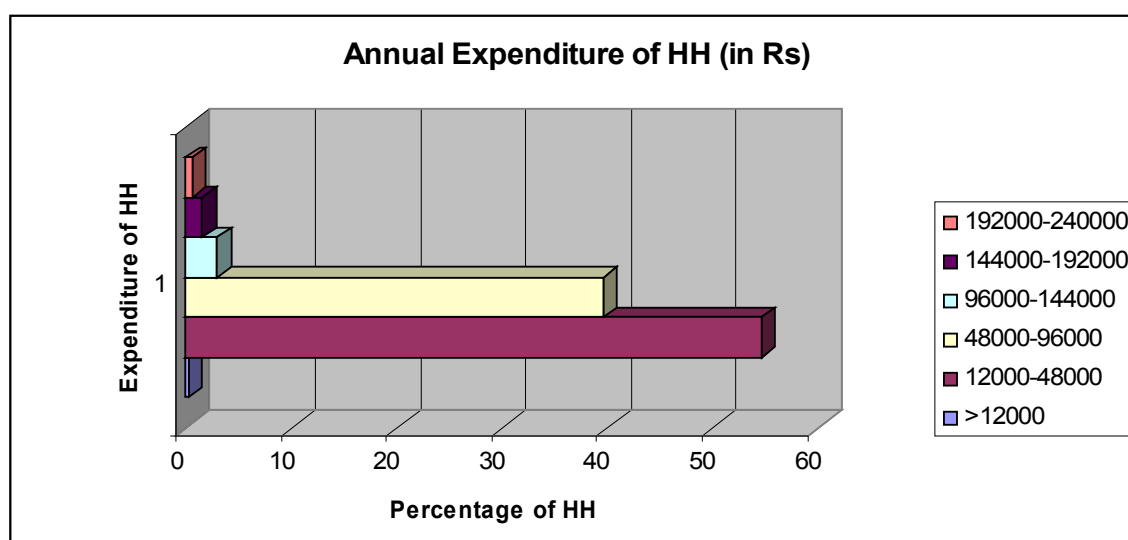


Figure 4: Annual Expenditure of households

As table 6 shows, round 42% of the total expenditure is on food and about 36% of the HH income is solely spent on procuring food. More than 90% of the HH spend on clothes, toiletries, minor health ailments and social functions.

Table 6: Details of Monthly HH expenditure

Details of Monthly HH Expenditure				
	Particulars	No. of HH Spending	Percentage of total HH	Expenditure (in Rs)
1	Food	300	100	1764
2	Toiletries	288	96	122
3	Clothing	286	95.3	160
4	Minor health ailments	282	94	159

5	Local Conveyance	251	83.6	179
6	Social expenditure	242	80.6	113
7	Cooking Fuel (Kerosene)	236	78.6	261
8	Alcohol/Beedi	212	70.6	246
9	Education	188	62.6	195
10	Telephone	156	52	166
11	House repair	151	50.3	54
12	Old debt repayment	140	46.6	1270
13	Electricity	121	40.3	341
14	LPG	116	38.6	277
15	gifts	87	29	87
16	Make Up	78	26	79
17	Water	45	15	132
18	Entertainment	43	14.3	69
19	Remittances	40	13.3	559
20	House rent	34	11.3	402
21	Migration	21	7	154
22	Litigation	19	6.3	87
23	Vehicle fuel			810

Around 47% of the HH spend monthly on repayment of old debts. These households spend around 62% of their income on food and debt repayment and have very little left for even other basic necessities.

A fairly large number of HH spend around 4% of their income on education of children and around 5% on consumption of addictives like alcohol , tobacco etc. HH which have settled in the last five years and do not ‘own’ houses spend nearly 8% of their monthly income on rent. It is to be noted that most of the landlords are people who do themselves do not reside in the slum.

With rising fuel prices, 79% of the HH spend around 5% of their income on cooking fuel. The rest who cannot afford LPG and at times even kerosene, collect twigs and undergrowth for cooking. Thus, the gap between the income levels and expenditure of HH is quite narrow (Av Rs 8368 only). Most of the income is spent on meeting basic necessities of life and very little left to invest in betterment of livelihood or save for risks.

3.1.3 Savings

Majority (91%) of the HH save. The average saving per HH as on the day of the study was Rs 2312 only. With regard to the instances of savings, ‘cash parked at home’ is the most popular mode of saving, with 67% of all savings done in this manner. Around quarter of the HH have savings bank account in which they save. NBFCs like Sahara and peerless have also started making in roads in the area. A negligible number of people save in Self Help Groups as there are only few SHGs covering a very small percentage of the population

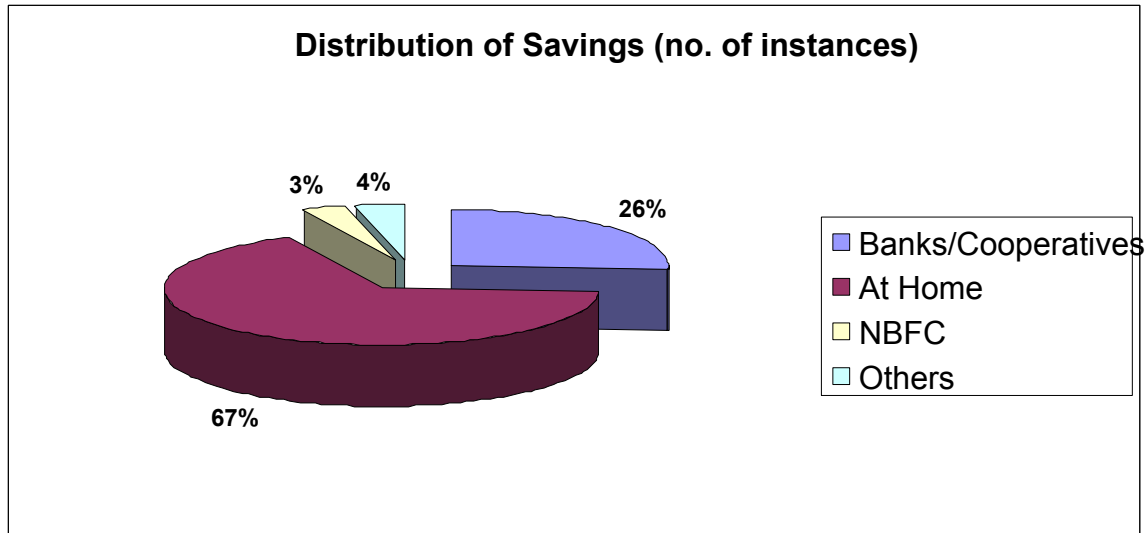


Figure 5: Distribution of savings

In terms of amount of savings, 46% of the total savings of the community has been deposited in banks/ cooperatives even though only quarter of the population saves in this avenue. Though, majorities of the people save at home, it amounts to 39% of the total saving amount. Therefore, large amounts are generally saved in banks/cooperatives whereas small amounts are kept at home. NBFCs like Sahara though at present have a small client group, have been able to mobilize 10% of the total savings.

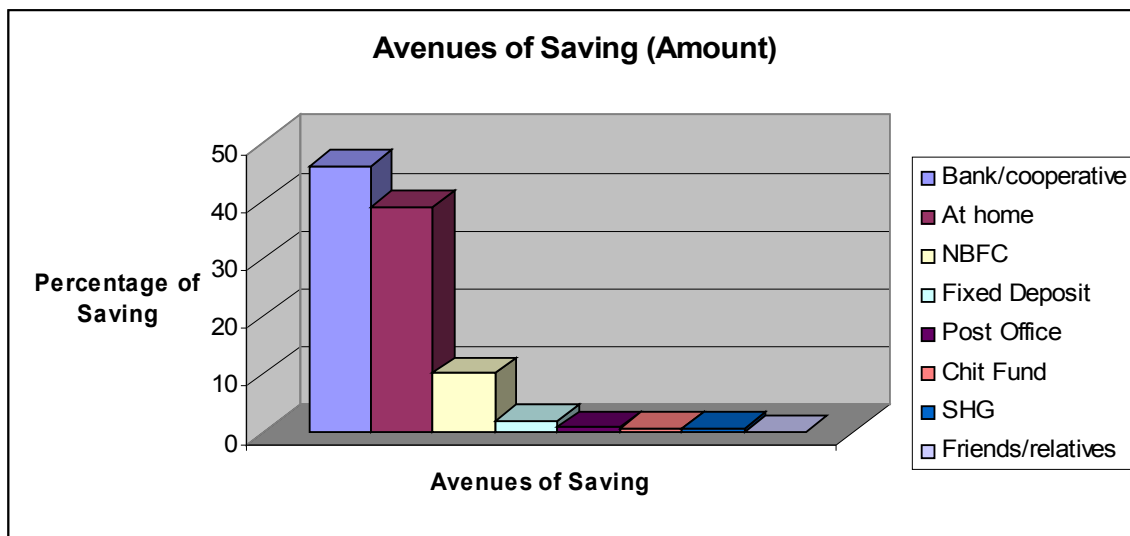


Figure 6: Avenues of savings

The preference for saving large amounts in banks/cooperatives is evident from the average saving size in each avenue, in banks it stands at Rs 3500 whereas at home it is only Rs 900. The average saving amount in NBFCs is the highest at Rs 4628.

Factors which affect choice of saving avenue

Liquidity and accessibility has emerged as the most important criteria for selection of saving avenue. In case of formal sources like post offices and banks security has also been given a high preference as the amount saved is large as compared to informal sources. Liquidity and accessibility are important as most savings are small and event bound. Return is the least important criteria as most small savings are deferred consumption

Table 7: Criteria of saving mode

Most important criteria for selection of avenue*				
	Accessibility	Return	Security	Liquidity
Saving Avenue				
Banks/Cooperatives	17	8	47	19
At Home	201	0	20	218
NBFC	6	0	1	1
Fixed Deposit	1	0	3	1
Post Office	0	0	2	2
chit fund	1	2	0	2
SHG	0	2	0	0
Friends/relatives	0	2	0	0
Total	226	14	73	243

* The total exceeds the actual instances of savings, as depositors have ranked more than one criterion at the same level.

Periodicity of saving

Overall, 72% of savings are done on a monthly basis and 17% daily. Even in the case of Cash Parked at Home 77% of the savings are done on a monthly basis. One time saving of a fixed amount is rare (3%) as large surplus with HH is uncommon. It was found that even though most HH earn on a daily basis, a fixed amount is taken out monthly and kept as savings which could be for predicted or unpredicted events.

4. Credit and Indebtedness

Near about 64% of the households have outstanding debts, average indebtedness per household is Rs 44,850. Households (85%) generally have one outstanding debt; few households had more than one outstanding debt (14%).

Table 8 clearly illustrates that, most of the credit has been availed from friends/relatives as 62% of all live loans are from this source. The percentage share of moneylenders is 21%. Thus the formal sector accounts for only 14% (no. of instances) of all live loans. Amongst the formal sector, credit from banks and cooperatives are the most common ones, with majority of the loans from them.

Table 8: Details of live loans

Details of Live Loans			
Source of Credit	No. of Instances	Average Size of live Loan	No of Indebted HH
Bank/Coop	28	88657	26
Employer/Contractor	6	11583	6
Friends/relatives	138	34366	132
Moneylender	49	29459	47
SHG/MFI	1	15000	1
Others (loan against deposits in Sahara)	2	12400	2
	224		

Banks and cooperatives generally give large sums of credit, however most HH require small amounts which are accessed from the informal sources. The contribution of microfinance programmes in credit delivery is negligible

4.1 Loan Size and purpose

About 25% of live loans are between Rs 1000-10,000. Nearly 80% of all loans are below Rs 50,000/-. Only 10% of the loans are above Rs One lakh. , most of these big ticket loans are for housing.

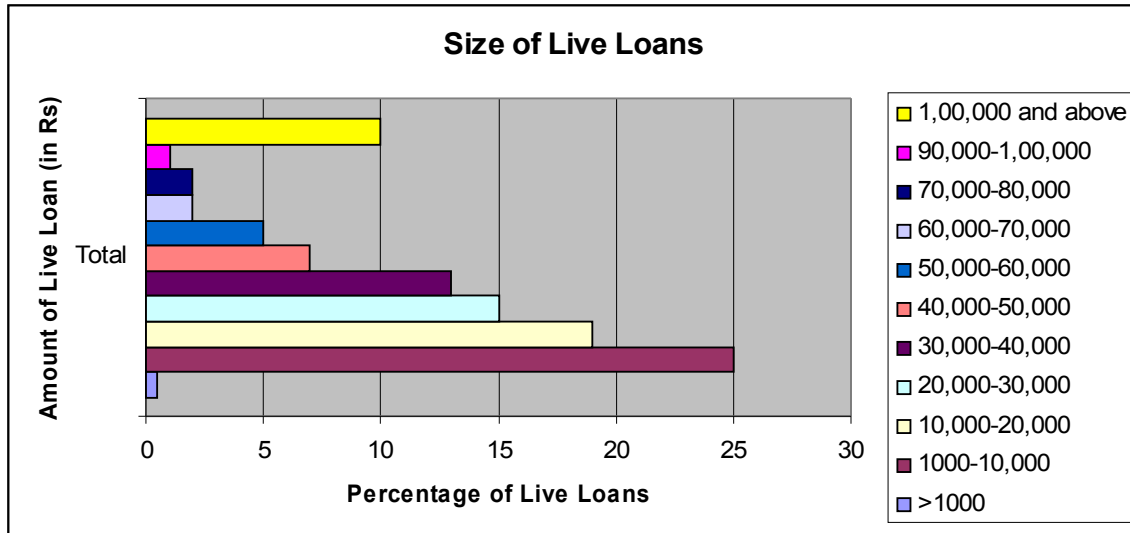


Figure 7: Size of Loans

About 52% of all live loans were for social functions and life cycle events like marriage, death feast, giving gift to daughters etc. The other important reason for indebtedness was healthcare with 23% loans taken for this sole purpose Housing loans are next only to health care vis a vis number of loans². Only 4% loans are taken for working capital. No education loans were reported. Asset purpose primarily involves purchase of motorcycle, auto finance, plot of land etc.

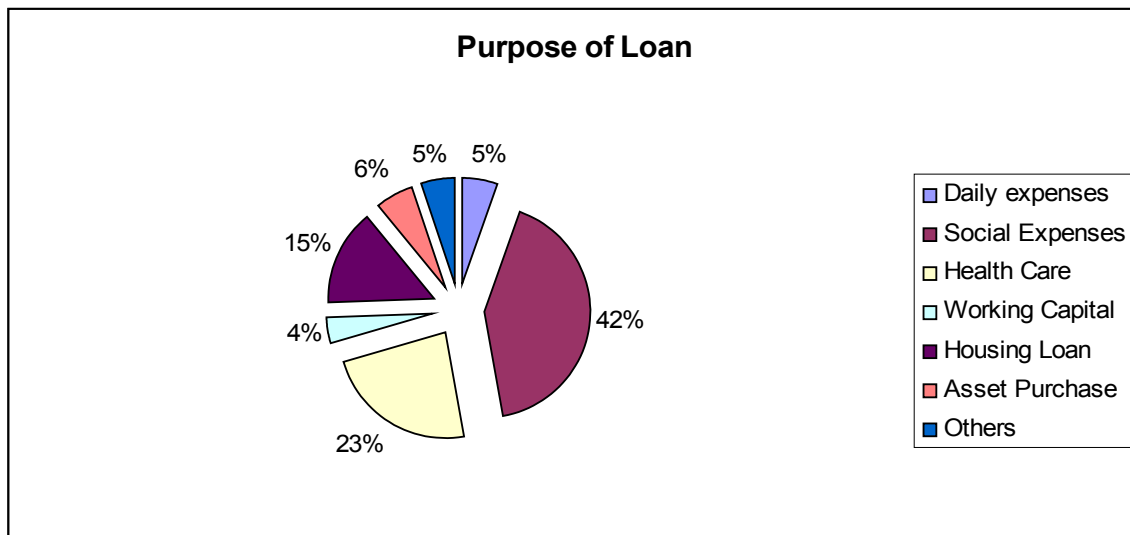


Figure 7: Loan Purpose

² Please see section housing loan under life cycle event pg no _____ for more details

Thus, most of the loans are taken for consumption purposes. Very few HH have taken loans for production/income enhancement purpose. This could be because no appropriate products are available which give loans for production purposes. Some people do access bank loans but those are generally for big ticket purchases like auto rickshaw, trolley etc. There is complete absence of loan products from formal sources in the range of Rs 1000-10,000, which is the most preferred credit amount.

4.2 Rate of Interests

As evident from figure 9 around 40% of the loans are availed at 24% RoI. Nearly about 36% of all loans have been taken at an annual interest rate of 36% and above. Around 7% of the loans are taken at an exorbitant interest rate of 60%. It is primarily the formal sources that lend between 12-15%.

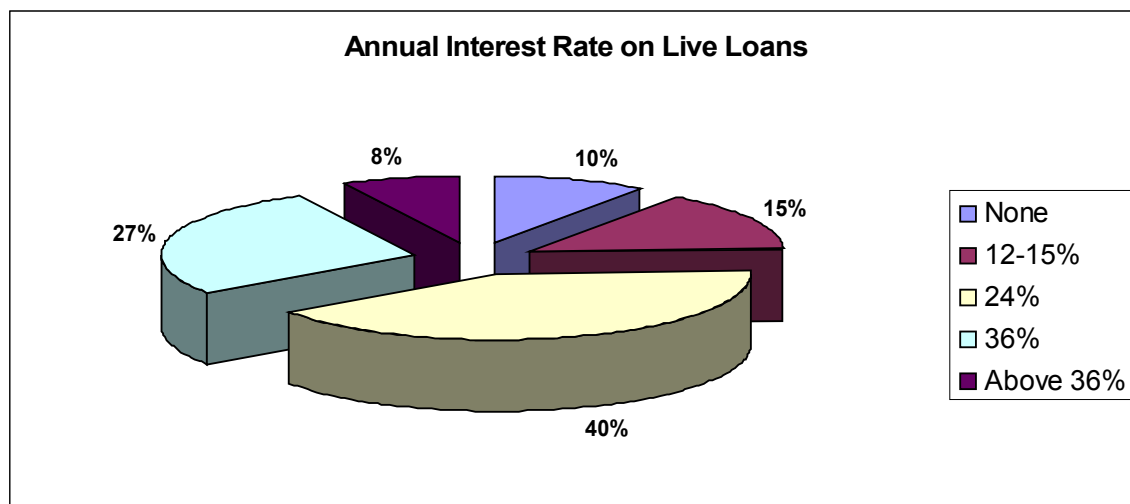


Figure 8: Interest rates on Loan

In the case of friends/relatives and moneylenders it was found that 95% of the loans in the former case and 75% in the latter were given at interest rates of 24%-36%.

It is quite evident that in the case of informal sources, the interest rate and the purpose of loan have no correlation. The interest rate directly depends on the 'credit worthiness' of the client as perceived by the lender. A simple principle of greater the risk perceived higher the interest rate works in most of these cases. This often results in the poorest of the poor and the most vulnerable like women headed households, senior citizens accessing credit at higher interest rates as compared to other households in the community.

Factors that affect choice of loan product/source

Accessibility of loan is the most important criteria, 79% of the debtors approached those sources which according to them were easily accessible. Adequacy of credit also plays a crucial role in selection of a product. Nearly 66% of the HH chose sources which gave adequate credit, as people do not want to take credit from diverse sources for the same purpose.

Table 9: Factors affecting loan product

	Factors which affect choice of loan product				
	Most Important	Important	Average	Not Important	Irrelevant
Cost of credit	15	64	37	60	48
Accessibility	86	92	38	8	0
Adequacy	44	105	62	9	3

5. Life Cycle Events

The expenditure and financing of life cycle event like Child Birth, Death, marriage, Housing, health expenses and litigation over a period of ten years was studied. Overall 156 incidents of marriage, 149 of child birth, 134 of major health expenses, 52 of housing and 26 of death were reported amongst the 300 HH. About 95% of the HH reported at least one life cycle event.

Table 10: Annual rate of interest for life cycle events

	Annual rate of interest paid for life cycle events						Total Instances
	None	12-18%	24%	36%	48%	60%	
no. of instances	45	19	196	90	5	33	388

Around 72% of all life cycle events are either completely or partially financed through credit. Table 10 illustrates that in 50% of life cycle events financed through credit, HH pay an interest rate of 24%. However, amongst the other 50% interest rate, in most cases the interest rate is above 24%. In around 10% of the instances, interest rate as high as 60% is charged

51 Marriage – Expenditure and Finance

The average expenditure on marriage is Rs 55600. As it is big ticket event 75% of the incidents have been partially or fully financed by credit. It is only in 15% of the instances, that marriage has been solely funded through savings. In about 22% of the

instances, credit has been the exclusive source of finance. Thus in most cases credit and savings have been pooled to fund marriages due to the high expenditure involved.

The table 11 shows that most of the credit for marriage is taken from friends/relatives at an interest of 24%. However, in around 36% of the instances credit is availed at a high interest rate of 36% and above. More so, in 8% of the cases people have accessed credit at 60%. As per the informal lenders exorbitant rates are charged from people who have low 'credit worthiness' and are perceived as high risk group in terms of default.

5.2 Child Birth Ceremony – Expenditure and Finance

The average amount spent is Rs 4755. As the expenses are not high and amount to a month's income for most HH, nearly 43% of the instances have been funded exclusively from savings. In 32 % cases the ceremony has been funded through credit. Thus, unlike marriage in three quarter of the instances, the event has been funded from one source either credit or savings. In keeping with the general trend of interest rates, majority of the credit is at 24%.

5.3 Death Ceremony

The average amount spent is Rs 25770. Nearly 61% of death ceremonies are exclusively financed through credit.

5.4 Health Care

Near about 47% of the HH have made atleast one major expenditure on Health care. The average expenditure is to the tune of Rs 18,400. Like other big ticket events, HH primarily rely on credit from friends/relatives for health care with 70% of all major health expenses being funded exclusively by taking loans. Bulk of the credit is taken from informal sources, less than 2% of the credit is from formal sources.

5.5 Housing Finance

In the last one decade around 18% of the HH have reported spending large amounts for housing. Amongst the urban poor, this is the most expensive life cycle event with an average expenditure of Rs 79577.

As it is a big ticket event, HH use savings and credit to finance housing. In 70% of the instances some amount of credit has been taken. The average home loan size is Rs 62,237. In some cases, assets like land in the native village etc have also been sold to finance housing.

Table 11: House Financing details

	Housing Finance			
	Savings	Credit	asset sale	Govt. aid
No. of instances	26	38	5	1
Average Amount	28154	62237	61800	90000

The share of formal sources like banks and cooperatives is quite high in housing finance is high in comparison to their overall share in lending. The formal sector has financed around 18% of all home loans. The average loan size from banks is Rs 1, 77,442. Though, the loan from banks/cooperatives is given at around 12%-15% interest rate, a large number of people have defaulted. This is because of the big loan size which is beyond the loan repayment capacity of most debtors. Moreover, in most cases middlemen /agents of banks have taken a commission ranging between 10-25% of the total loan amount form the debtors. This has made the effective cost of credit very high and impossible to repay. Further, missing a single installment compounds the problem.

Around five houses in Jagatpura Kacchi Basti have been auctioned as the HH were not able to repay debts to the bank.

6. Insurance and Remittances

6.1 Insurance

Out of the 300 HH surveyed 21 HH had insurance policies. Thus 7% of the total HH had some kind of insurance policy. Most HH have a money back life insurance policy. The table 12 shows the details of the life insurance policy holders HH.

Table 12: Details of Insurance policy of households

Details of Life Insurance Policy of HH					
No. of HH members Insured	No. of HH	Interval of premium payment			Total Average amount paid as annual premium (in Rs)
		Monthly	Six Monthly	Annual	
1	15	1	10	4	3155
2	3	0	2	1	3393
3	1	0	1	0	12000
Grand Total	19	1	13	5	

Around 79% of the HH have only one member insured who in most cases is the head of the family. Half Yearly premium payment is most common.

6.2 Remittances

About 12.6% of the HH remit money. The average amount remitted in 2007-08 was Rs. 8708/-. As Figure 10 illustrates, 38 % of the HH remit money monthly and 31% remit money annually. Most people (66%) remit money when they visit their native village. About 24% send money through friends/relatives. Only 10 % HH (in actual terms negligible numbers) use formal sources like money order to remit.

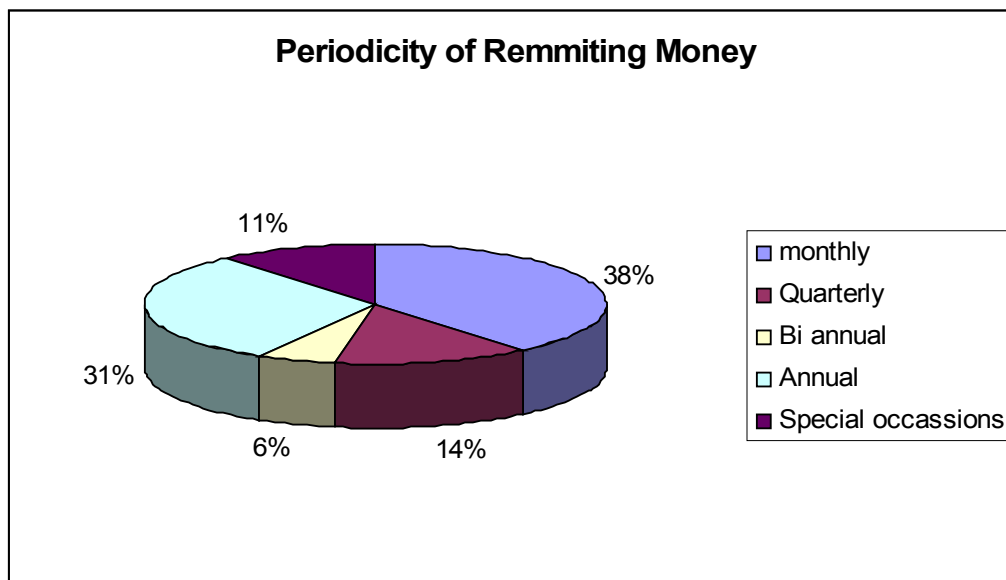


Figure 9: Periodicity of remittances