# How do the poor handle money? What do the financial diaries of char dwellers tell us about financial inclusion?

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## Abstract

Derived from livelihoods surveys and ethnographic material about people living on the chars, or river islands, in deltaic lower Bengal, this paper illustrates the complex, diverse and ingenious ways that the poor manage money. These islands constitute some of the most vulnerable locations housing some of the poorest communities; state services and facilities do not reach the chars because they are not listed as land in revenue records. It demonstrates that the poor live in a diverse economy where community spirit, family assistance and trust play roles equally important to markets. In doing so, it puts forth a grounded-in-the-field, evidence-based, critique of the slogan 'financial inclusion' that has gained prominence in recent years.

## Introduction: Living on Next to Nothing

By definition, the poor do not have ready access to money, which is basis to the concept of 'financial inclusion'.[1] Dewan (2011) suggests that exclusion from the financial sphere occurs at two levels: the more vulnerable people are kept out of the payment systems; and excluded from the formal credit market itself, compelling them to access non-institutional sources. Therefore, interventions that are designed mean to connect them to mainstream banking and lending systems so that the poor can access capital from the market when they needed it. The problem with the market-driven process, described (by Harper 2011: 50) as 'microfinance banana skins' raised by a number of scholars in recent years, is that the poor are then linked them with all things 'micro' in credit and finance. The assumption is also rooted in a refusal to see the poor as competent managers of money and finance, and all non-market financial arrangements as exploitative. Financial inclusion also assumes that those who are to be brought 'within the net', that is those who live within a certain political boundary, as 'legal' citizens. These assumptions lead to a neoliberal market discourse that piggybacking on which rides a prescription which is then quickly usurped by states.

To investigate how the extreme poor make a living, we look at people living on the chars, or river islands, in deltaic Bengal.[2] We focus on six chars of lower Damodar river, downstream from Burdwan town in West Bengal. A significant number of people live on the chars, in a physically uncertain, legally unsure, and ecologically fragile environment. Their vulnerabilities arise from a number of factors: annual inundation; riverbank erosion; paucity, or complete absence, of state services such as roads and electricity, water supply and sanitation; and the illegitimacy of their very existence arising from lack of legal status both of their lands and themselves.[3] To 'subsist' is to live on a day to day basis coping with needs and situations as they arise 'd*in ani, din khai*' (living on daily earnings) as many char dwellers say. To survive, people have fine-tuned sophisticated 'hand-to-mouth' survival strategies to cope with poverty (Samanta and Lahiri-Dutt 2005).

One should not describe this way of life as non-monetary; money surely plays an important role in the well-being of households, but communities are generally 'cash-poor' with a high level of indebtedness. To understand how the poor people survive on low cash

[1] For example, see DNA, Mumbai on 22nd December 2008 http://coveringdeprivation.acjnewsline.org/coveringdeprivation/Vidarbha/sayantani-new%20suicides.html

[2] For more on natural characteristics of charlands or river islands, see Lahiri-Dutt and Samanta (2007).

[3] Besides those who were settled during the 1950s by the then government after Partition, char-dweller generally comprise Bangladeshi migrants who have migrated in the last three decades or so. The Bihari community that lived on chars have gradually dwindled (see Lahiri-Dutt, forthcoming)

incomes and manage what finances they have we need to see what happens inside the household. What informal credit systems do they depend on? What roles do trust and hope play in their survival? This paper explores the multiple sources of informal credit that the poor have created, investigates how these sources are mobilized and accessed by individuals, and highlights the role of informal credit in livelihoods and the overall well-being of individuals, households and communities.

**Study Area and Method**

This paper emerged from a broader research project on the livelihoods of people on the chars of the Damodar river in deltaic Bengal in eastern India. Different phases of this self-funded intensive field-based empirical research were carried out from 2002 to 2010. The chars are located on the Damodar either within the Burdwan or the Bankura districts of West Bengal (see Fig 1). We studied the chars that were more accessible from the northern (Burdwan) embankment.

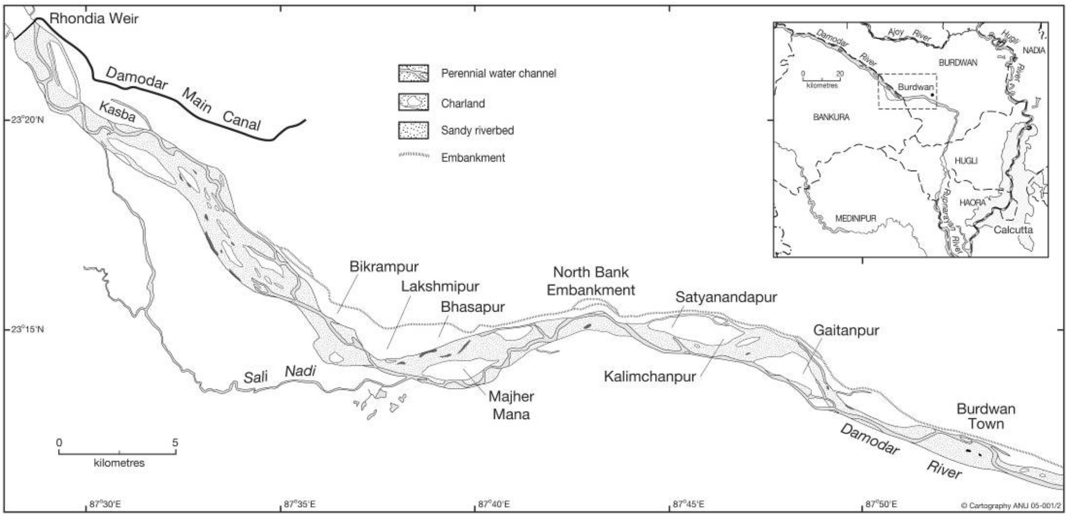


**Figure 1: *Char*s that were studied on the Damodar River, West Bengal**

The study was undertaken at two levels: community and household. At the community level, we initially looked into indebtedness, sources of credit and the reasons for debt of char dwellers in seven chars. Table 1 provides some of the survey data to illustrate the grinding poverty of char dwellers; it is presented at the end so as not to divert attention to quantitative data. Suffice it to say that two-thirds of the families are indebted, although the proportion varies significantly across the chars we studied.

The remoteness of individual chars and the period of occupation by its inhabitants seem to influence the level of indebtedness. Within a given char the amount of debt varies widely between families. Indebtedness of about 45% of them is low less than Rs. 5,000 while 40% of families have medium-level debts varying between Rs. 5,000 and 20,000. The remaining 15% of families are heavily indebted with loans of more than Rs. 20,000. If we assess the average level of debt for the indebted households across the chars, then those on Gaitanpur, Bhasapur and Kasba have borrowed the most.

In an effort to understand the informal sources of credit and money circulation systems within the chars we explored the financial strategies of households to manage money. Ten households from four chars participated in this exercise, and allowed us to record and analyse their financial policies and economic behaviour in detail. This was done by keeping financial diaries based on daily interviews over a one month period in both a lean season (the monsoons, when the river is in spate) and a peak season (winter, when the chars are cultivated). These diaries, much like household-level balance sheets and/or cash-flow statements, recorded how individual households managed their money. In this paper, we present the cases of four families from Char Majher Mana and Chair Gaitanpur having different household composition and different levels of debt.

A few words about the subjective nature of the research method are relevant here. To start with, the world of the *char*s was entirely different to ours, the authors, who lived in the Burdwan district. We had carried out research in the area previously but, as outsiders, securing access to the char people's homes and lives was not a straightforward and easy process. This particular study was undertaken only towards the end of the project, when we had earned a reasonable amount of trust within the community. The precarious legal situation of char dwellers also meant that we needed to exercise caution and ethical judgment. Only those who were willing to be transparent about their finances participated in the survey. Because of its personal nature, each family had the option of leaving the study at any time. We also asked the younger and school-educated women and men of local communities to act as researchers: they visited the families every evening in their homes to note down the day's activities that involved money.

## Approach of the Study

Programmes of poverty alleviation use the concept of 'financial inclusion' on the belief that because the poor are subject to usurer exploitation when they are excluded from financial services provided by banks and other financial institutions ((RBI 2006; 2007). Giving them access to banks thus becomes the primary policy measure to help the poor escape the trap, or vicious cycle, of poverty. Traditional modes of moneylending, or usury, are widely considered as evil and exploitative, and there is no interest in to why people might access these 'services'. Two policy prescriptions follow logically: the first is to close informal modes of credit delivery outside mainstream regulatory measures; the other is to find the means to associate ‘inclusion’ with eradication of poverty and, if possible, other by-products such as women’s empowerment, and protection of the poor from exploitation by moneylenders who charge exorbitant rates of interest. These are reasons why international financial agencies such as the World Bank in their 2001 report on attacking poverty have promoted financial inclusion as a primary strategy for poverty alleviation. Consequently, the concept has spread like wildfire among the states and international donors as the key ameliorative strategy to alleviate poverty. In India, financial inclusion through microcredit made a start under the leadership of the National Bank for Agriculture and Rural Development (NABARD) in the 1990s in the form of the SBLP (State Bank Linkage Programme) to bring the poor within the formal financial system. The strategies of financial inclusion generally expect the poor to build livelihoods to escape poverty through self-employment with the help of only a very small amount of credit.

The jargon of financial inclusion has been presented as an apolitical tool, without understanding how poverty is being created by various government policies, either in the form of structural adjustment programmes that involve withdrawing basic services from the poor or by the encroachment on livelihood assets and common property resources of the poor by foreign and private capital. The concept of financial inclusion has easily lent itself to intervention to provide microcredit, which is claimed to be the most efficient means of poverty alleviation and the best way to make the poor self-reliant (Hulme and Mosley 1996; Morduch and Haley 2002; Zaman 2004). Microcredit has been criticised in recent years however. Scholars (Duvendack et.al. 2011) have pointed out that there is no clear cut evidence that microcredit schemes have a direct, positive impact on poverty or on livelihoods and hence may not be useful in the long run. Although the main arguments for microcredit-based financial inclusion are poverty alleviation and empowerment of women, studies have shown that some of the interventions neither help poverty alleviation (Kabeer 1998, 2000, 2005; Hunt and Kasyanathan 2001) nor significantly empower women (Karim 2011; Burra et al. 2005; Cheston and Kuhn 2003; Kalpana 2005). Financial inclusion, as envisaged by micro-credit programmes, often does involve other aspects of human development and well-being, for instance education, access to credit, capacity-building for production, and awareness of and linkages to the market economy (as argued by Alphonso 2004). Most policy initiatives focus on microcredit singularly, largely ignoring the other three elements. Studies (Krishna 2003; Guerin and Palier 2005) have also noted that the provision of microcredit in the name of financial inclusion have actually increased the levels of indebtedness of rural poor. Despite the immense popularity of microcredit, no clear evidence yet exists that financial inclusion has positive impacts on poverty and livelihoods (de Aghion and Morduch 2010). Some civil society research initiatives for the urban poor in India (such as by Nirantar 2004) have equated microcredit with a ‘band-aid’ applied to a deep wound without treating it. They argue that microcredit has discouraged the exploration of other strategies to combat poverty and unemployment in India. To try to alleviate poverty and its related problems without analysing the social and economic issues of unequal resource access and distribution is a superficial exercise.

In academic discourses on poverty, debate has so far been centred on the measurement of poverty, the yardsticks and indicators, poverty alleviation strategies, and financial help from donor agencies, governments, and non-government institutions. The literature on what constitutes poverty tends to subsume efforts to understand how poor people survive with an irregular income of less than $2 a day. Planners and policymakers, who design schemes for poverty alleviation, neglect the importance of understanding the financial practices of the poor. The broad-based economic surveys that they carry out do not cover the minute details of the income and expenditure of the poor over time. Nor do anthropological studies come up with quantitatively understandable details about the financial management by the poor. Only a radical shift in research methodology, away from the universal answers, can fill this gap in understanding and identifying viable methods of cash management. What is needed is ‘thick description’ (as called by Geertz 1973: 3) that will contextualise lives. Indeed, theorists are increasingly paying attention to the social economy that was largely ignored by economists trained to see only in a certain way (Murray 2009). A number of empirical studies by mainstream economists have provided a body of empirical evidence to add muscle to their arguments (see Banerjee and Duflo 2011). Pertinent to our project is the research by a group of scholars (Collins et al. 2009) who used the technique of financial diaries of 250 poor households to understand their fiscal policies for daily maintenance in the short term as well as in the long term. Their robust analyses offer fascinating insights into the monetary lives of the poor. Our observations verify some of their findings; for instance that the poor can not necessarily always plan for the short term. The ways in which they plan for the long term and thereby save money are different, requiring a high level of inter-household cooperation and collaboration. The poor also do not consume their entire incomes immediately, but try to put their money in different places to minimize the risk of loss. In other countries, a growing body of literature shows that customary practices, state regulations, and market exchanges give rise to a hybrid economy (see Altman 2009a, 2009b for examples on traditional/ aboriginal/indigenous societies). From a theoretical perspective, such diverse economies have been conceptualized by the human geographer Gibson-Graham (2006).

## Managing Money at the Community Level

In general, only about 10% of char families have access to the formal credit that banks offer[4]. This is because many do not have ration cards or other documents to prove their citizenship. Use of banks is also low because lands char families cultivate are mostly unrecorded in revenue records and thus of no value to banks as a mortgage. Lastly, the chars are physically remote; some only accessible by water even during the dry season. Those families such as farmers with valid land titles that access the formal credit systems of banks are relatively better off. The financial situation of each household is specific to that households and can change dramatically even within a short period of time. Whilst some can overcome pressing needs in the short-run or in the long-run, there are also cases in which households have sunken deeper into poverty. Often, vulnerability to physical emergencies such as floods and riverbank erosion, as well as to financial emergencies such as crop failures, medical emergencies, sudden death of the male income-earner, or social obligations such as a daughters' marriages have worsened the family's well-being by compelling the sale of land.

The 90% of char households who cannot access banks depend on a number of informal credit sources. The availability of credit and the conditions attached to it play an important role in determining livelihood strategies of these people. Households without any savings frequently borrow from various informal credit organizations. Of the different sources of credit available locally, the most important (52%) for the char dwellers is still the *mahajan*s, or money-lenders, followed by relatives and friends (38%), then banks (10%). Reasons for taking loans vary widely; reasons can include daily consumption needs as well as building of livelihood assets like the purchase of land or to meet exigencies such as a

[4]. In Char Gaitanpur, the proportion of families having access to financial credit is about 14%. However, it is exceptional for households to have any kind of savings account—either in a bank or a post office.

daughter's marriage. Among landowners and share croppers, loans for agriculture are most significant, whereas small consumption needs, especially in the lean season during the monsoons, dominate among the landless.

***Role of the mahajans***

The most significant source of informal credit in the chars is the moneylender, locally called the mahajan. Even though people pay a high interest rate of Rs 50 to Rs 60 per Rs 1,000 each month to the mahajan, the poorer families still depend on them. The obvious reason for this is that there little or no access to formal credit from banks. The other reason is more psychological—a faith or trust in the old system and the advantages of taking out a quickly repayable loan. The moneylenders also prefer short-term loans as they believe that the poor cannot repay longer-term loans. It becomes difficult for the farmers to repay the loan if profit is low from a crop due to a fall in the price level or due to accidental damage of the crop by drought, flood, or pest attack. For this reason, the moneylenders selectively judge the repayment capacity of the borrower. Unfortunately, the poorest of the poor sometimes do not get a loan even from a moneylender. To ensure repayment from the poor, some businessmen-cum-moneylenders prefer special conditional loans called *dadan*.

***Dadan on chars***

Dadan is a traditional advance-lending system that continues to play an important role in the subsistence economy of the chars. Here, the farmers borrow the total amount required to produce a certain crop in cash from the mahajans, who are also wholesale businessmen selling agricultural goods. Some portion of this loan may be in kind, as agricultural inputs. The interest rate is commonly set by the mahajans depending on his personal relations with the client—his familiarity with and trust in him or her as a borrower. The essential condition of dadan is that the farmer is required to sell the crop only to the respective mahajan. As a result, in a year of low prices or crop loss, the farmer may have to give away the entire harvest to repay the loan. Some moneylenders may even buy the produce lower than the market price. In spite of these exploitative pre-conditions, for a number of reasons char-dwellers prefer dadan over the usual form of loan from moneylenders. Mahajans generally try not to lend to the farmers whose repayment capacity is poor, whereas a dadan loan is accessible even to poor farmers. Another reason of preferring dadan is the possibility that the mahajans would be lenient and allow one more year for repayment if the farmer is in real distress. The mahajan may also waive off the additional interest. This mutual faith and trust add a positive dimension to dadan.

### *Operation of credit groups*

Informal credit groups are a relatively new addition to the sources and ways of credit mobilization in the chars of Damodar. The oldest group is the Bhasapur Gram Samiti that was formed in 1999 by three or four early settlers. The Samiti now has 400 shareholder members scattered over Char Bhasapur and six other adjoining villages. These societies are not registered and can, therefore, be considered illegal. Few people are prepared to discuss these informal credit groups in public, and not everyone has a clear idea of how these groups operate.

Usually such societies are run by a core *parichalan samiti* or management committee comprising six to ten members (depending on the total number of member). The membership of the committee changes every three years. All monetary transactions (getting loans, repayments, and dispute resolution) are carried out at monthly meetings in the presence of all the members. Core members are also selected in those meetings to be the office-bearers for three years. In March 2011, this committee had a capital of Rs 14 lakh—a substantial increase over the initial capital of Rs 1.5 lakh in 1999. This capital is kept in a nearby bank in an account jointly held by two or three founding members.

These informal credit groups operate much like an informal bank, and people living on the chars use them for both credit and savings. The informal credit is provided at interest rates less than those charged by local moneylenders, 5% per month, that is, 60% per annum, but still at 36% which is more than three times the rate charged by commercial banks. These groups flourish not only because char-dwellers are unable to access the banks without citizenship papers; even those who could are reluctant to use banks and prefer to use these groups. The reluctance is rooted in the large amount of paperwork required by banks, which is conducted in English, and going to the bank is a daunting task for the illiterate poor. Others, who use credit for cropping, benefit from the shorter application and loan processing time of these informal institutions.

### *Effectiveness of informal credit systems*

When we asked individuals about the effectiveness of these informal credit mobilization systems, responses were varied. Families with more land usually benefit more from these credit groups: they can procure a short-term loan, especially just before a cropping season more easily and can immediately repay with interest after the harvest. Some relatively better-off families also use credit as a way to build up savings. The poorest families prefer this source of credit as no assets are required to be mortgaged. There are also differences in reasons for taking out loans; often the poorer families borrowed to meet their consumption needs whereas the better-off families use loans for farming. Peer pressure to repay these debts is also great. Some families that are unable to repay debts experience extreme peer pressure from other villagers—as most of their money is also with this group as public shares. There are cases where extremely poor families have had to sell their cattle or part of their land to repay the loan and accumulated interest. The positive aspects of the system of informal credit are several; the poor can access cash when needed and they can do so reasonably quickly, and no longer have to depend on local moneylenders and be subject to their exploitation. The negative aspects, however, relate to the nature of the char communities and the purpose of the credit.

## Managing Money at Home

To understand the financial lives of the char households, we adopted the techniques used by Collins et al. (2009), and kept financial balance sheets for 40 households. The diaries were kept for two months during the last year of our study, that is, 2010, and we took one lean season month (during the monsoons) to balance one peak season month (during the cropping). This gave us a better idea of financial management at times when plenty of work was available as well as when work opportunities were limited. Due to the limited literacy of survey participants, we took local char dwellers as research assistants to visit each household on alternate days to note the details of income and expenditure. We also tried to understand both short- and long-term financial strategies. This was done informally while discussing the day's income and expenditure with the household members. The resultant data revealed great complexity in household financial behaviour. This paper presents data for four selected cases illustrating how different the micro financial policies of the people on chars are and how each household negotiates the challenge of survival differently.

### *Household one: Landless labourer*

Gopinath Kirtania came to India from Bangladesh with his parents in 1957 at the age of 4. After four years in a refugee camp they moved to Char Bhasapur on the Damodar river in 1961, where his father bought some land at the cost of Rs 60 per bigha. Gopinath did not get the opportunity to go to school due to the isolation of the chars at the age of 20, he married Minati, a girl from the same village producing five sons and four daughters, three of whom are now married. Two of their older sons work, whereas the two other boys and one daughter go to school.

Gopinath's half an acre of land had to be put on *bandaki* (mortgaged) to marry off the eldest daughter five years ago but he was unable repay the loan and lost his land. He and his two grown-up sons work as agricultural labourers. At times, he gets casual labouring jobs at minimum wage or under the National Rural Employment Guarantee Scheme (NREGS). Minati supplements the cash income by raising a animals for milk and meat. Gopinath sometimes earns by performing *kirtan* (devotional folk singing) during the lean season at small gatherings in other chars. Gopinath and Minati have a savings account in the bank where they deposit small amounts of extra income earned during the peak season.

Examination of their day-to-day income and expenditure pattern reveals that, in the peak season (November to March), the combined wages bring in on average Rs 7,000 to Rs 8,000 per month. During the peak season, they spend regularly on groceries and vegetables. They are able to afford protein with their meals and offer sweets to visiting relatives. As rice is usually cheaper in the peak season, the family invests by buying rice to store for the lean season.

In the remaining months, their income comes down to Rs 2,000 or even lower. To feed the family three meals a day, they must get additional incomes from other sources. Gopinath earn Rs 250 from his performances. Problems occur when some extra expenditure become necessary, for instance Minati had to sell a goat to feed five visitors who came to negotiate her youngest daughter's marriage.

On the expenditure side they only bought groceries at a minimum level on a regular basis, often on credit. During the lean months the household made do with produce grown in their courtyard**.** They faced another critical situation in one particular month when they had to find money for some medical expenses for Minati and one of their sons.

With regard to their long-term financial management, whilst they always tried to save some money in the peak season in their bank account to cope with the lack of work in the lean season they are not able to save money consistently. Besides meeting the family's regular expenditure Gopinath had the added responsibility of getting his four daughters married. We saw that during the marriage of his first daughter, he lost his agricultural land on bandaki. For the marriage of his second daughter, Minati sold the few gold ornaments she had. They also sold some big trees in their courtyard for a little money. For the third daughter, they did not have any assets to sell, so Minati sold her only cow and they also borrowed some money from the local informal credit group. They have one daughter yet to get married and since they no longer have any reserves, they plan to arrange the money from different relatives as well as credit from the local moneylenders and the informal credit society. One of their sons has recently started to work in the sand quarry on the riverbed where wages are higher than those paid for agricultural labouring.

***Household two: Marginal farmer and sharecropper***

Thirty-five year old Subhas Mondal is a marginal farmer who inherited two bighas of land from his father's original six bighas (two acres). Subhas came to the Damodar chars from Bangladesh in the 1950s and has lived on Char Bhasapur since. After primary school Subhas began to work in the fields and when he was 20, married Champa, a girl from the same district of Bangladesh, through an arranged marriage. After the birth of their two children, Subhas built a bamboo-mud hut where he moved his family.

Subhas never leases his land, but produces paddy, potato, and other vegetables with his own labour. In 2009, he earned a profit of Rs 16,000 from this land. He also cultivates other people's land on crop-share basis. If he has a few free days in hand, he tries to find work as a day labourer.

Champa has a regular income from *bidi*-making, making about Rs 20–25 every day. She also raises goats and poultry, from which she earns some money, though not regularly. Their two daughters attend school and are not expected to work to enhance the family income. Champa's income is used for the education of the children whereas Subhas's is used for everyday expenditure and for savings.

Subhas and Champa have four types of savings: a savings account with a nationalized bank where they put some money whenever they can; a life insurance policy where they deposit an amount of Rs 250 quarterly; a small amount of Champa's money goes into a group savings account under the Self Help Group scheme of the government; and they are members of the informal credit society of their char with the hope of taking out a loan in the future.

During the peak season, their daily income varies between Rs 100 and Rs 125 or around Rs 3,000 per month although when Subhas works on his own farm, he does not earn any cash. Subhas receives a lumpsum after the crop is harvested. The consumption pattern in the Champa–Subhas household is characterized by low daily expenditure. Daily consumption increases during the lean season when Subhas earns cash every day from labouring.

The financial diaries of this household, in both the lean and peak seasons, did not show any expenditure on staple foods (such as rice and potato) and other storable consumption items (such as coal dust to prepare coal briquette or kerosene for lighting the cooking stove). They usually buy these non-perishable items immediately after harvest at the end of the winter. From their day-to-day financial diary, we observed that on a day when Subhas earns Rs 100 from casual labour, he spends about Rs 40 to 50 on groceries and vegetables. When he does not earn any cash, he uses the balance from the previous day's income. If he does not get any cash income for five or six consecutive days, Champa takes over this responsibility and spends her money to buy foodstuff. She keeps a record of the money she uses for this purpose and takes it back from Subhas.

The story of Subhas and Champa is consistent with other poor households, in that women put more emphasis on the future and savings than men, who are more focused on the present, that is, day-to-day income-expenditure. Monies earned by the husband and wife are earmarked for different uses. When women like Champa earn even a small amount of money, they can be involved in household decisions and to protect the family from destitution.

***Household three: Marginal farmer and agricultural labourer***

Haridas was born on the Char Bhasapur to Bangladeshi migrant parents and has a ration card. Haridas started his own family, now consisting of five members, about 15 years ago. Since Haridas's father was a landless labourer, he did not inherit any agricultural land and has worked in other people's fields from age 13. He married Namita, a local girl, at the age of 18. Namita allowed him to invest the proceeds of the sale of her jewellery, which she had received as gift from her father during the wedding, to start a *mahajani karbar* (a moneylending business). Namita saves and records the transactions of the proceeds in her *boka bhanrh*, an earthen pot for saving cash. Eventually they bought one bigha of farmland. Namita's father helped them to build a house and also gifted a milk cow to his grandchildren. She sells the extra milk after feeding the family, and has invested in the purchase of another cow and a few goats. Namita also works as an agricultural labourer during winter, the potato-farming season, when demand for labour is high on all chars. Haridas has bought another bigha of land from the income earned from his moneylending business, but he closed this business recently due to the uncertainty and hassles of getting money back from defaulters. At present their capital assets include one *bhitabari* (residential house), 2 bighas of farming land, two milk cows, and six goats. Their eldest daughter has been married and the younger daughter and son are in schools. They put importance on the children's education with the hope that, with their Scheduled Caste certificate, some support for jobs for them may be forthcoming in future.

As with the other cases, there are seasonal variations in both income and expenditure. During the peak season, Haridas earned Rs 20,000 profit from producing potatoes on his two bigha of land and worked as a day labourer for much of the time. In the peak season, they bought vegetables and groceries on every alternate day and bulk rice for the entire month. Some expenditure was incurred on private tuition fees for the children and for buying notebooks and other stationary items. They also purchased some pesticide to use on their own crop and some straw as fodder for their cows.

In the lean season Haridas earned Rs 1,200 from the National Rural Employment Guarantee Scheme (or NREGS). He cut expenditure on vegetables during this month as his income was low.

Long-term money management of this household depends on building assets, especially agricultural land and savings in the bank. The marriage of their eldest daughter required considerable expenditure but they have kept money in the bank for the other daughter’s marriage. Whenever Namita sells a cow or goat, she saves the proceeds, when she earns income from farm work she usually contributes the money for family expenditure. She intends to use the incomes made from livestock for major expenditures such as daughter’s marriage or the building of house.

***Household four: Poorest of the poor—Woman-headed household***

The head of the family is Aloka Mohali who lives with her sister Nirmala and her 8 yo son. The sisters were born on this char of Bangladeshi parents who arrived after a few years of living in a relief camp. Aloka’s arranged marriage broke down only after six months, and she has been living in her parental home since. Nirmala was married to a farmer in the far-away province of Uttar Pradesh, but was thrown out after about five years along with her son. Her husband had a violent temper and beat her frequently, and finally left her unconscious in a Howrah-bound train. She too came back to her parents. When Nirmala came back, her old and destitute parents passed away, so Aloka, the elder sister, took charge of running the household. They have only a mud-hut and one bigha of agricultural land.

The household is run solely on the basis of what they can produce in their small field. They hardly buy anything for consumption, except salt and kerosene, apart from crop inputs such as fertilizer, water and seeds. Their only other expenditure is on clothes, medication when required, and pencils for the school-going boy. Aloka is apprehensive about her ability to continue her nephew’s education after he completes the primary level as, in the lean season of monsoons, they have no income and zero expenditure. Aloka told us: ‘We cannot even buy oil for hair, we always wear torn clothes. How can we spend for his education?’

Aloka and Nirmala have never hired labourers to work on their land for farm work. They also work on others’ land if they are asked to but, because Majher Mana is an island char, people cannot easily commute to other areas for daily wage work; however, they do find work for three to four months in the peak season which has to provide for their household for the whole year. They produce rice, potato, mustard, and seasonal vegetables for their own consumption, and if they need to, they exchange with their neighbours. Barter is also how they procure goods other than food items from men in their village.

In comparison to the other households, Aloka’s is exceptional and provides deep insights into the survival strategies of the poorest of the poor living in a perpetual state of risk and uncertainty. This particular char, Majher Mana, is being eroded gradually and bank erosion may steal their land and house any day. Questions about the future upset them; they requested not to be reminded of the future. Aloka said: ‘In our current predicament, we live for just the day and do not even want to think about tomorrow. We leave the future alone.’ The statement is not just fatalism, although most char dwellers follow the mantra of putting oneself at the mercy of nature in order to steal the best of it for the present. This attitude develops only over time, through daily struggle and learning to live with the river.

***Summarising the case studies***

One needs to be familiar with the specific environment to understand the mental landscapes of char people, who must take risks and cope with their poverty in innovative ways. However, some general lessons emerge from these glimpses into their financial lives. We see that individuals take risks, but also work within communities to support each other. The collective strength of the community is a key pillar in maintaining live and livelihoods people can depend on others in the community to lend small amounts when faced with a major family expenditure like a daughter’s wedding. The financial success of many couples lies in their ability to generate surplus and build assets gradually: sales of gold jewellery to start a business that yields some income, and multiplying the number of cattle to earn more steady incomes. To generate surplus from basic minimum, family members stick together. This justifies the investments households make on children’s education. Families stick together in the face of adversity and support each other. In some instances, the husband and the wife run the household based on mutual collaboration and expenditure-sharing. Almost always, the couple makes sure that they have a varied basket of resources to fall back upon. People try to utilize a variety of skills to widen their income base and use different season's or household members' incomes for different purposes. Char dwellers manage their micro incomes with extreme caution and care, and manœuvre through emergencies and family crises expertly. Those who earn seasonal incomes, buy their annual supply of non-perishables when they are earning.

From our interviews with individuals, we found it possible to summarise the various financial strategies of the char poor under two headings, primary and secondary. They represent a combination of community and household level credit and money management systems. The following diagram presents this schematically:

**Primary Strategies**

- Seek loan from mahajans
- Seek dadan
- Invest in children's education
- Generate surplus from minimum

**Secondary Strategies**

- Join informal credit group to save and borrow
- Save in good season
- Earmark different incomes for different uses

**Figure 2: Coping strategies of the poor on Chars**

The relationship between the two sets of strategies is not linear and there are overlaps depending on the nature of the household and contingent situation. Household four above, for example, lives on bare minimum and adopts none of these strategies. Even then, one might say that their strategy is to take risk and see what the future holds for them.

## Beyond Financial Inclusion?

This paper demonstrates that unlike what is commonly expected, poor people can have significant financial skills. These skills are generally not captured by quantitative measurements of formal system parameters. The informal systems of credit and household money management systems need further investigation; for example to explore the mechanisms of capital accumulation, asset building and factors that contribute to success and failure of individual households. The poor often have more faith in moneylenders than they do in banks, especially as they need quick access to money. They also value personal relationships which often help them to survive through extreme crisis. The diversified livelihood base developed through social relationships should not be beyond the understanding of policymakers who need to think about ways a bottom up approach can be developed to understand what poor people do, what they need and when they need it to their sustain their livelihoods. Before we connect the poor to the mainstream financial systems through Bank Linkage or other policy instruments, there is a need also to look at the specific contexts in which the poor live and manage money ingenuously through informal networks. Unfortunately—but perhaps not surprisingly—the data in Table 1 reveal that social factors such as the need to marry off daughters comprise a significant reason for running into debt. The first household illustrates this and suggests that just financial inclusion would not help the poor. There is an urgent need to implement pro-poor policies to provide basic services like health, education, water and sanitation rather than focusing solely on financial inclusion. The implication of the study is that policy interventions that aim to tag the poor to the bottom rung of the formal monetary system as ‘micro-partners’ needs re-thinking.

**Table: 1 - Data on Money Handling in Surveyed Chars**

| | Gaitan-pur | Satyananda-pur | Majher Mana | Bhasa-pur | Lakshmipur | Bikrampur | Kasba |
|---|---|---|---|---|---|---|---|
| *Population* | | | | | | | |
| Total number of households | 199 | 100 | 148 | 137 | 13 | 74 | 400 |
| Total People | 837 | 492 | 860 | 721 | 58 | 394 | 1,988 |
| *Savings* | | | | | | | |
| Post office | 4 | 2 | 0 | 3 | 0 | 1 | 4 |
| Banks and Life Insurance Corporation | 23 | 26 | 13 | 76 | 7 | 10 | 119 |
| Both | 0 | 1 | 0 | 10 | 0 | 1 | 0 |
| No deposit | 172 | 71 | 135 | 48 | 6 | 62 | 277 |
| *Households with Debts* | 132 | 65 | 78 | 85 | 5 | 42 | 306 |
| *Sources of loan* | | | | | | | |
| Bank | 5 | 4 | 15 | 40 | 4 | 8 | 66 |
| Moneylender (Mahajan) | 99 | 45 | 27 | 2 | 0 | 14 | 129 |
| Big farmers | 0 | 0 | 0 | 0 | 0 | 16 | 0 |
| Relatives | 11 | 11 | 8 | 11 | 1 | 4 | 29 |
| Cooperatives | 0 | 0 | 16 | 18 | 0 | 1 | 29 |
| Self-help groups | 0 | 4 | 0 | 0 | 0 | 0 | 20 |
| Moneylender+ cooperatives | 0 | 0 | 0 | 7 | 0 | 0 | 11 |
| Contacts in the char | 0 | 2 | 0 | 1 | 0 | 0 | 0 |
| Neighbours | 11 | 0 | 8 | 0 | 0 | 0 | 0 |
| Shopkeepers | 6 | 1 | 4 | 0 | 0 | 0 | 22 |
| *Reasons for taking loan* | | | | | | | |
| Farming | 68 | 41 | 66 | 61 | 3 | 16 | 184 |
| Construction/Repair of house | 11 | 2 | 1 | 0 | 0 | 3 | 20 |
| Family maintenance | 12 | 7 | 8 | 8 | 0 | 15 | 31 |
| Daughter's marriage | 16 | 6 | 0 | 3 | 0 | 0 | 31 |
| Business | 5 | 5 | 3 | 7 | 2 | 3 | 2 |
| Others | 0 | 1 | 0 | 2 | 0 | 0 | 15 |
| *Extent of indebtedness (in INR)* | | | | | | | |
| <5,000 | 40 | 49 | 44 | 32 | 3 | 20 | 131 |
| 5,000-20,000 | 56 | 16 | 34 | 31 | 2 | 21 | 127 |
| >20,000 | 36 | 0 | 0 | 23 | 0 | 1 | 48 |
| Average* | 14,242 | 4,962 | 6,859 | 13,618 | 6,500 | 8,155 | 10,964 |

- Based on assuming the median value for each of the first two ranges and 30,000 for the last

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