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Four Reasons to Keep Your Money at Home

Authors
Martineau, Katherine
Baisakh, Pradeep
Trisal, Nishita

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Four Reasons to Keep Your Money at Home

The following is by Katherine Martineau, IMTFI Fellow and Ph.D. Candidate in Anthropology at the University of Michigan. Reach her at kbmartin@umich.edu. The research on which this post is based was conducted with Pradeep Baisakh and Nishita Trisal. Photos by Nishita Trisal, except where stated.

Purno's house is his bank.

Purno keeps his money at home. A low-caste man in rural eastern India, his family is connected to different aid and low-income finance programs. Purno has even taken an 8000 rupee business loan from the non-profit bank located in a nearby town. But when his household saves, Purno does not take the money to the bank. Instead, he tucks it into a metal box that he hides in the thatching of his roof.

The metal box in which he keeps money.

Why do poor people like Purno continue to save their money at home? Why do they take loans from private moneylenders when there are Self-Help Groups, Grameen-style microfinance institutions, and low-rate bank loans designed for their demographic? These questions demand answers that are culturally and historically specific.

Our research in one urban and one rural low-income neighborhood was conducted through long-form open-ended conversations with ten households over six weeks. Most of our participants worked as laborers or as domestic servants and a few were small-scale entrepreneurs. These households self-identified as Below-Poverty-Line households. The households claimed monthly gross incomes between 3000 and 6000 rupees -- all made less than 25 USD per capita per month.

Below are four culturally and historically specific reasons that have emerged from our research to explain why Purno and other poor people in Odisha might choose to keep their money at home.

Reason 1: Hardship is coming
Management of unpredictable hardship is essential to the livelihoods of our research participants. It is a temporal category, a phase that comes and goes. But it is seen as something that is likely to happen to everyone. It raises issues of liquidity, but it is not something that banks can always accommodate. We heard numerous stories of savings lost in the face of hardship -- flooding, drought, illness, and crop failures among the worst. When bad things happen, such as a terrible illness, access to money can mean life and death. The poor timing of hardship motivated many loans from private moneylenders in our study, and the expectation of hardship was repeatedly cited by our research participants as a reason to save money in their houses.

Responsibility is not a major concern in most cases, thus the occasion of hardship allows for requests for help. When Seema's daughter contracted a high malarial fever, she

Banks cannot predict droughts.

borrowed the necessary amount from a neighbor who is also part of her caste group. That family had similarly received help from Seema's family during a long illness. Hardship and its threat creates obligations and material interdependencies.

Reason 2: Liquidity is friendly
Small amounts of money are constantly circulating among neighbors, friends, co-workers, and kin. This was especially true in our rural site. In the urban site it was more often confined to kin-groups and led to conflict more often. The basic principle was consistent: when in hardship, one can request help; when someone else is in hardship, one should give it. This means that knowledge about who has what circulates. There are strong moral feelings about the obligation to return assistance.

When in hardship, ask for help; when others are in hardship, expect requests for help.
Photo by Pradeep Baisakh.

There is also moral ambivalence about removing money from social circulation as occurs publically when saving through banks. Though many of our research participants had used banks, most did not feel comfortable actually going to the bank to deposit money because everyone would know what they were doing. One participant explained that it would make people think that he thought he was rich. Of course this also becomes a risky strategy in the face of one's own potential hardship: others are less likely to help out if they suspect you are not helping them like you could be.

Sometimes it pays to keep things from loved ones.

Reason 3: Nobody need know -- not even your husband
One's own family members can be even more troublesome than other households when it comes to money management.

Sita takes care of the children's expenses and that money is kept separately from the other household expenses managed by her husband Ram. A normal case of earmarking you might think. However, hidden money can foster household drama. For example one of our urban households shared by two brothers' families had literally been split into two. Intense conflict arose from a dispute over a house loan. The brothers had resorted to building a wall separating their living spaces and cooking hearths.

Rashmi's husband was a daily laborer who had worked his way up to headman. He drank away most of his income every night, claiming that this was necessary for job networking and that without it he wouldn't get good jobs. He also gave money to his lover whom Rashmi believed he was supporting, along with her son. When Rashmi's husband did come home, he'd beat her, leaving bruises that were visible during our interviews. Rashmi used to work as a domestic servant and had, back then, hidden some money from her husband and sons (who were also going out to booze at night). But at the time of our interviews she had been sick for months so the money she had hidden had run out. She faced an uncertain future. Deep shame prevented her from seeking help from others.

Reason 4: Financial services will cheat you
All of our research participants had at one point taken part in Self-Help Groups and many had bank accounts and formal bank loans. But the abundance of services had made things confusing; stories circulated about cheating and they were reinforced by the irregular appearance of itinerant financial services representatives.

How do you know you can trust financial services?
Photo by Pradeep Baisakh.

Manoranjan is a father of two sons and a daughter of a marriageable age. He works as a laborer and together with his wife, a domestic servant, they save a little bit from everything they earn. They save it in a metal box in their house, which they keep locked within a locked cabinet and hidden behind some fabric. They do not have a specific idea of what they will do with their savings, but there will likely be high costs associated with their daughter's marriage. They also hope to add a room to their house. They are ideal clients for financial services but several years ago Manoranjan had taken a "microfinance loan" only to discover that it demanded a very high interest rate. Since then, he has not trusted his money with financial services. Stories such as Manoranjan's suggest that regulation and systems with *local* oversight would improve trustworthiness. However, government-led oversight and conflict resolution would face the same problems that private financial services seek to overcome -- the slowness of government and judicial action, corruption (e.g., demanding bribes from complainants), and the reproduction of entrenched caste/community inequalities in the structure of local institutions.

These four reasons for saving money at home shed light on some of the conditions affecting financial inclusion programs in Odisha, India

Posted by Nathan Dobson at 10:05 AM

Labels: Cash storage, financial services, Inida

1 comment:

Unknown September 4, 2013 at 3:44 AM

Thanks for this insightful research, Katherine. This confirms again why financial inclusion should first start by gaining the trust of those for whom the services matter most...really some of us are also tempted to keep money at home but due to some perceived value to be gained from financial institutions, we are motivated not to. Can we take some of the experiences of the households researched as learning on how to make financial services more attractive to those below the poverty line?

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