

IDPM FINANCIAL DIARIES COVER SHEET FORMAT

India: Urban

interview taken by: Nilesh Arya & Orlanda Ruthven date: 5th & 20th August 2001

Category: Medium

Initial wealth ranking: Medium

Code: DKB03

Site: Kalibasti Principal respondent(s): Mohammed Laiq & Mobina Caste: Muslim

Mohammed Laiq has lived in Delhi all his adult life. He first came to Delhi with his great uncle with whom he trained as a tailor and earned money to send home to his impoverished family in the village.

In the mid 1990s – having married and relieved himself of responsibility for dependents in the village – Laiq started saving towards the purchase of a plot on which he planned to build a house. The owner of the plot (who Laiq was paying in installments) died and in 1998 it became clear that the plot had already been sold to someone else. Laiq – unable to recover his money (Rs.41,000) from the dead man's son – faced no option but to downshift his lifestyle (shifting from permanent rented accommodation to KB in 1999) and work to repay the multiple debts he had incurred in the investment. His current financial transactions relate overwhelmingly to this misfortune.

As a skilled tailor Laiq has a stable income & feels secure enough to work piece-rate by choice (except in the run up to factory closures in Dec 00 when job security is at a premium). When we met him he was already in huge debt taken to finance the purchase of the plot, and took further loans to manage expenses and juggle these debts. He is well-connected so has raised/ can raise significant sums from intermittent lenders providing lower rates than professionals. He is known to have good earning potential and can thus rely heavily on his employers and colleagues for advances and interest-free loans. He greatly values RoSCAs and, through friends and contacts, finds a second RoSCA to join in spite of renegeing on full payment to the first. Other than these erratic RoSCA payments, Laiq insists he's unable to save at all due to his debts and increasing family expenses.

1. Initial household profile:

Name	Relationship to HH	Age	Highest school grade	Main livelihood/ schooling	Other economic activities
Mohd Laiq	self	27	Illiterate	Tailor (piece-rate)	-
Mobina	wife	24	Illiterate	-	-
Mohd Waseem	son	7	1 st Std	Attends school	-
Razina	daughter	5	-	Attends nursery school	-
Zeba	daughter	2.5	-	-	-

2. Significant changes to household profile during research year:

- Mobina gave birth to another child in Mar 01
- Razina is now attending school
- Laiq starts working on contract in mid Sept 00, then again on piece rate in Mar 01, then again on contract due to need for job security after factory closure order by Supreme Court, from Dec 00.

3. Residence:

Originally from Darbhanga District, Bihar, Laiq has been in Delhi for 18 years but only 1 year in KB. Before this he stayed in Matiala in a permanent apartment on rent. He was forced to shift to KB when he lost Rs.41,000 in a deal to secure a plot of land in Mohan Garden. He paid Rs.7000 a year ago for the hutment in which he now lives.

4. Tenure:

“Owner occupier” of hutment

5. Support networks:

Laiq has very little relation with the village and last visited his home 4 years ago. He has some relatives in Delhi but takes little financial help from them. His brother lives in KB but he takes only one interest-free loan from him during the year. Laiq appears to have a good network of friends and colleagues in Matiala and Mohan Garden, permanent residential neighbourhoods close to KB.

6. Public entitlements: Ration card holder (acquired illegally with a bribe after shifting to KB)

7. Food habits: 3 meals a day. The family consumes meat on average twice a month. For the last two months the family has been cutting back on food expenditure.

8. Significant assets:

Asset type	Description	Value (if known or estimated)
Homestead Land	2 mud houses with temporary roofs, father stays in the village and runs a biddi shop	
Farm land (state if irrigated)	-	
Home (equipment, furnishings etc)	Narrow brick hutment with wall separating kitchen. B&W television, ceiling fan, nylon string bed	Hutment value Rs.7000 in 1999
Machinery	-	
Livestock	-	
Jewelry etc	Gold nose ring and silver bracelet	Rs.800
Other (state)		

9. Significant changes to assets during research year:

Acquired a color TV (Rs.3700), water cooler (Rs.500), a wall clock (Rs.90), a good wooden bed (Rs.450) & a voltage stabilizer (Rs.450) all during the year, around Mar 01.

10. Income pattern: estimated annual income over research year: Rs.27,135

Name	Income source	Frequency	Scale	Comments
Laiq	Tailor on piece rate/ on contract in RMG factories	At least ¾ time	Rs.1700-3250/ month (daily wages for piece rate)	Piece rate is most lucrative for Laiq but becomes insecure in late 2000 (Supreme Court order to close factories in residential areas, Dec 00) prompting him to move on to contract work. He changes jobs twice during research: Jul-Aug: piece rate; Aug-Apr: contract; Apr-Aug 01 (end research): piece-rate

11. Expenditure pattern:

Expenditure item	Scale	Comments
Food	Rs.1500-2500/ month	Increases due to festivals & guests staying
Housing	Rs.1500	Repair of hutment, borrowed in July 00
Clothing	Rs.1300	On credit, Dec 00
Education	Rs.200/ month	Local private school – tuition fees of Rs.100 each for two children
Health	Rs.200-700	Four entries over the year. No major health problems
Trips home/ money home	Rs.400	Only once (early July 00)
Festivals & ceremonies	Rs.4000-5000	Twice for two Ids
Basic services (rent, electricity, water)	<ul style="list-style-type: none"> • Rs.75/ month • Rs.70/ month • Rs.50/ month 	<ul style="list-style-type: none"> • Electricity • Sulabh sanitation • Cable TV (acquired Dec 00)
Acquisition of ration card	Rs.800	Unofficial payment to acquire card illegally, just before start of research

12. Financial services/devices used during research year:

Type	Instances	Value(s)	Comments
Interest-free loans taken	5	Rs.120-1500	Brother, colleagues & neighbours; one taken to repay interest-bearing loan below; another through friend from RoSCA (Laiq repays according to RoSCA schedule & fines when late). 1 or 2 partly o/s by end research
Private loans taken on interest	4	Rs.1800-10,000	From neighbours/ friends/ associates towards health, plot purchase & papers, general expenses. Interest rate range 3-5%/ month, some start int-free, then bear interest after 2-3 months. All repaid irregularly over small installments at much lower rate than agreed; one of these repaid with int-free loan taken below. 2 of 4 remain fully o/s by end of research.
Loan from prof ML	1	Rs.1500	Tamil, Uttam Nagar, July 00, repaid over 6 months (house repair)
RoSCA (auction)	2	Both Rs.20,000 @ Rs.1000/ month	(i) Rs.12500 prize prior to research in mid 99; does not complete payments: Rs.2000 o/s at closure, Nov [new boss has “guaranteed” his payment, i.e. will pay up if Laiq can’t manage it in the near future] (ii) Commences mid June 01 joined in order to clear loans
Bank savings account	1	Rs.200 balance	PNB, Tilak Nagar. He opened the account in 1994 to store savings for investment in a plot of land, saving Rs.1500-2000 regularly. He reached a maximum balance of Rs.17000 2-3 years ago but withdrew it to pay for Mohsina’s cesarean operation. Since then has had no transactions and sees little use for it these days since he can’t save.
Wage advances taken	2	Rs.500 - 1000	Late Dec 00. and other on the next Eid.
Groceries on credit	Monthly	Rs.800/ month. ave	From single shop. Late Oct 00 especially high due to guests. Highest o/s Rs.4000. Good relations with shop keeper
Goods bought on credit	2	(i)Rs.4000 (ii)Rs.1300	(i) Having kept friend’s TV for several months, Laiq then paid him Rs.300 cash & Rs.1200 in tailoring work. Rs.2500 balance to pay at research end (Aug 01) (ii) Clothes on credit, Dec 00
Remitting cash to village	1	Rs.400	Used to send Rs.1000-1500 regularly when family lived in Mohan Garden (2-3 years earlier) but since shifting to KB, can’t manage
Savings at	1	Rs.250	Laiq persistently says he can’t save these days due to heavy loans.

home		Before shifting he saved Rs.1000-1500/ month
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13. Cheating:

[Mid 1999: Laiq lost Rs.41,000 handed to a plot owner who then died. His brother then sold the land to another & refused to pay back the money]

14. Comments on financial services and devices:

For the last 1-2 years Laiq and his family have not been able to conceive of saving since they have faced high losses and have tapped all the possible sources of loans. Their problems with keeping money back from expenses and repayments due also reflects in their poor repayment record to several loans as well as to RoSCAs. While he was a regular user of a bank account in the days when he could save (and – in spite of being illiterate – says he faced no problems with bank procedures), he sees no value now since there are too many short-term demands on his cash to put it successfully aside in the bank.

Laiq relies overwhelmingly on personal credibility and contacts to raise the funds he needs. He’s able to do so because he wins people’s trust and they’re aware he has steady earning potential. His first preference for borrowing is from his boss (factory owner), then colleagues, then friends from the family’s previous neighbourhood, Matiala. While he may borrow small amounts from neighbours, he avoids borrowing from relatives since he thinks this imposes strain on the relationship.

Other than such intermittent lenders, Laiq relies a lot on RoSCAs and sees them as the most effective means to pull himself out of debt. While his track record in contributing his share on-time is poor, he appears to get away with it since he has friends and contacts in or associated with the RoSCAs to which he belongs. For Laiq, RoSCAs offer greater leniency/ flexibility and a shorter turnaround period than would be offered through other institutional savings products.

15. Recording financial service transactions:

Laiq doesn’t keep written records of any of his financial transactions but appears to have a clear memory. He’s also not taking much risk since he’s a net borrower.

16. This year compared to previous years:

This year has not been good. It was unsettled by shifting jobs twice and burdened by debt overhanging from the family’s financial crisis the previous year. For the first time he took a loan from a professional moneylender. At times the family cut back on food in response to other essential demands on income.

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