



नाबार्ड अखिल भारतीय ग्रामीण  
वित्तीय समावेशन सर्वेक्षण 2016-17

**NABARD All India Rural  
Financial Inclusion Survey 2016-17**

**NAFIS**

**राष्ट्रीय कृषि और ग्रामीण विकास बैंक**

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प्लॉट संख्या सी-24, 'जी' ब्लॉक, बांद्रा-कुर्ला कॉम्प्लेक्स, बांद्रा (पूर्व), मुंबई - 400 051

**NATIONAL BANK FOR AGRICULTURE & RURAL DEVELOPMENT**

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Plot No. C-24, 'G' Block , Bandra-Kurla Complex, Bandra (E) , Mumbai - 400 051

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# प्राक्कथन

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हाल ही में बैंकों, ग्रामीण स्व-रोजगार प्रशिक्षण संस्थानों और गैर-सरकारी संगठनों के माध्यम से सरकार, भारतीय रिजर्व बैंक और नाबार्ड द्वारा वित्तीय समावेशन के लिए किए जा रहे प्रयासों में तेजी आई है। इस बात की आवश्यकता महसूस की गई कि ग्रामीण आबादी की संस्थागत ऋण/ बीमा सुविधाओं तक पहुंच और उनकी आजीविका पर इन प्रयासों के प्रभाव का आंकलन किया जाए। इस पृष्ठभूमि में वर्ष 2016-17 में “नाबार्ड अखिल भारतीय ग्रामीण वित्तीय समावेशन सर्वेक्षण” (एनएएफआईएस) शुरू किया गया। इस सर्वेक्षण का महत्व इस बात से बहुत अधिक बढ़ जाता है क्योंकि यह परिवारों के सभी आयामों और आजीविका के विविध पहलुओं को पूरी तरह से शामिल करते हुए वित्तीय समावेश की संपूर्णता में उसे समझने का सशक्त प्रयास करता है। इस सर्वेक्षण में देश के 29 राज्यों के 40,327 कृषि और कृषितर ग्रामीण परिवारों के 1.88 लाख व्यक्तियों को शामिल किया गया।

सर्वेक्षण से पता चला है कि वर्ष 2012-13 के लिए 70 वें चक्र के एनएसएसओ के स्थिति आंकलन सर्वेक्षण के अनुमानों की तुलना में वर्ष 2015-16 को समाप्त तीन वर्ष की अवधि के दौरान कृषि परिवारों की आय के स्तर में 40% की वृद्धि हुई है और 90% ग्रामीण परिवारों के बैंक खाते खुल गए हैं। अन्य लोगों के साथ-साथ इस सर्वेक्षण की कार्यप्रणाली और परिणामों को नाबार्ड के निदेशक मंडल, वित्तीय सेवाएं विभाग, भारतीय रिजर्व बैंक, शिक्षाविदों, नीति आयोग और एनएसएसओ के साथ साझा किया गया है। मैं सर्वेक्षण के संचालन और परिणामों के विश्लेषण के लिए नीति आयोग के सदस्य डॉ. रमेश चंद और आईसीआरआईआईआर के डॉ. अशोक गुलाटी के बहुमूल्य योगदान के लिए उनका आभारी हूँ।

इस सर्वेक्षण के प्रबंधन और उसके कुशलतापूर्ण संपादन के लिए मैं एकेडमी ऑफ मैनेजमेंट स्टडीज़ (एएमएस) की सेवाओं की भी सराहना करता हूँ। मैं आशा करता हूँ कि सभी संबंधित पक्षों के लिए यह रिपोर्ट उपयोगी साबित होगी। आपके विचारों और सुझावों का स्वागत है जिससे भवित्य में नाबार्ड के इस तरह के प्रयासों को और प्रभावी बनाने में हमें सहयोग मिलेगा।

**डॉ. हर्ष कुमार भनवाला**

अध्यक्ष

मुंबई

अगस्त 2018

# FOREWORD

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In recent past, the interventions under Financial Inclusion have been intensified by the Government of India, Reserve Bank of India & NABARD through the banks, RSETIs & NGOs. A need emerged to assess the impact of these interventions on the institutional credit/insurance accessibility and livelihoods of the rural populace. Against this backdrop “NABARD All India Rural Financial Inclusion Survey” (NAFIS) was initiated in 2016-17. The Survey assumes significance as it forays into financial inclusion in its entirety by covering all dimensions and livelihood aspects of the households. NAFIS covered a sample of 1.88 lakh persons from 40327 agri & non-agricultural rural households across the 29 states of the country.

The Survey has revealed 40% higher income levels in agri households during a three year period ending 2015-16 as compared with the estimates by NSSO Situation Assessment Survey, 70th round for the year 2012-13 and 90% coverage of rural households with a bank account. The methodology and outcome have been shared with inter alia, the Board of NABARD, Department of Financial Services, Reserve Bank of India, academicians, NITI Aayog & NSSO. I appreciate the valuable contribution of Dr. Ramesh Chand, Member, NITI Aayog and Dr. Ashok Gulati of ICRIER for conduct of the survey and analysis of the outcomes.

I also appreciate the services of Academy of Management Studies (AMS) for managing the survey in a professional manner. I hope the report will be received well by all concerned and we welcome feedback, if any, to sharpen similar endeavours by NABARD in the future.

**Dr. Harsh Kumar Bhanwala**

Chairman

Mumbai  
August 2018

# PREFACE

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Financial inclusion being a recent initiative, NABARD decided to conduct a survey to deeply understand the penetration of various financial products and services. In view of this, NABARD launched a comprehensive survey titled 'NABARD All India Rural Financial Inclusion Survey' (NAFIS) in 2016-17 with a wide coverage. This survey sought to assess the penetration of various aspects of financial inclusion, both in quantitative and qualitative terms. Besides covering economic indicators like savings, debt, income, expenditure and investment, the composition and pattern of consumptions; parameters such as borrowing behavior, financial literacy/knowledge, Kisan Credit Card (KCC), usage of FI technology, distress events (such as crop failure, death of earning member), insurance coverage for crop insurance, life and accident insurance, pension, etc. have been included in the survey. NABARD had constituted an Advisor Committee with experts from different fields to guide this task from its conceptualization till completion. We have made concerted efforts in data collection, collation, revalidation and analysis, assimilation of results to produce an insightful report for stakeholders, with the active support of Academy of Management Studies (AMS), the institution entrusted with data collection, analysis and preparation of the report.

We are grateful to Dr. Ramesh Chand, Member, NITI Aayog and Dr. Ashok Gulati, eminent Agricultural Economist & Infosys Chair Professor, ICRIER for their valuable guidance which helped us immensely. We are also grateful to senior officials of the Department of Financial Services (DFS), MoF, Govt of India, Smt. Surekha Marandi, ED, Reserve Bank of India (RBI), Dr. R.B. Barman, ED (Retd.), RBI, Dr. Goutam Chatterjee, Principal Advisor, DSIM & CGMs of FIDD, DEPR and other senior officers of RBI for their guidance and support from time to time.

Department of Economic Analysis and Research (DEAR) is indebted to our Chairman Dr. Harsh Kumar Bhanwala, Deputy Managing Directors Shri H.R Dave and Shri R. Amalorpavanathan for reposing confidence in us to carry out the first ever task, and we are grateful to them for their continuous guidance and encouragement in accomplishing it effectively.

While I cannot mention every one by name, I must specify a few. We thankfully acknowledge the tireless efforts of the AMS team, especially Mr. Ashesh Dwivedi, Director and Dr. Swati Raman, Chief Research Analyst for completing the task in time. Along with the other

members of the Advisory Committee, I sincerely thank Shri Alope Kar, Visiting Faculty, Indian Statistical Institute, Kolkata for lending his expertise in finalizing the study methodology, data validation and analysis. We also appreciate the support and inputs received from S/S Subrata Gupta, the former CGM of Department of Financial Inclusion and Banking Technology (DFIBT), S/S G R Chintala, K V Rao, L R Ramachandran, CGMs of DOR/MCID/DFIBT, other CGMs of Head Office Departments, CGMs/OICs of Regional Offices and the DDMs of the concerned districts.

Last but not the least, I place on record the valuable contributions made by Dr. K. J. S. Satyasai, General Manager, DEAR from the conceptualization of the survey work till the completion of the report. I am sincerely grateful for the support of Shri M.V. Ashok, CGM (Retd.), Shri B. V. S. Prasad, former General Manager, Dr. Vinod Kumar, DGM, Dr. B D Nayak, DGM, Shri K L Prabhakar, DGM, Dr. Sohan Premi, AGM and all other officers/staff of DEAR, along with Shri Nageswar Rao, GM, Shri Monga, DGM & Ms. Blah, AGM and other senior officers of DFIBT, CCD and other Departments.

We appreciate your feedback which will guide our future endeavours.

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**Dr. U.S. Saha**

Chief General Manager  
DEAR, NABARD, HO  
Mumbai  
August 2018

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# ABBREVIATIONS

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AH	-	Agricultural Households
AIDIS	-	All India Debt Investment Survey
AOD	-	Average Outstanding Debt
APY	-	Atal Pension Yojana
HH	-	Households
IOI	-	Incidence of Indebtedness
JLG	-	Joint Liability Groups
KCC	-	Kisan Credit Card
MFI	-	Microfinance Institutions
MNREGA	-	Mahatma Gandhi National Rural Employment Guarantee Act
MPCE	-	Monthly Per Capita Consumption Expenditure
NAFIS	-	NABARD All India Rural Financial Inclusion Survey
NAH	-	Non-Agricultural Households
NBFC	-	Non- banking Financial Company
NPS	-	National Pension Scheme
NSSO	-	National Sample Survey Organisation
OECD INFE	-	OECD (International Network on Financial Education)
OECD	-	Organisation for Economic Co-operation and Development
RBI	-	Reserve Bank of India
RRBs	-	Regional Rural Banks
SAS	-	Situation Assessment Survey
SHG	-	Self Help Groups



## HIGHLIGHTS OF NABARD ALL INDIA RURAL FINANCIAL INCLUSION SURVEY (NAFIS) 2016-17

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NAFIS was launched in 2016-17 as a national level survey that offers a comprehensive overview of the rural population in terms of their status of livelihoods and level of financial inclusion. The coverage of NAFIS spans across various financial inclusion aspects ranging from loans, savings, investments, pension, remittances and insurance. The survey also involved assessing the financial knowledge, attitude & behaviour of individuals and captured their experience with the financial products & services that they utilized.

### SURVEY COVERAGE

**29**

STATES

**245**

DISTRICTS

**TIER-3 TO TIER-6**

CENTRES AS PER **RBI** CLASSIFICATION

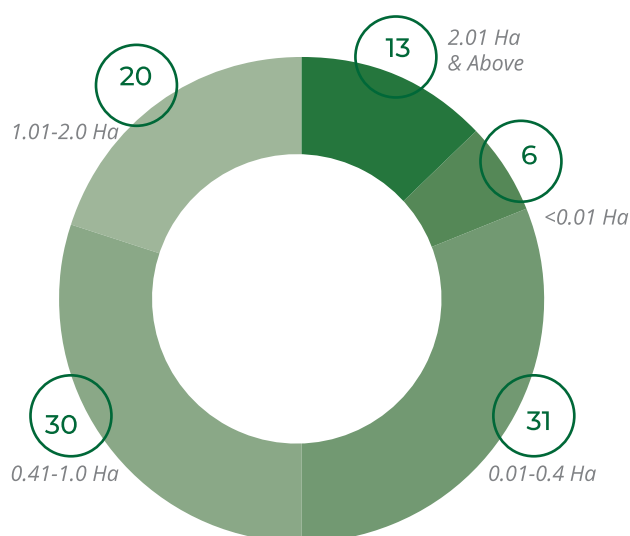
**40,327**

HOUSEHOLDS

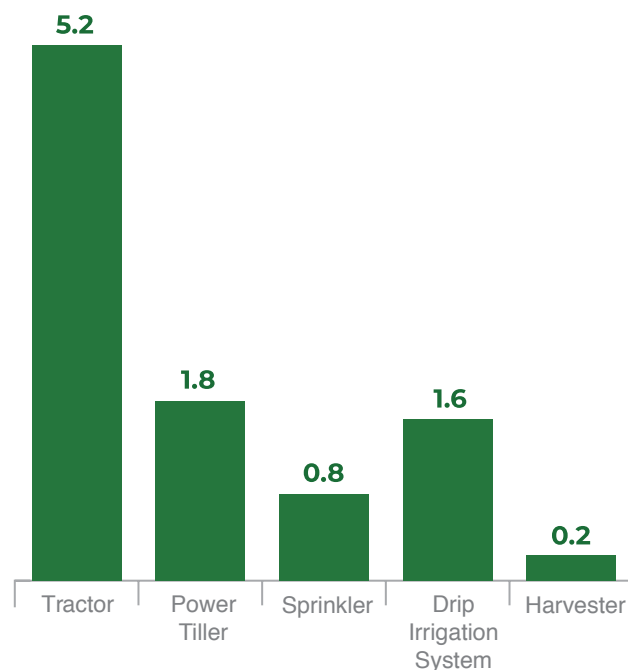
**1,87,518**

POPULATION

DISTRIBUTION OF AGRICULTURAL HOUSEHOLDS BY SIZE-CLASS OF LAND POSSESSED (IN PERCENTAGE)



PROPORTION OF HOUSEHOLDS OWNING HIGH VALUE AGRICULTURAL ASSETS (IN PERCENTAGE)



## CATEGORIZATION OF STATES BY AVERAGE MONTHLY INCOME

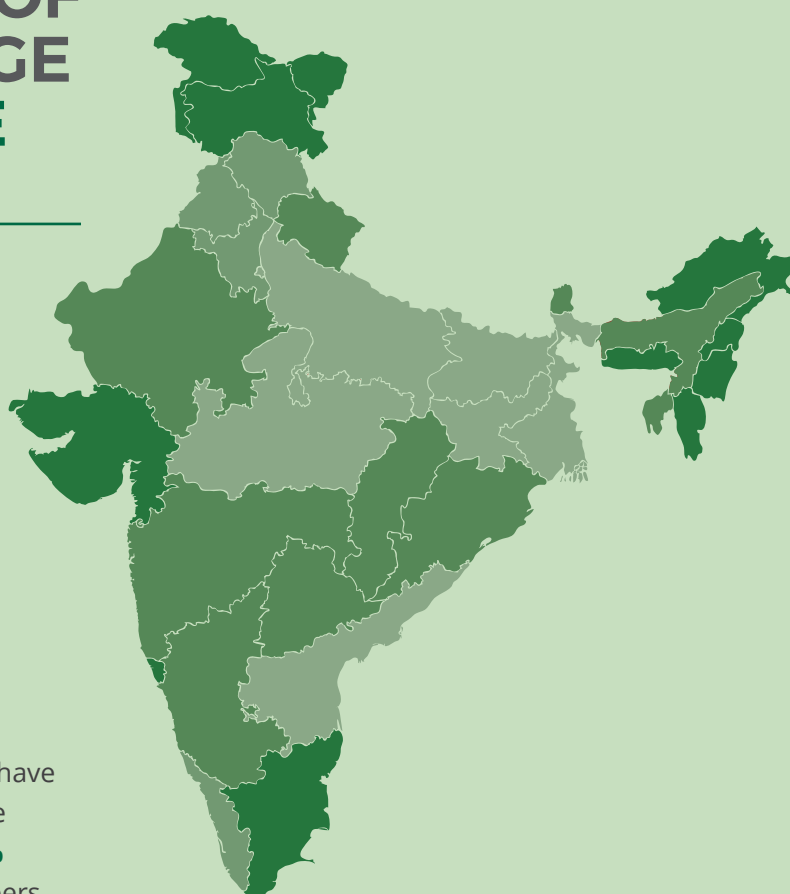
PER HOUSEHOLD (IN RUPEES)



48%

HOUSEHOLDS ARE AGRICULTURAL HOUSEHOLDS.

Overall, **11.4%** household members reported to have been trained in the principal activity that they are engaged in. Among agricultural households **8.5%** and in non-agricultural households **14.4%** members reported to have been trained.



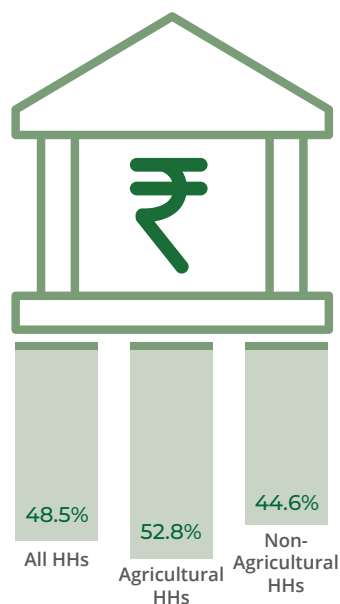
Less than ₹ 7000  
₹ 9001 to ₹ 11000

₹ 7001 to ₹ 9000  
₹ 11000 and Above

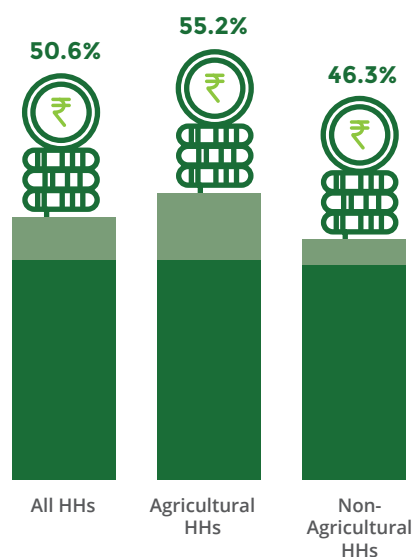


Average Monthly Household Income by Source of Income (In Rupees) & Contribution of various Sources to Total Income (in %)	Agricultural Households	Non-Agricultural Households	All Households
Cultivation	3140 (35%)	NA	1494 (19%)
Livestock Rearing	711 (8%)	NA	338 (4%)
Other Enterprises	489 (6%)	851 (12%)	679 (8%)
Wage Labour	3025 (34%)	3940 (54%)	3504 (43%)
Govt./ Pvt. Service	1444 (16%)	2326 (32%)	1906 (24%)
Other Sources	122 (1%)	152 (2 %)	138 (2%)
<b>All Sources Combined</b>	<b>8931 (100%)</b>	<b>7269 (100%)</b>	<b>8059 (100%)</b>

## PROPORTION OF SAVER HOUSEHOLDS REPORTING SAVINGS IN INSTITUTIONS (IN PERCENTAGE)



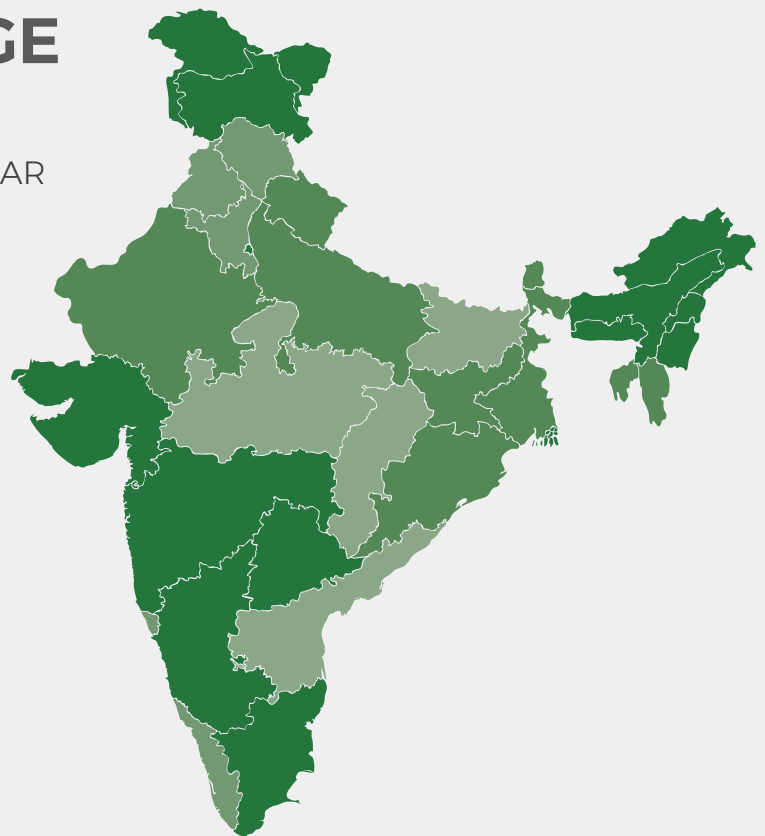
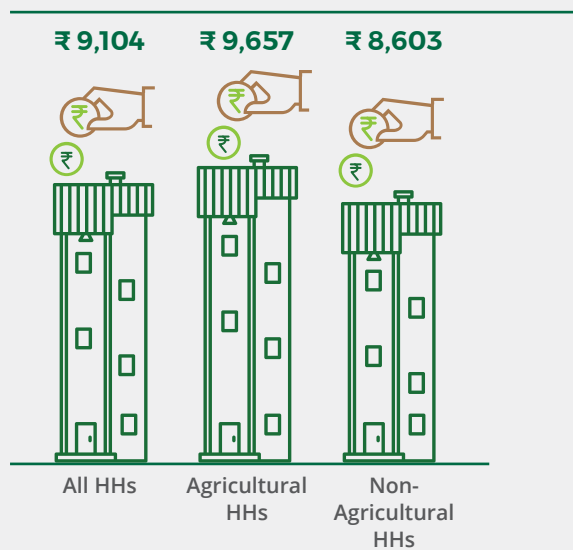
## PROPORTION OF HOUSEHOLDS REPORTING SAVINGS IN THE LAST ONE YEAR (IN PERCENTAGE)



# CATEGORIZATION OF STATES BY AVERAGE SAVINGS

PER HOUSEHOLD IN THE LAST ONE YEAR  
(IN RUPEES)

AVERAGE SAVINGS IN THE LAST  
ONE YEAR PER HOUSEHOLD  
(IN RUPEES)



Less than ₹ 6000    ₹ 6001 to ₹ 9000  
₹ 9001 to 12000    More than ₹ 12000

## HOUSEHOLD SAVINGS

26%



HOUSEHOLDS HAD AT LEAST ONE  
WOMAN MEMBER WHO SAVED IN  
AN INSTITUTION.

94%



OF THE TOTAL AMOUNT WAS  
REPORTED TO HAVE BEEN SAVED  
IN INSTITUTIONS.

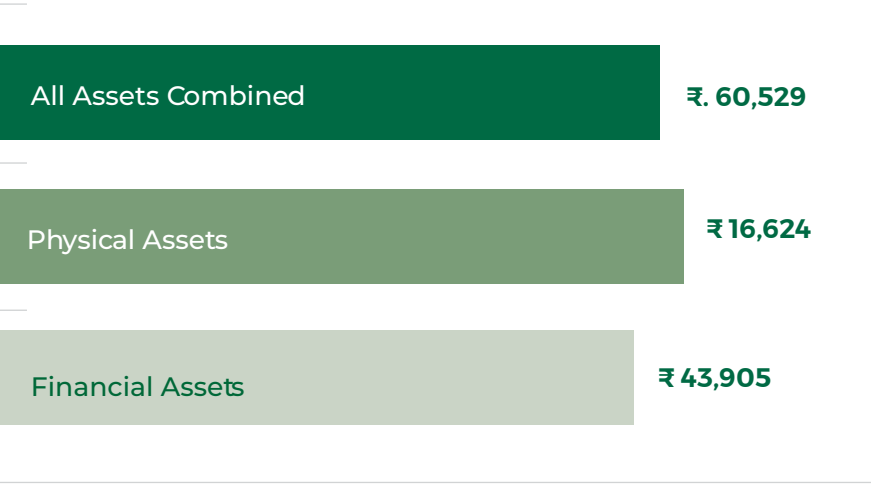
# HOUSEHOLD INVESTMENTS

Overall, **73%** of the total amount is invested in physical assets and the remaining **27%** is invested in financial assets. **43%** of investments are funded by own funds for all investments amounting more than ₹ 10,000.



	Agricultural Households	Non-Agricultural Households	All Households
Proportion of Households reporting any Investment in the last one year (in percentage)	10.4	8.7	9.5
Average Investment per HH Reporting any Investment (in Rupees)	62,734	58,131	60,529

## AVERAGE INVESTMENT PER HOUSEHOLD REPORTING ANY INVESTMENT BY TYPE OF ASSETS (IN RUPEES)





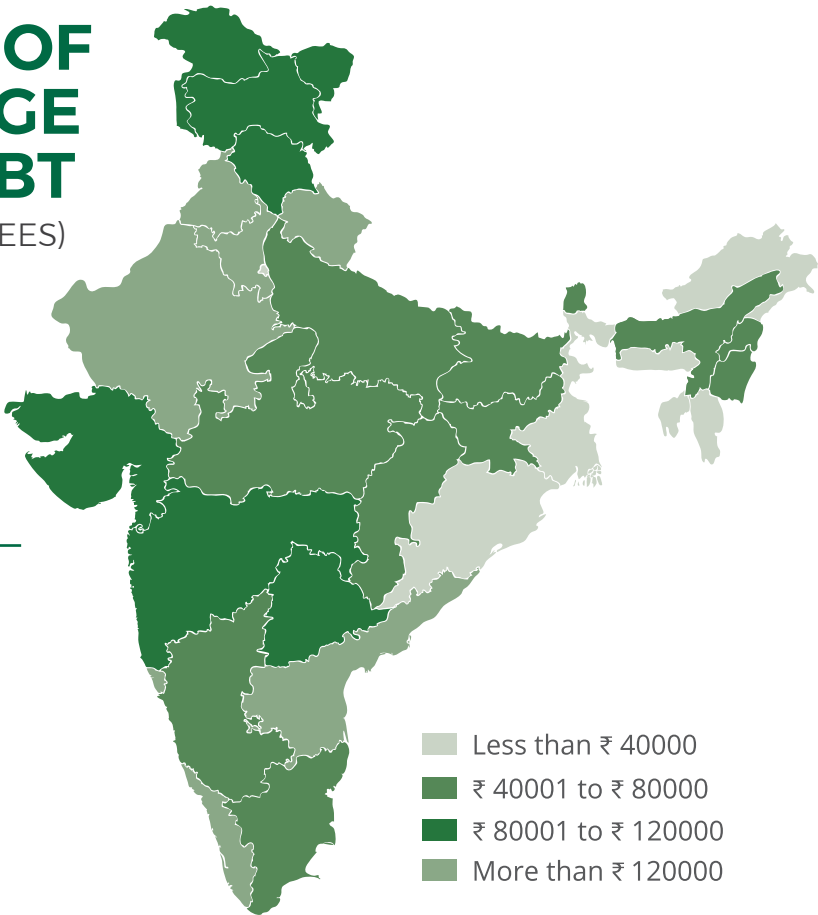
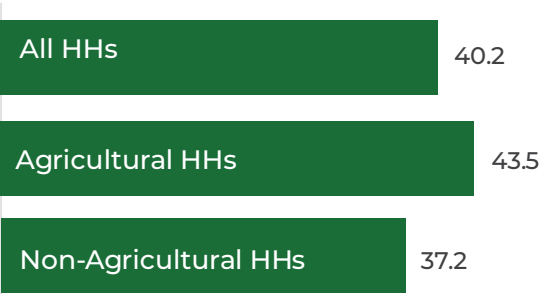
# INDEBTEDNESS



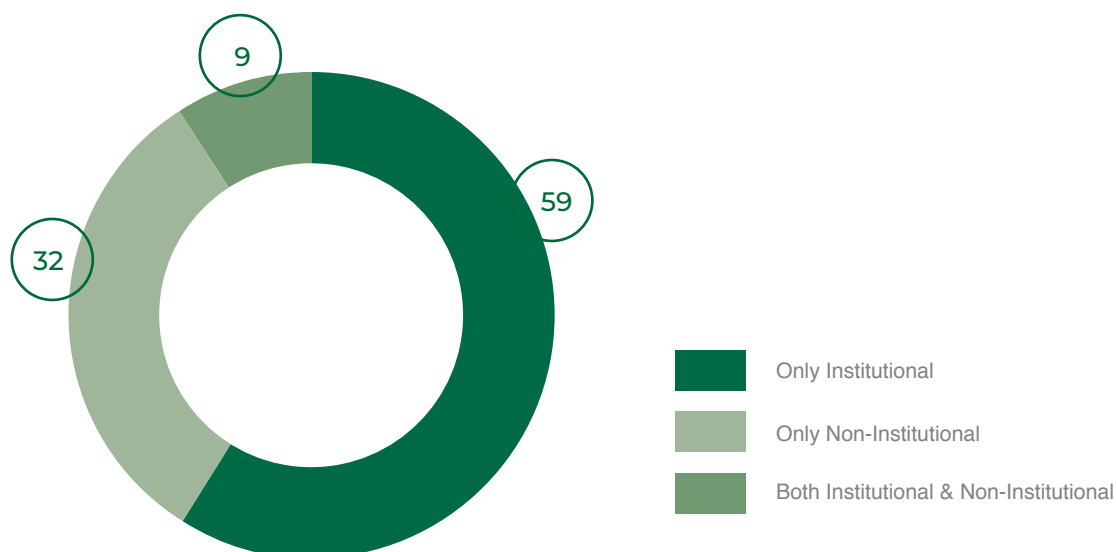
	Agricultural Households	Non-Agricultural Households	All Households
Incidence of Indebtedness (in percentage)	52.5	42.8	47.4
Average Outstanding Debt per Indebted HH (in Rupees)	1,04,602	76,731	91,407

## CATEGORIZATION OF STATES BY AVERAGE OUTSTANDING DEBT PER INDEBTED HOUSEHOLD (IN RUPEES)

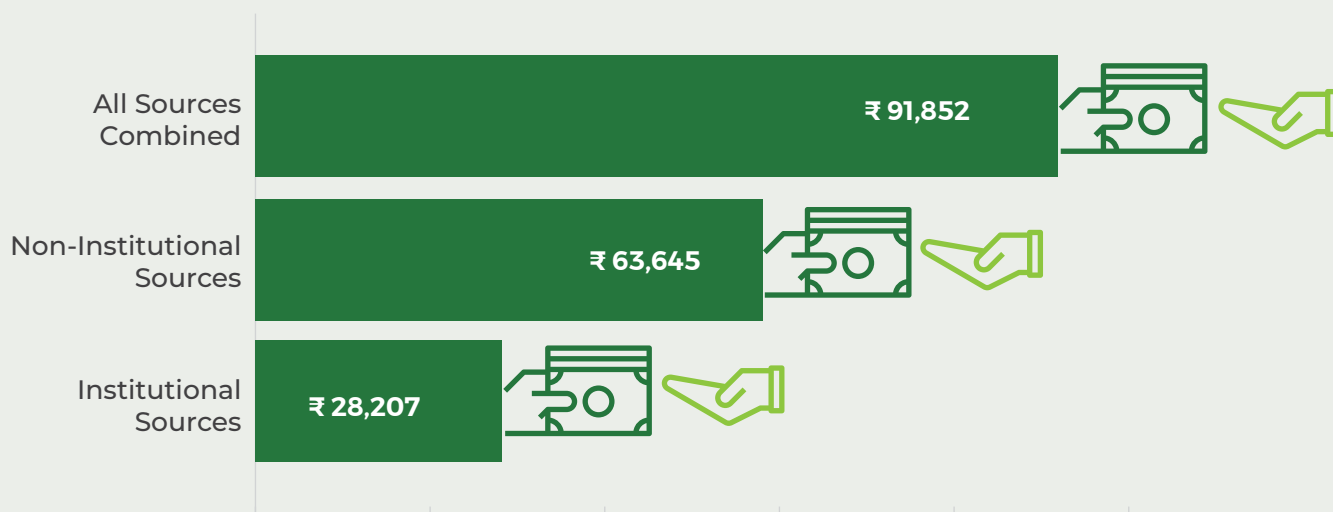
% HOUSEHOLD THAT TOOK ANY LOAN IN LAST 1 YEAR (IN PERCENTAGE)



## DISTRIBUTION OF HOUSEHOLDS WHO TOOK ANY LOAN BY SOURCE OF LOAN (IN PERCENTAGE)

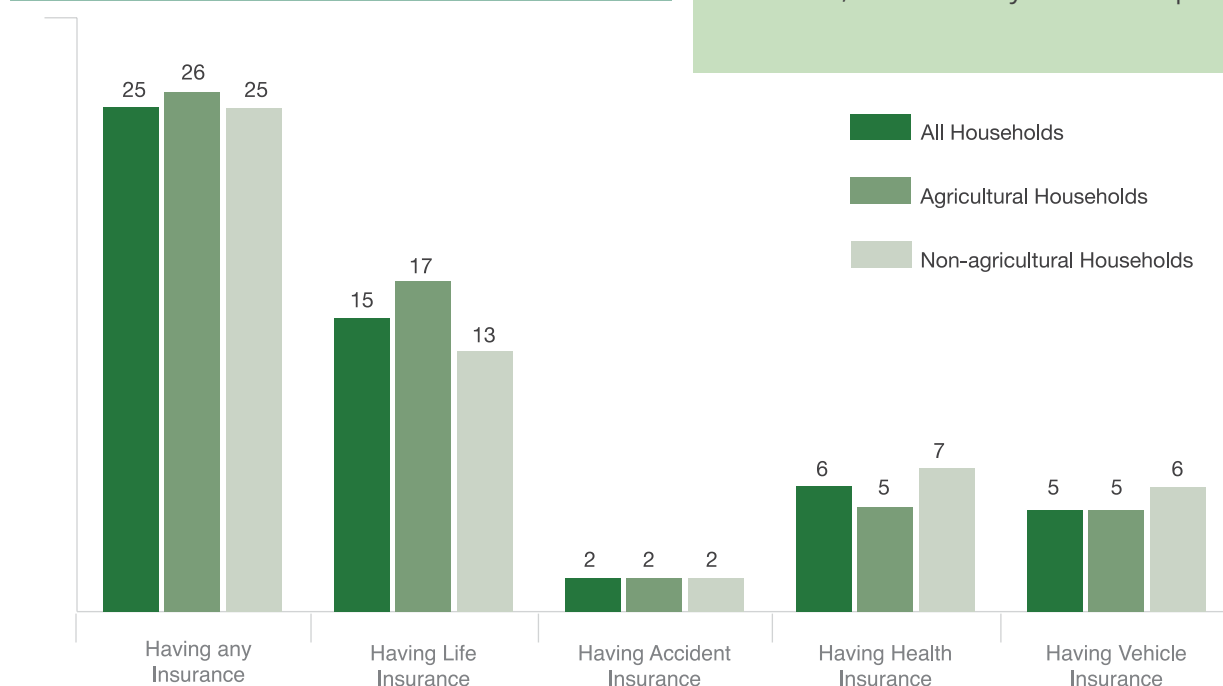


## AVERAGE AMOUNT OF LOAN PER HOUSEHOLDS REPORTING TO HAVE TAKEN ANY LOAN IN LAST ONE YEAR (IN RUPEES)

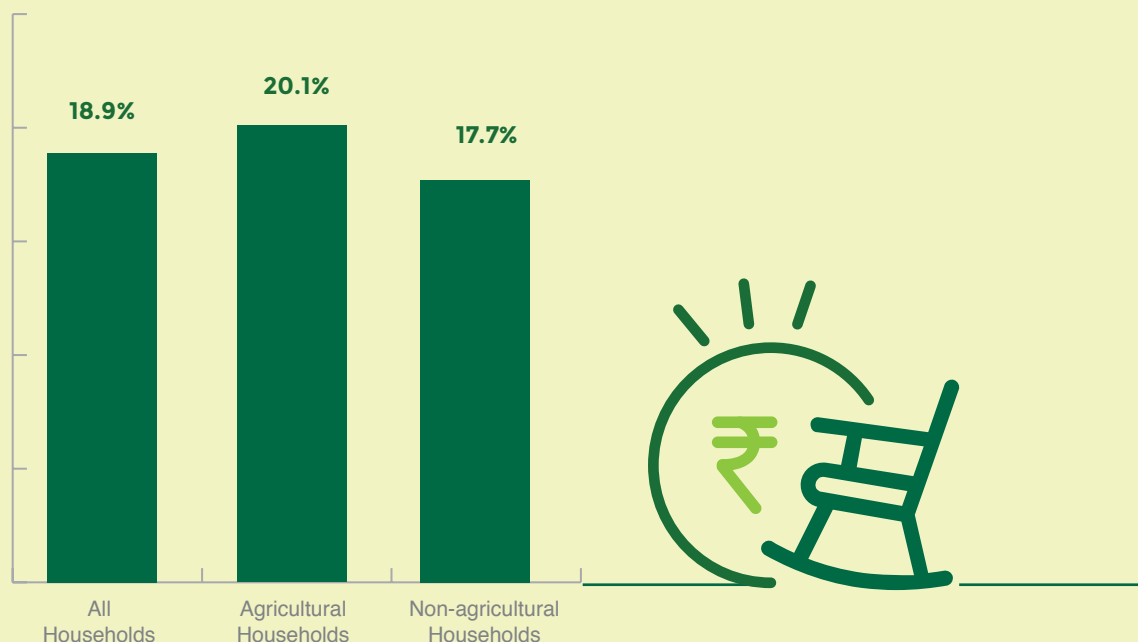


Among Agricultural Households owning more than 0.4 ha land and those who took any loan for agricultural purposes from a cooperative/ commercial/ rural bank, **32%** reported to be having Kisan Credit Cards. These households utilized **83%** of the sanctioned limit in the last one year.

## PROPORTION OF HOUSEHOLDS WITH AT LEAST ONE MEMBER HAVING ANY FORM OF INSURANCE (IN PERCENTAGE)



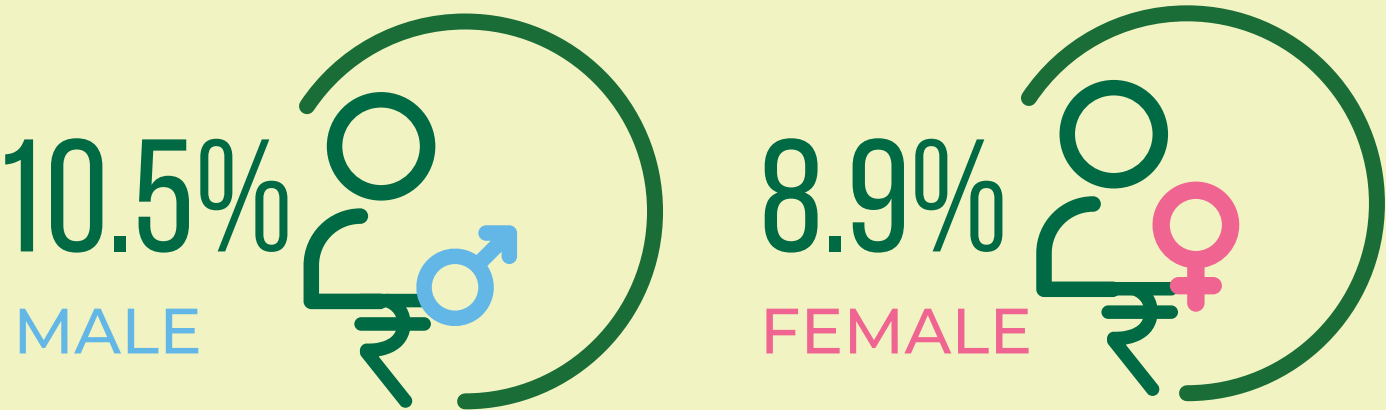
## PROPORTION OF HOUSEHOLDS WITH AT LEAST ONE MEMBER RECEIVING ANY PENSION AT THE TIME OF SURVEY (IN PERCENTAGE)



On the whole, **23%** households reported that any of its members were associated with a microfinance group at the time of survey. When asked about the type of group, **20%** reported to be associated with Self Help Groups.

# FINANCIAL LITERACY

PROPORTION EXPOSED TO INFORMATION SESSIONS  
ON FINANCIAL EDUCATION

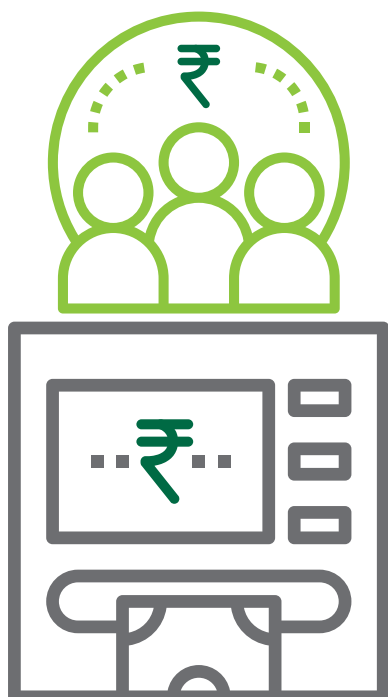


Variable	Overall	By Gender		By Type of Household	
		MALE	FEMALE	AGRICULTURAL	NON-AGRICULTURAL
Proportion of Respondents having good Financial Knowledge	48.2	49.4	45.8	48.0	48.4
Proportion of Respondents having Positive Financial Attitude	42.5	42.3	43.1	39.1	45.6
Proportion of Respondents having sound Financial Behaviour	56.4	57.7	53.5	58.9	54.1
Proportion of Respondents assessed as having good Financial literacy	11.3	11.3	11.2	10.6	-

On the whole, **73%** respondents expressed that they could use ATMs independently without any help and **39%** responded similarly for Mobile Banking. Over **90%** respondents who used cheques and debit or credit cards reported that they found these mechanisms easy to use.

## EXPERIENCE

WITH FINANCIAL PRODUCTS & SERVICES



**23.6%**

USED ATM SERVICES AT LEAST  
ONCE IN LAST 3 MONTHS

**7.5%**

USED CHEQUES TO MAKE PAYMENT  
AT LEAST ONCE IN LAST 3 MONTHS

**7.4%**

USED DEBIT/ CREDIT CARD TO  
MAKE PAYMENT AT LEAST ONCE IN  
LAST 3 MONTHS

**1.6%**

USED MOBILE BANKING AT LEAST  
ONCE IN LAST 3 MONTHS

### 1.1 BACKGROUND & CONTEXT

The role of banking and financial sector in the economy has always attracted a great deal of attention from the academicians and practitioners, alike. Goldsmith (1969), was one of the first economists who studied the relationship between financial development and economic growth. He demonstrated that financial development directly increases savings in the form of financial assets, encouraging capital formation and economic growth. Financial development includes both financial widening and financial deepening. Financial widening refers to the expansion of financial services and the growth of financial institutions and financial deepening refers to an increase in per capita amount of financial services and institutions or an increase in the ratio of financial assets to income (Mihalca, 2007). It is considered as a prerequisite for empowerment, employment, economic growth, poverty reduction, and social cohesion' (NABARD, 2009).

When announcing 2005 as International Year of Micro-Credit, UN Secretary-General Kofi Annan (2003) noted that 'The stark reality is that most poor people in the world still lack access to sustainable financial services, whether it is savings, credit or insurance. The great challenge before us is to address the constraints that exclude people from full participation in the financial sector.' The Global Findex data for 2017 revealed that globally 69 percent adults have access to a bank account or an account through a mobile money provider. The trends emerging over the last three rounds of Global Findex reveal a sharp rise in opening of bank accounts. Since 2011, about 1.2 billion adults opened their bank account leading to an increase in banked population from 51% in 2011 to 69% in 2017. It will be apt to highlight that 55% of the new bank accounts opened globally were from India alone, which can be directly attributed to the initiatives taken by the Central Government under the 'Pradhan Mantri Jan Dhan Yojana'.

Despite having relatively high account ownership, India claims the second largest share of the global unbanked population, with over 190 million adults still having no bank accounts. According to the report, growth in account ownership has remained skewed in the favour of male population. Of the total unbanked population in India and China, 60% of unbanked

adults were women.

**Financial Inclusion** has thus garnered a lot of interest and has become one of the major socio-economic challenges on the agenda of international institutions, policy makers, central banks, financial institutions, and governments.

### 1.1.1 Financial Inclusion & Exclusion Defined

The Committee on Financial Inclusion headed by Dr. C Rangarajan in 2008 defined *financial inclusion* as, “the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as the weaker sections and low income groups at an affordable cost.” In general, the term financial inclusion is understood as welfare-oriented measure for enhancing access to and affordability of financial services and products for all. The Committee on Financial Sector Reforms under the Chairmanship of Dr. Raghuram G. Rajan referred to financial inclusion as “Universal access to a wide range of financial services at a reasonable cost. These include not only banking products but also other financial services such as insurance and equity products.” It includes provision of varied financial services such as payment services, savings products, insurance products and inflation-protected pensions.

**Financial Exclusion** on the other hand refers to the barriers or limitations that prevent people from using financial services. It ranges from not having access to a bank account to financial illiteracy. Several dimensions of barriers have been identified, which include physical exclusion, caused by the problems of travelling to services; access exclusion, caused by processes of risk assessment; condition exclusion, when the conditions attached to products are unsuitable or unacceptable to consumers; price exclusion, where the price of products is unaffordable; marketing exclusion, where certain consumers are unaware of products due to marketing strategies that target others; and, self exclusion, when people decide to exclude themselves voluntarily on the basis of past rejections or fear that they would be rejected. (Leyshon et al.,2006 161)

### 1.1.2 Initiatives taken for Financial Inclusion in India

The history of measures taken towards financial inclusion in India dates back to the Cooperative Movement in 1904. This agenda received further impetus with the nationalization of 14 major commercial banks in 1969, soon after which the lead bank scheme was introduced. This resulted in expansion in the banking network with the opening of large number of branches across the country including some of the remote and difficult to reach areas.

Realizing the ramifications of the exclusion of a vast section of population out of the development process, the Government of India has been taking several measures to promote financial inclusion. The Reserve Bank of India (RBI) has been complementing the Government's efforts through its numerous initiatives like introduction of priority sector lending requirements for banks, establishment of regional rural banks (RRBs), and self-help group-bank linkage programmes to extend the financial services to the poor and marginalized segments of the society. Further, based on the Mid Term Review of Monetary Policy (2005-06), the RBI urged the banks to make financial inclusion as one of their prime objectives. In this respect, various policy prescriptions were suggested by RBI, viz. opening of no-frill account, issuing of General Purpose credit cards, etc.

In February 2011, the Government of India and the Indian Banks' Association (IBA) jointly launched 'Swabhimaan', a path-breaking initiative to bridge economic gap between rural and urban India. It aimed at ensuring availability of banking facilities within the reach of every village with a population of over 2000 by the end of March, 2012. With this initiative, it was expected that the banking facilities will reach over 73,000 villages in the country which were not served by any bank thus far. The banks in the villages were supposed to facilitate the opening of accounts by villagers, offering them need-based credit, and offering remittance facilities to transfer funds from one place to another.

In August 2014, the Government of India launched the 'Pradhan Mantri Jan-Dhan Yojana' to facilitate access to all kinds of financial services to the excluded sections of society. The scheme aimed at ensuring universal access to bank facilities, increase in the level of financial literacy, and providing access to credit, insurance and pension services. RBI also undertook some measures in 2014 to augment financial inclusion, such as granting in-principle approval to the largest MFI in India to commence banking operations, permitting non-banking financial companies to act as business correspondents for banks, and issuing guidelines on differentiated banking licenses for small banks and payments banks based on the recommendations of the committee on "Comprehensive Financial Services for Small Businesses and Low Income Households", chaired by Dr. Nachiket Mor.

## 1.2 DISTINGUISHING FEATURES OF NABARD ALL INDIA RURAL FINANCIAL INCLUSION SURVEY (NAFIS)

Though financial inclusion has become an issue of national priority, there is still a lack of nationally representative data and studies that capture the rural financial landscape adequately and as frequently as required. The existing large sample surveys in this space, conducted by NSSO such as Situation Assessment Survey (SAS) and All India Debt Investment survey (AIDIS), are done once in a decade and cover limited aspects - either livelihood related or financial, and not both.

The coverage of NAFIS includes the two distinct but interconnected themes including livelihood and financial inclusion. Access to financial products and services among poor and vulnerable groups has been recognized as an important aspect of inclusive growth. However, any programme targeting at inclusive growth would be incomplete without strengthening the livelihoods of poor. Access to finance for poor and vulnerable is inextricably linked to livelihoods as it helps the poor build their asset base, supports income generating activities, and expands the range of choices available to them. Availability of adequate finances also act as a security against risks like losses in productivity, exposure to unforeseen contingencies which impact the income generating potential of the poor. On the other hand, poverty and uncertainty of livelihoods in turn affects the eligibility for and affordability of financial products and services for the poor, and poor who are unsure of their ability for repayment have little incentive to approach the formal financial system. Therefore, in order to build a sustainable system for financial inclusion, it will be important to gain an insight into both the aspects.

NAFIS was, thus, launched in 2016-17 as a national level survey that offers a comprehensive overview of the status of rural population in terms of sources of livelihoods, economic status of households including income, consumption expenditure, and household assets. The coverage of NAFIS spans across various financial inclusion related aspects ranging from loans, savings, investments, pension, remittances and insurance. The survey moves a step further by delving into aspects of financial behaviour offering insights into the socio-economic antecedents that condition the use of financial systems, quantifies the penetration of various financial products & services, and studies the experience of households using these services.

NAFIS adopts a broader definition of 'rural' covering Tier III to Tier VI centres, that is, those having population up to 50,000. It also covers beyond agricultural households, thus profiling the entire rural population including non-agricultural households.

Another notable feature that needs to be highlighted here is, that besides collecting household level information, NAFIS probes into individual level details about some pertinent financial aspects like saving, loans, insurance, pension and association with microfinance groups, thus yielding population based estimates for some key indicators. In doing so, it adds further strength to the study estimates and gives an opportunity for researchers to study the individual level characteristics that influence the financial decision-making and financial behaviour.

NAFIS is planned as a survey that will be repeated every three years to generate estimates related to financial



inclusion. This report is based on the first in the series of NAFIS surveys, which aims at establishing base estimates against which the changes can be measured in subsequent surveys.

### 1.3 OBJECTIVES OF THE SURVEY

The overarching goal of NAFIS was to get a holistic view of the rural financial landscape by generating reliable state and country level estimates for various pertinent indicators. Through NAFIS, NABARD wanted to gain a deeper understanding of the status of rural households with respect to the following -

- Financial inclusion aspects like borrowings, savings, investments, pension, insurance, etc.
- Aspects related to knowledge, attitude and behaviour of rural populace towards financial products & services available in the market.
- Livelihood status in terms of occupational profile, sources of income, consumption expenditure, asset ownership, exposure to risks & uncertainties and coping strategies adopted.

The main objective of this survey was to generate valid estimates based on primary data gathered from rural households on indicators related to the aforementioned aspects. These indicators would act as guiding signage for policymakers and practitioners for devising strategies for enhancing access to financial products & services among the weaker sections and vulnerable groups in need of the same. Studying variations in estimates for different strata and groups, such as region, social category, land-holding size etc. will pave the way for a targeted approach towards the communities in greater need of external support.

The Government and other stakeholders have been trying to increase the breadth and depth of financial products available to the rural households. However, the penetration of these products, especially the credit facilities, is far from complete. This survey envisages delving into the contextual as well as behavioural factors that act as key enablers or barriers influencing the financial inclusion status of rural households. These factors may be exploited by the government and other stakeholders to design and implement targeted programmes for facilitating financial inclusion.

### 1.4 SURVEY ADMINISTRATION

**NABARD conducted the survey through Academy of Management Studies (AMS).** The agency undertook all tasks related to the conduct of the said survey including preparation of survey instruments; carrying out the sampling exercise; data collection, cleaning and analysis; and final preparation of the analytical report. NABARD was guided by an **Advisory Committee** constituted with the representatives of RBI, NSSO, ISI, Kolkata, academia and senior officers of NABARD. The top management of NABARD steered the Survey. The composition of the Advisory Committee is given in Annexure 1.

### 1.5 ORGANISATION OF THE REPORT

This report is organised into 12 chapters including Introduction (Chapter 1) and Methodology and Sample Profile (Chapter 2) followed by 9 chapters covering various livelihood and financial inclusion aspects. Livelihood aspects include Asset Ownership (Chapter 3), Sources of Livelihoods and income (Chapter 4) and Consumption (Chapter 5). Household savings, Investment, Indebtedness are covered in Chapter 6, 7, and 8 respectively. Chapter 9 covers Insurance and Pension followed by Chapter 10 on Microfinance Experience. Chapter 11 deals with measuring financial literacy based on Knowledge, Attitude and Behaviour, followed by Summary Findings (Chapter 12). Sample design and estimation procedure are given in Annexure 2 and the list of districts surveyed is given in Annexure 3. Household Level Questionnaire is given in Annexure 4. The report presents estimates at all India and State levels.

## CHAPTER 2

# METHODOLOGY & SAMPLE PROFILE

---

This chapter outlines the methodological approach adopted for undertaking the survey. It attempts to present some unique characteristics of the survey, which must be borne in mind while interpreting its findings and for generating strategic insights for future policy decisions.

### 2.1 RESEARCH INSTRUMENTS

The research instruments used for the survey comprised of a structured household questionnaire to capture information pertaining to status of financial inclusion and livelihood of sampled households. The questionnaire comprised of two broad sections - Section-A for capturing household level details, and Section-B for capturing individual level details about the member of the household who usually takes financial decisions. Section A was administered to the head of household or any adult knowledgeable member of the household. It was designed to capture information on household assets and amenities, income, consumption expenditure, savings & investments, access to financial services, loans and borrowings, experience with microfinance institutions, insurance and pension, and risks & uncertainties faced by the household. In this section, we asked a few questions about the household as a whole and in some questions we collected details on important financial aspects like savings, borrowings, insurance, pension, microfinance experience, etc. about all adult members of the household. Section-B aimed at assessing the knowledge, attitude and practices about financial products & services at an individual level. For this, one member from each household who was above 15 years of age and who undertook most of the financial transactions in the household was selected as the respondent. The questionnaire used for the household survey has been annexed.

It will be pertinent to highlight here that all the indicators and cross tabulation generated from the sample data are based on the information as reported by the respondents. The information so provided has not been cross-checked with any other official source. To improve the accuracy of the estimates presented in the report, the ratio method of estimation, with projected population (based on Population Census) as the auxiliary variable, has been used. Detailed method of estimation is given in Annexure 2.

The household survey was undertaken using computer-aided personal interviews (CAPI). Customized software was designed to collect the information in the desired format. This not only minimized the chances of consistency related errors but also accelerated the pace of data collection and transfer from locations across the country.

In view of linguistic differences among the population covered by the survey, the schedules were translated into 18 regional languages. Adequate care was taken to ensure construct validity and consistency.

## 2.2 SCOPE AND COVERAGE OF SURVEY

### 2.2.1 Geographical Coverage

NAFIS primarily covered rural and some semi-urban areas across 29 states of the country. The centres having a population of less than 50,000 (Tier III to Tier VI centres as per RBI classification) were included in the sample. The findings should, thus, be interpreted accordingly.

### 2.2.2 Target Population

The households formed the unit of assessment for the survey. For the purpose of this survey, a 'household' was defined as 'a group of persons normally living together and taking food from a common kitchen'. By "normally" it is meant that temporary visitors (who have been staying in the household for less than 6 months) are excluded while temporary stay-aways (who have been staying away from the household for less than 6 months) are included. "Sharing food from a common kitchen" is usually given more importance than "Living together" in drawing the boundaries of a household, in case the two criteria are in conflict. For example, a person taking food with his family but sleeping elsewhere (say, in a shop or a different house) due to space shortage or otherwise, the household formed by such a person's family members is taken to include the person also.

The target respondents for NAFIS included all men and women aged 15 years or above. This target population includes all people who are usual residents of the sampled households. This definition includes those individuals residing in the country even though they may not be considered a citizen of the country. The only adults aged 15 years and above who were excluded from the study are those individuals

- visiting the country (e.g. tourists),
- who indicate their usual place of residence is a military base or group quarters (e.g. a dormitory),
- who are institutionalized—including people residing in hospitals, prisons, nursing homes or other such institutions,
- who are mentally unfit to respond accurately to the questions asked in the survey.

In general, the target population of the NAFIS includes individuals usually residing in all geographic areas of the country.

## 2.3 CONCEPTUAL FRAMEWORK

### 2.3.1 Period of the Survey

The survey was conducted between *January, 2017 to June, 2017*. Considering the linguistic requirements of various geographies, the training and the actual data collection was planned in a phased manner to cover all the 29 states. Rigorous monitoring and back-checking mechanisms were put in place to ensure quality and authenticity of data being collected.

### 2.3.2 Reference Period of the Survey

The survey delves into various aspects of rural livelihoods. To obtain correct information on various topics of interest, some variations were made in the reference periods, based on the expected frequency of the occurrence and recall validity. For most of the questions in the questionnaire, the reference period was taken as one year (365 days) preceding the date of survey. For agriculture related details the reference period is the agriculture year 2015-16, i.e., 1 July 2015 to 30 June 2016. The reference period differed for some specific sections like - to obtain reliable consumer expenditure data, a mixed reference method was used where the reference period was taken as last one year for certain non-food items of infrequent consumption and as last one month for all other consumption items, while for certain general items, the reference period was taken as last one year, preceding the date of survey. Similarly, the reference periods for obtaining responses regarding household income, savings, investments, etc. was taken as last one year from the date of survey.

The information regarding loans & borrowings has been elicited separately for two reference periods. One covered loans taken during a one-year calendar period (July 1st, 2015 to June 30th, 2016) and the other, loans taken during the two-year calendar period immediately preceding this period. The availability of valid Kisan Credit Card was considered as on the date of survey, but with regard to its utilization, the respondents were specifically asked about the amount drawn on the same during the last one year preceding the date of survey. Information regarding the membership of any micro finance groups, availability of any form of insurance and pension were elicited as on date of survey. With regard to exposure to distress events, considering that these could be less frequent in nature, the information has been collected for the reference period of last 10 years preceding the date of survey. Exposure to income uncertainties was captured for a reference period of last months preceding the date of survey.

Another major component of NAFIS was collecting individual level details with regard to financial knowledge, attitude and behaviour, and their experience of availing financial services. For capturing their experience while visiting different types of financial institutions, utilizing various banking facilities and payment mechanisms used, they were asked to refer to a period of last three months preceding the survey to capture their most recent experience. For studying the individual level borrowing behaviour, the reference period was kept as the last three years preceding the date of survey.

The usage of different reference periods, as per the suitability of specific issues, provides the schedule with more flexibility and accuracy. For all the relevant analytical tables presented in the subsequent chapters, the reference period considered for obtaining specific information is clearly specified. The results and indicators should be interpreted with due care, keeping in mind the reference period to which the indicator corresponds.

## 2.4 SAMPLE SIZE

The survey adopted a **multi-stage stratified random sampling** design. The survey covered all 29 states of the country. As mentioned earlier, the scope of the survey was restricted to Tier-I to Tier VI centres. The detailed sampling methodology and estimation procedure used for the survey has been given in Annexure I. Overall, the survey covered a total of 40,327 households (HH) across 2016 villages/ wards spread over 245 districts from 29 states. These households together accounted for a population of 1,87,518 persons in all. The number of districts, villages/ wards and number of households covered in each state has been presented in Table 2.1.

**Table 2.1 Number of Districts, Villages/Wards & Number of Households surveyed for NAFIS-2016-17**

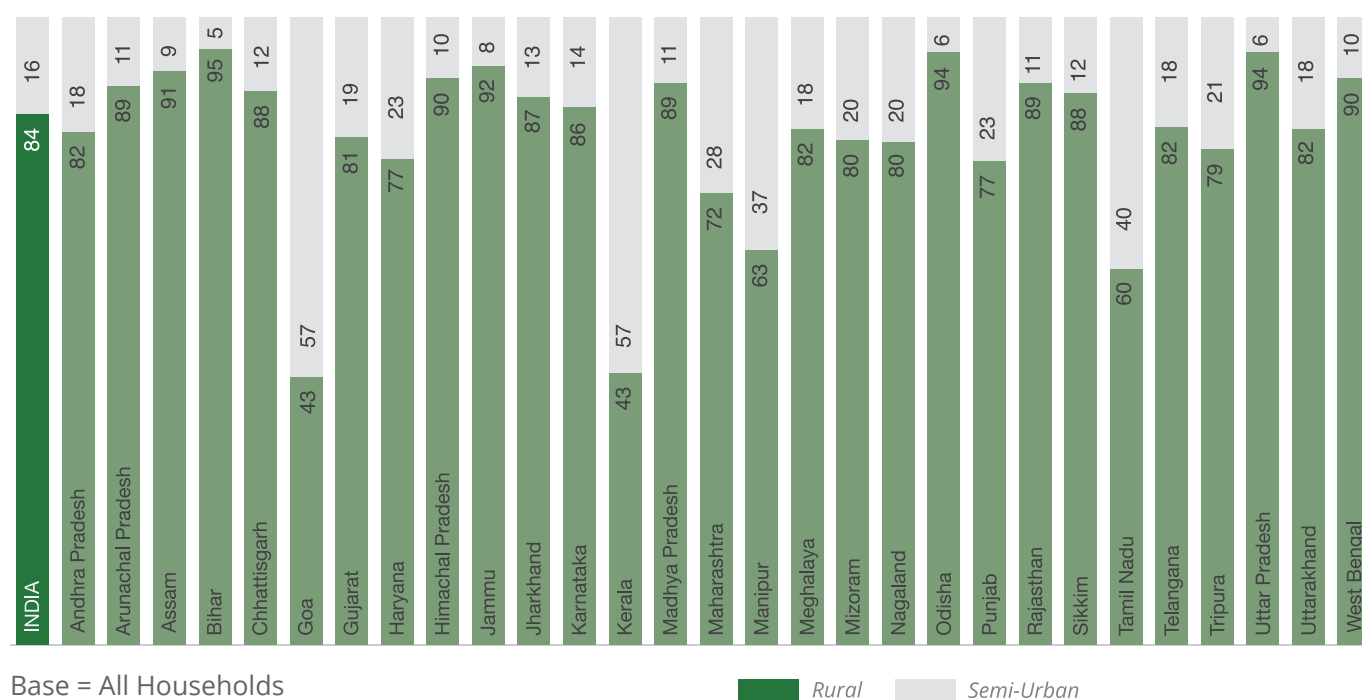
States	Districts	Villages/ Wards	Household
1	2	3	4
Andhra Pradesh	6	48	963
Arunachal Pradesh	6	42	841
Assam	12	72	1466
Bihar	16	128	2592
Chhattisgarh	8	64	1348
Goa	2	42	842
Gujarat	12	72	1403
Haryana	8	56	1148
Himachal Pradesh	4	48	968
Jammu	4	48	989
Jharkhand	12	72	1535
Karnataka	12	84	1680
Kerala	6	66	880
Madhya Pradesh	20	100	1991
Maharashtra	12	108	2165
Manipur	3	42	841
Meghalaya	3	42	840
Mizoram	3	42	850
Nagaland	3	42	917
Odisha	12	72	1440
Punjab	8	56	1119
Rajasthan	12	96	1946
Sikkim	3	42	824
Tamil Nadu	12	96	1915
Telangana	6	48	958
Tripura	4	44	880
Uttar Pradesh	24	192	3924
Uttarakhand	4	48	982
West Bengal	8	104	2080
<b>All India</b>	<b>245</b>	<b>2016</b>	<b>40327</b>

As explained in Annexure-2 – Sampling Design and Estimation Procedure – care was taken to select representative sample, which will yield statistically reliable state-level estimates from the survey.

## 2.5 DISTRIBUTION OF SAMPLE BY TYPE OF LOCATION

The geographical coverage of the survey was restricted to Tier-III to Tier-VI centres<sup>1</sup> with a population of less than 50,000, using the RBI classification. As per RBI guidelines, a '**Centre**' is defined as a revenue unit (and not just the locality) classified and delineated by the respective State Government, i.e., a revenue village/ city/ town/ municipality/ municipal corporation, etc., as the case may be. For the purpose of NAFIS, we use a broader definition of 'rural' as the survey sample is drawn from revenue villages, as well as Census Enumeration Blocks from other centres having a population of less than 50,000, which is a sub-set of the usual 'semi-urban' area that includes centres of up to 1,00,000 population. Figure 2.1 presents an insight into the state-wise share of sample drawn from revenue villages classified as 'rural' and that drawn from 'semi-urban' area falling in the domain of aforementioned definition.

**Figure 2.1 Share of Rural and Semi-urban Households by State (in percentage)**



Overall, the sample is covered from rural areas using census classification (84%) with only 16% households that can be classified as semi-urban considering the definitional criteria explained above. In a majority of states, 80% or more of households belonged to rural areas, with an exception of few states like Goa and Kerala, where 57% households were found to be semi-urban. In Tamil Nadu and Manipur as well, close to two-fifths of the households can be classified as semi-urban. The area in which the household resides forms a distinguishing feature that has an impact on its socio-economic status, the choice of livelihood, and the extent of financial inclusion. In India, there is a prominent difference in the semi-urban and rural areas in terms of accessibility, availability of basic infrastructural amenities and the overall developmental status, with the rural area lagging severely behind its counterparts.

## 2.6 ESTIMATED NUMBER OF AGRICULTURAL AND NON AGRICULTURAL HOUSEHOLDS

The survey captured detailed information about household constitution. Ratio-based weights were used to estimate the total number of households and total number of persons represented by the sample. Table 2.2 presents the state-wise estimated number of agricultural and non-agricultural households along with average household size.

<sup>1</sup> As RBI notification centres are classified as per population: Tier 3: 20,000 to 49,999, Tier 4: 10,000 to 19,999, Tier 5: 5,000 to 9,999 and Tier 6: Less than 5000 (<https://tinyurl.com/y7gv4ryy>).

**Table 2.2 Estimated Number of Households & Persons (In Lakh) and Average Household Size by States**

States	Agricultural Households			Non-Agricultural Households			Total Households		
	No. of Households	Total No. of Persons	Average Household Size	No. of Households	Total No. of Persons	Average Household Size	No. of Households	Total No. of Persons	Average Household Size
1	2	3	4	5	6	7	8	9	10
Andhra Pradesh	33.9	130.5	3.9	66.9	221.8	3.3	100.8	352.4	3.5
Arunachal Pradesh	1.6	8.4	5.1	0.8	3.0	3.8	2.4	11.4	4.7
Assam	29.5	123.8	4.2	32.9	126.2	3.8	62.4	250.0	4.0
Bihar	88.3	487.8	5.5	98.9	490.1	5.0	187.2	977.9	5.2
Chhattisgarh	28.1	136.7	4.9	23.0	96.0	4.2	51.1	232.7	4.6
Goa	0.1	0.3	4.5	2.8	11.5	4.2	2.8	11.8	4.2
Gujarat	47.0	231.3	4.9	34.1	140.9	4.1	81.1	372.2	4.6
Haryana	12.3	65.2	5.3	23.9	115.7	4.8	36.2	180.9	5.0
Himachal Pradesh	10.7	54.4	5.1	4.5	18.6	4.1	15.2	73.0	4.8
Jammu	7.4	35.3	4.8	2.2	9.8	4.4	9.6	45.1	4.7
Jharkhand	28.7	155.4	5.4	27.7	126.1	4.6	56.3	281.5	5.0
Karnataka	118.4	536.1	4.5	82.4	357.8	4.3	200.8	893.8	4.5
Kerala	8.9	36.2	4.0	60.1	233.5	3.9	69.1	269.7	3.9
Madhya Pradesh	77.5	348.8	4.5	56.9	223.5	3.9	134.4	572.3	4.3
Maharashtra	55.5	272.0	4.9	98.5	396.4	4.0	154.1	668.4	4.3
Manipur	3.1	19.6	6.4	2.3	13.4	5.9	5.4	33.0	6.2
Meghalaya	4.1	22.0	5.4	1.1	4.9	4.4	5.2	26.9	5.1
Mizoram	1.2	6.8	5.8	0.4	1.5	4.1	1.5	8.3	5.4
Nagaland	1.5	5.7	3.7	1.9	7.3	3.8	3.5	13.0	3.8
Odisha	52.3	224.3	4.3	37.7	134.4	3.6	90.1	358.7	4.0
Punjab	16.4	85.1	5.2	23.0	100.8	4.4	39.4	186.0	4.7
Rajasthan	71.3	324.3	4.5	41.3	156.9	3.8	112.6	481.2	4.3
Sikkim	0.7	2.9	4.4	0.4	1.7	3.8	1.1	4.6	4.1
Tamil Nadu	15.6	65.1	4.2	105.9	368.0	3.5	121.5	433.1	3.6
Telangana	28.5	117.4	4.1	31.7	110.7	3.5	60.1	228.1	3.8
Tripura	3.1	13.0	4.2	4.8	18.4	3.8	8.0	31.4	3.9
Uttar Pradesh	190.7	1139.2	6.0	113.5	588.7	5.2	304.2	1,727.9	5.7
Uttarakhand	7.3	39.7	5.4	10.5	51.6	4.9	17.9	91.3	5.1
West Bengal	63.4	264.0	4.2	119.2	458.9	3.8	182.7	722.9	4.0
All India	1007.0	4951.3	4.9	1109.5	4588.0	4.1	2116.6	9539.4	4.5

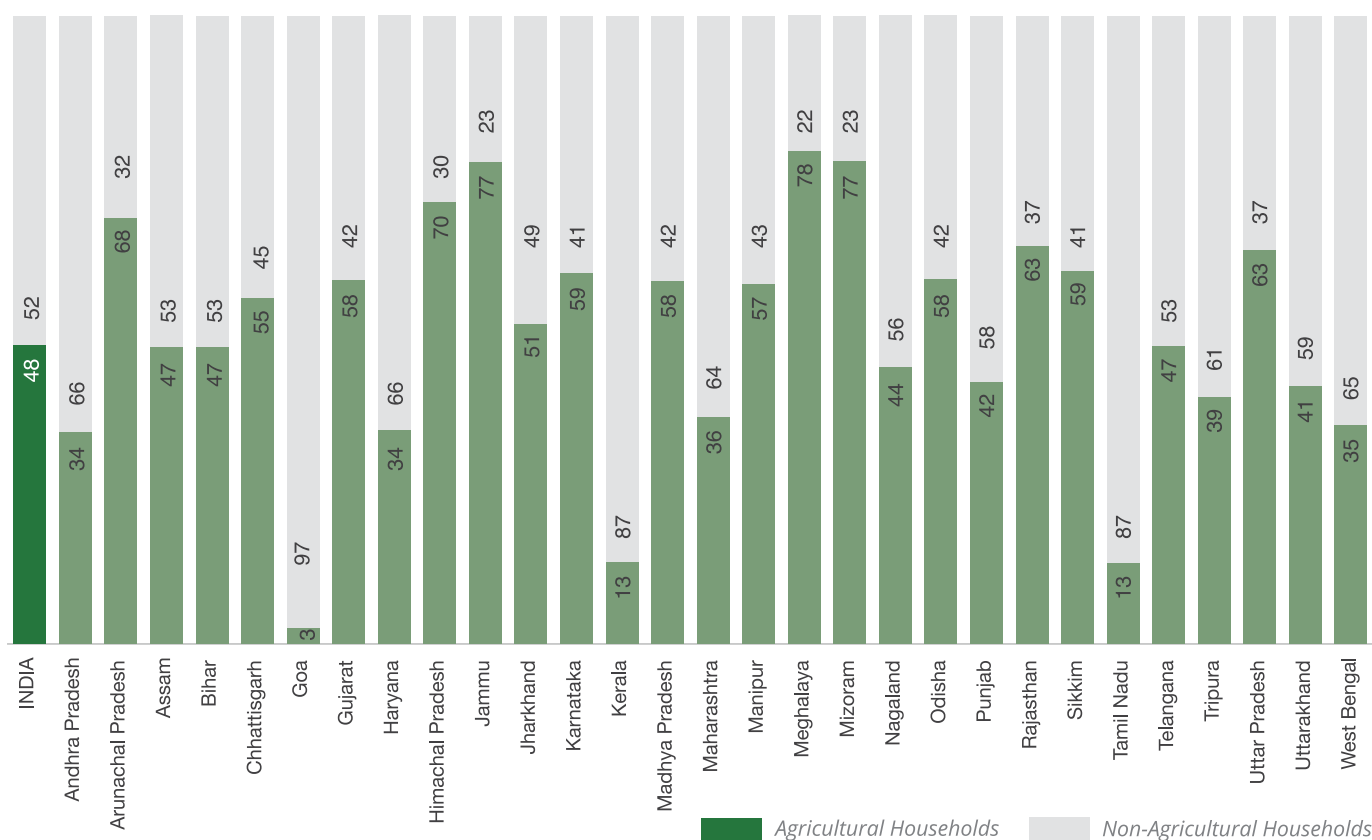
On the whole, the average household size in the survey area was 4.5 persons per household with agricultural households showing larger family size (4.9) as compared to non-agricultural ones (4.1).

## 2.7 TYPE OF HOUSEHOLDS AGRICULTURAL VS. NON-AGRICULTURAL HOUSEHOLDS

For the purpose of gaining better understanding of the broad profile of households falling in the survey area, all the households were categorized into agricultural and non-agricultural households. For the purpose of this survey, an '**Agricultural Household**' (AH) is defined as a household that received some value of produce more than ₹ 5000 from agricultural activities (e.g., cultivation of field crops, horticultural crops, fodder crops, plantation, animal husbandry, poultry, fishery, piggy, bee-keeping, vermiculture, sericulture, etc.) and having at least one member self employed in agriculture either in the principal status or in subsidiary status during last 365 days. The condition of land possession was dispensed with. Further, to eliminate households pursuing agricultural activities of insignificant nature, households that reported a total produce of more than ₹ 5000 during last one year were only considered as agricultural households. '**Non-Agricultural Households**' (NAH) on the other hand included all other households excluding the ones classified as agricultural households.

Overall, based on the definition stated above, 48% of households were identified as agricultural households using the aforementioned definition. The state-wise distribution of AH and NAH has been presented in Figure 2.2.

**Figure 2.2 Share of Agricultural and Non-Agricultural Households by States (in percentage)**



State-wise comparisons reflected in figure above suggest that Meghalaya (78%) and Mizoram (77%) had the highest proportion of more than three-fourths of the households that could be categorized as AH. States including Jammu (77%), Himachal Pradesh (70%),



and Arunachal Pradesh (68%) also had over two-thirds of AH. These trends reflect that for a majority of the states in the hilly regions of the country, agriculture constitutes one of the primary activities being undertaken by rural households. On the other hand, the southern states of the country including Goa (3%), Tamil Nadu (13%) and Kerala (13%) lied on the other side of the spectrum with the least proportion of households being gainfully engaged in agricultural activities. It also needs to be highlighted here that the States like Tamil Nadu and Kerala are urbanizing at a faster pace thus showing lower dependence on agriculture as a major source of livelihood.

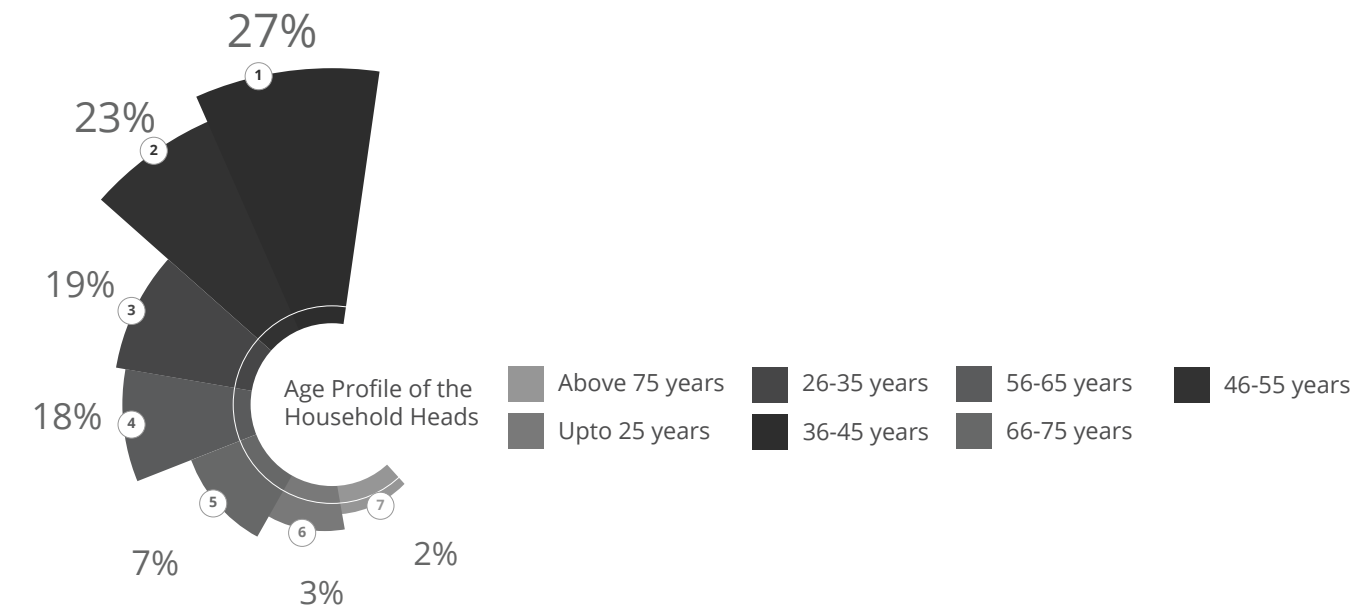
## 2.8 SOCIO-DEMOGRAPHIC PROFILE OF THE HOUSEHOLD HEADS

The survey involved a detailed inquiry about the socio-demographic profile of all the members of the households. The age and educational status of the household heads in particular, has a significant bearing on the overall socio-economic well being of the family.

### 2.8.1 Age Profile of the Household Heads

The person in formal charge of the management of the household is defined as the head of the household. He or she need not necessarily be the principal earning member of the household, but the customary head of the household decided according to tradition. This means that when there is an aged father who does nothing but has an adult son who actually runs the management of the house, the former might still be deemed to be the formal head. However, it is left to the members of a household to decide upon whom they consider to be the household head.

Figure 2.3 Age Profile of the Household Heads (In Percentage)



Base = All Household Heads

Figure 2.3 presents the age profile of the household heads covered under the survey. As depicted, a majority of about half of the household heads were in the age group of 36 to 55 years. Taking all households combined, the average age of the heads worked out to 48 years. When viewed by the type of households, the average age of heads in the agricultural households was reported to be 49 years, while that for non-agricultural households was 46 years. Among the non-agricultural households a majority of 54% heads were reported to be less than 45 years of age, while only 44% among agricultural households were found to be in that age group. This trend is indicative of the rising preferences for non-agricultural livelihoods among the younger population. The distribution of agricultural and non-agricultural households by the age of the household heads is presented in Table 2.3.

**Table 2.3 Distribution of the Household Heads according to age-groups by Type of Household (in percentage)**

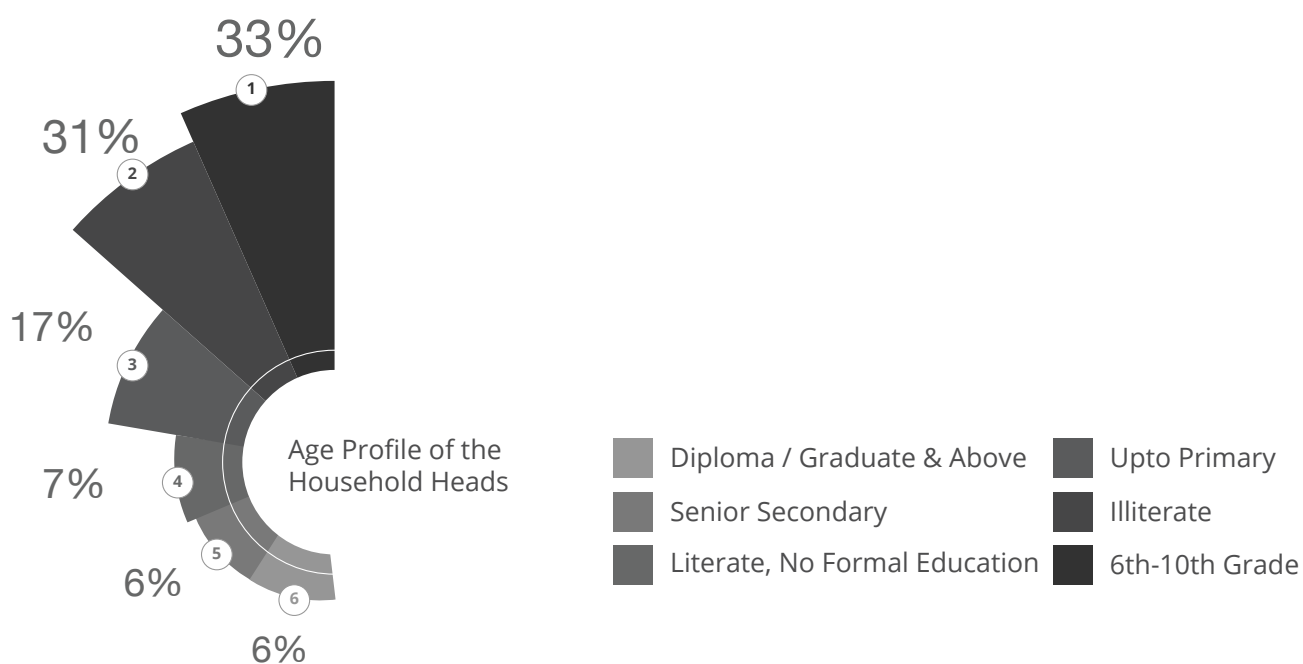
Age Group	Agricultural Households	Non-Agricultural Households
Average age	49	46
Up to 25 years	2.2	4.1
26-35 years	15.9	21.8
36-45 years	26.3	28.0
46-55 years	24.4	21.1
56-65 years	21.1	16.5
66-75 years	8.1	6.9
Above 75 years	2.0	1.6
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>

Base = All Household Heads

## 2.8.2 Educational Status of the Household Heads

The survey also probed into the educational status of all the members of the household. The finding pertaining to the distribution of household heads by their educational status has been presented in Figure 2.4.

**Figure 2.4 Distribution of the Household Heads by their Educational Status (In Percentage)**



Base = All Household Heads

The survey findings reflect that a little lower than one-third of the household heads were completely illiterate, and about 7% could read or write but had not received any formal education. One in every three of the household heads reported to have studied between classes 6th to 10th. On the other hand, only 6% of the household heads could earn a diploma or graduation level degree.

Table 2.4 presents the disaggregated findings for agricultural and non non-agricultural households. When viewed by the type of households, about 40% of the heads in agricultural households were reported to have been completely illiterate or though literate had not attended any formal education, as against 37% of such heads among non-agricultural households. On the whole, the educational status of non-agricultural households was relatively better as compared to the agricultural households.

<b>Table 2.4 Distribution of Household Heads by their Educational Status and by Type of Household (in percentage)</b>		
<b>Educational Status</b>	<b>Agricultural Households</b>	<b>Non-Agricultural Households</b>
Illiterate	32.2	30.3
Literate, No Formal Education	8.0	7.0
Upto Primary	17.7	15.9
6th-10th Grade	31.4	33.8
Senior Secondary	6.1	6.4
Diploma / Graduate & Above	4.6	6.6
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>

Base = All Household Heads

### 2.8.3 Gender Distribution of the Household Heads

The gender distribution of household heads was studied to estimate the proportion of female headed households. Taking all households combined, 11.8% households reported females as their heads. When analysed by the type of household, some disparity was observed with only 9% of agricultural households reporting to have female heads as compared to 14% female heads in non-agricultural households.

This chapter attempted to throw light on pertinent sample characteristics which must be borne in mind while interpreting the findings presented in chapters ahead.

## ASSET OWNERSHIP

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The term 'asset' is defined as 'the stocks of financial, human, natural or social resources that can be acquired, developed, improved and transferred across generations'. Ownership, access, and control over productive assets are considered as important indicators of the overall well-being of individuals and households. On one hand, they act as a social safety net, strengthening household's ability to cope with and respond to shocks by enhancing their ability to diversify their income and ease liquidity constraints. On the other hand, it serves as an income generating mechanism enhancing households' productive capacity, ensuring access to credit, and capital.

The survey inquired into the status of households with regard to ownership of various physical assets like land, livestock, high value agricultural implements or consumer durables. The sub-sections ahead present a description of households on the basis of ownership of various types of assets which give an insight into the distribution of wealth among the various categories of households.

### 3.1 OWNERSHIP & POSSESSION OF LAND

Land forms an important livelihood asset for the households. The ownership of land helps enhance the income opportunity and reduce poverty. One of the most significant advantages of ownership is that it acts as a collateral for accessing credit. It acts as an indispensable input in cultivation. It can be reused multiple times, offering enhanced economic returns to the households. And above all, it can offer the advantage of liquidity and acts as a general indicator of affluence.

When inquiring about the household asset portfolio, the households were asked to give details of the total land available including cultivated land, current fallows, orchards & plantation, barren land & pastures, land used for non-agricultural uses, as well as homestead land. They were asked to provide details for all such types of land in terms of the area over which the household has the legal ownership right, the area leased-in or leased-out by them, and area over which they have no legal right but is possessed otherwise.

### 3.1.1. Land Owned

Using the NSSO definition, a plot of land was considered to be owned by the household, if permanent heritable possession (with or without the right to transfer the title), was vested in a member or members of the household. Table 3.1 presents the state-wise average size of land owned by agricultural and non-agricultural households including the homestead land.

<b>Table 3.1 Average Land (including Homestead Land) Owned by Households by States (in Hectare)</b>			
States	Agricultural Households	Non-Agricultural Households	All Households
1	2	3	4
Andhra Pradesh	1.06	0.17	0.47
Arunachal Pradesh	1.46	0.37	1.11
Assam	0.98	0.27	0.61
Bihar	0.40	0.08	0.23
Chhattisgarh	1.23	0.16	0.75
Goa	1.32	0.10	0.13
Gujarat	1.05	0.09	0.65
Haryana	1.57	0.11	0.60
Himachal Pradesh	0.47	0.15	0.37
Jammu	0.44	0.23	0.39
Jharkhand	0.67	0.14	0.41
Karnataka	1.19	0.28	0.81
Kerala	0.74	0.06	0.15
Madhya Pradesh	1.72	0.10	1.03
Maharashtra	1.67	0.13	0.69
Manipur	1.02	0.34	0.73
Meghalaya	0.79	0.07	0.64
Mizoram	1.36	0.57	1.18
Nagaland	2.06	0.46	1.16
Odisha	0.52	0.12	0.35
Punjab	1.04	0.16	0.53
Rajasthan	1.90	0.30	1.32
Sikkim	0.43	0.21	0.34
Tamil Nadu	1.05	0.08	0.20
Telangana	1.01	0.20	0.58
Tripura	0.42	0.13	0.25
Uttar Pradesh	0.69	0.12	0.47
Uttarakhand	0.63	0.10	0.32
West Bengal	0.37	0.07	0.17
All India	1.00	0.13	0.54

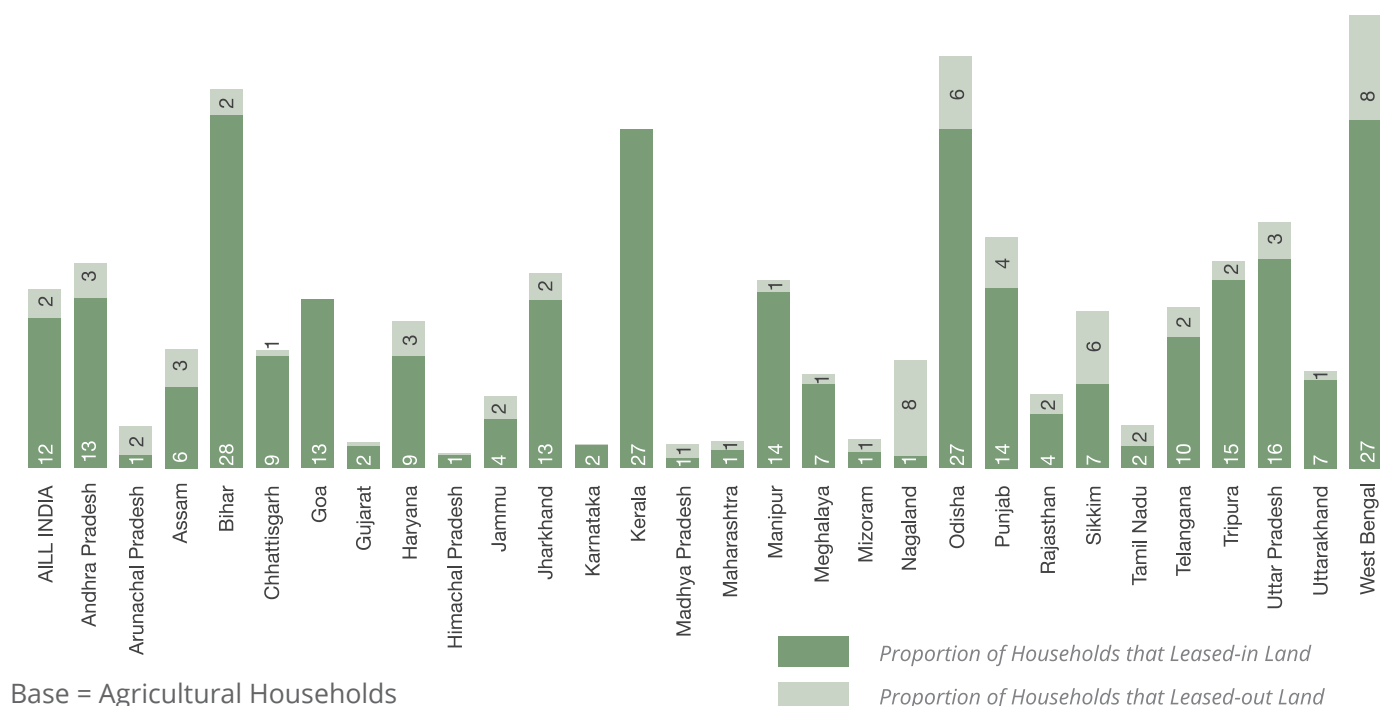
Base = All Households

On the whole, taking all households combined, the average size of land owned was 0.54 hectare per household. When analysed by the type of households, the agricultural households understandably reported a much larger ownership of land with the average size (1.0 ha per HH) being almost eight times that for non-agricultural households (0.13 ha per HH). State-level analysis reflects that households in Rajasthan had the largest reported land ownership per household (1.32 ha), followed by the states of Mizoram (1.18 ha), Nagaland (1.16 ha), Arunachal Pradesh (1.11 ha), and Madhya Pradesh (1.03 ha). When comparing agricultural households, the ones in the states like Nagaland (2.06 ha), Rajasthan (1.90 ha), Madhya Pradesh (1.72 ha), Maharashtra (1.67 ha), and Haryana (1.57 ha) reported possession of much larger landholdings as compared to others. On the other hand, the smallest average landholdings were reported from the states of West Bengal (0.37 ha), Bihar (0.40 ha), Tripura (0.42 ha) and Sikkim (0.43 ha).

### 3.1.2. Land Leased-in and Leased-out

Land given to others on rent or free by the owner of the land without surrendering the right of permanent heritable title was defined as land leased-out. It was defined as land leased-in, if it was taken by a household on rent or free without any right of permanent or heritable possession. The lease contract could be written or oral. NAFIS also investigated into the area of land, which was leased-in or leased-out by the households. The state-wise trends of proportion of agricultural households reportedly having leased-in or leased-out land, have been reflected in Figure 3.1.

**Figure 3.1 Proportion of Agricultural Households that reported to have Leased-in or Leased-out Land by States (in percentage)**



The overall findings reflect a greater tendency of agricultural households to lease in land from large land owners for agricultural use. Taking all households combined, about 12% reported to have leased in some land while only a miniscule 2% leased out some land.

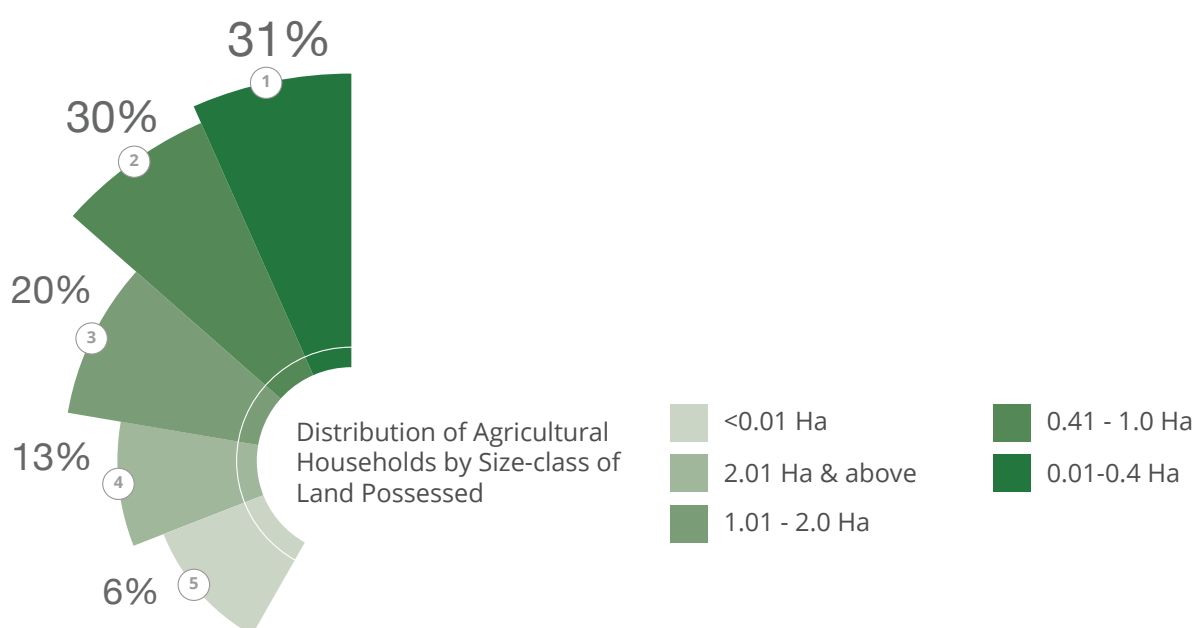
As regards leasing in of land, the agricultural households in Bihar, West Bengal, Odisha, and Kerala exhibited greater tendency to lease-in land, with a little over one-fourth of the

households reporting the same. The tendency of leasing out lands was comparatively higher among states like Nagaland (8%), West Bengal (8%), Odisha (6%) and Sikkim (6%).

### 3.1.3. Land Possessed

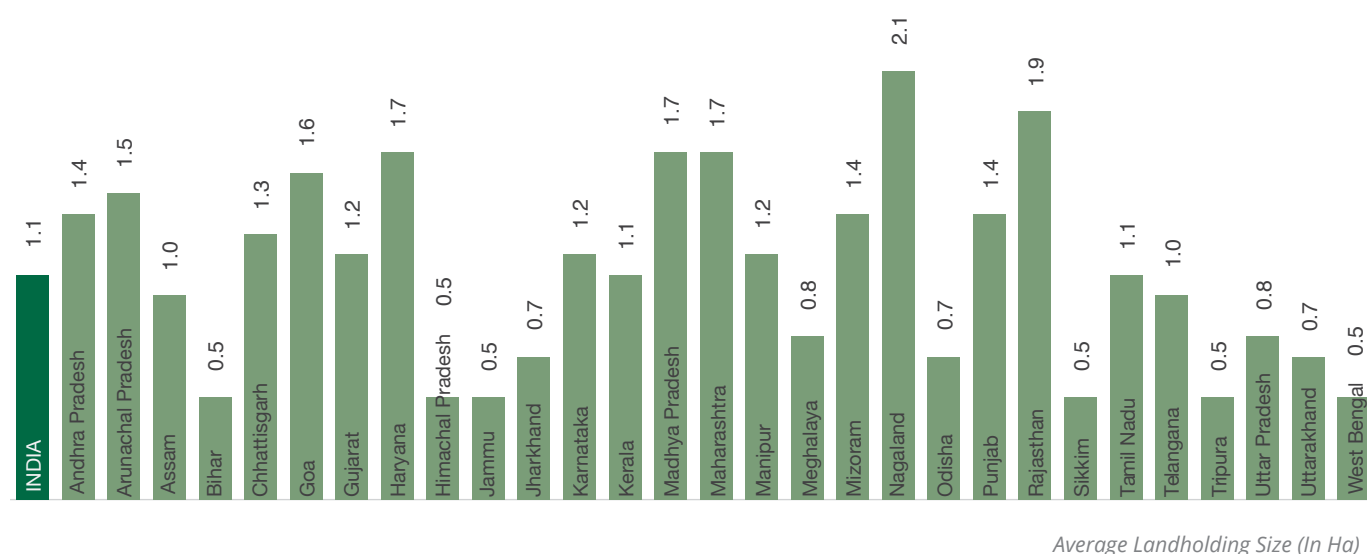
The survey also delved into the size of land possessed per household. Land possessed was calculated by adding the land owned (including that with owner like possession), land leased in and land possessed by household but neither owned nor leased in (e.g., encroached land) and by deducting the land leased out. Based on the total land possessed by the agricultural households, they were classified into 5 land size classes as depicted in the Figure 3.2.

**Figure 3.2 Distribution of Agricultural Households by Size-class of Land Possessed (in percentage)**



Base = Agricultural Households

**Figure 3.3 Average Size of Land Possessed by Agricultural Households by States (in hectares)**



Base = Agricultural Households

Distribution of agricultural households by size-class of land possessed reflects that about 37% of households had less than 0.4 hectare land. Another 30% of the agricultural households reported land sizes ranging from 0.41 to 1 hectare, and the remaining one-third had land sizes ranging up to more than 1 hectare.

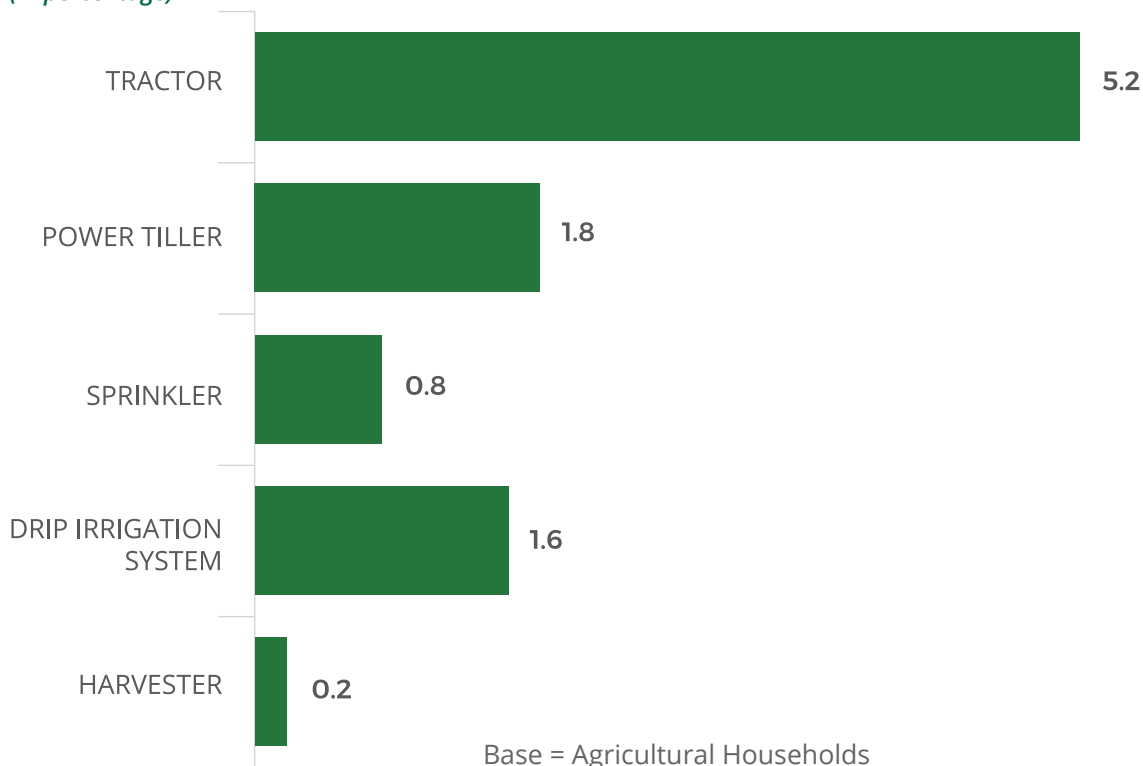
Land sizes have a significant impact on the farming potential and output for the agricultural households, thus demanding attention of organizations working with communities dependent on farm-based activities. Assessment of the status of agricultural households with respect to possession of land revealed an average landholding size of 1.1 hectares per agricultural household. Figure 3.3 presents a state-wise comparison of the average size of land possessed by agricultural households covered under NAFIS.

Overall, wide variations were observed among states with respect to average land size possessed by agricultural households. On one extreme, the states like Nagaland (2.1 ha), Rajasthan (1.9 ha), Haryana (1.7 ha) reported higher land sizes per household. Whereas, on the other extreme, states like Bihar, Himachal Pradesh, Jammu, Sikkim, Tripura, West Bengal had very low land sizes of about 0.5 ha per household. The land sizes reported above are to some extent reflective of the status of cultivator households and their farming potential which depends on land availability to a large extent.

## 3.2 OWNERSHIP OF AGRICULTURAL ASSETS

The households were further inquired if they owned agricultural equipment. The survey assessed the ownership of 5 high-value agricultural assets among agricultural households including tractor, power tiller, sprinkler, drip irrigation systems, and harvester. The extent of ownership of such livelihood assets has a major impact on productivity and profitability of agricultural activities that the households are engaged in. Figure 3.4 presents the status of agricultural households with regard to ownership of these agricultural assets.

**Figure 3.4 Proportion of Agricultural Households Reporting Ownership of High Value Agricultural Assets (in percentage)**





As reflected in the figure above, a very small proportion of agricultural households reported to have possessed these high-value agricultural assets. Overall, only 5% households reported to be owning tractors for agricultural use. When compared across states, the highest proportion of agricultural households reporting ownership of tractors were found in Punjab (31%), followed by the agricultural households in Gujarat (14%) and Madhya Pradesh (13%). Power tillers were found to be more common in the States of Andhra Pradesh (15%) and Telangana (7%), while the average ownership for the country was 1.8%.

On the whole, only about 1% and 1.6% agricultural households reported ownership of sprinklers and drip irrigation systems, while the harvester was reported to have been owned by a mere 0.2% households across the country.

### 3.3 OWNERSHIP OF LIVESTOCK

India is endowed with the largest livestock population in the world. It accounts for about 57.3 per cent of the world's buffalo population and 14.7 per cent of the cattle population. There are about 71.6 million sheep, 140.5 million goats and about 11.1 million pigs in the country. Animal husbandry, dairying and fisheries activities play an important role in the national economy and in the socio-economic development of the country. These activities have contributed to the food basket, nutrition security and household income of the farmers and play a significant role in generating gainful employment in the rural areas, particularly among the landless, small and marginal farmers and women, besides providing cheap and nutritious food. Livestock are the best insurance for farmers against vagaries of nature like drought and other natural calamities.

**Table 3.2 Proportion of Households Reporting Ownership of Livestock Assets (in percentage)**

Type of Household	Milch Animals	Draught Animals	Small Ruminants	Poultry Birds
1	2	3	4	5
Agricultural Households	50.7	10.8	13.6	8.8
Non-Agricultural Households	5.7	1.9	4.1	3.1
All Households	27.1	6.1	8.6	5.8

The sampled households were enquired about the number of various types of animals owned by the household for commercial purposes including milch animals like cows & buffaloes; draught animals like oxen, camel etc.; small ruminants like sheep, goat, & lamb; and poultry birds. All these animals are known to yield good economic returns for the owners. Table 3.2 presents the status of agricultural and non-agricultural households in this regard.

The agricultural households reported higher ownership of livestock which forms an important source of livelihood for them. Milch animals were most common with about 51% agricultural households reporting their ownership. Small ruminants were also present in considerable 14% of agricultural households. Some of the non-agricultural households also reported ownership of these animals, but the value of produce from these animals was very minimal.

### 3.4 OWNERSHIP OF CONSUMER DURABLES

Ownership of high valued consumer durables is also reflective of the economic well being of households. Their availability primarily indicates the ability of households to allocate their income for such aspirational expenses. The surveyed households were inquired about the availability of 8 major high-value consumer durables including - television, radio/transistor, computer or laptop, air conditioner, car, landline telephone, mobile phones and two-wheelers. Table 3.3 exhibits the status of households in terms of ownership of such products.

**Table 3.3 Proportion of Households Reporting Ownership of Various Consumer Durables (in percentage)**

Type of Household	Television	Radio/ Transistor	Computer/ Laptop	Air Conditioner	Car	Scooter/ Motorcycle	Telephone- Landline	Telephone- Mobile
1	2	3	4	5	6	7	8	9
Agricultural Households	55.7	3.9	1.8	1.9	2.9	37.9	0.5	89.1
Non-Agricultural Households	59.4	5.4	2.9	2.2	2.3	31.3	0.9	85.3
All Households	57.6	4.7	2.4	2.1	2.6	34.4	0.7	87.0

Overall, mobile telephones show the highest penetration with more than 80% households reporting to have at least one mobile available. Television emerged as the next most common item, with close of three-fifths of the households reporting its ownership, followed by over one-third who reported availability of two-wheelers like scooters/ motorcycles, etc. High levels of ownership of mobile phones and television indicate towards the high potential of these assets to be used as media for various communication-based initiatives.

The findings presented in the chapter are indicative of the overall economic status of the rural households. The availability of land, livestock and farm equipment have a great bearing on the earning potential of the household. The chapters ahead describe the dependence of these households on various sources of income and actual income generated from various economic activities that they are currently pursuing.

## CHAPTER 4

# SOURCES OF LIVELIHOOD & INCOME

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Engagement of labour force in gainful employment is a critical determinant of development as it helps generate desirable resources and capitalize on available opportunities. This chapter attempts to describe the situation of households in terms of usual activity status of household members, sources of livelihood, and trends pertaining to household income. It documents the level of income, disparity across various socio-economic classes and the sources that contribute to the overall income of the households. While financial resources alone are insufficient to ensure the health, educational attainment and gender inequality in households, the lack of it is surely a major constraint.

Access to financial resources has been defined as an instrumental freedom in the broad discourse on human development. Hence, it would be pertinent to understand the status of households with regard to major sources of income, and the disparities across various segments of the community. Such information would be vital to formulate programmes aimed at enhancing livelihood status of targeted communities.

### 4.1 PROFILE OF HOUSEHOLD MEMBERS

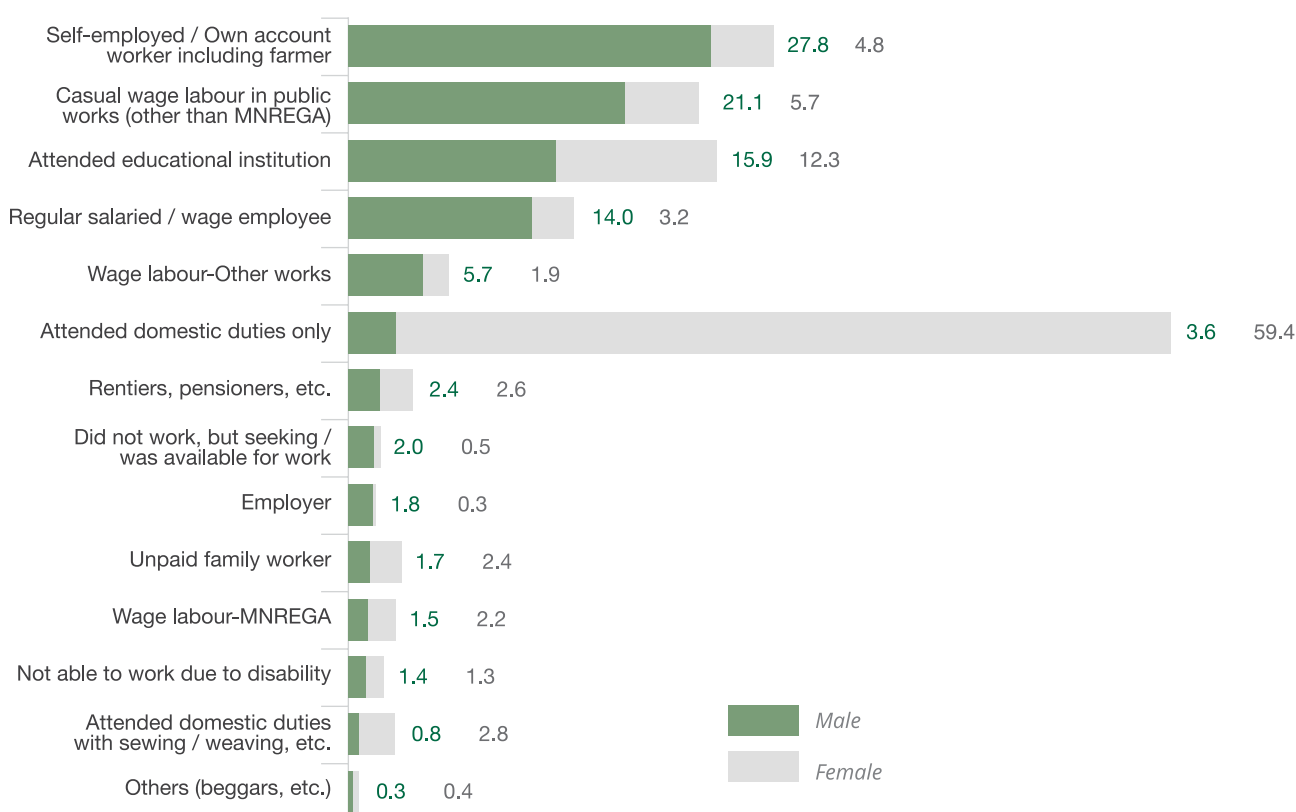
As stated earlier, the survey captured detailed information about all the household members. Besides the demographic details, some of the pertinent areas of enquiry included - usual and secondary activity status of members, whether they have received any training for the principal activity that they are carrying out, and whether they feel the need for any skill training. The sections ahead present the findings of the survey along these important aspects.

#### 4.1.1. Usual Activity Status of the Household Members

The survey captured the activity status of all the members of the household who were aged 15 years and above. The findings obtained in this regard have been disaggregated by gender of members to yield an insight into the engagement of members in various types of activities. Figure 4.1 depicts the distribution of household members by reported usual activity.

The survey findings reflect that among the male members, more than one-fourth of them reported to be self employed or own account worker which included farmers. Casual labour in public works emerges as the second most prominent activity with 21% of male members reporting to be engaged in the same. About 16% men reported to be attending educational institutions and 14% were working as regular salaried or wage employee. On the contrary, about 60% of women members were not engaged in any economic activity and reported to be attending to domestic duties only. Out of the remaining, a majority of 12% were attending educational institutions and 5% and 6% respectively were self employed and casual wage labour in public works. This goes on to reflect that a majority of women are not engaged in any economically gainful activity.

**Figure 4.1 Distribution of Household Members above 15 years by their Usual Activity Status (In Percentage)**



Base = All Household Members

When probed about engagement in any subsidiary activity, about 74% males and 82% females reported as not being engaged in any.

#### 4.1.2. Household Members Trained to Carry out Principal Activity

The importance of formal training for improving the work output and productivity of individuals can hardly be overemphasized. After probing into their usual activity status, the members were further enquired if they had received any formal training to carry out the principal activity that they are engaged in. Overall, merely 11% of the members reported to have received any training for the reported usual activity. When analysed by type of household, about 14% of the members of non-agricultural households reported have received any formal training as compared to about 9% members in agricultural households. Table 4.1 presents the findings with regard to status of training of members in relation to their principal activity by type of households.

**Table 4.1 Proportion of Members who Reported to have Received any Training to Carry out their Principal Activity by Type of Activity and Educational Status (in percentage)**

Characteristics	Agricultural Households	Non-Agricultural Households	All Households
1	2	3	4
Overall	8.5	14.4	11.4
By Type of Usual Activity			
Self-employed / Own account worker	5.3	13.7	7.5
Employer	18.0	18.1	18.0
Unpaid family worker	3.8	2.8	3.5
Regular salaried / wage employee	28.1	32.4	30.9
Casual wage labour in public works (other than MNREGA)	4.9	5.0	5.0
Wage labour-MNREGA	8.8	3.7	5.6
Wage labour-Other works	12.7	17.0	15.6
Does not work, but seeking/ is available for work	8.3	5.0	6.5
Attends to domestic duties with sewing/ weaving, etc.	5.6	6.5	6.1
By Educational Status of Members			
Illiterate	3.8	3.5	3.7
Literate, No Formal Education	4.1	13.0	8.5
Upto Primary	6.3	12.2	9.1
Grade 6th to 10th	8.9	15.0	11.9
Sr. Secondary	11.8	23.4	17.5
Graduate/PG/Diploma, etc.	22.7	34.1	28.4

Base = All Household Members

In all, there is still a large proportion of population that has not received any formal training to carry out their usual activity, which is a pointer to a vast scope for improvement in this aspect.

#### 4.1.3. Household Members who Express the Need to Learn New Skills

The preceding discourse reflects the imminent need for skills building in order to enhance the capacity and improve the performance of individuals. The survey also attempted to investigate if the members are experiencing a need for learning new skills.

**Table 4.2 Proportion of Members who are Keen to Learn New Skills by Type of Activity and Educational Status (in percentage)**

Characteristics	Agricultural Households	Non-Agricultural Households	All Households
1	2	3	4
Overall	16.9	15.3	16.1
By Type of Usual Activity			
Self-employed / Own account worker	15.0	14.7	15.0
Employer	7.3	7.1	7.2
Unpaid family worker	11.4	10.0	11.1
Regular salaried / wage employee	24.4	18.6	20.7
Casual wage labour in public works (other than MNREGA)	17.3	14.7	15.7
Wage labour-MNREGA	13.5	4.0	7.6
Wage labour-Other works	24.6	22.1	22.9
Does not work, but seeking/ is available for work	23.9	11.4	17.2
Attends to domestic duties with sewing / weaving, etc.	12.2	10.7	11.4
By Educational Status of Members			
Illiterate	11.4	12.1	11.7
Literate, No Formal Education	13.7	12.6	13.2
Upto Primary	14.7	11.4	13.1
Grade 6th to 10th	17.9	16.3	17.1
Sr. Secondary	25.0	19.7	22.4
Graduate/PG/Diploma, etc.	24.4	22.9	23.7

Base = All Household Members

As depicted in Table 4.2, overall, about 16% of the members were reported to be in need of any skill training. Disaggregation by type of households and member characteristics revealed that members in agricultural households reflect a greater need for skill building when compared to their non-agricultural counterparts. Further, in terms of education, the better educated members across both types of households expressed a relatively higher need for capacity building as compared to the others on the lower end of educational hierarchy.

## 4.2 AVERAGE MONTHLY HOUSEHOLD INCOME BY SOURCE

The survey involved detailed enquiry into the amount of household income from various sources in the last one year preceding the survey. The net income for households was derived by adding income from all sources for a particular household, and deducting the expense incurred towards pursuing income generating activities like cultivation, livestock rearing and other enterprises. **Cultivation** included agricultural activities related to crop production/ plantation/ Orchard. **Livestock rearing** involved use of animals for gaining economic returns. **Other Enterprise** included sources like trader/ shopkeeper/ petty businesses; selling NTFP/ Forestry products; fee from professional self employment; and various micro or other enterprises involved in offering services or manufacturing. **Wage Labour** was taken to include sources like MNREGA activity, agricultural labour, and skilled or unskilled non-agricultural labour. **Government or Private Job** formed a separate category all together. In addition, income from **other sources** including income from rent on building of land, income from interest earned on bank deposits, dividend or interest earned from investments were also included while calculating the total income of the household. It will be apt to highlight here that income from transfers and remittances have been excluded while calculating the income of the household.

For all households combined, the average monthly income stood at ₹ 8059, with that being higher for agricultural households (₹ 8931) as compared to non-agricultural ones (₹ 7269). Table 4.3 presents the contribution of various sources in the household income by type of households.

**Table 4.3 Average Monthly Household Income by Source of Income (In Rupees)**

Source of Income	Agricultural Households	Non-agricultural Households	All Households
1	2	3	4
Cultivation	3140 (35%)	NA	1494 (19%)
Livestock Rearing	711 (8%)	NA	338 (4%)
Other Enterprises	489 (6%)	851 (12%)	679 (8%)
Wage Labour	3025 (34%)	3940 (54%)	3504 (43%)
Govt./ Pvt. Service	1444 (16%)	2326 (32%)	1906 (24%)
Other Sources	122 (1%)	152 (2%)	138 (2%)
All Sources Combined	8931 (100%)	7269 (100%)	8059 (100%)

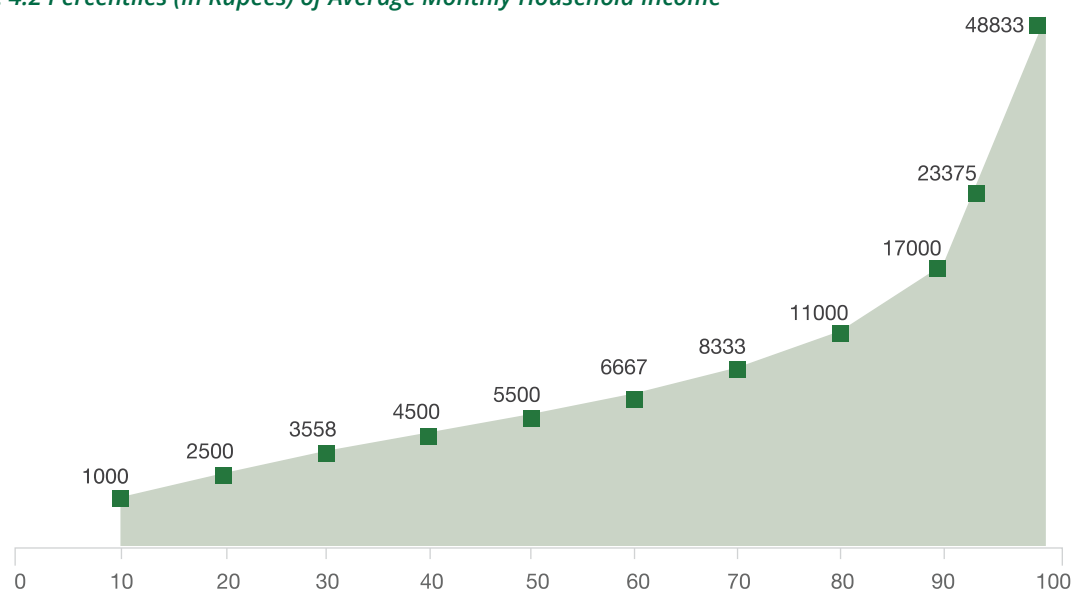
The figures presented above highlight that wage labour was the most remunerative source of income for all households contributing a major proportion of roughly half of the total household income, the contribution being higher among non-agricultural households as compared to the agricultural ones. For the agricultural households, cultivation remained as the most prominent source contributing roughly 35% of the overall monthly income, followed by wage labour (34%) and Govt./ private services (16%). Among the non-agricultural ones, it was the Government/ private service which contributed maximum (32%) to the total household income after wage labour which made up for roughly 54% of the total income.

### 4.3 DISTRIBUTION OF HOUSEHOLDS BY MONTHLY INCOME

Based on the reported monthly income the households were divided into percentile classes of 10% each by arranging them in ascending order of income. Thereafter, the cut-off point for the monthly income was calculated for households falling in each percentile class. The pattern of distribution of households on the basis of the monthly income has been depicted in Figure 4.2.

As evidenced, 20 percent of households earned ₹ 2,500 or lesser per month which appears insufficient to meet the bare necessities of life. A sharp rise was seen in the households falling in the top 20th percentile, with income level rising from roughly ₹ 11,000 to ₹ 48,833 per month. The rise in income was much steep in the 99th percentile households which earned more than twice the ones in the 95th percentile and about four times the ones in the 80th percentile. These figures are reflective of wide income disparities in the rural communities with a very large divide between the rich and the poor. These disparities may be attributed to existing inequalities in terms of households' ability to access various resources and opportunities which are essential for their development.

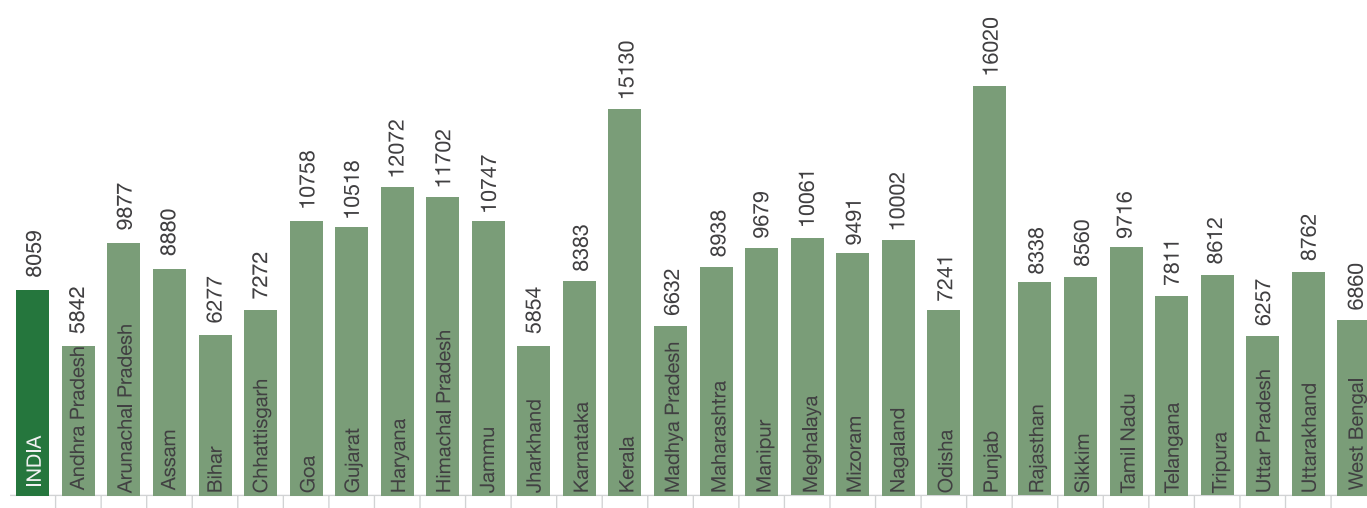
*Figure 4.2 Percentiles (in Rupees) of Average Monthly Household Income*



Base = All Households

The state-wise findings pertaining to average monthly household income have been reflected in Figure 4.3.

*Figure 4.3 Average Monthly Household Income by States (in Rupees per month per household)*



Base = All Households



## 4.4 INCOME FOR AGRICULTURAL HOUSEHOLDS BY SIZE CLASS OF LAND POSSESSED

In view of the operational focus of NAFIS, an in-depth analysis of income of agricultural households was done from various perspectives. Besides studying the quantum of monthly income for agricultural households, the survey also attempted to delve in the livelihood pattern of these households. At this juncture, when the Government is committed to doubling the farmers' income, these findings may be of special interest for devising state-level policies and tracking the performance of these states in subsequent surveys taking the findings of this survey as a base. These figures will act as important benchmarks for various state-level agencies working in this direction.

Table 4.4 presents the findings pertaining to the contribution of various sources to the average monthly income of agricultural households covered under the survey.

**Table 4.4 Average Monthly Income of Agricultural Household from Different Sources by Size Class of Land Possessed (In Rupees per month per household)**

Size Classes	<0.01 ha		0.01-0.40 ha		0.41-1.00 ha		1.01-2.00 ha		>2.00 ha	
Sources of Income	Amount	(Share %)	Amount	(Share %)	Amount	(Share %)	Amount	(Share %)	Amount	(Share %)
1	2		3		4		5		6	
Cultivation	566	(7.0)	1488	(22.4)	2501	(30.6)	4485	(44.9)	7572	(51.6)
Livestock Rearing	1345	(16.5)	517	(7.8)	624	(7.6)	763	(7.6)	978	(6.7)
Other Enterprises	251	(3.1)	384	(5.8)	455	(5.6)	416	(4.2)	1030	(7.0)
Wage Labour	3508	(43.1)	2932	(44.1)	3044	(37.3)	2777	(27.8)	3340	(22.7)
Govt/ Pvt Service	2192	(26.9)	1281	(19.3)	1398	(17.1)	1419	(14.2)	1612	(11.0)
Other Sources	274	(3.4)	48	(0.7)	148	(1.8)	130	(1.3)	150	(1.0)
<b>Total Income</b>	<b>8136</b>	<b>(100.0)</b>	<b>6650</b>	<b>(100.0)</b>	<b>8171</b>	<b>(100.0)</b>	<b>9990</b>	<b>(100.0)</b>	<b>14682</b>	<b>(100.0)</b>

Base = Agricultural Households

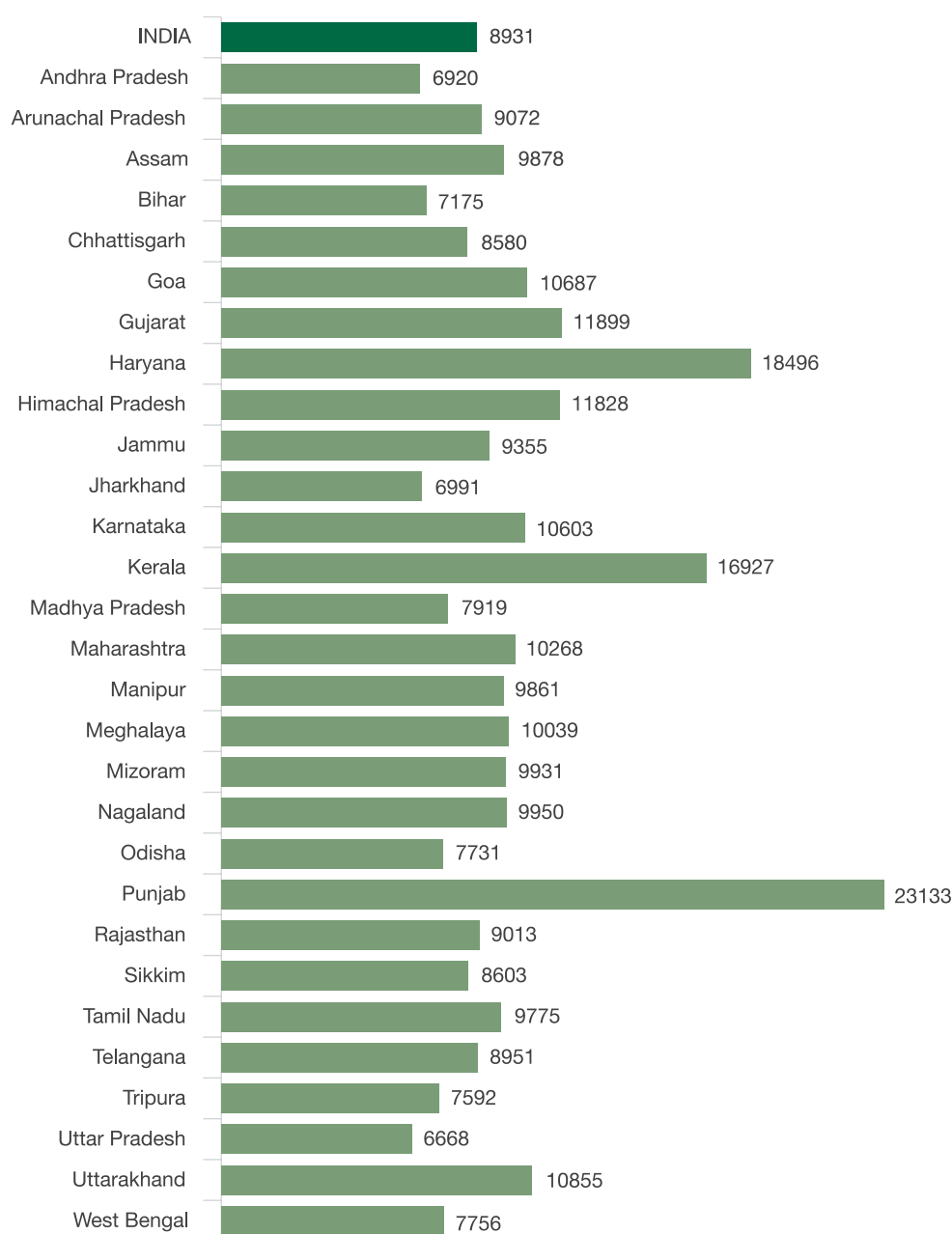
The figures presented are indicative of a positive correlation between the average monthly income and size class of land possessed. The agricultural households with more than 2 ha of land earned close to 2 times the amount earned by the ones having marginal landholdings. Agricultural households with less than 0.01 ha of land showed a minor deviation from the trend with the average income of ₹ 8,136 per month, which is higher than households in the subsequent size class (₹ 6,650). This may be attributed to the fact that these households reflected heavy dependence on other sources of income like livestock rearing, wage labour, and Govt./ private service, as the income from cultivation alone may not suffice their needs. As shown in the table above, for households in the size class of less than 0.1 ha of land, wage labour was the most prominent source with the average contribution of ₹ 3,508 to the total income of ₹ 8,136. Government/ private service emerged as next most preferred source with the average contribution of ₹ 2,192, followed by livestock rearing (₹ 1,345).

Among other size classes also, wage labour remained as the most prominent source making maximum contribution to the total income for the households in the every land size class up to 1.0 ha. In households having more than 1 ha land cultivation emerged as the major source of income. If we analyze the contribution of cultivation to the income of agricultural

households, it shows a steady increase by size class of land possessed. Among agricultural households with size class of less than 0.01 ha, cultivation accounted for merely 7% of the total household income, while for the size class of more than 2.0 ha its contribution increased to more than 50% of the total income. In absolute terms, the income from cultivation exhibited a marked increase by size class of land possessed with households having the land size of more than 2 ha reporting to have earned over 13 times the income from the same source for households with less than 0.1 ha of land. This may directly be attributed to greater production potential and thereby higher profitability because of the scale of cultivation undertaken on the land available.

The status of agricultural households with respect to average monthly income by States is reflected in Figure 4.4.

**Figure 4.4 Average Monthly Income of Agricultural Households by States (In Rupees per month per household)**



Base = Agricultural Households

A marked variation was noted among states with respect to the average monthly household income of agricultural households. The agricultural households in states like Punjab (₹ 23,133), followed by Haryana (₹ 18,496) and Kerala (₹ 16,927) reported maximum levels of

income which is indicative of the fact that this sector is making a sizeable contribution to the State's economy. On the other hand, agricultural households from states like Jharkhand (₹ 6,991), Andhra Pradesh (₹ 6,920) and Uttar Pradesh (₹ 6,668) reported very low average monthly incomes of less than ₹ 7,000 per household indicating towards the dismal scenario of agriculture in these states.

#### 4.5 DEPENDENCE ON MULTIPLE SOURCES OF INCOME

NAFIS delved into the sources of livelihood by probing the households about details of the various sources of income. One of the key advantages of such elaborate income data is that it helps examine the sources of livelihoods, and to identify the way in which these sources are related to income and poverty. In India, as in most developing economies, households derive income from a wider range of sources than is typically true in advanced industrial economies.

Recent researches have suggested a shift from the primary to secondary & tertiary sources of income across the country. As a result of economic development, structural changes in the economy occur and the relative importance of different sectors in contributing to the households' income changes. These changes are translated in good measure into employment changes as well so that percentage shares of primary, secondary and tertiary sectors change. In the course of the development process, a normally expected pattern of structural change is a gradual shift from the primary and secondary sectors to the tertiary sector. The latter sector tends to become an increasingly predominant employment provider.

**Table 4.5 Distribution of Households by Number of Sources of Income (in percentage)**

Category	Single Source	Two Sources	Three Sources	Four or More Sources	Total
1	2	3	4	5	6
All Households	46.6	33.3	15.7	4.4	100.0
Agricultural Households	12.7	49.7	28.7	8.9	100.0
Non-Agricultural Households	79.4	17.4	3.2	0.0	100.0

The income data reported by surveyed households were analysed to study the number of sources that the households usually depend on for their income and the way their income levels vary by the number of sources that they depend on. The respective findings in this regard have been presented in Tables 4.5 & 4.6. Taking all households combined, a majority of 47% households reported only one source of income, while the remaining drew their income from two or more sources. However, there was a clear distinction among different types of households. As reflected, the agricultural households show a greater dependence on multiple sources, with a majority of 50% reported to have two sources of income, while close to 40% had more than two sources to depend on for income. On the contrary, a majority of about four-fifth of the non-agricultural households reported only single source leaving behind a very small proportion who depended on multiple sources.

**Table 4.6 Comparative Monthly Income of Households (in Rupees) Earning Income from Single Versus Multiple Sources**

Category	Single Source	Two Sources	Three Sources	Four or More Sources	Overall
1	2	3	4	5	6
Agricultural Households	5324	7850	11385	14958	8931
Non-Agricultural Households	7375	10287	8339	11915	7269
All Households	7102	8501	11071	14942	8059

When comparing the variation in income levels on the basis of number of sources being harnessed by households, it yielded interesting insights. The findings presented in Table 4.6 clearly reflect a marked increase in average monthly incomes of households with the increase in diversity of sources. Overall, the households drawing their income from four or more sources earn over two times the income of households dependent on single source. This trend is more prominent among agricultural households, which show a greater tendency to go for multiple sources of income as compared to their non-agricultural counterparts.

#### 4.6 INVOLVEMENT OF MEMBERS IN DIFFERENT OCCUPATION AND AVERAGE INCOME FROM THESE OCCUPATIONS

The survey involved detailed inquiry into the status of household members engaged in various occupations and the amount of income earned from various sources. This section attempts to understand the nature of occupations the people are currently involved in and the average income that they are earning from these sources. Table 4.7 presents the detailed findings in this regard.

**Table 4.7 Estimated Number of Households & Persons (in Lakh) Engaged in Different Occupations (other than Agriculture & Livestock Rearing) and the Amount of Income they are Earning from these Sources**

Occupations	Estimated Number of Households Engaged (in Lakh)	Average no. of members Engaged per household	Estimated Number of Persons Engaged (in Lakh)	Average Monthly Income per Household (in Rupees)
1	2	3	4	5
Trading, Shopkeeping, etc.	204.0	1.2	249.4	4988
Selling NTFP/ Forest Produce	7.7	1.3	10.4	2933
Self Employed Profession (doctor, lawyer, etc.)	34.2	1.3	43.1	5372
Running a Service Microenterprise (up to ₹ 10 lakh)	2.3	1.7	4.0	11715
Running a Manufacturing Microenterprise (up to ₹ 25 lakh)	1.7	1.0	1.7	11752

**Table 4.7 Estimated Number of Households & Persons (in Lakh) Engaged in Different Occupations (other than Agriculture & Livestock Rearing) and the Amount of Income they are Earning from these Sources**

Occupations	Estimated Number of Households Engaged (in Lakh)	Average no. of members Engaged per household	Estimated Number of Persons Engaged (in Lakh)	Average Monthly Income per Household (in Rupees)
1	2	3	4	5
Running a Service Microenterprise (above ₹ 10 lakh)	16.4	1.4	22.6	6270
Running a Manufacturing Microenterprise (above ₹ 25 lakh)	21.8	1.5	32.5	2927
MNREGA Works	352.2	1.5	528.3	1236
Agricultural Labour Works	665.1	1.5	981.5	3526
Non-Agricultural Skilled Labour Works	362.2	1.3	460.3	5082
Non-Agricultural Unskilled Labour Works	568.3	1.4	800.0	4921
Govt. Private Jobs	389.9	1.2	485.9	10347

Base = Household members engaged in any occupation

When viewed in terms of estimated number of persons involved, the occupations like agricultural labour works, non-agricultural unskilled labour works and MNREGA works emerge as three most prominent occupations engaging a vast number of persons. However, the average income from these sources is very low as compared to other sources. In terms of quantum of income earned from various sources, the three major sources are manufacturing enterprise up to ₹ 25 Lakh, service enterprise up to ₹ 10 lakh and Government or private jobs which yield highest average household income as compared to other sources.

#### 4.7 EXPOSURE TO DISTRESS EVENTS AND COPING STRATEGIES

The surveyed households were provided a set of distress situations and were asked if they were affected by these events/emergencies any time in the last 10 years preceding the survey. Those who reported to have had faced it, were further probed about the strategies they adopted to cope with the loss.

As reflected in Table 4.8, taking all households combined, about one in every five respondent households stated to have faced sudden health problems/ accident. In about 5% of households, some earning member of the family died in the given period. These incidents/ events not only expose the households to personal loss but also brings forth financial uncertainties that they are required to deal with. Borrowing money from informal sources like friends and relatives was cited as the most prominent coping strategies across all situations, followed by dependence on personal savings of the household. In many of the cases these events also force the individuals to enter the debt trap by borrowing money from friends and relatives to meet the financial uncertainties.

**Table 4.8 Proportion of Households Exposed to Various Distress Events and Major Coping Strategies Adopted in Response (in percentage)**

Distress Events	% HHS that faced event	Coping Strategies	% HHS that adopted the coping strategy
1	2	3	4
Death of an earning member of household	4.8	By borrowing money from friends/relatives	41.6
		By taking loan	31.0
		Through personal savings	21.1
Sudden health problems/ accident	19.7	By borrowing money from friends/relatives	43.4
		Through personal savings	35.8
		By taking loan	34.6
Sudden job loss	1.5	By borrowing money from friends/relatives	36.1
		Through personal savings	30.3
		By taking loan	27.3
Fire/ theft/ robbery	1.3	Through personal savings	42.3
		By borrowing money from friends/relatives	38.3
		By taking loan	15.7

In order to assess the type of risks the agricultural households get exposed to, they were probed particularly about the cultivation/ farming related risks. The findings obtained in this regard have been presented in Table 4.9. About 54% households reported to have faced crop failure due to rainfall irregularities at least once in the given reference period, 28% faced problems caused due to pest infestation, etc., and a sizeable 18% and 10% respectively faced problems due to fluctuations in the market price of crops and loss of livestock due to flood and diseases, etc.

**Table 4.9 Proportion of Agricultural Households Exposed to Crop or Livestock related Distress Events and Major Coping Strategies Adopted in Response (in percentage)**

Distress Events	% HHS that faced event	Coping Strategies	% HHS that adopted the coping strategy
1	2	3	4
Crop Failure due to excessive, very low or untimely rainfall	53.8	Through personal savings	36.6
		By taking loan	35.2
		By borrowing money from friends/relatives	34.6
Sudden decline in productivity of crops due to pest infestation, etc.	27.6	Through personal savings	37.4
		By taking loan	32.4
		By borrowing money from friends/relatives	32.2
Sudden fall in Market Prices of Crops	18.2	Through personal savings	34.8
		By taking loan	32.4
		By borrowing money from friends/relatives	32.2
Loss of Livestock due to flood, diseases, etc.	9.8	By borrowing money from friends/relatives	38.4
		Through personal savings	34.6
		By taking loan	27.4

Base = All Agricultural Households

The households that reported to have been exposed to such distress events when probed about the coping strategies adopted mostly reflected dependence on personal savings. A majority of households across all types of events stated to have utilized their savings to make up for the loss. Taking loans was cited as another major step taken by such households.

## CHAPTER 5

# CONSUMPTION

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Income measures provided in the preceding chapter would be helpful in identifying the vulnerable groups and understanding the sources of poverty or economic success. Estimating poverty requires two essentials: a comparable welfare profile and a predetermined poverty norm. A household is classified as poor if its consumption level is below the poverty norm. In India, the welfare profile is usually measured using consumption expenditures of the households because income represents potential, but not actual, consumption.

Consumption expenditures are measured because they are less volatile over time, and are considered to be measured more reliably. However, during surveys, measuring consumption expenditure poses certain challenges. One of the major challenges is respondent fatigue or inability to offer exact estimates. While the other problem comes in the form of volatility, as the expenditure of some households may have shot up during the reference period due to marriages, debts or health crises, which then create unrepresentative spikes for some households. Nonetheless, consumption expenditures combined with the measure of household possessions offers a fairly good estimate of levels of economic well-being.

This chapter outlines the key findings pertaining to the household consumption expenditure assessed under NAFIS to offer insights into the standard of living of sampled households. The survey used the NSSO's approach to measure the level of consumer expenditure. As per the Draft NSS report, Household Consumer expenditure is defined as, 'the expenditure incurred by a household on domestic consumption during the reference period.' Expenditure incurred towards productive enterprises of households is excluded from household consumer expenditure. Also excluded are expenditure on purchase and construction of residential land and building, interest payments, insurance premium payments, payments of fines and penalties, and expenditure on gambling including lottery tickets. Money given as remittance, charity, gift, etc. is not considered under consumption expenditure.

The studies on poverty and inequality go beyond the average income or expenditure, to measure the level of living of each individual. It is for this purpose, that all the national level poverty assessments use monthly per capita consumption expenditure (MPCE) as a pertinent estimate. For calculating MPCE, the household monthly consumer expenditure is divided by the number of members in the household. The distribution of persons by MPCE



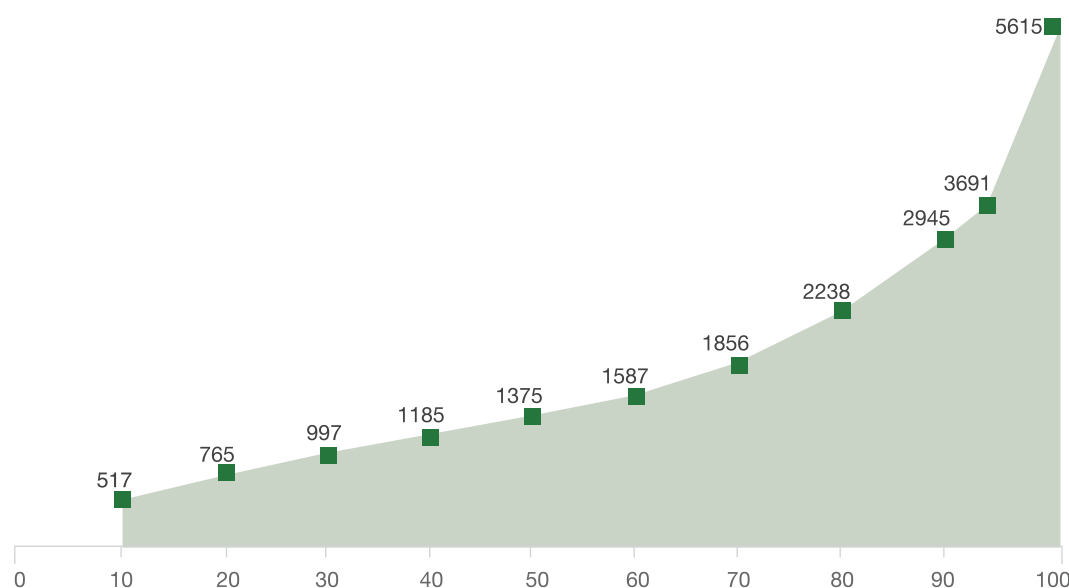
can then be built up, giving a picture of the population classified by economic level. The sections ahead present MPCE calculations for sampled households to offer insights into the overall economic well-being of the target population.

## 5.1 DISTRIBUTION OF POPULATION BY MONTHLY PER CAPITA CONSUMPTION EXPENDITURE

NAFIS delved into the household consumption expenditure, using a mixed reference period approach. The respondents were probed about the total expenses they made on different items of household consumption. The items were classified into three categories based on the reference period for which the expenses were asked. The reference period for some staple food items, and for other routine household expenditures it was one month (30 days), and for non-routine expenses, it was one year (365 days). Based on the reported expenses, the **overall average MPCE for all households combined was calculated to be ₹ 6,646**. The agricultural households reported a higher MPCE as compared to the non-agricultural households, the values being ₹ 7,152 and ₹ 6,187 respectively.

For studying the distribution of population by MPCE, the cut-off MPCE was plotted for different percentiles of the population. Figure 5.1 presents a picture of the distribution of population in the surveyed area by MPCE. The median MPCE was calculated to be ₹ 1,375, indicating that 50 percent of the households reported a monthly expense of less than ₹ 1,375 per person per month.

**Figure 5.1: Percentiles (in Rupees) of the Distribution of Monthly per Capita Consumption Expenditure over Households**



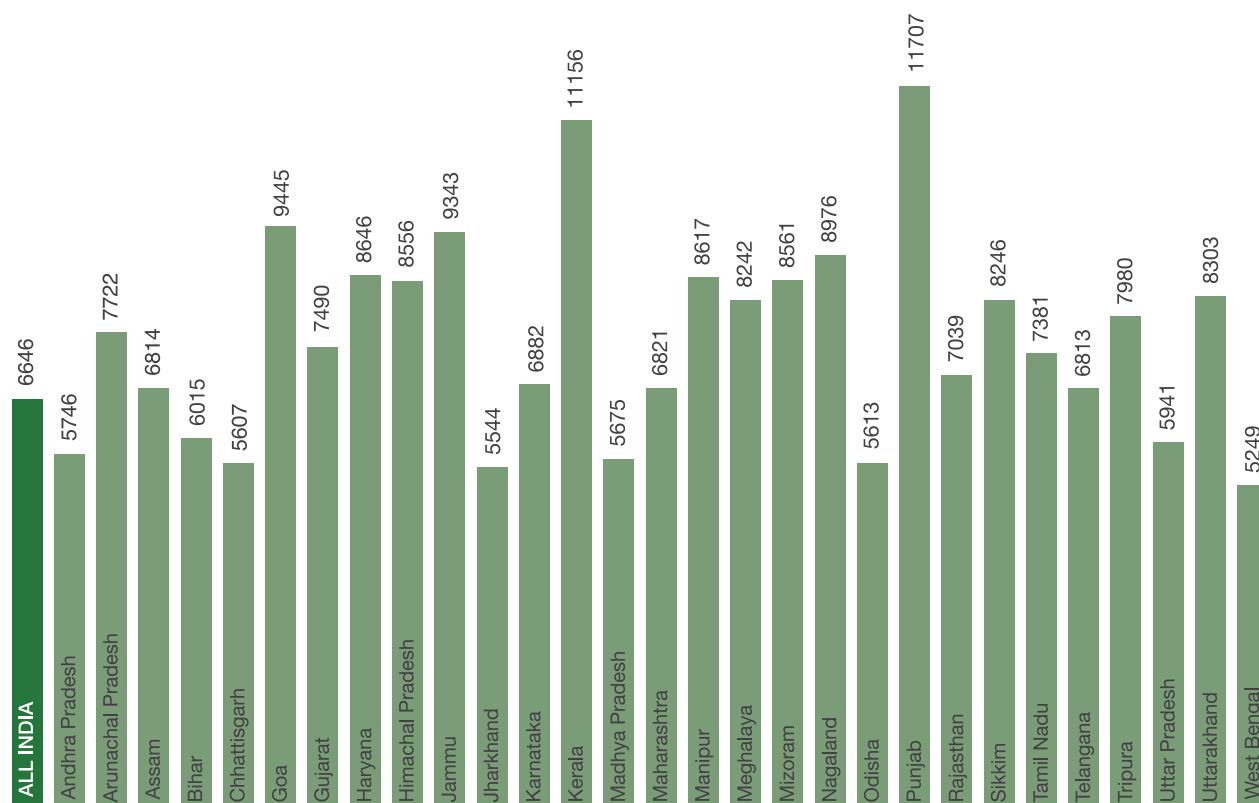
Base = All Households

The figure shows that there existed a wide disparity in the consumption expenditure with the lowest 20% households reporting to have spent lesser than ₹ 765 per person per month. Whereas, the ones in the 80th percentile reported an expenses of more than 3 times that in

the 20th percentile. The disparity is sharper in the last tenth percentile, with the MPCE showing a steep rise of more than double from ₹ 2,945 in the 90th percentile to ₹ 5,615 in the 99th percentile.

The average consumption expenditure reported by surveyed households on various items was disaggregated by states to assess the variations in socio-economic status, if any. The state-wise trends of reported monthly consumption expenditure per household have been reflected in Figure 5.2.

**Figure 5.2 Average Monthly Consumption Expenditure per Household by States (in Rupees)**



Base = All Households

The consumption figures are somewhat in consonance with the reported income variations as discussed in the preceding chapter, barring a few exceptions. The states like Punjab and Kerala stood at top end of the hierarchy with the reported monthly expenditure per household exceeding ₹ 11,000. On the other hand, the states like West Bengal, Uttar Pradesh, Odisha, Madhya Pradesh, Jharkhand, Chhattisgarh and Andhra Pradesh fared poorly with the monthly expenditure being lower than ₹ 6000 per household.

**Table 5.1 Average Monthly Income and Consumption Expenditure (in Rupees per month per household)**

Category	Income	Consumption Expenditure
1	2	3
Agricultural Households	8931	7152
Non-Agricultural Households	7269	6187
All Households	8059	6646

## 5.2 HOUSEHOLD INCOME VERSUS CONSUMPTION EXPENDITURE

In order to gain a better understanding of the economic status of households, the consumption expenditure was analysed against the monthly income of households. The results obtained have been presented in Table 5.1. Based on the reported income and consumption expenditures, taking all households combined, the average monthly consumption expenditure was found to be ₹ 6,646 as against the average monthly income of ₹ 8,059 leaving some income margin which may well be utilized for future savings, to pay off existing debts, or to meet other capital expenditure depending on the need of households. When compared by type of household, the agricultural households not only reported higher levels of income and expenses as compared to the non-agricultural households, but their income margins were also comparatively higher than their counterparts.

The state-wise scenario of household income and consumption expenditure has been depicted in Table 5.2.

<b>Table 5.2 Average Monthly Income and Consumption Expenditure per Household by States ( In Rupees per month per household)</b>			
States	Income	Consumption Expenditure	Surplus
1	2	3	4
All India	8059	6646	1413
Andhra Pradesh	5842	5746	95
Arunachal Pradesh	9877	7722	2155
Assam	8880	6814	2066
Bihar	6277	6015	262
Chhattisgarh	7272	5607	1665
Goa	10758	9445	1313
Gujarat	10518	7490	3028
Haryana	12072	8646	3426
Himachal Pradesh	11702	8556	3146
Jammu	10747	9343	1404
Jharkhand	5854	5544	310
Karnataka	8383	6882	1502
Kerala	15130	11156	3975
Madhya Pradesh	6632	5675	956
Maharashtra	8938	6821	2117
Manipur	9679	8617	1062
Meghalaya	10061	8242	1819
Mizoram	9491	8561	930
Nagaland	10002	8976	1026
Odisha	7241	5613	1628
Punjab	16020	11707	4314
Rajasthan	8338	7039	1299
Sikkim	8560	8246	314
Tamil Nadu	9716	7381	2335
Telangana	7811	6813	998
Tripura	8612	7980	632
Uttar Pradesh	6257	5941	315
Uttarakhand	8762	8303	459
West Bengal	6860	5249	1611

Base = All Households

As evidenced in the table above, the states of Punjab & Kerala stand at the top end of the hierarchy with maximum reported surplus (roughly ₹ 4,000 per month) as compared to the other states. The states of Haryana, Himachal Pradesh and Gujarat follow with a sizeable amount of monthly surplus. On the other hand, the states like Andhra Pradesh, Bihar, Jharkhand, Sikkim and Uttar Pradesh reported very low monthly surplus of less than ₹ 350 per household per month.

### 5.2.1 Income versus Consumption Expenditure for Agricultural Households by Size class of Land Possessed

**Table 5.3 Average Monthly Income & Consumption Expenditure for Agricultural Households by Size class of Land Possessed (In Rupees per month per household)**

Category	Income	Consumption Expenditure	Surplus
1	2	3	4
<0.01 ha	8136	6594	1542
0.01-0.40 ha	6650	6185	465
0.41-1.00 ha	8171	6653	1518
1.01-2.00 ha	9990	7802	2188
> 2.00 ha	14682	9787	4895
All Size Classes	8931	7152	1779

Base = Agricultural Households

The status of agricultural households with regard to average monthly income and consumption expenditure was further analysed by size class of land possessed to study any potential trend emerging from the same. The reported figures have been presented in Table 5.3. The overall trends suggest a positive correlation between the size of land possessed and the income surplus remaining after monthly consumption expenditure has been met with. With an exception of households in the size class of less than 0.01 ha of land, the income surplus for households goes on increasing with the increase in the size of land possessed showing a sharp increase in the last size class of more than 2 hectares.

### 5.2.2 Income versus Consumption Expenditure per Household by Decile classes of MPCE

The variation in monthly income and consumption expenditure per household along the decile classes of MPCE is reflected for both agricultural and non-agricultural households and for all households combined in Table 5.4.

**Table 5.4 Average Monthly Income and Consumption Expenditure per Household by Decile Class of MPCE (In Rupees)**

Decile Class of MPCE	Agricultural Households		Non-Agricultural Households		All Households	
	Income	Consumption Expenditure	Income	Consumption Expenditure	Income	Consumption Expenditure
1	2	3	4	5	6	7
<b>Overall</b>	<b>8931</b>	<b>7152</b>	<b>7269</b>	<b>6187</b>	<b>8059</b>	<b>6646</b>
1	1293	2465	793	1899	1019	2156
2	3033	3591	2498	3008	2753	3286
3	4963	4793	3800	4173	4330	4456
4	5970	5711	4728	4841	5342	5271
5	7475	6596	6231	5558	6881	6101
6	9856	7118	7011	6246	8484	6697
7	9781	7584	7836	6500	8817	7047
8	12012	8847	9169	7305	10449	7999
9	13702	10333	10633	8716	11981	9426
10	22269	15134	19175	13149	20548	14030

The overall trends reflect a sharp increase in monthly per capita consumption expenditure between 1st to 3rd decile and then from 9th to 10th decile class. Considering all households combined, the consumption expenditure of the households in the second decile was about 1.5 times that of the first decile, and that for the tenth decile was also roughly 1.5 times that of the 9th decile. This phenomenon was common for both agricultural and non-agricultural households and is reflective of the wide disparity in the status of the poorest as compared to the richest households.

### 5.3 COMPOSITION OF MONTHLY PER CAPITA CONSUMPTION EXPENDITURE

NAFIS delved into the details of expenses made by the household under various heads including expenses on food-items, consumer goods, and other routine expenses. All the items considered for assessing consumption pattern were classified into two categories, including food items and non-food items. The data for consumption was analysed to assess any difference in the ratio of expenses made on food items and non-food items. The overall status reflects that the 51% of the total consumption expense is made on food items, and the remaining 49% on the non-food items.

While interpreting the estimates generated in this context, it must be borne in mind that the calculations for consumption expenditure excluded the value for self-grown/ home grown for personal products for the household. It is assumed that if the value of such self-grown products, or products kept aside for personal consumption are included in the consumption expenditure, the proportion spent on food items would further increase.

## 5.4 PATTERN OF CONSUMPTION BY DECILE CLASSES OF MPCE

The proportion of overall consumption expenses reported to have been made on food items and non-food items have been presented (refer Table 5.5) by decile class to study the pattern of consumption in these households. Considering all households together, it was observed that with the increase in decile classes of MPCE, the households tend to allocate a greater share of consumption expense to non-food items which was reverse as compared to ones in the lower deciles. It is understandable given the fact that with an increase in economic status, households tend to spend more amount of money towards aspirational and luxury needs, while the households at the lower rung of the economic ladder have limited resources because of which they are constrained to focus more towards meeting their basic necessities.

Further, when examined by type of households, it was found that the consumption pattern was quite similar among the agricultural and non-agricultural Households.

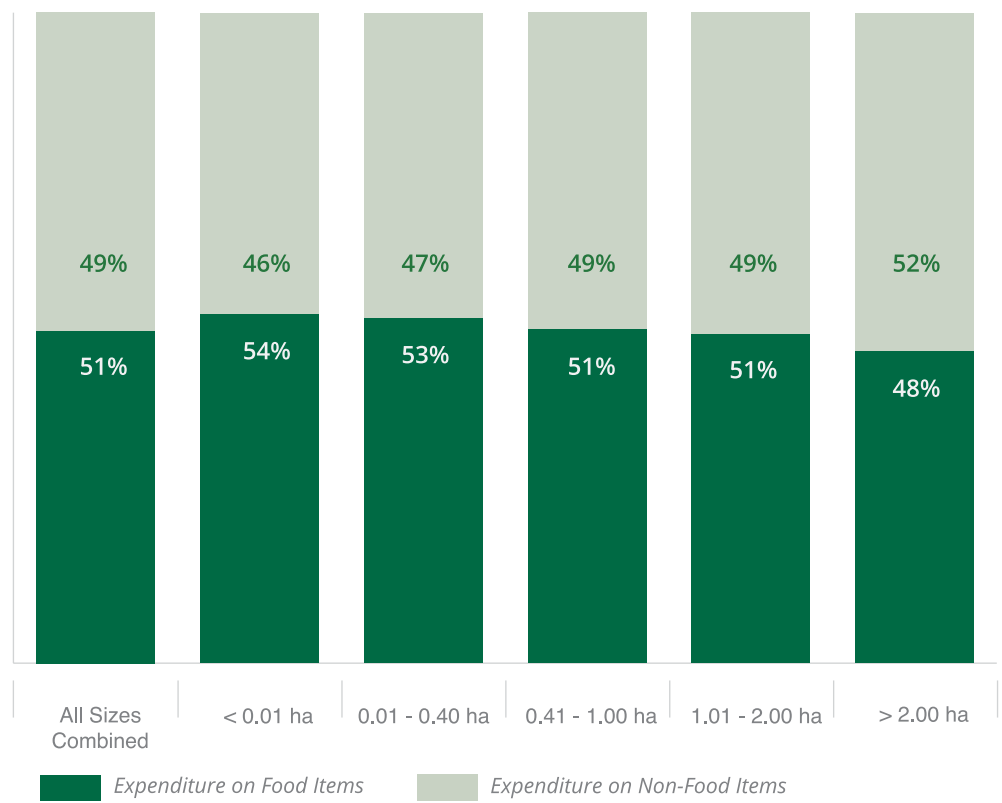
**Table 5.5 Pattern of Consumption Expenditure on Food vs. Non-Food Items by Decile Class of MPCE (in percentage)**

Decile Class of MPCE	Agricultural Households		Non-Agricultural Households		All Households	
	Food Items	Non-Food Items	Food Items	Non-Food Items	Food Items	Non-Food Items
1	2	3	4	5	6	7
<b>Overall</b>	<b>51</b>	<b>49</b>	<b>50</b>	<b>50</b>	<b>51</b>	<b>49</b>
1	55	45	55	45	55	45
2	54	46	54	46	54	46
3	54	46	53	47	54	46
4	54	46	53	47	54	46
5	53	47	53	47	53	47
6	52	48	52	48	52	48
7	51	49	50	50	51	49
8	51	49	50	50	50	50
9	51	49	49	51	50	50
10	46	54	46	54	46	54

## 5.5 PATTERN OF CONSUMPTION FOR AGRICULTURAL HOUSEHOLDS BY SIZE CLASS OF LAND POSSESSED

As reflected in the preceding section, the pattern of consumption expenditure on food and non-food items varied by decile classes of agricultural households. To further understand their status, an attempt was made to look into the disparities in these households by size class of land possessed. The findings obtained have been presented in Figure 5.3.

Figure 5.3 Pattern of Consumption Distribution of Expense on Food Vs. Non-food Items for Agricultural households by Size class of Land Possessed



Base = Agricultural Households

A similar trend was observed in the consumption pattern when viewed by size class of land possessed. The households with smaller land sizes allocated a higher proportion of their money on food items, but as we move towards higher size classes, the proportion of expense made on non-food items shows an increase which is reflective of better and comparatively more secure economic status of households.

This chapter offers an insight into the consumption pattern of sampled households. It brings to light the economic disparities among various household groups pointing to the vulnerable groups among the rural households.

## HOUSEHOLD SAVINGS

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Having discussed the level of income and consumption, it will be interesting to study the saving behaviour of the targeted communities. Saving is undeniably one of the key strategic variables in the theory of economic growth. Classical economists like Adam Smith and David Ricardo have time & again emphasized the role of savings as a determinant of economic growth. For an individual, savings become important for responding to the unforeseen and unpredictable events which require larger expenses. The level of savings is often governed by the interplay of multiple factors, both personal and environmental.

For economic planning purposes, it is important that economic planners have a true and fair idea about the quantum of saving, the behaviour of people towards saving and the method by which saving can be improved for investment decisions. It is also desirable that they get an insight into the motives of saving which will help them frame appeals for the target population. It would further be useful for designing and implementing saving instruments which can effectively stimulate saving.

Saving is normally considered in economics as disposable income minus personal consumption expenditure. In other words, it is regarded as income that is not consumed by immediately buying goods and services. For the purpose of this study, it must be emphasized that “saving” refers to deposits in banks or other financial institutions as well as savings as cash at home. Thus, this survey focuses on the financial saving of households held by banks, microfinance institutions, SHGs and other saving avenues. Presented ahead is a detailed description of saving behaviour among rural households, offering an insight into the extent of savings reported by these households.

### 6.1 SAVING BEHAVIOUR OF HOUSEHOLDS

For the purpose of this survey, the term ‘saving’ was understood as a part of the household’s disposable income left after the consumption of goods and accumulated to fulfil urgent or emergency monetary requirements. The sampled households were probed about the



savings that they made in the past one year preceding the date of survey. Any money deposited with Bank, Post-office, SHGs, chit-funds, or money kept aside for emergencies even at home was considered saving. The sections ahead describe the various aspects of household savings as explored under NAFIS.

**Table 6.1 Proportion of Households Reporting Savings in the Last One Year by Type of Household (in percentage)**

Category	Agricultural Households	Non-Agricultural Households	All Households
1	2	3	4
All Households	55.2	46.3	50.6
By Decile Class of MPCE			
1	51.7	43.8	47.4
2	46.8	48.5	47.7
3	52.4	43.0	47.3
4	53.7	45.1	49.4
5	54.7	46.5	50.8
6	58.8	45.0	52.2
7	55.5	48.9	52.2
8	55.2	42.6	48.3
9	60.2	41.9	49.9
10	63.5	58.1	60.5

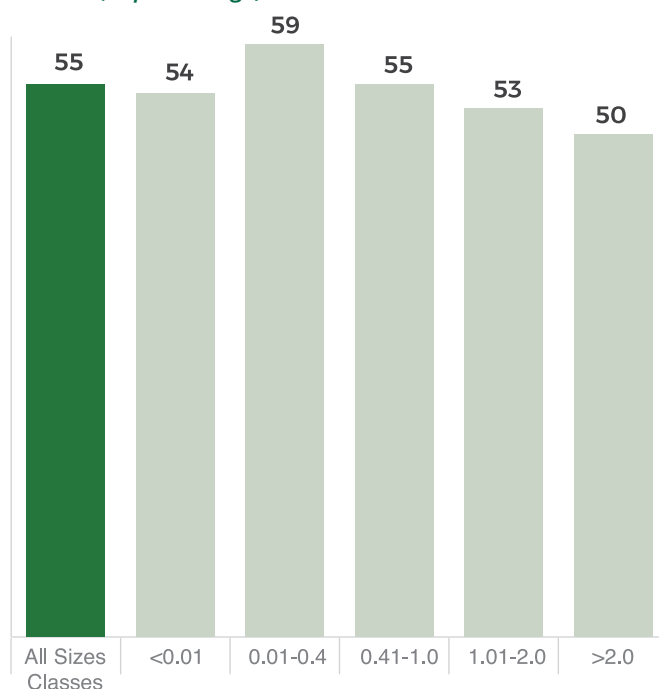
### 6.1.1 Proportion of Saver Households

The sampled households were inquired if any of their members have saved any money in the last one year preceding the survey. On the whole, about 51% households affirmed to have saved any money in the last year (herein after termed as '**saver households**'). Agricultural households fared better with 55% reporting to have saved some money in the given reference period as compared to 46% of non-agricultural households. The saving behaviour also varied by decile classes with the proportion of saver households ranging from a minimum of 47% in the lowest decile class to a maximum of 61% in the highest decile class. The propensity of households to save any money increased with MPCE decile classes owing to a related increase in the disposable income the households are left with

after meeting their basic requirements. The findings obtained in this regard have been presented in the Table 6.1. On the whole, the agricultural households exhibit a greater tendency to save any money when compared to their non-agricultural counterparts.

### 6.1.2. Saving Behaviour of Agricultural Households

*Figure 6.1 Proportion of Agricultural Households Reporting Savings in last One Year by Size class of Land Possessed (in percentage)*



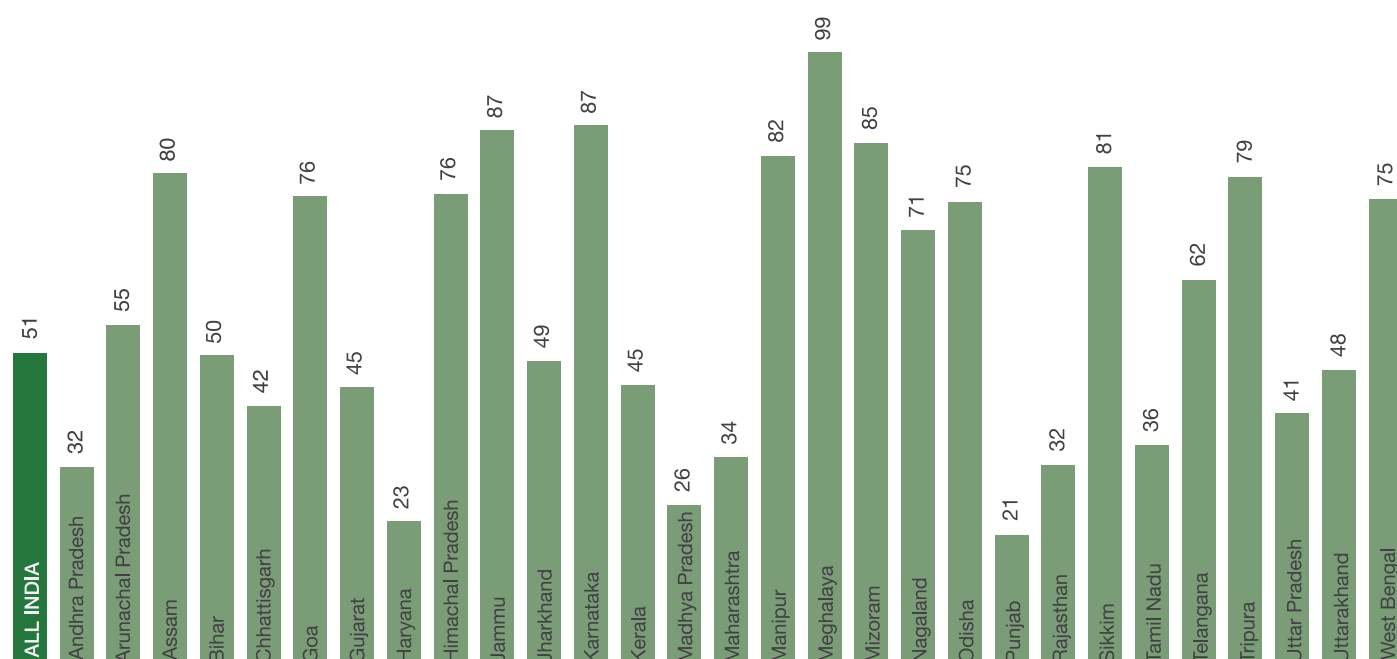
Base = Agricultural Households

When analysed by type, the agricultural households exhibited a higher propensity to save money with 55% households reporting to have saved any money in the last one year preceding the survey. Further analysis by size class of land possessed reflected a negative correlation with the lesser proportion of households with larger land sizes reporting to have saved any money in the said reference period as compared to their counterparts in the lower size classes. The findings in this regard have been depicted in Figure 6.1. The preceding chapters reflected a marked increase in the income as well as income surplus remaining after consumption expenditure by size class indicating availability of higher amount that could be disposed for saving. However, the reverse trends observed here compel to believe that these households may be inclined towards putting their disposable income to other uses like repaying the loans and for making a capital expenditure to further enhance their earning potential.

### 6.1.3. Variation in Saving Behaviour by States

The state-wise findings with respect to the proportion of saver households as reported under the survey taking all households combined are presented in Figure 6.2.

Figure 6.2 Proportion of Households Reporting Savings in last One Year by State (in percentage)



Base = All Households

Overall trends reflect that in 13 out of 29 states more than 70% of households reported to have saved any money in the given reference period. The north-eastern states showing a typically better status as compared to other states, with Meghalaya (99%), Mizoram (85%), Manipur (82%) and Sikkim (81%) leading the pack. It was appreciable to note that in states like West Bengal and Odisha over 75% households saved some money despite having lower income levels and lower levels of consumption expenditure as well. The states like Punjab, Madhya Pradesh, and Haryana reflect an issue of concern with less than one-fourth of the households reporting any saving despite having better incomes when compared to their counterparts.

## 6.2 NUMBER OF MEMBERS WHO SAVED ANY MONEY

The survey involved member-wise inquiry into the saving behaviour including the place of saving and the amount of money saved in the last one year. The detailed data received from such an enquiry was processed to classify the households into those where only one member saved any money, the ones where two members saved any money, and the households where more than 2 members were reported to have saved some money in the given reference period.

The detailed results presented in Table 6.2 indicate that in a majority of about two-thirds of households there was only one member who reportedly saved some money in the given period. Close to one-fourth of households reported savings done by 2 members of the family, while the remaining had more than 2 members who saved.

**Table 6.2 Distribution of Saver Households by Number of Members Reporting Savings in the Last One Year (in percentage)**

Category	Only One Member	Two Members	More Than 2 Members
1	2	3	4
<b>All Households</b>	<b>66.3</b>	<b>23.1</b>	<b>10.6</b>
Type of Households			
Agricultural Households	62.9	24.9	12.2
Non-Agricultural Households	70.0	21.1	8.9
Decile Class of MPCE for All Households Combined			
1	63.7	25.4	10.9
2	66.8	25.4	7.8
3	67.3	24.1	8.5
4	69.7	19.0	11.3
5	66.4	21.2	12.3
6	62.9	27.4	9.7
7	69.2	22.7	8.0
8	65.8	22.1	12.1
9	65.3	21.7	13.0
10	66.2	22.0	11.8

Base = Households that Saved any Money in the last one year

When compared by type of household, the non-agricultural households reflected a lesser number of saver members as compared to the agricultural households. Similarly, when analysed by MPCE decile class, no major trend was observed and the overall proportions remained more or less the same across deciles.

### 6.3 PLACE WHERE HOUSEHOLDS SAVE THEIR MONEY

The saver households were further enquired about the place where they saved their money. Detailed inquiries were made for each member of the household regarding the place where they saved, nature of bank account, the purpose of saving, and frequency of depositing money in the account in the said reference period. Based on the responses obtained, all savings made in banks, post offices, SHGs were classified as institutional savings. Whereas, savings done at home or in chit funds or informal groups were classified as non-institutional.

Overall figures suggest that, roughly half (49%) households reported that at least one of their members had saved any money in an institution. The prevalence of institutional savings was higher among agricultural households with about 53% households reporting institutional savings as compared to 45% non-agricultural households.

<b>Table 6.3 Proportion of Saver Households Reporting Savings in Institutions in the Last One Year (in percentage)</b>		
Category	% HHs with at least one member who saved with an institution	% HHs with at least one woman member who saved with an institution
1	2	3
<b>All Households</b>	<b>48.5</b>	<b>26.3</b>
<b>Type of Households</b>		
Agricultural Households	52.8	28.3
Non-Agricultural Households	44.6	24.5
<b>Decile Class of MPCE for All Households Combined</b>		
1	45.7	24.3
2	44.8	26.6
3	44.9	25.8
4	46.7	25.1
5	47.8	27.4
6	50.6	27.1
7	50.3	25.5
8	46.9	24.0
9	48.1	25.3
10	59.2	32.2

Base = Households that reported any saving in the last one year

The data obtained was further analysed to see if the saver households had any women members who saved any money with an institution. The estimates presented in Table 6.3 reflect that only about one in every four households across all three categories reported institutional saving by any women member. When assessed for the number of savings accounts, every saver household that reported any saving in an institution had 1.5 saving accounts on an average.

When examined by decile class of MPCE, the households in the higher deciles reflect a greater tendency to save in institutions as compared to those in the lower deciles, with the values showing an increase from 46% in the first decile to 59% in the 10th decile class. It was appreciable to note that the savings done by women members also exhibited an increase from 24% in the first decile class to 32% in the last decile. This goes on to indicate that the households in the higher decile classes including their women members are more aware and conscious about saving in institutions as compared to their counterparts at the lower end of the continuum.

Detailed assessment of the places where members save their money yielded the findings presented in Table 6.4. Overall, the households reported to be saving their money in more than one places. A significant 78% households reported to have saved their money in banks. Self-Help Groups emerged as the next most preferred option with about 30% households reporting to be saving their money with SHGs.

**Table 6.4 : Distribution of Saver Households according to Place of Savings (in percentage)**

Place of Saving	Agricultural Households	Non-Agricultural Households	All Households
1	2	3	4
Bank	79.8	77.0	78.4
Self Help Group	30.4	28.4	29.4
Post Office	0.8	0.8	0.8
Home Saving	5.9	4.8	5.4
Chit Fund / Committee	0.4	0.4	0.4

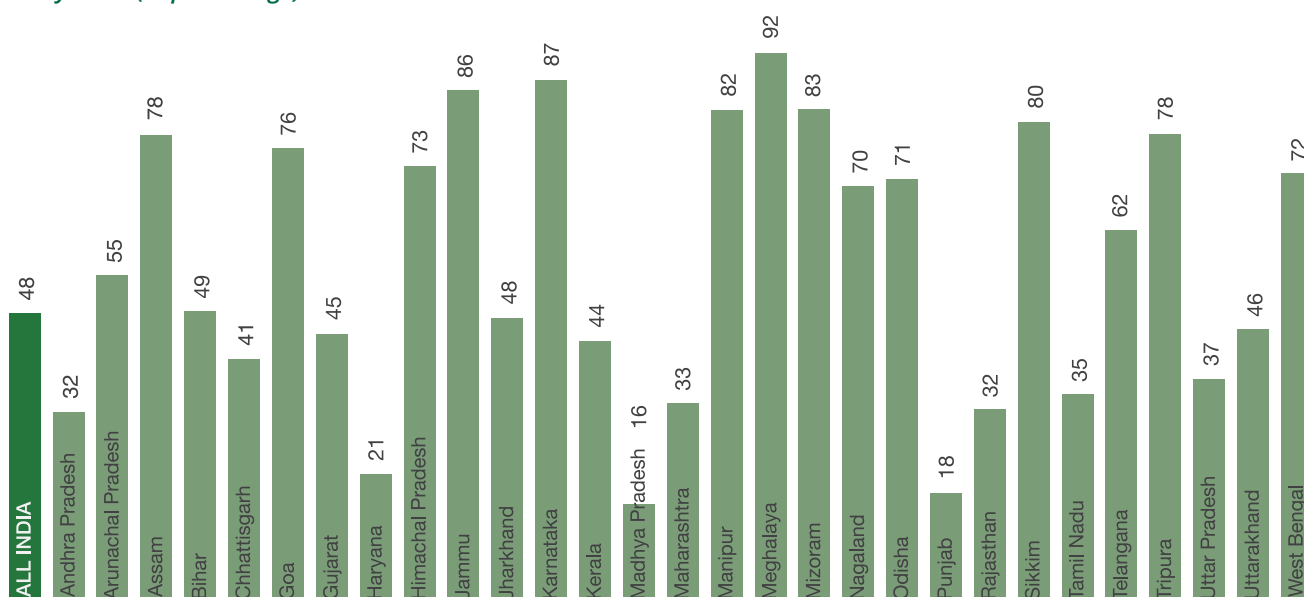
Totals exceed 100% as a household may be saving at more than one places.

Base = All savings made by Households in the last one year

### 6.3.1. State-wise Status of Institutional Savings by Households

The proportion of households where at least one member was reported to have saved any money with a formal institution was analysed by state to assess the penetration of institutional saving sources in the rural communities. The findings obtained in this regard have been presented in Figure 6.3. As reflected, across a majority of 13 out of 29 states, 70% or more of the saver households had at least one member who saved with an institution during the last one year. States like Meghalaya (92%), Jammu (86%), Karnataka (87%), Manipur (82%) & Mizoram (83%) significantly outperformed the others. The ones which emerged as concerns due to very low penetration of institutional savings were Madhya Pradesh, Punjab, and Haryana with only 20% or lesser households reporting any institutional savings.

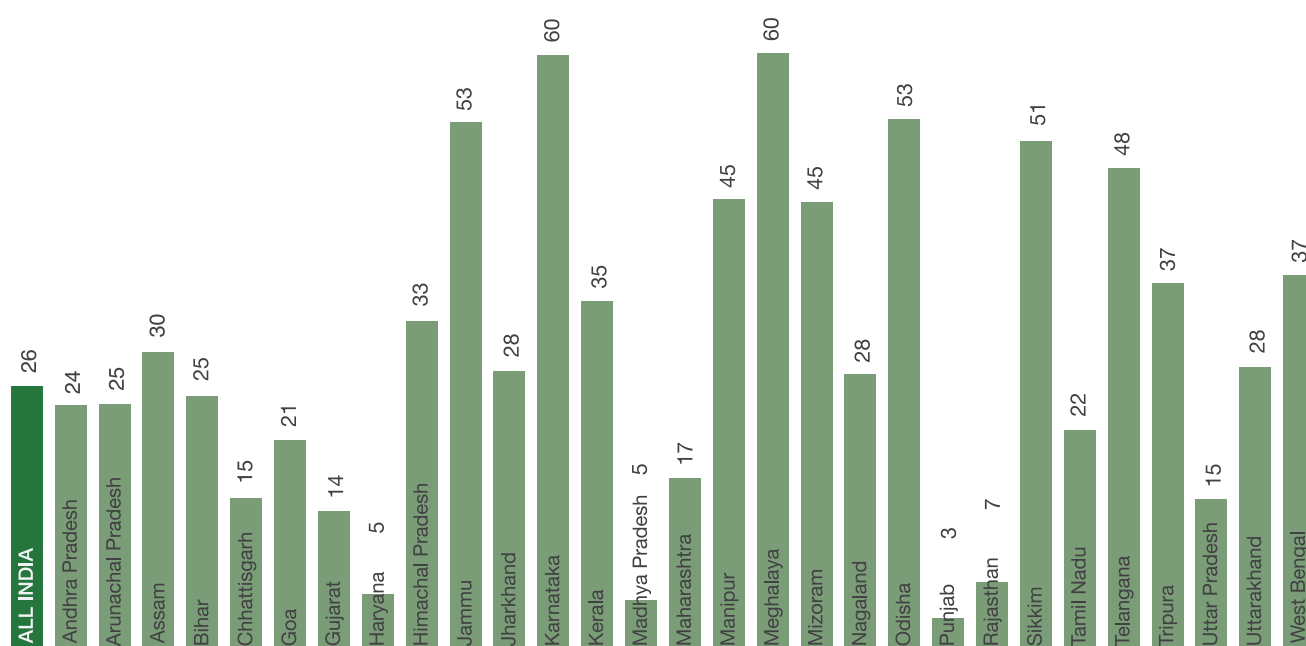
**Figure 6.3 Proportion of Saver Households with at least One member Reporting Savings with any Institution in the last One Year by State (in percentage)**



Base = Households that Reported any Saving in the last One Year

Participation of women members in household savings, particularly with institutional sources was also explored to understand the country-wide status. The state-specific findings have been presented in Figure 6.4. A wide disparity was witnessed among states with regard to institutional savings by women members. When compared with previous figures, where about 48% households reported any institutional saving by any member, only 26% households reported that any women member saved their money with any institution. The states like Karnataka and Meghalaya (60% each) reported highest proportion of woman savers followed by Jammu and Odisha (53% each). In states like Haryana, Madhya Pradesh, Punjab and Rajasthan, these figures were very low.

**Figure 6.4 Proportion of Households with at least One Woman member Reporting Savings with any Institution in the last One Year by State (in percentage)**



Base = Households that reported any Saving in the last One Year

### 6.3.2. Quantum of Savings

The saver households were also inquired about the member and place-wise amount of money that they saved in the last one year preceding the survey. Based on the reported figures for all the agencies where members were reported to have saved, average savings were calculated for saver households as well as for all households irrespective of the fact whether they made any saving in the last one year. As depicted in Table 6.5, the average saving amount per saver household was calculated to be ₹ 18,007. When compared by type of household, the average amount of savings was higher in non-agricultural saver households (₹ 18,568) as compared to agricultural saver households (₹ 17,488). It will be apt to highlight here that though a lesser proportion of NAH reported any saving in the last one year as compared to the AH, their quantum of saving comes out to be higher than their counterparts.

**Table 6.5 Average Savings (with all agencies and with institutional agencies) per Household in the last one year**

Category	Base Saver Households		Base All Households		
	All Agencies (In ₹)	Institutional Agencies (In ₹)	All Agencies (In ₹)	Institutional Agencies (In ₹)	% Share of Institutional Savings in Total Amount Saved
1	2	3	4	5	6
All Households	18007	16959	9104	8575	94
By Type of Household					
Agricultural Households	17488	16576	9657	9153	95
Non-Agricultural Households	18568	17373	8603	8049	94
By Decile Class of MPCE for All Households Combined					
1	10081	9693	4779	4596	96
2	9368	8713	4470	4157	93
3	10373	8645	4906	4089	83
4	9477	9006	4679	4447	95
5	10452	9706	5306	4927	93
6	15036	14402	7843	7513	96
7	18542	18116	9683	9460	98
8	21818	20131	10531	9717	92
9	23735	22588	11847	11274	95
10	44667	42298	27022	25589	95

Base = All savings made by Households in the last one year

However, agricultural households showed a higher average saving as compared to the non-agricultural households, taking all households as a base.. Further, analysis of saving amount by the place where it was saved revealed that interestingly, institutional agencies held 94% of the savings made by households. The contribution of institutional agencies was somewhat higher among agricultural households (95%) as compared to the non-agricultural ones (94%).

When examined by decile class of MPCE, the average savings varied greatly across decile classes. The average savings for households in the ninth decile was more than two times that of households in decile 1, whereas the same for households in 10<sup>th</sup> decile reached 4.5



times that of first decile. It was also noted that the share of institutional savings remained almost the similar across all decile classes.

### 6.3.3. Quantum of Savings for Agricultural Households

The amount of money reported to have been saved by agricultural households was further analysed by size class of land possessed. The findings obtained have been presented in Table 6.6.

<b>Table 6.6 Average Savings (with all agencies and with institutional agencies) per Agricultural Household in the last 1 year by Size Class of Land Possessed</b>					
Size Class of Land Possessed (Ha)	Base Saver Agricultural Households		Base All Agricultural Households		
	All Agencies (In ₹)	Institutional Agencies (In ₹)	All Agencies (In ₹)	Institutional Agencies (In ₹)	% Share of Institutional Savings in Total Amount Saved
1	2	3	4	5	6
<0.01 ha	14547	14447	7893	7840	99
0.01-0.40 ha	12941	12349	7658	7307	95
0.41-1.00 ha	14121	13219	7795	7297	94
1.01-2.00 ha	22430	21150	11836	11160	94
>2.00 ha	31831	30188	15984	15159	95
All Size Classes	17488	16576	9657	9153	95

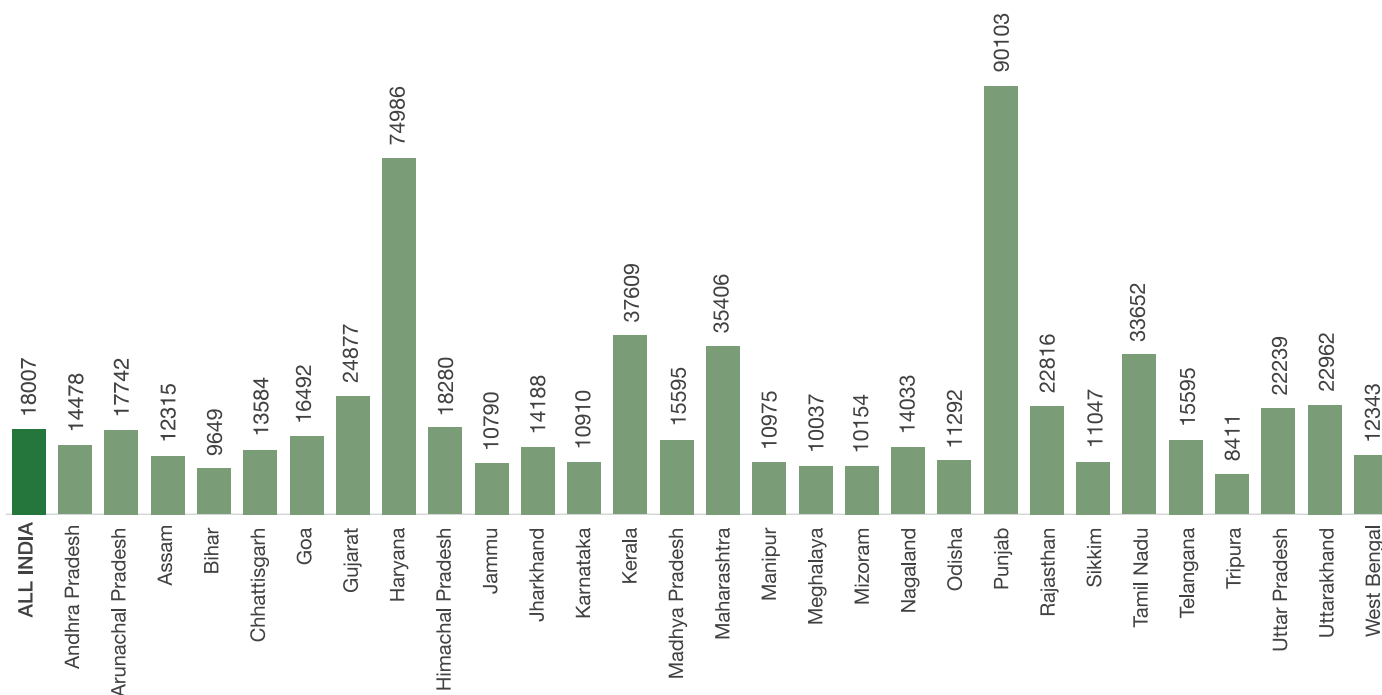
Base = All savings made by Agricultural Households in the last one year

With an exception of households in the lowest size class of less than 0.01 ha, a positive correlation was observed between land size and the average savings. When considering all households as a base, the average savings per household in the size class of more than 2 ha of land was almost two times that for households having land between 0.01 to 0.4 ha. In this context, it must be reiterated that the households in the higher size class exhibited lower propensity to save, but when we look at the amount saved by them it comes out to be significantly larger than their counterparts.

## 6.4 QUANTUM OF SAVINGS FOR ALL HOUSEHOLDS BY STATE

The state-wise trends regarding average saving amount for saver households are reflected in Figure 6.5. Once again, a wide variation was witnessed across states in this regard, with the average amount at the higher end reaching up to as high as ₹ 90,103 for state like Punjab, followed by Haryana where the average reported savings was ₹ 74,986 per saver household. In states like Kerala, Maharashtra and Tamil Nadu the average reported savings crossed the mark of ₹ 30,000 per saver household. On the other end of the hierarchy, the states like Bihar and Tripura present themselves as concerns with very low levels (less than ₹ 10,000 per saver household) of reported savings.

Figure 6.5 Average Savings made by Saver Households in the last One Year by State (in Rupees)



Base = All savings made by Households in the last one year

The chapter brings to light the variation in the saving behaviour, low propensity of individuals to save, and low levels of savings which deserve a special attention. Given their low incomes, few individuals have savings that would allow them to tide over contingencies and difficult circumstances. The Dave Committee (2000), instituted by the Ministry of Social Justice and Empowerment, in its report (also known as the OASIS29 Report), perceived 'a serious threat that a majority of the workers, who may not be below the poverty line in their working lives, might sink below the poverty line in their old age, simply because they have not accumulated enough savings during their years in the workforce'.

The preceding chapter brought to light the saving behaviour and quantum of savings done by households in the year preceding the survey. A wide differential was seen in the overall savings of households by type of household, by decile classes of MPCE, and by size class of land possessed. As a logical progression to the preceding discourse on savings it will be pertinent to get an insight into the investment behaviour of people in the sampled area. The pattern of disposition of saving is an important factor that determines the use of saved amount for productive purposes. The proportion of household saving in financial assets determines the channelization of saving for investment in other sectors of the economy. The volume of investment of saving in physical assets determines the productivity and generation of income in that sector itself.

NAFIS made an analysis of the pattern of investment of the households in the period under study into *financial and physical assets*, in general. The survey probed the households about any *financial investment* in terms of investments in bank deposits including fixed and recurring deposits, in shares/ bonds, or investments made in Post office deposits like Kisan Vikas Patra, etc. Households were considered to have *invested in a physical asset* if they invested in purchase or construction of house, investment in livestock, buying equipment for non-farm business, for buying farm machines/ irrigation equipment, or investment in major repairs which increases the life of the asset/ building. Investment in gold or bullion has not been counted for measuring investment in the survey. The sections hereunder discuss the pattern of household investment in rural areas of the country.

### 7.1 INVESTMENT BY HOUSEHOLDS

The sampled households were probed about the investments that they made in any financial or physical asset as explained above in the past one year preceding the date of survey. The findings pertaining investments made by the sampled households in the said reference period have been presented in the sub-sections ahead.

#### 7.1.1. Proportion of households that made any Investment

The sampled households were inquired if any of their members made any investment in a financial or physical asset in the last one year preceding the survey. Barely one in every 10 households reported to have invested any money in the last year.

Agricultural households fared better with over 10% reporting to have made any investment in the given reference period as compared to roughly 9% of non-agricultural households. The investment behaviour also varied by decile classes of MPCE with the proportion of households reporting any investment ranging from a minimum of 3% in the lowest decile class to a maximum of 28% in the highest decile class. This goes on to reflect the increasing ability of the households to plan their finances and work towards securing their future returns. The findings obtained in this regard have been presented in Table 7.1.

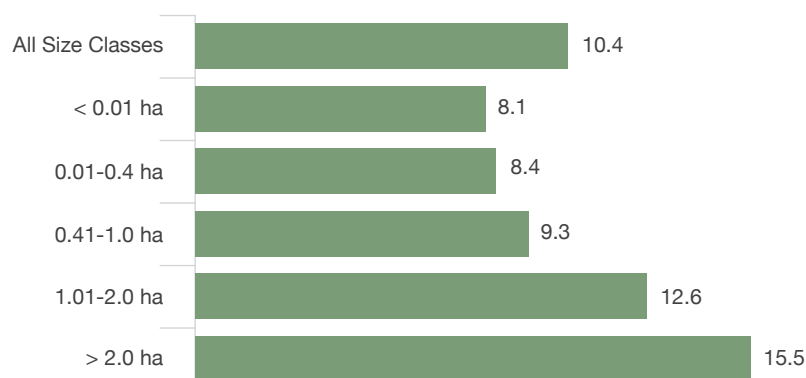
**Table 7.1 Proportion of Households Reporting to Any Investment in the Last One Year (in percentage)**

Category	Agricultural Households	Non-Agricultural Households	All Households
1	2	3	4
All Households	10.4	8.7	9.5
By Decile Class of MPCE			
1	3.1	2.6	2.8
2	5.9	2.3	4.0
3	6.3	2.5	4.2
4	7.7	2.1	4.9
5	7.7	2.9	5.4
6	9.3	5.5	7.5
7	9.7	9.6	9.6
8	12.4	10.8	11.6
9	16.1	17.9	17.1
10	28.0	28.6	28.3

### 7.1.2. Investment Behaviour of Agricultural Households

Further analysis of investment behaviour of agricultural households by size class of land possessed reflected a positive correlation with a visible increase in the proportion of households reporting any investment with the increase in land sizes. The findings in this regard have been depicted in Figure 7.1. The preceding chapters reflected a marked increase in the income as well as income surplus remaining after consumption expenditure by size class indicating an availability of higher amount that could be disposed for economic use. At this point, it must also be highlighted here that a reverse trend was witnessed in analysis of savings by land size class. This is indicative of the fact that the households with larger land sizes are more inclined towards apportioning their surplus income towards investment opportunities rather than saving it.

**Figure 7.1 Proportion of Agricultural Households Reporting any Investment in last One Year by Size class of Land Possessed (in percentage)**

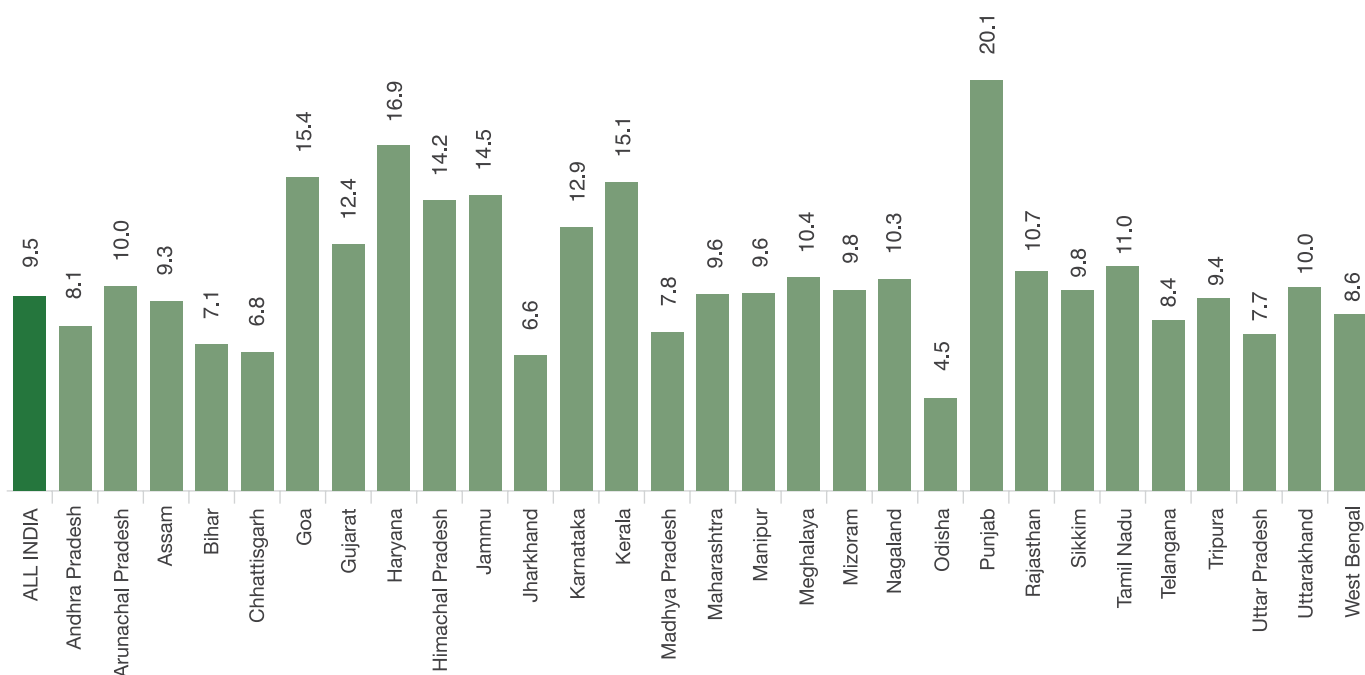


Base = Agricultural Households

### 7.1.3. Variation in Investment Behaviour by States

The state-wise findings with respect to the proportion of households as reported under the survey taking all households combined is presented in Figure 7.2.

**Figure 7.2 Proportion of Households Reporting any investment in last One Year by State (in percentage)**



Base = All Households

Overall trends reflect a wide disparity in the states with regard to proportion of households reporting any investment in the given reference period. The states like Punjab (20%), Haryana (17%), Goa & Kerala (15% each) exhibit higher proportion households that reported any investment. On the other end of the continuum were the states like Odisha (4.5%), Jharkhand (7%), Chhattisgarh (7%) and Bihar (7%), where 7% or lesser households reported any investment.

## 7.2 TYPE OF INVESTMENT MADE

Investments by the households were categorized along the assets that they invested in viz. financial and physical assets. Financial assets include investments in banks, post offices and shares/ bonds market, while physical assets comprise investments in house, livestock, agriculture and other enterprise equipment, house repairs etc. The findings emerging from the examination of the type of investments made by different types of households have been presented in Table 7.2.

**Table 7.2 Proportion of Households that Reported any Investment in the last one year by Type of Assets (in percentage)**

Indicator	Agricultural Households	Non-Agricultural Households	All Households
1	2	3	4
HHS that made any investment	10.4	8.7	9.5
HHS that invested in any Financial Assets	3.6	1.5	2.5
HHS that invested in any Physical Assets	8.7	7.5	8.1
HHS that invested in both Financial & Physical Assets	1.9	0.3	1.0

Base = All Households

When compared by type of assets that households invest in, physical assets were clearly most preferred with about 8% households reporting to have invested in the same in the last one year as compared to only 2.5% households that invested in any financial asset. The agricultural households exhibit greater tendency to invest in both physical and financial assets as compared to their non-agricultural counterparts.

## 7.3 AMOUNT OF MONEY INVESTED

Examination of the total amount of money that the households reported to have invested in the given reference period revealed that not only did a greater proportion of agricultural households reported to have invested any money, but the amount of money they invested was also higher than that invested by non-agricultural households. As reflected in Table 7.3, taking all types of investments for all households combined, every investor household reported to have investment an amount of ₹ 60,529 on an average. The average investment reported to have been made by agricultural households was calculated to be ₹ 62,734 which is much higher than the investment by non-agricultural households (₹ 58,131).

**Table 7.3 Average Investment Reported in the last one year by Type of Assets (In Rupees)**

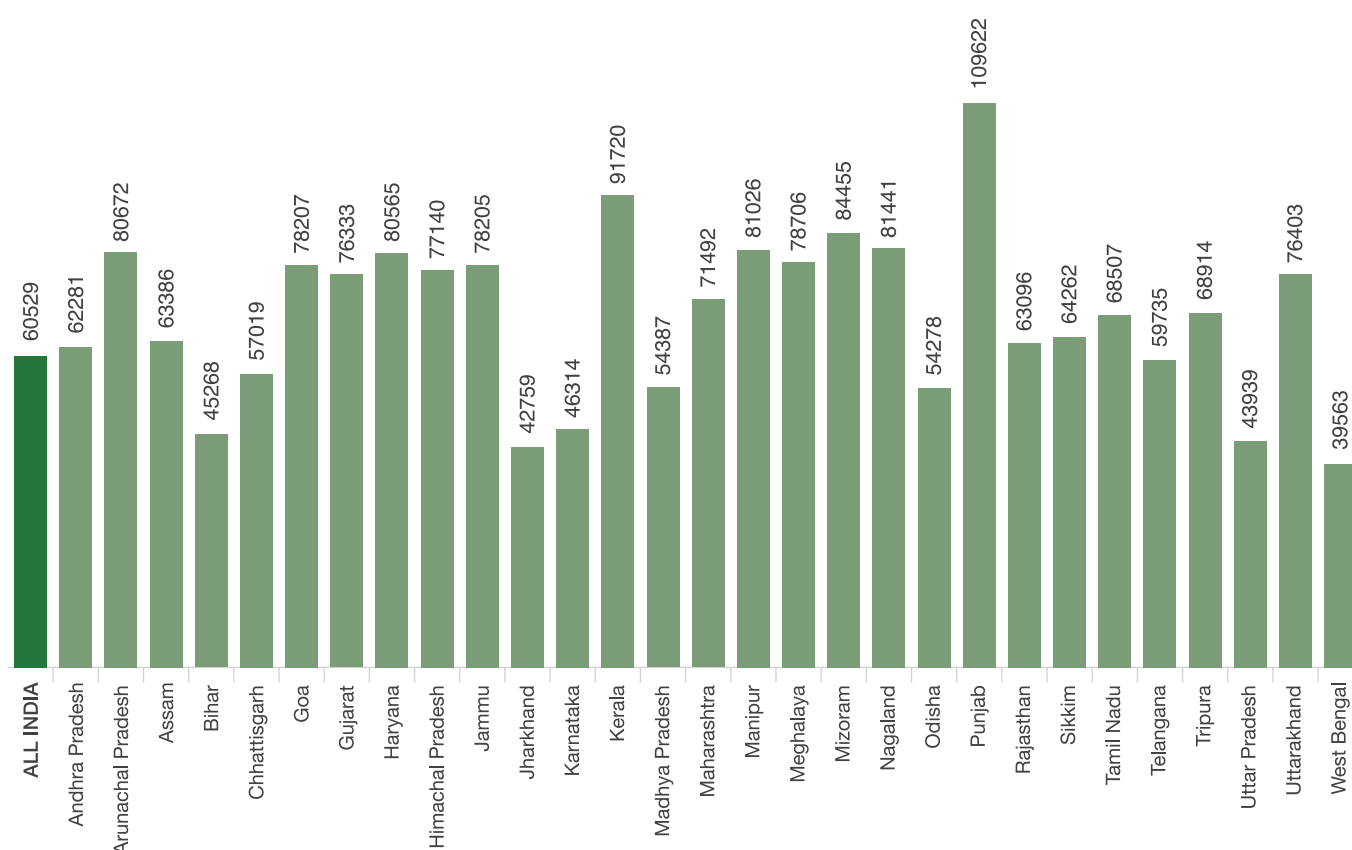
Indicator	Agricultural Households	Non-Agricultural Households	All Households
1	2	3	4
All Assets (Financial & Physical Combined)	62734 (100%)	58131 (100%)	60529 (100%)
Financial Assets	15731 (25%)	17595 (30%)	16624 (27%)
Physical Assets	47004 (75%)	40535 (70%)	43905 (73%)

Base =All investments made by the households in the last one year

When compared by amount invested in financial and physical assets, it was found that the physical assets attracted almost 2.5 times the amount invested in financial assets. This was true for both agricultural (3 times) and non-agricultural households (2 times). Therefore, physical assets clearly emerged as the most favoured assets with greater proportion of households investing larger sums of money in them.

Investigation in the state-wise scenario of average amount of money spent by any investor household taking investments in all assets combined revealed that there were little variations across states in this aspect. Figure 7.3 presents the results obtained in this regard.

**Figure. 7.3 Average Investment Reported in All types of Assets by Households that made any investment in last One Year by State (in Rupees)**



Base = All investments made by the households in the last one year

The states like Punjab and Kerala clearly stand out with higher level of investments as compared to the other states. On the other end of the hierarchy are states like West Bengal, Jharkhand, Uttar Pradesh where the average amount of investment was lesser than ₹ 45,000. The trends are in consonance with that of household income with higher income states also showing higher level of investments and vice versa.

### 7.3.1. Investments made by Agricultural Households

The investments made by agricultural households were further analysed by size class of land possessed to study the relationship between the two. Table 7.4 presents the results obtained in this regard.

**Table 7.4 Average Investment Reported by Agricultural Households that made any Investment in the Last One Year by Size Class of Land Possessed**

Indicator	Size Class of Land Possessed (Ha)					All Size Classes
	<0.01	0.01-0.40	0.41-1.00	1.01-2.00	>2.00	
1	2	3	4	5	6	7
All Assets (Financial & Physical Combined)	41068	32054	42647	77511	115448	62734
Financial Assets	19923	6035	11178	31764	13478	15731
Physical Assets	21145	26020	31469	45747	101969	47004

Base = All investments made by the Agricultural households in the last one year

There is a clear trend indicating a marked rise in the amount of money invested with the increase in size of land possessed by agricultural households. Taking total investment made by the household in both types of assets, the amount of money invested by households in the highest size class of more than 2 ha was roughly three times the amount reported to have been invested by households having less than 0.01 ha of land. Further, the agricultural households show a preference for investment in physical assets with the overall investment in physical assets being close to three times the investments made in financial assets.

## 7.4 SOURCES OF FUNDS FOR INVESTMENTS

The households that reported any investment amounting more than ₹ 10,000 were probed about the sources that they utilized to arrange the money required for the given investment. The sources reported were classified into own funds, funds from institutional sources like banks or micro-finance institutions, and funds from non-institutional sources like friends, relatives, etc. The contribution of various sources to the total investments made by the households for investments over ₹ 10,000 is depicted in Table 7.5. Overall figures depict somewhat higher dependence on own funds, more so for non-agricultural households. Out of the total amount

**Table 7.5 Distribution of Investor Households by the Source of Funds for Investments amounting More than ₹ 10,000 (in percentage)**

Indicator	Agricultural Households	Non-Agricultural Households	All Households
1	2	3	4
Own Funds	40	47	43
From institutional sources	38	36	37
From non-institutional sources	22	17	20
TOTAL	100	100	100

Base = Households that made any Investment over ₹ 10,000 in the last one year



invested by all households, about 43% of it was drawn from own funds collected by the household, 37% was taken from institutional sources and about 20% was drawn from non-institutional sources. The agricultural households exhibited greater dependence on institutional and non-institutional sources as compared to the non-agricultural households. Reportedly 40% of the money invested by them was drawn from own sources, 38% was taken from institutional sources and the remaining from non-institutional sources.

#### 7.4.1. Investments made by Agricultural Households

Table 7.6 presents the findings obtained when the sources of funds for agricultural households was analysed against the size class of land possessed. As witnessed, 37% of the fund required for investment purposes was drawn from own resources. When analysed by type of source, households in the higher size class of land possessed showed greater dependence on institutional sources as compared to the ones in the lower size classes. This may be attributed to the fact that the households in the higher size classes have higher value of assets that can serve as a guarantee against the loans taken from institutional sources. The households with smaller land sizes are usually deprived of such resources and thus are dependent on non-institutional sources for high value investments.

**Table 7.6 Distribution of Agricultural Households by Source of Funds for all Reported Investments over ₹ 10,000 by Size Class of Land (in percentage)**

Indicator	Size Class of Land Possessed (Ha)				
	<0.01	0.01-0.40	0.41-1.00	1.01-2.00	>2.00
1	2	3	4	5	6
Own Funds	43	31	40	45	37
From institutional sources	30	37	34	34	45
From non-institutional sources	27	32	26	21	18

Base = Agricultural Households that made any Investment over ₹ 10,000 in the last one

These investment patterns hold significant value for financing institutions to devise policies to increase the penetration of institutional sources for investment purposes.

The term '*indebtedness*' may be understood as, 'the state of being under obligation,' which is financial in nature. Indebtedness may be restricted to an individual, to a household or may also extend to an organization. Indebtedness of an Indian rural household often finds its genesis in the borrowing for certain exigencies like accident or illness of a member of the household or a pressing need for certain social occasion like marriage, etc. First, because a household hardly saves enough to meet such needs and second, because there is no provision for institutional borrowing in such cases, the only source of loan is the local money lender who charges exorbitant interest for such a loan. Now the borrower does not have enough resources or income<sup>ev</sup> to enable him to repay the debt which sets off a series of miseries for the household propelling it in the vicious cycle of poverty.

Often, a financially sound household resorts to loan for adding more assets to the household, for fuelling the growth of its business, or for serving the educational or health needs which often require huge expenses which the household is unable to arrange at a particular point of time. Such households have the capacity to repay the debts, and often go back being richer, more successful, or healthier.

This chapter outlines the status of sampled households on aspects related to indebtedness. It is hoped that these findings will help the concerned authorities design interventions for alleviating rural poverty.

### 8.1 INCIDENCE OF INDEBTEDNESS AMONG HOUSEHOLDS

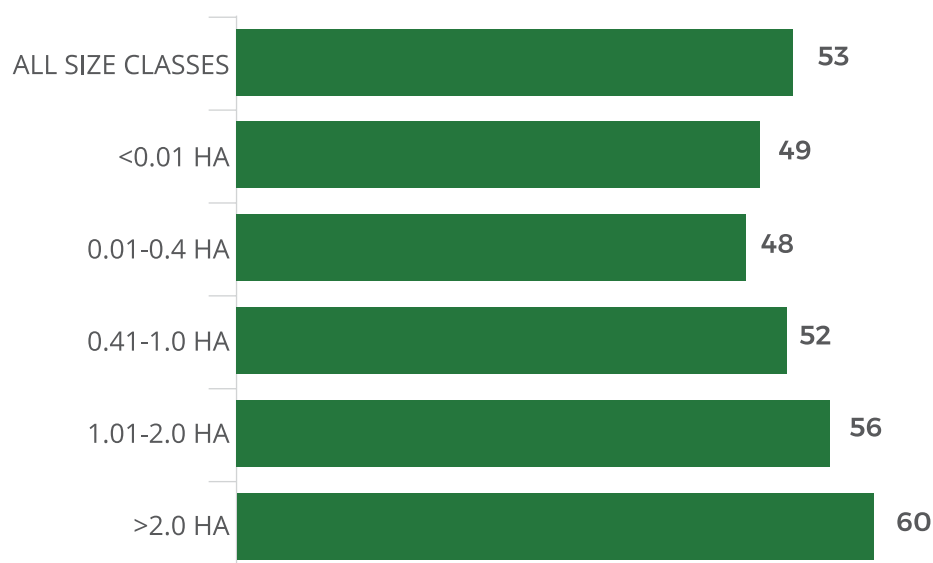
Under NAFIS, a household was considered indebted if it had any outstanding loan on the date of survey. The surveyed households were therefore inquired if they had any debt that remained outstanding at the time of survey. The households that confirmed presence of any outstanding loan on that specific day were considered as 'indebted'. Taking all households together, 47.4% of the households were found to be having some outstanding debt as on date of survey. The incidence was higher among agricultural households (52.5%) as compared to non-agricultural households (42.8%), pointing towards a higher need of financial assistance among agricultural households. This can be further corroborated by the fact that the agricultural households also reflected a higher tendency to save money as well as make investments.

**Table 8.1 Incidence of Indebtedness by Decile Class of MPCE (in percentage)**

Category	Agricultural Households	Non-Agricultural Households	All Households
1	2	3	4
All Households	52.5	42.8	47.4
By Decile Class of MPCE			
1	39.5	33.8	36.4
2	48.0	41.7	44.7
3	49.7	37.0	42.8
4	49.5	41.1	45.2
5	52.9	42.0	47.7
6	49.9	44.5	47.3
7	51.5	44.6	48.1
8	57.9	46.1	51.4
9	59.5	50.9	54.7
10	68.0	46.4	56.0

When analysed by decile classes of MPCE (See Table 8.1), there was an increasing trend, with households in the higher deciles showing higher levels of indebtedness as compared to the ones on the lower end of the ladder. This may be attributed to the fact that these economically better off households are more eligible for taking loans as they have enough assets to serve as security against the loans taken. In addition, these households also tend to optimize on their existing resources and take loans for making capital expenses for furthering their productive endeavours.

### 8.1.1. Incidence of Indebtedness among Agricultural Households

**Figure. 8.1 Incidence of Indebtedness among Agricultural Households by Size class of Land Possessed (in percentage)**

Base = Agricultural Households

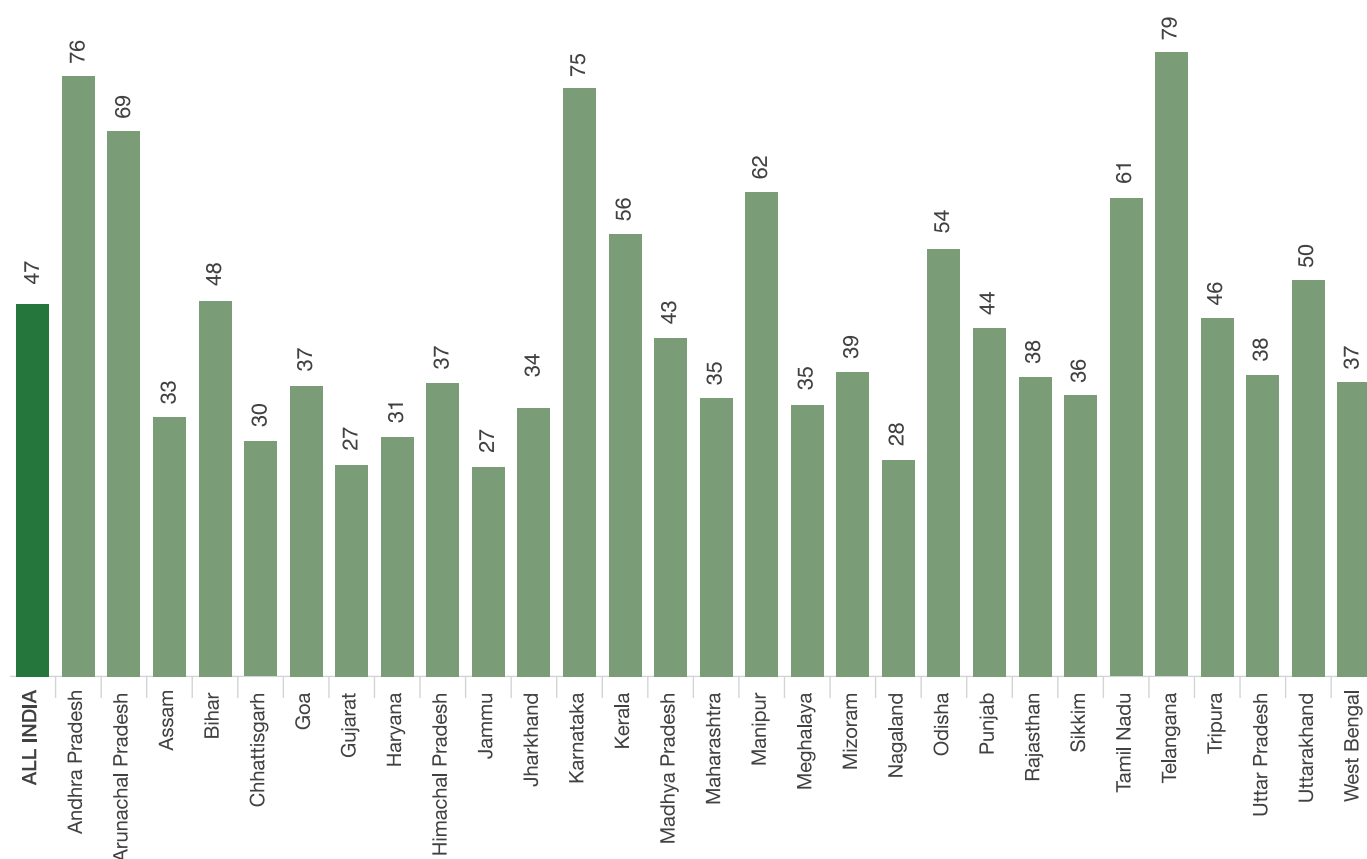
Further analysis of incidence of indebtedness among agricultural households by size class of land possessed reflected a positive correlation with visible increase in the proportion of households reporting indebtedness with the increase in land sizes. The findings in this regard have been depicted in the figure 8.1. As stated earlier, the households with larger land sizes are assumed to have greater asset base which increases their eligibility for taking loans. Further, these households also tend to seek loans for productive purposes which are discussed ahead in this chapter.

### 8.1.2. Incidence of Indebtedness by States

State-wise findings with respect to incidence of reported indebtedness has been presented in Figure 8.2.

As witnessed in the figure above, the states like Telangana (79%), Andhra Pradesh (77%), and Karnataka (74%) show highest levels of indebtedness across states. The same is also considerably higher in states like Arunachal Pradesh (69%), Manipur (61%), Tamil Nadu (60%), Kerala (56%), and Odisha (54%) with more than half of the households that were found to be indebted at the time of survey. In order to better understand the nature of indebtedness, it will be pertinent to examine the reasons for taking loans which is discussed ahead in the chapter.

*Figure. 8.2 Incidence of Indebtedness among Households by States (in percentage)*



Base = Agricultural Households

## 8.2 AVERAGE OUTSTANDING DEBT PER HOUSEHOLDS

The households that reported to have any outstanding debt were further inquired about the average amount of debt that was outstanding and remained to be paid off at the time of survey. Taking all households combined, the average amount of reported outstanding debt per indebted household was calculated to be ₹ 91,407. Comparing the amounts by type of households, it was found that the agricultural households reporting any outstanding debt had a higher debt liability as compared to the non-agricultural ones, values being ₹ 1,04,602 and ₹ 76,731 respectively. Table 8.2 presents the detailed findings obtained in this regard.

**Table 8.2 Average Outstanding Debt (AOD) by Decile Class of MPCE (In Rupees per Household)**

Decile Class of MPCE	Agricultural Households		Non-Agricultural Households		All Households	
	Per Household	Per Indebted Household	Per Household	Per Indebted Household	Per Household	Per Indebted Household
1	2	3	4	5	6	7
<b>Overall</b>	<b>59053</b>	<b>104602</b>	<b>35302</b>	<b>76731</b>	<b>46574</b>	<b>91407</b>
By Decile Class of MPCE						
1	41622	99410	23952	64864	32081	81839
2	44218	85836	29230	64671	36414	75508
3	37023	69867	25823	62249	31069	66283
4	38739	72245	26116	56708	32464	65111
5	49042	84495	29419	64323	39648	76026
6	44408	79770	28614	60441	36594	70988
7	69634	124788	35489	75703	52445	102211
8	64308	104661	41319	85047	51635	94997
9	73304	116421	42895	80769	56141	97804
10	132966	186457	64488	134394	94653	162466

When compared by decile classes of MPCE, a clear rise in the debt amount is seen with increase in MPCE. The indebted households in the 10th decile of MPCE reported over two times the outstanding debt as compared to the ones in the lowest decile. Further, a sharp increase was witnessed from 9th to 10th deciles.

## 8.3 BORROWING BEHAVIOUR OF HOUSEHOLDS

The surveyed households were inquired if they had taken any loan in the reference period of July 1st, 2015 to June 30th, 2016, the source from where it was taken, nature of security, amount of loan, interest rates and reasons behind taking the loans. The findings emerging from the survey would not only help gain an insight into the borrowing pattern of individuals but would also give an idea about the reasons that compel households to carry the debt burden.

### 8.3.1. Households that took any Loan in the Reference Period

The findings on loans taken in the said reference period have been presented in Table 8.3. Taking all households combined, about 40% households reported to have taken any loan in the given reference period. The proportion of agricultural households reporting to have taken any loan in the said period was relatively higher as compared to the non-agricultural ones, the values being about 44% and 37%, respectively.

**Table 8.3 Households Reporting to Have Taken Any Loan between 1 July, 2015 to 30 June, 2016**

Category	Agricultural Households	Non-Agricultural Households	All Households
1	2	3	4
All Households	43.5	37.2	40.2
By Decile Classes of MPCE			
1	31.6	28.7	30.0
2	39.1	35.0	36.9
3	39.4	32.0	35.3
4	40.8	35.3	38.0
5	43.4	35.6	39.7
6	41.4	39.0	40.2
7	42.5	39.6	41.1
8	48.5	40.6	44.1
9	48.9	45.2	46.8
10	60.6	40.7	49.6

When viewed by decile class of MPCE, once again we witness a positive correlation between the tendency to seek loan and the consumption expenditure class of the households. Among the households in the highest decile of MPCE as high as 50% households reported to have taken any loan as compared to merely 30% in the lowest decile class. Comparison of difference in the decile classes of agricultural and non-agricultural households reflected wider disparity among agricultural households.

### 8.3.2. Number of Loans taken by the Household in the Reference Period

The survey involved detailed inquiry about all the loans taken by household members in the said reference period. Table 8.4 presents the results obtained in this regard. On classifying the households by number of loans that they took, a majority of more than 80% households were found to have taken only one loan in the said reference period. 13% households reported 2 loans and for about 3% households the number of loans went up from 3-5 loans per household.

**Table 8.4 Distribution of Households Reporting to have taken any Loan by Number of Loans Taken between July,2015 to June,2016 (in percentage)**

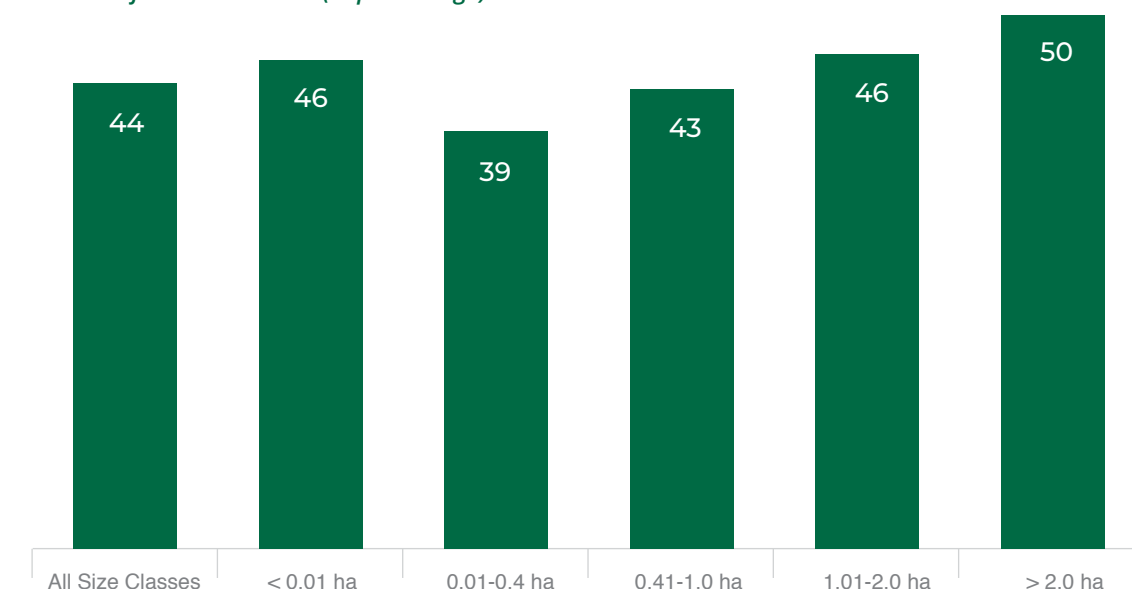
Category	No. of Loans Taken			Total
	One Loan	Two Loans	3-5 Loans	
1	2	3	4	5
Agricultural Households	83.2	13.4	3.4	100.0
Non-Agricultural Households	85.3	13.2	1.5	100.0
All Households	84.2	13.3	2.5	100.0

Base = All loans taken by Households in the reference period

### 8.3.3. Borrowing Behaviour of Agricultural Households

Figure 8.3 offers specific insight into the borrowing behaviour of agricultural households. It presents the proportion of households that reported to have taken any loan in the given reference period by size class of land possessed.

**Figure 8.3 Proportion of Agricultural Households Reporting to have taken any Loan between July 1, 2015 to June 30, 2016 by Size class of Land Possessed (in percentage)**



Base = Agricultural Households

The proportion of agricultural households who took any loans in the given period also increased by the size class of land they possessed. With an exception of households with less than 0.01 ha land, the proportion of AH reporting to have taken any loans exhibited a marked increase from 39% among households in the land size class of 0.01 to 0.4 ha. to about 50% among households with more than 2 ha land. Once again larger land sizes are expected to have higher financial requirements for making their optimal productive use.

Further analysis was undertaken to see if there was any increase in the number of loans taken with increase in land sizes. The results obtained in this regard have been presented in Table 8.5. The households with land size of more than 2 ha clearly stand out showing a marked deviation from the average trend. Only about three fourth of households reported a single loan, 15% reported two loans and a sizeable 7% reported 3-5 loans in the given year.

**Table 8.5 Distribution of Agricultural Households Reporting any Loan by Number of Loans Taken by Size Class of Land Possessed (in percentage)**

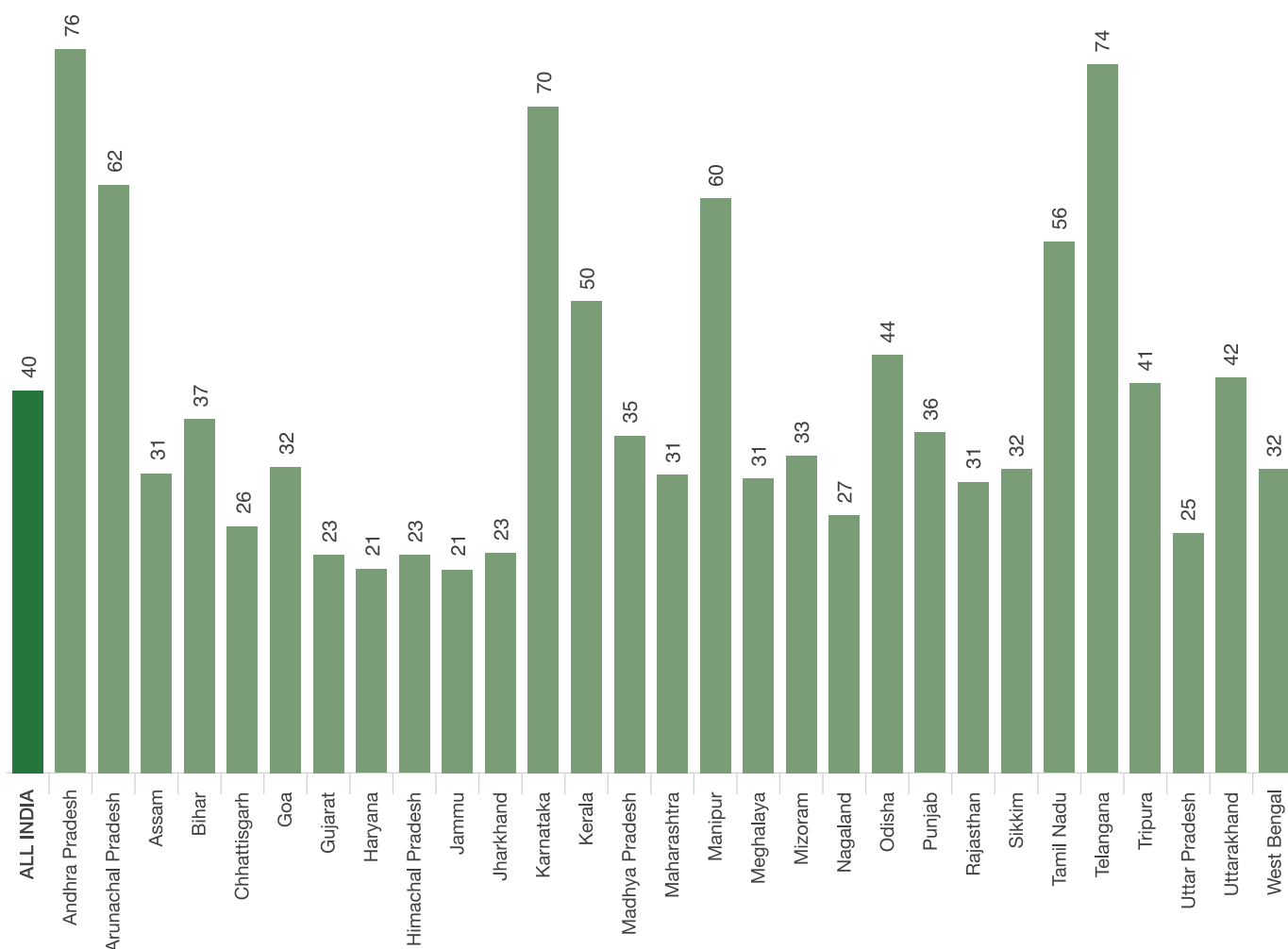
Category	No. of Loans Taken during July,15 to June,16			Total
	One Loan	Two Loans	3-5 Loans	
1	2	3	4	5
< 0.01 ha	85.7	11.7	2.6	100.0
0.01 - 0.4 ha	83.0	14.3	2.7	100.0
1.01 - 2.0 ha	87.0	10.8	2.2	100.0
> 2.0 ha	77.1	15.4	7.5	100.0
All Size Classes	83.2	13.4	3.4	100.0

Base =All Loans taken by Agricultural Households in the reference period

### 8.3.4. Borrowing Behaviour by States

State-wise findings with respect to borrowing behaviour of households has been presented in figure 8.4. The trend in the borrowing behaviour was similar to the incidence of indebtedness discussed in the preceding sections. The highest proportion of households that took any loan in the given reference period were reported from states like Telangana (74%), Andhra Pradesh (76%), and Karnataka (70%). The same is also considerably higher in states like Arunachal Pradesh (62%), Manipur (60%), Tamil Nadu (56%), and Kerala (50%) with more than half of the households that reported to have taken loans in the said period.

**Fig. 8.4 Proportion of Households Reporting to have Taken any Loan between July 1, 2015 to June 30, 2016 by States (in percentage)**



Base = All Households

## 8.4 SOURCES OF LOANS

The households reporting to have taken any loan were further enquired about the sources from where they took these loans. The responses obtained have been depicted in Table 8.6. Some of the households reported more than one sources of loan. Overall, the institutional sources emerged as more preferred sources with close to 70% loans reported to have been taken from them. However, it must be highlighted that a sizeable 40% loans were reported to have been taken from non-institutional sources like relatives & friends, and local landlords and money lenders.



**Table 8.6 Distribution of Households Reporting to have Taken any Loan between July, 2015 to June, 2016 by their Source(s) of Loan (in percentage)**

Type of Source Used	Agricultural Households	Non-Agricultural Households	All Households
1	2	3	4
Only Institutional	60.5	56.7	58.7
Only Non-Institutional	30.3	33.4	31.8
Both Institutional & Non-Institutional	9.2	9.9	9.5
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Base = All loans taken by Households in the reference period

A detailed analysis of type of institutional and non-institutional sources that the households utilized for borrowing money has been presented in Table 8.7.

**Table 8.7 Distribution of loans according to sources for Households Reporting to have Taken any Loan between July, 2015 to June, 2016 (in percentage)**

Agency	Agricultural Households	Non-Agricultural Households	All Households
1	2	3	4
<b>Institutional Sources</b>			
Commercial Bank / RRB	46.2	26.4	36.6
SHG-Bank Linked	10.6	14.4	12.4
SHG-NBFC/MFI	9.2	13.5	11.3
Co-op. Society / Bank	6.0	5.3	5.7
Financial Company	1.0	1.7	1.3
Finance Corporation	0.7	2.1	1.3
Provident Fund	0.5	0.2	0.3
Insurance	0.3	0.2	0.2
<b>Non-Institutional Sources</b>			
Relatives & Friends	22.7	26.8	24.7
Moneylenders	10.8	12.3	11.5
Landlord	6.1	4.3	5.2
Doctors, Lawyers, etc.	0.1	0.1	0.1
Input Supplier	0.1	0.1	0.1
Totals exceed 100% as a household may have taken loan from more than one sources			

Base = All loans taken by households in the said reference period

Among all households about 37% of the loans were taken from Commercial Banks/RRBs, with agricultural households showing greater dependence on this source (46%) as compared to non-agricultural households (26%). Relatives & friends were the next most preferred source with close to one-fourth of the households reporting it to be the source for the loan they had taken, with non-agricultural households exhibiting a relatively higher dependence on them. Self Help Groups were also reported as source for a sizeable proportion of households, with the same being more prevalent among non-agricultural households as compared to their agricultural counterparts.

Among those taking loans from non-institutional sources, relatives and friends remained the most preferred source that a majority of the households turned to in times of need. This saves them from undue exploitation and often these loans are free from any interest. It is also reflective of appreciable level of social integration in the communities. Further, a sizeable 11.5% households exhibited dependence on local Money lenders and landlords which exposes them to exploitation by having to pay exorbitant rates of interest. The persons resorting to local money lenders often include, either the illiterate or extremely poor ones which are not eligible for drawing loans from formal institutions, or the households that do not have require social networks that can help them in times of need. These conditions put them under the category of vulnerable households, which must be focused upon to pull them out of misery.

## 8.5 AVERAGE AMOUNT OF LOAN TAKEN BY HOUSEHOLDS BY TYPE OF SOURCE

The households that reported to have taken any loan in the given reference period were inquired about the amount of money taken as loan combining all loans taken by all members of the household.

<b>Table 8.8 Average Loan Taken between July 1st, 2015 to June 30th, 2016 by borrowing Households by Type of Source (In Rupees)</b>			
Source of Loan	Agricultural Households	Non-Agricultural Households	All Households
1	2	3	4
From all sources combined	107083 (100%)	75688 (100%)	91852 (100%)
From institutional sources	77473 (72%)	48970 (65%)	63645 (69%)
From non-institutional sources	29611 (28%)	26718 (35%)	28207 (31%)

Base = All loans taken by household in the said reference period

As depicted in Table 8.8, the average amount of loan per households combining all reported loans taken by households from all sources in the given period stood at ₹ 91,852. When comparing by type of households, the average amount from agricultural households (₹ 1,07,083) came out to about 1.5 times of that on non-agricultural households (₹ 75,668). The figures reflect a clear preference to institutional sources over non-institutional sources, with both categories of households reporting to have taken a larger amount of loan from institutional sources. The agricultural households reflect higher dependence on institutional sources over the non-institutional ones. However, it will be apt to highlight that there is still a sizeable proportion of loan requirement among the households that was met with by non-institutional sources.

### 8.5.1. Share of Various Sources in the Total Loan taken by Households

A detailed analysis of average amount of loan taken from various sources, and the percentage proportion of loan contributed by each source has been presented in Table 8.9.

<b>Table 8.9 Average Loan taken from Various Sources by Households Reporting to Have Taken Any Loan between July,2015 to June,2016</b>						
Agency	Agricultural Households		Non-Agricultural Households		All Households	
	Amount (₹)	Share (%)	Amount (₹)	Share (%)	Amount (₹)	Share (%)
1	2	3	4	5	6	7
<b>Institutional Sources</b>						
Commercial Bank / RRB	57853	54.0	27048	35.7	42908	46.7
Co-op. Society / Bank	6406	6.0	5255	6.9	5848	6.4
SHG-NBFC/MFI	5271	4.9	5788	7.6	5522	6.0
SHG-Bank Linked	4368	4.1	5442	7.2	4889	5.3
Financial Company	975	0.9	1300	1.7	1133	1.2
Finance Corporation	562	0.5	1292	1.7	916	1.0
Insurance	425	0.4	114	0.2	274	0.3
Provident Fund	265	0.2	94	0.1	182	0.2
Other Institutional Agencies	1348	1.3	2636	3.5	1973	2.1
Total Institutional Sources	77473	72.3	48970	64.7	63645	69.3
<b>Non-Institutional Sources</b>						
Relatives & Friends	15359	14.3	14199	18.8	14796	16.1
Moneylenders	10100	9.4	10069	13.3	10085	11.0
Landlord	4028	3.8	2299	3.0	3189	3.5
Input Supplier	97	0.1	113	0.1	104	0.1
Doctors, Lawyers, etc.	26	0.0	38	0.1	32	0.0
Total Non-Institutional Sources	29611	27.7	26718	35.3	28207	30.7
<b>Total of Both Sources Combined</b>	<b>107083</b>	<b>100.0</b>	<b>75688</b>	<b>100.0</b>	<b>91852</b>	<b>100.0</b>

Base = All loans taken by households in the said reference period

Overall, about 70% of loan for households was coming from institutional sources. The agricultural households reflect a greater preference for institutional sources with 72% of the loan taken from these sources. The non-agricultural households show greater preference for non-institutional sources, among which relatives & friends and local money lenders are contributing more than other sources. When comparing the loan amount, the agricultural households were found to be having a higher debt burden from both types of sources when compared to non-agricultural ones.

### 8.5.2. Preferred Sources of Loan for Agricultural Households

On examining the reported amount of loan taken, particularly for agricultural households by size class of land possessed it was found that the ones having bigger land-size carry a higher debt burden as compared to the ones in the lower size classes (see Table 8.10). Further, the average amount of loan per households in each

land-size class was much higher for the loans taken from institutional sources as compared to that from non-institutional sources. While there was an increase in the debt burden with increase in land sizes, the households in the last category of more than 2 ha of land exhibited a sharp increase, with the loan amount from both institutional and non-institutional sources being almost double the amount taken by the households having land between 1 to 2 ha.

**Table 8.10 Average Amount of Loan Taken by the Agricultural Households Reporting to have taken any Loan between July,2015 to June,2016 by the Type of Source & Size Class of Land Possessed**

Size Class of Land Possessed (Ha)	All Sources Combined (₹)	Institutional Sources (₹)	Non-Institutional Sources (₹)	Institutional Sources (%)	Non-Institutional Sources (%)
1	2	3	4	5	6
< 0.01	77988	55260	22728	70.9	29.1
0.01 - 0.40	76505	45001	31504	58.8	41.2
0.41 - 1.00	82680	57039	25641	69.0	31.0
1.01 - 2.00	119782	95731	24051	79.9	20.1
> 2.00	203831	159482	44349	78.2	21.8
All Size Classes	107083	77473	29611	72.3	27.7

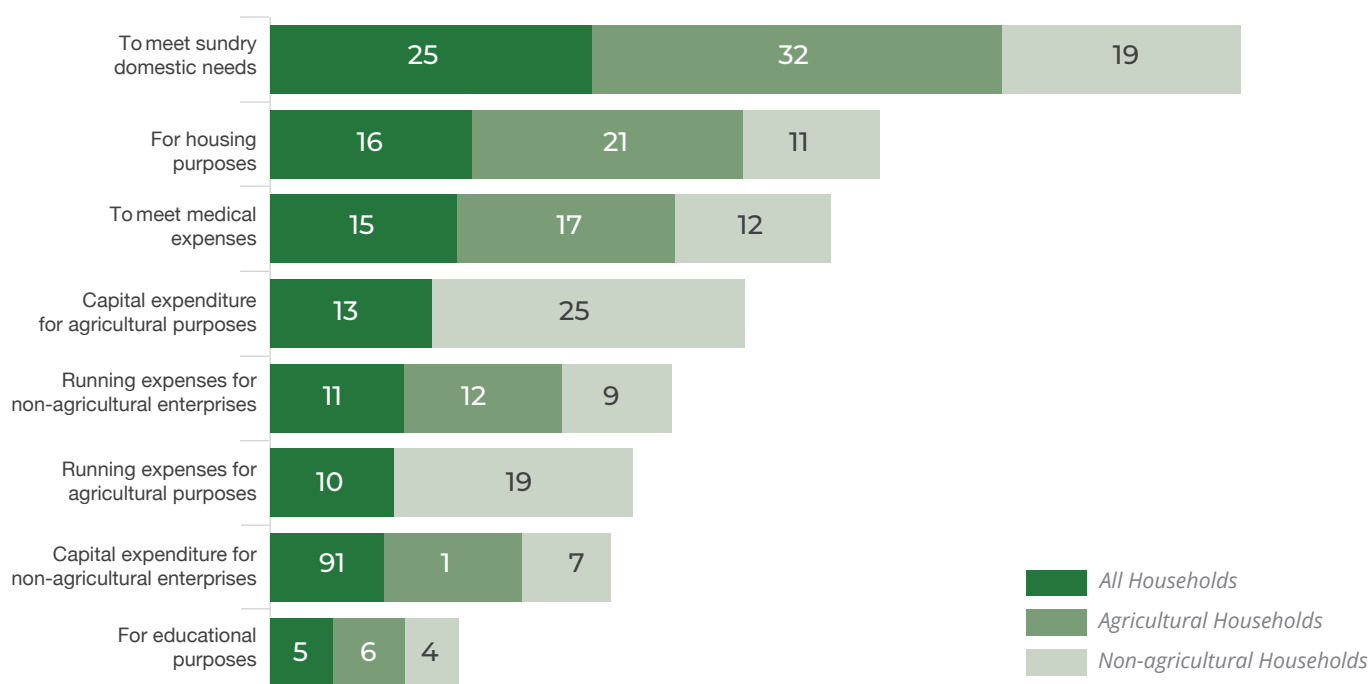
Base =All loans taken by Agricultural Households in the said reference period

## 8.6 PURPOSE FOR TAKING LOANS

The households reporting uptake of loans in the said period were further inquired about the purpose for which each of the loans was taken. The distribution of loans by the reason for which it was taken has been presented in Figure 8.5. Considering all loans taken by all households combined, meeting various domestic needs was cited as the most prevalent need for over one-fourth of the loans taken in the said period, followed by the requirement for housing purposes, capital expenditure for agricultural purposes and to meet medical expense. Among the agricultural households, a majority of 25% loans were reported to have been taken loan to meet capital expenditure required for agricultural purposes, and about 19% loans were taken for meeting running expenses required for agricultural purposes. This is reflective of the fact that a sizeable proportion of loans taken by agricultural households were sought for productive purposes which will help the household achieve better economic returns in future.

On the other hand, for the non-agricultural households, consumptive purposes were the key driving forces behind a majority of loans that were taken in the given reference period. Domestic need was found to be the most pressing need for which about one-third of the loans were sought. Meeting financial requirements for housing purposes (21%) and medical expenses (17%) were other common purposes for various loans taken by non-agricultural households.

**Figure 8.5 Purpose of Taking Loans by Borrowing Households by Type of Households (in percentage)**



Base = All loans taken by the Households in the reference period

## 8.7 AVAILABILITY & UTILIZATION OF KISAN CREDIT CARDS AMONG AGRICULTURAL HOUSEHOLDS

The Kisan Credit Card Scheme was introduced in 1998 with a view to extend need-based and timely credit support to the farmers for their cultivation needs as well as non-farm activities. The scheme was further extended for the investment credit requirement of farmers viz. allied and non-farm activities in the year 2004. It aims at providing adequate credit support from the banking system under a single window with flexible and simplified procedure to the farmers to meet their needs like - short term credit requirements for cultivation of crops; post-harvest expenses; produce marketing loan; consumption requirements of farmer household; working capital for maintenance of farm assets and activities allied to agriculture; and investment credit requirement for agriculture and allied activities.

### 8.7.1. Availability of KCC among Agricultural Households

The surveyed households were probed about the availability of Kisan Credit Cards (KCC) that were valid at the time of survey. Overall, taking all agricultural households together, only 10.5% of agricultural households were found to have a valid KCC at the time of survey. Examination of households by land size in the preceding chapters reflect that the agricultural households having less than 0.4 ha of land are majorly dependent on sources of income other than cultivation. This goes on to reflect that these households may not be pursuing cultivation in a commercial manner and hence their need for KCC and eligibility may be less. Further, only farmers who took loans from Commercial Banks, Cooperatives and Regional Rural Banks for agricultural purposes are eligible for KCC. Hence, the denominator i.e. all Households is scaled down to cover households owning more than 0.4 ha of land and having taken institutional loans from above agencies for agriculture. Among households

having land more than 0.4 ha as well as who took any loan for agricultural purposes from any bank in the last one year, 31% reported to be having a valid KCC at the time of survey.

### 8.7.2. Availability of KCC among Agricultural Households by Size Class of Land Owned

Table 8.11 presents an overview of availability of valid KCC for agricultural households by size class of land possessed for the two categories of households as per the preceding discussion.

**Table 8.11 Proportion of Agricultural Households reported having Kisan Credit Cards (KCC) by Size class of Land owned (in percentage)**

Size Class (in Ha)	Proportion of Households having Valid KCC (%)
<b>For all Agricultural Households by Size Class of Land Owned (Ha)</b>	
Overall	10.5
< 0.01	1.2
0.01 - 0.40	5.9
0.41 - 1.00	10.8
1.01 - 2.00	14.1
> 2.00	23.8
<b>For Agricultural households owning more than 0.4 ha land and who took loan for agricultural purposes from bank in the last 1 year by Size Class of Land Possessed (Ha)</b>	
Overall	31.8
0.41 - 1.00	31.3
1.01 - 2.00	27.3
> 2.00	37.9

As witnessed, proportion of households reporting KCC (penetration) increased significantly with increase in land sizes. Households having more than 2 ha land showed maximum penetration of KCC of about 24%. For households having more than 0.4 ha land and those having taken agricultural loans from institutions, the overall availability was found to be about 32%. Among such households also, those with more than 2.0 ha land reported higher penetration of about 38%.

The households reporting availability of KCC were further inquired about the taking all KCCs available with all members of all households together. The findings for different category of households as per eligibility criteria have been presented in Table 8.12.

**Table 8.12 Number of KCCs Available per Household for Households Reported to be Having any KCC**

Number of Cards	All Agricultural Households	Agricultural households owning more than 0.4 ha land and who took loan for agricultural purposes from bank in the last 1 year
1	2	3
Only one card	95.4	96.3
Two cards	4.0	2.5
3-4 cards	0.6	1.2
TOTAL	100.0	100.0

### 8.7.3. Utilization of KCC among Agricultural Households

The households that reported availability of KCC were also probed about the total credit limit that was sanctioned in their card and the amount drawn on the card during the last one year preceding the survey. Table 8.13 presents the responses obtained in this regard. Overall figures reflect an appreciative 66% utilization of the credit limit sanctioned for KCC users. The sanctioned limit was found to increase with the increase in land size which is obvious. Overall, given the extent of utilization of the sanctioned amount in an year in itself, the vitality of this scheme for promoting farmers' productive endeavours is further established.

**Table 8.13 Average Sanctioned Limit and Average Amount Withdrawn in the Last 1 Year by Agricultural Households Having Kisan Credit Card (KCC)**

Type of Household	Per Household		% Limit Utilized
	Average Sanctioned Limit (In ₹)	Average Amount Drawn (In ₹)	
1	2	3	4
All Agricultural Households	139208	91202	65.5
Agricultural households owning more than 0.4 ha land and who took loan for agricultural purposes from bank in last 1 year	164841	136970	83.1

The insights presented in the chapter may prove useful for the authorities for devising state specific strategies for enhancing access to institutional sources of debt, thereby lessening the dependence on informal sources which may expose households to misery and despair.

# INSURANCE & PENSION

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The concern for future uncertainties gave rise to the need for insurance, whereby an individual gets to transfer the risk of uncertainties to the insurers. It not only promotes a habit of saving for future but also frees the individuals' mind from fears giving them a confidence to take risks to undertake activities directed at enhancing their future economic wellbeing. The sections ahead attempt to present an overview of the preparedness of households to cope with risks and uncertainties in terms of penetration of various forms of insurance among surveyed households, and the reasons behind not taking insurance.

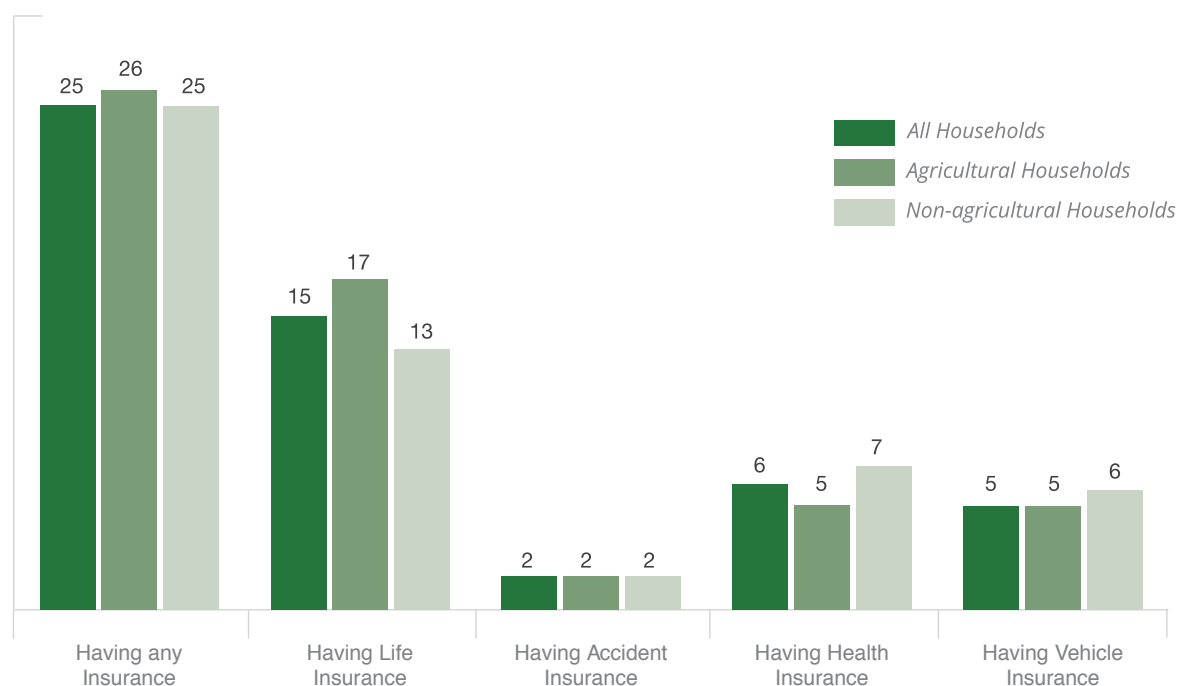
### 9.1 INSURANCE PENETRATION

The surveyed households were inquired if any of their members had any insurance at the time of survey. The households that reported availability of some insurance were further probed about member-wise availability of different types of insurance. The results have been presented in Figure 9.1. About 25% of the households reported that at least one of their members had any form of insurance. Among various forms of insurance, life insurance was found to be the most common with 15% of households in all reporting its availability with them. The penetration of the same was a little higher for agricultural households (17%) as compared to the non-agricultural ones (13%). The penetration of health, vehicle, and accident insurance was very low. Overall figure suggest that a vast majority of households remained uninsured and thus are vulnerable to risks and uncertainties which may ultimately affect their overall well-being.

The households that reported to have had any insurance were further probed if they had made any claim from their insurance in the last one year preceding the survey. Overall merely 4.5% of the insured households reported that they made any claim in the given reference period. The incidence of claim made was relatively higher among insured agricultural households, as compared to their non-agricultural counterparts. The ones who reported to have made any claim were further inquired about the status of their in terms of whether or not they received it in time. It was appreciable to note that over 90% of insured households that made any claim have already received their claims. In less than half of those cases, some delay was reported in receipt of claim. There were very few cases where the respondents reported that they had not received the claim thus far.



**Figure 9.1 Proportion of Households with at least One Member reporting any Form of Insurance (In percentage)**



Base = All Households

<b>Table 9.1 Proportion of Insured Households that reported to Have made any Claim and Distribution of Insured Household that made any claim by Outcome of Claim (in percentage)</b>			
Categories	All Insured Households	Insured Agricultural Households	Insured Non-Agricultural Households
1	2	3	4
Households that made any claim*	4.5	6.3	2.8
<b>Insured Households that Made any Claim by Outcome of Claim**</b>			
Claim received on time	50.7	51.7	48.7
Claim received, but not on time	43.4	41.8	46.6
Not received till the date of survey	3.3	4.0	2.0
Respondent not able to tell	2.6	2.5	2.7

\* Base = Households that had any Insurance

\*\* Base = Households that had any Insurance and those who reported to have made any Claim in the Last one year

## 9.2 AVAILABILITY OF CROP AND LIVESTOCK INSURANCE AMONG AGRICULTURAL HOUSEHOLDS

In the preceding sections, the households' exposure to crop and livestock related risks has been discussed. In order to understand the households' preparedness to deal with such risks they were inquired about the availability of crop and livestock insurance. Table 9.2 presents the status of agricultural households with regard to ownership of crop or livestock insurance by the size class of land possessed. Out of the agricultural households that reported to have taken any loan for agricultural purposes in the last one year, only 6.9%

reported that they had a crop insurance. Further, among the households reporting ownership of milch animals, 1.7% reported that they had their livestock insured. In general, the ownership of these types of insurance exhibited an increase with increase in size of land possessed. The estimates presented ahead are based on reported figures by the respondents. No cross-checking with any documentary evidence was done.

**Table 9.2 Proportion of Agricultural Households having Crop Insurance and Livestock Insurance by Size Class of Land Possessed (in percentage)**

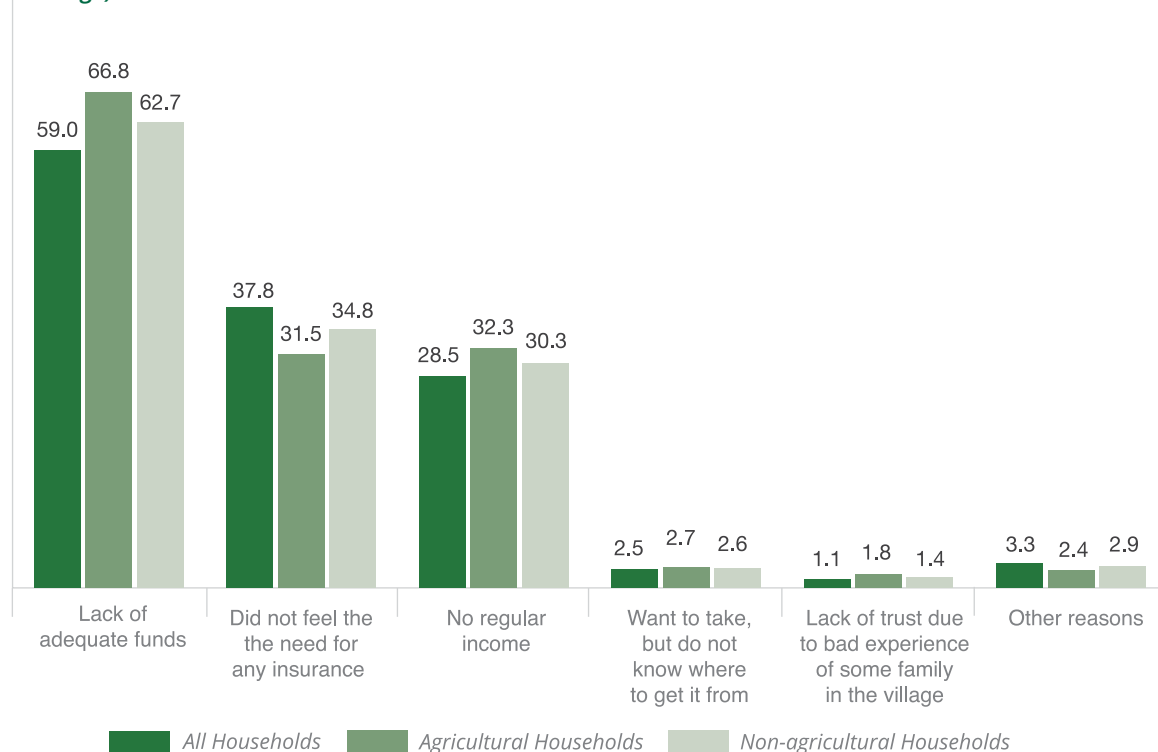
Size Class of Land Possessed (Ha)	Agricultural Households Having Crop Insurance	Agricultural Households Having Livestock Insurance
1	2	3
< 0.01 ha	0.1	0.7
0.01 - 0.40 ha	1.5	0.8
0.41 - 1.00 ha	5.1	1.0
1.01 - 2.00 ha	10.8	1.2
> 2.00 ha	8.0	5.4
All Size Classes	6.9	1.7

\* Base = Agricultural Households that reported to have taken any loan for agricultural purposes from banks

\*\* Base = Agricultural Households reporting ownership of milch animals.

### 9.3 REASONS FOR NOT TAKING ANY INSURANCE

**Figure 9.2 Reasons for not Taking any Insurance for Households that did not have any insurance, but were aware of it (in percentage)**



Base = Households that DID NOT have any Insurance

The households that denied having any form of insurance available were probed about the reasons why they did not take it. Taking all uninsured households together, it was found that 20% were completely unaware of the concept of insurance. When disaggregated by type of households, roughly similar proportion of agricultural

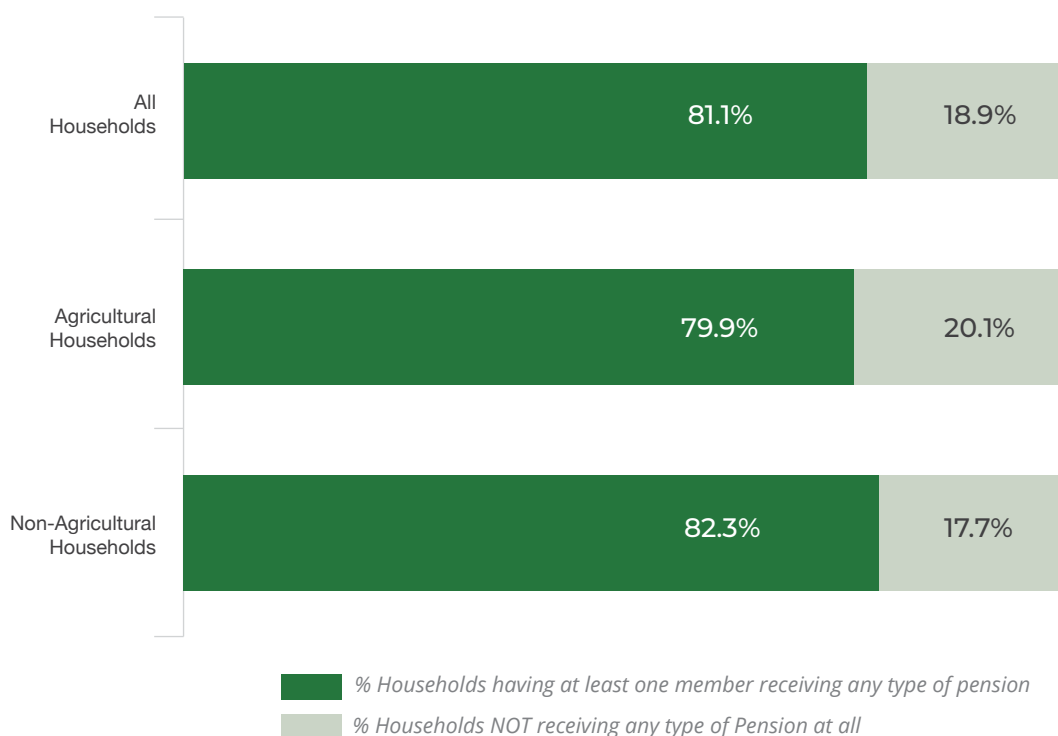
(20.6%) and non-agricultural (19.6%) households reported to be unaware of the same. Out of those aware, yet uninsured, a majority of two-thirds of the respondents reported lack of adequate funds as the reason for not having any insurance (refer figure 9.2). About 35% felt that they did not need any insurance and close to 30% could not avail the same as they had no regular income which could help them pay out regular premiums required.

## 9.4 PENSION COVERAGE

The survey also delved into the status of households with regard to coverage under various forms of pension schemes. Regular pension for the vulnerable individuals, such as old or disabled persons etc. can dramatically improve their quality of life. It not only provides financial assistance but also reduces their dependence on others, thus improving their self-worth and confidence.

About 19% of households reported that they were covered under some pension scheme whatsoever (Figure 9.3).

**Figure 9.3 Distribution of Households by status of having Any Pension at the Time of Survey (In Percentage)**



\* Base = All Households

The households that reported to have received any form of pension were further probed about the type of pension they were receiving at the time of survey. The detailed results have been depicted in table 9.3. The penetration of old age pension was assessed taking households having at least one member above 60 year of age as a base. Overall, 32% households with a member above 60 years reported to be receiving an old age pension at the time of survey. As regards the other forms of pension, the penetration appears very low. However, these figures must be viewed in light of the fact that the eligibility of households for receiving such pensions was not established before asking them about whether or not they receive any pension.

**Table 9.3 Proportion of Households with at least One Member Receiving Various Types of Pension by Type of Households (in percentage)**

Indicators	Agricultural Households	Non-agricultural Households	All Households
% Households with at least One Member Receiving Old Age Pension*	32.3	31.9	32.1
% Households with at least One Member Receiving Widow Pension**	3.5	5.0	4.3
% Households with at least One Member Receiving Retirement Pension**	2.2	2.3	2.3
% Households with at least One Member Receiving Disability Pension**	1.4	1.0	1.2
% Households with at least One Member Receiving Optional Pension (Like NPS, APY, etc.)**	0.4	0.6	0.5

\*Base = Households that had at least one member above 60 years of age

\*\* Base = All Households

On the whole, this chapter presents an insight into the preparedness of households in terms of having any insurance or pension support to help them cope with any uncertainties or risks that they face in life.

## CHAPTER 10

# MICROFINANCE EXPERIENCE

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Any study on financial inclusion would be incomplete if we do not explore the status of microfinance institutions which are critical in ensuring last mile linkage with the community. Membership of microfinance and cooperative institutions such as SHGs, JLGs, cooperative societies etc. may be helpful in availing micro loans as per the requirement of the member household. Besides that, many a times loans are given for income generation activities which are also supported by government schemes. The sections hereunder explore the association of households with various types of microfinance groups and the types of services they availed from the groups that they were associated with.

### 10.1 MEMBERSHIP WITH MICROFINANCE INSTITUTIONS

The sampled households were asked if any of their members were associated with any kind of microfinance groups. The survey findings presented in Table 10.1 reflect that roughly one-fourth of the households reported to have been associated with one or more of the microfinance groups. Those reporting to be associated with any group were further inquired about the type of group that any of their members were associated with.

As per the responses obtained, the penetration of SHGs was the highest with about 20% households reporting to have at least one member who is associated with them. The association with SHGs was a little higher among the agricultural households (22%) as compared to the non-agricultural ones (19%). The Joint Liability Groups and livelihood collectives were not very prevalent with only 3% households reporting to have been associated with any. Further, analysis by MPCE decile shows a positive trend with proportion of households with membership in such groups increasing steadily with each decile class with an observable drop in the last decile.

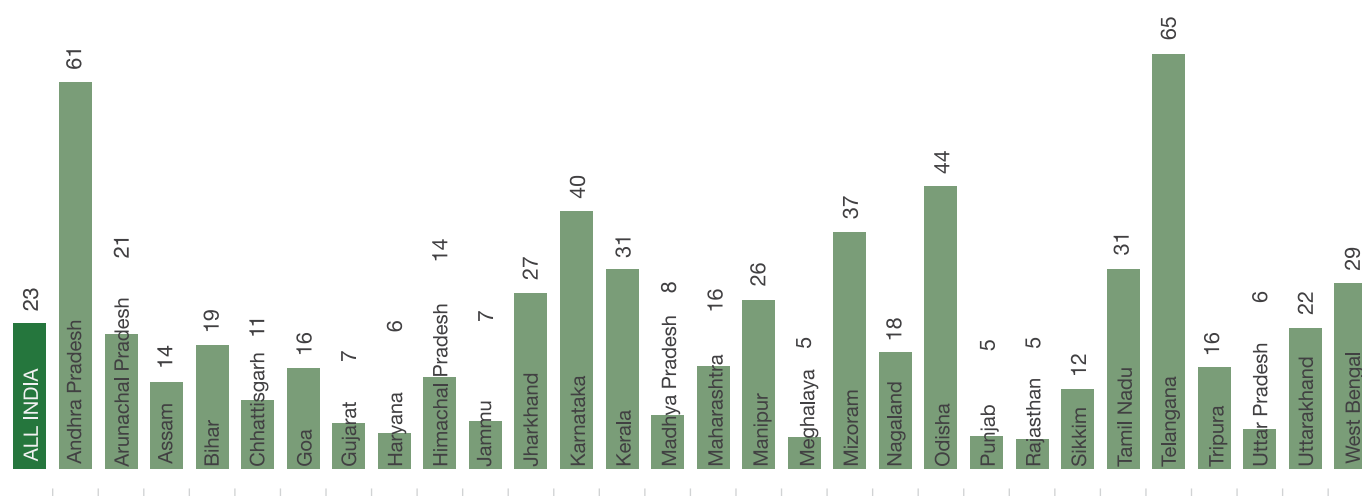
**Table 10.1 Proportion of households with at least one member associated with any Micro Finance Institution by Size Class of Land Possessed (in percentage)**

Categories	HHs with membership in any Microfinance Group	HHs with any member associated with Self Help Groups	HHs with any member associated with Joint Liability Groups	HHs with any member associated with Livelihood Groups
1	2	3	4	5
All Households	22.7	20.3	1.6	1.2
By Type of Household				
Agricultural Households	23.6	21.6	1.3	1.2
Non-Agricultural Households	21.9	19.2	1.9	1.2
By Decile Class of MPCE				
1	19.2	17.6	0.8	1.1
2	19.7	18.3	1.2	0.6
3	19.5	17.1	2.0	1.2
4	24.3	21.8	2.0	0.7
5	23.1	20.4	1.8	1.1
6	23.1	20.8	1.5	1.3
7	24.3	21.5	1.7	1.7
8	24.1	21.2	1.9	1.2
9	26.3	23.5	1.9	1.3
10	23.7	20.7	1.4	1.8

Base = All Households

Figure 10.1 presents the state-wise estimates for the proportion of households where at least one member associated with any microfinance institution.

**Figure 10.1 Proportion of households with at least one member associated with any Micro Finance Institution by States (in percentage)**



Base = All Households

As witnessed in the figure above, Andhra Pradesh and Telangana emerge as frontrunners with over than 60% households reporting to have at least one member associated with any microfinance institution. Odisha and Karnataka stand next in the hierarchy with over 40% households reporting association with any MFI. On the other end, were states like Punjab, Rajasthan, Meghalaya, Haryana and Uttar Pradesh where 6% or lesser proportion of households reported any such association.

### 10.1.1. Number of Household Members Associated with Microfinance Groups

The survey captured member-wise details regarding association of household members with Micro-finance groups. Table 10.2 presents the distribution of households by the number of members reported to have been associated with any microfinance group at the time of survey. As witnessed, in a majority of 94% households that affirmed membership of any microfinance organization, there was only one member who was reported to have been associated with these groups. About 6% households had 2 members associated with them. When analysed by type of household, no major difference was observed between the agricultural and non agricultural households on this count.

**Table 10.2 Distribution of Households by Number of Members who are Associated with any Microfinance Institution (in percentage)**

Categories	Only one member	Two members	3-4 Members	TOTAL
1	2	3	4	5
Agricultural Households	93.2	6.1	0.7	100.0
Non-Agricultural Households	94.0	5.6	0.4	100.0
All Households	93.6	5.8	0.6	100.0

Base = Households with at least one member associated with MFI

### 10.1.2. Period since when the Household has been Associated with Microfinance Groups

The information pertaining to memberwise participation was further analysed to gain an insight into the duration of association of households with MF groups. Detailed results have been presented in table 10.3. For all the households that reported association with any such group, about 40% or more households reported a duration of up to 2 years. It must be highlighted here that a sizeable one-third of households reported the association to be as old as 5 years or more.

**Table 10.3 Distribution of Households Associated with any Microfinance Institution by Duration of Membership (in percentage)**

Categories	Less than 1 year	1-2 years	3-4 years	5-10 years	More than 10 years	TOTAL
1	2	3	4	5	6	7
Agricultural Households	22.8	24.3	22.8	23.2	6.9	100.0
Non-Agricultural Households	14.7	25.5	25.3	27.2	7.3	100.0
All Households	18.7	24.9	24.1	25.2	7.1	100.0

Base = Households with at least one member associated with MFI

### 10.1.3. Status of Agricultural Household with regard to Association with Microfinance Groups

Specific analysis of the status of agricultural households regarding their association with microfinance groups reflects that roughly one-fourth of households reported to have been associated with one or more groups. When viewed by size class of land possessed, there appears to be a negative correlation, with the proportion of households reporting association declining with increase in land sizes. As regards the type of groups they are associated with, the SHGs remain the most preferred group for households looking forward to microfinance support. Table 10.4 presents the results obtained in this regard.

**Table 10.4 Proportion of Agricultural households with at least one member associated with any MFI by Size class of land possessed (in percentage)**

Size Class of Land Possessed (Ha)	Membership in any Microfinance Group	Membership with Self Help Groups	Associated with Joint Liability Groups	Associated with Livelihood Groups
1	2	3	4	5
< 0.01	29.7	26.9	2.2	0.9
0.01 - 0.40	27.2	24.3	1.4	2.0
0.41 - 1.00	24.4	22.7	1.5	1.0
1.01 - 2.00	18.2	17.1	0.8	0.4
> 2.00	18.7	17.1	0.9	0.8
All Size Classes	23.6	21.6	1.3	1.2

Base = Agricultural Households



## 10.2 TYPE OF SERVICES RECEIVED FROM MICROFINANCE INSTITUTIONS

The households that reported to be associated with any of the aforementioned microfinance groups were further inquired about the type of support and services they received from these groups. The responses obtained have been reflected in Table 10.5.

<b>Table 10.5 Proportion of Member Households that availed various Services from Microfinance Institutions</b>			
Service availed	All Households	Agricultural Households	Non-agricultural households
1	2	3	4
Technical support/training for any enterprise	20.1	18.7	21.5
Physical inputs for pursuing any enterprise	14.6	15.5	13.7
Cash loans for promoting any enterprise	26.5	26.6	26.5
Cash loans for meeting personal needs	64.4	62.5	66.2
Assistance in marketing of the products	3.3	3.9	2.6
Any other type of support	0.3	0.3	0.2
* Totals exceed 100% as the households received multiple types of services from MF institutions			

Cash loans for meeting personal needs was the most common assistance/service reported to have been received by about 64% households on the whole. Other than this, cash loan for enterprise and technical support/training for enterprise were other prominent services cited by roughly 26% and 20% respondents, respectively. These institutions also offered physical inputs for pursuing any enterprise to about 15% of the households. These findings are reflective of the fact that the households associated with these groups are receiving the desired benefits not only in times of need but also in their endeavours to enhance their income generation capacity.

# FINANCIAL KNOWLEDGE, ATTITUDE, & BEHAVIOUR

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The existing literature and research evidence with respect to financial inclusion in India have largely focussed on the supply side indicators, and penetration of various financial products and services in the market. There is no national level study that goes a step further to look into the antecedents of financial inclusion in terms of individual level knowledge, attitude and behaviour that has a major influence on the extent of financial inclusion. With the increased international impetus on financial inclusion as a part of G20 agenda on development, the OECD came out with a chapter dedicated to importance of financial education for bringing the unbanked and under-banked into the financial system in its 2005 publication. In October 2010, upon the recommendation of its Advisory Board, the OECD International Network on Financial Education (INFE) created an Expert Subgroup on the Role of Financial Education in Financial Inclusion.

As per the OECD, “Financial inclusion refers to the process of promoting affordable, timely and adequate access to a range of regulated financial products and services and broadening their use by all segments of society through the implementation of tailored existing and innovative approaches including financial awareness and education with a view to promote financial wellbeing as well as economic and social inclusion.”<sup>3</sup> In India also, the Government is pushing the locus of responsibility of financial planning and well being into the domain and purview of an individual in an integrated manner through financial education and investor education and sound policy framework. In view of these developments, NAFIS delved deeper into the level of financial literacy and education among individuals which will ultimately help them make informed and responsible decisions for ensuring a better future for themselves as well as those dependent on them.

An insight into such demand side factors influencing the financial inclusion of households will help put the findings presented in the preceding chapters in perspective. Further, when the information provided under this section is viewed in combination with supply side

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<sup>3</sup>Financial Literacy & Inclusion Results of OECD/ INFE Survey Across Countries and by Gender, Financial Literacy & Education Russia Trust Fund accessed from [https://www.oecd.org/daf/fin/financialeducation/TrustFund2013\\_OECD\\_INFE\\_Fin\\_Lit\\_and\\_Incl\\_SurveyResults\\_by\\_Country\\_and\\_Gender.pdf](https://www.oecd.org/daf/fin/financialeducation/TrustFund2013_OECD_INFE_Fin_Lit_and_Incl_SurveyResults_by_Country_and_Gender.pdf)

issues, it will give a holistic overview of the status of financial inclusion in the country.

This chapter presents an overview of the findings pertaining to financial knowledge, attitude and behaviour of individuals. The insights presented ahead will be useful for the Government and non-government agencies committed towards improving the status of financial literacy and inclusion across the country.

## 11.1 PROFILE FOR RESPONDENTS ON SECTION RELATED TO FINANCIAL KNOWLEDGE, ATTITUDE & BEHAVIOUR

To assess the status of financial literacy, one member was selected from each household who was probed about his personal knowledge, attitude and behaviour about various financial aspects. In the survey questionnaire, one part was dedicated to collect information from an individual respondent about these aspects. It was done with an assumption that there is usually one person in the household who plays a dominant role in financial decision making as he/she is considered more aware and wise about these issues. During the survey, one such adult member of the household was selected whom the household members considered to be most knowledgeable about these aspects and who was usually responsible for undertaking most financial transactions for the household. A brief profile of respondents for section B of the survey questionnaire is presented in Table 11.1.

<b>Table 11.1 Gender and Educational Profile of Respondents for Section B of the Questionnaire (in percentage)</b>					
Education Category	Rural		Semi-Urban		Overall
	Male	Female	Male	Female	
Illiterate	22.9	37.6	12.2	18.1	25.3
Literate without Formal Education	7.4	8.1	4.1	5.6	7.2
Up to primary	17.0	16.7	12.4	14.9	16.4
Class 6th to 10th	36.8	27.8	40.4	40.4	35.2
Senior secondary	9.2	6.1	14.6	11.6	9.0
Diploma/certificate course	1.3	0.9	2.7	2.6	1.4
Graduate	4.4	2.3	10.9	5.3	4.5
Post graduate and above	1.0	0.5	2.7	1.5	1.0
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

On the whole, 72% of the respondents from the rural areas were male and only 28% were females. Whereas, in the semi-urban areas there was a greater representation of females, with about 40% of respondents being females. Overall, female respondents were found to have a poorer educational status as compared to male respondents across both rural and semi-urban areas. However, between the two types of locations, women in urban areas were observed to be better educated than those in rural areas.

## 11.2 METHODOLOGY FOR ASSESSING THE LEVEL OF FINANCIAL KNOWLEDGE, ATTITUDE & BEHAVIOUR

NAFIS adapted OECD/ INFE framework for measuring the level of financial literacy in the target households. Financial literacy in context of this study is taken to connote a combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial

wellbeing. The OECD/INFE toolkit was taken as a base to design the scales for measuring the knowledge, attitude and behaviour of adult population. Presented ahead is an overview of the measurement approach adopted to calculate the scores for level of knowledge, attitude and behaviour of individuals towards financial aspects.

### 11.2.1 Assessing Financial Knowledge

NAFIS involved questioning the respondents on their basic understanding of risk and return, and inflation. The scale for measuring financial knowledge comprised of 3 statements on which the individual response was elicited. In order to assess the level of individual achievement on the scale of financial knowledge, a combined score was calculated considering the responses to the three statements. For calculating the scores, first each respondent was awarded a score of '1' on a statement if he/she responded to it as 'true'. The response 'true' was considered correct or desirable from the point of view of measuring financial knowledge. Incorrect responses were scored as '0'. Thereafter, a combined score was calculated for each individual by summing the score on the three individual statements. The total score that could be achieved by respondents could vary from a minimum of '0' to a maximum of '3'. The **respondents who scored '3'** were rated as high achievers having **good financial knowledge**.

### 11.2.2 Assessing Financial Attitude

NAFIS questionnaire adopted the financial attitude scale used in the OECD evaluation which comprised of three attitude related questions with responses captured on a five point Likert scale. The three scaled attitudinal questions included - 'I find it more satisfying to spend money than to save it for the long term', 'I tend to live for today and let tomorrow take care of itself', and 'Money is there to be spent'. The responses were elicited on a five point scale where '1' stood for 'completely agree' and '5' meant 'completely disagree.'

To measure the achievement on financial attitude scale, a combined financial attitude score was calculated. For this, first the scores for each of the respondent on all the three statements were added. Thereafter, the total score was divided by 3 to arrive at the financial attitude score for each individual. The average score could vary from a minimum of 1 to a maximum of 5. All **individuals who scored 3 or above** were considered to have a **positive financial attitude**, that is, a saving orientation.

### 11.2.3 Assessing Financial Behaviour

NAFIS focused on a wide range of financial behaviours with an emphasis on those that can enhance or reduce financial wellbeing. The financial behaviour comprised of a total of 8 questions, which elicit information about various ways in which the respondents manage their money, make financial decisions, keep a tab on their expenses, and timeliness in terms of paying bills, etc. They also included questions on whether people set any long term goals, have a household budget and are personally or jointly responsible for it, the way they choose their financial products, and if they have borrowed anything to make ends meet.

To understand the overall status of population with regard to financial behaviour, a combined score of these questions was calculated. The scoring mechanism has been explained in the matrix ahead -

### Methodology adopted for Calculating the Score on Financial Behaviour

Behaviour	Discussion	Value towards final Score
Carefully considers purchases	This is a scaled response	1 point for respondents who put themselves at 1 or 2 on the scale. 0 in all other cases.
Timely bill payment	This is a scaled response.	1 point for respondents who put themselves at 1 or 2 on the scale. 0 in all other cases.
Keeping watch of financial affairs	This is a scaled response.	1 point for respondents who put themselves at 1 or 2 on the scale. 0 in all other cases.
Long term financial goal setting	This is a scaled response.	1 point for respondents who put themselves at 1 or 2 on the scale. 0 in all other cases.
Responsible and has a household budget	This is a derived variable, created from the responses to two questions.	1 point if personally or jointly responsible for money management and has a budget. 0 in all other cases.
Active saving	This question identifies a range of different ways in which the respondent may save. People who refused to answer score 0.	1 point for any type of active saving (excluding saving money at home, giving it to family to save). 0 in all other cases
Choosing products	This is a derived variable drawing information from 2 questions. It is only possible to score points on this measure if the respondent had chosen a product those with no score on this measure save either refused to answer, not chosen a product, or not made any attempt to make an informed decision.	1 point for people who had considered several products available in the market before making a purchase. 2 points for those who considered various products and also gathered independent Information from various sources like print media electronic media, friends/ families, and banking correspondents/ facilitators/ agents. 0 in all other cases.
Borrowing to make ends meet	This question identified a range of different ways in which people deal with financial crisis. The variable indicates people who are making ends meet without borrowing (refusals will score 1).	0 if the respondent used credit/ charity to make ends meet. 1 in all other cases.

After allocating scores to each respondent on each of the behaviour related questions, the total score on financial behaviour was calculated for the individual respondents. The total score could vary from a minimum of 1 to a maximum of 9. To set a performance benchmark, individuals with a total **score of 6 or above** were counted as those having a **positive financial behaviour**.

#### 11.2.4 Assessing Financial Literacy

In view of the overarching goal of NAFIS, the overall status of financial literacy was analysed. Financial literacy is a combination of knowledge, attitude and behaviour, and so it makes sense to explore these three components in combination. Therefore, for assessing financial literacy, the scores on financial knowledge, attitude and behaviour worked out in the preceding sections were used to classify each respondent as having 'good financial literacy' or otherwise. Any respondent who was assessed 'having good financial knowledge' (score of 3); 'having positive financial attitude' (score 3 or above' and 'having positive financial behaviour' (score of 6 or above) were classified as having 'good financial literacy'. The results of the above analysis have been presented in sections ahead in this chapter.

### 11.3 EXPOSURE TO TRAINING ON FINANCIAL LITERACY

Before probing the respondents about their knowledge, attitude and behaviour about financial issues, the respondents were assessed for their exposure to any financial training or educational session on dealing with financial matters. The sections ahead present an insight into the status of respondents in this regard.

### 11.3.1. Exposure to Financial Education/ training

The respondents were first asked if they had been exposed to any type of informative sessions organized in the last 3 years to educate people about the importance of saving or investment or introducing any financial products or services. Overall findings as reflected in Table 11.2 indicate that the overall exposure to such sessions has been extremely low with only about one in every ten persons reporting to have attended such session. When compared with various respondent characteristics, it was observed that the respondents belonging to semi-urban areas and those from the non-agricultural households were relatively better exposed to such educational sessions as compared to their counterparts. When viewed along with individual characteristics, male respondents fared somewhat better than females, but no major trend was witnessed across individuals from different levels of educational status.

**Table 11.2 Proportion of Respondent who Reported to have been Exposed to Informative Sessions in the last 3 years (in percentage)**

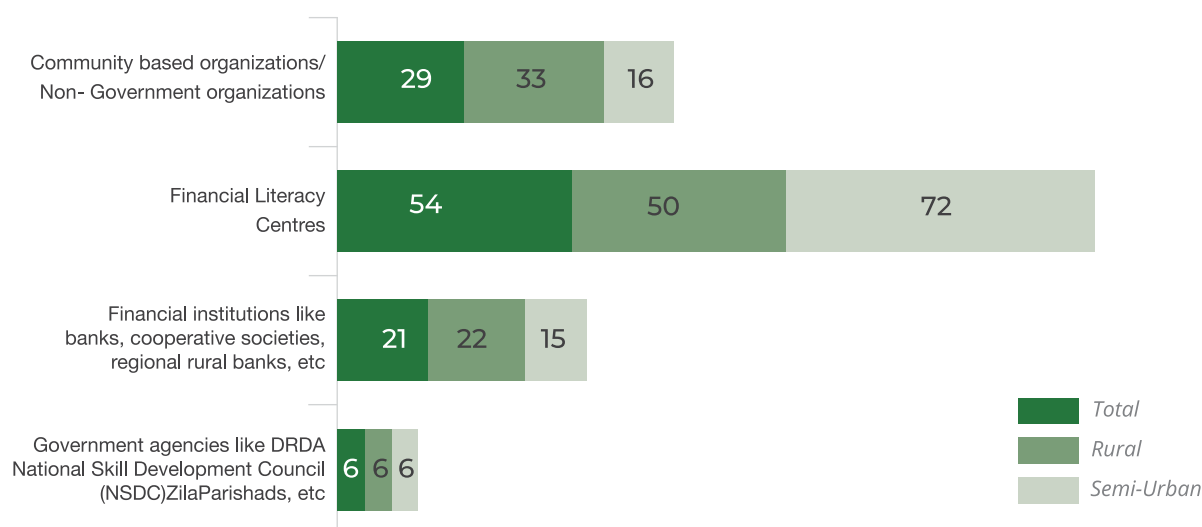
Respondent Characteristics	% Respondents Exposed
1	2
All Respondents	10.0
By Location	
Rural	9.4
Semi-Urban	13.2
By Type of Household	
Agricultural	9.7
Non Agricultural	10.3
By Gender of Respondents	
Male	10.5
Female	8.9
By Educational Status of Respondents	
Illiterate	7.8
Literate without formal schooling	11.3
Up to primary	9.5
Class 6 <sup>th</sup> to 10 <sup>th</sup>	11.0
Senior secondary	11.0
Diploma/certificate course	19.1
Graduate	11.1
Post graduate and above	11.8

Base = All Respondents to Section-B

### 11.3.2. Agencies that Provided Financial Education/ Training

The respondents who reported to have attended any financial education/ training session in the given reference period were further inquired about the agency which organized that specified training. The respondents cited multiple sources for these training programs. The agencies reported to have organized the sessions are depicted in Figure 11.1.

**Figure 11.1 Agencies that Organized the Financial Education/ Training Sessions by Type of Area (In Percentage)**



Base = Respondents who attended any session on financial education

Overall, 54% respondents reported to have attended the sessions organized by Financial Literacy Centres, with the exposure being higher in semi-urban areas as compared to the rural ones. About 29% reported to have attended the sessions organized by any community-based organizations or NGOs. The community-based organizations were found to have better penetration in the rural areas. Sessions organized by financial institutions like banks, cooperatives, etc. formed the source for about one-fifth of the respondents. In this context it must be noted that as the base for these estimates is in itself very small, just 10% of the total who reported to have attended any sessions. Therefore, when viewed in context of actual reach of these institutions in the overall population, there is a huge scope for improvement. Thus, these agencies and other such institutions working towards enhancing financial literacy have a huge population to cater to in order to garner optimal levels of financial knowledge and wisdom in the community.

## 11.4 FINANCIAL LITERACY: KNOWLEDGE, ATTITUDE & BEHAVIOUR

The sections ahead present individual assessment of financial knowledge, attitude and behaviour, as well as a combined assessment for status of financial literacy among the surveyed respondents.

### 11.4.1. Financial Knowledge

To be able to make sound financial decisions, an individual is expected to have some basic knowledge about how the finances should be optimally deployed. The proportion of respondents who were found to be knowledgeable about these individual aspects of financial knowledge as described in the methodology section of this chapter has been presented in Table 11.3.

The overall trends suggest that over 70% of respondents were reasonably knowledgeable about the potential risk and returns associated with money and were aware of the meaning of inflation. When analysed for different categories, no significant differences were observed. The male respondents and those belonging to semi-urban areas were found to be relatively better informed than their respective counterparts.

**Table 11.3 Proportion of 'True' Responses to the Statements related to Financial Knowledge (in percentage)**

Respondent Characteristics	If someone offers you the chance to make a lot of money, there is also a chance that you will lose a lot of money	High inflation means that the cost of living is increasing rapidly	It is less likely that you will lose all of your money if you save it in more than one place
1	2	3	4
All Respondents	76.3	75.3	70.0
By location of Households			
Rural	75.8	75.0	69.6
Semi-Urban	78.9	76.6	72.6
By Type of Households			
Agricultural	76.4	76.7	69.4
Non-agricultural	76.2	73.9	70.6
By Sex of Respondents			
Male	76.6	76.6	71.0
Female	75.6	72.4	68.0

Base = All Respondents to Section-B

The status of individuals and households belonging to different categories with respect to achievement on financial knowledge score as discussed in the methodology section of this chapter has been presented in Table 11.4. In the context of this survey 'good financial knowledge' means a basic understanding of the related economic concepts. The figures ahead present a clear differentiation based on location of households and the educational status of respondents. The ones in the urban areas and those having better educational status were also found to be faring well on financial knowledge.

**Table 11.4 Proportion of Respondents with a High Score on Financial Knowledge (in percentage)**

Respondent Characteristics	% Respondents with a Total Score of 3
1	2
All Respondents	48.2
By location of Households	
Rural	47.5
Semi-Urban	52.4
By Type of Households	
Agricultural	48.0
Non-agricultural	48.4
By Sex of Respondent	
Male	49.4
Female	45.8



**Table 11.4 Proportion of Respondents with a High Score on Financial Knowledge (in percentage)**

Respondent Characteristics	% Respondents with a Total Score of 3
1	2
By Educational Status of Respondents	
Illiterate	44.2
Literate without formal schooling	45.1
Up to primary	48.6
Class 6th to 10th	50.1
Senior secondary	51.7
Diploma/certificate course	53.2
Graduate	53.4
Post graduate and above	63.1

Base = All Respondents to Section-B

### 11.4.2. Financial Attitude

Humans are rational beings as they have the basic tendency to use the information at their disposal to make judgments, form evaluations and arrive at decisions. The degree to which a person has a favourable or unfavourable evaluation or appraisal of the behaviour in question is referred to as attitude. As regards financial attitude, it may be understood as an individual's orientation towards the way he/she prefers to utilize financial resources. Studying financial attitude is important as it helps understand people's predisposition to use money in a certain way. The detailed responses received for each of the three statements used for assessing financial attitude have been presented in Table 11.5.

**Table 11.5 Distribution of Respondents by their Response to the Financial Attitude Statements (in percentage)**

Statements	Completely agree	Somewhat agree	Neither agree nor disagree	Somewhat disagree	Completely disagree
1	2	3	4	5	6
'I find it more satisfying to spend money than to save it for the long term'	33.5	20.8	7.4	9.8	28.6
'I tend to live for today and let tomorrow take care of itself'	31.3	24.4	8.6	12.0	23.6
'Money is there to be spent'	35.5	25.0	8.8	10.8	19.9

Base = All Respondents to Section-B

Overall trends reflect a polarization towards spending money and having short term orientation towards financial planning. More than half of the respondents answered in affirmative to the three financial statements indicating more of them prefer to spend money than to save it and use it to meet their immediate needs. Around 8% respondents remained neutral showing that they received equal gratification in both spending and saving money.

As explained in the methodology section, all individuals who scored 3 or above were considered to have a positive financial attitude, that is, a saving orientation. The findings for various categories of respondents have been presented in Table 11.6.

**Table 11.6 Proportion of Respondents with a High Score on Financial Attitude (in percentage)**

Respondent Characteristics	% Respondents with a Total Score of 3 or higher
1	2
All Respondents	42.5
By location of Households	
Rural	41.6
Semi-Urban	47.8
By Type of Households	
Agricultural	39.1
Non-agricultural	45.6
By Sex of Respondent	
Male	42.3
Female	43.1
By Educational Status of Respondents	
Illiterate	38.7
Literate without formal schooling	43.7
Up to primary	43.4
Class 6th to 10th	45.0
Senior secondary	44.3
Diploma/certificate course	34.2
Graduate	43.9
Post graduate and above	42.5

Base = All Respondents to Section-B

Taking all respondents combined, only over 2 in every five individuals were found to have the optimal requisite attitude. When compared across various categories, a relatively higher proportion of respondents belonging to semi-urban areas and who are a member of non-agricultural households scored higher on the financial attitude scale. When compared by

individual characteristics, no major variations were observed pointing that these differences may not be having a significant impact on an individuals' attitude towards money matters.

### 11.4.3. Financial Behaviour

An individual's behaviour is pre-conditioned by his/her knowledge about a particular issue and his/her subjective evaluation of the concerned behaviour. Suitably knowledgeable and positively oriented individuals are expected to exhibit a behaviour that is inclined towards planning expenditures, saving for contingencies, and ensuring the optimal utilization of resources at their disposal. NAFIS focused on a wide range of financial behaviours with an emphasis on those that can enhance or reduce financial wellbeing. The financial behaviour comprised of a total of 8 questions, which elicit information about various ways in which the respondents manage their money, make financial decisions, keep a tab on their expenses, and timeliness in terms of paying bills, etc. They also included questions on whether people set any long term goals, have a household budget and are personally or jointly responsible for it, the way they choose their financial products, and if they have borrowed anything to make ends meet. The responses obtained for each of the 8 financial behaviour related statements have been presented in Tables 11.7A to 11.7D.

**Table 11.7 A Distribution of Respondents by their Response to the Financial Behaviour Statements (in percentage)**

Statements	Completely agree	Somewhat agree	Neither agree nor disagree	Somewhat disagree	Completely disagree
1	2	3	4	5	6
'Before I buy something I carefully consider whether I can afford it'	74.5	14.6	4.1	2.2	4.6
'I pay my bills on time'	64.6	22.6	5.3	2.6	4.8
'I keep a close personal watch on my financial affairs'	68.3	18.9	5.4	2.2	5.2
'I set long term financial goals and strive to achieve them'	66.2	21.0	5.3	2.4	5.2

**Table 11.7 B Distribution of Respondents by their Response to the Financial Behaviour Statement, 'In the Past 12 months have you been personally saving in any of the following ways?'**

Responses	% Respondents who affirmed to be saving in the given ways
Keeping cash at home or in your wallet	52.1
Saving in bank account	38.3
Giving money to family to save on your behalf	21.9
Has not been actively saving	17.2
Saving in informal chit funds or saving clubs/ SHG	9.9
Saving by buying assets like gold, property or livestock	2.0
Buying financial investment products like shares, stocks, bonds, etc	1.7
Don't know / Can't Say/ Refused to answer	2.6

**Table 11.7 C Distribution of Respondents by their Response to the Financial Behaviour Statement, 'How do you usually choose a financial product or service?'**

Responses	% Respondents by the ways in which they choose the financial product or service
Consider the advice of friends/ family, etc.	51.0
Consider several products available in market before making my decision	33.6
Seek opinion of experts/ agents dealing with such issues	6.8
I don't consider any other product service other than one I have known about since long	2.5
Don't know/ Can't say/ Refused to answer	6.1

**Table 11.7 D Distribution of Respondents by their Response to the Financial Behaviour Statement, 'What would you have do to make ends meet if you face any financial crisis?'**

Responses	% Respondents by the way in which they make ends meet in financial crisis
Ask family members to help	48.7
Use up my savings	48.6
Borrow money (including salary advance, pawning, cheque cashing)	32.7
Sell my assets (e.g. car, business, household goods, livestock)	15.3
Find a job/ additional jobs/ better paying job	7.8
There's nothing I could do	6.8
Depend on charity (e.g. from church, mosque, Red Cross)	6.1
Don't know/ Can't say/ Refused to answer	2.4

Base = All Respondents to Section-B

Overall findings suggest that a sizeable proportion of respondents reported a responsible financial behaviour in various situations. Close to 90% of the respondents carefully consider their purchases before they buy something, always pay their bills on time, keep a close watch on their financial affairs, and set long term goals & strive to achieve them. Only about 40% of the respondents stated that their household had a budget to plan their expenditures. When probed about their saving behaviour, a considerable majority of the respondents also reported to be actively saving in money in one or multiple ways. The survey also attempted to understand the way the people choose a financial product or service for themselves. In response to this query, only about one-third of respondents reported to be considering several products available in the market before making any decision, while a sizeable proportion still depended on the advice of others for making their decisions. In times of crisis, more than half of the respondents had to depend on external help or borrowings to make ends meet, and a little less than half said that they had some savings of their own to sail through such times.

The proportion of respondents that were found having a positive financial behaviour (i.e. score of 6 and

above) across various categories has been presented in Table 11.8. Overall findings suggest that a sizeable proportion of respondents reported a responsible financial behaviour in various situations. Close to 90% of the respondents carefully consider their purchases before they buy something, always pay their bills on time, keep a close watch on their financial affairs, and set long term goals & strive to achieve them. Only about 40% of the respondents stated that their household had a budget to plan their expenditures. When probed about their saving behaviour, a considerable majority of the respondents also reported to be actively saving in money in one or multiple ways. The survey also attempted to understand the way the people choose a financial product or service for themselves. In response to this query, only about one-third of respondents reported to be considering several products available in the market before making any decision, while a sizeable proportion still depended on the advice of others for making their decisions. In times of crisis, more than half of the respondents had to depend on external help or borrowings to make ends meet, and a little less than half said that they had some savings of their own to sail through such times.

The proportion of respondents that were found having a positive financial behaviour (i.e. score of 6 and above) across various categories has been presented in Table 11.8.

<b>Table 11.8 Proportion of Respondents with a High Score on Financial Behaviour (in percentage)</b>	
Respondent Characteristics	% Respondents with a Total Score of 6 or higher
1	2
All Respondents	56.4
<b>By location of Households</b>	
Rural	56.9
Semi-Urban	53.5
<b>By Type of Households</b>	
Agricultural	58.9
Non-agricultural	54.1
<b>By Sex of Respondent</b>	
Male	57.7
Female	53.5
<b>By Educational Status of Respondents</b>	
Illiterate	54.1
Literate without formal schooling	50.9
Up to primary	54.9
Class 6th to 10th	57.3
Senior secondary	62.1
Diploma/certificate course	62.2
Graduate	64.0
Post graduate and above	64.9

Base = All Respondents to Section-B

The findings suggest that taking all respondents together, only about 56% respondents could score 6 or more on the financial behaviour scale. This indicates that there are still about one in every two individuals who will need to be educated about the optimal ways of managing their finances for being able to maintain their overall wellbeing.

When compared by various household and individual characteristics, it was found that a relatively higher proportion of respondents from rural areas, and those belonging to agricultural households exhibited a high score on the financial behaviour scale. Further, male respondents and the ones with better educational status displayed a higher capability of making the right decisions about their financial resources. These findings are in consonance with the findings with regard to financial literacy and attitude.

#### 11.4.4. Financial Literacy

In view of the overarching goal of NAFIS, the overall status of financial literacy was analysed using methodology explained in the preceding section of this chapter. The results of the analysis of financial literacy status of respondents have been presented in Table 11.9.

**Table 11.9 Proportion of Respondents with Good Financial Literacy (in percentage)**

Respondent Characteristics	% Respondents with Good Financial Literacy
1	2
All Respondents	11.3
By location of Households	
Rural	10.7
Semi-Urban	14.9
By Type of Households	
Agricultural	10.6
Non-agricultural	12.1
By Sex of Respondent	
Male	11.3
Female	11.2
By Educational Status of Respondent	
Illiterate	9.4
Literate without formal schooling	12.5
Up to primary	11.4
Class 6th to 10th	11.4
Senior secondary	13.0
Diploma/certificate course	9.7
Graduate	13.6
Post graduate and above	16.7

Base = All Respondents to Section-B

Overall assessment of respondents on financial literacy indicates that only about 11% of the total **respondents could fare in the category of having 'good financial literacy'**. **This indicates** that there are about 11% respondents who had sound knowledge (score of 3 on financial knowledge score); positive financial attitude (score of 3 or above on financial attitude scale); and having positive financial behaviour (score '6' or above on financial behaviour scale). The figures indicate that individuals living in semi-urban areas and those belonging to non-agricultural households are faring somewhat better when compared to their counterparts. However, on the whole, the current status of financial literacy leaves much to be desired in order to reach an acceptable level, making individuals capable of making sound financial decisions for themselves as well as their households.

## 11.5 BORROWING BEHAVIOUR OF INDIVIDUALS

The status of loans and borrowings of the household have already been detailed in the preceding chapters of this report. In this section, we attempt to delve into the individual borrowing behaviour studying the individual preferences for various types of sources and the reasons behind their choice. The chapter on indebtedness in this report highlighted the status of indebtedness of household as a reflection of their overall socio-economic status, but this chapter specifically presents insights into the underlying beliefs that drive the individual to seek loans and choose a specific source over the other.

### 11.5.1. Felt Need for Loan

The target respondents were inquired if they ever needed a loan in the last three years preceding the survey, and if so what amount of money did they need to borrow. This enquiry not only helped understand the overall need for loans in the community, but also assess the quantum of need for money in the targeted areas. The responses obtained in this regard have been presented in Table 11.10.

**Table 11.10 Proportion of Respondents who reported to have ever needed a Loan in the last 3 years and the average amount of money that they needed to borrow in times of need**

Respondent Characteristics	Proportion of Respondents who ever needed a Loan in the Last 3 Years (in percentage)	Average Amount of Money they needed to Borrow (in Rupees)
1	2	3
All Households	47.6	47182
By location of Households		
Rural	48.1	46707
Semi-Urban	44.5	49732
By Type of Households		
Agricultural	52.0	59457
Non-agricultural	43.6	35955
By MPCE Decile Classes of Household		
1	38.3	48963
2	43.0	34701
3	43.1	33247
4	45.6	31672
5	48.3	38921
6	47.8	38468
7	48.7	46517
8	52.7	51683
9	52.9	55042
10	55.4	91569
By Size Class of Land Possessed		
<.01 ha	43.8	30266
.01-.40 ha	47.0	42722
.41-1.00 ha	50.3	43510
1.01-2.00 ha	52.1	61522
>2.00 ha	56.0	136741

The overall trends reflect that about half of the individuals had experienced the need for loan at least once in the last three years preceding the survey. When examined by category to which the individual belonged it was observed that a relatively higher proportion of rural and agricultural households expressed to have felt the need for loan when compared to their respective counterparts. The need for loan also exhibited an increase with increase in MPCE decile classes and with size class of land possessed. This reflects that the economically better off households have a greater need for loans owing to the need for furthering their productive endeavours.

When examined for quantum of money needed, the average amount reported by individuals also varied by category of household to which they belonged. The average amount of money needed by semi-urban households was found to be higher in case of respondents from semi-urban areas and the ones that belonged to agricultural households. Further, the amount of money needed also increased by increase in the MPCE decile category and increase in size of land possessed.

### 11.5.2. Applying for Loan and Outcomes of Application

The respondents who reported to have needed any loan in the said reference period were further inquired if they sought loan in times of need, and if sought, whether they got it or not. The results obtained from the inquiry have been presented in Table 11.11.

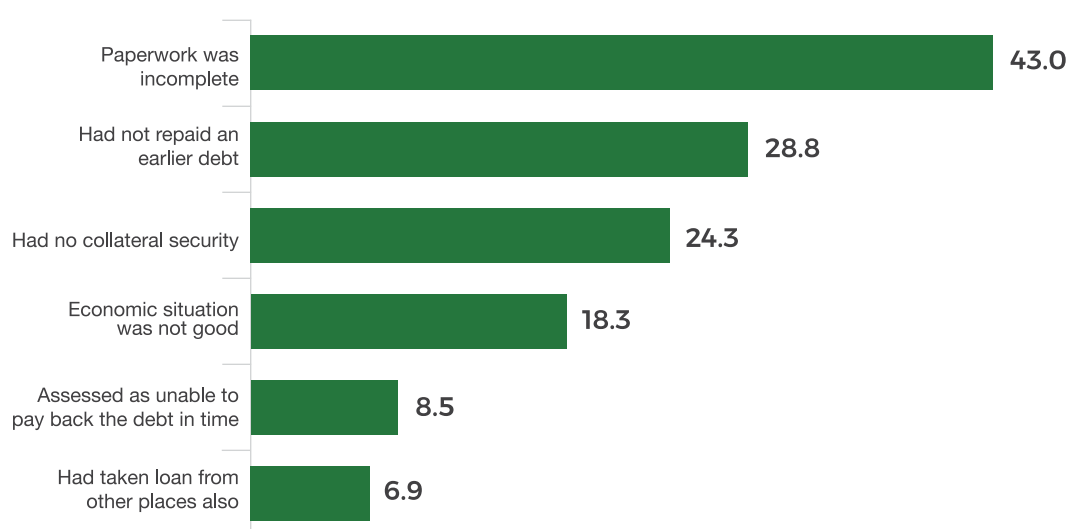
<b>Table 11.11 Distribution of Respondents by Whether or not they Sought Loans when needed, the source from which they sought and the Outcomes if Sought(in percentage)</b>					
Respondent Characteristics	Sought from Institutional Sources and got it	Sought from non-institutional Sources & got it	Sought Loan but did not get it	Did not Seek	Did not Need any Loan
1	2	3	4	5	6
All Households	29	14	2	3	52
By location of Households					
Rural	29	14	2	3	52
Semi-Urban	32	9	1	2	55
By Type of Households					
Agricultural	33	14	2	3	48
Non-agricultural	26	13	2	2	56
By MPCE Decile Classes of Household					
1	22	12	1	3	62
2	23	15	2	3	57
3	22	17	3	2	57
4	25	14	2	4	54
5	28	16	2	3	52
6	28	15	2	4	52
7	31	13	2	3	51
8	34	14	2	3	47
9	38	11	2	2	47
10	44	8	1	3	45

Base = All Respondents to Section-B



The findings reflect an appreciable status, with about 43% respondents reporting to have sought it from some agency and got it sanctioned. It will be apt to reiterate that only 48% reported to have needed loans in the said period. Out of those who sought and got it, 29% sought loan from institutional agencies, and 14% sought it from non-institutional sources. About 2% respondents reported that they did seek loan from some sources when needed but could not get it. Only about 3% reported that they did not seek loan at all despite needing it. When examined by household characteristics no major variations were observed. Only semi-urban households were found to be faring marginally better than their rural counterparts.

**Figure 11. 2 Reasons Cited by Respondents for not Getting the Loan Sanctioned (in percentage)**

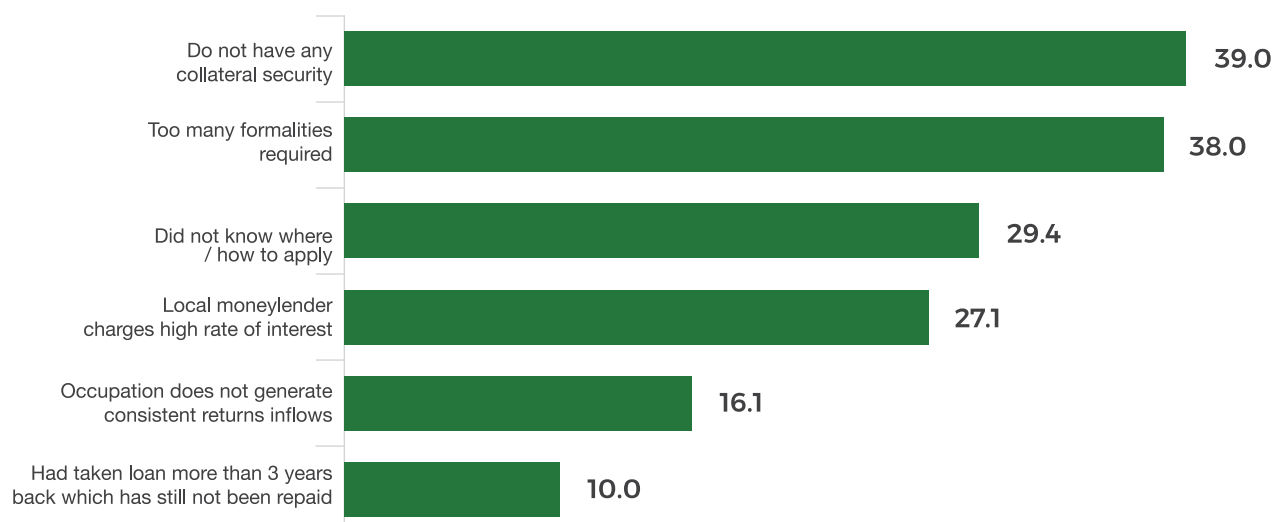


Base = Respondents who sought loan did not get it sanctioned

The household that reported to have sought loan but could not get it sanctioned were further probed about the reasons why their loan was not sanctioned. The responses obtained have been presented in the Figure 11.2. One of the most common reasons cited by 43% respondents for not getting the loan sanctioned was that the paperwork was incomplete. Inquiry revealed that many of the households could not complete the documentation formalities due to non-availability of requisite supporting documents. Further research into the type of documentation formalities and the associated issues and challenges may help the financial institutions design more suitable processes to enable ease of access to loans to the needy households in times of crisis. Close to 30% households reported to be having existing unpaid debt liabilities which made them ineligible for loans, and about one-fourth could not arrange any collateral security for receiving loans.

In order to understand the reasons, which act as deterrent for households to apply for loans, the ones who reported that they needed the loans but did not apply for it, were further probed about the reasons behind their decision. The results presented in Figure 11.3 reflects that for a majority of about 2 in every five respondents, main reasons which refrained them from applying for loan was that they did not have any collateral security for it, and also that they were apprehensive about there being too many formalities which they would find difficult to fulfil. about 30% reflect lack of knowledge about the place where they can apply to get loans. Other prominent reasons that emerged from the survey was that the local money lenders whom they were considering for seeking loan charged high rates of interest and the fact that their economic situation does not allow them to seek further loan.

**Figure 11.3 Reasons Cited by Respondents for Not Seeking Loan even when they Needed it (in percentage)**

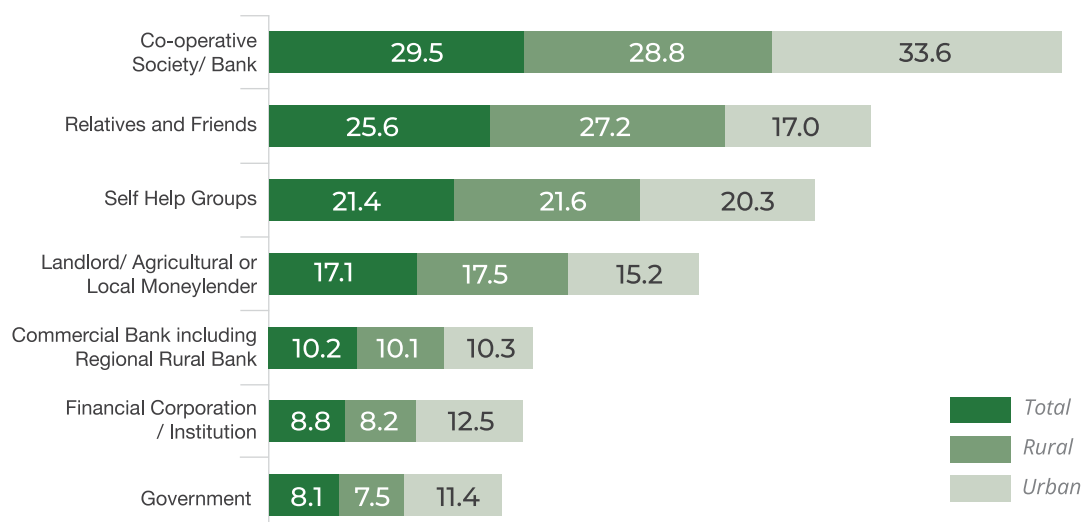


Base = Respondents who needed loan but did not seek it from any source

### 11.5.3. Choice of Source of Loan and the Reasons behind a Particular Choice

The households that reported to have applied for loan and having got it sanctioned were probed about the source from where they got this loan. The responses obtained have been reflected in Figure 11.4. Overall, the cooperative banks emerged as the most preferred sources for loan, more commonly preferred among semi-urban respondents. The respondents from rural areas exhibited a greater dependence on relatives and friends, self-help groups, and landlords/ local money lenders when compared to those in the semi-urban areas. Whereas, for sources like financial institutions and Government, it was the respondents from semi-urban areas that demonstrated a greater preference.

**Figure 11.4 Distribution of Respondents by Source of Loan for those who Sought Loan and Got it Sanctioned (in percentage)**



Base = Respondents who needed loan and sought it from any source

Overall, the respondents exhibited dependence on multiple sources to meet their financial needs. Considering all households combined, a majority of about three fourth of respondents reflected preference for various institutional sources when they needed any loan. However, a sizeable two-fifth of respondents still depend on non-institutional sources of loan.

To understand the reasons behind the preference for non-institutional sources, all respondents reporting to have taken any loan from any of the non-institutional sources were asked about the reason why they took loans from those sources and the reasons why they did not go for institutional sources of loan. The findings on both the queries have been presented in Table 11.12.

**Table 11.12 Proportion of Respondents who Cited various Reasons for Seeking Loans from non-Institutional Sources and NOT from Institutional Sources (in percentage)**

		Rural	Semi-Urban	Overall
The reasons cited for taking Loans from Non-Institutional Sources	Easy Availability	76.2	71.3	75.7
	No strict time for repayment	38.3	32.5	37.6
	Loan available for all purposes	25.1	26.8	25.3
	Low or no rate of interest	26.3	18.7	25.4
	Faith on family or friends	32.1	24.6	31.2
	No paper work needed	24.5	20.5	24.1
	No fear of Court legal implications	4.1	6.0	4.3
The reasons cited for NOT taking Loans from Institutional Sources	High interest rates	38.5	29.8	37.5
	Short loan term (maturity)	30.0	30.3	30.1
	Excessive collateral requirements	34.3	40.3	34.9
	Lengthy application process	49.4	36.1	47.9
	High costs associated with borrowing	17.7	9.7	16.8
	No lending financial institution in convenient proximity to my business/ residence	5.8	3.9	5.5
	High risks – uncertain of own ability to pay interest and repay principal	7.1	4.5	6.8
	Did not know could receive credit from a financial institution	4.5	2.1	4.2
	Didn't apply because was denied credit earlier	1.4	1.2	1.4
	Didn't need a loan	0.6	0.2	0.6

When asked why they preferred to take loans from non-institutional sources, some of the most prominent reasons that emerged were the ease of availability, no stringent timelines for repayment, no documentation formalities required, lower or no interest expected, and the faith of these members on their families and friends. These were some of the most common reasons cited by respondents which prompted them to take loans from non-institutional sources.

Similarly, when probed about the hindering factors, for a majority of respondents, high interest rates, excessive collateral requirements, and lengthy application processes associated with institutional sources that deterred them from seeking loans from institutional sources.

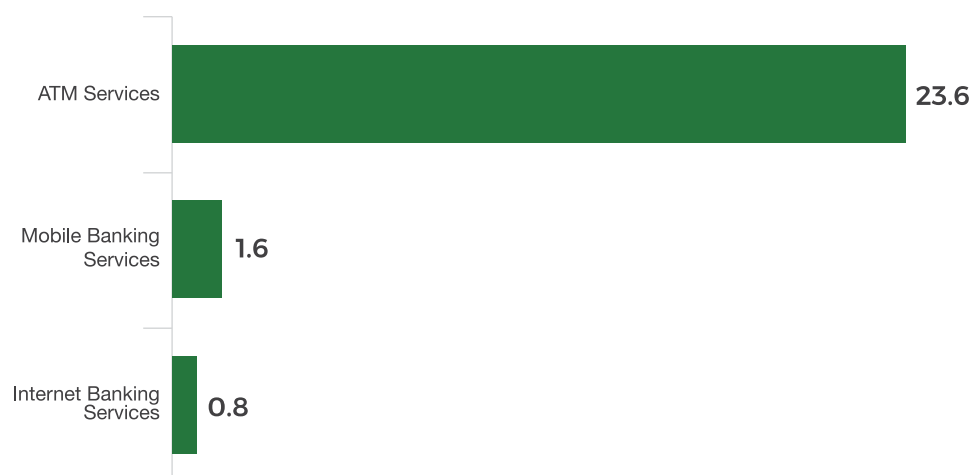
## 11.6 EXPERIENCE OF AVAILING A FINANCIAL SERVICE

### 11.6.1. Utilization of various types of Banking Facilities

The survey attempted to study the experience that the respondents had with various types of financial services in the recent past. For this, they were first asked about the number of times they used a given service in the last 3 months preceding the survey and thereafter they were probed about the extent to which they felt comfortable using the given service. The respondents were particularly inquired about 4 types of banking services including -

ATMs/ Micro-ATMs, Mobile banking, and Internet banking. As shown in Figure 11.5, the ATM services emerged as most used with about one fourth of respondents reporting to have utilized the same in the last three months preceding the survey. The use of mobile banking and internet banking services was minimal.

**Figure 11.5 Proportion of Respondents who reported to have Utilized Various Banking Facilities in the last 3 months (in Percentage)**



Base = All Respondents to Section-B

ATMs, Mobile banking, and Internet banking. As shown in Figure 11.5, the ATM services emerged as most used with about one fourth of respondents reporting to have utilized the same in the last three months preceding the survey. The use of mobile banking and internet banking services was minimal.

As ATM services emerged as the most used service, further analysis was done to assess the frequency of use of these services by the user respondents. The results obtained have been presented in the Table 11.13.

**Table 11.13 Distribution of Respondents who reported to have used ATM services any time in the Last 3 months by Average Number of Times they used the Services (in percentage)**

Respondent Characteristics	Once	2 to 3 times	4 to 6 times	7 or more times
1	2	3	4	5
Overall	21	40	25	14
By Location of Household				
Rural	21	41	24	14
Semi-Urban	19	38	26	17
By Type of Households				
Agricultural Households	23	40	21	16
Non-Agric. Households	19	41	27	13
Male	20	39	25	16
Female	22	43	24	10

Base = Respondents who reported to have used ATM services in the reference period

Overall, about one-fifth of respondents reported to have used the service only once in the given period. A majority of 40% of the respondents used it 2-3 times and a sizeable one-fourth reported to have used it 4-6 times in the given reference period.

The respondents who reported to have used the 4 aforementioned banking services at least once in the past 3 months were probed about their level of comfort with using these services. Table 11.14 presents the results obtained in this regard.

<b>Table 11.14 Distribution of Respondents by Average Number of Times they used Various Banking services and their Level of Comfort with using those services</b>				
Type of Banking Services	Can use it independently without anyone's help	Can use it with the help of any family member/ friend	Afraid of/ not very comfortable using it	Don't know/ refused to answer
1	2	3	4	5
ATM/ Micro ATM	73.4	22.3	1.8	2.5
Mobile Banking	39.1	55.5	1.7	3.7
Internet Banking	51.8	35.0	2.3	10.9

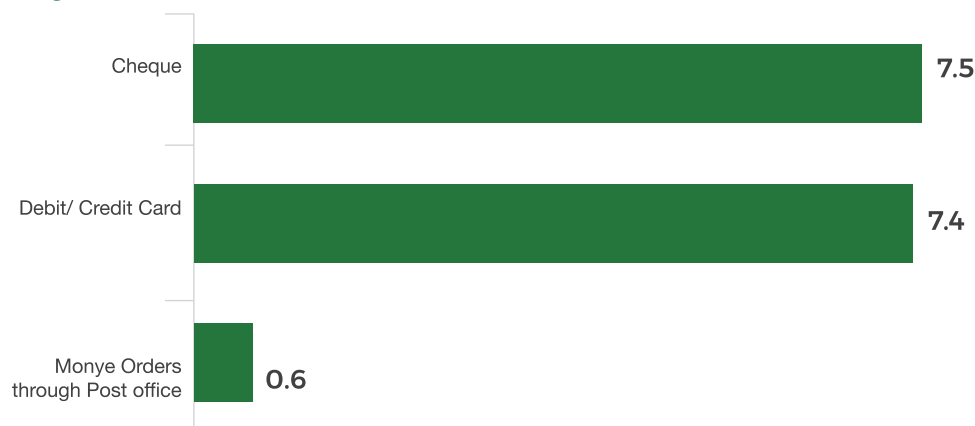
Base = Respondents who reported to have used respective services in the reference period

Inquiry into the level of comfort felt by the respondents in using these banking services reflect that over three fourth of respondents reported to be absolutely comfortable in using ATMs and cards, exhibiting the confidence that they can use the service independently, without anyone's help. Till the time of survey, mobile and internet banking services were not being used to that extent, and a majority of people expressed that they would need help of some friend or family member to use the service. About 11% of respondents expressed that they did not know about internet banking at all.

## 11.6.2. Utilization of Various types of Payment Mechanisms

To examine the utilization of various modes of making payments, the respondents were asked if they had used any of the given payment facilities in the past three months. Thereafter, they were asked to express their opinion on the extent of effectiveness of particular mechanism in easing out the process of financial transactions. The respondents were specifically asked about five types of payment mechanisms including - Cheque, Debit/ Credit card, or money orders through post offices. As depicted in Figure 11.6, about 7.5% respondents reported to have used Cheques and Debit/credit cards to make any payments in the last 3 months. These were the most used payment mechanisms among the surveyed households.

**Figure 11.6 Proportion of Respondents who reported to have Utilized Various Payment mechanism in the last 3 months (in percentage)**



Base = All Respondents

Further analysis was done to study the frequency of use of cheques and debit/ credit cards for making any payments. The results to these inquiries have been presented in Table 11.15A & 11.15B. Overall, the usage among users of cheques and debit/credit cards was higher in semi-urban areas, among agricultural households and among male respondents. On the whole, among those using these payment mechanisms the debit/ credit cards are being used more frequently as compared to drawing cheque.

**Table 11.15 A Distribution of Respondents who reported to have used Cheques to make payments any Time in the Last 3 months by Average Number of Times they used the Services (in percentage)**

Respondent Characteristics	Once	2 to 3 times	4 to 6 times	7 or more times
1	2	3	4	5
Overall	48	33	13	5
<b>By Location of Household</b>				
Rural	51	32	12	5
Semi-Urban	37	36	18	9
<b>By Type of Households</b>				
Agricultural Households	46	32	16	6
Non-Agricultural Households	51	35	10	5
<b>By Gender of Respondents</b>				
Male	44	34	16	7
Female	59	31	8	3

Base = Respondents who reported to have used Cheque in the reference period

**Table 11.15 B Distribution of Respondents who reported to have used Credit/ Debit Cards to make payments any Time in the Last 3 months by Average Number of Times they used the Services (in percentage)**

Respondent Characteristics	Once	2 to 3 times	4 to 6 times	7 or more times
1	2	3	4	5
Overall	21	34	31	14
<b>By Location of Household</b>				
Rural	21	35	31	13
Semi-Urban	19	29	33	19
<b>By Type of Households</b>				
Agricultural Households	22	33	32	13
Non-Agricultural Households	19	35	30	16
<b>By Gender of Respondents</b>				
Male	21	32	32	15
Female	20	40	29	11

Base = Respondents who reported to have used Debit/ credit cards in the reference period

The respondents who reported to have used these services at least once in the given reference period were probed about the extent to which they found these mechanisms to be easy and effective. The results obtained have been presented in Table 11.16.

**Table 11.16 Distribution of Respondents by the Extent of Ease of Use of Various Payment mechanisms as perceived by the Respondent (in percentage)**

Type of Payment Mechanism	Easy	Somewhat Easy	Neutral	Not so Easy	Not at all easy
1	2	3	4	5	6
By Cheque	65.7	30.6	2.2	0.5	1.1
By Credit/ Debit Card	68.1	22.9	1.6	1.5	5.9
Money orders through Post Offices	48.8	36.3	8.0	6.4	0.5

Base = Respondents who reported to have used respective payment mechanisms in the reference period

## 11.7 RESPONDENTS' ASSESSMENT OF THE ATTRIBUTES OF BANKING OR FINANCIAL INSTITUTIONS VISITED

NAFIS also attempted to make a quick assessment of the respondents' perception about various aspects of service quality of the banking or financial institutions they recently visited. To evaluate this the respondents were read out certain statements describing the attributes of banking institutions and they were asked if it applied to the specific institution that they visited. If they rated the institution positively on the given aspect, they were awarded a score of '1', else were given a '0'. Thereafter, total score for a particular category of attribute was calculated. The four broad attributed that were inquired about included the following -

- **Tangible attributes:** 4 statements pertaining to availability of modern equipment, physical facilities, appearance and availability of visually appealing materials. A score of 3 or more was considered as 'having good physical facilities'.
- **Reliability of Staff:** 5 statements pertaining to keeping promises, solving clients' problems, provides right kind of services and in a timely manner, and maintaining error free records. A score of 3 or more was considered as 'having reliable staff.'
- **Competence of Staff:** 7 Statements related to timeliness and promptness in offering services, cooperative and helpful staff, offering correct information, safe and secure transactions, experienced and knowledgeable staff, flexible and easy banking, and faster transactions. A score of 5 or more was considered as banks having 'competent staff.'
- **Personal Interaction:** 5 statements related to staff being helpful and in still confidence in customers, friendly and courteous, offer individual attention, understand needs of customers and establish relationship with them, offers suggestions as per needs. A score of 3 or more was considered as having 'good personal interaction.'

The results obtained with regard to service quality of banking/ financial institutions on aforementioned parameters have been presented in Table 11.17.

**Table 11.17 Respondents' Perception/ Assessment of Various Attributes of Banking or Financial Institution that they visited in the Recent Past (in percentage)**

Attributes of Banking or Financial Institution	Overall	Rural	Semi-Urban
1	2	3	4
% Respondents rating institutions as having 'good tangible attributes' (Score of 3 or more)	87.1	87.4	85.5
% Respondents rating institutions as having 'Reliable Staff members' (Score of 3 or more)	74.4	73.4	79.9
% Respondents rating institutions as having 'Competent Staff members' (Score of 5 or more)	73.0	72.0	78.6
% Respondents rating institutions as having 'good Personal Interaction' (Score of 3 or more)	76.6	75.8	81.2

Overall assessment of banking institutions as per respondents emerged as fair with over 70% respondents rating them good on the 4 aforementioned characteristics. Yet there is a scope of improvement in these aspects to be able to give a better experience to the clients visiting these institutions which will ultimately help instil confidence among clients and increase their footfall in these institutions.



# SUMMARY FINDINGS

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### GENESIS

The rural financial landscape is ever changing and is not captured adequately and as frequently as required. Existing large sample surveys in this space conducted by NSSO such as Situation Assessment Survey (SAS) and All India Debt Investment Survey (AIDIS) are done once in a decade and cover limited aspects- either livelihood related or financial and not both. NABARD wanted to understand rural financial inclusion in its entirety covering aspects besides borrowings on one hand and livelihood related aspects on the other. The focus of the Survey is on livelihoods in addition to financial aspects. It also involved assessment of financial knowledge, attitude and behaviour at the individual level.

### SAMPLE

The sample size of the survey is 40327 rural Households (HH) selected through **multi-stage stratified random sampling** from 29 states, 245 districts and 2016 villages/Centres.

Districts within each state are stratified on bank branch density. Villages/centres are stratified into three: i) those having a population of less than 250, ii) villages having bank branch within boundaries and iii) villages not having bank branch within its boundaries. Here rural<sup>4</sup> area is defined as a centre having population less than 50000 (Tier<sup>5</sup> III to Tier VI centres) in tune with NABARD's mandated jurisdiction. Hence, rural centres (up to population of 9,999) and some semi-urban centres (up to 49,999 population) are covered in the sample.

The sample size is comparable to that of SAS by NSSO (i.e., 36,000). Both agricultural and non-agricultural households are included in the sample. Information on all members of the household is collected through detailed structured questionnaire. The reference year is 2016-17<sup>6</sup>

### ADMINISTRATION

NABARD conducted the survey through Academy of Management Studies (AMS) and the

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. <sup>4</sup> Rural area as per Census definition consists of places other than those; 1. Places with a municipality, Corporation, cantonment board, notified town area committee, and, places having: 1. Minimum 5000 population, 2. At least 75% of male main workers engaged in non-agricultural pursuits, and, 3. Having density of population of at least 400 sq km.

. <sup>5</sup> As RBI notification centres are classified as per population: Tier 3: 20,000 to 49,999, Tier 4: 10,000 to 19,999, Tier 5: 5,000 to 9,999 and Tier 6: Less than 5000 (<https://tinyurl.com/y7gv4ryy>).

. <sup>6</sup> Stock variables are measured as on the date of the survey and flow variables are measured one year prior to the date of survey.

under the Guidance of an **Advisory Committee** consisting of representatives of RBI, NSSO, ISI, Kolkata, academia and senior officers of NABARD under the overall guidance of the Top Management.

## DELIVERABLES

An All India Report, State-wise briefs and the household level data were the key deliverables planned under NAFIS. At present, preliminary results for all states and All India are generated and being ratified. A few highlights of the NAFIS findings are given here.

## HIGHLIGHTS OF THE SURVEY

- NAFIS focussed on financial inclusion aspects besides livelihood aspects of rural<sup>7</sup> households. Financial inclusion is covered in terms of borrowings, savings, investment, insurance, pension and remittances. Besides financial inclusion aspects, financial knowledge, attitude and behaviour of the family member who usually undertakes financial transactions are also measured. Microfinance related information also is collected in good detail.
- Livelihood aspects covered in the survey include activity/occupation profile, income from different sources, training received, and skills needed, asset ownership, consumption expenditure, risks and uncertainties faced such as major distress events faced and coping mechanisms adopted, etc.
- Thus, NAFIS combines information collected from Situation Assessment Survey (SAS) and All India Debt Investment Survey (AIDIS) of NSSO which are collected from two different sets of respondents into a single survey. Hence, financial and income aspects are measured on the same households.
- As is the case with all surveys, the estimates are based on reported data by the respondents and not strictly comparable with other survey estimates available due to differences in concepts and definitions as also due to specific sampling design adopted and the estimation procedure followed.
- 48% of the 40,327 households surveyed are agricultural households (AH)<sup>8</sup>. The remaining are classified as non-agricultural (NAH). Small and marginal farmers possessing land of 2 ha and less accounted for 87% of Agricultural households.

### Land and Assets

- Average land possessed by agricultural households is 1.1 ha. Two states, i.e., Kerala and Tamil Nadu recorded the same average size. While 14 states such as Nagaland, Rajasthan, Haryana, Punjab have higher than all India average land size, 13 States such as Bihar, West Bengal, Odisha have lower than average land size.
- Taking all states combined, 12% AH reported to have leased-in some land, while only 2% leased-out land.
- As regards ownership of agricultural assets, overall, only 5.2% AH reported owning tractors for agricultural use. Maximum ownership of tractors is reported in Punjab (31%), followed by Gujarat (14%) and Madhya Pradesh (13%). Ownership of power tillers is maximum Andhra Pradesh (15%) and Telangana (7%), while the average ownership for the country as a whole is 1.8%.
- About 51% and 14% AH have milch animals and small ruminants, respectively.
- The penetration of mobile telephones, televisions, and two wheelers were reportedly about 89%, 56% & 38% respectively among agricultural households.

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<sup>7</sup>Rural area in NAFIS is defined as a centre having population up to 50000.

<sup>8</sup>Agricultural Household is defined as those HH deriving value of produce of more than ₹5000 in the last one year preceding the survey from agriculture and allied activities. All other HH are classified as Non-Ag HH.

## Income level and sources

- Average monthly income for agricultural households is ₹8,931; 35% percent of which is received from cultivation, followed by wages (34%), salaries (16%), livestock (8%) and non-farm sector (6%). Other sources, including income from rent on building or land, income from interest earned on bank deposits, dividend or interest earned from investments accounted for 1% share of total income. Transfer income (which includes remittances) received by the households have not been accounted for, while calculating the total income.
- Non-agricultural households reported average monthly income of ₹ 7,269 per month, of which, 54% is from wages, 32% from salaries, followed by non-farm sector activities accounting for 12% of total income.
- Taking all households combined, the average monthly income stood at ₹ 8,059. 20 States are having higher average monthly income as compared to all India estimates.
- The average monthly per household consumption expenditure (MHCE) for all households was ₹ 6,646/-which is less than average monthly income of ₹ 8,059. The MHCE for agricultural households is higher (₹ 7,152) as compared to that of non-agricultural households (₹ 6,187). Also, MHCE for AH and NAH is lower than their monthly income.
- 51% of the total consumption expense is reported to have been made on food items and remaining 49% on the non-food items.
- Livelihood shocks faced by households at least once over the last 10 years include crop failure due to natural calamities (reported by 54% AH), yield loss due to pests and insects infestation (reported by 28% AH), and sudden fall in crop prices (reported by 18% AH). Taking all households combined major illness/accidents (by 19.7% all HH) was another major shock faced in the given reference period.

## Savings and Investment

- 88.1 per cent of the HH reported having a bank account.
- 55 per cent of Agricultural households reported any savings during the last year and of these 53 per cent saved with institutions like banks, post offices and SHGs. Average savings per annum per saver households was reportedly ₹ 17,488, of which 95 per cent is with institutional agencies.
- Savings amount per saver AH reportedly ranged from ₹12,941 for lower marginal farmers (0.01 to 0.40 ha land possessed) to ₹31,831 for saver AH with more than 2 ha of land.
- 50.6% of all households and 46.3% of Non-Agricultural households reported savings during last year. They have preferred institutional agencies as they parked 94 per cent of their savings with institutions (including SHGs). Average savings per all households who reported saving was ₹ 18,007 and that for saver non-agricultural household was ₹18,568.
- Considering all households together, the proportion reporting any saving by at least one member increased with increase in MPCE, with 47% households reporting any saving in decile class 1 to 60.5% households reporting the same for decile class 10.
- 34% of all households who saved in the given year, reported savings by 2 or more members per family.

- 10% of AH reported any investment in the last one year. Taking all investments made by the households in the given year, the average investment per investing AH was reportedly ₹62,734. For all investments amounting more than ₹ 10,000 in the year, 60% of the amount was funded through borrowings from either institutional or informal sources.
- The proportion of all households reporting investments during the last year increased with increasing MPCE classes from 2.8% for decile class 1 to around 28% for decile class 10.

## Incidence of Indebtedness and Borrowings

- Incidence of Indebtedness (IOI), measured as proportion of HH reporting outstanding debt on the date of the survey. 52.5% AH and 42.8% NAH were reportedly indebted at the time of survey. All India IOI taking all rural households together stands at 47.4%.
- IOI increased with increase in MPCE Decile Class and with increase in size class of land possessed. It increased from 39.5% at the lowest decile to 68% in the 10th decile among agricultural households. For the same AH, the IOI ranged from 48 to 49% for landless and lower marginal farmers, to 60% for above 2 ha category.
- IOI was reportedly lowest in Jammu (26.7 %) and highest in Telangana (79.5%).
- Average amount of outstanding debt (AOD) for indebted agricultural households is reportedly ₹ 1,04,602 as on the date of the survey. Debt outstanding for indebted non-agricultural households is reportedly ₹76, 731. Overall extent of indebtedness taking all households combined is ₹91,407.
- Taking combined estimate for all households, the average amount of outstanding debt per indebted household increased with increase in MPCE decile classes. The value of AOD per household for MPCE decile 10 was ₹1,62,466 which was more than double the amount for MPCE Class 1 (₹81,839).
- 43.5% AH reported to have borrowed any money during last year from some source or the other. 60.4% of them reportedly borrowed from institutional sources exclusively. Further, 30.3% borrowed from only informal sources and 9.2% of Agricultural HH borrowed from both sources. 56.7% of Non-Agricultural households and 58.6% of all HH borrowed from institutional sources during last year.
- During the reference year, a borrowing Agricultural HH reportedly availed a loan of ₹107,083 from various agencies, 72% of which was availed from institutional sources including MFIs and SHGs. 69% of borrowings of all HH and 65% of Non-Agricultural households were from institutional sources.
- Considering all loans taken by agricultural households, it was found that a majority of 44% loans were taken for agriculture purposes, followed by domestic needs (19%) and medical expenses (12%). Of the remaining, 16% loans were taken for non-agricultural purposes, 11% for housing and 4% for other purposes.
- Among AH owning more than 0.4 ha land<sup>9</sup> and borrowing from institutional agencies 32% have reportedly been issued KCC.
- 24% of AH have reportedly one or more members associated with one or the other

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<sup>9</sup>Below this farm size the probability of getting KCC is low. Such Ag HH account for 33% of the sample. Further, 30% of such HH reported borrowing from institutional sources.

type of Microfinance groups such as Self Help Groups, Joint Liability groups or other communities. 22% AH reported membership in SHGs.

- Of the MF services, 62.5% Agricultural households reportedly availed personal loans, 26% availed loans for promoting any enterprise, and 19% received any kind of training support from MFIs.

### **Insurance and Pension coverage**

- About 26% Agricultural households and 25% of no-agricultural households reported to have been covered under one or the other type of insurance.
- Among AH who reported to have taken any loan for agricultural purposes in the last one year from institutional agencies, 6.9% reported being covered under crop insurance.
- Livestock insurance penetration is reportedly 1.7% amongst AH owning milch animals.
- The coverage under any type of insurance was reported to be about 18.9 % for NAH as against 20.1% for AH.
- When assessed for type of pension received, 32% of all households with senior citizens reported being covered by old age pension.

### **Individual level Financial Knowledge, Attitude & Behaviour**

- Overall, only 9.4% individuals from rural areas and over 13.2% from semi-urban areas reported to have been exposed to any session on financial education or training.
- On the whole 40% respondents fared well on financial knowledge scale giving all correct responses to the questions asked. Assessment according to location revealed that 48% respondents from rural areas and 52% from semi-urban areas were assessed to be having sound financial knowledge.
- When assessed for financial attitude, 42% individuals from rural areas and 48% from semi-urban areas were found having positive attitude, earning a score of 3 or more on a scale of 5.
- Behavioural assessment reflected that 57% individuals from rural areas and 54% from semi-urban areas exhibited good financial behaviour, earning a score of 6 or more on a scale of 5.
- As per the combined estimation on financial literacy status, for individuals who fared well in all three above components, 11% of rural respondents and about 15% of semi-urban area respondents were found to be having good financial literacy.
- 48% respondents reported that they needed some loan in the last one year. Among these, 29% sought loan from institutional sources and got it too. 14% sought it from informal sources and got it, while out of remaining 2% sought it but did not get it and 3% did not seek it despite needing it.
- As regards usage of various financial services within a period of last 3 months, about 24% reported to have used ATM services, with 73% of the users being absolutely comfortable and confident of being able to use it independently.
- About 7.5% individuals reported to have used cheque or debit/credit cards for making any payment in the last 3 months and more than 95% of users found these mechanisms easy to use.

# **ANNEXURES**

## Annexure - 1

# MEMBERS OF ADVISORY COMMITTEE

<i>Members of Advisory Committee</i>		
Name	Particulars	Organisation
Shri. M V Ashok (till 31 July 2017)	Chairman	CGM, NABARD
Dr. U. S. Saha (Since 1 August 2017)	Chairman	CGM, NABARD
Dr. Brajamohan Misra,	Member	RBI (Retd.)
Shri. Atanu Kumar Chowdhury	Member	NSSO
Dr. V Puhazhendhi	Member	Independent Consultant
Dr. M. S. Sriram	Member	Visiting Professor, IIM, Bangalore
Dr. S. Chandrasekhar	Member	IGIDR, Mumbai
Shri. Naresh Gupta	Member	NABARD
Shri. Subrata Gupta	Member	NABARD
Shri S. Padmanabhan	Member	NABARD
Dr. B G Mukhopadhyay	Member	NABARD
Shri. K. Badrinarayana	Special Invitee (Law Deptt.)	NABARD
Shri. Alope Kar	Consultant	Visiting faculty, Indian Statistical Institute, Kolkata
Dr. K J S Satyasai	Member Secretary	NABARD

## **SAMPLING DESIGN AND ESTIMATION PROCEDURE**

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Geographical coverage: The survey covered the rural areas and the towns with population less than 50,000, as on 1<sup>st</sup> March 2011, of whole of the Indian Union except North Sikkim. This is henceforth called the 'study domain'.

Sample Design: A Stratified Multistage sampling design was adopted for the survey. Required to produce State-wise estimates, samples of at least 40 villages / Urban EBs were selected independently from each state. At the same time, to restrict the spread of the sample of villages and urban EBs to a limited number (245) of districts, a three-stage sampling design was adopted for the survey, with the districts as the first-stage sampling units. The villages/ urban blocks were the second-stage units (SSUs) and the households the ultimate-stage units.

### **STATES**

Covered all 29 states as specified in Terms of Reference

### **DISTRICTS**

- Sampled using Stratified Simple Random Sampling
- Stratification based on No. of Bank Branches per lakh population
- Number of Strata to be created decided on the basis of size of the State & number of sampling units to be selected

### **VILLAGES/ URBAN EBs**

- Sampled using Stratified Circular Systematic Sampling
- 3 strata created –
  1. Villages with less than 250 households
  2. Villages/ towns having a bank branch
  3. Villages with no bank branch available
- Number selected from each strata based on proportion of number of units in each of the 3 categories

### **HOUSEHOLDS**

- Sampled after complete listing of households
- 3 categories of households identified–
  1. Households that are completely un-indebted
  2. Households that have taken loans from non-institutional sources
  3. Households that have taken loans from either institutional sources or both
- 4, 8, 8 households selected from each category respectively using SRSWOR



## ALLOCATION OF NUMBER OF SAMPLE SSUs TO STATES

With the given resources, about 2000 villages/ urban EBs could be covered in the survey. To allocate this size of the SSU sample, first, each state was allocated 40 sample villages/ EBs – minimum number of SSUs. This accounted for just 1160, leaving 840 more to be allocated to the States/ UTs. The additional 840 SSUs were distributed over the states in proportion to their population, amounting to lower than proportional allocation of sample SSUs to larger States. This was done to ensure large enough sample of SSUs in the smaller states to produce reliable state-level estimates.

The final allocations, however, were adjusted with other considerations in mind and were slightly higher. Finally, a sample of 2016 SSUs were covered in the survey. Table 1 shows the final allocations.

<b>Table 1: Final allocation of number of SSUs (villages and urban blocks) to be sampled over States/UTs</b>				
	STATE	Minimum no. of SSUs	Additional SSUs	TOTAL SSUs
	(1)	(2)	(3)	(4)
1	ANDHRA PRADESH	40	8	48
2	ARUNACHAL PRADESH	40	2	42
3	ASSAM	40	32	72
4	BIHAR	40	88	128
5	CHHATTISGARH	40	24	64
6	GOA	40	2	42
7	GUJARAT	40	32	72
8	HARYANA	40	16	56
9	HIMACHAL PRADESH	40	8	48
10	JAMMU	40	8	48
11	JHARKHAND	40	32	72
12	KARNATAKA	40	44	84
13	KERALA	40	26	66
14	MADHYA PRADESH	40	60	100
15	MAHARASHTRA	40	68	108
16	MANIPUR	40	2	42
17	MEGHALAYA	40	2	42
18	MIZORAM	40	2	42
19	NAGALAND	40	2	42
20	ODISHA	40	32	72
21	PUNJAB	40	16	56
22	RAJASTHAN	40	56	96
23	SIKKIM	40	2	42
24	TAMIL NADU	40	56	96
25	TELANGANA	40	8	48
26	TRIPURA	40	4	44
27	UTTAR PRADESH	40	152	192
28	UTTARAKHAND	40	8	48
29	WEST BENGAL	40	64	104
	ALL INDIA	1160	856	2016

## STRATIFICATION OF DISTRICTS

Owing to resource constraints, conducting the survey in all the districts of a state was not found feasible. The survey had to be conducted in a sample of a limited number of 245 districts. A stratified sampling scheme was adopted for selection of districts within a state.

All the districts of a state were first stratified into a suitable number – 1 to 6 – of strata, depending upon the total number of sample villages/ urban EBs allocated to the state. The number of strata of districts, henceforth called “district-strata”, varied from state to state, depending upon the number of allocated villages/ urban EBs in the state, so that about 4 districts could be selected from each district-stratum. In some of the smaller states, however, the number of districts sampled from a district-stratum was kept at 2 or 3. The number of strata formed in different states is shown in Table(2).

### Districts were stratified according to the following procedure:

- Districts were arranged according to the ratio of district population to number of bank branches in the district.
- Consecutive districts in thus arranged list of districts were grouped into the required number of strata, so that each group consisted of approximately equal population.

The coverage of the survey consisted of all rural and semi-urban areas (i.e. towns in the Tier 3 to Tier 6 categories), the population used for stratification of the districts was the persons residing in these areas, as per Population Census 2011.

The number of bank-branches, for this purpose, was defined as the sum of number of branches of commercial banks and regional rural banks in the corresponding areas of the districts.

**Table 2: Number of District-strata and Allocation of Sample districts and SSUs in each stratum**

S. No.	State Name	No. of District-Strata	No. of Sample Districts per District-stratum	Total Number of Districts Sampled	Allocated number of SSUs for the state	No. of SSUs per District Stratum
	(1)	(2)	(3)	(4)	(5)	(6)
1	ANDHRA PRADESH	2	3	6	48	16
2	ARUNACHAL PRADESH	2	3	6	42	21
3	ASSAM	3	4	12	72	24
4	BIHAR	4	4	16	128	32
5	CHHATTISGARH	2	4	8	64	32
6	GOA	1	2	2	42	42
7	GUJARAT	3	4	12	72	24
8	HARYANA	2	4	8	56	28
9	HIMACHAL PRADESH	2	2	4	48	24
10	JAMMU	2	2	4	48	24
11	JHARKHAND	3	4	12	72	24

12	KARNATAKA	3	4	12	84	28
13	KERALA	2	3	6	66	33
14	MADHYA PRADESH	5	4	20	100	20
15	MAHARASHTRA	3	4	12	108	36
16	MANIPUR	1	3	3	42	42
17	MEGHALAYA	1	3	3	42	42
18	MIZORAM	1	3	3	42	42
19	NAGALAND	1	3	3	42	42
20	ODISHA	3	4	12	72	24
21	PUNJAB	2	4	8	56	28
22	RAJASTHAN	3	4	12	96	32
23	SIKKIM	1	3	3	42	42
24	TAMIL NADU	3	4	12	96	32
25	TELANGANA	2	3	6	48	16
26	TRIPURA	1	4	4	44	44
27	UTTAR PRADESH	6	4	24	192	32
28	UTTARAKHAND	2	2	4	48	24
29	WEST BENGAL	2	4	8	104	52
ALL INDIA				245	2016	

### Selection of Districts(FSUs):

For a state, an equal number of districts were selected from each district stratum. In most of the states, 4 districts were selected from a stratum. Districts were selected circular systematically with the districts arranged according to the ratio of district population to number of bank branches.

### Selection of villages/ urban EBs (SSUs):

From each selected district, a sample of 8 SSUs was selected for the survey. The SSUs were first grouped into 3 strata as follows:

- Stratum 1: villages with population less than 250 as on 31st March 2011
- Stratum 2: villages with population greater than or equal to 250, with a bank branch and towns of tier 3 to tier 6 categories.
- Stratum 3: the rest of the villages.

The total sample size of 8 SSUs were more or less proportionately allocated to the three strata, with at least one SSU in each. The sample from each stratum was selected by circular systematic sampling, arranged according the census ordering.

### **Segmentation of Larger Villages:**

Households in villages having more than 300 households were subjected to a further stage of sampling to bring the survey workload within manageable limits. Such villages were divided into equal segments of roughly 125-150 households each following natural boundaries within the village. For this, first a location map was drawn for entire village outlining its boundaries, major lanes/ by-lanes, and location of various identifiable structures. Then the village was segmented in such a way so as to ensure that each segment had roughly 100 to 150 households in each. It was ensured that the segments formed were mutually exclusive and exhaustive and to the extent possible determined on the basis of natural boundaries. A minimum of three segments were created in each village to be segmented. Thereafter, 2 segments were selected using Simple Random Sampling Approach. These two segments together represented the sampled village/SSU.

### **Selection of Households (USUs):**

A sample of 20 households was selected from each sampled SSUs. To draw a random sample of households from the SSUs, first a complete list of households was prepared by house-to-house visit. In case of segmented villages, the total households listed in the two sampled segments were taken together to constitute the sample frame for selection of households.

Stratification of households: While making the list of households, each household was asked about its indebtedness status. Based on their indebtedness status, the households (combined set of households in case of segmentation) were categorized into 3 strata, viz.:

- Strata 1: those that are completely un-indebted
- Strata 2: those that have taken loans from non-institutional sources only
- Strata 3: those that have taken loans from institutional sources or both

Samples of sizes 4, 8, 8 households were selected from the three strata respectively using SRSWOR.

## **ESTIMATION PROCEDURE**

The design-based<sup>10</sup> estimates of number of households obtained from the NAFIS were expected to be subject to high sampling errors. This was due to the three-stage equal probability sampling design adopted for the survey, with sample sizes at certain stages restricted by resource constraints. While the design-based estimates of ratios and proportions obtained from such a survey are expected to be fairly reliable, the estimates of totals or aggregates are likely to be rather poor. The estimation proceeded in two stages: generation of designbased estimators, and subsequent derivation of ratio-method-based estimators as an improvement upon the design-based estimators.

Since the survey was expected to provide estimates of aggregates, such as number of households having bank accounts, number of bank accounts opened under different schemes, number of households with members of self-help groups, etc., it was necessary to adopt a ratio estimation procedure to get improved estimates of the aggregates. The auxiliary variable used for this purpose is the population projections based on Population Census.

The procedure of deriving multiplier adjustment factors for ratio estimators, with projected population as the auxiliary variable, that was followed, is described below:

## Notation:

### Subscripts

s	subscript for a state
d	subscript for district stratum
k	subscript for a district
v	subscript for a SSU stratum
j	subscript for a SSU
h	subscript for a household stratum
i	subscript for a household

### Other notation

Y, Z	study variables (like no. of households, population, no. of bank accounts)
C	number of segments of a sample village [for unsegmented villages C = 1]
T	number of district-strata in a state
N	number of households in the frame
n	number of households surveyed
M	number of SSUs (villages/EBs) in the frame
m	number of SSUs surveyed
L	number of districts in the frame
l	number of districts surveyed
U <sub>s</sub>	rural population in 2011 (as enumerated in Population Census 2011)
V <sub>s</sub>	rural population in 2017 (according to population projection)
H <sub>sd</sub>	no. of households in the d <sup>th</sup> district stratum in 2011 (based on Population Census 2011))
X <sub>sd</sub>	no. of households in the d <sup>th</sup> district stratum in 2017
$\hat{X}_{sd}$	design-based estimate of number of households in the k <sup>th</sup> district

The design-based estimate of population-total of Y<sub>d</sub> for the d<sup>th</sup> district stratum is given by

$$\hat{Y}_d^D = \frac{L_d}{l_d} \sum_{k=1}^{l_d} \frac{M_{dv}}{m_{dv}} \sum_{j=1}^{m_{dv}} \frac{N_{dvh}}{n_{dvh}} \sum_{i=1}^{n_{dvh}} y_{kji}$$

For a state, s, rural population growth rate during 2011 to 2017,  $g_s = V_s/U_s$

Define  $X_{sd} = g_s H_{sd}$

The adjustment factor for d<sup>th</sup> district stratum =  $X_d / \hat{X}_d$

Thus, the final estimate for Y<sub>d</sub> for the d<sup>th</sup> district stratum is given by  $\hat{Y}_d = \hat{Y}_d^D \cdot X_d / \hat{X}_d$

Estimate of total of the s<sup>th</sup> state is obtained as the sum of  $\hat{Y}_d$  's' overall the district-strata in the state. Thus,  $\hat{Y}_s = \sum_{d=1}^{T_s} \hat{Y}_d$

Estimates of ratios ( $\hat{R}_s$ ) such as number of bank accounts per households, percentage of cultivator households etc. for a state are obtained as ratio between the corresponding estimates of the totals at the state-level. Symbolically,  $\hat{R}_s = \hat{Y}_s / \hat{Z}_s$

Where  $\hat{Y}_s$  is the state-level estimate of number of bank accounts / number of cultivator households and  $\hat{Z}_s$  is that of number of households.

<sup>10</sup> The estimates obtained using multipliers based on selection probabilities are called 'design-based estimates'.

LIST OF STATES AND DISTRICTS  
COVERED UNDER NAFIS

Table 2: Number of District-strata and Allocation of Sample districts and SSUs in each stratum			
S.No.	State	S.No.	District
1	Andhra Pradesh	1	Krishna
		2	Anantapur
		3	Sri Potti Sr
		4	Prakasam
		5	West Godavar
		6	Y.S.R.
2	Arunachal Pradesh	1	East Kameng
		2	Tirap
		3	Upper Subansiri
		4	Lower Dibang Valley
		5	West Siang
		6	Tawang
3	Assam	1	Baksa
		2	Udalguri
		3	Dhemaji
		4	Nagaon
		5	Morigaon
		6	Hailakandi
		7	Karimganj
		8	Lakhimpur
		9	Kamrup
		10	Tinsukia
		11	Dibrugarh
		12	Kamrup Metropolitan

4	Bihar	1	Aurangabad
		2	Banka
		3	Begusarai
		4	Buxar
		5	Gaya
		6	Kaimur (Bhabua)
		7	Madhubani
		8	Muzaffarpur
		9	Pashchim Champaran
		10	Patna
		11	Purbi Champaran
		12	Purnia
		13	Rohtas
		14	Samastipur
		15	Siwan
		16	Vaishali
5	Chhattisgarh	1	Bijapur
		2	Bilaspur
		3	Uttar Bastar Kanker
		4	Bastar
		5	Kabeerdham
		6	Durg
		7	Raipur
		8	Dhamtari
6	Goa	1	North Goa
		2	South Goa
7	Gujarat	1	The Dangs
		2	Bhavnagar
		3	Banas Kantha
		4	Panch Mahals
		5	Tapi
		6	Porbandar
		7	Surendranagar
		8	Bharuch
		9	Rajkot
		10	Vadodara
		11	Surat
		12	Ahmadabad

8	Haryana	1	Palwal
		2	Kaithal
		3	Panchkula
		4	Faridabad
		5	Panipat
		6	Rohtak
		7	Karnal
		8	Jhajjar
9	Himachal Pradesh	1	Chamba
		2	Kinnaur
		3	Shimla
		4	Una
10	Jammu	1	Doda
		2	Kathua
		3	Udhampur
		4	Samba
11	Jharkhand	1	Bokaro
		2	Chatra
		3	Dhanbad
		4	Dumka
		5	Gumla
		6	Kodarma
		7	Latehar
		8	Pakur
		9	Ramgarh
		10	Sahibganj
		11	Saraikela-Kharsawan
		12	Simdega
12	Karnataka	1	Bijapur
		2	Raichur
		3	Mysore
		4	Bangalore
		5	Mandya
		6	Dharwad
		7	Chamarajanagar
		8	Shimoga
		9	Bagalkot
		10	Ramanagara
		11	Bangalore Rural
		12	Dakshina Kannad



13	Kerala	1	Alappuzha
		2	Idukki
		3	Kollam
		4	Palakkad
		5	Thiruvananthapuram
		6	Wayanad
14	Madhya Pradesh	1	Shivpuri
		2	Panna
		3	Alirajpur
		4	Burhanpur
		5	Damoh
		6	Chhatarpur
		7	Vidisha
		8	Bhind
		9	Katni
		10	Ujjain
		11	Satna
		12	Balaghat
		13	Rajgarh
		14	Khandwa
		15	Shajapur
		16	Tikamgarh
		17	Ashoknagar
		18	Dhar
		19	Indore
		20	Bhopal
15	Maharashtra	1	Ahmadnagar
		2	Bhandara
		3	Bid
		4	Gondiya
		5	Jalgaon
		6	Jalna
		7	Nashik
		8	Pune
		9	Sangli
		10	Sindhudurg
		11	Solapur
		12	Washim
16	Manipur	1	Ukhrul
		2	Bishnupur
		3	Churachandpur

17	Meghalaya	1	East Garo Hills
		2	West Khasi Hill
		3	Ribhoi
18	Mizoram	1	Mamit
		2	Aizawl
		3	Lunglei
19	Nagaland	1	Wokha
		2	Peren
		3	Mokokchung
20	Odisha	1	Bhadrak
		2	Nuapada
		3	Kandhamal
		4	Baleshwar
		5	Koraput
		6	Puri
		7	Baudh
		8	Rayagada
		9	Sambalpur
		10	Anugul
		11	Jagatsinghapur
		12	Khordha
21	Punjab	1	Firozpur
		2	Tarn Taran
		3	Mansa
		4	Muktsar
		5	Hoshiarpur
		6	Ludhiana
		7	Shahid Bhagat Singh
		8	Sahibzada Ajit Singh

22	Rajasthan	1	Alwar
		2	Bharatpur
		3	Udaipur
		4	Jodhpur
		5	Karauli
		6	Jhalawar
		7	Nagaur
		8	Dausa
		9	Pali
		10	Sirohi
		11	Rajsamand
		12	Chittaurgarh
23	Sikkim	1	West District
		2	South District
		3	East District
24	Tamil Nadu	1	Tiruvannamalai
		2	Vellore
		3	Ariyalur
		4	Madurai
		5	Thiruvallur
		6	Tiruchirappalli
		7	Nagapattinam
		8	Kancheepuram
		9	Thiruvarur
		10	Erode
		11	Perambalur
		12	Karur
25	Telangana	1	Warangal
		2	Khammam
		3	Karimnagar
		4	Nalgonda
		5	Medak
		6	Rangareddy
26	Tripura	1	North Tripura
		2	Dhalai
		3	West Tripura
		4	South Tripura

27	Uttar Pradesh	1	Ambedkar Nagar
		2	Auraiya
		3	Azamgarh
		4	Bahraich
		5	Ballia
		6	Balrampur
		7	Basti
		8	Deoria
		9	Ghazipur
		10	Gonda
		11	Gorakhpur
		12	Hamirpur
		13	Jalaun
		14	Jaunpur
		15	Kannauj
		16	Kushinagar
		17	Mahrajganj
		18	Mau
		19	Moradabad
		20	Pratapgarh
		21	Sant Kabir Nagar
		22	Shrawasti
		23	Siddharthnagar
		24	Sultanpur
28	Uttarakhand	1	Champawat
		2	Garhwal
		3	Hardwar
		4	Udham Singh Nagar
29	West Bengal	1	Maldah
		2	Uttar Dinajpur
		3	Bankura
		4	South Twenty Four Pa
		5	Jalpaiguri
		6	North Twenty Four Pa
		7	Dakshin Dinajpur
		8	Birbhum



## NABARD All India Rural Financial Inclusion Survey (NAFIS)

### Household Survey

#### INFORMED CONSENT

Hello, My name is \_\_\_\_\_ and I am working with Academy of Management Studies (AMS). AMS is a research organization that conducts social and development research for Government Departments as well as international organizations. Currently, we are conducting a survey for NABARD which aims at studying the extent of financial inclusion among rural households all over India. The information we collect will help the government to plan financial products and services meant for the rural poor. Your household was selected for this survey. The questions usually take about 60 minutes. All of the answers you give will be confidential and will not be shared with anyone other than members of our survey team. You don't have to be in the survey, but we hope you will agree to answer the questions since your views are important. If I ask you any question you don't want to answer, just let me know and I will go on to the next question or you can stop the interview at any time.

In case you need more information about the survey, please don't hesitate to ask me at any point of time.

Do you have any questions? May I begin the Interview now?

Respondent ready to be interviewed ☐ BEGIN INTERVIEW

Respondent not ready to be interviewed ☐ END INTERVIEW

Signature  
of Interviewer: \_\_\_\_\_ Date: \_\_\_\_\_ Start Time :

1. Location Details	
1.1	State:
1.2	District:
1.3	Type of Location: (Rural-1; Urban-2)
	If location is Urban :
1.4A	Name of Town:
1.4B	Ward No.:
	If location is Rural :
1.5A	Sub-District:
1.5B	Block:
1.5C	Village:

## SECTION A: HOUSEHOLD LEVEL DETAILS

(To be asked from the Head of Household or any adult knowledgeable member of the household)

2. Respondent Profile	
2.1	Name of the Head of Household:
2.3	Religion of the Head of Household: (Hinduism-1, Islam-2, Christianity -3, Sikhism-4, Jainism-5, Buddhism-6, Zoroastrianism-7, Any other, specify-97)
2.4	Social Category of the Head of Household (Scheduled Caste-1; Scheduled Tribe-2; Other Backward Castes-3; General -4)
2.5	What type of ration card do you have (APL-1; BPL-2; Antyodaya-3; No card-4)
2.6	Name of Respondent:
2.7	Age (in completed years):
2.8	Gender(Male-1; Female-2):

3. Household Profile												
Ask for all members of the Household						For 6 years & above			For 15 years & above		Ask for Members those having other than CODEs '91', '92', '94' '95' or '97' in Q3E	
S. No.	Name of the Member (Start with head of household)	Relationship with Head of Household* (Code)	Sex (M-1; F-2)	Age (in Comp. Years)	Educational Status^ (Code)	Usual Activity (Status Code)@	Subsidiary Economic Activity (Status Code)@	For how many days did person remain engaged in the last 1 year (Apply for code 11-51 in Q3E & Q3F)	Whether formally trained to carry out the Principal Activity (Yes-1; No-2, Don't know-98)	Whether wants to learn any new skill? (Yes-1; No-2; Not Applicable-96; Don't know-98)	Remarks	
		Q3A	Q3B	Q3C	Q3D	Q3E	Q3F	Q3G	Q3H	Q3I	Q3J	
1												
2												
3												
4												
5												
6												
7												
8												
9												
10												

\*Relationship with Head of Household: Head-1, Spouse of head-2, married child-3, spouse of married child-4, unmarried child-5, grandchild-6, father/mother/father-in-law/mother-in-law-7, brother/sister/brother-in-law/sister-in-law/other relatives-8, servants/employees/other non-relatives-9 (Start by asking the details of the head of household)

^Educational status: Illiterate-1; Literate without formal schooling - 2; Literate with formal schooling - Up to primary -3; Class 6th to 10th -4; Senior secondary-5; Diploma/certificate course - 6; Graduate-7; Post graduate and above-8

@ Activity Status Code: Worked in household enterprise (self-employed): own account worker -11, Employer-12, Worked as helper in household enterprise (unpaid family worker) -21; Worked as regular salaried/ wage employee -31, Worked as casual wage labour: in public works other than MGNREG works -41, In MGNREG works -42, In other types of work -51; Did not work but was seeking and/or available for work -81, attended educational institution -91, Attended domestic duties only -92, Attended domestic duties and was also engaged in free collection of goods (vegetables, roots, firewood, cattle feed, etc.), sewing, tailoring, weaving, etc. for household use -93, Rentiers, pensioners, etc. for household use -94, Not able to work due to disability -95, Others (including begging, prostitution, etc.) -97; Not Applicable(only for column) Q3F-96







### 5. Household Consumption Expenditure

5.1	Household consumption on food items (Expenditure Incurred in Last 1 month) <b>(DO NOT FORGET TO INCLUDE THE VALUE OF HOME PRODUCED ITEMS CONSUMED BY THE HOUSEHOLD)</b>				
S. No.	Items of consumption	Expenditure during last month (₹)	S. No.	Items of consumption	Expenditure during last month (₹)
5.1.1	Rice/ Wheat/ Millets		5.1.2	Pulses	
5.1.3	Vegetables/Fruits		5.1.4	Milk/Milk Products	
5.1.5	Fish/Egg/Meat/Chicken		5.1.6	Ghee/Vanaspati/Cooking Oil	
5.1.7	Tea/Coffee/Health Drink		5.1.8	Biscuits/Bread/Confectionary/ Packaged Foods	
5.1.9	Eating out (Meal)		5.1.10	Eating out (snack)	
5.1.11	Any other, please specify				
5.2	Household consumption on non-food items <i>(Expenditure Incurred in Last 1 month)</i>				
5.2.1	Value of firewood consumed		5.2.2	Electricity, gas (cooking & lighting)	
5.2.3	Toiletries (soap, lotions, powder, shaving cream, toothpaste) etc.		5.2.4	Intoxicants (Tobacco, Pan, Cigarette, Alcohol etc.)	
5.2.5	Telephone charges (mobile & landline) / Internet charges including internet packs in mobile phones		5.2.6	Monthly Education expense (school fee, stationery, etc.)	
5.2.7	Medical expense (excluding hospitalization)		5.2.8	Monthly cable TV charges	
5.2.9	Melas/fairs, picnics, and other entertainment expense		5.2.10	Conveyance fare and vehicle expense	
5.2.11	Household consumer services (domestic help/ cook, driver, barber/ beautician, tailor, lawyer, laundry/ironing, repairs, etc.)		5.2.12	Any Other, Please specify_____	
5.3	Items of Annual Consumption <i>(Expenditure Incurred in last one year)</i>				
5.3.1	Clothing & footwear (including gifts given)		5.3.2	Furniture/bedding/ mattress/ pillows/cushions/ curtains, etc.	
5.3.3	Purchase of vehicle/ mobile phone/watch/PC/ TV/AC/Cooler, household appliance and other durables		5.3.4	Holiday travel and accommodation expenses	
5.3.5	Medical care (hospitalization expense)		5.3.6	Religious & social expenses	

5.3.7	Minor Repair of dwelling	5.3.8	Any Other, Please specify_____
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6. Household Income														
6.1	Whether any member of the household is engaged in agricultural (crop production/ plantation/ orchard) activities? (Yes-1; No-2)													
6.2	If yes, ask the following details about income of the household from agricultural activities in the last 1 year preceding the survey -													
S.No.	Crop Produced (CODE) (Refer to booklet)	Irrigated Area under cropping		Un-irrigated Area under cropping		Total Production		Input Costs (expense on seeds, fertilizer, etc.) (In ₹)	Labour Cost, if Hired (In ₹)	Quantity of Produce Sold			Selling price per unit	Total Value of the Produce Sold (In Rupees)
		Area	Unit	Area	Unit	QTY	Unit			QTY	Unit	Rate (In ₹)		
	A	B	C	D	E	F	G	H	I	J	K	L	M	
6.2.1														
6.2.2														
6.2.3														
6.2.4														
6.2.5														
6.2.6														
6.2.7														
6.2.8														
6.2.9														
6.2.10														
6.2.11	Amount of Lease Rent paid, if any (In ₹)													
6.3	Whether the household is engaged in livestock rearing? (Yes-1; No-2)													
	If yes, ask the following details of the income of household from these activities in the last one year preceding the survey -													

S.No	Product (CODE)	Total Production		Input Costs (expense on animal feed, medical care, etc.)	Cost of Labour, if hired (In ₹)		Quantity of Produce Sold			Selling price per unit		Total Value of the Produce Sold (In Rupees)
		Quantity	Unit				Quantity	Unit	G	Rate (In ₹)	H	
	A	B	C	D	E		F					I
6.3.1												
6.3.2												
6.3.3												
6.3.4												
6.3.5												
6.3.6												
6.3.7												
6.3.8												
6.3.9												
6.3.10												

Product (CODES): Milk-1; Milk products-2; Meat/ flesh -3; Fur/wool-4; Eggs-5; Fish-6; Chicken 7; Any other, please specify-97

6.4	Obtain following details of income earned from other economic activities undertaken in the last one year preceding the survey				
	Activity	No. of Earners	Total Annual Earning from activity (In Rupees)		Input Costs (In rupees)
		A	B		C
6.4.1	Trader/ shopkeeper/ petty business/ hawkers				
6.4.2	Selling NTFP/ forestry products				
6.4.3	Self Employed Professional (Doctor, Lawyer, Accountant, etc.)				
6.4.4	Microenterprise – Service (< 10 Lakhs)				
6.4.5	Microenterprise – Manufacturing (< 25 Lakhs)				
6.4.6	Other Enterprise - Service				
6.4.7	Other Enterprise - Manufacturing				
6.4.8	MNREGA Activity				

6.4.9	Agricultural Labor			
6.4.10	Non Agricultural Labor - Skilled			
6.4.11	Non Agricultural Labor - Unskilled			
6.4.12	Government/ Private job			
6.5	Obtain details about earnings from payments/ remittances and other sources -			
S. No	Source	Total Annual Income from Source (in rupees)		
6.5.1	Income from rent earned on building and land			
6.5.2	Earning from interest on Bank deposits			
6.5.3	Earning from Insurance claims made			
6.5.4	Earning from interest on Investments/ Dividends			
6.5.5	Income from Pension			
6.5.6	Remittances received from family members outside the village			
6.5.7	Any other, please specify			



## 8. Access to Financial Services

Please tell us about your status with reference to the following financial products.	8.1 – Are you aware of this product? (Yes-1; No-2)	8.2 – If 'Yes' in 8.1, does any member of your household currently hold this product (personally or jointly)? (Yes-1; No-2; Don't know/ Can't say-98)	8.3 – If 'no' or 'don't know' in 8.2, then tell us that in the last 3 years, has any member of your household chosen any of the following products. (Yes-1; No-2; Don't know/ Can't say -98)
A Bank Account			
B Bank deposits like FD, RD, etc.			
C Credit/ loan from a Bank			
D Credit Card/ Kisaan Credit Card			
E Govt. Deposits being run through post office like KVP/NSC, etc.			
F Pension/ provident fund			
G Credit/ loan from a microfinance institution/ SHG/JLG etc.			
H Crop Insurance			
I Other Insurance			
J Shares / stocks / bonds / Mutual Funds/SIP			
K Direct Benefit Transfer (DBT)			
L Debit Card			
M Mobile/Internet Banking			
N Remittances (RTGS, NEFT, IMPS, UPI, ECS etc)			
O Mobile Wallets (Paytm, Freecharge, Mpesa etc)			
P Any other (specify...)			

## 9. Loans & Borrowings

9.1 Does the household have any outstanding debt as on date? (Yes-1; No-2)

9.1.1 If Yes, then what is the total amount of outstanding loan on the household as on date? (in Rupees)

9.2 Has any member of the households taken any loan in the past one year preceding the survey (that is, between July 1st, 2015 to June 30th, 2016)? (Yes-1; No-2)

9.2.1 If yes, please provide the following details about the loans taken between July 1st, 2015 to June 30th, 2016–

ID of the Member (Same as in Q3)	Name of the Member (Same as in Q3. If one member has more than one loans then use separate rows to record the details)	Amount borrowed during the year? (In Rupees)	Source of Credit* (Code)	Has the loan been offered under any Govt. Scheme? (Yes-1; No-2; Don't Know-98)	If Yes, Name of Scheme	Duration of Loan (in Months)	Nature of interest^ (Code)	Rate of interest per month (% PM)	Purpose of Loan** (Code) (Multiple response)	Type of Primary Security offered## (Code)	Other type of security ## (Code)	Status of Repayment@ (Code)	Amount outstanding (including interest) on date of survey (In Rupees)	Has any amount ever been waived/ written off? (Yes-1; No-2)
	A	B	C	D	E	F	G	H	I	J	K	L	M	N

\*Source of Credit Codes: Government -01; Co-operative society/bank -02; Commercial bank incl. regional rural bank -03; Insurance -04; Provident fund -05; Financial corporation/institution-06; Financial company -07; Self-help group-bank linked (SHG-BL) -08; Self-help group, non-banking financial companies (SHG-NBFC/Micro Finance Institutions) – 09; Other institutional agencies -10; Landlord – 11; Agricultural moneylender – 12; Professional moneylender -13; Input supplier – 14; Relatives and friends – 15; Doctors, lawyers & other professionals -16; Others (specify) -97.

^Nature of interest Codes: Interest free -1, Simple -2, Compound -3, Concessional rate -4

\*\* Purpose of Loan Codes: Capital expenditure in farm business-01; Current expenditure in farm business -02; Capital expenditure in non-farm business -03; Current expenditure in non-farm business-04; Expenditure on litigation-05; Repayment of debt-06; Financial investment expenditure-07; For education -08; For medical treatment-09; For housing-10; For other household expenditure -11; Others (specify) -97

## Type of Security Code: Surety security or guarantee by third party -01; Crop -02; Mortgage of immovable property -03; Gold & Silver -04; Shares of companies, Government securities and insurance policies etc -05; Agricultural commodities -06; Movable property other than Gold & Silver, ornaments, shares, agricultural commodities etc. -07; Other type of security-08; Personal security -09; No Primary/Collateral Security -10

@ Status of Repayment Code: Fully repaid-1; Partially repaid-2; Payment not initiated/Not Paid-3



9.3	If 'No' in question 9.2, has any member of the household taken any loan in the two years preceding the last one year (that is, between July 1st, 2013 to June 30th, 2015? (Yes-1; No-2)													
9.3.1	If yes, please provide the following details about the loans taken between July 1st, 2013 to June 30th, 2015 period –													
ID of the Member (Same as in Q3)	Name of the Member (Same as in Q3. If one member has more than one loans then use separate rows to record the details)	Amount borrowed during the year ? (In Rupees)	Has the loan been offered under any Govt. Scheme ? (Yes-1; No-2; Don't Know-98)	If Yes, Name of Scheme	Duration of Loan (in Months)	Nature of interest^ (Code)	Rate of interest per month (% PM)	Purpose of Loan ** (Code) (Multiple response)	Type of Primary Security offered## (Code)	Other type of security ## (Code)	Status of Repayment@ (Code)	Amount outstanding (including interest) on date of survey (In Rupees)	Has any amount ever been waived/ written off? (Yes-1; No-2)	
	A	B	C	D	E	F	G	H	I	J	K	L	M	N
*Source of Credit Codes: Government -01; Co-operative society/bank -02; Commercial bank incl. regional rural bank -03; Insurance -04; Provident fund -05; Financial corporation/institution-06; Financial company -07; Self-help group-bank linked (SHG-BL) -08; Self-help group, non-banking financial companies (SHG-NBFC/Micro Finance Institutions) – 09; Other institutional agencies -10; Landlord – 11; Agricultural moneylender – 12; Professional moneylender -13; Input supplier – 14; Relatives and friends – 15; Doctors, lawyers & other professionals -16; Others (specify) -97.														
^Nature of interest Codes: Interest free -1, Simple -2, Compound -3, Concessional rate -4														
** Purpose of Loan Codes: Capital expenditure in farm business-01; Current expenditure in farm business-02; Capital expenditure in non-farm business-03; Current expenditure in non-farm business-04; Expenditure on litigation-05; Repayment of debt-06; Financial investment expenditure-07; For education -08; For medical treatment-09; For housing-10; For other household expenditure -11; Others (specify) -97														
## Type of Security Code: Surety security or guarantee by third party -01; Crop -02; Mortgage of immovable property -03; Gold & Silver -04; Shares of companies, Government securities and insurance policies etc -05; Agricultural commodities -06; Movable property other than Gold & Silver, ornaments, shares, agricultural commodities etc.-07; Other type of security-08; Personal security -09; No Primary/Collateral Security -10														
@ Status of Repayment Code: Fully repaid-1; Partially repaid-2; Payment not initiated/Not Paid-3														
9.4	Does any member of the household have a valid Kisan Credit Card? (Yes-1, No-2)													
9.4.1	If yes, total number of Kisan Credit card in the household													
9.4.2	What is the limit sanctioned on the Kisan credit card? (In Rupees)													
9.4.3	Total amount drawn on the card during last one year? (In Rupees)													
9.4.4	Total number of RUPAY Kisan Card in the household													
9.5	Does any household member have any credit card other than Kisan credit card? (Yes-1; No-2)													
9.6	In the last three years, was any member of the household constrained to take any of the following steps to pay off the loans? (Read out the options.) (Multiple answers expected) (a- Sold off land or jewellery-1; b- Mortgaged land or jewellery-2; c- Any of the household members migrated outside the village in search of employment-3; d- children under 14 years of age started working-4; e- women of the household started working-5; f- commit suicide-6; w- Not applicable-96; z- Any other (please specify) .....-97													

9.7	<p>If no one availed any credit facilities in the last 3 years, then what were the reasons? (This question to be asked only if Code 2 "No" in both Q9.2 and Q9.3) (Do not read out the options. Probe &amp; mark as responded. Multiple responses expected.) (a- Lack of awareness-1; b- Did not require credit-2; c- Wanted credit but did not know where to apply-3; d- Local moneylender charges high rate of interest-4; e- Do not have any collateral security-5; f- Applied to local moneylender who refused to give-6; g- Applied to bank/ institutions but they refused to give credit-7; h- Too many formalities required-8; i- Had taken loan more than 3 years back which has still not been repaid-9; j- Occupation does not generate consistent returns/ inflows-10; z- Any other (Specify .....)-97</p>
9.8	In the last 3 years, did it ever happen that any member of your household approached any bank for credit but Bank refused loan? (Yes-1, No-2)
9.8.1	<p>If yes, then what was the reason for refusal? (Do not read out the options. Probe &amp; mark as responded. Multiple responses expected.) (a- Had not repaid an earlier debt-1; b- Paperwork was incomplete-2; c- Had no collateral security-3; d- Had taken loan from other places also-4; e- economic situation was not good-5; f- assessed as unable to pay back the debt in time-6; z- Any other (Specify.....)-97</p>
9.9	In the last 3 years, did it ever happen that any member of your household approached any Microfinance institution but MFI refused loan? (Yes-1, No-2)
9.9.1	<p>If yes, then what was the reason for refusal? (Do not read out the options. Probe &amp; mark as responded. Multiple responses expected.) (a- Had not repaid an earlier debt-1; b- Paperwork was incomplete-2; c- Had no collateral security-3; d- Had taken loan from other places also-4; e- economic situation was not good-5; f- assessed as unable to pay back the debt in time-6; z- Any other (Specify.....)-97</p>
9.10	Do you keep your farm product in any registered warehouse? (Yes-1, No-2, Nil/ negligible surplus to sell or store-3; Not applicable-96)
9.10.1	<p>If no, then what are the reasons for it? (Do not read out the options. Probe &amp; mark as responded. Multiple responses expected.) (a- Do not know about it-1; b- No warehouse nearby-2; c- They charge huge sums of money-3; d- Farm Produce gets damaged-4; e- Don't want to store anywhere else-5; z- Any other (Specify.....)-97</p>
9.11	Are you aware that one can avail loan against the stock of farm produce kept in a warehouse? (Yes-1, No-2)
9.12	If yes, then have you availed loan against the stock of farm produce? (Yes-1, No-2)
9.12A	If yes, then how much loan have you taken? (In Rupees.)
9.12B	Do you feel that this facility of getting loan against the farm produce is helpful? (Yes-1, No-2)

## 10. Microfinance Experience

10.1	Is anybody in the household a member of any of the following groups?(Yes-1; No-2)					
A)	Self Help Groups					
B)	Joint Liability Groups (JLG)					
C)	Livelihood collectives like Agricultural or Dairy Cooperative					
10.2	If 10.1 has any response as '1', then please provide the following details about the aforementioned microfinance groups with which the members of the household are associated – (Ask for last one year preceding the survey)					
ID of the Member (Same as in Q3)	Name of the Member (Same as in Q3) (If a member is a member of more than one groups, then use separate rows to obtain details of membership)	Name of Group	Type of Group (SHG-1; JLG-2; Livelihood Collective-3)	Number of members in the Group	Number of meetings in the group in the last 3 months M e e t i n g s Planned	Meetings Actually Held


ID of the Member (Same as in Q3)	Name of the Member (Same as in Q3) (If a member is a member of more than one groups, then use separate rows to obtain details of membership)	Length of Membership in the Group (In completed years) (enter '99' for less than 1 year)	Type of assistance/ support received by the member* (Code) (multiple response)	Current savings in the group (₹) (enter '99' if 'no savings made')	Loan received from group in last 1 year (₹) (enter '99' if 'no loan received')	Monthly Rate of Interest for Loan (% PM)	Duration of Loan (Number of Months)	Has the loan been paid back? @ (Code)
	A	B	C	D	E	F	G	H


\*Codes for Type of Assistance/ Support: a- Training or technical assistance in any vocation-1; b- Provided physical inputs for pursuing any income generating activity-2; c- Cash loans for promoting income generating activities-3; d- Cash loans for personal use-4; e- Help selling products (for example: collecting, finding buyers, transporting, etc.)-5; z- Any other (Please specify) .....-97

@ Repayment of Credit: Yes, fully-1, Partially-2, Repayment not initiated/Not Paid-3



## 12. Pension Coverage

12.1	Is any member of the household receiving/ purchased/ subscribed for pension under any scheme? (Yes-1, No-2)	ID of the Member (Same as in Q3)	Name of the Member (Same as in Q3)	Type of pension* (Code)	Name of Pension scheme	Pension Amount (in Rupees per month)	Mode of Receiving Pension# (Code)
	A	B	C	D	E		

\*CODES FOR TYPE OF PENSION: Old age pension-1; Widow pension-2; Disability pension-3; Retirement pension-4; Optional pension (like Jeevan Akshay, National pension scheme (NPS), Atal Pension Yojana (APY) etc.)-5; Any other, please specify-97

# CODES FOR MODE OF RECEIVING PENSION: Cash in hand-1; Cash through Money order-2; Money transferred to bank account-3; Any other, please specify-97

## 13. Risks & Uncertainties

Was your household affected by any of the following distress events/ emergencies in the last 10 years preceding the survey?

If yes, then what strategies did you adopt to cope with the event?

	Events	Whether household was affected? (Yes-1; No-2)	If yes, which Coping Strategies did you adopt?* (Code) (Multiple Options)
13.1	Crop failure due to excessive rainfall, very low rainfall or unseasonal rainfall		
13.2	Sudden decline in productivity of crops due to pest infestation, etc.		
13.3	Sudden fall in market prices of crops		
13.4	Loss of livestock due to flood, disease, etc.		
13.5	Death of the earning member of the household		
13.6	Sudden health problems/ accident		
13.7	Sudden job loss		
13.8	Fire/ theft/ robbery		
13.9	Any other (specify).....		
	*Coping Strategies – a- By taking loan-1; b- Through personal savings-2; c- By selling household assets-3; d- By mortgaging household assets-4; e- By borrowing money from friend/relative/ or any known member-5; f- By selling ornaments-6; g- By selling animals-7;		
	h- household members migrated outside the village in search of employment-8; i- children under 14 years of age started working-9;		
	j- women of the household started working-10; k- through receipt of insurance claims-11; l- Government assistance-12; z- Any other (please specify).....-97)		

13.10	Sometimes people find it difficult to meet their living expenses from their regular income sources. Has this ever happened to you any time in the last 12 months?	Yes -1
		No -2
		Not applicable (Do not have any personal income) – 96
		Don't know -98
		Refused -99
13.10.1	If Yes, what did you do to make ends meet the last time this happened? (Probe; do not read out. Mark all that apply.)(Multiple answers expected)	1. Existing resources
		a- Draw money out of bank savings -1
		b- Cut back on spending -2
		c- Sell assets that I own -3
		2. Creating resources
		d- Work overtime, earn extra money -4
		3. Access credit by using existing contacts or resources
		e- Borrow food or money from family or friends-5
		f- Take food or basic goods on credit from retailer – 6
		g- Borrow from employer/salary advance-7
		h- Pawn something that I own -8
		i- Take a loan from my savings and loans clubs -9
		j- Apply for loan/withdrawal on pension fund -10
		4. Borrow from existing credit line
		k- Use authorised, arranged overdraft or line of credit -11
		l- Use credit card for a cash advance or to pay bills/buy food -12
		5. Access new line of credit
		m- Take out a personal loan from a financial service provider (including bank, credit union or microfinance) -13
		z- Any other (Specify.....) -97

## SECTION B: INDIVIDUAL LEVEL DETAILS

(To be asked only from an adult and most knowledgeable member of the household, preferably a member who undertakes financial transactions in the household)

1. Respondent Profile					
1.1	Name of Respondent:		1.2	Mobile No.:	
1.3	Member ID as in Q3:				

### 2. Financial Knowledge, Attitude & Behaviour

2.1	Have you been exposed to any type of informative sessions organized in the last 3 years to educate people about importance of saving or investment, or introducing any financial products or services? (Yes-1; No-2)
2.1.1	If yes, then which agencies organized such training programs? (Multiple Options) (a- Community based organizations/ Non- Government organizations-1; b- financial literacy centres-2; c- financial institutions like banks, cooperative societies, regional rural banks, etc. -3;
	d- Government agencies like DRDA/ National Skill Development Council (NSDC)/ Zila Parishads, etc. -4;
	z- Any other, please specify (.....) -97)

#### QUESTIONS ON FINANCIAL KNOWLEDGE

2.2	I would like to know whether you think the following statements are true or false. (Read out each statement to the respondent and note the response appropriately) (True-1; False-2, Don't know-98; Refused -99)
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STATEMENT		RESPONSE (True-1; False-2, Don't know-98; Refused -99)
2.2.1	If someone offers you the chance to make a lot of money, there is also a chance that you will lose a lot of money.	
2.2.2	High inflation means that the cost of living is increasing rapidly	
2.2.3	It is less likely that you will lose all of your money if you save it in more than one place.	

2.3	I will now read out some statements to you. Please indicate the extent to which you agree or disagree that the statement applies to you personally. (Read out each statement one by one. Give time to the respondent to understand and express his opinion. Mark responses on a five point scale) Completely agree -1; Somewhat agree -2; Neither agree nor disagree -3; Somewhat disagree -4; and Completely disagree -5
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STATEMENT		RESPONSE (Completely agree -1; Somewhat agree -2; Neither agree nor disagree -3; Somewhat disagree -4; and Completely disagree -5)
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#### QUESTIONS ON FINANCIAL ATTITUDE

2.3.1	I find it more satisfying to spend money than to save it for the long term	
2.3.2	I tend to live for today and let tomorrow take care of itself	
2.3.3	Money is there to be spent	

#### QUESTIONS ON FINANCIAL BEHAVIOUR

2.3.4	Before I buy something I carefully consider whether I can afford it	
2.3.5	I pay my bills on time	

2.3.6	I keep a close personal watch on my financial affairs	
2.3.7	I set long term financial goals and strive to achieve them	
2.3.8	Does your household have a budget?	Yes -1;                No -2
2.3.9	Who is responsible for day-to-day decisions about money in your household?	You -1
		You & your partner -2
		You & another family member -3
		Your partner -4
		Someone else -5
		Nobody -6
		Don't know/ can't say-98
2.3.10	In the past 12 months have you been [personally] saving money in any of the following ways, whether or not you still have the money? (Multiple Response. Mark all that apply.)	a- Saving cash at home or in your wallet -1
		b- Saving in bank account-2
		c- Giving money to family to save on your behalf-3
		d- Saving in informal chit funds or saving clubs/SHG -4
		e- Buying financial investment products like shares, stocks, bonds, etc. -5
		f- Saving by buying assets like gold, property or livestock -6
		g- Has not been actively saving -7
		x- Don't know – 98
		y- Refused -99
QUESTIONS RELATED TO CHOICE OF FINANCIAL PRODUCTS		
2.3.11	How do you usually choose a financial product or service?	Consider several products available in the market before making my decision -1
		Consider the advice of friends/ family, etc. -2
		Seek opinion of experts/agents dealing with such issues -3
		I don't consider any other product/ service other than one I have known about since long -4
		Not applicable/ have not made any choice in the recent past - 96
		Don't know/ can't say – 98



2.3.12	What are your sources of information about various banking or financial products or services? (Multiple Response. Mark all that apply)	a- News or Advertisements in print media like newspapers, magazines, etc. -1
		b- News or advertisements in electronic media like television, internet, mobile sms, etc.-2
		c- Friends/ families/ village elders -3
		d- Banking correspondents/ facilitators/ agents -4
		e- Messages spread through local art forms under campaigns organized by government or non-government organizations - 5
		z- Any other (please specify) - 97

### 3. Planning for Retirement & Exigencies

3.1	At what age do you think people should begin to make a financial plan for their old age? (Age in completed years. For no response/ can't say enter '98' )	
3.2	Which of the following do you consider will serve your financial needs during old age or after retirement? (Read all the categories to the respondent. Mark all that apply.)	a- Government pension/ old age benefits -1
		b- Occupational or workplace pension plan benefits -2
		c- Personal retirement savings plan benefits (APY, NPS, Jeevan Akshay etc...)-3
		d- Obtaining a reverse mortgage -4
		e- Sell your financial assets (such as: stocks, bonds or mutual funds) -5
		f- Sell your non-financial assets (such as: a car, property, art, jewels, antiques, etc.) -6
		g- Use an inheritance -7
		h- Rely on family -8
		i- Drawing an income from your own business -9
		j- Earnings from employment in retirement -10
		x- Don't know--98
		y- Refused -99
		z- Other Specify -97

3.3	Have you set aside emergency or rainy day funds that would cover your expenses for 3 months, in case of sickness, job loss, economic downturn, or other emergencies?	Yes -1; No-2; Don't know-98; Refused-99
3.4	What would you have do to make ends meet if you face any financial crisis? (Probe; do not read out. Mark all that apply).(Multiple answers expected)	a- Use up my savings -1 b- Sell my assets (e.g. car, business, household goods, livestock) -2 c- Borrow money (including salary advance, pawning, cheque cashing) -3 d- Depend on charity (e.g. from church, mosque, Red Cross) -4 e- Ask family members to help -5 f- There's nothing I could do -6 g- Find a job/additional jobs/better paying job -7 x- Don't know -98 y- Refused -99 z- Other Specify -97

#### 4. Experience of Availing a Financial Service

4.1	How many times did you visit the bank or financial institution to avail any services in the last three months? (Excluding ATM)			(Record numeric response. Enter '96' if did not visit even once in the said period)	
4.2	With reference to your last visit to a bank or financial institution, please tell us that how many times did you have to visit to get the work completed. (Record numeric responses for number of visits made; For 'did not undertake this operation, enter '96'; For 'not aware of the type of service/ don't know', enter '98' and if the 'respondent refuses to answer', enter '99')				
	Service Availed	Number of Visits to complete the work		Service Availed	Number of Visits to complete the work
4.2.1	Saving bank account related operations		4.2.4	Money Transfer related	
4.2.2	Loan related operations		4.2.5	Card related work (eg. Debit card, credit card or kisan credit card)	
4.2.3	Investment related operations				
4.3	How many times did you use the following banking facilities it in the last 3 months and express your level of comfort in using these facilities? (Record separately for each type of banking facility) . (Record numeric responses for number of visits made; For 'did not undertake this operation, enter '96'; For 'not aware of the type of service/ don't know', enter '98' and if the 'respondent refuses to answer', enter '99')				
Type of Banking Facility			How many times did you use this service in the last 3 months? (Record number of times)		Indicate your level of comfort with using this service*
4.3.1	ATMs (ATMs/ Micro ATMs)				
4.3.2	Mobile Banking				
4.3.3	Internet Banking				

4.3.4	Transactions through cards like debit / credit or kisan credit card			
	* Can use it independently without anyone's help-1; use it with the help of any family member/ friend-2; Afraid of / not very comfortable using it-3; Don't know-98; Refused-99			
4.4	How many times did you use this facility for making payments in the last 3 months and how would you rate this method in terms of its effectiveness of easing out the process of financial transaction? (Record separately for each type of Payment Mechanism) (Record numeric responses for number of visits made; For 'did not undertake this operation, enter '96'; For 'not aware of the type of service/ don't know', enter '98' and if the respondent refuses to answer, enter '99')			
	Payment Mechanisms	No. of times used in last 3 months		Indicate extent of effectiveness (Extremely effective-1; Somewhat effective-2; Neutral-3; Not so effective-4; Not at all effective-5)
4.4.1	By Cheque			
4.2.2	By Debit/ Credit Card			
4.4.3	Through net banking			
4.4.4	Mobile Payments			
4.4.5	Money orders through Post offices			

### 5. Loan Seeking Behaviour and Preferences

5.1	Did you ever need a loan in the last 3 years? (Yes-1; No-2)		
	If Yes, then -		
5.1.1	How much money did you need to borrow?	(Amount in Rupees)	
5.1.2	If yes, then which of the following statement applies to you? (Read each statement and mark the one that best describes respondents situation)	Applied for a loan and got it -1	
		Applied for a loan but did not get it -2	
		Did not apply for loan -3	
If code '1' in question 5.1.2, that is, the individual applied for a loan and got it too			
5.2	Where did you take the loan from? (Multiple Response. Mark all that apply)	a- Government -01;	
		b- Co-operative society/bank -02;	
		c- Commercial bank incl. regional rural bank -03;	
		d- Financial corporation/institution-04;	
		e- Self-help groups- 05;	
		f- Landlord/ agricultural or local moneylender -06;	
		g- Relatives and friends - 07;	
		z- Any other, please specify - 97	
5.2.1	If code 06 or 07 (Non- Institutional sources), then why did you take loan from this source? (Multiple Response. Mark all that apply)	a- Easy Availability-1	
		b- No strict time for repayment-2	
		c- Loan available for all purposes-3	
		d- Low or no rate of interest-4	
		e- Faith on family or friends-5	
		f- No paper work needed-6	
		g- No fear of Court/ legal implications-7	
		z- Any other, please specify-97	

5.2.2	What were the reasons behind not taking loans from institutional sources? (Multiple Response. Mark all that apply)	a- High interest rates-1
		b- Short loan term (maturity)-2
		c- Excessive collateral requirements -3
		d- Lengthy application process -4
		e- High costs associated with borrowing-5
		f- No lending financial institution in convenient proximity to my business/residence-6
		g- High risks – uncertain of own ability to pay interest and repay principal-7
		h- Did not know could receive credit from a financial institution-8
		i- Didn't apply because was denied credit earlier-9
		j- Didn't need a loan-10
z- Other (please specify)_____ -97		
If code '2' in question 5.1.2, that is, the individual applied for a loan but did not get it		
5.3	If you applied for loan but did not get it, then what were the reasons behind it? (Multiple Response. Mark all that apply)	a- Had not repaid an earlier debt-1,
		b- Paperwork was incomplete-2,
		c- Had no collateral security-3,
		d- Had taken loan from other places also-4,
		e- Economic situation was not good-5,
		f- Assessed as unable to pay back the debt in time-6,
		z- Other (please specify)_____ -97
If code '3' in question 5.1.2, that is, the individual did not apply for loan		
5.4	If you did not apply for loan, despite needing it, then what were the reasons behind it? (Multiple Response. Mark all that apply)	a- Did not know where to apply-1,
		b- Local moneylender charges high rate of interest-2,
		c- Do not have any collateral security-3,
		d- Too many formalities required-4,
		e- Had taken loan more than 3 years back which has still not been repaid-5,
		f- Occupation does not generate consistent returns/ inflows-6
		z- Other (please specify)_____ -97

## 6. Experience related to Attributes of Banking or Financial Institution visited

6.1	Thinking about your last or most recent visit to a bank or any other financial institution, which of the following attributes do you think hold true for that place. (Read out all options and mark the responses as – True-1; False-2; Does not apply/Not applicable -96; Don't know/ can't say-98)	<b>Tangible Attributes</b>
		a) The bank has modern looking equipment.....
		b) It has appealing physical facilities.....
		c) The appearance of bank staff is neat.....
		d) Materials associated with the service are visually appealing.....
		<b>Reliability of Staff</b>
		e) The bank staff keeps the promises.....
		f) The bank shows a sincere interest in solving customers' problems.....
		g) The staff performs service right the first time.....
		h) Provide services at the time they promise to do so.....
		i) The bank insists on error free records.....
		<b>Competence of Staff</b>
		j) The service of the bank is on time and very prompt.....
		k) The bank staff shows willingness to cooperate and help customers .....
		l) To any queries the staff provides correct information.....
		m) Customers feel safe in their transactions with the bank .....
		n) The staff is experienced and knowledgeable.....
		o) The bank offers flexible and easy banking.....
		p) The time taken for transactions is very little as compared to other banks.....
		<b>Personal interaction</b>
		q) The staff is ready to help and instill confidence in customers.....
		r) The staff is friendly and courteous.....
		s) Individual attention is given by staff.....
		t) The staff makes efforts to understand the needs of the customers and establish relationship with them .....
		u) The bank understands the specific needs of customers and provides suggestions accordingly .....

End Time:

Those are all of the questions I have. Thank you very much for participating in this important survey. Record any notes about the interview that you think are important for the project to know.

End of Interview, Submit this case (Yes -1, No -2)

## NOTES

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