

DEBT MANAGEMENT OF BPL HOLDERS IN TUMKUR

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ABSTRACT

Most the individual is to earn money to satisfy their individual & family needs, when it comes to a country like India where the majority of the families live together as a joint family here the pressure to earn livelihood has lain on a single shoulder. The individual has to earn and earn still for many but still, the earnings are not sufficient to full fill every basic need of their dependents and for themselves, hence most of the people in India live “Below the poverty line” (BPL). However, Poverty is a situation where an individual couldn’t fulfil his basic needs like food, shelter, and clothing. In order to full fill the needs of the family, they may go for taking hand loans for a shorter period for a high-interest rate, “then they are trapped”. We can call debt a CURSE for the people living below the poverty line. They pledge/ mortgage their belongings; they may take the debt from some other sources to repay the previous debts. This study helps to know the various factors influencing the low-income household to borrow loans, tools & techniques used by them for repayment. For the study 1200 household has been taken at P.H colony Tumkur. They were interviewed individually to collect their opinion.

Key Words: BPL, PH Colony, family needs, low income.

1. Introduction:

End poverty in all forms even at the core level required a comprehensive emphasis interdependence framework. In order to prevent and vanish poverty, the government has to work multidimensional. In this line, the government has to focus on the suitable development of even individuals. The history of poverty estimation in India dated back to early 1901 when Dadabhai Navroaji estimated poverty in the country based on the cost of a subsistence diet. In 1938 the National Planning Commission suggested poverty line estimation based on living standards followed by the author of the Bombay plan. The government has undertaken several parameters to recognize the below poverty line section. The parameters may vary from state to state and rural to urban.

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2. Literature review:

Our study contributes to a growing body of knowledge about policy coordination and possible conflicts across fiscal, monetary, and debt management strategies, a topic that has been studied in a variety of ways. In general, a lack of independent policy instruments can lead to a conflict between monetary policy and debt management (Togo, 2007). Furthermore, procyclical fiscal policy, which is expansionary during booms and contractionary during recessions, may exacerbate macroeconomic volatility and uncertainty in the long run, hinder economic growth, and boost debt servicing costs. As a result, we investigate the effects of monetary and fiscal policy on debt manager-relevant variables

Starting with the classic studies, Barro ([1995](#)) finds that debt management could be helpful in tax smoothing. Calvo and Guidotti ([1990](#)) point out the role of debt management as a commitment device in ensuring a time-consistent monetary policy. Among more recent studies, Canzoneri, Cumby, and Diba ([2016](#)) highlight the need for the debt manager to satisfy liquidity demand and accommodate a smooth tax rate. However, they add that if government bonds provide liquidity, conflicts may arise. Bianchi and Melosi ([2019](#)) claims that monetary and fiscal policies are not completely independent and there is a need for their coordination. Some public debt management choices and large fiscal deficits endanger inflation management and the interest rate policy, and even the independence of the central bank. The monetary policy setting may therefore influence the cost of deficit financing and even the size of the public debt. Moore and Skeete ([2010](#)) find that negative monetary policy shocks could significantly raise the debt service costs and the future setting of economic policy needs to be coordinated. Cavalcanti, Vereda, de Doctors, and Lima ([2018](#)) call for higher policy coordination and find high correlation between the monetary policy rate and the interest rate on public debt in Brazil.

"Risk is a basic fact of life for the poor, who commonly own small companies or farms or work as casual labourers, with no guarantee of regular employment," (Banerjee and Duflo, 2011) write in another seminal study on the issue, Poor Economics.

It is widely recognised that the lack of safe and dependable savings instruments severely limits the ability of disadvantaged households to save (Rutherford, 1999, 2000). (Collins, 2006) and Morduch, Rutherford, and Ruthven, (2010) discuss the "triple whammy" situation that the poor face, namely, that the poor not only have very low and unpredictable incomes, but also have inefficient financial instruments to manage such income flows, making their money-management task even more difficult.

The following is an overview of the findings from the literature review: Individual policies, in accordance with the Tinbergen principle, should be politically separated in terms of their aims and accountability in order to create the best policy mix. Nonetheless, more information sharing and cooperation should be encouraged, including the sharing of forecast data and the

development of initiatives that are coordinated with other policies. The management of government debt should not be overlooked in this process. Our research intends to fill a vacuum in the literature on government debt management in the Czech Republic, educate debt management policy in the Czech Republic, and show how a theoretical framework may be used to allocate government debt in reality.

3. Objectives:

1. To understand the socio economic condition of low income household.
2. To access the financial liability of low income household.

4. Methodology:

The primary data for the study has been collected through well-structured interview and secondary data from journals, government reports and other publications.

Sampling:

The Stratified sampling method applied for the selection of sample size, 1200 low income household were selected from Tumkur P.H colony, and low income household are the target population of the study.

Tools:

Chi- square test has been adopted to analyze the collected data.

5. Variables used to collect the opinion:

1. Financial liability
2. Loan purpose
3. Type of Loan
4. Volume of amount
5. Duration

6. The Hypothesis has been drawn to find the significant relationship between the variables.

- A. H0: There is no significant relationship between socio economic profiles and Demography.
- B. H1: There is a significant relationship between socio economic profiles and Demography.

7. The financial liability and other information

Table no. 1

		Total population		
Variables	particulars	No of respondents	Total	%
Financial Liability	Yes	1000	1200	83
	No	200		17
Loan purpose	Festival	351	1200	29
	Medical	750		62
	Basic need	99		9
Loan from	Lender	333	1200	27
	Friends	555		46
	Mortgage	151		12
	Jewellery	161		15
Volume of amount	5000	896	1200	75
	5000 to 10000	198		17
	11000 to 15000	104		8
Duration	> 1 Month	101	1200	8
	2 to 3	101		8
	3 to 5	888		74
	5 and above	110		10

Source: primary data

From the table majority of the respondents has (83%) borrowed loan and 62% of the respondents has borrowed loan for medical purpose & 55% of the respondents has taken loan from friends & relatives & 75% of the household has borrowed loan amount is term loan Rs. 5000 for duration of 3-5 months.

8. The relationship between socio-economic condition and financial liability

The report has been formed from Chi-Square test; the test has conducted two variables.

- Socio Economic position.
- Demography.

Variability	Chi-Value	Significance	Hypothesis	
			Reject	Accept
Age	1.318	0.517	✓	
Education qualification	13.039	0.008	✓	
Average Income	4.357	0.113		✓
Family members	21.637	0.000		✓
Number of earning members	7.77	0.051	✓	
Number of dependents	3.314	0.051	✓	

The financial liabilities of the respondents in relation to their age revealed a difference in association. The respondents' age and financial liabilities were determined to have a statistically significant relationship, as evidenced by an insignificant value for total respondents (0.517) at the 5% level. The null hypothesis was accepted, meaning that there is no significant relationship between respondents' age and their financial obligations

The null hypothesis for total respondents was accepted ($p=0.889$), indicating that there is no significant relationship between respondents' gender and their financial liabilities. Acceptance of the null hypothesis for total respondents (0.017) at a 5% level was used to establish a link between respondents' marital status and their financial liabilities. The null hypothesis was rejected, indicating that there is a significant relationship between respondents' marital status and their financial liabilities.

The null hypothesis was accepted, meaning that there is no correlation between total monthly family income and advanced financial literacy knowledge for all respondents ($p=0.113$). The relationship between family system and saving mode was examined for total respondents (23.317) and shown to be significant at the 1% level, rejecting the null hypothesis.

The null hypothesis was rejected since the total number of responders (19.168) was judged to be significant at the one percent level. As a result, the household sizes of all respondents taken collectively show no statistically meaningful relationship with their financial responsibilities. There is a link between the number of dependents in a home and its financial obligations. At

the 5% level of significance, there was no statistically significant relationship between the number of dependents and financial obligations for the total respondents, as indicated by insignificant value (0.609) and total (0.346). On the contrary, at a 5% level, it was statistically significant.

There is a link between the number of earning individuals of a home and the amount of money they owe. The null hypothesis was accepted when the total number of responses (0.000) was judged to be insignificant at the 5% level. In terms of the relationship between the respondents' role in financial decision-making in their households and their financial liabilities, the null hypothesis was rejected for total respondents (0.012) at a 5% level of significance.

9. Findings :

1. The majority household taking loan amounts for festival and for basic needs
2. The majority household are using government schemes for food and shelter
3. Maximum households have financial liability
4. The majority households are financially ill

10. Suggestion:

1. BPL household has to avoid taking hand loans
2. Household needs DEBT management training/literacy program
3. government has to conduct a literacy programme for BPL households
4. A cooperative society may provide unsecured loans for less interest
5. The government may regulate money lenders who charge high interest

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