

Corvinus University of Budapest  
Doctoral School of Sociology

THESIS

Márton Gosztonyi

**Jugglers of Money**

*Financial surviving strategy  
of low-income families and  
a story of a participatory action research*

(PhD.) Dissertation

**Supervisor:** Judit Durst Ph.D.

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# **I. Research background and the justification of the topic**

I have implemented or have participated in numerous projects and researches that have been implemented in disadvantaged, mainly Roma communities during the past years. Based on these, I gained the impression that we only know very little about the social economy of low-income families who are living in small settlements. Just a very few sociology research has been conducted which would analyzed and measured this economic activities.

The financial management of low-income families is embedded in a complex system, but the systemic analysis of this management has not been realized hitherto. We not just know so little about the elements of the system, but also about the nature of the interpersonal relationships and the strategies through which the activities are being constructed.

It is extremely difficult to record reliable data about the money management of people living in poverty that is why - among other things – just a few researches have been done on this subject. Researchers who come from the outside of the community find it difficult to get an insight into the informal spaces of financial management, or if they can do it they have to stick to one element of the system, because it is hard to reveal the whole system in the absence of proper data.

Therefore, my thesis fills out a scientific gap that helps to measuring and tracking the continuous financial survival strategies, or with other word the "juggling" that the families are forced to do at dense intervals, or even day after day, to be able to make a living from their incomes.

However, the question arises: what could be the appropriate methodology to reveal and analyze this formal and informal financial system?

I have verified my theses with the method of participatory action research (PAR). I believe that with this methodology we can get more reliable data about the economic activities. At the same time - and perhaps it is even more important - the method allows us to take an action during the research, namely to make a concrete steps in order to change the situation. Today when poverty is affecting extensively and deeply wider and wider the social groups in Hungary, we are not only facing with the question to properly analyze the situation, but also to actively contributing to the creation of a positive local change. Participatory action research, based on the essence of critical ethnography, provides a methodological tool to the researchers, which, on the one hand, promotes the creation of this local social change; on the other hand, it helps to capture layers of cognition that actively use and incorporate the different knowledges and experiences into the research process. That is to say, it can create

synergies between the knowledge of the scientist coming from the outside of the community and the knowledge and experience of local researchers.

From all of this, it can be seen that my thesis captures the financial survival strategy of low-income families from two directions. On the one hand, it provides news about the implementation and feasibility of a less known methodological research in Hungary, namely about the results and effects of a participatory action research, and on the other hand, the thesis also attempts to capture and analyzes the system of financial management and saving and lending forms of low-income households in a small settlement within a system based approach.

## **II. Used methodologies**

The methodological unites of the dissertation are fit into the framework of participatory action research. We developed the measurement instruments during our 39 PAR group meetings and we analyzed the financial survival strategy based on these instruments. We combined three methodological approaches within the framework of participatory action research.

On the one hand, one methodology what we used was the financial diary methodology. It was implemented on a small sample together with a survey for each family. We were gathering these data for 2 months long. On the other hand, a questionnaire was also implemented which was conducted in the whole settlement. The second questionnaire also included a social network question block in which we could capture the social connections of the households. Thirdly, it was possible to link the gathered data with GIS data. In addition, I used previously collected local databases, texts, documents, analyzes, conversations and group meetings memos that we collected over the 1.5 years of PAR process in my dissertation.

Household consumption statistics can be characterized by the fact that they are less able to capture expenditures of households in the upper and lower income segments and their average

response rate is around 77% (Angus, 1997). Collins - Morduch - Rutherford - Ruthven developed the method of Financial Diaries in 2009 to overcome these challenges (Collins - Morduch - Rutherford - Ruthven, 2009). The method included two research instruments, on the one hand, a household-led financial booklet (diary) and, on the other hand, a questionnaire which was questioned by interviewers in 5 queries.

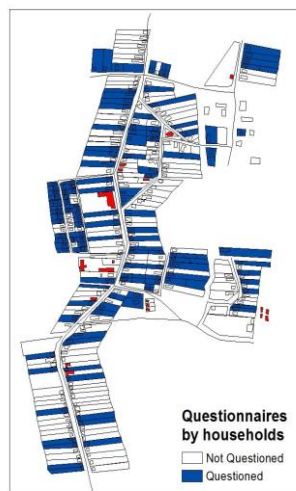
The financial diary method provided a good starting point for monitoring the spending and revenue structure of families during our research in the village. However, we differed from Collins and Morduch's classical methodology on several points. Our categorization of the financial diaries was created during our PAR group meetings as a result of a long process. However, we built up a category system at the end of the process that relied on the structure of the original diaries, but also relied on the individual experience of revenue and money management segments of the PAR research team. Finally, we supplemented the diaries with the lending and the borrowing segments as well. The final product was a self-completion booklet containing the following three major categories: I. Revenues, II. Lending and III. Expenditures.

In addition, to the financial diaries, to measure the local formal and informal lending and savings institutions, our PAR group also developed a questionnaire that was questioned in

the entire settlement. The questionnaire was also created in a multi-step process. At the end of our research, we conducted a total of 178 questionnaires, which, according to our most stringent households definition, contains at least 142 households' data. In addition, we had data from 37 households where we asked both family breadwinner (men and women), so we could also captured the use of institutions in a gender-specific relationships in these households. The households where we have conducted our questionnaire are marked with blue color on the 1st GIS map.

### *1. Map*

*Households which were included in the research  
(N = 142)*





We gathered the SNA data in one block of our questionnaire. The 178 respondents indicated 681 nodes in total. At the end of the data recording, we were able to work with 16 social networks.

GIS analyzes do not form a separate chapter in my dissertation, but they rather complement each parts. I worked with 2 dimensional and also 3 dimensional geospatial maps during the analysis and I have mainly made thematic maps about the data. I only used different method when I combined the SNA data with GIS data and projected the distribution of the network relationships of the families with a Kernel distribution on a GIS map, which allowed me to connect the network data with spatial data.

### **III. Results of the dissertation**

#### *Society for the Future of Kázsmárk Participation Action Research Group*

The methodological impact of my dissertation is that it was the first participatory action research which was implemented in a disadvantage settlement in Hungary with the active participation of low-income families and which was totally self-financed. Our PAR research stands all the aspects of validity criteria of a PAR (Kathryn Herr és Gary Anderson, 2014).

Thus, if we want to get answer to the "how to" question, then a local research group (together with researchers from Budapest and local researchers from Kázsmárk) was formed in our case, focusing on relevant local social problems. A partnership-building, knowledge and experience sharing was also realized during the research group's operations. As a result, we have developed and implemented a research in a year and a half that can provide relevant and novel knowledge not only to those who are living in the village, but also to those professionals who are addressing low-income household's money management or dealing with the informal economy.

As the action of the PAR process, we could start a local social change, an economic

development project which was based on our research's results. So as an action of our research we could provide extra income for local low-income families through community livestock and farming. This obviously does not solve the research problem at once, because the issues of unemployment and poverty are much more complex social phenomenon than they could be solved with one project and they also require primarily a state decision to solve them, but our local economy development project could bring the poor families in the village one step closer to deal with their hard economic challenges.

Our PAR group also contributed to make the methodology more familiar among social scientists through our lectures which was given at different scientific conferences. We spread ideas that this method can not only provide scientifically relevant and sometimes more reliable data than those what can be captured with classical social science methodology, but beyond this, an empowerment process is happening in it during the process which can combine different, but equally, equivalent forms of knowledge and experience, thus it can enhance societal cognition.

To involve personal experience and personal involvement in the research process and the involvement of the local researchers in the definition and elaboration of the research topic, and also the their involvement in the development of data collection techniques, data

acquisition, analysis and presentation had a multiplier effect on the nature of the research results, from the scientific but from the social development point of view as well.

I think that social science is searching for its place during the XXI. century and PAR methodology can provide new roles to its, while substantially redefining the academic cognition process and also the position of researcher. It can create local level changes and knowledge sharing wherewith the classical research cognitions are becoming more and more debt-sustained towards communities that living in poverty.

On the other hand, approaching the issue from development, the scientific cognition and research process of participatory action research can provide a basis for local social development, whereby the new development and intervention directions can be combined together with the local knowledge of local community and these processes can promote people's living in a given settlement.

## *The system of financial survival strategy*

I think that by researching and analyzing the survival strategy of low-income families, we have been able to find out more about the income typology of households, their consumption patterns, and about the local financial management methods, techniques about the whole financial system.

The results of the research demonstrated the need to break down those beliefs that says that the low-income families do not managing their money, or do not budgeting and they are not planning financially. In our research, we looked at the continuous management that families are doing from day to day, or week-to-week, in an economically worsening situation in which the use of the financial institution and social relations form an active and necessary part of the households' everyday living.

A significant result of my dissertation is the development of the model of the financial survival strategy (Figure 1), and then the analysis of the concrete example of this model (Figure 2) and the interpretation of its components.

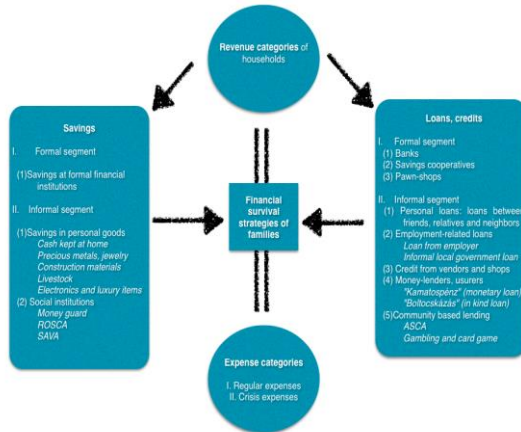
When I developed the theoretical model, I used previously examined elements from the literature, but I created a system from them by constructing a structure. These elements of financial management of people living in poverty create an interconnected architecture which I

analyzed at the system level. By doing this I made the system and the financial management analyzable for scientific cognition.

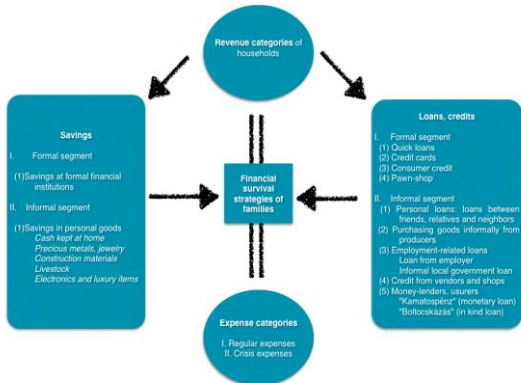
An important research conclusion is that the elements of the financial survival system are not creating a static system, but rather a dynamic adaptation structure that is largely adaptive to environmental changes. The importance of formal and informal savings and loan transactions at the local level is shown by the fact that only 3.4% of households in the settlement did not take part neither in the formal nor in the informal financial institutional management.

It is also an important research result that we could precisely defined and therefore measured the informal and formal savings and lending segments and institutions. We could capture their volume, the system-level relationships between them, and the interdependencies between the elements of the system. This results has made it possible to analyze the system quantitatively and has also resulted to be interpreted with different socioeconomic variables.

*Figure 1.*  
*Model of the financial survival strategy of low-income households*



*Figure 2.*  
*The system of financial survival strategy in the village*



I analyzed and presented the income and expenditure typologies of the households in aggregate data and also in specific example of the families during my analysis of the system. In doing so, I highlighted the change in the household's consumption structure when they lost their public work.

The results of my research about the use of the institution confirmed the results of previous scientific findings in the sense that from the higher income levels to the lower ones the chance of using informal financial institutions is increasing. In the case of savings, it also can be stated that the results of the international scientific researches was also proven to be true in the case of the village, that is low-incomes families can also make and do savings in some form.

The results of the research have also shown that lending plays an important role in each of the categories of local income status groups. The operation of the institutions primarily plays a role in the "balancing" of household spending, that is to say, families use these institutions to cover their holes in their budget.

Our research also showed the high presence of formal and informal credits and loans in the money management system of the families. The main features of formal loans that they cover small amounts of money, they run on a fast credit rating, typically paid with high interest rates with



fixed repayments, and contain a lot of elements that are favorable for the low-income families' penny economy. The local informal credit and loan market is highly fragmented and the transactions are embedded in the local social network. Interpersonal lending is the most decisive and most frequently used slice of the informal loan market.

An important research result is that by examining the coexistence of formal and informal institutions, I could identify different family strategies in the use of institution. The strategies could be categorized into a 4-group structure: 1) families using formal financial sector institutions and informal credit institutions with low financial risk, 2) the strategy that use formal institutions with high level of risk and informal institutions with low level of risk, 3) the strategy in which the formal system's institutions are completely excluded, and the families can only used informal lending institution that can be characterized with strong and unequal dependency relationships; finally, 4) a group also can be found which are completely excluded from the use of formal and informal institutions.

The data made it possible to analyze these strategies according to the local network relationships and different socio economic capitals and variables. Based on these analyzes, there is a clear tendency that mainly the higher-income, high-educated non-Roma families are more likely to have access to the formal

institutions' strategy (1<sup>th</sup> strategy) while low-income, low-educated and mostly Roma families are pushed into the informal segment (3<sup>th</sup> strategy). They only can use institutions based on strong and unequal dependency relationships. Finally the users of the 2<sup>th</sup> strategy can be positioned between the previous two groups based on their income level, so basically the local middle class families can be found here.

The results of the network research revealed the role of the weak and strong ties in the use of formal and informal financial institutions. Furthermore I could not only visualize the different social fragments in the village, but it could also be analyzed along social and economic forms of capital or local social groups. During the analysis, it became clear that the financial network itself is in a close interaction with the entire local help network. Therefore social relationships that can be measured in a given local help network determine the operation of the local financial network. It can be also seen from the analysis of the central positions that the respondent's local income status, age, whether he/she was born in the settlement or not, his/her ethnic background, and by his/her central position in other social networks has a huge influence to the position one can have in the network.

I have repeatedly referred to the lack of self-help financial groups and community based institutions in the local financial system in my dissertation. These institutions through their community-based savings and lending schemes could broaden the economic opportunity of low-income families by opening new financial segments in it. Self-help financial groups are diverse social institutions that combine economic and social segments by mobilizing group based and individual motivations. It can be seen from the operation of these groups in developing countries that their lending, crediting and savings schemes can not be interpreted merely by economic variables, rather they includes the different aspects of education, community decision-making, social and relations capitals, status, prestige and community action. As a result, self-help financial groups provide community-based lending and savings for people living in poverty in developing countries that are an integral part of household financial management and they can be a new, sustainable and low-cost development practice in Hungary that could help the economic activity of low-income people in a complex and flexible way.

The development and implementation of these microfinance institutions - apart from some examples - are still a development task in Hungary. However, to develop and implement these it would be worthwhile to involve both representatives of professionals and those who

have personal experience and knowledge on the topic, namely the low-income families in it. Based on this cooperation, a knowledge and a practice can be created that can create positive changes in the life of local communities.

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