Transfers and Exchange Between Households in Central Asia

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Abstract

Demand increases for public transfers in transition economies as output falls and living standards decline but government revenues cannot match these demands. This is one reason for considering the role of private transfers between households in such economies, and their relationship with private transfers. This paper considers the evidence on private transfers in former Soviet Central Asia, drawing on data from a specially designed module of questions in a survey of 1500 households conducted in Uzbekistan in 1995.

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Introduction

Studies of poverty relief in the industrialised world typically focus on the role of the state. On the other hand, discussion of social security in less-developed countries often focuses on the role of private rather than public safety nets (see, for example, Ahmad et al, 1991). Private, or "inter-household", transfers may significantly change consumption possibilities. Townsend (1994), for example, finds changes in household consumption in three poor Indian villages to be little related to changes in the households' own incomes or other relevant characteristics, once having controlled for average village consumption. The implication is that households within the villages provide substantial support to one another.

The half-way nature of the Central Asian economies between the industrialised world of Europe and much of the rest of the former Soviet Union on the one hand, and the less-developed regions of the rest of Asia on the other, makes study of private transfers in the region of particular interest. Features of Central Asian society suggest that such transfers are important. Islam places considerable emphasis on both the desirability of alms-giving or charity and on family solidarity. This latter virtue is reinforced from other traditional sources in areas where clan loyalties are strong. And the inheritance from the Soviet era strengthens expectations about the importance of private transfers, as we argue below.

Interest in private transfers in Central Asia is heightened by increased demand for public transfers at a time of declining living standards. But private and public systems should not be viewed in isolation from each other. One issue in the discussion of social security in the less-developed world is whether the introduction of public schemes "crowds out" private provision. Households previously supplying private transfers to the less well-off may cut back on their supply, leading to little net increase in the incomes of the poor.

The crowding-out debate is, however, more complex than it is sometimes presented. We comment here on motives for transfers and their form, the equity implications of private transfers, and issues of observation and measurement.
Motives for private transfers are various and this complicates both the interpretation of data relating to them and conclusions for public policy. The economic literature has focused on three motives: altruism, insurance, and exchange (see, for example, Cox, 1987). Altruism and exchange are emphasised by the neo-classical theory of the family applied to Western economies: a household motivated by altruism will transfer resources to another less well-off than itself. Alternatively, households may supply transfers in exchange for goods or services. It is argued that public anti-poverty policy will "crowd out" transfers motivated by altruism but not those which form part of an exchange. The insurance motive, on the other hand, is the focus in much of the discussion of private transfers in less developed countries where groups of households may pool risks in a system of mutual support, as in the example of the Indian villages referred to earlier. Here too, it is suggested that the provision of various forms of social insurance will "crowd out" private support.

Much of this discussion implicitly assumes a relationship between the motive for the transfer and the form that the transfer takes. Altruistic transfers are gifts; those arising from mutual insurance are loans, and so on. Classification of private transfers and hence implications for crowding out are in reality less clear-cut. Sociologists and anthropologists have emphasised that the social functions of gifts are complex, being intended to strengthen a variety of social relationships, such as a sense of obligation. For example, gifts may be a concrete recognition of social inferiority, an affirmation of the giver's dependence on the recipient (Mauss, 1990). In this situation a transfer could be regressive, flowing from a poorer to a richer household.

It may not therefore be possible to recover the motives of the "donor" from the form of the transfer. Not all "gifts" will have been motivated by altruism and nor will all "loans" serve the function of mutual insurance. And it can be questioned whether "exchanges" should be classified as transfers at all since in principle they are merely payments for goods or services.

Implicit in the notion of crowding out is the assumption that public and private transfers are good substitutes for each other. This leads us to equity aspects of the debate. First, the distinguishing characteristics of public transfers is that they are intended to provide regular payments to all households who satisfy transparent criteria. We have no
assurance that these characteristics are true of private transfers. A private transfer observed in survey data for one month may be a one-off payment. Receipt of help will depend on accidents of birth and the nature of one's acquaintances as much as whether one satisfies the sorts of criteria that underlie publicly provided schemes. Inevitably, the criteria that determine whether individual families decide to help others are by nature personal.

Second, public transfers redistribute income from the richest members of society to the poorest (abstracting from problems of "middle-class capture" of the welfare state.) This is not necessarily the case with private transfers. Most altruistic transfers take place between relatives. Assortative marriage means that relatives of the poor tend to be poor themselves. Resources may flow from particular households to those somewhat less affluent than themselves, but the very poorest may well be excluded - those to whom they turn may find it difficult to provide adequate assistance given their own circumstances.

Third, public transfers in the form of social insurance provide for risk pooling at the national level. But the community among whom risks are pooled in private transfer schemes is much smaller and all members may be exposed to common shocks which the community cannot insure against, as in the Indian village example given earlier.

These arguments imply that private transfer systems will have high Type I and Type II error. Many households in need will not receive adequate support and many households not in need will nevertheless receive transfers. On the other hand, private systems may exploit information on need that is available within the community but which is difficult for state agencies to monitor, as described in earlier chapters. This implies that the efficacy of private transfer systems can only be judged by empirical investigation.

This leads to our last introductory point. Adequate empirical measurement of private transfers is hard to achieve. Many transfers will be in kind rather than cash and these may be difficult to value, especially when in the form of services. Webs of mutual dependence between households are likely to be enduring and individual "exchanges" need not coincide in time. A short observation period coupled with irregular or "one-off" receipts presents a problem with some similarities to that when analysing expenditure data on consumer durables.
Finally, what are transfers between households in some situations will be transfers within households in others. Extended households with several generations of a family present will internalise transfers that would be recorded as inter-household flows for nuclear households. This suggests that empirical analysis should control for household structure. But it also has implications for the relationship between public and private transfers. There will be less to be crowded-out in societies with a greater proportion of extended-family households.

The rest of the chapter is organised as follows. Section 1 discusses factors encouraging inter-household transfers under state socialism and hence the inheritance in Central Asia from the Soviet era. Section 2 considers changing influences during transition and reviews recent evidence on private transfers from Russia and Kyrgyzstan. Section 3 analyses private transfers in Uzbekistan, where the form of data collection was influenced by some of the considerations discussed above.

1. Transfers in a State-Socialist Society

In general terms, Soviet ideology assumed that the state would cater for the citizen's social needs and hence there was no reason for individual households to provide an alternative safety net. If households did so, in part this must have been a response to failure by the state to provide the support expected. There are three ways in which the economy and social policy in state-socialist societies failed, giving rise to three modes of household interaction: the failure of markets and distribution; the failure of social support and the atrophy of civil society.

The Failure of Markets

The planned economy under-invested in retail infrastructure, increasing the time and effort required of households to effect purchases. Even more importantly, planners favoured prices below market-clearing levels for many basic consumer goods, creating uncertainty about availability. Consumers often had to search to find the goods they wanted and then to queue before they could purchase them.
Some of this burden could be reduced by cooperation and thus individuals would buy not only for themselves but also for other members of their extended family, neighbours and friends (Shlapentokh, 1989). What was being shared here was time and information since it was not usually the case that the items in question would be given to those for whom they were intended. Purchasers expected to be reimbursed for the money spent, but not directly for the time involved in acquisition. Furthermore, cooperation in finding goods in short supply tended to merge into the "professionalisation" of queuing and the growth of informal trade.

The Failure of Social Support

For various reasons Soviet-type states did not provide extensive social assistance programmes. Full employment was supposed to ensure that those wanting work could find it. The use of enterprises to provide social protection, however, meant that those who were only weakly connected with the labour market often fell through the safety net. This was not usually a matter of official concern as they were assumed to be "workshy" and part of an "undeserving poor" to be neglected.

In so far as the state (or place of work) failed to supply a safety net, some sort of substitute was provided by family, friends and neighbours. For example, Shlapentokh (1989) claimed that as many as two thirds of working parents in the Soviet Union and more than a quarter of pensioners helped their adult children financially, and that three quarters of Soviet households regularly borrowed money from each other. The regularity and extent of these transactions also reflects the absence of commercial credit institutions. There were no banks or credit-card companies in a socialist economy from whom households could obtain loans. Anecdotal evidence suggests that there were few private commercial money-lenders either. Nor were there those other standbys of the poor: pawnbrokers.
The Atrophy of Civil Society

Informal networks were important in state socialist societies in two other ways. First, they supplemented the operation of various organisations and institutions (the lack of credit markets is an example of this; another is the absence of NGOs and charities discussed in Chapter 12). Second, they represented an earlier pre-modern system of social relations. In many respects, this was the only manifestation of civil society that remained under state socialism, underlining the difficulty of drawing clear distinctions between the functions of particular forms of private transfers that we discussed earlier.

Societies in which communist parties took power were at best only partially modernised. In most, including those in Central Asia, there were large agricultural sectors. The imposition of communist rule meant that existing social values and attitudes were often frozen: for example, the peasantry did not evolve into a class of commercial farmers. As Sik (1990) has observed for Hungary, the social relations of pre-modern peasant societies persisted underneath the formal communist organisation of agriculture. Amongst other things, this involved co-operation between neighbours and family in investment projects such as building of barns and houses. It also involved co-operation in a range of field operations. As former peasants moved into towns, they continued to rely upon the reciprocal exchange of labour, for example, to accomplish a range of maintenance and investment projects. In Uzbekistan, the focus of our empirical work, the concept of reciprocal gift of labour, "hashar", has ancient roots.

2. Transfers in Transition Economies

The collapse of communism has inevitably had an impact on the networks of support described in the previous section. At the same time, these networks will influence the way in which transition affects living standards.

The abandonment of most price setting, and the privatisation of retail trade and domestic services is leading to the disappearance of those conditions which fostered emergence of widespread exchange networks among households. Informal exchange will be "crowded out" by new commercial structures. We suggest that these changes should occur soonest, fastest and most completely in capital and other large
cities. They will be most incomplete, or will occur most slowly, in small and isolated communities and in rural areas.

This process should be offset by the collapse in output and income from which transition economies have suffered. Sharp rises in poverty should increase the volume and frequency of informal exchanges and transfers. The informal networks of support that developed under communism will have acquired added significance. As Rose (1992) has stressed, they form an essential component in the coping strategies adopted by many households in former socialist countries. Thus, we have two diametrically opposed hypotheses about the impact of transition on inter-household transfers and exchange. It is not clear which of these two forces will dominate in the short run. But, in the longer term, as output picks up and unemployment falls, the first will surely outweigh the second. This process should proceed faster if the financial system provides rewarding opportunities for households to invest their savings and precautionary balances, thus increasing the opportunity cost of loans to friends.

Finally, the replacement of state socialism by a market economy and, possibly, by democratic political institutions, should result in a revival of civil society. First, existing NGOs are likely to expand their activities; others will be founded. As a result, the need for informal inter-household relations will diminish somewhat. Second, those processes of social development which were held in suspension under communism should resume. This means that traditional pre-market forms of interaction among the peasantry should give way and be replaced by commercial relations. This process, however, is likely to occur on a far longer timescale than the other changes that have been considered here.

Evidence on Private Transfers in Russia and Kyrgyzstan

Evidence on the nature and scale of private transfers from two Soviet successor states comes from the work of Cox et al (1995) on Russia, and Cox et al (1994) on Kyrgyzstan. These studies complement our own work on Uzbekistan which we report in the next section.

In the case of Russia, Cox et al's work was based on the first wave of the Russian Longitudinal Monitoring Survey (RLMS) held in 1992, while that in Kyrgyzstan used the 1993 Kyrgyzstan Multipurpose Poverty Study (KMPS), discussed in Chapter 3 and drawn on in
Chapters 5 and 10. In both surveys households were asked whether they had received help from relatives or friends in the last 30 days. The questions related to help in the form of both cash and kind, with a valuation of the latter asked for from the respondent. Similar questions were asked about help that the household provided to others.

The data on transfers from these surveys suffer from several shortcomings. First, they relate only to transfers that occurred over 30 days, and a much longer observation period would have been preferable for the reasons we noted earlier. However, collecting information about a short past period minimises recall error and we adopted the same recall period in our own study in Uzbekistan.

Second, the data do not distinguish between receipts perceived as gifts and those considered as loans or exchanges. (It is unclear in fact if loans are included.) Although motives for transfers are not clear-cut, we think that there is some information contained in these sorts of classifications.

Third, the KMPS did not distinguish between help received in cash and in kind and the RLMS data seem to have excluded in-kind transfers made by households that involved no immediate expenditure, such as produce from an agricultural plot. Finally, neither survey collected information on transfers received or made in the form of services.

The surveys show private transfers to be frequent and, on average, large, but with notable differences between the two countries. Table 1 shows 40 percent of households making or receiving transfers in cash or kind during a one month period in Russia, but only 20 percent in Kyrgyzstan. In Russia, nearly one in four households receive transfers and a similar proportion make them, compared to about one in eight in both cases in Kyrgyzstan. Following our earlier discussion, this may reflect a higher proportion of the population living in extended families in Kyrgyzstan. The sizes of transfers made, however, are bigger in Kyrgyzstan, where gross transfer receipts amounted to seven percent of total household income compared to less than five percent in Russia.

In both cases only average figures are reported. This may conceal an important feature of transfers - we do not know whether the amounts are highly dispersed or not. A high degree of dispersion would suggest that the data contain a mix of "one-off" sums to cover exceptional needs and much less significant amounts, which might be more regular.
Cox et al then relate the incidence and amounts of transfers received to household characteristics. There are some quite strongly significant associations. For example, female-headed households are more likely to receive transfers, as are households with dependent children. But much of what is recorded goes unexplained - multiple regressions of amounts of transfers for those in receipt explain only a third of the variance in Russia and little more than a tenth in Kyrgyzstan. Of course, explanation of variance by regression models estimated with micro data is often low, whatever the nature of the dependent variable. But public transfers depend upon households satisfying explicit criteria; if public and private transfers are indeed close substitutes one might expect better-fitting models of the latter.

In addition, measured income is not a significant explanatory variable in some of the estimated models. For example, the probability of receiving transfers in Kyrgyzstan is unrelated to the level of both employment and state benefit income, other things equal. It may be that income is so poorly measured in the surveys concerned that we would not expect to find much impact, but taking the evidence at face value it does not favour a hypothesis of "crowding out" of private by public transfers.

3. Transfers in Uzbekistan

We now take a first look at evidence on inter-household transfers in a survey conducted in Uzbekistan in the Summer of 1995. The EUI/Essex Survey of Uzbekistan (EESU), mentioned in Chapter 3 and used briefly at the end of Chapter 6, collected data on about 500 households in each of three regions that together contain over a quarter of the republic's population - the capital city of Tashkent, the important region of Ferghana in the populous valley of the same name in the south-east of the country, and the autonomous republic of Karakalpakstan bordering the Aral Sea in the north-west (see the map in Chapter 6, Figure 6.1). The three regions contrast considerably in terms of average living standards, as shown in Chapter 6, and our aim is to exploit this variation to try and test hypotheses about adjustment of private transfers during transition, for example differences between large cities and remote rural areas.

Questions in the survey on transfers between households were asked of the household head or other person answering the household
questionnaire. With one exception they refer to the 30 days prior to interview. In this sense the information collected is comparable with that for Russia and Kyrgyzstan used by Cox et al and the same caveat concerning the length of this time-period applies. The exception was a question asking "How important for the family is help when in need from relatives, friends and neighbours?", which was free of any reference to time-period. (Note that the question refers to importance for families in general rather than the respondent's own household.)

Information collected on transfers in the last 30 days included their form (cash, kind, or service), who the transfer came from or was made to, and on whether the transfer represented a loan, gift or exchange. (Help for weddings, funerals, christenings or other family festivities was explicitly excluded.) The precise forms of transfers in kind and as services were coded and respondents were asked to place a cash value on the former, which proved possible in the great majority of cases.

These different classifications were introduced following the considerations discussed earlier in the chapter. The empiricising of the concepts of "loan", "gift", or "exchange" is not of course straightforward. Instructions to interviewers emphasised that classification as "exchange" required only that the person receiving or making the transfer thought that it was linked to a transfer (in any form) in the past or in the future. "Loans" were to include lending on even the most generous terms, for example zero interest over long periods.

Scope and Magnitude of Transfers

Table 2 classifies the 1581 households in the EESU by their transfer activity, taking into account all transfers made or received, for whatever motive. The data confirm that inter-household transfers are widespread in Uzbekistan, as in Kyrgyzstan and Russia. And, as in the other two post-Soviet states, there are large regional variations in transfer activity.

Looking first at transfers of cash and kind, 36 percent of households either received or made transfers, compared with figures in Table 1 of 20 percent for Kyrgyzstan and 40 percent for Russia; 20 percent of households in the EES received transfers and 22 percent
made them, compared with only 12 percent and 11 percent respectively in Kyrgyzstan.

These results might suggest that inter-household transfers in Uzbekistan are much more common than in neighbouring Kyrgyzstan and similar in frequency to those in Russia. However, there are two reasons why such a conclusion would be premature. First, the EESU households are not representative of Uzbekistan as a whole, being much more urban due to the inclusion of Tashkent, a city of over 2 million people (the sampled households in Tashkent make up nearly half of the weighted data). The proportion of households receiving or making cash or kind transfers in Ferghana is 22 percent, very similar to the 19 percent reported by Cox et al for Osh, a neighbouring region in Kyrgyzstan; 41 percent of households report involvement in cash or kind transfers in Tashkent, not dissimilar to the 48 percent reported by Cox et al for St Petersburg or the 36 percent for Bishkek, the capital of Kyrgyzstan (although substantially less than the 60 percent in Moscow).

Second, the EESU transfer data include loans that would probably have been excluded by the RLMS and KMPS instruments, so the different sources are not in fact strictly comparable. If we restrict attention to gifts, the proportion of households involved in making or receiving transfers falls to 25 percent, not much more than the figure of 20 percent for Kyrgyzstan.

Transfers are most frequent in Karakalpakstan, one of the poorest regions in the republic, where more than half of surveyed households were involved in receiving or making cash or kind transfers in the 30 days prior to interview. The contrast between Karakalpakstan and Ferghana, where involvement is the least frequent, is particularly striking in terms of receipts. No less than 40 percent of households in Karakalpakstan received transfers compared to 11 percent in Ferghana. Transfer receipt is much more common than provision in Karakalpakstan, and vice versa in Tashkent. This is consistent with various possible explanations, none of which we have yet investigated. As with other tables it needs to be remembered that transfers made may not be exclusively to other households in the three surveyed regions, and transfers received may in part be from households in other regions.

Unlike the Russian and Kyrgyz surveys, the EESU also covered transfers in the form of services. Like cash and kind, these are again important, although rather less so - Table 2 shows that 27 percent of households are involved in either making or receiving service transfers.
There are much smaller differences in incidence between the regions, although the ranking is the same as for cash and kind. In all three regions provision of services is much more common than receipt; overall only 8 percent of households report receipt compared to 22 percent reporting provision. Services take a variety of forms: about a quarter involve looking after children, while help with building, with an agricultural plot or with household chores each account for about a fifth. Overall, the proportion of households involved in any type of transfer rises to 48 percent once services are taken into account.

Answers to the question on the importance of transfers again reveal large regional variation and the ranking of the regions is as Table 2, providing some support to the pattern found there. In Karakalpakstan, 65 percent of the respondents consider that private transfers are "very" or "quite" important for families, compared to 49 percent in Tashkent and 45 percent in Ferghana. (It is worth noting that the question concerned was put to respondents before any of the questions relating to transfers actually made or received in the last 30 days).

Table 3 presents summary statistics on the value of cash and kind transfers. Transfers are surprisingly large on average, but exhibit a very high variance. Mean total transfers received, taking both types together, is just under 900 som, which may be compared to mean total household income from all sources in the month prior to interview (excluding private transfers) of just over 1700 som. Total transfers received therefore represent 12 percent of total household income, compared to figures of five and seven percent in Russia and Kyrgyzstan (although differences between the sources in recording of income as well as transfers undoubtedly exist). Transfers made, however, average less than 450 som and this much lower figure may be due to a variety of factors including a greater element of under-recording.

The distributions are highly skewed to the right with median total transfers made or received less than half of the mean values. The distributions also display greater dispersion than that of total household income, as shown for example by the coefficients of variation. One in ten households receiving transfers got only 70 som or less while one in ten received more than 2000 som.

Transfers in kind are considerably lower on average and display a smaller dispersion than transfers in cash. For example, the median transfer in kind received is 160 som compared with 500 som for cash
transfers. More than 80 percent of in-kind transfers consist of food, the remaining being clothes, medicines, durable goods, and fodder for livestock and seed. (The number of households involved in transfers in kind and in cash are broadly similar.)

The size and dispersion of these transfers leads us to suspect that at least some of them are not regular occurrences. Some are either one-off transfers intended to cope with a particular need or crisis or to cover a period longer than one month (this latter possibility seems less likely given high price inflation). The pilot survey that tested questions in the EES gave one example of this; a respondent reported having received 5,000 som to enable him to buy a horse, the money to be repaid within six months at zero interest.

The differences in size and distribution of cash and kind transfers suggests differences in motive. Some direct evidence is provided in Table 4. Transfers in kind are typically reported as gifts - 90 percent of those made and nearly 70 percent of those received. The same is true of services, where nearly 90 percent of transfers are gifts. Transfers in cash, however, are much less likely to be reported as gifts - nearly 80 percent of those received and 40 percent of those made are classified as loans. (This difference is plausible since some of those receiving help will mean to repay it but will fail to do so or will have their offers declined.) Few transfers of any form are classified as "exchanges" - our attempt to identify the exchange motive directly seems to have failed.

Transfers of different types also vary in where they come from or to whom they are made. In-kind transfers are predominantly made within the extended family, with over 70 percent of receipts coming from relatives and two-thirds of transfers made going to them. Similarly, over 70 percent of services come from relatives. On the other hand, half of cash transfers received come from neighbours and friends or others outside the family (including one's boss, religious community or acquaintances). Equally, almost a half of the cash transfers made are to persons or households outside the extended family. The most common pattern of both cash and kind transfers is for parents to help their adult children. Service transfers, when from or to the family, typically involve siblings.
Distributional Incidence

How are transfers related to household income? Table 5 shows the distributional incidence of transfers, distinguishing between gifts and loans but combining cash and kind. In both cases we show for each quintile of the income distribution (i) the proportion of the total sum amount of transfers received and made, (ii) the proportion of households receiving and making any transfers, and (iii) the average amount of transfer received or made (across the non-zero amounts).

Looking first at gifts received, we can see straight away that the bottom two quintiles each receive rather less than a fifth of the total while the top quintile receives a third. Gifts are clearly not well concentrated on the lower part of the income distribution. Looking further across the table, the proportion of households receiving a gift is shown in fact to be highest in the bottom quintile, but the figure - nearly 12 percent - is not much higher than for the second, third and top quintiles. The high share of total gifts of the top quintile is more the result of the size of transfers that are received in that part of the income distribution. The average size of gifts rises beyond the second quintile, with that in the top quintile over double that in the first. For those at the bottom of the distribution, however, the average value is notably large relative to pre-transfer income, equal to the value of the 10th percentile of household income shown earlier in Table 3.

Gifts made seem to be more strongly related to income levels than those received, with the bottom quintile providing less than 10 percent of all gift amounts and the top quintile over 40 percent. The proportion of households making gifts rises steadily up the income distribution, from 10 percent in the bottom quintile to a quarter in the top quintile, with the average amount given again doubling between these two quintiles.

Loans, whether made or received, display a quite different distributional incidence to gifts, suggesting that the two concepts of transfer can be distinguished by respondents to the survey. (Multivariate analysis indicates that patterns of receipt of loans and gifts also differ in dimensions other than income.) The probability of receiving a loan appears more strongly related (inversely) to income than receipt of gifts, while the probability of providing a loan is less correlated with income than the provision of gifts. For example, 19 percent of households in the bottom quintile receive loans and only six percent make them, compared to figures of 12 and 11 percent.
respectively for gifts. Only 10 percent of households in the top quintile make loans compared to 26 percent making gifts. The average loans received are not strongly related to income, although there is a big upwards jump in the average loan made in the top income quintile.

The results in Table 5 can be interpreted in several ways. If we believe that total household income in the previous month is a good measure of welfare and that gifts are similar in nature to public transfers, then we should emphasise the fact that little more than 10 percent of households in the bottom two quintiles receive gifts and that significant numbers of households in this part of the income distribution are making them. Taking gifts and loans together, the Spearman rank correlation between household income pre- and post-transfers received is 0.93 and the Gini coefficients of the two distributions are virtually identical (0.47), indicating that transfers are distributionally neutral.

On the other hand, the results may be sensitive to choice of equivalence scale and it is worth emphasising that the ranking of households in the income distribution in Table 5 takes no account of differences in size and composition, which may be expected to have an important impact on household welfare. And income in the last month may be a poor measure of welfare compared, for example, to consumption measured over a longer period. (Chapter 5 shows income and expenditure measures to give rather different pictures of household well-being in Kyrgyzstan.)

4. Summary and Conclusions

Private transfers between households seem to be an important source of support in post-Soviet Central Asia. Up to a half of households in the three regions covered by the EUI/Essex survey in Uzbekistan in 1995 were involved in receipt or provision of some type of transfer in the month prior to interview. World Bank survey data from Kyrgyzstan also point to the importance of cash and kind transfers during transition. The value of transfers received in cash and kind in the three EESU regions represented some 10 percent of total household cash income in the preceding month.

We hypothesised that these transfers will decline in importance as economic transition proceeds and especially when growth resumes in real incomes, although in the short-term their importance inherited from the Soviet era may have increased. Our hypothesis was that
private transfer activity would be lower in capital cities and other urban areas where there would be a more rapid conversion to new commercial structures and relationships. This does not appear to be born out by available data. Transfer activity is high in Tashkent and Bishkek, the capitals of Uzbekistan and Kyrgyzstan respectively, and in general higher in urban than in rural areas. On the other hand, among the three EESU regions, private transfers are most common in remote and poor Karakalpakstan, which does accord with our expectations. We expect such transfers to continue as an important source of household welfare in this region for the foreseeable future.

One aspect of private transfers that we have sought to emphasise is their variety. They arise for a variety of motives, they take a variety of forms, and they vary greatly in amount. (The dispersion of transfers in cash and kind in the month prior to interview in the EESU exceeded that for total cash income.) Many transfers, and especially those in kind or in the form of services, appear to reflect good neighbourliness and in particular the ties of kinship. But even if these transfers are motivated by altruism, they do not appear in practice to be a very strong anti-poverty mechanism. The EESU data seem consistent with a pattern of transfer behaviour in which one helps relatives and friends somewhat less well off than oneself, rather than concentrating help on the poorest members of society.

This conclusion, which we should emphasise is based only a preliminary and rather cursory inspection of the EESU data, accords with our discussion of the different nature of private and public transfers at the beginning of the chapter. Preliminary multivariate analysis (not reported here) did not establish any very clear relationship between either the probability of receiving a transfer or its size and "social vulnerability" as measured by household income and income proxies including agricultural assets. If this is indeed the case, private transfers are not a good substitute for a publicly provided social safety net. On the one hand, they fail to relieve hardship experienced by many households. On the other, many transfers seem unlikely to be "crowded out" to any substantial extent by new systems of public transfers, since they go disproportionately to households who would not qualify for assistance under conventional programmes of poverty relief. What is clear, however, is that the frequency and size of private transfers in Central Asia, and the increased demand made on public transfer systems, calls for attention to be paid to both forms of support rather than the latter alone.
Table 1: Incidence of private transfers in Russia (1992) and Kyrgyzstan (1993):

<table>
<thead>
<tr>
<th>Transfers of Cash and Kind:</th>
<th>Russia</th>
<th>Kyrgyzstan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receiving only</td>
<td>15.4</td>
<td>9.3</td>
</tr>
<tr>
<td>Making only</td>
<td>16.2</td>
<td>8.3</td>
</tr>
<tr>
<td>Both receiving and making</td>
<td>8.1</td>
<td>3.1</td>
</tr>
<tr>
<td>Neither receiving nor making</td>
<td>60.3</td>
<td>79.3</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Sample size (households)</td>
<td>5,973</td>
<td>1,839</td>
</tr>
</tbody>
</table>

Table 2: Incidence of private transfers in three regions of Uzbekistan (1995):

<table>
<thead>
<tr>
<th>Transfers of Cash and Kind:</th>
<th>Tashkent</th>
<th>Fergana</th>
<th>Karakalpakstan</th>
<th>All households</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receiving only</td>
<td>13.0</td>
<td>10.1</td>
<td>25.1</td>
<td>14.0</td>
</tr>
<tr>
<td>Making only</td>
<td>20.5</td>
<td>11.5</td>
<td>13.5</td>
<td>16.0</td>
</tr>
<tr>
<td>Both receiving and making</td>
<td>7.2</td>
<td>0.8</td>
<td>15.0</td>
<td>6.2</td>
</tr>
<tr>
<td>Neither receiving nor making</td>
<td>59.2</td>
<td>77.7</td>
<td>46.3</td>
<td>63.7</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Transfers of Services:</th>
<th>Tashkent</th>
<th>Fergana</th>
<th>Karakalpakstan</th>
<th>All households</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receiving only</td>
<td>6.3</td>
<td>1.3</td>
<td>4.7</td>
<td>4.3</td>
</tr>
<tr>
<td>Making only</td>
<td>18.7</td>
<td>18.9</td>
<td>20.2</td>
<td>19.0</td>
</tr>
<tr>
<td>Both receiving and making</td>
<td>3.6</td>
<td>2.5</td>
<td>4.4</td>
<td>3.3</td>
</tr>
<tr>
<td>Neither receiving nor making</td>
<td>71.4</td>
<td>77.3</td>
<td>70.7</td>
<td>73.4</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

| Not involved in transfers   | 49.1     | 63.7    | 38.0           | 52.5           |
| Sample size (households)    | 552      | 524     | 505            | 1,581          |

Note: the percentages in the final column are based on data applying weights to each region according to their size in terms of population of households.

Source: EESU data
Table 3: Size of private transfers, Uzbekistan (1995)

<table>
<thead>
<tr>
<th></th>
<th>Transfers received (som)</th>
<th>Transfers made (som)</th>
<th>Total household cash and kind income (som)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cash</td>
<td>Kind</td>
<td>Both</td>
</tr>
<tr>
<td>Bottom decile</td>
<td>100</td>
<td>30</td>
<td>68</td>
</tr>
<tr>
<td>Median</td>
<td>500</td>
<td>160</td>
<td>420</td>
</tr>
<tr>
<td>Top decile</td>
<td>2500</td>
<td>615</td>
<td>2050</td>
</tr>
<tr>
<td>Mean</td>
<td>1087</td>
<td>297</td>
<td>888</td>
</tr>
<tr>
<td>Coefficient of variation</td>
<td>1.57</td>
<td>1.23</td>
<td>1.70</td>
</tr>
<tr>
<td>Number of households</td>
<td>258</td>
<td>195</td>
<td>365</td>
</tr>
</tbody>
</table>

Note: The distribution of total household income refers to all cash and kind income received in the month prior to interview (excluding receipt of private transfers) with no adjustment for household size or composition. Regional weights are applied. The unit of observation in the table is the household. (Two outliers were removed from the sample.)

Source: EESU data
Table 4: Type and source of private transfers, Uzbekistan (1995)

<table>
<thead>
<tr>
<th>Type of transfer:</th>
<th>Transfers received (%)</th>
<th>Transfers made (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cash</td>
<td>Kind</td>
</tr>
<tr>
<td>Loan</td>
<td>78.1</td>
<td>25.3</td>
</tr>
<tr>
<td>Gift</td>
<td>20.5</td>
<td>67.5</td>
</tr>
<tr>
<td>Exchange</td>
<td>1.4</td>
<td>7.2</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Source of the transfer:</th>
<th>Transfers received (%)</th>
<th>Transfers made (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family:</td>
<td>Cash</td>
<td>Kind</td>
</tr>
<tr>
<td>parents</td>
<td>16.4</td>
<td>34.3</td>
</tr>
<tr>
<td>children</td>
<td>4.4</td>
<td>16.3</td>
</tr>
<tr>
<td>others</td>
<td>29.1</td>
<td>20.4</td>
</tr>
<tr>
<td>Neighbours and friends</td>
<td>30.0</td>
<td>18.5</td>
</tr>
<tr>
<td>Others</td>
<td>20.0</td>
<td>10.5</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

| Number of transfers | 388 | 424 | 160 | 249 | 496 | 455 |
| % of households involved | 13.5 | 10.9 | 7.6 | 13.0 | 14.7 | 22.3 |

Note: With the exception of the last line, the unit of observation in the table is the individual transfer and not the household.

Source: EESU data
Note: definition of the income distribution is as in Table 3. Two outliers were removed. Regional weights are applied.

### Quintile of total household income

<table>
<thead>
<tr>
<th>Quintile</th>
<th>Pre-Private Transfers</th>
<th>Cash/Kind Gifts</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>10.0</td>
<td>5.0</td>
</tr>
<tr>
<td>1</td>
<td>11.2</td>
<td>6.2</td>
</tr>
<tr>
<td>2</td>
<td>11.8</td>
<td>7.8</td>
</tr>
<tr>
<td>3</td>
<td>11.3</td>
<td>6.3</td>
</tr>
<tr>
<td>4</td>
<td>12.0</td>
<td>7.0</td>
</tr>
<tr>
<td>5</td>
<td>11.5</td>
<td>6.5</td>
</tr>
</tbody>
</table>

### Received by each quintile

<table>
<thead>
<tr>
<th>Quintile</th>
<th>Cash/Kind Gifts</th>
<th>Pre-Private Transfers</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>5.0</td>
<td>10.0</td>
</tr>
<tr>
<td>1</td>
<td>6.2</td>
<td>11.2</td>
</tr>
<tr>
<td>2</td>
<td>7.8</td>
<td>11.8</td>
</tr>
<tr>
<td>3</td>
<td>6.3</td>
<td>11.3</td>
</tr>
<tr>
<td>4</td>
<td>7.0</td>
<td>12.0</td>
</tr>
<tr>
<td>5</td>
<td>6.5</td>
<td>11.5</td>
</tr>
</tbody>
</table>

### Made by each quintile

<table>
<thead>
<tr>
<th>Quintile</th>
<th>Cash/Kind Gifts</th>
<th>Pre-Private Transfers</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>5.0</td>
<td>10.0</td>
</tr>
<tr>
<td>1</td>
<td>6.2</td>
<td>11.2</td>
</tr>
<tr>
<td>2</td>
<td>7.8</td>
<td>11.8</td>
</tr>
<tr>
<td>3</td>
<td>6.3</td>
<td>11.3</td>
</tr>
<tr>
<td>4</td>
<td>7.0</td>
<td>12.0</td>
</tr>
<tr>
<td>5</td>
<td>6.5</td>
<td>11.5</td>
</tr>
</tbody>
</table>

Table 5: Gifts and loans and the distribution of income, Uzbekistan (1995)
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