Universität Bielefeld

Fakultät für Soziologie

Working Paper N⁰ 332

Pawnshop Customers in Saint Petersburg: Data Analysis of a Survey in Spring 1999

Heiko Schrader

Introduction

In the context of development research scholars have emphasized the importance of pawnshops as 'banks for the poor'. They have a high outreach, are very often financially viable and have several advantages, compared to other institutions of the micro-financial sector. Clients cannot fall into long-term indebtedness, due to the fact that they have to deposit a pawn of at least the same value. And for the pawnshop this pawn reduces the risk to provide a loan to poor people, and monitoring is not necessary.

During my two-year stay at the Faculty of Sociology, State University of Saint Petersburg, I conducted empirical research[1] in cooperation with the Center of Independent Social Research, Saint Petersburg. The research team consisted of Irina Chekhovskich, Agliaya Toporova, Oleg Patchenkov and the author. The project was financed by the Volkswagen-Foundation.[2]

In accordance with the assumptions of development research our main hypothesis was:

> **Lombard houses are important institutions for the life strategies of particularly low-income households to survive under difficult circumstances.**

If our findings support our hypothesis, the results might have profound implications for poverty alleviation policy. The state or city administration might run public pawnshops and subsidize them, or they might be organized on the level of non-profit – no cost as an instrument of social policy. Far away from such an approach to micro-finance the Saint-Petersburg lombard market has been liberalized and almost privatized. There has only been one public pawnshop left. As we already saw in a previous chapter on the history of lombard houses, the situation is not much different in Moscow. That private pawnbroker, however, pursue a social policy rather than aim at profits cannot be expected. Nevertheless, there might be the possibility that the social factor is not necessarily contradicting profit making because a maximization of profit is not automatically achieved by maximizing the interest rates. Mathematical market models

---

can determine the most promising strategy with regard to maximizing profits by relating loan conditions and market share to each other.

Taking a look at the different components of our hypothesis which structure our questionnaire:

- The hypothesis implies that the unit of analysis in our research is the **households** because household members jointly make a living. A household shall be defined as a group of people living together and sharing a financial household budget. Therefore, we will have to identify who are the household members.

- It implies that we have to analyze the **household income**, the contribution of the household members to this income, and the household size.

- It implies that we will have to find a measure for low-income households (a **poverty index,** which defines the minimum for making a living) to see whether or not lombard house customers are mostly situated below this line.

- The available financial budget can either be increased by outside sources such as transfer payments from the government or regular support from family members living outside the household. Or, a household may decrease its expenses by producing for subsistence on a *dacha* harvesting fruits and vegetables and preserving these for the long winter. However, the other way around the household may have to support others: old parents living separately, divorced partners with children, and the like. All this has to be taken into account when we make an assessment of the monthly budget.

- It implies that household members develop joint strategies for survival ((Elwert, et al. 1983)), i.e. they reflect upon different possibilities to generate an income and choose those, which are most promising or appropriate. Having studied informal financial markets in developing countries (Schrader 1997), I am aware that people always choose the best alternative for themselves, which is, however, not necessarily the most profitable one. Reality is that people usually combine different strategies because only such a combination provides the highest probability to achieve their goal: **survival**.[3] If lombard credit counts among these strategies, low-income households would aim at redeeming their pledge in order not to lose it to the lombard house because their property in goods which will be accepted for pledge can be expected to be limited and a loss of it might close the door to lombard credit in future.

These reflections that we discussed here were included in one or another form in the questionnaire (see appendix).[4] Furthermore, we learned from a pre-test in 1998 how to

---

[3] James Scott outlined the "safety-first" strategy of peasants, where survival, but not profit, characterizes the primary goal of the household (Scott 1976).

[4] Additional information was obtained by pre-structured interviews with lombard directors or chairmen, as well as biographical interviews with customers.

improve the questions. The questionnaire collected demographic data concerning the respondent (Part A), his or her partner (Part B), and other people belonging to the household (Part C) to assess the monthly budget and the level of sufficiency/insufficiency of household income. For that purpose we introduced a poverty index in the data analysis taking the household size into account. We continued to collect information on the particular lombard house with regard to customers' views, frequency of taking credit, capacity to redeem the pawns, reasons for pawning and other credit sources available (Part D). The last part of the questionnaire (Part E) refers to the articles pawned, the loan categories, the frequency of default, the appropriateness of lombard services with regard to customers' needs, the distinction between private and public lombard in the perceptions of the customers, the reason for choosing a particular lombard, and questions of shame in dealing with lombards.

Demographic Data of the Respondents

The Interviews

In the course of research we conducted more than 115 interviews, 101 of which were appropriate for data analysis in SPSS 9.0. The interview partners were chosen randomly. However, not everybody whom we asked to respond was willing to do so. Old people, and among these women, were more likely to respond than younger people of both sexes. Therefore, the distribution is not representative for lombard customers in general. Nevertheless, our impression is that, generally speaking, our distribution is not untypical for the age pyramid of lombard customers. They are more likely to be older than younger people, more females than males. An explanation to the unbalanced sexual division is probably that in many households women are responsible for the monthly consumer budget, another reason being that particularly males take different jobs for generating an income and therefore their time budget is more restricted. The bias on old people can be explained by the fact that the pension payment in Russia is very low, so that people belonging to the age group of pensioners are more likely to have an insufficient income. Furthermore, pensioners have more free time for going to the lombard especially if they share a household with their children or even grandchildren. The latter is often found in Russia. In case of widowed people a pensioner often remains in a one- or two-room flat and has much more space compared, for example, to a family with children sharing one room. In such a case older children are often willing to move in with his or her grandmother (personal interviews).

Time and Location Aspects

The interviews took place in March - June 1999 in different lombard houses of Saint Petersburg.[5] The inflation in this period was almost zero (the exchange rate to a US-dollar was approximately 25 rub.) so that a correction of the financial data was not necessary.

We originally aimed at doing interviews in different branches of the two largest firms, Saint Petersburg City Lombard (*Sankt Peterburgskiy Gorodskoy Lombard*) and United Lombard (*Obedinionniy Lombard*), as well as in the only public one *Vasileostrovskiy Munitsipalniy Lombard*. However, the managers of the branches were not in the position to decide whether we could interview their clients. The chairman of the first firm renounced our making interviews in one of its branches arguing that the interviews would disturb the business. The same argument came from the chairman of United Lombard. However, he permitted us making interviews in front of the branches.[6] Therefore we made a number of interviews in smaller firms, where the personnel was not as timid, and also in a buy-and-sell shop.

The actual distribution of the interviews in our sample was 29 (28.7%) in the public Vasileostrovskiy Lombard, Vasilievskiy Island, 12 interviews (11.9%) at the Vyborgskiy branch office of United Lombard and 18 (17,8%) at the Kirovskiy branch office of this firm, another 21 interviews (20,8%) in the only remaining branch of Ikstlan at 6, Barmaleeva str., Petrogradskiy region, 15 interviews (14.9%) in different other lombard houses. We conducted additional 6 interviews (5,9%) in a buy-and-sell shop called *Obedinionniy Komissiontorg* located just opposite the Ikstlan office. It is an independent enterprise; it is not a branch of United Lombard. Such shops are not directly comparable to lombard houses because of a difference in business strategy (no loans, but a sales price below the market value), but, despite this, they also provide an

---

[5] We conducted 12 interviews in March and 23 in April, one in May and 65 in June. In addition to the research team, students from the Faculty of Sociology of the State University of Saint Petersburg were voluntarily involved in taking interviews. We are particularly thankful to Bosis Vorochzov, Luba Kulikovitch, Alla Kalandy and Artem Shafransky.

[6] The management of United Lombard was particularly helpful in providing secondary data and information to us.

opportunity to generate some additional money for the household budget by selling some property.

It is important to mention that Saint Petersburg has not yet typically been segregated into city quarters according to income-classes or, to be more exact, this segregation has only slowly begun. In Soviet times the inner city with its ancient, manorial houses and large flats consisted of *kommunalki*, (the Russian for communal flats where several families occupied one room each and shared a common kitchen and bathroom) while in the outer regions there were mostly small one to three room flats. Privatization, which began in the early 1990s, has slowly changed this situation. Nowadays we often find large privatized flats and *kommunalki* in the same house, as well as large houses in the center, particularly in and around Nevskiy Avenue where the former inhabitants have given way to shops and offices or rich private people. But in the backyards of these houses we find both privatized and communal flats.

Fig. 1: Distribution of Interviews per Lombard House

Missing	6,00
Other	15,00
Vasileostr. Lombard	29,00
Ikstlan	21,00
UL, Vyborgskiy Dpt.	12,00
UL, Kirovskiy Dpt.	18,00
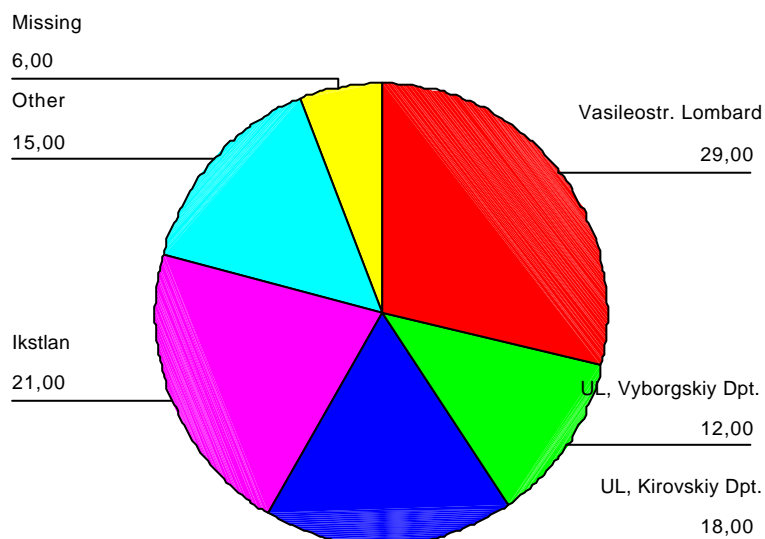
The structure of the city districts outside the center is twofold. Along the main avenues there are monumental buildings with large flats of the Stalin era, which were once reserved for the nomenclature and are being privatized now or occupied by artists' studios. We also find brick buildings of the Khrushchev era, which people consider to

be of the lowest living quality. Farther from the center we find more recent concrete buildings of up to thirteen stories with innumerable one-room, two-room and three-room flats from where people commute to the center or to large factories for their work. Lombard houses, buy-and-sell shops and commission shops can be found in all the districts of the city and either belong to one of the lombard chains or operate independently.

Age and Sex Distribution of the Respondents

To classify lombard customers according to their age we chose age groups with ten-year intervals. For pledging items one has to be over 18. Therefore the first interval only covers people aged 18 - 25 and the sixth interval includes people who are older than 65. We already mentioned that older people are over represented in our sample. We obtained the following distribution:

Table 1: Age Distribution of Respondents I (Six Categories)

Age Group	Frequency	Percent	Valid Percent	Cumulative Percent
18 - 25	11	10.9	10.9	10.9
26 - 35	15	14.9	14.9	25.7
36 - 45	21	20.8	20.8	46.5
46 - 55	25	24.8	24.8	71.3
56 - 65	14	13.9	13.9	85.1
> 65	15	14.9	14.9	100.0
Total	101	100.0	100.0	

Since the counts of people in the age classes are already very small, it provides a handicap for the chi-square test on dependency (cross-tabulation) due to certain statistical premises. For the chi-square test on dependency the premise is that only less than 20% of the cells may have an expected count smaller than 5. A cross-tabulation of age distribution I with the sample lombard houses, for example, immediately leads to expected counts smaller than 5. In response to this handicap we formed an alternative age distribution distinguishing older from younger people. Behind this distribution there is the assumption that very often, particularly in Russia, poverty is closely related to age: to the status group of pensioners who receive insufficient government transfer payments, if at all. Official pension age for females is 55 and for males 60. As in our sample most respondents are female and one interval of our questionnaire ended at 55,

we took all respondents up to 55 in one class and older people into another class, approximating the age group of pensioners with the latter class.

Table 2: Age Distribution of Respondents II (Two Categories)

Age Group	Frequency	Percent	Valid Percent	Cumulative Percent
18 - 55	48	47.5	47.5	47.5
> 55	53	52.5	52.5	100.0
Total	101	100.0	100.0	

The cross-tabulation shows a possibly significant dependence between these two age groups and the lombard houses (excluding the buy-and-sell shop; asymp. significance 0.057). A closer look at the data reveals that the relation of older to younger people is much higher only in the government pawnshop *Vasileostrovskiy Munitsipalniy Lombard*. An explanation to this is obvious. Only very few lombard houses accept goods other than gold and silver jewelry for pledge, and though this lombard house is among them it also accepts low-value household utensils or clothes. Pensioners have less valuable property, which results from their living mostly in Soviet time. Our observations in this lombard house, as well as our interview with its director indicate that people in this place, many of them being old pensioners and widowed people, pledge low-value household utensils for a couple of rubles.

As already mentioned, the strong female bias in our sample is the result of their willingness (particularly old women) to respond. Therefore, our interviews cover 22 males (21.8%) and 79 females (78.2%). However, there is no dependency between either of the age categories and sex, or between sex and lombard houses.

Marital Status and Educational Background of the Respondents

51 respondents of the sample (50,5%) are married, 15 (14,9%) single, 18 (17,8%) divorced and 17 (16,8%) widowed. The chi-square test on dependency reveals no significant dependency between marital status and sex, whereas the share of widowed people is naturally significantly higher among the people older than 55 (asymp. significance 0.004).

The educational background, particularly of the older respondents, can only be understood in relation to the educational system during Soviet period. As a matter of

fact, the percentage of people with university[7] or college degrees[8] was very high. Everybody had to finish secondary school and therefore the number of dropouts of school was considerably low because dropouts did not fit into the Communist ideology. Our sample also reflects this. 26 respondents (25.7%) got a university or institute degree, 40 respondents (39.6%) had secondary special education (these two groups together having a share of 66.0% of the sample), and 34 (33.7%) had secondary education or did not finish school. One respondent (1.0%) was a student. The chi-square test shows neither a dependence of educational background and sex, nor educational background and age group, which we might have expected from West-European experience. The result, however, is an expression of the education policy of Soviet time.

Professional Background and Employment Status of the Respondents

Having a look at the professional background, we can see that the data are difficult to interpret in so far, that many respondents mixed up their present employment or employment status with what they once learned. Furthermore, the classification of the jobs according to functional groups often makes no sense with regards to incomes since all the functional categories represented in the sample cover a wide range of professions and income levels. It should be emphasized here that particularly civil servants and military personnel are poorly paid. Teachers and researchers are the only functional group, which has a higher share than its expected count. Being civil servants, they have low incomes. It must be kept in mind here that most of our respondents (78.2%) are female. Like in Western countries, teachers in Russia (particularly primary school teachers) are more often female than male. The professional background of the respondents covers a wide spectrum. During Soviet period income differences were low, with the exception of the nomenclature. Diversifications have come up with perestroika. The old nomenclature is mostly well established in the economy and the "New Russians" have appropriated property and made windfall profits in the course of privatization. Furthermore, income differences are nowadays particularly noticeable between office jobs in foreign firms and jobs in Russian firms and the state sector.

---

[7] This is called *vischee* or "highest degree".

[8] This is called *srednee spetsialnoe* or "secondary special degree".

The employment status of the respondents gives us some more information. Only one-third of them (34.7%) are economically active, 29.7% are pensioners or invalids, and another third (35.6%) is not economically active. Being neither pensioner nor invalids they have no formal employment and/or are householders. There is no significant dependency between employment status and sex of respondent or their marital status. The highly significant dependency between employment status and age group is due to the large number of pensioners in the sample.

Table 3: Employment Status of the Respondents

	Frequency	Percent	Valid Percent	Cumul. Percent
Economically active	35	34.7	34.7	34.7
Not economically active (excl. pensioners, invalids)	36	35.6	35.6	70.3
Pensioners, invalids	30	29.7	29.7	100.0
Total	101	100.0	100.0	

When asked whether they have secondary or tertiary jobs, 76 (75.2%) respondents answered in the negative while 25 (24.8%) answered affirmatively. We have to keep in mind, however, that some respondents might be afraid of tax authorities and therefore conceal secondary employment.

Demographic Data of the Partners

Partner in the Household, Education of Partner, Occupation, Employment Status

When asked whether they live in the household together with a partner, 54 (53.5%) answered in the affirmative mentioning husband or wife, a boyfriend or a girlfriend while 47 (46.5%) claimed to live alone. Since most respondents are female we can assume that most partners are male. Therefore the questions referring to the respondents' occupation may have a female bias while those of the partners has a male one. Of course, the questions concerning the partner were confined to people with a partner in the household.

The educational status of the partner is presented in the following table:

Tab. 4: Education of Partner

		Frequency	Percent	Valid Percent	Cumul. Percent
Valid	Higher	20	19.8	38.5	38.5
	Secondary special	15	14.9	28.8	67.3
	Secondary or lower	17	16.8	32.7	100.0
	Total	52	51.5	100.0	
Missing	No partner	47	46.5		
	Still in education process	1	1.0		
	No answer	1	1.0		
	Total	49	48.5		
Total		101	100.0		

Typical occupations of the partners are civil service jobs, office jobs, service jobs or industrial labor while teaching is less important. This confirms our assumption that the occupations reflect the fact of partners usually being male and respondents being female.

Table 5: Employment Status of Partner

		Frequency	Percent	Valid Percent	Cumul. Percent
Valid	Economically active	30	29.7	55.6	55.6
	Not economically active (excl. pensioners, invalids)	14	13.9	25.9	81.5
	Pensioner, invalid	10	9.9	18.5	100.0
	Total	54	53.5	100.0	
Missing	No partner	47	46.5		
Total		101	100.0		

Although the sub-sample is limited to only 54 people, it is obvious that the share of partners being economically active (55.6%) is much higher than that of the respondents. This can be explained by the sexual distribution of the sample and gender issues. Also in Russia males constitute primary breadwinners, while women below the pension age are housewives, if not being economically active too. With regard to other jobs of the partner 95 (93.1%) of the respondents answered in the negative. We cannot believe it since we know Russian everyday life quite well.

A chi-square test on dependency between the two variables: "employment status of partner" and "employment status of respondent" might provide an indicator for poverty. Due to statistical reasons of scale in cross-tabulation we formed a new category of people not being economically active, including pensioners and invalids.

Table 6: Employment Status of Partner * Employment Status, Cross-tabulation

		Empl. Status		Total
		Econ. active	Not econ. active (incl. pensioners, invalids)	
Empl. Status of Partner	Econ. active	13	17	30
	Not econ. active (incl. pensioners, invalids)	5	19	24
Total		18	36	54

The chi-square test shows a weak dependency between these two variables (asymptote. significance: 0.081), which is probably due to the frequent combination of pensioner status among couples.

Household Structure and Income Situation

Household Size and Household Budget

Different questions concerned the issue of household size. They included a detailed statistic on who belonged to the household. This will be important for calculating the poverty index and degree of poverty in the sample.

The sample minimum and maximum are 1 and 6 persons respectively, with a mode of 2, mean of 3 (2.7) and standard deviation of 1.18. It makes no sense to form categories of household types because the number of occurrences of combinations, such as "couple", "mother with a child", "couple with a child and a granddaughter", or "couple with a mother of wife" is quite high.

Fig. 2: Number of Dependent Household Members

Std. Dev = 1,18
Mean = 3
N = 101,00

Number of Dependent Household Members
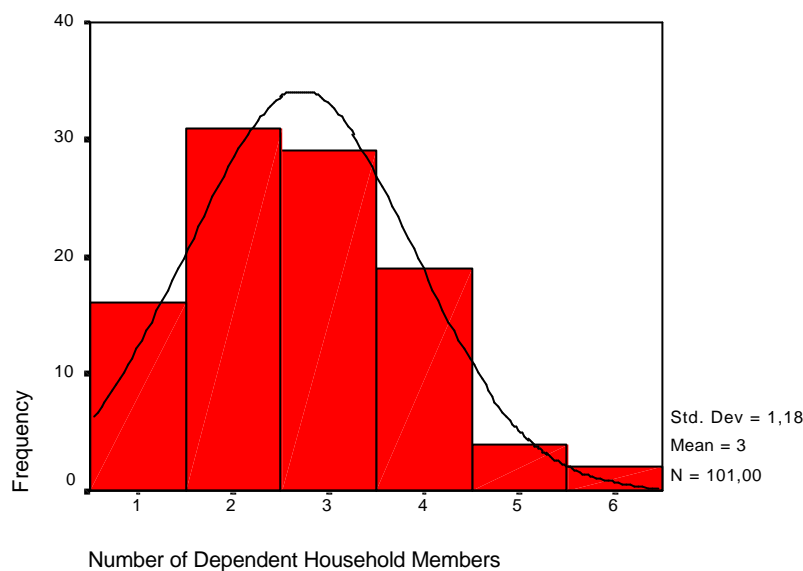
Asked about an assessment of monthly budget, which the household would require people gave answers that varied widely from 500 rub. to 25,000 rub. with a mode of 3,000 rub., mean of 4910.82 rub., and very high standard deviation of 5278.31. It is worth noting that many respondents provided answers on a US-dollar basis, which we recalculated according to the then current exchange rate. From the distribution of data it is obvious that the mean is distorted, because five of the respondents just mentioned "$ 1,000" (25,000 rub.), exceeding the second highest ranks by 150%. This is probably an expression of helplessness towards the financial problems of life rather than a real necessity. Due to the distortion we chose forming income assessment classes, which cut these high peaks.

**Table 7: Household Income Assessment Classes**

	Frequency	Percent	Valid Percent	Cumul. Percent
No answer	4	4.0	4.0	4.0
<500 rub.	1	1.0	1.0	5.0
501-1000	9	8.9	8.9	13.9
1001-1500	6	5.9	5.9	19.8
1501-2000	13	12.9	12.9	32.7
2001-3000	22	21.8	21.8	54.5
2001-3000	22	21.8	21.8	54.5
>3000	46	45.5	45.5	100.0
>3000	46	45.5	45.5	100.0

Total	101	100.0	100.0

These assessment classes show that about one fifth of the respondents assumed that they needed less than 1,500 rub. per month, and more than half of them less than 3,000 rub. A cross-tabulation of household income assessment class and number of dependent household members shows that it is too simple to assume that fewer people in a household require less money. The chi-square dependency test, however, is not possible due to sample size. The same holds true for a cross-tabulation with age group of the respondent.

The following question concerns the assessment of real household income per month. We think that the answers are more realistic than those about secondary and tertiary jobs, because the respondents probably also take such incomes into account. Due to the fact that the household income consists of several incomes of different household members, we helped the respondents to calculate, if necessary. While 10 respondents did not provide an answer, the mean of the remaining 91 respondents is 2,675.99 rub., the median is 1,600.00 rub., the standard deviation is quite high with 4,219.24 rub., the skewness is 4.14, the kurtosis is 18.25 and the range covers 24,800 rub. from 200 rub. to 25,000 rub. Among these 91 households again four households distort the sample because their incomes exceed the average by more than 500 percent. Looking at the distribution of household incomes we can see that 5% have less than 335 rub. per month, 25% less than 900 rub., 50% less than 1,600 rub., 75% less than 2,500 rub. and 95% less than 10,800 rub.

Fig. 3: Household Income of Respondents
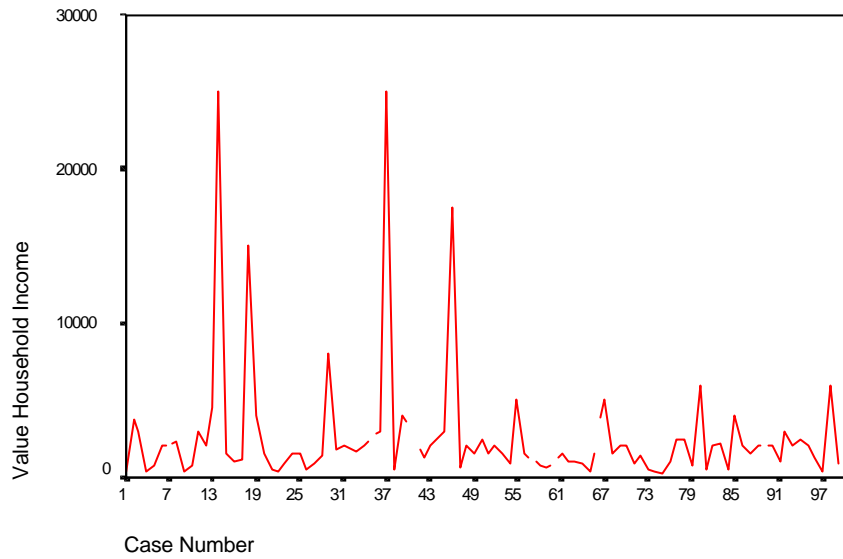
Excluding the four households with extraordinarily high incomes (who are all customers of lombard houses and borrow money), the mean of the remaining 87 households is 1850.75 rub., the median is 1,500.00 rub., the standard deviation is 1,424.74 rub., the skewness is 1.81 and the kurtosis is 0.51. The range covers 7,800.00 rub. from 200 rub. to 8,000 rub. In this distribution 5% of the respondents have less than 335 rub. per month, 25% less than 890 rub. per month, 50% less than 1,500 rub. per month, 75% less than 2,200 rub. per month and 95% less than 5,000 rub. per month. These figures seem to us much more realistic for average lombard customers.

Comparing the means of household income (excluding the four households), which we consider to be the dependent variable with the number of dependent household members, which we consider to be the independent variable, the ANOVA table outlines a significant dependency of the former from the latter (significance 0,035). The measure of association eta shows a low association (eta = 0.368, eta squared = 0.135).

In the following we categorized the household incomes of the respondents according to income classes. The distribution can be seen in table 8.

Table 8: Household Income According to Income Class

	Frequency	Percent	Valid Percent	Cumul. Percent
No answer	10	9.9	9.9	9.9
<500 rub.	13	12.9	12.9	22.8
501-1000	18	17.8	17.8	40.6

14

1001-1500	14	13.9	13.9	54.5
1501-2000	20	19.8	19.8	74.3
2001-3000	11	10.9	10.9	85.1
>3000	15	14.9	14.9	100.0
Total	101	100.0	100.0	

The chi-square test between the two variables "household income according to income class" and "age groups" (up to 55 and older than 55) shows a significant dependency of the two variables (0.028), which could be expected. A cross-tabulation with number of dependent household members and lombard house does not fulfill the statistical requirements. The same holds true for the cross-tabulation with marital status. However, the positive difference between counts and expected counts lets us plausibly argue that the lowest-income households are those of widowed persons (which very often is due to age), as well as divorced (often consisting of young mothers with children) and, to a minor extent, singles, often being young people with a low "first salary" (any one just starting with a company is often forced to take an entry level position. The idea is they will quickly get promoted. The low salary they start off with is an entry-level salary. This term is most likely not universal enough to fit here, but I thought I could mention it)

As already discussed, this household income is made up of different income sources. Among our sample households in 43 cases (42.6%), only one person contributes to this income, in 37 cases (36.6%) two people, in 14 cases (13.9%) three people and in six cases (5,9%) four people. One answer is missing. A cross-tabulation with income class is not possible due to the limited number of cases. However, among the lowest income group the expected counts of single income earners are much lower than the real ones and among the highest income group the expected counts of households with four income earners are also much lower than the real counts. This means that we can plausibly argue that households with several income earners can be assumed to have a higher household budget available. Comparing the means of household income and number of people contributing to household income shows that there is no significant dependency between the data.

<u>Poverty Assessment</u>

Data on minimum incomes in Russia differ widely. For March 1999 one newspaper (*Novye Izvestia*, March 2, 1999) referring to an interview of the Minister of Labor, Sergey Kalashnikov [9], mentioned a minimum per capita survival income of 493 rubles (=US$ 20). Another newspaper (*Trud*, October 23, 1999) stated in an article entitled "*Za porogom vygivaniya*" ("Under the survival level") that the survival minimum in Russia for August 1999 was 1,054 rub. whereas at that time the average salaries were 771 rub. on average for all professions.[10] This means that the average incomes are around 25% under the defined survival minimum. Therefore one job is usually insufficient for a single person, let alone an entire household, to make a living. For a poverty assessment we will therefore provide two alternative calculations.

<u>Poverty Assessment 1</u>

In our first calculation we refer to the official regulation of the Committee for Labor and Social Protection of the Government of Saint Petersburg for autumn/winter 1999 and we will develop a poverty measure according to these data. The statistics outline the following survival minimums:

---

[9] The heading of this article was "*V Rossii za chertoy bednosti zhivet pochti chetvert" naselenia*" ("About one quarter of the Russian population is living below the poverty level").

[10] This journal further specified the following data: 967 rub. on average for health care professions, 798 rub. for the cultural sphere and 848 rub. for light industry and 493 rub. for pensioners.

Table 9: Survival Minimums, Autumn/Winter 1999, according to Committee for Labor and Social Protection of the Government of Saint Petersburg

Average Survival Minimum	1,250.50 rub.
Males in labor age	1,589.30 rub.
Females in labor age	1,315.90 rub.
Old age pensioners	859.00 rub.
Children up to the age of six	958.40 rub.
Children up at the age of 7-15	1,376.90 rub.

These minimums are higher than those we just mentioned above, which is probably due to the fact that the former data were for all the Russian Federation while life in the city of Saint Petersburg is much more expensive. Of course, such statistical data can be scrutinized for a number of reasons. Why, for example, do men require more money than women? Is this the result of nutrition habits (e.g. that men require more alcohol or calories)? Why is there such a high jump in assessment from children under 6 to 7-15 year old children and why do pensioners need such a small sum, independent of their sex? Is the latter assessment taken as a result of the very low government pensions? We cannot provide answers to these statistical questions since we have no information on their gathering. However, we want to construct a poverty indicator for our data. For this reason we will introduce slight modifications. Since we analyzed the composition of household members, the age of respondents and their employment status (giving hints to who is a pensioner or invalid), we can now make a rough calculation of the survival minimum for our sample households. However, since we did not record the age of the children, we will take the average sum of the two children's categories above for every child. Furthermore, we reject the distinction between males and females in labor age and prefer the average of both categories. With these modifications our minimum survival measures for types of persons are as follows:

Table 10: Survival Minima for Poverty Assessment 1

|	
Grown-ups at labor age	1452.60 rub.
Old age pensioners, invalid	859.00 rub.
Children up to fifteen	1167.65 rub.

These data are added up in relation to the composition of the household and provide our minimum survival assessment of the particular household. As a second step we can compare the actual household income with this assessment. A negative difference would

be an indicator for poverty. As a third step we can assess the income gap to this poverty line.

   For the valid data (N=90) our indicator for poverty assessment 1 shows a sample mean of –700.56 rub., a median of –1542.23 rub., and a very high standard deviation of 4129.2875. The lowest 5% of the sample households have an income gap of more than 3941.96 rub., the lowest 10% more than 3453.18 rub., 25% of more than 2525.45 rub., and 75% of more than 372.50 rub.

   Excluding again our four households with very high incomes (exceeding 15,000 rub.) which distort the sample we obtain the following data for our sub-sample households (N=86): a negative mean of –1482.81, a negative median of –1572.85, a standard deviation of 1697.35, a skewness of 0.471, and a kurtosis of 2.013, as well as the following percentiles: 5% of the sample have an income gap of more than 4075.94 rub. 10% of at least 3455.55 rub., 25% of more than 2553.65 rub., 50% of more than 1572.85 rub. and even 75% of more than 408.05 rub. Only 16 households (17.8 %) have an income, which is higher than the calculated household minimum, while 74 (73.3%) have an income gap and 11 (10.9%) responses are missing.

Fig. 4: Income Gap Between Defined Minimum Household Income and Real Income, Assessment 1 (excl. four cases with extraordinarily high incomes)
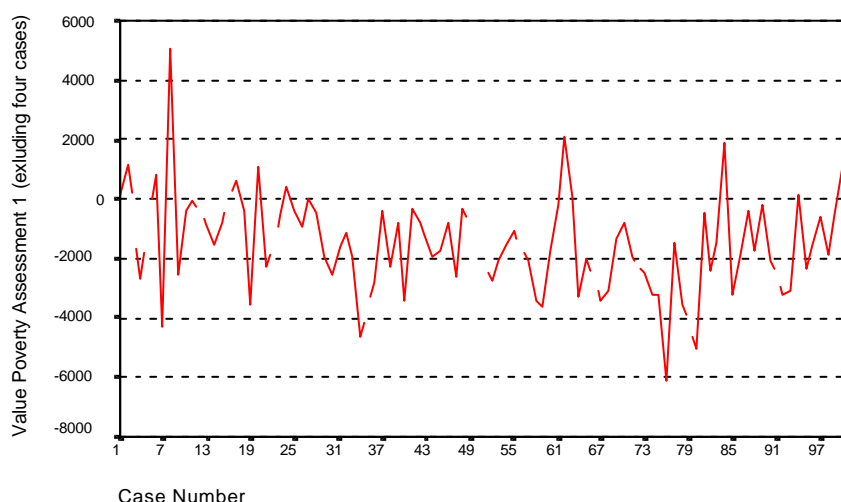
   What becomes obvious from the income data is that the deficits, which result from the definitions of minimum income levels per head, are too high to be exact indicators for a poverty measure. One can hardly imagine how people can regularly bridge an income

gap, which exceeds a normal salary. For that reason we will make another assessment with alternative data.
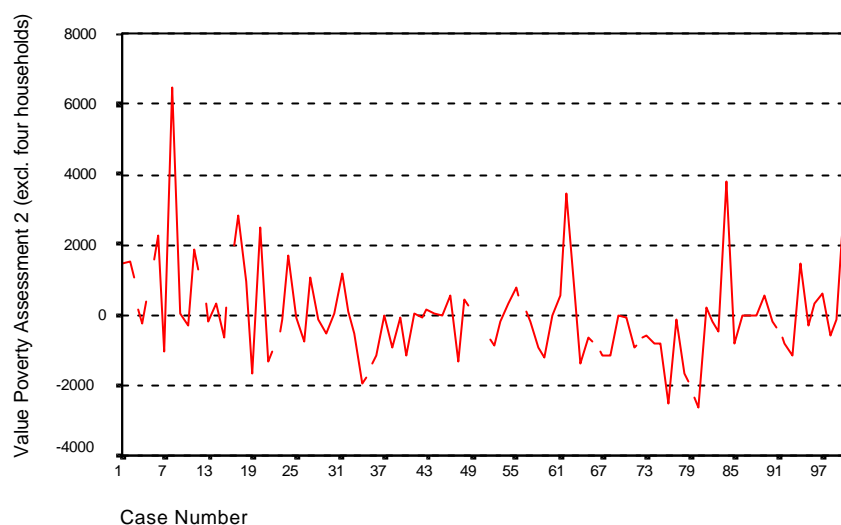
Poverty Assessment 2

Now we are using the Russian average salary (mentioned by *Trud*) as an income minimum for grown-ups (771 rub.) and an average pension (493 rub.) as a minimum for pensioners. For children we calculate just something in between: 632 rub.

Table 11: Survival Minima for Poverty Assessment 2

Grown-ups in labor age	771.00 rub.
Old age pensioners, invalids	632.00 rub.
Children under 15	493.00 rub.

Excluding again our four sample households with extraordinarily high incomes (exceeding 15,000 rub.), which distort the statistical measures, our sub-sample (N=86) has a positive mean of 55.75 rub. and a negative median of –99.05 rub., which again shows that still some households with high incomes distort the distribution with high incomes. The standard deviation is 1388.545, the skewness is 1.695, and the kurtosis is 5.180. 5% of the sample households have an income gap of more than 1674.00 rub., 10% of more than 1228.80 rub., 25% of more than 806.00 rub., 50% of more than 99.50 rub. Only the 75 percentile show a positive value of 472.00 rub. More specifically, 60.5% of the sub-sample households have an income gap, while 39.5% have an income that exceeds the calculated minimum.

Fig. 5: Income Gap Between Defined Minimum Household Income and Real Income, Assessment 2 (excl. four cases with extraordinarily high incomes)

Summarizing the findings of our two assessments:

Table 12: Comparison of Poverty Assessment 1 and 2

Statistical Measure	Assessment 1	Assessment 2
Mean	-1482.81	55.75
Median	-1572.85	-99.05
Standard deviation	1697.35	1388.55
5 Percentile	-4075.94 rub.	-1674.00
10 Percentile	-3455.55 rub.	-1228.80
25 Percentile	-2553.65 rub.	-806.00
50 Percentile	-1572.85 rub.	-99.50
75 Percentile	-408.05 rub.	472.00
Households with income gaps	73.3%	60.5%

On a whole we assume that poverty assessment 1 overestimates the percentage of sample households with long-term income gaps because one can assume that a number of households reported incomes lower than their real ones. On the other hand, assessment 2 probably underestimates the number of households with long-term deficiencies because it is based on the income minimums for the Russian Federation and not St. Petersburg. Taking into consideration the official estimation that 25% of the Russian are poor and even assuming that official data have the tendency to palliate the real situation, both poverty assessments support our hypothesis that most (but not all) customers of lombard houses belong to the low-income strata. That a number of people

have become impoverished after the fall of the Soviet Union and after the introduction of a market economy is the reality of Russian everyday life. They are the losers of the transformation process. In Soviet time, with their low but regular incomes, a very limited supply of goods and a high degree of order, they felt comparatively comfortable. Nowadays they lack this security because of a number of factors: first, most people's incomes are insufficient for making a living and satisfying their needs, second, prices rise continuously and wages or pension payments remain constant, and last but not the least, with a high rate of crime, public security is very low. This holds particularly true for state employees and pensioners and for all of those who lost their jobs during the more or less continuous crisis.

We already mentioned that the households with the lowest incomes are mostly old-aged couples and widows (pensioners), as well as divorced women (since most respondents of our sample are women) with frequently small children. These are the typical factors, which are linked with poverty.

In another question the respondents were asked to assess the customers of lombard houses with regard to their economic standing. 32 respondents (31.7 %) believe that they are predominantly poor, while 19 (18.8 %) believe that they are less poor and 48 (47.5 %) that they belong to different income groups (2 answers are missing). The directors of lombard houses also explained that lombard customers are very heterogeneous with regard to their incomes. The chi-square test on dependency on income classes is not possible because of statistical restrictions. From the psychological point of view we can assume that, as long as poverty is considered shameful, a number of respondents will be reluctant to count lombard customers among the poor because they themselves belong to this target group and would classify themselves as such.

To bridge these income deficits people have to be inventive or, as it has been called, "socially creative" (Korff 1994) to find substitutes for the insufficient salary in a primary job. They usually take up a secondary or even tertiary job in the formal or informal sector. The registered (i.e. formal) vendors in the local trains at the weekend are a typical example. Equipped with large packed so-called "Chinese" plastic bags they try to sell household utensils or books to the travelers. Or, old pensioners, particularly women, stand in the subway and beg for a few rubles. Or, children try to make some additional money. We could see that after the crisis of August, 1998 a new informal activity was born in Russia, the one that is well known to us from third world countries: at red traffic lights children jump in front of the waiting cars to clean the windows and

get a tip. We also believe that the high level of subsistence production, which is found in Russia, helps many Russians to survive in the present crisis.

Subsistence Production

Subsistence production takes place at innumerous *dachas* in a belt of up to 200 km around larger cities. 41 respondents (40.6%) who have access to a dacha and make subsistence production. This holds true for all income classes and age groups. 37 of them (94.9% of people with dacha access) make pure subsistence production, while 2 respondents (5.1%) also sell some of the produce. The one who has observed how the dacha season influences so many urban households in their time schedule[11] and has seen how much is harvested and preserved can imagine that subsistence production may really be an important factor in the survival strategies of poor households. Statistical evidence from all over the world suggests that the degree of subsistence production rises at the time of economic crises.

As a matter of fact, dachas need a high investment in spring in new plants and seeds, and the produce can be harvested in autumn. In many cases this investment requires financing, for example by taking up a lombard loan in early spring and also in early summer when people prepare to leave for their dachas during vacancies.[12] This has been supported by our qualitative interviews with the directors of lombard houses.

---

[11] Some scholars compare Russia to a peasant society.

[12] According to the director of Saint Petersburg City Lombard, summer is the season of the greatest demand for lombard credit. People buy products for their summer residence; need money to send children to the countryside, etc. The slack period falls into November and December.

<u>Short-term and Long-term Economic Deficiencies, Future Assessment</u>

With regard to the economic crisis in Russia we have to mention that only very few people have a concrete understanding of the term "crisis". This was already found in a pre-test. Therefore, we decided to be more concrete in our questions. To find out the length of insufficiency of the household budget we asked the respondents to consider three points in time with regards to sufficiency/insufficiency of income:

- The present situation (spring and summer 1999)

- August 17, 1998, the black day of bankruptcy of the Russian state and devaluation of the ruble

- the Gaidar reforms, i.e. a synonym and symbol for the liberalization of the economy in the early 1990s and collapse of the former political system.

(a) With regard to the question of whether or not the household income is presently sufficient for making a living only 12 respondents (11.9%) answered in the affirmative, while 89 (88.1%) answered negatively. The chi-square test shows a significant dependency (0.009) on the age group of the respondents (under 55, over 55). Like in the following cases other cross-tabulation does not produce relevant results.

(b) With regard to a sufficiency before August 17, 1998 56 respondents (55.4%) answered affirmatively while 45 (44.6%) answered negatively. There is a highly significant dependency on the two age groups (asymptote. sign 0.003). This question is related to another one in which the respondents had to compare their household situation before and after August 17, 1998. 79 respondents (78.2 %) considered their conditions to become worse, 3 (3 %) better, while 14 (13.9 %) saw no difference and 5 (5.0 %) did not know. There is again a dependency on the two age groups of respondents (asymptote. sign. 0.045).

(c) With regard to a sufficiency before the Gaidar reforms, 75 respondents (74,3%) answered in the affirmative, while 25 (24.8%) in the negative. Here the data are independent from the age group. We will summarize these findings in the following table:

Fig. 6: Length of Insufficiency of Household Income
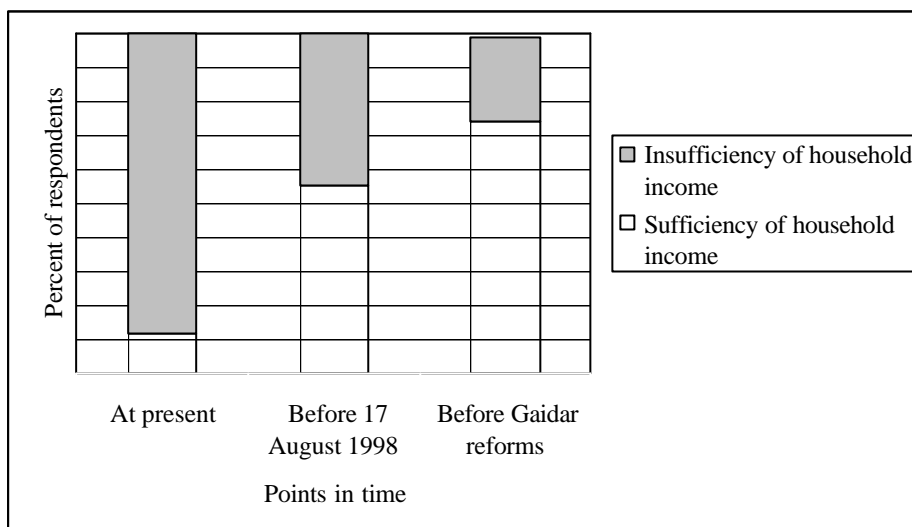
The figure clearly shows that the share of people with insufficient household income has constantly increased since the Gaidar reforms. Before August 17, 1998 more than half of the respondents believed to have income deficits so poverty seems to be a long-term problem for many of them while others entered such a condition only after the August, 1998 crisis.

Two qualitative questions about when and why the deficiency of household income turned up were answered very heterogeneously. The responses range from macro-reasons (Gaidar reforms, *perestroika*, introduction of market economy, fall of the Soviet Union, 17 August, etc. with regard to "when"; inflation, entering the pension age, perestroika, reforms etc. with regard to "why"); and personal reasons (divorce, constant shortage of money, partner's death, partner's unemployment, divorce, birth of a child, etc.) with regards to "when" and "why". Out of those who said that their income was insufficient to make a living, 32 respondents (37.2 %) gave reasons related to their own biography, 40 (46.5 %) referred to reasons irrelevant to it, and for 14 (16.3 %) it was the combination of both. A cross-tabulation does not show relevant dependencies of variables used.

Asked about the assessment of the future, most people are pessimistic. 55 respondents (54.5 %) believe that the future will be like the present or even worse. Only 24 (23.8 %) believe that the situation will improve while 16 (15.8 %) simply do not know (or dare?) how to assess the future. 6 answers (5.9 %) are missing. There is no dependency

between income level and future assessment, as might be expected, but the chi-square test shows a significant dependency on the sex of the respondents (asymptote. sign. 0.016). Males are much more optimistic than females. But we have to keep in mind that males are underrepresented in the sample. Analyzing both sexes independently we can see that among the male respondents only 6 (27.3 %) believe that the future will be the same or even worse, while 9 (40.9%) believe in a better future. Contrary to this, 49 females (62.0 %) believe in the same or even a worse future, while 15 (19%) are optimistic.

The Household and the Lombard House

Frequency of Taking Credit from Lombard House

Asked about the frequency of their taking lombard credit, 23 respondents (22.8 %) said they had taken lombard credit once or it was their first time, 46 (45.5%) said they sometimes took it and 32 (31.7%) said they regularly took it. No significant dependency exists with regard to household income class, sufficiency of household income, age group or the number of dependent household members.

Comparing the frequency of taking lombard credit before and after August 17, 1998, 40 respondents (39.6 percent) thought they took it more often, 3 (3.0%) thought they took it less often, 18 (17.8%) saw no difference, and 25 (24.8%) could not compare since they had visited the lombard only once (but this probably after 17 August).

The relatively high number of first-time customers among these people indicates the severe impact of August 17, 1998 on the living conditions of the people since the ruble was highly devaluated and therefore prices jumped up. Fortunately, inflation remained small after this abrupt increase.

Ranking of Credit Sources

Asked about their preferred credit sources, respondents had to compare and rank four of them: (1) Lombard house; (2) relatives; (3) friends and colleagues; and (4) other sources. Their choices were as follows:

(1) With regard to lombard houses, 22 respondents (21.8%) considered them as their first choice, 49 (48.5%) as their second choice, 23 (22.8%) as their third choice, 5 (5.0%) as their forth choice. Two respondents (2.0%) did not mention this source at all.

(2) With regard to relatives, 29 (28.7%) ranked them first, 10 (9.9%) second and third. Nobody ranked them fourth, but 52 respondents (51.5%) did not rank this source at all.

(3) With regard to friends and colleagues, 40 respondents (39.6%) ranked them first, 27 (26.7%) second, 6 (5.9%) third, nobody fourth, but 28 (27.7%) did not rank them at all.

(4) With regard to other sources, 10 respondents (9.9%) ranked them first, 4 (4.0%) second, 7 (6.9%) third, and 80 respondents (79.2%) did not rank them.

On the whole, friends and colleagues are the first choice among the respondents; relatives are the second rank and lombard houses are the third rank among the first preferences. When we summarize the first and second choices, the picture is quite different. Then lombard houses rank first (70.3%) followed by friends and colleagues (64.3%), relatives (38.6%) and other sources (13.9%). Furthermore, it is worth mentioning that for almost all respondents (98%) lombard houses play a certain role in their ranking.

Asked about their reasons for the ranking the respondents said the following:

- the arguments for putting lombard houses on a high rank order is typically as follows: anonymity, reliability, easiness of transactions, and helpfulness. The arguments put forward against them are: only second or third choice (when friends or relatives do not help), and high interest. Some respondents consider their relation to lombard houses as a continuous dependency (using terms such as "slavery" or "bondage").
- The arguments to rank relatives high are usually the same as for friends and colleagues: s loans free of interest, confidence in the lenders, mutual support of each other, and reciprocity. The argument against them is that they have no money either and that one does not want to worry them or prefers to keep one's financial problems from them.
- The "other sources" mentioned could mainly be specified as neighbors, who are the substitute for relatives or friends and colleagues.

Lending to Others

The aspect of reciprocity in close social relations also comes up in the question of whether the respondents themselves provide credit to others. 78 (77.2%) answer affirmatively, 23 (22,8%) answer in the negative. A chi-square test on dependency with our two age groups (under 55, over 55) shows a high dependency between the variables (asymptote. sign. 0.017). People over 55 are more likely to provide credit to others than people under 55. This is astonishing in so far that it is pensioners who are among the poorer households. However, it is probably an exaggeration of our data to argue that younger people could be expected to have a market mentality with a declining importance of solidarity. Relating the question of reciprocity to household income, the ANOVA-table, which compares the means of both variables, outlines that we can assume a highly significant dependency of "lending to others" from "household income" (significance: 0.009, eta: of 0.78, eta squared 0.609). The relation is of such a kind that people with higher incomes are more likely to lend money to others than people with smaller incomes.

Asked why they lend to others, people gave different answers and the research team formed categories according to the answers provided. 41.9% of those who lend implicitly or explicitly take up the argument of reciprocity in one or another form (e.g. "when I help my friend now, he will help me in the future"), or they express a feeling of responsibility and pity for friends and relatives in need (52.7%). Only 5.4% mention other reasons. Some of them emphasize that, of course, they lend without taking interest.

Present Debts

Asked whether or not they have present debts, 58 respondents (57.4%) answered affirmatively while 42 (41.6%) gave the negative answer (1 missing answer, i.e. 1.0%). The chi-square test on dependency shows in a cross-tabulation with sufficiency of household income that the two variables are highly significantly dependent (asymptote. sign. 0.000, exact significance 0.001): people who have a sufficient household income are less likely to have debts. In the same way, a cross-tabulation with household income class shows a significant dependency (asymptote. sign. 0.021). The customers with higher incomes are more likely to have no debts, and vice versa. Other dependencies have not been noticed.

Asked whose debt they are in, the respondents mentioned the following typical categories: friends, relatives, colleagues and neighbors,[13] state/city administration for flat payment and communal services,[14] for *dacha* communal service payment, another lombard and, in one case, a drug dealer. Many respondents have more than one source of debts.

Table 13: Present Debts according to Sources

Source of debt	Frequency	Percent	Valid Percent	Cumul. Percent
Friends, relatives, colleagues, neighbors	23	22.8	40.4	40.4
State or city administr.	18	17.8	31.6	71.9
Several of these sources	6	5.9	10.5	82.5
Other sources	10	9.9	17.5	100.0
Subtotal	57	56.4	100.0	
No debts	42	41.6		
No answer	2	2.0		
Subtotal	44	43.6		
Total	101	100.0		

With regard to the question of whether the respondents presently owe money to lombard houses, 72 (71.3%) gave an affirmative answer and 25 (24.8%) answered negatively (4 answers are missing, i.e. 4.0%). These data seem to be in contradiction to those on present debts where only 57.4% mentioned to have debts. In my opinion, a possible explanation to this inconsistency is that a number of people do not consider lombard credit as a debt. From the purely theoretical point of view, they are right in their opinion because they have offered a pawn in exchange which exceeds the pledge credit in value. However, from the practical and also legal points of view, lombard credit should be counted among debts. Therefore, if we include lombard credit, the percentage of people with present debts can be assumed to be around 71.0%. Chi-square tests on dependency show that the age group, the employment status and the income class are independent from lombard debts. The same holds true for the ANOVA table, which compares the means of household income and lombard debt.

---

[13] One respondent's debt to a friend amounts to 15,000 rub., which is an exception among the sample answers.

[14] One respondent mentioned a debt of 10,000 rub. to the city administration.

Use of Lombard Credit, Loan Period and Redemption

It is obvious that lombard credit mainly belongs to the category of consumer credit, i.e. it is spent on consumption but does not generate a future income. This is due to the small loan size and the nature of lombard business. Different reasons of taking lombard credit were mentioned. Most answers, however, fall under the category "living expenses", which include nutrition, clothes, flat payment, and medicine or telephone bill. All these payments belong to regular expenses. Only a few answers refer to extraordinary expenses, such as funeral payment, utensils for *dacha*, car repair, or the broad category "unexpected expenses". Three respondents took up lombard credit for the repayment of other debts, which was also confirmed in some deep interviews: the redemption of a pawn, or the repayment of a loan is financed by another one. This implicitly means that such respondents are able to pay their interest but not to redeem the pawn. Some of the respondents mentioned several reasons why they took credit. In spring when people get ready for the dacha season lombard business flourishes. People have to buy plants, seeds, building material, and the like. Such utilization belongs to production credit, which decreases future living expenses by means of subsistence production. Other typical peaks in lombard business are before the main festive occasions such as Russian Christmas, New Year or International Women's Day.

Asked about their present debt repayment capacity, 35 (60.3% of the subtotal) of the respondents who then had debts believed that they could pay them back; while 23 (39.7% of the subtotal) said they could not. The chi-square test does not make visible any dependencies on particular characteristics of the respondents. However, here we have to be very careful because a number of respondents mix up their regular interest payment and redemption, which is the repayment of the loan sum.

With regards to the length of their usual loan period, the respondents provided the following answers:

Fig. 7: Usual Loan Period of Lombard Customers
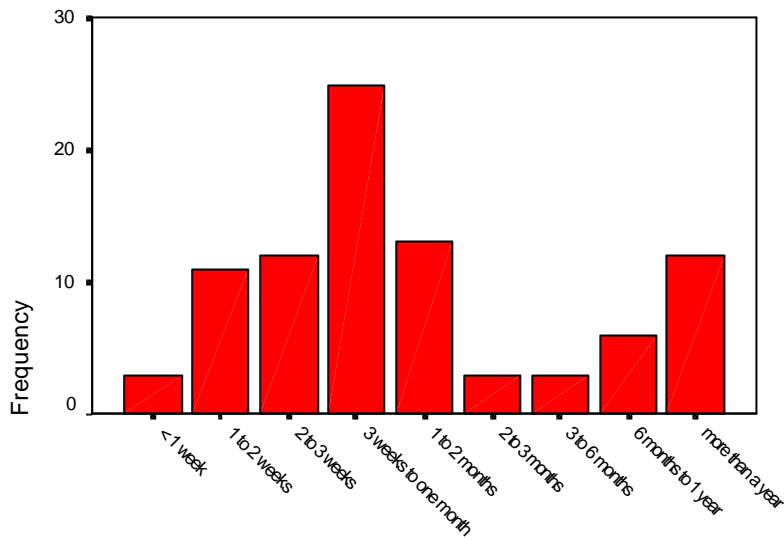
Usual Loan Period of Lombard Customers

In many lombard houses the maximum loan duration is one or two months. Then the so-called advantage period begins (1 month), which is much more costly to the customer. This explains why people aim at redeeming their pawn before this occurs, or they at least pay their interest. In most houses pawns are not sold as long as interest is regularly paid because constant interest payment produces a profit to the enterprise. So the contract with the customer is renewed every two months, with the exception of United Lombard, which does not have an advantage period. This explains our data on the 12 respondents (11.9%) who received their loan more than a year before, were unable to redeem the pledge, continued to regularly pay interest for renewing the contract and did not lose their item to the pawnshop. In such cases the interest payment far exceeds the material or market value of the pawn. Therefore, we assume that the pledge has a very high personal (immaterial) value for the respondents. This is possible, for example, in case of inherited jewelry from their mother, which cannot be sold or lost due to moral sentiments.

60.5% of the respondents who take lombard loans are content with the loan periods, 19.8% are not content and 19.8% have not opinion to this. Asked if they would prefer longer pawn periods than those offered by the lombard houses, 46.5% of the

respondents answered in the negative, 20.8% gave the affirmative answer, 17.8% have no opinion and 14.9% do not answer this question.

Pledges, Assessment, Credit Sum and Repayment Sum

What kind of items that a lombard house accepts depends on its regulations. A number of private lombard houses, such as United Lombard (which covers 30 respondents), only accept gold and silver items or jewelry. The public lombard (29 respondents) as well as Saint Petersburg City Lombard, the lombard with one of the largest market shares (not included in our sample interviews), and Ikstlan (21 respondents) also accept consumer goods and household utensils. The latter lombard also takes cars into pledge.

In the present or in the past and in accordance with the requirements most respondents have pawned gold and silver items or jewelry (rings, chains, bracelets, silver spoons, watches, earrings), expensive electronics (a video recorder, a CD-players) or expensive clothes (fur coats) and a number of customers have pawned simple consumer items or clothes (plates, dishes, a crystal vase, a walkman, a tape recorder, photo cameras, sweaters, shoes, sport shoes).

The assessment of a pawn value is usually distinct from the loan sum. The assessment of gold, silver and jewelry depends on the material value. The value is fixed according to the weight and quality of the material[15], as well as, the category of the item.[16] Other items are assessed according to the supposed market price. A customer usually obtains only a certain share of this assessment (according to the pawning regulations it is from 70 to 85% of the assessed value, depending on the item). United Lombard offers different conditions: the loan sum is 100% of the assessment. However, according to the chairman, this is only a marketing trick because the pawn value is deliberately assessed below the real value. So the customer (without realizing this) will obtain almost the same sum as in other pawnshops. However, not every customer wants the full loan sum for a pawn because he or she knows that they are unable to repay the sum. In other cases, when customers know in advance the time they will have a certain sum of money

---

[15] Quality depends on the category of gold or silver and a government stamp for authenticity.

[16] The category depends on the item itself, as well as on its weight.

to redeem the pawn, they let the pawnshop calculate the conditions for the specified period in relation to the loan sum.

The average assessment for the last/present pawn was 388.76 rub., which covers 67 interviews (other customers had no lombard loan at the time or simply did not know the assessment sum). The standard deviation was rather high (306.11 rub. The other statistical measures are as follows: the range is 1362.00 rub., the minimum is 38 rub., the maximum is 1400.00 rub., the skewness is 1.414 and the kurtosis is 1.410. The 25 percentile is up to 180.00 rub., the 50 percentile is up to 270.00 rub., and the 75 percentile is up to 500 rub.). The following figure shows the distribution of the assessments.

Fig. 8: Assessment of Last Pawn
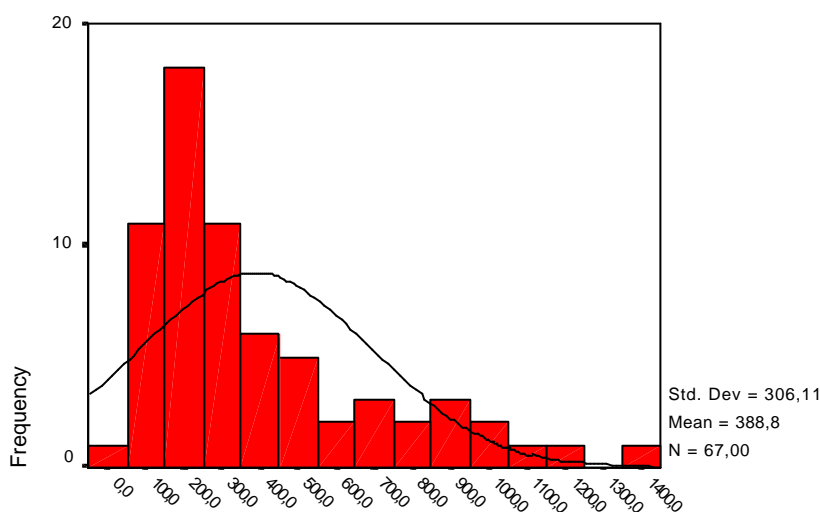
Assessment of Last Pawn by Lombard

The respondents were asked how much credit they obtained for their present or last pawn. The average credit sum of 94 respondents turned out to amount to 290.73 rub., with a median of 205.00 rub., a rather high standard deviation of 247.79 rub., the skewness of 1.613 and the kurtosis of 2.802. The minimum loan was 15.00 rub., the maximum loan was 1200.00 rub. 5% of the respondents who answered this question obtained loans lower than 50.00 rub., 10 % up to 70.00 rub., 25% up to 100.00 rub., 50% up to 205.00 rub. and 75% up to 400.00 rub. The lowest credit sums mainly

correspond to pawns consisting of clothes or household utensils. But on some jewelry customers also obtained a loan less than 100.00 rubs.

Fig. 9: Credit Obtained for the Present/Last Pawn

Credit Obtained for the Present/Last Pawn
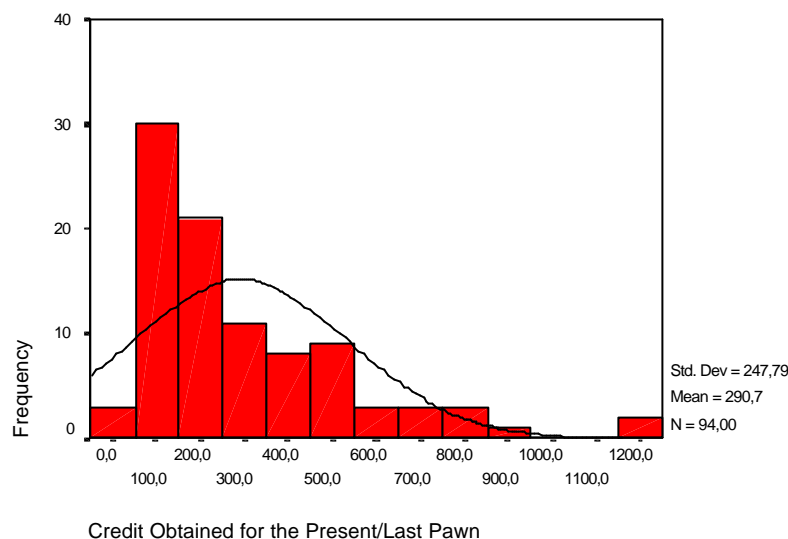
The fact that the loan sum usually constitutes a certain percentage of the assessment becomes visible in the linear regression analysis between the two variables. The correlation analysis shows that there is a high positive relation (correlation coefficient 0.899, significance 0.000). R-square amounts to 0.899, which shows that 80.9% of the standard deviation can be explained by the linear regression. With a significance of 0.000 the f-test shows that the coefficients of the regression model are significantly different from 0.

Categorizing the loan sums, which the respondents obtained in intervals, we obtain the following figure:

Fig. 10: Credit Category of the Present/Last Pawn

Credit Category of the Last Pawn
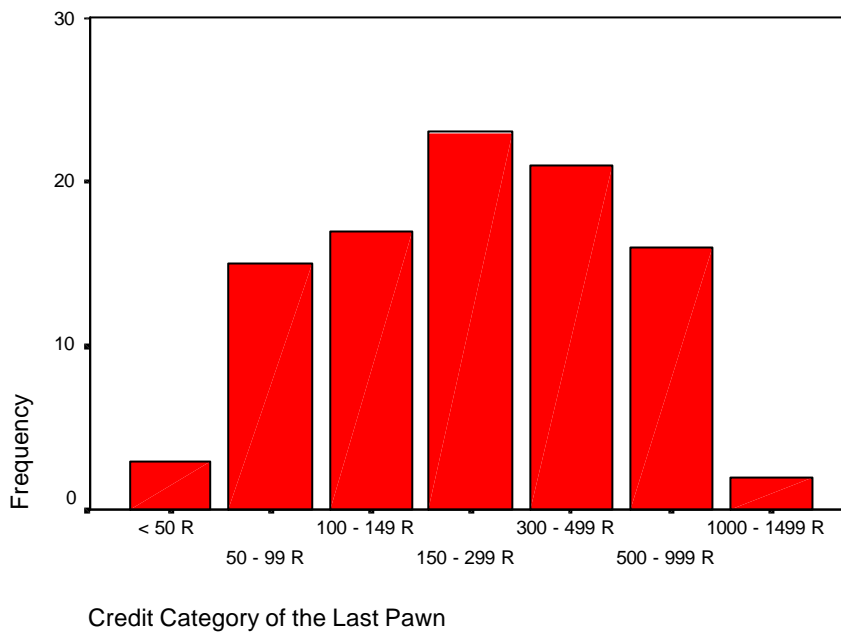
The chi-square test on dependency on household income category is not possible due to statistical restrictions. However, the age group of the respondent (two categories) is independent from the credit category.

Analyzing the repayment sums with statistical measures is neither useful nor possible because it depends on the length of the loan period and the interest rate. In many cases respondents were not aware of that, in other cases they knew the interest per day but not the actual sum, some respondents simply forgot. One respondent mentioned that the repayment sum had added up to 4,320.00 rub. for an original loan of 370.00 rub. which he had obtained for a white gold brooch three years before. He constantly pays his interest because he does not want to default and lose the items, which has a high immaterial value to him.

Loss of Pawns, Purchase of Unredeemed Pawns

Asked whether or not they already lost a pawn to a pawnshop, 44 respondents (43.6%) gave an affirmative answer and 47 (46.5%) answered negatively while 10 (9.9%) did not answer this question for irrelevant or other reasons. What was lost covers the wide

spectrum of pawns. The chi-square test on dependency shows independence of loss of pawn from both household income class and age of respondents.

Asked about the frequency of loss, 6 respondents (5.9%) stated they always lose their pawn, 22 (21.8) "sometimes", 48 (47.5%) had never lost it. 16 (15.8%) had lost it once and 9 respondents (8.9%) did not answer this question.

If somebody did not redeem a pawn, it was not clear whether he or she were not able to do it or they just wanted to get rid of some old stuff, particularly in case of household utensils. This was also the official Soviet version to explain the existence of pawnshops in accordance with the ideology, which did not recognize the existence of poor people in the country. Of those 44 respondents who had already defaulted and lost a pawn to the pawnshop 33 (75%) declared that they had wanted to redeem it, while 11 (25%) said they had not. The percentage of the latter category is surprisingly high because one can go to buy-and-sell shops for this purpose. However, this holds true only for the post-socialist period,[17] and our question was independent from a time period. But a few respondents mentioned that a credit sum in a lombard house often exceeded the money which could be obtained in a buy-and-sell shop.

When customers, either willingly or unwillingly, lose their pledges, their pawns are sold by auction or in the lombard's sales shop. Among the sample respondents only 8 (7.9%) buy unredeemed pawns whereas 91 (90.1%) do not purchase such items (two respondents, i.e. 2.0% did not answer). Those who purchase in lombard houses do not belong to higher-income households. In general, however, I assume that buying such items is beyond the capacity of most sample customers. On the other hand, our observations showed that the showcases of such lombard sales shops were always almost empty for nearly all the month but were full of items at the end/beginning of the month. This gives evidence to the high volume of defaults and to a large number of customers who make a good bargain in these shops, particularly under conditions of high inflation when jewelry, gold and silver provide a form of saving. However, lombard customers who take a loan and those who buy in these sales shops are obviously not the same people.

---

[17] During the Soviet period commission shops existed in addition to lombard houses.

Perception of Lombard Houses

In the following three questions we wanted to get an impression of what the customers think about the particular lombard where they were interviewed, what they think about lombard houses in general, and whether they make a distinction between public and private lombard houses.

  With regard to the first question, the open answers cover a wide range of aspects. 25 answers (24.8%) can be categorized as positive (quite good, fast and polite service, good conditions, the best one in the city, helps to survive, and the like), 21 (20.8%) as negative (poor, bad conditions, became worse, long queues, expensive, low assessment, and the like), 16 (15.8%) as indifferent, and 39 respondents (38.6%) did not express their opinion. Making a cross-tabulation between the answers and the particular lombard house, people's attitude towards the public Vasileostrovskiy Lombard is rather negative than positive (10 negative, 6 positive, 6 indifferent) and towards the two private lombards (United Lombard and Ikstlan) rather positive than negative (United Lombard: 9 positive, 4 negative, 2 indifferent; Ikstlan: 7 positive, 3 negative, 4 indifferent). Summarizing the information on other lombards where the interviews took place we can say that they were valued rather negative (4) than positive (3), with 4 answers being indifferent (4). The chi-square test on dependency, however, cannot be done due to statistical limitations.

  Asked about the perception of lombard houses in general, 13 respondents (12.9%) express a positive attitude (useful, helpful, etc.), 11 (10.9%) a negative attitude (cutthroat conditions, very bad, suck people dry, etc.) and 13 (12.9%) are indifferent (there are good and bad lombards, bad assessments but helpful, etc.) while the majority considers them necessary institutions (57 respondents, 56.6%), which is a neutral description that does not say anything about the respondent's attitude. A cross-tabulation with the perception of the lombard where we interviewed the respondents shows that customers have a tendency to consider "their" lombard as a better one than others or are indifferent to both.

  Asked about whether they make a personal distinction between private and public lombards, 45 respondents (44.6%) give an affirmative answer, 42 (41.6%) answer negatively, 8 (7.9%) do not know and 6 (5.9%) do not answer. Taking the valid percent, we have 47.4% with the affirmative answer and 44.2 with the negative one while 8.4% do not know. Asking them about the reasons of their preferences we cannot notice any clear tendency. Some respondents prefer public lombards, others are in favor of private

ones. There is a common prejudice against private lombards because they are believed to charge higher interest rates. In spite of this, some respondents prefer the private lombards due to their easier and quicker service procedures and higher credit sums. Others simply assume that state lombards are better and that one should not trust private ones. In this respect some respondents particularly emphasize that state lombards are safe while private lombards may get bankrupt. It is interesting that such an opinion prevails just shortly after the bankruptcy of the Russian state. In view of other respondents state lombards are more expensive (which is indeed true), and the state robs the people. The variation in the answers makes us assume that the respondents are not very well informed about loan conditions of different pawnshops, which is perhaps also due to low transparency of the lombard market. Even our research team had some difficulty in comparing the loan conditions, which vary widely. Furthermore, we could observe that some customers of private pawnshops believed that they are customers of a government pawnshop and insisted that the public ones have certain advantages to private ones. This is probably due to the fact that some of the old-established lombard houses of the Soviet period have been privatized and/or use names, which make people think they are in a public pawnshop.[18]

Choice of Lombard House, Source of Information

Here are the reasons that are important for the respondents in their choice of the lombard house:[19]

- **Good credit conditions** are important for 57.3% of the respondents and unimportant for 42.7%.[20]

- **A good reputation** is important for 38.5% of the respondents and unimportant for 61,5%.

- **Appropriateness of the location** is important for 82.3% of the respondents, which means that it is either close to the home or on the way to work, while it is unimportant for 17.7%.

---

[18] For details, see the chapter on the history of lombard houses.

[19] These reasons were already evaluated in a pre-test.

[20] 5 respondents did not answer with regard to the three first reasons mentioned, 6 for the fourth and 7 for the fifth reason. Our data refer to the sub-total of valid answers.

- **Long knowledge** is important for 50.5% of the respondents and unimportant for 49.5%.

- **Advertisement** is important for 30.9% of the respondents but unimportant for 69.1%.

- Four respondents consider **other reasons** important for their choice. One informant mentions that his choice depends on the public status of the lombard house, another one that his choice depends on the security to get his items back. The two other respondents refer to more practical reasons: the shortness of queues and the appropriateness of opening hours.

On the whole, the appropriateness of the place seems to be most important for the respondents in their choice. In other words, lombard houses which are situated close to subway stations, railway stations or bus terminals, big markets or large factories (which still operate), can be expected to attract more customers than the ones that are far from these places. A look at the map confirms that most lombard houses are strategically placed according to these criteria. A director of a lombard house chain mentioned that the oldest of his branch offices did not fulfill such criteria because it was taken over from the Soviet period. However, nowadays these geographical factors are important for opening a new branch office.

Next in importance is the answer "good credit conditions". But people's determinants to decide on this point are not clear to us (many customers do not compare the prices with other lombards). As already mentioned, the transparency of the lombard market is very low so it is difficult to compare prices and even a calculation of the real cost of a loan is not easy because it depends on how the interest is calculated (for example, on the basis of the assessment price or the loan sum). Furthermore, we found that many lombard customers do not act means-end rational (this is to obtain as much money as possible as cheap as possible), but in many cases customers only want to obtain a certain sum whereas the lombard house calculates the appropriateness of loan period. Therefore, the "good credit conditions" probably refer to other factors than the price, which might include the assessment of the pawn, the service, the loan period, the possibility to extend a loan if a customer is unable to redeem the pawn, preferential conditions for long-term customers, and so on.

Long knowledge is the next important criterion. As some customers explained in our deep interviews, a relation with a pawnshop often lasts a lifetime because in many cases their living conditions are always on the edge of poverty or, as we would say, below the

poverty line. In some cases, such a relation even lasts for several generations because the parents or grandparents already went to the same pawnshop.[21] The long-term existence of a lombard house seems to provide a guarantee for many customers that the lombard house is liquid and that it is safe to place one's pawn there. In the chapter on the history of lombards we already mentioned the fact that new companies had mushroomed after the liberalization of the financial market. But some of these companies either collapsed because of mismanagement or their bosses simply disappeared with the clients' property. Here the length of existence seems to fit both the locational aspect, i.e. that a particular pawnshop has existed in a particular place for a number of years and the long knowledge of the company's names. With regard to the latter, we have to keep in mind that the only public lombard chain of the Soviet time split up in a few private chains and private companies continued to use the old name, which might confuse a number of older people. However, many of them explicitly mentioned the only public *Vasileostrovskiy Lombard* as their favorite one because they remember that it was a state lombard in Soviet time. Good reputation, which ranges next, is, to some extent, related to long knowledge, although for a number of respondents it is less important than the knowledge aspect.

Advertisement (mainly radio advertising, advertisement newspapers and advertising on leaflets distributed for free, advertising on banners or nameplates) seems to be rather unimportant for most customers. Whether or not this results from Soviet socialization cannot be decided on the basis of the available data although I argued elsewhere that in today's Russia network relations are more important for many people than anonymous market relations (Schrader 2000). Personal network functions as information network and it is here that information on lombard houses also circulates. This has been confirmed by our deep interviews.

This is also reflected in the answers of our respondents when explained how they got knowledge of "their" lombard house. They could select between five different pre-defined answers, which included an open category "other sources". The most frequent answer was location (28 answers, 27.7%) followed by advertisement (24 answers, 23.8%) and recommendation (24 answers, 23.8%). 12 respondents (11.9%) went to this

---

[21] This holds true for those pawnshops, which already existed, at the same place during the Soviet period. Here the time-space aspect seems to be more important than the public-private aspect.

particular lombard from force of habit and 10 (9.9%) mentioned other reasons, which they did not explicitly explain.

The fact that advertisement is second here contradicts our former results. However, I believe that advertisement, location and personal information work together: one gets information about a lombard by advertisement or by passing by the lombard and then asking friends and relatives about its reputation, length of existence, loan conditions, and so on. A cross-tabulation with our two age groups does not show a dependency on the variables, which might be expected.

Shame

Our last three questions refer to the problem of shame. People take no neutral attitude towards poverty. In a number of cases it is caused by certain social problems in the family history such as divorce or the partner's sudden death, in other cases by alcohol or drug abuse, in other cases again by reasons outside the personal sphere, such as loss of a job. We did not want to ask directly whether people were ashamed to be customers of lombard houses, so we tried to get the answer in the indirect way by asking whether and to whom they talked about going to a lombard house.

Generally speaking, 64 respondents (63.4%) talk about taking lombard loans, while 35 (34.7%) do not talk about this (missing: 2 answers, 2%). Asked about who they talked to about this, 62.5 percent of those 64 people said they only talked to socially close people, 32.8% to "everybody", and 4.7% to other people whereas they did not specify who those were. Those who did not talk about this referred to several reasons. 14 respondents consider it "shameful" (one person: "amoral"), 4 respondents consider it their "private matter", 3 persons do not want to recommend these institutions to their friends, 2 respondents consider it dangerous (for whatever reason). The other answers are more neutral ("first visit", "no one asks", etc.). The rather high openness of talking about taking lombard loans was rather unexpected to us. To explain this plausibly is not very difficult. First of all, a large part of the Russian population is struck by poverty. According to government information, 25% of the Russian population is poor. Secondly, as we already saw in other questions, people in general do not make themselves personally responsible for their financial situation, but consider politics (perestroika) or the system to be responsible for it. With this in mind it is not so

shameful to be poor as in the case when poor living conditions result from one's personal inability.

Conclusion

Coming back to our main research hypothesis that:

lombard houses are important institutions for the life strategies of particularly low-income households to survive under difficult circumstances

we can see that our data support this. Our two poverty assessments, which are based on minimum incomes per capita and added up according to the composition of the household, show that our first assessment outlines 73.3% of the sample households which fall under the category of "poor" and our alternative assessment is 60,5%. When we compare these data with the government data that 25% of the Russian households fall under the category of "poor" we can assume that not only households with lower incomes, but also really poor households have an over-proportionate share among lombard customers. However, we emphasized several times that as a lombard customer one needs to have something to pawn, which means there must be some "property" left. In the public lombard house which also accepts old and cheap household utensils for pawn: single cups, old shoes, and the like we saw what can be counted among such property. But the lombard institution as such also explains why people do not want to lose their pawn. Once the pawn is lost, the door might be closed for future lombard credit because one has nothing else to offer.

Indeed, the public lombard seems to be a social institution with regard to the pawns accepted, but not with regard to the price structure because it is the most expensive in our sample. This is due to the lack of large capital resources, which the lombard has experienced since the government stopped subsidies. Nowadays, lacking the resources of shareholders, the lombard has to take large bank loans and pay high interest, and the risk, particularly in low-value pawns with almost no market value, is much higher than with gold or jewelry. This is why most private lombard houses exclude such high risk customers by only accepting gold, silver and jewelry, or expensive consumer goods which can easily be sold in case of default.

The assessment of our respondents who belongs to lombard customers also shows that 31.7 % of them believe themselves to be poor and 18.8 % of them think they are less poor while 47.5 % believe that they belong to other income groups. The last category also leaves room for poor people belonging to the customers.

Of course, poverty strategies include not only opening up and maintaining potential credit sources, the lombard being one of them. They require some "social creativity" to find additional income opportunities either in the formal or informal sectors. Also a survival strategy is to reduce one's expenses. One way of doing so is subsistence production, which takes place at innumerous *dachas*. 40.6% of the respondents have access to such a dacha and make subsistence production. In many cases the property rights on dachas are not yet clarified. In other cases the *dacha* houses have been privatized or rented (the ground belongs to the state). However, we also saw people just begin to grow potatoes on so far empty state land and by doing so put their claims on it. When the potatoes get ripe they build tents for themselves to protect their fruits of labor from being stolen at night. Equipped with a gun and a bottle of vodka they watch their fields. Later on they might claim property of this land by customary rule when privatization of land begins.

With regard to the economic crisis in Russia we saw that it was more or less going on and that the living conditions of most people in our sample had deteriorated. While three quarters of the sample respondents explained that before the Gaidar reforms they had had a sufficient income, in October 1998 only half of them and in spring 1999 less than 20% believed so. And most of them did not expect the future to be much different from the present or expected it to be even worse.

With regards to the assessment of lombard houses, most respondents consider them necessary. While some people, particularly the elderly, believe that lombard houses are very bad, exploitive institutions, which people have to use because there is no other way out, other people are more neutral in their statements and argue with regards to loan conditions or the service offered. Private and public lombard houses are judged differently. Most people who are customers of private lombard houses are content with the service offered, while the public lombard receives lower appraisal. On the whole people seem to be rather content than discontent with lombard houses.

A recommendation for politics should be as follows. In general we believe that the private lombard market has the capacity to offer the customers a service which is appropriate for their requirements and lucrative for the enterprises as well. Of course,

government regulations, which set the framework of operation and exert a certain degree of control over these financial institutions, are necessary. The pawnshop associations also exert certain influence on their members. In the case of the Interregional Pawnshop Association we saw that one of its aims was to make the market more transparent for the customers. Healthy competition would benefit the market as a whole and throw the "black sheep" of lombard business out of the market. Such a transparence would benefit the image of lombard houses and increase the business volume as a whole.

However, as the second pillar of the lombard market and particularly for its lowest segment, the poor people, we would recommend the government or city administration to operate subsidized lombard houses, which run cost covering and do not aim at profit. They should offer a social service to all the people, who do not have the access to private lombards because they have nothing in value to offer. Interest rates could be linked to the private ones, but the range of pawns should include such items, which the private lombards do not accept. This means that we would have two segments of the lombard market: a higher segment, which is covered by the private pawnshops and includes all the customers who have valuable things to offer and a lower segment for the poor people with little to offer. Of course, if the range of accepted items of both types of institutions would overlap to some degree, this would stimulate competition between private and public lombards, which would in turn benefit the customers.

References

Chekhovskich, I. and Schrader, H. 2000 'The History of Pawnshops in Russia: A Documentation' *Working Paper No. 325*, University of Bielefeld: Sociology of Development Research Centre.

Elwert, G., Evers, H.-D. and Wilkens, W. 1983 'Die Suche nach Sicherheit. Kombinierte Produktionsformen im sogenannten informellen Sektor', *Zeitschrift für Soziologie* 12(4).

Korff, R. 1994 'Traders in the City: Power and Social Creativity', in H.-D. Evers and H. Schrader (eds) *The Moral Economy of Trade. Ethnicity and Developing Markets*, London:: Routledge.

Patchenkov, O. and Schrader, H. 2000 ''Let's Go' - The History of a Post-Soviet Pawnshop in Saint Petersburg and Its Chairman' *Working Paper No. 324*, University of Bielefeld: Sociology of Develoment Research Centre.

Schrader, H. 1997 *Changing Financial Landscapes in India and Indonesia. Sociological Aspects of Monetization and Market Integration*, Münster, Hamburg and London: LIT (also published in New York St. Martin's).

Schrader, H. 1999 'The Role of Pawnshops in the Life Strategies of Lower Income Groups - A Preliminary Study in Saint Petersburg/Russia' *Working Paper No. 316*, University of Bielefeld: Sociology of Development Research Centre.

Schrader, H. 2000 'Soziologische Überlegungen zur Problematik des russischen Transformationsprozesses von Wirtschaft und Gesellschaft', in H. Schrader, D. Gavra, M. Glagow and M. Kleineberg (eds) *Russland auf dem Weg zur Zivilgesellschaft?*, Münster, Hamburg, London: LIT.

Scott, J. C. 1976 *The Moral Economy of the Peasant*, New Haven, Conn: Yale University Press.

Questionnaire

Code	Questions
Research	Interviewer/Interview:
Date	Interview Date:
Lom	Lombard House:
Part A:	**The Respondent**
Age 1 2 3 4 5 6 7	Age of Respondent to 18 18 – 25 26 – 35 36 – 45 46 – 55 56 – 65 > 65
Sex 1 2	Sex: Male Female
Marit 1 2 3 4	Marital status: Married Single Divorced Widowed
Educ 1 2 3 4 5	Highest educational degree: Highest Semi-middle Middle Not finished school Still education
Emplstat 1 2 3 4 5 6	Employment status: Employed Unemployed Hidden unemploment Pensioner Invalid Householder
mainjob	Primary occupation:
otherjob	Other occupation(s):
Part B	**The Partner**
Partner 0 1 2	Partner living in the household: No partner Husband or wife Boyfriend or girlfriend
Peduc 1 2 3 4 5	Highest educational degree of partner: Highest Semi-middle Middle Not finished school Still education

Pempsta 1 2 3 4 5 6	Employment status of partner: Employed Unemployed Hidden unemployment Pensioner Invalid Householder
Pmainjob	Primary occupation of partner:
Pojobs	Other occupations of partner:
Part C	**The Household**
Hhtype	Which people are living in the household:
Hhmemb	How many people are living in the household:
Moneyass	How much, do you think, would you need per month to make a living (in rubles):
Hhincome	Which is your monthly household income (in rubles)?
Conthhi	Which household members contribute to the household income:
Dacha1	Do you have a dacha?
Dacha2 1 2 3	If yes, for what purpose you raise produce? Subsistence Sale Subsistence and sale
Crisis1 1 2	Was your household budget sufficient before 17 August 1998? Yes No
Crisis2 1 2	Was your household budget sufficient before Gaidar reforms? Yes No
Sufhhinc 1 2	Is your household budget presently sufficient? Yes No
Beginsb	If no, when did the insufficiency begin?
Causedecl	Which were the causes for the declining household income?
Assfutur 1 2 3 4	How do you assess the future situation of your household? Worse Same Better Don't know
Part D	**The Lombard**
Custlom1 1 2 3 4	Which kind of people is going to the lombard according to your opinion? Poor Not so poor Not poor Different People
Custlom2 1 2 3 4 5	Which kind of people is going to the lombard according to your opinion? Rather old people Middle-aged Younger people Of all age groups Don't know
Freqcred	How often do you take credit from the lombard?

1	More often
2	Less often
3	Sometimes
4	Don't know
5	First time or once
	If you need a credit, to whom do you go first, second, third and fourth? Please rank:
Ranklom	Lombard:
Rankrel	Relatives:
Rankcol	Friends/colleagues:
Rankoth	Other sources:
	What are the reasons to take credit from:
Reaslom	Lombard:
Reasrel	Relatives:
Reascol	Friends/colleagues:
Reasoth	Other sources:
Lend1	Do you also lend money to other people?
1	Yes
2	No
Lend2	If yes, to whom?
Debts1	Do you have debts at the moment?
1	Yes
2	No
Debts2	If yes, to whom and how much?
Debtrep	Can you pay these debts back?
1	Yes
2	No
Debtlom	Do you have credit from a lombard at the moment?
1	Yes
2	No
Intpaym	If yes, can you pay interest?
1	Yes
2	No
Purpcred	For what purpose(s) you take lombard credit?
Lompuch	Do you also buy something from the lombard shop?
1	Yes
2	No
Part E	**The Pawns**
Credtime	After what time you usually redeem your pawn(s)?
1	Less than one week
2	One to two weeks
3	Two to three weeks
4	Three weeks to one month

5	One to two months
6	Two to three months
7	Three to six months
8	Six months to one year
9	More than a year
10	Never
Pawnper1	Do you find the offered loan periods appropriate?
1	Yes
2	No
3	Don't know
Pawnper2	Would you prefer longer periods?
1	Yes
2	No
3	Don't know
Prespawn	What did you pledge this or last time?
Asspawn	How much was the assessment of the pawn (in rubles)?
Credsum	How much did you obtain for loan (in rubles)?
Repsum	How much do you have to repay for redemption?
Credcat	Into which category of credit sum fits your present or last loan from lombard?
1	Less than 50 Rbl.
2	50-99 Rbl.
3	100-149 Rbl.
4	150-299 Rbl.
5	300-499 Rbl.
6	500-999 Rbl.
7	1000-1499 Rbl.
8	1500-2499 Rbl.
9	2400-4999 Rbl.
10	More than 5000 Rbl.
Loss1	Did you already lose pawns at the lombard?
1	Yes
2	No
Loss2	If yet, what did you lose?
Wredempt	Did you want to redeem these pawns, which you lost?
1	Yes
2	No
Frequloss	How often did you lose pawns at the pawnshop?
1	Always
2	Sometimes
3	Never
Percept1	What do you think of this lombard?
Percept2	What do you think of lombard houses in general?
Pubpriv1	Do you prefer public lombard houses to private ones?
1	Yes
2	No
3	Don't know
Pubpriv2	What do you think of both types of lombards?
	Which of the following reasons are important for your choice of lombard?
Choice1	- Good credit conditions
1	Important
2	Not important

Choice2	- Good reputation/recommendation
1	Important
2	Not important
Choice3	- Appropriate Place
1	Important
2	Not important
Choice4	- Long knowledge
1	Important
2	Not important
Choice5	- Advertisement
1	Important
2	Not important
Choice 6	- Other reasons:
Getknow	From where did you get the information about this particular lombard?
1	Close to my home or work/on my way
2	Recommendation
3	Advertisement
4	Custom
5	Other reasons
Shame1	Do you talk with other people about pledging something in the lombard?
1	Yes
2	No
Shame2	If yes, with whom?
1	Everybody
2	Socially close people
3	Other people
Shame3	If know, why not?