Towards a greater financial inclusion of migrants

The role of targeted financial services in mitigating socio-economic risks

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Seasonal distress migration within India is often characterized by erratic incomes and employment, shorter work life and early retirement, cash flow volatilities at source, debt burden and exclusion from formal financial institutions. With the help of detailed case studies from southern Rajasthan, this paper examines how seasonal migrant workers and their families manage many such socially recognized risks; What are some of the informal coping mechanisms that households employ to reduce vulnerabilities induced by migration; And what role do targeted financial services play in protective social security of migrant workers? The economic choices and vulnerabilities of migrant workers and possible interventions to mitigate associated risks are analyzed with respect to three key elements viz. financial planning and management of cash flows; asset allocation and wealth creation; and protection from and diversification of risks.

1. Introduction

India’s growth has been characterized by regional and sectoral imbalances. While some states such as Maharashtra, Tamil Nadu, Andhra Pradesh, Gujarat and Delhi NCR are known for their robust economies and employment opportunities, less developed states such as Bihar, Uttar Pradesh, Odisha and Rajasthan struggle with the insufficient opportunities for their ever-growing workforce. With 10-13 million new entrants in the labour market each year, most of whom are rural and unskilled, the manufacturing and services sector must grow to accommodate the growing workforce in the country (The Economist 2011). Given the regional imbalances in growth however, labour mobility from less developed regions to economically better-off regions within India is an inevitable phenomenon. It is estimated that there are approximately 100 million circular migrants in India who leave their villages in search of livelihood opportunities elsewhere (Deshingkar and Akter 2009). Unfavourable conditions for large scale agriculture, insufficient employment opportunities in the local economy and often compel young workers to migrate to nearby cities and work in the informal economy. At the same time the promise of higher wages and better work opportunities also draw migrants in large numbers from rural areas to urban locations. Majority of the internal migrants in India are engaged in the construction industry, followed by domestic work, textiles, brick-kilns, mines and quarries, agriculture, food processing and the hotel and restaurant business. Such labour mobility is thus central to the growth of the Indian economy, which is largely driven by the service and industrial sectors. For several of these migrants, migration is a vulnerable and insecure process, yet it is a journey that they must undertake for survival. In most cases such migration begins with an advance against wages so that the cash requirements of the migrant’s family at source are met. The settlement of these advances however is often fraudulent. Furthermore, a large number of the migrants are unskilled and engage in high-risk occupations at destinations (Deshingkar et al. 2008) and yet very few are covered by formal insurance or pension services. Hard physical work

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from a young age implies that these migrants retire at an early age as well with no formal access to pensions. Lack of identity often keeps them isolated from formal financial institutions that require strict KYC compliance. Erratic incomes, settlements, unsecure remittances and limited access to saving instruments often result in cash flow volatilities at source and due to poor financial literacy, such factors place the migrant households in a position of high vulnerability.

There have been state responses to address the risk management needs of migrant workers in the form of the Unorganized Workers' Social Security Act, 2008, the Swavalamban pension scheme and Swabhimaan financial inclusion programme. However their actual impact on social protection of migrant workers is still unclear. Given that nearly 91% of the workforce in India is in the unorganised sector (The Economist 2011), there are very limited social protection measures on offer by contractors and employers in the informal economy. Furthermore initiatives such as no-frill accounts, the business correspondent model and remittance services by commercial banks and regional rural banks have attempted to provide migrants with better access to financial services. Yet within the discourse of financial inclusion of migrant workers, social protection measures for migrants and their unique social security requirements have largely been ignored.

Although migration plays an important role in the socio-economic lives of these populations, in policy circles and development practice, the discussion on financial needs of migrant workers has been restricted to remittances and its impact on poverty and inequality. However the specific financial needs and risk management instruments for migrants and their households at different stages of their life cycle are neither addressed by existing financial inclusion models nor adequately discussed in debates surrounding financial inclusion of migrants.

This paper seeks to address this gap by suggesting that targeted financial services are a critical element in enabling social protection of migrant populations. Using a conceptual framework of social protection for migrant workers and detailed case studies of seasonal migrants from the Gogunda block and Kumbalgarh block of south Rajasthan in India this paper highlights the following key points: (i) Seasonal migrants are often affected by erratic incomes and employment, shorter work life and early retirement, cash flow volatilities at source, debt burden and exclusion from formal financial institutions; (ii) Migrant households adopt various coping mechanisms to manage such risks, but these are not sufficient to reduce vulnerabilities faced by them and (iii) Targeted financial services can help in managing the afore-mentioned socio-economic risks.

This paper is structured as follows: Section 2 describes the research question and methodology; Section 3 contains current discussions on social protection, financial inclusion and socio-economic risks faced by migrants and various coping strategies adopted by and accessible to them. This discussion is supplemented by detailed case studies in Section 4 on migrant workers in the Gogunda block and Kumbalgarh block of south Rajasthan. Section 5 addresses the gaps in financial services for migrants and makes a case for its role in management of socio-economic risks, followed by concluding remarks in Section 6.
2. Research Question & Methodology

This paper seeks to answer three key questions: (i) What are the socio-economic risks that seasonal migrants in the country face?; (ii) Are there informal ways to cope with such risks and are these mechanisms effective? and (iii) Can targeted financial services aid in better management of the above mentioned socio-economic risks?

The study is based in the Gogunda block and Kumbalgarh block of southern Rajasthan. Migration is a socio-economic reality in the southern part of Rajasthan. The semi-arid geography, hilly terrain, heavy dependence on rainfall and agrarian distress has resulted in heavy dependence on migration as a livelihood strategy. Only 13% of the total land area in Gogunda is fertile while 15% in Kumbalgarh is under cultivation (Aajeevika Bureau 2007; 2008). Nearly 50% of households in Gogunda and 27% in Kumbalgarh belong to the Scheduled tribe (ST) community – a group whose migration experience is relatively unskilled and more vulnerable than others. The Gogunda block profile on migration and labour (2008) revealed that nearly 54% of the households reported having at least one person who migrates in search of work. Such migration is predominantly individual male migration, i.e. the male member migrates while the family stays behind in the village. On an average each panchayat would have around 500-600 migrants, with several households having more than one migrant. 85% of all migrants were involved in some form of unskilled work at destination. High-risk work sectors like mining are almost entirely dominated by workers from the tribal community.

Detailed interviews were conducted with 37 migrants and their households in Gogunda about their migration cycle, their financial management practices, their risks and coping mechanisms adopted by them. These migrants were interviewed in their source region and following their testimonies detailed case studies were prepared. Their economic choices and vulnerabilities have been incorporated into the case studies and analyzed with respect to three key elements viz. financial planning and management of cash flows; asset allocation and wealth creation; and protection from and diversification of risks.

3. Social Protection of Migrant Workers and Targeted Financial Services

3.1 Social Protection

Social protection has been defined in myriad ways by international institutions and development agencies, each with a greater focus on one particular aspect of social protection. The ILO definition for example focuses on social insurance and extension of services to the informal sector, the World Bank has conceptualised it in terms of risk management, while the ODI focuses on vulnerability, deprivation and the extreme poor (Sabates-Wheeler and Waite 2003: 5). Unni and Rani (2002) however assert that in addition to basic securities such as food, shelter, health, education and income, the concept of social protection should also include economic security i.e. it should include promotion measures to improve real incomes and endowments, preventive measures to reduce vulnerability and deprivations and protective measures to provide relief from deprivation. Sabates-Wheeler and Waite define it as measures undertaken “to reduce vulnerability and manage the risk of low-income individuals, households and communities with regard to basic
consumption and social services” (2003: 5). They provide a conceptual framework on social protection of migrant workers. In addition to the promotive, preventive and protective definitions of social protection, they also highlight transformative measures for social protection, both formal and informal. These transformative measures aim to alter the bargaining power of certain groups in society and focus on empowerment and rights as well (ibid). While they also viewed migration in itself as a form of social protection, this paper will focus on social protection for migrants as defined by Sabates-Wheeler and Waite (2003). Within that definition of social protection, this paper aims to highlight the role of targeted financial services for migrants and their households in providing and enhancing social protection from various socio-economic risks. The author recognizes that while financial services by themselves do not enable social protection, they form a critical element of the same. The promotive element of targeted financial services is well understood, however in the context of seasonal migration, the preventive, protective and transformative role of financial services, i.e. its ability to reduce vulnerability, manage risk and alter the bargaining power of vulnerable migrant populations has been overlooked. This paper highlights the ability of targeted financial services to offer these key elements of social protection in the context of internal migration in India.

3.2 Debates surrounding Financial Inclusion of Migrants

Populations that migrate internally in search of work are an economically active group. Given the magnitude of internal migration in India, the inclusion of this group in the formal financial system is important. The available literature on financial inclusion of migrants provides estimates of the magnitude and composition of remittances and linkages of migrants to bank accounts. India has the second largest domestic remittance market in the world (Tumbe 2011). It is also estimated that of the total domestic remittance flows in India only 30% are routed through formal channels. This is in stark contrast with China where 75% of the remittances are formally routed (ibid).

Domestic remittance dependency also has shown an increasing trend for most sending states since the 1990s with an estimated 41% of consumption expenditures being financed by domestic remittances in 2007-08 (Tumbe 2011). Huge variations have been observed in the use of domestic remittances – while most rural households report its use in consumption expenditure and loan repayments, a small proportion of the migrant households in rural areas also utilize income from migration in asset creation, savings and investment or towards mitigating various socio-economic risks (Thorat and Jones 2011; Tumbe 2011; Deshingkar et al. 2008).

The synthesis report on remittance needs and opportunities in India commissioned by GIZ and NABARD (Thorat and Jones 2011) studied four key migration corridors in the country and their linkages to bank accounts. The study revealed that 86% of respondents in the Rajasthan-Gujarat migration corridor did not have bank accounts and of the remaining, 10% had bank accounts that were no longer being used. This was in contrast with the UP-Mumbai migration corridor where 60% of the respondents were using bank transfers to remit money home. In addition to remittance patterns, the study also revealed that several respondents were unaware of no-frill accounts and those who were aware did not know where to avail such a service. Furthermore, respondents expressed discomfort in dealing with banks due to their own illiteracy and in some
cases insensitive bank employees (ibid). These were identified as some of the reasons for poor inclusion of migrants in the formal banking system and informal remittance flows. Moreover most banks do not maintain data about remittance flows or financial services accessed by migrant workers. This poses a challenge in estimating the demand of financial services from migrant communities. In addition to this in the discussion on financial services for migrant workers, the banking system often views remittances as an isolated transaction. The demand for other services is often unnoticed (ibid).

The role of remittances in reducing poverty at source and creating wealth is a popular theme. However the role of targeted financial services designed and delivered in unique ways for migrant workers is uncommon. The vulnerability and deprivation faced by migrant communities is rarely viewed as a result of lack of risk mitigating and wealth building financial services. Tumbe in his paper eventually suggested that poorer sections of society are “unable to enjoy the benefits of migration due to relatively lower labour mobility and lower returns to migration” (2011: 21). While it has been widely recognized that it is not the poorest of the poor who migrate (Deshingkar et al. 2008), yet Tumbe’s assertion needs to be taken a step further. Lower returns to migration can be viewed as an effect exacerbated by distinctive socio-economic risks that migrants face. The available literature contains debates surrounding internal migration and remittances, their role in poverty alleviation and development; however there is little emphasis on the socio-economic risks involved in the very process of migration and the how financial inclusion can be seen as a way to mitigate these risks.

3.3 Risks faced by Migrants and Coping mechanisms

In the southern blocks of Rajasthan migration begins as early as the age of 12-14 years. This is when the migrant has just entered the labour market and is a secondary wage earner of the household. Between the ages of 20-30 years, he becomes the primary wage earner and his earning ability peaks at this point. By the age of 30-35 years, he slowly begins making an exit from the labour market and retirement from work life looms before him around the age of 40-45 years.

![Figure 3.1. Economic Life-cycle of Migrant Workers in India](image)

In addition to commonly understood risks such as accident, death, health shocks, agricultural decline and loss of livestock, such an economic life cycle poses several additional risks - a shorter work life and early retirement, early return to source, degenerative disorders and occupational
health risks in hazardous industries. Since most migrants tend to be engaged in the informal sector, their work is characterized by informal contracts and hence uncertainty of wage payments, compromise in negotiations with contractors and inability to advance one’s skills. (Deshingkar 2006; Rogaly and Rafique 2003). The informal agreements also do not guarantee social protection in case of accidents or occupational illnesses.

Additionally several migrants lack proper documentation (proof of identity and address) and fail to access basic services like accommodation, food, not to mention their inability to meet KYC requirements of financial institutions (Deshingkat et al. 2008). Exclusion from banking services also implies that informal remittances are subject to the risk of theft. Thorat and Jones (2011) found that at least 16% of respondents from Rajasthan reported having experienced theft in informal remittances. The database of over 70,000 seasonal migrants from Aajeevika Bureau shows that only 36% of registered migrants had a bank account (although actual use of bank accounts is also quite debatable), while only 32% reported having some form of insurance. Deshingkar (2006) also points out that even though migration is seen as an escape from exploitative caste dynamics in the villages, the same dynamics play out at destination where migrants are restricted to certain occupations based on their caste. This seriously limits upward mobility into more skilled jobs, particularly for scheduled tribes and schedules castes.

Mosse et al (2005) highlight the fact that most formal channels for protection of seasonal migrant workers such as the Minimum Wages Act (1948), the Inter-State Migrant Workmen (sic) Act (1979) and the Construction Workers Act (1996) among many others have demonstrated a bias towards formal sector workers and hence failed to deliver. As a result most informal sector migrant workers rely on contractors and agents to cope with socio-economic risks. This relationship often is very exploitative in nature and yet in the absence of formal financial services or access to the same, these agents are relied upon as a coping strategy to gain credit and remit money home. According to Thorat and Jones (2011) informal strategies to manage migrant finance have gained prominence over more formal methods. They found that most migrants from Rajasthan relied on friends and bus drivers or conductors to remit money home. Also in case of emergencies the migrant would contact a moneylender in the source village to obtain credit, which often involves expensive interest rates and no written records. Rogaly and Rafique (2003) studied the processes behind the access and use of remittances by seasonal migrants and suggested that while male migrants may need to compromise on work conditions, women left behind in the villages often bank on social relations and networks to manage their cash flows and obtain credit. Highlighting the economic vulnerability associated with seasonal migration, they discovered that the form of savings that most migrants adopt is that of ‘saving down’ i.e. availing advances or loans in exchange of future labour, thereby making their access to cash and possibility of ‘saving up’ more challenging and exploitative. This means of ‘saving down’ is often adopted as a mechanism to cope with cash flow volatilities, sudden economic shocks and emergencies.

There are noticeable gaps in financial tools and service delivery that increase dependence of migrants on informal and exploitative coping mechanisms. For instance, lack of access to banks and convenient remittance services increase dependence on middlemen, eliminate the possibility of secure savings and limits the investment and wealth accumulation options of migrants.
Furthermore, poor linkages to formal insurance and pension schemes push migrant households towards availing expensive debt in villages to deal with sudden accidents, emergencies or even old age. These risks, that are far more pronounced in migrant populations, have been acknowledged (Thorat and Jones 2011), however in practice, there are limited interventions that address this gap. Several of these schemes are sound in design, however in several instances, migrant workers are unable to access some of these schemes as a result of gaps in financial services. Furthermore, most discussions on financial services for migrants have been limited to remittances as isolated transactions rather than merging them with savings, credit and insurance that have a larger ability to address the risk management needs of migrants (Thorat and Jones 2011). Using data from migrant workers in Andhra Pradesh, Samal (2006) suggested that domestic remittances could be used as a tool to have positive impacts on wealth creation and asset accumulation of migrant households, provided there are institutional arrangements to provide credit, access to social security services, health services and information flows. This very view is echoed by Deshingkar (2003) that migration can result in asset accumulation provided there are supportive services to reduce the vulnerabilities associated with it. Similarly, the report of the committee on financial inclusion (GOI 2008) chaired by C. Rangarajan suggested that access to various core banking solutions such as savings, micro-insurance and credit can serve as a basis to improve the use of remittances for domestic migrant labourers. It also highlighted the need for providing a combination of low cost financial services for migrant workers in urban areas (ibid).

The needs of migrant workers have been inadequately addressed through state social security schemes and formalisation of financial services. The actual benefits derived by migrant workers from schemes such as the Unorganized Workers’ Social Security Act, 2008, the Swavalamban pension scheme and Swabhimaan financial inclusion programme are still unclear. Commercial banks and rural regional banks have also made attempts to improve financial access for migrant workers by introducing no-frill accounts, convenient remittance services and the business correspondent model. However dedicated risk mitigation needs of migrant workers have received little attention in formal financial institutions and remittances have been treated as an isolated financial service for migrants. In this perspective, there are emerging models of social protection and financial services for migrants pioneered by civil society organisations. The emergence of such models has also been recognized by the YES Bank and AIF report on migration. The report states that while there are several government interventions to address social and economic insecurities of migrant workers, there is a rise in the role of civil society in addressing gaps in social protection (Sukh et al. 2009).

Notable among them is the work of Aajeevika Bureau - a specialized public service organization set up to provide solutions, services and security to seasonal migrant workers. Aajeevika Bureau offers services such as identity and registration, skills training, legal aid and collectivisation for migrant workers through a network of field offices at both source and destination. They are currently operational in 4 districts of Rajasthan and 3 destination centres in Gujarat and have partner organisations across the country in heavy migration corridors. In addition to this Aajeevika Bureau also set up a section 25 company named Rajasthan Shram Sarathi Association (RSSA) in 2007 to provide financial services and solutions to migrant workers and their households. RSSA identified that seasonal migrant workers have unique socio-economic needs
and hence pioneered the concept of targeted financial services for migrant workers in India. RSSA’s model includes a mix of micro-loans at source, informal savings instruments, bank linkages, social security schemes, insurance products, micro-investment options, financial literacy and counselling specifically targeted at migrant workers. Such a targeted model calls for innovations in the design as well as delivery of basic financial services. It also focuses on three key elements of economic choices and vulnerabilities of migrant workers viz. financial planning and management of cash flows; asset allocation and wealth creation; and protection from and diversification of risks. Seasonal migration is often characterized by erratic incomes and remittance flows making it difficult yet necessary to plan for the future. As a result migrant households deal with cash flow volatilities at source, distress sale of assets and even expensive loans to manage their cash flows. The high costs of migration, shorter work life cycle and exclusion from formal financial services make it difficult for migrants to accumulate wealth and acquire assets such as land, housing, cattle, jewellery and financial assets. The stagnation and in many cases depletion in their asset base exacerbates their vulnerability to sudden shocks such as illness, accident, death and other social events. Given the low agricultural yield at source and the heavy dependence on migration labour for their livelihood, the risks faced by migrants are poorly diversified. A sudden break in employment or unfavourable labour market conditions would place the migrant household in a state of prolonged economic instability and decline. Their inability to cope with risks such as erratic employment, early retirement and informal work arrangements in hazardous industries is not only a result of their isolation from social security services but also their exclusion from protective financial services.

The Aajeevika Bureau and RSSA model recognizes that social support services and financial services have to be integrated to address the specific needs of vulnerable migrant workers and enable economic well-being of their households. It is with this view in mind that targeted financial services for migrant workers acknowledges the need for specialised financial services such as insurance, pension, savings and credit to address the risk mitigation needs of migrant workers in addition to remittances and other social protection measures as shown in Figure 3.2.
Financial inclusion of migrant workers hence cannot be viewed in isolation from their unique social protection needs. In fact they can be viewed as a key component of promotive, preventive, protective and transformative social protection of migrant workers. It is therefore of significance to expand the scope of financial inclusion of domestic migrant workers to include information flows and services that enable social protection and improve returns from migration for those who are compelled to move in search of work. The next section provides detailed case studies highlighting the afore-mentioned social risks and choices made by migrant households to cope with them.

4. Case Studies

4.1 The Case of Javeriram Gameti

Javeriram aged 34 years is a resident of Aantri village in south Rajasthan. He was only 5 years old when his father passed away, after which he was unable to continue going to school. He is married and has two daughters. On the small piece of land that his family owns he cultivates coriander, corn, wheat and grass. His household has 2 bulls, 1 buffalo for their own milk consumption and 3 bhigas of land for agriculture. The only other asset he owns is ¼ kg. of silver jewellery from his marriage 9 years ago.

Javeriram has been working as an unskilled labourer in the construction and mining industry for as long as he can remember. He has no fixed source of income and migrates to neighbouring districts and states as and when unskilled work is available. He earns Rs. 100 a day and hasn’t had any increment in his wages for a while. Usually his wages are settled by the contractor every 10-15 days. He has often availed advances from the contractor prior to migrating, however he maintains no records of the same and suspects that the final settlement is not always fair.

He saves all his extra cash in a peti at home and does not possess a bank account. Javeriram had taken out a 6 year insurance plan with a private company named PACL ltd. in January 2008. He has no receipts with him of the transaction at all and his policy was discontinued once the agent disappeared. His absence from source during this incident made it difficult for him to follow up with the agents and on insurance payments. As a result of this experience he now refuses to purchase any other insurance plan.

Javeriram’s household suffers from negative net cash flows in almost every month of the year. Their annual expenses amount to Rs. 37,000 which is Rs. 7,000 more than their annual income of Rs. 30,000. They usually balance their cash position by borrowing from friends and relatives nearby thereby placing them in debt all year round. His wages are not enough to run the household, so he takes loans from local moneylenders to balance his cash flow position. He regularly avails loans from a local moneylender. The moneylender usually writes off every repayment against interest due but does not write off the principal amount. So the account remains outstanding perpetually. Furthermore since Javeriram does not maintain a record of how

\[ A \text{ peti is a traditional storage box made of either mud or steel to store personal effects such as clothes, jewellery and household items} \]
much he has paid or what it was written off as, he keeps making payments to the moneylender as and when he demands it. In his absence his family finds it difficult to negotiate a reasonable interest rate and hence have to settle for extremely high interest rates in case of cash deficiencies at source. Javeriram’s household regularly takes loans for health emergencies as often as 2-3 times a month. His first daughter, Kamla has been ill since the day she was born. Her condition required treatment every 15-20 days which results in a monthly healthcare expense of Rs.1,000. In all he spends nearly 50% of his annual income on healthcare alone.

Javeriram’s family does not possess a ration card. He filled out the form a year ago, however due to his prolonged absence from source he is unable to follow up on this matter. There were local elections 2 years ago and a new sarpanch and a new sachiv were appointed. However both of them are not very co-operative and hence are of limited assistance to Javeriram. As a result of this, his household has to purchase grains and groceries at regular market prices which is unaffordable and unnecessary.

While Javeriram’s household is largely dependent on his manual labour, he sells coriander once every 3 months and earns a profit of approximately Rs. 1,000 every quarter. He also rents out his bulls for 1-3 days a month, usually during sowing season. However it costs him a lot more to maintain his bulls Although he sells coriander and rents out bulls, their contribution to his household’s income is negligible.

Javeriram’s migration destination still remains indefinite and varies depending on the availability of unskilled work. He currently moves between his village in Kumbalgarh and multiple destinations in Rajasthan itself.

4.2 The Case of Nirbhaylal Bhimlal Gameti

30 year old Nirbhaylal belongs to Undithal village in the Gogunda block of southern Rajasthan. He has studied until the 5th grade and has worked in Surat, Udaipur and Bangalore. He is married and has three sons His family own 3 bhigas of land.

When Nirbhaylal was 17 years old, he heard about a job in a cloth making factory in Surat from someone in his village and decided to take up the job. He worked for nearly a year in Surat. He was able to save enough to remit Rs.500-1000 every month to his family back in Udaipur either through friends or by himself. Due to his early entry into the labour market, Nirbhaylal did not have a voter ID card or any other proof of identity. Consequently he was not able to open a bank account. He had a very simple saving mechanism – he would deposit all his money with the local ration dealer from whom he used to buy all his essential items. Each time he made a purchase, it was adjusted against the deposit held by the ration dealer. Every month he would withdraw a certain amount from the dealer and send it back home. He never held a lot of liquid cash, since there was always a constant threat of theft or even spending the cash in hand on

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3 A ration card is a document that enables a household to access various public entitlements such as subsidized food, shelter and other public services
4 The Sarpanch and Sachiv are representatives of a local village governing body
5 Bhigas is a measure of land. 3 bhigas ~ 1 acre
unnecessary items. He soon decided to quit the job because living conditions and food quality were deplorable and his cost of living at destination was quite high.

After working in Surat, Nirbhaylal returned to his village in Undithal, but soon enough learnt of a marble fitting job in Udaipur from his elder brother. He immediately left for Udaipur and started learning from and working with his brother. He managed to bring home Rs.500 every month himself. This regular remittance was his idea of a savings instrument since he believed his cash was safer at his home in Undithal than in Udaipur. Nirbhaylal wasn’t very satisfied with his employer because he was never paid his money on time. Frustrated with his job in Udaipur, Nirbhaylal quit after 6 months of working there and left for Bangalore.

When he started working with Ganpati Marble Art in Bangalore at the age of 19 years, Nirbhaylal was earning Rs.150 per day, which slowly increased to Rs. 250 per day. After one year of working in Bangalore, he was issued a migrant identity card from Aajeevika Bureau. This helped him in opening a bank account with the State Bank of Bikaner and Jaipur (SBBJ). This simplified his task of saving and remitting money. He would deposit his wages in his bank account and his father would withdraw as much money as he needed back home in Undithal using an ATM card. In his opinion this was a much smarter way to remit money because not only was it safer to transfer money through bank accounts, but he also earned some interest by saving his money there. There were times in the past when friends of his never delivered his remittances back home on time and often he was cheated in the amount of money sent home. But now, with a bank account, there was no more anxiety related to money transfers back home and he was able to comfortably save and send approximately Rs. 5000- 10000 every two or three months. During this time, his niece had fallen really ill. Even though he was in Bangalore, due to his regular savings in the bank and his sustained relationship with Aajeevika Bureau, his mother and wife were able to obtain an emergency loan of Rs. 1500 from Rajasthan Shram Sarathi Association in order to pay for the treatment of his niece.

After a 4 year long stint in Bangalore, Nirbhaylal finally decided to return home. When Nirbhaylal had returned from Bangalore, he had saved around Rs.22000 in his bank account and some deposit with a local organisation called HBN Dairies Global Ltd. He decided to invest this amount into a tyre and puncture repair shop in Undithal. Initially he had to take a shop on rent in order to run his business. After 6 months however, he availed loan of Rs. 5,000 from RSSA in order to construct his own shop. Using the loan amount and the rest of his accumulated savings he was able to construct his own shop and save on rent payments. After successfully completing his first loan cycle, he took another loan from RSSA amounting to Rs. 7500, this time to buy supplies for his shop.

In July 2010 quite tragically, Nirbhaylal’s brother working in Surat was murdered. He arranged to bring back his brother’s body to Undithal and perform the last rites. In the process, he spent nearly Rs. 35,000. To raise such an amount he took a third loan from RSSA worth Rs. 10,000, informally claimed a settlement of Rs. 10,000 from his brother’s contractor and arranged the rest by borrowing from friends and relatives. This event put an immense stress on his household both emotionally and financially. However with the help of the loans he was able to manage his family’s cash flows. He often felt that the income from the shop was not enough since he was
responsible for his two brothers’ families now including his own. In July 2011, he therefore decided to move back to Bangalore to his old employer since he offered him a higher wage rate and transparent payment through banks.

His household breeds goats since they view it as a mechanism to store wealth and as a form of insurance. 2 years ago they sold a goat since they needed money to purchase silver ornaments. Presently they own 2 cows, 2 bulls, 4 buffaloes, 1 calf and 7 goats, all kept for either agriculture or milk. They also own 5 hens and 5 cocks. He sells them and also their eggs in case of any cash flow problem. Nirbhaylal is covered under two insurance plans. In 2010 he registered himself under the Rajasthan state government Vishwakarma pension scheme, which was suddenly discontinued in February 2011. Since then he has not made any investment towards his old age needs. Nirbhaylal is currently in Bangalore working in the marble-fitting industry.

5. Discussion

The two cases of Javeriram and Nirbhaylal are characteristic of the vulnerabilities faced by most internal migrants in the country. Like many young migrants, Nirbhaylal was unable to obtain a voter ID card due his early entry into the labour market and absence from source. Lack of identity and a crucial KYC document was one of the primary reasons why Nirbhaylal was unable to open a bank account and save. This exclusion resulted in a host of other issues. Similarly Javeriram’s prolonged absence from source delayed follow-ups on his ration card applications denying him and his family the right to subsidised food among many other benefits. The two cases of Javeriram and Nirbhaylal have highlighted a range of socio-economic risks that seasonal migrants from the region typically face. There are also informal mechanisms that migrant households adopt in order to cope with these risks. The mechanisms adopted by both Javeriram and Nirbhaylal, their economic choices and its impact in addressing their financial and social protection needs are further discussed with respect to three main elements.

5.1 Financial planning and management of cash flows (promotive, preventive)

Both Javeriram and Nirbhaylal’s household experienced seasonal volatilities of cash flows at source. In case of Javeriram, the uncertainty of finding work and the uncertainty of wage payments was the starting point of such volatility. Not only was there no source of employment in his village, but due to the unskilled nature of his work he found it difficult to secure work even once he had migrated. This coupled with high expenditures on health, loan repayments and social expenses further intensified the cash flow problem. In the case of Nirbhaylal delayed payment of wages was a feature of his early days as a migrant. Each time he returned home during sowing and harvesting seasons, his household would experience a cash deficit and due to the lack of formalised savings, this deficit could not be easily offset. Erratic and varying amounts of remittances further added to the financial woes of the family at source. Nirbhaylal reported instances where money that was remitted through family or friends was either stolen or reached very late. In such a case it was even difficult to hold the person responsible since they were close acquaintances. The challenge also was that money that was remitted to source needed to be spread over a long period of time. However the lack of formal savings mechanisms made it difficult to do so and invariably money was spent as quickly as it was received. Nirbhaylal’s
coping mechanism was to invest in poultry and livestock. In times of distress, he would resort to sale of such assets to manage cash deficiencies. One of the other informal responses to such cash flow volatilities also included a heavy dependence on loans from moneylenders, friends and relatives.

5.2 Asset Allocation and Wealth Creation (promotive, preventive)

As is evident in both the cases, the socio-economic vulnerabilities brought on by migration slowly eroded the asset base of both households. In fact some of the informal coping mechanisms in response to cash deficiencies were responsible for such erosion in the asset base. To begin with neither Javeriram nor Nirbhaylal (in his early working years) possessed a bank account. This not only denied them the possibility of a secure way to remit money but also an effective means to save. Of course, Nirbhaylal found informal ways to manage savings by lending money to friends and relatives for its safekeeping and also by maintaining his wage earnings as a deposit with the local ration dealer at destination. There was however no assurance on the repayment of loans given to relatives and the settlements by the ration dealer were questionable.

The other implication of a lack of formal savings mechanisms also implied that both had to rely on external debt to manage their household’s finances. While Nirbhaylal was able to raise inexpensive, often zero interest loans from his community, Javeriram was not so fortunate. In the case of Javeriram, this tendency to maintain a perpetual account with exploitative money lenders has not only been undignified but has also put his own family and future generations in considerable debt and bondage. Interviews with Javeriram however revealed that incurring debt was in fact a way for him to manage other shocks such as non-payment or delayed payment of wages as well as sudden health shocks. The future implication of such debt however did not seem to be as critical as the vulnerabilities he presently faced.

Nirbhaylal invested in savings linked insurance schemes like that of HBN dairies and LIC which offer regular pay-outs every 5 years. Javeriram availed of a similar insurance scheme but was cheated by the agent. This is not an uncommon occurrence in the area. Clearly there is a demand for such forms of insurance, even though the general perception of an insurance scheme is that of an investment tool. However, fly-by-night operators and unreliable agents have increase people’s aversion towards insurance and investment schemes. While Javeriram decided not to avail another insurance product, Nirbhaylal opted for multiple insurance schemes. Needless to say this was an unnecessary move offering low returns and liquidity, however in the absence of alternative investment options or knowledge of the same, he preferred channelizing his money into insurance schemes.

5.3 Protection from and Diversification of Risks (preventive and protective)

The demand for insurance among this community is principally driven by the intention to save rather than manage risk, although there are migrants who do understand the risk management quality of insurance products. Most of these insurance products are sold by agents (usually friends and acquaintances of the migrant) who have limited knowledge of the product
themselves. The reliability of such agents is always in doubt with more stories about fraudulent agents than about claim settlements. Furthermore the insurance risk cover offered by their products is usually never commensurate to the future earning potential of the migrant. As in the case of Nirbhaylal, migrant households have tried to cushion their risks by relying on the contractor’s goodwill or even on family members who work elsewhere. Maintaining goats, hens and other livestock is an additional form of insurance.

Often there is an attempt to diversify risks either by diversifying income source or by diversifying investments. Javeriram tried to diversify his income sources by renting out bulls to people. However not only did he incur a loss on this activity, but soon realised that it was placing an additional burden of debt on his shoulders. The agricultural distress and the lack of industry in the source area limited the alternative livelihood options. Both Javeriram and Nirbhaylal tried to either diversify their income source to minimize the risk of being wholly dependent on labour for income. However, both attempts were met with disappointment.

The diversification of assets was problematic too. Both of them had bulk of their investments in local assets such as land and livestock. Limitations in their access to national assets like bonds, securities and reliable investment options placed them at greater risk. Nirbhaylal eventually resorted to a formal pension plan to cover for loss of earnings during old age however the scheme was temporarily suspended by the state government thereby freezing that avenue for investment.

5.4 Role of Targeted Financial Services in Social Protection

In his later years as a migrant, Nirbhaylal came in contact with Aajeevika Bureau and Rajasthan Shram Sarathi Association that offers specialised services for seasonal migrant workers. With the help of an Aajeevika Bureau migrant identity card, Nirbhaylal was able to open a bank account. He now has a safe place to store his money and a secure means to remit money as well. This particular service offers several forms of social protection measures for economic security. Earlier he reported remittances of Rs. 2000-3000 only which rose to Rs. 8000-10000 within a few months of opening a bank account since it offered him protective security and prevention of theft. Furthermore the option to save, invest, increase wealth and balance cash flows have an implicit element of preventive social protection measures i.e. Nirbhaylal’s household will no longer be dependent on debt funds in case of emergencies and have enough to tide through sudden shocks like death, disease and accident.

With the help of RSSA, Nirbhaylal was able to raise inexpensive funds in times of emergencies such as his wife’s ill health in his absence and his brother’s murder in Surat. He was also able to secure finances for his post-return phase to set up an enterprise in his village which can be viewed as a form of promotive social protection aimed at improving real incomes. In addition to this intensive financial literacy campaigns and tools have ensured that Nirbhaylal has access to reliable sources of insurance and pension plans for his old-age – clear forms of protective measures to manage socio-economic risks. Moreover the financial literacy tools and campaigns have enabled transformative protection in the sense that it better equips a migrant to bargain for
his rights and work conditions, accurate calculation of wages and transparency in financial transactions.

The contrasting stories of Javeriram and Nirbhaylal shed some light on how targeted financial services have helped manage various risks faced by migrant households. While Nirbhaylal is better-off than Javeriram, yet there are a host of financial services that are still required to provide his household with a complete protection plan that also offers better returns. While informal coping mechanisms do exist in response to vulnerabilities faced by migrants, targeted financial services are required for a more comprehensive social protection cover. For instance, financial instruments that offer a safe place to store and transfer money and plan one's finances would assist in smoothening cash flow volatilities and periods of unemployment. Insulation from uncertainties such as availability of work, irregularities in compensation, accident, death, work in hazardous industries and health shocks will come from well-designed insurance products that offer low-cost solutions to this demographic. Furthermore, the opportunity to make small but regular investments in a diverse range of instruments will enable migrant workers build wealth and create a stronger asset base which is far more critical than a mere rise in incomes alone. Financial literacy and counselling programmes targeted at migrant communities are the final piece in the financial services package for social protection. Without doubt financial services that enable better coordination and convenience between source and multiple destinations are indispensable to the social protection needs of migrant workers.

6. Conclusion

Most studies on migrant have estimated the magnitude of and methods of internal remittances. There are a few discussions that also consider the extent of bank account linkages. The economic life cycle of seasonal migrant workers however demand a diversified set of financial services during each stage of their working life. As evident in the case studies presented in this paper, secure remittance services offer a valuable service to migrants, however their financial and social protection concerns as manifold. Financial services should enable promotive, preventive, protective as well as transformative security for migrants. Remittances while important, are just the tip of the financial services iceberg. However, even in policy circles, there is a disconnected emphasis on remittances alone. As noted earlier, banking institutions also view remittances as an isolated transaction and not in the context of complete financial services such as savings, credit, insurance and pensions (Thorat and Jones 2011). There is a dearth of relevant research and data that helps us measure the degree of actual financial inclusion of domestic migrant workers. Linkages to and usage of bank accounts, social security measures like insurance, old age pension as well as inexpensive and timely loans that enable them to complete their migration cycle without sudden breaks in employment are critical elements of financial services for migrants. In addition to this, information flows made available through financial literacy services have proven to be important in ensuring that migrants receive fair wages, enter into contracts that are not exploitative, are aware of useful financial services, are able to make informed decisions about the use of their money and plan their household finances for the long term. Thorat and Jones (2011) suggested that there is a growing need for demand-oriented product development for migrant workers, financial literacy for both the migrants themselves and service providers as well and linking remittances with other financial services. Migration is growing and if supported through
appropriate services, it can be seen as a means to accumulate assets and reduce poverty (Deshingkar 2009). Financial services that are designed to suit the needs of migrant populations thus play a significant and supportive role in making the process of migration more secure, accumulative and dignified.

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