FINANCIAL BEHAVIOUR STUDY

BLOCK: RAILMAGRA (DISTRICT RAJSAMAND)

AAJEEVIKA BUREAU

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1 Introduction

In April 2007, the Aajeevika Bureau initiated a study to examine the financial status and behaviours of migrant households within Railmagra Block in Rajsamand District of Rajasthan. The aim of the study was to glean data necessary to devise appropriate and needed financial service products for the Block. Data was collected through a survey of migrant households.

1.1 Aajeevika Bureau

Figure 1. Map of Rajasthan, highlighting South Rajasthan, the region served by the Aajeevika Bureau.

The Aajeevika Bureau is a public service initiative set-up to support rural dwellers who undertake seasonal and distress migration from the southern districts of Rajasthan into high growth states of Gujarat, Andhra Pradesh, Maharashtra, etc. The terms of migration are exploitative and the living and working conditions sub-human. The organization facilitates a range of support services1 to seasonal labour migrants in order to reduce the distress associated with this movement and to turn migration into an opportunity.

The Bureau operates in four source blocks (Gogunda, Kotada, Railmagra and Kelwara) and in two destination centres in the neighbouring state of Gujarat (Idar and Ahmedabad). It has a rapidly expanding registered base currently consists of over 3,000 migrants.

1.2 Railmagra Block

Railmagra is a Block Headquarter located within Rajsamand District, in Southern Rajasthan. According to 2001 census data, there are 113,238 persons in Railmagra Block, within 22,664 households, 29 Panchayats, and 99 villages. The literacy rate is 55.6%.

Railmagra is characterized by flat, fertile land, but as with much of South Rajasthan, limited rainfall and a variety of spending pressures result in widespread seasonal out-migration. Results from a 2006 Aajeevika Bureau study of more than 50% of the Panchayats indicate that approximately 35% of all households – or 8000 households' total – contains at least one seasonal migrant.

[1] Registration and Photo ID, Communication and Tracking, Training and Placement, Legal Aid and Counselling, and Financial Services.

2 Methodology

The survey was conducted over a two-week period, beginning April 4, 2007, by two hired surveyors from Railmagra. Keeping in mind the existing gender boundaries and in order to facilitate a more complete data collection, the surveyors comprised of one male and one female. Information from 180 households was collected – or about 2.25% of migrant households in Railmagra. Accounting for poor data collection, the aim was to yield an eventual sample size of roughly 150 households. If the migrant was often not present at home, family members were interviewed instead.

Households for the survey were chosen using the Aajeevika Bureau's existing registration base, as that will be largely similar to the client base targeted by the Bureau's financial services program. From the existing database, households were clustered by village, and then villages were selected to maximize geographic and caste diversity, while – for practical purposes – minimizing the number of villages visited. In all, surveys were conducted in 21 villages, with an average of 9 households surveyed in each.

Data collected by the surveys pertained to:

1. Basic household demographics;
2. Household financial background;
3. Migration particulars; and
4. Structural details of the financial services used – with respect to credit, savings, remittances, and insurance.

As a component of financial background, data was collected on particular household assets: land, livestock, transportation devices, electronics, and mechanized equipment. Total household asset value was then tabulated using their second-hand values. Information on jewellery was deemed uncollectible, and thus was imputed for each household using an average estimate for the Block and collected information on income and asset levels. This was based upon widely agreed-upon information regarding jewellery possession.

During data entry, each survey was assigned a utility score, to summarize its level of missing and questionable data. A natural break occurred after 156 households, and data from the rest were discarded. The adjusted sample size represents 2.0% of all migrant households.

To gather additional information not amenable to survey format, three focus group discussions were conducted on April 24, 2007, with three target groups:

1. Women from migrant families;
2. Elder men from migrant families; and
3. Migrant men.

The purpose of these groupings was to ensure a diverse set of respondents, rather than to generate varying data based upon the group type. Each discussion had approximately ten participants: five from the target group, and five other village residents.

In analyzing survey results, median figures were preferred over averages, as outlying data skewed average figures to misleadingly high representations. Considering the sample size, medians figures are likely to better portray the summary traits of the studied population.

3 Household Demographics

3.1 Household Composition

On average, surveyed households have 5.2 members. Among them, there are 2.4 individuals generating income for the household, including 1.1 migrants.

3.2 Caste

Unlike the rest of South Rajasthan, which contains a large population of Scheduled Tribe (ST or tribal) families, the majority of Railmagara belongs to the Other Backward Classes (OBC) and Scheduled Caste (SC) caste categories. Among surveyed households, 63% of surveyed households are OBC, 26% are SC, and 5% are ST.

3.3 Household Education

To examine linkages between education and household behaviours, we collected data on the highest level of education within each household, rather than for each member individually. In this respect, surveyed households reflect a moderate level of education. 90% of households have at least one literate member, and 66% of households have a member who has passed the 8th standard. In 96% of households, the migrant is the most educated individual. In all households, the most educated individual is male.

Data results indicate that there is a mild 0.23 correlation between household education and income. However, there is no correlation between household education and monthly migration wage, despite the migrant generally being the most educated member of the household.

4 Household Financial Background

4.1 Income and Expenditure

Among surveyed households, median household income is Rs 39,000, and median household expenditure is Rs 32,000. These data were not easy to obtain, and were approached through inquiries about individual types of income and expenses. Data from each household may therefore not fully encompass its financial status, but it is expected that the aggregated data provides a good understanding an average household's financial status within the target population.

Household Income			
	HHs	Pct	Median
Migration	156	100%	Rs 24,000
Farming	113	72%	Rs 15,000
Non-Agri Labour	20	13%	Rs 13,500
Agri Labour	6	4%	Rs 17,500
Livestock	4	3%	Rs 10,000
Salary	4	3%	Rs 24,800
Business	1	1%	Rs 50,000

Figure 2. Income sources and median incomes by source.

Household Expenditures	
	Median
Migration	Rs 12,000
Consumption	Rs 10,000
Housing	Rs 10,000
Loan Payments	Rs 10,000
Social	Rs 8,000
Agriculture	Rs 5,000
Business	Rs 5,000
Health	Rs 4,500
Other	Rs 3,000

Figure 3. Median expenditures by category.

The largest reported income category is migration; median annual migration income is Rs 24,000. Considerable income among surveyed households is also generated from agricultural production; According to the focus groups, three major types of income are seasonal:

1. Wheat harvest, in April and May,
2. Corn harvest in October and November, and
3. Migration income from selling ice cream, from March until October. Ice cream selling is a common occupation for migrants from Railmagara.

Major seasonal expenses include:

1. Weddings, in April and May and
2. Agricultural investment costs, in December and June.

The largest reported expenditure category is migration; median annual migration expenditure is Rs 12,000. The other highest spending categories are consumption (basic daily needs), housing (construction or improvement), loan repayment, and social (weddings, funerals, and religious festivals). Weddings, according to focus groups, range in cost from Rs 100,000 to Rs 150,000. Funeral ceremonies range in cost from Rs 20,000 to 50,000. A major disease or other health emergency may cost a household Rs 50,000 to Rs 80,000 per year. And median annual consumption expenditure per person is Rs 2,000.

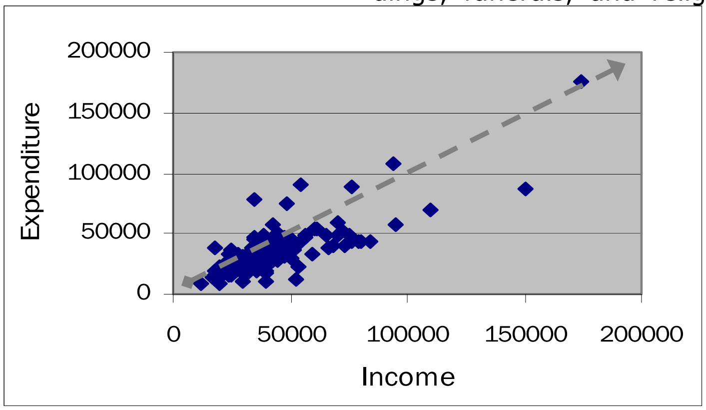

Figure 4. Relationship between HH income and expenditure.

On average, households report expending 84% of their income. The 0.80 correlation between income and expenditure is expectedly high.

4.2 Assets

The significance of asset data in this study is threefold:

1. Assets are an indicator of household financial status,
2. Assets may be used as collateral when obtaining loans, and
3. Assets are a common form of savings.

Median asset level among surveyed households is almost Rs 2.8 lakhs. As expected, the 0.60 correlation between income and assets – not including imputed values – is fairly high.

Household Assets			
	HHs	Pct	Median
Land	132	85%	Rs 140,000
Dwelling	155	99%	Rs 80,000
Jewelery	156	100%	Rs 20,452
Livestock	114	73%	Rs 11,500
Transportation	132	85%	Rs 700
Mech. Equip.	36	23%	Rs 0
Electronics	94	60%	Rs 300
Total Assets	156	100%	Rs 277,361

Figure 5. Number of reporting households and median value, by asset category.

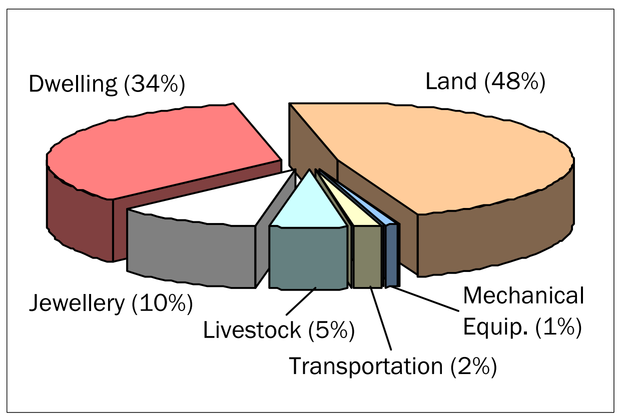

Figure 6. Average composition of total household assets. Electronics comprise less than 0.5% of an average household's assets, and thus are not represented.

The largest average asset is land, which makes up nearly half of an average household's asset value. 85% of all households own some land, with the average household possessing 3.3 bighas, or 2 acres. Of this, the average holding is comprised of 2.3 bighas (1.4 acres) of irrigated agricultural land, 0.8 bhigas of rain-fed agricultural land (0.5 acres), and 0.2 bhigas of uncultivable land (0.1 acres).

The size and values of dwellings were determined by local context. 99% of respondents own their home, with three-quarters living in formal dwellings and half living in medium or large formal dwellings – likely indicating a stable financial state, among other considerations.

As one means of savings, many individuals report purchasing assets which can later be sold or used as credit collateral. The most likely purchases for this purpose are jewellery and livestock. Jewellery is also purchased to accumulate for special occasions such as weddings.

5 Migration Details

5.1 Destination

A third of all migrants from surveyed households migrate to an out of state location, while 13% are working within Rajsamand District itself. Rather than stipulating the distance one must migrate in order to qualify, the Aajeevika Bureau registers all individuals who self-identify as labour migrants.

The majority of migrants, however, travel outside of Rajasthan for work. The most popular of these destinations are Mumbai (13%) and Ahmedabad (8%). The furthest migration destination reported is Assam.

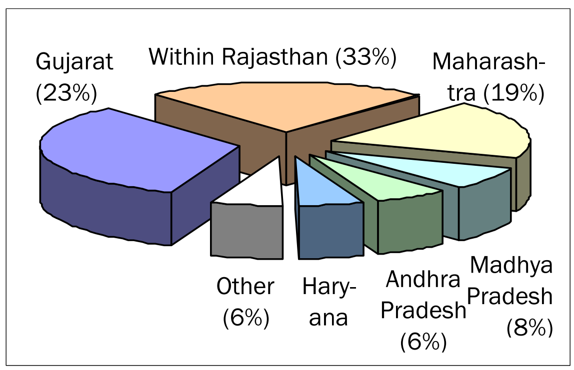

Figure 7. Popularity of migration destinations.

5.2 Duration

While migration durations are sometimes variable and intermittent, respondents were asked to provide the approximate total annual migration period. The average and median

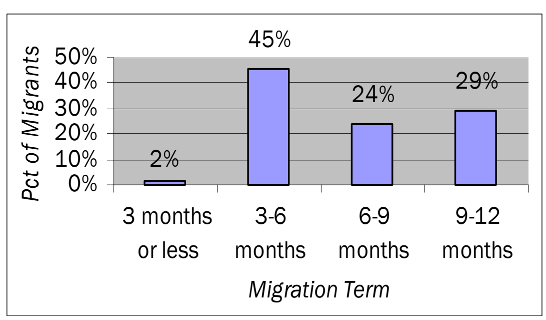

Figure 8. Duration of annual migration period.

migration period is 8 months. More than 50% of migrants are away from home for more than half of each year. Annual migration period and monthly migration wage are inversely correlated, by a measure of 0.42, which may indicate that migrants who earn lower wages will necessarily migrate for longer periods.

5.3 Wage and Pay Cycle

Median monthly migration wage is Rs 3,000. 75% of migrants are paid monthly, and nearly 20% are paid in a lump sum. Migration income accounts for an average of two-thirds of total income, with migration expenses accounting for one-third of total expenditure. Roughly 40% of migration income is spent on migration expenses, such as living costs.

5.4 Reason

The vast majority of households (79%) cite increased wage opportunities as the impetus for migration, while only 8% of households cite limited land productivity. Interestingly, 18% of households reported migrating because of the need to repay previous loans.

6 Financial Services

6.1 Credit

In total, 220 separate loan instances were reported by the 156 sample households. Roughly 30% of households reported at least one outstanding loan.

6.1.1 Credit Amount

The median reported loan size is Rs 10,000, though the variance is substantial, ranging from Rs 1,000 to Rs 175,000. Nearly a third of all loans range between Rs 3,000 and Rs 5,000, and nearly three-quarters of all loans fall between Rs 3,000 and Rs 20,000. There is a 0.41

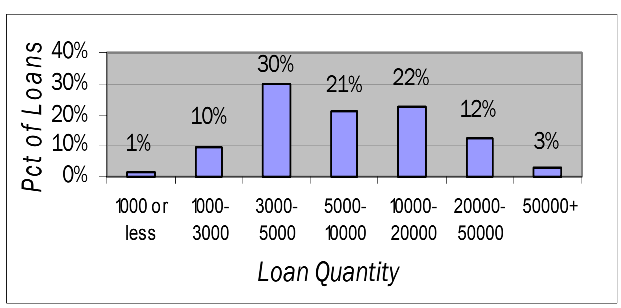

Figure 9. Percentage of loans by loan quantity category.

correlation between household income and loan amounts, and a 0.32 correlation between household assets and loan amounts.

6.1.2 Credit Period

The median loan period is 6 months, though loan periods range up to 5 years. However, as reinforced in focus group discussions and through survey feedback, these figures do not reflect alternate re-payment structures, for which there is no fixed period. One such example is harvest conditionality, for which interest is paid monthly but the principal amount is not returned until a sufficient harvest is yielded. Another example is monthly wage deduction, in instances where the loan is borrowed from an employer. There is a small 0.29 positive correlation between loan periods and amounts.

6.1.3 Interest

The median interest rate reported is 2% - which is clearly the market standard, with 68% of loans availed at this rate. The average interest rate charged is 1.7%, and the maximum interest rate recorded is 9%. All interest rates figures are on a monthly basis. There is a mild 0.31 correlation between interest rates and loan periods, which is intuitively logical. There is also a 0.27 correlation between interest rates and the use of security. There is not, however, any considerable correlation between interest rate and loan amount.

6.1.4 Upfront Fees

For 97% of loans, no upfront fee – or cut – was reported. In all six instances of an upfront fee being applied, the loan was borrowed from a private moneylender in the home district.

6.1.5 Security

In most loan instances (62%), no security was required to obtain loans. In 26% of instances, land was used as security, and in 12%, jewellery was used. There are light correlations between loan terms and the use of security, reflecting the relationship between these terms and loan risk. In instances with security, the average loan amount is nearly double the average of those without. Likewise, among loans with security, the average interest rate and period are 27% and 39% higher, respectively.

Average Loan Terms				
	Pct	Amount	Rate	Period
Without Security	62%	Rs 11,489	1.5%	5.8
With Security	38%	Rs 22,916	2.0%	9.5
Correlation		0.15	0.31	0.23

Figure 10. Average Loan terms in instances with and without security.

6.1.6 Documentation

The large majority of reported loans (87%) did not include any documentation for recording and tracking. In 13% of cases, a passbook was used, in addition to receipts and diaries.

6.1.7 Default

For the purposes of this study, default is defined as making at least one late payment. By this definition, there is a self-reported 15% default rate among all loan instances. Factors such as loan size and interest rate do not appear to be correlated with the rate of default. However, loan size is moderately correlated by a coefficient of 0.42 with the length of payment delay. Likewise, there is a light 0.21 correlation between loan period and default, and a mild 0.33 correlation between loan period and delay period - likely reinforcing the common lending adage that repayment generally tapers as the loan period progresses.

According to focus groups, violence or threats are rarely used in cases of default. Typically, moneylenders will either sell security deposits, raise rates, or require manual work instead. Moneylenders also operate blacklists of defaulters, though moneylenders themselves can be blacklisted for providing poor terms, or for not issuing the full amount of the loan. Family and friends have few options for repercussion in cases of default, but strong social networks are often a superior substitute; interestingly, as cited by the focus groups, if family members or friends fail to repay, the lender will no longer visit their home, which a strong social insult.

6.1.8 Source

Among loans reported, 85% were obtained within the home district, and 15% were from the destination. However, these figures may be skewed, given that most respondents were not actually migrants themselves. However, they do coincide with focus group feedback that loans, despite often being needed at destination, are largely inaccessible there. Feedback further indicates that number of years of consistent migration increases availability of credit.

6.1.8.1 Loans from Migration Destination

At destination, the vast majority of loans (71%) are borrowed from the migrant's employer. These loans are generally repaid by deduction of wages, and are often issued in emergency situations (30% of such loans were for health issues). The average loan amount from an employer is Rs 12,479, compared to Rs 19,200 from moneylenders and Rs 7,750 from friend and rela-

Loans from Destination		
	Loans	Pct
Employer	24	71%
Moneylender	5	15%
Friend/Relative	4	12%
Bank	1	3%

Figure 11. Loans by sources at destina-

tives. While the average interest charged by an employer is only 0.7%, the average period of such loans is 2.7 months – compared to a 1.1% average interest rate and 6.6 month average period for loans from moneylenders, and a 0% average interest rate and 5.7 month average period for loans from friends and relatives. As was articulated in focus groups, there hence appears to be unfulfilled demand for traditional loans at destination. In particular, such loans are needed for emergency situations, such as for health problems. Feedback suggests that traditional credit sources – moneylenders and banks – are much less likely to lend to migrants at destination, given their impermanence.

6.1.8.2 Loans from Home District

At home, 58% of loans originate from private moneylenders, 18% come from friends and relatives, and 15% are from banks. Moneylenders are typically individuals who have either a salaried income themselves or a salaried family member. Employers in this context are generally labour contractors. The sources comprising the "Other" category are microfinance institutions, self help groups, and VCs (also known as "chit funds") – which appear to have little presence in Railmagara, at least among migrant households.

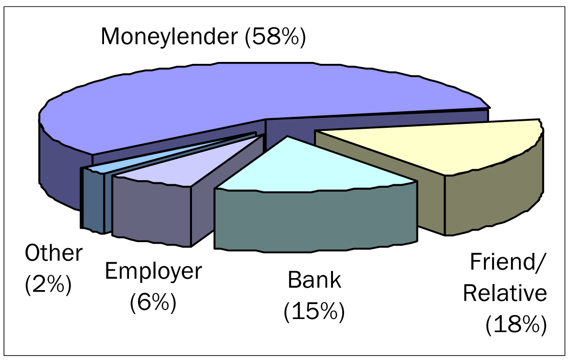

Figure 12. Popularity of loan sources in home district.

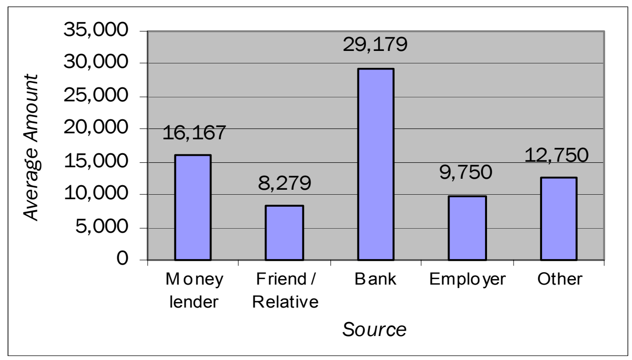

Figure 13. Average loan amounts, by source in home district.

Loans from moneylenders average to Rs 16,167, but range up to Rs 1,75,000. Half of loans from moneylenders required a security deposit. Larger loans were more often sourced from banks and cooperatives, which offer lower rates and longer loan periods. In

Loans from Home District								
	Loans	Pct	Amount	Rate	Period	Security	Default	Delay
Moneylender	108	58%	Rs 16,167	2.1%	7.1	49%	20%	4.2
Friend / Relative	34	18%	Rs 8,279	1.5%	3.4	3%	18%	1.8
Bank	28	15%	Rs 29,179	1.0%	12.9	82%	18%	5.5
Employer	12	6%	Rs 9,750	0.8%	9.7	17%	58%	4.7
Other	4	2%	Rs 12,750	1.0%	3.5	75%	0%	N/A

Figure 14. Number of loans, average terms, use of security, default rates, and default delay periods, by loan sources in home district.

82% of bank loan instances, security deposits were used. Friends and relatives offer low interest rates as well, but such loans are typically used for smaller and shorter loan needs only.

Default percentages and delay periods are generally the same among loan sources. However, among friends and relatives, delay periods tend to be considerably shorter – an average of 56% less than the average delay period for loans in the home district – which likely implicates the impact of social networks in timely loan repayment.

6.1.9 Use of Credit

In 24% of all loan instances, there are multiple uses of the loan. The most frequent use is agricultural investment, comprising 41% of all loans. By far, the largest average loans are for housing improvement and construction. The next largest loans are for business investments, and for paying off previous debt. For most major loan uses, moneylenders are the preferred source. In the case of business investments, banks are most often solicited. Banks are often also solicited for agricultural investment and home improvement loans.

In focus groups, participants expressed little availability of first-time migration loans. These generally come from one's own family, and cannot be obtained from a moneylender. Hence, until the initial migration cost can be afforded, an individual is limited to work in the village.

Loan Uses										
	Loans	Pct	Amount	Rate	Term	M	F/R	B	E	O
Agricultural inv.	76	41%	Rs 14,276	1.9%	7.3	64%	13%	14%	5%	3%
Social	59	32%	Rs 16,797	1.9%	7.8	85%	10%	2%	3%	0%
Health	27	15%	Rs 11,519	1.9%	5.4	63%	26%	4%	7%	0%
Consumption	26	14%	Rs 13,577	2.0%	6.8	54%	23%	8%	12%	4%
Business inv.	24	13%	Rs 24,452	1.6%	11.0	13%	29%	58%	0%	0%
Previous loan	15	8%	Rs 24,333	1.7%	7.3	80%	7%	0%	7%	7%
Housing	8	4%	Rs 52,063	1.7%	9.5	50%	25%	25%	0%	0%
Migration	4	2%	Rs 9,500	1.5%	10.7	50%	50%	0%	0%	0%
Other	1	1%	Rs 3,000	2.0%	1.0	0%	100%	0%	0%	0%

Figure 15. Number of loans, average loan terms, and loan sources (B = Bank, E = Employer, M = Moneylender, F/R = Friends/Relatives, and O = Other) , by loan use in home district.

6.2 Savings

Among surveyed households, 83 households – or 53% of the sample – declared some form of savings, in a total of 92 instances. However, according to feedback from surveyors and focus groups, the most common form of savings is burying accumulated cash. Generally, this is done by wives, who do not inform their husbands of such activities. Data on this type of savings was deemed uncollectible, given its secretive nature, but it is believed that the percentage of households engaging in savings is therefore considerably higher.

6.2.1 Amount

The median amount saved is Rs 6,000, with a reported range from Rs 500 to Rs 50,000. There is a light 0.21 correlation between monthly migration wage and the amount saved.

6.2.2 Interest

The median interest rate earned on savings is 1%, with a reported range from 0% to 3%.

6.2.3 Period

The median period of savings is 12 months, with a reported range from 1 month to 48 months. However, these figures may be misleading as an indicator of financial behaviour, as many savings products do not begin with a fixed period. Hence, while in retrospect, a finite period can be given, in many instances this may not have been the intended or supposed period length of the savings initiative. Still, these figures provide ex post perspective on the savings desires and capacities of the migrant population in Railmagara.

6.2.4 Reason

Among the reasons provided for choosing a particular form of savings, three emerged as those of concern to surveyed households:

1. Security,
2. Liquidity, and
3. Rate of return

The most common reason given to choose a savings product, with the option of multiple reasons given, is security, which was a factor in 60% of loan products. Liquidity was a factor in choosing 54% of reported loan products, while rate of return was a factor in only 18%.

6.2.5 Service

The vast majority of savings instances occurred in the home district, with only 11% of reported instances at destination. Of savings options at destination, the most common service used was VCs (30%). Employers (20%), banks (20%), and friends and relatives (20%) comprise the bulk of other options. These figures are insufficient to understand savings preferences at destination. However, the low number of savings instances reported at destination, despite monthly payment and definite accumulation of income during this period, likely indicates a lack of options. The average amount of savings at destination is Rs 6,900, the average rate of interest is 1%, and the average period of savings is 9 months.

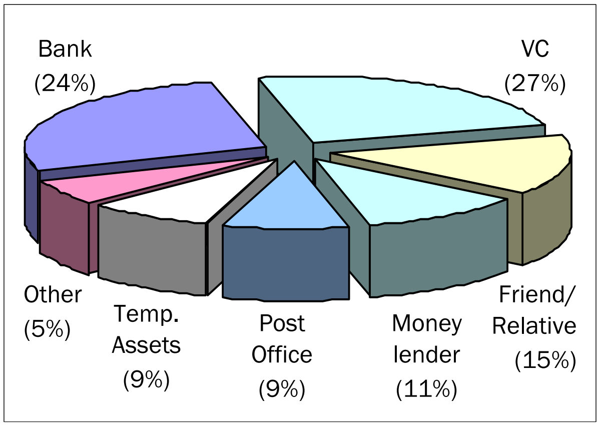

Figure 16. Popularity of savings source, for savings in home district.

Of savings reported within the home district, the two most common services used were VCs and banks. Of the reasons given for services chosen, VCs were equally preferred for their security (44% of instances), their liquidity (44%), and their rate of return (36%). Somewhat ironically, given the interest in VCs because of their liquidity, savings with VCs were held for the longest period, at an average of 22 months. Banks were most preferred for their high level of security (73%), potentially indicating considerable market demand for guaranteed savings products.

Savings Terms			
	Amount	Rate	Period
VC	Rs 10,414	1.1%	22
Bank	Rs 7,266	1.5%	15
Friend/Relative	Rs 5,542	1.3%	6
Moneylender	Rs 9,000	2.0%	7
Post Office	Rs 16,114	1.0%	9
Temp. Assets	Rs 20,143	N/A	N/A
Other	Rs 16,020	0.8%	18

Figure 17. Average amounts, interest rates, and terms of savings initiated in the home district, by service.

Another common form of savings was to lend to friends or relatives. This form of savings had the smallest average amount and shortest average period, and was most chosen for its security (64%) and its liquidity (57%). While interest was often charged in these situations, it appears to be of little consideration in choosing this option (7%). Based upon this data and survey feedback, it appears probable that this form of savings may be more common than reported, which may be due to its lesser perception as a form of savings.

6.3 Remittances

For a labour migrant, remittances are an important financial transaction, as any and all hardships encountered during migration must necessarily be vindicated by a successful transfer of earned funds to one's home.

Surveyed households reported a total of 168 remittance instances. While some migrant populations report considerable hardship in remitting funds – including high fees, long delays, and theft – surveyed households in Railmagara report a 99% transfer success rate.

6.3.1 Amount

Remittances range from Rs 1,500 to Rs 60,000, and median remittance is Rs 10,000.

6.3.2 Method

The most popular method is self-delivery, which is clearly the most accessible method, but which the majority of respondents also believe is highly secure. This perception is reinforced by a reported 100% transfer success rate for self-delivery remittances. In focus groups, when asked whether theft on route is a concern, the majority response was that it may pose a risk, but that so far no one has encountered any such problems.

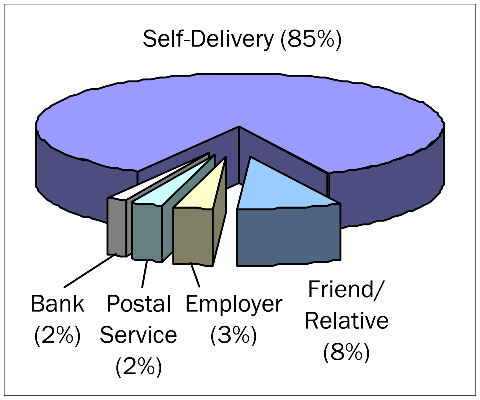

Figure 19. Popularity of remittance methods.

Remittance Success Rates + Preferences					
	Succ.	Sec.	Acc.	Cost	Spd.
Self	100%	75%	75%	4%	0%
Friend/Relative	93%	21%	57%	7%	14%
Employer	100%	60%	40%	0%	0%
Postal Service	100%	25%	75%	0%	0%
Bank	100%	67%	33%	0%	0%
Overall	99%	68%	72%	4%	1%

Figure 18. Remittance transfer success rate by method, and reasons for remittance method choices, by percentage of total incidences of method.

Friends and relatives are the next most popular means for remittances. The transfer success rate is 93%, which is likely linked to only one-fifth of respondents choosing it for its security, as well as this category bearing the least average loan size overall. As reported in survey notes and in focus groups, sometimes remittances sent with a friend or family member are diverted to personal expenses of the transferring individual – without permission – and then repaid at a later date. More than half of migrants chose this option because it is easily accessible; 14% chose it for speed.

Remittance Amounts + Fees				
	Average	Min	Max	Avg Fee
Self	Rs 10,465	Rs 1,500	Rs 50,000	0.0%
Friend/Relative	Rs 7,936	Rs 2,000	Rs 20,000	0.0%
Employer	Rs 8,200	Rs 5,000	Rs 10,000	0.0%
Postal Service	Rs 11,250	Rs 3,000	Rs 20,000	5.3%
Bank	Rs 26,667	Rs 5,000	Rs 60,000	7.0%
Overall	Rs 10,495	Rs 1,500	Rs 60,000	N/A

Figure 20. Average, minimum, and maximum remittances and average fees, by method.

Other choices for remittances are of negligible differences in popularity: employers (3%), postal service (2%), and banks (2%). Focus groups cited the superiority of the self-delivery option as the reason why such services are hardly used. Still, the postal service is a highly trusted means of transfer, with 75% choosing it for this purpose. Banks, on the other hand, are chosen mostly for their accessibility. It appears that, given a considerably higher average remittance amount, banks are a likelier choice when remitting large sums. The average fee for such services is 5.3% of the remittance amount for postal service transfers and 7% for bank transfers. According to respondents, employers – which largely refer to employment contractors – do not charge fees for their remittances services.

6.4 Insurance

30% of surveyed households reported holding an insurance policy. However, a general lack of knowledge about insurance, particularly by policyholders, yielded unproductive data regarding insurance products used. Of those respondents reporting an insurance policy, 44% either could not cite major policy terms, or reported factually impossible terms, hence demonstrating a lack of a basic understanding of their investment.

All reported policies are for life insurance. Their approximate annual yield is 11%, which is consistent with current offerings by banks and insurance organizations. Insurance products are most often marketed by door-to-door agents, who position them as a savings instrument. One example of a common product is one that has a biannual premium of Rs 600 for 3 years, followed by several maturity checkpoints and a final yield of Rs 25,000 in 20 years.

7 Recommendations

Based upon the survey data and feedback from focus groups, it appears that there is not a strong need for general lending within the Railmagara Block. A variety of options – including banks – already exist and are providing relatively large loans (average of Rs 15,800) at relatively low rates (average of 1.7%). In addition, the advantage held by existing lending options is their integration with social networks within the Block, which promotes effective repayment. Nor does there seem to be a need for savings services, as there are a number of sufficient options that already exist. The one offering that may be attractive is a loan for first-time migration, though this will likely be a risky product.

However, there seem to be a lack of adequate financial service options – particularly in terms of credit and savings – available to migrants at destination. In focus groups, migrants and their families articulated the need for such services. Given that Aajeevika Bureau operates in both home and destination locations, and can track migrants accordingly, there is a clear competitive advantage that the organization holds in filling this need.

Meanwhile, in one focus group, wives of migrants reported being unable to obtain loans while their husband is away. And when migrants must send money home immediately, they often do so through friends and family, which is sometimes unsuccessful. Hence, another potential niche offering for the Aajeevika Bureau is efficient remittance services. Initially, this may be done simply, by depositing an amount with the bureau's destination office, and allowing for pickup of the amount from the bureau's Railmagara office. This method will also be a great deal faster than any existing remittance options. Eventually, as the program grows, electronic transfers and other more complex systems may be developed.

Generally, there are no institutions yet providing a wide range of quality financial services in Railmagara Block. As the offerings and capacities of the Aajeevika Bureau's financial services program progress, this too will likely yield another important, competitive offering.