

## Understanding Remittance Networks In Gujarat, Orissa and Bihar

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## **DISCLAIMER**

Qualitative research is designed to look beyond the percentages to gain an understanding of the customer's beliefs, impressions, and viewpoints. Gaining such insight generally works best with Focus Group Discussion and Participatory Rapid Appraisal with small, highly targeted samples. Qualitative research is not statistically representative, but is more appropriate for research that seeks to understand complex human responses and financial behaviour.

## **Individual vs. Consensus Responses**

In this study, we present responses to research questions in two different ways: individual and consensus. Individual responses are necessary when questions pertain to bank accounts (or lack thereof), age, occupation, education, and other specific aspects of respondents' profiles. In group discussions, however, the final consensus of the group regarding various key questions is what matters. Individuals can and do change their minds during the discussion. In such cases, we note the final consensus, not each individual's opinion. This difference will be noted in the various charts and graphs.

## EXECUTIVE SUMMARY

This research explores the various remittance options currently available to migrant workers sending money to their families, and the benefits a business correspondent (BC) remittance service may provide. *MicroSave* conducted this study in Gandhidham and Surat in Gujarat, two “destination” cities people have migrated to in order to find work, and three “sources”, Nalanda and Aurangabad in Bihar, and Ganjam in Orissa, home districts where other workers have migrated from.



The majority of remittance transfers (up to 70%) go directly through banks; the remaining ~30% reach beneficiaries by informal channels. In both cases, remitters often travel up to two kilometres to send money.

More than half claim they remit every month. At the source, half receive their money from the bank (with a 50-50 split between ATMs and branches) and half at their doorstep. Only 18% of the recipients report receiving money each month.<sup>1</sup>

**Remittance Channel Preferences:** Both senders and recipients like remitting via banks because if the deposit is in cash, the transfer is immediate. Recipients especially appreciate withdrawing only partial amounts and leaving the rest as savings. Nevertheless, both complain bitterly of long queues and tedious bank procedures. The post office offers doorstep delivery, a service many recipients appreciate, but senders see only unreliable delivery and high costs.

Informal remittance services providers in this study use include *tatkal sewa couriers* (also known as *hawala couriers*), *tappawallas* (smaller courier services, for Orissa), and destination services which allow one or two villages to use their bank account for withdrawals. Respondents commend the informal services for their quick delivery, easy processes, and doorstep delivery, but they worry about security and note the high costs compared to bank transfers.

**The Ideal Remittance Service:** Remitters claim they choose a service with the following criteria in mind: trust, fast delivery, proximity at source, low cost at destination, staff behaviour, and processing time. Their recipients rate the same attributes slightly differently: trust, staff behaviour, proximity at source, fast delivery, processing time, and low cost at destination.

<sup>1</sup>Recruiting for the respondent sample in destination locations was different from the source locations. The result is that, in most cases, the two samples are not related to each other and thus, the different tallies. For more information, please see the section on Respondent Profiles.

**Ranking Service Providers:** With these attributes in mind, we asked respondents to rank the various services on offer. They rank banks first for trust and safety. For proximity at source and cost, they claim friends and acquaintances who deliver the money personally are the most satisfactory. For fastest delivery and easiest procedures, *tappawallas* in Orissa come in first. These small couriers are also rated the most cordial and polite of all the service providers.

**Trends over Time:** Remittance data show a shift away from the informal *hawala* providers and the post office to banks. The proliferation of ATMs in rural areas, electronic fund transfers (EFTs) between accounts in two days or less, and deposit flexibility in any bank branch have all contributed to this shift. Post offices have failed to keep up in the study's source and destination areas in terms of cost and timely delivery. Their share of remittance transfers has fallen off precipitously as a result. Many respondents still prefer the informal services because of doorstep delivery and the occasional credit advance in an emergency. The increase in bank transfers has also given rise to a new informal service whereby account holders charge their friends and relatives a fee to use their accounts to receive and send remittances.

**Remittances via BCs:** This idea receives both positive and negative responses. Remitters see BC delivery as potentially offering lower cost, faster delivery and processing time, and greater proximity at source. Recipients cite access to a bank account, faster delivery as benefits—and most are unable to come up with specific negatives. Remitters, however, hesitate to change their status quo; particularly if they are using informal channels and do not already have a bank account. Opening an account remains for some a daunting proposition. Moreover, if the BC option fails to provide ATM cards or doorstep delivery, some of the perceived benefits disappear. In general, respondents are willing to pay for BC service if the cost is low since they already pay for money transfers and the benefits may prove worthwhile.

Change is difficult, especially if money is involved. Remitters and their beneficiaries may find their current arrangements, formal and informal, less than perfect, but “trust” is at the top of both their attribute lists. Business correspondents will have to present convincing arguments to remitters in particular that their services are as trustworthy and convenient, if not more so, than banks or couriers. Local collection and delivery, and access to banking services for those without bank accounts will certainly help.

## INTRODUCTION

India is the second largest generator of domestic remittances in the world. (China is first). Thorat et al. (2011) note that there are up to a 100 million circular migrant workers in India, while the average annual remittance is Rs.20,000, the total remittances amount to 10% of the national GDP.<sup>2</sup> Some reports estimate 100 million internal migrant labourers generating US\$13 billion in 2010 with a projected annual growth of 12% to US\$20.3 billion by 2014.<sup>3</sup> The India Institute of Management, Bangalore, released a study in March 2011 reporting remittances at Rs.325 billion per year internally as compared to Rs.170 billion from Indians working abroad.<sup>4</sup> In the Ganjam district of Orissa alone, migrants send close to Rs.40 billion, or approximately US\$900 million back home. Almost 25% of this amount is sent through informal *tappawalla* courier channels.<sup>5</sup> The market is evolving rapidly. Migrant workers who send money home and the informal service providers for these remittances provide ever-stronger incentives for banks and mobile operators to benefit from this extraordinary cash flow. The many remitters and their recipients who currently have no access, or only limited, unsatisfactory access, to financial services can benefit as well.

This report is structured as follows:

- Overview of the research process with an explanation of the research objectives, methodology and qualitative tools, choice of research sites, and respondent samples
- Demographic profile of the respondents in this study, both at source and at destination locations
- Outline of different remittance services respondents use, positive and negative aspects of each
- Attributes respondents consider most important for their remittance service
- Ratings of various services with these attributes in mind
- Trends over time for remittance use
- Responses to BC delivery of remittances, potential benefits and drawbacks
- Recommendations and conclusion

## RESEARCH PROCESS

### *Research objectives:*

- Understand the demographic profiles of migrant workers and their recipients
  - Income, household size, seasonality of incomes, and access to banking
  - Frequency, purpose, amount, and cost of remittances sent
  - Differences, if any, in frequency, purpose, amount, and cost of remittances received

<sup>2</sup> Remittance Need and Opportunities in India – Thorat and Jones, GiZ

<sup>3</sup> [http://www.analysismason.com/research/content/viewpoints/RDIH0\\_domestic\\_remittance\\_India\\_Jun2011/](http://www.analysismason.com/research/content/viewpoints/RDIH0_domestic_remittance_India_Jun2011/)

<sup>4</sup> <http://www.hindustantimes.com/Study-Domestic-remittances-double-of-foreign/Article1-726371.aspx>.

According to [http://articles.timesofindia.indiatimes.com/2011-07-23/india/29807283\\_1\\_remittance-indian-economy-indian-banking-system](http://articles.timesofindia.indiatimes.com/2011-07-23/india/29807283_1_remittance-indian-economy-indian-banking-system), the World Bank claims this figure jumped 162% to \$55billion in 2010.

<sup>5</sup> Thorat et al (2009). “Remittance Needs In India” NABARD-GTZ Technical Study, [http://www2.gtz.de/wbf/4tDx9kw63gma/NABARD\\_GTZ\\_Remittances.pdf](http://www2.gtz.de/wbf/4tDx9kw63gma/NABARD_GTZ_Remittances.pdf)



- Outline the various remittance services currently in use
  - Features of each remittance channel, including trust, cost, speed, and convenience
  - Prevalence and popularity of each channel
  - Channel preferences (at destination and source)
  - Difficulties faced in sending and receiving remittances (at source and destination)
- Assess the feasibility of using the BC model to deliver remittances
  - Remitter and recipients' perceptions of BC remittance delivery
  - Willingness to pay for remittances sent and received via BCs

### Area Profile

This research covers both destinations (remitters' locations) and sources (recipients' locations). Remittance destinations selected for this study include: Surat in SE Gujarat, and Gandhidham, a port town in Kutch (western Gujarat). Remittance sources selected: Nalanda and Aurangabad districts in Bihar and Ganjam district in Orissa.

	All India	Bihar	Orissa	Gujarat
<b>Incidence of Poverty<sup>6</sup></b>	27.5%	41.4%	46.4%	16.8%
<b>Human Development Index<sup>7</sup></b>	0.605	0.507	0.537	0.634
<b>GDP Per Capita<sup>8</sup></b>	Rs.23,241/ US\$516	Rs.7,486/US\$166	Rs.18,440/ US\$410	Rs.34,223/ US\$761
<b>Population</b>	1,027,015,247	82,878,796	36,706,920	50,596,992
<b>Bank Branches<sup>9</sup></b>	49,814	2,138	1,504	3,204

Below are brief profiles of the research locations at both source and destination.<sup>10</sup> The information for Surat and Gandhidham applies to the towns, not the districts.

<sup>6</sup> Poverty estimates for 2004-05 from the Planning Commission, available here <http://www.planningcommission.gov.in/news/prmar07.pdf>, accessed 3 March 2011

<sup>7</sup> Human Development Index Report, published on the website of the Ministry for Women and Child Development available here <http://wcd.nic.in/publication/GDIGEReport/Part2.pdf>, accessed 3 March 2011

<sup>8</sup> Gross State Domestic Product (GSDP) for states and Gross Domestic Product for India overall, calculated by Planning Commission for 2004-05 available here [http://planningcommission.nic.in/plans/planrel/fiveyr/11th/11\\_v1/11v1\\_ch7.pdf](http://planningcommission.nic.in/plans/planrel/fiveyr/11th/11_v1/11v1_ch7.pdf), accessed 3 March 2011. Please note USD equivalent for GDP per capita calculated assuming Rs.45 to US\$1.

<sup>9</sup> Information as of June 2007, banks include State Bank of India and its seven associates, 19 nationalized banks and Industrial Development Bank of India Limited. Available here: <http://indiabudget.nic.in/es2007-08/chapt2008/tab47.pdf>, accessed on 31 March 2011.

<sup>10</sup> Information for this table and this section was collected from Census 2001, websites of the respective districts at <http://ganjam.nic.in/>, <http://nalanda.bih.nic.in/>, <http://aurangabad.bih.nic.in/> and <http://www.rbi.org.in/scripts/PublicationsView.aspx?id=12671>,



Population Group	Nalanda, Bihar	Aurangabad, Bihar	Ganjam, Orissa	Gandhidham, Gujarat	Surat, Gujarat
<b>Population</b>	2,370,528	2,035,757	3,160,635	151,693	2,811,614
<b>Literacy</b>	53.6%	57.5%	60.8%	60.4%	83%
<b>Blocks</b>	20	11	22	Not Applicable	Not Applicable
<b>Bank Offices</b>	115	85	199	71 (in urban Kutch)	227 (in metropolitan Surat)

**Nalanda** district in Bihar is approximately 100 kilometres from Patna, the state capital. The primary occupation in Nalanda is agriculture; with some handloom weaving. This is one of 100 poorest districts in India. Many landless and agricultural day labourers, who are only able to find work two to three months of the year, leave the area.<sup>11</sup>

**Aurangabad** district in SW Bihar is also primarily an agrarian economy with some carpet and blanket weaving. Almost 15% of the population migrate to bigger cities in Delhi and Punjab in search of more gainful employment.<sup>12</sup>

**Ganjam** district in southern Orissa is located about 130 km to the south of Bhubaneswar, the state capital. Of the estimated 900,000 migrant workers in Gujarat, close to two-thirds are from Ganjam district.<sup>13</sup> The numbers may now be less as many have returned home earlier this year after labour unrest and subsequent shutdowns of power loom plants in Surat. Crop losses due to December rains have further depressed Ganjam's economy.<sup>14</sup>

**Surat** is an economic hub in the state of Gujarat, famous for synthetic textiles and diamond polishing. (Surat likes to boast that nine out of ten diamonds are polished here.) These sectors employ close to 400,000, migrate from Bihar and Orissa.<sup>15</sup>

<sup>11</sup> Deshingar et al (2006). "The Role of Migration and Remittances in Promoting Livelihoods in Bihar". Overseas Development Institute, London. Available here: <http://www.odi.org.uk/resources/download/1603.pdf>

<sup>12</sup> Monitoring Report for the High Focus District (District) – 2005 – 2012. Available here: [http://mohfw.nic.in/NRHM/Districts\\_Tour\\_Report/Aurangabad\\_Report.pdf](http://mohfw.nic.in/NRHM/Districts_Tour_Report/Aurangabad_Report.pdf).

<sup>13</sup> Article on Remittances Gateway of India "Mobility is a Force for Good in Rural India" Available here: <http://remittancesgateway.org/index.php/press-clippings/other-news/406-mobility-is-a-force-for-good-in-rural-india>,

<sup>14</sup> Article in The Hindu newspaper 6 February 2011, "Ganjam's woes multiply with return of migrant labourers" Available here: <http://www.thehindu.com/todays-paper/tp-national/tp-otherstates/article1161447.ece>

<sup>15</sup> Article in the Times of India, 20 January 2011. "Strike continues in Surat Powerlooms" Available here: <http://timesofindia.indiatimes.com/city/surat/Strike-continues-in-Surat-powerlooms/articleshow/7324217.cms> Accessed on: 31 March 2011.

**Gandhidham** is a town on the western coast of India in the Kutch district of Gujarat. Kandla Port, the second largest port in India, is located about 11 km away from the city. Some migrants work in small-scale textile, hosiery knitting, and salt manufacturing, but the majority load and unload goods in Kandla.<sup>16</sup>

### **Research Methodologies:**

**Focus Group Discussions (FGD):** *MicroSave* uses FGDs to understand the prevalence and popularity of various remittance channels for both senders and recipients. FGDs, by fostering discussion amongst the participants, offer insight into the thinking behind their choices, likes, dislikes, and the attributes necessary in a BC service provider. Please refer to [Annexure 2](#) for the discussion guide.

**Product Attribute Ranking (PAR):** PAR allows respondents to discuss and rank features in current remittance services and a proposed BC service. Please refer to [Annexure 3](#) for further details.

**Relative Preference Ranking (RPR):** The RPR exercise is a follow-up to the PAR attributes. Respondents rank remittance service providers based on these attributes. [Annexure 4](#) contains more detail on this tool.

**Financial Sector Trend Analysis (FSTA):** FSTA explores how respondents' use of financial services has changed in the past 5-10 years. [Annexure 5](#) provides more details on this tool.

**Seasonality Analysis:** Income from agriculture is seasonal, and migrations and remittances—particularly expenditures at source—are thus affected. Understanding these cycles is integral to the proposed BC model. Details on this tool are available in [Annexure 6](#).

**Individual Interviews:** Many players are involved in remittance networks who are not necessarily represented in focus groups. Their viewpoints also contribute to a better understanding of the current and proposed new models. Please refer to [Annexure 7](#) for further details.

S.No.	Tool Used	Total Number of Sessions
1.	Focus Group Discussions + Individual Interviews	53
2.	Product Attribute Ranking	14
3.	Relative Preference Ranking	12
4.	Financial Sector Trend Analysis	6
5.	Seasonality Analysis	1

### **Sample**

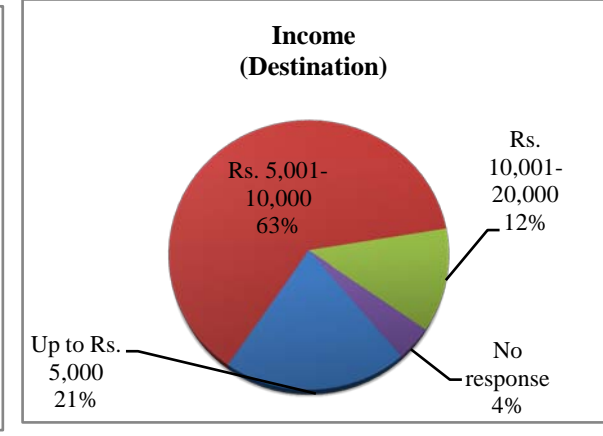
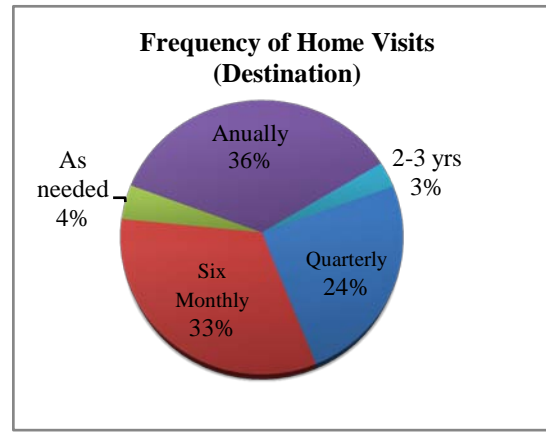
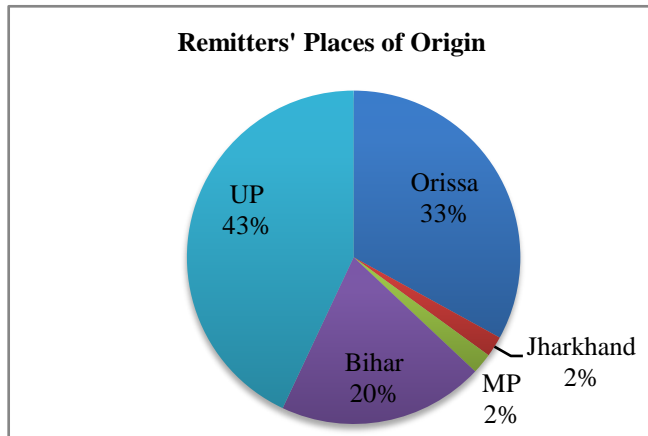
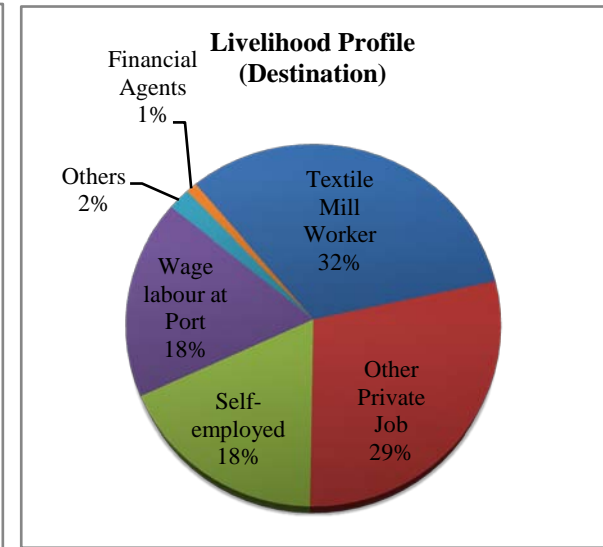
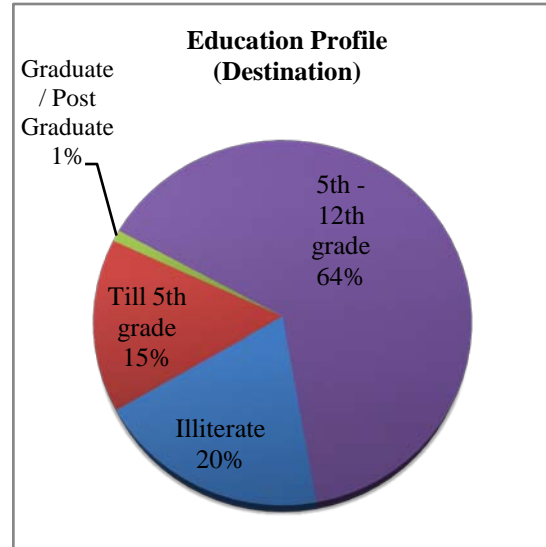
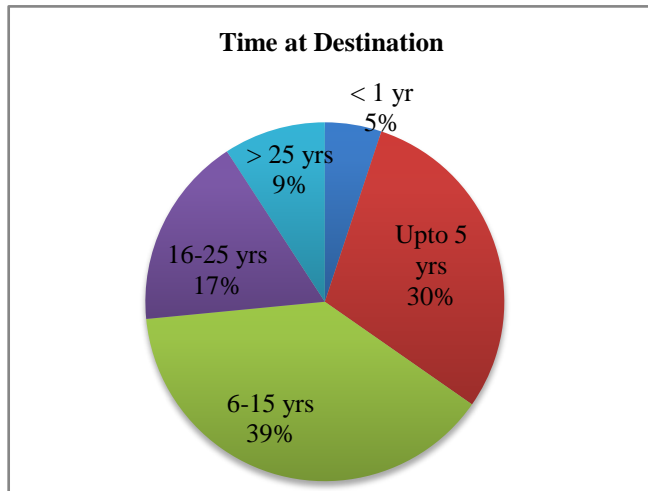
Most internal remittance studies focus on the preferences and problems of remitters. (Since they send the money and control when and how and how much is transmitted, this bias is logical.) This research, however, includes recipients as well in an effort to understand both sides of the exchange. “Pull” can often be equally important in decision-making. Seasonal agricultural cycles noted above, local trends, and recipients' problems and preferences all have an impact. With this in mind, we purposively chose rural samples in Bihar and Orissa with migrant remitters in Surat and Gandhidham.

<sup>16</sup>Ghate, Prabhu (2005). “Serving Migrants Sustainably: Remittance Services Provided by an MFI in Gujarat” *Economic and Political Weekly* 23 April 2005, pp. 1740 – 1746.

**RESPONDENT AND REMITTANCE PROFILE**

**Destination Respondent Profile**

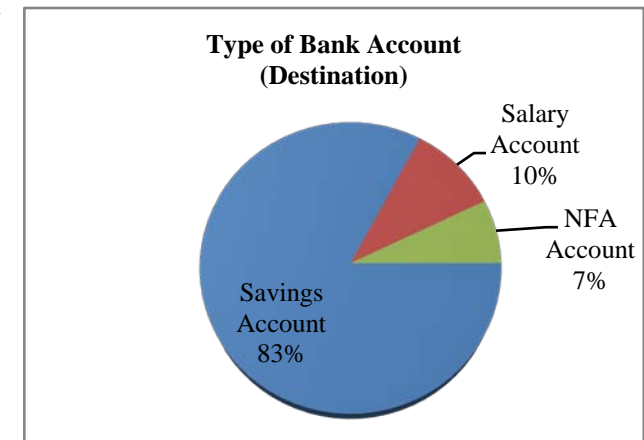
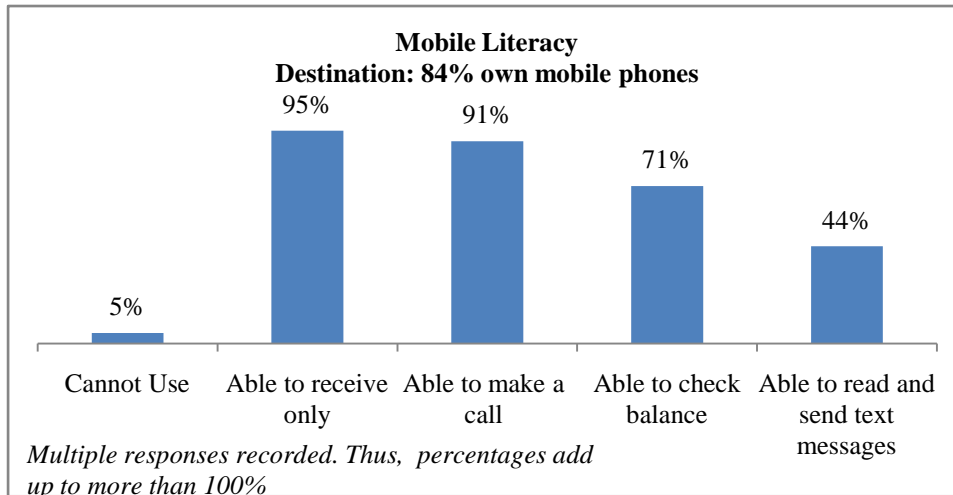
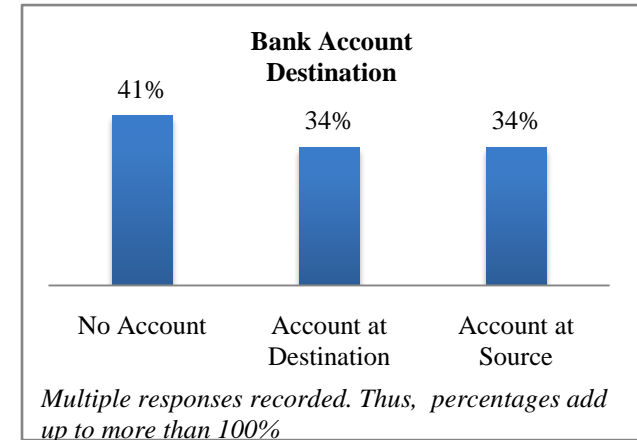
More males typically migrate to cities to find work, and in this study, all respondents in our destination sample were men. Slightly more than half are age 18 to 35. Eighty percent of these remitters are literate and a majority have been to secondary school. One third are employed in the textile industry. Eighteen percent work as wage labour in the port, and an equal number have established their own business.



About 60% of the remitting respondents have at least one bank account, at either the source or destination. (This includes the 10% who have accounts in both locations.) Most are savings accounts, although in Gandhidham companies provide another 10% of the sample with “salary accounts”.

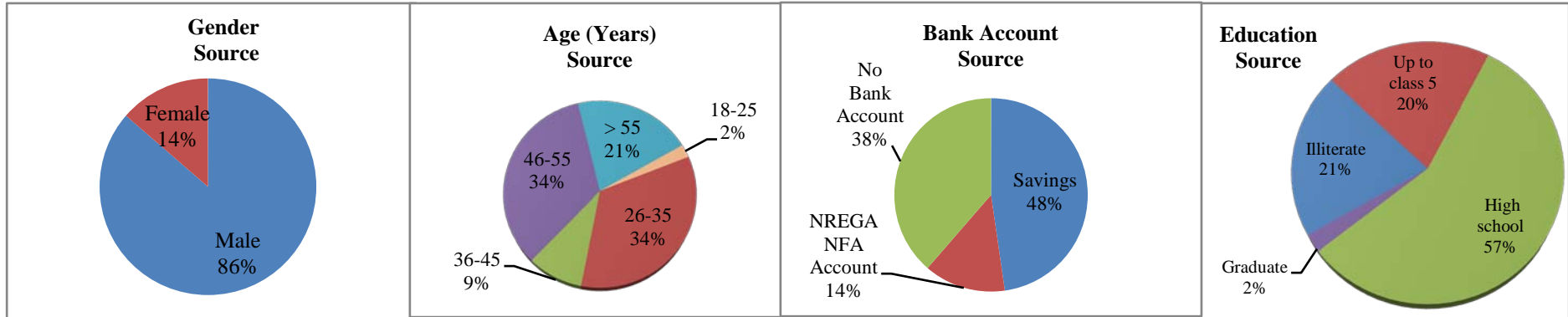
Sixty-three percent of the respondents have a monthly income of Rs.5,000-10,000; approximately one-fifth of the sample earn below Rs.5,000. A third are from Orissa, 20% are from Bihar, and 43% are from Uttar Pradesh (UP). (Four percent are from Jharkhand and Madhya Pradesh.)

Migrants usually live at their work destinations for extended periods. About 40% have been away from home for 6-15 years, but visit regularly. A third of the migrants are only able to visit once or twice a year. Twenty-four percent visit their homes every quarter. Most go home because they miss it, but other reasons include weddings, festivals, help with farm work, and a break from wage labour in the cities. Over 80% of the respondents own their own phones. Mobile literacy is high with close to 70% able to make and receive calls and to check their recharge balance.

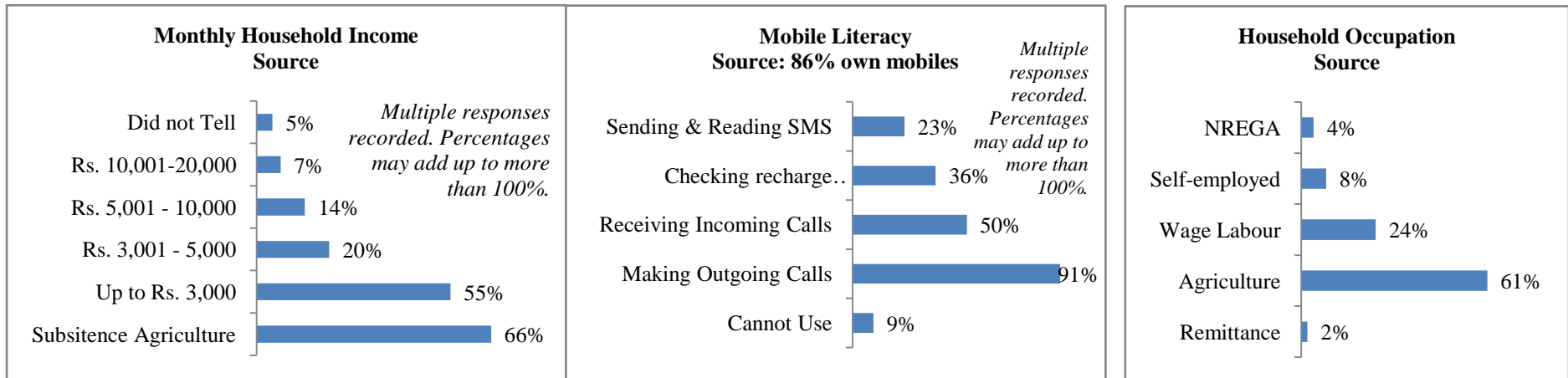


**Source Respondent Profile**

Both male and female family members receive remittances, although, here as well respondents for this study are predominately males. Close to 70% are age 26-55. Almost 60% have attended some high school; 20% are illiterate. Nearly 60% claim agriculture is their main source of livelihood. In general, this is subsistence farming, and most households eat what they grow. Over half the households earn less than Rs.3,000 per month, including the remittances.

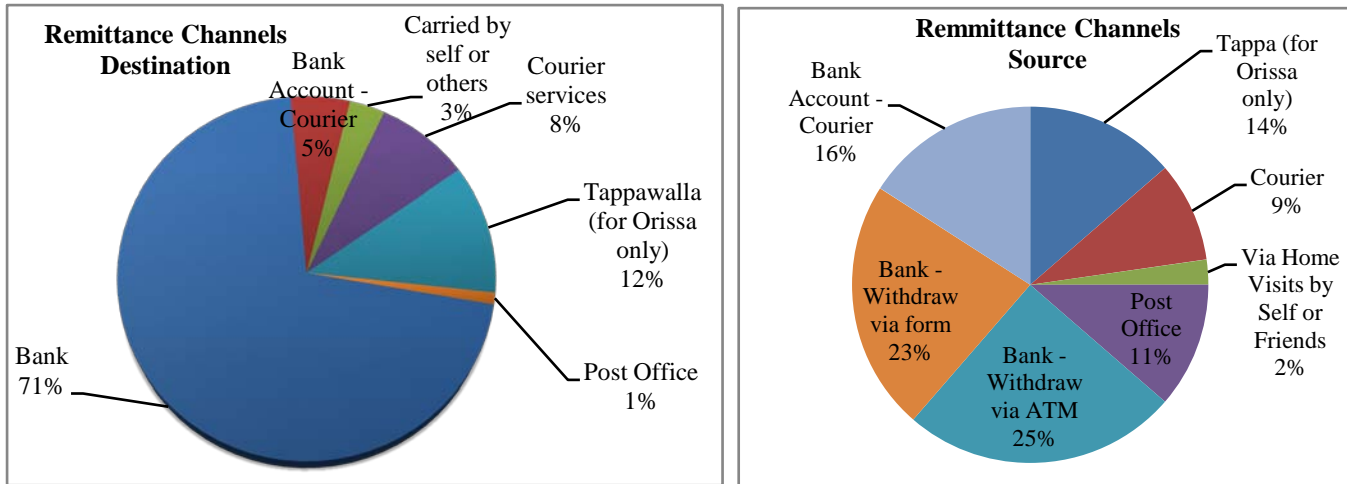


Over 60% at the source have bank accounts. Of these, half are savings accounts, and at least 14% have opened No Frills Accounts in order to receive NREGA benefits. Fifty-seven percent are from Orissa; 43% are from Bihar. Almost 82% of the recipients in the sample receive remittances from relatives in Surat. Recipients' mobile literacy is lower than that of remitters.

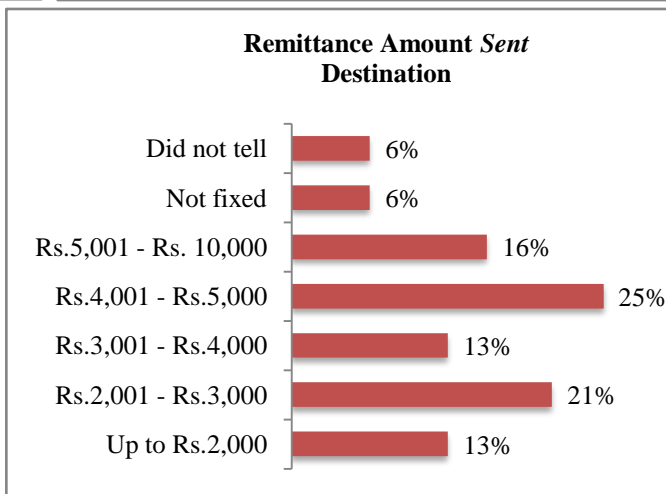
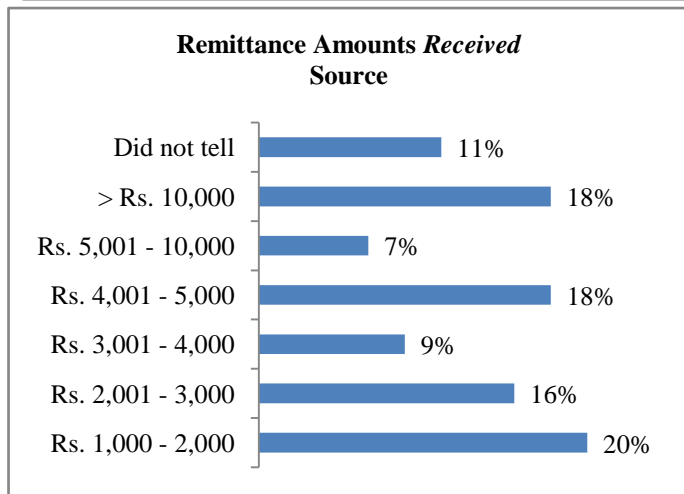


**Characteristics of Remittances: Source and Destination**

This section presents an overview of how remittances are sent and received. Please note that since remitters interviewed at destination locations are not related to recipients interviewed at the source, the responses of the two groups do not always match up.



The chart to the left shows that slightly more than 70% of the remitting sample transfer the money directly through banks; informal remittance services account for the remaining 30%. The bank channel dominates for a number of reasons: the general push for financial inclusion in many of these areas, more ATMs, more voter and other ID cards facilitating the KYC (know your customer) authentication process, and the “salary accounts” mentioned above for wage labourers at Kandla Port.



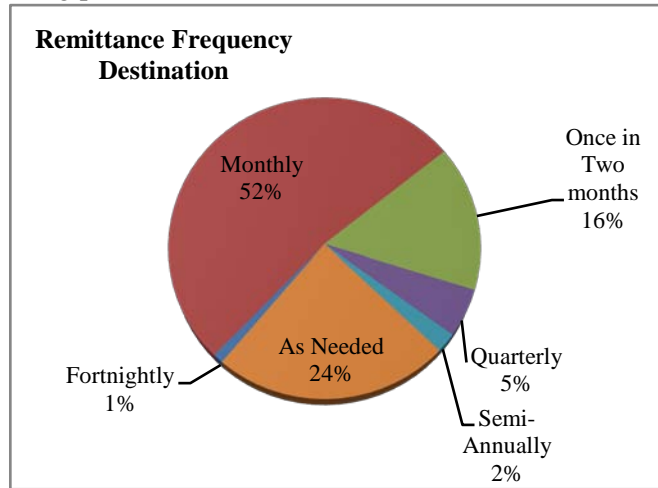
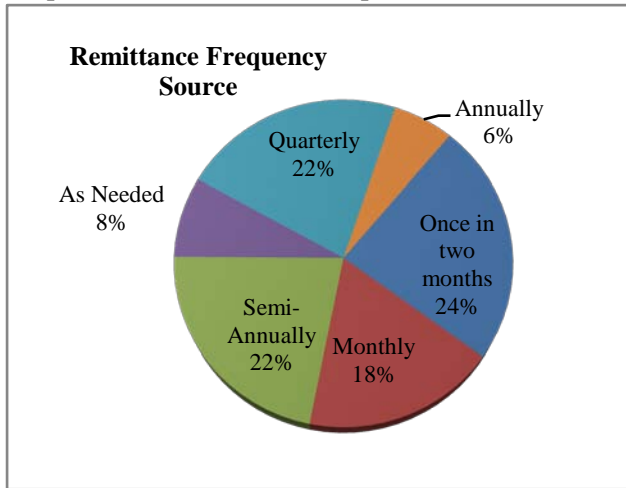
At the source, close to 50% of the respondents receive remittances through the bank. About half withdraw the money from the closest ATM; the other half travel to the nearest bank branch to do so.

For a more detailed description of these channels, please see the table, **Overview of Remittance Channels Used**, on page 14.

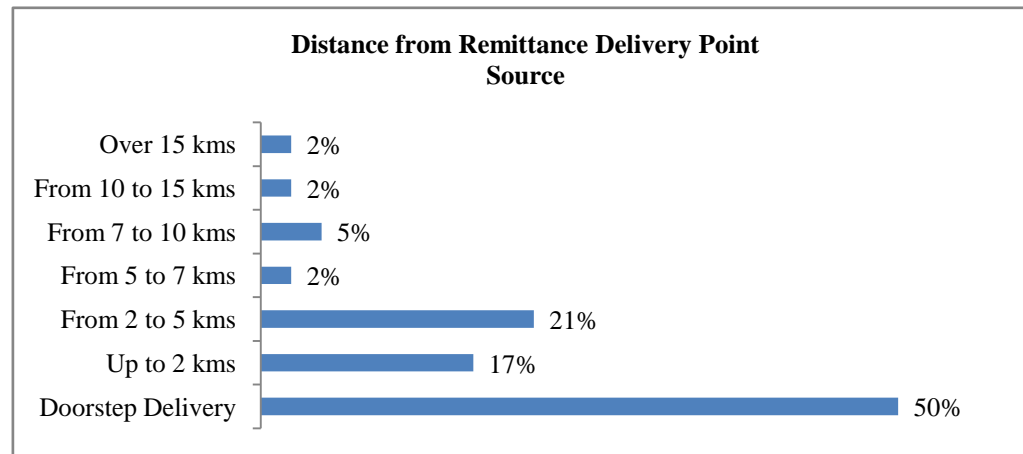
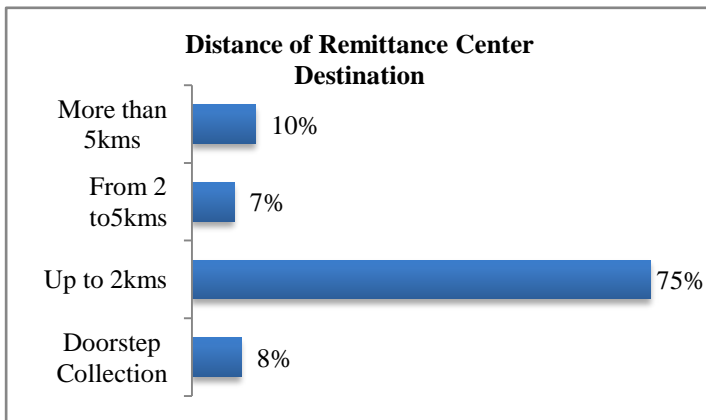
As the graphs show, the most common remittance amount received is less than Rs.2,000. Smaller percentages receive

more (Rs.4,000-5,000) or much more (>Rs.10,000). According to senders, the most common amount remitted is Rs.4,000-5,000. (Please note this discrepancy is due to recruiting unrelated remitter and recipient samples, not to significant cash loss en route.) Twenty-one percent remit an amount between Rs.2,000-3,000.

At the destination, over half the senders claim to send money on a monthly basis. Again, because the samples do not match, only 18% of the recipients claim to receive remittances on a monthly basis. The source recipients derive income from relatives working all over India in construction, factories, household help, etc. The destination sample has an income and earning profile that differs somewhat.



These amounts are also self-reported. He who sends his hard-earned money home may report a higher amount than those at home who receive it. A majority of the senders travel up to two kilometres to send money, while half the recipients receive remittances at their doorstep.





**OVERVIEW OF REMITTANCE CHANNELS USED<sup>17</sup>**

Service Provider	Process	Cost	Collection at destination	Delivery at source	Delivery Time
Bank	<p>Sender deposits money into:</p> <ul style="list-style-type: none"> <li>his account at the destination or source</li> <li>recipient's account at source via EFT</li> </ul> <p>Recipient withdraws money at the bank branch or nearest ATM.</p>	<ul style="list-style-type: none"> <li>Deposit into source account: no cost.</li> <li>EFT to source account: cost varies per bank.</li> </ul> <p>(Fees for two common banks)</p> <ul style="list-style-type: none"> <li>SBI:<sup>18</sup> Rs.2 per Rs.1,000, subject to minimum of Rs.25</li> <li>Bank of Baroda: no fees.</li> </ul>	Closest bank branch	Closest bank branch or ATM	<ul style="list-style-type: none"> <li>Instantaneous if deposit is into remitter's account at source or destination.</li> <li>EFT to account at source: up to 48 hours</li> </ul>
Post Office	<ul style="list-style-type: none"> <li>Sender fills out a money order form with recipient's name and address and receives a receipt for money sent.</li> <li>At the source, recipient must sign confirmation receipt, which is then mailed to the sender.</li> <li>Sender may file complaint if no money received in 30 days</li> </ul>	5% of amount sent	Local post office at destination	Local post office at source or doorstep service	<ul style="list-style-type: none"> <li>The stated time is 3-6 days</li> <li>Delays of up to one month are typical</li> </ul>

<sup>17</sup> [Annexure 1](#) provides greater detail on each of these channels

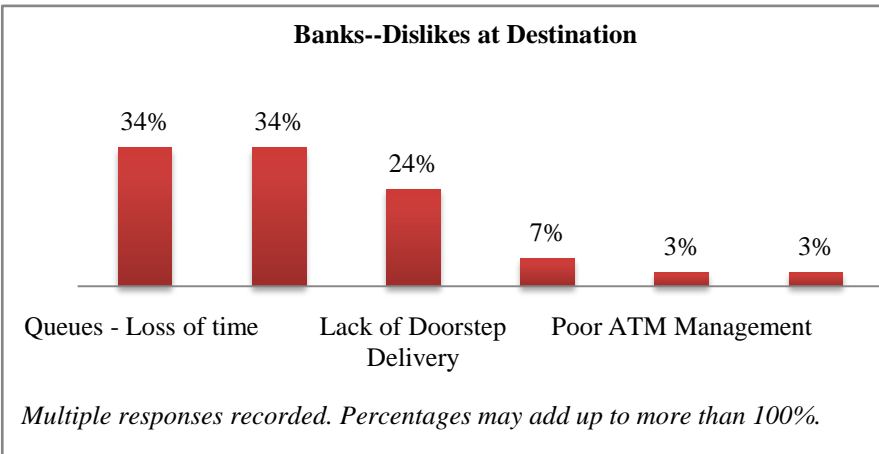
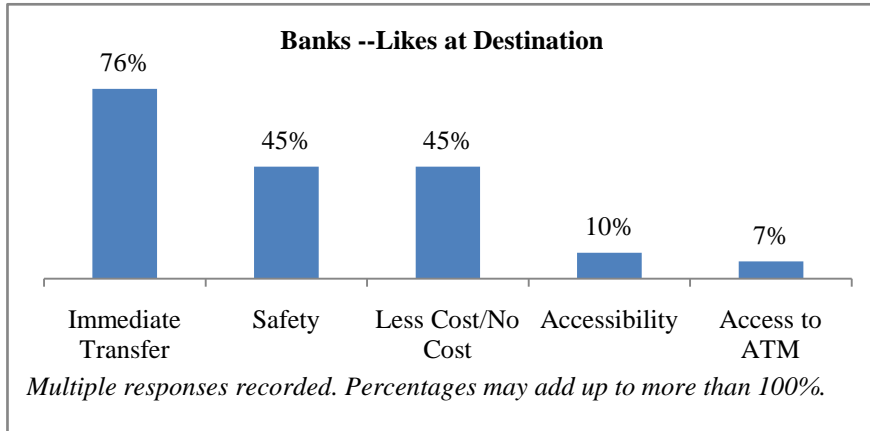
<sup>18</sup> State Bank of India (SBI). Please read price aspect of bank delivery channel in Annexure 1.

Service Provider	Process	Cost	Collection at destination	Delivery at source	Delivery Time
<p><i>Hawala</i> courier services (Also known as: <i>Tatkal Sewa</i>, <i>Vayu Sewa</i>, <i>Hundi Service</i>, <i>24-ghanta Sewa</i>)</p>	<ul style="list-style-type: none"> <li>• Sender goes to courier service branch to remit money, collect receipt.</li> <li>• Or he calls the courier to collect and send money.</li> <li>• Courier service then informs the source agent who delivers the money directly to doorstep.</li> <li>• Each courier company usually covers two or three specific districts in source areas.</li> <li>• Some couriers also advance money for 48 hours to repeat customers for emergencies.</li> </ul>	<p>4-6% of the amount, depending on the source location</p>	<p>Local branch of courier service, usually close to migrant <i>bastis</i> (makeshift settlement) or neighbourhood.</p>	<p>Doorstep delivery</p>	<ul style="list-style-type: none"> <li>• Usually within 48 hours</li> <li>• Courier company may expedite delivery at the sender's request</li> </ul>

Service Provider	Process	Cost	Collection at destination	Delivery at source	Delivery Time
<i>Tappawalla</i>	<ul style="list-style-type: none"> <li>This channel is specific to Orissa only.</li> <li>The <i>tappawalla</i> arrives every fortnight to Oriya <i>basti</i> or neighbourhood to collect remittances</li> <li>He then transports cash or demand draft to Orissa and distributes it in the various villages.</li> <li>Some <i>tappawallas</i> also now use bank transfers. One at destination sends money to <i>tappawalla</i> at source(s).</li> </ul>	Flat 2% of the amount being sent, as fee.	<i>Tappawalla</i> collects at Oriya migrant neighbourhoods.	Doorstep delivery at the source.	<ul style="list-style-type: none"> <li>2-3 days</li> <li>A <i>tappawalla</i> may extend a small loan to regular customers if remittances are due to arrive.</li> </ul>
Couriers with source bank accounts.	<ul style="list-style-type: none"> <li>These individuals have bank accounts in source villages and allow up to 20 migrants to send money to each account..</li> <li>Once the money arrives in the source account, courier distributes to recipients in the village and neighbouring areas.</li> </ul>	Up to 4% of the amount sent.	Deposit at destination bank branch.	Courier withdraws remittances from source account and distributes them at recipients' doorsteps.	<ul style="list-style-type: none"> <li>Within 2-3 days</li> <li>These couriers also extend short-term loans.</li> </ul>
By sender	<ul style="list-style-type: none"> <li>Migrants often carry payments for each other when they travel home</li> </ul>	Based on reciprocity.	Doorstep	Doorstep delivery	<ul style="list-style-type: none"> <li>Within 4-5 days (includes travel time, plus small interim)</li> </ul>

**REMITTANCE CHANNELS: LIKES AND DISLIKES**

In this section, we explore both sender and recipients’ impressions regarding the various remittance channels they use and see others using. We asked respondents to name the channels available in their neighbourhood and then to list what they like and dislike about each channel.



**Banks**

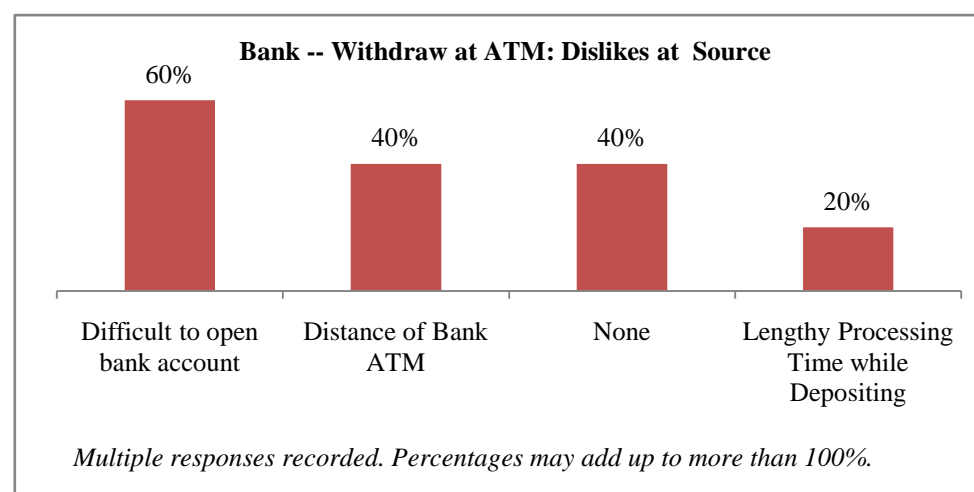
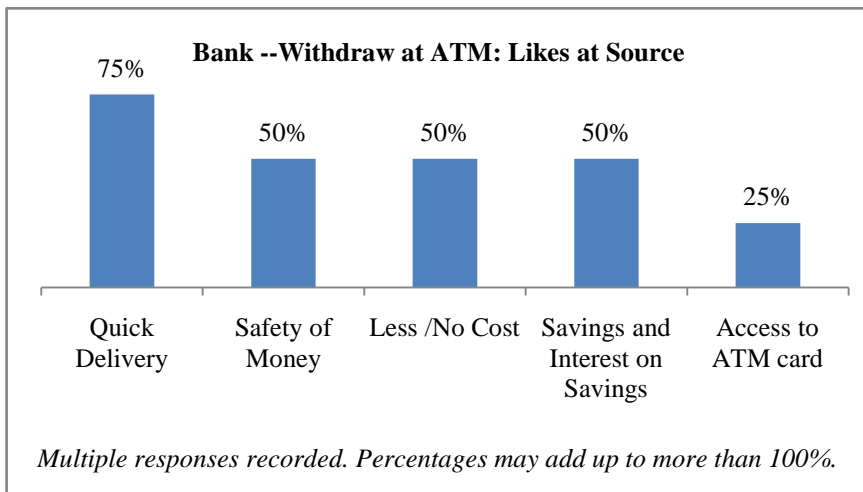
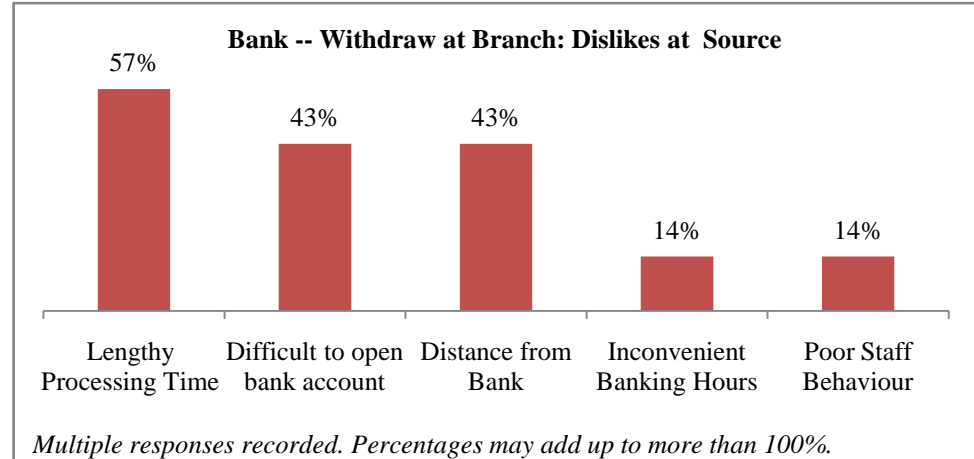
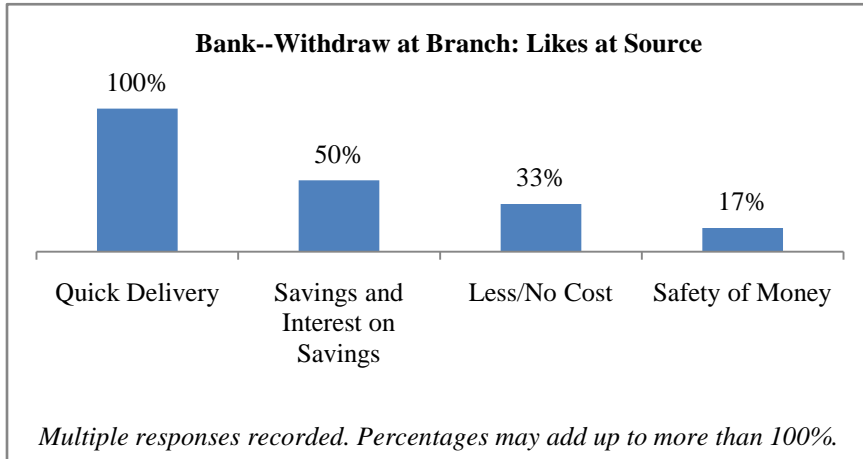
In over half the sessions, respondents appreciate the quick money transfer to source accounts. Two methods predominate. Senders either deposit cash in their own accounts at the destination, and then inform recipients by phone so the latter can withdraw the money immediately from a local ATM or bank branch. Or senders deposit money into the recipients’ bank account at the source via EFT, which can take up to 48 hours.<sup>19</sup> In about half the sessions, respondents vouched for the safety and the low cost of this channel. At source, recipients note that receiving remittances in their bank account encourages them to save. They take out only as much money as they need and leave the rest.

*“Isme paisa doobneka tension nahinhain, wahan paisa pahunchjaatahain”. (In this, we do not face the risk of losing our money. The money reaches our home without fail.)*

Not everyone is happy, however. In a quarter of the sessions, respondents complain about long queues and the loss of time from work. The same numbers dislike the need for an identity card for EFTs at State Bank of India (SBI) branches. Not all the senders possess a local identity proof (many migrants live for years without a fixed destination address) and in Surat, with or without one, many remitters are now funnelled off to SBI’s BC model “Tiny Banks” for all remittances and new accounts to decrease crowding in the main branches.

<sup>19</sup> One of the easiest forms of bank remittances is a non-home bank branch deposit of cash into the receiver’s account. The amount is credited almost instantly. However, when banks use the business correspondent channel, the money is only available in recipients’ accounts *after* the BC agent’s consolidated account clears with the bank—usually one or two days later. SBI has already imposed this model in Surat and Gandhidham. Please refer to [Annexure 1](#) for details of this channel, recorded as at the time of research. This channel is popularly known as Direct to Core deposit or *Tatkal*. In the report we have referred to this model as “SBI Tiny” as is prevalent in Surat/Gandhidham. Please see pages 22, 31, 35 and 37 for more specifics. In the interim, other banks have now facilitated immediate transfer via this channel as well. For a detailed description of *Tatkal* on Eko’s mobile phone platform in Delhi, please see [MicroSave India Focus Note 68: “SBI Tatkal - From Cash to Cash Cow”](#).

As noted above, recipients either travel to the nearest ATM or bank branch to retrieve their money. The charts show the negatives and positives of each. In both cases, respondents mention the lengthy processing time at banks—both sending and receiving—as a clear deterrent. (Even recipients who withdraw at ATMs note the time the sender must spend to remit via the bank.) In 14% of the sessions, recipients who withdraw at bank branches censure poor staff behaviour, a compelling reason, along with avoiding queues and tiresome bank processes, to switch to an ATM if possible.



### Sending Remittances through Bank Transfers

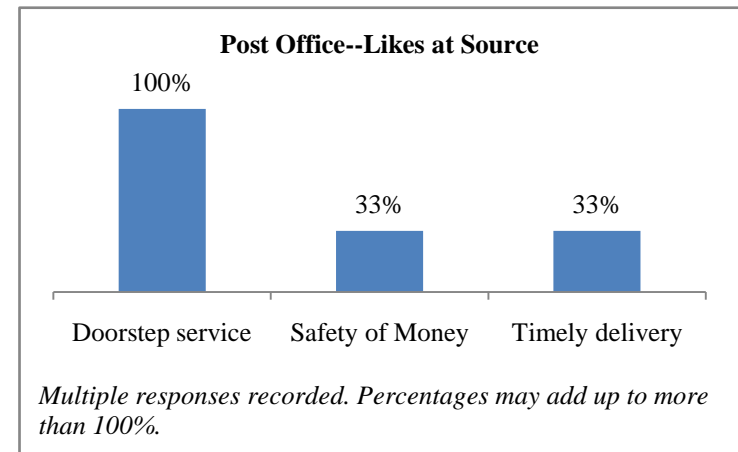
Babu migrated from Ganjam in Orissa 30 years ago. He runs a small tea shop in a lane with fellow migrants in the Pandesar area of Surat. Babu now owns two houses—one back home and one in Surat. His immediate family of wife and children live with him, while his parents and two brothers continue to live in Ganjam.

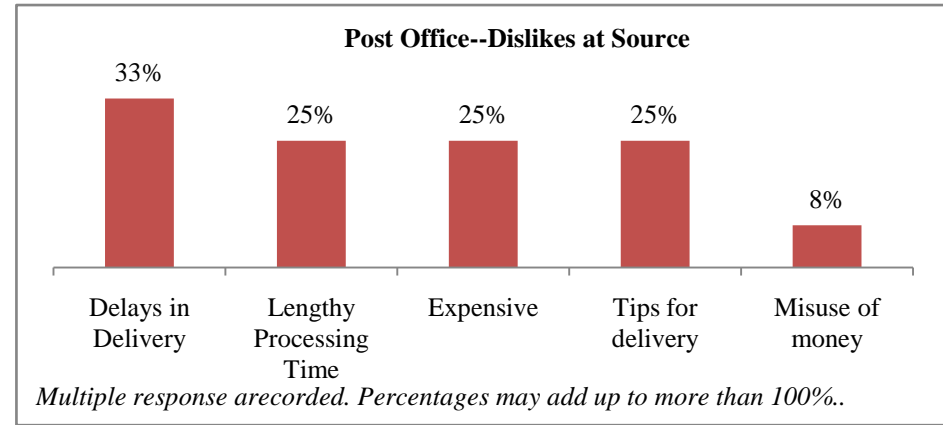
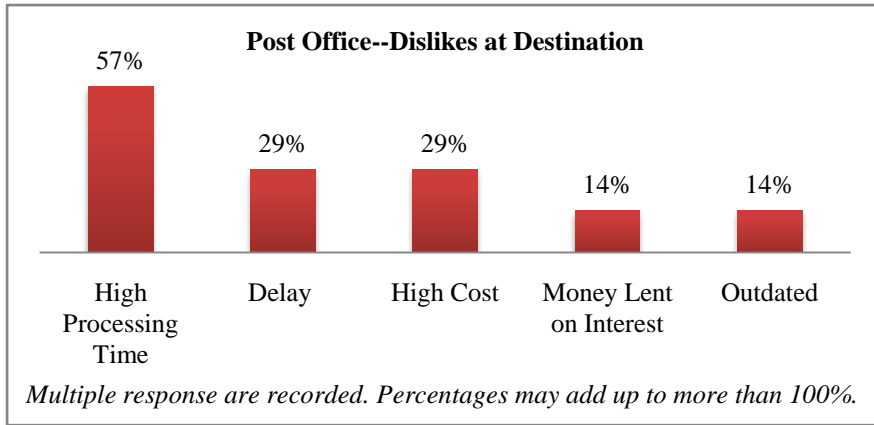
When he first came to Surat, Babu used the post office to send money home. Back then, the post office cost only Rs.5 for every Rs.1,000 sent. Today, it costs Rs.50 for the same sum. Now he sends money home via his SBI account, and his family in Ganjam use an ATM card with access to his account to withdraw money as needed. The advantage of this method, Babu notes, is “Ek minute mein chala jaata hain!”. (The money reaches my family in one minute!)

So if banking works so well, why are other services so prevalent? Babu says, “Jiska ATM nahin hain, woh kya karega?” (Those who do not have a bank account with ATM access, what can they do?) He also knows that it is difficult to open an account, particularly one that includes an ATM card, without the right documentation and identity proof. For most migrant workers, authentication is problematic, especially when they first arrive.

### **Post Office**

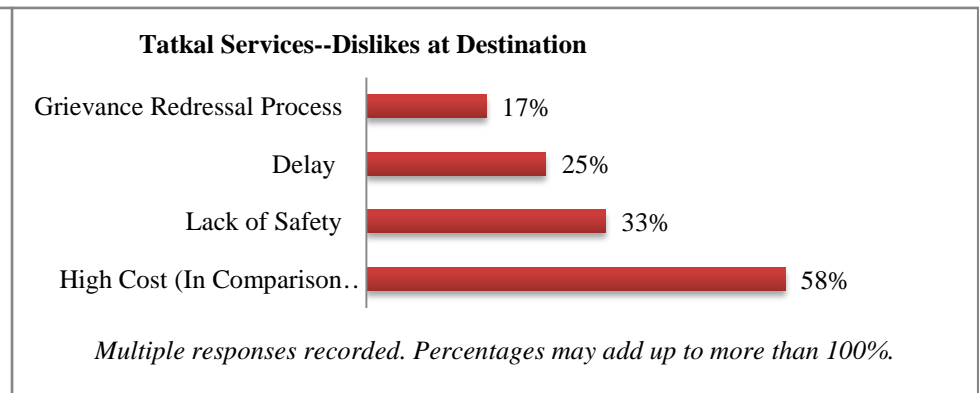
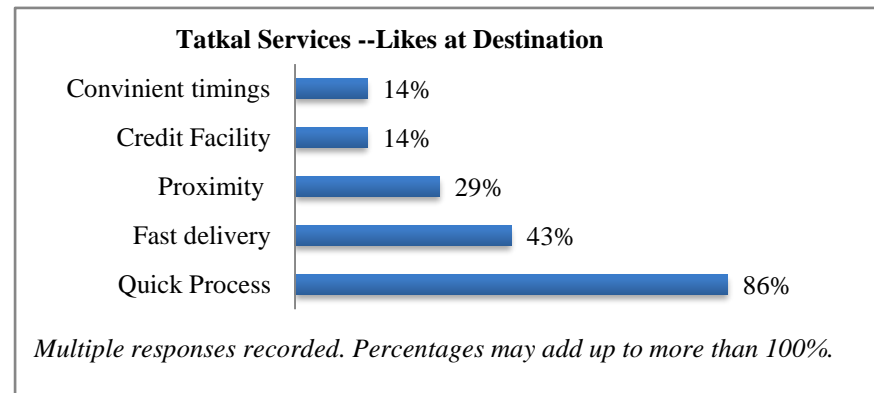
The postal money order is one of the oldest methods of sending money in India. Post offices also have a much larger network than banks, and everyone in the research sample knows the post and the services they provide. But respondents invariably mention this option with the comment, “*Uzamana toh gaya*”. (The era of post offices is over.) Particularly revealing is the fact that, at the destination, senders were unable to come up with a single aspect of the postal money order they liked. They could, however, cite dislikes. Post offices charge high rates to remit money, and they take longer, sometimes much longer, than other channels. In 14% of the sessions, recipients allege that the post office sometimes lends out their remittances on interest instead of delivering it to them. Chief amongst the dislikes are delays in delivery (33%), lengthy processing time (25%), and expense (25%). Recipients, however, do appreciate postal doorstep delivery (100% of the sessions) and, in some areas, timely delivery (33% of the sessions).





**Tatkal Sewa or Hawala Courier**

For *hawala* couriers or *tatkal* service providers, respondents in 86% of the sessions claim the transfer processing is quick and painless. (This advantage is particularly worth noting in light of banking negatives.) About 58% of the sessions report the cost of *hawala* couriers is high, especially when compared to bank charges (Rs.0-25). *Hawala* service tends to favour those villages with substantial remitting populations. If one is from a remote village or a village with few remitters, delivery can be delayed and costly. “*Aur teen grahak milte hain, toh hi kar paatey hain*”. (Only if they have more customers are they able to provide the service.)



“*Khata jin logon ke paas nahin hain, woh tatkal karte hain. unke paas purav nahin hain jaise pan card, voting card aadi*” . (Only those who do not have bank accounts use *tatkal*. The reason people do not have bank accounts is because they lack the proper documentation like a pan card or voting card .)





**Board Advertising the services of Lakshmi Tatkal Services (Translation)**

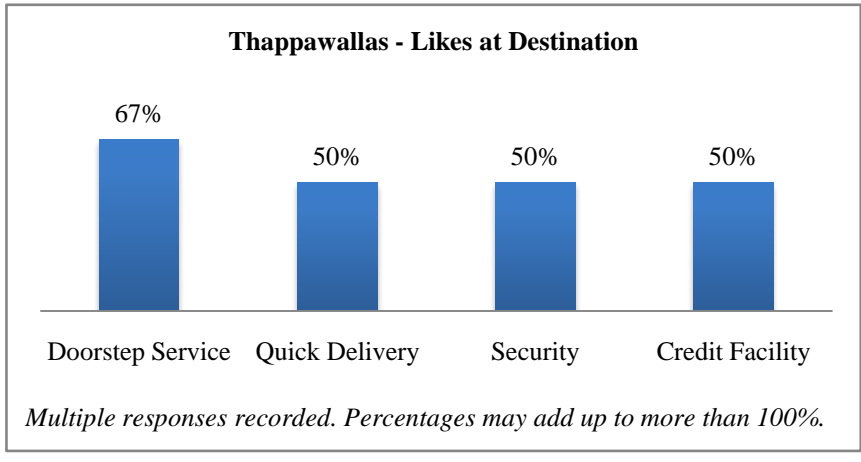
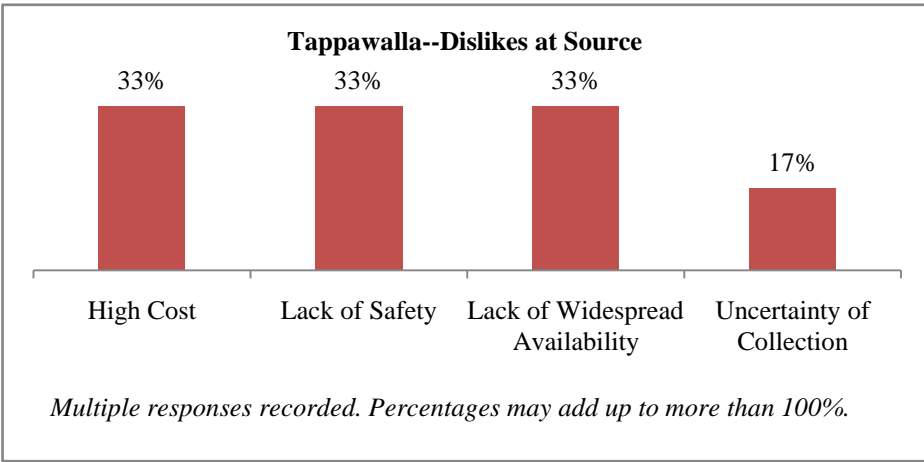
**Lakshmi Tatkal Service**  
100% guaranteed delivery in 24 hours

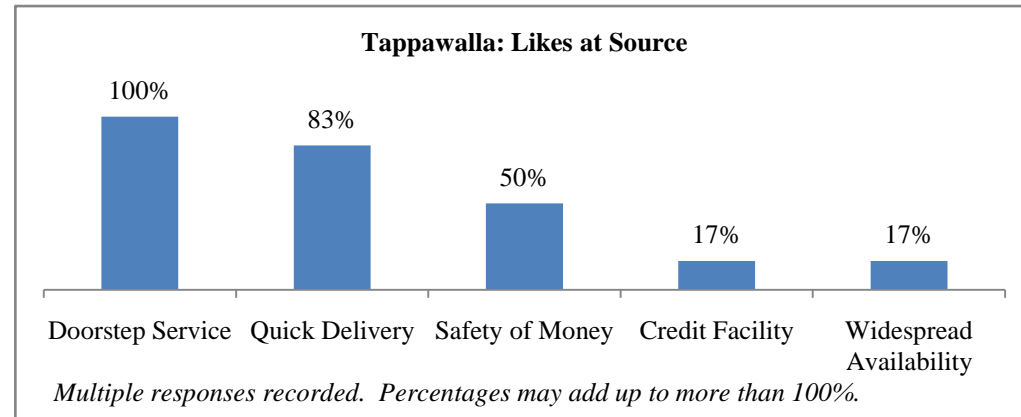
The quickest, the fastest: the mark of Lakshmi *Tatkal* Service

Source Locations: Jaunpur, Patti, Pratapgarh, Varanasi, Mirzapur, Bhadoi, Azamgarh, Allahabad, Sultanpur, Gazipur, Chandoli [U.P. districts]

**Tappawallas**

*Tappawalla* is an informal service specifically for migrants from Orissa. Almost every household in any given village in Ganjam boasts of at least one migrant worker. Originally *tappawallas* transported goods for migrants from their families. At some point, they also began transporting money between the two locations. *Tappawallas* in fact differ very little from *hawala* couriers these days. (Please see box in the next section). The Ganjam district in Orissa knows and uses *tappawallas*. Respondents praise this channel for doorstep service, both at the source and the destination, but they dislike the erratic collection times. *Tappawallas* pick up money at the sender’s doorstep—at their convenience. Respondents in half the destination sessions and in 17% of the source sessions are grateful that *tappawallas* often provide them with short-term credit.





### Tappas and Tatkals: Vanishing Differences

With the increasing access to banks and ATMs in rural areas, the difference between the *tappawalla* and a *tatkal sewa* or *hawala* courier is barely noticeable any more. Often clients, particularly at the source, are unable to distinguish between the two. “*Jisko aap vayu sewa bol rahe hain na, wohi tappa hain*”. (The service which you are calling *Vayu sewa* [another name for *tatkal sewa*] is the same thing as *the tappa* service.)

Traditionally, *tappawallas* transported the money physically by converting it into a bank draft. Delivery time included travel, plus the time they spent at the destination, of usually a week or more. Today, *tappawallas* use electronic bank transfers and have no reason to travel back and forth. Relatives or trusted colleagues manage the collection at the destination. Remittance transfers, including doorstep delivery, now only take two to three days.

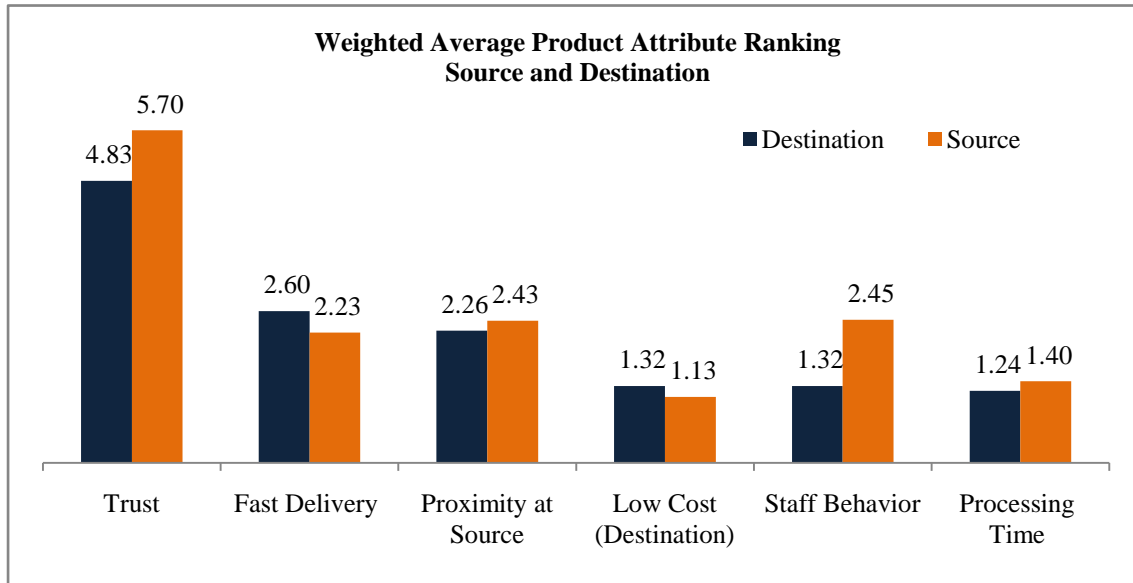
The research team met with a *tappawalla* in Ganjam whose younger brother is a migrant in Surat. He collects remittances in his area and sends them via a bank transfer. The elder brother at the source then distributes the money to the recipients. *Hawala* couriers usually also have agents situated at both destination and source and remittances arrive within 48 hours. The settlement of money between agents happens at a later date via bank transfers or other means.

Some differences persist. At the destination, the *tappawalla* collects money at the remitter’s doorstep or at least very close by, whereas senders remitting via *tatkal sewa* must visit their local office. Both offer doorstep delivery at source.

*Hawala* couriers continue to cover broader areas at the source, but their community involvement is not as deep or as historically entrenched as the *tappawallas*. The latter remain more popular in most Orissa villages with high migration rates.

**COMPARATIVE ANALYSIS: FACTORS INFLUENCING USE**

In the previous section, the safety of a remittance transfer is obviously important to both remitter and recipient, but other factors such as convenience and speed figure highly in respondents’ likes and dislikes of a channel. In this section, we explore these various attributes in more detail to determine which ones matter most for respondents and if they differ for destination and source. The chart below provides the weighted average results of these attribute ranking exercises for both.<sup>20</sup> The MicroSave research team conducted nine exercises at the destination (Surat and Gandhidham) and five at the source (Ganjam and Bihar).



Ranking	Destination	Source
1.	Trust	Trust
2.	Fast Delivery	Staff Behaviour
3.	Proximity at source	Proximity at source
4.	Low Cost (Destination)	Fast Delivery
5.	Staff Behaviour	Processing Time
6.	Processing Time	Low Cost (Destination)

**Destination**

At destination locations, trust and the safety of the remittances are the two most critical attributes. “*Vishwas wala ga usi se paisa bhejenge na?*” (The person whom we can trust will be the one we use to send the money, right?) The degrees of risk involved in a channel are also very clear for senders. A more detailed analysis of the relative preferences between different service providers follows, but worth noting here is the degree of trust both senders and recipients place in informal providers such as *tappawallas* and *hawala* couriers because many have been based in their villages for years.

<sup>20</sup>Here are respondents’ definitions: **1. Trust** refers to the amount of faith in a particular channel. In particular, it refers to how safe respondents perceive their money is when sent via a particular service provider. **2. Fast Delivery** is the amount of time service providers take to transport money from the destination to the source. **3. Proximity at Source** denotes the point at the source where recipients pick up their remittances, distant bank branch, nearby shop or ATM, or home delivery. **4. Low Cost (Destination)** is the cost of sending the remittance borne by the migrant worker at the destination. **5. Staff Behaviour** refers to the manner, courteous or discourteous, which the remittance service provider treats their clients. **6. Processing Time** is the amount of time it takes to process a service request at the point of collection and delivery.

Senders rate speed as the second most desirable attribute. A respondent in Surat explains, “15 dine ke baad jayega to woh kya khayega, 15 din ke baad jayega to woh mar jayega”. (If you send it [and it takes] 15 days, what will they eat in the village? If it takes 15 days, they will die.) Remittances are often a primary source of income for family members at the source. Alternatively, in an emergency, senders do not want to worry whether or not the money has arrived. In many cases, “trust” and “fast delivery” are bound up together. Some develop faith in a remittance service precisely because the channel is able to deliver the money quickly.

Proximity and ease of delivery matter most for source respondents after trust and speed. Doorstep service works best, everyone agrees. “Ghar mein paisa pohunchayega, toh accha hoga. Kisi kisi gaam se bank das das km door hain, toh takleef hota hain”. (If the money reaches my home, it will be good. In some villages, the bank is almost ten kilometres away; it is a hardship for us.)

Remitters rank “low cost at destination” fourth. One respondent explains, “Kharcha baad ki baat hain. Woh to koi mayine hi nahin rakhta”. (Cost is secondary. It is meaningless.) For most, cost is not “meaningless”, but senders are willing to pay for a service with the right attributes. Others note that even if costs are low, as in the case of banks, there are hidden expenses such as travel time and loss in wages.

Staff behaviour rates fifth for the remitters. Destination respondents are quick to note, however, that despite the seeming unimportance in this ranking, impolite behaviour does matter. “Ek din sahenge, do din sahenge, uske baad, fir bhale hee jyada paise lagein, uske paas nahin jayenge”. (We will bear rude behaviour the first day; we will bear it the second day. After that, we will prefer to go elsewhere even if we are required to pay a little more.)

Finally, remitters rank “processing time” as the sixth most desirable attribute. As with bank staff rudeness, this does not mean that respondents find the long queues and procedures at banks acceptable. Those working night shifts need to sleep; day labourers can lose an entire day’s wage (~Rs.250-300) to bureaucratic procedures time and long queues.

### Source

Here, too, source respondents rate “trust” highest—and they trust to other attributes as well. “Jab aap par vishwas kar liye to aap vyavahar kharab kaise kar sakte hai”. (If I trust you, then you will automatically behave properly with me.) They also note that since money is so hard to come by in their village, no one will enter into a financial relationship without trust.





Respondents go on to rank “staff behaviour” second since the person, usually male, delivering the money or managing the bank process matters is typically interacting with a woman or an aged parent. These recipients often need help, particularly in a bank, particularly if they are illiterate. Patience and courtesy are important. “*Gents log kheti mein chale jaate hain. Voh misbehave karega, toh gaanv ke liye problem dega*”. (Usually, the men are busy with agriculture. If the person delivering cash behaves inappropriately, it will be a problem for the village.)

“Proximity at source” comes in a close third, as recipients want the remittance delivered to their doorstep or nearby to minimise transaction time, the cost of travelling to and from the bank, and the very real danger, particularly for women, of theft en route from the delivery point.

“Fast delivery” ranks fourth, although all recipients report they are anxious about their remittances arriving late and some are even willing to pay tips to the informal channels and the post office to hasten delivery. (The discrepancy in fourth place for recipients versus second for senders is due in part to senders’ equating fast delivery with fast verification, i.e. trust and the overall safety and integrity of the service provider.)

Recipients rate “processing time” fifth. Doorstep recipients in fact usually only have to sign one receipt for their money, but those receiving remittances via banks often endure more complications and the processing can take hours, if not days. Complications can include the usual long lines and forms, plus power failures (retarding electronic funds transfers), and insufficient cash reserves in smaller rural banks. “*Thoda paisa kharch ho jaay to chalega par jhanjhat*

*nahin hona chahi*”. (Even if we spend a little more money [for doorstep service], it is preferable to incurring lot of time and trouble in processing the payment.)

“Low cost (destination)” comes in last because recipients maintain they are less able to support extra fees than the income generators at the destination. The lower cost, they believe, needs to be at the source since their ability to pay is always less.

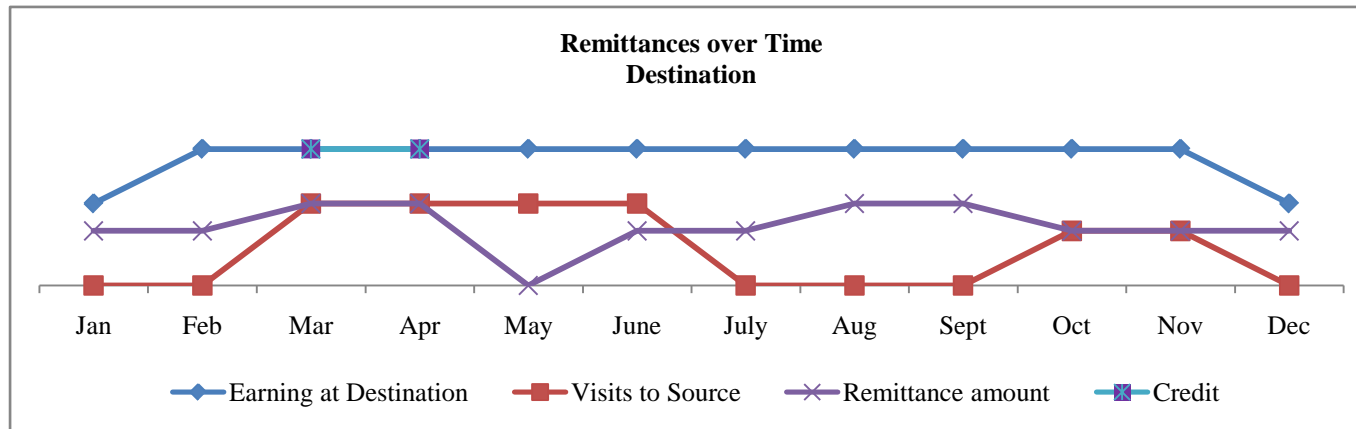
In general, both senders and recipients seem to agree on the most important features of a remittance service. They want safe and timely delivery of the money, as close to home as possible, at an affordable cost. The intermediary managing this exchange should be polite and non-threatening. The differences in ranking make sense in terms of the variations in priorities for both sides.

### Time is Money

Godhai Pradhan, age 50, lives in a village in Ganjam in Orissa. Her sons work in Chennai and send her money via postal orders and *tappawallas*. The money usually reaches her within ten days, though sometimes it is delayed. Godhai does not have a bank account and is not much interested in opening one as she has no experience with banking.

Godhai claims nothing matters more than timely delivery of her money. She likes the *tappawalla* more than the post office only because he is able to deliver the remittance much more quickly and is more trustworthy as a result. Cost matters less to her. “*Kharcho my paaye zaroori nahin, kintu time re miliba darker!*” (Cost is less important, but I must receive my money on time!)





**Remittance Needs during the Year**  
 A short Seasonal Analysis exercise with a group of workers from a towel-making factory in Gandhidham reveals the following results.

	Discussion
<b>Earnings at destination</b>	<b>December-January.</b> Employer’s revenues depend on orders and demand for their services. If both are low, their employees, particularly migrant workers with no protections, suffer the consequences. During November, most companies seek to fulfil their orders for the year, so December-January can be lean and all workers can expect Rs1,000-1,500 less per month in their pay.
<b>Visits to source</b>	<b>July-September</b> have very few, if any, festivals so migrant workers seldom travel home during this period. <b>October and November</b> , by contrast, are the peak months for visits home due to the Dushera and Diwali festivals. <b>March-June</b> also encourage visits since this is the marriage season.
<b>Use cases</b>	<b>March-April.</b> Migrants send money home for weddings (March and April), school fees (April), agriculture, and, of course, household expenses. Small loans are common during this period so that remitting migrants can meet these expenses. <b>May.</b> Remittance levels tend to be lower. <b>August-September</b> .Diseases are more likely during this period of seasonal change, and medical costs can be high.. <b>November.</b> Most migrants earn more during this month (see above), but they spend more due to festivals. This is also the one period when workers apparently spend money on themselves.
<b>Credit</b>	<b>March-April.</b> The demand for credit is higher due to school fees and marriages.

**RANKING PROVIDERS: THE RIGHT MIX OF ATTRIBUTES**

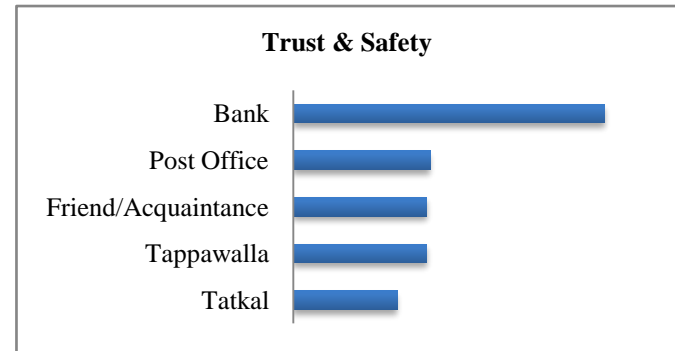
As a follow-up to the attribute ranking exercise, we asked destination respondents to assess the various remittance channels available. Here is a summary of the findings:

**Trust**

Remitters agree that for trust, everyone’s most important attribute, banks rank first. As noted above, there is also a strong link between fast delivery and trust. *“Bank mein turant pahunchta hain, poorā vishwas hain”*. (We receive the money almost immediately, we trust it completely.) And, *“Bank mein agar khate mein naam nahi mile to paisa wapas aa jata hai, galat khate mein nahi jata”*. (The bank ensures safe and fast delivery of money. Even in the event that money is not remitted, it comes back in the original account; it does not go into the wrong account.) Bank couriers related to the bank channel are also highly trusted because they use bank accounts to transfer the money.

The post office ranks second as a known (government-backed) quantity. Even with long delays, most respondents rest assured the money will arrive—or they can retrieve it with a receipt. *“Dak khane mein rasid mili hai, ek baar paisa 6 mahine nahi pahuncha par rasid thi to paisa mil gaya”*. (The post office gives you a receipt. Once I did not receive my money for almost six months, but I had the receipt and I was able to get my money back.)

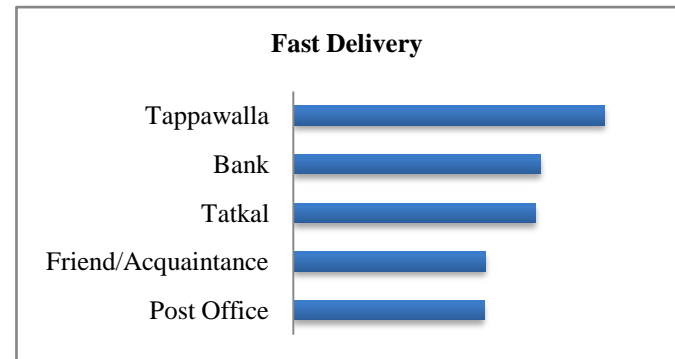
Sending the remittance via friends or via the *tappawalla* comes next as both are typically well-known to the sender and the recipient. Respondents trust a fellow villager more than a courier because they always know where to find him. *“Jayega toh kahan jayega? Uska khetibadi to hoga”*. (Where will he go even if he runs? At least he will have some land or something we can recoup our money from.) Nevertheless, they say no one sends more than Rs.1,000 with friends or *tappawallas*. The *hawala* (tatkāl) courier is the least trusted service. Respondents worry about *“saboot nahin hain”* (no real receipt). If the remittance is small, *hawala* is an option, but for large amounts, no other channel competes with banks.



**Fast Delivery**

*Tappawallas* win on speed, according to the respondents. Sometimes the money arrives within hours to the doorstep. Banks come in second, particularly if the recipient has easy access to an ATM. (In most cases, however, respondents included all the various complications that can ensue with bank delivery: travel time to and from, processing forms, frequent cash shortages, and power failures in rural areas.)

*Tatkāl* or *hawala* service takes two to three days and remitters rank it third. Money sent via friends and other acquaintances takes as long as the journey, plus often a day or two more. No one beats the post office for slow, however. Recipients are not even allowed to complain until a full month after non-delivery. Many respondents relate anecdotes whereby they send money



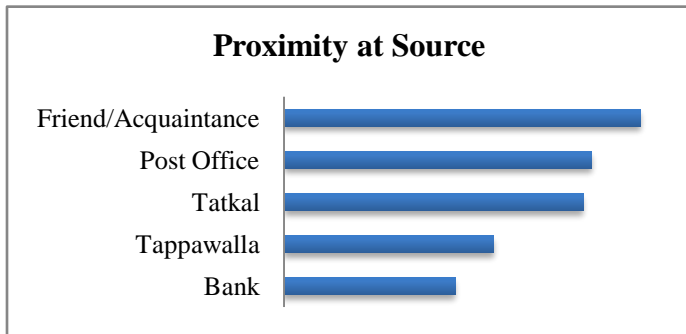
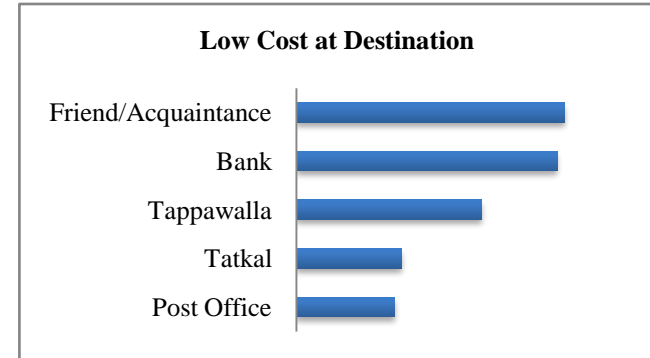


home, visit their home several few months later, and *still* the money has not arrived.

**Low Cost at Destination**

Low costs are an important consideration for remitters. For this attribute, sending via friends wins easily since only snacks and small incidentals are included. “*Kharcha paaani ke liye 10-50 rupaye degai*”. (We give some Rs.10-50 just for food and other miscellaneous expenses.) In most cases, the service is free and based on reciprocity.)

Banks come in second. SBI is the most often used bank, and it charges Rs.25 per transfer. *Tappawallas* charge between 2-3% of the total remittance amount; *hawala* couriers take 4-6% of the total remittance amount. Respondents perceive post offices as being most expensive, even at 5%, because of the lengthy delays. Most consider delivery time as a part of the overall cost.

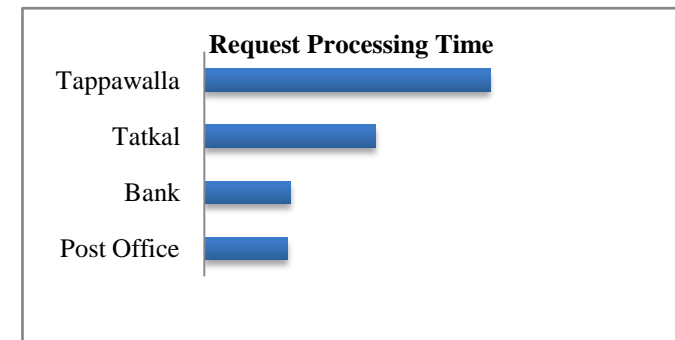


**Proximity at Source**

Everyone prefers doorstep delivery over all other options. Many recipients live far from the closest bank or ATM and carrying money home is dangerous. Theft is all too common. The post office ranks second because the postman also delivers the money to the recipient’s home, but delays and other factors noted above make this option less attractive than the other channels.

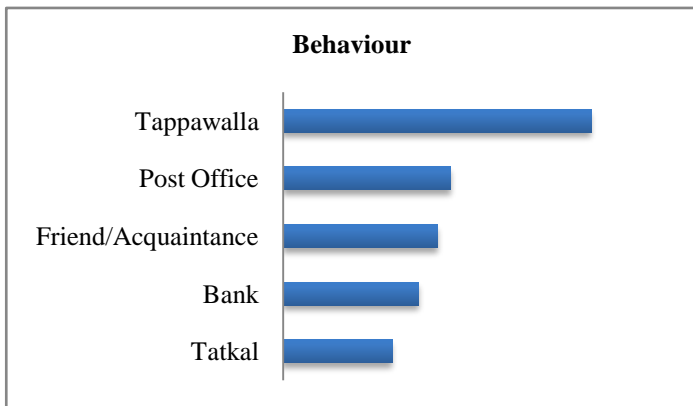
**Request Processing**

Informal channels also win out over banks for this attribute as well. No one likes filling out forms or waiting in line at either end of the exchange. *Tappawalla* takes the money at the doorstep and delivers it to the doorstep. “*Isme koi tension nahin, koi jhik jhik*”. (There is no inconvenience or stress associated with this.) *Hawala* and bank courier services also offer simpler processes for remitters and their recipients. Banks and post offices both involve long queues and delays, although respondents rate banks slightly higher because EFTs and ATMs have made sending and receiving money faster and more efficient for some.



**Behaviour**

Tappawallas rank the highest for politeness and flexibility; banks score lowest due to their heavy reliance on rules and regulations. Respondents admit they opt to use banks for security and cost, not for the cordial welcome they receive. “Bank wale theek se baat nahi karte, par sasta aur turant seva hai isliye sab jate hai”. (Bank staff are not very friendly, but as the remittance service is cheap and fast, people use it.) Some go further and complain that bank officials rarely make an effort unless prodded by their superiors. Courier services’ behaviour also falls short at times since, as respondents note, the person delivering the money is paid for speed, security, and reliability, not for their courtesy.



**REMITTANCE CHANNELS: TRENDS OVER TIME**

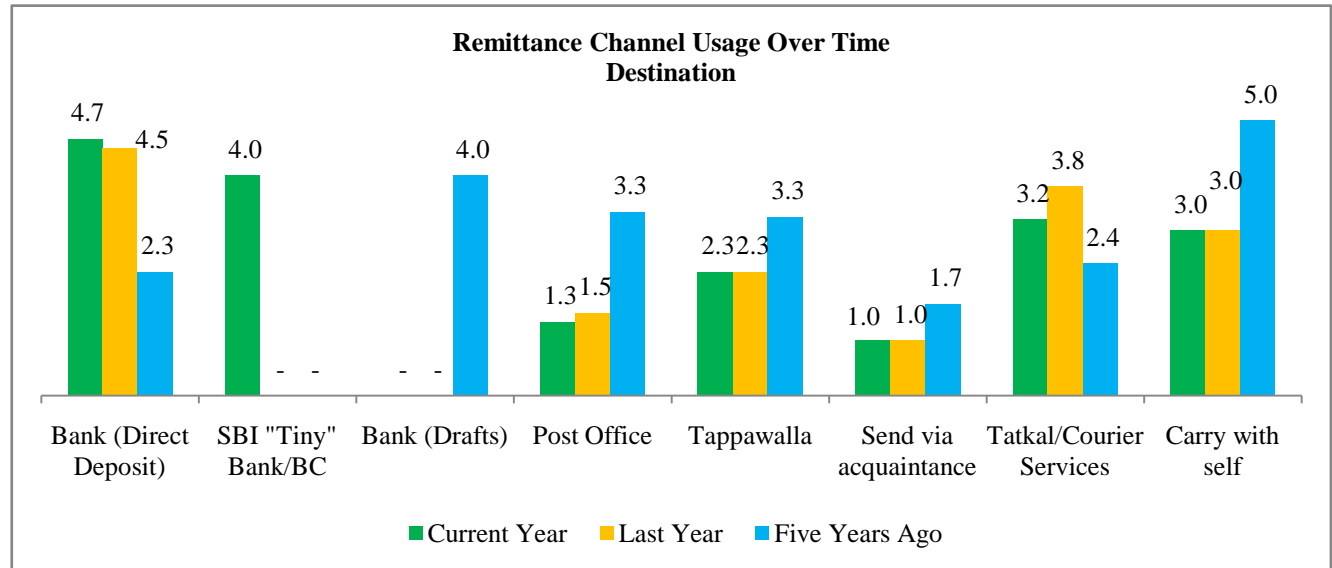
This section provides an overview of the various remittance channels and changes in respondents’ perceptions over time. We asked remitters to score, from 0 to 5 (5 representing the best possible service and 0 representing the worst), each remittance channel in their neighbourhood for three different periods—this year, last year, and five years ago.

Overall, the trend for remitters appears to be moving away from informal courier services and post offices and towards banks. This coincides with trends in savings among low-income households as well.<sup>21</sup> Some respondents in this exercise are also aware of the BC model for remittances through their experience with SBI’s “Tiny” bank branches, so we have included this as well in the chart below.

<sup>21</sup> For more details, please see *MicroSave* studies on [Relative Risk to Saving of Poor](#): Uttar Pradesh, Tamil Nadu, and Rajasthan.

**Banks.** Banks are gaining in popularity due to: the speed and ease of EFTs compared to laborious and time-consuming bank drafts of five years ago; the gradual proliferation of ATMs in rural areas; the increased flexibility of deposits and withdrawals from branches; and the lower transfer costs compared to informal channels. Moreover, banks always score highest on trust and security. “*Abhi tak toh bank hi sabse accha hain*”. (To this day, bank is the best.)

**Post Offices.** The post office seems to suffer more than the informal channels in this shift.<sup>22</sup> Remitters perceive several strong disincentives to using the post office. The first is the excessive time postal money orders take to reach recipients, particularly compared to banks and informal channels. “*15 din main hi pohunchtah hain*”. (It reaches [home] in 15 days.) The second is the cost of these postal orders, which is significantly higher than bank transfers. (The post office generally charges the same amount as the “24-hour” *hawala* courier.) Many respondents describe delays of up to one or two months. Many respondents mention tips requested at destination and/or the source and all find this practice unacceptable.



In the post office’s favour, most agree it is a thoroughly safe channel with minimal risk of fraud. It also still offers a much more extensive network in rural areas than banks. Unfortunately, for most respondents, these two features cannot compete as they did five years ago against the better service and more attractive options other channels now offer.

**Tappawalla.** The *tappawalla*’s score has also slipped over the years. Many respondents admit that without *hawala* couriers and improved access to banking services, *tappawalla* would merit a higher score. Perhaps the chief advantage of *tappawallas*, respondents note, is their ability to provide interim credit. If a migrant worker does not have enough cash to remit, particularly during the peak periods (please see seasonal chart above), the *tappawalla* will loan him the money for a month without charging interest. *Tappawallas* are also well known in their villages and offer doorstep delivery. Many remitters continue to use their services, but speed is not the competitive advantage it once was.

<sup>22</sup> The switch from post offices to banks and other remittance service providers has been noted by many including Thorat et al (2009). “Remittance Needs in India” NABARD – GTZ Technical Study. Available here: [http://www2.gtz.de/wbf/4tDx9kw63gma/NABARD\\_GTZ\\_Remittances.pdf](http://www2.gtz.de/wbf/4tDx9kw63gma/NABARD_GTZ_Remittances.pdf) (Accessed on 08-03-2011)



### Remittances over Time: Jeevan Lal's Case

Jeevan Lal is about 50 years old, a migrant from Gorakhpur district in Uttar Pradesh. He works as a porter in the Kandla Port in Gandhidham. He has been a migrant worker for over ten years (“since the year after the big cyclone”, he says). He prefers a remitting service that delivers quickly for a high price versus one which is free but slow or doesn’t deliver at all.

When he first came to Kandla, Jeevan Lal used the post office to send money home. Although this always took too long, he trusted the post office. Over time, however, the delays began to bother him. Once he sent some money and went to visit his village about a month later. To his surprise, the postman arrived a few days after him to deliver the money. More surprisingly still, the postman asked him for a tip. Jeevan Lal was already paying Rs.50 for every Rs.1,000 sent. This was the moment he decided to switch.

He found a neighbour who was willing to let Jeevan Lal deposit money directly into his account. The neighbour would then give the money to Jeevan Lal’s wife. Jeevan Lal found, however, that as time passed, the money would sometimes take up to 20 days to reach his wife and son. In addition, his wife noticed that the neighbour was taking a cut of approximately Rs.100 from the amount her husband had deposited. “Where is the interest he earned from my money for 15 days?” Jeevan Lal asks. “From that day, my heart turned sour towards him.”

Today, he uses a *hundi* or *tatkal* service. He sends money to someone in the village who charges him Rs.50 per Rs.1,000 and delivers the money to his wife. Jeevan Lal is still keeping his options open. His nephew has a bank account, and he may ask for his help in opening an account, or send the money to his nephew who can then give it to his aunt. Jeevan Lal acknowledges that he prefers banks because he feels they are much safer than other channels.

**Hawala/Tatkal.** *Hawala* couriers are known variously as *tatkal sewa*, *vayu sewa* (for Orissa), *courier sewa*, and *24-ghante sewa*. Most remitters give them a low score for five years ago as fewer existed then, and they were not as popular or trusted as *tappawallas*. Today, *tatkal* counters are plentiful, located in or close to migrant neighbourhoods, and open daily. Their scores have improved markedly. When remitters do not have access to a bank account, they claim a *hawala* service is usually the easiest and most obvious next choice. Nevertheless, scores—and use—have dipped in the past year for those remitting to Orissa. Certain couriers for Orissa have increased charges and small amounts are especially penalised.

### A *Tappawalla* in Ganjam district, Orissa: Dileep Nayak

Dileep has two brothers. His elder brother is based in Surat and is a *tappawalla*. He collects remittances on a monthly basis, deposits them in his bank account, and Dileep and his brother withdraw the money from an ATM five kilometres away from their village and deliver Rs.300,000 to approximately 50 households in four nearby communities. They do not give or take any delivery receipts.

For this service, they charge Rs.20 per Rs.1,000 at the destination (Surat). The elder brother shares some of this income on a monthly basis with his brothers in Ganjam. They do not have offices at either location. Since this is a small-scale *tappawalla* service and they know everyone, Dileep does not feel there are any security issues.

Over the last two to three years, Dileep notes business has declined. This is essentially due to increased access to banking in the villages they serve. Many former clients now have bank accounts and they prefer to transfer money directly. ATMs have made withdrawals even easier, and the cost is obviously less. Dileep is aware of BC model as his wife is an SBI agent and distributes government payments in his village.

**Friends or Self Delivery.** Five years ago, remitters were also more likely to use friends, acquaintances, or to take the time themselves to bring money to their families. No one liked this arrangement, however, as money would too often disappear en route with certain friends and less trusted acquaintances. The emergence of more trusted, secure options has led to a steady decline in this channel.





**PROVIDING REMITTANCES VIA BUSINESS CORRESPONDENTS**

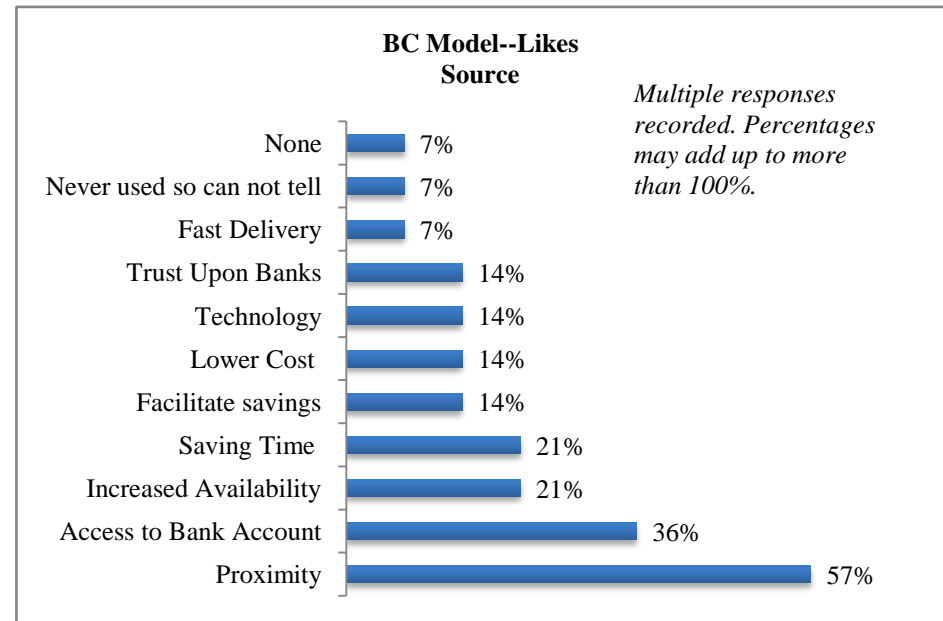
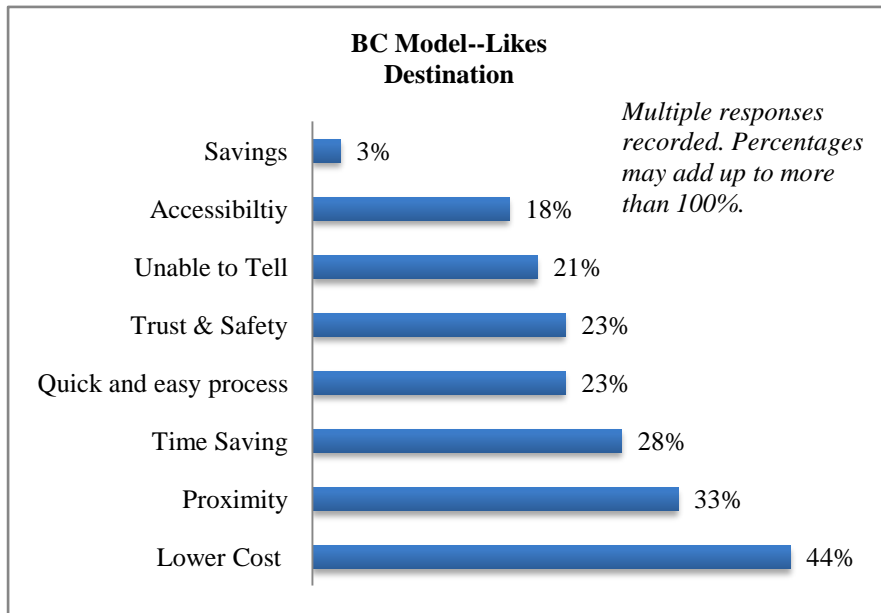
The BC concept was introduced to respondents at both source and destination and received a mixed reaction.<sup>23</sup>

**Arguments For BCs**

*Proximity:* The proximity of the service at both source and destination is very appealing, particularly for those recipients who do not have bank accounts or those who live far from branches. For those who already have bank accounts, BC delivery reduces the time, hidden costs, and cash risk currently involved. For those without access to banking services, BCs offer an easy, more secure way to participate.

“Bank mein turant pahunchta hai, poorā vishwas hai, Bank mein agar khate mein naam nahi mile to paisa wapas aa jata hai, galat khate mein nahi jata”.  
 (Banks ensure safe and fast delivery of money. If the money is not remitted, it comes back to the original account and does not go into the wrong account.)

*Lower Cost (perceived):* Compared to some remitting fees, most notably *hawala* couriers and the post office, potential customers believe that a BC service, because it is sponsored by banks, will be cheaper.



<sup>23</sup> Please refer to Annexure 9 for definition of BC as introduced the respondents.

*Access To Bank Accounts And Bank Services:* Many respondents find it hard to open an account. They lack the necessary documentation, they find bank staff insensitive and intimidating, and they are unsure what type of account(s) to ask for. The BC model would allow them access to banking without any of the long drawn-out procedures. Migrants without proof of a fixed address particularly appreciate this simpler option and the possibility of BC availability before and after normal banking hours.

*Time Saving:* BCs potentially offer the speed and security of bank transfers—without the long lines and paperwork at both ends of the exchange. Both bank customers and respondents who use other remitting services see clear value in BC collection and delivery.

*Trust In Banks:* In this study sample, banks are the most trusted channel for remittances. (Other *MicroSave* research indicates the same is true for remittances in other areas, and for savings and investments.)<sup>24</sup> Bank correspondents with clear links to banks help inspire similar levels of trust. The SBI Tiny branches for remitters in Surat seem to be working well in terms of safety and convenience.

*Savings:* Many recipients believe that with BCs, access to their bank account would be easier, so they would not have to withdraw the full amount (as they currently do to avoid a second trip) and they could potentially save more.

#### ***Arguments against BCs***

*No Doorstep Delivery:* Customers using BCs for remittances will have to visit the nearest BC location to deposit or collect their money. In many cases, this will be a shop or central point close by. Nevertheless, as we have seen in the attribute ratings and the top rankings awarded those who offer doorstep service, everyone—senders and recipients—deem this more than simply a convenience.

*No ATM Card:* Respondents with bank accounts that offer ATM cards very much enjoy the ability to withdraw instant cash at any time. Those without cash cards see less value in opening an account with a BC if an ATM card is not included.

*Difficult To Understand And Trust:* Some respondents cannot fully grasp how one banks—securely, with all the guarantees banks offer—outside a bank. They also remain unsure if they can or should trust a BC in the same ways they trust banks.

*Other Issues:* Remitters at the destination want BC outlets very near to their city dwelling—and their family home. If not, other remitting channels may more effectively save them time and effort. Some respondents migrate every few months. For them, having a BC account in only one location will be impractical. Others are simply comfortable with the status quo and see no reason to change.<sup>25</sup>

<sup>24</sup> For more details, please see *MicroSave* studies on [Relative Risk to Saving of Poor](#): Uttar Pradesh, Tamil Nadu, and Rajasthan.

<sup>25</sup> A final issue worth noting is potential conflict of interest. This did not come up in this research, but it has in other *MicroSave* fieldwork. In many villages, the BC is also the money lender. If a large sum of money arrives, the BC delivers the money, he may expect to be paid for his loan—and the recipient may have other priorities for the money. BCs can also represent several institutions simultaneously—banks, life insurance policies, or the post office. In this instance, they will probably sell the product or service that yields the highest commission, not necessarily the best solution to their customer's situation.



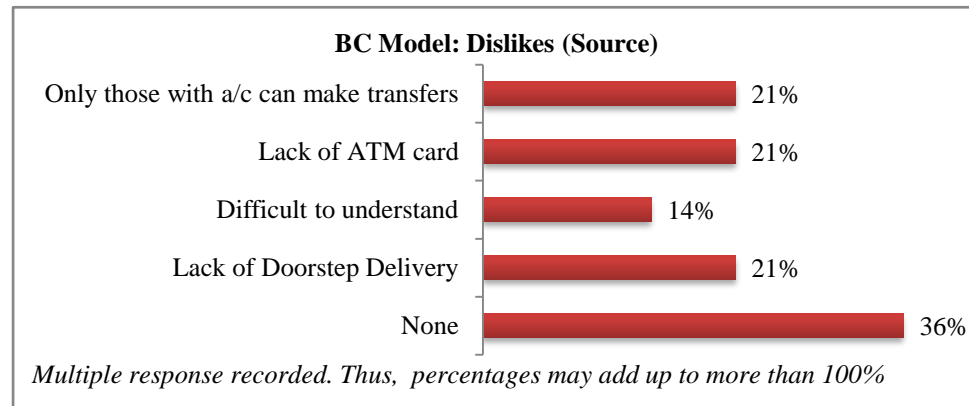
### The SBI “Tiny”— One BC Model for Remittances

Pavitra Jaina, an 18-year-old migrant from Orissa, recently received a call from his family in Ganjam. His parents needed Rs.5,000 the next day to pay his younger sister’s school fees. Pavitra, after finishing his night shift, went to an SBI Customer Service Point, no more than 200 meters from his flat, and remitted the money to his father’s account in Ganjam. He called his family to confirm the delivery and his father withdrew the fees from the nearest SBI ATM.

Migrants like Pavitra frequently send money home and many use SBI as their bank. SBI, unable to manage the ever-growing volume of remittance business in its existing Surat branches, came up with SBI Tiny. These kiosks or Customer Service Points (CSPs) are situated in migrant neighbourhoods and managed by business correspondents. A Little World, a technology service provider, is also involved in this effort. SBI branches display kiosk addresses, and the staff encourage migrant remitters to skip the long queues and paperwork and pass directly instead to their local SBI Tiny.

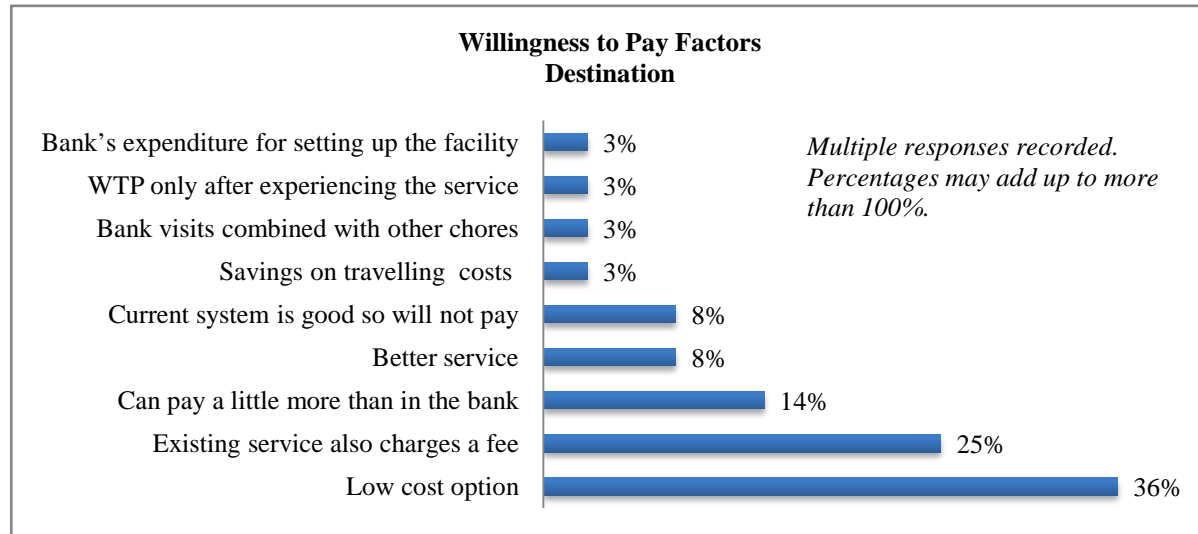
SBI recruits CSP agents who, in return for their license, submit a non-refundable Rs.50,000 to SBI as a security deposit. To cover cash flow requirements for daily kiosk transactions, the agent also deposits a certain amount in his SBI account every morning and reconciles with the bank every evening.

SBI Tiny helps migrants with minimal documentation open zero-balance No frills Accounts (NFAs). A typical SBI Tiny kiosk in Rang Nagar section of Surat, handles daily transactions of Rs.800,000-900,000 for 100-150 remitters. This CSP has opened and manages 5,500 accounts, which SBI has decided is the maximum for an SBI Tiny. The CSP gets a commission of 0.25% on every withdrawal, deposit, and Rs.6 for every new account. One CSP reports monthly profits of Rs.40,000-50,000.



**Paying a fee for BC remittances**

A majority of respondents agree that some charge for the BC service is fair. However, no consensus emerges on what this charge should be. Senders and recipients alike want the best service at a reasonable cost. Those who remit via non-bank channels want fees to be lower than whatever they currently pay. Those who remit via bank channels will not pay extra for the BC service—unless they currently incur travel costs to reach their banks in which case that amount is an acceptable surcharge.



The BC model does attract remitters and, in places where they are using agents, it is well appreciated. The facility is a good alternative that allows them to avoid time and cost of making the transaction at a bank. For those that do not have a bank account, it is clearly a tremendous opportunity to avoid the significant costs they must otherwise incur with non bank channels (through *hawala* etc.). However, the BC based approach does not provide doorstep delivery of remittance money, this doorstep service is a valued attribute when the receiver is a female or an old parent. Remitters would certainly pay a fee for the service. However, it is not certain whether all the receivers (who currently do not have to pay any fee for getting money, except in cases of transport to bank branch), will also be willing to pay a fee.

**BC Agent:** The Agent Tej has been a BC agent for the past two months in Gandhidham. At present, he is only authorised to help with remittance transfers. (Meanwhile, he is also an agent for the post office and for Life Insurance Corporation of India.) His remittance clients are typically Kandla Port migrant workers from Uttar Pradesh and Bihar. They find out about Tej’s kiosk from the SBI bank branch which prominently displays his address. Remitters pay Rs.25 for every transfer they make with Tej, and the maximum they may send is Rs.10,000. SBI provides Tej with a laptop and software to record remitters’ account information and to help expedite the transfer. Tej earns Rs.12.5 on every remittance transaction (half of the Rs.25 fee) and approximately Rs.2,400 every month from this business. And though he has not been a BC for very long, he estimates six to seven remitters visit his kiosk daily, and he is already transacting almost Rs.500,000 a month.

**The Bank Manager:** Nirmal Singh Jadeja, a Gandhidham bank manager, likes the BC model for remittances since it helps alleviate the long lines and administrative problems of his 100 customers who wish to remit on a daily basis. The kiosk is easier for these customers and easier for the bank. Moreover, a bank-assisted transfer is far quicker and safer than the post office or informal channels. If the post office misplaces a money order, customers have a long and difficult wait until their money is retrieved. A bank transfer involves no such complications, Mr, Jadeja says.

**Courier Service Provider:** Ganga Tapti Tatkal Seva Private Limited is a company providing three-day remittance services for migrants from Uttar Pradesh to their relatives. The outlet is located in a busy market area in Amrauli, Surat. One person, a U.P. migrant himself, manages the outlet, collecting money and issuing receipts for remitters from the Pratapgarh Badhoi, Jaunpur, and Azamgarh districts. He likes the idea of participating in the BC model because his bank charges may cost him less, and “*Private aur sarkar mein phark hain.*” (There is a difference between private finance companies and government service.) A government-promoted service is perceived as being safe and more trustworthy.

## CONCLUSION

The findings of this research indicate remitters are increasingly opening and using their own bank accounts, or bank accounts of their friends and relatives, to send money home. Both sides of the exchange agree bank transfers are safe, quick, and less expensive than most of the other choices. However, there are still some areas where branches are too far, ATMs are too few, and the post office is too slow. For recipients in these locations, the informal channels work better than banks. *Hawala* couriers and *tappawallas* deliver money to the doorstep in two to three days for fees most remitters find acceptable.

For this study sample, at destination BCs do find a growing market and acceptance as a channel to provide remittance products—as banks increasingly find it difficult to handle growing number of migrants. However, at source, BCs are either not present or do not yet offer doorstep service.

Internal remittances are too lucrative for banks to ignore—and also too much of a strain on their current branch resources. Whether or not, BCs and “Tiny” kiosks with no amenities will help resolve this dilemma, and spur other BC models in both cities and villages, is an open question. More services for remitting customers and their recipients may help improve the long term success and growth of BCs as an alternative channel.

**ANNEXURE 1: DETAILED OVERVIEW OF REMITTANCE CHANNELS**

This annexure provides detailed information on each remittance channel based on the following parameters: Product, Price, Place, Process, People, Promotion, Physical Evidence and Positioning.<sup>26</sup>

**Bank Transfers**

Recent innovations in technology and increase in number of bank branches have led to a greater number of people who have access to banks. The shift to electronic bank transfers, implying quick and safe money transfers, has encouraged many migrants to route their remittances through banks. Banks charge between Rs.20 (in the case of Punjab National Bank) and Rs.25 (in the case of State Bank of India) for transactions up to Rs.10,000, making it one of the cheapest options available.

**8 Ps for Bank channel of Remittance**

8Ps	Details
Product	<ul style="list-style-type: none"> <li>• Direct deposit into a bank account by the sender</li> <li>• Recipient may withdraw from a bank branch or via ATM</li> <li>• Senders and recipients may sometimes use the bank account of a friend or relative to send or receive remittance, in the event that neither has a bank account</li> </ul>
Price	<ul style="list-style-type: none"> <li>• The price of remittance varies from bank to bank and depends on the transaction size. Below are the charges for the most commonly found bank in our sample.</li> <li>• State Bank of India (SBI): <ul style="list-style-type: none"> <li>• Rs.2 per Rs.1,000, subject to minimum of Rs.25.<sup>27</sup></li> </ul> </li> </ul>
Place	<p>Product service happens at the following places:</p> <ul style="list-style-type: none"> <li>• Destination: Nearest bank branch</li> <li>• Source: Nearest bank branch or ATM</li> </ul>
Process	<ul style="list-style-type: none"> <li>• Destination: The process involves going to bank, filling up the relevant forms and depositing money in the account at the counter. For depositing money in an account which is not held at that bank branch, the depositor</li> </ul>

<sup>26</sup>Following is a brief description of the 8 Ps. Product: Features of the product, Price: cost of the product, Place: the locations where the transaction takes place, Process: the actual process involved in completing the transaction, People: the people, both service provider staff and the customer, who are involved in making the transaction happen, Promotion: the manner in which the product is being advertised amongst potential customers, Physical Evidence: the form by which the customer receives a receipt for the transaction. This could be a receipt or an invoice; it can also be a passbook entry or other, Positioning: refers to the perceived USP of the product and the main advantage of the product as perceived in the public domain.

<sup>27</sup><http://www.business-standard.com/india/news/sbi-service-charges-set-to-pinch-depositors/331197/>

	(in this case, the sender) is required to show identity proof at the counter <ul style="list-style-type: none"> <li>• Source: The money is withdrawn by a family member or friend via an ATM or withdrawal at a bank branch</li> </ul>
People	<ul style="list-style-type: none"> <li>• Bank staff at both destination and source</li> <li>• Sometimes a friend helps the recipient withdraw the amount via ATM or if the recipient is illiterate, then helps them fill out the requisite forms at the bank to withdraw the amount</li> </ul>
Promotion	<ul style="list-style-type: none"> <li>• Urban bank branches are usually extremely crowded. As a result, banks do not wish to promote this facility</li> <li>• In some locations such as Surat, banks are promoting the BC model precisely to reduce the congestion created by remittance senders</li> </ul>
Physical Evidence	<ul style="list-style-type: none"> <li>• Deposit slip from the bank</li> </ul>
Positioning	<ul style="list-style-type: none"> <li>• Cheapest, quickest and safest</li> <li>• Respondent say: “<i>Internet se paisa bhejte hain ghar.</i>” (We send money home via internet.)</li> </ul>

### **SBI Tiny Kiosks: SBI’s BC Initiative**

The SBI Tiny facility is a new facility started in July 2010 in Surat. Zero Mass Foundation (ZMF) is SBI’s BC. SBI Tiny opens zero-balance No Frills Accounts (NFA) strictly for migrants. SBI & ZMF have appointed various retailers in Surat to conduct BC business. These retailers are referred to as Customer Service Points (CSP).

### **8 Ps for SBI Tiny channel of Remittance**

8Ps	Details
Product	<ul style="list-style-type: none"> <li>• The remittance product is direct deposit in an account at the source</li> <li>• The person with SBI Tiny account deposits money directly to a SBI account of any branch</li> <li>• The same is withdrawn at the source</li> </ul>
Price	<ul style="list-style-type: none"> <li>• Rs.25 for up to Rs.10,000 in remittance is charged.</li> <li>• Charges are similar to SBI’s non home branch deposit charges.</li> </ul>
Place	<ul style="list-style-type: none"> <li>• Destination: SBI Tiny outlet in the market place or close to dwelling of the sender</li> <li>• Source: At the bank branch or ATM</li> </ul>

Process	<p>Process involves:</p> <ul style="list-style-type: none"> <li>• Reaching SBI Tiny outlet.</li> <li>• Fill the deposit Form and reach the cashier counter</li> <li>• Show the SBI Tiny Card</li> <li>• CSP fills the information in mobile from the form and selects for customers identity</li> <li>• The customer places his thumb on the POS machine for identification</li> <li>• The transaction is approved from the mobile device. The POS prints out the slip</li> <li>• The cashier records the transaction in the register</li> </ul>
People	<ul style="list-style-type: none"> <li>• Destination: The process involves remitter, SBI Tiny cashier</li> <li>• Source: Bank staff at the bank branch</li> </ul>
Promotion	<ul style="list-style-type: none"> <li>• Banks are encouraging migrant workers to use SBI Tiny kiosks to send money home by displaying the contact information of the nearest SBI Tiny kiosk at all branches located in migrant neighbourhoods</li> </ul>
Physical Evidence	<ul style="list-style-type: none"> <li>• All account holders registered at the SBI Tiny kiosk receive an SBI Tiny card which has a photograph of the holder as well</li> <li>• After every deposit or transfer, the depositor receives a receipt</li> </ul>
Positioning	<ul style="list-style-type: none"> <li>• Cheapest, quickest and convenient remittance facility</li> </ul>

Many senders who use SBI Tiny are pleased with the service. It ensures quick service and it is cheap as well. However, processing remains problematic. Since the number of senders in towns like Surat and Gandhidham is high, some of these kiosks have long lines. Some kiosks are not able to process more than a certain number of remittances a day. Additionally, many senders who have switched from banks to SBI Tiny, feel more comfortable with banks and would prefer to transact at bank premises.

### Postal Money Order

Given that the postal network is much larger than the banking network<sup>28</sup> with 155,669 branches, over 89% of which are located in rural areas, a migrant may wish to remit money to his village via a postal money order. On average, post offices serve an area of 21 square kilometres and a population of 6,585. These

<sup>28</sup>Report on the Expert Committee on Harnessing the India Post Network for Financial Inclusion, June 16, 2010, New Delhi. <http://www.indiapost.gov.in/Pdf/IEEF-IndiaPostReport.pdf>. For more information about the postal network, visit their website <http://www.indiapost.gov.in/rtimanual1.html>, accessed on 06-02-11

post offices, in addition to offering postal services, also offer certain basic banking and insurance services. The banking services include availability of savings accounts with varying features, different forms of insurance and significantly for this study, postal money orders<sup>29</sup>. It is the only formal channel to send money within India, other than sending money via bank transfers.

### ***8 Ps for Post Office channel of Remittance***

8Ps	Details
Product	<ul style="list-style-type: none"> <li>• Through the money order (MO) product, a migrant can send money home by paying the remittance amount at a post office at the location where he has migrated to.</li> <li>• As part of the product offering, the post office promises that, for a fee, this amount will reach the source in one week.</li> <li>• This amount is delivered to the doorstep of the address specified by the remitter.</li> <li>• A speed MO, slightly faster than standard MO can also be made for an additional fee. The amount for which a single money order may be issued must not exceed Rs.5,000</li> <li>• The remitter is supposed to receive a signed acknowledgement by ordinary post proving that the recipient has received the amount. If this acknowledgement does not arrive within 30 days of the remittance, the remitter may submit an official complaint.</li> </ul>
Price	<p>The post office makes the following charges for a money order:</p> <ul style="list-style-type: none"> <li>• 25 paise for money order form</li> <li>• 5% of amount as fee</li> <li>• 12.2% tax</li> <li>• For speed money order: Additional rupees five</li> </ul>
Place	<p>Product service involves the following two places:</p> <ul style="list-style-type: none"> <li>• Destination: Post office</li> <li>• Source: Doorstep delivery</li> </ul>
Process	<p>The process involves the following steps:</p> <ul style="list-style-type: none"> <li>• The remitter in the destination visits the local post office</li> </ul>

<sup>29</sup> In addition to postal money orders, the post office has recently introduced two additional money orders – electronic money order (eMO) and an instant money order (iMO). Both these types of money orders vastly expedite the transfer of remittances. However, both are available only in specific locations – eMOs are available only in those post offices which have fast internet connectivity. iMOs are available in about 2,100 locations across the country. In this section we concentrate on the traditional postal money order prevalent in India which is the product relevant for this respondent sample.



	<ul style="list-style-type: none"> <li>• He fills an MO form with sender and recipient address</li> <li>• He then pays the amount of the remittance, a fee + tax</li> <li>• For this, he receives a receipt</li> <li>• About a week later, this amount is delivered in cash to the recipient at his doorstep at the source by the village postman</li> <li>• Recipient receives a signed acknowledgement from the recipient within 30 days of sending the MO</li> <li>• If the recipient does not receive payment within 30 days, the payer can make an official complaint with the post office</li> </ul>
People	The people involved are the remitter, post office officials at the destination and source and the recipient at the source.
Promotion	MO is one of the oldest means of sending money home in India dating from the times before telephone or internet connectivity existed in rural areas. As such, it is extremely well-known and requires no introduction. Further, the post office and postman in most villages are well-respected institutions due to their association with the government.
Physical Evidence	<ul style="list-style-type: none"> <li>• Remitters receive a receipt for their MO.</li> <li>• Recipients sign an acknowledgement for the receipt of MO which is then forwarded to the remitter as evidence of MO delivery.</li> </ul>
Positioning	<ul style="list-style-type: none"> <li>• The post office is a well-known institution in the psyche of rural Indians. Post offices have a much vaster network than banks. Thus the MO represents the only other official way to send money, other than banks</li> <li>• For many years, this was also one of the cheapest ways to send money in India. With the advent of internet banking and other informal services, this is no longer the case</li> </ul>

The postal money order is one of the oldest means of sending money across India. Respondents like the fact being a formal, government-sanctioned channel, PO is trustworthy. However, with the advent of newer ways to remit money, it appears that the post office scores poorly on several crucial features such as timely delivery of cash and cost-effectiveness. Many of the respondents also mention that almost no one uses the post office anymore due to the hassles related to delivery time and cost involved. One respondent compared informal service (*tappawalla*) to MO by pointing out that even though they paid less to the *tappawalla*, the money reached within 24 hours. With MO, it was not possible to tell when the money would reach home. On the grievance redress mechanism embedded in the product, many respondents felt the fact that you had to wait 30 days to complain was, in itself, a sign that the product was outdated.

#### **Tatkal or Courier Services**

Due to lack of access to banking services, *tatkal* services have become an important alternate channel of remittance. *Tatkal* service is a widely accepted substitute for formal modes of remitting money. *Tatkal* service companies compete with each other on the basis of the time it takes each to deliver

remittances. *Tatkal* services are concentrated in places like Surat which attract large number of migrants, mainly from U.P., Orissa and Bihar. Each *tatkal* company usually services a few contiguous districts in one state.

Usually, the customer deposits the cash meant as remittance at the branch office closest to his residence at the destination. The information from various branches at Surat is then collected and sent to the source locations. The *tatkal* service staff at the source then travels to the recipient's residence to deliver the remittance. In many cases, the person making the delivery receives between rupees ten and twenty when makes the delivery. *Tatkal* companies charge between four to six percent to provide doorstep delivery of money.

*Tatkal* service providers are able deliver money within 24 hours. Some of these companies even inform the customers about the delivery status via text messages. *Tatkal* services are referred to variously as courier services, *hundi sewa*, *vayu sewa*, *24-ghanta sewa* and *hawala* courier.

### ***8P's of Tatkal Service channel of remittance***

Product	<ul style="list-style-type: none"> <li>• Outreach: Bihar, UP, and Orissa</li> <li>• Doorstep delivery of money</li> <li>• Delivery within 24 hours</li> <li>• No ID proof required</li> <li>• Pick up service also available</li> <li>• Credit facility is also given in some cases where the remitter is known to the company</li> <li>• Confirmation of delivery via SMS in some cases</li> </ul>
Price	<ul style="list-style-type: none"> <li>• Four to six percent of the transaction amount. The charge varies depending on the source location</li> <li>• A tip of rupees ten to Rs.20 to the agent carrying money in the village</li> </ul>
Place	<ul style="list-style-type: none"> <li>• Destination: <i>Tatkal</i> service branches are usually located in market areas close to migrant neighbourhoods</li> <li>• Source: <i>Tatkal</i> service staff ensure doorstep delivery</li> </ul>
Promotion	<ul style="list-style-type: none"> <li>• Word of mouth</li> <li>• Shop banner and hoarding</li> </ul>
People	<ul style="list-style-type: none"> <li>• Destination: <i>Tatkal</i> service staff at the branch office</li> <li>• Source: <i>Tatkal</i> service staff</li> </ul>
Process	<p>The process works as follows:</p> <ul style="list-style-type: none"> <li>• The remittance sender goes to the branch office and deposits the remittance amount. He also provides details such as: address, mobile number, amount to be remitted, recipient's name and father's name</li> <li>• He receives a receipt for the amount he has deposited</li> <li>• At the end of the day, this information is collated and sent to the head office. There, the information from all the branches is separated according to source and sent to the respective source locations.</li> </ul>

	<ul style="list-style-type: none"> <li>At each of the source locations, <i>tatkal</i> service staff divide up the remittance deliveries to be made and then, each heads out to make doorstep deliveries</li> </ul>
Physical Evidence	<ul style="list-style-type: none"> <li>The customer is given a receipt for the money he deposits</li> <li>He may complain only if the money does not reach within 3 days</li> <li>Some companies will also send a text message to the sender’s cell when the money is delivered at the source</li> </ul>
Positioning	Positioned primarily as ensuring “Fast delivery within 24 hours”

Respondents see *tatkal* service as value for money because it delivers remittances within days and furthermore, at the doorstep of the recipient. “*Jaldi paisa pahuchayega, to jyaada lega hi.*” (Since he delivers the money so fast, he charges high amounts.) A few respondents also relate incidents where the *tatkal* company cheated senders of their money, but these were few and far in between.

**Tappawalla**

*Tappawallas* are informal remittance service providers who work only with migrants who send money to Orissa. Originally, *tappawallas* were used to ferry goods between the source and destination, items that a migrant’s family wanted to send to their relative in the destination. After some time, *tappawallas* began to transport money from migrants to their families. Until recently, *tappawallas* used to travel between the source and the destination on a fortnightly or monthly basis. They would collect money in neighbourhoods which were inhabited by Oriya migrants. The cash would be converted into a bank draft, the *tappawalla* then took back with him for distribution. Since the advent of electronic bank transfers, *tappawallas* no longer need to travel between the two locations. Instead, the *tappawalla* usually stays at the source and then appoints someone at the destination to help make the money transfers into his bank accounts. The *tappawalla* at the source then makes the delivery at the doorstep of the recipient. *Tappawallas* usually focus on four or five villages.

**8 Ps for Tappawalla channel of remittance**

8Ps	Details
Product	<ul style="list-style-type: none"> <li><i>Tappawallas</i> provide remittance facility to the state of Orissa. Their penetration is extremely deep since each <i>tappawalla</i> concentrates on four to five village</li> <li><i>Tappawallas</i> collect very close to the doorstep inside migrant neighbourhoods and deliver at the doorstep</li> <li>They also extend credit to old customers</li> </ul>
Price	Two to four percent of amount remitted
Place	<ul style="list-style-type: none"> <li>Destination: <i>Tappawallas</i> arrive every fortnight to the migrant neighbourhoods inhabited by Oriya migrants</li> <li>Source: Doorstep delivery</li> </ul>

Process	The process is as follows: <ul style="list-style-type: none"> <li>• <i>Tappawallas</i> arrive migrant neighbourhoods on a monthly or fortnightly basis</li> <li>• They collect money from senders</li> <li>• They travel back to their village in Orissa and distribute the remittance to the recipients at their doorstep</li> <li>• In some cases, the funds transfer happens through the <i>tappawalla's</i> bank account. In this case, delivery is quicker</li> </ul>
People	<ul style="list-style-type: none"> <li>• Destination: <i>Tappawalla</i></li> <li>• Source: <i>Tappawalla</i></li> </ul>
Promotion	Word of mouth
Physical Evidence	None
Positioning	Quick and trusted channel for those who do not have bank account

*Tappawallas* focused mainly around three attributes – trust, cost and service. Respondents say that *Tappawallas* enjoy high trust as they are usually from the same village as the senders and recipients or from a neighbouring village. “*Gaanv ka aadmi hain, kahan jayaga?*” (He is from my village, where can he go?) In terms of service, *tappawallas* are perceived to be reliable as they remit money between two to three days and in emergencies, in two to three hours without additional cost. However, they are considered costly in comparison with the bank’s remittance facility, particularly for larger amounts.

**ANNEXURE 2FGD GUIDE- SENDER**

Focus Group Discussion Guide	
<p>Welcome</p> <p>Thank you for coming – we are grateful for your time.                      We are from an organisation called <i>MicroSave</i>. It is a consultancy and research organisation which helps financial institutions to deliver better services. We try to ensure that the clients’ voices and ideas are heard by the institutions which provide financial services.                      We are holding these discussion groups to try to understand migrant’s needs for remittances.                      We would very much like to record these discussions to help us remember them and so that we do not miss any of the issues and ideas you give us. The details of these discussions and your names will be kept confidential – so please do not be concerned and feel free to express your opinions                      As the first step we should introduce ourselves. My colleague here will prepare name-tags to help us remember your names.</p>	
Core Questions	Probe
<p><b>Warm-up Questions</b></p> <p>Please tell us how long you have been living here?                      Where are you from?                      How many people stay with you here?</p>	<p>Who are these people? (Relatives? people from the same village?)</p>
<p><b>General Questions</b></p> <p>What do you do to earn your living? Salaried/businessmen/daily wage                      How many of your family members are earning?</p>	<p>Inquire about reason for the particular profession. At destination or in the village</p>
<p><b>Core Questions</b></p> <p>How often do people in your area typically visit their villages?                      How many people in this area send money to their village/city?                      How do you send money to the village?                      Which is the best way to transfer money, why?                      How easy/difficult it is to send money to the village whenever you want? Why?                      To whom do people send money to and why? For what need?                      How much do people in the community typically transfer?                      How much do people in the community have to pay for the transfer?                      What attributes/features would you like in a new remittance product?                      How much would you be willing to pay for such transfer?</p>	<p>Formal/Semiformal/informal channels</p>

<p>re there any financial institutions in your village/city?          your family member (recipient of money transferred) a member of any MFI/NGO?</p>	<p>What are your monthly average earnings and expenses?           Probe on 8 “P”s           Banks/ MFIs/ NGOs etc</p>
<p><b>Closure</b>          Thank you your answers and discussion have been very helpful and informative.          We are very grateful for the information you have provided.           Do you have any questions or suggestions for us?</p>	

### ANNEXURE 3: PRODUCT ATTRIBUTE RANKING

*What is Product Attribute Ranking?*

Product Attribute Ranking is a method for finding out what participants view as the key elements/criteria/attributes in remittance services and how relatively important each is. Alternatively it can be used to understand clients’ satisfaction/dissatisfaction with different elements of the remittance service provider.

**Purpose:** Product Attribute Ranking allows us to see how clients and potential clients perceive the components of remittance services, and which of those elements are important for them. It also helps challenge pre-conceived notions about poor people’s attitudes towards remittance services, what matters to them, and why they have those preferences.

**Procedure:**

1. Get the participants to describe in their terms what is good or bad about the remittance service or problem etc that is being ranked. Probe for further criteria/components. Follow up with points of interest and encourage participation by different people.
2. Get participants to list all the criteria/components generated in this way. Remember to make negative ones positive/neutral (e.g. "high costs" becomes "cost" or “low trust with agent” becomes “trust with agent”).

3. Put all the criteria/components on cards – one for each criterion/component (e.g. distance/ proximity, interest on deposits etc.)
4. Ask participants to rank the cards arranging them with the most important criterion/component at the top, going down to the least important at the bottom.(Note: in some cases participants prefer to put the cards in order of the attribute they dislike the most down to the attribute they like the most i.e. to rank by level of dissatisfaction through to satisfaction. This approach also works, but loses important information in terms of which attributes [irrespective of whether they are liked or disliked] are the most important for clients when they are making decisions on whether to use the product or not).
5. Ask participants probing questions like the following: Why is this so important? Why is this more important than that one? What makes that a relatively small issue for you? etc.
6. Do not use your own criteria, unless clearly separated from theirs.
7. Listen and learn from the participants – particularly as they discuss the merits of each criteria.
8. You should then write down something in your notebook that looks like:

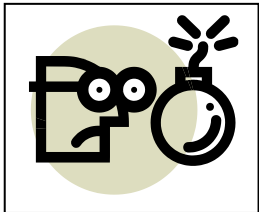
#### *Current Account Services*

<b>Criteria/component</b>	<b>Rank</b>	<b>Comments</b>
Distance/Proximity	1	This is the most important since there are few banks in the area and participants need somewhere to place their money where they can access it quickly in case of emergencies.
Security	2	The bank must have a good reputation – security of savings is the most important
Minimum Opening Deposit	3	Poor people cannot open an account with the amounts usually required by banks (50,000 shillings)
Minimum Balance	4	Poor people cannot maintain a balance of the amounts usually required by banks (50,000 shillings)
Friendly Staff	5	The staff should welcome their clients and not make them feel small and unimportant.
Chance of Getting Credit	6	Poor people in this area need credit, particularly for expanding their stock on the market stalls and also in the maize planting season (February)
Fast Service	7	Traders usually have little time to wait in line since they have to return to look after their stalls.



Opening hours	7	The market finishes at around 4.00pm and it would be helpful if the bank was open until about that time so that the sales' proceeds can be deposited before the traders go home – otherwise they have to deposit the money the following morning.
Interest on Deposits	9	Not very important – it is never very much anyway !

9. Alternatively, participants can fill a preference matrix with bottle-tops, stones, seeds etc on a scale of 0-5 in the same way as done with seasonality calendars. Using this method, the researchers must take careful notes as the participants discuss how many bottle tops, stones, seeds etc. to place next to each criterion/component.



**PITFALLS:**

- ✓ Sometimes PRA participants start to rank from what they “DISLIKE” most to what they “LIKE” best. While this can also provide useful information, it is often better to ensure that the participants rank on the basis of what is important to them as they make the decision to use the services of one MFI in preference to another.
- ✓ Sometimes PRA participants start to rank based on chronology. “First we have to find a service provider, then fill form, then we have to give money...” etc. The moderator has to ensure that she has explained to the group that they are ranking based on the importance of each attribute, and not on the steps.
- ✓
- ✓ Sometimes participants find attributes to be of equal importance. Allow a group that has “stalled” to place two cards at the same level. Remember of course that it is the discussion that is more important than the output. Take lots of notes.

**ANNEXURE 4: RELATIVE PREFERENCE RANKING**

**Purpose:** Relative Preference Ranking allows us to see how clients and potential clients perceive the remittance service providers and components of the services they provide. It also helps challenge pre-conceived notions about poor people’s attitudes towards remittance service providers, what matters to them, and why they have those preferences.

**Procedure:**

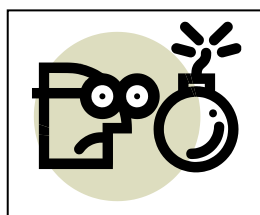
1. Find people who are interested and willing to try.
2. Get participants to list all remittance service providers in the area (including, if appropriate, the informal services such as societies, private couriers etc.) Probe to ensure that you have a complete list and try to ensure that the participants have a reasonable level of knowledge of the services they provide. Follow up with points of interest and encourage participation by different people.
3. Put this list along the top of the relative preference ranking matrix.
4. Get the participants to list the most important elements of the remittance services that are being ranked. Probe for further criteria/components. Follow up with points of interest and encourage participation by different people.
5. Get participants to list all the criteria/components generated in this way on the left hand side of the matrix. Remember to make negative ones positive/neutral (e.g. "high costs" becomes "cost" or "low trust with the agent" becomes "trust with the agent").
6. Ask participants to rank the remittance service providers for each component of the remittance services they provide by putting bottle-tops/stones/seeds in each box.
7. Probe - ask participants questions like the following:
  - a) Why is this remittance service better at meeting this component/criteria?
  - b) Why is this better than that one? etc.
8. Listen and learn from the participants – particularly as they discuss the merits of each remittance service provider/criteria.
9. You should then finish with a table that looks something like:

**Remittance Services**

	<b>Post Office</b>	<b>Co-op Bank</b>	<b>Hawala</b>	<b>Adhikar</b>
Distance/Proximity	1	2	3	4

Security	4	2	1	3
Minimum Opening Deposit	2	1	3	4
Minimum Balance	2	1	3	4
Friendly Staff	3	2	1	4
Chance of Getting Credit	1	2	3	4
Fast Service	1	4	2	3
Opening hours	2	1	3	4
Interest on Deposits	3	2	4	1

Note: The totals of these columns are of little value unless each score is given a weighted value according to the relative importance of each of the components/criteria.



#### **PITFALLS:**

Sometimes PRA participants do not know enough about the remittance services in an area to complete the exercise. The moderator should be sure when recruiting clients for the group, that she has selected clients with an understanding of the various remittance service providers used by the community.

#### **ANNEXURE 5: FINANCIAL SECTOR TREND ANALYSIS**

**Purpose:** This tool is useful in determining which financial services have been used over time and thus understanding the changes in the use/availability of a variety of financial services over time, and why participants used them. The listing of financial services here is only tentative and will require modification based on the participants' knowledge and awareness of the various products.

In this research we will use this tool to understand various remittance channel available in the respondent area, at both locations (source and destination) and people choice and reasons for using the particular channel over the period of time (This year, last year, five years ago and 10 years ago)

**Procedure:**

1. The exercise is best done in a closed area with the assistance of a small working group of 6-8 individuals from the same socio-economic stratum. While selecting the participants research team should be very care about the participant economic strata. All of them should be of almost same strata.
2. The research team should develop an initial list of remittance channel (formal and informal) available and used by the respondents.
3. Work with the respondents to review, edit and develop/expand the list of remittance channel that are/were available and used in the area. This part of the exercise should be undertaken with care and as much probing as possible.
4. Once the list has been developed, turn it into a matrix by making columns for “This Year”, “Last Year”, “Five Years Ago” and “10 Years Ago”. Respondents should then be asked to place 0-5 stones/seeds/bottle tops to indicate the use level/popularity of the different remittance channel available.
5. Once step 5 has been completed, respondent should do the same for the previous year.
6. Once step 6 has been completed, respondent should do the same for the situation for around five years before.
7. Once step 7 has been completed, repeat the same for 10 years before.
8. Alternatively, some find it useful to ask clients about the use level/popularity of one of the remittance channel this year, last year, five years ago and 10 years ago (i.e. completing the row first before moving on to the next channel).
9. Either way ensure that you CHECK by comparing both vertically and horizontally as the final step to complete the exercise.
10. Listen and learn from the respondent – particularly as they discuss how and why each of remittance channels has been use more or less over time.
11. The final matrix will look something like:

<b>Remittance Channel</b>	<i>This Year</i>	<i>Last Year</i>	<i>Five Years Before</i>	<i>Ten Years Before</i>
<b><u>Formal:</u></b>				
• Formal bank: Through Core banking system (CBS)	*	**	**	**
• Post Office – Through Money Order				

• Western Union Money Transfer				
<b><u>Semi-formal:</u></b>				
• Through Banking Correspondence Channel		*****	**	
• Through MFI/NGO Network	***	**	*	
<b><u>Informal:</u></b>				
• Through Friends and Relative	**	**		
• Through Courier Service		*	***	*****
• Through Hawala	****	***	*	
• Through Personal Visit to home		**	**	*

## **ANNEXURE 6: SEASONALITY OF MIGRATION**

**Purpose:** This is used for examining the availability of the seasonality of structural factors facing the poor: migration, availability of casual employment and the markets related to the goods and services provided by the poor. In this way, we can look at the availability of cash to the people in the community - and to examine how far they might have to migrate to find work (when it is available). This has important implications on the channel they use for remitting money to the source.

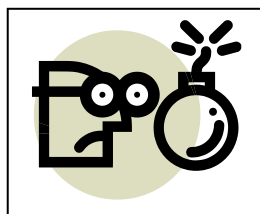
This tool helps us with mapping months of migration, availability of cash with the household, and variations of market migration population serve over the year. Thus it brings out any relation amount the three if any, and adds to understanding the process of remittance.

### ***Procedure:***

1. Probe on availability of casual employment, the level of migration and the markets related to the goods/services offered by poor people. Some useful questions could be: What are the usual employments, who in family get those employments, which period household receive highest levels of employments; What migration activities are taken by the household, who undertakes migration, what is the period of highest migration and why, what are the reasons for deciding migration destination, Where and how migration takes place; where are the markets that use respondent's services, how these markets differ at various points of year.
2. Please note however:
  - There may not be homogeneity with the goods and services – probe to find out if there are groups of goods/services sharing the same seasonality patterns (and map these individually) and if not then discuss with participants how/if they switch between business activities over the year and if there are over-riding seasonality issues.
  - The respondents understand that you are looking for a relative analysis ... availability on a scale of one to five or one to ten ... not for an analysis that only talks about the peak seasons. If there is a little casual employment available, then they should put one or two stones/seeds/ bottle tops, and if there is enough casual employment for every one to get work easily, they should put five or ten stones/seeds/bottle tops.
  - Remember that what you learn from the discussion between respondents as they prepare the chart is often more important than the chart itself – these discussions should be noted carefully.
  - Note that markets related to goods/services includes both input (materials etc.) and output (sales) markets.

3. Thus the final chart (which the moderator should copy into her notebook) will appear something like:

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
Casual Employment Availability	**	*****	*****			**	*****	***	**	*	*	**
Migration Levels	***		***	****	*****	***	*	*****	***	*****	**	*
Markets for Goods/Services		**	**	****	**	**	***	**		***	*****	****



**PITFALLS:**

Non-homogenous groups will have a need for different seasonality charts. For example, a labourer in the mines will have different “high and low” seasons than a farm labourer.

- ✓ As always, it is the discussion that leads to the completion of the chart that is important – probably more important than the chart.
- ✓ Take lots of notes!!!

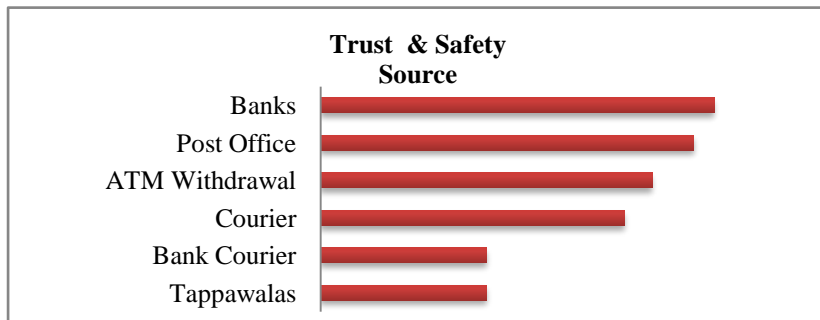
**ANNEXURE 7:INDIVIDUAL INTERVIEWS**

Please use the FGD guide for the individual interviews.



**ANNEXURE 8: RANKING PROVIDERS AT THE SOURCE: FINDING THE RIGHT MIX OF PRODUCT ATTRIBUTES**

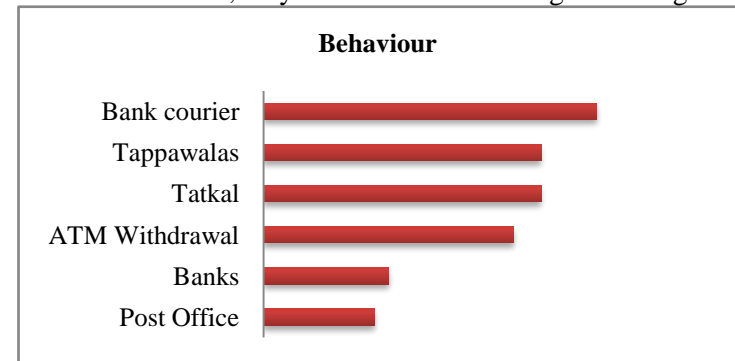
At the source locations of Ganjam in Orissa, Nalanda and Aurangabad in Bihar, five RPRs were conducted in total. In these exercises, respondents ranked channels against certain attributes. The channels were those reported by respondents as being the prevalent methods of receiving remittances in their area/village. The channels ranked thus were as follows: banks, post offices, tatkal sewa, tappawallas, bank courier, ATM withdrawal. The attributes which they were rated on were: trust, timely delivery, low cost at destination, proximity at source, request processing time, staff behaviour and low cost at source. Since the information gathered is not conclusive due to the small sample size, we present the information as a snapshot of what recipients of remittances may desire in the ideal remittance product. For this analysis, we would argue that the subjective perception of the channel by the respondent is far more important than the rank it received.



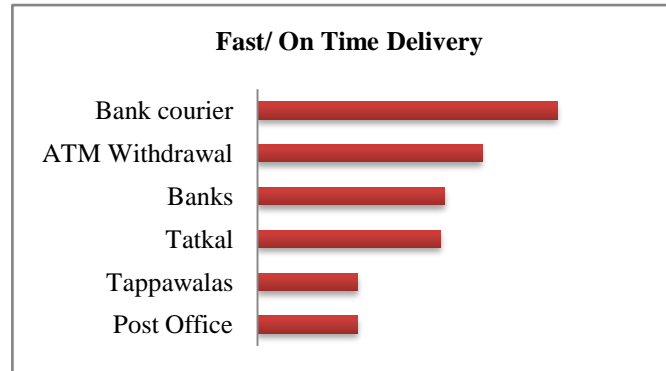
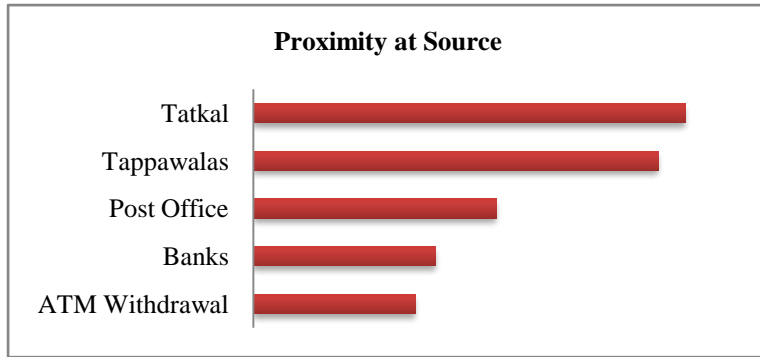
Banks are the most trusted remittance channel partly because it is seen as being strongly associated with the government. “Sarkari hain” (It belongs to the government) is an oft heard refrain. No surprise then that the channels were ranked in order of how official they each are perceived to be in order to express how trustworthy they were deemed.

While usually these tools are designed to elicit what respondents prefer the most first, in the context of ‘behaviour’, almost all were unanimous that the official channels of the post office and bank had failed their customers. Many respondents felt that since the bank didn’t have to run after customers, they did not feel the need give them good

service. “Daak sewa bahut aalsi ho gaya hai, baithe baithe paisa milta hai” (The post office has become lazy, they get money without doing any work). Private service such as tatkal sewa, tappawallas and bank couriers had to behave well to create and maintain their business. “Courier wala vyavahar cha karega, kyonki usko grahak pakadna hai” (Courier guys will behave properly because they have to attract customers). It appeared that the ability to interact with bank officials was predicated on the level of education of the bank customer. “Bank ka tareeka jisko maloom hain, woh bank ko 5 mein 5 dega. Lekin gaanv mein aadhe se jada logon ko pata nahin hain. Gaanv mein sirf 20% logon on bank se dealing kar paate hain” (Those who know the bank’s procedures would always give the bank five on five. However, more than half the people do not how to work with banks, only 20% of them know.)

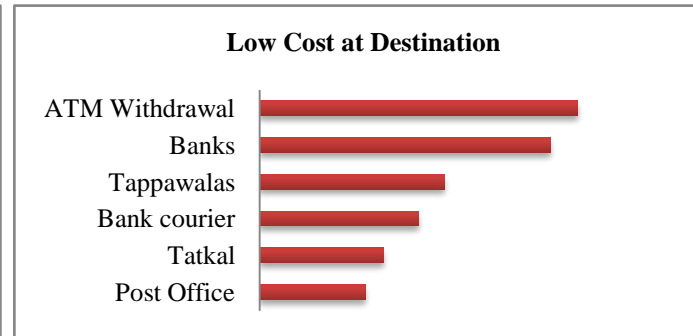
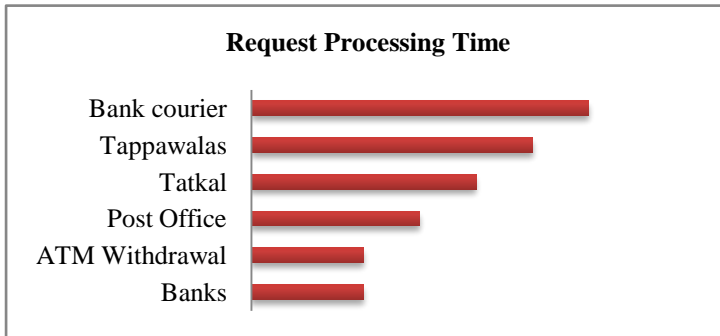


At the source, there was a strong desire for doorstep delivery which they received from informal remittance channels such as tappawallas, tatkal sewa and also from the post office. The graph reflects this preference. While bank promised to deliver within minutes and this was true, the money actually came to their



hands much later due to the processing time at bank. While overall service experience with ATMs is good, there are some drawbacks as well. Many small bank branches don't have enough cash and respondents must return again to get their money. ATM queues are long. On the other hand, the courier facility was their hands within five

able to extend an overdraft as well so that the money could be in minutes.

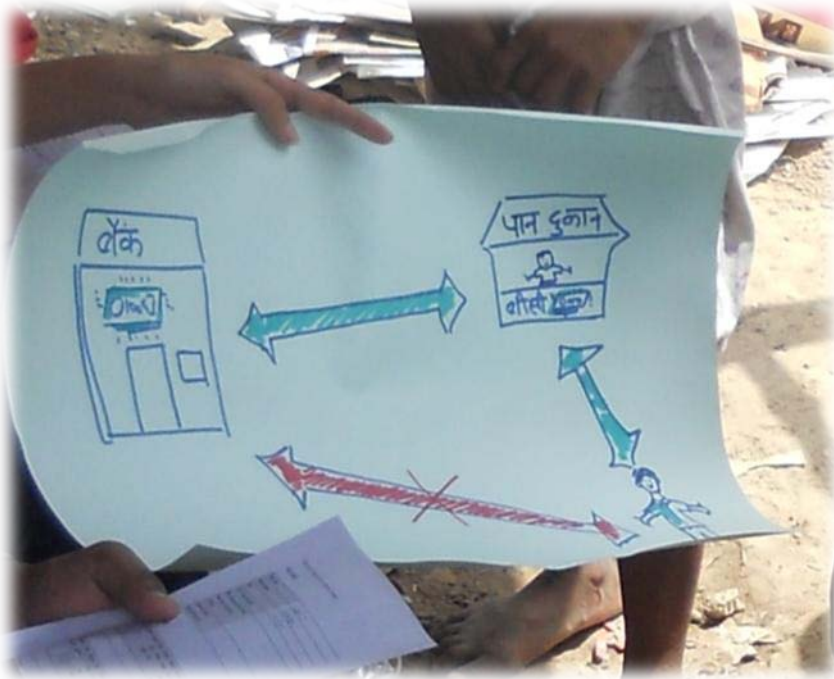


When an informal courier sends money home, it takes very little processing to receive the money. For a bank, one has to go to the bank, fill out a form, wait in a line. If one is illiterate, this process is even more cumbersome as one has to arrange for a witness at the bank branch. All this can take up to three hours.

Banks and ATM withdrawals were rated as offering the cheapest service. However, since travelling to banks involve considerable expense in the form of time lost, it was rated lower than ATM withdrawal. Informal services start charging less as remittance amounts increase. Post office has a fixed percentage of 5%, regardless of what amount is sent. As a result, they are rated lowest.

**ANNEXURE 9: DEFINITION OF THE BC MODEL.**

BC model is like bank opening an outlet in your village. However, instead of having full fledged bank branch, the bank will appoint someone to perform deposit and withdrawal transactions. It could be *kirana* shop/medical store or any reputed individual in your village/panchayat identified by the bank. The idea is that you are able to do most of your transactions at that point and thus saved from going all the way to the bank branch. You would be able to make transaction of small deposits or withdrawals (as eg: of ` 50/100/500/1000) relatively close to your home – and each transaction would not take more than 15 minutes. However, there will be limits to the transaction amount you could transact. [In case they insist: you cannot withdraw more than 10k in a day, similarly you cannot deposit more than 10k in a day].

Don'ts describing the BC model

1. Do not use the word “agent”, they might relate it with Sahara or similar services. Thus influencing either positively or negatively.
2. Do not try to be too assertive or other way about the model during the explanation. Remember that they may get influenced by the way the BC model is described to them. And we are NOT checking what marketing effort works here! Please follow the dialogue written above.