

Understanding Remittance Networks in Punjab and Uttar Pradesh

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June 2011



Table of Contents

DISCLAIMER	3
EXECUTIVE SUMMARY	4
INTRODUCTION	5
RESEARCH OBJECTIVES	6
AREA PROFILE	8
SAMPLE.....	9
PROFILE OF RESPONDENTS	9
PROFILE OF RESPONDENTS AT SOURCE	9
PROFILE OF RESPONDENTS AT DESTINATION:	10
UNDERSTANDING REMITTANCE FEATURES	12
REMITTANCES AT SOURCE	12
REMITTANCES AT DESTINATION.....	13
DEFINING REMITTANCE CHANNELS	15
REMITTANCE CHANNEL TREND ANALYSIS	18
(SOURCE AND DESTINATION)	18
ATTRIBUTES OF REMITTANCE CHANNELS	19
LIKES AND DISLIKES OF THE REMITTANCE CHANNELS	22
COMPARATIVE ANALYSIS OF REMITTANCE CHANNELS	27
BANK EXPERIMENTS WITH THE BC MODEL FOR REMITTANCES	35
CONCLUSION	37
ANNEXURE	38

List of Abbreviations

AR	Attribute Ranking
ATM	Automated Teller Machine
BC	Business Correspondent
CBS	Core Banking Solution
Destination	The place where migrants go for finding work
EMO	Electronic Money Order
FGD	Focus Group Discussion
KYC	Know Your Customer
Migrants	Domestic migrants moving from one state to another
NA	Not applicable (for graphs)
PO	Post Office
RPR	Relative Preference Ranking
Remitter	Migrant, who sends remittances to the family at source
Receiver	The family member receiving the remittance at source
SBI	State Bank of India
Source	The place where migrants come from
UP	Uttar Pradesh, (state in India)
ZMF	Zero Mass Foundation

Disclaimer

Qualitative research is designed to look beyond the percentages to gain an understanding of the customer's beliefs, impressions, and viewpoints. Focus Group Discussions and Participatory Rapid Appraisal with small, highly targeted samples are effective ways to accomplish this. 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 these discussions. 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

The objective of this research is to study the various remittance options currently available to migrant workers sending money to their families, and the benefits of a business correspondent (BC) model. This study was conducted in Uttar Pradesh and Bihar (“source” states where migrants come from) and Punjab (“destination” state where these migrants seek work). *MicroSave* has conducted parallel research on remittance networks in Gujarat and Orissa.¹

Migrants, mostly male, age 26-45, send on average Rs.1,000-2,000 home each month. Approximately half their recipients collect the money at a bank; the other half receive the money at home or close by. Remitters use various channels. Banks appear to be the most popular (in 85% of the sessions at destination, banks are the channel remitters most prefer to send money) and their dominance has steadily increased in the past five years. Courier services are also a frequently used and growing channel, though they lag behind banks. Remitting via the post office or via friends has decreased in recent years, and though migrants still bring money home themselves, many now prefer a more formal channel.

This preference for banks is reflected in the attributes migrant workers and their beneficiaries look for in remittance services. In order of importance, they are trust, quick delivery, security, efficient processing and transaction time, cost, and proximity at the source. No one channel scores perfectly and each one has particular strengths and weaknesses. Respondents rate banks highest in trust, security, and delivery time, but less favourably for processing time, cost, and proximity. For this sample, the most trusted channel is not the one that is the closest. The post office scores well in terms of security, but poorly on delivery time, processing time, cost, and trust. Couriers come out in the middle for most attributes. They do well in their processing and delivery, especially in emergencies, but rank lower in trust and cost.

Remitters and their recipients also have personal likes, somewhat separate from attributes. They like the post office and couriers’ doorstep delivery. They also appreciate the banks’ savings options and the convenience of ATMs, where available. (Dislikes are the same as the lower-ranking attributes for each channel noted above.)

The business correspondent model may fill a need—most agree none of the current remittance channels are ideal—but both senders and receivers require more explanation and trust in the agents involved before they will try such a service. The key barriers are uncertainty about agents who are not in fact bank employees (42% at source, 22% at destination), lack of understanding and trust in the technology involved, and no BC remittance track record so far. Most remitters rely heavily on the experiences of colleagues and friends when choosing which channel to use. They also care that their families receive the money in a timely, safe, simple way. With no frame of reference for the business correspondent, model, they are hesitant to commit for or against.

¹ Please see *MicroSave* study “[Understanding Remittances in Gujarat, Orissa and Bihar](#)”, February 2011.

INTRODUCTION

India is the second only to China as the largest generator of domestic remittances in the world. A recent GiZ study estimates up to a 100 million migrant workers in India who remit ~Rs.20,000 year and make up 10% of the national GDP.² The India Institute of Management, Bangalore, also released a study this year reporting Rs.325 billion in annual internal remittances, compared to Rs.170 billion remitted from Indians working abroad.³ Migrant workers who send money home via informal channels offer stronger incentives for banks and mobile operators to benefit from this extraordinary cash flow. The many remitters and their recipients who have no access, or unsatisfactory access, to financial services can benefit as well.

This study focuses on migrant workers working in Panipat and Ludhiana in Punjab and sending money home to the Gorakhpur and Deoria districts in Uttar Pradesh, and to Siwan in Bihar. Recent census data indicate that Punjab's influx of migrant labour is down 10% in some areas, including Ludhiana,⁴ but the World Bank's Development Report estimates that short-term migrant populations from UP and Bihar may be as high as 30 million in key destination cities.⁵

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
- Trends over time for remittance use
- Attributes respondents consider most important for their remittance service
- Ratings of various services with these attributes in mind
- Responses to BC delivery of remittances, potential benefits, and drawbacks
- Recommendations and conclusion

² "Remittance Needs and Opportunities in India, Synthesis Report 2011": Dr YSP Thorat, Dr, Howard Jones, GiZ

³ <http://www.hindustantimes.com/Study-Domestic-remittances-double-of-foreign/Article1-726371.aspx>

⁴ http://articles.timesofindia.indiatimes.com/2011-04-09/india/29400141_1_labour-shortage-growth-rate-census

⁵ Please see [World development report 2009: reshaping economic geography](#), accessed October 2011

Market Research Process

Training and Preparation:

April, 2011

- Planning and design of the research plan
- Field testing and refinement of the questionnaire

Market Research:

May, 2011

- Training of research team on the questionnaire and tools
- Focus group discussion with participants at source and destination
- Interview of service providers at source and destination

Analysis and Consolidation:

June, 2011

Consolidation and data analysis

RESEARCH PROCESS

Research Objectives

- Understand the demographic profiles of remitting 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

- 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 (destination and source)

- Assess the feasibility of using the BC model to deliver remittances
 - Remitter and recipients’ perceptions of the BC remittance delivery
 - Willingness to pay for remittances sent and received via BCs

S.No.	Tool Used	Total Number of Sessions
1.	Focus Group Discussions + Individual Interviews	64
2.	Product Attribute Ranking	40
3.	Relative Preference Ranking	20
4.	Financial Sector Trend Analysis	7

Research Methodology:

Focus Group Discussions (FGD): *MicroSave* uses FGDs to understand the prevalence and popularity of various remittance channels for both senders and recipients, and the extent to which these services fulfil their needs. 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 1](#) for the Focus Group 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 2](#) for further details.

Relative Preference Ranking (RPR): The RPR exercise is a follow-up to the PAR attributes. Respondents rank remittance service providers on the basis of these attributes. [Annexure 3](#) contains greater detail on this tool.

Financial Sector Trend Analysis (FSTA): FSTA explores how respondents' use of financial services has changed in the past five-ten years. (if it has not changed, the reasons why not) [Annexure 4](#) provides more details on this tool.

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.



Area Profile

Punjab is one of India's most developed production hubs with the highest number of small-scale industries per capita⁶ and good transportation infrastructure, financial services, and telecommunication networks.⁷ The state generally draws migrants from central and eastern parts of the country.⁸ The agriculture industry in rural Punjab attracts migrants as well, although the focus of this study is on urban migrants only. The Ludhiana district in Punjab has the greatest concentration of small industries and, despite fewer migrants arriving in recent years, this area still hosts the largest migrant population in the state.⁹ An illiterate worker from Gorakhpur can find a factory job in Ludhiana for Rs.4,000 per month. Panipat, the other destination location in this study and an industrial centre, also serves as a magnet for migrants.¹⁰ Source locations include Siwan in Bihar, the Gorakhpur district in Uttar Pradesh, and Deoria, located 50 kilometres to the east. All three source areas offer very limited opportunities for low-income households in terms of education or employment.

	All India	Bihar	Uttar Pradesh	Punjab	Haryana
Incidence of poverty¹¹	27.5%	41.4%	32.8%	8.4%	14.0%
Human Development Index¹²	0.605	0.507	0.528	0.668	0.643
Population	1,210,193,422	103,804,637	199,581,477	27,704,236	25,353,081
Bank branches¹³	49,814	2,138	5,584	2,460	1,384

⁶ <http://www.pbindustries.gov.in/Districtwise.htm>, accessed July 27, 2011

⁷ <http://www.pbindustries.gov.in/strengths.htm>, accessed July 27, 2011

⁸ Recommended readings: [http://sikhinstitute.org/demo_07/ps%20kohli%20\(paper%20\).pdf](http://sikhinstitute.org/demo_07/ps%20kohli%20(paper%20).pdf);

<http://community.eldis.org/.59b6a372/Internal%20Migration%20and%20Regional%20Disparities%20in%20India.pdf>;

⁹ The paper details increasing trends of migrants, industries in Ludhiana, <http://www.spaenvis.nic.in/pdfs/city-profiles/Ludhiana.pdf>

¹⁰ <http://panipat.gov.in/Industry.htm>

¹¹ Poverty estimates for 2004-05 from the Planning Commission, available here <http://www.planningcommission.gov.in/news/prmar07.pdf>, accessed July 27, 2011

¹² 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 July 27, 2011

¹³ 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 July 27, 2011

Sample

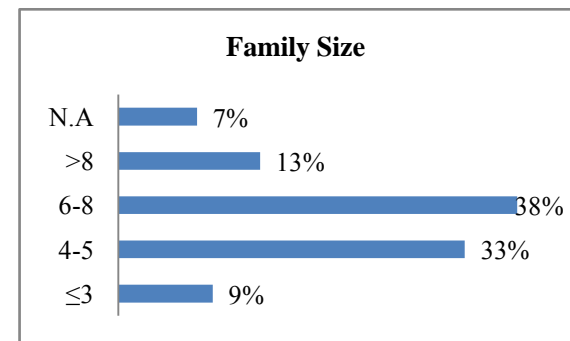
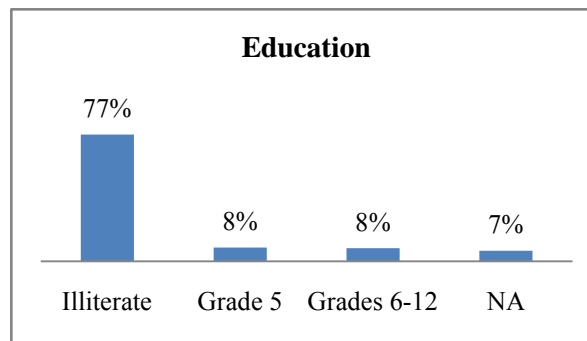
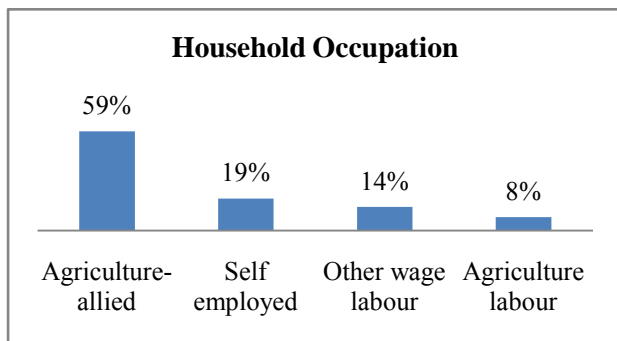
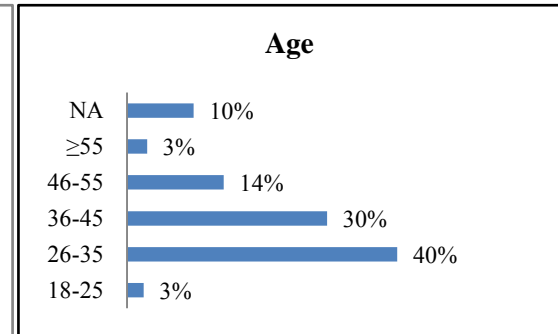
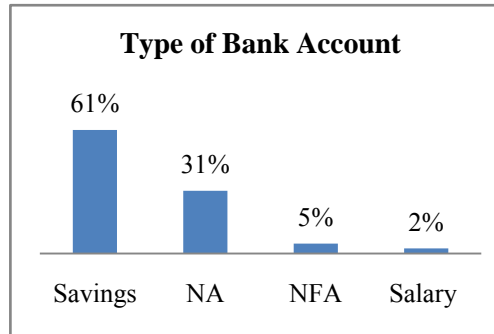
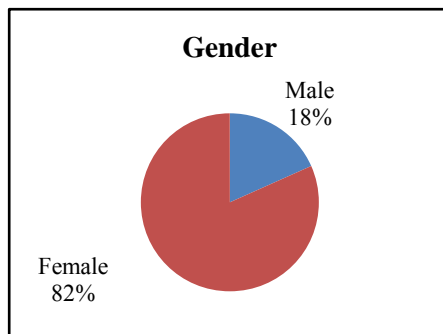
Most internal remittance studies focus on the preferences and problems of remitters. (Since they send the money and control when, how, and how much is transmitted, this bias is logical.) This research, however, includes recipients as well in an effort to understand both sides of the exchange. “Pull” can often be equally important in decision-making. Seasonal agricultural cycles, local trends, and recipients’ problems and preferences all effect which remittance channel works best. The rural recipient sample is from Bihar and Uttar Pradesh; the migrant remitting sample from Ludhaina and Panipat. (Note: the recipients in this study do not receive remittances from the migrant sample interviewed. They were selected based on source location, not their relationship to the remitters, who were recruited in turn for their destination locations. As a result, certain figures such as amounts sent and received and the prevalence of remittance channels do not match.)

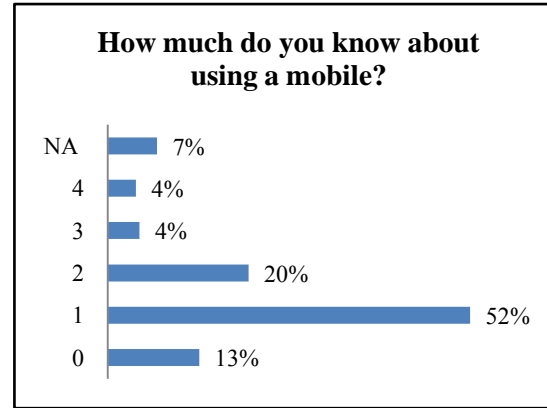
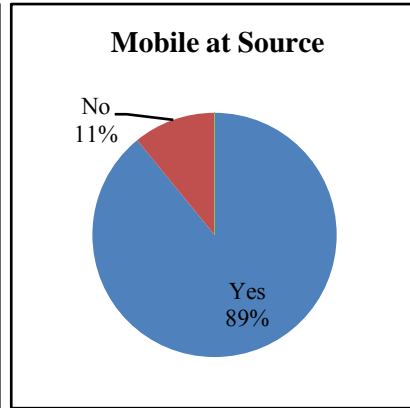
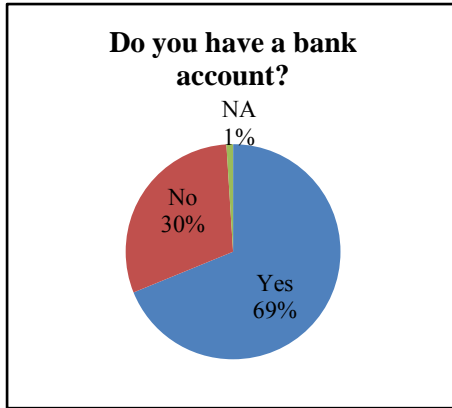
Profile of respondents

Profile of respondents at source

Respondents in Siwan, Goarkhpur, and Deoria are mostly female. Males comprise less than one-fifth of the total. Close to 70% are age 26-45. Approximately 15% are older: 2% are 18-25. Illiteracy is as high as 77% in some of the sample areas. Almost 20% are self employed. Close to two-thirds work in agriculture, and the rest in wage labour. Only 8% of the respondents have an education between grades six-12; another 8% left school after grade five. A significant proportion have large families (70% have four or more dependents), and in most cases, one or more must leave to find work in cities in order to help meet expenses.

Mobile ownership is close to 89%. The remaining 11% either do not have a phone or rely on others. The majority are able to receive calls; one-fifth can make calls as well.





Mobile Literacy
 In the graph to the left: “0” signifies no knowledge of how to operate a mobile phone; “1” means respondent can receive calls; “2” signifies s/he can make and receive calls; “3” means s/he can also check top-up balances; “4” s/he can send and receive other text messages.

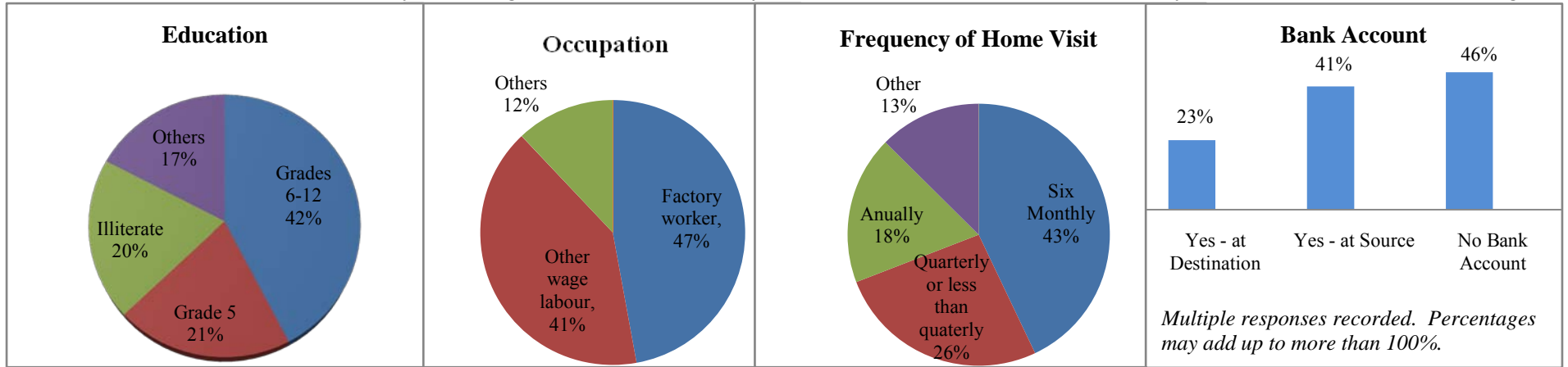
Almost 70% respondents at the source have bank accounts, although 31% are not sure what type of account they have. Many have opened an account to receive remittances. For those working in agriculture, some already had savings accounts for harvest income deposits. Five percent of the respondents claim to have a no frills account (NFA).

Profile of respondents at destination:

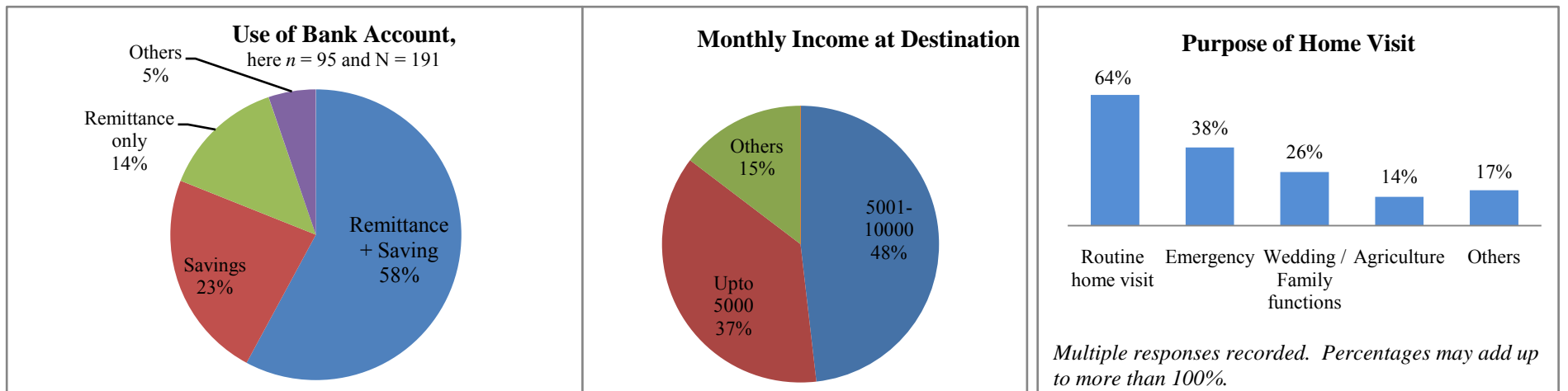
Migrant workers at the destination are almost all male (190 out of 191 respondents). Around 64% are age 18-35 years, while 36% are 36-55. Migration usually begins at age 18, particularly in large families, and the majority work in factories or as daily wage labourers. Twelve percent are involved in private jobs or self-employed. Forty-two percent are literate and education levels vary, although few migrants have been able to continue after senior secondary level (grade 12). Two-thirds have migrated in the past 15 years, 18% have migrated in the past 16-25 years, and 8% have been away from home for more than 25 years or can no longer remember. Newcomers (less than one year) are not more than 6%. Close to 65% have five or more dependents at home, and almost 25% have up to three.

Over 40% of the respondents visit their homes twice a year, 26% visit quarterly or more frequently and 18% visit annually. The rest visit every two to three years or have migrated permanently and no longer visit their native places. The most common reason for a non-scheduled visit is a health-related emergency. Otherwise, remitting workers go home for weddings, festivals, or property matters, or to help in the agricultural season.

Close to half earn Rs.5000-10,000 per month and 37% have a monthly income up to Rs.5000. Fifteen per cent earn Rs.10,000-20,000 or higher (or prefer not to disclose their earnings). Only 23% have bank accounts at the destination and have usually been resident for more than 15 years, while 41% retain bank accounts at source. In some cases, respondents have both. Fifty-eight percent of those with accounts use them for both savings and sending remittances. Around one-fourth use their accounts only for savings and 14% use them only for remittances. The remainder have salary accounts or other forms of savings



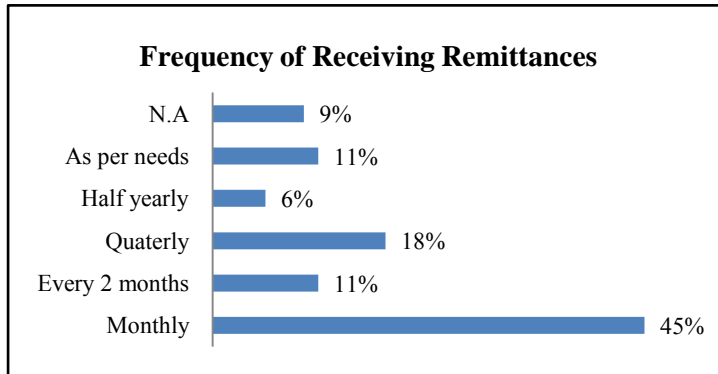
insurance. Seventy eight percent own mobile phones and mobile literacy is high with close to 80% able to make and receive calls. More than one quarter can send text messages.



Understanding Remittance Features

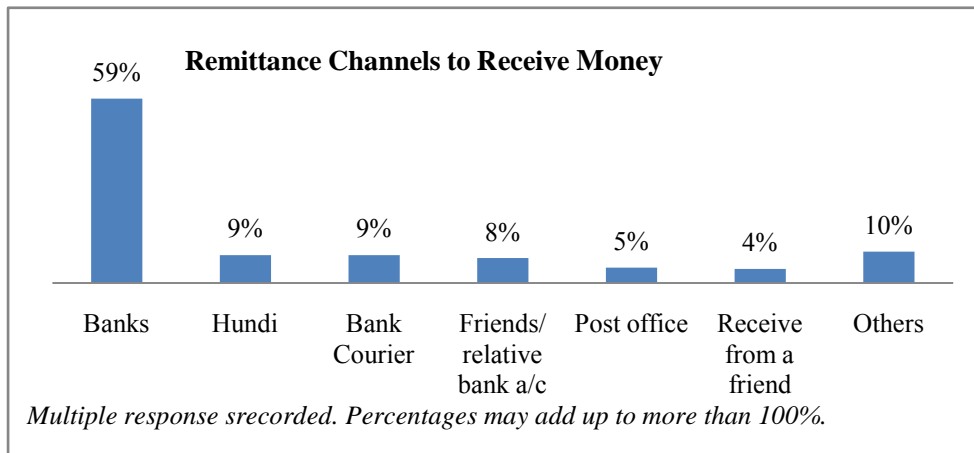
Remittances at source

From the source locations of eastern Uttar Pradesh and western Bihar, most migrants go to Maharashtra, Delhi, and Punjab and send money home to wives (45%) and mothers (also 45%). Around 5% send money to other relatives.



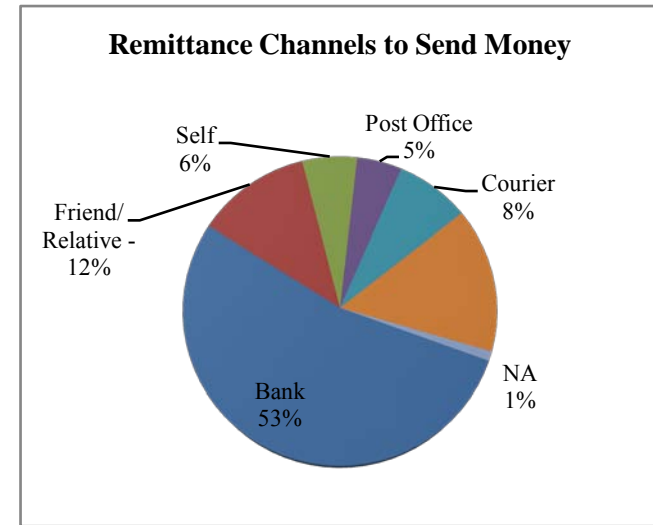
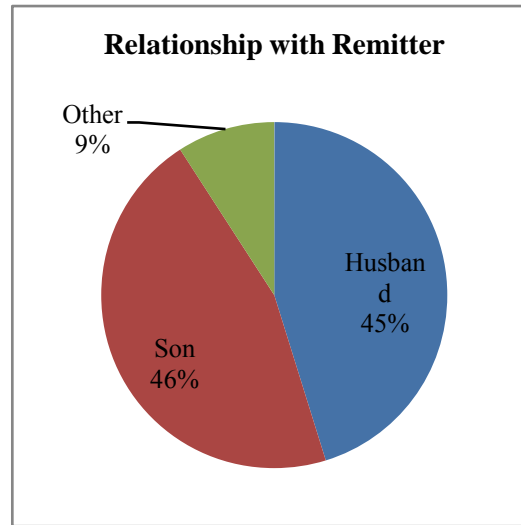
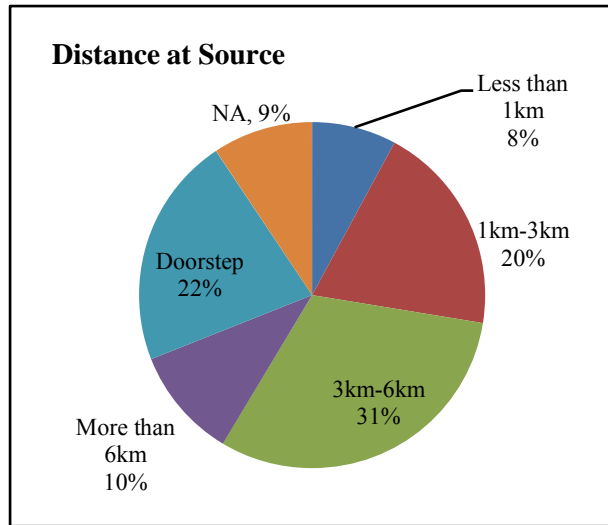
Remittance frequency depends on the nature of the migrant’s work. Fixed factory salaries are the most reliable, while daily wage labourers have the least predictable incomes. Forty five percent of the respondents in this sample receive money on a monthly basis. Around 18% receive remittances quarterly, 11% once every two months, another 11% on a needs-only basis, and 5% every six months. Monthly remittances range up to Rs.3,000 (~42%) to Rs.3,001-5,000 (20%).

Almost 60% of these recipients mention banks as the “most used” channel for remittances. (Other channels—couriers, post office, friends, visiting family—are discussed almost equally as alternatives.)



Overview of Remittance Channels

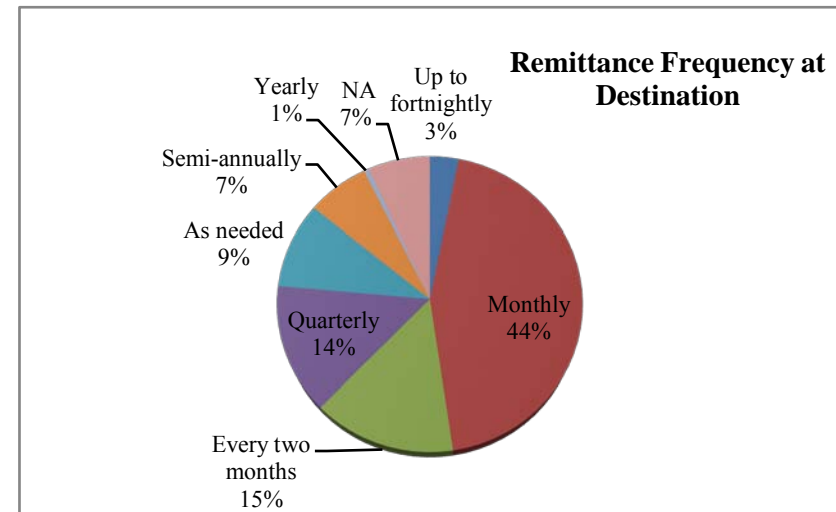
- Banks:** All commercial banks allow remittances, either at local branches or via designated BC outlets. The remitter deposits the amount at the destination; his recipient withdraws from a bank branch or ATM.
- Post Office:** Remitter fills out money order at the destination, and the postman delivers it to the recipient’s address.
- Courier:** Remitter gives cash to the courier agent—company or individual—at the destination; courier arranges doorstep delivery via their local channels at the source.
- Self/Friends:** Remitter brings the money himself or arranges for a friend to deliver on his behalf.
- Bank Courier:** Remitter or recipient’s friend or contact with a source bank account arranges for transfer; recipient picks up at source branch or third-party delivers to recipient for a fee



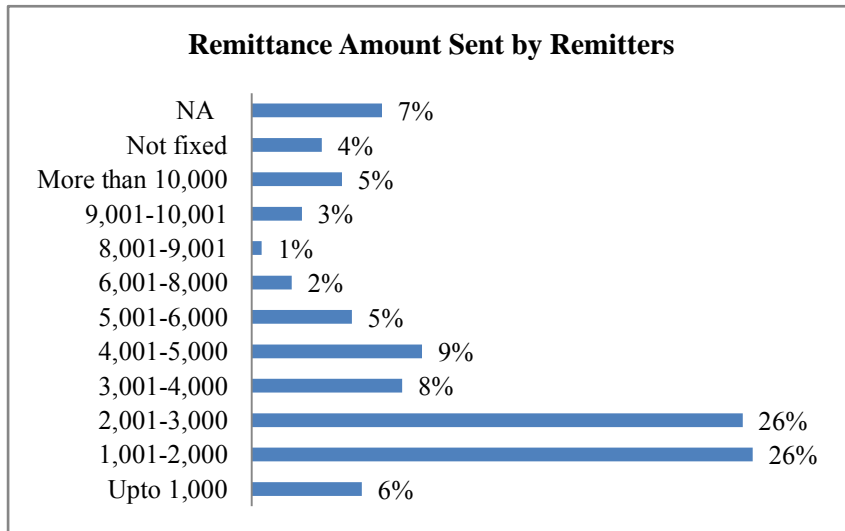
Remittances at destination

Informal remittance channels such as couriers, friends and visits home account for about 46% of all remittances, and close to all of the remaining 54% are sent via banks, either through their own account or someone else's. (Some who use others' accounts pay nothing as these accounts belong to family members or close friends. Another 15-16% use "bank couriers" who charge for the use of their account for delivering remittances.) A portion of the sample in Ludhiana and Panipat work in factories where salaries are automatically deposited in their bank accounts.

Some are able to provide their families at the source with ATM debit cards to the accounts they have at destination. The standard remittance amount in this sample is Rs.1,000-3,000 with an average of Rs.2,000. Twenty six per cent send between Rs.1,000-2,000, and another 26% send Rs.2,001-3,000. Forty-four percent claim they send money on a monthly basis, while 15% remit once every two months, and



9% when required. (Please note discrepancies with these figures and those of the source sample are due to the fact that these remitters send money to other recipients at other sources.) Forty-six percent say they travel up to two kilometres to send money home, while 32% travel even farther. Among the remitters, 62% hail from Uttar Pradesh, 34% are from Bihar, while 4% belong to the neighbouring states of Haryana and Rajasthan.

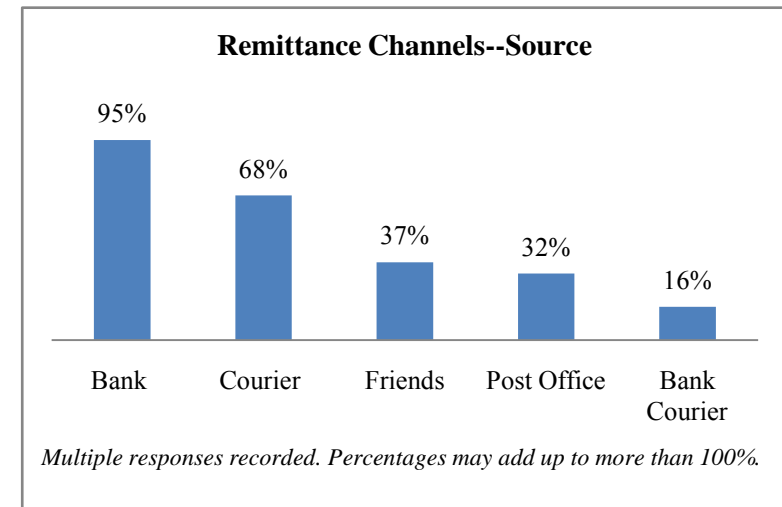


Defining Remittance Channels

Banks

For remitters with accounts at the destination, the process of remitting begins with a long line at the bank. The sender fills in the requisite forms (or if illiterate, he asks someone to do it for him), the cashier deposits the money in the sender's account, and the remitter then calls his family to inform them of the amount and time of deposit. If the family has an ATM card (and if an ATM nearby is functional), the process of withdrawing money is simpler and faster. Many banks now also include SMS deposit confirmations, in addition to paper receipts. If recipients do not have ATM cards or if the local ATM has no cash or needs repair, they must go to the bank branch and withdraw money by filling out withdrawal forms (quite often, needing bank assistance with the forms).

This cash-out process works several ways, depending on whether remitters also have a bank account at the source, or share a joint account with family, or use a friend or relative's account. For joint accounts, the family generally uses withdrawal forms at the branch or a shared debit card if available. When using a friend or relative's account, the account holder either delivers the money personally, or the recipient comes to collect. (Elderly parents often find this option easiest to manage.)



Remitting costs:

- *Bank charges:* Rs.25 deducted from the remitted sum, either at source or at destination
- *Travelling and opportunity costs:* These vary, but both sender and receiver often travel some distance for cash-in and cash-out at branches or ATMs. Recipients usually have farther to go and transportation costs are an issue, but remitters are more vocal about lost wages (particularly those who work on production lines) and other opportunity costs incurred. Typically, remitters' costs include a round-trip fare to the bank of around Rs.20, recipients' costs are the same or slightly more. Nevertheless, the latter must travel far greater distances, especially in remote areas, and time can also be a cost.¹⁴

Couriers

Couriers are the most popular informal channel for sending money in emergencies and for those without bank accounts or access to accounts at destination or source. At destination, remitters either go to courier companies' offices or to a local and trusted individual courier. In both cases, they receive a deposit receipt with their recipient's name, address, and phone number. Remitters admit they feel none of the hesitation they often feel with banks when approaching couriers. Most couriers also have more flexible schedules. "*Courier to sham ko bhi khula rehta hai, hum factory se atee waqt paisa jam kar dete hai*". (Couriers remains open in the evening. We deposit money while coming back from the factory.) In addition, many couriers offer short-term credit to remitters in order to deliver an emergency sum to a family member in need. Remitters are expected to repay this loan with several days.

¹⁴ Please see *MicroSave* Research Study on [Cost and Willingness to Pay](#)

Courier services deliver money to the recipient’s doorstep, either within a few hours or in two to three days, depending up on the fee charged at the destination.

Remitting costs:

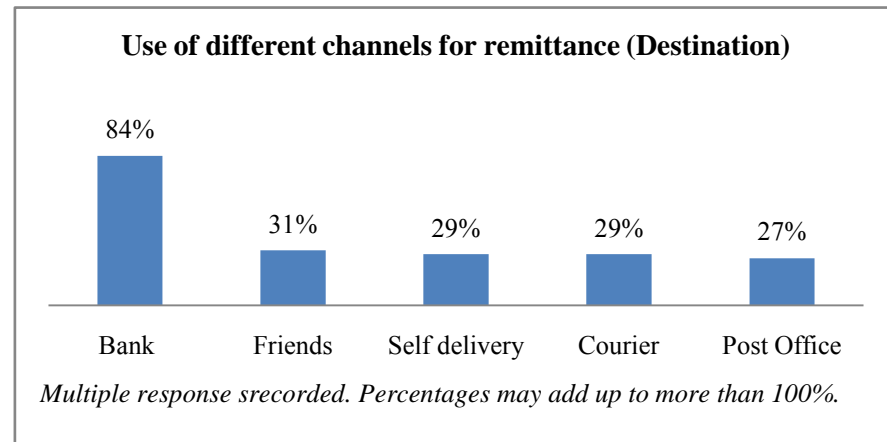
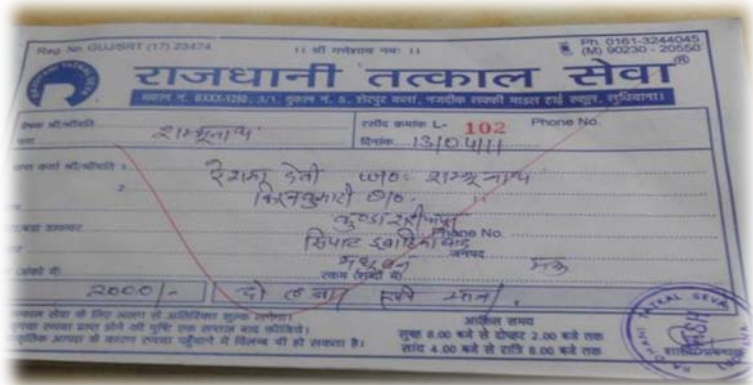
- The cost of courier service ranges from 4-7% of the transaction amount and remitters pay in full at the destination
- Recipients pay no fees at source
- Courier services, large and small, tend to be located in or near migrant neighbourhoods and their hours are flexible, so travel time and wage loss are not the same potential costs that they are for banks.

Friends

In this instance, remitters give the money to a friend from the same village and heading home for a visit, and the friend delivers it on arrival. Except for possible miscellaneous travel expenses, the service is free, very convenient, and usually reciprocal. “*Woh jab jate hai hum unke hato gharwalo ke liye paisa de dete hai aur jab hum jate hai who hume pasia de dete hai*”. (When my friend goes home, I give [him] money, which he delivers, to my family and when I visit, he does the same to send money for his family.) The friend either delivers money to the doorstep or the recipient goes to his family’s home to collect. Security is an issue as money can be lost or stolen en route. In some instances, when the friend is not close, all the money is “stolen” or less may arrive at the source than left the destination.

Remitting costs:

- Free (except for small travel expenses, snacks, or a monetary thank-you at the source of up to Rs.100)
- No travel time or costs involved



Post office

To send a postal money order, remitters fill out the required form at nearest post-office, deposit the money, including the fee which is 5% of the transaction amount, and receive a “counterfoil” (their half of a two-part receipt). At the source, a postal worker takes the money to recipient’s home, and asks for a signature to certify delivery. This process takes five days to a month, depending on location.

Remitting costs:

- Five percent of the transaction amount at destination; up to 1% of the amount as a “tip” to the delivering postal worker at source
- Remitters’ transportation costs to and from the post office and work hours lost in queues for remitters
- When the postal order is delayed (as it often is), recipients also incur costs to visit the post office and fill out forms to track the missing remittance.

Self

If going home anyway, remitters generally take money with them. This is not a regular channel as most do not visit with sufficient regularity. No costs are involved and delivery time depends only on the length of the journey.

Bank courier

This is the same process described above under Banks where the remitter uses a family or friend’s account at the source to deliver money. The friend deposits the money in his account at source, his family member at source withdraws and delivers the money. In this instance, remitter pays for the service (usually around Rs.50-100 or even more depending up on negotiations, in addition to the bank charge of Rs.25). The remitter also does not need a bank account himself for this to work, and he and his recipient(s) can enjoy the speed, security, and trust of a bank transfer. Since the cost involved is same or less than a courier, this channel is slowly but steadily catching on (15-16% of the destination respondents now use it).

Remitting costs

- ~Rs.25 + Rs.50-100, per transfer, paid by remitters at destination, no fees at source
- Transportation, lost wages, and opportunity costs depend on whether or not the remitter has his own account at the destination and source. If so, the hidden costs are the same as banks. If not, most bank couriers offer convenience and flexibility similar to regular couriers.

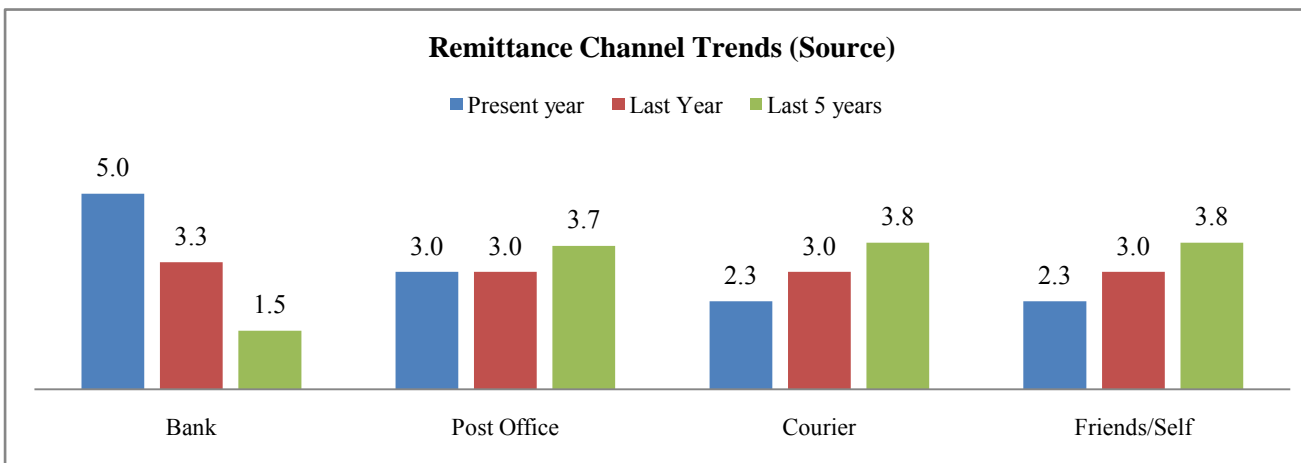
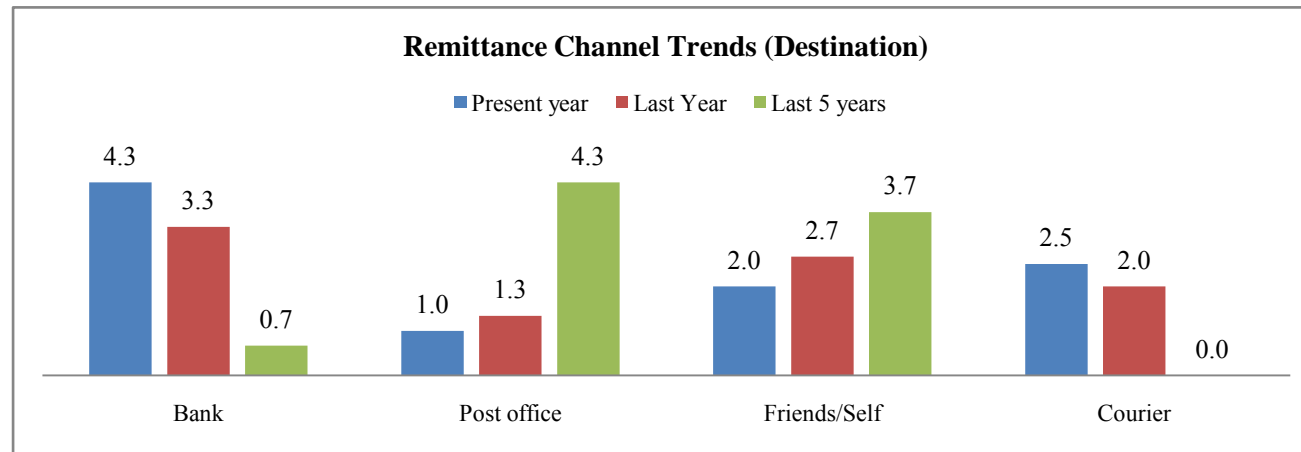
Postal money order used to be a popular remittance channel (see Trend Analysis, Likes & Dislikes). However, with the advent of electronic funds transfers and couriers who offer better doorstep service, use has declined. To counter this, post-office has launched Electronic Money Order (EMO) which, like bank EFTs, delivers the money to the source post-office almost instantly—although not all post offices are EMO-enabled yet.

REMITTANCE CHANNEL TREND ANALYSIS

(Source and Destination)

This section provides an overview of the various remittance channels and changes in respondents’ perceptions over time. We asked respondents at destination and source locations to provide a score from zero to five for each remittance channel in their neighbourhood with five representing the best possible service and zero representing the worst. We also asked them to score for three different periods—this year, last year, and five years ago.

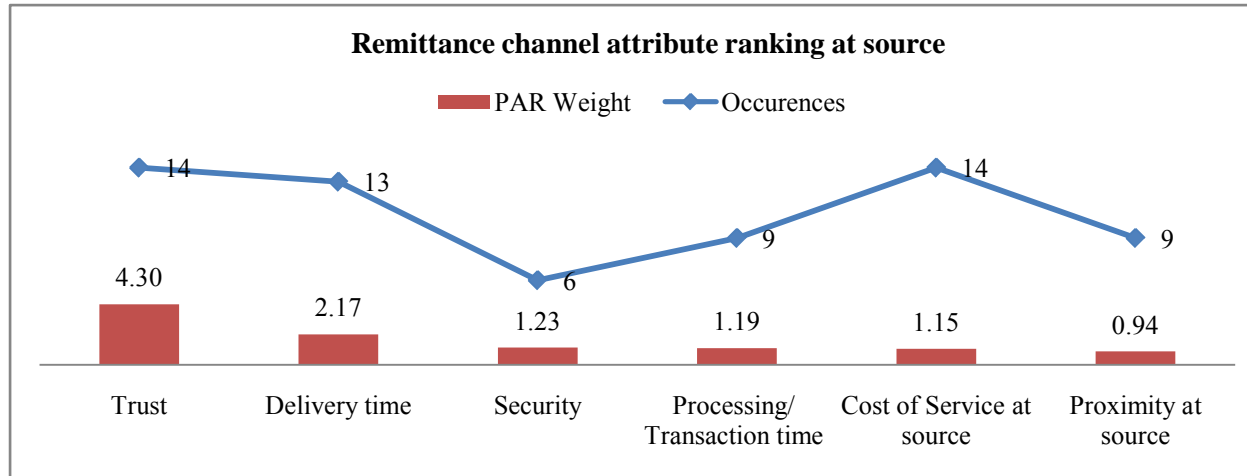
The two charts below reflect how the use of remitting channels has changed. There is a steep rise in the use of banks over the past five years at both



destination, and source. (This is due in part to the convenience of now being able to deposit at and withdraw from any branch in most banking networks, which was previously not possible for many account holders.) By contrast, post office use has declined for remittances, mostly due to lengthy delays—from a week to a month—in transmission. Couriers enjoyed greater popularity five years ago before banks and ATMs became quicker, less expensive, and of course more secure. For the most part, only those without bank accounts, or in need of a short-term loan for an emergency transfer home, now rely on couriers. Sending money home with friends has also declined significantly with the rise of safer, faster options which involve no reciprocal obligations.

ATTRIBUTES OF REMITTANCE CHANNELS

The research team asked respondents at destination and source locations to rank the attributes which matter to them, in order of importance, for sending and receiving remittances. The charts resulting from this exercise provide the weighted average results of this exercise and the number of sessions in which respondents debated the various attributes.¹⁵



Trust

Trust is ranked most important, both at destination and source. “*Samay bohot kharab chal raha hai. chori, chapat, dhoka ho raha hai, to vishwas bohot zaroori hai*”. (Nowadays, there is a lot of cheating and deceit. So trust is very important.) If the cost is higher but the channel is trustworthy and secure, then many are ready to pay for this benefit.

Respondents note that trust includes:

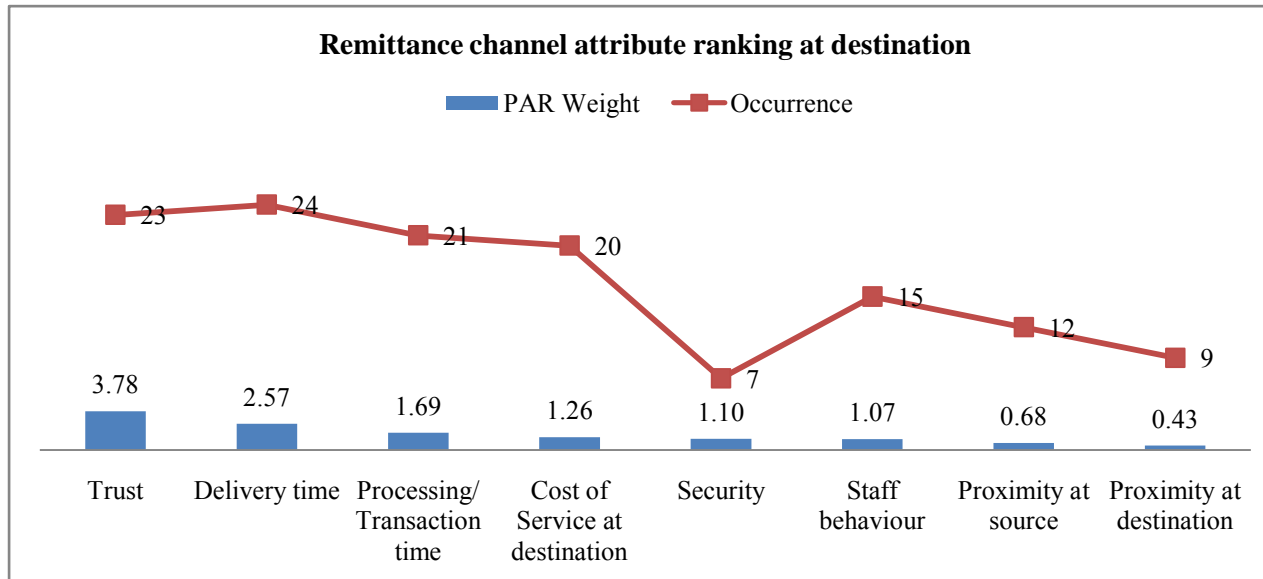
- ✓ Positive experience using the channel on a regular basis
- ✓ Others reaffirm this experience (no money loss en route, embezzlement, delays, excessive fees)
- ✓ Timely delivery, no risk of theft
- ✓ Well-established and well-known channel with a good track record

Delivery time

Speed of remittance delivery ranks a close second, especially for the 73% of recipients for whom this revenue is their primary source of income. Remittance delays can force families to take on debt at high interest from moneylenders or friends. Also difficult are the mounting anxiety and time lost enquiring after late transfers. If various channels are equally trustworthy, both sides of the exchange note they will choose the fastest service. They are also willing to forgive

¹⁵ A brief description of the attributes follows: **1. Trust** refers to the amount of faith respondents have in a particular channel, and how safe they perceive their money is when sent via a particular service provider. **2. Fast Delivery** is the amount of time the service provider takes to transport money from the destination to the source. **3. Proximity at Source (Destination)** is the distance between the recipient’s (remitters’) home and wherever s/he receives (deposits) the remittance. **4. Low Cost (Destination)** are the fees remitters pay to send the money home. **5. Staff Behaviour** is how the staff at bank branches, courier services, and post office behaves toward their remitting clientele. **6. Processing Time** is how long senders and receivers have to spend waiting in queues and filling out forms to complete their transactions. **7. Security** is the risk that the remitter or channel is exposed to for the remittance, including theft, fraud, loss of money.

lengthier paperwork and higher cost if speed is guaranteed. “Hume yahan paise jama karne mein samay lag bhi jaye to koi baat nahin par wahan deri se mile to bahut dikkat hoti hain”. (It’s okay if it takes time to deposit money here, but there should not be any delay in the final delivery at the source.)



Security

Security is part of trust, but refers specifically to safe arrival of the money at source. Banks tend to embody both trust and security; courier services and remitting via friends do

“Jarurat par paisa samay se pahunchana zaruri hai”. (It’s important that money should reach on time when needed.)

“Jab kamayenge, paisa bejenge tabhi tou gadi chalegi”. (Only when we earn and send money to home is our household sustained.)

not. All respondents care about security, although recipients give it a higher priority than remitters (third versus fifth in ranking). Not surprisingly, reassurance that their money will not be stolen or used for other purposes en route, particularly for remittances to remote rural areas, matters more to those on the receiving end. They rank security higher than either processing time or cost.

Processing time/transaction time

The time necessary to wait in line and fill out forms to deposit or withdraw money ranks third for remitters and fourth for recipients. Those who remit via banks at the destination are the most vocal about wage loss and other difficulties incurred by long queues and forms. “Zyada der line main lage rahe to kam ka samay kharab hota hai aur isse dehari bhi kam milta hai”. (Long hours in the queue eats our productive time and reduces our daily wages.) But recipients, especially those who participate in NREGA (National Rural Employment Generation Act) programmes,¹⁶ lose money as well—on wages and, they also admit, on tea, snacks, and other refreshments while they wait.

“Bhale he door ho, paisa lage par paisa surakshit hona chahiye”. (Even if it is far, and even if the charge is more, our money should be safe and secure.)

¹⁶ Now also known as MNREGA (Mahatma Gandhi National Rural Employment Generation Act)

Cost of service

As *MicroSave* has noted in its “Cost and Willingness to Pay” research¹⁷ and other studies, cost matters a great deal to poor people—but mostly in relation to the service rendered. “*Saman sahi nahi nai ho to paisa dekar kya kijiye*”. (If the product is not good, then why should we pay for it?) In fact, the “costs” respondents mention in this exercise more often involve the various expenses incurred and wages lost while sending or receiving money, rather than the actual transmission fees. “*Paisa to lag hi jate hain par kaam ho jana chahiye*”. (Money is spent anyway in remitting money, but the work should not get delayed.) For the remitters, time matters more than cost. “*Jaldi kaam ho to koi baat nahi*”. (If the work is done fast, then cost does not matter.) They rank cost of service as the fourth most important attribute; recipients rank it fifth.

Channel Attribute Ranking Summary		
Attributes	Rank at Source	Rank at Destination
Trust	1	1
Delivery Time	2	2
Security	3	5
Processing Time	4	3
Cost of Service	5	4
Staff Behaviour	-	6
Proximity at Source	6	7
Proximity at Destination	-	8

Understanding Costs

1. Channel’s fee for transmitting remittance
2. Direct Cost
 - a. Transportation cost to and from branch, courier service, post office,
 - b. Account charges (for bank couriers)
 - c. Tip or bribe (at source)
(Tip/bribe: In some instances respondents also mention paying bribes to people in banks or post offices for help or to speed the paperwork or withdrawal process.)
3. Indirect Cost
 - a. Opportunity cost of leaving small business or home/agricultural work unattended
 - b. Loss of wages, both at source and destination.
 - c. Cost of snacks, tea, etc.

Staff behaviour

This attribute matters to respondents in terms of building relationships and trust, but most remitters agree that staff of trustworthy organisation and timely delivery of money is more important. “*Kaam se matalab hai, bartaw jaaruri nahi hai*”. (Work done in a proper way is more important than behaviour of the staff.) The attribute did not come out prominently during discussions with recipients.

Proximity at source

Proximity is an issue for those who live in remote villages, a far remove from the remittance delivery point. However, no one wants to compromise on trust, security, delivery time, processing time, and cost. All would prefer to travel some distance rather than rely on a channel which does not satisfactorily fulfil the more important attributes.

¹⁷ Please see *MicroSave* Research study on [Cost and Willingness to Pay](#)

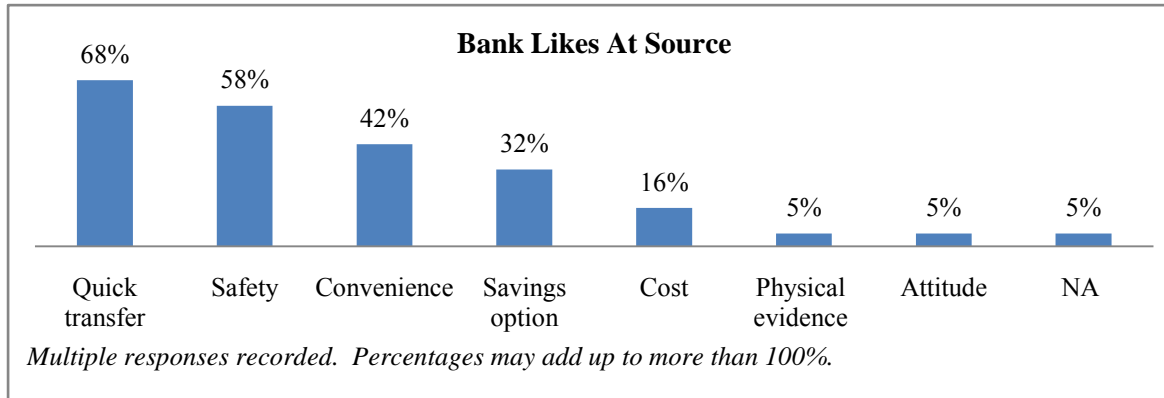
LIKES AND DISLIKES OF THE REMITTANCE CHANNELS

In this section, we explore both sender and recipients’ impressions regarding 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.

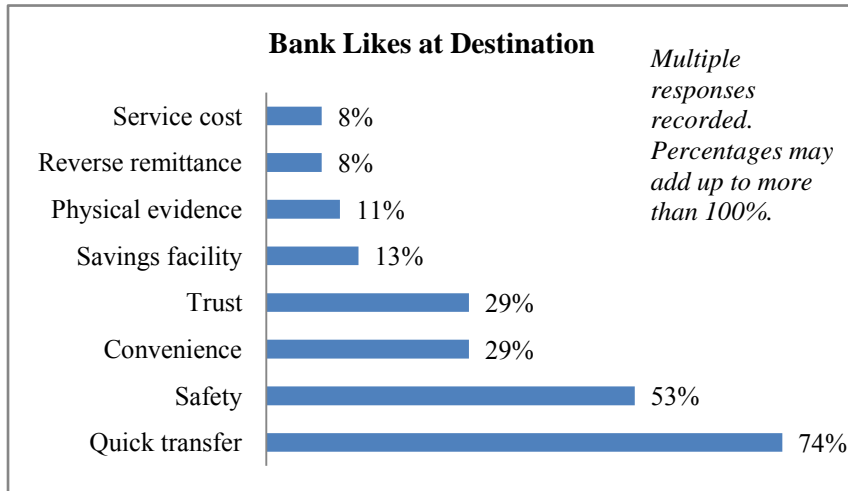
Banks--Likes

Banks can transfer money from destination to source branch within minutes. Respondents appreciate that their money is safe, at least during the electronic transfer, and if they are lucky enough to have ATM access, they enjoy the speed and convenience of both deposits and withdrawals with shorter lines and no paperwork.

For remitters, the trust banks embody has enormous appeal. Many live in milieus rife with fraud and uncertainty. Banks provide a reassuring guarantee against both. (Physical evidence such as well-maintained buildings, passbooks, and formal receipts further underscore this trust.) Both senders and receivers like that bank remittances encourage savings, since the latter often only withdraw what they need to meet expenses. They also like both the responsibility and control that a bank account affords. Recipients also appreciate the banks’ flat fees—Rs.25 per transfer instead of the courier and post office’s percentage-



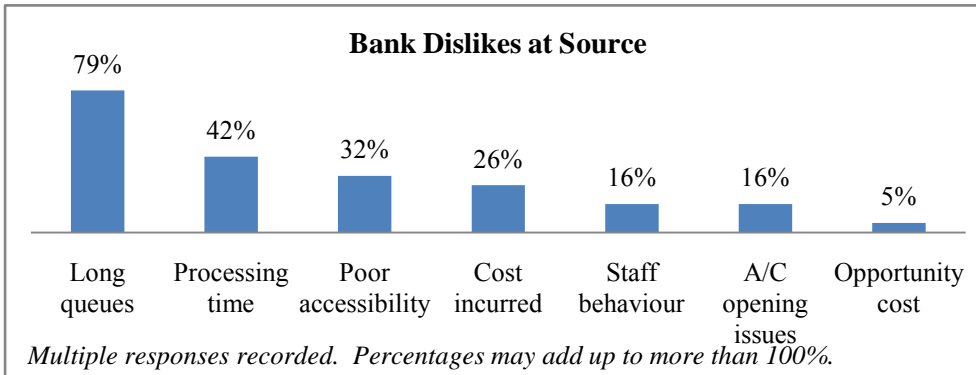
based model. (Remitters find bank charges insignificant compared to



other costs incurred.) A few branches try to promote a cooperative and friendly branch staff, and recipients in particular are grateful for this effort.

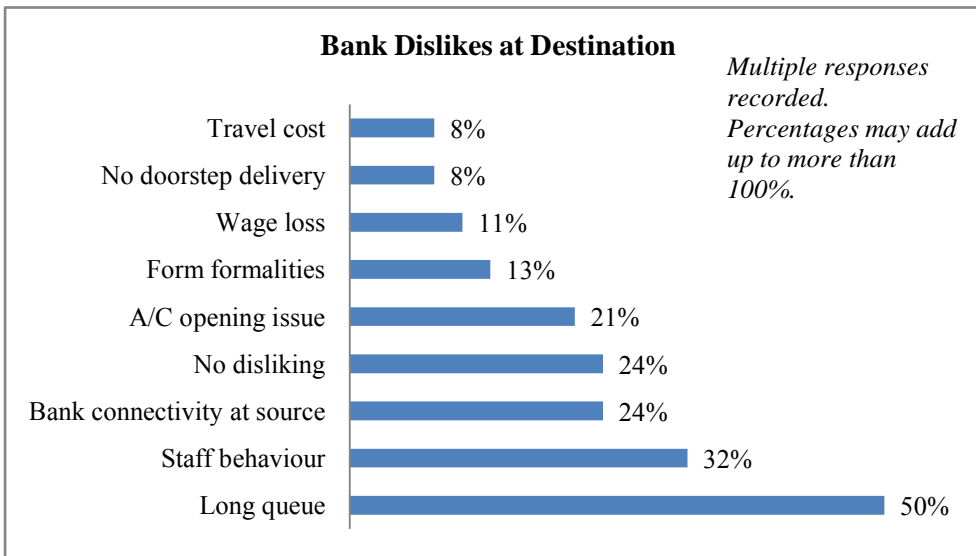
Banks–Dislikes

Delays due to long queues are everyone’s most often-cited dislike. Processing time and wage loss are also a problem for remitters in particular. Bank branches at both destination and source are ill-equipped to manage the ever-growing numbers that the ever-growing popularity of the bank remitting channel entail. ATMs help alleviate some of the pressure, but these networks are costly to build and even more expensive to maintain, especially in rural areas. They also regularly run out of cash during peak remittance days each month.



In discussing delays, poor staff behaviour also comes up often in this exercise, as do bank connectivity problems and frequent cash shortfalls for source branches during heavy withdrawal periods. “*Bank wale ka computer aksar kharab rahela*”. (Bank’s computer [server] always breaks down.)

The difficulty in opening a new account is another issue respondents raise. The KYC (Know Your Customer) authentication process for new accounts is particularly difficult for migrant workers who are often without proof of fixed address and other necessary documents.



Remitters also dislike that banks do not offer the doorstep delivery service other channels do. They note that for recipients who are elderly, and far removed from branches, or for those who will lose wages by taking time off to collect money at the bank, flexible home delivery would be a very attractive benefit.

(From a discussion with Punjab National Bank (PNB) branch manager Manoj Kumar and his assistant manager in Deoria, UP)

The branch serves around 500 customers a day. Around 20% are here because they have just received word from the remitting family member that he has sent money...but it is not yet in their account. They do not understand that although the money does in fact transfer instantly, bank processes do not update that quickly. Some recipients return two to three times that same day to check their accounts, ignoring the bank's suggestion that they always wait at least one day after receiving a phone call to allow for the money to clear.

Close to 60% of these customers use thumb impressions on their withdrawal forms and many need help filling them out. The likelihood of fraud increases in these cases and the branch staff must check at least twice, sometimes three times, to ensure the rightful recipient is receiving the correct amount. The bank managers are well aware these and other precautions and explanations only make lines longer and staff demands more difficult.

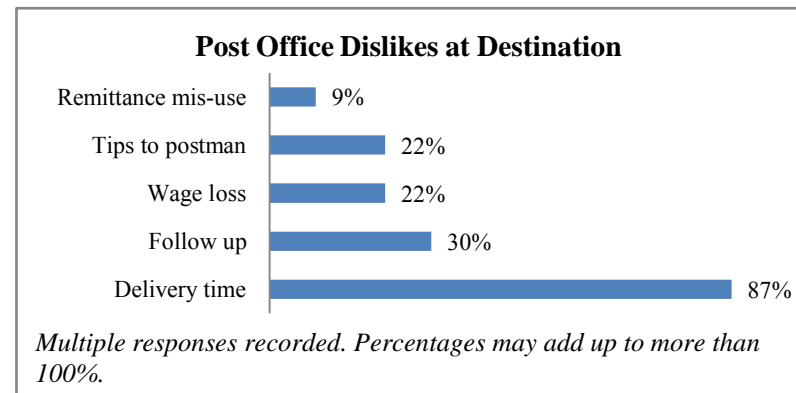
Post Office—Likes

In almost 80% of the sessions, destination respondents could think of nothing they like about the post office. They claim they only use it if every other channel is unavailable. The remaining one-fifth note that, as with the bank, a postal money order receipt carries more weight than the informal channels. Recipients are more forthcoming. They like the safety that a government-owned institution ensures. They also like doorstep delivery. *“Bhale hi late ho jaaye, bhale hi kuch dikkat ho, lekin humko ye vishwas hai ki daak ghar dwaara paisa surakshit rahega aur pohunch jayega”*. (Even if it is delayed or if there is any problem, we are sure that the money is safe and it will reach us.)

Post Office—Dislikes

Slow delivery, up to or more than a month, is the central dislike for remitting via postal money order. Sometimes both recipient and remitter must follow up with the post office on the delivery status. *“6 maheene ghoomta raha aur wapas aa gaya, complaint kiya but 6 maheene baad pata chala ki nahi pahunch payega paisa”*. (Money did not reach the source. We lodged a complaint and then discovered that money could not be sent and it was returned.) Remitters also face the same lost wages at the post office due to queues and lengthy forms that they encounter at the bank.

In addition, remitters note postal workers ask for tips, both at destination and at source. (And sometimes apparently they do not bother to ask; they simply take a cut directly from the money to be delivered). Recipients also suspect that on occasion the reason for the long delays is that their money is being used for other purposes. *“Mar jaaye aadmi tabon paisa na mili, sood pe paiswa chala dete”*

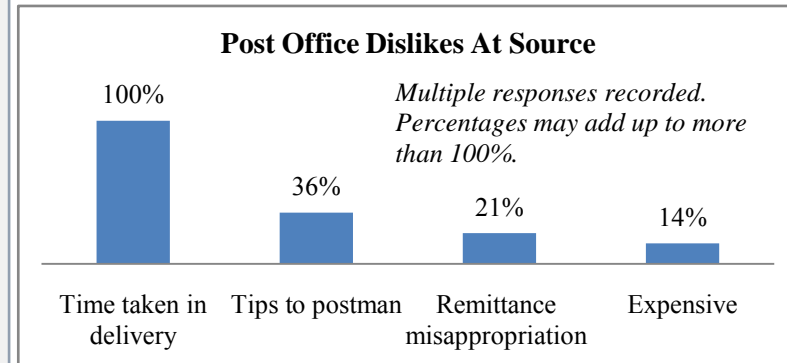


hain”. (Receiver would not get the money even after his death they put the money on interest.) Whatever the reason, recipients report delays are always a serious problem as too often they must then borrow from friends or moneylenders while they wait for the money to arrive. ??

Money Orders—Post Office Process

Ram Kishore Singh, 45, is a post office agent who delivers mail and money orders to villagers for which he is paid by the Siwan main post office. He notes that very few of his clients use money orders anymore, electronic or postal, as they are too slow (often more than a month) and they cost too much compared to the much faster bank and courier services. The real problem, however, is insufficient cash reserves. Ram receives the money orders quite quickly—in two days for electronic orders or in a week for normal ones—but not the money. The village post office usually does not have enough cash on hand to make the payments, so they must requisition the head office which can take weeks. Ram notes the reason cash is almost never available is because the staff “borrow” it and return it at their convenience.

Post Office Dislikes At Source



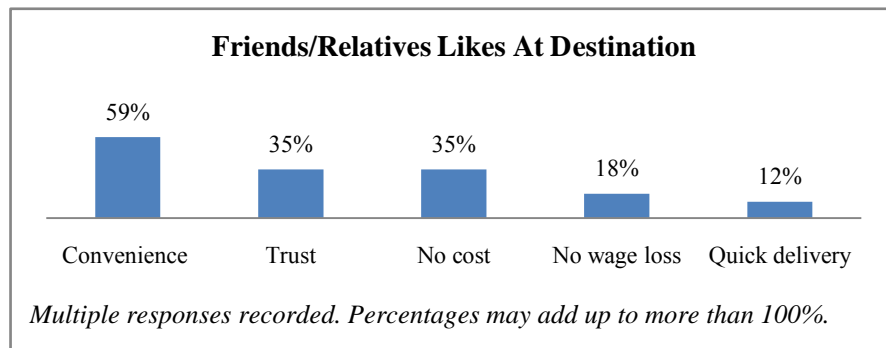
Friends/Self—Likes

No direct cost in sending the remittance is what everyone likes best. Remitters also like the convenience, trust, and the ease of simply asking the friend to take money with him—or, even easier, taking the money himself. No queues, no forms, no time off from work are obvious benefits compared to other channels.

Friends/Self—Dislikes

Risk of somehow losing the money en route is the major worry for more than two-thirds of the respondents. They report instances of theft by thieves, fellow passengers, and even police officers. Delay is another concern. Trust, also a plus for this channel, is never a certainty, respondents claim.

Friends/Relatives Likes At Destination

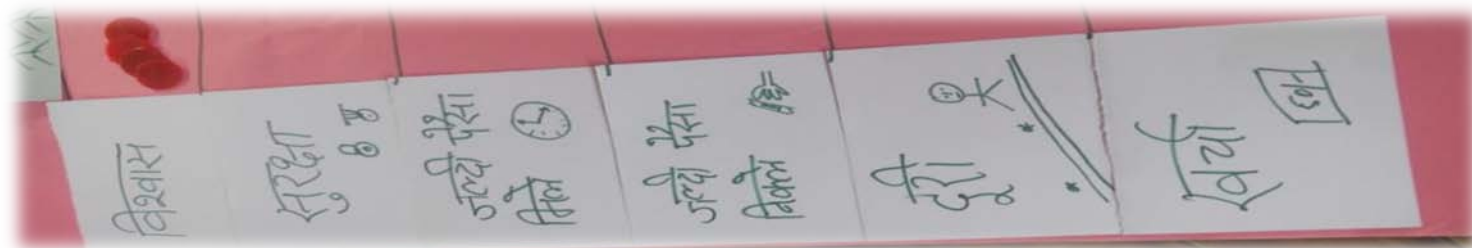
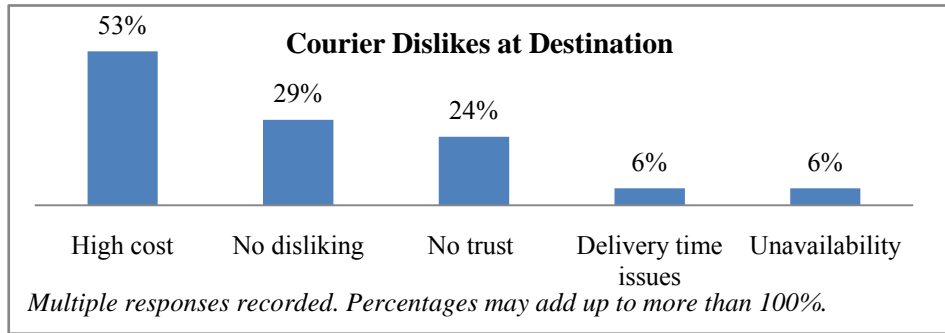
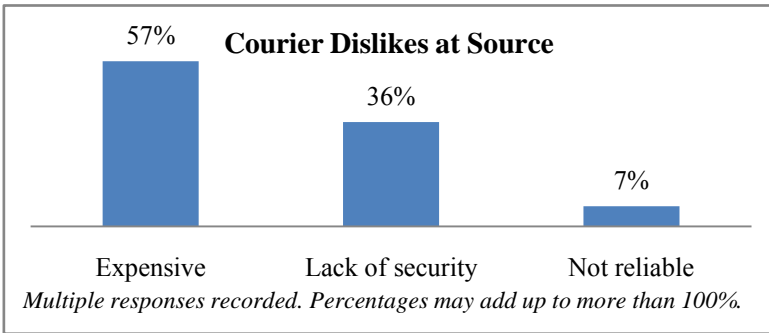
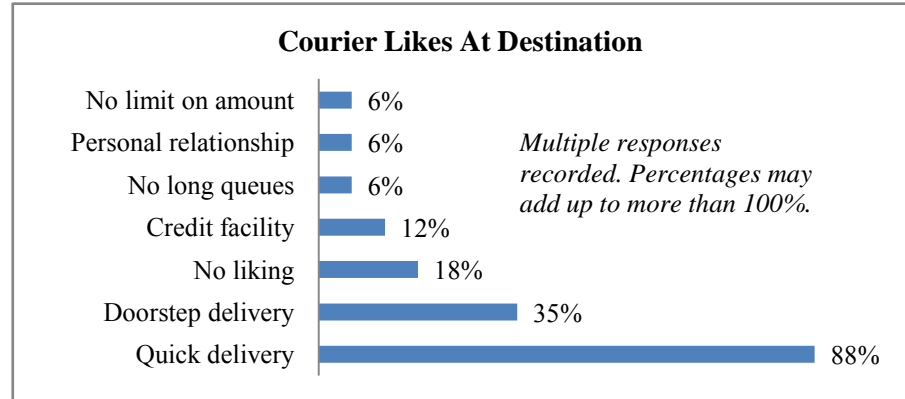
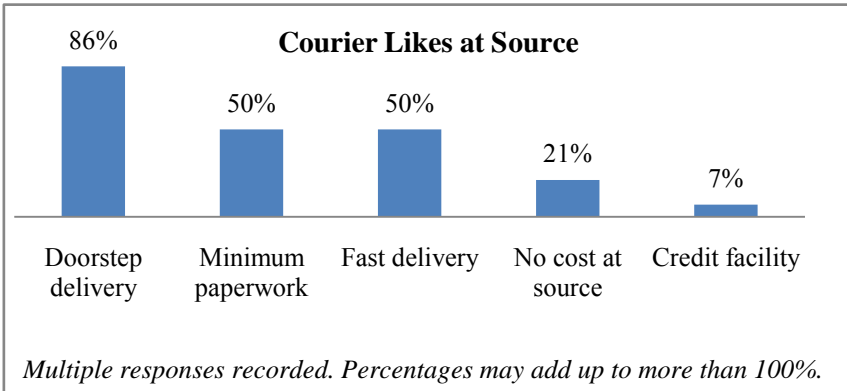


Courier—Likes

Doorstep delivery is the big advantage this channel offers. In half the sessions, recipients mention they also like the relatively quick delivery and lack of paperwork. Other pluses include: courier delivery agents do not ask for a tip or fee, and courier services offer short-term credit and do not impose limits on the amounts remitters can send.

Courier—Dislikes

Cost is the principal dislike that both remitters and recipients discussed in more than half the sessions. Charges range from 5-10% of the remittance amount, and for credit, difficult delivery, and other cases, the fees can be higher. Respondents also worry about lack of security, trustworthiness of the courier agents, and late delivery.

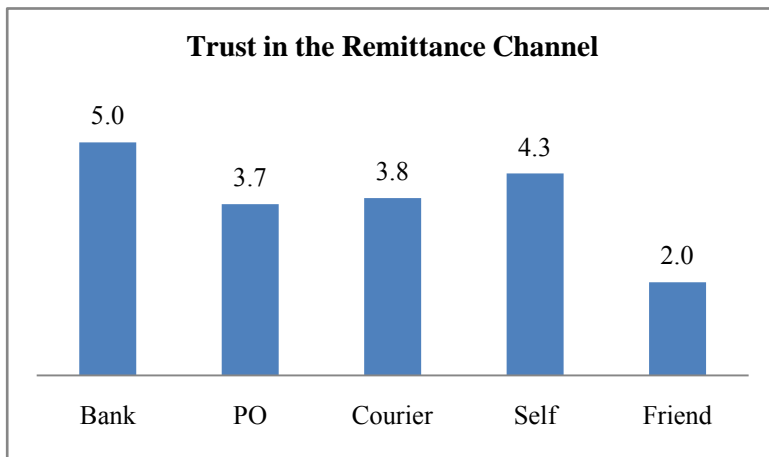


COMPARATIVE ANALYSIS OF REMITTANCE CHANNELS

In this exercise, we asked respondents to rate the various service providers above in terms of relative preference and the attributes they provide or fail to provide.

Trust in the remittance channel

Recipients, even those without bank accounts, trust banks the most and friends the least. “*Bharosa to bank par hi hai, wo to sarkari hai*”. (We trust banks since they are a government organisation.) Both senders and receivers perceive money in the bank as guaranteed by the government and thus more secure. Their trust is further reinforced by the speed of an EFT (electronic funds transfer) between their two accounts.



By contrast, sending money through friends is fraught with many risks. Recipients mention money may be diverted for personal use, delays, or alleged loss or theft en route. “*Dost se aata hai tou koi guarantee nahi*”. (There is no guarantee of receiving funds when it is sent through friends.) Some remitters, however, note they have more faith in friends and rate them above couriers.

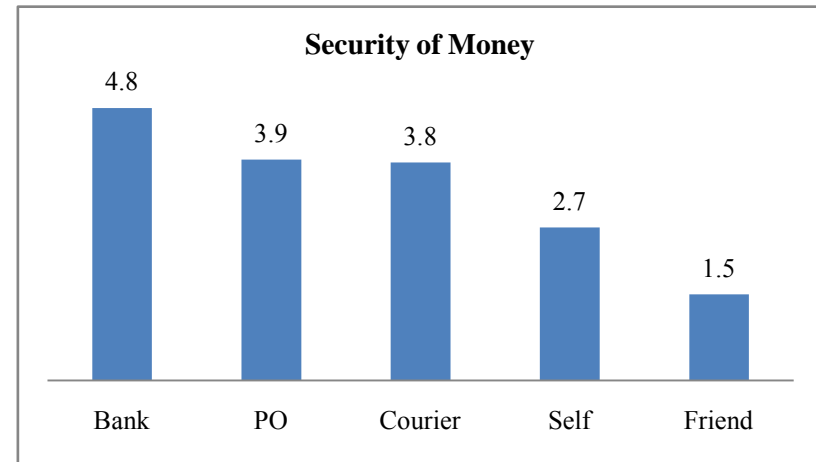
Respondents rate post office lower than banks but higher than courier in terms of trust. As with banks, the trust derives from its government status, although poor service, long delays, allegations of diverted funds for short-term money lending, and the postal delivery worker’s tip request or unauthorised service-fee deduction at source all contribute to a lower trust rating.

Couriers have no government

backing but most respondents find them trustworthy. Bribes, misuse or loss of funds in transit, and unwarranted delays are not worrisome issues for most courier clients, although some remitters still prefer to use trusted friends.

Security of money

Recipients consider banks the most secure and friends the least secure channel. The post office, couriers, and friends/self follow banks in order of decreasing preference. For these respondents, security means the safety of their money from theft. With banks, the only risk is possible theft en route home from the branch or ATM (and respondents acknowledge the bank’s liability ends upon withdrawal).



Remittance through post office, however, extends the liability to the recipient’s doorstep. Even so, for reasons noted above in the Trust section, recipients find the post office less secure than banks.

They consider courier services even less secure because they are private companies with no government backing or guarantees. There is no compensation in case of loss or theft en route.

With friends or the remitter delivering the money himself, particularly if the journey is long and difficult, the money is never secure. “*Jab bhee pocket mein paisa lekar challenge to risk to hai hee*”. (If one travels with money in pocket, there is always a risk.) Self delivery rates slightly higher than friends for obvious reasons. “*Agar paisa hum la rahe hai to ye vishwas to hai ki agar chori hua to humare haatho se gaya, kisi aur kee baton ka bharosa nahin*”. (If I am bringing the cash and it gets stolen, at least I know the money is stolen from me. I cannot be assured of similar claims of anyone else.)

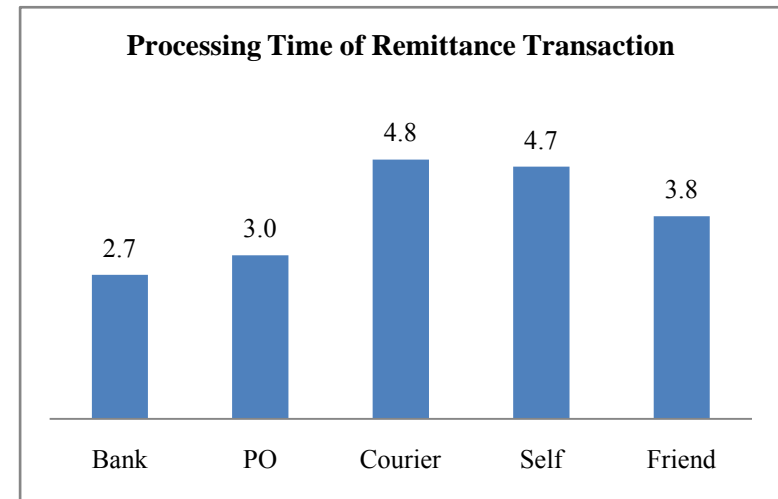
At destination, the findings are similar to those at the source. Bank and post office are considered the most secure channels due to the government liability. The risk of theft is far greater, however, for remitters whenever they leave home or work with cash to deposit in any channel.

Processing time of remittance transactions

Remitters and recipients both consider couriers the fastest for processing and banks the slowest. Couriers precede self, friend, post office, and banks in that order. Processing time includes queues, forms for deposit or withdrawal, plus travel time if doorstep service is not included.

Remitters like courier services because some include doorstep pickup at the destination. For recipients, doorstep service where the courier agent seeks them out and only checks their name and mobile number before handing over the money, are obviously perceived as faster than banks which require a trip to the branch or ATM and, for the first, forms for withdrawal.

Self and friend also deliver at the doorstep or close by, and there is no paperwork. Hand delivery by the remitter is everyone’s clear preference. “*Agar dost hoga to pehle apne ghar jayega, fir hi na mere ghar aayega, to usme time lag jayega, hum rahenge to usi waqt de denge*”. (If my friend brings the money, he will first go to his house and then come to my place later. This will take more time.) The post office delivers remittances to the doorstep, but if recipients factor in the paperwork, and the postal worker’s unpredictable schedule, this channel may often incur the longest processing time (despite its rating). In instances where recipients miss the home postal delivery, they must go to the post office to collect the money or wait for the postman’s next unannounced visit.





Banks are the only remittance channel that does not deliver at the doorstep. Bank branches are generally crowded, particularly at the middle and end of the month when most remittance transfers occur. Recipients may have to wait an entire day to withdraw money. For remitters, the State Bank of India (SBI) has the best branch network in eastern UP and western Bihar, and lines begin early in the morning with hundreds waiting to make deposits. Forms are also time-consuming and intimidating for those who are illiterate or only semi-literate. ATMs are easier for respondents with ATM cards, but too often, they are either not working or out of cash. Numerous visits are sometimes necessary for both senders and receivers.

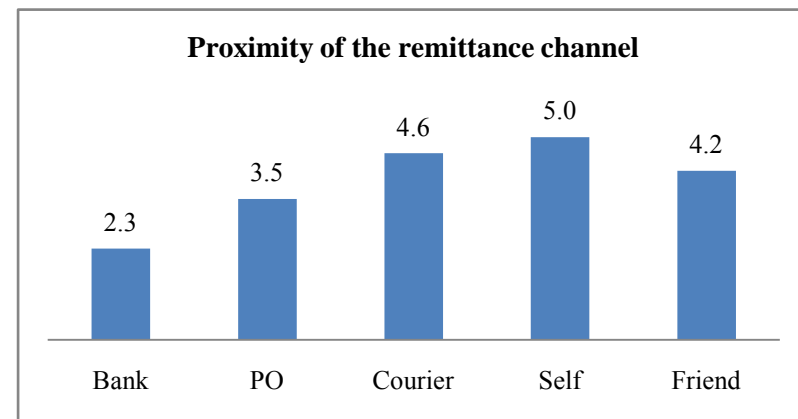
Delivery time

Banks and couriers have the lowest delivery time and post offices the highest. Respondents rate banks first, then couriers, self/friends, and post office. As noted above in the *Attributes* section, delivery time is second only to trust in importance, particularly for recipients. Banks transfer the money electronically and, when bank systems coordinate, the recipient’s account is credited instantly or within the same day. Money is usually available for same-day withdrawal, assuming the bank has sufficient cash reserve. Couriers state a specific time for delivery—usually two to three days, although one-day service is possible in certain areas for a fee. Due to the doorstep delivery, and a more efficient cash-management system, the total delivery time may in fact be lower than the bank for most recipients, particularly those who live a far remove from bank branches.

For the self/friend channel, the travel time from destination to source is generally about two days. The post office comes in last with a delivery time of one week to more than a month. The average, according to recipients, is 15-20 days.

Proximity of the remittance channel

Self is the closest and bank is the most distant for remittance delivery. Courier, friend and post office come in second, third, and fourth respectively. If the remitter brings the money himself, the recipient need not travel even as far as the doorstep to receive it. Couriers always deliver to the doorstep as their professional reputations depend on this service. Friends sometimes request the recipient to come collect the money at their home instead. The post office also delivers money to the doorstep, but



as noted above, the post office service is so slow and delivery so unpredictable, recipients rate this second to last since they often end up going to the post office themselves to retrieve the money order. Banks rate last for proximity as recipients must travel anywhere from 3-15 kilometres to withdraw their remittance.

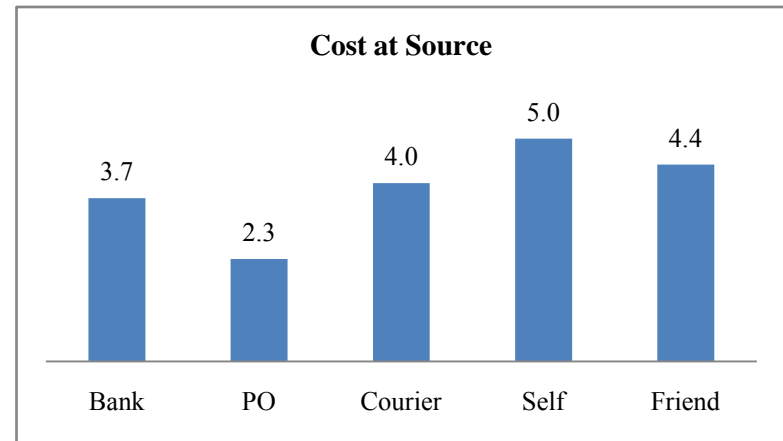
Respondents also mention long waits and paperwork when discussing proximity, though neither is formally part of this attribute. For many, however, their perception of proximity is influenced by these factors.

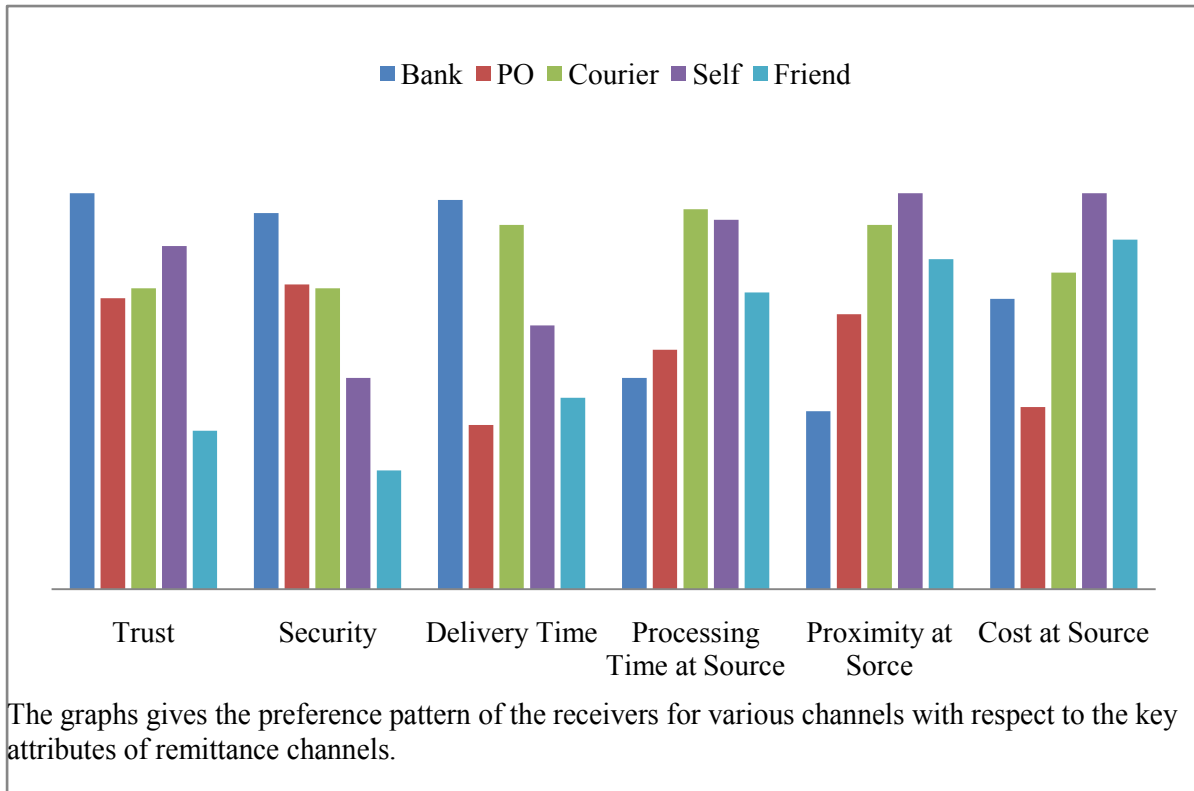
Cost

This attribute is complicated for respondents in that they include not only the commission, but also incidental expenses such as travel, food, lost wages, and even credit interest when delays or an emergency require a short-term loan. With these costs in mind, they rate the post office as the most expensive and self as the least. Friends are seen as the second most economical channel, as most require some token amount, generally Rs.100, a small expression of gratitude.

For the more formal channels, couriers and post offices charge a commission (Rs.5 per Rs.100 for couriers). Banks levy a flat fee (usually Rs.25 for amounts up to Rs.10,000). Recipients rate couriers as less expensive than banks—although as soon as the remittance is more than Rs.500, couriers are clearly more costly—but the perceptual advantage of doorstep service matters a great deal. Recipients factor many extra costs into bank visits. They also include, and in their minds perhaps magnify, the “tip” (or bribe) necessary to receive a postal money order and/or the visit to the post office when the money order is unusually late.

Remitters, who pay most remittance charges, find sending via the bank to be more economical than couriers or the post. Bank branches for them are generally within two kilometres and, for this exercise, lost wages figure less prominently than usual in their cost analysis.

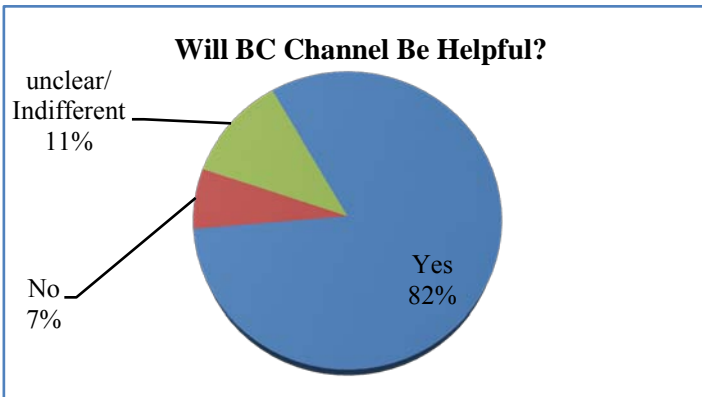




A number of findings emerge from these various exercises. The first is the obvious: no one remittance channel includes all the desired attributes. Banks, for example, score highest in trust, security and delivery time, but processing time and proximity pose serious problems for many respondents, particularly recipients, and costs are more complicated than the flat rate for a money transfer. Business correspondents (BCs) representing banks may help with these and other issues.

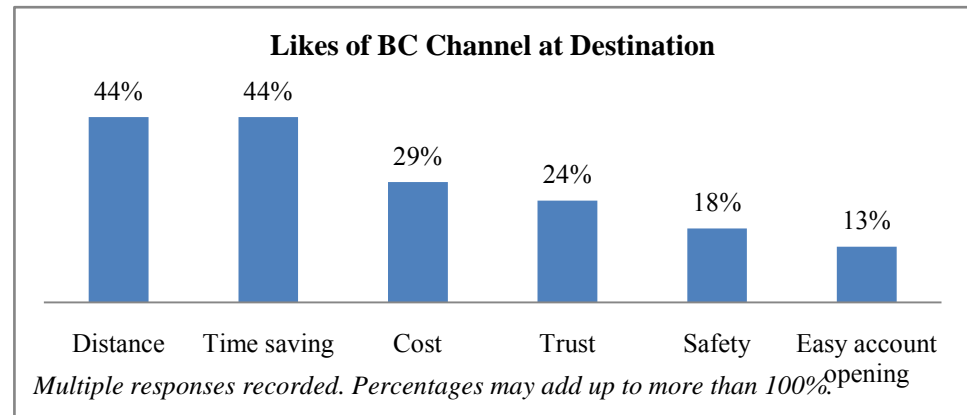
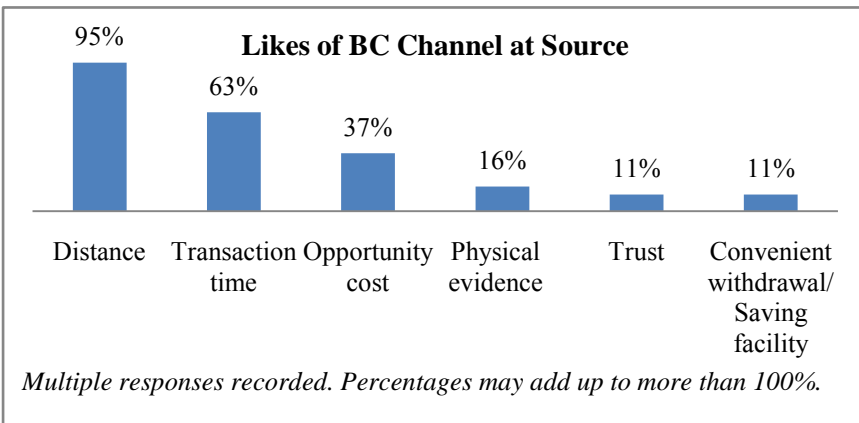
CUSTOMER PERCEPTION OF THE BC MODEL

In 82% of the sessions, respondents seem to think the BC model¹⁸ will help address the issues they are facing with the existing remittance channels. (Thirteen percent are either unclear, do not know enough about BCs, or choose not to comment.) The following section explores respondents’ likes and dislikes of business correspondents as they currently perceive them.



BC Channel–Likes

Proximity: Both remitters and recipients like that BCs will be able to provide services closer to where they live and work than banks currently can. For the present, almost half the recipients who use the bank channel travel at least three kilometres, often by foot, to withdraw remittances from a branch or functional ATM. Remitters travel up to two kilometres to make their deposits. “*Jitna nazdeek utni suvidha*”. (The closer it is, the more convenient it is for us.)

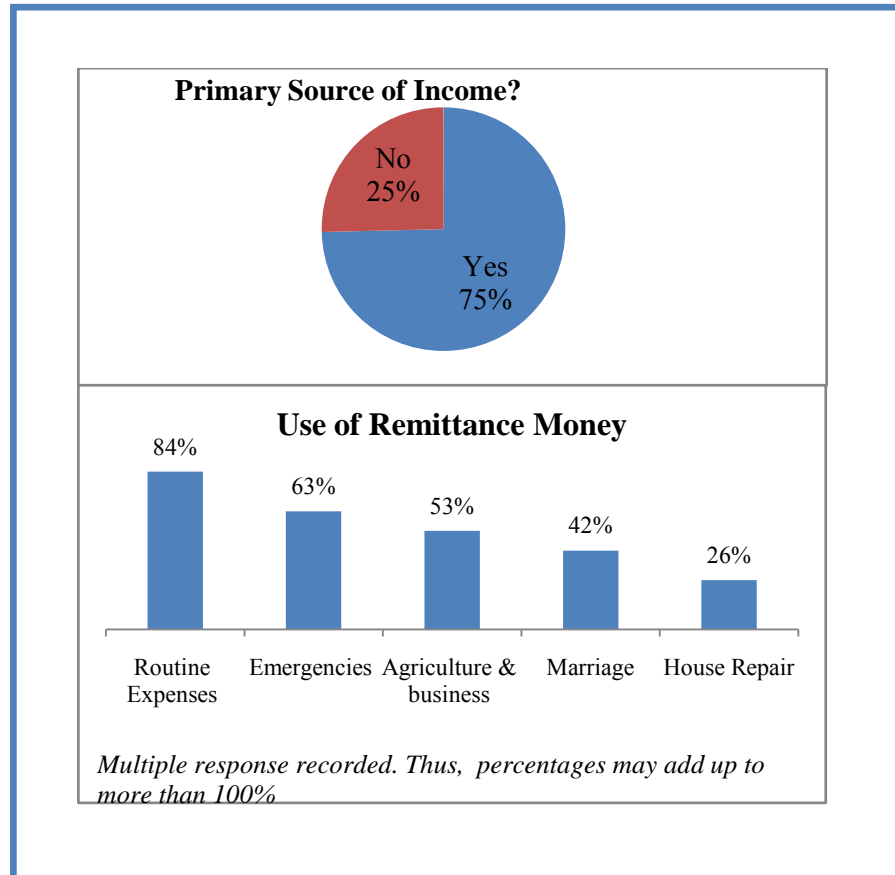


Time Saving:

- *Delivery time:* Close to three-fourths of the recipients claim remittances are their primary source of income. The faster the money arrives, the easier it is to manage routine and extraordinary expenses. If BCs can manage cash reserves during peak periods and provide reliable, scheduled deliveries, recipients’ current anxieties about delivery time will abate.

¹⁸ Please see Annexure 5 for definition of BC model as described to respondents

- Processing time:** Recipients in particular appreciate foregoing long lines and complicated forms at the bank. Waiting time at ATMs or finding working ones with sufficient cash is also a problem for some. Remitters like the streamlined BC processing because it means they lose less time at work, and a BC allows a bit more free time at the beginning or end of the day. In both cases, illiterate respondents expect BCs may be more helpful with difficult deposit and withdrawal forms than most bank staff.



Cost: Respondents who currently use banks like the fact that they can save on the indirect costs such as travel, time at the branch (please see above), and lost wages. For those who use other channels, some understand that the BC’s flat-fee bank model for money transfers may in fact be less expensive than couriers’ commissions, and everyone understands that a BC flat fee will be less than the post office.

Trust: For money matters, respondents associate trust with number of years in existence, the good experience of family and friends, government guarantees, and physical evidence in the form of legally binding receipts. Banks are already the most trusted source for remittances. As bank representatives, some respondents feel BCs will enjoy trust by association.¹⁹

Savings: Respondents note they like being able to put money aside for emergencies, and BCs may help make both savings deposits and withdrawals easier.

BC Channel--Dislikes

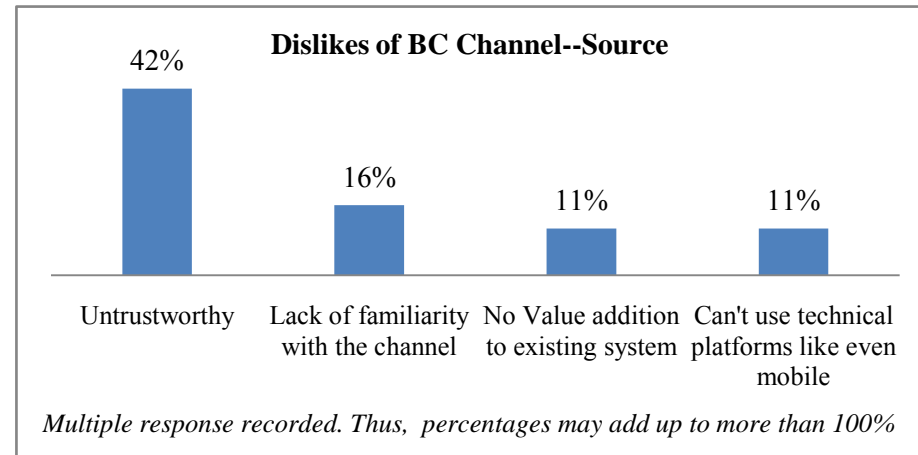
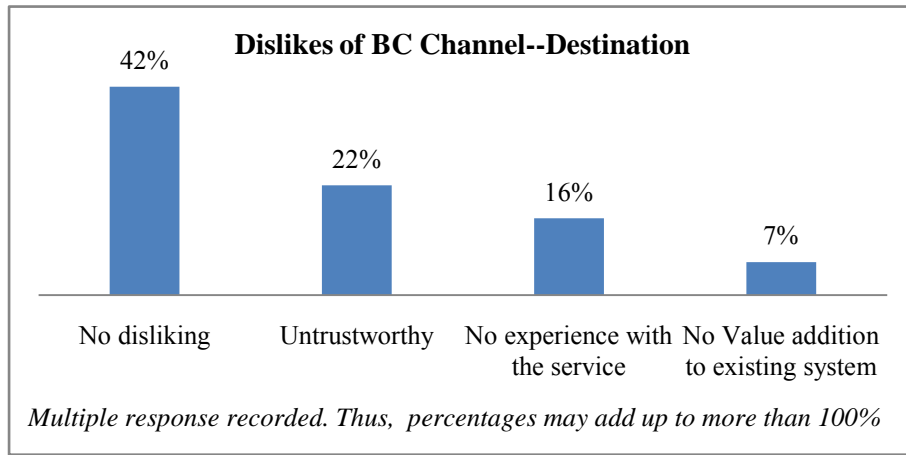
Untrustworthy, unreliable agents²⁰: Although some respondents claim they would trust BCs because banks had appointed them, others state clearly that trust takes time and handing over money takes even more time. Many are not yet ready to accord part-time bank representatives the same trust they do banks and their full-time employees. “*Kya guarantee hai ki hamara paisa uske paas safe rahega? Kal ko wo keh de ki hamare dukaan pe chori ho gayi, to humara paisa toh gaya na*”. (What is the guarantee that our money would be safe with him? What if he says there was a theft in his shop and the money got stolen? In that case, we will lose

¹⁹ Please see *MicroSave* study on [Optimising Agent Networks](#)

²⁰ Please see *MicroSave* study on [Relative Risk to the Saving of Poor](#). These studies clearly bring out that trust with an agent is an important factor while choosing a financial service.

our money.)“*Agar dukan-wala (BC) humara paisa apne dhande main laga de to*”. (What if the agent uses our money for his own business?)

No experience/no familiarity: Respondents are generally wary of dealing with a channel they are not familiar with and no one they know is familiar with. Without their own positive experience and the numerous positive experiences of others, many are unwilling to try.



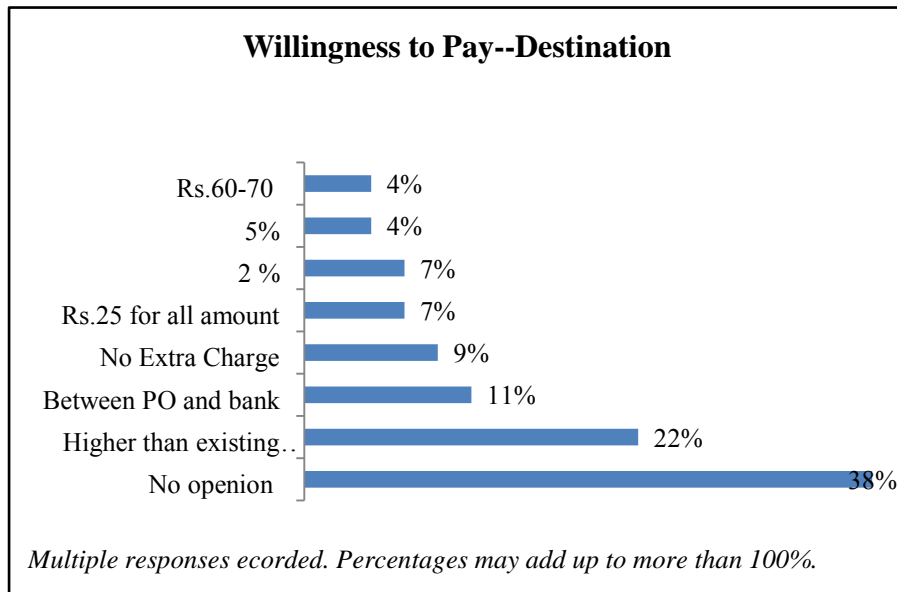
Willingness to pay

In 22% of the sessions, remitters claim they would pay extra for BC services. They grasp the benefits of the BC model—bank flat fee, secure bank transfer, easier proximity, no bank lines or forms for themselves or recipients—and then compare them with their current wage loss and other hidden costs. Others claim they would need to see these value propositions working well for others before they would pay. Some say they will not pay any more for a BC than they currently pay at the bank. Many note they cannot really give an opinion yet on pricing as they do not understand enough about the BC model.

For those willing to pay for BC services, two options emerge:

Flat-fee: Respondents who already pay the bank a flat fee for remittance transfers claim they will accept a small surcharge for the convenience of proximity and, they assume, much faster service. “*Rs.50 de sakte hain. Daud bhaag se bachenge. Time se kaam ho jaye to 75 tak de sakte hain*”. (We can give Rs.50 for such a service. If the process is fast, we can pay to up to Rs.75.)

Commissios: Respondents who currently pay fees on a percentage basis say they are only willing to pay 1-3% of the transaction amount, For doorstep service, they pay on average 5% and BCs offer only nearby and less convenient service. They also understand this is a bank transfer and banks only charge Rs.25 per transaction. “*Rs.100 ka dihadi gaya, kaam hoga ki nahi ye bhi tai nahi, yahan to ghar baithe hi kaam ho jayega!*”. (We forego one day’s wage of Rs.100 if we go to bank and that, too, with the uncertainty that work might not get done. In this case, work would get done [and the transaction happens] in the village).



Bank Experiments with the BC Model for Remittances

Destination banks are already collaborating with larger business correspondent services to test the BC model with remitters in migrant neighbourhoods. The BC service agent works out of a small shop or kiosk and is linked to the bank’s database, He receives the remitter’s cash deposit, issues a receipt, then sends the amount and recipient’s account number to the bank server, and the transaction is processed. In one trial, the agent keeps virtual money with the bank, which decreases every time he receives cash. He increases the virtual money by depositing the cash at the bank. For making a transaction, he always needs a sufficient virtual balance with the bank.

Other trials issue special cards to remitters which are linked to his account and the account(s) he remits to. The remitter tells the BC how much he wants to transfer, the BC confirms with the card that the remitter has a sufficient balance, and then he executes the transfer. Some BCs use biometric authentication to verify the remitter, while others identify him using the card number only.

Remitters Speak

Kailash, 48, is a migrant from Ghazipur, UP. He runs a *pan* shop and has lived in Ludhiana for 20 years. Kailash uses Union Bank of India for saving and for remitting Rs.4,000-5,000 every two to three months to his family in Ghazipur.

Several months ago, his bank issued him a new card for depositing money into his Ghazipur account. For remittances and for all his Ludhiana transactions, the bank told him he would no longer be using his regular bank branch but FINO, Union Bank's business correspondent, instead. FINO's branch is farther away, more crowded, and very often out of cash.

Ramesh is from Gorakhpur and also a migrant worker. He has savings plus a salary account with PNB (Punjab National Bank), and he regularly deposits money into his brother's SBI account in Gorakhpur. To expedite this process, SBI requested that Ramesh sign up for a Tiny Card. Previously, he would stand in queues and fill in forms at the bank branch. Now, there are no forms, but there are several queues, depending on the remittance amount. Ramesh claims the lines are just as long (longer if for new Tiny Card customers are involved) and the service is certainly no better. He sees no value in the card and feels this new service has only increased his troubles.

Bank Manager Speaks

The SBI Link Road branch in Ludhiana attracts more than 150 remitters every day. The branch did 48,000 non-home-branch transactions and earned Rs.1.2 million (US\$26,262) in the last fiscal year. SBI's solution to the long lines and overworked staff which have resulted from these remittance revenues is to encourage remitters to use their business correspondent, Zero Mass Foundation (ZMF), for more efficient service instead.

MicroSave spoke with the bank manager of this branch and asked if using a BC has helped to reduce the overcrowding at the branch. The manager claims that, for the present, no, as ZMF has failed to provide sufficient trust and authentication for his remitting customers. In this instance, the ZMF agents are supposed to sell their own services (SBI does not force customers to sign up with them). The bank manager has suggested ZMF ask factories for permission to offer services on-site, thereby reducing the time of if workers need to remit money home.

Meanwhile, although not yet inside the factory gates, the BC is no longer inside SBI either. The manager felt his migrant customers needed more time to get to know and trust ZMF within an SBI context. "*Relation develop nahin ho paa raha hai*". (He is not able to develop relations with migrants here [first].) ZMF also has technical problems transmitting money and remitters receive no immediate confirmation SMS as they do with SBI. Most, not surprisingly, have returned to the branch.

CONCLUSION

This study helps highlight several useful points. Increasingly, remitters use banks to send money home because they find the transmission is safer, faster, and cheaper. However, they do not find the actual time they spend travelling to the bank and then in the bank waiting in line and filling out forms to be fast or cheap, since many lose time at work in order to be there during bank hours. Their recipients, especially those who live far from bank branches, also complain about the travel time and the long waits for their money once there.

Since none of the other remittance channels work markedly better, and bank use only continues to rise, the bank-led BC model would seem to be an obvious solution for this particular need. Except thus far, in most cases, it is not. People use banks because they trust them. No one trusts BCs yet. In time they may, but first, remitters will need truly compelling advantages to use BC services; second, these services will need to work flawlessly, even better than banks; and third, recipients will need to benefit, too. Yes, remitters send the money and pay the fees, but if their recipients are unhappy and do not like or trust the BC on their end, they will quickly revert to their former channel, even if it is less convenient, even if it is more expensive.

One truly compelling advantage BCs may wish to consider is doorstep service. Not nearby or local service, but remittance pickup and delivery at the doorstep, at the convenience of the customer, in private, not in a public place. Couriers still hold their own in this market for just this reason, although most do not offer pickup for remitters. Another BC advantage would be help with new bank accounts. Migrant workers in particular have problems with KYC documentation. The truly compelling angle would be real bank accounts—not Tiny accounts with Tiny Cards, but one with ATM cards, and better credit for those who prove they can save.

The final question is how to pay for all these advantages without making BC services immediately unaffordable. Only a very small number of respondents in this study appear to be willing to pay. And most are still too dubious to even want to try a BC, much less pay for one. The answer is probably in the Rs.1.2 million at the Link Road branch and the current Rs.325 billion in overall internal remittances. If banks want this business, but they do not want these customers, then better solutions will be necessary.

Annexure

Annexure 1: FGD Guide

Focus Group Discussion Guide	
<p>Welcome</p> <ul style="list-style-type: none"> • 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 institutions, which provide financial services, hear the clients’ voices and ideas. • 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. 	
Core Questions	Probes
<p>Warm-up Questions</p> <ol style="list-style-type: none"> 1. Please tell us how long you have been living here? 2. Where are you from? 3. How many people stay with you here? 	<p>Who are these people? (Relatives? people from the same village?)</p>
<p>General Questions</p> <ol style="list-style-type: none"> 1. Please record profile of all remitters in the respondent group. 	<p>Please use the profiling sheet as in the daily reporting format.</p> <p>Inquire about occupations and its nature whether it is part time/ full time, regular/irregular.</p>
<p>Core Questions</p> <ol style="list-style-type: none"> 1. How do people like you remit money to their homes? 2. For what purpose people in this community send money to home? 3. How much cost do people incur to send such remittances? (Direct (all cash) and Opportunity cost) 4. What do you like about the Channel that you use? (based on your experience here and your family members at home) 5. What do you dislike about the Channel?(difficulties faced, based on your experience here and your family members at home) 	<p>Probe around safety of money, risk involved, time taken,</p>

<p>6. What suggestion will you give to them so that it becomes more convenient to you? Introduce the BC channel 7. What are the factors influencing the liking/disliking for BC Model 8. How much are you willing to pay for this service?</p>	<p><i>convenience (doorstep service)-at source and destination both, credit facility etc.</i></p> <p><i>This is more of a helping question that makes you talk about BC</i></p>
<p>Closure 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 2 : Attribute Ranking

What is Attribute Ranking ?

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: 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:

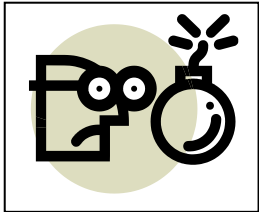
1. Get the participants to describe in their terms what is good or bad about the remittance service or problem etc that is being ranked. Probe for further criteria/components. Follow up with points of interest and encourage participation by different people.
2. Get participants to list all the criteria/components 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

Criteria/component	Rank	Comments
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 3: 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:

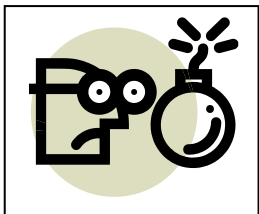
1. Find people who are interested and willing to try.
2. Get participants to list all remittance service providers in the area (including, if appropriate, the informal services such as societies, private couriers etc.) Probe to ensure that you have a complete list and try to ensure that the participants 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

	Post Office	Co-op Bank	Hawala	Adhikar
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 4: 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, 5 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”, “5 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 5 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, 5 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 compete 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:

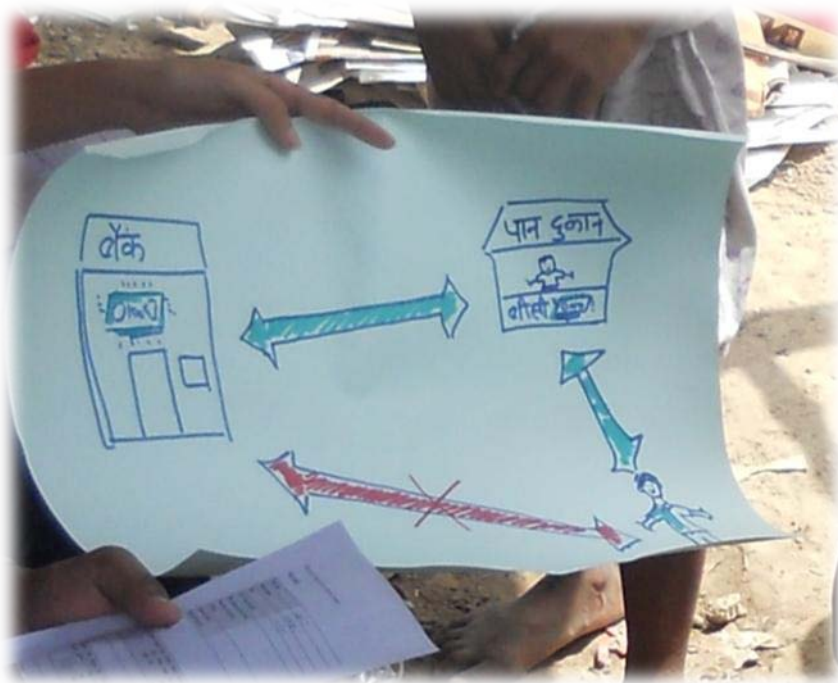
Remittance Channel	This Year	Last Year	Five Years Before	Ten Years Before
Formal:				
• Formal bank: Through Core banking system (CBS)	*	**	**	**
• Post Office – Through Money Order				

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

Annexure 5: 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