HOW DOES REMITTANCE MARKET FUNCTION? EVIDENCE FROM SURAT CITY

(A paper submitted to the 11th Annual Conference on Money and Finance in the Indian Economy scheduled to be held at the Indira Gandhi Institute of Development Research (IGIDR), Mumbai, 23rd to 24th January, 2009)

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Abstract

Sending money back home safely with a minimum cost and within the shortest possible time continues to remain a major anxiety and widespread concern for migrant workers. Since the formal channels like Banks and Post Offices have not emerged as front line agencies, most of them depend and relay on the informal money transfer system. In this context, this paper analyses the mechanics and modalities of remittance collection and disbursal across the channels and the senders' rationale for selecting one over the other money remittance channels. It is observed in the study that more than 90 per cent of the migrants prefer informal over formal channels for sending money back home. Of the total amount remitted by our respondents, as much as 87 per cent of the total remittance was sent through informal channels.

Indeed, the informal channels including the friendly *tapawalas* and more organized 'tech-savvy' *private operators* have not only done far better than the formal agencies, but also established themselves as trusted and effective instruments of delivering remittances to households at native ends. In addition to being part of a cost effective and user-friendly system, such private service providers also deliver money to households at the farthest of villages that lacks access to any formal channels or agencies facilitating money transfers. Given the acceptance, efficacy and relative advantages of such channels over the formal ones, these agencies should be recognized and protected through monitoring and regulations. In fact, linked effectively with banks, these channels may be able to provide better remittance services. At the same time, the banks as 'inclusive' agencies can introduce facilities and appropriate intermediations to the remitters as well as recipients of such money through these channels.

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1. INTRODUCTION

'Migration', be it domestic or international, has universally been considered as an integral part of livelihood strategies by a large number of poor families. These migrants not only attempt to improve their own livelihood situations, but also send a considerable share of their earnings back home to their families. Such funds sent by migrants back home is called 'remittance'. However, sending money back home safely with a minimum cost and within the shortest possible time continues to remain a major anxiety and widespread concern for migrant workers. Since formal channels (Banks and Post Office) remain inaccessible for a variety of economic, institutional and social reasons, most of them depend and relay on the informal money transfer system (CGAP, 2005). There is however, a dearth of empirical studies dealing with the question of as to why migrants choose one over the other money remittance channels. The formal channels have multiple incentives to draw these potential customers. Why bankers find difficult to offer remittance products?[1] And even if they are inclined and trying to do this, why migrants do not transfer money through formal channels? These point to an important question as to how does the remittance market function?

Generally, any money remittance system involves (i) transfer providers (i.e., institution providing the transfer), (ii) transmission mechanism (i.e., the mechanism conducting the transfer from one point to the other) and (iii) delivery approaches (i.e., how the cash is collected from senders and/or disbursed to the recipients). However, factors like accessibility to transfer providers, paperwork, costs, convenience, speed, safety and confidentiality are likely to play a major role in determining one's option of selecting specific remittance channel(s). Placed within this context, this paper addresses four broad areas of inquiry. The first is associated with acquiring a broad understanding of existing money remittance channels and modalities dealing and associated with such remittances. The second remains linked with size of remittance per worker and factors determining the remittance behaviour. The third relates with reasons of avoiding formal channels of money transfer and the fourth is coupled with risks and difficulties face by private service providers in providing money transfer services.

A sample of 100 Oriya migrant workers was randomly selected for the analysis. In order to generate the primary data for understanding the extent of remittance flow and its transfer process, as well as for assessing levels of involvement of formal and informal channels in transferring remittances, we selected those migrants who have migrated to

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1 Remittance product consists of migrants' needs of financial services in order to transfer money to their families at their places of origin.

Surat at least prior to one year. This is due to the fact that a migrant is likely to remit at least after one to two month(s) of his stay at the destination point. Interview method has been adopted for collecting information from these respondents. Focus group discussions were also held for gathering relevant qualitative information from workers as well as private remittance service providers. Few employees from post-offices and bank officials were also interviewed.

2. CHANNELS OF MONEY REMITTANCE IN SURAT

As elsewhere, in Surat too there are formal and informal channels of remitting money back home. Sending money order through post-offices, and through banks by cheques, drafts or electronic transfer mechanisms are parts of a formal channel, whereas sending money through friends, relatives and co-workers visiting home or carrying money personally when going home are prominent informal channels. Another important informal channel used by the Oriya workers in Surat is that of *tapawala*.

Institution of *tapawala* as a money remittance channel has a somewhat long history in Surat. Due to poor accessibility to formal channels, Oriya migrants had been looking for alternate modes of transferring money. Since the early 1980s, some individuals from Orissa had been coming to Surat especially to collect money from Oriya migrant workers and hand over the same back to their families. Generally, to avoid any impression that they were travelling with hard cash, they carried such money in a nondescript tin trunk or a box (*daba*) and got identified as 'dabawalas'. Later, the term got popular as 'tapawala'. Generally, a *tapawala* has a reasonable degree of influence in his own and neighbouring villages. This, coupled with his acceptable location in the caste hierarchy of the region, enhances his trustworthiness, facilitating collection and distribution of remittance money by him. Since trustworthiness and credibility work as collateral in informal financial dealings and transactions, the operational area of a *tapawala* is generally confined to areas where he is known. This also determines the 'catchment' area of his remitters in the city.

Carrying money in a tin box also has other reasons. A *tapawala* not only carries money from the workers, but during the earlier years also carried letters, gifts such as clothes and gold, consumer durables like transistors, tape recorders etc., and delivered them at the door steps of the recipients. They charge commission ranging from Rs.20 to Rs.40 per transfer of Rs.1000 but were not charging any money for carrying gifts, letters etc. Since the *tapawalas* are invariably known and trusted individuals, they also carry personal information and matters of concern for the families to and fro between the urban and rural residences of the migrants. In addition, he also acts as the 'eye-witness' of conditions of families at the village end, and of the migrants at the city end. He can hence, also provide his clients with judgements and assessments of happenings at both ends. Such exchanges involve his reporting about the living and working conditions of individual workers and their other engagements in the city to their families at the native and the conditions of elders; ongoing plans of cropping, strategies discussed and opted towards coping with different crisis situations, plans of marriages and other social ceremonies, inter household conflicts etc. at the city end. As couriers of such exchanges, these *tapawalas* are not only able to establish sustainable personal bonds with their clients, but also reduce anxieties emerging out of lack of information about each other between Surat and Orrisa. However, with increasing banking facilities, electronic transfers, core banking and ATM transfer mechanisms, most *tapawalas* now do not carry hard cash with them. In a way, this minimizes their risk and makes transfers faster. And with increasing travails and woes of train travel between Surat and Orissa, most among them do not carry gifts etc. for delivery any more. They however continue to carry information as well as letters.

In addition to the *tapawalas*, there are other informal players who by taking advantage of modern communication facilities, existing institutional infrastructure and higher costs as well as time taken by other channels in transferring money, privately run money transfer services called the 'Bayu Seba Service'.[2] These private remittance service providers are known as 'Private Operators' in Surat. They deliver money to the payees within periods ranging from 6 to 48 hours of collection depending on amounts of service charges received. Most migrants find it convenient to transfer money through informal money remittance channels. Evidently, the Private Operators and the *tapawalas* have substituted formal remittance service providers such as banks and post offices to a significant extent. Their popularity in the remittance market is apparently due to client friendly features like minimum paperwork, speed, retention of confidentiality, less expensive and frequent presence in areas where no formal sector providers exist or appear keen to enter. The process associated with remittance collection, their disbursal at origin and other associated modalities as practiced by the *tapawalas* and Private Operators are dealt in section 3.1 and 3.2 respectively.

2.1 Formal Money Transfer Mechanisms

Present day formal money transfer mechanisms fall into two broad categories, viz. (i) paper-based and (ii) electronic. The former includes use of cheques, bank drafts and money orders (MO), while the latter facilitates fund transfer through internal bank branch networks like Core Banking Services (CBS) and debit cards. These mechanisms can be further sub-divided depending on the requirement on part of a client to have an account or not in a financial institution in order to send or receive a money transfer. For instance, only an account holder in a bank can access a cheque book facility. Thus, sending money through cheques requires having a bank account. Similarly, the recipients too need accounts to credit their money received through cheques. Thus, transfer of money through cheques requires one's having bank account either to remit or receive. In case of bank drafts, though the senders need not necessarily have accounts, the receivers cannot do without it.[3] Since cheques and bank drafts are sent through post, they can be lost or misplaced in the transit. And in case of postal delays, much time is lost in receiving them.

[2] The *Bayu Seba Service* literally means 'Service by Air'. No air service however is associated with such money transfers, though the phrase gives an expression of speedy money transfer and has indeed become popular as a money remittance channel among the Oriya migrant workers in Surat.

[3] To avoid any possible loss, theft or malpractices, bankers generally issue Demand Drafts (DD) payable to the account holder (account payee). The arrangement is meant to ensure that a DD cannot be appropriated by a third party since it is not paid in cash over the counter. It is the same in case of account payee cheques.

Even in the best of cases, the recipient must wait for a cheque/ draft to arrive and then get them cleared from the bank.

Clients not only care but remain concerned about the speed, convenience and cost of using specific mechanisms while transferring money. Compared to paper-based transfers, electronic systems are faster, more convenient and less expensive. For any electronic transfer, the recipient must have a bank account, where the remitter has to deposit the amount in a corresponding bank branch at the recipient's account. It hardly takes any time to credit deposits made by remitters to the recipients' accounts with the possibility of money being withdrawn the very next moment. Importantly, such a transfer mechanism needs CBS at both ends. In case a recipient has a debit card under the VISA system, s(he) can withdraw funds from any of the bank branches working under the VISA network. A study in Latin America has found that debit card withdrawals are the least expensive against any transfer method in the remittance market (Orozco, 2003).

In spite of a growing use of electronic fund transfers, paper-based modes still continue as an important form of money transfer in the domestic remittance market. However, the requirement of having a bank account in order to send or receive money transfers, limits the use of formal remittance channels. This is because most migrant workers do not have bank accounts. Money Orders do not call for having bank accounts either for the senders or the receivers and a recipient receives cash upon presenting his signature or thumb impression on the prescribed form to an authorised postal staff. Like cheques and bank drafts, recipient of an MO need not wait to receive the transferred fund. However, delay in delivery and often retaining a fraction of the amount by the Post Master illegally at the native end prohibits migrant workers from using such post-office facilities for transferring money.[4] Reasons of never using or discontinuing use of formal channels in transferring money are discussed in a forthcoming section.

3. MODES OF REMITTANCE COLLECTION AND DISBURSAL BY INFORMAL CHANNELS

3.1 Tapawalas

Since workers in Surat receive their remuneration in two installments, i.e., on any of the days between 5th to 10th and then 25th to 30th of each month, *tapawalas* come to Surat around these dates for collection of remittances. Importantly, most of these *tapawalas* collect money from migrants' door steps and make the same available at the other end normally within a week's time. Known to the remitters, they are not asked to provide with any receipt of the amount handed over for transfer. A *tapawala* however keeps records of the senders' names, amounts of remittance and names and addresses of family members to whom the money is expected to reach. Depending on the size of remittance, generally in multiples of Rs.1000, the service charges vary; though broadly remain within the range of Rs.15 to Rs.40. The pattern indicates that with the amount of remittance rising, service charges tend to decrease with additions of each unit of thousand rupees in the transfer amount.

[4] Postal money orders are estimated to provide one per cent of formal international money transfers (CGAP, 2005).

Till about the early 1990s, nearly all the *tapawalas* carried hard cash with them and disbursed the same to the recipients. Gradually, some among them began to carry money through bank drafts, particularly those having an account with some formal financial institutions. Because of enhanced accessibility to core banking services and facility of money withdrawal through debit cards in various ATM (Automated Teller Machine) counters, now *tapawalas* rarely carry hard cash with them. They collect money and deposit in their accounts with specific bank branches at Surat. After the collection gets over, they return to their natives and withdraw money from the matching banks in Orissa for disbursal. In each of the trips, they follow the same procedure of remittance collection, transfer and distribution.

Importantly, the electronic transfer of money has not only minimized risks of theft or other potential losses but also made money transfers easier and faster. Increasing competition among informal players in providing remittance services with minimum costs and within shortest possible time has indeed made the *tapawalas* to be drawn more towards opting for the electronic transfer system. As a result, they are becoming more like the 'professional' money transfer providers, and are no more able to maintain interpersonal relations with clients and their families. It appears that the efficiency and speed that has come with technological advancement in money transfer has a social downside as well. The more professional and 'tech-savvy' *tapawalas* are no more interested in providing other 'non-monetary' services like the earlier days to the migrants at Surat and their families at Orissa.

3.2 Private Operators

Figure 1 shows the structure and mechanisms adopted by private operators while collecting and transferring remittances to the migrants' families at their native locations. Similar to the *tapawalas*, most private operators collect money from the door steps of the remitters. Some among them have opened counters at different locations in the city where workers deposit amounts to be remitted. Person collecting the money at the door step or the counter, records details such as (i) amount being remitted; (ii) names and addresses of the senders and their family members to whom money should reach, and (iii) the dates of collection. These details are recorded on a prescribed form and a receipt issued to the remitter. For a transfer of Rs.1,000, a private operator generally charges an amount ranging from Rs.20 to Rs.40 as commission, and deliver the amount at its destination within two to three days of receiving the same at this end.[5] Normally however, the service charge(s) vary inversely with the amount of money to be transferred, and directly with the speed of delivery expected. For instance, the maximum commission charged

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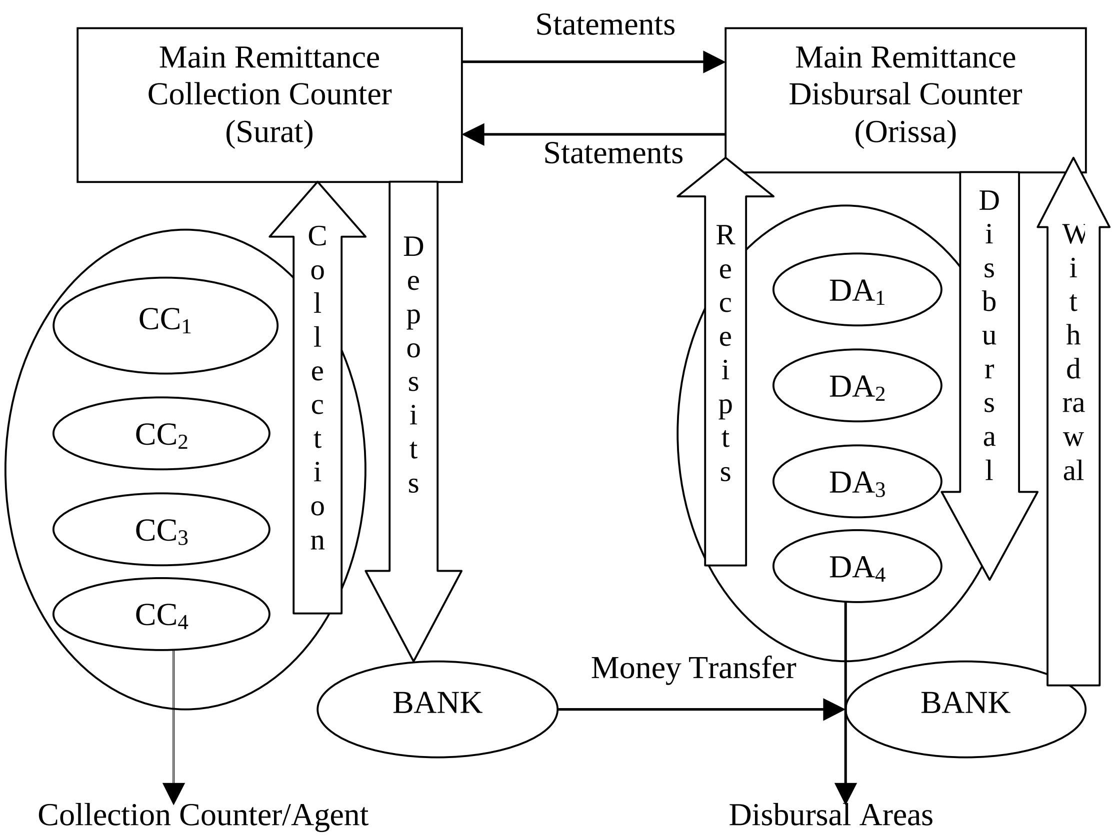
5 Private operators hardly ever record the amount of commission charged on the receipts issued to the remitters. This may be due to their lack of recognition as 'legal' institutions and also perhaps because of its potentials to attract relevant government taxes. In addition, the competitive environment within which they work compel them to maintain secrecy and thereby conceal information about their commission slabs which may even be varying at times across 'seasons' – especially with the rise and dip in the volume of remittances. Also, as the same agency is involved at both the ends, they hardly feel the need of maintaining any systematic record on commission(s) collected. Only a few such service providers working on a partnership basis at both ends, equally share the commissions received.

goes up to Rs.60 for transfer of one thousand rupees expected to reach the payee within six hours of receiving the deposit at the collection end.

Figure – 1
Structure of Money Transfer Channel Used by Private Operators



CC = Collection Counter
DA = Disbursal Areas

Some private operators collect remittances through agents. Based on the manner of their functioning in the remittance market, such agents can be placed into two groups. The first group is appointed by the private operator himself, generally from among his relatives or persons known to him. They collect money under their employers' banners and take around one per cent of the total remittance collected as charges towards undertaking the job. Private Operators appoint such agents normally in pockets where the volume of remittance collection does not reach a critical minimum to justify a counter. In other words, where the cost of running a counter is likely to be more than the commission expected to be generated through collection, operators prefer to place their agents there.

The second group, who may be called as 'freelance' agents, collect remittances on their own and facilitate money transfers through private operators. Since such agents collect remittances from known sets of people, the network reduces the possibility of entry by other informal players into their ‘constituencies’. Commissions charged by them normally remain at par with the private operators or occasionally a bit more. Subsequent to collection of money from remitters, these agents hand over the amount(s) to the private operators with whom they remain linked. They keep a certain percentage of the money collected as commission. Hence, the net commission in case of a freelance agent for transferring money is the difference between the amount he raises from the remitters and the rates that he pays to the private operators. Along with the money collected, they furnish the addresses of the remitters and recipients, and the figures related to the amounts to be sent to respective locations at Orissa. After collecting the money from these agents, private operators transfer it through their own channels by numbering each of the money transfers and maintaining relevant records including dates of money received from the freelance agents.

The private operators always prefer to have trusted and reliable staff while dealing with money. Frequently, they keep persons closely known to them for smooth functioning of business and also to avoid being cheated as well as the fear of misappropriation of funds. In absence of such risks, the freelance agent need not necessarily be a person known to the private operator. Generally, proprietors of STD phone booths, grocery shops, *Pan-bidi* shops; belonging particularly to Oriya migrants staying in Surat since long work as agents to these private operators. Occasionally, the same individual works as an agent to several private operators at the same time.

Once collected, the remittances are deposited on the very same day at the main remittance collection counter. In some cases, based on the number of collection counters private operators appoint one or two persons to collect deposits on a daily basis and deliver them at the main counter. While accepting cash from the staff, the private operator or the member(s) of his family working with him in this business or his assistant once again cross checks the details of collection. Following this, a ‘statement’ is prepared and sent to the main remittance disbursal counter at Orissa through fax on the same night.[6] The remittance amount is then deposited in their accounts with corresponding bank branches at Surat in the first banking hour of the very next day in order to credit the same in favour of their counterparts at Orissa. The person at the other end withdraws the money from the bank on the same or the next day and distributes among those whose addresses find mention in the statement. Depending on the volume of transfer and service area, at times the operators engage individuals for distributing remittances to the payees across regions.[7]

Significant to note here is that the private operators hardly use public sector banks to transfer funds from Surat to Orissa. Of the migrant workers too, only a handful use banks for remitting money to their natives. And, of the few doing so are also found to use the

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[6] This statement includes data on amount of remittance, date of collection, money transfer number (M.T. No.), and names and addresses of the senders and payees.

[7] Similar to collection of remittance at Surat, the private operators engage persons known to them for their distribution.

services of the private operators and *tapawalas***.** As bankers at the Surat end do not transfer cash to the branches and the complementing banks at the Orissa end, they seem to find it difficult and perhaps cumbersome to deal with such huge collections deposited specifically to realize transfers. This appears to be the reason as to why the formal banks tend to avoid issuance of a demand draft or transferring the deposits of a private operator in the corresponding bank branches at Orissa. Evidently, in such transfers money is withdrawn as soon as it gets credited, leaving the banks without a chance to hold money even for a day. Notably, demand for liquid money is often more than that of current cash balance at the corresponding bank branches in Orissa. In such situations, banks clear funds earliest on the next banking day, and the process further delays the distribution of remittances to the payees. Since such money transfers take place only on the names of individuals, public sector banks often tend to doubt the credentials of these informal transfer providers and avoid accepting such transactions from them easily. Hence, the private operators depend mainly on private banks for transferring such funds.[8] Occasionally even private banks show their reluctance towards transferring such funds from Surat to their branches in Orissa.

In situations where the private operators fail to transfer the funds through banks, they often tie up with moneylenders at the native end to make the required money available at the origin. For instance, in order to release an amount of Rs.1,00,000 at Orissa, the moneylender at Surat takes Rs.1,00,250 from the private operator. The additional amount of Rs.250 may be treated as his commission for transferring the funds. Once the money to be transferred by a private operator is deposited along with the commission to the moneylender at Surat, the transaction is then facilitated through a password given by the Surat moneylender to his counterpart at Orissa and to the party transferring the money. The private operator then informs his counterpart at Orissa of the password and the respective counterparts of the moneylender and the service provider at the native end transact the delivery and receipt of the money through matching the password.

Person disbursing the remittance, records the money remittance number mentioned in the statement and the date of delivery on a given format, and collects signature (name) of a witness and issues a copy of the same to the recipient. Another copy goes to the main remittance disbursal counter for records. For each statement going from Surat, the counterpart unit at Orissa prepares a corresponding 'statement'[9] on the disbursal of remittances, which is then sent to the remittance collection counter at Surat through fax for records as well as for facilitating responses to any inquiry.

Unlike the *tapawalas*, private operators are more organized and professional in providing remittance services. Their average volume of transfer is substantially higher than the *tapawalas*. The difference between private operators and *tapawalas* lies in terms of their interpersonal relations with the senders and receivers. For a Private Operator it is not

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[8] Private sector banks that are commonly used by these operators include ICICI, IndusInd, Axis, Kotak Mahindra, Karur Vysya and ING Vysya.

[9] While carrying signature of a witness, it includes information on the money transfer number and the date of delivery.

necessary to know the sender personally, as much of the remittance money is collected at the counters or through agents. However, it is the existing inter-dependency and relations between the *tapawalas* and their clients that has sustained the function of *tapawalas* as service providers till date, even while many private operators are providing the same faster. Nonetheless, with increasing demand of speedy delivery of money over the time, and rising competition among the private operators themselves, the growth of *tapawalas* has been stunted during the recent years.

4. SIZE OF MONEY REMITTED BY ORIYA MIGRANTS

Table 1 presents data on the size of remittances with respect to the nature of employment of Oriya migrant workers in Surat. Evidently, the average size of remittance through all channels during the last twelve months stands as Rs.1427. Its size however varies across migrants. For instance, an average amount remitted by a wage worker is Rs.1378 a month. As against this, an employee with the private sector and those with self-employed jobs remit Rs. 1532 and Rs. 1655 respectively. Clearly, in absolute terms, the self-employed migrants remit larger amounts than those in private jobs and wage works, though in terms of proportion of their income, the remittance by the former group is smaller. The absolute amount of remittance and proportion of income remitted thus significantly vary among different occupational groups. Notably, the amount remitted per month has a positive correlation with the earnings of a migrant worker, whereas the correlation coefficient between amount of money earned and proportion of income remitted was found to be negative[10] (see appendix 1). It also becomes evident from the same set of data that the absolute amount of remittance and proportion of income remitted has no significant relation with size of landholding.[11]

Table 1: Average Size of Money Remitted per Month by Oriya Migrants in Surat by Their Nature of Employment

Nature of employment	Average income (in Rs.)	Remittance (in Rs.)	Proportion of income remitted
Wage labourer (a + b)	3340	1378	41.3
(a) Daily wage	3166	1382	43.6
(b) Piece rate	3602	1372	38.1
Employees in private enterprises	4461	1532	34.3
Self-employed	6429	1655	25.7
All categories	3761	1427	37.9

Table 2 gives data on the remittance behaviour of Oriya migrants by nature of their living arrangements at the destination point. We have considered five different types of living

[10] The findings corroborate with Johnson and Whitelaw (1974), and Oberai and Singh (1983). However, a study of migrants from eight largest cities in Kenya by Rempel and Lobdell (1978) shows a positive correlation between amount of money earned and proportion of income remitted.

[11] Defined as amount of land owned (in *acres*) by the migrant's family at the time of interview. Banerjee (1981) too finds an insignificant correlation between the amount of money remitted and ownership of land.

arrangements viz., those living with (i) the entire extended family; (ii) their wives and children leaving other members at the native end; (iii) their fathers; (iv) their brothers and (v) as single or lone migrants from the families back home. As expected, migrants living with their entire families at the destination remit the lowest amount i.e., Rs. 267 per month, for they do not need to support many dependents and relatives at the origin. Indeed, they tend to gradually lose their connections from their native villages and settle more or less on a permanent basis in the city. Occasionally however they send money, at times in form of gifts to their married daughters or as supports to aged parents or grand parents particularly on specific social occasions. Elsewhere, it has been stated that migrants planning to settle in urban centres tend to remit less than those intending to return to their native places (Banerjee, 1981).

Table 2: Average Size of Remittances Sent per Month by Living Arrangements Among the Migrant Workers

Living Arrangements	Average income (in Rs.)	Remittance (in Rs.)	Proportion of income remitted
With family members (sum of *a* to *d*)	4289	1335	31.1
(a) Entire family	5963	267	4.5
(b) With their wives and children	5919	1172	19.8
(c) With their fathers	2456	708	28.8
(d) With their brothers	3658	1579	43.2
Single migrant	3394	1557	45.9

It appears that the migrants who live with their wives and children at the destination after leaving their extended families at the native end, remit only 19.8 per cent of their income. This is because the married heads with their wives and children at Surat spend a higher proportion of their income at the destination itself. Those living with brothers and the single migrants remit an average amount Rs. 1579 and Rs. 1557 per month respectively. Significantly, compared to others, the single migrants whether married or not remit a larger share of their income. Out of the 59 single migrant respondents, 41 per cent are married and work at Surat having left their wives and children at their native places.[12] Such migrants are likely to have a higher commitment and propensity to remit compared to the unmarried migrants. Based on the data in table 2, it can be inferred that migrants who are married but staying alone at Surat are likely to remit more than the unmarried migrants. And the fact that migrants living with their families at Surat remit much smaller share of their income compared to the single migrants, suggests that the extent of need for money to cope with the household requirements of families at the destination does not allow such migrants to remit more.

[12] Of the 25 migrants living with their brothers at Surat, 32 per cent are married and migrated after leaving their wives and children at the native villages in Orissa.

4.1 Determinants of Remittance Behaviour

From the analysis given in the preceding section, it appears that the volume of income transfer varies across migrants in terms of their living arrangements, marital status, castes, places of origin etc. By picking on specific dissimilar socio-economic variables that characterize migrants and their households and relating them with their remittance behaviour, it is possible to isolate the factors that tend to influence the size of remittance. This would also help in capturing the magnitude of influence of each variable interacting simultaneously on remittance behaviour of the migrants. In order to do so, the Ordinary Least Square regression model has been used here with the average monthly remittance (AMR) being considered as the dependent variable in the analysis. This *a priori* model on the determinants of remittance has been specified with the following variables.

(i) Migrant's Average Monthly Income (INCOME)

Income of a migrant at the destination point is an important factor governing the size of remittance. It is assumed that larger the income, larger would be the size of money transfer and vice versa. And therefore, INCOME is expected to be positively associated with the AMR.

(ii) Outstanding Loan at Destination (CREDIT)

Towards meeting the day-to-day needs of expenditure and also to remit money, a migrant often borrows from his friends, peers, relatives and co-workers with or without interest. Out of our total sample, 44 migrants had loans outstanding at Surat at the time of interview. Significantly, the average size of outstanding loan per month for all migrants is Rs.288, meaning that he has to depend to the extent of 20.2 per cent of his AMR on credit. Since credit works as an additional source of fund, it is likely to influence the size of remittance positively.

(iii) Age of the Migrant (AGE)

Elderly migrants often find it difficult to work at the pace and speed that the younger migrants may adopt while working. Increasing age is likely to reduce income at the destination and in turn effect the size of remittance. Nevertheless, the likelihood to remit money may reduce beyond a certain age. Among our respondents, the youngest and the oldest migrants were 18 and 51 years of age respectively. The median age among workers is around 30 years. A dummy variable for age (having a value of <u>one</u> for those above the median level of age and <u>zero</u> for those below the level) has been used to assess its likely impact on remittance with older age of a migrant expected to be negatively correlated with the AMR.

(iv) Length of Stay at Surat (STAY)

Probability of employment opportunities is expected to rise over time as migrant workers widen their contacts and knowledge regarding the intricacies of the urban labour market. This suggests that one's length of stay at the destination may result into one's having a consistent as well as rising income across months and years. And this may positively influence the size of remittance.

(v) Years of Schooling (YS)

Expected here is that educated migrants are likely to remit a larger proportion of their income even while their qualifications may not help them in earning more than the prevailing average income. Implied here is that remittance can be attributed as repayment of a social debt incurred in obtaining education (Johnson and Whitelaw, 1974). Thus, years completed in formal education by a migrant could stimulate the amount of money transfer in a positive manner.

(vi) Migrant's Status (MS)

Single migrants tend to remit higher amounts and on an average a larger share of their earnings to their families. Similarly, married heads living alone at the destination are likely to send more money than married heads living with their wives and children. A dummy variable for the migrant's status (having a value of one in case of single migrants and zero for others) has been used to assess its impact on the remittance behaviour. A positive association between these two variables is expected.

(vii) Dependency Ratio (DR)

This has been defined as a ratio between number of non-workers and workers. The size of remittance is expected to have a positive association with the 'dependency burden' at the native end, i.e., higher the DR, greater the size of remittance and vice versa.

(viii) Income of a Migrant's Household at the Origin Excluding Remittances (INCORG)

If a migrant's household back home has enough income from different sources, the level of dependence on remittances is likely to be less. Thus, the commitment to send money is expected to be lesser for migrants from households having enough income at the origin.

The definitions, measurements and descriptive statistics of the variables used in the analysis are given in table 3 and the estimated results outlined in table 4. Notably, all parameters reflect expected associations and are significant except for the coefficients of STAY, YS, DR and INCORG.

The coefficient of INCOME is positive and highly significant, implying that an increase of a rupee in income at the destination leads to an increase of 0.27 rupees in the average monthly remittance. This trend remains in line with earlier studies which identify income of migrants as an important factor that determines the size of remittance. As expected, the coefficient of CREDIT too is positive and statistically significant. This confirms that credit at destination can stimulate the amount of money transfer. As suggested by the negative and significant coefficient of AGE, migrants who are more than 30 years old remit 421 rupees less per month compared to those who are below 30 years of age.

Table 3: Definitions, Measurements, Descriptive Statistics and Expected Signs of Variables used in the OLS Equation

Variables	Description	Mean and Standard Deviation	Expected Sign
Dep. variable	Amount of remittance per month (in Rs.)	1426.69 (966.17)	
INCOME	Income of a migrant per month (in Rs.)	3761 (1774.19)	+ ve
CREDIT	Amount of outstanding loan at destination (in Rs./month)	287.76 (611.93)	+ve
AGE	Age of the migrant = 1, if the migrant is more than 30 years old = 0, otherwise	0.34 (0.48)	-ve
STAY	Number of years stayed at Surat	10.04 (5.86)	+ve
YS	Years of formal schooling	7.79 (3.27)	+ve
MS	Migrant's status = 1, a single migrant = 0, otherwise	0.59 (0.49)	+ve
DR	Dependency ratio	1.63 (1.26)	+ve
INCORG	Income at the origin excluding remittance (Rs./year)	18112.40 (26922.07)	-ve

Notes: (1) Figures in parentheses denote standard deviations. (2) Number of observations = 100

Table 4: Determinants of Size of Remittance: OLS Results

Variables	Coefficients	t-values
Constant	- 317.448	- 0.948
INCOME	0.275*	6.366
CREDIT	0.764*	6.597
AGE	- 421.168**	- 2.145
STAY	18.790	1.186
YS	22.535	0.927
MS	459.537*	3.141
DR	61.319	0.962
INCORG	- 0.001	- 0.540

R-squared = 0.54
Number of observations = 100
* at 1% level of significance, ** at 5% level of significance

The coefficient of STAY though positive, but is not significant. However, the positive sign attached to it indicates a more likely association between length of stay and size of remittance. Interestingly, the absolute amount of remittance and the proportion of income remitted have positive but a rather weak correlation with a migrant's length of stay at the destination point (see appendix 1). It seems that length of stay, if at all, has only a meek impact on the size of remittance in absolute as well as relative terms. Elsewhere, it has been mentioned that recent migrants send as much as longstanding migrants, though the proportion of income remitted declines with longer stay in the city (Oberai and Singh, 1981).

The coefficient of YS being positive and insignificant implies that one's level of education hardly has any influence on the amount he remits. This is also evident from the poor correlation coefficient values between a migrant's years of schooling and the absolute as well as proportion of income remitted (see appendix 1). In the preceding chapter we have already noted that educational qualification hardly has an impact on one's income at the destination. Evidently thus, educational levels especially after a point, neither adds much to one's income at the destination and nor does it influence the size of remittance.

With the coefficient of MS being positive and significant at one per cent level, it appears that other things remaining the same, a single migrant remits Rs.459 more compared to migrants living with their wives and children and also those residing with other family members at the destination. This supports the argument that single migrants appear more committed to remit compared to the others. The positive but insignificant coefficient of DR indicates its feeble association with migrant's remittance behaviour. This suggests that even if there exists a high dependency ratio at the native end, a migrant worker finds it difficult to remit an amount beyond a certain limit. Hence, DR does not emerge as critical a factor, once the remittance reaches a specific size. As expected, the coefficient of INCORG is negative but insignificant. Notably, the proportion of income remitted and earnings at origin excluding the remittances are negatively correlated, suggesting that higher the income at origin minus the remittance, lower would be the proportion of income remitted and *vice versa* (see appendix 1).

5. REMITTANCE CHANNELS USED BY ORIYA MIGRANTS

Table 5 gives data on money remittance channels used by Oriya migrants in Surat. Only 12 migrants reported about sending money through banks, while only two used the post offices for transferring money. An overwhelming share of migrants either has never used, or discontinued use of banks as well as post offices for transferring money. Evidently, the number of migrants sending money through co-workers and relatives is also declining, for most of them are increasingly depending on private operators and *tapawalas* for remitting money back home.

Significantly, of the 12 migrants using banks for transferring money, 5 also remit through private operators and 2 through the *tapawalas*. Similarly, 3 of the migrants are using *tapawalas* as well as private operators. There is also an evidence of shift from one informal channel to the other for transferring money. For instance, 3 have shifted from *tapawalas* to private operators and one has shifted from private operators to *tapawalas*. In seven cases however, there has been a shift from one private operator to the other. Based on this, it can be stated that a migrant often uses more than one channel for transferring money at a given point of time.

Table 5: Money Remittance Channels Used by Oriya Migrants

Money Remittance Channels	Never used	Was using earlier	Using at present	Total
Banks*	54	34	12	100
Post Offices	44	54	2	100
Private Operators	21	1	78	100
Tapawalas	84	3	13	100
Co-workers♣	50	25	25	100
Relatives$^{\Psi}$	82	14	4	100
Self/other family members	14	0	86	100

Notes: (1) * includes all public and private sector banks. (2) ♣ includes persons other than family members and relatives belonging to remitter's own village or neighbouring villages and working at Surat. (3) $^{\Psi}$ includes cousins, uncles, brothers-in-law, fathers-in-law, nephews etc. working at Surat.

Notably, since the entry of private operators in the remittance market in 1998, increasing number of migrants have been remitting through them over the years (table 6).[13] For instance, during 1998-99 to 2000-01, only one migrant in our sample was remitting money through a private operator. This increased to 15 by 2003-04, and finally reached to 62 by the end of the financial year 2006-07. Of the 100 respondents, 78 were remitting money through private operators by the last day of our interview. Similarly, the number of migrants sending money through *tapawalas* has reached from 4 to 13 during the same period. The key findings emerging from the data are, that (i) more than 90 per cent of the migrants use informal channels for sending money back home, and (ii) *tapawalas* acted as important money transfer service providers before the emergence of private operators in the remittance market.

Table 6: Time since Migrant Workers Started Using Informal Money Transfer Channels

Informal money transfer channels	Financial Years			
	1998-99 to 2000-01	2001-02 to 2003-04	2004-05 to 2006-07	Total
Private Operators	1	15	62	78
Tapawalas	4	4	5	13

13 In an FGD conducted with informal money transfer service providers, we learnt that the *Bayu Seba Service* was started in Surat during 1998 and since then the institution has been playing a major role in the remittance market at the origin as well as the destination points.

Based on the data given in tables 5 and 6, it can be stated that (i) since the rate of growth of remitters opting for private operators is substantially higher compared to other informal channels, the former seems to dominate the remittance market at Surat; (ii) with hardly any growth in the number of migrants sending money through *tapawalas*, their space in the remittance market seems constricted; and (iii) the remitters consider private operators and *tapawalas* as more effective agencies than the formal channels like banks and post offices as well as other informal channels like co-workers and relatives.

Table 7 gives data on the status of using banks and post offices for transferring money by respondents' periods of migration. Significantly, of those who migrated to Surat before 1997-98, as many as 54.2 and 68.7 per cent have remitted money through banks and post offices respectively. Of those who migrated between 2004-05 and 2006-07, only 15.4 per cent has ever used banks for sending money. In case of sending money through post offices, the corresponding figure is merely 7.7 per cent. Notably, the per cent of migrants using banks and post offices for transferring money has been declining progressively since 1998-99 – a trend that has been faster in case of post offices as against the banks.

Table 7: Respondents' Period of Migration and Status of Using Formal Money Transfer Channels on the Date of Interview

Period of migration	Number of migrants	No. of Migrants who Ever Used Formal Channels*	
		Banks	Post Offices
Up to 1997-98	48	26 (54.2)	33 (68.7)
1998-99 to 2000-01	21	9 (42.9)	13 (61.9)
2001-02 to 2003-04	18	9 (50.0)	9 (50.0)
2004-05 to 2006-07	13	2 (15.4)	1 (7.7)

Notes: (1)* includes those migrants who have used Banks or Post Offices at least once for transferring money from destination to origin after having migrated to Surat. (2) Figures in parenthesis of each of the cells denote percent of migrants using formal channels during the corresponding periods of their migration.

Table 8: Time since When the Migrant Workers Stopped Using Specific Money Transfer Channels

Discontinued use of	Financial Years			
	1998-99 to 2000-01	2001-02 to 2003-04	2004-05 to 2006-07	Total
Banks	2	6	26	34
Post Offices	9	13	32	54
Co-workers	1	7	17	25
Relatives	1	3	10	14

Data given in table 8 show that migrants have stopped using banks, post offices, co-workers and relatives for transferring money at an increasing rate since 1998-99. The phenomenon has become more pronounced after 2003-04, especially with the entry of private operators and *tapawalas* in the remittance market. Since many of them have stopped using banks, post offices, co-workers and relatives and now remit through private operators and *tapawalas*, it can be inferred that the informal channels are substituting the formal ones fast. And, the reasons for gradual reduction in the use of co-workers and relatives for sending money back home, can be attributed to (i) the disjunction between their periods of visit and requirement of money at home; (ii) lack of reliability, and (iii) the availability of alternative channels that are more effective. The next section deals with reasons as to why the remitters have either discontinued or never thought of using formal channels for transferring money.

5.1 Reasons of Avoiding Formal Channels of Money Transfer

Data related to reasons associated with remitters discontinuing the use of banks in transferring money are given in table 9. The reasons noted are not mutually exclusive. Of those who have stopped using banks for money transfer, 67.6 per cent explained of their doing so due to loss of time as a result of long queues at the banks while procuring a demand draft (DD), for to get it made and send by post one loses nearly a day.[14] Workers in the day shifts lose a day's work, and those in night shifts find it difficult to go and line up in a queue for procuring a DD. In addition, the relevant form has to be filled in English, which for most of these migrants is difficult to follow, and on each such occasion they have to seek help from someone. Even for a minor error in the form, the bank personnel tend to reject the request and send them back to get it corrected. Under the circumstances, one is compelled to go and stand in the long queue again, and in case of his turn not coming within the stipulated banking hour, he has to approach the bank again the next day. Notably, most of the times bankers do not issue the DDs immediately, and ask the applicants to come later in the afternoon to procure the same. We were told that in some cases, it took more than a day to procure a DD.

In order to avoid any loss or theft, bankers generally issue 'account payee' DDs. This makes it impossible for a non-account holder to transfer money. Thus, most migrants do not use banks, for hardly anyone in their families hold a bank account at the origin.[15] Some migrants send DDs to their relatives having bank accounts who often credit them in their accounts in their own convenience and then deliver the money to the migrants' families. This makes a migrant completely dependent on the account holder placing the actual recipient completely at his/her mercy. Frequently, such account holders charge some commission (ranging from Rs. 50-100 per draft) for their service.[16] We were told that the practice of charging commissions for encashing the draft and delivering money is common in the district of Ganjam. Moreover, a remitter has to make requests to the account holder every time before sending a draft. Only on this count, as many as 14.7 per

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[14] Due to non-availability of core banking facility in most of the rural bank branches in Orissa, DD is the only mechanism of transferring money.

[15] For more details on status of holding accounts at origin and use of banks for transferring money, see Appendix – 2.

[16] There is no formal logic on which such service charges are determined. It is likely that the account holder charges such amounts to the recipients in order to meet his cost of travel and the opportunity income lost for the purpose. Payment of such amounts was reported by ten of our sample respondents.

cent of the migrants expressed their unwillingness to seek such favour as reason for their discontinuation of using banks for sending money. Some migrants as well as their families prefer to keep the matter of money transfer private and confidential.

Table 9: Reasons for Clients Discontinuing Use of Banks in Transferring Money

(N = 34)

Reasons for discontinuation	Number of clients	Percentage of clients#
Cumbersome procedures and paper work at banks	7	20.6
Unsuitable banking hours	6	17.6
Loss of time due to long queues at the banks	23	67.6
'Invalidity' of bank account at the native place	2	5.9
Intimidating behaviour of the bank personnel	6	17.6
Compulsions of travelling long distance to get a draft made	8	23.5
High transaction costs at the native end	5	14.7
Much time taken in receiving money at the native end	17	50.0
Delayed delivery of money not meeting the purpose	4	11.8
Occasional non-receipt of the full money	2	5.9
Unwillingness to seek other account holders' favour	5	14.7
Inability to maintain confidentiality	7	20.6
More convenient to send through co-workers and relatives	1	2.9
Accessibility to convenient informal channels♣	33	97.1

Notes: (1) # derived from the total number of migrants who were using banks for transferring money earlier but have now discontinued. (2) ♣ includes private operators and *tapawalas*.

This is particularly to avoid attracting claims from money lenders or those to whom they may be indebted to, or even to minimise the risk of thefts. Since bank drafts are properly documented and sent through mail, maintaining secrecy often becomes difficult. Nearly 21 per cent of migrant remitters expressed their inability to maintain confidentiality as the cause behind stopping to send money by bank drafts. Around 50 per cent of the respondents has discontinued sending money through bank drafts as it takes long to receive money at the native end. Indeed, as much as 97.1 per cent of the remitting migrants prefer informal channels over banks due to their easy accessibility (table 9).

Data on reasons for never sending money through banks by Oriya migrants are given in table 10. Out of 54 migrants who never used banks for transferring money, 40.7 per cent attributed the reason to their family members not having any account at the native place. As many as 31.5 per cent stated that they lacked knowledge about banking procedures. Similarly, factors such as cumbersome procedures, loss of time on account of long queues at the banks, unavailability of corresponding bank branches, compulsions of travelling long distance to get drafts made, uncertainty of maintaining secrecy etc., are highlighted by some migrants as reasons for not sending money through banks. Significantly, as many as 22.2 per cent of migrants are of the view that there was no need to send money through banks as private operators and *tapawalas* have been providing the same service at their door steps ever since they had migrated to Surat.

Table 10: Reasons for Never Using Banks for Money Transfer

(N = 54)

Reasons	Number of migrants	Percentage of migrants*
No surplus to remit	3	5.6
Lack of knowledge about banking procedures	17	31.5
Cumbersome procedures and paper work at banks	9	16.7
Loss of time due to long queues at the banks	8	14.8
Unsuitable banking hours	4	7.4
Unavailability of corresponding bank branches	6	11.1
Compulsions of travelling long distance to get a draft made	10	18.5
Intimidating behaviour of the bank personnel	4	7.4
Not having an account at the native place	22	40.7
Unwillingness to seek other account holders' favour	7	13.0
Fear of adjustment with old loans at the native	2	3.7
Much time taken in receiving money at the native end	7	13.0
Difficulties involved in maintaining confidentiality	9	16.7
Is not cost effective	1	1.8
Uninterested in using banks	1	1.8
Accessibility to convenient informal channels from the beginning♣	12	22.2
More convenient to send through co-workers and relatives	5	9.3

Notes: (1) * derived from total number of migrants who have never used banks in transferring money. (2) ♣ includes private operators and *tapawalas*.

Table 11: Reasons for Discontinuing the Use of Post Offices for Money Transfers

(N = 54)

Reasons	Number of migrants	Percentage of migrants*
Long queues	31	57.4
Costlier compared to private service providers and banks	33	61.1
Delay in delivery of money at the native	38	70.4
Intimidating behaviour of the postal staff	10	18.5
Compulsions of travelling long distance to send MO	4	7.4
Difficulties involved in maintaining confidentiality	8	14.8
Retainment of fraction of money by Post Master at the native	3	5.6
Accessibility to convenient informal channels♣	50	92.6
Started using banks	5	9.3
More convenient to send money through co-workers and relatives	1	1.8

Notes: (1) * derived from total number of migrants who were earlier using Post Offices for transferring money. (2) ♣ includes private operators and *tapawalas.*

Reasons for discontinuing the use of post offices for sending money are given in table 11. The data suggest that around 57.4 per cent of migrants have stopped sending money through *money orders* (MO) since it involves waiting in queues for around 4 hours or at times even more at the post offices. As the relevant counter remains opened only between 7 a.m. to 12 noon, people begin to form queues as early as by 4 a.m. to send their MOs. And those who join such queues by 8 or 9 a.m., rarely reach the counters before they are closed. Thus, a remitter tends to lose at least one working day to transfer money through MO provided he reaches the counter on time.

Table 12: Reasons for Never Using Post Offices for Money Transfers

(N = 44)

Reasons	Number of migrants	Percentage of migrants*
No surplus to remit	2	4.5
Lack of knowledge about Money Order	4	9.1
Long queues at the Post Offices	9	20.4
Costlier compared to private service providers and banks	15	34.1
Delay in delivery of money at the native place	15	34.1
Intimidating behaviour of the postal staff	4	9.1
Difficulties involved in maintaining confidentiality	5	11.4
Accessibility to convenient informal channels from the beginning	12	27.3
More convenient to send through co-workers and relatives	3	6.8
Using banks	2	4.5

Note: (1) * derived from total number of migrants who have never used Post Offices for transferring money.

Delay in delivery of money is another important factor behind discontinuation of using post offices for transferring money. Around 70 per cent of the remitters are of the opinion that it takes at least 15 days for the money to reach. Occasionally, the post master or the post peon invests and/ or spends the money meant for disbursal for personal use which delays its delivery further.[17] Notably, 61.1 per cent of the migrants discontinued sending money through post offices as they found it more expensive compared to the private service providers and banks.[18] Five of the respondents spoke about the recipients being charged an unauthorised commission of Rs.10 per delivery of Rs.1000 by the post master. It is pertinent to note that as many as 92.6 per cent of the migrants have discontinued the use of post offices in transferring money due to the easy accessibility and convenience of informal channels at their door steps. On the other hand, those who have never used post offices for transferring money, carry a conviction of loss of time involved in sending MOs, higher rates of commissions, delays in delivery as against the more convenient and easily accessible informal channels from the very beginning (see table 12).

[17] Such incidents were reported by three respondents.

[18] Post offices charge a 5 per cent commission for transferring money which remains constant irrespective of the size of money being transferred.

The two main points that emerge from the foregoing discussion are, (i) given the difficulties associated with formal channels on the one hand, and easy accessibility of private operators and *tapawalas* providing faster and cost effective remittance services at the door steps on the other, more than 90 per cent of the migrants prefer informal over formal remittance channels, and (ii) while accounting for extra expenses, the actual costs of money transfer is likely to be more in formal rather than informal channels. We have dealt with this issue in a subsequent section.

5.2 Transfer of Money through Different Channels: Costs Vs. Volume

From the remitter's point of view, the effective cost of transferring money is its real cost which includes service charges, opportunity costs through income loss and other transaction costs. The amount of commission charged by banks for issuing DD or transfers of money by post offices through *money orders* can be considered as the service charges. The post offices charge 5 per cent as commission for transferring money which does not vary with size of remittances, though the service charges in case of DDs vary in terms of amounts as well as across banks.

In order to procure a DD and send it by post or to send a *money order*, a remitter generally needs to spend nearly a day. Since the remitter loses a day's work in this manner, the amount of wage loss becomes an important element as a cost of transferring money. To avoid difficulties associated with calculating the time cost of one day, we have considered the average amount of per day income loss (as in the financial year 2006-07) as its equivalent.[19] This method has been applied to all wage labourers and employees in private enterprises. However, in case of self-employed migrants, we have considered the average amount of income loss for half day, for there are no fixed working hours for such migrants.

While calculating the cost involved in remitting, we have not taken the time costs pertaining to encashment of the draft by the recipient into account. Nevertheless, the commission given by him to the account holder for encashing the draft and delivering the money to the recipients has been included in the cost. Besides, the cost of Rs.25 for sending the draft by registered post and an unauthorised commission (if any) taken by the post master / post peon from the recipients have been included in the cost involved in money transfer.

Since most private operators and *tapawalas* collect money from the remitters' door steps, it does not involve any extra cost other than the commission charged by the service providers. They also do not charge any commission from the recipients. Hence, commissions raised from the remitters by service providers constitute the cost of remittance. The prescribed amounts of service charges raised by the Shramik Sahajog (SS)[20] and other private operators as well as tapawalas are given in table 13. The data

[19] Average amount of income loss per day = (Total income at Surat in 2006-07) / (No. of days stayed at Surat during the financial year 2006-07).

[20] An organization of Oriya workers set up by ADHIKAR, a premier NGO located at Bhubaneswar to provide safe, faster and cost effective remittance services. At present, SS is channelizing remittances from various Oriya migrant localities at Gandhidham, Surat, Vapi and Mumbai. For more detailed analysis on the mechanics of money transfer adopted by SS, see Sahu and Das (2008). Since SS has no legal status, we consider its money transfer service is par with any other informal transfer providers.

uggest that variations exist in the amount of service charges across these providers even for remittances of the same size. Importantly, commissions charged by *tapawalas* seem to be more volatile in nature. Apparently, there exists an element of competition among these informal transfer providers. In this context, it would be interesting to compare the actual costs of remittances across different channels functioning at Surat.

Table 13: Amount of Service Charges Taken by Shramik Sahajog and other Informal Transfer Providers

<table>
<tr><th rowspan="2">Size of remittances (in Rs.)</th><th colspan="3">Service charges</th></tr>
<tr><th>Shramik Sahajog*</th><th>Other Private operators</th><th>Tapawalas</th></tr>
<tr><td>Up to 1000</td><td>Rs. 30 (fixed)</td><td>Rs. 40 (fixed)</td><td>Varies between Rs. 30 to Rs. 40</td></tr>
<tr><td>1001 - 5000</td><td rowspan="2">3 % of remittance</td><td>4 % of remittance</td><td>3 % to 4 % of remittance</td></tr>
<tr><td>5001 - 10000</td><td>3 % of remittance</td><td>2 % to 3 % of remittance</td></tr>
<tr><td>10001 -12000</td><td>Rs. 300 (fixed)</td><td rowspan="2">2 % of remittance</td><td rowspan="2">1.5 % to 2 % of remittance</td></tr>
<tr><td>> 12000</td><td>2.5 % of remittance</td></tr>
</table>

Note: Shramik Sahajog has also been charging an extra amount of 10 rupees per remittance for its door to door pick and delivery services since January 2007.

Table 14: Costs of Money Transfer Through Informal Channels

(for transfer of every 100 Rs.)

<table>
<tr><th rowspan="2">Size of remittances (in Rs.)</th><th colspan="4">Service charges (in Rs.)</th></tr>
<tr><th>Shramik Sahajog (a)</th><th>Other private operators (b)</th><th>All private operators (a+b)</th><th>Tapawalas</th></tr>
<tr><td>Up to 1000</td><td>3.35</td><td>4.00</td><td>3.37</td><td>3.38</td></tr>
<tr><td>1001 - 5000</td><td rowspan="2">3.01</td><td>3.89</td><td>3.17</td><td>2.89</td></tr>
<tr><td>5001 - 10000</td><td>3.00</td><td>3.01</td><td>2.00</td></tr>
<tr><td>10001 -12000</td><td>2.62</td><td rowspan="2">2.00</td><td rowspan="2">2.40</td><td rowspan="2">1.56</td></tr>
<tr><td>> 12000</td><td>2.52</td></tr>
</table>

Table 15: Cost of Money Transfers (in Rs.) Through Formal Channels

(for transfer of every 100 Rs.)

<table>
<tr><th rowspan="2">Size of remittance (in Rs.)</th><th colspan="4">Post office</th></tr>
<tr><th>Average commission charges (a)</th><th>Average amount of wage loss (b)</th><th>Average transaction costs (c)</th><th>Effective costs (a+b+c)</th></tr>
<tr><td>Up to 1000</td><td>5.00</td><td>12.95</td><td>1.00</td><td>18.95</td></tr>
<tr><td>1001 - 5000</td><td>5.00</td><td>5.45</td><td>0.52</td><td>10.97</td></tr>
<tr><td></td><td colspan="4">Banks</td></tr>
<tr><td>1001 - 5000</td><td>0.76</td><td>3.89</td><td>1.56</td><td>6.21</td></tr>
<tr><td>5001 - 10000</td><td>0.35</td><td>2.00</td><td>0.53</td><td>2.88</td></tr>
<tr><td>> 10000</td><td>0.44</td><td>1.31</td><td>0.64</td><td>2.39</td></tr>
</table>

Some important points that emerge from the data on cost of transferring money per unit of Rs.100 by different channels as given in tables 14 and 15 are that (i) with increasing size of remittances the cost of money transfer decreases irrespective of the channel being formal or informal; (ii) use of formal channels invariably works out to be more expensive than the informal ones irrespective of the size of remittances; (iii) among formal channels, sending money through banks is more cost effective than the post offices; (iv) average amount of wage loss per worker is significantly higher while transferring money through MOs as compared to doing so through DDs; (v) money transfer services provided by the *tapawalas* are cheaper compared to other informal channels irrespective of the size of remittances, except for the first slab of up to Rs.1000; and (vi) compared to other private operators, the SS is less expensive for money transfer of upto Rs.5000, but their cost is higher in case of remitting transfers exceeding this amount.

Table 16: Amount of Money Transfers Realized by Oriya Migrants Through Different Channels During the Financial Year 2006-07

Money transfer channels	Amount (in Rs.)	Per cent to total remittance
(i) Formal channels (a + b)	319300	**13.0**
(a) Banks	264000	10.8
(b) Post Offices	55300	2.2
(ii) Informal channels (c + d + e + f + g)	2128900	**87.0**
(c) Private Operators	1402550	57.3
(d) *Tapawalas*	290750	11.9
(e) Co-workers	67000	2.7
(f) Relatives	38000	1.6
(g) Self/other family members	330600	13.5
Total (i + ii)	2448200	**100.0**

Notably, the total amount of remittances sent through all channels from Surat to Orissa by our sample migrants was Rs.24,48,200 during the financial year 2006-07 (table 16).[21] Of this amount, as much as 87 per cent was sent through informal channels, with the share of banks and post-offices being 10.8 and 2.2 per cent respectively. Significantly, 69.2 per cent of the total remittances was sent through private operators and *tapawalas*. This indicates that the private operators have maintained their dominance in the remittance market all through. *Tapawalas,* though provide the service at a lower price, their share in the remittance market has been smaller than the private operators. This is because most *tapawalas* work at a small scale and within constricted ‘constituencies’. Notably, of our sample respondents, not a single remitter had expressed having any bad experience with the private operators and *tapawalas*. This shows that informal financial service providers (FSPs) are better placed in the remittance market.

5.3 Difficulties and Risks in the Remittance Market

[21] The approximate volume of money transfer taking place from Surat to Orissa as projected is around Rs.556.56 crores per annum. For a more detailed discussion on this point, see Sahu and Das (2008).

Since many people sending and receiving money transfers are poor and do not generally use institutions like banks and post offices, informal money transfer providers appear to have better prospects in the remittance market. Many of these service providers have indeed made this a lucrative business as it has potential of generating revenue and at the same time gaining a legitimacy and 'social' sanction of doing something 'worthwhile' for the poor migrants. This however does not mean that these informal FSPs do not have any problems in transferring money from the destination to the points of origin. Some such problems faced by them can be listed as below.

i) A serious problem faced by the private operators and *tapawalas* is that hardly any public sector bank shows any interest in facilitating money transfer from Surat to Orissa or act as an effective intermediary agency. This compels them to depend mainly on private banks for money transfers. Evidently, if they do not get support from such or similar agencies or from the government, the future of such remittance markets is going to be uncertain.

ii) Sending money through private banks is costlier compared to the public sector banks. Since the private sector banks remain located mainly in the urban centres, the transfer providers at the other end have to travel longer distances every time they have to withdraw money.

iii) As the service providers and their staff members carry large sums of cash, they face some risks at both ends while collecting the deposits at the banks in Surat and withdrawing for disbursal among recipients at the origin.[22] There is no proper or adequate insurance facility aimed at covering cash loss due to theft and/or of the person directly providing such a service.

iv) Competition among informal FSPs is a pertinent issue in the remittance market. Lack of a uniform rate of commission charged for fund transfer and ingress of the credit market[23] have enhanced competition among them which tends to threaten the viability as well as feasibility of providing such services on a prolonged basis.

v) With increasing volume of the business and rise in the number of transfer providers, a competitive environment is very much visible in the remittance market at Surat. This not only reduces the volume of business per service provider, but also adversely effects the net profit gained per unit.

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[22] We were told that on one occasion an amount of Rs.1,50,000 was snatched away from the Branch Manager of ADHIKAR when he was on his way to the remittance disbursal units. A similar incident was also reported at Surat when the proprietor of a Bayu Seba Service was going to a bank to deposit cash.

[23] Some informal FSPs advance loans to the remitters to transfer the same through their agencies. This facilitates remitters in transferring funds even while they don't have a surplus to remit. Private operators are providing with this kind of loans essentially based on mutual trust at a 5 per cent interest per month. Therefore, remitters generally prefer to transfer funds through private operators who also provide loans.

vi) Getting reliable and efficient staff is an important aspect of dealing with remittances for the informal service providers, for a single unreliable staff can turn a viable business to an unviable enterprise.

6. CONCLUDING REMARKS

While dealing with the size and channels of money transfer used by Oriya migrants, this paper has focused on their remittance behaviour in terms of the mechanics and modalities of remittance collection and disbursal across agencies, and the respondents' rationale for selecting one over the other money remittance channels. The study reveals that the average amount of money sent home by migrants from Surat via all channels was found to be Rs.1,427 during the financial year 2006-07, with the absolute amount of remittance and proportion of income remitted varying among different occupational groups. It is also observed that the amount of money remitted and earnings of a migrant worker per month vary in the same direction, whereas the amount of money earned and proportion of income remitted vary in the opposite direction. Income and credit at the destination appear to be the most important factors influencing the size of money transfer. Single migrants, whether married or not, seem more committed to remit than those living with their wives and children as well as the ones residing with other family members at the destination. Those who are 30 years and above of age, remit lesser amount per month compared to those who are of 30 years and below of age. It is found that more than 90 per cent of the migrants prefer informal over formal channels for sending money back home. Of the total amount remitted by our respondents, as much as 87 per cent of the total remittance was sent through informal channels.

Indeed, the remitters find the private operators and *tapawalas* to be more effective agents than the formal transfer providers like banks, post offices as well as other informal channels such as co-workers and relatives. Popularity of such channels in the remittance market is apparently due to their client friendly features like easy accessibility, minimum paperwork, speed, less expensive and retention of confidentiality. In addition to being part of a cost effective and user-friendly system, such private service providers also deliver money to households at the farthest of villages that lacks access to any formal channels or agencies facilitating money transfers. Given the acceptance, efficacy and relative advantages of such channels over the formal ones, these agencies should be recognized and protected through monitoring and regulations. In fact, linked effectively with banks, these channels may be able to provide better remittance services. At the same time, the banks as 'inclusive' agencies can introduce facilities and appropriate intermediations to the remitters as well as recipients of such money through these channels.

A pronounced absence of recognition to such informal money transfer service providers compels them to conduct their business in a somewhat surreptitious manner. Recognizing and linking them with banks or similar agencies will help in organizing and regulating their activities. This will not only add an element of surveillance in the process, but also eliminate the 'cut throat' random competition among the service providers, and thereby help the remitters as well as the participating agencies.

Appendixes

Appendix 1: Correlation Matrix Pertaining to Variables Associated with Remittances

Variables	Average monthly Remittance (in Rs.)	Proportion of income remitted
Average monthly income at destination (in Rs.)	0.480*	-0.126
Outstanding loan at destination per month (in Rs.)	0.497*	0.574*
Size of owned land (in acres)	0.017	-0.043
Age of migrant (in years)	-0.070	-0.141
Length of stay (in years)	0.132	0.002
Years of schooling (in years)	0.142	0.179
Income at origin minus remittance (in Rs.)	0.091	-0.041

Note: * correlation coefficient significant at 1% level

Appendix 2 : Status of Having Accounts at Origin and use of Banks by Migrants for Transferring Money

Status of using banks	No. of migrants' families having account at Origin	No. of migrants' families not having account at Origin
Never used	1	53
Earlier using but not now	17	17
Using at present	8	4

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