

Social Finance Programme

Working paper No. 39

**Savings and Credit Associations and Remittances:
The case of Far West Nepalese Labour Migrants in Delhi, India**

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ISBN: 92-2-114854-8 (printed version)

ISBN: 92-2-114855-6 (pdf version)

Employment Sector
International Labour Office, Geneva

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July 2003

Abstract

Migration to Delhi is an important fact of life for people in Far West Nepal. Migrants invest their savings in financial self-help associations. Part of these savings are remitted back home. Yet the infrastructure for remittances is sub-optimal, so migrants carry their savings back home. In light of the worsening political situation in Far West Nepal, the risks of this hand-carry system are increasing. This paper explores the issues related to migration between Far West Nepal and Delhi, migrants' participation in financial self-help associations, and the impact that these systems have on remittance patterns.

JEL classification: O15, F22, O16, G29, E2

Keywords : Migration, remittances, savings and credit associations, India, Nepal.

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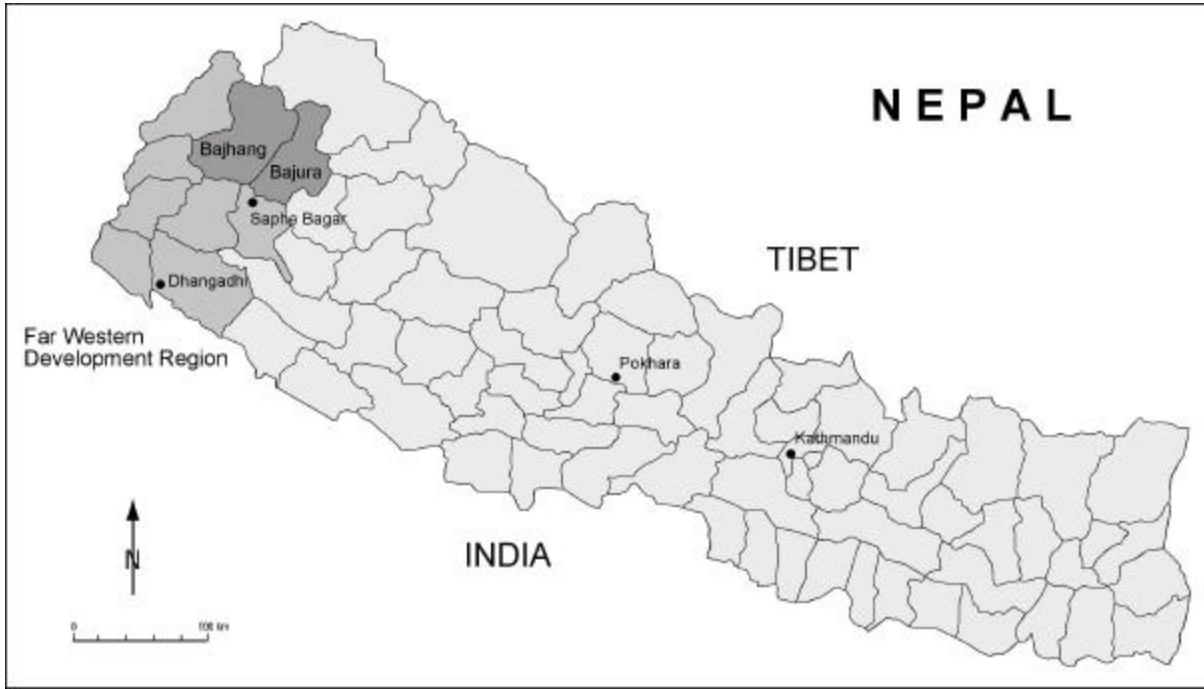
Exchange rates (August 2002)

US\$ 1 = 48.70 IC (Indian Rupees)
US\$ 1 = 80.37 NR (Nepali Rupees)

Abbreviations

ASCrA	Accumulating Savings and Credit Association
HFSC	Himalaya Finance & Savings Company
DDC	District Development Committee
IC	Indian Rupees
NCCR North South	National Centres of Competence in research North-South
NR	Nepali Rupees
ROSCA	Rotating Savings and Credit Association
VDC	Village Development Committee

Country map Nepal



(Design, Kollmair 2003.)

Village		District
Gothpada	}	Bajura / Bajhang (Far West Nepal)
Singra		
Seregau		
Meltadi		

Acknowledgements

This research received support from Prof. Dr. Müller-Böker and Dr. Michael Kollmair from the Department of Geography, University of Zurich in Switzerland and the National Centre of Competence in Research North-South (NCCR-North-South), with financial assistance from the Swiss National Science Foundation (SNF) and the Swiss Agency for Development and Cooperation (SDC).

I thank the ILO, who has given me the possibility to write this working paper. I also thank many people, too many to list, in India and Nepal for their help and care. Ganesh Gurung was very helpful for my start up and first days in Delhi. My research assistant in Delhi, Deepak Prakash Bhatt, was exceptionally competent and helpful beyond the call of duty. I am infinitely grateful to the people of Singra, Seragau, Gothpada, Meltadi and all the other villages from Far West Nepal for providing me all their patience and openness to answer my questions and introducing me to their daily life in Delhi.

1 Introduction

Over the past decades, Nepal has witnessed a significant increase in outward migration. Remittances into the country have increased accordingly. Caused by poverty and inequality, labour migration is the most important economic support for Far West Nepal. It is practised by all castes. In understanding the development of the region, migration has to be taken as code of practice rather than the exception.

Remittances are mainly used for consumption purposes, yet to some extent, they are also used for saving purposes. Savings and Credit Associations at the place of work are very popular among migrants; formal financial organisations are either not accessible for migrants, or they fail to meet the needs of this particular target group.

This paper gives an overview of the daily life of Far West Nepalese migrants in Delhi, India. It focuses on how migrants and their families invest their money in savings and credit associations, and maps the mechanisms through which remittances are transferred to Nepal.

The paper compares two main models of the savings and credit associations, namely Rotating Savings and Credit Associations (ROSCAs), or “chits” and Accumulating Savings and Credit Associations (ASCrAs), or “societies”. They have three main functions: (i) security or insurance, (ii) economic and (iii) socialising. The security covers rites of passage that support people in finding job and shelter, life cycle events and religious ceremonies. ASCrAs insure members against the consequences of illness, accident or death. The economic function lies in the provision of loans and safekeeping facilities, and sometimes in supporting collective investments and community development work. The socialising function refers to meetings and discussions among the members. Yet savings and credit associations can also have some negative aspects: they can perpetuate debt and dependency. This paper therefore analyses strengths and weaknesses of both kinds of associations. Finally, the paper suggests some pragmatic activities to increase the benefits from remittances and reduce the risks of migration.

1.1 Methodology

This work is part of an ongoing research for a PhD thesis within NCCR North-South. Therefore the paper presents preliminary results. At the centre of the study are Nepalese migrant workers from the villages Gothpada, Singra, Seregau and Meltadi from the districts Bajura and Bajhang in Far West Nepal. At the outset of the project, a combined qualitative study of migrants in Delhi (India) and their families in Bajura and Bajhang (Nepal) was planned. Yet due to the political upheaval and insecurity, fieldwork in Far West Nepal could not be carried out. For the time being the main research site was therefore Delhi. The data are drawn from three months of field research, mainly in Delhi in 2002. Secondary data from earlier household surveys in Far West Nepal between 1999 and 2001 serve as the basis of the study (Müller-Böker 2003; Kollmair 2003).

These preliminary results are based on a participatory appraisal, including 65 in-depth interviews, mainly with migrants from the villages Gothpada, Singra, Seregau and Meltadi. Yet if

they participated in the same credit and savings associations, migrants from other villages were also interviewed. Furthermore, representatives from Nepalese Immigrant Associations and international donor organisations were interviewed. The author also held group discussions and participatory observations, while attending 14 financial savings and credit associations in Delhi. Further information and data are drawn from literature, statistics and the internet.

Statistical database

Some data were inaccurate or unavailable, which compounds the invisibility of migrant workers. Migration from Nepal to India (and vice versa) is undocumented, due to the open border between both countries. Besides, many migrants work in the informal sector and remain undocumented. The same holds for remittances: these are not sent through the official banking system, but are carried by hand across the border.

The official statistics from the Population Census 2001 are not consistent. The census was done in two phases: it started with the household listing operation, followed by the census enumeration. But some districts including Bajura could not be enumerated at the time of the census, due to disturbing political activities (CBS et al. 2002, p. 2). In these cases, only estimations are given in the census. For the district Bajhang, for example, different total population numbers are used within the statistics report (108,781 from household listing and 100,626 total from census enumeration, CBS et al. 2002, p. 2 and p. 5).

2 International labour migration from Nepal to India

In this chapter, the different migration patterns from Nepal as a whole, and from Far West Nepal as the poorest region of Nepal, are compared. The research sites are also introduced. The chapter also shows that international labour migration is a major economic foundation for Nepal. Special emphasis is on the organisation of migration, and on methods through which migrants obtain jobs and shelter in Delhi. Social networks are an important resource for poor people, who explore migration strategies to survive and prosper.

2.1 Labour migration patterns

Researchers and policy makers have neglected the importance of foreign labour migration as a livelihood strategy in Nepal, at least until recent years. Yet migration is an increasing phenomenon in the whole of Nepal, particularly among younger men. This fact has only been revealed through recent studies (Blaikie et al. 2002, Graner 2001, Gurung 2003, Gurung 2001, Gurung and Thieme 2002; Müller-Böker and Thieme forthcoming; Pfaff 1995; Pfaff-Czarnecka 2002; Seddon et al. 1998, 2001, 2002; Upreti 2002; Von der Heide et al. 2001; Wyss 2003; Yamanaka 2000, 2001).

Labour migration has a longstanding history in Nepal. It started before the early nineteenth century, when the first Nepalis went to Lahore to join the army of the Sikh ruler Ranjit Singh. This was even before the recruitment of the first Nepalis to the British “Gurkhas”¹ in 1815/1816 (Yamanaka 2000, 2001; Seddon et. al. 2001, 2002).

In 2001, the total population in Nepal was about 23 Million. 3,3 % of the total population was officially absent, of which the vast majority (89 %) was male. 77% of the 760,000 migrants went to India (CBS 2001).

Recently, there is a trend of migration to the Gulf and Tiger States. In 2002, for example, Malaysia announced job opportunities for 50,000 male Nepalis (Nepali Times, 15. -21.2.2002). Only recently, the Nepal government opened avenues to nineteen countries, such as Israel and Seychelles, through nearly 300 Kathmandu-based Nepalese recruiting agencies (Gurung and Thieme 2002).

¹ In the beginning of the 19th century, the Nepalese gained official recognition from Great Britain, and the British gained the right to recruit Nepalese soldiers into their army. In the Nepalese army, soldiers are generally not called Gurkhas; that designation has traditionally belonged to the soldiers serving in the British Brigade of Gurkhas. They served with distinction, gaining honors in two world wars and several other conflicts. Since 1948, as a result of a signed agreement by Great Britain, India and Nepal, Gurkhas serve in the militaries of both the United Kingdom and India, still having the reputation of being particular brave and loyal. The tradition of the Gurkha army service has thus lasted until today. (Upreti 2002, pp. 43-45) .

Table 1: Total population in Nepal (by sex)²

Total population	23, 151, 423	100 %
No. Male	11,563,921	50 %
No. Female	11,587,502	50 %

Source: (CBS et al. 2002)

Table 2: Total population absent from Nepal (by sex)

Total population absent	762,181 persons	3.3 % of the total population of Nepal
No. of male people absent	679,469 persons	89 %
No. of female people absent	82,712 persons	11 %

Source: (CBS et al. 2002) pp. 54

Table 3: Destination countries and percentages of Nepalese migrants (by sex)

	Total	Male	Female
Destination	762,181	679,469	82,712
India	77 %	88 %	12 %
Gulf States	15 %	98 %	2 %
Hong Kong	2 %	68 %	32 %
Malaysia	1 %	99 %	1 %
Other Asian countries	2.4 %	82 %	18 %
Europe	1.4 %	70 %	30 %
USA, Canada, Mexico	1.3 %	76 %	24 %
Other countries	0.6 %	81 %	19 %

Source: CBS et al. 2002, pp. 64-65.

² Tables 1 -3 are based on official statistics. Yet these figures are not consistent.

2.2 Labour migration from Nepal to India

Migration to destinations like Europe, United States, Gulf and Tiger States or Japan requires a substantial amount of financial, human and social capital. The majority of migrants lack this capital. They do not have good education or personal contacts abroad, nor do they have access to information and recruitment agencies. On top of that, they also lack the resources required to contract those recruitment agencies. Their only opportunity is to go to India and to take up an unqualified job.

Migration between India and Nepal is largely undocumented (Upreti 2002, pp. 44-45)³. Nepalis migrate to all parts of India, yet some destinations (such as Delhi, Mumbai, and Bangalore) are particularly popular. Migration of people across the Indian-Nepalese border has always been convenient, because of the compact geographical nature of the region, the socio-cultural similarities and the accessibility, due to the free border agreement. The 1950 Treaty of Peace and Friendship between India and Nepal formalised the free border movement of people between these two countries. It states that people from Nepal will be given the same facilities in India, as are given to Indian citizens, and vice versa⁴.

For 2001, official statistics show that 77 % of the total absent population goes to India (table 3). It is estimated that up to 1.3 million Nepalis work in India (Seddon et al. 2002). This is twice as high as reflected in official statistics (CBS 2002). The interviewed Nepalese Immigrant Associations in Delhi estimated the number of Nepalis in Delhi up to 200,000 people. Furthermore it is estimated that 5,000 to 7,000 girls are trafficked from Nepal to India and other neighbouring countries every year, and that 200,000 Nepalese girls and women are currently working in the sex industry in India (UNIFEM 1998).

From the 2001 census, it appears that the majority of respondents worked in the personal services sector (66 %). 12% of the interviewees worked in the institutional service sector, whereas 4% migrated for study or training purposes (CBS et al. 2002, pp. 66-67). The purpose of domestic work has not been listed specifically. Yet it is assumed that the personal service category includes domestic workers (or “domestic helpers”). The number of domestic workers in India (mostly female, excluding watchman) is estimated up to 50,000 to 100,000.

The bulk of Nepalese immigrants have semi-skilled or unskilled jobs. They work in restaurants, as factory workers, domestic workers, “chowkidars” (watchmen), “aayahs” (nursemaids), or as runners in offices and hospitals. A few lucky ones make it to the level of a lower division clerk in a government office, or become cashiers and receptionist (Seddon et al. 2001, pp. 54-55). Yet the vast majority of Nepali workers in India’s private sector are in menial and relatively low paid jobs.

³ Upreti (2002) gives an historical overview of India - Nepal migration.

⁴ Krämer (1991) gives a critical assessment of the 1950 India - Nepal Treaty.

2.3 Introduction to the research sites

The study was conducted in two very different research sites: the labour-sending region of Far West Nepal, and the labour-receiving region of Delhi, India. The villages of out-migration are Gothpada, Singra, Seragau and Meltadi in the Nepalese districts of Bajura and Bajhang (see country map Nepal). They are situated in the centre of the Far Western Development Region⁵. This region is extremely impoverished, even by Nepalese standards. This region has the lowest human development and gender equity indices within Nepal (NESAC 1998; UNDP 2002). The region is marginalised and isolated from the mainstream of development, far away from major centres of innovation, services and (inter-)national politics. The area has also been an arena of armed conflicts between the Maoists and the Nepalese army. In the villages where research was conducted, more than two-third of the population migrates (temporarily) to India for labour, the main destination being Delhi. The second research site was therefore Delhi, the capital of India.

From a linguistic and ethnic viewpoint, Far West Nepal is remarkably homogenous by Nepalese standards. 99 % of the inhabitants of Bajhang and Bajura belong to the so-called hill castes, which make up more than 40 % of the overall Nepalese population (HMG 1999). The daily life of this community is governed by many severe rules of interaction, which are more strictly practised than in other parts of Nepal. The majority of the population belongs to the high Hindu castes, which are distinctly separated from the *low castes* or *untouchables*, including craftsmen groups and musicians (Cameron, 1998). In Singra, Seragau and Gothpada, the whole population belongs to the high caste of the *Chhetris*, which again consists of different clans. In Singra, villagers belong to the *Rawal* clan. In Seragau and Gothpada, they belong to the *Rokaya* clan. In Meltadi the caste system is more complex. Some people belong to the high castes of *Bahun*, *Thakuri*, *Chhetri*, whereas others belong to the low castes as *Sarki*, *Kami*, *Damai* and *Badi* (Mueller 2001, pp. 54-55, see also Table 4).

The *riti-bhagya* system (or: patron-client system) plays a very important role in Nepal. Through this system, high-caste people have agreements with occupational low-caste people, such as tailors or blacksmiths. The low castes provide services such as sewing or metal shaping to the high-caste people, in return for a grant of grain. Traditionally, low-caste people do not own land, yet they can lease land from higher castes. Livelihood strategies are governed by these systems, which are responsible for large social disparities. Low caste people are especially vulnerable.

Subsistence agriculture is a main pillar for all Nepalis, but only a fraction of them is able to produce enough food (Kollmair 2003). Consequently, many people have to borrow grain or money. This further contributes to the already high level of indebtedness of the majority of people (Müller-Böker 2003).

⁵ Nepal is divided in five administrative regions – the Eastern, Central, Western, Mid-western, and Far Western Development Regions (UNDP 2002).

Table 4: Castes in Meltadi (District Bajhang)

“jat” (caste)	“thar” (clan or surname)
Bahun - pujari	Upadhyaya, Joshi, Bhatta, Pandey
	Padhyaya, Jaise
Thakuri	Singh
Chhetri	Thapa, Khadka (Khaneda), Karki, Bista, Bogati, Rokaya Runani, Chuwan
	Rawal , Rawat, Bohara
Waterline (“untouchable”)	
Sarki – leather work	Sarki , Bhul
Kami – smiths and others	Kami , Sunar, Luhar , Agri Okheda, Chadaka or Chandara
Damai – tailor	Dholi, Damai , Daude, Das
Badi – singer, dancer	Badi

Source: Müller 2001, p. 55; Müller-Böker 2003, p. 169; adapted by Thieme, 2003.

For those people who move for the first time from rural, Far West Nepal to Delhi, the urban environment is very alien. They have to overcome the social distance between the local AS-CrA and the urban centre. Especially at the beginning they have difficulties in coping with the increased complexity. Furthermore, due to the unhealthy urban environment and climatic change, they tend to experience health problems. For these reasons, individuals often select the cities of destination based on the experience of people who have already migrated to the same location, so that they can use existing contacts.

2.4 Labour migration from Bajura and Bajhang to Delhi

Table 5: Total and absent population from the Far Western Development Region

		% male	% female
Total population	2,191,330	50 %	50 %
Total absent population	106,035 (4 %)	86,4 %	13,7 %

Source. CBS et al. 2002, p. 1-2.

Table 6: Migration patterns for Bajura and Bajhang districts

Bajhang				
			Proportion male	Proportion female
Total population	167,026	100 %	48 %	52 %
Total absent population	13,572	8 %	79 %	21 %
Bajura				
			Proportion male	Proportion female
Population total	108,781	100 %	49 %	51 %
Absent pop. Total	5,166	5 %	85 %	15 %

Source. CBS et al., 2002, p. 2 and 57.

According to official statistics, 4 % of the population from the Far West Nepal Development Region is absent (Table 5). Nearly all migrants from Bajura and Bajhang districts move to India. The vast majority of these migrants are male (table 6: CBS et al. 2002, p. 57). In those villages of the Districts Bajhang and Bajura in Far West Nepal, where the research took place, 86% and 17% of the male and female population, respectively, migrated from time to time to work in India. This corresponds with statistics of the Far Western Development Region and the Bajura and Bajhang districts (Müller 2001; Table 5 and 6).

Some migrants take their entire family along. They stay abroad from a few months up to several years. Mapping in the village Meltadi in April 2000 showed that 15 % of all households from Meltadi moved as a household to India. In addition, 11% of all remaining households had one to four family members working in India (Müller-Böker 2003). Their main destination was Delhi. Migrants tend to follow their co-villagers, and migrate to the same destination (e.g. Delhi). They also tend to fill a similar niche in the labour market. People from Singra, Seregau and Gothpada as well as the majority of the people from Meltadi, for example, migrate to Delhi and work as watchmen. The remoteness of the villages is pointed out in Box 1.

Box 1: Route Delhi (India) – Seregau (Nepal)
From Delhi to Ban Basa (Indian Border) by bus = about 8 hours
Ban Basar to Mahendranagar by Rikshaw or Tanga = about 20 km (1 hour)
Mahendranagar to Saphe Bagar by bus = about 13 hours
Saphe Bagar to Seragau about 1.5 days walk
Travel costs: about 1,500 NR

Political situation in Far West Nepal, and its impact on migration

As a result of the crucial security problems in Far West Nepal, the migration activities have intensified. The number of migrants in Delhi is constantly increasing, as interviewed representatives of Nepalese Immigrant Associations confirmed. Migration can be regarded as a continuum between a common livelihood strategy and going on the run. Because of the political situation it has become more difficult to cross the Indian – Nepalese border. In August 2002, migrants reported that they needed a clarification to cross the border, including their place of living and family origin, costing 500 NR. It was issued by authorities of the Village Development Committee (VDC)⁶. Yet many VDC offices have been destroyed, so it has gotten more difficult to receive this form. Also, many incumbents, such as ward chairmen, migrated (temporarily) to Delhi, so they could not fulfil their duty. The interviewed migrants described the political situation in Nepal as arbitrary and hopeless. They were in the frontline between the Maoists and the government army – a reason for many to leave Nepal.

2.5 Preconditions for migration

Migrants rely on their community networks to find work and cheap accommodation, and to get established in Delhi. Jobs are often arranged through friends or co-villagers. Yet some migrants pointed out that they needed a substantial amount of seed capital to get a job in Delhi. If they want to work as a watchman, they either have to "buy" their job from a predecessor, or they have to take over the job from a relative. This was confirmed in another case study of Bajhang (Pfaff, 1995). The higher the expected salary, the more expensive it is to "buy" the job. The seed capital can get as high as 10,000 IC (about 208 US \$). Earning a salary thus depends on access to seed capital, so the chance of earning a good salary in Delhi depends directly on a migrant's socio-economic status in his or her home village.

Some people try to get a loan before they migrate. Yet wealthier families are only prepared to lend to people who have collateral, such as land. This migration strategy entails quite some risks, both for the migrant, and for the migrant's family back home. If the migrant can not repay the debt, the family stands to lose its land or livestock. Even if the migrant can repay the loan, it can be quite a costly undertaking, since the interest rates are quite high (3 - 10 % per month). This reflects that migration may lead to greater indebtedness. Once they arrive in Delhi, the migrants have different patterns of borrowing, and distinct strategies for managing debt. These patterns will be outlined in chapter 3 about Savings and Credit Associations.

⁶ Nepal has a two-tier local government system. It is based on „VDC/municipality and District Development Committees“ (DDCs). Municipal and village bodies are elected directly, and representatives elected by the VDCs and municipalities form an ex-officio electorate for DDC elections (UNDP 2002, p. 76).

2.6 Working and living conditions of Far West Nepalis in Delhi

What kind of jobs do Nepali migrants from Bajura and Bajhang have?

Most of the interviewed male Nepalese migrants from Far West Nepal were watchmen. For Indians, Nepalis are de facto watchmen, (*“chowkidars”*), equipped with a stick and a whistle, and with the fading reputation of the bravery of Gurkha soldiers. Most of the male Far West Nepalis work in the night as watchmen, and in the morning as car cleaners. This is called *“double duty”*. Every morning they make a round, going from one family to the other to clean their cars. They usually earn about 150 IC (3,20 US\$) per car per month. They usually clean 8 to 10 cars per day, so they earn, on average, 1,200 IC per month. The income of working as a watchman in the evening varies between 800 to 4,000 IC (17 to 85 US\$) per month, depending on the number of houses the migrant has to look after. The average income of a watchman is 1,500 IC per month. Watchmen have to collect their money from each household or shop at a specific day of the month.

Housekeeping and night watching are both defined as *“domestic work”* (Ramirez-Machado 2000). Domestic workers do not work under contract, so they lack social security, provident funds and weekend leaves. They do not get paid during the sick period and in the worst case they also lose their job when they fall ill.

If women migrate along with their husbands, they have to manage their own families, or even a joint household (if they are living together with co-villagers). Some women take up a job as a cleaner in a household. They receive about 100 to 300 IC (2 to 6 US\$) per household per month. They prefer to work only for one household, yet some women work for up to 12 households. In working for several households, delays happen and they easily get in trouble with their other employers. One interviewee mentioned that women who are better educated and literate can better bargain with their employers. Yet uneducated and illiterate women are not in such a position. Young boys also get employed as domestic workers, as long as they are not old enough to work as a watchman.

In Delhi, watchmen are especially at risk of getting attacked during their night duty. Their job can be described as *“permanent temporary”*. As soon as something happens, or when a watchman is not giving enough security, his employer can fire him. The situation gets especially bad when the migrant has just arrived, and has just paid his predecessor to get the job. In that case he has hardly made any money to repay his debt.

From a family perspective, this type of work is also not very good. The watchmen’s wives are left alone during the night. This is particularly dangerous, in light of their poor and unsafe living conditions in neglected housing quarters and slums. If the whole family lives in Delhi, the children can go to school. Migrants considered the education of their children as the main advantage of staying in Delhi, hoping that their children would not have to work as watchmen or domestic helpers in future.

Nepal has signed nine international conventions, which protect workers against different vulnerabilities (Annex 1). But these conventions do not apply for most informal sector workers,

due to lack of awareness among the migrants, and ineffective implementation of these conventions (Gurung and Thieme 2002).

How to become a watchman?

There are basically five possibilities to get a job as watchman in Delhi:

- Taking the job over for free, from friends or relatives;
- Friends or relatives organise a job for free;
- Taking a job over from somebody, and having to pay the return ticket for the predecessor to go home to Nepal;
- Taking a job over from somebody, but having to pay an amount of money for the job;
- Initiating a new colony (city quarter) in Delhi.

For the fourth possibility, different arrangements were explained. Someone may have to pay an amount of 3,000 to 4,000 IC for a job with a salary of 2,500 IC. Alternatively, someone may have to pay his predecessor 500 IC per month until he comes back, while earning a salary of 3,000 IC. A successor may also have to pay (usually 500 IC per month) to the ROSCA⁷ of the person who left to Nepal, until this person comes back.

Migrants consider their networks as essential. The predecessor can be seen as a kind of guarantor, who introduces the new watchman to the house owners or the responsible person of the quarter. He also guarantees that the newcomer will be as trustworthy and brave as his predecessor. As a watchman in Delhi in August 2002 stated:

“... otherwise nobody believes you, because we Nepalis are unskilled and unknown.”
(I 55).

A migrant can also initiate a new “beat” (i.e. colony, or city quarter). In this case, he has to visit all the shops and houses in the area, and set up agreements, trying to realise a monthly income between 2,000 and 4,000 IC (42 and 85 US\$). This strategy is quite difficult, because he is unknown in the area, and has to gain the confidence of these people.

A good opportunity to find a job in Delhi is over Dassain, the autumn harvest festival. During this period, many Nepalis return home, so it is easy to make contacts, and find a short-term job as temporary replacement for a watchman or a car cleaner.

⁷ A chit is a savings and credit association. These are often run by migrants. Chits are explained in detail in chapter 3.

Living conditions

The migrants in Delhi live under very different circumstances than what they were used to in Far West Nepal. They share rented rooms, live in huts, slums or even on the street without any shelter. Most of the slums are found on illegally occupied land. This accommodation is unauthorised, but the authorities are indecisive about what should be done with them.

The migrants who live in slums in Delhi recorded that they feel under threat, as a result of the extensive slum clearing programmes. Nobody knows when the slum will be destroyed, and most migrants do not have the right to get a replacement or compensation when their slum shacks have been cleaned, due to their undocumented status. Due to this continuing sense of impermanence, their huts are often makeshift dwellings, made out of bricks and mud with thatched or thin roofs covered with polythene, or corrugated iron sheet. Some more daring dwellers have taken the risk of constructing permanent dwellings, despite of the threat of demolition. Yet these homes are still very small and congested, housing many more people than health norms permit (see Haider 2000).

For example one group of migrants was already living on the street, because their slum was torn down and they did not get any support in finding substitutes. They had a shelter made of wood and fabric, but did not have electricity anymore and the next water pipe was 5 minutes walking distance away. Finally they found a substitute and planned to move soon after having taken the interview in March 2002.

If they live in slums or on the street, they lack basic infrastructure, such as water, electricity or proper drainage. In the cases observed, they do not have permanent water supply, but use public water tanks. These tanks which come in the morning and evening to parks or central points in the city. The migrants can obtain water from these tanks for free. The power supply is also often lacking.

Box 2: Managing basic needs
A group of migrants from Gothpada lived in a small hut in Old Rajendra Nagar, New Delhi, close by their city quarter, where they worked as a night watch. They did not have electricity, so they paid an electrician 100 IC, to make an illegal connection between their dwellings and the nearest electric pole. Since they did not have a toilet, they used the bushes. (The public toilet, which cost 1 IC per use, was not in their city quarter, so it was too far away.) Through a good relation with the nearest shop owner, they received discounts on their shopping and could pay on a monthly basis. They cooked mostly by themselves.

Migrants have very limited contact with Indians. They mainly interact with nearby shop owners, or sometimes with people who live in the houses where they work as a watchman. But most watchmen meet their employers only when they collect their salary.

Box 3: Shelter problems

A woman from Singra stayed with her whole family in Delhi. The family lived in a hut, which they bought some years ago for 20,000 IC. They did not ask for, or get any proof of ownership from the landowner. The latter promised them that the hut would belong to them, and that they would never have to pay rent again. In August 2002, there were construction plans for the land, so their hut should be demolished. Because the family could not prove their property right of the house, they were absolutely powerless.

What do the migrants consider as their major problems?

Many migrants mentioned that Nepalis are increasingly blamed for theft. In case something happens, the problem is blamed on the whole Nepali community in Delhi. This is a threat for life, and their reputation as a watchman. Migrants also lack knowledge about labour rights, and do not have any bargaining power with their employers. A migrant's wife mentioned that men drink a lot, and that they sometimes gamble and waste money.

In Delhi, there are a number of Nepalese Immigrant Associations. They organise cultural and social welfare events, and share knowledge about labour rights and immigrant's rights. They also fight against women trafficking and prostitution, and organise cultural events and literacy courses. They are in contact with the Nepalese embassy in Delhi and with the police, and encourage migrants to contact the associations, the embassy or the police if their basic rights are being violated. They also try to represent the Nepalis in the public. Despite these efforts, most of the interviewed migrants do not have contact with these associations. Many migrants had not even heard about them.

Yet there were positive factors as well. Migrants consider it as most positive that they can send their children to school, and provide them a better education, as they would get in Far West Nepal. They can also get reasonable medical treatment, and they simply acknowledge the fact that they have the possibility to earn money.

Recapitulating, it has been shown that migrants depend on their familial and social networks in finding a job and a place to stay. Homelessness or joblessness does not necessarily mean that the migrants operate in a social vacuum. Yet the economic and social conditions of their family members or co-villagers in Delhi may be poor. This limits the extent to which they can rely on help from others.

3 Savings and credit associations in Delhi

This chapter reviews the structures and significance of the two main credit and savings associations used by the migrants in Delhi, namely a ROSCA, or ‘*chit*’ and an ASCrA, or ‘*society*’. It also addresses their strengths and weaknesses, looking at why they are so important for the migrants in Delhi and in what way migrants really benefit from them.

3.1 Origin of savings and credit associations

Migrants often need bigger amounts of money than they earn per month, so that they can repay their debts, and support their families back home. Migrants mentioned that the extended families put a lot of pressure on them to send money back home. They do not acknowledge the fact that migrants face higher living costs in Delhi. Drinking and gambling are also important reasons why men need money urgently.

Migrants have had difficulties accessing a bank loan, so they established a variety of financial self-help associations in Delhi. Financial self-help groups are found around the world, mainly in low-income countries. They existed long before the introduction of money into an economy, when the means of payment were rice, cowries or clothes (Bouman, 1995a; 1995b; 1999)⁸.

The main systems run by Far West Nepalis in Delhi are ROSCAs and ASCrAs. These financial self-help associations have money saving and lending as their primary function. The main difference between the two lays in what happens to the funds. It is not clear whether ASCrAs have developed in parallel with ROSCAs, or whether they have developed evolutionary, i.e. whether the ASCrA is a further development of a ROSCA (or vice versa), or whether they developed independently. Bouman (1995b) lists about 80 countries in which ROSCAs are known to operate. ASCrAs have not attracted that much attention by researchers so far (Bouman 1999).

A ROSCA is a group of individuals who make regular, financial contributions for the creation of a fund. The group meets regularly. At every meeting the group allocates the fund to one member of the group at a time. The allocation of funds takes place on the basis of a prearranged principle. Once a member has received a fund, s/he will no longer be a candidate for future allocations, until the ROSCA cycle ends. The allocation of the funds can take place on the basis of two possibilities. The first possibility is that the allocation of funds is determined before, or at the first meeting. This can be done according to the seniority of the group members, or on the basis of a lottery or negotiations. In this case, every member draws from the fund as much s/he puts into it, in accordance with the principle of ‘*balanced reciprocity*’.

The second possibility is that the order of funds allocations is not determined in advance. In this case, the fund is allotted through an auction (i.e. through bidding) among those participants who have not yet received money. Here, the person who makes the highest bid, wins the pot. The price that the winner pays, is added to future pots (or sometimes distributed among

⁸ Mühlich (1999) and Seibel and Schrader (1988) describe the evolution of credit relations in Nepal.

the ROSCA members). The ROSCAs with this mechanism are called bidding or auction ROSCAs. (Klonner, 2001). This method applies to the ROSCAs that are described in this paper. In the latter method, not all group members receive the same amount of money.

ROSCAs have different names across the world. In India, they are called "*chit funds*", "*chits*" or "*committees*", whereas in Nepal they are called "*dhikuti*" or "*dhikur*". In Cameroon, they are called "*tontine*", while in Peru they are called "*pandero*" (Bouman, 1995b, pp. 129-137). In India, ROSCAs are widespread. Originating in South-India (Bouman, 1995b; 1999; Rakodi and Lloyd-Jones 2000) the ancient Indian ROSCA fund was already in existence before the advent of British Rule. They were originally based on grain contributions, but later on they changed into a monetary "*chitty*" (Bouman 1995b). Only migrants who had worked in South India, or who knew colleagues with working experience from there were aware of ROSCAs. Originating in South India, ROSCAs are still today more common in South India than in the North.

The original approach of grain contribution was recalled by a migrant in Delhi, who participated in two ROSCAs (Delhi, August 2002). He said that the ROSCA reminded him of a system that existed in his village in Nepal. In this system, villagers contribute grain in times of need. They call it "*dhanya byaj*", which means "rice interest". It was devised 30 years ago, in response to natural disasters and food-shortages. It is not used regularly, but only when some families are in need. Today, ROSCAs come in different forms and levels of sophistication.

All interviewees that were familiar with ROSCAs, came from the Bajhang district. Remarkably, none of the interviewed migrants from the Bajura district were involved in ROSCAs. Often they had not even heard about this system. This could be due to the fact that villagers from Bajura district - with very few exceptions – do not migrate to South India. It suggests that migration plays a very important role in the dissemination and use of different kinds of credit and savings associations. It would be interesting to do further research on this issue.

Some migrants found it easier to run a ROSCA today, compared with some years ago, since everybody knew the rules by now. ROSCAs used to operate on the basis of smaller groups and smaller amounts of money. But now that people know the rules, so they can play in larger ROSCAs, and with bigger amounts of money. It is also important to have some courage to participate in a ROSCA. Members are aware that they can get a bulk of money, but also lose a big amount. This explains why some people prefer not to play in ROSCAs.

Before they played in a ROSCA, people borrowed money from friends or from better-off co-villagers, such as teachers. These people lent the money against high interest rates. Very good friends did it without charging any interest. Some people still make use of these informal lending systems. Alternatively, they may sell their livestock if they are short of cash.

According to the interviewees, running a ROSCA in a village in Nepal would be impossible. They attributed this to the low levels of income, the irregularity of their salaries, and caste issues. According to the traditional rules, people from different castes are not allowed to interact in various situations, such as sharing a room, food or water, so they would never engage in

financial matters together. The Damai (low caste, see table 4), for example, are “untouchable” for Chhetris (high caste).

Commercial ROSCA funds

While originating in the informal economy, ROSCAs have become a big business in urban settings. In some major cities, large ROSCA fund companies run as many as 10,000 auction ROSCAs simultaneously. The steady growth of commercial (auction) ROSCA funds has induced Indian legislators to pass a specific law that regulates this part of the financial sector⁹. The Government has also set up a Chit Fund Department, to control the activities of the Chit Fund Companies and to publicise registered Chit Fund companies and disqualified chit fund companies¹⁰.

Customers of commercial ROSCA funds usually don't interact with other members of the ROSCA group to which they belong (Klonner, 2002). Auction ROSCAs are an exception in this respect. If members do not interact, the organiser or chairman has a bigger responsibility to enforce payments. Yet in commercial ROSCA funds, the company collects the contributions, and pays the winner of a ROSCA. Members are not even aware of defaults or late payments by other participants (Klonner 2002, pp. 2-3).

In Nepal, “*dhikuti*” or “*committee*” is the most common form of Rotating Credit Association (see Box 4). A *dhikuti* has the same basic principle as a ROSCA. They are found in different degrees of sophistication. ROSCAs and *dhikutis* were originally set up for the poorer members of a community. Yet they have evolved into a largely commercialised and regulated system of small-enterprise finance. At the same time, informal *dhikutis* still exist.

⁹ As the first of its kind, the Travancore Chitties Act went into effect in Kerala 1945 (Klonner, 2002, p. 3). The Tamil Nadu Chit Fund Act and the Madras Chit Funds Act were passed in 1961 and the Madras Chit Funds Act was extended to the Delhi Chit Funds Rules in 1964. To have an uniform chit fund legislation, applicable to the whole country, the India Chit Fund Act was enacted in 1982. The act requires each chit-fund company to obtain a license from the state government and rules minimum capital requirements. The latest and currently effective revision of 1993 also puts a ceiling of 40 % of the chit's amount on the bidding. And for individual chits, the amount that can be raised by the foreman had been raised from 25,000 IC to IC 1 lakhs (100,000) (<http://www.blonnet.com/iw/2000/11/12/stories/0712g014.htm>).

¹⁰ Internet link Chit Fund Department: <http://www.delhichitfund.com> and <http://www.chitfund.com>.

Box 4: Dhikutis in Nepal: from ROSCAs to Finance Companies

Dhikuti is the Nepali term for a rotating credit association. The term can be translated as “storage box” (for valuables or food grains). Dhikuti originated from a system of communal food grain storage for the poor. Members of a dhikuti contribute equal amounts of money at regular intervals, and allocate them to one member at a time. The rotation of payments is typically determined by bidding (secret tender). The fund goes to the lowest bidder, with the exception of the first and last payment (Seibel and Shrestha 1988). The first payment always goes to the chairman of the dhikuti. The last payment goes to the one member that has not yet received any payment. Resources are solely derived from internal savings mobilisation. Total savings range between US\$ 50,000 and US\$ 500,000. These funds can be allocated to group members. This is remarkable for an economy with a low degree of monetisation.

Originally, dhikutis were formed to provide capital to the poorer members of the community, and for other community members. Yet today, dhikutis have evolved into major informal financial organisations for small enterprises. This is mainly due to the lack of viable alternatives, particularly in terms of formal financial institutions. Banks procedures are too cumbersome, and services are often inaccessible.

Shortcomings

Dhikutis have several shortcomings. There is no permanent loan fund that members can access in times of need. The bidding system also makes investment planning difficult. Furthermore, there is no way in which dhikutis can access funds for refinancing, and the system has some problems to mobilise savings. The drop-out risk of early recipients of the fund is also high. Furthermore, the rigidity of fixed monthly contributions is also an obstacle to its members, since they usually have irregular incomes. If small excess incomes are not collected on the spot, they are often consumed before they can be invested in the dhikuti. Finally, the demand for credit was a direct result of the absence of saving deposit facilities. As people wasted their daily income, they frequently needed a loan to meet their working capital requirements. (Seibel and Schrader 1999; Seibel and Shrestha 1988). Some shortcomings may be addressed if dhikutis could be linked to a commercial bank. Yet this does not seem a realistic option, due to their non-permanent nature and the immediate disbursement of funds. This makes it impossible to keep money in a bank. (Seibel and Shrestha 1988).

Innovations

In the late 1990s, a remarkable institutional innovation occurred. After a change in the legal framework, (the introduction of the Finance Company Act), finance companies could be established (Seibel and Schrader, 1999). A dhikuti organiser subsequently introduced a new financial technology: he employed a deposit collector who provided daily doorstep collection services. Three years later, a dhikuti organisation transformed into the “Himalaya Finance & Savings Company” (HFSC). This company provides doorstep savings collection services to low-income people throughout the country. It also introduced individual technologies. It provides medium-term savings contracts and medium-term loans. Seibel and Schrader (1999) think that HFSC is ready to transform into a bank, and to pursue an even more vigorous course of internal resource mobilisation (Seibel and Shrestha 1988; Seibel and Schrader 1999).

3.2 Comparing ROSCAs and ASCrAs

3.2.1 Similarities between ROSCAs and ASCrAs

ROSCAs and ASCrAs have a number of characteristics in common. Annex 2 provides an overview of all observed ROSCAs and ASCrAs in Delhi. The main purpose of ROSCAs and ASCrAs is to provide savings and lending services. They are both voluntary, autonomous and membership-based organisations with their own objectives, rules and organisational patterns. They are established for, and by the poor and non-poor alike. They are self-sufficient and self-regulating, and have installed their own control mechanisms. As such, they are independent from legal, fiscal, and financial authorities (see also Bouman 1995, p.374).

The rules of the game are written down, and records and accounts are audited. The chairman is the key person in a ROSCA or ASCrA. In ROSCAs, this person is often referred to as the "agent". He has to make sure that the rules are applied, and is ultimately liable for any losses. Successful chairmen or agents are usually very charismatic. They are supported by a secretary and treasurer. Everybody who receives money or takes a loan from a ROSCA or ASCrA, is obliged to bring a guarantor.

ROSCAs and ASCrAs have strict and regular meeting schedules, standard contributions, and standard fines for non-payment. They are always run at the same location, and meetings take place at fixed days and hours. They generally take place between the 7th and the 12th of the month (because most people receive their salary between the 6th and 10th of the month). During this time, one can observe group meetings in parks all over Delhi. Migrants who come to Delhi for the first time, are often introduced to the rules and practices of ROSCAs and ASCrAs by experienced co-villagers. ROSCAs and ASCrAs are dominated by men, even though they generally allow women to participate. According to the interviewees in Delhi, women have only recently started to establish their own ASCrAs. Women interviewees said that, as long-term residents, they wanted to form social spaces that were exclusively for women.

3.2.2 Differences between ROSCAs and ASCrAs

The main difference between a ROSCA and an ASCrA is what happens to the fund. These differences are best illustrated through examples. Below follows an explanation of the basic principles of ROSCAs and ASCrAs. Figure 1 shows a basic example of the ASCrA with three people contributing 100 IC each. The money is paid in only once (at the outset). The ASCrA initially accumulated 300 IC. From this amount, members can take loans at an interest rate of 10 % per month. The principle of compound interest is not applied. Due to interest repayments, the volume of the ASCrA account increases. As a result, members have better chances of borrowing larger sums of money if they do not take the initial payment. The value of the member's savings also increases. This explains why an ASCrA is an Accumulating Savings and Credit Association (ASCrA).

Figure 1: Basic principle of a society (ASCrA)

Outset of the ASCrA		
<ul style="list-style-type: none"> Members pay their financial contribution only once (at the outset) 		
Person A contributes 100 IC	⇒	300 IC is put into the ASCrA
Person B contributes 100 IC		account, from which all members can take
Person C contributes 100 IC		a loan

Taking a loan - only simple interest, no compound interest
<p>At the beginning of the cycle, the account contains 300 IC</p> <p>Person A receives a loan of 100 IC</p> <p>200 IC remain in the ASCrA account</p>
<p>In the 1st month, person A gets a loan of 100 IC. S/he pays 10% interest per month</p>
<p>In the 3rd month, person: A repays the loan (100 IC).</p> <p>S/he also pays 20 IC interest (10 % * 100 IC * 2 months)</p> <p>The total repayment is therefore 120 IC</p>
<p>After this repayment, the account contains 120 IC (repayment) plus 200 IC (the amount that remained in the account). The total amount in the account is therefore 320 IC.</p> <p>The ASCrA has accumulated money (it increased from 300 IC to 320 IC)</p>

Figure 2: Basic principle of a chit (ROSCA)

1st month: chit meeting		
Member A contributes 500 IC	⇒	Person A receives 1,500 IC
Member B contributes 500 IC		
Member C contributes 500 IC		

2nd month: chit meeting		
Member A contributes 500 IC	⇒	Person B receives 1,500 IC
Member B contributes 500 IC		
Member C contributes 500 IC		

3rd month: chit meeting		
Member A contributes 500 IC	⇒	Person C receives 1,500 IC
Member B contributes 500 IC		
Member C contributes 500 IC		

In the example in figure 2, three people agreed to contribute 500 IC per month to create a fund. The monthly pooled savings of 1,500 IC are immediately redistributed among the members, on the basis of a rotation system. The rotation will continue until each member has received his share. At that time, the ROSCA comes to an end. During a life cycle of the ROSCA, each member receives money only once. Therefore the ROSCA is called a Rotating Savings and Credit Association. ROSCAs come in very different kinds and sophistication. All ROSCAs observed in the study were of the “bidding” kind. This means that the person with the highest bid wins the pot. The price that winner has to pay, is added to the fund (yet in some cases it is distributed among the ROSCA members.)

Figure 3 summarises the results from observation of 3 ROSCAs and 11 ASCrAs in Delhi. ASCrAs have a broader set of objectives than ROSCAs: they do not only focus on individual goals, but also fulfil group goals. The ROSCA system promotes the welfare of the individual, while ASCrAs tend to promote collective success.

Figure 3: Comparison of main characteristics of ROSCAs and ASCrAs

<i>ROSCA</i> Rotating Savings and Credit Association ("Chit")		<i>ASCRA</i> Accumulating Savings and Credit Association ("Society")
monthly	meeting	monthly
monthly	contribution	once (at the outset)
500 IC (about 11 US\$)	amount	100 IC (about 2 US\$)
about 100 members	number of members	30 to 100 members
1. by auction/bidding 2. during the lifetime of a ROSCA, each member gets money once	allocation of money	joint decision by members, whenever needed
larger sums (about 20,000 IC)	money provided to members	mainly smaller sums (up to 1,000 IC), but sometimes as well bigger sums, examples were 8,000 IC and 20,000 IC
steady income of adequate size	preconditions	no steady income required
necessary	guarantor	necessary
private purpose	use of money	1. private purpose 2. communal purpose
<ul style="list-style-type: none"> no interest (if the principle of balanced reciprocity applies) bidding ROSCA: the borrower who's prepared to offer the highest bid, also pays the highest interest 	interest	simple interest

ROSCAs

Having explained the basic principles of a ROSCA, this paper will elaborate on more detailed operations of a ROSCA, on the basis of an example that was observed in Delhi in August 2002 (Box 5). This ROSCA has 113 members from 12 different villages, all of them from the district Bajhang (including the village Meltadi). They agreed to contribute 500 IC (about US\$ 11) on the 10th day of each month, to create a fund. The monthly-pooled savings of 56,500 IC (about US\$ 1,200) are immediately redistributed in rotation among members, until each member has received his or her share. At that stage, the ROSCA comes to an end. Sometimes a new ROSCA is started immediately afterwards.

Box 5: Example of a money auction (ROSCA meeting, August 2002)

Contributions: 113 members paying in 500 IC each \Rightarrow total sum: **56,500 IC (about US\$ 1,200)**

Rules: The highest bidder wins. The winner does not actually receive the entire sum that is available in the ROSCA. The bid is subtracted from the total amount available (i.e. 56,500 IC).

Auctions: During this ROSCA meeting, two auctions took place.

First auction:

The highest bid was 40 000 IC

56,500 IC

- 40,000 IC

16,500 IC \Rightarrow money received by the first
successful bidder

Second auction:

The highest bid was 39,600 IC

56,500 IC

- 39,600 IC

16,900 IC \Rightarrow money received by the second
successful bidder

56 500 IC (about US\$ 1,200, total monthly sum, paid by 113 members)

- 16 500 IC (about US\$ 350, first payment, received by the first successful bidder)

- 16 900 IC (about US\$ 360, second payment, received by the second successful bidder)

23 100 IC (about US\$ 490 remained in the ROSCA at the end of the meeting)

As a rule, the chairman receives the first payment (56,500 IC) at the very first meeting. This can be seen as a salary, because he is liable for any losses during the whole period during which the ROSCA is running. At subsequent meetings, the 56,500 IC are allocated, by auction, to those participants who have not yet received their share. The allocation of a loan from the ROSCA is a one-time affair: a member has to wait for the next cycle to get another loan (unless s/he holds two or more shares or participates in more than one ROSCA, which happens often). The number of allocations is not fixed in advance. It depends on the number of participants who need the money most urgently on a particular day. Usually, two people get money per month, but if more people are in need, up to three people can receive money. In this ROSCA, the highest bidder wins the fund. The successful bidder does not receive the entire amount available in the ROSCA. Instead, the bid is subtracted from the total sum available (56,500 IC), and the difference is disbursed to the successful bidder. The remaining

money is kept in the ROSCA, for the next month. Some members, who do not win the bid, still need money urgently. These people can get a short-term loan from the remaining money at an interest rate of 10 % per month. Some members do not make their payments, so the value of the ROSCA can decrease.

At one point, the chairman only received 24,000 IC, so he could not even pay the two persons who had won the auction. This shows that the reliability of other ROSCA members is very important. This issue is further analysed in the section on weaknesses of ROSCAs (paragraph 3.2.3), and in Box 7.

Members have to make equal contributions at regular intervals, so they need a rather steady income of adequate size. The lifetime of a ROSCA depends on the number of members and the duration of their contributions. The ROSCA in the example was established in August 2000. Two years later, 79 out of 113 ROSCA-members had already received their share. Members typically invest their loans in agriculture, house construction, weddings, school fees and religious ceremonies.

ASCrAs

The activities of an Accumulating Savings and Credit Association will be explained through the ASCrA of the village Gothpada in Far West Nepal. The idea for the establishment of this ASCrA came up in 1990, during the Dasai festival, a fifteen-day autumn harvest festival. During this period, migrants from Delhi usually return home to Nepal to celebrate the most important festival for the Nepalis. The main reasons for the establishment of the ASCrA were that migrants needed a possibility to lend money to villagers in need. They wanted to invest money, not only privately, but also for the benefit of the whole village.

At the beginning, only a small group of migrants contributed to the ASCrA, but some months later all migrants had contributed 100 IC in the mutual fund. Delhi hosts about 120 migrants from Gothpada. From every household of the village, at least one person works in Delhi. These migrants meet every month. At the meeting, new loans are made and old loans are repaid. Requests for loans are not automatically granted. They require a decision by the ASCrA board, or the consent of the members.

The migrants who make a contribution, represent “their household” from Gothpada, and all the villagers are considered members of the ASCrA. The 100 IC were paid in only once, at the beginning of the process. From these collected funds, loans are made to ASCrA members. Interest rates are quite high, at 10 % per month. This was done to accumulate money in a short time. Yet in August 2002, this rate was decreased to 3 % per month. As a consequence, the opportunity for borrowing increased. A part of the accumulated amount of money is in Delhi, whereas another part of the money is transferred to Nepal. Migrants who go home to Gothpada, take some money along. Loans can thus be taken in Delhi and in Gothpada. The cash that is accumulated through the ASCrA, is invested in community projects in the village back in Nepal.

This ASCrA is a success story. From the income of this ASCrA, a food depot and a school in the village are run. The substantial investments have led to a more complex organisation structure, as described in Box 8. The fact that only citizens from this village can become members of this ASCrA, makes its control and administration relatively simple. Another important point is that all the villagers belong to the same clan (“*Rokhaya*”), which is part of the high Chhetri caste. It can be assumed that the caste and clan solidarity also contributes to the success of the ASCrA. Some villages have more than one ASCrA, due to intra-village conflicts or different investment interests.

Women ASCrAs

The migrants never felt that ROSCAs or ASCrAs would be exclusively for men. But out of the three ROSCAs¹¹ that were interviewed, only in one ROSCA two women were present. This can be partly explained by the fact that the majority of migrants are men. Only few women accompany their husbands. Some of them wished to form their exclusively female social space, so they established their own ASCrA. Wives who had been in Delhi for a while, formed “women ASCrAs”.

Box 6: A women ASCrA in Delhi, India
<p>In May 2002, 11 women established their ASCrA. They got to know each other through their husbands, who also participated in ASCrAs. Like in the men’s ASCrA, higher and low castes were mixed (Rawal, Dholi, Luhar). This shows again that different castes act together in Delhi. The main reason for establishing this ASCrA was, that the women never have time to meet. They wanted to form their own exclusively space for social exchange, as the comment of an ASCrA member shows:</p> <p><i>“We did not want men in our society, because we do not want to witness how our husbands sit together and drink. And many wives are too shy in the presence of their husbands.”</i> (I 60/61)</p> <p>They benefit from saving money and having the possibility to borrow money if needed. They meet once a month. In the beginning they contributed 150 IC each. Now they borrow the money with 10 % interest. Every woman they trust (also non-ASCrA members) can borrow money, if they bring a witness. Their goal was to accumulate 20,000 IC in the ASCrA, to distribute it among the members. This ASCrA does not invest the money in a common project. The interviewed woman said she preferred to invest the money for her children’s education.</p> <p>The majority of the members were from villages which are not related though intermarriages. They said that people from their own village, or from marriage-related villages lived too far away to meet regularly. This shows that if people stay longer in Delhi, their inter-relations in Delhi become more important than their inter-relations to their villages of origin.</p>

In the Nepalese ASCrA, women move to the home of their husbands’ parents after they get married. They leave their families, and now belong to the village of the husband. If a woman from Seragau gets married to a man from Singra, she automatically belongs to Singra. If she

¹¹ One group called their association „committee“, but the rules and regulations were the same as in the chits.

and her husband migrate to Delhi immediately after the wedding, it is thus possible that she has never been in Singra (or only once for the marriage). Furthermore, the longer migrants stay in Delhi, the more important the relations in Delhi seem to become, compared with those in Nepal. This also explains why migrants break strict traditional rules of caste interaction.

Access to ROSCAs and ASCrAs

The preliminary results of the study show that ASCrAs are more homogenous than ROSCAs. In ASCrAs, people often belong to one village or different villages which are related to each other by marriage. This means that they belong to the same caste, and that they can interact freely with each other. This facilitates common investments in their village. Such free interaction is for example not possible between Chhetris and Damai. (Damai are “below the water-line”, or untouchable). Yet ASCrAs become more heterogeneous when migrants stay longer in Delhi, and prefer to save money privately instead of jointly investing money in their home villages.

ROSCAs have a more heterogeneous membership. One does not necessarily have to be a member of a specific village to gain access to a ROSCA. Membership does not necessarily depend on origin, caste or gender, but is more based on personal relationships and trust. Actually, the element of trust plays an important role in the functioning of ASCrAs and ROSCAs. One key principle is the use of peer group pressure to guarantee repayments. ROSCA membership also draws upon professional and neighbourhood relations in India. Box 7 gives an example of a ROSCA in Delhi. In this example, a low caste person (“*Damai*”) chairs the ROSCA. This would be unacceptable in Far West Nepal.

Because of the homogenous membership in the ASCrAs, people are more inclined to make common investments in their villages of origin. Whenever the membership becomes more heterogeneous, with members belonging to different castes who traditionally do not interact, common investments in their villages of origin are much more difficult, or even impossible. This is due to the fact that joint investments would reveal that people from different castes interact more freely in Delhi, which is still unacceptable in the more traditional context in rural Nepal.

Participants of ROSCAs were asked why they were together in a ROSCA. They explained that they were related by intermarriages, that they knew each other from their home villages, or from living or working together in Delhi. This helps them to enforce repayments. They also could screen whether people would gamble or drink too much. Such people would be excluded as participants in the ROSCA.

At the same time, it was interesting to hear that some members participated in more than one ROSCA. One person even participated in 20 ROSCAs at the same time, together with his brother. In every ROSCA he had to contribute 500 IC. The brother also contributed to the monthly payments of 500 IC. The interviewed person mostly took part in the ROSCA meetings because he was more experienced in bargaining than his brother. Of course, he could be a risk for the ROSCA group because he had to contribute a total of 10,000 IC per month. Be-

sides, he was at risk of losing money in the other ROSCAs, and he found himself in a network of credit dependencies.

He could pay his contributions, since he had different kinds of job, and earned a good salary. He earned a total salary of 12,000 IC from jobs as a watchman, a car cleaner and a factory worker. As reason for taking part in that large number of ROSCAs he gave:

“Problems are coming and going, I always need money. And the chit is the only place where you can get a bulk of money. In the year 2000 I bought land in Dhangari, than I started to build a house because I want to let it later.”

Some members do not bid by themselves, but ask a more experienced person to do it. Some people are real experts in bidding, so they get paid to bid for others. In one case, a successful bidder earned 500 IC.

3.2.3 Strengths and weaknesses of ROSCAs and ASCrAs

Strengths of ROSCAs and ASCrAs

ASCrAs and ROSCAs arise from members' initiative, so the commitment among their members is usually very high. This is a major strength of both types of organisations. Another advantage is that they can quickly mobilise contributions for sudden financial crises such as hospitalisations or marriages. Especially in a ROSCA, members (except the last recipient) have quicker access to a large sum of money or a commodity than when saving individually. A further strength of the ROSCA is that it binds the members to save regularly, and thus to accumulate savings. Whether or not the accumulation of savings will have a lasting impact on the individual members depends on how these members use the money. Migrants stated that they do not trust banks, so they also prefer this informal system above depositing their savings in a formal bank. ASCrAs and ROSCAs keep the money in local circulation, rather than channelling it to the formal system.

As one ROSCA participant mentioned, he was aware about the high interest and risks, but he said:

“the advantage of the chit is, that you can be sure that the chit will be there for you”
(chit participant, August 2002, Delhi)

ASCrAs and ROSCAs are multi-functional organisations, which offer their members more than only financial support. They also disseminate information on housing, boarding, employment opportunities, remittance transfer or simply on socialising issues. They supply the migrants with a point of stability and a means of integration between traditional and modern structures, between village and urban lifestyles. As such, these organisations ease the transition of rural migrants to the urban environment.

A particular strength of ASCrAs is that they contribute to the development of their community or village of origin. Many villagers see it as their moral obligation to contribute to their community. This depends very much on the number of Nepali migrants from a particular village that reside in Delhi, how well they get along with each other and whether their ASCrA is running well. It also depends on how many family members remain in the village in Nepal, and to what extent the migrants feel committed to contribute to the livelihood of their co-villagers back in Nepal.

Figure 4: Strengths and weaknesses of ROSCAs and ASCrAs

ROSCA Rotating Savings and Credit Associations (“Chif”)	ASCrA Accumulating Savings and Credit Associations (“Society”)
STRENGTHS	
<ul style="list-style-type: none"> • high level of commitment to contribute and repay 	<ul style="list-style-type: none"> • high level of commitment to contribute and repay
<ul style="list-style-type: none"> • social occasion / purposes 	<ul style="list-style-type: none"> • social occasion / purposes
<ul style="list-style-type: none"> • individual benefits 	<ul style="list-style-type: none"> • individual benefits
<ul style="list-style-type: none"> • saving money 	<ul style="list-style-type: none"> • investment in villages
<ul style="list-style-type: none"> • quick access to money Large sums about 16,000 IC = \$340 	<ul style="list-style-type: none"> • quick access to money Generally smaller sums up to 1,000 IC / \$ 20. Sometimes also larger sums up to 8,000 IC = \$160
WEAKNESSES	
<ul style="list-style-type: none"> • dependency on continued participation of members 	<ul style="list-style-type: none"> • dependency on continued participation of members
<ul style="list-style-type: none"> • fails if people can not rely on each other 	<ul style="list-style-type: none"> • fails if people can not rely on each other
<ul style="list-style-type: none"> • high interest rate 	<ul style="list-style-type: none"> • often high interest rate
<ul style="list-style-type: none"> • order of rotation determined by auction 	
<ul style="list-style-type: none"> • no balanced reciprocity in fund sharing, if the ROSCA is of the bidding kind 	
<ul style="list-style-type: none"> • fixed monthly contribution (possible obstacle for people without any regular income) 	

Migrants also exchange their experiences. People from Gothpada mentioned that migrants from seven or eight other villages from their VDC Kada got inspired by their ideas, and also established an ASCrA.

Weaknesses of ROSCAs and ASCrAs

Although ROSCAs and ASCrAs form social security networks, they also have weaknesses (Figure 4). ROSCAs were found to entail more risks than ASCrAs to perpetuate debt and dependency, because of their order of rotation¹². Migrants reported both positive and very negative experiences with these financial self-help associations.

Weaknesses of ROSCAs

The success of a ROSCA depends heavily on its members' continued participation. The longer a ROSCA runs, the higher the risks and benefits. Towards the end of a ROSCA cycle, more people have received their share, so that less people are bidding. The remaining people thus have better chances of receiving more money. The last person will get the whole amount, because nobody is bidding anymore. However, there is also the risk that people will stop contributing to the fund, so that participants risk losing money. In ROSCAs, the sums are also higher than in ASCrAs, so ROSCA members risk losing more money. There is a high risk that the ROSCA will finish before everybody receives their money. Cases were also found where the chairman was highly indebted, because of his responsibility to cover the losses incurred in current and previous ROSCAs (see Box 7). Migrants revealed that some people did not get the full amount of money, although they had won the bid, because not all members paid their contribution, and the chairman did not have adequate funds. In these cases, payments were postponed, in the hope that the missing money would eventually be paid. Peer group pressure on defaulted payers seems to be very limited. One main reason is the high number of participants.

Box 7: Experiences of a ROSCA-chairman

It is the fourth time that Mr. Damai is the chairman of a ROSCA. He initiated the fourth ROSCA in August 2000, because he needed to repay debts from his previous chairmanship. He also needed money to pay his daughter's wedding. As the chairman, he is responsible for members' monthly payments (of 500 IC). If he does not receive these payments, he has to replace the sum by himself, because all the ROSCA members will come to him and demand their money. He has only limited power to put pressure on defaulting members, as he commented: "*What can I do, I can not beat them, I can only trust them*".

As a chairman, he got 56,000 IC (about US\$ 1,200) at the first ROSCA meeting. Yet from this amount, he had to repay his debts. The first time he chaired a ROSCA, he made some money, but during the last two ROSCAs he lost substantial sums. The first time he lost 19,000 IC (US\$ 413). The second time he lost 45,000 IC (about US\$ 960). He expects to lose money again this time. The majority of problems arise when people leave Delhi and go back to their villages, or when they get ill or lose their job, and can no longer make regular payments.

(Interview with Mr. Damai, Delhi, August 2002)

¹² This is based on observations of ROSCAs and ASCrAs in Delhi, run by migrants from Bajhang and Bajura districts.

The rigidity of fixed monthly contributions is another weakness, considering the fact that the vast majority of people make their money in the informal sector, where income is irregular and daily, rather than regular and monthly. If small excess incomes are not collected on the spot, they are consumed and fail to be converted into savings (look at Seibel and Shrestha 1999).

The order of rotation in ROSCAs is also a disadvantage for its members. A player can not be sure when s/he will receive the fund, and when s/he does so, the moment might be inappropriate. If the money in a ROSCA comes too early, the extended family may try to get a share. If it comes too late, the ROSCA member may have lost the opportunity of a lifetime. This means that ROSCAs can not provide their members one of the essential products offered by financial intermediaries, namely liquidity. In an ASCrA, on the other hand, the allocation of the fund is based on a member's needs, not on an auction.

Thirdly, many ROSCAs operate according to the principle of balanced reciprocity. This means that each participant contributes the same amount; drawing from the fund as much as s/he has put into it. Yet this is not the case for the auction-ROSCAs, where participants bid for the fund. Through the auction system, the players themselves set the interest rate: the borrower that makes the highest bid, gets the fund, but s/he also pays the highest interest. In Delhi, Far West Nepali migrants only engaged in auction-ROSCAs. In these ROSCAs, each member does not necessarily draw out of the pool or fund as much as he puts into it.

Fourthly, the members of the ROSCA often know each other well, which should ensure that everybody pays in regularly. This can also become a disadvantage: if people know that somebody is in urgent need of money, they can either bid very low (if they sympathise with somebody), or bid very high (if they do not like that person).

Weaknesses of ASCrAs

An ASCrA can not provide such a large amount of money as ROSCAs do. Yet on the other hand, the risk involved in ASCrAs is also smaller. Both the interviews with migrants and the observations of financial self-help associations have shown that ROSCAs can entail greater risks for participants than ASCrAs. (This is due to the smaller amount of money that is contributed as a one-off payment at the beginning of an ASCrA.)

ASCrAs also charge a high interest rate. Therefore, many people prefer to borrow money from a money lender, instead of participating in an ASCrA. A teacher from a neighbouring village of Gothpada, (*Jarimtola*), for example, lent money to some co-villagers who had migrated to Delhi. He lent amounts between 2,000 and 10,000 NR to 10 people from the villages Gothpada, Jarimtola and Biradigau. According to him, these borrowers did not have to pay interest. Instead, they had to pay his travel to Delhi. People apparently preferred to borrow money from him, because the high interest rate of 10 % in the ASCrA in Jarimtola was very high. He thought that Jarimtola had four to six ASCrAs.

This money lender was convinced that the basic problem with ASCrAs was the lack of infrastructure and lack of education. He also stated that many people do not have access to banks, and do not know how to use them.

“There are no banks in the surrounding of the villages. The only one I can think of at the village level are Grameen Bank and Agricultural Bank (Kristi Bank), but they are not linked to the State Banks in Delhi. These banks should be linked with each other and thereby provide access to the normal people and migrants, that they can send their money through these banks.”

One senior migrant from *Singra* said that members are afraid of the Indian police, so they do not dare to hold ASCrA meetings in parks anymore. Hence, they just send their money home directly, or spend it in Delhi privately. Migrants also reported that their ASCrAs had collapsed due to the lack of reliable members. As a consequence, the village had no benefit from the scheme. A person who initiated an ASCrA, explained that some members were gambling, drinking and losing their money, whereas some people just did not care about social work. That is why they did not support the school project properly.

In another ASCrA that was not running well, the interviewed migrants blamed it on “caste conflicts”. Low-caste people from *Luharbedo* established an ASCrA with high-caste people from their neighbouring village of *Singra*, because they were working and living close together in Delhi. Yet due to caste conflicts, they could not sustain their ASCrA. At the same time, there are other examples where members from different castes join the same ASCrA, and get along well with each other.

Another weakness of a ROSCA is its duration. It lasts about two years, yet many migrants do not intend to stay in Delhi for such a long time.

At the same time, there was a growing phenomenon that people from Nepali villages (in Bajura) came more frequently to Delhi to ask for money from the ASCrAs. As a result of the political circumstances in Nepal, job opportunities further decreased. Many people with a wage job also did not get paid for months. So people had to borrow money from each other. They first asked people in the village, but eventually depended more and more on the migrants in Delhi. This trend was increasing since early 2002.

3.3 Impact of ASCrAs on the development of villages in Nepal

As mentioned before, members of an ASCrA often invest their savings in their villages of origin. The ASCrA of the village Gothpada is a very good example. Its investments in the village are illustrated below:

Box 8: The Gothpada ASCrA invests in the community

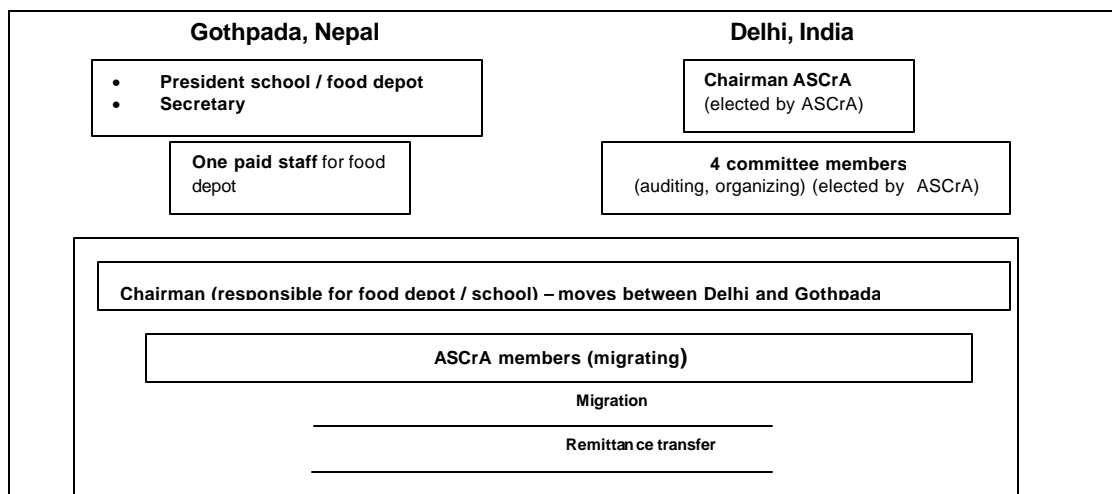
The Gothpada ASCrA is run by migrants (who live in Delhi) and their families (who live in Gothpada). The migrants contribute most of the money. The ASCrA funds community projects, including a food depot and a primary school. Other ASCrAs in Delhi used money for traditional purposes in their home village, such as temple reconstruction or religious celebrations. The application process for community investments is as follows: in Gothpada and in Delhi, the members of the ASCrA indicate their preferences. Based on the importance of these preferences, the ASCrA decides how to invest the money. By the beginning of 2002, the ASCrA had invested 100,000 to 150,000 NR (approx. US\$ 1,250 – US\$ 1,870) in the village. In August of the same year, migrants sent another 70,000 IC to Nepal.

Food depot: villagers from Gothpada often suffer from food shortage. Therefore, the ASCrA has set up a rice depot. Villagers can access this depot in times of food shortages. Porters carry the rice from another village to the depot, during a one-day walking trip. The rice is relatively cheap, and the profit is reinvested in the depot (Kollmair, 2000, field research in Gothpada). The Gothpada ASCrA pays one person who is working at the food depot. If necessary, villagers can get food on credit from the ASCrA of Gothpada. Outsiders can also purchase rice from the depot, yet they do not receive any credit. People who have taken a loan from the ASCrA, can repay their debts by carrying rice. The villagers call this “carrying off debts”. For example, by carrying 10 kilograms rice, someone has carried off 60,50 Rupees. (Kollmair 2000, Interviews Gothpada).

School: the ASCrA also finances a primary school. It pays one teacher and has paid for the construction work for the school. The government also finances two teachers, and makes other contributions to the school.

The ASCrA has made some changes to its management system, to better handle the community investments. In Delhi, the ASCrA has elected a chairman for the food depot and school. He is assisted by a committee, that takes care of organisational matters and auditing (see Figure 5). The chairman travels regularly to Gothpada, to check if the money is being transferred, and to assess whether the money is being spent according to the plan.

Figure 5: Organisation chart of the Gothpada ASCrA (Interview August 2002, Delhi)



4 Remittance transfers to Nepal

This chapter gives an overview of various remittance transfer methods, and describes remittance patterns between Delhi and (Far West) Nepal. The second part of this chapter focuses on the hand carry system, which is used by all interviewed migrants.

4.1 Overview of remittance transfer methods

Remittances are „the money that migrant workers bring or send back home, to their country of origin“. Remittances are transferred to Nepal through the hand carry system, the “*hundi*” system, or through commercial banks. In the case of the hand carry system, migrants or their friends take remittances with them when they go home to visit their family. The commercial bank system is self-explanatory. The hundi system is explained in detail below. Nepali migrants send their money back home mainly through informal channels. This is partly linked to the undocumented migration, and is a major reason why official figures grossly underestimate the real value of remittances to Nepal (Seddon et al. 2001).

In 2002, formal remittances to Nepal were about NR 12 billion (US\$ 150 million), whereas informal remittances have been estimated at some NR 72 billion (US\$ 900 million). This implies that only about 17 % of total remittances comes through official channels¹³. Nepali commercial banks have been criticised in local newspapers for not assisting migrant workers to transfer remittances back home.

Hundi

“Hundi” or “Hawala” is an indigenous, informal banking and money transfer system (Passas, 1999). Funds are transferred without an actual movement of money. This system predates conventional western banking¹⁴. A hundi is an unconditional order made by a person directing another person to pay a certain sum of money to a person named in the order. The terms “hawaladar” and “hundiwala” refer to the hawala and hundi operator.

Some researchers date hawala or hundi back to more than a century ago, when Indian immigrant communities in Africa and South East Asia devised it as means of settling accounts. Others place the origins of hundi / hawala several centuries ago, when traders sought a secure system to transfer money, and through which travellers found a way to protect themselves against thieves (Buencamino and Gorbunov 2002; Passas 1999).

¹³ Nepal News, 15/02/03

<http://nepalnews.com.np/contents/englishdaily/ktmpost/2003/feb/feb15/> (from 2874/2003).

¹⁴ The Arabic root “h-w-l” means „change“ or „transform“. “Hundi” means “bill of exchange” or “promissory note”. The word “hundi” is commonly translated as trust. It is a generic term, used to denote instruments of exchange in dialect and derived from the Sanskrit root “hundi” meaning “to collect” (Passas, 1999, pp. 11, (<http://www.museum.rbi.org.in/m-hundi.html>, 29.4.2003).

Hundis, being a part of the informal system, have no legal status in India and are not covered under the Act that regulates bills of exchange, promissory notes and cheques (i.e. the Negotiable Instruments Act 1881). They are normally regarded as bills of exchange, even though they were more often used as equivalents of cheques, issued by indigenous bankers (<http://www.museum.rbi.org.in/m-hundi.html>, 28.4.2003).

Box 9: Remittance experiences in Pokhara, Nepal

A case study by Wyss (2003) from Sainik Basti, near Pokhara, shows that the migration and remittance pattern in this village is very different from the pattern in Far West Nepal. The main findings from 50 qualitative interviews can be summarised as follows:

In 2002, 12 % of the population from Sainik Basti was abroad. 11,5 % of the population had returned from a job abroad. Migrants went mainly to the Gulf and Tiger States, India and Japan. The majority of migrants sent money home, yet the amount varied from a few dollars (sent by migrants in Hong Kong and India, who could hardly cover their living expenses from their salaries) to US\$ 960 per year (sent by one migrant in Japan). The amounts of remittances varied along with migrants' wages. Yet a high salary did not automatically imply that remittances would be high, since migrants who earned high wages, also often had high living expenses. Migrants used different kinds of transfer systems to remit money. The following transfer systems were used:

Hand carriage

Hand-carriage is the most common form of remitting money to Nepal, especially among migrants in the Gulf States and India. In India, hand carriage is the only system that is used. Migrants may either carry their remittances themselves, or give them to family members or friends, who travel to Nepal. If a migrant carries the money by him- or herself, it does not cost anything. The migrant also does not have to look for trustworthy persons that can take the money with them, nor does s/he need any documents. Yet the migrant should be registered in the host country. If not, the migrant runs the risk of not being allowed back into the host country. The police could also possibly identify and prosecute the illegal immigrant. With only two exceptions, the interviewed migrants did not face any problems in carrying their money home.

If migrants give their remittances to a family member or a friend, the transfer is also free of charge. Migrants can also send other, small things, such as letters and pictures. These friends often work for the same company. The interviewed migrants who gave remittances to their friends, also did not have any problems or got cheated upon. Legal migrants from Malaysia often take money along from illegal migrants. Depending on how many reliable colleagues a migrant has got, s/he may or may not send money home regularly.

Migrants change their remittances in their host country into US dollars. In Nepal, remittances are changed into Nepali Rupees (in banks, or preferably on the black market). Migrants from India and the Gulf States bring the national currency along. Many migrants from Saudi Arabia also bring gold with them. They can sell the gold at a profit in Pokhara or Kathmandu. Yet gold is a subject to tax, and there are limitations of import, depending on the migrant's salary.

“Hundi” system

Hundi is very common for sending money from other Asian states than India. Migrants that have worked in the Middle East, Hong Kong, Malaysia, Japan, South Korea, Taiwan and western countries used the hundi system (amongst others). Depending on the sending country, the money does not flow directly to Nepal, but flows via other hundi centres like Hong Kong or Dubai. Sometimes the money is first converted into gold or other goods. Only once it arrives in Nepal, it is reconverted into cash. The hundi system is more prevalent when migration is illegal. None of the interviewed migrants recorded any losses or bad experiences with the hundi system.

Bank system

The third possibility is to transfer remittances through banks. This was only used by very few migrants, mainly staying in Western Europe. The main problem was, that most migrants, and especially their families in Nepal, are not familiar with banking services. So it becomes almost impossible for the recipients to obtain the money. The bank transfer is also very slow. It can take two to three weeks until the money arrives at its destination. Furthermore, illegal migrants can not obtain a bank account in their host country, and many (rural) areas in Nepal simply lack the required bank infrastructure. Yet in the case of Sainik Basti, it only took people 30 minutes to go to the nearest larger city (Pokhara), where many banks can be found. The bus ride is also cheap, at only US\$ 0.16.

The main reasons for not using a commercial bank is the lack of banks, limited knowledge about commercial banking and the slow transfer process. (Hand carriage and hundi are much faster.) People also trust their traditional ways of remittance transfer more than they trust commercial banks (Wyss, 2003, pp. 84 - 90).

4.2 Remittance transfer between Delhi and Far West Nepal

Nepali migrants in India mainly use the hand carriage system to send money home. They either take it home themselves, or give it to close relatives or other people from their village. There is a lot of movement of people between Delhi and Far West Nepal, so there are many opportunities to remit money. The hundi system is not operational between Nepal and India (Seddon 2002, Wyss 2003). This may be due to the frequent movement of people between India and Nepal, as a result of which there are many opportunities to remit money through family or friends.

Migrants also send gifts (especially clothes), letters, and information (such as the latest news and the family needs) back home. Most migrants mentioned that they only had to cover travel costs, if they remitted money through their friends. Yet some migrants also had to pay their friends a small “salary” (about 200 IC). They remit the money in Indian rupees. Upon their arrival in Nepal, they convert it into Nepali Rupees. They change money mainly on the black market, but sometimes they also change it at the commercial bank.

The main problem of this hand carry system is that the risk of losing money, or getting robbed, is quite high. Several interviewees had such negative experiences. If migrants go home with a lot of money, they may get poisoned at the border, or chilli powder may be thrown in their eyes when they stop at a teashop, after which their money gets stolen.

When the political situation worsened, the risks also increased, and migrants were checked more frequently at the border. The free border movement between Nepal and India remained, yet border crossing between these countries became more complicated. All 65 interviewees reported that they now had to show their citizenship card or a VDC clarification. On the way to the border they had to pass several check points. The police was described as arbitrary. Another migrant told that he had been obliged to pay a bribe of 100 IC, so that he could cross the border. He had to pay the bribe because he was carrying 20,000 IC, and many presents for his daughter's marriage. (Interviews in Delhi, August 2002). Representatives of the Nepalese Immigrant Associations try to encourage migrants to go to the police, and get their registered. Yet many migrants are afraid of the Indian police, and think that they either won't believe them, or abuse them.

Members of ASCrAs and ROSCAs often carry large amounts of money. Some interviewees said that they would travel in small groups, if they remitted large amounts of money. (During one interview, members of an ASCrA said that they wanted to bring 70,000 IC to Nepal. They planned to go in a group of three people, hoping to spread the risk of theft. If they would go in a group of three people, they could protect each other. They had carried such large sums before, and never faced any problems.) Remittances from India are mainly spent on consumer goods. The purchase of land and livestock do not have a high priority.

How many remittances are sent?

Not all workers in India are able to send money home regularly. The average value of remittances from India to Nepal 1996) is NR 10,532 (around US\$ 172) per year (Nepalese Living Standard Study (1996), cited in: Seddon et. al. 2001: 55). Yet these figures have not been scientifically proven. The interviews suggest that the average monthly remittance was 1,000 IC (US\$ 20), and that money was sent irregularly, and in varying amounts. Yet no quantitative survey was done.

Some migrants do not remit any money or goods, but rather "eat out", as another case study in a village of the district Bajhang confirms (Pfaff-Czarnecka 2002). Migrants from wealthier regions like Pokhara mainly go to the Gulf and the Tiger States. They send higher amounts of remittances (up to US\$ 960 per month) to Nepal (Wyss, 2003).

Use of bank services

The vast majority of the interviewed migrants have no access to a bank account. The experiences of two people who have a bank account are pointed out in box 10.

Migrants were asked why they did not use a bank to save or remit their money. The main reasons given were:

- They do not have a ration card or voter's identity card (These are the only cards that provide identification in India.)
- They are not familiar with the banking system:

“... but even if we would have a bank account, we could not use it because we are not familiar in using a bank ... People do not know how to use a bank and they have their “mind set” and think it is good as it is now” (Mr. Damai, Delhi, 8/2002)

“For Nepalis who have a government job or work in a factory, it is easy to get a ration card, but as watchman not, because watchmen generally work informally.” (Mr. Rokhaya, Delhi 8/2002)¹⁵.

- They prefer the ROSCA or ASCrA system:

“Attending a chit is like a compulsion, all the relatives and friends play, you know each other so you automatically get involved. And if you would save money at a bank account you do not have the compulsion to save money.” (Mrs. Damai, Delhi, 8/2002)

The social pressure of participating in a ROSCA should not be underestimated. This was mentioned several times during the interviews. Migrants confirmed that many members do not only have financial obligations to ROSCAs, but that these networks also support people in finding jobs and shelter. ROSCAs and ASCrAs are also a favourite way of socialising, and through ASCrAs, home communities are being developed.

Many migrants favoured the idea of having access to a bank, even though they doubted that they could get it. The key problem still remains: people who send and receive remittances do not (frequently) use commercial banking services. Additionally, in the villages in Far West Nepal banks do not exist, while in India many migrants do not have a ration card to get access to a bank.

¹⁵ This statement was confirmed by the representatives of Immigrant Associations and by other interviewed migrants.

Box 10: Experiences with banking

Mr. R., from a village in Bajhang, is a customer of the Punjab State Bank in Delhi. To become a client he needed a ration card. The bank does not have a branch in Far West Nepal. So if he wants to remit money, he gets a draft in Delhi, goes to the Indian side of the border, cashes the draft (in India) and carries the money over the border, to Far West Nepal. He wished that there would be a bank that had branches in Delhi and in Far West Nepal.

Mr. Rawal once had a miserable experience. He saved 10,000 IC, and wanted to keep it in a safe place. He was still living in a slum, and did not want to keep the money in his hut. So he decided to leave it in a safer place. Therefore he gave the money to an Indian shop owner, who he knew well. He asked the shop owner to put the money in his bank account. But he did not demand any proof. Three months later, he asked the money back, but the shop owner said that he needed it, to pay for his son's school. He promised to pay it back within the next months. But so far he never received his money back. Mr. Rawal asked his neighbours if they could help him. But they explained him that it is very difficult to claim the money back without any proof. They recommended him to open a bank account. He now puts his money in his own bank account." (Delhi, 8/2002).

A vice-president of an Immigrant Association mentioned that they have been discussing the "bank problem" already for years. He said that in 2001, the prime-minister of Nepal came to India to discuss this matter. He promised to open a Nepalese bank in India, but so far nothing happened. At the moment, The State Bank of India is the only bank which has a branch in Nepal, namely in Kathmandu. But Kathmandu is too far away from Far West Nepal.

5 Conclusion

Labour migration to India has been fuelled by impoverishment, indebtedness and unemployment in Bajura and Bajhang, by the long-standing tradition of migration and by job opportunities in Delhi. Working as watchmen and their participating in financial self-help groups in Delhi, the migrants have managed to find an economic and social niche.

Nepalese labour migrants working in Delhi are facing problems because of their undocumented status, informal work, illiteracy, lack of knowledge about labour rights, existing supportive facilities like embassies, banks, existing Nepalese Immigrant Associations and economic literacy like income, spending, saving, borrowing, sending money home etc. These issues compound their invisibility. Most migrants do not acquire any new skills or attitudes, so their marginality is maintained.

To cover their living costs, travel expenses and other expenditures such as marriages, they take a loan, either from a wealthier family in their villages of origin, or from savings and credit associations in Delhi, which are run by the migrants from the villages. Many migrants also have to repay the debt that they incurred to “buy” a job in Delhi. Many consider debt as panacea, or at least as a tool to manage their livelihoods. Yet debt can also impoverish them, and make them dependent.

To what extent do financial self-help associations support or hamper migrants to manage their income, and increase the amount of remittances that they can send to their families?

Supporting factors

Two savings and credit associations were identified, namely ROSCAs (or: “*chits*”) and ASCrAs (or: “*societies*”). Both have saving and lending as a primary function. They are the predominant source of financing for any kind of bigger investments. The lack of viable (formal) alternatives is a main reason for their existence. Private money lending is very rare, and migrants hardly use commercial banking services. Banks are virtually inaccessible for migrants. On top of that, both the migrants and the remaining families are not familiar with the banking system.

The impact of financial self-help associations goes far beyond the frontiers of the financial landscape into other fields, such as social security, social life and community development. ROSCAs and ASCrAs have another advantage: they instil motivation and discipline among their members. Migrants like them, because they are familiar with these systems, and they are user-friendly.

ROSCAs and ASCrAs make it possible to accumulate money, but of course it depends on the members how the money is used. The main flow of the money is directed to private consump-

tion, durable consumer goods, payment of school fees, ensuring survival and improving the quality of life. In some cases, money is invested in land and housing.

The main difference between ROSCAs and ASCrAs is that ROSCAs are only used for private investments, whereas ASCrAs are also used for collective investments in migrants' home villages. Examples of such investments include the (re-)construction and financing of schools, temples and food depots. For a short time, women started to establish their own ASCrAs.

Hampering factors

On the other hand, research has shown that ROSCAs can also perpetuate debt and dependency. ROSCAs entail more risks than ASCrAs. Migrants may also stay longer in Delhi when they participate in ROSCAs. If they would go back home to Nepal, they could never earn enough money to repay their debts.

Many Nepali migrants in India borrow from one source to repay another (or to make interest payments). They often find themselves tied into an expanding network of credit dependency. The rigidity of high fixed monthly contributions to a ROSCA, also seems to be an obstacle for many migrants. Because of its tie to long-term debt, migrant labour to India is often unproductive and unprofitable for the migrants. A further weakness is the lack of instant access to credit, which implies that the migrant does not necessarily receive the money when s/he needs it most urgently. Other disadvantages are the speculative nature and moral hazard of bidding, the drop out risk of early fund recipients, and the lack of legal status. If members default, it is difficult to redress to litigation, as the ROSCA is an informal organisation that is outside the protection of the law.

How can formal and informal financial services contribute to migrants' remittance strategies?

The key development issue is not how to reduce migration, but how to reduce its social and economic costs and increase its returns, especially for the poorest. It is important to consider the inter-family, intra-family and community relations in Nepal and in India. Individuals and groups relate to their family and other kinship structures in a specific way, and these issues should not be overlooked. Migrants are governed by strict caste rules of interaction. These rules affect people's access to key resources such as land, labour, finance and social capital. A holistic and integrated approach is needed, through which people can gain knowledge, information and power, and get a better deal on their savings. The following issues and recommendations should be at the hearth of such an approach¹⁶:

¹⁶ These recommendations are also based on the evaluation of the development of a "dhikuti" into a finance company in Nepal, as was shown in Box 4.

Informal financial self-help associations

- Informal savings and credit associations play an important role in the lives of migrants and their families. Despite the analysed weaknesses, positive aspects cannot be ignored. Self-help associations have their own ways through which they help their members.
- People must be better informed of the advantages and disadvantages of savings and credit associations.
- Ways should be explored through which the rigidity of high fixed monthly contributions can be overcome. A more flexible system of saving, withdrawing and repaying money should be introduced.
- Informal savings and credit associations should be upgraded and mainstreamed. Networking among these associations would be one way to achieve this. International organisations could support the establishment of a network.
- Members should be free to choose whether their association remains an informal organisation, or whether it obtains a semi-formal or formal status. The latter may bring advantages, but may also generate bureaucracy.
- Management and decision making of the association has to be kept in the hands of the poor.
- ASCrAs dispose of a permanent fund, so they could be linked to a bank. This would bring advantages, in terms of additional interest earnings, security and possibly access to other financial services, including money transfer services. ROSCAs do not dispose of a permanent fund, so it is not possible to link them with a bank. ROSCAs could deposit the balance between the bidding amount and the full amount of the fund in a bank account, to earn more interest¹⁷.

Formal financial institutions

- Lack of formal banking systems was mentioned several times as an obstacle to remit and invest money in Far West Nepal. There is a strong need for better banking facilities, to transfer money between India and Nepal. It should become easier, cheaper and safer to remit money through formal channels. Ideally, there should be a bank that has branches in Far West Nepal and in Delhi.
- Possibilities should be explored on how to expand the outreach of formal financial services in Far West Nepal. The Himalayan Finance and Savings Company (HFSC) could possibly play an important role in this regard. It allegedly wants to expand into the Nepal hill regions, where this kind of micro-finance is virtually non-existent¹⁸. This intention

¹⁷ Aliber (2002) also explored possibilities and experiences made in linking informal and formal finance.

¹⁸ Source: Seibel (2000).

should be followed up. The HFSC and the authors of the articles could be approached (i.e. Seibel and Shresta 1988, Seibel and Schrader 1999, Seibel 2000).

- Banks should look into migrants and their families as a potential target group. They could consider developing specific remittance and savings products for this target group. This should also imply that they lower the entry requirements for migrants.

Other issues

- The statistical information about migration from (Far West) Nepal to India should be improved.
- Migrants should become better aware of their rights as workers. This can be done through training programmes, and links with government labour offices and NGOs. The Nepalese Immigrant Associations may also play a role in this regard, yet it should be kept in mind, that most migrants from remote areas of Nepal are not organised in associations.
- Conditions of employment should be improved, through better access to health services, education, skills training and social security.
- Economic literacy about income, saving, spending, borrowing, banking, sending remittances and gender issues can help to increase the economic power of migrants. Migrants should also be encouraged to pass on their economic literacy knowledge to newcomers in Delhi, and to their family members in Nepal.

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Relevant websites

- <http://www.blonnet.com/iw/2000/11/12/stories/0712g014.htm>
<http://www.delhichitfund.com>
<http://www.chitfund.com>
<http://www.museum.rbi.org.in/m-hundi.html>

Annex 1: Conventions signed by the Nepal Government

Nepal became a member of the International Labour Organisation (ILO) in 1966. Nepal has so far only ratified the following nine conventions :

- a) Discrimination Employment and Occupation Convention No. 111, 1958
- b) Equal Remuneration Convention No. 100, 1951
- c) Minimum Wage Fixing Convention No. 131, 1970
- d) Weekly Rest Convention No. 14, 1921
- e) Tripartite Consultation No. 144, 1976
- f) Right to Organise and Collective Bargaining Convention No. 98, 1949
- g) Minimum Age Convention No. 138, 1973
- h) Forced Labour Convention No. 29
- i) Worst Forms of Child Labour Convention No. 182

(Source: Gurung and Thieme 2002)

Annex 2: Overview of chits / committees

Table 7: Overview of ROSCAs/committees with members from Meltadi

Name	Locality	Origin of members	Members	Invoices	contribution (interest p.m. if not paid in on time)	Total in IC	Cycle	Establ.	Salary chairman/ agent	Usage of remaining money	Disburse ments per meeting
chit	Delhi	11 villages, VDCs Pata Dewal, Kaluketi, Mahjigaon, Parakatne, Paivnath; District Bajhang (including Meltadi)	98	155	500 IC (5 %)	77,500	monthly	8/2000	first round (77,500 IC) plus 100 IC before each tendering	keep it for next meeting or short loans on 5 % i.p.m.	2 - 3
chit	Delhi	12 villages, VDC Majhigaon, Lamtala, Jimdaud, District Bajhang, one person from VDC Kada, District Bajura (including Meltadi)	113	113	500 IC (20 %)	56,500	monthly	8/2000	first round 56,500 IC	keep it for next meeting or short loans on 10 % i.p.m.	2 - 3
Committee	Delhi	7 villages, VDC Majhigaon, District Bajhang, (including Meltadi)	108	108	500 IC (5 %)	54,000	monthly	2/2000	first round 54,000 IC	keep it for next meeting	2 - 3

One group called their rotating savings and credit associations “committee” and not chit, but the rules and regulations were similar, as the chairman as well confirmed. As well he said that “committee” is the Nepali term while “chit” is for them the Indian term.

Table 8: Overview of ASCrAs with members from Gotphada, Seragau, Singra, Meltadi

(Data from August 2002. Societies are constantly dissolving, and new societies are being formed. The interest rate also keeps changing.)

Name	Locality	Origin of members	meeting	Amount of contribution at the outset	interest	use of money	Investment	Condition of society
society	Delhi	Gotphada	monthly	100 IC	3 %	village	food depot, school, religious celebrations	good
society	Delhi	Meltadi, Bodeketalo, Dhunket, Dholibedo, Darugau: VDC Majhigaon, District Bajura	monthly	—	—	communal	school which is used by all villagers	failed
society	Delhi	Seragau, District Bajura	monthly	100 IC	?	village	temple construction	not running well
society	Delhi	Singra, District Bajura	monthly	100 IC	3 %	village	investments for religious festivities	running well
society	Delhi	Singra, District Bajura	monthly	100 IC	3 %	private	private	running well
society	Delhi	Singra, Loharbadi: District Bajura; Purtu: District Acham	monthly	100 – 200 IC	3 %	private	private	running well
society (women)	Delhi	Singra, Loharbadi: District Bajura; Purtu: District Acham	monthly	100 – 200 IC	10 %	private	private	running well

society	Delhi	Seragau, Singra, Meltola, Thalgaun: District Bajura	monthly	100 IC	5 %	village	temple roof construction	running well
Society (women)	Delhi	Singra, Dholibedo, Loharbadi: District Bajura	monthly	150 IC	10 %	private	private	running well
society	Delhi	Singra, Dholibedo, Loharbadi: District Bajura	monthly	100 IC	5 %	none	none	not running well
Dalit Forum (society)	Delhi	Meltadi, Chaunalya, Saunegaun, Silkabada, Majhigaon: District Bajhang	monthly	100 – 150 IC	?	communal	school which is used by all villagers	not running well