

Financial Self-Help Associations Among Far West Nepalese Labor Migrants in Delhi, India*

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Labor migration to India is the most important source of income for people in Far West Nepal. To better understand the effects of labor migration, a research analyzing why and how migrants invest their money in financial self-help organizations was undertaken. Fieldwork was conducted in the communities of origin in Nepal and migrant communities in India. Based on the study, the paper provides an overview of the existing financial self-help associations, their strengths and weaknesses, accessibility and possibilities of benefits and losses for the migrants and their families. The major conclusion is that migration helps to improve income or security but can also undermine a household's financial situation by perpetuating debt and dependency.

Introduction

In Far West Nepal - an area extremely impoverished even by Nepalese standards - international labor migration has been an integral part of the livelihood strategies of the majority of people for several generations. Migrants' remittances are mainly used for consumption purposes; to some

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extent they are also used for savings purposes. In order to mobilize these resources, savings and credit associations are very popular among migrants. The formation of these associations suggests that formal financial organizations are either inaccessible to migrants, or they fail to meet their needs.

This article focuses on how migrants invest their money in savings and credit associations. Two main models of the savings and credit associations are compared, namely rotating savings and credit associations (ROSCAs), or chits; and accumulating savings and credit associations (ASCRA), or societies. These two models have three main functions: security, economic, and socializing. The security function ensures support for people in search of jobs and shelter, and in cases of illness or death. The economic function lies in the association's capacity to provide loans and safekeeping facilities, and funding for collective investments and community development initiatives. The socializing function refers to meetings and discussions among the members. These positive aspects, however, are countered by the possibility that these associations can perpetuate debt and dependency among members. This article aims to analyze the strengths and weaknesses of both kinds of associations. It sheds light on how migrants earn their income, how they gain and retain access to resources and opportunities, and how they deal with risks and negotiate social relationships (DFID, 2001). Finally, some programs and activities to increase the benefits from remittances and reduce the risks of migration are discussed in the concluding section.

The analysis uses a livelihoods framework to analyze social capital (Chambers and Conway, 1992; DFID, 2001; Phillips, 2002), which consists of the relations and networks developed by the migrants to survive and improve their livelihoods. This perspective corresponds with recent approaches in migration research, which emphasize that migration is strongly embedded in societal rules and norms and structured by institutional rules and regulations (Boyd, 1989; Massey, 1990; Kritiz et al., 1992; Castles and Millers, 1993; Portes and Sensenbrenner, 1993; Goss and Lindquist, 1995; de Haan and Rogaly, 2002).

Data and Methodology

Data for this study came from fieldwork carried out in Far West Nepal and Delhi (Figure 1). This project was part of a larger research project titled "Nature and Society" which investigated living conditions and livelihood strategies of the people in the buffer zone of the Khaptad National Park in Far West Nepal. Parts of the National Park were mapped through a geographical information system (GIS), which revealed different livelihood indicators (Müller, 2001). The three villages of a Village Development Committee (VDC) in Bajura district and four hamlets from a VDC in

FIGURE 1
RESEARCH SITES



Bajhang district were chosen for this study. Because the people from the four hamlets of Bajhang district always named their living place as one “village” we have adapted it and named it village D. The other three villages are named A, B and C.¹

In all four villages participatory rural appraisals (PRAs) were carried out; in three of them (villages A, B and D) household surveys were also conducted. The research was carried out by the second author Müller-Böker and a four-person research team (Müller, 2001; Kollmair, 2003; Müller-Böker; 2003). In the household surveys of the three villages A, B and D (which had a total of 217 households with about 1,700 people) the heads of each household were interviewed on their livelihoods in general. However, the questionnaire did not focus solely on migration. Questions on caste, number of family members, absent family members/absent families, destination and purpose of migration and use of the National Park were also included. In all four villages, additional data were gained through PRA

¹Due to the politically sensitive situation in Far West Nepal and to guarantee the anonymity of the interviewed persons, we do not use the real names of these villages.

methods (including village C, which had 85 households and 510 inhabitants). Transect walks, interviews, and group discussions with key persons in the villages, such as village chairmen, teachers, social workers, as well as group discussions in mothers' groups (*ama* groups) were carried out. The discussions focused on gender and caste issues, politics, migration, infrastructure, agriculture, and the reasons why they incurred debts.

The Nature and Society project led to a research partnership between Nepal and the Swiss National Center of Competence in Research North-South (NCCR North-South) in 2001, focusing on "Sustainable Livelihood Strategies in Marginal Areas." Due to political problems and security reasons, the research in Far West Nepal had to be interrupted (since 2000), and has yet to be resumed.

Having seen in the surveys in Far West Nepal that migration to Delhi is a main income source, the research site was shifted to Delhi, India and was carried out by the first author (Thieme). From 2002 until 2003, migrants coming from the four villages in Nepal were approached in Delhi during three field visits totaling 4.5 months. The Delhi surveys included 300 people from the villages. The researchers also interviewed migrants from other villages to explore the networks of migration and to see the dynamics of credit associations. A total of 98 migrants (91 men and seven women) in Delhi were approached; many of them were interviewed twice or thrice. Additionally, the researchers were engaged in participatory observations and group discussions while attending meetings of 14 financial self-help associations in Delhi (Thieme, 2003; Thieme et al., 2003). All interviews were conducted with an interpreter.

Labor Migration from Nepal to India

That migration is an increasing phenomenon in the whole of Nepal, particularly among younger men, has been appreciated by a few researchers (Dahal et al., 1977; Gurung, H., 1987) and more recent studies (Subedi, 1991, 1993; Pfaff, 1995; Yamanaka, 2000 and 2001; Graner, 2001; Seddon et al., 2001 and 2002; von der Heide et al., 2001; Blaikie et al., 2002; Pfaff-Czarnecka, 2001; Upreti, 2002; Gurung, 2003; Thieme, 2003; Thieme et al., 2003; Wyss 2004).

Labor migration has a long-standing history in Nepal. Migration to neighboring India has been practised for generations. In the early nineteenth century, the Nepalis, the 'Gurkhas,' were recruited as mercenaries by the British army. More contemporary labor migration – directed to the Gulf States, the newly industrialized countries in Asia, Europe and the United States - increased since the 1980s. Migration to these destinations requires substantial financial, human and social capital. Because many people lack capital, the majority of migrants go to India.

Nepal-India migration is facilitated by the free border agreement between the two countries. Official statistics from 2001 estimate that about 760,000 people were absent from Nepal. Out of this number, 77 percent were in India (Central Bureau of Statistics et al., 2002). But official figures grossly underestimate the number of migrants in India and the real value of remittances coming back to Nepal since money is sent back home mainly by hand, carried by the wage earners themselves, or sent via their friends. According to some studies, the number of Nepalis working in India ranges from 0.5 to 1.3 million (Seddon et al., 2002). On the other hand, the Nepalese immigrant associations interviewed in Delhi estimated that around 200,000 Nepalis work in Delhi alone.

The Places of Origin in the Bajura and Bajhang Districts

Villages A, B and C are situated in the Bajura district and village D in Bajhang, in the center of the Far Western Development Region. In 1999, 447 people lived in village A (70 households), 156 people (26 households) in village B, 510 people (85 households) in village C, and 1,026 people (217 households) in village D.

The area is extremely impoverished even by Nepalese standards, and the region has the lowest Human Development and Gender Development Index within Nepal (NESAC, 1998; UNDP, 2002). For example, in Bajura only 6 percent of the women above 25 years are literate while 42 percent of the men above 25 years can read and write (NESAC, 1998:269). This situation is not likely to improve because 104 boys against 18 girls were registered in grades 1 to 5 in villages A and B (Müller, 2001).

Further, the region is marginalized and isolated from mainstream development, far away from major centers of innovation and services, and national and international politics. Moreover, the development of the area has been affected by the armed conflict between the Nepalese Maoist movement and Nepalese government.

Unlike the caste system in India, the hierarchy of *jat* (caste) in Nepal is far from being perceived as universal. Different groups and individuals interpret the hierarchy of *jat* in various ways. The model proposed by Bista (1994) is used here, where "ritually pure" *jat* is separated from the "impure." The majority of the population covered by the research belongs to the "pure" or high Hindu castes, which are distinctly separate from the "impure" castes (Cameron, 1998; Müller-Böker, 2003). People from A, B and C belong to the *jat* of the Chhetris. They are based in the same VDC where people from the Bahun, Thakuri, Kami and Sarki *jat* have their hamlets as well. In D, people are from the Bahun, Thakuri, Chhetri, Sarki, Kami, Damai and Badi *jat* (see Table 1). These local institutions enforce large social

TABLE 1
CASTE SYSTEM IN THE RESEARCH SITES, FAR WEST NEPAL

	Jati	Thar	Occupation
Pure/clean caste (chokho jati)	Bahun	Upadhyaya, Jhosi, Bhatta, Pandey Padhyaya, Jaise	pujari, pandit
	Thakuri	Singh	aristocracy
	Chhetri	Thapa, Khadka/Khaneda, Karki, Bista, Bogati, Rokaya, Runani, Chuwan, Saud Rawol, Rawat, Bohara	
	Sannyasi	Giri	ascetic
Impure/water unacceptable caste ¹ (paninachalne jati)	Sarki	Sarki, Bhul	leather work
	Kami	Kami, Sunar, Luhar, Agri	black and gold smiths
		Okheda	guards
		Chadaka or Chandara	woodwork
	Damai	Dholi, Damai, Daude, Das	tailor
Badi	Badi	singer, dancer	

SOURCES: 1999-2000 survey by Kollmair, Müller-Böker and Manandhar; Bista, 1994:43

NOTE: ¹ corresponds to India's "untouchable" castes

disparities as they determine the people's livelihood strategies and govern relationships.

The clan structures, termed as *thar* (patrilinear family), are very complex. Furthermore, the daily life of the communities is governed by many strict rules of interaction, which are more stringently practised than in other parts of Nepal. Caste affiliation determines social and economic practices and livelihood strategies. For example plowing is not befitting for Bahun and Thakuri. The forging of iron and gold, leather processing, prostitution, tailoring, the playing of certain musical instruments are activities evaluated as ritually "impure." Thus, only "impure" castes should conduct them. Members of the lower caste are not allowed to touch high castemembers, or even use the same water source ("water unacceptable" *jat*).

Jat rules also govern marriage. For example, in the Chhetri *jat*, Khadkas can marry Thapa, Rokaya, Bista, Karki, Chuwan, but not Rawol, Saud or

Khadka. The Rawol are believed to come from the same generation while the Khadka are of a lower caste. People of villages A, B and C belong to the Rawol and Rokaya clans and have close marital relations (Müller, 2001; Müller-Böker, 2003).

The most important relationship between high caste and low caste households is the traditional patron-client system, which has been in existence for generations. Low occupation-castes like Damai or Kami provide sewing and forging services to the high castes in exchange for grain.

Migration from Bajura and Bajhang to Delhi

Subsistence agriculture is a main source of income for households in the mountain villages, but only a fraction of them are able to produce enough food. Thus, to be able to make ends meet, they often have to borrow grain or money (Kollmair, 2003; Müller-Böker, 2003). This reveals that impoverishment, debt and unemployment are the main factors for large-scale labor migration, which is now commonplace. Due to the low human capital of the local population and widespread poverty in the area, the only realistic option for many Nepalis is to go to India as unskilled workers (Müller, 2001; Kollmair, 2003; Müller-Böker, 2003).

According to official statistics, five percent of the population from Bajura district and eight percent from Bajhang district are absent; and 82 percent of these migrants are male. A study also showed that 98 percent of the migrants go to India (Central Bureau of Statistics et al., 2002:57).

The household surveys in the villages A and B showed that out of 600 inhabitants, nine percent were absent in the year 2000 - 83 percent of the migrants were male, and 17 percent female (Müller, 2001). In village D, 15 percent of all households moved completely to India. Eleven percent of all remaining households had one to four family members working in India, again the vast majority are male (Müller-Böker, 2003). The percentages of migrants are higher than official statistics but the distribution by gender are fairly consistent. This indicates that migration is both a very important livelihood strategy and a highly gendered process.

Motives for Migration

The main motive for migration is to make as much money as possible in a limited time and to return to the native place and to purchase land in the more fertile Terai (lowland of Nepal). However, many migrants fail to realize this dream. Men migrate to look for work, while the female family members and the children are left behind in Nepal. Women only accompany or follow their menfolk to avail of better medical treatment, particularly pre-natal care, which is not available in their home district.

The escalation of armed conflict in Far West Nepal since 2002 has also forced more people to migrate to Delhi to ask money from their kin or to stay and search for work.

Working and Living Conditions in Delhi

Male and female migrants rely on village-based networks to find work, shelter or receive medical care in Delhi. Migrants tend to follow their co-villagers and migrate to the same destination, in this case, Delhi. They also tend to fill a similar niche in the labor market (also Pfaff, 1995; Pfaff-Czarnecka, 2001).

Gender segregation is prevalent in the unskilled labor market. All the male migrants interviewed worked as watchmen during the night and cleaned cars in the day. Their salary income as watchman varies between Rs800² and Rs4,000 per month, while, the average monthly income was Rs1,500. They received an average of Rs1,200 monthly from their car cleaning jobs. The total average salary per month was Rs2,700 for men. In rare cases, women take up work as house cleaners. They usually receive about Rs100 to Rs300 per household per month, working daily for up to six households, with one to two hours spent in each household. The five women who were interviewed said their salaries ranged between Rs200 and Rs1,800 with the average salary posted at Rs920.

The migrants lived in the quarters where there were men night watchers. They lived in slums or share detached houses. Due to limited job possibilities, migrants from one village do not necessarily live all together in one quarter.

The Importance of Networks

Migrants find their jobs through the help and referrals of relatives and friends. The most common form is to take a job over from somebody and paying them for that job. In rare cases, a return ticket to Nepal is used as payment. This practice of "buying a job" was also confirmed by another case study in Bajhang (Pfaff, 1995). The higher the expected salary, the more expensive the job is. As one watchman explained, "... it is the same as if you would buy fertile land in the Terai: the more fertile your land, the more you have to pay" (Interview in Delhi, August 2003). If a job brings Rs3,000, the payment is between Rs5,000 and Rs10,000. To pay for the job, migrants often borrow from financial self-help associations in Delhi or from wealthier families in Nepal.

² The exchange rate as of August 2003 was 48.70 Indian rupees (Rs) to US\$1.

Migrants consider their networks essential. The predecessor can be seen as a kind of guarantor who introduces the new watchman to the house owners or to the quarter's chief. He also guarantees that the newcomer will be trustworthy and brave. As one of two watchmen in Delhi stated: "... otherwise nobody believes you, because we Nepalis are unskilled and unknown" (Interview in Delhi, July 2002). Another remarked, "Things are changing so rapidly nowadays. There is always bad news about Nepalis in the newspaper so people do not trust us anymore. Also, because there are more and more better-skilled persons now, they do not necessarily need Nepalis anymore. So the only possibility to get a job is through close relatives and colleagues" (Delhi, August 2003).

There is no uniform pattern of duration of jobs and stay in Delhi. The length of stay can last from a few months up to several years, or until the migrants have earned enough money. Others had already been working for more than a decade in a colony of Delhi, only going home occasionally. They only return if they had saved enough money.

The worst case that can happen to a migrant is when he loses his job as a watchman in a short time due to a disaster at work. This poses a problem especially if the watchman bought the job and incurred debts as he has hardly made any money yet.

In August 2003, some men who had recently arrived in Delhi took three months to find a job in Delhi. Their employment search was protracted by the general job shortage resulting from increasing numbers of Nepalis migrating to Delhi, following the political upheavals in Nepal. Because migrants incurred debts for different reasons, it was difficult to know when they must pay their debts or how long they must work to pay it. Their answers ranged from six to twelve months.

Financial Self-Help Associations in Delhi

Access to a social network is crucial in the life of the migrants in Delhi. Migrants take out loans to pay for their jobs in Delhi, to support their families, and to pay for medical treatment as well as alcohol and gambling expenses. Formal financial organizations like banks are not accessible for the majority of the migrants and often fail to meet their needs. Therefore, migrants raise their funds from the following two sources: (1) loans, in which land and livestock are used as collateral, are taken out from wealthier families in the village, or (2) loans are taken out from financial self-help organizations. The latter are the focus of this article.

Financial self-help groups can be observed around the world, mainly in low-income countries (Bouman, 1995a; 1995b; 1999). The evolution of credit relations in Nepal has been described by Mühlich (1999) and Seibel and

Shrestha (1988). Financial self-help groups are very common among male migrants. The main systems run by the interviewed migrants in Delhi are called chits and societies. As mentioned earlier, a society is an Accumulating Savings and Credit Association (ASCRA) while a chit is a Rotating Savings and Credit Association (ROSCA).

Chits, which originated in South India, are widely used in the subcontinent (Bouman, 1995b, 1999; Rakodi and Lloyd-Jones, 2002). In this study, only migrants from Bajhang district were involved in chits. Migrants from the villages of the district Bajura were not involved in chits and they had often not even heard about them. The main reason could be that people from the villages in Bajura - with very few exceptions - do not migrate to South India (Pfaff, 1995). Bangalore is one of the main migration destinations for Bajhangis, which is, *inter alia*, due to the fact that the former Raja of Bajhang, Jaya Prithvi Bahadur Singh, migrated there in 1924 (Pfaff-Czarnecka, 2001). This indicates that villages of origins and the place of migration play a very important role in the dissemination and creation of credit and savings associations

Similarities between Chits and Societies

Chits and societies have a number of characteristics in common (Table 2). Their main purpose is to provide members the funds when they need them. These credit associations are also used as a facility where members can store their savings. They also form essential social networks among migrants in Delhi. The rules of membership in these associations are written down. Records and accounts are audited by a chairman and an accountant. The chairman makes sure that the rules are observed and is ultimately liable for any losses. They are always run at the same place, date and time. Members pay standard contributions and fines for non-payment. In both chits and societies, anybody who receives money or takes out a loan is obliged to have a guarantor.

Differences between Chits and Societies

The greatest difference between the chit and society is their use of funds. This and other differences are illustrated by describing the operation of one chit and one society observed in Delhi.

The operation of one chit observed in Delhi (August 2002 and July 2003) is described below. This particular chit had 113 members from 12 different villages in the Bajhang district, including D village. The members agreed to contribute Rs500 on the 10th day of each month towards the creation of a fund. The monthly-pooled savings of Rs56,500 were immediately redistrib-

TABLE 2
COMPARISON OF MAIN CHARACTERISTICS OF CHITS AND SOCIETIES

	Chit	Society
Meeting	monthly	monthly
Payment	monthly	once at the outset
Amount	Rs500	Rs100
Allocation of money	1. by auction/bidding 2. during the lifetime of one chit each member gets money once	joint decision by members whenever needed
Money provided	larger sums (average of Rs20,000)	smaller sums (average of Rs1,000)
Preconditions	steady income of adequate size	no steady income required
Guarantor	necessary	necessary
Use of money	private	1. private 2. communal
Duration	ends after everybody has received money	up to the decision of members

uted among members in rotation until each had his turn, which signaled the end of the chit.

At the very first meeting, the chairman received the full amount of Rs56,500. This can be regarded as a kind of salary because he is liable for any losses during the chit's timeline. At all the other meetings, the Rs56,500 was allotted through an auction among the participants who had not yet received money. The number of allotments was not fixed in advance and depended on the number of participants who needed the money. In these cases, the highest bidder wins the fund. The successful bidder does not receive the entire sum bid, however. The sum bid is subtracted from the total amount of Rs56,500 and the difference is disbursed to the successful bidder. Normally two individuals receive money every month, although the funds can be given to three members sometimes, as the example in Table 3 shows.

Basically, the chairman keeps the remaining money for the next month. Members can take out short-term loans at 10 percent interest per month from the remaining money. But in reality, some members defaulted on payments. Because the chairman received only Rs24,000 instead of Rs56,000 from the other 112 members, he could not pay the two persons who had won the auction. This shows the high dependency of the members on the reliability of each member.

The money from the chit is a one-time affair; a member has to wait for a new cycle to get another loan, unless he holds two or more shares, or

TABLE 3

EXAMPLE OF ROTATION OF MONEY BY AUCTION AT A CHIT MEETING, AUGUST 2002

 Payments: 113 members paying in Rs500 each \Rightarrow total sum: Rs56,500

First auction:	Second auction:
highest bid was Rs40,000	highest bid was Rs39,600
Rs56,600	Rs56,600
- 40,000	- 39,600
Rs16,500 \Rightarrow money received by a first successful bidder	Rs16,900 \Rightarrow money received by a second successful bidder
Rs56,500 (total sum paid by 113 members)	
- 16,500 (first sum received by the first successful bidder)	
- 16,900 (second sum received by the second successful bidder)	
23,100 \Rightarrow remaining money	

participates in more than one chit, which happens often. The lifetime of a chit depends on the number of players and the contribution period. The chit exemplified here was established in August 2000, and three years later in August 2003, 100 out of 113 chit-members had already received their shares.

We now turn to how a society operates. We observed a society formed by migrants from village C from Bajura district. All the migrants contributed Rs100 to the mutual fund. The Rs100 was paid only once. From then on, loans were made among the society members from the collected funds at interest rates of 10 percent per month to accumulate money in a short time. The opportunity for borrowing not only increased in this scheme, but also the value of members' savings. The society members either distribute their savings at a certain time among the members or spend it in a common investment.

Access to Chits and Societies

Migrants can participate in more than one chit or society or in both. Access to chits and societies is generally based on trust and personal relationships. Peer pressure is used to guarantee repayments.

Societies are more homogenous than chits. In societies, people often belong to one village. If they are from different villages, they are usually related to each other by marriage and by caste. Common investments are often made on these bases. In Delhi, members coming from low castes were also allowed to join the society; they came from neighboring hamlets and had a patron-client relationship with members from high castes. Societies

with members from the same caste often invest in projects in the village back home. When members were from both, they avoided revealing their joint interaction in Delhi, because such an interaction is not accepted in the traditional setting of the villages in Nepal. Therefore they did not have joint projects or investment in their villages.

Unlike societies, chits have a more heterogeneous membership. Trust is mainly given to people from the same family and village circles. But professional and neighborly relations in India, regardless of castes, are also used as criteria. People from the impure castes could chair chits. This was common and acceptable in Delhi, but not in Far West Nepal.

Strengths and Weaknesses of Chits and Societies

Because they arise from members' initiatives, societies and chits benefit from the members' high level of commitment. They are multi-functional institutions. Besides giving financial support, these systems have a socializing function. Knowing people from the homeland helps rural migrants adjust to the urban environment. These institutions also disseminate information on housing, employment, remittance transfer. As one migrant concluded while discussing the strengths and weaknesses of chits: "the advantage of the chit is, that you can be sure that the chit will be there for you" (Interview in Delhi, August 2002).

Societies have a broader set of objectives than chits. The chit promotes the welfare of the individual, while societies tend to invest in individual and collective projects, as the discussion about investment of remittances below shows. But contributions for needs like health care, house repairs and marriages can be mobilized quickly in both, as migrants frequently confirmed:

I need Rs20,000 for the marriage of my daughter and the chit is the only place where to get that much money.

Interview in Delhi, August 2002

Tell me a place, where you get such a large sum of money ...

Interview in Delhi, August 2002³

³ Interview with a chit member after he received Rs30,000. He planned to use the money to invest in land in the Terai.

TABLE 4
STRENGTHS AND WEAKNESSES OF CHITS AND SOCIETIES

Chit	Society
Strengths	
<ul style="list-style-type: none"> • high level of commitment • social occasion/purposes • individual benefit • quick access to money (large sums Rs16,000 to 40,000) 	<ul style="list-style-type: none"> • high level of commitment • social occasion/purposes • individual benefit • investment in villages • quick access to money (small sums, average, Rs1,000)
Weaknesses	
<ul style="list-style-type: none"> • dependency on continued participation of members • fails if people cannot rely on each other • order of rotation determined by auction • no balanced reciprocity in fund sharing • high interest rate 	<ul style="list-style-type: none"> • dependency on continued participation of members • fails if people cannot rely on each other • often high interest rate

I paid Rs10,000 for my job. I took money from different societies because they could not provide such a big amount for only one person. So you have to make sure that you have good contacts with all societies. Some also borrow money from relatives if they have money. ... I needed 11 months to pay the money back.

Interview in Delhi, August 2003

In a chit, members (except the last recipient) have quicker access to large sums of money than when saving individually because the loan is obtained from members' contributions and the payment is in installments.

A further strength of the chit is that it compels the members to save regularly. The benefit of this became obvious in a group discussion where the benefits of chits and banks were compared. According to one member: "If I would use a bank, I would not have the compulsion to save money, nobody is forcing you to pay in money every month" (Interview in Delhi, August 2002). Whether or not the accumulation of savings will have lasting effects for individual members depends on how the money is used.

Weaknesses of Chits and Societies

Migrants reported positive and negative experiences with both of these financial self-help associations. Observations have shown that chits entail more risks than societies (Table 4).

In the chits observed in Delhi, members bid for the fund. The auction system allowed the players themselves to decide the interest rate. The borrower prepared to offer the highest bid also pays the highest interest, which could go as high as 30 percent. However, the amount they draw from the fund is not as much as what they put in, as indicated by the following accounts:

I have three shares and pay Rs1,500 every month. I already received all my turns, which totaled Rs45,000. But I have already paid Rs54,000 and the chit will be running for about another six months, for which I have to pay a total of Rs9,000. I needed the money then and invested it in land.

Interview with a chit member, Delhi, August 2003

... people who need money urgently, bid in the beginning and accept low sums of Rs14,000 and forget that they have to contribute Rs500 to the chit for the next three years.

Interview with a chit accountant, Delhi, August 2002

Theoretically, the longer the chit runs, the higher the possibility of receiving more money, but there is also a greater risk that not everybody will continue to pay and participants will lose money. The second weakness of the chit system lies in the group's heavy dependence on the members' continued participation. Members need a steady income of a fairly large sum to be able to contribute Rs500 each month. When some members default (which was noted quite frequently), there is a high risk that the chit will end before everybody receives their money. The following remarks highlight this problem:

I will never participate in a chit again, because too many people leave after they have received their money. ... As a guarantor you are responsible if the person does not pay, and if you do not have money you have to borrow from others again. In the end you only lose.

Interview with a former chit member, Delhi, August 2002

The chit is running now for about two years. I have to take my money soon because ten people left the chit already and do not pay anymore, but 33 people still have to get their money. ... And the chairman is not able to cover the defaults"

Interview with a chit member, Delhi, August 2002

Cases were also found where the chairman incurred large debts as he has to pay for all the losses, even those incurred in previous chits. This was revealed in interviews with a chit chairman (Delhi, August 2002):

It is the fourth time that I am chairing a chit. I initiated this chit in August 2000. I received Rs56,000 from the first chit meeting. From this money I have to repay debts from my last two chit chairmanships, where I lost Rs64,000. Therefore I started this chit because I needed money to repay these debts and for my daughter's marriage. But I am sure that I will lose money again due to defaulting members and untrustworthy guarantors. ... These problems arise because people just leave Delhi and go back to their villages, get ill or lose their job and can no longer make regular payments.

Migrants reported that they sometimes fail to receive the full amount of money despite winning the bid because not all members gave their contributions and the chairman did not have adequate funds. In these cases, payments were postponed for several months until the members paid in full. A third weakness is the order of rotation, where members have no guarantee of accessing the money when they need it. Fourthly, the members of the chit know each other well. While this familiarity exerts group pressure on the members to pay in regularly, it also hampers the chairman from exercising his authority.

It is the first time that we ran a chit, so we did not have much experience. It also depends very much on the nature of the people. We are all relatives or close friends and know each other very well. If somebody defaults, you cannot put much pressure on him or even beat him.

Interview with a chit chairman, Delhi, July 2003

Moreover, chit members are privy to each others' personal hardships. Someone can make a higher bid just to spite another bidder that he does not like.

As to societies, data from the study suggest that they entail fewer risks for participants than chits due to the smaller contribution and the one-time payment at the beginning. On the other hand, however, a society cannot provide such a large amount of money as a chit.

Male migrants also reported that their societies had collapsed due to the lack of reliable members. The men traced this unreliability of society members back to caste disputes, which arise when men from both were members of the society. According to some of the women we interviewed, alcohol (and the violence resulting from it) was the major reason why a society fails. Some women who had been staying for a long time in Delhi had established their own society to avert such an experience. As one woman stated: "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" (Interview in Delhi, August 2003).

According to the women, drinking and gambling habits worsen in Delhi. The more men are exposed to alcohol and gambling, the more they feel they can manage their debts, which is often not true in reality.

Investment of Money

The village surveys showed that about two-thirds of the households rely on remittances from India (Müller-Böker, 2003). The interviews in Delhi suggest that money is sent very irregularly and in highly varying amounts. Some migrants said that they try to send Rs1,000 every two months. Others, who drew high amounts of about Rs20,000 to Rs50,000 from chits, wanted to invest it in land in the Terai, house and livestock in their villages, education of their children or marriages. Additionally, expenses for medical care cannot be underestimated because relatives frequently go to Delhi to ask assistance. Migrants can easily spend Rs5,000 to help a seriously ill family member.

Next to the loans that societies provide, migrants also invest in community development. Because they suffered from food shortage, the people of village C, for instance, built a food depot and a school in their home village. By August 2003 the society had invested about Rs170,000 in the village.

Porters carry the rice from another village to the depot on a one-day walking trip. One person is paid to manage the village food depot where villagers can get food on credit. Those who have taken a loan from the society can repay their debts by carrying rice to the depot. The villagers call this "carrying off debts." For example, by carrying 10 kilograms of rice, someone has carried off 60.50 Nepalese Rupees (NRs). The society also financed a primary school in the village and is paying one teacher.

In other societies, money is spent on temple reconstruction, celebrations of festivities back home or distributed among the members. The men often participate in more than one society or chit, borrowing from one credit associations and paying in the other. For example, a man who had borrowed Rs4,500 from a society paid his debt one month later with five percent interest (Rs4,725). In the same meeting, he borrowed Rs3,500 from the

society. Knowing that his salary was only Rs2,500, we asked how he would be able to repay his debts. He replied:

In this society you have to repay the loans after one month, otherwise you are not allowed to take further loans anymore. ... I am a member in three societies. Yesterday I took a loan of Rs4,500 from the other society to repay my debts today. Now I took Rs3,500 loan again and can repay some debts as well. I am always indebted in one of the societies.

Interview in Delhi, August 2003

If migrants invest in their villages, the leadership of the society and the members' relationship with each other are very important. One committed migrant complained about his co-villagers: "We invested only once – in the temple in A - and we could have done so many other things. But most of them (the villagers) are highly indebted and only want to cover their debts. They do not see that we have to take the initiative on our own. The government will not help us. ... I hardly know of any society which is really running well" (Interview in Delhi, August 2003). Some villages have more than one society due to intra-village conflicts or different investment interests. Also, some societies were not running well or even collapsed due to defaulters and caste disputes. High investments by societies, such as in village C, are an exception and not the rule. Rather, it reveals that migrants spend their own income on their urban necessities, including alcohol, gambling, and consumer goods, before they visit their home villages.

According to official statistics the average value of remittances per month from India to Nepal is NRs878 (US\$12) per month (NLSS, 1996, cited in Seddon et al., 2001:55). But some migrants do not even remit any money or goods but only live and eat away from home while staying in Delhi, which also relieves the household budget (*see also* Pfaff-Czarnecka, 2001).

Concluding Remarks and Implications

Labor migration to Delhi is a major livelihood strategy for the people of Bajura and Bajhang. In working as watchmen and participating in financial self-help groups in Delhi, the migrants have managed to find an economic and social niche.

The two main financial self-help associations prevalent among the migrants in Delhi are chits and societies. They are the predominant source of financing private consumption, 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. On the other hand, research

has shown that they can also perpetuate debt and dependency, and chits entail more risks than societies.

Many Nepali migrants in Delhi borrow from one source to repay another. They often find themselves tied into an expanding network of credit dependency. The rigidity of high, fixed monthly contributions to a chit also seems to be an obstacle for many migrants. Because it is tied to long-term debt, migrant labor 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 since chits and societies are informal organizations that are outside the protection of the law.

To reduce the social and economic costs of migration and increase its returns, the following implications are drawn. Informal savings and credit associations play an important role in the lives of migrants and their families. Although they have weaknesses, the positive aspects cannot be ignored. 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. Management and decision making of the association has to be kept in the hands of the poor.

Societies dispose 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. The lack of formal banking systems is an obstacle in the remittance and investment of money in Far West Nepal. 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. Ideally, there should be a bank that has branches in Far West Nepal and in Delhi.

Improving migrants' literacy, particularly economic literacy concerning income, savings, spending, borrowing, banking, sending remittances and awareness of gender issues would improve the economic power of migrants.

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