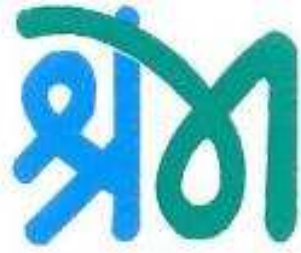


Rajasthan
Shram Sarathi
Association



Annual Progress Report

2015 - 2016



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1.0. Financial Inclusion of Migrant Households

Labour migration has emerged as a major livelihood strategy in south Rajasthan. Growing agricultural distress and limited local employment opportunities have led to young men migrating to cities through their social networks in search of a livelihood. The most common destinations include Ahmedabad, Surat, north Gujarat and Maharashtra. Such migrant households are affected by seasonal fluctuations in income, cash flow volatilities at source, high initial costs of migration and an inability to tide over risks such as death, disability, illness and old age. In response to their growing financial needs Rajasthan Shram Sarathi Association (RSSA), a section 25 company, was established in 2007 as a Migrant Financial Services Institution. Shram Sarathi's vision is *"to become a leading agency working towards ensuring secure, dignified lives of communities dependent on migration and labour"*. This vision is realised through the following mission:

- To enable financial inclusion of communities dependent on migration and labour via provision of financial services so that they are able to increase incomes, manage cash flows, and reduce the cost of migration
- To establish a sustainable model that will serve as a glass house for financial service providers to engage with migrants

Shram Sarathi seeks to achieve its goal of improving the economic well-being of migrant households through two key approaches – (i) delivery of financial services such as savings, credit, insurance and pension and (ii) delivery of financial literacy and counselling through the Samrudhi programme. Both approaches complement each other in enabling financial inclusion of migrant workers.

2.0. Major Highlights (2015-16)

2015-16 has been a year of innovation and reflection. Operations and financial services delivery grew at a steady pace in both branch locations of Gogunda and Salumbar. New areas of outreach were identified, particularly in Salumbar, followed by setting up of a new sub-branch in Bhabrana. Towards the last quarter, there was also reflection on Shram Sarathi's growth thus far and the means to improve outreach and achieve greater impact in the future. There were three significant pilot initiatives during the financial year viz. Joint Liability Group (JLG) lending in the Bhabrana region; introduction of PoS machines for collection processes and designing a new housing finance product for repeat customers. The initial outcomes of these pilots demonstrate immense promise and shall be further intensified in the new financial year. Convergence of Shram Sarathi's work with that of Aajeevika Bureau and AMRIT have also been a major highlight in 2015-16. Efforts have been made to enable the team develop a greater understanding of a migrant family's well-being and the role of financial services.



3.0. Delivery of financial services

In 2015-16, Shram Sarathi offered a basic suite of financial services comprising of insurance, pension, savings management and credit in addition to a financial literacy programme for migrant families.

Social Security

Workers and their families were covered under two main insurance programmes – Raksha Kavach – a term life insurance policy and a credit insurance product bundled with every loan availed by a migrant family. In 2015-16, a total of 695 workers and their families were provided life insurance policies with an average risk cover of 27000 Rs. in addition to the credit insurance linkage. During the year a total of 11 claims were received by Shram Sarathi of which 5 have been settled thus far, with the remaining under process. Additionally workers were also counselled about the two new bank-linked insurance programmes announced by the central government viz. the Pradhan mantri suraksha bima yojana and jeevan jyoti bima yojana.

Shram Sarathi has been a designated facilitator for the NPS-lite Swavalamban scheme since 2012. While the uptake of old age pension products was challenging at the outset, intensive financial literacy and outreach efforts have now made this scheme popular among unorganised workers in the region. In 2015-16 however, upon the announcement of the new Atal Pension Yojana (APY), new enrollments in Swavalamban were discontinued. Shram Sarathi therefore focussed primarily on ensuring that existing customers under Swavalamban continue to deposit their repeat contributions.

During this period Shram Sarathi also facilitated the opening of 246 bank accounts for migrant workers. Nine social security campaigns that were organised in 2015-16 helped improve the outreach of pensions and insurance products to workers in remote villages.

Women's Savings groups

The women's savings groups called *Gullak Bachat samoohs* were a pilot initiative undertaken by Shram Sarathi in 2011. This has now grown into a popular savings programme for women from migrant families. The tag line of this initiative is "*Gullak thaare paas, chaabi mhaare paas*". These groups have now converged with the women's solidarity groups facilitated by Aajeevika Bureau.

At present there are 85 savings groups (in Salumbar) comprising of 1392 members. 51 new groups comprising of 863 members were added in 2015-16. The average monthly savings of these groups in the past one year were 104 rupees.

Financial Literacy and Counselling

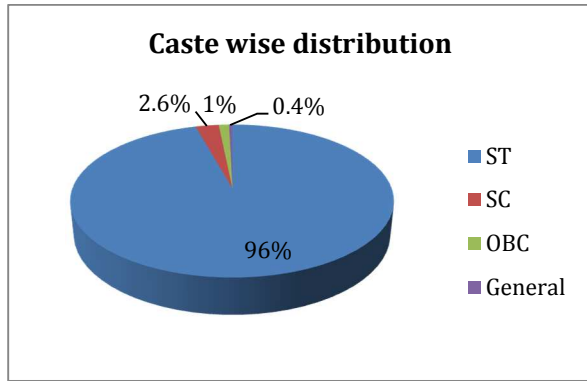
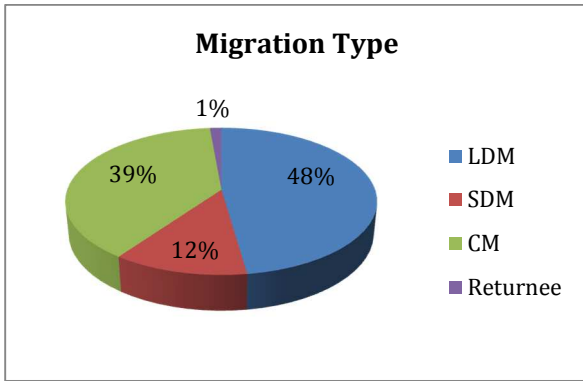
Financial literacy meetings comprising of information of various products, personal household financial planning and wage calculations were conducted by Shram Sarathi teams. During the financial year, two new tools were piloted and tested on topics such as counting of cash and identification of currency and means to identify fraudulent investment schemes. The cash counting module has had positive outcomes, particularly among women from the savings groups. Anecdotes from the field suggest that for several women, this has boosted confidence in cash transactions carried out with local *kirana* stores and shops. These tools shall further be tested in 2016-17 and shall be eventually converted to financial literacy modules for wider dissemination.

Micro-loans



Shram Sarathi's credit service for migrant families has witnessed steady growth in the previous financial year. A total of 2040 loans amounting to Rupees 1,93,58,000 were disbursed to migrant families (inclusive of the JLG and housing loan pilots). During the year 2015-16, 60% of loans were disbursed to long and short duration migrants who remain absent from source for relatively longer periods of time. 62% of the customers were daily wage labourers and contract labourers, while 95.5% of the customers belonged

to scheduled tribes.



Particulars	2014-15	2015-16	% Change
Number of Disbursements	1591	2040	28%
Amount of Loans Disbursed	1,32,65,500 Rs.	1,93,58,000 Rs.	46%
Average Ticket size	8,338 Rs.	9,489 Rs.	14%
Active clients as on March 31	1791	2243	25%
Outstanding Portfolio as on March 31	93,06,925 Rs.	1,36,29,661 Rs.	46%
PAR. (%) [>30 days]	0.65 %	0.49%	- 25%

In the third quarter, Shram Sarathi began outreach activities in a new region adjacent to Bhabrana in Salumbar block. In the last quarter, a sub-branch was also set-up and inaugurated in Bhabrana in order to reach out to more far flung panchayats in Salumbar block. Shram Sarathi has steadily built its identity in this region and has begun the process of forming women's



savings groups that overlap with the women’s solidarity groups called ‘*ujala samoohs*’ facilitated by Aajeevika. This is a noteworthy effort to create greater convergence between the two organisations, particularly in new geographies that Shram Sarathi is expanding to. The outreach meetings conducted helped in smoothening Shram Sarathi’s

Loan Purpose	2012-13 (%)	2013-14 (%)	2014-15 (%)	2015-16 (%)
House Repairs and Construction	40%	53%	54%	49%
Agriculture and Allied activities	18%	22%	16%	15%
Repayment of Old Debts	24%	13%	17%	24%
Enterprise Promotion	11%	7%	8%	7%

entry into new panchayats in the region. During the last quarter of the year financial services, including credit were rolled out for migrant families in these panchayats.

In 2015-16, house repairs and construction continued to be the dominant purpose for which loans were availed. Interestingly, the proportion of loans taken for retiring old debts rose significantly during the financial year. It is likely that this trend is a reflection of the needs of customers in newer panchayats which were previously excluded from any form of formal financial services.

Convergence

A significant area of focus in 2015-16 was greater convergence between Shram Sarathi, Aajeevika Bureau and AMRIT. While convergence between *gullak* savings groups and *ujala* groups were continued, new areas of convergence emerged. Shram Sarathi made several referrals to Aajeevika and AMRIT’s services. For instance, a total of 160 youth engaged in unskilled work and belonging to Shram Sarathi serviced families were referred to the skill training programme run by Aajeevika. Of these, 15 youth enrolled for training programmes run by STEP academy while 15 youth were also enrolled in training programmes run by the ICICI foundation in the region. 28 workers’ disputes



were also identified and referred by the Shram Sarathi team. In Salumbar in particular the referral of migrants and their families with prolonged illnesses to AMRIT’s health services have been successfully conducted, with visible improvement in health outcomes for the families.

4.0. Innovations

2015-16 was a significant year with three key pilot initiatives viz. JLG lending, PoS machines and housing finance as outlined in this section.

Joint Liability Group (JLG) lending

Various models for providing micro-loans to excluded communities have been developed in recent decades. There has been significant emphasis on the role of joint liability lending institutions in particular. Theories of joint liability contracts often describe its utility in terms of addressing problems such as adverse selection, moral hazard, auditing costs and enforcement using information and social capital present among the borrowers in the group. The model's relative success in diverse geographies has demonstrated the ability of 'joint liability' to reduce risk, optimize costs and impose social sanctions in the event of default. Shram Sarathi therefore considered piloting the JLG model in new panchayats in the Bhabrana region of Salumbar branch in order to optimise costs, particularly in a scattered geography. In 2015-16, a total of 59 JLG groups were created (as a subset of the existing *ujala* groups run by Aajeevika) with loans disbursed to 201 members. i.e JLG lending accounted for nearly 10% of all loans disbursed in the financial year. The initial pilot has clearly demonstrated improvement in operational efficiency, thereby enabling wider outreach with similar amount of efforts. The cost implications of JLG are yet to be studied, however, our current experience indicates time and cost efficiencies in multiple lending processes within JLG.

PoS machines

In 2015-16, efforts were also made to increase the use of technology in certain processes such as collection of monthly instalments. Under the previous systems, manual receipts requiring two layers of carbon copies were utilized by the team during collection rounds. This would be followed by a manual entry of each individual transaction into the MIS, followed by a manual check performed during monthly accounting reconciliations. With the introduction of PoS machines in 2015-16, the



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process of collections was significantly optimized while the process of manual entries into the MIS has been altogether eliminated. It is estimated that the use of PoS machines helps save nearly 60 minutes per zone per day of collection which adds up to nearly five and half hours saved per day for both branches combined. The PoS machines have also helped minimize human errors in data entry and accounting. In 2015-16, PoS machines were piloted in

Salumbar branch and following its success a training programme was conducted for the Gogunda team. In the new financial year, this shall be rolled out across all zones.

Housing finance

Trends for the previous 5 years demonstrate that over 45% of the loans disbursed were primarily for the purpose of house repairs and construction. This trend prompted Shram Sarathi to conduct a systematic demand assessment to understand the housing finance needs of migrants. In 2015-16 a total of 80 detailed interviews were conducted with previous loan customers of Shram Sarathi, particularly customers who have completed at least 3 loan cycles for the purpose of house repairs or construction. This helped us develop a new understanding of the construction process and the stage at which an infusion of funds becomes most critical for a migrant family. Based on this understanding a new housing finance product was developed and pilot tested with select customers in the last quarter of 2015-16. The housing loan product is a 'house completion product' for customers who have already constructed houses up to the lintel level. The ticket size for this product ranges from 20000-50000



Rs. for a loan term up to three years at an interest rate of 18% per annum on a reducing balance basis. A unique element of the product is also a complimentary technical input on the structure and safety of the house from a skilled mason. Thus far three pilot loans amounting to Rs. 1,27,000 have been disbursed to customers in Gogunda.

5.0. Partnerships and Dialogues

In 2015-16, a new partnership was forged with the Friends of Women's World Banking (FWWB) Ahmedabad to strengthen and grow the scale of loan operations. Shram Sarathi is also in dialogue with FWWB's team to build capacities in financial literacy and business skills training for beneficiaries.

In the second quarter of the year, a unique initiative called @thesametable was organised by Edelgive foundation, one of Shram Sarathi's oldest partners. During the event, Shram Sarathi's work was showcased to multiple donors and non-profit leaders. In the last quarter of the year, Edelgive also engaged with Shram Sarathi to build stronger HR systems, particularly in capacity building for the team in the new financial year. In 2015-16, Shram Sarathi participated in a national conference on financial

inclusion organised by NSE and IFMR. It is hoped that in the new financial year, there shall be greater representation from Shram Sarathi on the research and policy front.

There continue to be several ongoing dialogues with individuals and entities such as BASIX Sub-K for a remittance service, the law firm Desai and Diwanji for assistance in understanding legal structures suited to our work as well as IFMR Rural Finance for newer micro-investment and insurance products.

6.0. Addressing challenges and future steps

2015-16 has been a positive year in terms of product innovations such as housing. New explorations were also conducted with recent returnees to understand the potential for entrepreneurial initiatives with this group. However the lack of crucial products such as insurance and savings continues to pose a challenge. For instance the housing finance product's success is also contingent upon reliable savings and insurance services which help manage cash flows and risk during unforeseen events such as death and disability.

2015-16 has been a challenging year in terms of operational growth. While operations continue to expand at a steady pace, there is a strong belief that Shram Sarathi's reach can be widened at a much faster pace, with greater staff efficiency and innovations. A reflection on Shram Sarathi's constraints to grow threw up multiple suggestions which include a thorough assessment of demand and the market size; greater investments in staff orientation and training and more rapid innovations across multiple customer segments. Several rounds of recruitment in 2015-16 have proven to be unsuccessful in attracting and retaining the right talent, particularly in managerial roles. While staff attrition overall was greatly reduced in 2015-16, new recruitments have been challenging. In the new financial year therefore, there shall be a strong emphasis on building effective recruitment, induction and training systems for staff at all levels. Additionally multiple demand assessments shall be conducted to identify new migrant segments and their financial needs, to design innovative financial services, both at source and at destination.



7.0. Stories of Impact

When a room means much more than just a place to stay...

He dropped out of school when he was in the seventh grade. Prakash Gameti, 34, is a diminutive young man who regrets leaving school. Nevertheless, having worked his way up, he is now a skilled worker building concrete structures. Although he was satisfied with work and his income levels, he still had a major concern – he lived in a congested single room house.

Prakash has two more brothers and none of them managed to complete school. At the tender age of 15 he alongside his elder brother joined a local two-wheeler garage in Gogunda. He earned a measly amount of Rs. 100 per month at the time. He realized that there was no future for him in the two-wheeler repairing business and started working as a construction helper. A neighbour then taught him the art of constructing reinforced concrete (RCC) structures. This marked his transition to a skilled worker.

Now he did much better, earning around Rs. 400 a day. He got married around this time and his father moved out and bequeathed their single room *pakka* house to him. He has been living in the same for the last 25 years and is now joined by his wife and three children. During this time he also helped his younger brother strengthen the house and also his father who had moved out to another house, both of whom were staying in unstable structures. He couldn't work on improving his house because he wanted to stabilize the homes of his younger brother and parents.



Prakash's single room served a number of purposes from acting as a storehouse for the family's various possessions to being utilized as a kitchen and sleeping space. During

the rains a number of guests used to jostle in his house. The one room which his entire family lived in further gets cramped during the rains. This is something that affected him the most. As a skilled construction worker he knew how to build a concrete structure but lacked resources. Also, for building a concrete roof he had to buy all the materials in one go. Cement and steel bars when bought piece-meal drastically increases the overall cost. Prakash had been associated with Shram Sarathi for the last four years and was now eligible for a loan of Rs. 20,000 but this amount wouldn't serve his purpose. Once he learnt about Shram Sarathi's new housing finance product he was excited to apply for the same but there was a problem. In order to meet Shram Sarathi's eligibility criteria he had to construct the pillars of his new room-cum-hall. On being communicated the same, Prakash started construction and once he reached the eligible level, he immediately contacted Shram Sarathi again. Within a week's time the application process started. With help from Shram Sarathi's construction technical service team he was able to draw up an accurate estimate of material and labour costs to be incurred. Once this was finalized, he was sanctioned a total loan amount of Rs. 50,000 of which he immediately received the first installment of Rs. 35,000. Prakash promptly started the work of building an additional room.

He is now at a point in his life where he wants to build his assets and stabilize his income flows. His first loan from Shram Sarathi was to purchase cattle, followed by a second loan to purchase silver, followed by a third round of financing that enabled him to build a septic tank for his yet-to-be-constructed toilet. The newly built room now acts as a covering structure for the toilet enabling him to build it faster in the near future. A conjoined staircase built in to the loan amount will also enable him to shift his kitchen to the roof.

Prakash further stated, *"On my own, I wouldn't have been able to complete the house even in the next five years."* Research shows that waiting over a prolonged period increases the cost of building a house by at least two times, thus resulting in indefinite postponement or piece-meal building resulting in an unstable structure. If postponed the total cost of completing his house could have shot up to more than one lakh rupees.

For now he is a content man, ready to shed his role as a RCC worker and take on the mantle of a priest in Mewar's biggest annual festive attraction – *The Gangaur Mela*

(Currently Prakash has completed building the room with a conjoined staircase and will now receive the final installment of his loan amount)

Not just a run-of-the-mill idea...

Shram Atta Chakki Pisai Kendra, a board proudly announcing a flour mill is a recent addition to Homaram Gameti's modest home in a remote hamlet of Mada village, Gogunda. In the later part of 2015, Shram Sarathi's local team stumbled upon Homaram's house when looking for another customer. Homaram told him that the customer was in the next panchayat to get their maize ground up. Even though the hamlet had 40-50 households, each requiring at least one trip to a mill each month, there wasn't a single flour mill within a 10 kilometre radius.



This was a surprising revelation and the Shram Sarathi team immediately suggested that Homaram set up a flour mill in his hamlet. Homaram has been a star customer, having availed and successfully repaid loans twice from Shram Sarathi for setting up a small *kiraana* shop run by his wife, while he migrates to Udaipur to work as a daily wage construction worker.

Homaram protested as first, unsure of his ability to run a flour mill....but soon equipped with new information, he put together 10000 rupees in savings and availed another 15000 as a loan from Shram Sarathi. He purchased a second hand machine and set up a flour mill within a week. The mill adds an additional income of 100 rupees per day. While Homaram continues to migrate, his wife manages the *kiraana* store and the mill. This ensures a constant flow of income even in his absence, enabling his wife to comfortably manage daily cash requirements as well as sudden emergencies when Homaram is away. The other families in the village have also found a cheaper and faster alternative to their grinding needs. Homaram says he surprised himself by setting up the mill. Although he says he was unsure at first, Shram Sarathi's faith in his abilities and technical inputs combined with financing was just what he needed.