

**REMITTANCE FLOWS FROM THAILAND TO MAWLAMYINE, MON
STATE, MYANMAR**

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Migration is a phenomenon which goes in parallel with the fast moving globalization process. Global networks of 3Ts: transportation, telecommunication and tourism give a massive force on the mobility of people who desire to seek greener pastures in a new land. The larger the size of migrant population is, the greater the volume of remittances flows back to places of origin. Nowadays, the amount of remittances streaming back to developing countries is higher than the official foreign aid even when only the calculation on the remittance volume is based on the formal transfer. Nevertheless, it is complex to estimate the actual amount of remittances globally or regionally because informal channels of remittances are operated as invisible transmitter.

A study of remittance flows from Thailand to Myanmar was carried out to explore how the remittances sent home by Myanmar migrant workers working and living in Thailand have impact on the economic development and poverty reduction of the recipients in Myanmar. Selected as research area is a community with a mixture of Burmese and Mon ethnics in Mawlamyine in Mon State of Myanmar. Case Studies of twelve households from Nyar Na Kone village¹ in Mawlamyine, capital of Mon State, their twelve respondent children in Thailand and the remittance service providers linking the senders and the recipients give the readers a full portrait of illegal remittance flows from Myanmar to Thailand. In parallel, research was also conducted in two different provinces of Thai side so as to give a comparison of two different remittance channels flowing to the same destination. Qualitative approach is the core research method to explore the findings to the research questions. The field research was conducted with a focus on migrant communities in Bangkok, in Mea Sot and in their place of origin, Nyar Na Kone village in Mon State, Myanmar. Snowballing is the primary method of the research and the respondents were selected in accordance with associated criteria. In order to identify the impact of remittances on the households left behind, respondents were chosen on the basis of having their

¹ The real name of the village is under anonymity for the security of the respondents.

own households in Myanmar, plus of living in Thailand for one year and over as of the time of interview.

Firstly, the research was started in Thai side. The information about the location of migrants who came from the case study area, Nyar Na Kone village in Mawlamyine was provided by some villagers from Myanmar side. Most villagers were found in Bang Bon market area of Bangkhuntien district in Bangkok and in Mae Tao sub-district in Mae Sot district. In accordance with the criteria set up, twelve cases who have stayed over one year in Thailand and send remittances to their households were selected in these two areas. In total, six female and six male migrants were selected based on gender balance in these two provinces. As a part of tracing the remittance flow from its origin to termination in Myanmar side, twelve recipient households in the community in Mawlamyine were interviewed to examine the remittance impact at home.

The investigation was needed to explore how different channels of remittances operated and who were the players in each service system. Interviewed had been conducted with those who are providing most preferred services by the sender recipient community and Myanmar traders concerned who have close link with the broker business. In total, ten remittance service providers with the involvement in the hundi system were interviewed. Five key informants from the case study area in Mawlamyine were also interviewed in order to get the overview of migration flows to Thailand and the consequences in the community.

Similar to the trend found among the majority of migrants around the world, Myanmar migrant laborers are also using informal channels for money transfer. Lack of active and efficient money transaction service run by international and local private financial institutions is one of the factor encouraging Myanmar migrant workers in Thailand to use the informal hundi service. Apart from hundi and the government banks, Myanmar overseas workers do not have access to the international financial institutions such as Moneygram and Western Union for transferring remittances back home. Under the banking law adopted in 1990, the State Law and Order Restoration

Council permitted the foreign banks to open in Myanmar. But their role is only for liaising between local and foreign clients for trade and commerce. No foreign bank is allowed to carry out the local business. Among the foreign banks which had open their offices in Myanmar, 49 banks left the country due to the government's reluctance to liberalize the banking sector though they still maintain their licenses (UCS, 2006). While the foreign banks are not authorized to function in local money transaction, the local private banks are also not permitted to handle foreign exchange including remittances (TLF, 2007). Formally, three state-owned banks, Myanma Economic Bank (MEB), the Myanma Investment and Commercial Bank (MICB), the Myanma Foreign Trade Bank (MFTB) only are active players for foreign currency transaction. Among them, Myanma Foreign Trade Bank is dealing with the remittances (Lwin, 2005). Generally, deduction of 10 % of the remittances as service charges for transaction by the state-owned bank is discouraging overseas Myanmar not to choose formal channel. Instead, the informal channels have been popular choices even under strictly control on these kinds of business activities by laws and regulations of the government. Today, the majority of oversea Myanmar workers remit to their home town by using informal hundi services².

Simply, Myanmar people who are working as illegal in Thai labor forces are not accessible to formal remittance system. The money circulating in the money transfer service is originated in the pocket of the migrant workers. The volume and the speed of the remittance flows are dominantly dependent on the senders' capacity to remit. Many obstacles are still remaining for the workers in sending money back home regularly. In many cases, the problems which they encountered before and after settling in destination places limit their capacity of sending remittances. Finding from the field research shows that the affordability to send remittances is largely dependent on the following factors: the cost of traveling and settling in Thailand, the working condition and further mobility, living cost in destination province, level of income, legal status and the social network they can access have effects on their motives to

² The spelling of the term 'hundi' is taken from a Bangladeshi informal remittances report done by Md Mizanur Rahman and Brenda S.A Yeoh in 2006. 'Hondi' is another spelling found in many reports on Myanmar informal money transfer.

remit. As travelers who enter foreign lands illegally, the whole journey is full of risk and they are subject to various vulnerabilities and risks. The costly migration process makes their capacity of remittance sending weak in the early period of their arrival. Registration is the basic requirement for the job and life security. Being a registered worker has a guarantee to the better quality of working and safer living condition, and higher income level. Migrant workers with no registration are at risks of exploitation, job insecurity, fear of arrest and deportation. The cost of arrest and re-entry to Thailand is enormous.

In the absence of protection by Thai labor law, illegal migrants have to cope with many stressful problems in their daily life (Chantavanich et al, 2006). Regarding illegal status, unfair wages, improper working and living condition, fear of arrest and deportation, lack of access to the social services are the major problems they have to encounter throughout their stay in Thailand. Yearly registration scheme under the current migration policy of Thai government is the only one approach to temporary legal status for migrants who had entered through border as undocumented.

Since migrants know the legal status is safeguarding their life and rights, they do not take the existing registration fee as an expensive cost as long as they are capable to spend on it. Especially in this study, migrant workers in Bangkok fully recognize the legal status is the basic needs of their livelihood and do not feel any hesitation to register under the regulation of host country. Accordingly, they can access to the regular pay job and because of their documented status and they can save more and their remittance sending propensity higher. Unlike them, the most disadvantageous illegal migrants in Mae Sot present a worse scenario in comparison with Bangkok. Regardless of their working places, whether they are working inside the factory or outside area, their average monthly income is much lower than the factory workers in Bangkok. The annual expense on the registration process had been considered as a heavy burden for those who are underpaid (Huguet and Punpuing, 2005). Most of the factory workers in Mae Tao are staying as illegal by seeking protection from arrest and deportation by means of giving monthly bribery fee to the local police. However, the so-called monthly protection fee, 100 Baht per month per

worker is not effective whenever the arrest take places³. In the season of heavy arrest and deportation, it is very normal for them to pass their days under fear and working hours had turned to hours of seeking a safe hiding place to escape from the arrest. Obviously a vicious circle is taking place in their case. Most of the illegal workers in Mae Sot are poor and they feel reluctant to spend on registration fees even though they know their employer cannot provide a shelter of full protection. Under this circumstance, their access to regular income, proper working and living condition, other basic labor rights and access to all social services are denied. As a consequence, their spending capacity on registration is weaken and they have to run in the vicious circle filled of problems. In their cases, the reason behind sending smaller amount of remittances than Bangkok migrants is more or less because of their legal status. In fact, migrants' remittances come from the net income they can set aside after overcoming all the obstacles they have to face in destination.

Impact of illegality also extends its influence to the migrants' access to formal remittance channels. The remittances are flowing back informally to the households of the migrants at large. Basically, international hundi services are running on personal trust, speed, cheap service charges and door-to-door service (Koser, 2007). Here, the hundi system currently used by the Myanmar migrants in Thailand is very similar to other informal remittance operating system in other regions of the world. Legal and illegal trades, under-invoicing and the currency manipulation are the most prominent characteristics of the hundi function between Thailand and Myanmar. The players in the remittances system are working with a strong network based on reliability and personal trust.

Two different remittance systems are found in two research areas. While migrant workers in Bangkok are using the channels which is similar to the operating system of many other provinces in large scale, migrants in Mae Sot are using the small scale carriers. Remittances from border areas of Thailand are crossing the

³ Factories in Mae Tao area which employed illegal Myanmar migrants deduct 100 Baht from their monthly salary for bribe to the police. The factory workers called this expense "Police Fee".

frontier in the form of cash and goods to reach the hands of the recipients in Mawlamyine. The cost for transferring remittances Bangkok - Mawlamyine channel is based on the manipulation of the currency exchange rate set by players of each step in the operating system while the carrier service between Mae Sot and Mawlamyine charged on migrants on the basic of the amount the migrants send. Although the cash is not necessarily physically crossing the border, the local transaction in both countries is carried out by means of local banks. Since personal trust is the foundation of the whole informal system, no legal action can be taken for any misuse of trust by the players. The sustainability of career for service providers is reliant on the senders' satisfaction and it is important to maintain their reputation among customers in the long run. Today, they are meeting customers' satisfaction relatively higher than that was in the past.

Technology is widely associated with all players from top to bottom of the pyramid of the system. Mobile phone, fax are widely used to pass the information from one contact to another between the two countries and Automatic Teller Machines (ATM) and banks on the Thai side are playing a facilitating role linking the agents. Telephone service is associated along with other services hundi operators as a part of a money transaction. In this case the market demand among the migrants has attracted the supply of service form the providers' side. Not all the remittance sender migrants are using their own mobile phones. Similarly, telephone density is very sparse on the Myanmar side. Economically, the market of telephone service providing has been strongly grabbed by the small scale migrant entrepreneurs to fulfill the needs regular contact between the remittance senders and recipients. They use cheap telephone services charge as a means to attract more and more customers. Reasonable charge and additional customer services are attributed for the popularity of the informal remittance channels among the Myanmar migrants.

Many studies recognized that the way the remittances contribute to the local economy basically is determined by how the recipients utilized money (Garip, 2006; Osaki, 2003). It is widely accepted that not every use of remittances is productive (Black, 2003; Maphosa, 2005). Despite this different perspective can be seen

regarding definition of productive and unproductive uses of remittances, universally it is a truth to say remitters are contribution the reduction of the poverty intensity level (WB, 2006).

Kavita Datta et al (2006), Christos Nikas and Rusell King (2005) and Gaur Seema (2003) had acknowledged that making a distinction between the productive and unproductive is quite blur and reminded to take into consideration about the future potential effects of so-called unproductive consumption namely satisfying basic needs, buying durable goods and building households.

Richard Black (2003) put some major expenses of the recipient households including basic consumption needs, buying medicines, building houses and other conspicuous consumption in festivals and social events under the term of 'unproductive uses'. And other author like Richard H. Adam (2005) from the World Bank and France Maphosa (2005) suggested that only income and employment generating investments should be taken as productive expenditure. Like many other findings in the literature, Richard H. Adam (2005) considered spending on health, new business development and education as productive investments.

After passing many risky phases between Thailand and Myanmar, the contribution of remittances to the recipient households can be seen in the hands of the recipients. The contribution of remittances is largely determined by the spending habit of the recipient households. Not every use of remittances is productive (Black, 2003). It is still a hotly debated issue in academic circle to identify what type of expenditure is productive and what is unproductive (Datta, Kavita et al, 2006, p.5, De Haas, 2007, p.6) It is an option to take only the direct consequence of the use of remittances to decide what is productive and what is unproductive without considering the multiplier effects of both pattern of using remittances.

The recipients used remittances for various purposes. Two patterns of utilization are categorized as to figure out whether the recipients utilized productively or unproductively. Under Myanmar context, daily household expenses on basic needs

mainly food, debt repayment, donation, contribution special social events such as wedding, funerals, christening to newborn babies, gambling on underground lottery, purchasing durable goods, housing improvement and other uses are categorized as unproductive uses of the remittances. Migration fees for other family members, making investment in agriculture including buying land, live stocks and other equipments, investment in industries and finance, health and education expenses and saving are classified under the category of the productive remittance uses.

According to the available data, the saving, spending and investment behavior of the case study households pointed out that the larger volume of remittances is flowing into the unproductive uses. Larger volume of remittances has been flowing into the unproductive use which does not encourage any income generation or job creativity. The size of remittances used on other kinds of productive investment remains limited. Indeed, capacity to make productive investment is largely determined by the households' original status of wealth and possession of assets, the volume of remittances they are receiving, the investment climate they are exposed. Economic growth is determined not only by the ability of households to make investment with the money but also the favorable environment to do so. The intensity of poverty and rare opportunities to set up business are primary factors affecting the expenditure pattern of money by the households in Myanmar.

Whether the remittance recipients are spending larger amount on the unproductive or productive investment, it is undeniable that the remitters are supporting financially the family left behinds with the basic requirements of human life: food, shelter and clothing. In addition, expenses on the children education and health care have also been raised to a certain level. These kinds of utilization are founding the basic infrastructure leading to a less poverty-stricken society. It is very obvious that migration decreased the poverty severity of the families left behind to a certain level. In the case study village, the percentage of houses with migrants in Thailand is 62 % of the total number of houses. This indicator suggests how much the local economy is dependent on the remittances sent from Thailand.

Migration has been seen as an effective way of improving the income level of migrant households. The more the number of migrants is, the greater the sum of remittances the households likely to receive in return. Individual economies of the respondent households are also partly or completely reliant on the remittances. The volume of remittances they can send is varied dependent on the migrant legal status and working condition. Nevertheless, their remittances are raising the income level of the family members left in Myanmar because the amount they are sending is greater than the wages they used to earn in their previous jobs in native. Similarly, migration blessed former jobless with employment of a sizeable earning.

For many households, remittances are not only fulfilling the basic daily requirements, it is also meant for an insurance or emergency supply in case of economic crisis. Migrants with regular income are the last resorts for the families left behind if they have emergency needs. Risk diversification is one of the functions migration do through the remittances. In many cases, the remittances are expected to be used for risk sharing between senders and the recipients. Diversifying income sources among family members makes the household finance capacity stronger and stronger.

Nevertheless, it should not be underestimated the income generating effects of the recipient households' primary ownership of assets and physical property. The more physical assets they own, the more likely to invest productively (Massey and Basem, 1992). The recipient households which originally built up the precondition for making investment are more likely to be able to channel the remittances to more and more productive utilization. It should be noted that the size of remittances is also a determinant of the economic growth of the recipient family. In the findings, the amounts of the remittances are not large enough for many recipients to make investment. Since the amount they received is relatively small, only spending on the basic needs absorbed the whole part of remittances. Moreover, the investment climate is also discouraging to those who have potential. Weak local economic infrastructure retards the growth of economic activities of the recipient families. As a consequence, over one decade of mass migration has seen the emergence of no significant small home

industry or income generating and employment creating business in the case study village. Spending largely on unsustainable investment makes the recipients' economy heavily dependent on the remittances. Circular migration is a common phenomenon resulted from the strong desire of the community member to meet the needs of a decent livelihood.

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