

CHAPTER IV

MECHANISM AND COST OF SENDING REMITTANCES

4.1 The Emergence of Money Transaction Service for Myanmar Migrant Workers in Thailand

The money transfer service from Thailand to Myanmar has emerged as a lucrative business in recent decades across Thai and Myanmar border. In early 1990s, Thai government policy towards Myanmar migrants is more restricted and only reject and deportation had been reinforced. In those days, the hundi service (money transaction service) linking Thailand and Myanmar was not widely used. Migrant had no option but to carry their saving of cash and goods only when they paid visit or they return to their home.

Even under a range of Thai government's restricted policies to control and manage the influx of migrations, the number of migrants driven by the severe poverty of Myanmar has been increasing in recent decades. The development and income gap between the two countries has been attracting larger and larger flows of massive migration from Myanmar. Meanwhile, the value of Thai Baht against Myanmar Kyat had been increasing steadily during the last decade specifically after the Asian financially crisis in 1997. Migrant workers' earning has also been increasing along with the growing Baht value when they exchange into Myanmar currency Kyat for remittance transfer. According to the finding came out from the interviews with some money transaction service providers, business men and remittance senders, the exchange rate of 2007 is almost ten times higher than that of 1998⁷.

Obviously, income of Myanmar migrants who are paid in Thai Baht is more likely to increase along with the Baht higher appreciation against Kyat. For migrant workers whose households left behind rely partially or completely on the remittances they are sending, the raising income means higher capacity to remit. A number of

⁷ The money exchange rate of 1998, 25,000Baht = 100,000 Kyat has risen up to 2650Baht = 100,000 Kyat in 2007.

factors including the large number of migrant population, dependency on remittances in place of origin and increase of income due the higher appreciation of Baht had created a strong demand for the emergence of a money transfer system which can facilitate the smooth and consistent flow from Thailand to Myanmar. Gradually, service providers have taken their steps as important players in the money transaction mechanism. Nowadays, informal money transaction services are widely known as reliable partners of migrant workers.

4.2 The Role of Players in the Money Transfer System

Bangkok-Mawlamyine remittance flow has nothing different with other channels between many provinces of Thailand and Mawlamyine. Figure (4.1) explained how they players operate their respective functions since the beginning to the end of remittance flow.

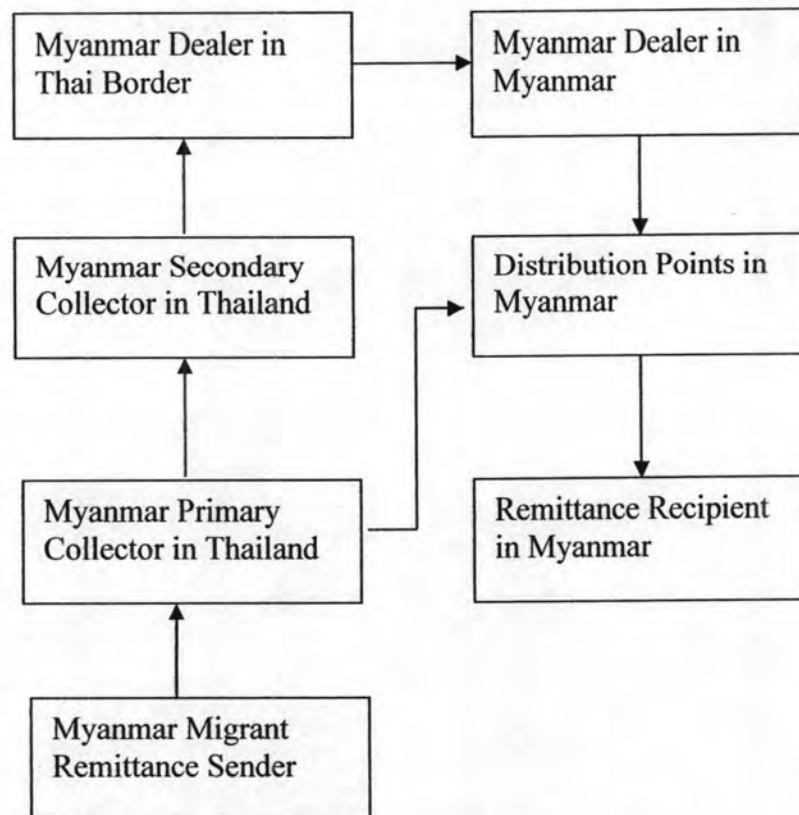


Figure 4.1 The Players in the Informal Money Transfer System

4.2.1 The primary collector

Mostly the primary money collectors in Thai side are former migrant workers who have sound local knowledge of the area in which they collect money. Many of them are small scale business men who are living in Thailand with visa. They are going around the area of migrants to collect money door to door. For a primary collector it is important to have skill not only in entrepreneurship but also social dealing. Majority of money collector who are working around Bangkok are Mon ethnic. Some of the collectors are providing service to both cash and goods barrel and package while many deal only with remittances in cash.

They have to build a wide and reliable network with remittance distributors in various districts of Myanmar in order to meet the satisfaction of all customers who come from different states and divisions. In most cases, the secondary collectors who buy cash from the primary collectors served as a link to contact with these distribution centers. But the primary collectors must know which secondary collectors have link with what town and provinces in particular. It was observed that primary collectors can be smugglers facilitating the safe trip of illegal migrants to and from Thailand. Or they can be cooperating in smuggling with carriers on the basic of commission per migrants who buy their service⁸. They have close communication with the migrant community and can gather the information about the incoming and outgoing migrants. In other word, they are facilitators for the safe trip of incoming and return migrants.

Their contact phone number is widely known among the migrant workers and usually they must bring mobile phone to wherever they go. The phone numbers of popular primary collector is normally busy on the weekend while migrant workers are ready to send remittance during their holiday.

⁸ Corruptive officials of both countries are involving in smuggling and the service fees for an incoming migrant from Ranong to Bangkok trip ranges from 5,500B to 6,000B while charge on Mae Sot-Bangkok trip ranged between 6,000B to 8,000B. The return cost is cheaper, between 2,600B to 3,000B.

In this case they bring more than one mobile phone for the easy contact with the customers. They drop at the migrant's door to collect money if the migrant workers call them when they want to transfer money to Myanmar. Their first responsibility is to contact with the distribution point in Myanmar and give the necessary information including the recipient's name, address and the amount of remittances. And they arrange for the senders to have a telephone conversation with the remittance recipients. For this service, they charge on the duration of telephone call. In the last step, they transfer the remittances they have collected to the bank account of the secondary collector. The benefit they can enjoy from the transaction comes from the currency exchange rate and charge on the telephone call.

Some of the primary collectors who have adequate capital investments do not use secondary collectors as middle man. Such primary collectors set up their own distribution points in Myanmar side and directly transfer money to Myanmar. But it does not mean they carry cash by crossing the border. Some migrant workers currently staying in the community also collect money by using their network with friends. But the network of such primary collectors is rather limited because they cannot move freely as the business men who mainly focus their business on the money transaction.

4.2.2 Secondary Money Collectors

Secondary money collectors are business men with high entrepreneurial skill. They can invest larger amount of money in the money transaction business than the primary money collectors. Most of them go back and forth frequently to Myanmar on the business purpose. They also bear passports and staying in Thailand with visa in order to protect their security and to avoid unnecessary obstacles in their business. They also have saving account in some commercial banks of Thailand. They are always seeking information on the currency exchange and served as a channel linking between the dealers who are playing in macro level and the primary collectors whose role are at the micro level. They resell the money they collect from the primary collectors to the dealers with a certain amount of profit. Most of them are involving

not only in the money transaction but also in other trading between Thailand and Myanmar. They can also be main dealer in some occasion when they can sell and buy Thai currency directly with their business partners. In this step, the profit comes from currency manipulation and use of cash for their own business purpose.

4.2.3 Dealers

The dealers hold top position in the pyramid of the money transaction system. They are not physically involving both in money collecting or distributing. As the capable one who put the largest investments they serve as center points that set daily currency exchange rate in the operating system. They also open bank account in Thailand. After buying cash from the secondary collectors, they inform the amount of money to the dealer in the Myanmar side to transfer to the distribution points via local commercial banks or send to them directly. Mostly, the dealers in Myanmar side are their close and reliable business partners or their family members who are responsible for the Myanmar side money transaction to the retail distributors. They are dealing with many business men who need to buy and sell Thai and Myanmar currency for both illegal and legal trade on the basic of building a reliable and strong network which is built on personal trust.

4.2.4 Distributors

Distributors are dealing directly with the recipients of the remittances. Their responsibility is to check the name of the recipient list sent via telephone or fax from Thailand and receive the money transfer by the dealers. And then, they inform the recipients at their door to come and withdraw money at distribution points. In most cases, these distribution points are the residences of the distributors. Some distributors send money door to door. But such kinds of distributors are rarely seen in Mawlamyine area. Before the transaction, the money collectors in Thai side have to inform the distributors in advance when the recipient should come and wait for the incoming telephone call from Thailand. Most of the recipient has no access to

telephone in their surroundings⁹. They can talk with the senders by using telephone at distributor home on the day of money transfer. It is very common that the senders are more likely to choose the most convenient distribution point for the recipients. It might be the closest place or the most reliable place to withdraw the remittances. The distributors keep in touch daily with the primary and secondary money collectors in Thailand for the smooth flow of remittances. In Mawlamyine area, a permanent residence in good location, a land-line telephone and a motor bike are the essential requirements to run as a distributor. And they keep a certain amount of money reserve in their hands to be ready to give the recipients in case the transfer from Thailand cannot reach in time for some unnecessary delay such as bank close on official holiday of Thailand and Myanmar. The distributors must have sound local knowledge to get access as soon as possible to the address of the recipients who are living inside and outside of the town municipal area. The majority of distributors in Mawlamyine is composed of the family of the former migrants who had become financially strong after working many years in Thailand and settled in home town. They charge the recipient on three kinds of services; informing door to door, receiving incoming call from Thailand to the recipient, and money transaction.

4.3 Operating System and Costs

Doing research in two case study areas of Thailand helps me to explore two systems of remittances. I have seen two different channels of remittances are linking with my case study area. One is the flow from Mae Sot to Mawlamyine and the other is Bangkok to Mawlamyine. Different kinds of dealers are playing in different channels. While small scale carrier are providing the remittance service in Mae Sot – Mawlamyine channel, large scale remittance service providers are involving in the channel from Bangkok to Mawlamyine.

⁹ According to ICT profile Myanmar provided by the Asia-Pacific Development Information Program under UNDP, the density of telephone in Myanmar is only 0.6 out of 100 inhabitants have line telephone.

4.3.1. Operating System and Cost for Remittances in Cash in Bangkok-Mawlamyine Channel

In Bangkok, primary collectors are directly deal with the migrants. They collect the money from migrants door-to-door or migrants send money to their places. In the second stage, they transfer the remittances they have collected from the migrants to their secondary collectors' account. Again, the secondary collectors transfer remittances to the dealers' account in Thailand side. On the highest level, the dealers in Thailand side transmit money to the dealers in Myanmar side. In this stage, they are not necessarily transferring cash across the border. For money transaction from one stage to another, they use the colloquial term "buying and selling money" instead of the term "transferring". In Myanmar side, the dealers who received the transfer of money from Thailand have responsibility to deliver money to distribution points in various State and Divisions within Myanmar. In the last stage, the distribution points are directly dealing with the remittance recipients.

Cost incurred to the sending migrants is determined by the currency manipulation. Primarily, dealers in Thai side set the current buying and selling price in accordance with the appreciation of Thai Baht in International market. After buying from the primary collectors with minimum 20 Baht profit, the secondary collectors sell Thai Baht to the dealers in next step. For example, if the sale price set by the dealer on 23 June 2007 is 2600 Baht = 100,000 Kyat, the secondary collectors buy cash form the primary collectors on that day with buying price of 2620 Baht=100,000Kyat in minimum. At the micro level selling and buying price, the primary collectors get the profit by increasing the exchange rate up to minimum 30 Baht to maximum 50 Baht. So on 23 June 2007, the buying price by the primary collectors in the migrant community is between 2650 Baht= 100,000K to 2670Baht = 100,000K. Therefore, the cost incurred to a migrant worker in Thai side varied form 50 Baht (1900Kyat) to 70 Baht (2660 Kyat) whenever he or she sends 100,000 Kyat to Myanmar. In fact this amount is not a total cost for the transaction. The recipients in Myanmar side have to pay 500 Kyat for every transaction of 100,000 kyat.

Normally, the exchange rate in the weekend is stable and it is the same price as it was in last Friday.

4.3.2. Operating System and Cost for Remittances in Goods in Bangkok – Mawlamyine Channel

Various players are contributing their respective roles in the business of sending remittances in goods from Thailand to Myanmar. Again, the primary collectors in the remittance in cash system mainly involved in this business, too. However, not every primary collector is active player for sending goods. Only those who have reliable network with the smugglers can provide service for remittances in goods. Service for sending goods seems more challenging and more complicated than sending remittance in cash because carrying goods is associated with smuggling in person. Mostly the migrants can send their goods only when their friends or relatives return back home even if they hire the broker service. It does not mean that their relatives and friends have to carry the goods by themselves or they have to bear the charges. The service fees have to be given to the brokers in advance by the senders. The migrants prefer to send goods with friends and relatives for two reasons. On the one hand, they feel safe for their goods if they have someone to take care of their belongings on the way to Myanmar. On the other hand, many smugglers refuse to carry goods alone without any one who can go along with it because it will be their full responsibility in case drugs and other sensitive illegal goods have been put in the package and barrels of goods. The following table shows the service fees in 2007 for sending remittances in kind from Bangkok to Mawlamyine and its surrounding area.

Table 4.1 Service Fees for Sending Remittances in Kind

Type of goods	Size/ Dimension	Charge in (Baht)
Plastic Container	Hand Carry for Two Men (100cm high x 60cm)	1200
Package	Hand Carry for One Man (40cm x 60cm)	600
Package	Bigger than Hand Carry Size (60cm x 80cm)	800
Television	Any Size	1000
Fragile Goods	Same Dimension with T.V	1000
Gold	One Tical (15.244 gm)	300

Note: Charges are varied based on the relationship between broker and the customer migrants. The brokers usually give discount to those who are friendly with them.

4.3.3. Operating System and Cost for Remittances in Cash and Goods in Mae Sot-Mawlamyine Channel

Alternative money transaction which is different from the functions of Bangkok- Mawlamyine channel can be seen in Mae Sot-Mawlamyine flow. The massive migration from the case study area to Mae Sot started in the mid of 1990s when the migration fashion used to be very popular among unemployed youth. At that time the recruiters gathered young people from the community and sent them to the factories in Mae Sot. For this service, they took commission from the factory owners and the recruiter fees from the migrant workers. Most of the recruiters are the merchants who went back and forth to Thai border area for their business purpose. Their main business was not recruiting migrant workers for Thai factories. But later they had become a remittance channels linking between the migrants in Mae Sot and the migrant sending community because they have contact with both sides. They carried food and other stuff for the migrant workers sent by their households and brought remittances in kind and cash back to their home. However, their main business is trading goods to and from Thailand and could not pay much attention to

facilitating of the money transaction as efficient carriers. After experiencing many times of delay in dealing with these initial recruiters, the senders and recipients of the remittances sought another alternative channel which can meet their satisfaction. At that time the parents and households members of the migrants workers have started to come monthly around the payday of the factories. They started to provide carrier service when other migrant workers approach them to bring back their remittances. Carrying money and goods along Myawaddy- Mawlamyine road is a tough job for the carriers. Inspection by Myanmar government officials on the returnees from Mae Sot has made the carriers' lives very difficult. Losing goods and cash is a very common case if the authorities siege under the name of suspicions.

In order to cover all the transaction cost on the way from Mae Sot to Mawlamyine, the carriers introduced regular service charge on the remittances. This tradition continued up to now and the current service charge while doing research is 500 Kyat to 600 Kyat for every 10,000 Kyat of cash remittance. There is not fixed prices for carrying remittances in goods and they charged on the weight or volume of the goods package. For the convenience of the employees, a few employers in Mae Sot allowed some carriers to be registered as employees of the factory. Having registration in hands, these carriers can go any where without area limit in Mae Sot and collect money in the factory area. They come to the factories regularly around the pay day of the months and collect money from their regular customers. And when they come back to the community, they send the money to the recipients' houses with door to door system. While working as carriers, they are also trading goods in a small scale.

4.4. Satisfaction on Money Transfer Service among Migrants

All of the respondents from Bangkok case study areas are how high satisfaction with money transaction service providers. Most of them used to have bad experience with the service providers in the past due to some delay. Nowadays, the money transfer service is a lucrative business and the number of service providers is increasing gradually. There is high competition among the service providers to attract

more and more customers because the maximization of the profit is based on the amount of transferred money. Hence, the customers can make a better choice to meet their satisfaction. Since every stage of process involved in this business is not legally binding, risk might occur unexpectedly in any step of transfer. Personal trust is only the foundation which can be relied for sending remittances from the hands of senders to the hands of the recipients. Service providers who have invested time and money to money transfer business care their reputation among the migrant customers. Generally, members of migrant community in Thailand are very close and friendly. Any abuse of trust or bad service of the provider will be widespread easily very fast by means of mouth to mouth. If one of the service providers abuse the trust of his business partners and cheat the migrant labors' money, they will lose their reputation for long run. Since they make profit from exchange rate manipulation, they try to provide telephone service with cheap price. Customers are also smart enough to choose the best service in their community. They usually inquire two or more money collectors in order to check who can offer the most reasonable exchange rate. To sum up, the current condition of the remittance service system is efficient with the assistance of the telecommunication technology and remittances are flowing without any deterrence. However, there remain some risks for the distribution points in Mawlamyine. They have to manage not to be under suspicion of the local authority inside Myanmar because the profitable business they are involving is illegal.