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Presentation

SOUTHEAST ASIA WORKERS' REMITTANCE STUDY

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Southeast Asia Workers' Remittance Study

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Objectives of the Study

The goal of the study is to understand the remittance flows in the region better, in order to identify ways and means to encourage:

- Large remittance flows and
- Greater use of formal remittance channel

Background

- International migration is increasingly influencing the global economy.
- Remittances sent by migrant workers amount to some US\$200 billion.
- Recent economic and other changes have dramatically increased these flows of people and money in the Southeast Asia region.
- Nearly two million largely women immigrants remit more than three billion dollars from Japan, Hong Kong, Singapore and Malaysia.

Background

- Builds on earlier study on Enhancing the Efficiency of Overseas Filipino Workers' Remittance (December 2004).
- Study Period: January-September 2005.
- Study Team Leader: Dr. Manuel Orozco, Remittances and Rural Development Program, Washington, D.C.
- The Study was supported by Japan Special Fund (JSF) funded by the Government of Japan.

The Study Examined:

- Migration trends: social and economic features
- Remittance flows: official and estimated figures
- Regulatory framework that oversees international worker transfers
- Marketplace of remittance flows: channels and competition
- Role of financial intermediation
- Transnational landscape among remittance senders

Corridors

Sending Jurisdictions

Japan; Hong Kong, China; Singapore;
Malaysia

Receiving Countries

Philippines; Indonesia; Malaysia

Methodology

- Based on 500 surveys per country. Sample size is representative with a 4% margin of error;
- The statistical analysis of the surveys was drawn predominantly from the samples carried out in Japan, Hong Kong, and Singapore. The data collection offered better choices for statistical analysis and its data could be better validated. With regards to recipients of remittances, Indonesia's survey was also used for statistical analysis;
- Survey is based on an international questionnaire protocol of more than 30 questions referring to remittance transfers, financial obligations, demographics and extent of contact with relatives;

Methodology (continue)

- Government figures relating to migration, remittances and economics;
- Analytical framework focusing on migration, remittance volumes, marketplace, regulations, financial intermediation as factors related to development;
- Principal objective consisted of learning about the trends and patterns of remittances and issues relating to development.

Survey Sample

	Indonesia	Malaysia	Philippines	Other (Nepal, India, Bangladesh)	Total
Japan	134	42	256		432
Hong Kong	262		262		524
Singapore	151	151	127		429
Malaysia	210		100	200	510
Total	757	193	745	200	1895

Findings

- Nearly two million largely women immigrants remit more than three billion dollars from Japan, Hong Kong, Singapore, Malaysia on averages ranging from US\$300 to US\$500;
- Average amounts sent represent over 30% of migrants' income and 40% of remittance recipients;
- Transaction costs are a reflection of regulatory environments, and number of players in the market;
- Regulatory environments for money transfers vary;
- Migrants senders and recipients' relationship to financial intermediaries is mixed;
- Policy opportunities exist in all fronts.

Migrant Labor Population in Selected Host Countries

Host \ Home	Japan	Hong Kong, China	Singapore	Malaysia
Philippines	185,200	120,000	90,000	250,000
Indonesia	22,800	92,000	60,000	1,000,000
Malaysia	9,000	< 1,000	165,000	--
P+I+M	217,000	213,000	315,000	1,250,000

Source: official statistics from host country governments.

Average Remittance Amount Sent Each Time

	Japan		Hong Kong, China		Singapore		Malaysia	
	<i>Average</i>	<i>Lowest 40%</i>	<i>Average</i>	<i>Lowest 40%</i>	<i>Average</i>	<i>Lowest 40%</i>	<i>Average</i>	<i>Lowest 40%</i>
Philippines	\$572	\$377	\$264	\$190	\$265	\$182	\$100	\$70
Indonesia	\$838	\$472	\$305	\$174	\$291	\$182	\$100	\$70
Malaysia	\$970	\$283	n/a	n/a	\$329	\$242	--	

Source: ADB regional survey of senders. NOTE: 95% of remitters in HK are women (domestic workers); 90% in Singapore; 60% in Japan.

Annual Average Number of Transactions a Migrant Makes

	Japan	Hong Kong, China	Singapore	Malaysia
Philippines	11	15	14	10
Indonesia	5	11	3	6
Malaysia	4	-	6	-

Source: estimates based on April 2005 survey of immigrant senders and official statistics on labor migration. Excludes Malaysia cross border flows.

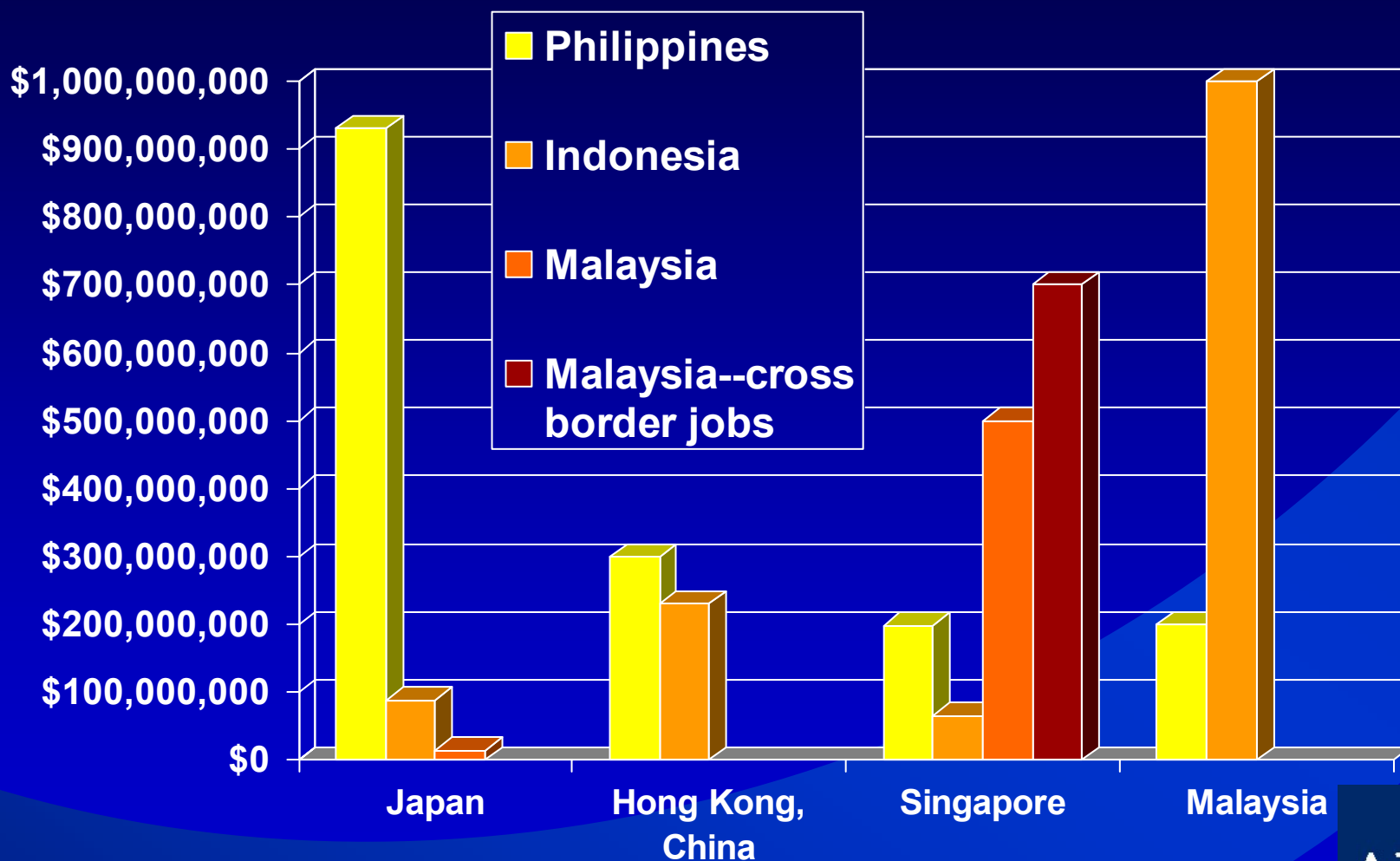
Intra-regional Southeast Asia flows

(US\$ millions)

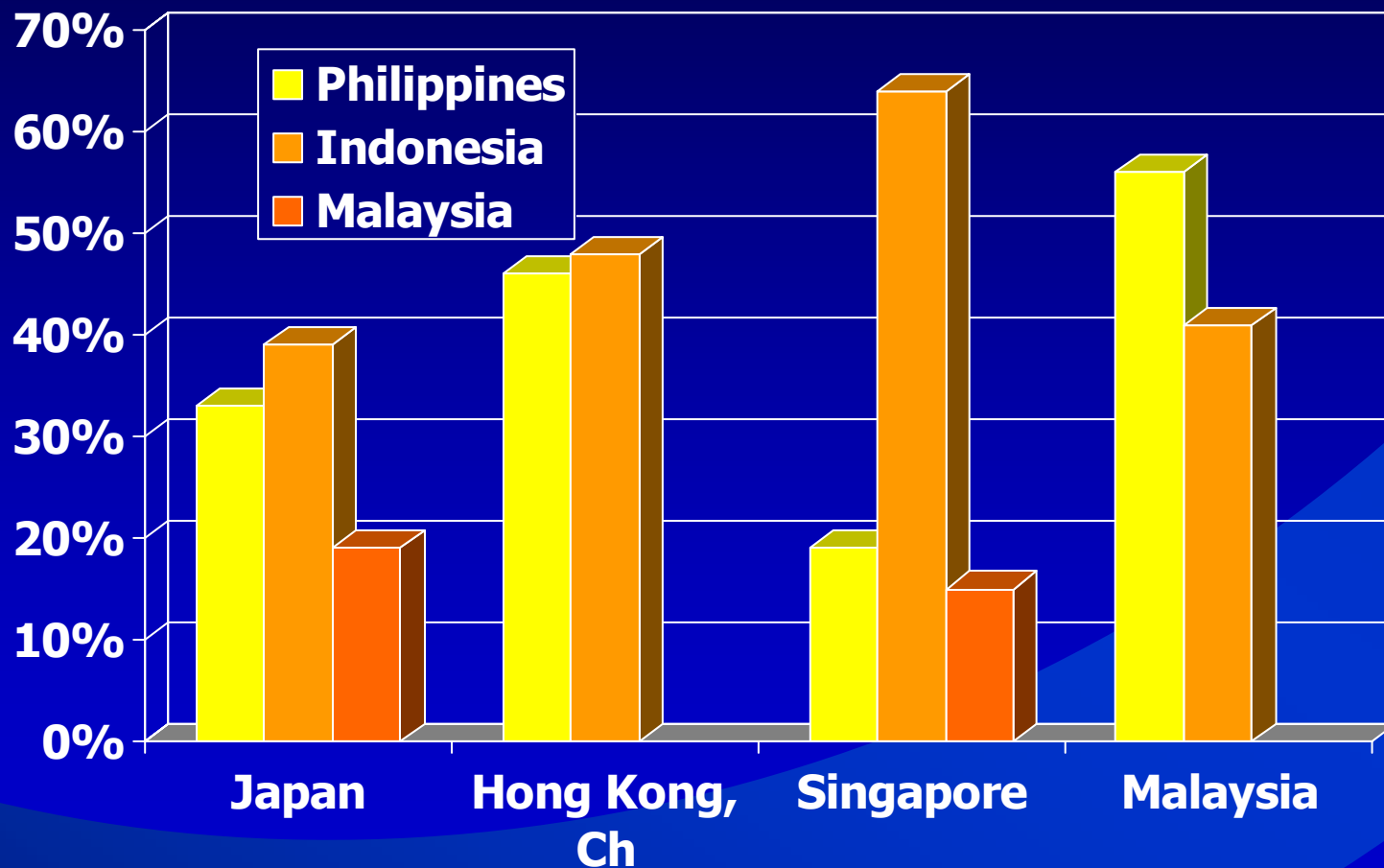
	Japan	Hong Kong, China	Singapore	Malaysia	Four Countries
Philippines	\$930	\$280	\$198	\$200	\$1,608
Indonesia	\$89	\$185	\$66	\$1,000	\$1,340
Malaysia	\$15	--	\$500	--	\$515
P-I-M	\$1,034	\$465	\$764	\$1,200	\$3,463

Source: estimates based on April 2005 survey of immigrant senders and official statistics on labor migration.
Excludes Malaysia cross border flows.

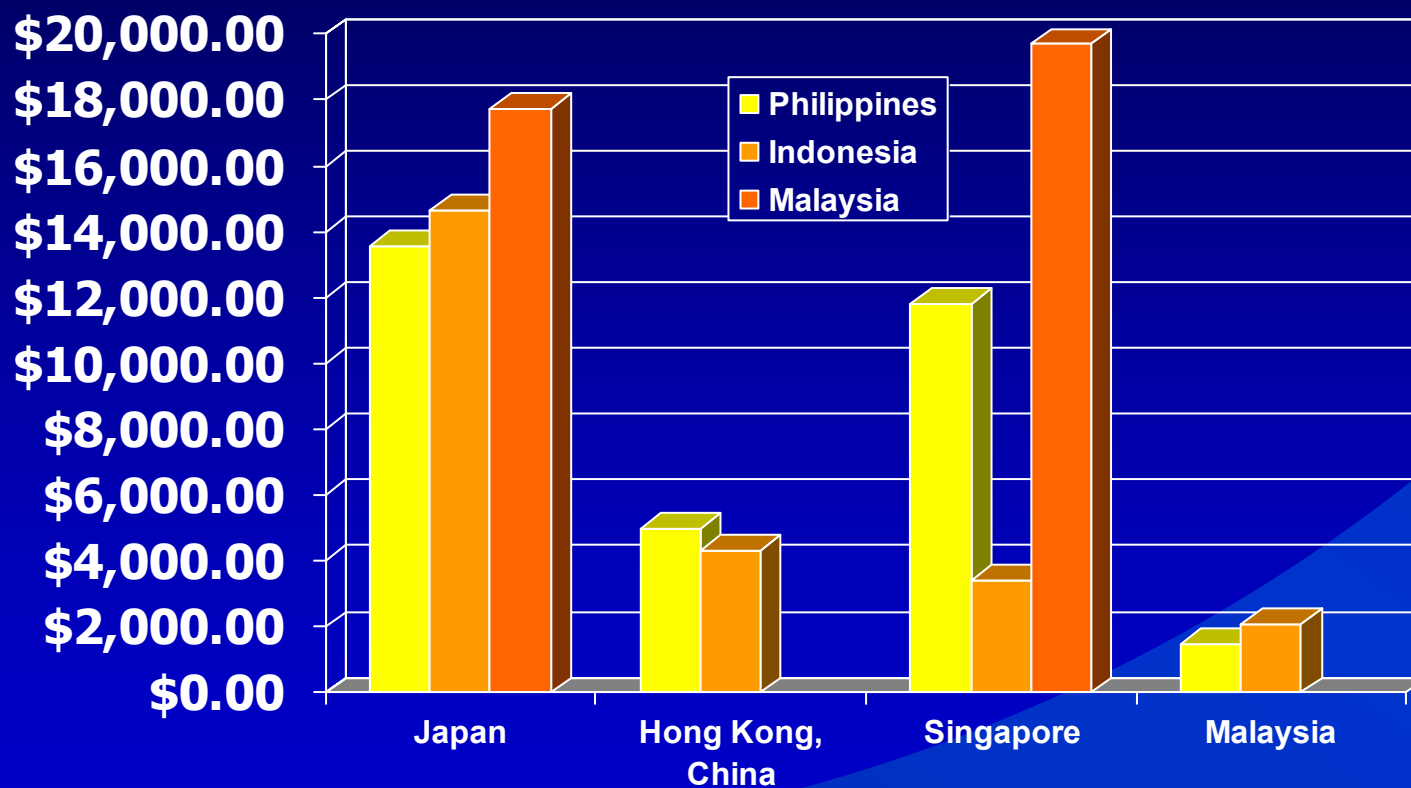
SE Asian Intra-regional remittance flows



Remittances as percent of migrants' income



Migrants' income in host country



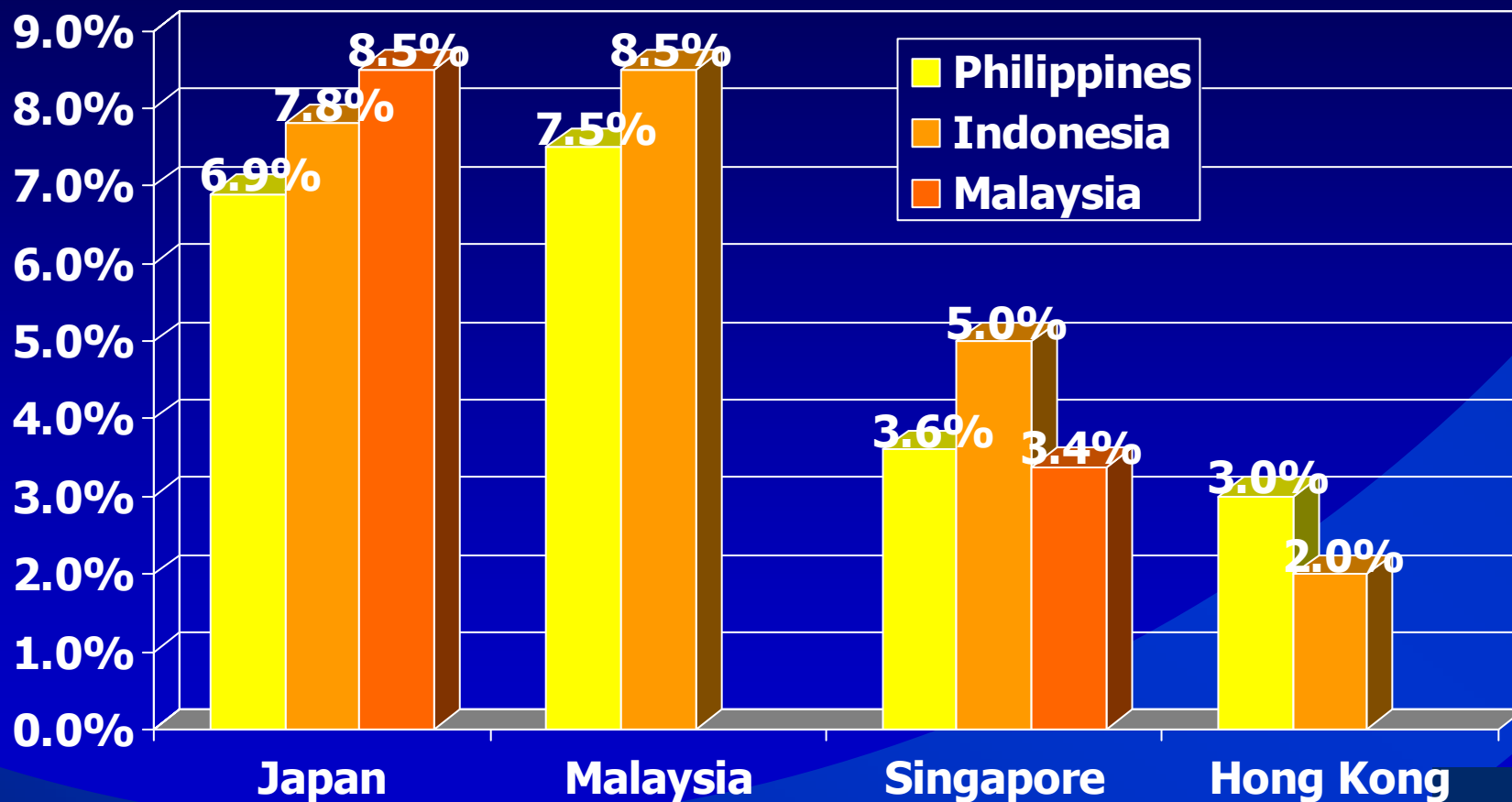
The Marketplace of Remittance Transfers

- Regulatory environment varies from country to country
- Informality prevails in most countries
- Foreign exchange rates, transfer fees and reputation are key factors explaining the use of informal channels
- There is a statistical significant relationship between cost and sender country regulators, informality and volumes.

Principal migrant sending method

Sending country Migrant country of origin	Japan	Hong Kong, China	Singapore	Malaysia
Philippines	Bank (70%)	Bank (75%)	MTO (45%), Bank (44%)	Bank (50%)
Indonesia	Friend (67%)	Bank (66%)	MTO (54%)	Others (40%)
Malaysia	Bank (57%)	NA	MTO (55%)	

Transaction cost to send average amount to selected SE Asian countries



Key issues or components of regulatory environments for money transfers

- Number of regulatory bodies (Central Bank, MF, Supervisory agencies)
- Number of players allowed (fully licensed banks, NBFIs, Post Office)
- Insurance requirements (bond, capital for banks, NBFIs, etc.)
- Type of documentation allowed
- Control on commissions, fees and other transaction costs

Key issues or components of regulatory environments for money transfers (continue)

- Remittance transfer processing (bulk, batched or individual)
- Anti-Money Laundering Programs
- Level of KYC requirements vis a vis amount limits
- Level of enforcement and compliance

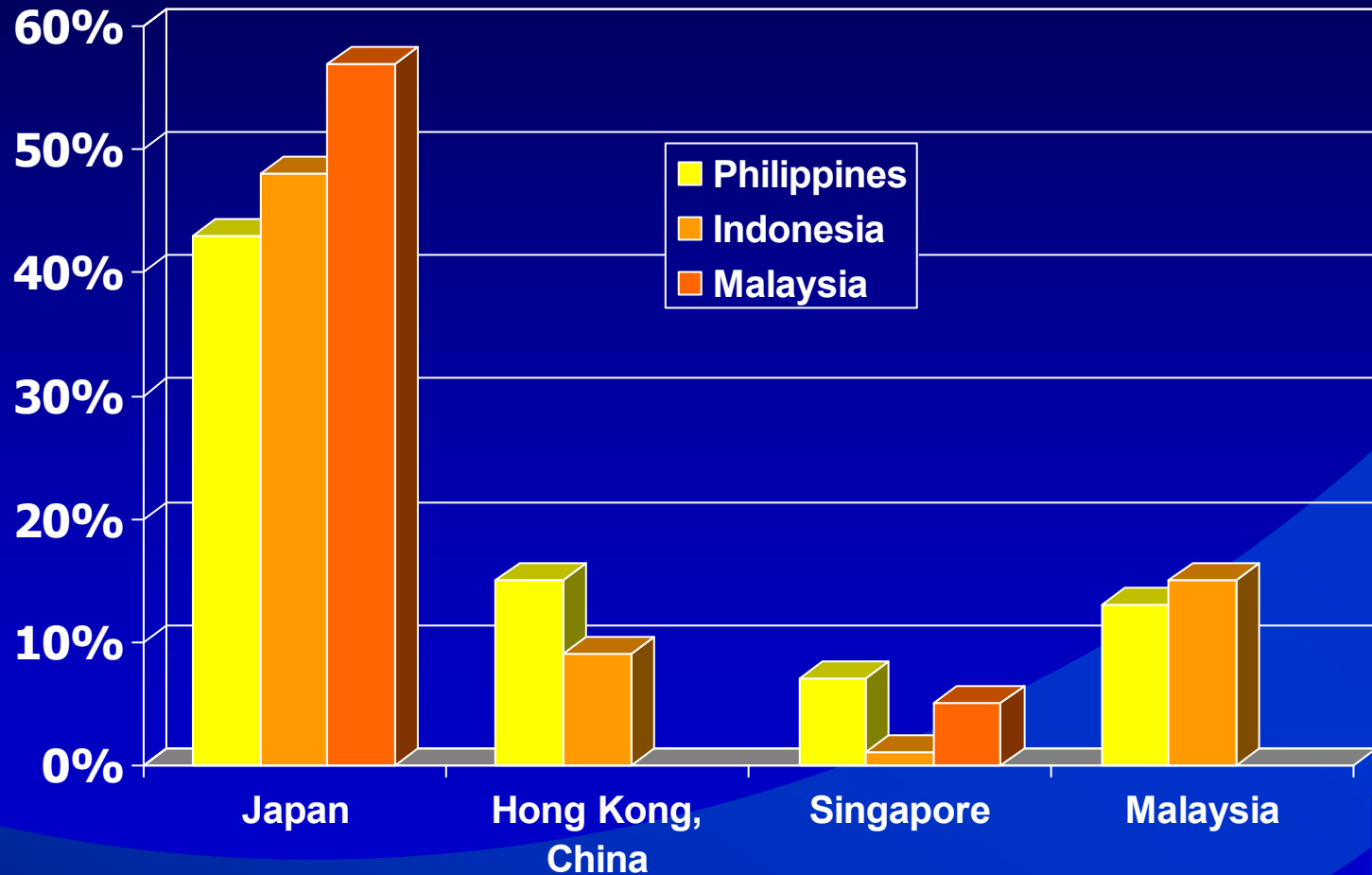
Remitters and Financial Intermediation

Findings: Half of senders and recipients have bank accounts. However, the level of use or access to banking financial intermediaries was minimal.

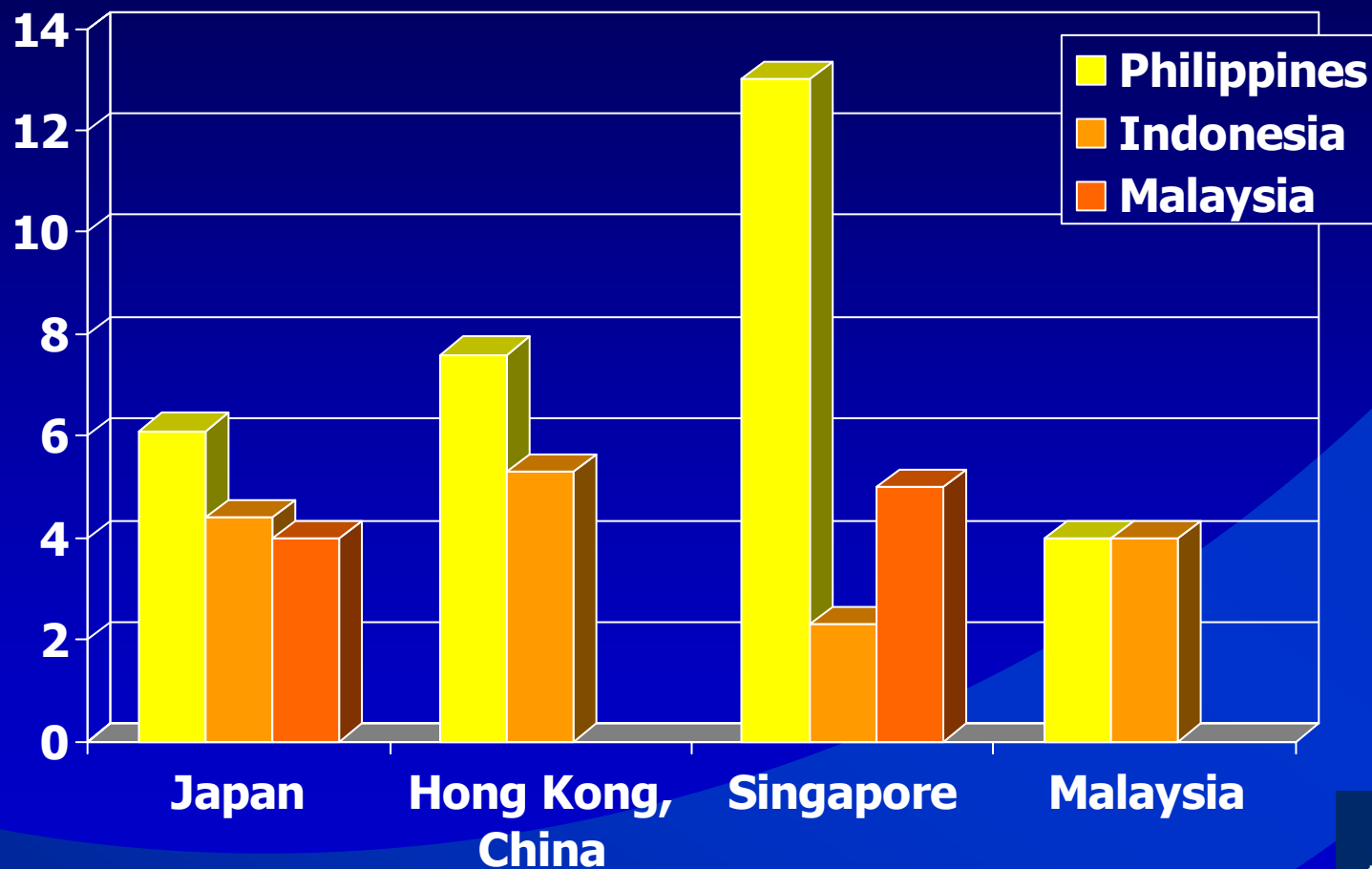
Migrants with bank accounts in host country (%)

Sending country Migrant country of origin	Japan	Hong Kong, China	Singapore	Malaysia
Philippines	81%	68%	67%	50%
Indonesia	91%	53%	65%	41%
Malaysia	100%		90%	

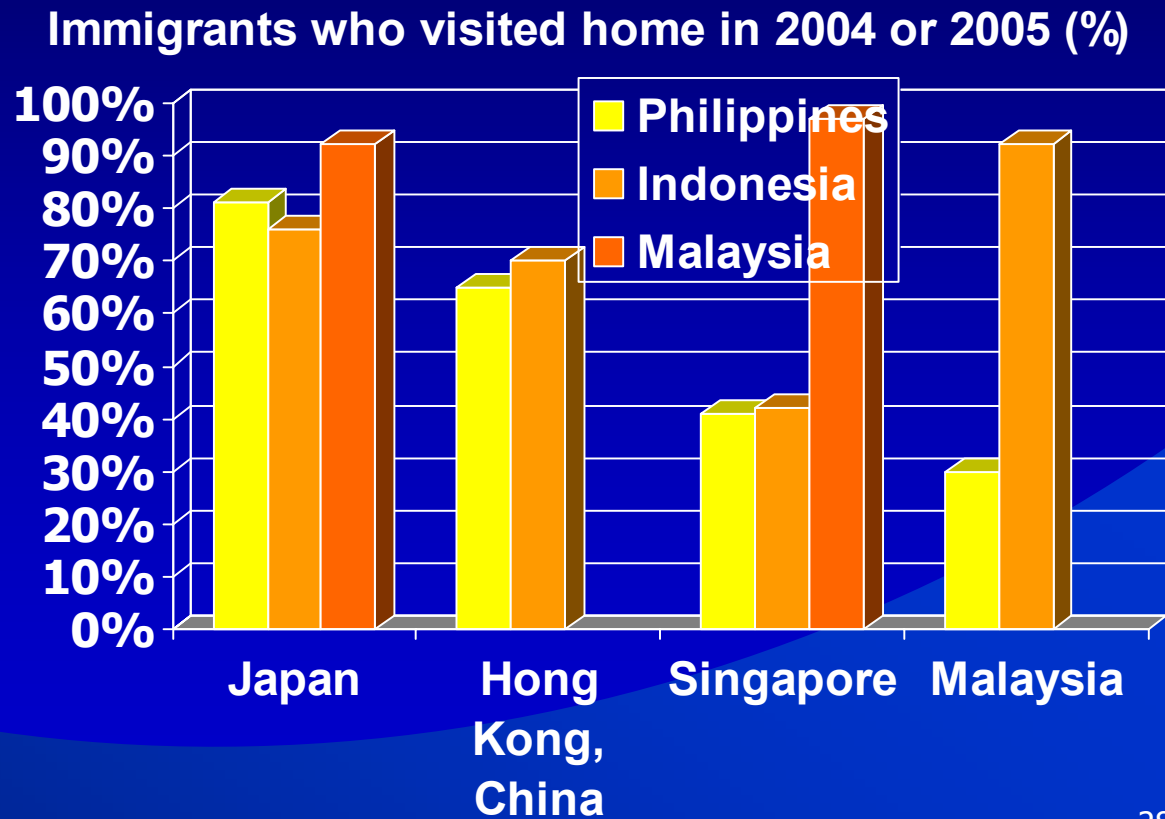
Migrants with credit and or debit cards



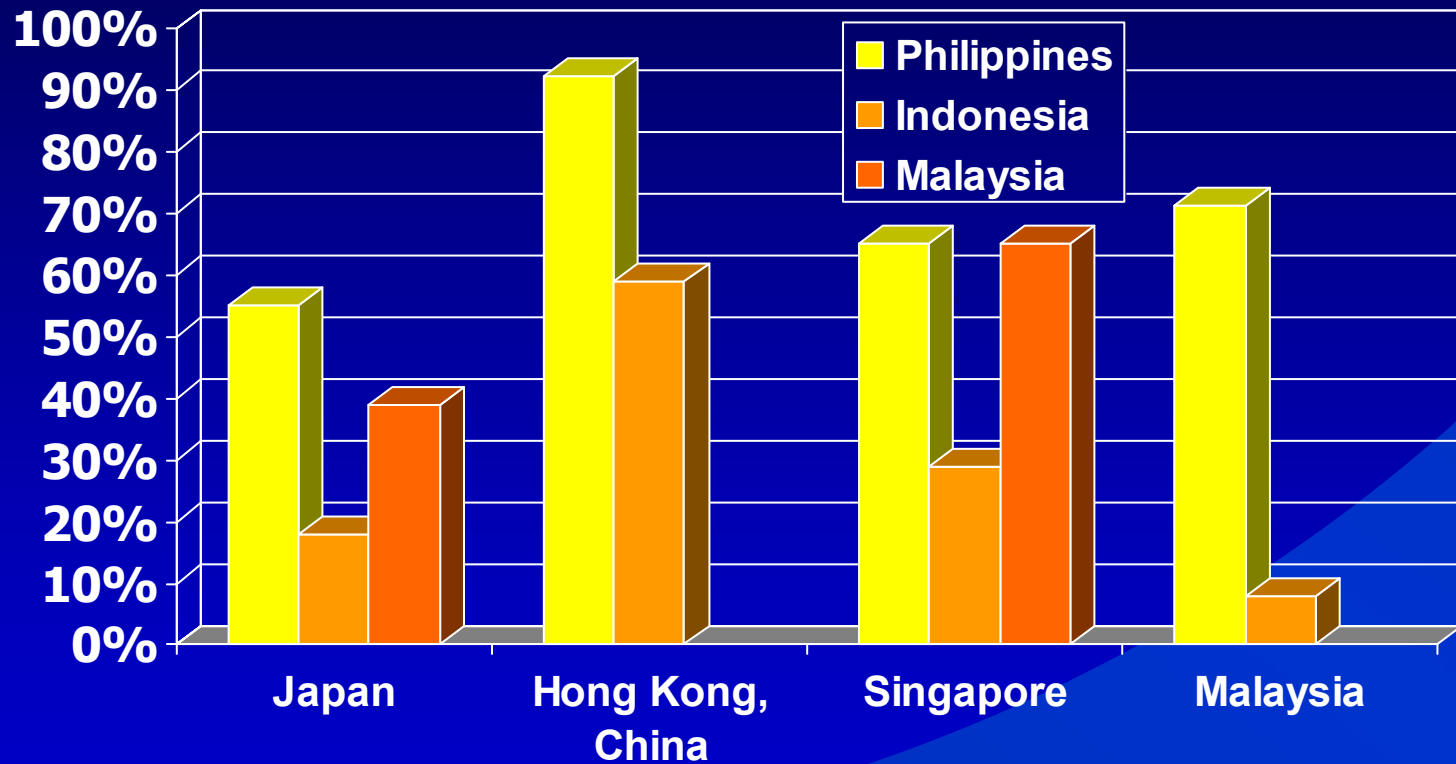
Years in host country



Visiting and bringing money home



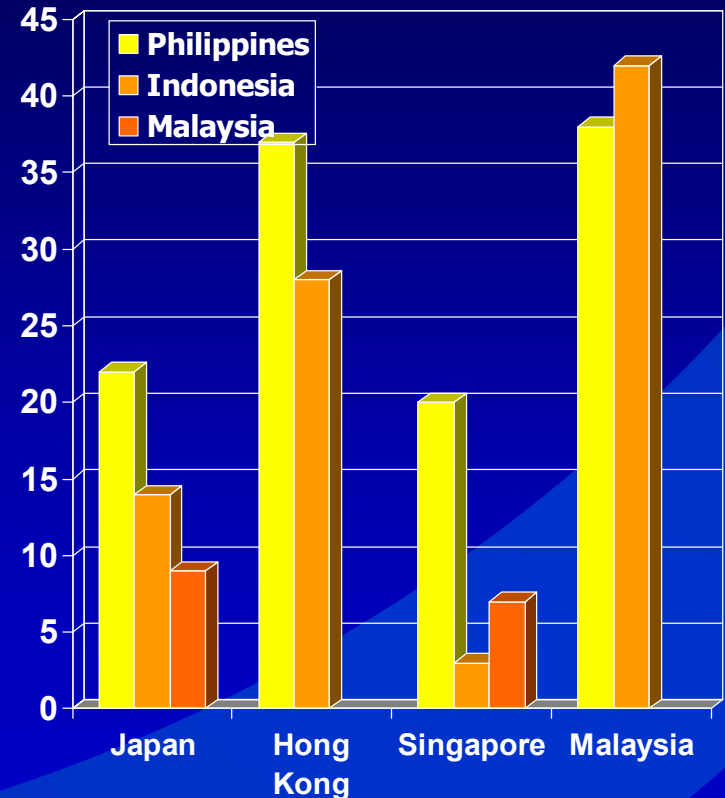
Migrants who call home at least once a week (%)



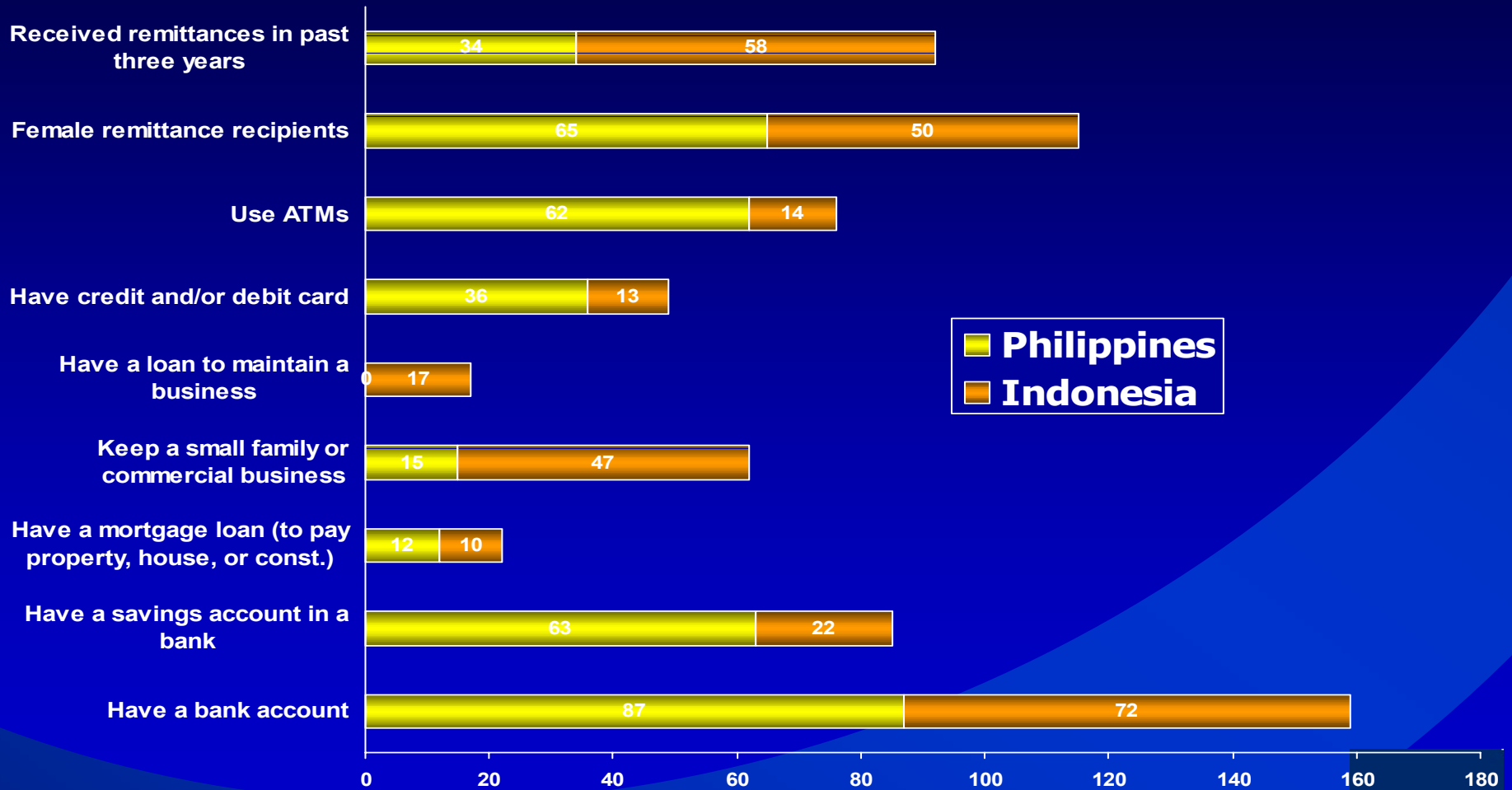
Level of migrant engagement

Migrants in home country who

- Have a bank account,
- Have a mortgage,
- Have a small family or commercial business,
- Have a loan to maintain personal business,
- Have a student loan,
- Have a pension plan,
- Lends money for family investments,
- Stays in regular contact with families,
- Leaves with the family half the cash it brought in the last visit
- Support or contribute to hometown associations or clubs that help your home country



Percent of remittance recipients who...



Conclusions and Recommendations (1)

- Improve knowledge of labor migrants (size, social conditions, financial preferences);
- Improve measurement tools of the volume remitted;
- Yet, it is difficult to capture the real picture – it is a matter of striking the balance between the cost and benefit;
- In finding out the situation better – this needs to be done on a corridor by corridor basis, bilateral cooperation to study both sides of the corridor would be essential;

Conclusions and Recommendations (2)

- Regulation – another matter of “balance” – the more to regulate and to know better, the costs will be higher and that will invite people to choose informal methods;
- A reality is that many banks do not necessarily think remittance is profitable;
- Introduction of new technologies may be an answer to improve reporting and reducing costs at the same time;
- International/regional cooperation in introducing new products and coordinating regulations/requirements would be essential;

Conclusions and Recommendations (3)

- Access to financial services for the poor is essential – the need for deepening of the financial services – microfinance reform?
- Financial literacy/education will play a very important role.

Thank you.