

## I. Introduction

International migration is increasingly influencing the global economy. Remittances sent by migrant workers amount to some United States dollars (US\$)200 billion to countries and regions in Latin America, Asia, Africa, or Europe.<sup>1</sup> The Southeast Asia region is an important example of the global trend. Historically, this region has been characterized by fluid migration, but recent economic and other changes have dramatically increased these flows of people and money.

Given these movements, the Asian Development Bank (ADB) proposed to examine remittance fund flows from a regional perspective to understand its trends, as well as to identify policies that can leverage remittances. Thus a regional technical assistance (RETA) project was implemented. The purpose of the project consists of conducting a systematic understanding of remittance flows in selected Southeast Asian sender and recipient countries. The project also seeks to offer an informed set of policy recommendations that may help leverage a greater development role of remittances in the countries studied.

To understand these trends, we looked into a range of issues relevant to donors and development players:

- i. migration trends as well as their social and economic features;
- ii. remittance flows: official and estimated figures;
- iii. regulatory framework that oversees international worker transfers;
- iv. marketplace of remittance flows—channels and competition;
- v. role of financial intermediation; and
- vi. transnational landscape among remittance senders.

Among the findings in this study is that nearly two million largely women immigrants remit more than US\$3 billion from Hong Kong, China; Japan; Malaysia and Singapore on averages ranging from US\$300 to US\$500. Estimates were based on official figures on migrants in the sending countries and survey analysis conducted for this study (please refer to the methodology section for details). This means that the volume may be higher if estimates of undocumented workers are included. There is a significant level of contact between migrants and their family, remitting being one key form of contact.

Regulatory issues pertaining to remittance transfers vary from country to country from strict restrictions to more liberal approaches, to money transfers. Informality prevails in most countries, however, most notably in Malaysia where it seems to be greater. One key finding with regards to informality referred to transaction cost of remittances. When analyzing the determinants of informal transfers, foreign exchange rate, fees, and reputation were key factors explaining the use of these methods. Moreover, transaction costs overall were greater in Japan. Explanations about determinants of transaction costs focused on exogenous factors such as volume, informality, and regulatory environment in the sending and receiving corridors. There is a statistical significant relationship between cost and sender country regulations, informality, and volume.

Half of the senders and recipients have bank accounts. However, the level of use or access to banking financial intermediaries was minimal. For example, the relationship between using banks for remittance transfers and having a bank account or other substantive financial obligations is low.

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<sup>1</sup> Remittances defined as monetary funds sent by individuals working outside of their home countries to recipients in the country that they came from.

These findings emphasize a fluid process of relationships between migrants and their home country as well as to policy opportunities and challenges. Filipino migrants were more engaged with their relatives than other groups by virtue of their frequency of sending and level of contact. Some policy issues are worth highlighting, on which this report offers practical recommendations for short-term initiatives.

This report was based on surveys conducted in sending and receiving populations in Hong Kong, China; Indonesia; Japan; Malaysia; Philippines; and Singapore, totaling a sample of 2,500 senders and recipients. In addition to the surveys, a team of 11 experts conducted field work and interviews of more than 20 policy makers, analysts, industry officials, and nongovernment organization (NGO) personnel among others. Pricing data sets were created for Hong Kong, China, Japan, and Singapore that captured the transaction cost of the most active money transfer companies.