

Women on the Move

Harnessing the economic force of
cross-border mobility in ASEAN



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ABOUT SHIFT

UNCDF's Shaping Inclusive Finance Transformations (SHIFT) programme is a financial-market facilitation, technical assistance and funding facility for the ASEAN region. SHIFT aims to facilitate the transition of low-income people's—especially women's—use of financial services from informal mechanisms to formal, regulated and higher value services.

PARTNERING FOR A COMMON PURPOSE

SHIFT collaborates with key stakeholders including Association of Southeast Asian Nations (ASEAN) governments, intergovernmental working groups, financial service providers to micro, small and medium enterprises, and development partners dedicated to expanding financial inclusion in the region, particularly in least developed countries.

UNCDF's SHIFT programme is jointly co-funded by UNCDF and Australia's Department of Foreign Affairs and Trade (DFAT). The Netherlands Development Finance Company (FMO) provides earmarked funding to UNCDF's Making Access Possible (MAP) programme in Cambodia.

ABOUT UNCDF

The United Nations Capital Development Fund (UNCDF) is the UN's capital investment agency for the world's 48 Least Developed Countries (LDCs). UNCDF uses its capital mandate to help LDCs pursue inclusive growth. UNCDF uses 'smart' Official Development Assistance (ODA) to unlock and leverage public and private domestic resources; it promotes financial inclusion, including through digital finance, as a key enabler of poverty reduction and inclusive growth; and it demonstrates how localizing finance outside the capital cities can accelerate growth in local economies, promote sustainable and climate resilient infrastructure development, and empower local communities. Using capital grants, loans, and credit enhancements, UNCDF tests financial models in inclusive finance and local development finance; 'de-risks' the local investment space; and proves concept, paving the way for larger and more risk-averse investors to come in and scale up.

ACKNOWLEDGEMENTS

The authors of this report would like to thank those who reviewed and provided invaluable comments, including Feisal Hussain and Isvary Sivalingam from UNCDF.

Special thanks also to Megan Cossey for editorial support, and Deepanjana Chakravarti for layout and design.

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The views expressed in this publication are those of the author(s) and do not necessarily represent those of the United Nations, including UNCDF, their Member States or their partners.

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Abbreviations and Acronyms

ADB	Asian Development Bank
AEC	ASEAN Economic Community
AMUCSS	The Mexican Association of Social Sector Credit Unions
AML/CFT	Anti-Money Laundering/Combating the Financing of Terrorism
ASEAN	Association of Southeast Asian Nations
ATM	Automated Teller Machine
GDP	Gross domestic product
IFAD	International Fund for Agricultural Development
ILO	International Labour Organization
IOM	International Organization for Migration
MAP	Making Access Possible
THB	Thai Baht
UNCDF	United Nations Capital Development Fund
UNCTAD	United Nations Conference on Trade and Development

Executive Summary

Around the world, increasing numbers of people are migrating in search of work and better lives; the Association of Southeast Asian Nations (ASEAN)¹ region is no different. IFAD (2014) estimates that formal remittances in ASEAN totalled US\$47.9 billion in 2012. The contribution from these remittances to economies can be powerful. In the Philippines and Viet Nam formal remittance inflows account for almost 11 percent and 7 percent of gross domestic product (GDP), respectively.

The value of remittances sent by migrants through informal channels, though not currently measured, is likely even greater (IFAD, 2014). Due to the informal nature of their work and lack of official documentation, poor migrants face significant barriers to opening bank accounts or to accessing formal and regulated channels for sending money home. Since remittances are typically sent back to family members in their home country, improving migrants' financial inclusion in their adopted home should be an important goal for development partners, including governments and civil society organizations.

This note highlights the important role played by remittances in improving social protection and in achieving broader development objectives such as education in the migrants' home countries. In particular, remittances empower not only the women migrants who send them but also the women family members who receive remittances back home. **Since women migrants also face greater gender-specific challenges and barriers than male migrants, development partners should put in place initiatives tailor-made to the needs of this population.**

While the ASEAN community has committed to freer flows of high-skilled labour between member countries under the current ASEAN Economic Community (AEC) Blueprint, the issue of low-skilled labour remains relatively unaddressed, and is not nuanced to the specific challenges faced by the women in this group. The current efforts to craft the post-2015 AEC Blueprint offer a critical window of opportunity to factor in the specific challenges of women migrants to ensure greater labour mobility without perpetuating economic and political inequality. Neither does the Blueprint make mention of the special challenges faced by women who remain at home while their husbands and family members work abroad.

This note provides concrete recommendations to ASEAN policymakers on how to tackle the separate challenges faced by these two different groups. It begins, however, with an explanation of how remittances and, more broadly, financial inclusion through the use of formal and regulated remittance channels as well as financial products and services can improve the status of women migrants and women remittance receivers back home. It details the profile, needs and ways these two groups currently use financial services, and the barriers they face to using formal financial services.

The note also underscores not only the importance of bringing down these barriers but shows how remittances can be used as a platform to provide a broader portfolio of financial services, including savings accounts and investments into capital assets such as land. These services have traditionally excluded women in the ASEAN region but evidence shows that including them can greatly influence the intergenerational wealth of their families.

Finally, **Figure 6**, presented in the concluding section of this note, summarizes financial inclusion opportunities and recommendations specific to women migrants and women remittance receivers back home.



Labour mobility matters at both ends

Worldwide, people migrate in search of opportunities for jobs that are better paying and more stable, as well as to develop skills (Devashayam, 2013). With the increasing feminization of migration, labour mobility is also affecting gender equality within the household and the broader society (Devashayam, 2013). The gains of labour mobility are typically shared with household members who accompany migrants and, through remittances, with family members and others remaining in the home country (Mckenzie and Yang, 2014). Remittances play a significant role in the income of households and countries. In the ASEAN region, formally recorded remittances alone totalled \$47.9 billion in 2012 (IFAD, 2014).



ASEAN has a diverse and growing migrant population

Currently, there are more than 13 million migrants in or from the ASEAN region. According to ADB and ILO (2015) the number of ASEAN nationals living in a different ASEAN member state increased from a total of 1.5 million in 1990 to 6.5 million in 2013, with Malaysia, Singapore and Thailand emerging as the biggest importers of migrant labour in particular. Additionally, most migrant workers in ASEAN are low- or medium-skilled, a trend that should continue to increase. However, this group is excluded from current AEC policies for managing migration, which only address highly-skilled migrants (ADB and ILO, 2015).



Many migrants are undocumented

Most ASEAN countries experience high levels of undocumented migration. The biggest pools of undocumented migrant workers are found in Malaysia and Thailand, with an estimated 2.1 million undocumented migrant workers (IOM, 2011). According to the Malaysian Federation of Employers, in 2008 there were three undocumented migrant workers to every documented migrant worker (Kassim, 2008).



The trends in migration have led to the emergence of two increasingly important groups in the ASEAN region:



Women at home

As more people leave their regions and countries in search of better opportunities, more women are taking over as the head of the households back home. Since most male migrants send remittances to their wives, and female migrants send them to their female relatives who are caring for their children, women are playing a leading role as recipients and managers of remittances, whether the remittance sender is a man or another woman (UN-INSTRAW, 2007).²



Independent women migrants

At the same time, a larger proportion of migrants seeking work are now women. For example, an estimated 70 percent of migrant workers from Lao People's Democratic Republic are women (UN Women, 2014). Women as a portion of total migrants have not increased significantly over time in the ASEAN region,³ but the profile of women migrants has changed from dependents travelling with their husbands to independent women migrants taking advantage of higher salaries

and labour shortages elsewhere (UN-INSTRAW, 2007). These women migrants tend to work in low-skilled labour as domestic workers, caregiver, entertainers or retail assistants, as well as in low-end manufacturing and cottage industry jobs, such as fish processing. The nature of this work leaves an estimated 65 percent of women in unfavourable and vulnerable occupational niches in terms of remuneration, working conditions, legal protection and social recognition (Wong, 2013).



Migration shapes gender dynamics

Labour mobility is improving the status of both groups of women. Women at home are stepping into new roles as head of household, while women migrants are gaining new economic opportunities and exposure to different social norms. Women migrating for work or with partners are also exposed to different social norms, which could have a positive effect, especially on the next generation.



Remittances strengthen this empowerment

On the receiving side, women now manage financial decisions and can decide how to allocate remittance income. On the sending side, women now earn their own income and can determine the amount, frequency and use of money sent home. The typical geographic and gender dynamics of labour mobility mean that remittances have a particularly powerful role to play in empowering women and in improving the economies of the rural, poor communities where many migrants in the ASEAN region come from.

02

Remittances and women

Do the remittances women migrants send home have a greater positive effect on recipient families and communities?

Men, because of income disparity, tend to remit larger amounts of money than women. However, research shows that in specific countries, women migrants remit more than men; for example, women migrants living and working in Lao PDR send home slightly more money than their male counterparts (Wong, 2013). Moreover, women tend to remit larger portions of their income than men (Global Commission on International Migration, 2005) and several studies show that women tend to act more altruistically than men in the use of their income (Orozco et al., cited in Holst et al., 2011, 2006; Hugo, 2002; Datta, 2012; Devashayam, 2013).

Additional research suggests that women remitters often prefer their remittances to be spent on education and health, while men remitters tend to prefer investments in housing and other tangible assets (Morrison, Schiff and Sjoblom, 2007).⁴ A number of case studies support this conclusion; for example, one study showed that remittances received by families in Sri Lanka led to improvements in the health and education of children only when the household head is a woman (De and Ratha, 2005). Studies also show that remittances sent by women migrants include money sent to the extended family while men usually sent remittances only to their spouse. Finally, compared to men, the longer women migrants have been sending remittances, the more they remit (Orozco et al., cited in Holst et al., 2011).

Lastly, remittances are frequently used to purchase capital assets such as land. While migrant women workers tend to be preoccupied with meeting the material needs of their families in the initial stages of their sojourn abroad, their remittance patterns start to shift towards investment once their initial financial goals have been achieved. For example, Indonesian domestic workers in Singapore often purchase land once the basic needs of their family back home have been met (Devasahayam, 2013). Such investments upset traditional patriarchal models in the ASEAN region where women are often not allowed to own their husband's or family's assets.

Box 1: Why do remittances matter?

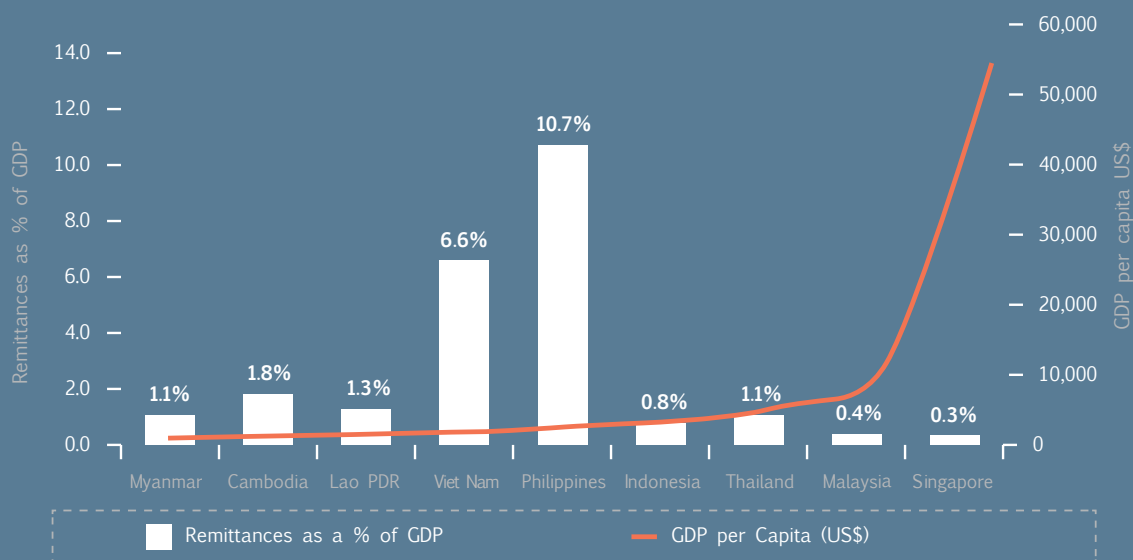
Remittances can help achieve many of the post-2015 ASEAN development agenda goals.



Remittances can drive economic growth, rural development and wealth redistribution.

Remittances are now nearly three times the size of official development assistance and exceed the foreign exchange reserves in at least 14 developing countries. Excluding China, remittances significantly exceeded foreign direct investment flows to developing countries in 2013 (World Bank, 2014). They can therefore be an important driver of growth. Figure 1 shows that remittances contribute significantly as a percentage of gross domestic product (GDP) to lower-income countries in the ASEAN region.

Figure 1: Remittances as a percent of GDP in ASEAN as compared to GDP per capita



Source: IFAD (2014); World Bank (2014).

Importantly, remittances are countercyclical with respect to income in the migrant's home country (Frankel, 2010). Thus they help to stabilize the economic cycle. By its nature, a remittance is also a redistributive instrument since it involves sharing income and wealth across regions and countries and within households.



Remittances can increase rates of national savings and investment.

As they are typically excluded from the formal financial system, undocumented migrants are forced to save and transact through informal mechanisms. These funds are therefore retained in the informal sector and are unavailable for national intermediation. Thus the volume of undocumented migrants in ASEAN represents a significant opportunity for formalization to expand the pool of funds available for national savings and investment. Given that a large proportion of women migrants tend to be low skilled and undocumented, many of these informal funds will be in their hands.



Remittances can lift people from poverty.

While the macroeconomic impact of remittances is indisputable, arguably their most important effect is in sustaining livelihoods. Research confirms that remittances increase poor household incomes and help reduce poverty rates. Receiving families make greater investments in education and health care than those who do not receive this kind of income (Ratha, 2013). Remittances also allow households to purchase more assets and to start small businesses (UNCTAD, 2011; Devashayam, 2013). Furthermore, Mohapatra and Ratha (2010) found that remittances have tended to increase in times of crisis and financial stress in receiving countries, thus helping to smooth over gaps in household income and reducing vulnerability. For example, remittances to the Philippines and Thailand increased after the Asian Financial Crash in 1997. At the same time, the migrants themselves are particularly vulnerable to economic shocks and risks in their host country as they have no access to public social security nets. This is especially true for women migrants, who tend to earn less money than their male counterparts (see Section 2.1). Access to a portfolio of financial services helps them manage their risk exposure, thereby reducing their vulnerability to falling into poverty.

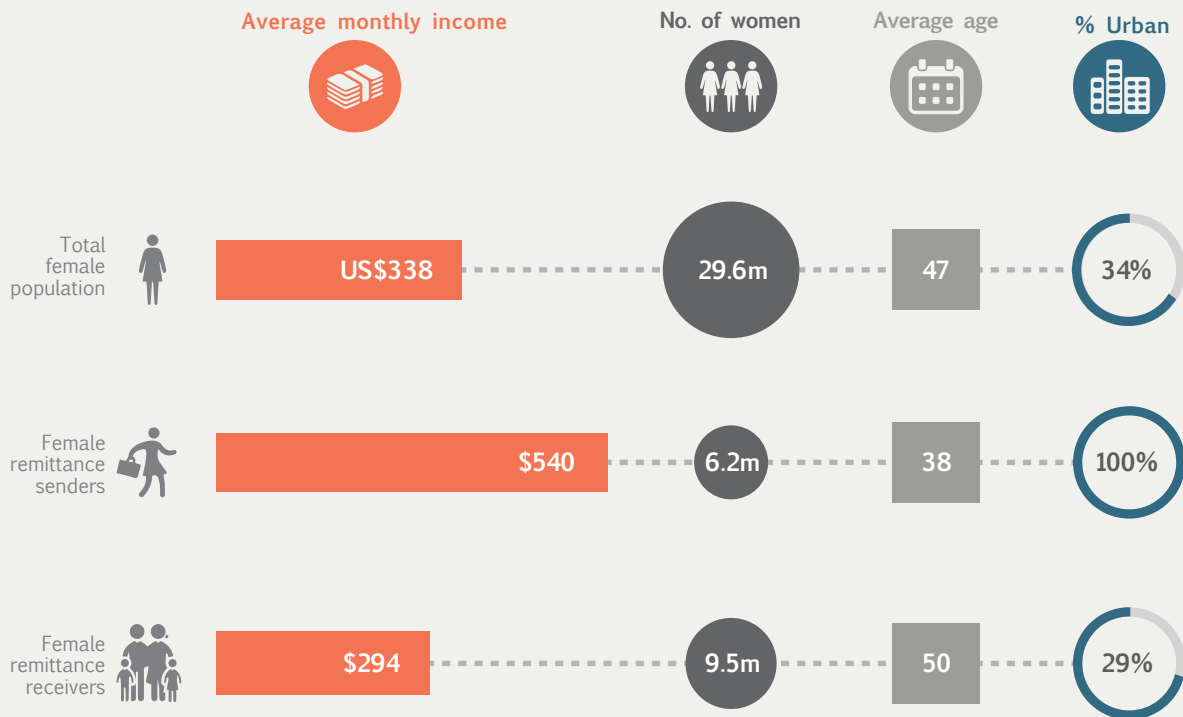
2.1

Understanding the Profile of Women Remittance Senders and Receivers

The data on global remittances are generally not disaggregated by gender and, as a result, the interplay between gender and remittances remains little understood. Section 1 introduced two important groups: women remittance senders (independent migrants) and women remittance receivers (women back home whose spouses or family members have migrated for work). The granular detail collected by the FinScope survey, a nationally representative

survey of financial inclusion⁵ conducted in Myanmar and Thailand, provides a more detailed understanding of both groups of women’s demographic background and financial needs and the resultant policy implications for governments and development partners.⁶ Figure 2 contrasts the demographic profiles of women remittance senders and women receivers with the entire adult female population in Thailand.

Figure 2: Profiles of women senders and receivers in Thailand



Source: MAP Thailand, FinScope (2013).



Remittance recipients are typically women, middle-aged and poorer than the general population and live in rural areas

Recipients are more likely to be women

Women have traditionally constituted the majority of remittance receivers, usually of money sent home by their husband or children working in cities or in other countries. Studies in Indonesia, Malaysia and the Philippines find that remittance receivers in those three countries tend to be parents or spouses of the migrants sending the money home (ADB, 2006 and Rahman, 2011). In Thailand, 67 percent of remittance receivers are women (compared to a population average of 57 percent women) while in Myanmar 57 percent of remittance receivers are women (compared to a population average of 51 percent women) (MAP Thailand, FinScope, 2013 and MAP Myanmar, FinScope, 2013).

Recipients tend to live in rural areas

For example, 71 percent of women remittance receivers in both Thailand and Myanmar live in rural areas, compared to a national average of 65 percent and 69 percent, respectively (MAP Thailand, FinScope, 2013 and MAP Myanmar, FinScope, 2013).

Recipients are older

Remittance receivers also tend to be older than the general population. For example, the average age of receivers in Indonesia, Malaysia and the Philippines is between 37 and 43 (ADB, 2006 and Rahman, 2011). In Thailand, the average age of women remittance receivers is 50 (compared to an average adult age of 47) and in Myanmar the average age of women remittance receivers is 47, compared to 43 for all women.

Recipients are poorer

Lastly, remittance recipients tend to be poorer than average. In Thailand, women remittance receivers reported earning less on average than the general adult woman population, with an average monthly income of THB 9,580 (\$294). In Myanmar, the average monthly income of women remittance receivers is Kyat 102,303 (\$98).



Remittance senders are increasingly poor young women who are relatively well educated

In contrast to remittance receivers, the profile of remittance senders in ASEAN countries has shifted over. The most substantial change has been the rise in number of younger, poorer women migrants who send home remittances.

Senders skew younger

In studies of women migrants in ASEAN by the ADB (2006) and Rahman (2011) the majority of women remittance senders are relatively young (ranging from 25 to 30) and tend to be single (in the study by Rahman, 2011, only 35 percent of respondents were married). In Thailand, women remittance senders are younger than the overall adult population with an average age of 38, compared to 47 for the total adult population (MAP Thailand, FinScope, 2013).

Senders tend to be poor

Women senders report lower incomes and are more likely to derive their income from informal employment than male senders. In Thailand, the average reported income for women remitters (THB 17,683 or \$503) is lower than that for male remitters (THB 20,102 or \$617). A substantially higher proportion of women remitters (17 percent compared to 6 percent of males) also earn an income below THB 6,000 (\$184), the national poverty line (MAP Thailand, FinScope, 2013). Furthermore, the proportion of women remittance senders who receive their main source of income from formal employment, at 45 percent, is substantially lower than the 76 percent of remitting men who earn their main source of income from formal sector salaries.

Senders are better educated

A study of Indonesian domestic workers living in Malaysia and Singapore and in Hong Kong, China (Rahman, 2011) found that all the respondents were literate, and the majority had 5 to 10 years of formal schooling, making them more educated than Indonesia's national average.

Implication for policymakers

Investment in the education of women, specifically in the skill sets in demand in host countries, will help families and countries to capitalize on labour mobility. For example, governments could establish migrant skills centres linked to migrant recruitment bureaux.

2.2

Understanding remittance channels

Migrants in ASEAN countries send home remittances through various formal and informal channels. Both women receivers and women migrants must be able

to access cheap and efficient ways to send and receive remittances to realize their economic and social potential for both countries and households.



Banks are the main way people send remittances formally in the ASEAN region

Currently the formal channels for sending remittances include banks, money transfer operators, the post office and, in some instances, mobile money. In Thailand, for example, FinScope's survey shows that 68 percent of remittances are sent through bank transfers, bank account deposits or through Internet banking; another 22 percent are sent through the post office. Of women migrants living in Thailand who send home remittances, 75 percent report using a bank channel and 19 percent use the post office. This is consistent with an IFAD (2014) study that showed banks make up over half of the formal money transfer market in Asia, followed by post offices and microfinance institutions.



Informal channels for sending remittances are also popular

Many migrants in the ASEAN region use informal channels to send money home, such as *hundi*⁷ money transfer networks, sending money via motorcycle taxis, sending money with family and friends or carrying cash when returning home for a visit. For example, a study of migrant workers from Cambodia, Lao PDR and Myanmar living and working in Thailand found that 53 percent of respondents send remittances back home through an informal agent, 13 percent through relatives and 8 percent through friends (Jampaklay and Kittisuksathit, 2009). FinScope's Myanmar survey found that 45 percent of all cross-border remittances received by women in Myanmar are received through *hundis* and another 23 percent are received via family and friends physically transporting the remittances across the border. Only 30 percent of women receiving cross-border remittances in Myanmar do so through banks.



There are various reasons why women migrants may use informal remittance channels

Section 3.1 considers the barriers faced by remittance users (senders as well as receivers) in accessing formal channels. In addition, the profile and social situation of senders will affect the likelihood of their using informal channels, as will the nature of the informal channels.

Undocumented migrants have a harder time accessing formal services

Women encounter greater difficulties than men in accessing safe, low-cost and legal ways to migrate because they tend to have less money, resources and assets and lack credible, reliable and gender-specific information on documented labour migration (Wong, 2013). Since women migrants are more likely to be undocumented compared to men migrants, more women migrants face barriers to formal financial services (see Section 3).

Migration agencies drive the use of informal remittance channels

The use of informal channels is in part fostered by the migration agency system. The broker who introduces the worker to an employment agency may also finance the initial costs of migration. The worker must then send a portion of her earnings to the broker to settle the debt. For an additional fee, the broker can also deliver money to the workers' families. Many continue to use this system even after the debt is cleared as the convenience of using a known and trusted system for transferring money outweighs the benefits of using formal channels (Hernandez-Coss et al., 2008).

The *hundi* system remains popular

Rahman (2006) found that Bangladeshi migrants used the *hundi* system for a variety of reasons, the most important of which were trust, speed, low transaction costs, door-to-door service and cultural familiarity. These providers build trust among the migrant communities in host countries through word-of-mouth recommendations from other migrants or through kinship or peer networks; they also have contacts with prominent people from the home community. Jampaklay and Kittisuksathit (2009) found that migrants in Thailand used informal agents to send remittances because it is convenient, fast and hassle-free compared to the paperwork required for formal channels. Keene (2007) similarly found that cost, speed, reliability and accessibility were the primary reasons that migrants use informal agents, while Chamberlain et al. (2014) found the costs of remitting money through *hundis* in Myanmar were substantially lower than through any other available formal or informal channel.

Implication for policymakers

Government-supported or licensed labour brokers for migrants will increase the likelihood that migrants use formal remittance channels and financial services.

Implication for financial service providers

In providing remittance services the most important competition for formal financial services providers is not other formal players, but informal providers. Formal providers must strive to match the accessibility, speed and affordability offered by informal providers.

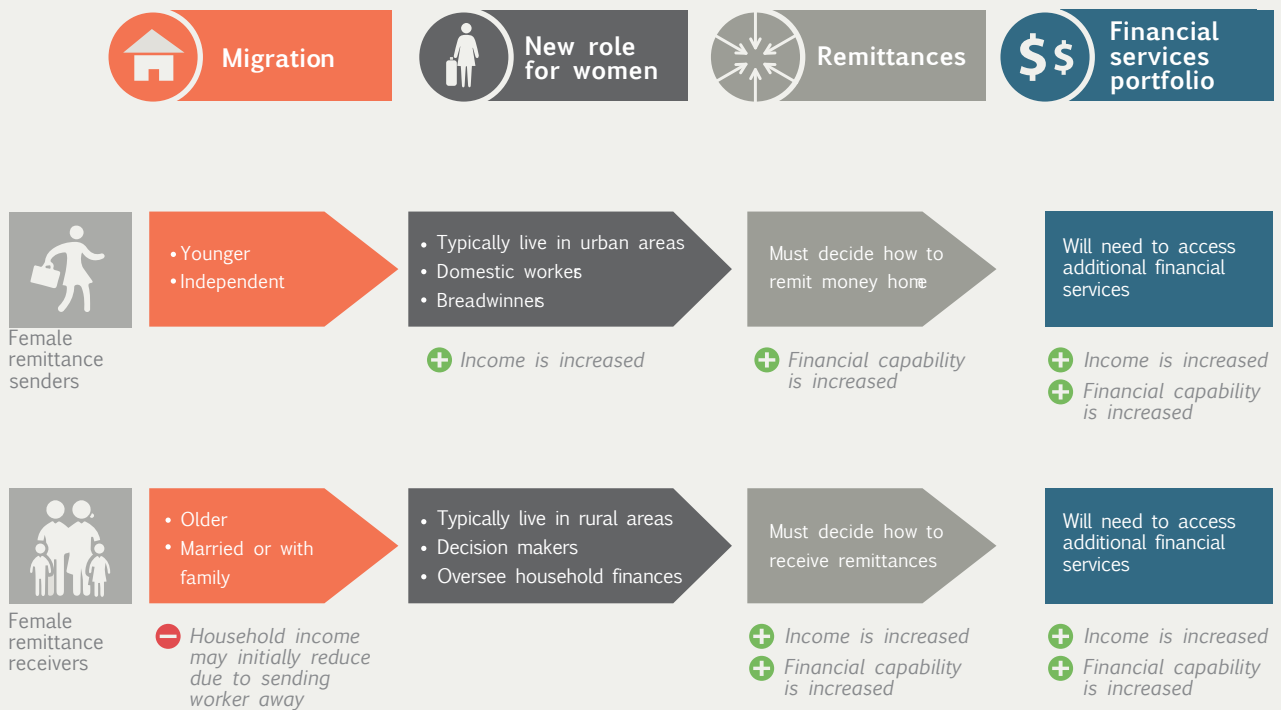


From remittance to a full-service portfolio

Migration is one of the most successful ways to increase the use of financial services by the poor since many migrants need to transfer money and its recipients need to access that money. As migration rates increase in ASEAN countries more poor people are accessing financial services in both host and home countries.

The financial needs of both women remitters and receivers extend beyond remittances: like everyone else, they may want to save, borrow or transfer money, or purchase different kinds of insurance products. These two groups of women are vulnerable to economic shocks, especially migrants who do not have access to social security nets in their host countries. Furthermore, migrant women often want to invest in the education of their children and family members in their home countries and, in the longer term, purchase assets like land or build homes. Access to a portfolio of financial services allows people to choose the appropriate financial products for their specific needs. This, in turn, improves the financial welfare and inclusion of both women senders and receivers. Figure 3 illustrates how this happens through the migration and remittance cycle.

Figure 3: Steps in the migration and remittances progression



For women migrants, the first step is to leave home, followed by finding work in the new country or region, which places them in the role of primary breadwinner for the household back home; if they already were the breadwinner, they now have the potential to earn more than before. For the women-at-home group, the migration of a husband or partner implies a new role for them as the primary decision maker at home. This may include managing household finances for the first time. Initially, the household might see a loss of income and savings due to the upfront costs of migration and the immediate loss of a breadwinner who may not have found work yet in the host community.

Next, after finding a job, the migrant worker starts sending money home. At this point, both senders and receivers are confronted by the need to use a remittance service, be it formal or informal. Should they choose a formal channel like a bank, they will need to learn how to navigate the formal financial

sector. In addition, these remittances increase overall income for recipient households and, more broadly, redistribute wealth, usually from a wealthier country or urban area to a less wealthy country or rural area.

Finally, should these groups choose formal remittance channels, and gain the associated financial capabilities, they will be able to expand their use of financial services to other product types, such as small loans, savings accounts and insurance. To do this migrant women and recipient women will need to become even more financially literate, resulting in an increase in the economic and social welfare of both groups.



Financial service needs differ in home and host countries

Both groups of women, senders and receivers, may require a portfolio of products. The nature of this portfolio, however, will differ between the home and host countries. In the host country, migrants may need a bank account or other formal financial product, such as a mobile savings wallet, to accumulate savings between remittance transactions; they may need insurance products—including health, life and funeral services, disability and unemployment—because they cannot access host country social security programs; and in some cases they might need credit in order to realize their plans for migration, including loans for upfront travel and placement costs associated with migration.

In the home country, on the other hand, women migrants may want to use savings or investment products to accumulate wealth, particularly if they intend to return at some point, or life insurance that pays out to their dependents in the event of their death. Likewise, remittance receivers may wish to save remittance income in different ways, such as through education savings accounts—often offered by insurance companies—or by purchasing real estate. Furthermore, they may want to access credit on the back of their new income source.

Implication for host country financial services providers

Understand the added financial services needs of women migrants and develop more products linked to remittance services. This provides an opportunity to sell them additional financial products.



Remittances can be a gateway to accessing more financial services

Sending and receiving remittances can act as a gateway to an expanded portfolio of financial services for women who traditionally did not have such access. For example, in Thailand, where the majority of remittances are sent through banks, the need to remit or receive money often leads people to open their first bank accounts. FinScope Thailand (2013) reported that five of the seven top reasons for adults to have a bank account was related to the sending or receiving of remittances. Bank accounts, in turn, can facilitate access to other formal financial services offered by the bank, including savings, credit and 'bancassurance.'⁸ Data from Thailand and Myanmar indicate that women remittance senders and receivers are more likely to use other kinds of financial services compared to the rest of the general female population. For example, in Thailand, 96 percent of women remittance senders have bank accounts, compared to 75 percent of the total female population (MAP Thailand, FinScope, 2013 and MAP Myanmar, FinScope, 2013). In Myanmar, 26 percent of women remittance receivers use non-bank formal financial services, compared to 9 percent of all women.

Implication for home country financial services providers

Understand the pattern and size of formal remittance inflows and the needs of migrants living abroad to develop the most appropriate financial products.



Diaspora policies are connected to financial service needs

Internationally, a number of countries have recognized the benefit of attracting investment from migrants and have introduced various financial products specifically tailored to the needs of this group, coupled with incentives to invest and grow assets locally. Mexico, for example, has marketed remittance services to migrants in the United States,⁹ while Liberia,¹⁰ Pakistan and India¹¹ have all instituted various schemes to encourage their citizens who have emigrated to send remittances back to their home countries via formal channels.

Implication for policymakers

Receiving country governments should tap into international remittance flows to increase domestic investment and asset building, for example by introducing savings and investment products that offer better returns than similar products in sending countries.

3.1

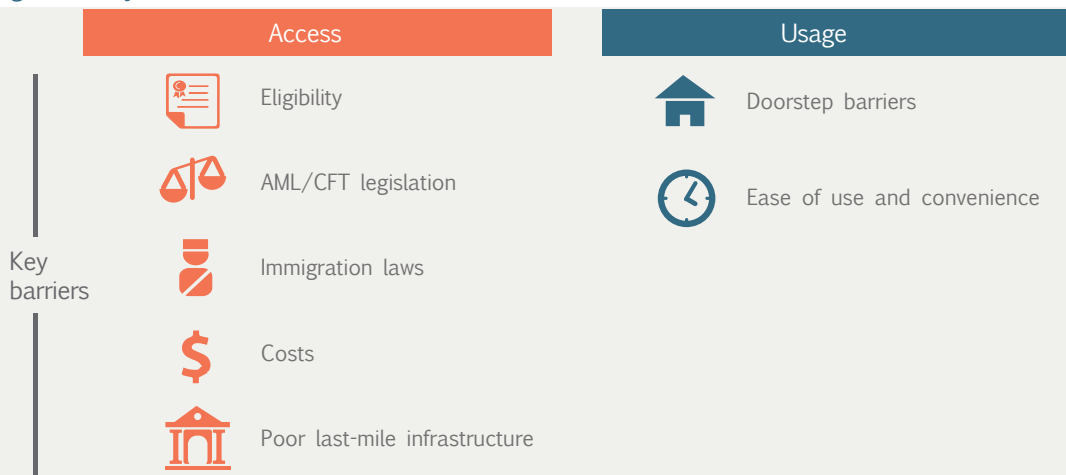
Key barriers to formal usage

While remittances, and financial inclusion more broadly, present a large opportunity to empower poor women in the ASEAN region, a number of challenges need to be overcome in order to capitalize on this opportunity. These challenges may stem from various sources, ranging from the features and requirements

of formal services, to the nature and preferences of senders and receivers.

In general, there are two kinds of barriers to adopting formal remittance channels: those associated with access and those associated with usage (see Figure 4).

Figure 4: Key barriers to formal remittances



Access barriers explicitly exclude consumers from using financial services and include factors such as affordability, physical proximity and regulatory requirements that prospective customers cannot meet (for example the need to produce photo identification, proof of address or a work permit).

Usage barriers may discourage consumers from using a particular financial service, even though they are not explicitly excluded from doing so. For example, migrants may not trust formal channels or informal channels may be cheaper or easier to access.



Eligibility is a major barrier for undocumented migrants

The most significant barrier to accessing formal financial services, specifically those for sending remittances, is the requirement for documents that undocumented migrants cannot provide. These documents are required to satisfy laws and regulations meant to stop money laundering and the financing of terrorism, as well as to ensure compliance with immigration laws.



Anti-money laundering and combating the financing of terrorism (AML/CFT) requirements

Countries are receiving intense compliance pressure from global standard setting bodies, such as the Financial Action Task Force, to satisfy AML/CFT regulatory requirements. These regulations typically require financial institutions to conduct due diligence on all clients, including confirming the identity of the prospective customer. Financial institutions are also subject to a number of other compliance requirements, such as those related to reporting a country's balance of payments and foreign exchange rates.

As discussed in Bester et al. (2009) and acknowledged by the Financial Action Task Force—which sets international standards for anti-money laundering and counter-terrorism financing—these requirements hurt the ability of poor people to access financial services. Many are unable to meet the necessary eligibility requirements, such as providing photo identity or proof of address. For migrant workers, it means that those without a valid passport are not able to access formal financial services. Furthermore, AML/CFT requirements add compliance costs, thereby increasing the cost of sending remittances. A KPMG survey (2014) found that AML compliance costs have increased globally by an average of 53 percent over three years, with the highest increase observed in the Asia-Pacific region.

Implication for financial sector policymakers

Consider the effect of AML/CFT controls on the ability of migrants to access formal remittance services and reduce requirements for sending remittances.



Immigration laws

Immigration laws may require a person to have a valid work permit in order to access formal employment and financial services, adding another eligibility layer even for those who hold a valid passport. The informal work status of many migrants in the ASEAN region directly affects their ability to access financial services, a fact that has yet to become a priority for policymakers. Although the ASEAN Economic Community Blueprint creates a regional framework to address the movement of high-skilled migrants, it does not cover low-skilled migrants, despite the substantial number of low-skilled migrants currently living and working in ASEAN countries.



The cost of sending remittances through formal means is falling, but many people still perceive it as more expensive than informal channels

Historically, the formal remittance system was often criticized for high transaction costs, including high profit margins when exchanging foreign currency. This can explain why migrant women may prefer less expensive informal transfers. However, the average cost of remittances has been falling over time in the ASEAN region and is below the global average total cost of 7.99 percent (see Table 1). Four of the five least costly remittance corridors¹² in the world are currently in Asia.

Table 1: Average cost of sending money in ASEAN countries

Corridor	Average cost of sending US\$200 (percent)
Malaysia to Indonesia	5.93 ¹³
Malaysia to Philippines	3.87
Singapore to Indonesia	5.03
Singapore to Malaysia	8.88
Singapore to Philippines	3.41
Singapore to Thailand	1.20

Source: World Bank Remittance Prices Worldwide (2014 Q4 data).

The falling prices suggest that cost may no longer be as significant a barrier as before for ASEAN remitters. However, informal channels may still be cheaper. A 2014 survey showed that informal providers in Myanmar charge as little as one percent of the total remittance value (Chamberlain et al., 2014). Furthermore, past experience may perpetuate the belief amongst remitters that formal costs are high.

Implication for civil society and donor organizations

Support effective ways of communicating different formal remittance options and their relative costs to women migrants.

Since women migrants are more likely to work at low-skilled jobs, they typically earn lower wages as well, making it harder to pay for remittances. A study of Indonesian domestic workers found that a lack of pay parity between men and women migrants significantly reduces women's ability to send home savings or to invest in community development (Wong, 2013).

Implication for policymakers, civil society and development partners

Improve labour conditions for female migrants. Create ASEAN-wide standards on labour conditions for migrant workers.



Poor formal banking infrastructure makes cost barriers even higher

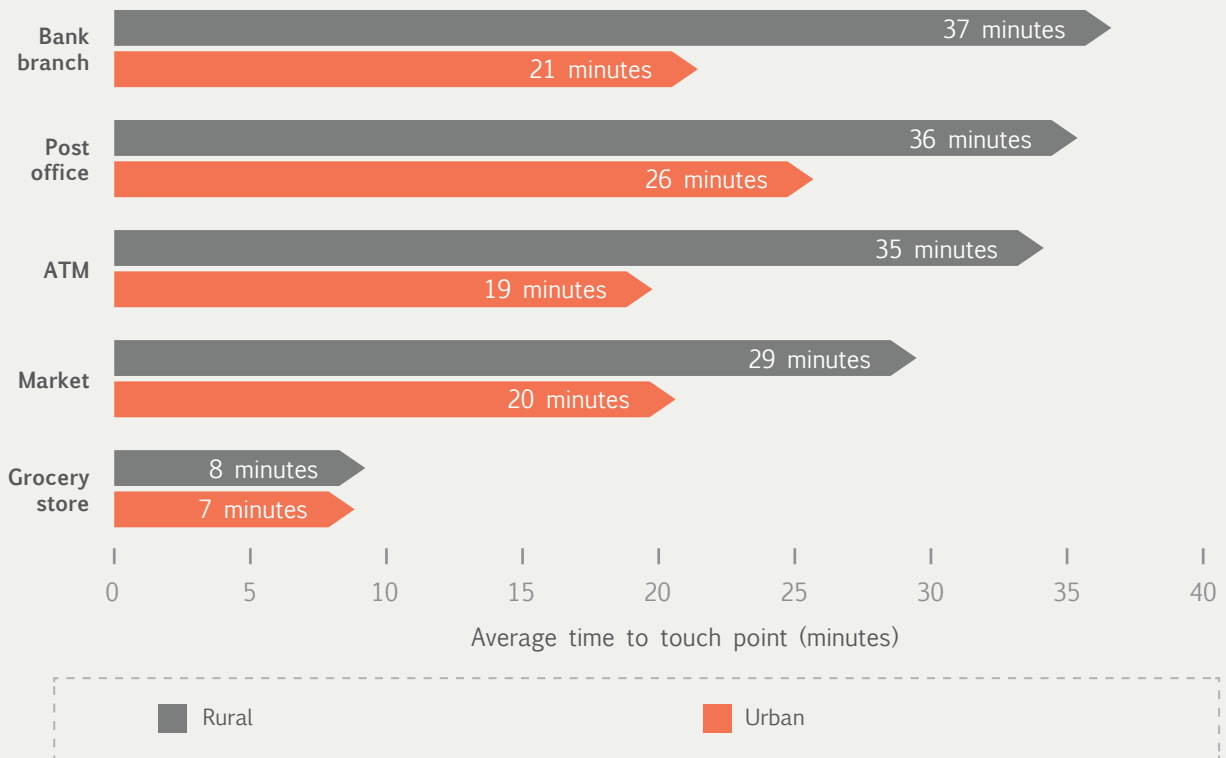
The indirect costs of accessing financial services, including the cost of traveling to service outlets, can be more significant than direct transaction costs. The patchy coverage of formal financial sector access points in less developed countries or regions require remittance receivers to travel substantial distances to access formal remittances. This may reinforce the use of informal channels.

Implication for financial sector policymakers and development partners

Extend coverage of formal financial services to more remote geographic areas, improving the likelihood that remittance senders and receivers will use formal channels.

Figure 5 shows that people living in rural parts of Thailand face significant travel times to reach financial service outlets. This means that remittance receivers incur the cost of time spent travelling as well as the actual cost to pay for the trip. This travel cost is even more significant in Myanmar, where only 12 percent of rural adults live within 30 minutes of a bank branch and only 18 percent within 30 minutes of a post office.

Figure 5: Average time to reach selected financial touch points in rural versus urban Thailand



Source: MAP Thailand, FinScope (2013).



Doorstep barriers inhibit formal usage

Even if they do technically have the ability to access formal services, migrants may still prefer to send remittances through informal channels, which they may trust or be more familiar with. In contrast, formal institutions may present a so-called ‘doorstep’ barrier due to people’s negative perceptions of them and a lack of financial literacy. Poor people often view banks and other formal institutions as inaccessible (especially if they do not offer translation services), “not for us” or intimidating. For example, 9 percent of FinScope respondents in Myanmar said they do not have a bank account because “they do not understand how banks work,” while 11 percent of adults in Myanmar say they do not trust banks with their money.

Implication for financial service providers

Develop financial products suitable for migrants and tailor the marketing of products to the needs of migrant communities. Create dedicated service options for migrants in their home language.



Informal channels are often easier to use and more convenient

Inconvenience, including limited hours of operation and onerous paperwork requirements, are additional usage barriers to using formal remittance channels and other financial services. As described in Section 2.2, the organized *hundi* network's popularity is mostly due to its ease of use and convenience. However, since people who use *hundis* are already receptive to the use of an organized network, they may more readily accept formal channels of sending remittances once they become more convenient to use. Women are also more comfortable engaging with other women and discussing their financial difficulties or goals with them, so financial institutions should ensure that more women are employed as front office staff.¹⁴

Implication for financial service providers

- Keep it local
- Appropriate operating hours
- Build trust
- Reduce paperwork
- Increase the proportion of women employed as front office staff

04

What can be done?

Increasing the formal financial inclusion rate of women migrants and women who receive remittances will reap significant welfare and economic growth benefits for both households and countries. The research set out in this paper suggests that these potential welfare dividends could be bigger for women migrants and women remittance receivers than for male migrants due to the spending preferences of women migrants. This argument would benefit from additional data and research, which should be a priority for development partners.

Figure 6 sets out the financial inclusion opportunities available throughout the migration cycle and what actions can be taken to realize them. Financial inclusion opportunities arise even before the migrant leaves home and multiply as the migration and remittance cycle progresses. Each transition in this

process offers distinct opportunities to strengthen the financial inclusion and welfare of women migrants and women remittance recipients, as well as contributing to the overall economic and human development growth of host and home countries and regions.

Phase 1:

Migration and employment

The most important ways to improve the status of women migrants includes ensuring they are documented before leaving home; improving their skill set; and anchoring their migration in a formal programme sponsored by the government of the home country. Such programmes will also provide threshold levels of financial education. For women who suddenly find themselves the heads of and financial decision makers for households, specific kinds of financial education can be used to support and tap into the potential of their new roles. Although broader migration and labour market issues are not the primary concern of this paper, improved labour conditions for women migrants are important at this stage to improve their income prospects and employment protection.

Phase 2:

Earning and sending remittances

The major opportunity during this phase is to transition the migrant from using informal to formal remittance channels. Although many migrants will continue to use informal channels, the transition to using a portfolio of financial services in Phase 3 cannot occur unless the migrant starts to use formal remittance services.

During this second phase, it is critical that governments work together, both one-on-one between remittance-sending and remittance-receiving countries as well as across the ASEAN region in general. Such cooperation should focus on documenting undocumented migrants, ensuring access to financial services to migrants in the host country and reducing the cost of cross-border remittance transfers. It must also include coordination on AML/CFT requirements along remittance corridors. In addition, within countries governments need to work with financial service providers to ensure adequate financial service infrastructure in more remote rural areas and a more competitive market for remittance services in general. A key government consideration for remittance receivers will be to ensure they have the necessary identification documents to access formal services.

Civil society organizations and development partners have an important role to play during this phase, particularly in ensuring free flows of information about the availability and pricing of remittance services as well as minimum levels of financial education. The financial service providers themselves should provide most of the financial education however.

Lastly, employers or migrant labour recruitment agencies can facilitate formal remittances by embedding remittances, in the form of deferred payments, into labour arrangements.¹⁵

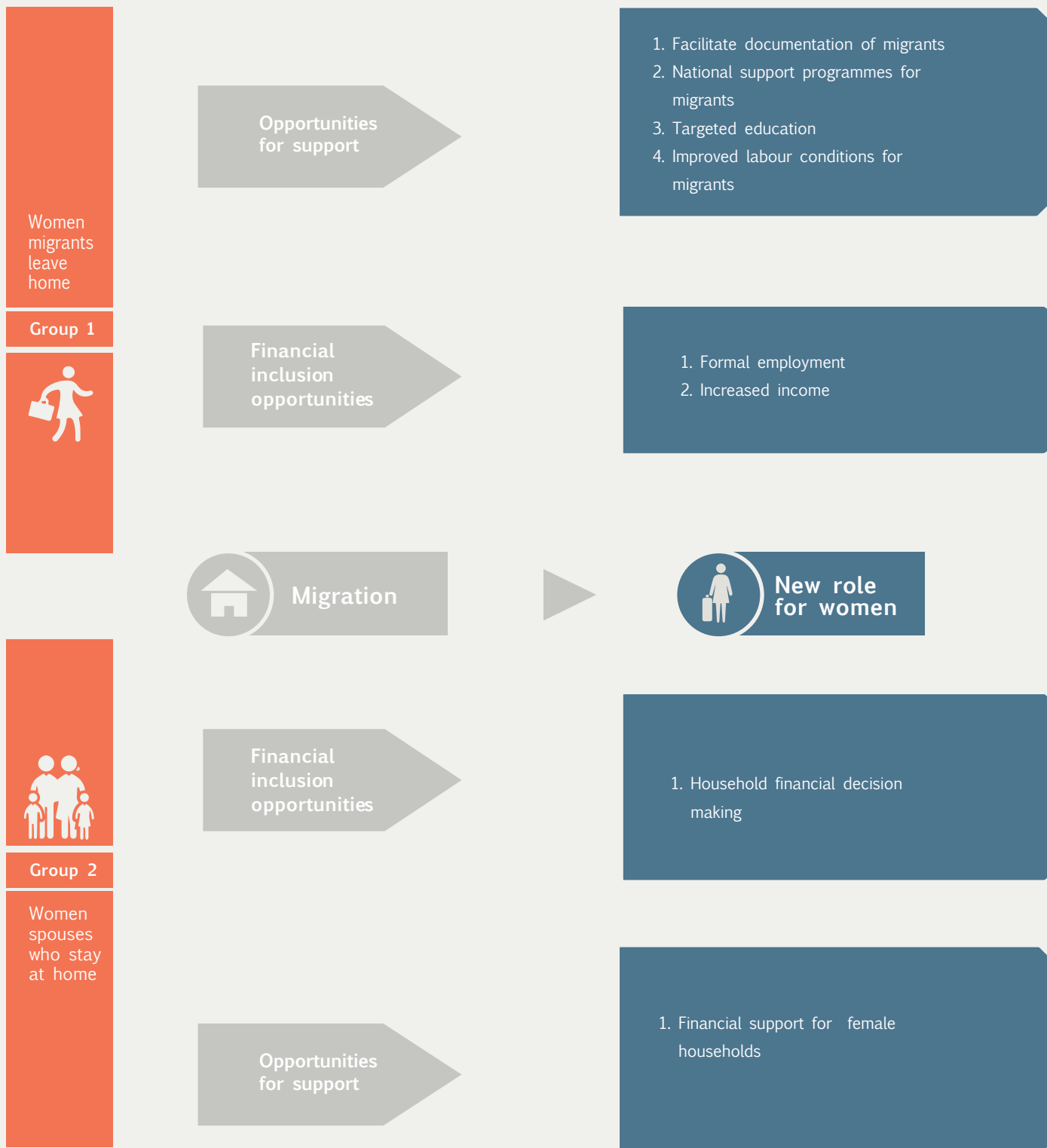
Phase 3:

From sending remittances to accessing a broader portfolio of financial services

Most of the opportunity in Phase 3 lies with financial service providers. To facilitate the evolution of remittances into a portfolio of financial services, they will need to develop products and services appropriate to the needs of women migrants and women remittance receivers and make these available through the channels used by both groups. Such financial services should speak to the current financial service preferences of senders and receivers, but also address longer-term goals such as asset building by women migrants. This will require innovation on various fronts, including in the area of digital financial services. Development partners can play a major role in sharing the risk of such new innovations through specific investments and the use of instruments like challenge funds, through which financial service organizations and companies can apply for public money to help lower the risk of trying out new ways of doing business. Development organizations can also directly support capacity building of financial service providers.

Governments, in turn, can support this phase by embedding these financial products into their broader programme of support for migrants, similar to the diaspora policy examples outlined in Section 3. They can also use these formal channels as a way to widen the coverage of state-sponsored social safety nets.

Figure 6: Financial inclusion opportunities for both women migrants and women who stay at home



Source: Author's own.

1. Ensure availability of formal remittance services
2. Ensure competitive remittance service market
3. Forge agreement across ASEAN countries for common AML/CFT standards for cross-border wire transfers
4. Communicate available remittance services and product information

1. Tailored product development for migrant workers in sending and receiving countries
2. Distribution of financial services to be linked to or embedded in remittance channels

1. Use formal remittances
2. Increased financial capability

1. Use other formal financial services



1. Receive remittance through formal channel
2. Increased financial capability

1. Use other formal financial services, initially financed by remittances
2. Connect to formal financial sector

1. Ensure expanded infrastructure and services in rural areas
2. Ensure availability of identification documents
3. Use remittances to tackle social protection objectives

1. Tailored product development in receiving country
2. Leverage social grants and services

In summary, the supportive actions highlighted in Figure 6 require the following from six key stakeholder groups, as illustrated in Table 2.

Table 2: Implications for various stakeholders

Stakeholder	 Supporting women migrants who leave home	 Supporting women who stay at home
Governments (general)	<ul style="list-style-type: none"> ● Facilitate documentation of migrants, including through support/licensing of migration agencies ● Create ASEAN-wide standards for labour conditions for migrant workers ● Invest in the education of women, specifically in the skill sets in demand in host countries, for example by establishing migrant skills centres linked to migrant recruitment bureaux ● Embed financial services in broader diaspora support and investment programmes 	<ul style="list-style-type: none"> ● Ensure availability of identification documents for receivers to access financial services
Governments: financial sector policymakers	<ul style="list-style-type: none"> ● Ensure availability of formal remittance services and competitive remittances market ● Leverage international remittance flows to increase domestic investment and asset building ● Forge agreement across ASEAN for common AML/CFT standards for cross-border wire transfers 	<ul style="list-style-type: none"> ● Build formal last-mile infrastructure and services ● Recognize role of remittances in supporting social protection objectives and use social grants and services as complementary tools ● Provide financial education for female head of households
Financial service providers	<ul style="list-style-type: none"> ● Provide tailored product development for migrant workers in sending and receiving countries ● Distribute additional financial services that can be linked to or embedded in remittance channels 	<ul style="list-style-type: none"> ● Provide tailored product development in receiving country ● Build formal last-mile infrastructure and services
Development partners and donors	<ul style="list-style-type: none"> ● Support innovation/build capacity for targeted product development for migrant workers ● Support ASEAN-wide standards for labour conditions for migrant workers ● Support national programmes for migrants ● Communicate available remittance services and product information to migrants 	<ul style="list-style-type: none"> ● Support innovation/build capacity for product development in receiving country ● Provide financial education support for women head of households
Civil society	<ul style="list-style-type: none"> ● Provide education and information to migrants about financial service products ● Create a national support programmes for migrants 	<ul style="list-style-type: none"> ● Provide financial education support for women head of households
Employers and migration agencies	<ul style="list-style-type: none"> ● Improve labour conditions and skills for migrants ● Channel/partner for financial service provision 	

End Notes

- 1 ASEAN countries include Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Viet Nam.
- 2 That is, male migrants usually remit to their wives, and female migrants often remit to the female relative caring for their children (although women may also remit to their husbands, especially if they stay in charge of children and household).
- 3 Women are often underreported as migrants. There are two reasons for this: (i) conventionally women were long perceived as “accompanying spouses” and not as independent labourers and (ii) independent female migrants tend to work in informal or temporary jobs that are not captured in the official statistics (Devasahayam, 2009).
- 4 In the ASEAN region, studies by Rahman (2011) and ADB (2006) indicate the main uses of remittances are for housing construction, basic consumption, education and savings.
- 5 UNCDF’s Making Access Possible initiative, which consists of the Finscope demand survey, is currently underway in Lao PDR and will commence in Cambodia in mid-2015.
- 6 The FinScope consumer survey does not capture the senders of international remittances as these senders reside outside the country in which the survey is undertaken. Analysis of domestic remittance senders can provide a proxy for remittance behaviour more broadly, as it is likely that most migrants across the region would have similar motivations to those moving to cities within a country. The primary difference lies in the ability to fully understand the barriers to sending the remittances, as many cross-border migrants may be illegal or undocumented and therefore find it substantially more difficult to access formal remittance channels.
- 7 *Hundis* are an unregulated network of citizens of the host country who offer informal payment services to clients for personal and business needs. They use a variety of regulated and unregulated mechanisms to provide domestic and cross-border payment services to clients.
- 8 An arrangement in which a bank and an insurance company form a partnership so that the insurance company can sell its products to the bank’s client base.
- 9 The Mexican Association of Social Sector Credit Unions (AMUCSS) developed a programme to encourage migrants to invest in and remit back to Mexico. This included assistance with marketing remittance services to migrants in the United States, financial literacy training for migrants and family members, design of new financial products, and cross-selling of other financial products to remittance clients. Furthermore, under the 3x1 programme the federal, state and municipal governments contribute an additional peso for every peso invested by migrants (McKenzie and Yang, 2014).

- 10 The Liberian Diaspora Social Investment Fund was established by the Khana Group and the Liberian Professional Network to channel remittances from the diaspora toward investments in small- and medium-sized enterprises. The Fund allows members of the diaspora to invest in designated businesses and sectors of the economy, including agribusiness, fisheries, natural resources, technology, infrastructure and health care (McKenzie and Yang, 2014).
- 11 Both India and Pakistan have instituted initiatives that offer the diaspora preferential interest rates on funds invested in those countries by emigrants. India also raised over US\$11 billion from diaspora bonds (Gamlen, 2006).
- 12 A remittance corridor is the path connecting a specific pair of countries or a specific pair of cities between which remittances flow.
- 13 The average total cost includes the fee charged to the sender by banks and money transfer operators plus the exchange rate margin expressed as a percentage of the amount sent. Costs vary significantly amongst agents and do not take into account other indirect costs that may be charged, such as processing fees.
- 14 As shared by Ratih Rachmawaty, Deputy President Director, BTPN Syariah Indonesia, which counts women as a third of its customer base.
- 15 A prominent example is the TEBA mineworker recruitment agency in South Africa. It recruits mineworkers from Lesotho and elsewhere in the region. It has set up its own financial service provider and has a special regulatory dispensation in which a fixed proportion of the workers' wages (30 percent) must be deferred. This is then sent back to the mineworkers' home country at the end of their contract where it is held in an account for the migrant to access (Jefferis & Manje, 2014).

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