

Chapter 5

Use and Impact of Remittances

5.1 The Use and Impact of Remittances on Household Expenditure

According to the statistical survey on the households that received remittances from Malaysia, out of 147 remittance-receiving households, 79.59 percent of them partially depended on the remittances, but still carried out some business or work that generated their remaining income. On the other hand, 20.41 percent of the households had neither business nor work to do in their community for regular income, as the remittance was their only dependable source of income.

Among the households who partially depended on the remittances, 45.30 percent of them were in the farming business, 35.04 percent of them were involved in their own small business such as food stalls, furniture businesses, gold and silversmiths, and other small businesses related to farming, as these were the household's major income source in their community apart from remittance income.

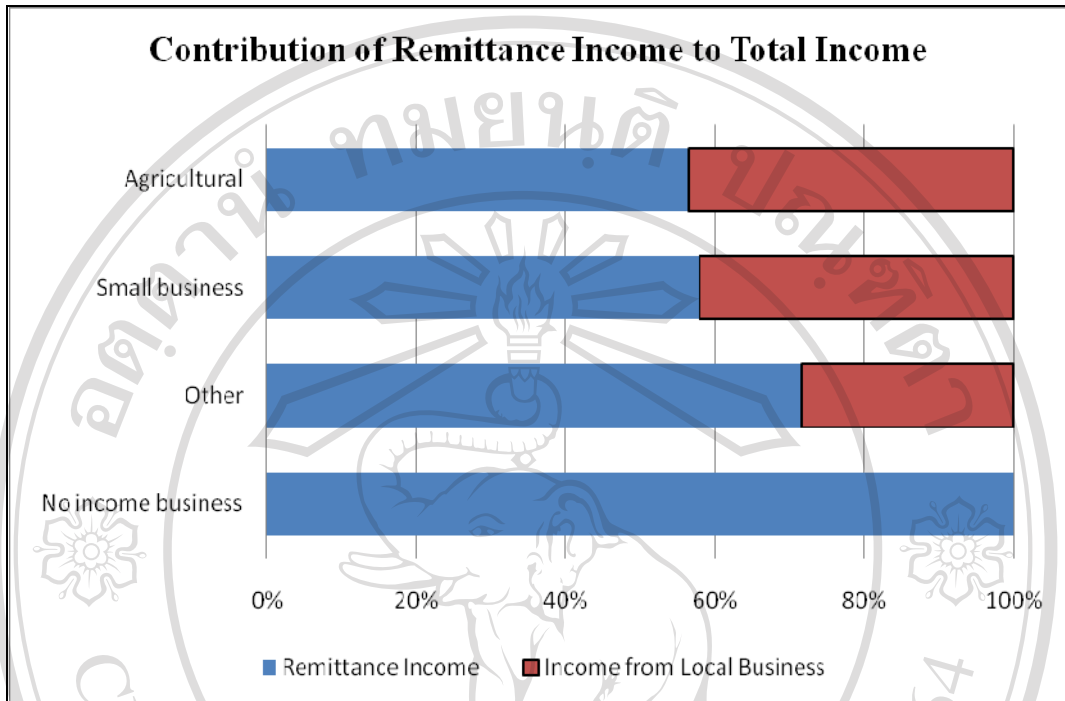
Furthermore, the remaining 19.66 percent were public servants, private business employees and temporary workers, on ad-hoc basis.

Nevertheless, by analyzing the primary survey data of the three categories of households who only partially depended on the remittances from abroad, we can conclude that those who were engaged in farming generated more income than the other two categories. Thus, it was clear that the farming business was crucial for them.

Although 79.59 percent of total 147 households had their own business or work that enhanced their income, actually it was still not the main source of funds for their total household income. Moreover, Figure 5.1 indicates that the total amount remitted to the 147 households appeared to constitute two-thirds of their total income. Scrutinizing this data therefore, the income received from the remittances was significant, and of paramount importance for them.

Furthermore, the majority of the households relied mostly on the remittances, rather than on income generated domestically in their home village. In other words, the survey indicated that the majority of the households were not self-reliant enough to generate adequate income on their own.

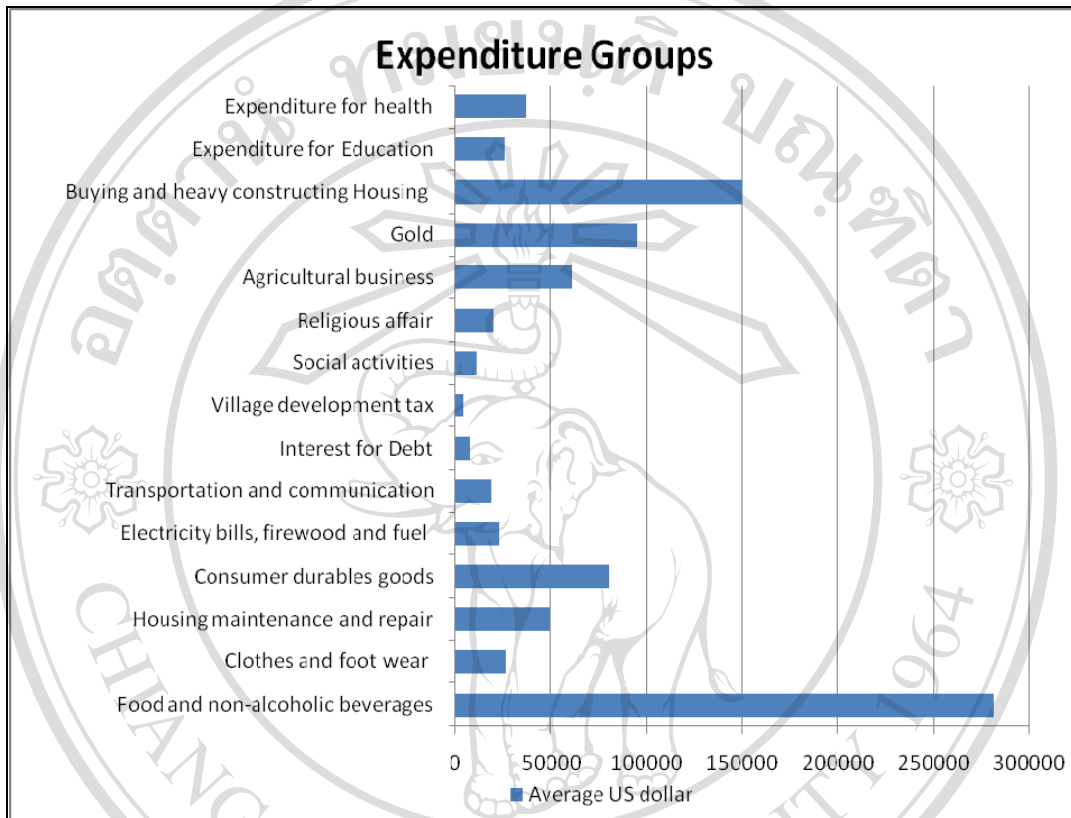
The statistical data also indicated that out of the total number of households in the village, 90 to 94 percent of the total households had at least one family member working abroad. Given that two-thirds of the total income of the households came from remittances, it is beyond doubt that remittances were the significant issue in their lives, and were crucial for the outcome of their total income.

Figure 5.1: Contribution of Remittance Income to the Total Income

Source: Author's survey data

Nevertheless, the follow-up question is whether the households invested the remittance money in productive sectors, in order to provide benefits over the long term, or whether they just spent the money on food and non-food items that enhanced their daily lives in the short term. My survey was based on the formation of three main aggregate usage groups, these being, whether the remittances were used, 1) for basic needs and assets, 2) for social and community use, or 3) for savings and productive investment.

Figure 5.2: Average Household Expenditure by Experience Groups (January to December 2008)



5.2 Basic Needs and Assets

5.2.1 Food and non-alcoholic beverages

The household expenditure of the entire surveyed area, as shown in Figure 5.2, indicated that the households spent more on food and non-alcoholic beverages items. The expenditure on these added up to one-third of their total expenditure, specifically shopping at the local market for daily use items and for daily food needs, pocket money for the students, snacks and drinks like tea and juice, and also rice. However, within this figure, the expenditure on food and non-alcoholic beverages by the households involved in agricultural work, was less than that for the households concerned with other activities.

5.2.2 Clothes and Footwear

In total, 92 percent of the total remittance-receiving households spent money on clothes and footwear during the previous year (2008), and these expenses incurred an average of 2.94 percent of the total household expenditure. Moreover, those who did not spend money on clothes and footwear were the households who already had a shop selling clothes and accessories. Furthermore, those who had elderly family members of 60 years of age and above left behind in Myanmar also spent very small amounts on clothes and footwear.

Nevertheless, women spent more than men on clothes and footwear, especially if there had been festival occasions in their village or nearby. They even spent money on more expensive clothes and footwear at these special times.

5.2.3 Durable Goods

Among remittance-receiving households in the surveyed area, 9.01 percent of their total expenditure spent on consumer durable goods, such as electrical appliances like televisions and VCR or DVD players, for their recreation and amusement.

Nonetheless, due to a lack of public transport facilities in the village, they also spent money on buying motor-cycle for transportation. Compared to before, recently many motorcycles have been purchased by the households in the villages. Expenditure on the purchase of motor cycles was clearly highest within this durable goods group.

5.2.4 Electricity Meter Bills, Firewood and Fuel Expenses

The surveyed area received electricity part of the night, as managed by their respective village monasteries, and they had to pay their electricity bills monthly.

However, due to a drop in the voltage, this power could only be used for light, not for heating or cooking. Moreover, it was not viable to use the electrical appliances for cooking. Therefore, they still had to use firewood, charcoal and other flammable substances for cooking food like rice and curries.

Moreover, the demand for motorcycles has been high in recent years, and so the purchase of petrol has increased relatively, for use in their transportation. In this category, 2.54 percent of total household expenditure was on electricity meter bills, firewood and fuel.

5.2.5 Housing Maintenance and Repairs

In comparison with previous years, there were more houses built with concrete and zinc sheet roofing. However, the majority of the houses were still wooden houses roofed with bamboo, or some kind of thatch. Thus, once every year or two, the wood had to be treated with oil to ensure a long life, and new roofing or repairs had to be carried out.

According to village traditions and customs, their house and household land is the bench-mark in terms of the image of their social status, hence, they maintain and repair their houses quite often. In the surveyed area, this study found out that out of the 147 remittance-receiving households, the expenses on such house repairs amounted to an average of 5.57 percent of their total household expenditure.

5.2.6 Transportation and Communication

This survey was based on a sample of remittance-receiving households and household members, who had relatives working in Malaysia. As a result of their household member/s being away from home, communication expenses were also incurred. In spite of having access to legal communication facilities offices (also

called village phone exchange offices), or privately owned internet based phones (IP Star), they preferred to use a “Thai Phone”³, illegally, for communicating with their household members working in Malaysia. The reason for this was that the existing legal phone system was very weak and it was slow and inefficient to make a call using this system at all times, Moreover, the communication fees were very high with this system, and it was time consuming to make a call. In contrast, Thai phone fees were very cheap and had a good connection compared to the legal communication channels. Regarding transportation cost, in over 80 percent of the households, one or more members, had travelled at least once to their neighboring town, Mawlamyine City, or the Yangon within the previous year. According to the survey, transportation and communication expenses made up 2.04 percent of the total household expenditure.

5.2.7 Interest on Debt

Out of the total of 147 households who received remittances from Malaysia, 23 percent of households had had debts during the previous year (2008), and the expense on interest payment was about one percent of their total household expenditure. The borrowers arranged to receive money from the money lenders for a variety of reasons, but mostly for migration costs, for health reasons, or to cover household expenditure while they waited for remittances from Malaysia, or for social and ceremony activities. Moreover, this study found that some even used to borrow money for gambling. The interest for the loans was three to six percent, and the rate depended on the closeness of the relationship between the money lender and the

³ The mobile phones (which are owned by Thailand telecommunication companies) those illegally connect to Mon State (Myanmar) from Thailand, without permission of Ministry of Communications, Myanmar

borrower.

Apart from the specific household expenditure as shown in Table 5.1, there were also some other hidden expenditures related to illegal gambling, such as the two digits and three digit lotteries and football matches. Nevertheless, at the time of this study survey, it was hard to find out more about the gambling expenses, as it was kept low profile and not recorded. It is even hard make an estimate of the proportion of household expenditure this constituted. However, according to the estimates of social community groups, village authorities, school teachers and non-governmental organizations in the village development projects, the total amount spent on gambling was on average, between one to three percent of the total household expenditure. But there was not enough evidence for this to be confirmed.

5.3 Community and Social Use

Nearly four percent of the household expenditure was spend for the purpose of community and social use such as religious ceremonial occasions, village development activities and social activities.

For a more complete understanding of the reasons for the expenditure made on religious and social uses, we need to understand the background and biography of the Mon people. It is well known that Shwedagon pagoda in Yangon (Rangoon) is the greatest pagoda of its kind in the world. It is believed to have been built nearly 2600 years ago, that it is during the Buddha's lifetime. According to the Buddhist scriptures and history of the pagoda, two traders, Mon brothers from the land of Ramanya (ancient Mon land) named Tapapussa and Bhalikl, had the privilege of becoming the first lay disciples of the Buddha, met the Lord Gautama Buddha, and received eight strands of the Buddha's hair. These hairs were then enshrined in Shewdagon Pagoda

by the Mon ruler King Okkalapa, with the cooperation of the two Mon brothers. So, the Mon people were the first disciples of the Buddha and were strong believers in Theravada Buddhism. Moreover, the Mon people were the first group to introduce Buddhism to the rest of today's Southeast Asia. According to Theravada Buddhism, the responsibility for our actions does not end with our death. The ownership (ownership does not mean the ownership of property in this context, it means the quality of doing good things for oneself, for the community and for all the people; called Kudos in the Pali script) of our actions continues beyond this lifetime. We are responsible for our actions through more than this current life. Generally speaking, apart from practicing the Buddha- Dhamma, donations are one of the better ways to obtain good things and a good future life, according to the Buddha teachings; called Dana in Pali script. These are the intangible forces that motivated the Mon people to invest in religious affairs and social activities.

According to the survey, almost 100 percent of the households had spent money on various religious ceremonial occasions, such as ordinations, alms offering ceremonies, the construction of pagodas, monasteries and lakes. The village Monk is the informal leader in most Mon villages; they help to organize and develop the village. The expenditure in religious affair was 2.2 percent of their total household expenditure. Other expenses at the community level were concerned with social issues, such as weddings, naming ceremonies and funerals, and the expenditure share in this area was 1.25 percent of total household expenditure.

In general, the villagers or households have close relationships and family ties with one another. Moreover, to be sociable and as a village tradition, they help each other out, if someone needs assistance. For example, if there is a funeral in one

of the households in the village, most of the other households contribute some cash as a donation, and some may contribute in terms of services, such as helping guests, washing dishes and, showing their sympathy. For these events, there is no restriction on donations, but it probably depends on the social status of the donor and the receiver. Moreover, some of the money had been given to the village authorities, for village development activities and for administrative expenses of the village authorities.

5.4 Savings and Productive Investment

5.4.1 Investment in Agricultural Business

The professions within the village households were mainly agriculture, small handiwork activities, and other small businesses. The survey data shows that 45.3 percent of the household' businesses were in the agricultural sector. However, the households in this sample had only spent 6.81 percent of their total household expenditure on assets such as fertilizers, seeds and farm tools and equipment. Despite the village economy being based on agriculture, investment in agricultural businesses was less than other areas of household expenditure. The reasons for this were that they did not have enough facilities, modern agricultural technology and financial support to produce high quality agricultural products. Moreover, although the price of the products produced from agriculture was low, the production cost was very high, and there was also a lack of markets to access into. Thus, they had little interest to invest in this area. Instead, the majority of mature males migrated to other countries to search for better jobs. Thus, most of the families were left with few experienced mature males to manage and develop their own agricultural businesses.

Some of the remittance-receiving households had micro-scale home based businesses such as small tea shops, shops selling homemade snacks and native traditional foods, grocery stores, other small businesses related to agricultural farming. The store or shop sellers bought items that could be sold in the village, from the town or from whatever source possible, and sold these back in their village. The number of households that had home based businesses was 27.89 percent of the 147 remittance-receiving households. As they did not keep proper accounts, it was impossible for me to find out the proportion of total household expenditure spent on their businesses. The structure, condition and nature of these businesses were informal, small in scale and seasonal.

5.4.2 Buying and Constructing Housing

In some of the literature, construction or purchases to improve housing are mentioned as a form of consumption, rather than as an investment or a welfare gain. However, in Myanmar, because of the currency inflation problems then compared to the last decade, the price of housing, household land and estate has increased sharply. Therefore, whatever most of the households in the surveyed area had saved in terms of the local currency, they spent on new houses and land, or rebuilt or heavily renovated their house, rather than investing in their business.

Nevertheless, if their savings were not yet enough to buy or build a house of good quality and prestige, they bought gold with their savings, as a replacement for the local currency. Saving was then kept in the form of gold, and when they had a sufficient amount to buy or build a new house, or to renovate their existing house, they sold their gold to do so. Moreover, those living in the surveyed area said they would prefer to stay in their own house under, with their own

ownership title, whether the house was big or small.

Even the single males and females who had been working oversea and gained enough savings, bought houses and land for their future, and for their marriage. Perceptively, a house that was good, durable and had prestige, was purchasable and reflected their social status, hence, the dignity and fame of their family would rise. Out of the 147 households, slightly over eleven percent of them had bought houses, land estates, or had rebuilt or renovated their house in the past year, although the costs of doing this were high. The expenditure in this area was 17 percent of their total household expenditure, and was the second largest area of expenditure, after food.

5.4.3 Gold

In most previous household expenditure studies, the purchase of gold has been seen as an unproductive investment activity. Generally, the value of the Myanmar currency, the Kyat, has declined when compared with the US Dollar, currencies in neighboring countries, and with gold. In Myanmar, over the last decade, the inflation rate has increased at a rate of between twenty to 40 percent every year and has been above the nominal interest rate (Kyaw, 2008). Thus, most people, both rural and urban, prefer to save their money in relatively inflation-proof items such as gold, foreign exchange, real estate and cars. Furthermore, the rising value of gold has most likely exceeded the profits gained from agricultural businesses. Thus, instead of investing in agriculture, gold has been a more likely purchase for people's savings.

Older people in Myanmar used to have a saying regarding investment in gold, which went “when you have wealth, it is an ornament for you and if you have nothing it is for your stomach”. Likewise in the surveyed area, the households bought

gold, not only for investment purposes but also as ornaments. Moreover, from time to time they sold their gold for certain purposes such as buying a house, land or a vehicle, to make debt repayments, or in case of financial problems, for buying food or purchasing other commodities. For these reasons, the spending on gold was the third highest amount out of the total household expenditure, with nearly eleven percent of total household expenditure.

5.4.4 Health and Education

In terms of social development and the human resources development process, education and health are always important areas for improvement. In the educational sector, the expenditure was 2.91 percent of total expenditure, and 4.1 percent of the total expenditure in the health sector. In the study area, there was no regular medical doctor, no clinic and no hospital, except a health assistant and midwife. If they were suffering from a serious illness or were in need of surgery, they had to go to the nearest township hospital or private clinic to have treatment. Also, in the township, the government hospital only provided a partially free service; other than that all the expenses related to the treatment, including medicine, had to be paid by the patient.

In the study area, the educational status of the villagers was much higher than in comparison with the previous decade. One of the reasons was because that apart from having a Government high school, a Mon school also existed, organized and managed by the village monks, the elders of the village community and the New Mon State Party (NMSP), who provided a curriculum, teaching expertise and teaching aids. Furthermore, depending on the financial condition of the households, the children received schooling up to the primary and secondary school levels free of

charge, or at a low cost. However, to alleviate poverty and for their families' survival, the majority of the males did not continue their studies to the upper level, partly perhaps, because they looked forward to working abroad, or working in their family business. In the surveyed area only the associated state high school is existence for high school education level. After passing grade ten (high school), if the student wanted to attend university, he or she could continue studying at Mawlamyine or Yangon University, but the cost of this is so high, that most families could not afford to send their son or daughter there. Moreover, even after the completion of an undergraduate degree, there are only very few chances to get an appropriate job in Myanmar. Therefore, due to these conditions, most of them did not continue with their undergraduate studies even if they were eligible to attend university.

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