

The Social Organization of Remittances: Channelling Remittances from East and Southeast Asia to Bangladesh

Md Mizanur Rahman
Brenda S.A. Yeoh



ASIAN METACENTRE
FOR POPULATION AND SUSTAINABLE DEVELOPMENT
ANALYSIS



HEADQUARTERS AT ASIA RESEARCH INSTITUTE
NATIONAL UNIVERSITY OF SINGAPORE

Md Mizanur Rahman is a Postdoctoral Fellow at Asia Research Institute, National University of Singapore, Singapore. He is a sociologist with particular interests in migration and development, migration and human (in)security, minority migration and migration policy in East and Southeast Asia. He obtained his Ph.D. in Sociology from National University of Singapore, Singapore, and M.A. in Sociology from Aligarh Muslim University, Aligarh, India.

Brenda S.A. Yeoh is Professor, Department of Geography, and the Head of Southeast Asian Studies Programme, National University of Singapore. She leads the research cluster on Asian Migrations at the Asia Research Institute and is Principal Investigator of the Asian MetaCentre for Population and Sustainable Development Analysis (funded by the Wellcome Trust, UK) at the Asia Research Institute. She is a social geographer whose main interest in population-related studies lies in migration, family and gender issues. She has in recent years completed, in collaboration with other colleagues, research projects on modes of childcare in Singapore, migrant women as paid domestic labour in the Southeast Asian context and Singaporean skilled migration to China.

Brenda Yeoh has published several books including *Gender and Migration* (Edward Elgar, 2000 with Katie Willis), *Gender Politics in the Asia-Pacific Region* (Routledge, 2002, with Peggy Teo and Shirlena Huang), *State/Nation/Transnation: Perspectives on Transnationalism in the Asia-Pacific* (Routledge, 2004, with Katie Willis), *Migration and Health in Asia* (Routledge, 2005, with Santosh Jatrana and Mika Toyota), *Contemporary Perspectives on Transnational Domestic Workers in Asia* (Marshall Cavendish, 2005, with Shirlena Huang and Noor Abdul Rahman), and *Globalisation and the Politics of Forgetting* (Routledge, 2005, with Lee Yong Sook), over 60 articles in internationally refereed journals, some 40 book chapters as well as various research reports.

Acknowledgement

This paper is a result of the research project titled "Social Organization of Remittances: Remittance-Transfers from East and Southeast Asia to South Asia". The Project has benefited from the generous funding from Asia Research Institute, National University of Singapore. We would like to thank Ms Shamala Sundaray for her help in editing an earlier version of this paper, as well as Ms Theodora Lam Choy Fong and Ms Verene Koh Hwee Kiang for their assistance in publishing this paper.

Introduction

Thousands of people from South Asia migrate annually to the comparatively developed economies of East and Southeast Asia for work. They migrate individually to these countries sometimes through arrangements between the host and home governments and sometimes clandestinely through individual initiatives. They work at the periphery of the economies of host countries and are barred from bringing their families with them, a widely practised policy for low-skilled foreign workers worldwide which not only reinforces the bond with home countries but also prevents future settlement in host countries. As they are basically transient economic migrants, they identify themselves in relation to their countries of origin and view the labour migration as a broader strategy for socio-economic advancement in home communities. To materialize their migration strategy, they usually remit the greater part of their earnings to their families left behind. These transfers in cash (or kind) from migrants to their non-migrating families in the source countries are usually referred to 'migrant remittances¹'.

Migrant remittances currently provide valuable financial resources to many developing countries and the remittance flows are second only to foreign direct investment and are significantly larger than official development assistance in a number of developing countries (Ratha, 2003; Bagasao, 2004: 1; *MigrantRemittances*, 2004a). Official account of migrant remittances rose in 2003 to an estimated US\$ 93 billion, up from US\$ 88.1 billion in 2002 (Ratha, 2004). World Bank Global Development Finance estimates that remittances have reached US\$ 126 billion for 2004 (World Bank, 2005a). Nevertheless, the true value of remittances is likely to be much higher because this official account does not capture informal remittances (Abella, 1989; Puri and Ritzema, 1999). Some sources estimate informal remittances as between US\$ 100 and US\$ 200 billion a year (Sander, 2003: 4) and between US\$ 200 billion and US\$ 300 billion a year (*MigrantRemittances*, 2004b:1).

The flow of this huge amount of remittances demands a systematic inquiry into the mechanisms through which remittance is transferred across international borders. Although remittance constitutes an important part of international migration, it remains at the periphery of migration research. However, after the 9/11 terrorist attack, we witness a renewed interest in the part of scholars. This stems from the increased concern about the vulnerability of informal funds transfers to unlawful activities including terrorist financing. This concern has provoked a section of scholars to look into remittance from the security perspective; and global lenders like the World Bank, IMF, ADB and other international financial bodies have come forward to encouraging such studies (Passas, 1999; Bezard, 2002; Buencamino and Gorbunov, 2002; World Bank, 2002, 2005; APEC 2003; FATF, 2003; Sander, 2003; Burbidege 2004; Maimbo and Passas, 2004; Ratha and & Kethar, 2004; de Luna Martinez, 2005; Maimbo *et al.*, 2005; Munshani, 2005).

In general, the remittance literature has evolved on the basis of regional migration systems, for example, Latin American migration system involving North America (Alarcon *et al.*, 1998; Lowell and Garza, 2000; Orozco, 2002a, 2002b, 2002c, 2003, 2004), African migration system involving Europe and Middle East (Brown, 1993; Horst, 2004;

Bazenguissa-Ganga, 2005; Higazi, 2005; Lindley, 2005), South Asian migration system involving Europe (see, Passas, 1999; Ballard, 2002, 2003a, 2004,; Blackwell and Seddon, 2004), Middle East migration systems involving Southeast Asia, South Asia, and East Asia, and inter-Asian migration system involving North America (see, Puri and Ritzema, 1999; World Bank 2002; APEC, 2003; El-Qorochi *et al.* 2003; Maimbo, 2003; Mellyn, 2003; Bagasao *et al.*, 2004; Hernandez-Coss, 2004; Seddon, 2004; El-Sakka, 2005).

We broadly summarize the issues that have been focused in the current literature as follows: (i) elaboration of different remittance mechanisms, both formal and informal; (ii) much of the discussion concentrates on the different informal remittance mechanisms and how and why it is disadvantageous for the national economies; (iii) a tendency towards linking informal transfers with drug dealing and terrorist financing; (iv) an emphasis on the securitization of remittances; and finally, (v) policy recommendations on how to encourage greater flow of funds through a formal channel, that is, how to ‘bank the unbanked’. While the existing literature advances our understanding of remittance from the security perspective, more research is needed in the area of the social dimension of remittance to counterbalance the excessive emphasis on security analysis of remittances.

This research addresses the following questions: (i) what are the remittance channels in East and Southeast Asia; (ii) why do different remittance channels exist; (iii) who are the players in informal remittance; (iv) how informal remittance operate; and finally, (iv) why informal remittance sustain over time? This study focuses on the remittance of Bangladeshi migrants, who are working in the East and Southeast Asian migration systems, particularly Japan, South Korea, Malaysia and Singapore. As Bangladeshi migrant workers transfer remittances through the *hundi* system, a predominant type of informal funds transfer systems in this region, this paper explains the *hundi* system in particular. The subsequent discussion is divided into five sections. The first section describes different types of funds transfer mechanisms available in Asia and provides a brief overview of their strengths and weaknesses; the second section discusses the operations and characteristics of the *hundi* system; the third section describes flows of Bangladeshi labour migration to East and Southeast Asia; the fourth section examines the remittance experiences of Bangladeshi migrant workers in East and Southeast Asia; and finally, the fifth section provides summary and conclusion of the research. The primary data comes from fieldwork in Singapore, Malaysia, Japan, South Korea and Bangladesh. The fieldwork was conducted over a period of three months from 2004 to 2005.

Channels of Remittances in Asia

We broadly identify two types of remittance systems: (i) formal and (ii) informal². Formal systems are those that operate under the regulated financial system. In formal systems the institutions involved in money transfers are supervised by government agencies and laws that determine their creation, characteristics, operations and closure (APEC, 2003: 3). Formal systems include banks and postal services, money transfer operators (MTOs) and other wire transfer services, and credit unions. Banks and postal services offer reliable remittance services in almost all host and home countries in Asia. However, migrant workers usually find their services expensive. The World Bank estimates that the average cost of transferring remittances remains about 13 per cent, and sometimes exceeds 20 per cent of the amount remitted (Maimbo, 2005:5). They not only charge higher fees but also take a longer time to complete the process. Bureaucratic hassles and weak or absence of banking services in many rural areas are some other drawbacks (Passas, 1999; El-Qorochi *et al.*, 2003).

Another important player in formal funds transfer systems is money transfer operators (MTOs). They provide the fastest service in formal money transfer systems. They take minutes to transfer money from one part of the world to another. Because of this service, they are gradually establishing firm rooting in the remittance market, beating the formal banking system. However, they charge higher fees. Western Union and MoneyGram are examples of two major MTOs. They first started operations in North America and now cover almost all countries in the world. Western Union transfers money to make payments using money orders and other electronic systems. Consumers can quickly and easily transfer money to more than 225,000 Western Union Agents located in over 195 countries and territories worldwide, the largest network of its kind³. MoneyGram is operating in 170 countries worldwide and have 75,000 local agents. The MTOs had penetrated the Asian remittance market at the end of last decade and are presently operating in almost all receiving and sending countries in Asia.

Debit and credit cards are used to draw cash from Automatic Teller Machines (ATM) in many remittance recipient countries. Every time cash is withdrawn by using such cards, a small fee is charged. The debit and credit card companies have started to fill the niche in the remittance market in Latin America (Orozco, 2004). Immigrants in North America are increasingly using debit and credit cards for remittance. They are faster and comparatively cheaper. However, they have yet to reach migrant workers in Asia. The use of such cards (credit or debit) is still limited to skilled migrant workers who are on authorized status. The majority of low-skilled migrant workers do not have access to the banking services in host and home countries. Therefore, we see little prospect for these smart cards to penetrate the Asian remittance market in the near future. In general, the formal system is plagued by high transaction costs, long delays in transferring remittances, exchange loss (due to official foreign exchange conversion rate), and last but not least, overly bureaucratic procedures.

As the name suggests, informal funds transfer systems do not fall into the realm of

the regulated financial sector. It “exists and operates outside of (or parallel to) conventional regulated banking and financial channels” (Buencamino and Gorbunov, 2002: 1). Although we observe widespread presence of different formal institutions for remittances and many of them are gradually penetrating the market, a large number of migrant workers still prefer to remit their earnings through informal systems. Looking through the historical lens, we find that migrant workers were dependent on informal funds transfers systems to remit their earnings before the advent of formal funds transfer systems (Aggarwal, 1966; Wu, 1967; Hicks, 1993; Sandhu and Mani, 1993; Huff, 1994; Kaplan, 1997). And this practice still prevails in different names and forms in different countries, for example, *hawala* (India, Pakistan and the Middle East), *hundi* (Pakistan and Bangladesh), *fei-ch'ien* (China and Southeast Asia), *chit* (China), *chop* (China), *hui kuan* (Hong Kong), *padala* and *paabot* (the Philippines), *phei kwan* (Thailand), *chuyen tien tay ba* (Vietnam), *kyeyo* money (Uganda) and *mali a mbeleko* (Zambia) (see Passas, 1999; Bezar, 2002; Morais, 2002; APEC, 2003; El-Qorochi *et al.* 2003; Mellyn, 2003; Puri and Ritzema, 2003; Schott, 2003; Bagasao, 2004; Seddon, 2004).

In addition to these well-known informal systems, we also find some other popular informal systems that facilitate the transfer of remittances in cash or kind internationally, for example, hand-delivery, hand carriage, ethnic stores and travel agencies. In the hand-delivery system, migrant workers give their savings to close relatives who are departing for the country of origin usually upon the completion of their overseas stay while, in the hand carriage system, as the name suggests, migrant workers take their savings with them when they return home at the end of their stay. Although it has always been a practice of ethnic stores and travel agencies in North America to engage in remittance business (Orozco, 2002, 2003; Hernandez-Coss, 2004), we also find some ethnic stores and travel agencies in Asia being involved in remittance business. As they are not physically involved in the transfer process, migrant workers often visit them as a last resort.

In observing Bangladeshi migrants' remittance behaviour in the region, we discover that they predominantly use the *hundi* system to remit their earnings home. We explain in the next section operations and characteristics of the *hundi* system in detail.

The *Hundi* System in East and Southeast Asia

The word '*hundi*' comes from the Sanskrit root meaning 'collect' (Passas, 1999; Jost and Sandhu, 2000). It has the same meanings as *hawala*: bill of exchange, promissory note, trust, reference and the alternative remittance system (Jost and Sandhu, 2000). A *hundi* operator is a *hundiwala*. In existing literature, the term '*hundi*' is interchangeably used with '*hawala*' because it is assumed that both systems operate similarly (Passas, 1999; Buencamino and Gorbunov, 2002; Lambert, 2002; APEC, 2003; Thime, 2003). However, the operations and characteristics of *hundi* found in East and Southeast Asia are different in many respects from those of the *hawala* found in the Middle East, South Asia and the United Kingdom. Figure 1 presents a prototype *hundi* transaction found in East and Southeast Asia. Figure 1 is broadly divided into three phases: first mile, intermediary stage and last mile; and, for the sake of simplicity, many potential feedback linkages are omitted from the figure.

We identify two types of *hundi* players in the region—*hundi* dealers and *hundiwalas*. *Hundi* dealers are people who are usually situated at the node of the regional migration systems and are involved in the transfer of large sums of cash at the macro level. *Hundi* dealers are not physically involved in the collection of cash from migrant workers or in the distribution of cash to the migrant families. They are fundamentally users and transferrers of cash. In contrast, *hundiwalas* are principally the collectors and distributors of cash at the micro level. In macro-*hundi* dealings, a client in Country A hands over a sum of money to the *hundi* dealer and requests that the equivalent amount be sent to a designated recipient in Country B. The sending *hundi* dealer relays all the necessary information concerning the transaction to a counterpart *hundi* dealer in Country B. The *hundi* dealer in Country B will give the money to the recipient upon presentation of some sort of identification. In this transaction, money is transferred between two parties living in two different countries but both *hundi* dealers and cash do not necessarily cross borders.

The *hundi* dealers' profit usually comes from two important sources: currency exchange rates manipulation; and uses of cash in business dealings. Some major areas of use of funds are: transfers of funds to third destination country, usually developed countries; and loan to the importers for the purpose of 'under-invoicing' (McCusker, 2005). The funds transfer to third country is a profitable business for *hundi* dealers. Sometimes, business, political and military elites from developing countries want to transfer funds to a third country for personal savings. They usually encounter problems in such transfers because of the observance of strict financial regulations by their home countries. The practice of such financial regulatory mechanisms generates a demand for the external funds that *hundi* dealers have come to supply. Given their geo-political location, *hundi* dealers are in a position to meet such demands and make huge profits.

Another common use of funds is the import business for under-invoicing. In an under-invoicing business deal, businessmen from labour sending countries make a deal with foreign companies regarding the under-value of imported goods in official papers. Once the deals are struck, they borrow the cash from regional *hundi* dealers to pay the

concerned companies behind closed doors. The motivation for under-invoicing stems from the profit that the businessmen may make by evading import duties in the home country (Figure 2). *Hundi* dealers situated in Singapore are the key players in the *hundi* business in East and Southeast Asia. They are known as regional *hundi* dealers and Singapore as the regional *hundi* hub. In these situations, money very often moves in both directions: into the labour-sending country from the migrant, and out on behalf of another economic agent who wants the foreign exchange (see Brown, 1994: 3).

The operation and services of *hundi* dealers are different from those of *hundiwalas*. *Hundiwalas* are usually former migrants or petty businessmen who possess certain entrepreneurial qualities and specific social resources that provide the basis to seek access to the migrant population in a particular host country. In the migration literature, we find a quasi-similar type of individuals called *Mulas* in the case of US-Cuba remittance systems (Orozco, 2002). However, they are only carriers of funds and American goods to Cuba and they provide limited services to migrants and their families. In contrast, the services that *hundiwalas* offer are much wider and go beyond the economic transaction of funds. *Hundiwalas* use various means to build trust among the migrant communities in host countries including establishing contacts with migrant families, source villagers and prominent persons from the source locality. As migrant workers rather contact the *hundiwalas* who have already earned their trust, *hundi* dealers, notwithstanding their sound financial strength, are not able to infiltrate the migrant remittance market, let alone enjoy a monopoly.

We identify two types of *hundiwalas*: primary and secondary *hundiwalas* or collaborators. Primary *hundiwalas* are involved in the overall collection of cash in the host country and distribution of cash in the home country; they maintain strong networks of collaborators in both places. Secondary *hundiwalas* are basically collaborators who assist the primary *hundiwalas* to collect the cash and distribute it to migrants' families in the home countries. The collaborators are chosen based on regional, village, peer and kinship ties. In general, they are not motivated purely by economic incentives. They are obligated to show reciprocity to the primary *hundiwalas* because they serve them beyond economic transactions; and they are linked by varied degrees of social bonds. Sometimes, collaborators are paid commissions for their services, especially in Malaysia and South Korea.

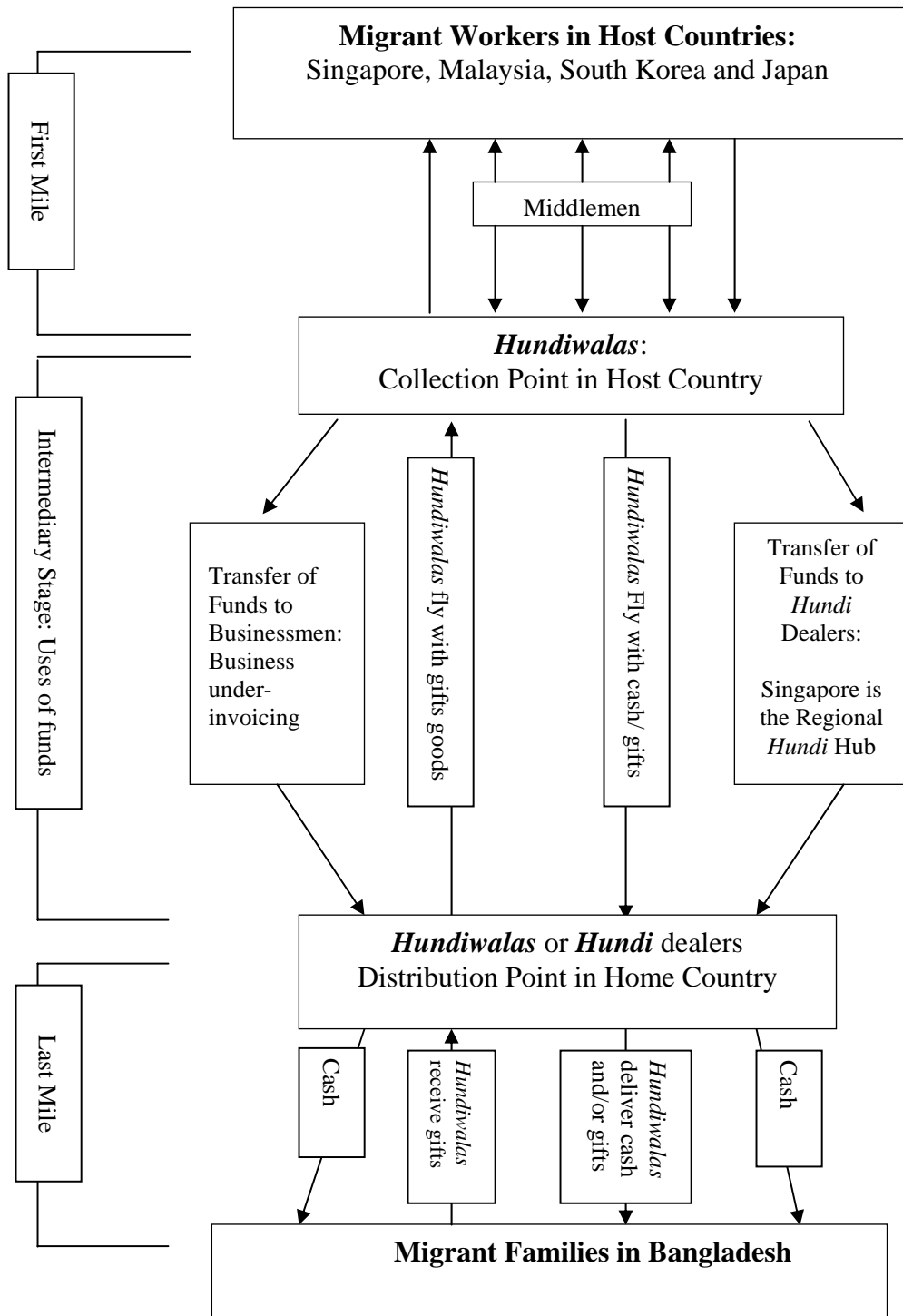
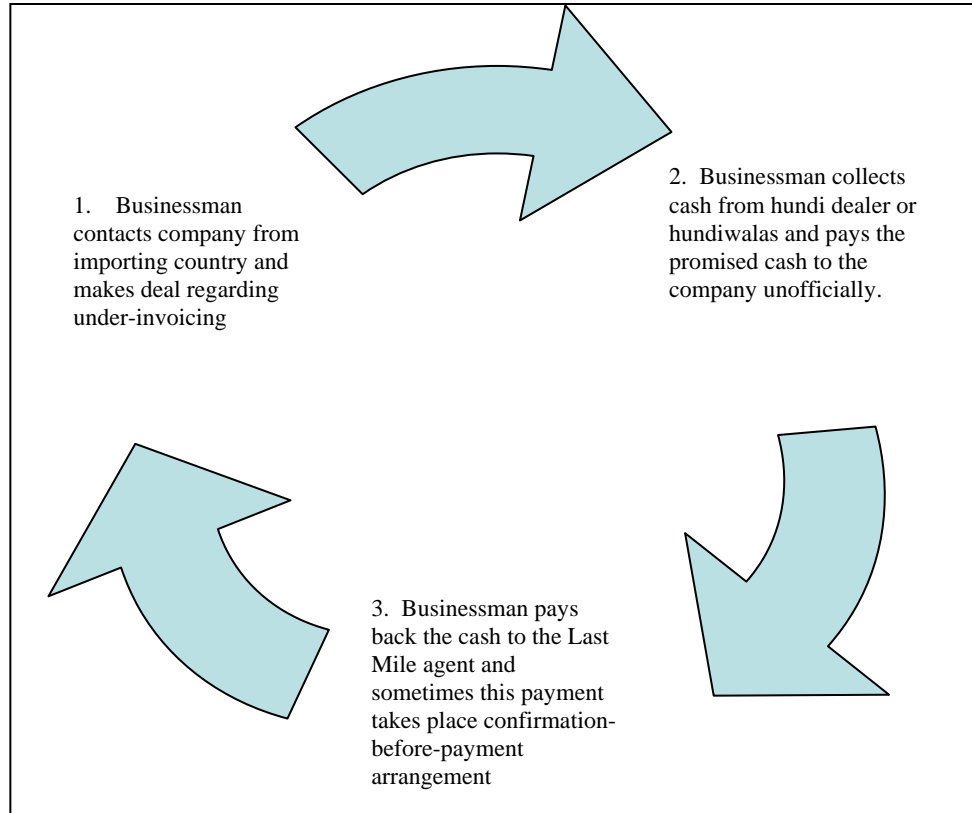


Figure 1 Hundi Operation: Channelling Remittances from East and Southeast Asia to Bangladesh



Note: Adapted from McCusker, 2005

Figure 2 Under-invoicing in Business: Use of Money at Intermediary Stage

In general, primary *hundiwalas* fly to some host countries with food, gifts and letters from the migrants' families on Friday, collect money from the migrants on Saturday and Sunday, do the shopping on Monday and return to the home countries on Monday night or Tuesday. The entire process from collection of cash from the migrants abroad to payment of cash to the migrants' families takes three to five days. *Hundiwalas* visit the migrants' families, usually situated in remote places, and hand over the cash only to the individuals the migrants suggest (e.g. parents, wives, siblings, etc.). *Hundiwalas* convey first-hand information about the condition (social, physical and economic) of the migrants to their families and vice versa. Sometimes, the migrants' families borrow cash from *hundiwalas* when the need arises. This 'generosity' further strengthens relations among *hundiwalas*, migrant workers and their families. Migrant workers see *hundiwalas* as a link between the home and host countries.

The *Hundiwalas* are in a position to provide the above services because they use the cash collected abroad to purchase electronics, cosmetics and other commodities to sell in the home countries. These commodities are not easily available in the local markets because of the conservative import policies of these countries; and, if it is available, it is costly due to high import duties. As *hundiwalas* carry goods with them to evade taxes, they are in a better position to sell the goods at a competitive price in local markets and make a

tidy profit. In addition, some *hundiwalas* also transfer cash to regional *hundi* dealers and businessmen with commissions. Sometimes, they follow confirmation-before-payment option, where the *hundiwala* pays the businessman the value of the funds remitted after the recipient in the home country has confirmed receipt of the money.

Reliability, credibility and efficiency are essential ingredients to a *hundi* business. The *hundi* system possesses several characteristics that account for its widespread use in this region. These characteristics include trustworthiness, transaction-cost-free service, speed, door-to-door service and convenience. The key to *hundi* is trust and *hundiwalas* are forced to maintain trust in the source communities through a set of social control mechanisms. The breach of trust involves social shame for the *hundiwala*, his family and broader social groups like lineage and neighbourhood. As a result, these primary and secondary social groups exert pressure on the individual members to comply with social norms and values. Unlike formal systems, *hundiwalas* do not charge transaction fees. One of the incentives that *hundiwalas* offer to migrant workers is exchange rates which are higher than those offered by formal institutions. Therefore, it is more than the transaction-cost-free service. Migrant workers find this charge-free remittance of their hard earned wages attractive and lucrative.

Hundiwalas offer speedy service. If migrant workers require transferring cash in hours to their families in remote villages, *hundiwalas* are also able to provide this service virtually cost-free. *Hundiwalas* provide door-to-door service in remittances. In the door-to-door service, *hundiwalas* collect the cash from the migrants by visiting their residences or gathering places in host countries and deliver the cash to the migrants' families in the home countries. It is a two-way service—*hundiwalas* carry not only cash, gifts and first hand information from migrants overseas to their families in source communities but also gifts, goods and first hand information from the migrants' families to the migrants in host countries. The *Hundi* system is culturally convenient for both migrants and their families. In general, most of these migrant workers have limited education. They are usually ignorant about formal banking procedures and unfamiliar with banking terms which are often in English or the local language of host countries. The formal system also requires filling up forms and the migrants are afraid that any error in filling up the forms may lead to loss of their hard earned money. As a result, many of them are reluctant to deal with formal institutions.

In addition, South Asian migrants are mainly male. Their wives and other family members are left behind. Conservative family traditions sometimes encourage maintaining minimal contact with the 'outside world' for their women folk (see El-Qorchi *et al.*, 2003:14). A trusted and acquainted *hundiwala* who is aware of the village norms and traditions is an acceptable intermediary in such circumstances. The *hundi* business does not require capital. What is needed is to build trust among the migrants and their families and as long as they can uphold the trust among both groups, they can continue to survive in the business. As an individual can make a reasonable profit by just being a trusted carrier in the *hundi* business, there exists tough competition among the *hundiwalas* towards acquiring the utmost trust of the migrants, which, in the long run, contributes to the viability of the system.

Bangladeshi Migrants in East and Southeast Asia

Experiencing a huge surplus of labour and economic stagnation immediately after its independence in 1971, Bangladesh has pursued an active policy to locate overseas labour markets for its nationals and has been amazingly successful in penetrating the labour markets of the oil-rich Middle Eastern countries as early as the mid-1970s. Soon after penetrating the Middle East market in the 1970s, Bangladesh began targeting the comparatively developed economies of East and Southeast Asia. Some countries of East and Southeast Asia had experienced labour shortages in the late 1980s and started hiring a large number of foreign workers. Bangladesh established contacts with these countries and began sending thousands of its nationals to these new destinations since the early 1990s. To Bangladeshi migrants, these new destinations were economically more rewarding as they could draw higher wages compared to their counterparts in the Middle East (Mahmood, 1998).

This possibility of higher earnings induced the migration of better educated and enterprising Bangladeshis who were mostly unemployed or underemployed in Bangladesh. As the labour markets in East and Southeast Asia are limited and controlled by strict regulatory measures, the flow of documented migrants to this region is mainly demand-driven. However, with the growth of migrant networks over time, a growing number of prospective migrants are able to circumvent the official regulation—a phenomenon that has given rise to undocumented migration in the region. According to some available data, the total cumulative figure for Bangladeshi documented migrants overseas until 2004 was approximately 4 million and for East and Southeast Asia alone, it was around half a million⁴ (Table 1). However, it is understood that the size of undocumented migrants will be much higher in both regions. In the last decade, around 200,000 Bangladeshis annually migrated overseas for work through the official channel.

Bangladesh's attempt to earn foreign currencies through the export of surplus labour has shown remarkable success. According to official data of Bangladesh Bank and BMET, Bangladesh received more than US\$ 32 billion remittances from its migrant population between 1976 and February 2005 (Table 2). Table 2 demonstrates that the formal remittance to Bangladesh has increased in congruence with the flow of migrant workers overseas. While in 1976 only US\$ 24 million entered the country through formal channels, this number rose to around 1.09 billion in 1993, around 2.07 billion in 2001 and, finally, US\$ 3.18 billion in 2003. The data on informal remittances is sketchy. Among available literature, Mahmud (1989), reports that informal remittances account for 20 per cent of the total amount of remittances in Bangladesh (cited in Puri and Ritzema, 1999: 8). Siddiqui and Abrar's (2001) study on labour migrants to the UAE revealed that 40 per cent of remittances were channelled through informal means (cited in de Bruyn and Kuddus, 2005: 29). An ILO study on remittances in Bangladesh revealed that ten out of 100 remittance-receiving families faced problems with the *hundi*, whereas 19 people encountered problems with official transfer methods (van Doorn, 2002/4: 50). The ILO study also found that the minimum time required to transfer the remittances was one hour (*hundi*) and the maximum

time was 25 days (bank draft). It is thus obvious that a large amount of cash enters the country informally.

The financial system of Bangladesh consists of the Bangladesh Bank (BB), four nationalized commercial banks (NCB), five government owned specialized banks, 30 private commercial banks (PCB), ten foreign banks and 28 non-bank financial institutions⁵. To increase the inflow of remittances through formal channels, Bangladesh Bank, as the central bank of the country, plays a crucial role. Bangladesh Bank permits banks to establish drawing arrangements with foreign banks and Exchange houses for facilitating remittance by Bangladeshi nationals living abroad. Persons willing to remit their earnings through official channels can buy either Taka draft (Bangladeshi currency) or US dollar draft from these foreign banks and Exchange houses with drawing arrangements with different banks in Bangladesh. Bangladeshi nationals living abroad can send Foreign Exchange directly to their own bank accounts maintained in Bangladesh or to their nominated person's/relative's bank accounts in Bangladesh. Banks that are allowed to deal with foreign exchange either have their own exchange branches or link up with international banks or money exchange companies in the host countries. Private Banks are not allowed to have branches in cities overseas (de Bruyn and Kuddus, 2005:30). However, they have correspondent banks.

Some NCBs and PCBs had opened their operations in East and Southeast Asia in the 1990s. Some Bangladeshi banks that have arrangements with foreign banks and exchange houses in East and Southeast Asia are Sonali Bank, Janata Bank, National Bank, Agrani Bank, Islami Bank and United Commercial Bank. Transfers of money from these banks usually take a week in the case of receiving banks situated in the capital city Dhaka. However, if the receiving banks are situated in the district cities, the delivery time to banks extends to a few weeks. Migrant workers often blame the malpractices and unfriendliness of bank officials in Bangladesh. Likewise in some host countries, especially Singapore and Malaysia, we have observed a lack of customer-friendly attitude among the agents of exchange houses established by Bangladeshi banks. Migrant workers, especially enterprising migrant workers, sometimes express their bitter experiences during their contact with such agents in the Bengali Dailies to draw the attention of the authorities (*The Daily Ajkerkagoj*, (Bangladesh) 4 May 2005).

Table 1 Flow of Migrants by Country of Employment and Remittances, 1976 – 2005

Years	K.S.A	Kuwait	U.A.E	Qatar	Iraq	Libya	Bahrain	Oman	Malaysia	Korea	Singapore	Brunei	Others	Total	Million US\$
1976	217	643	1989	1221	587	173	335	113					809	6087	23.71
1977	1379	1315	5819	2262	1238	718	870	1492					632	15725	82.79
1978	3212	2243	7512	1303	1454	2394	762	2877	23				1029	22809	106.90
1979	6476	2298	5069	1383	2363	1969	827	3777			110		223	24495	172.06
1980	8695	3687	4847	1455	1927	2976	1351	4745	3		385		2	30073	301.33
1981	13384	5464	6418	2268	13153	4162	1392	7352			1083		1111	55787	304.88
1982	16294	7244	6863	6252	12898	2071	2037	8248			331		524	62762	490.77
1983	12928	10283	6615	7556	4932	2209	2473	11110	23		178		913	59220	627.51
1984	20399	5627	5185	2726	4701	3386	2300	10448			718		1224	56714	500.00
1985	37133	7384	8336	4751	5051	1514	2965	9218			792		550	77694	500.00
1986	27235	10286	8790	4847	4728	3111	2597	6255	530		25		254	68658	576.20
1987	39292	9559	9953	5889	3847	2271	2055	440					711	74017	747.60
1988	27622	6524	13437	7390	4191	2759	3268	2219	2				709	68121	763.90
1989	39949	12404	15184	8462	2573	1609	4830	15429	401		229		654	101724	757.84
1990	57486	5957	8307	7672	2700	471	4563	13980	1385		776		517	103814	781.54
1991	75656	28574	8583	3772		1124	3480	23087	1628		642		585	147131	769.30
1992	93132	34377	12975	3251		1617	5804	25825	10537		313	228	28	188124	901.97
1993	106387	26407	15810	2441		1800	5396	15866	67938		1739	328	359	244508	1009.09
1994	91385	14912	15051	624		1864	4233	6470	47826	1558	391	1335	295	186326	1153.54
1995	84009	17492	14686	71		1106	3004	20949	35174	3315	3762	2659	910	187543	1201.52
1996	72734	21042	23812	112		1966	3759	8691	66631	2759	5304	3062	1358	211714	1355.34
1997	106534	21126	54719	1873		1934	5010	5985	2844	889	27401	303	1552	231077	1525.03
1998	158715	25444	38796	6806		1254	7014	4779	551	578	21728	169	444	267667	1599.24
1999	185739	22400	32344	5611		1744	4639	4045		1501	9596	1	343	268182	1806.63
2000	144618	594	34034	1433		1010	4637	5258	17237	990	11095	1420	360	222686	1954.95
2001	137248	5341	16252	223		450	4371	4561	4921	1561	9615	2958	1464	188965	2071.03
2002	163269	15769	25462	552		1574	5421	3854	85	28	6856	154	2230	225256	2847.79
2003	162131	26722	37346	94		2855	7482	4029	28	3771	5304	980	2736	254190	3177.63
2004	139031	41108	47012	1268		606	9194	4435	224	215	6948	1802	20723	272958	3573.76
2005(Feb)	13139	5461	8223	327		240	1455	702	49	1	975	13	2825	33410	646.23
Total	2,045,428	397,687	499,429	93,895	66,343	52,937	107,524	236,239	258,040	17,166	116,296	15,412	43,666	3,924,027	32,330.08

Source: Adapted from main Table Found in http://www.bmet.org.bd/Flow_Migration.htm [accessed on May 10, 2005]

Table 2 Country-wise and Year-wise Remittances Bangladesh Received from 1991 - 2004

Country	Years														Total Million US\$
	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	
Saudi Arabia	293.10	340.10	440.80	462.43	485.91	530.76	521.71	626.08	791.93	932.98	980.92	1244.47	1312.95	1463.30	10427.44
U.A.E	75.10	76.94	86.99	85.10	77.99	93.80	91.79	116.28	124.53	143.15	186.93	276.50	349.31	390.49	2174.90
Qatar	55.30	48.06	55.33	59.93	68.61	58.00	57.52	60.25	64.5	61.24	76.67	103.36	110.22	125.29	1004.28
Oman	47.60	69.34	61.65	75.44	82.51	93.20	52.05	88.84	94.1	87.13	90.60	110.82	114.29	123.29	1190.86
Bahrain	17.90	22.43	23.25	30.79	32.87	30.20	2.81	33.22	41.08	42.79	49.24	57.58	64.02	62.64	510.82
Kuwait	27.30	97.66	143.05	185.19	165.24	203.70	207.96	219.22	242.45	246.47	254.75	322.38	338.46	380.39	3034.22
Libya	1.80	0.15	1.79	1.82	0.26	0.20	188.93	0.25	0.04	0.10		0.10	0.12	0.19	195.75
Iran	2.50	0.12	1.74	0.31	0.15	0.20	31.66	0.39	0.39			0.05	0.32	0.44	38.27
U.S.A	53.00	65.76	69.75	97.64	104.39	137.6	207.65	217.09	229.64	248.21	264.95	423.47	470.10	477.64	3066.89
U.K	54.30	58.45	46.29	49.93	39.82	44.80	59.43	62.95	54.85	68.87	63.93	170.75	234.80	342.56	1351.73
Germany	7.80	13.47	14.86	9.94	6.31	3.90	6.11	4.05	4.84	3.94	4.83	7.90	8.73	12.61	109.29
Japan	81.90	49.73	30.41	32.76	27.69	24.7	0.98	29.98	45.16	16.09	11.60	15.13	18.78	19.18	404.09
Malaysia			4.78	27.45	71.56	72.70	22.47	71.28	57.22	45.56	31.85	49.14	33.51	35.38	522.90
Singapore	1.90	37.83	2.42	2.32	3.78	5.10	66.45	12.16	11.28	10.53	8.15	25.26	28.92	35.34	251.44
South Korea												1.26	1.01		2.27
Australia		0.18										1.8	1.22		3.20
Italy												4.88	5.93		10.81
Hong Kong		0.28										2.31	1.31		3.90
Others	49.80	21.47	25.98	32.49	34.43	56.48	7.51	57.2	44.62	47.89	46.61	30.63	83.63	92.70	631.44
Total	769.30	901.97	1009.09	1153.54	1201.52	1355.34	1525.03	1599.24	1806.63	1954.95	2071.03	2847.79	3177.63	3561.44	24934.50

Source: <http://www.bmet.org.bd/report.html> [accessed on November 2, 2005]

Remittances from Japan

Japan experienced large scale foreign workers in the mid 1980s (Yamanaka, 1993; Nagayama, 1996). The number of migrant workers was 1,851,758 in 2002, an increase of about 600,000 from that of 1990 (Khondker, 2004). The Immigration Bureau of Japan reveals that foreigners comprise 1.5 per cent of Japan's population which was around 1,915,664 in 2004 (*Asia Migration News*, 15 June 2004). Foreign workers in Japan can be divided into two groups: undocumented and documented (Japan-born Koreans and Chinese, Zainicbi Gaikokujin, foreign-born Japanese, Nikkeijin, professionals, trainees and entertainers). Undocumented migrant workers are those who overstay, leave their positions as trainees with legal employers, work without legal permission as in the case of students or enter Japan using either forged passports or other illegal methods⁶. The irregular foreign workers usually come from Asian countries, particularly, East Asia (men and women), South Asia (men) and Iran (men). As of January 2005, the number of irregular immigrants totalled 207,299, down 5.5 per cent from a year earlier (*Asian Migration News*, 31 March, 2005).

Remittances sent home by foreign workers, both documented and undocumented migrants, have made Japan a leading source of foreign exchange for developing countries—surpassing Tokyo's foreign aid budget (Kakuchi, 2004). Takashi Kadokura of Dai-ichi Life Research Institute Inc. estimated in a study in October 2003 that US\$ 5.5 billion was sent annually through unofficial channels by illegal migrant workers in Japan (*Asia Migration News*, 15 September 2004). When added to the US\$ 2.7 billion in remittances recorded by Japan's central bank in 2002, foreign workers send out more than US\$ 8.25 billion annually (*Asia Migration News*, 15 September 2004).

Japan is not a formal recipient of migrant workers, especially unskilled migrant workers. However, Japan pursues selective trainee programs that allow the hiring of foreign unskilled individuals as trainees. Bangladesh is not included in the list of countries wherefrom such trainees can be invited. Due to this absence of legal mechanisms, many enterprising Bangladeshis entered Japan by using 'tourist', 'student', 'business' or transit visas and later overstayed their visas to work indefinitely. Some Japanese sources revealed that between 1990 and 1998, there were 63,170 Bangladeshi over-stayers (Watanabe, 1998: 246; Iguchi, 2002:127). Japan actively pursues deportation of unauthorized⁷ migrants and according to one source 5,078 Bangladeshi overstayers were deported between 1996 and 2000 (Kondo, 2002:427).

Apart from overstaying Bangladeshis, there are a sizeable number of Bangladeshi students in Japan. Japan provides a large number of scholarships for students from developing countries to undertake higher studies in Japanese universities. According to one estimate, there were 117,300 students in Japan in 2004. The number of Bangladeshi students from 1991- 2004 was 10,437⁸. According to the Ministry of Expatriates' Welfare and Overseas Employment, Bangladeshis from Japan sent US\$ 404.09 million from 1991 to 2004. However, this is official data and we find enough evidence in Japan to argue that the unofficial figure would be much higher. Major players in formal funds transfer between

Japan and Bangladesh are the postal department and banks. Money transfer operators like Western Union and MoneyGram are not popular among Bangladeshi migrants in Japan.

Some Bangladeshi banks like Janata Bank, Islami Bank and Sonali Bank have correspondent banks such as Chiba Kogyo Bank, Bank of Tokyo-Mitsubishi and Sumitomo Mitsui Bank in Japan to facilitate remittances from Japan. In addition to banks, Japan's postal department plays a major role in channelling remittances through formal means. Authorized migrants and sponsored students (scholarship holders) sometimes use their services to remit money back home. In recent years, there has been an increasing tendency among formal institutions to enquire about the reasons for transfers of funds and when they come to know that the customers are students, they discourage transfers of funds arguing that students' priority should be studying and not remitting⁹. Some of our student respondents had encountered such experiences with formal institutions before shifting to informal remittances means.

We find a strong presence of both types of players in the *hundi* system, that is, *hundiwalas* and *hundi* dealers. *Hundiwalas*, especially primary *hundiwalas*, are involved in the process of collection of cash from migrant workers and students and they have strong networks in Bangladesh to distribute the cash in shorter duration. Primary *hundiwalas* in Japan are usually early migrants who have acquired residence permits over time. There are several hundred ethnic stores owned by Bangladeshi earlier migrants across Japan. These ethnic stores sell South Asian products. They are famous for serving *halal* food and their customers are South Asians in general and all Muslims in particular. It is important to mention that these ethnic stores play a major role in the collection of cash from migrant workers in Japan which is not common in the case of Malaysia, Singapore and South Korea. This is most probably due to the involvement of permanent residents in *hundi* as primary *hundiwalas*.

Hundiwalas use personal relations that have developed over time to contact the ethnic shop owners and make agreements with regard to the collection of cash. Prospective remitters pay the cash to the ethnic stores and leave a note of their details including the recipient's name and address. *Hundiwalas* later collect the cash and the relevant details from the shop owners. The *hundiwalas* do not necessarily visit the shop owners to collect the cash. They usually request them to deposit the cash into their bank accounts. Primary *hundiwalas* contact the secondary *hundiwalas* who are usually new resident permit holders or luggage businessmen¹⁰ in the case of Japan. These secondary *hundiwalas* travel weekly by availing Bangladeshi airlines, Bangladesh Biman, which flies directly from Tokyo to Dhaka. They usually carry second-hand electronic goods for sale in Bangladesh. On the return trip, they carry various Bangladeshi goods for sale in the ethnic shops.

Nevertheless, as airfare is expensive, regular visits do not produce substantial profits for both parties. In addition, visa for Japan is very difficult to arrange and if visa is offered, it is usually for single entry which luggage businessmen find unfavourable for the operation of such business. Due to these reasons, primary *hundiwalas* usually transfer cash to two main groups: businessmen and regional *hundi* dealers in Singapore with commissions. Japan is a major importing country for Bangladesh. Cars, machinery goods and electronics have exclusive markets in Bangladesh. Bangladeshi businessmen who are engaged in the import business with Japan make deals with Japanese companies regarding

under-invoicing. Later, they pay the cash by borrowing from primary *hundiwalas*. In addition, some Bangladeshi expatriates who are involved in used car business in Japan, also borrow money from *hundiwalas*. The demand for this external cash persists because both parties make hefty profits by using *hundi* money.

In some cases, we find the practice of ‘confirmation-before-payment’ where the recipients in Bangladesh get the money first before the remitters in Japan make the payments. However, businessmen who have a good reputation and have already earned the trust of the primary *hundiwalas* do not need to pay the cash first to the recipients. In this case, the use of the *hundiwalas*’ money generates higher profits for all parties involved—*hundiwalas*, businessmen and migrants’ families. Some primary *hundiwalas* also transfer the cash to regional *hundi* dealers situated in Singapore. These *hundi* dealers use the money for different purposes as we have discussed in the previous section. Neither *hundi* dealers nor *hundiwalas* charge fees to the migrants and their families. Once cash is received by the agents of the primary *hundiwalas* in Bangladesh, they immediately deliver the cash to the recipients by visiting their families.

Remittances from South Korea

Following the rapid economic development in the early 1980s, South Korea transforms into a major destination country for foreign workers (Martin, 1996). By the late 1980s, South Korea experienced a massive inflow of foreign workers (Athukorala and Manning, 1999; Park, 2000, 2002; Khondker, 2004). We identify three types of foreign workers in South Korea: migrant workers, industrial trainees and undocumented workers. Data from the Ministries of Justice and Labor, Korea, indicates that as of June 2005, there were 355,000 foreign workers in the country. Of this, 55.5 per cent was unauthorized immigrants (*Asian Migration News*, January 15, 2005). Bangladeshis started migrating to South Korea in the early 1990s under the trainee program called “Foreigners Industrial Training Programme” (FITP). According to the Bureau of Manpower Employment and Training Bangladesh, only 11,165 trainees went to South Korea for work from 1994 to 2004. However, the OECD report (2000: 211) revealed that the cumulative figure for Bangladeshi overstayers in South Korea between 1992 and 2000 was 69,600. This inconsistency in data is mainly due to the clandestine nature of Bangladeshi migration (Lian and Rahman, 2006).

The recorded remittances from South Korea was only US\$ 2.27 million for the period between 1991 and 2004 (see Table 2). Some Bangladeshi banks, for example Janata Bank and Islami Bank, have correspondent banks in Korea, such as Woori Bank and Korea Exchange Bank, to facilitate remittances to Bangladesh. Nevertheless, despite the presence of formal institutions, the *hundi* system exists as a dominant channel of remittances from South Korea. The major reason for the exclusive use of the *hundi* system is linked to the presence of a huge number of undocumented Bangladeshi migrants. As undocumented migrants suffer from fear of being caught by the immigration authority, they find the *hundiwalas*, who usually visit their residences to collect the cash, convenient and economical. We identify both types of *hundi* players in South Korea: *hundiwalas* and *hundi* dealers. In contrast to Japan, primary *hundiwalas* in South Korea are tourist visa holders who fly frequently to South Korea for remittances business. Some of them had worked in South Korea as trainees before. Hence, they have a good understanding of immigration laws, locations of Bangladeshi workers and the Korean language. They generally use their prior contact to access the migrant community and earn their trust.

Secondary *hundiwalas* are usually migrant workers, both documented and undocumented ones, who are in the remittances business as part-time work along with their regular work. Secondary *hundiwalas* are found in different industrial sites or cities, where a large congregation of Bangladeshi migrant workers exists. However, *hundiwalas* may emerge at worksites where there might be even less than fifty migrants. This is because given their undocumented status, most migrant workers live in non-residential areas and prefer to be invisible in public places; therefore, enterprising individuals from among them emerge to serve their need of remittances. Secondary *hundiwalas* in South Korea are involved only in the collection of cash from migrant workers. Upon the collection of cash, they transfer the cash to primary *hundiwalas* with commissions. The rates of commission vary depending on the pre-existing peer, regional or kinship ties.

Although secondary *hundiwalas* gain minimal profits from this collection service, it is a good source of supplementary income. The responsibility of delivering the remittances to the migrants' families falls on the shoulders of the primary *hundiwalas*, who maintain collaborators in Bangladesh for the purpose of distribution. However, it is the secondary *hundiwalas* who are liable to the migrant workers and thus they keep track of the receipts of cash by the migrants' families. Generally, both primary and secondary *hundiwalas* originate from the same district. Basically, primary *hundiwalas* use the cash in two areas: loans to Bangladeshi businessmen for under-invoicing and transfers of cash to regional *hundi* dealers.

Uses of cash at the intermediary stage are as same as in the case of Japan. In both cases, they make substantial profits that sustain the system over time. In addition, some primary *hundiwalas* carry cash with them during their return trip to Bangladesh. In the case of South Korea, *hundiwalas* do not spend much money on remittances in kind because it does not generate substantial extra value. However, at the time of their onward trip, they carry Bangladeshi goods to sell in the ethnic stores in South Korea. There are a few hundred South Asian stores that serve South Asians in general and Muslim migrants in particular. As the visa for South Korea is comparatively easier to obtain and there is also provision for on-arrival visas for Bangladeshis, primary *hundiwalas*, who have never overstayed their visas, hardly encounter any difficulty with immigration at international airports in South Korea. This has further contributed to the continuity of the *hundi* system in South Korea.

Remittances from Malaysia

Foreign workers began entering Malaysia in the 1970s as a result of the New Economic Policy's (1971-1990) efforts to restructure the economy and society and of the international relocation of manufacturing industries to Asia (Chan and Abdullah, 1999; Kassim, 1999; Pillai, 2000; Chin, 2002; Lian and Rahman 2006). The number of migrant workers in the late 1990s was as high as three million (Pillai, 1998). In July 2001, there were over 807,000 documented foreign workers in Malaysia (Kassim, 2002:328). According to one report, over 2.25 million illegal migrants had been apprehended between 1992 and 2001 (Kassim, 2002). Formal recruitment of Bangladeshi migrant workers started in the early 1990s. According to one source, between 1992 and 1998, 307,000 Bangladeshi migrant workers were issued work permits to work in Malaysia (Athukorala & Manning, 1999: 177). According to another source, approximately half a million Bangladeshi migrants visited Malaysia for work between the late 1980s and 1997 (Siddiqui, 2001).

Foreign workers in Malaysia remitted about US\$1.3 billion in 1997 and about 65 per cent of remittances went to Indonesia, 22 per cent to Bangladesh and six per cent to the Philippines (*Asia Pulse*, June 4, 1998). Outward remittances from Malaysia amounted to about US\$ 4 billion in 2004 (*Agence France Presse*, 8 April, 2005). The amount of recorded remittances from Malaysia to Bangladesh between 1991 and 2004 was \$522.90 million in total (Table 2). To facilitate delivery of remittances, Bangladeshi banks, such as Sonali Bank, Janata Bank, National Bank and Agrani Bank, have established contacts with some leading Malaysian banks such as May Bank, Bank Simpanan Nasional and Bumiputra Commerce Bank. We also find the presence of Western Union and MoneyGram. Despite the availability of formal channels, the *hundi* system remains a leading channel for remittances from Malaysia.

Primary *hundiwalas* in Malaysia are both early migrants who have already acquired documented status, usually long-term stay permits and tourist visa. The tourist visa holders usually receive multiple entry visas to fly back and forth frequently. Secondary *hundiwalas* are those who are working as both documented and undocumented migrant workers. The geographical origins of migrant workers are very diverse in Malaysia. There might be as many as twenty districts from where a large number of migrants hail. This diversity has produced enormous numbers of *hundiwalas* in Malaysia. The collection and distribution of remittances in Malaysia is almost as same as in the case of South Korea.

Secondary *hundiwalas* are usually from big work sites, small cities, or workers' residence areas or roads. They see the remittances business as a part-time work to augment their incomes. As it also involves the use of good interpersonal relations and social recognition in the communities or villages of origin, many *hundiwalas* see their engagement in the *hundi* system as a show of prestige. Upon the collection of the cash, they transfer the cash to the designated bank accounts of primary *hundiwalas* and send them mobile phone text messages (via Short Message Service) informing them of the details about the transfers. Based on predetermined rates, they deduct their commissions from the collected cash at the time of the transfers. Primary *hundiwalas* are usually based in Kuala

Lumpur. However, there are a few primary *hundiwalas* in every major city, for example, Johor Baharu, Melaka, Ipoh, Shah Alam, Kuching, Kota Kinabalu and Klang have their own primary *hundiwalas*.

Major areas of the uses of cash at the intermediary stage are the same as we have found in South Korea and Japan: transfers of cash to regional *hundi* dealers and to businessmen for under-invoicing. However, we have identified a new user of cash in the case of Malaysia. This new category is students. Every year, thousands of Bangladeshi students are enrolling in educational institutions in Malaysia and they borrow cash from *hundiwalas* for their educational expenses. *Hundiwalas* collect the cash from their parents in Bangladesh with predetermined interest rates. The demand for *hundiwalas*' funds exists because transfers of fund from Bangladesh to other countries for the purpose of education involve lengthy bureaucratic procedures, which many parents find inconvenient and 'costly' because of the foreign currency conversion rates and, sometimes, unprofessional conduct.

In addition to the aforementioned three types of transfer methods, we also find the conventional case of hand-carry-route where primary *hundiwalas* themselves fly with cash and goods to Bangladesh and return to Malaysia with Bangladeshi goods to sell in ethnic stores. It is important to note that some migrants have married local Malay Muslim women and integrated into the main stream of Malaysian society. These are the individuals who have opened up shops and businesses to serve the South Asian migrants in general. Malaysia follows a liberal policy with regard to the issuing of multiple visas to Bangladeshi businessmen. This has contributed significantly to the continuation of the *hundi* system in Malaysia.

Remittances from Singapore

Since political independence in 1965, the Government of Singapore has pursued explicit policies to hire foreign workers temporarily and use them for building the nation. Over time, Singapore has developed transparent foreign worker programmes to hire individuals of different skill categories and effective management mechanisms to regulate and monitor the foreign manpower in the country. According to one source, the proportion of foreign workforce compared to local labour force was 30 per cent in 1999 (Yeoh *et al.*, 1999). This proportion is projected to increase up to 35.5 per cent in 2005 and 43.9 per cent in 2010 (Lum, 1995:61). For the effective management of the foreign workforce, Singapore revises the foreign workers policies from time to time. Presently, it provides a four-fold classification of its foreign human resources: Class P, Class Q, Class S and Class R. Presently, there are around 620,000 foreign workers in Singapore (*The Sunday Times*, Singapore, November 13, 2005). There are approximately 50,000¹¹ Bangladeshi migrants in Singapore in any given year since the mid-1990s.

Foreign workers in Singapore may send home as much as S\$180 million in one month (*Asian Migration News*, 15 April 2004)¹². If we transform this data into a yearly figure, the figure reaches the SG\$ 2.16 billion or around US\$ 1.4 billion mark in a year. The official data shows that Bangladesh received only US\$ 251 million between 1991 and 2004 (Table 2). To facilitate remittances from Bangladeshi nationals, Bangladeshi banks such as Agrani Bank, United Commercial Bank, National Bank, Janata Bank and Sonali Bank had established contacts in Singapore (e.g. Agrani Exchange House, Mustafa Foreign Exchange Company, Ameer-Tech Remittances Services, Balaka Exchange, DBS Bank and Indian Bank) in the mid-1990s. We also find the presence of Western Union and MoneyGram in Singapore in recent years. Despite the presence of these formal transfer mechanisms, the *hundi* system remains a major means of delivery of remittances from Singapore.

Rahman (2003) found that 95 per cent of migrant workers remitted money through the *hundi* system while the remaining five per cent remitted through formal channels. Primary *hundiwalas* in Singapore are usually tourist visa holders who fly back and forth regularly. We find the role of secondary *hundiwalas* limited and, in some cases, trivial. Unlike secondary *hundiwalas* in South Korea and Japan, secondary *hundiwalas* in Singapore are mainly collaborators in the collection of cash and they usually do not charge any commission for their services. Migrant workers who intend to remit money home visit Little India on Sundays and give the cash to the trusted *hundiwalas* directly. There might be around 25,000 to 35,000 Bangladeshis who regularly congregate at Little India on Sunday afternoons. Primary *hundiwalas* visit Singapore usually on Fridays or Saturdays and they collect the cash on Sundays. They do some shopping on Mondays and leave Singapore on Monday nights or Tuesday.

The dominance of flying *hundiwalas* in Singapore is mainly due to the geographical proximity, cheap airfare, availability of visas, the image of Singaporean goods in the minds of Bangladeshis and the culture of 'Sunday gathering' in Little India. It is important to note

here that electronics, cosmetics and gold ornaments from Singapore (not necessarily made in Singapore) have a positive image particularly in the migrant-sending districts in Bangladesh, in terms of quality; and, this image produces a sustained demand for Singaporean goods in Bangladesh, which *hundiwalas* have come to supply (see Appendix 1). The operation of the system is simple: collect cash from migrants; use the cash to purchase different types of goods; return to home country with goods; sell them in the local markets for tidy profits. On the return journey, they carry goods to sell in Bangladeshi shops in Singapore. Over time, several dozens of Bangladeshi shops have come into being in Singapore to serve Bangladeshi migrant workers.

In the case of Singapore, *hundiwalas* usually do not collect money from many migrants. They usually take the cash from 30 to 50 migrants and then, upon their return home, they send close relatives or family members to pay the cash to the migrants' families. The relations among migrants, *hundiwalas* and migrants' families are much more personal in this case and they are tied by reciprocity. Some *hundiwalas* also transfer cash to *hundi* dealers in Singapore with commission. However, some changes have taken place in recent years that are threatening the existence of the *hundi* system in Singapore. One influential factor is the imposition of visa restrictions on Bangladeshis after 9/11. Presently, it takes up to ten days to get the visa. Formal players like MTOs (Western Union and MoneyGram) and several exchange houses are presently taking advantage of the absence of large number of *hundiwalas* which is reflected on the recorded remittances data, in which we can see a sharp rise in total flow of remittances from Singapore in the last three years (see Table 2).

Conclusion

This paper has attempted to advance our understanding of channels of migrant workers' remittances in East and Southeast Asia by illustrating the remittances routes of Bangladeshis who are working as migrant workers in Japan, South Korea, Malaysia and Singapore. The paper reports that, despite the presence of formal remittances systems, the majority of migrants choose to send remittances through informal mechanisms, particularly the *hundi* system. Migrants use the *hundi* system for a variety of reasons; the most important are trust, speed, transaction-cost-free, door-to-door service and cultural convenience. The infrastructure of the *hundi* system found in East and Southeast Asia is unique in composition and operation. There are two types of actors in the *hundi* system: *hundi* dealers and *hundiwalas*. *Hundi* dealers are money businessmen who are usually situated at the heart of regional financial activities and engaged in the dealing of large sums of money. On the other hand, *hundiwalas* are usually migrant entrepreneurs who take advantage of their migration capital accrued over time by virtue of their prior migration experience in the region. Unlike *hundi* dealers, they are physically involved in the collection and distribution process.

The paper has reported three phases in *hundi* transaction involving first mile (host country), intermediary stage and the last mile (home country). Unlike players in formal funds transfer systems, *hundiwalas* in the informal system visit the migrant workers' residences or usual meeting places to collect the cash. Given their tight working schedule, migrants find the system much more convenient and accessible. We identify some differences in the collection of cash in the four countries studied. While *hundiwalas* in Japan use ethnic shops as a collection point, *hundiwalas* in the other three countries physically approach the prospective remitters to collect the cash. Primary *hundiwalas* is defined as individuals who are in charge of the overall remittances process and who employ collaborators to assist in the collection and distribution of cash in both ends. These collaborators, except those in South Korea and Malaysia where they are sometimes paid a commission for their services, usually offer their services free due to reciprocity between themselves, the migrants and the migrants' families.

Hundiwalas build trust among the migrant communities in host countries by using several links for example, prior migration experience, district belonging, kinship networks, peer networks and contacts with prominent persons from the source community. The news of successful dealings by a particular *hundiwala* creates a spillover effect in migrant communities in both host and home countries, engendering further reliability and efficiency of the specific *hundiwala*. *Hundiwalas* are under continued social pressure to uphold the trust of migrant workers; and failure to maintain the trust leads to permanent damage of reputation and eventual cessation of business. We have explained how migrant workers' money is used and re-used at the intermediary stage to make profit. We have found the involvement of different interest groups, for instance, businessmen and regional *hundi* dealers at the intermediary stage and how their involvement has not hampered the transfer process; rather, it has made the process smoother and more profitable for the *hundiwalas*.

The collection and use and re-use of funds at the intermediary stage depend on the status of the migrants (regular or irregular), labour migrant admission programs of the host countries ('trainee' or 'migrant worker program') and the geo-political location of the host countries. We have found some similarities in the use and re-use of funds between Japan and South Korea in East Asia and between Malaysia and Singapore in Southeast Asia. In East Asia, a sizeable amount of remittances is used for the purpose of business under-invoicing and the *hundi* dealers play a dominant role in the transfer of cash. On the other hand, in Southeast Asia, remittances are spent for different purposes including purchase of goods and commodities to sell in the home country for a profit and *hundiwalas* play a much more important role in the transfer process. However, in all cases, *hundiwalas* are liable to migrants and their families for the delivery of their cash.

The *hundi* system in Singapore prevails with all its peculiarities. We find *hundiwalas* fly to Singapore weekly, particularly Saturdays, so as to collect the funds on Sundays from 'Sunday gathering' spots at Little India. Migrant workers who need to remit money home visit Little India to meet their familiar *hundiwalas* and pass the cash for transfers. *Hundiwalas* return home on Mondays or Tuesdays with goods to sell in the local markets. These goods bear social and economic value in Bangladesh in general and many migrant-source districts in particular because the possession of such goods provides a context to claim higher social status in some source areas. Singapore as a global city is well-connected in the region and the rest of the world in different ways. One of these is the financial connectedness in the global economy. Singapore as a regional financial hub follows a liberal policy for transfers of funds internationally and this has made Singapore a regional '*hundi* hub' as well. Different interest groups who are in need of transferring funds internationally make use of Singapore's financial facilities, resulting in the migrants' remittances costs to be almost free of charge.

From the security perspective, migrant remittances are a subject of security concern because many of security experts assume that the funds may fall into the hands of terrorists and, therefore, suggest securitization of remittances, although little evidence is available to provide a basis for such concern. Such a security concern has built up especially after the 9/11 attack in the USA. It is important to note that the *hundi* system has developed in the region following the migration of Bangladeshis in the late 1980s and it was never viewed as a security issue until recently. While there may be loopholes for the use of remittances for unlawful purposes, the question that needs consideration is who will gain and who will lose from the increasing securitization of remittances in the region. Given the recent rise in the use of official channels, it is clear that formal institutions including banks and money transfer operators like Western Union and MoneyGram have benefited from increasing inflow of remittances.

Yet, if we look from the migrant workers' perspective, it is obvious that they are the losers from this increasing securitization process because they are not getting the best deal in funds transfers. Migrant workers who are migrating to the regional host countries spend several thousand dollars of their own money to arrange the work visa for a definite period which is usually one to two years. They arrange for the financial cost of migration by selling their lands, borrowing from money lenders with high interest rates and dispossessing other family valuables including live-stock, gold ornaments of the women

folks, houses, etc. As they are not financially supported by the State's financial mechanism in the form of soft loans or other financial packages at the pre-migration stage, they risk their family funds to migrate. Such risks often lead to the deterioration of economic viability of the families as the debt they incur due to the short-term migration is often unprocurable during one time sojourn forcing them to opt for remigration—a phenomenon that produces a generation of 're-migrants'.

As this is a migration at the level of individual financial arrangements, migrant workers, therefore, deserve the right to select the most economical and convenient route of funds transfers. Given the facilities and benefits available through the *hundi* system against the formal funds transfer system, we opine that migrant workers have the rights to go for a channel of remittances where they can get a better deal for their every hard-earned dollar. This paper does not view remittances as a security issue, but as a social process organized through networks of migrants and former migrants and forged through different interpersonal connections. *Hundi* is founded on social infrastructures comprising of common bonds of kinship, friendship, regional belonging and prior migration experience which get adopted and transformed through reciprocity and together compose a web of interconnecting social relationships that supports the transfers of migrants' savings internationally.

References

- Abdul Aziz, A. R. (2001) 'Bangladeshi Migrant Workers in Malaysia's Construction Sector', *Asia-Pacific Population Journal*, 16(1).
- Abella, M.I. (1989) 'Policies and Practices to Promote Migrants' Remittances', *Philippine Labor Review*, 13 (1), pp 1-17.
- Aggarwal, C. L. (1966) *The Law of Hundis and Negotiable Instruments*, Eight ed. Lucknow, India: Eastern Book Co.
- Ahmed, S.N. (1998) 'The Impact of the Asian Crisis on Migrant Workers: Bangladesh Perspectives', *Asian and Pacific Migration Journal*, 7(2-3).
- Alarcon, R., Runsten, D. and Ojeda, R. H. (1998) 'Migrant Remittance Transfer Mechanisms between Los Angeles and Jalisco, Mexico', Research Report Series, No. 7, North American Integration and Development Center, University of California, Los Angeles.
- APEC (2003) *Informal Funds Transfer Systems in the APEC Region: Initial Findings and a Framework for Further Analysis*, World Bank.
- Asian Migration Atlas* (2000) Malaysia section, Available at <<http://www.scalabrini.asn.au/atlas/malaysia00.htm>> [accessed on January 13 2006].
- Athukorala, P. and Manning, C. (1999) *Structural Change and International Migration in East Asia: Adjustment to labor Scarcity*, Oxford University Press: London
- Bagasao, I. F., Piccio, E.B., Ma. Lopez, L. T. and Djinis, P. (2004) 'Enhancing the Efficiency of Overseas Workers Remittances', *Asian Development Bank, PHI: 4185*, available at <<http://www.adb.org/Documents/TARs/PHI/70608-enhancing-partI.pdf>> [accessed on 26 September 2005].
- Ballard, R. (2002) 'The Principles and Practice of Hawala Banking', available at <<http://www.art.man.ac.uk/CASAS/pages/papers.htm>>
- (2003) 'Processes of Consolidation and Settlement in Remittance-Driven Hawala Transactions between the UK and South Asia', Conference Paper, *World Bank and DFID International Conference on Migrant Remittances: Development Impact, Opportunities for the Financial Sector and Future Proposals, London, October 9th and 10th 2003*.
- (2004) 'System-security in Hawala Networks: the role of reciprocities of Absolute Trust', Updated from a presentation delivered at the *2004 Abu Dhabi Conference on Hawala*, available at <<http://www.art.man.ac.uk/CASAS/pages/papers.htm#remittances>> [accessed on June 2005]
- Bezard, G. (2002) 'Global Money Transfers: Exploring the Remittance Gold Mine', A Report by *Celent Communications*, New York, NY. August
- Bazenguissa-Ganga, R. (2005) 'Congo-DRC and Congo Country Study', A part of the

- Report on Informal Remittance Systems in Africa, Caribbean and Pacific (ACP) countries*, ESRC Centre on Migration, Policy and Society (COMPAS), University of Oxford, Available at < www.compas.ox.ac.uk > [accessed on September 21, 2005].
- Bilborrow, R.E., Hugo, G., Oberai, A. S. and Zlotnik, H. (1997) *International Migration Statistics: Guidelines for Improving Data Collection Systems*, International Labour Office, Geneva.
- Blackwell, M. and Seddon, D. (2004) 'Informal Remittances from the UK: Values, Flows, and Mechanisms', *Overseas Development Group Norwich, DFID*, available at < http://www.livelihoods.org/hot_topics/docs/UK_Remittances.pdf > [accessed on October 25, 2005].
- Brown, R. P.C. (1993) *Entrepreneurs in the Emergent Economy: Migration, Remittances and Informal Markets in the Kingdom of Tonga*, Canberra, ACT, Australia: Research School of Pacific Studies, ANU.
- (1994) 'Consumption and Investments from Migrants' Remittances in the South Pacific', *International Migration Papers, E/Migrant 2*, International Labour Office, Geneva.
- Buencamino, L. and Gorbunov, S. (2002) 'Informal Money Transfer Systems: Opportunities and Challenges for Development Finance', *ST/ESA/2002/DP/26, DESA Discussion Paper No. 26, November 2002*, United Nations available at www.un.org/esa/esa02dp26.pdf [accessed on September 1, 2005].
- Burbidge, N. W.R. (2004) 'International Anti-Money Laundering and Anti-Terrorist Financing: The Work of the Office of the Superintendent of Financial Institutions in Canada', *Journal of Money Laundering Control*, 7 (4): 320-332.
- Chan, R. K.H. and Abdullah, M. A. (1999) *Foreign Labor in Asia: Issues and Challenges*, Commack, NY: Nova Science Publishers.
- Chin, C. B.N. (2002) 'The Host State and the Guest Worker in Malaysia: Public Management of Migrant Labour in Times of Economic Prosperity and Crisis', in Yaw A. Debrah (ed.), *Migrant Workers in Pacific Asia*, Great Britain: Frank Cass Publishers.
- de Bruyn, T. and Kuddus, U. (2005) *Dynamics of Remittance Utilization in Bangladesh*, IOM Migration Research Series, No. 18, pp 1- 93.
- de Luna Martinez, J. (2005) 'Workers' Remittances to Developing Countries: A Survey with Central Banks on Selected Public Policy Issues', *WPS 3638, World Bank*
- FATF (Financial Action Task Force on Money Laundering) (2003) 'Combating the Abuse of Alternative Remittance Systems: International Best Practices', Adopted at *FATF Plenary*, June 20.
- El Qorchi, M., Maimbo, S. M. and Wilson, J. F. (2003) 'Informal Funds Transfer Systems: An Analysis of the Informal Hawala System', *Occasional Paper 222, IMF-World Bank*, Washington, D.C.: International Monetary Fund.
- El-Sakka, M.I.T. (2005) 'Migrant Remittances in the Middle East: An Overview', in Terry, D. and Wilson, S (eds.), *Beyond Small Change: Making Migrant Remittances Count*, Washington: Inter-American Development Bank.

- Gavito, J. (2003) 'Banking the Unbanked', Paper presented at the conference *An Informed Discussion of the Financial Assimilation of Immigrants*, sponsored by the Federal Reserve Bank of Chicago and Proteus, Inc. Des Moines, Iowa, June 24.
- Hernandez-Coss, R. (2004) *The Canada-Vietnam Remittances Corridor: Lessons from on Shifting from Informal to Formal Transfer Systems*, World Bank: Washington, D.C.
- Hicks, G. L. (ed.) (1993) *Overseas Chinese Remittances from Southeast Asia 1910-1940*, Singapore: Select Books.
- Higazi, A. (2005) 'Ghana Country Study', A part of the report on *Informal Remittance Systems in Africa, Caribbean and Pacific Countries* (Ref: R02CS008), ESRC Center on Migration, Policy and Society (COMPAS), University of Oxford, Available at <www.un.org/esa/esa02dp26.pdf> [accessed on September 1, 2005].
- Horst, C. (2004) *Money and Mobility: Transnational Livelihood Strategies of the Somali Diaspora*, No. 9, Global Commission on International Migration, Geneva, Available at <www.gcim.org>.
- Huff, W.G. (1994) *The economic growth of Singapore: trade and development in the twentieth century*, Cambridge: Cambridge University Press.
- Hui, W. (2002) 'Foreign Manpower Policy in Singapore', in Koh Ai Tee *et al.* (ed.), *Singapore Economy in the 21st Century*, Singapore: McGraw Hill.
- IMF and World Bank (2002) *Informal Funds Transfer systems: An analysis of the Hawala system*, Financial Sector Vice Presidency, World Bank, and Exchange and Monetary Affairs Department, Middle Eastern Department, IMF, Washington, D.C.
- Iguchi, Y. (2002) 'Foreign Workers and Labor Migration Policy in Japan', in Yaw A. Debrah (ed.), *Migrant Workers in Pacific Asia*, Great Britain: Frank Cass Publishers.
- Jost, P. M. and Sandhu, H. S. (2000) 'The Hawala Alternative Remittance System and its Role in Money Laundering', *Interpol*, January 2000, Available at <<http://www.interpol.int/Public/FinancialCrime/MoneyLaundering/hawala/default.asp>> [accessed on September 01, 2005].
- Kakuchi, S. (2004) 'Lifeline Dollars Made in Japan', *Asia Times Online*, 11 September 2004, Available at <<http://atimes01.atimes.com/atimes/Japan/FI11Dh03.html>>.
- Kaplan, E. H. (1997) *Chinese Economic History from Stone Age to Mao's Age*, Bellingham: Western Washington University.
- Kassim, A. (1999) 'Labour Market Developments and Migration Movements and Policy in Malaysia', *Labor Migration and the Recent Financial Crisis in Asia*, Organisation for Economic Co-Operation and Development, pp.165-186.
- (2002) 'Economic Slowdown and Its Impact on Cross-National Migration and Policy on Alien Employment in Malaysia', *Migration and the Labour Market in Asia: Recent Trends and Policies*, Organisation for Economic Co-Operation and Development, pp.325-339.
- Khondker, H. H. (2004) 'New Trends and Changing Landscape of Bangladeshi Migration', in Hisaya Oda, (ed.), *International Labor Migration in South Asia*, Japan: IDE.
- Kondo, A. (2002) 'The Development of Immigration Policy in Japan', *Asian and Pacific Migration Journal*, 11(4), 415-436.

- Lee, H. (1997) 'The Employment of Foreign Workers in Korea: Issues and Policy Suggestions', *International Sociology*, No.3.
- Lambert, L. (2002) 'Asian Underground Banking Scheme: A Field Note', *Journal of Contemporary Criminal Justice*, 18(4), 358-369.
- Lian, K. F. and Rahman, M. M. (2006) 'International Labour Recruitment: Channelling Bangladeshi Workers to East and Southeast Asia', *Asia-Pacific Population Journal*, 21(1).
- Lindley, A. 2005 'Somalia Country Study', A part of the Report on *Informal Remittance Systems in Africa, Caribbean and Pacific (ACP) countries*, ESRC Centre on Migration, Policy and Society (COMPAS), University of Oxford, Available at <www.compas.ox.ac.uk> [accessed on September 21, 2005].
- Lowell, B. L. and De La Garza, R. O. (2000) *The Development Role of Remittances in US Latino Communities and in Latin American Countries*, IADB-Inter-American Development Bank, Available at <http://www.microfinancegateway.org/content/article/detail/21617>.
- Mahmud, W. (1989) "The Impact of Overseas Labour Migration on the Bangladesh Economy", *The Bangladesh Development Studies*, 8 (3), 1-28.
- Mahmood, R. A. (1998) 'Bangladeshi Clandestine Foreign Workers', In Reginald Appleyard (Ed.), *Emigration Dynamics in Developing Countries*, Volume II: South Asia, Singapore: Ashgate.
- Martin, P. (1996) 'Effects of NAFTA on Labour Migration', in P.J. Lloyd and L.S. Williams (Eds.), *International Trade and Migration in the APEC region*, Melbourne: Oxford University Press.
- Maimbo, S. M. (2003) 'The Money Exchange Dealers of Kabul: A Study of the Hawala System in Afghanistan', *World Bank Working Paper 1726-5878; No. 13*, Washington, D.C.: World Bank.
- Maimbo, S.M. and Passas, N. (2004) 'The Regulation and Supervision of Informal Remittance Systems', *Small Enterprise Development*, 15(1), 53-61.
- Maimbo, S. M., Richard, H. A., Jr., Aggarwal, R and Passas, N. (2005) *Migrant Labor Remittances in South Asia*, Washington, D.C: The World Bank.
- McCusker, R. (2005) 'Underground Banking: Legitimate Remittance Network or Money Laundering System?', *Trends and Issues in Crime and Criminal Justice*, No. 300, Australian Institute of Criminology, Available at <<http://www.aic.gov.au/publications/tandi2/tandi300.pdf>> [accessed on 14 November 2005].
- Mellyn, K. (2003) 'Worker Remittances as a Development Tool Opportunity for the Philippines', *Asia Development Bank*, Manila, Philippines.
- Migrant Remittances* (2004a) 1(1).
 — (2004b) 1(2), Available at <http://www.microlinks.org/ev_en.php?ID=5192_201&ID2=DO_TOPIC>
- Morais, H. V. (2002) 'The War Against Money Laundering, Terrorism and the Financing

- of Terrorism', *Law Asia Journal*, (Darwin, Australia), 1-30.
- Munshani, K. (2005) *The Impact of Global International Informal Banking on Canada*, An Empirical Research Commissioned by The Nathanson Centre for the study of organized crime and corruption and the Law Commission of Canada, Available at < <http://www.yorku.ca/nathanson/Publications/RevisedMunchaniPaper-June2005.pdf> > [accessed on 22 September 2005].
- Nagayama, T. (1996) 'Foreign Workers Recruiting Policies in Japan', *Asian and Pacific Migration Journal*, 5(2-3), 241-264.
- OECD (2000) *Migration and the Labor Market in Asia*, Paris: Organization for Economic Cooperation and Development.
- Orozco, M. (2002a) *Challenges and Opportunities of Marketing Remittances to Cuba*, Inter-American Dialogue, Washington, DC Available at < http://www.thedialogue.org/publications/country_studies/remittances/Cuba_remittances.pdf >.
- (2002b) 'Globalization and Migration: The Impact of Family Remittances in the Latin America', *Latin American Politics and Society*, Summer, 41-66, Available at <http://www.focal.ca/pdf/family_remit.pdf>.
- (2002c) 'Attracting Remittances: Practices to Reduce costs and Enable a money transfer environment', *Inter-American Dialogue*, Washington, DC, Available at < http://www.thedialogue.org/publications/country_studies/remittances/Attracting_remittances.pdf >
- (2003) 'Worker Remittances: Issues and Best Practices', *Inter-American Dialogue*, Washington, DC, Available at <<http://financialservices.house.gov/media/pdf/100103mo.pdf>>
- (2004) 'The Remittances Marketplace: Prices, Policy and Financial Institutions', *Pew Hispanic Center Report*, Available at <<http://pewhispanic.org/topics/index.php?TopicID=128>> [accessed in May 2005].
- Park, W. (2002) 'The Unwilling Hosts: State, Society and the Control of Guest Workers in South Korea', in Yaw A. Debrah (ed.), *Migrant Workers in Pacific Asia*, Great Britain: Frank Cass Publishers.
- Park, Y. (1998) 'The Financial crisis and Foreign Workers in Korea', *Asian and Pacific Migration Journal*, 7(2-3).
- Passas, N. (1999) *Informal Value Transfer Systems and Criminal Organizations: A Study into so-called underground banking networks*, The Hague: Netherlands Ministry of Justice, Available at < <http://usinfo.state.gov/eap/img/assets/4756/ivts.pdf> > [accessed on September 22, 2005].
- Pillai, P. (2000) 'Labour Market Developments and International Migration in Malaysia', *Migration and the Labor Market in Asia*, Paris: OECD.
- (2001) 'The Impact of Economic Crisis on Migrant Labor in Malaysia: Policy Implications', *Asian and Pacific Migration Journal*. 7(2-3).
- Lum, Y. P. (1995) *Singapore's economic growth: is it sustainable?*, Unpublished Thesis, Department of Economics and Statistics, National University of Singapore.

- Puri, S. and Ritzema, T. (1999) 'Migrant Worker Remittances, Micro-finance and the Informal Economy: Prospects and Issues', *Working Paper No. 21*, Social Finance Unit, Geneva: International Labour Office.
- Rahman, M. M. (2003) *Bangladeshi Migrant Workers in Singapore: A Sociological Study of Temporary Labor Migration*, Unpublished Ph.D. dissertation, Department of Sociology, National University of Singapore, Singapore
- Ratha, D. (2003) 'Workers' Remittances – An Important and Stable Source of External Development Finance', in *Global Development Finance, 2003* (Chapter 7), Washington, D.C.: World Bank.
- Sander, C. (2003) 'Migrant Remittances to Developing Countries: A Scoping Study Overview and Introduction to Issues for Pro-Poor Financial Services', Prepared for the *UK Department of International Development (DFID)*, Bannock Consulting, Available at <<http://www.bannock.co.uk/PDF/Remittances.pdf>> [accessed on 25 October 2005].
- Sandhu, K.S. and Mani, A (eds.) (1993) *Indian Communities in Southeast Asia*, Singapore: ISEAS and Times Academic Press.
- Schott, P. A. (2003) *Reference Guide to Anti-Money Laundering and Combating the Financing of Terrorism*, Washington, D.C.: World Bank and IFM.
- Seddon, D. (2004) 'South Asian Remittances: Implications for Development', *Contemporary South Asia*, 13 (4), 403-420.
- Siddiqui, T. (2001) *Transcending Boundaries: Labor Migration of Women from Bangladesh*, Dhaka: University Press Limited.
- Siddiqui, T. and Abrar, C. R. (2001) *Migrant worker Remittances and Micro-finance in Bangladesh*, Dhaka/Geneva: ILO.
- Thieme, S. (2003) *Savings and Credit Associations and Remittances: The Case of Far West Nepalese Labour Migrants in Delhi, India*, Geneva: Social Finance Programme, International Labour Office.
- Uh, S. B. (1999) 'Immigration and Labour Market Issues in Korea', *Labor Migration and the Recent Financial Crisis in Asia*, OECD Proceedings, pp153-164.
- Van Doorn, J. (2002) 'Migration, Remittances and Development', in *Migrant Workers*, Labour Education, 2002/4, No. 129, Geneva: International Labour Office.
- Watanabe, S. (1998) 'The Economic Crisis and Migrant Workers in Japan', *Asian and Pacific Migration Journal*, 7(2-3).
- WebJapan (2005) 'Ryugakusei Ukeire no Gaikyo' (General state of accepting foreign students in Japan), *WebJapan*, Ministry of Education, Culture, Sports, Science and Technology, Available at <http://web-japan.org/stat/stats/16EDU61.html> [accessed on 14 November 2005].
- Wu, C. (1967) *Dollars, Dependents and Dogma: Overseas Chinese Remittances to Communist China*, Stanford, Calif: Hoover Institution on War, Revolution and Peace.
- World Bank (2002) 'Financing Development Through Future-Flow Securitization', Prem Notes, *Economic Policy*, June.
- (2005) *Measuring Migrant Remittances: From the Perspective of the European*

- Commission, *European Commission, Eurostat, Unit 4, International Technical Meeting on Measuring Migrant Remittances, January 24-25, 2005*, Available at <http://www.worldbank.org/data/Remittances/2e_Hussain.pdf> [accessed on 28 September 2005].
- (2005a) ‘Annex: Recent trends in workers’ remittances to developing countries’, in *Global Development Finance: Mobilizing Finance and Managing Vulnerability*, available at <<http://siteresources.worldbank.org/INTGDF2005/Resources/gdf05complete.pdf>> [accessed on 25 October 2005].
- Yamanaka, K. (1993) ‘New Immigration Policy and Unskilled Foreign Workers in Japan’, *Pacific Affairs*, 66(1), 72-90.
- Yeoh, B. S A, Huang, S. and Joaquin III, G. (1999) ‘Migrant Female Domestic Workers: Debating the Economic, Social and Political Impacts in Singapore’, *International Migration Review*, 33, 1 (125), Spring, 114-136.

Notes

- ¹ The term ‘migrant remittances’ generally refers to ‘transfers in cash or kind from migrants to resident households in the country of origin’ (Bilsborrow *et al.*, 97: 321).
- ² As this study aims to discuss the *hundi* system, a specific type of informal system found in East and Southeast Asia, in relation to the experience of Bangladeshi migrant workers, we are not providing details about other informal systems in our study. For details about other informal funds transfer systems, see Passas, 1999; Puri and Ritzema, 1999; Bezard, 2002; Buencamino and Gorbunov, 2002; IMF and World Bank, 2002; Morais, 2002; APEC, 2003; El-Qorochoi *et al.* 2003; FATF, 2003; Gavito, 2003; Maimbo, 2003; Mellyn, 2003; Schott, 2003; Bagasao, 2004; Hernandez-Coss, 2004; Horst, 2004; Seddon, 2004.
- ³ Information regarding Western Union and MoneyGram was compiled from their websites; see <http://www.westernunion.com> and <http://www.moneygram.com> accessed on 18 November 2005
- ⁴ This cumulative figure comes from the Bureau of Manpower Employment and Training (BMET), the official source of Bangladesh. The BMET is responsible for keeping the records of authorized migrant workers. However, it does not keep records for returning migrants.
- ⁵ Information on different banks involved in remittance in Bangladesh and overseas is compiled from Bangladesh Bank website: www.bangladesh-bank.org accessed on 9 November 2005.
- ⁶ Compiled from Ministry of Justice website, accessed on January 14, 2006 <http://www.moj.go.jp/ENGLISH/IB/IB2005/ib.html>
- ⁷ It is common practice among migration scholars to avoid the use of the term ‘illegal’ as it criminalizes migrants indiscriminately. Instead, the terms ‘undocumented’, ‘irregular’ and ‘unauthorized’ have been used to indicate that migrants either enter without proper documentation or engage in work for which they may not have the right visa.
- ⁸ Source: Ryugakusei Ukeire no Gaikyo (General state of accepting foreign students in Japan), Student Exchange Division, Higher Education Bureau report, [Ministry of Education, Culture, Sports, Science and Technology](http://www.moe.go.jp/ENGLISH/IB/IB2005/ib.html), cited in Web Japan. <http://web-japan.org/stat/stats/16EDU61.html> accessed on 14 November 2005 5:11 pm
- ⁹ Interview of a Bangladeshi student in Kobe, July 7, 2005
- ¹⁰ In luggage business, individuals fly to another country to buy goods and return home with those goods in their luggage to sell in the local market. Selection of goods is very important in this business. Such businessmen can make profit by evading tax and choosing high demand goods that can produce higher profits in the home country.
- ¹¹ The actual number of Bangladeshi migrants in Singapore is not available from both sources— Singapore and Bangladesh. We used newspaper reports to base our estimate of the number of Bangladeshi migrants in Singapore. Local news paper reported, “Every year, more than 30,000 Bangladeshi workers sell their land and cattle, and borrow money so that they can come here (Singapore)” (*The Straits Times*, ‘The Journey of Hope’, 18 December 1999). We, therefore, estimate that there would be around 50,000 Bangladeshi migrants in Singapore in a given year since the mid-1990s. However, recent inflow of Bangladeshi migrants is declining. As many of the present migrants have passed the skill tests and obtained renewal for long time stay because of their multiple skills, the decline in the inflow of new migrants may not produce significant changes in the size of the total number of Bangladeshi migrants.
- ¹² There is no official record of the amount migrant workers remit (*Asian Migration News*, April 15, 2004). See also, Li Xueying, ‘\$180m - that's what workers send home’, [The Straits Times](http://www.straits.com.sg), 11 April 2004.

Appendix 1

Risky business in Little India

1 August 1999, *The Straits Times* (Singapore)

EVERY Sunday evening, thousands of dollars change hands in a carpark and a field near Serangoon Plaza. As evening shadows deepen, the handful of foreign workers swells to thousands and small clusters form around each hundi man. Hundi means "remittance" in Bengali. People who live and work in Little India told The Sunday Times team it was on dangerous ground looking into the hundi business. "They are fearsome men," one said of the hundi and their bodyguards. As we approached a hundi, his burly phalanx of protectors tightened. A man demanded coarsely: "What you want?" He gesticulated at the team and shouted something in Bengali. As four or five bodyguards closed in, The Sunday Times team sought the relative safety of Serangoon Plaza.

ATTRACTIVE RATES

THE hundi is the Bangladeshis' link to home, the channel through which they send money to their families. Though there are five official remittance agencies here for Bangladeshis, they prefer the hundi's rates. At this money market, the hundis and their runners broadcast their rates. A worker picks his hundi, tells him who the money should go to and his address, and hands over the cash. The hundi records the details in a notebook, sealing the deal with a handshake and a promise. "They offer attractive rates," said Mr Ripon Miah, 25, a cleaner who has used a hundi since 1997. Where an official agency may offer 28 taka for S\$1, hundis can offer 29 taka or more, because, unlike the agencies, they can avoid being taxed in Bangladesh. Official agencies first exchange Singapore money for US dollars, then for taka in Bangladesh. They levy an administrative fee; the hundis do not. The hundi's way: Collect money, buy electronics goods or gold here to sell back home. Deliver the promised sum. Make a tidy profit. "They carry the goods in their luggage, so they can say it's for their own use," said a Bangladeshi High Commission spokesman. They jet in on tourist visas and go home laden. They stand out in the clusters, carrying cellular phones and wearing long-sleeved shirts. An "average" operator may take \$30,000 each trip since a worker usually sends home about \$400 each time. Some workers act as runners for the hundis. This led the Singapore Contractors Association to remind its members in a circular in April - "on police advice" it said - that such work-permit holders violate the Foreign Workers Act. It said: "Recently, many remitters who remit money on behalf of foreign workers, have become victims of snatch thefts, robberies and even murder."

HOODWINKED

YET it could give no figures on workers caught moonlighting in this way, or cite any report of a foreign worker getting cheated. Nor could the Manpower Ministry supply such figures. The large sums they carry make this a risky business for hundis, runners and clients alike because they are such tempting targets. Between January and June, there were six robberies involving people who visited banks or money-changers. The police would not say if foreigners were involved.

On June 27, Bangladeshi worker Rony Rahman, 28, was robbed of \$20,000, had three fingers on his right hand chopped off and three on his left were almost severed. He was waylaid by six men with parangs while taking money to a remittance agency. He was fortunate they did not find the other \$20,000 he had kept in another pocket. On May 23, Mr Mohamed Matin, 36, was robbed of about \$10,000 and slashed with a chopper. Workers have been known to beat up a hundi if they think he has cheated them. So the hundi must show proof of delivery: perhaps a strip of paper, bearing the name and signature of the person in Bangladesh. Like some, Mr Miah, calls home to double-check. "When I see my father's signature, I telephone to confirm he has got the money." He was confident he would not be bilked because he knows where his hundi lives. "If anything wrong, I can find him at his house in Bangladesh," he said.

FIGHTS AND CHEATS

OTHERS are not so lucky. A 28-year-old man, who gave his name only as Robbi, said it worked the first time, but the \$500 he sent the second time never got to his parents, and he could not track the hundi down. "You work so hard, then they just take your money and run. I don't want to trust them again," he said. He now uses an official agency. Fights often break out when workers find that a hundi has not done the job. Mr Munurul Islam recalled that once, several of his friends helped someone who had been cheated to find his hundi, who denied ever receiving the money. A fight broke out and the hundi's bodyguards pulled out knives. They fled when the police arrived. Sometimes, workers may complain to their High Commission, but little can be done since there is no receipt or documentation that money has changed hands. The Registry of Companies and Businesses said that running an unlicensed hundi business is an offence under Section 5 of the Business Registration Act. Offenders can be jailed up to six months or fined up to \$1,000, or both. The high commission advises workers to remit money through official agencies. It also plans to tell Bangladeshi workers before they come here about the dangers of using a hundi. Meanwhile, this evening, the unofficial money market goes on.

OTHER TITLES IN THIS SERIES:

Asian MetaCentre Research Paper Series No. 1

Age-Sex Pattern of Migrants and Movers: A Multilevel Analysis on an Indonesian Data Set

Aris Ananta, Evi Nurvidya Anwar and Riyana Miranti

Asian MetaCentre Research Paper Series No. 2

The Future Population of China: Prospects to 2045 by Place of Residence and by Level of Education

Cao Gui-Ying

Asian MetaCentre Research Paper Series No. 3

Singapore's Changing Age Structure and the Policy Implications for Financial Security, Employment, Living Arrangements and Health Care

Angelique Chan

Asian MetaCentre Research Paper Series No. 4

The Effect of Social Interaction on Desired Family Size and Contraceptive Use Among Women in Bangladesh

Lisa Marten

Asian MetaCentre Research Paper Series No. 5

Modeling Contraceptive Prevalence in Bangladesh: A Hierarchical Approach

E.M. Nazmul Kalam and H.T. Abdullah Khan

Asian MetaCentre Research Paper Series No. 6

Health Consequences of Population Changes in Asia: What Are the Issues?

(A summary paper from an Asian MetaCentre workshop held in Bangkok, Thailand, 13-14 June 2002)

Asian MetaCentre Research Paper Series No. 7

Age Structural Transition and Economic Growth: Evidences from South and Southeast Asia

Kannan Navaneetham

Asian MetaCentre Research Paper Series No. 8

Asians on the Move: Spouses, Dependants and Households

(Special collection of papers by Chotib, Siew-Ean Khoo, Salut Muhidin, Zhou Hao and S.K. Singh)

Asian MetaCentre Research Paper Series No. 9

The Relationship Between Formal and Familial Support of the Elderly in Singapore and Taiwan

Angelique Chan, Ann E. Biddlecom, Mary Beth Ofstedal and Albert I. Hermalin

Asian MetaCentre Research Paper Series No. 10

Organisations that Care: The Necessity for an Eldercare Leave Scheme for Caregivers of the Elderly in Singapore

Theresa W. Devasahayam

Asian MetaCentre Research Paper Series No. 11

The “Flight from Marriage” in South-East and East Asia

Gavin W. Jones

Asian MetaCentre Research Paper Series No. 12

Fertility and the Family: An Overview of Pro-natalist Population Policies in Singapore

Theresa Wong and Brenda S.A. Yeoh

Asian MetaCentre Research Paper Series No. 13

Strategies and Achievements in Expanding Lower Secondary Enrollments: Thailand and Indonesia

Gavin W. Jones

Asian MetaCentre Research Paper Series No. 14

Infant Mortality in a Backward Region of North India: Does Ethnicity Matter?

Santosh Jatrana

Asian MetaCentre Research Paper Series No. 15

Factors Associated with Contraceptive Discontinuation in Bali, Indonesia: A Multilevel Discrete-time Competing Risks Hazard Model

Evi Nurvidya Arifin

Asian MetaCentre Research Paper Series No. 16

Explaining Gender Disparity in Child Health in Haryana State of India

Santosh Jatrana

Asian MetaCentre Research Paper Series No. 17

Migration and Health in China: Problems, Obstacles and Solutions

Xiang Biao

Asian MetaCentre Research Paper Series No. 18

Water Resources, Land Exploitation and Population Dynamics in Arid Areas - The Case of Tarim River Basin in Xinjiang of China

Jiang Leiwen, Tong Yufen, Zhao Zhijie, Li Tianhong, Liao Jianhua

Asian MetaCentre Research Paper Series No. 19

Health Concerns of 'Invisible' Foreign Domestic Maids in Thailand

Mika Toyota