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Sending Money Back Home: Banking Digitalization, Myanmar Migrant Workers, and the Thailand-Myanmar Border Trade

Akkanut Wantanasombut*

In 2021 Thailand's Ministry of Labour reported that approximately 2.4 million migrant workers had been permitted to work in Thailand, with two-thirds arriving from Myanmar (Samnak Borihan Raeng Ngan Tang Dao Krom Karn Jad Ha Ngan 2021). For decades, this large number of migrant workers from Myanmar has benefited the Thailand-Myanmar border trade, both directly and indirectly, including the remittances that Burmese migrant workers send to their families back home.

This paper studies how the economic activities revolving around border trade developed. It describes how informal remittances from Myanmar migrant workers have become one of the key elements of the massive illicit border trade and introduces the possibility of digital technology replacing traditional informal remittance methods. The data presented here was collected by way of semi-structured interviews with 32 Burmese migrant workers living and working in Samutsakorn Province, nine Thai border traders in Mae Sot, officials, and a Thai financial technology company operating in Myanmar. The interviews revealed that most of the migrant workers had experience using mobile banking and financial applications, they were familiar with the technology, and they were aware of its capacity as an alternative method of sending money back home. However, many still preferred to use informal banking as it benefited them the most. The border traders interviewed for this paper further confirmed that there was still no threat of consequences for payment offsetting. Therefore, the digitalization of banking strengthens the informal banking system as it both hastens and improves the processes of money distribution.

Keywords: Myanmar migrant workers in Thailand, Thailand-Myanmar border trade, informal remittance, banking digitalization

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Introduction

The 1990s marked a crucial period for Thailand, as this was when the major exports of agriculture and labor-intensive industries transitioned to medium-tech industries (Pasuk and Baker 1998, 28–38). While the Thai economy was growing faster than ever before, Myanmar was struggling under the State Law and Order Restoration Council (SLORC) military regime, followed by the State Peace and Development Council military regime. The economic disparity between the two neighboring countries initiated a new wave of migrants from Myanmar to Thailand in search of better opportunities (Castles and Miller 2009, 138). Overall, the number of migrant workers in Thailand increased from the first official record of 400,000 persons in 1994 (Pasuk and Baker 1998, 138) to 2.4 million at the end of September 2021, with 1,554,637 of them arriving from Myanmar (Samnak Borihan Raeng Ngan Tang Dao Krom Karn Jad Ha Ngan 2021). While the United Nations estimated in 2019 that there were 3.9 million documented and undocumented workers from neighboring countries—Myanmar, Laos PDR, Cambodia, and Vietnam—and that there were some 480,000 stateless persons and 100,000 asylum seekers in Thailand, the report noted that most came from Myanmar (Harkins 2019, 12). While Thailand officially shelters asylum seekers, the official term that the Thai authorities use is "displaced persons," as Thailand has not signed the 1951 Refugee Convention and does not have a policy to give refugee status to anyone. The Thai government provides humanitarian aid and shelter until the United Nations High Commissioner for Refugees determines the third country that will accept asylum seekers as refugees. Displaced persons are allowed to travel inside Thailand, but only with permission or a specific reason, such as medical needs or education. Although Thai labor law does not allow undocumented migrants, stateless persons, or displaced persons to work, such people find informal ways to do so. As such, the Thai authorities label them as "illegal migrant workers."[1)]

There is no survey that indicates the exact number of Myanmar migrant laborers in Thailand, nor details of their origin in Myanmar. The late 2013 International Organization for Migration report, for which surveys were conducted mainly in Bangkok and Samutsakorn, found that Burmese migrant workers originated mostly from Mon State, Shan State, Tanintharyi Region, Kayin State, and Bago Region (IOM and Asian Research Center for Migration 2013, 9). However, the director of an NGO in Northern Thailand, the Migrant Assistance Program Foundation, estimated that around 90 percent of the

1) In this paper, the term "Myanmar migrant workers" is used to refer to all types of workers who come from Myanmar regardless of their legal status. "Illegal migrant workers" refers to non-Thai undocumented persons, stateless persons, displaced persons, and asylum seekers, who are not allowed to work in Thailand according to Thai labor law.

more than 100,000 workers in Chiang Mai came from Shan State (Piyapong and Pim 2017). Though most origin-areas are rural, remote villages near the Thailand-Myanmar border, there are also many migrant workers who come from major cities, such as Yangon and Mandalay, since the minimum daily wage in Thailand is triple that in Myanmar (Ayman 2021). While the massive number of Myanmar migrant workers contribute to the development of the Thai economy in many aspects (Martin 2007, 7–21; OECD/ILO 2017, 21–36), they also profoundly benefit the Myanmar economy.

Remittances from migrant workers are regarded as an important source of development for the country, especially with Myanmar being a newly emerging economy. The data from 2016 indicates that 4.25 million Myanmar citizens who lived and worked abroad (Department of Population, Ministry of Labour, Immigration and Population 2016, 115) remitted around US$2.5 billion back to Myanmar, which accounted for an estimated 4 percent of the country's GDP (World Bank 2017). The World Bank's figure does not include informal remittances, of which the International Growth Centre estimates a total volume of around US$8 billion, accounting for approximately 13 percent of the GDP (Randall and Kapur 2017, 10). The United Nations Capital Development Fund reported that 68 percent of informal remittances into Myanmar come from Thailand alone since there are millions of Myanmar workers in Thailand (United Nations Capital Development Fund 2020, 1).

Although sending money by way of the formal banking system is more secure, it is also the most expensive method, as there is often a charge of at least 10 percent of the total remittance amount (Pariwat, personal communication, February 11, 2020). This, combined with the insufficient banking networks within Myanmar, poses a significant challenge for migrant workers to send their remittances through formal banking channels. Such constraints limit migrant workers' choices to the following: carrying cash home themselves, asking a trusted friend to carry the money when they return home, or sending the money through the informal banking system. However, recent advancements in digital technology offer migrant workers a new alternative to remit money via the internet banking and mobile banking services provided by commercial banks in Thailand or by using non-banks' financial technology services that are available in both countries. This paper aims to examine whether recent digital transformations in the banking and financial sector will replace informal remittance methods. As many studies have found that informal remittance is a supportive element of the Thailand-Myanmar border trade, this transition may challenge the traditional border economy.

Scope and Methodology of the Study

The first part of this paper deals with the methodology, definition, terminology, and theoretical framework applied to this study. The next part describes the historical context of the Thailand-Myanmar border trade, which revolves around other economic activities, including the influx of Myanmar migrant labor into Thailand. The following part discusses the reformation and digitalization of the banking and financial sector in Myanmar. The last part discusses the major argument of this paper, which is that although new technology has the potential to replace informal remittance methods, migrant workers still tend to prefer traditional methods that offer some social benefits.

This research was conducted between late 2019 and 2021 using qualitative methodology. The author interviewed 32 Burmese migrant workers living and working in Samutsakorn Province, nine Thai border traders in Mae Sot, officials, and a Thai financial technology company operating in Myanmar. Since informal remittances are considered an illegal activity, the author utilized snowball sampling to reach migrant workers, with help from a local NGO working on migrant labor issues. The semi-structured interviews started with the question of how migrant workers send money back home and their opinions on the different methods of remittance that they are familiar with.

Definition and Terminology

There are many studies on migration that use different terms to refer to migrant labor depending on the author's approach. In this paper, the author uses Thai immigration law to identify the status of labor. The term "migrant labor" has a broad scope: it refers to all non-Thai laborers who enter Thailand legally and illegally for jobs, including those who have fled internal conflict and are regarded by Thai authorities as "displaced persons" allowed to live in designated areas in Thailand along the Thailand-Myanmar border. Thus, the term "illegal migrant labor" applies to non-Thai undocumented persons, stateless persons, displaced persons, and asylum seekers, who are not allowed to work in Thailand according to Thai labor law.

For remittances, the term *phoy-kyuwn* in this paper refers to informal remittance; it is a Hokkien dialect term referring to a private banking service formerly used by Chinese migrant workers in Thailand who would send remittances back to China for centuries; it has become a general term in Thailand.

For border trade, the terms in this paper are defined by the author as follows:

1. Illegal border trade refers to the trade in:
   (a) Items that are not allowed by the exporting or importing country across the border according to the laws of both exporting and importing countries, such as narcotics.
   (b) Items that are occasionally banned by the Myanmar government during some periods, such as alcoholic drinks, seasoning powder, etc., or items that require traders to obtain a license from the government to import and export.
   (c) Items that are allowed by the exporting and importing country, but traders avoid declaring them at customs in the exporting or importing country for some reason, such as avoiding import tax or shortening the customs clearance process, which usually takes time.
2. Illicit border trade refers to types (b) and (c) of the illegal border trade defined above. Although it is illegal from the states' perspective, it is widely practiced at the local level.

Theoretical Framework

There are two categories of remittance: formal and informal. The formal channel follows regulations supervised by government agencies, and there are many institutions involved in the process, such as the central bank, anti-money laundering agencies, local and correspondent banks, private financial service providers, postal services, etc. It has a strict process of authentication and is usually more expensive compared to the informal channel. The informal channel offers an alternative for those who prefer to avoid bureaucratic procedures; it has an affordable transaction cost, door-to-door services, and other benefits that are unavailable through the formal channel. For workers from countries that have poor financial infrastructure, the informal channel is probably the only way to send money back home. The solution to the workers' problem may be found in the informal sector's use of technology.

Typical research on remittance usually focuses on three main domains: (i) the typology of remittance mechanisms, (ii) a comparison of transaction costs on different channels, and (iii) the evolution and development of money transfer markets (Rahman *et al.* 2014, 7), mostly using an economic approach at both the microeconomic and macroeconomic levels. However, new studies have pointed out that to understand remittance, the study of social factors cannot be neglected.

Md Mizanur Rahman and Brenda S. A. Yeoh (2014) studied how Bangladeshi workers in East and Southeast Asia remit money back home from Singapore, Malaysia, Japan, and South Korea. They found that most of the workers prefer informal remittance methods due to social reasons. Workers' motivation relies very much on social factors with regard to family and agents, including mutual trustworthiness, mutual obligation, assurances, and understanding. Although formal remittance methods offer greater security, social ties between migrant workers and informal remittance agents create various advantages that formal institutions cannot compete with. Though Rahman and Yeoh's case study was on Bangladeshi workers, the social factors that influence remittance may be used as a framework to study the Burmese migrant experience in Thailand.

Migrant Labor's Remittance as a Supportive Element of Border Trade

The method of informal remittance is widely known in Thailand as *phoy-kyuwn*, and in Myanmar it is called *hundi* (Turnell *et al.* 2008, 70). Through this informal channel, money is passed to the receiver within one day, and the fee is lower compared to the formal banking system. According to the Bank of Thailand, the transaction fee of a *phoy-kyuwn* agent is less than 2.5 percent of the total sending amount (Somsak 2013). A survey conducted by Sean Turnell *et al.* between 2002 and 2003 revealed that the amounts of money Burmese migrant workers sent home ranged from THB3,000 to THB3 million per annum. The estimated total amount of informal remittances that year was US$300 million, almost five times the amount of official remittances the same year (Turnell *et al.* 2008, 74). A 2009 survey published by the International Labour Organization (Aree and Sirinan 2009, 20) indicated that that year, the average amount of money Burmese workers in Thailand sent home was THB30,000, and the average amount of money sent each time was THB5,300. Considering the large number of Burmese migrant workers in Thailand and the average amount of remittances as determined by the survey, we can roughly estimate the amount of money being circulated within the informal banking system.

As many studies on the informal banking system have observed, actual money rarely crosses states boundaries (Turnell *et al.* 2008; Akkanut 2017; Kubo 2017; Thompson 2019). The Thailand-Myanmar informal remittance case is unique because the majority of money sent through the system instead circulates within the Thailand-Myanmar border trade economy, particularly in illicit trade. With regard to remittances, the informal agents on the Thai side collect the cash that migrant workers intend to send home, then call their Burmese partners in Myanmar to send the equivalent amount, minus their commissions, to the recipient. In a similar vein, when Burmese importers need to pay their Thai suppliers, they send the money to the Burmese remittance agent, who will then call the Thai partner to pay the supplier. On the Thai side, the agent will collect remittance money from migrant workers and use that money to pay the Thai suppliers. In Myanmar, the agents collect money from importers and use it when there is a demand to send remittances to a migrant worker's family. This method, therefore, enables traders to offset the demand and supply of money by balancing the sending-receiving demands of migrant workers with their goods-purchasing payments. The combined need for balanced trade settlements and alternative remittance methods facilitates a lower transaction cost for both sides, although this symbiotic relationship is not well known.

The democratization of Myanmar after the general election in 2010 accelerated development in many sectors, including banking and financial reform. Following the reform, there was a wave of digital transformation, which shortcut the country's pathway to infrastructure development. People living in Myanmar, in both big cities and rural areas, can easily access the internet and financial services on their smartphones instead of utilizing traditional services. Payment and money transfers are much easier than they were in the last decade. With all these changes, the use of informal remittance methods by millions of migrant workers may decline. Since informal remittances and border trade are linked, any obstacles will impact the Thailand-Myanmar border trade.

The Invisible Hands That Move Border Trade

The shared border between Thailand and Myanmar is more than 2,000 kilometers long. Although modern diplomatic relations between the two countries started in 1948, the interaction of people and the exchange of culture and goods, as indicated in both textual and archeological evidence, has existed since ancient times. While all cross-border trade activities were considered illegal by the Myanmar government prior to the 1996 establishment of the customs house in Tachileik (Myanmar Department of Border Trade n.d.), massive cross-border trade has existed since the 1960s as a result of Ne Win's "Burmese way to socialism" and the failure of his Burma Socialist Programme Party (BSPP) economic reforms (Silverstein 1989; Smith 1999; Taylor 2015). The socialism policy of the nationalization of private-owned businesses and state monopolization of commodity products in the early 1960s resulted in the exodus of 300,000 Indian and 100,000 Chinese merchants who had developed distribution networks (Smith 1999, 98; Khin Maung Kyi *et al.* 2000, 11). After these merchants left, their established trade networks became disconnected. Soldiers were trained for the battlefield, not the market, and the economy started to decline rapidly. Eventually, the government could not even supply normal consumer goods. In response, the black market began to spread throughout Myanmar and illegal[2] border trade with neighboring countries served as the main channel through which people could fulfill their own basic needs (Silverstein 1989, 42; Smith 1999, 98–99; Khin Maung Kyi *et al.* 2000, 12; Myat Thein 2004, 81).

During this time, border trade activities were still considered illegal due to the government's inability to control or secure trade; only formal trade through sea freight or air cargo shipment was allowed by the government. Myanmar was also in the midst of a civil war, in which the Myanmar Army fought against several of the ethnic armed groups that dominated most of the frontier areas. These groups included the Karen National Union, the New Mon State Party, the Kachin Independent Organization, and the Shan State Army. In addition to armed groups, political organizations, such as the Burma Communist Party and the Kuomintang remnant, also fought against the Myanmar Army. These groups were directly involved in trade themselves, through facilitation, taxation, or provision of security and protection (Smith 1999, 99; Akkanut 2017, 18–20). Profit from cross-border trade activities would be used to buy arms and ammunition or for other political purposes to oppose the government (Smith 1999, 99). According to this author's interview with a Thai border trader who had been conducting business with Burmese traders since the heyday of Thailand-Myanmar border trade between the 1960s and 1980s, and who owned the biggest electrical appliance retailers in Mae Sot—with annual sales of more than THB1 billion—Thai traders preferred Burmese buyers to pay with gold or silver ingots instead of kyat. He recalled the challenges that border traders faced as a result of the Myanmar government's demonetization in 1964, 1985, and 1987 (Saroch, personal communication, February 15, 2020). As part of the last round of demonetization in 1987, the government canceled 25 kyat and 35 kyat banknotes without compensation (Myat Thein 2004, 70).

In addition to gold and silver ingots, Burmese traders usually smuggled gemstones—such as jade, ruby, and sapphire—and other natural resources like teak to sell to Thai buyers. The profit would then be used to purchase the products they wanted. Under these circumstances, border towns like Mae Sot became a destination not only for traders but also for people in jewelry, lumber, and other related businesses. Even today, jewelry markets can be found in Mae Sot. As such, Thailand is considered one of the five major gem locations in the world (Pasuk and Baker 1998, 33).

Official trade balance statistics have affirmed the existence of illicit border trade on

2) In this paper the different types of border trade as defined by Myat Thein (2004) are as follows:

1. Illegal border trade refers to trade in items that are not allowed by the exporting or importing country across its border.
2. Illicit border trade refers to trade in items that are allowed by the exporting and importing countries without declaration in the customs department of the exporting or importing country.

a massive scale. For example, the import of consumer goods decreased from 67.1 percent in the pre-coup fiscal year of 1960–61 to 5.2 percent in fiscal year 1980–81, a change that did not necessarily correlate with a decreased use of consumer goods nor the size of the population. Additionally, the export of agricultural products decreased from 82.4 percent in fiscal year 1960–61 to 28.2 percent in 1990–91. In contrast, the sectors that improved included natural resource extraction, such as forest products, which increased from 9.8 percent in fiscal year 1960–61 to 36.7 percent in fiscal year 1990–91. The export of minerals and gems also increased, from 4.3 percent in fiscal year 1960–61 to 14.5 percent in fiscal year 1980–81 (Myat Thein 2004, 78).

Nevertheless, in 1987, after almost three decades of economic failure, Myanmar applied for the status of "least-developed country" (LDC) with the United Nations in order to receive international aid in accordance with the 1981 Paris Conference (Weiss and Jennings 1983). The subsequent report stated that the debt-service ratio in Myanmar increased from 15.9 percent in 1970 to over 50 percent in 1987, and that the GDP per capita was historically low, with the manufacturing portion accounting for less than 10 percent (United Nations Committee for Development Planning 1987, 20). With the status of LDC, Myanmar was able to negotiate its public debt, particularly foreign loans, which had skyrocketed from US$319.9 million in 1975 to US$3.4 billion in 1984 (Steinberg 1990, 66).

Another major event that occurred in Myanmar in 1987, as previously mentioned, was the government's third demonetization. This led people to rise in their opposition to Ne Win, resulting in nationwide political unrest for months and leading to the massacre on August 8, 1988, that became known as the 8888 Uprising. Such circumstances led to the resignation of Ne Win in July 1988, and a new group of generals, the State Law and Order Restoration Council, stepped in.

The SLORC economic policy was different from that of the BSPP era. Having learned from the past, SLORC made the quick decision to align with the trend of market-oriented economic liberalization, just as other former socialist-minded countries were doing. It is believed that China's Open Door Policy of 1978, the Soviet Union's Perestroika policy of 1985, the Jintanakarn Mai policy of Lao PDR, and Vietnam's implementation of the socialist-oriented Doi Moi policy in 1986 (Van Arkadie and Mallon 2004) shaped SLORC's economic vision, further leading to major economic policy reforms (Myat Thein and Mya Than 1995, 215).

Immediately after assuming power, SLORC implemented a number of new policies. Private enterprises, domestic trade, and import-export activities were promoted after a long period of stagnation during the BSPP regime. A new foreign investment law was enacted in late November 1988, removing many restrictions on private foreign trade. As a result, the number of private enterprises increased significantly—from 130 firms in fiscal year 1988–89 to 38,782 firms by fiscal year 1999–2000 (Myat Thein 2004, 154).

Other reforms included the normalization of border trade in December 1988 (Mya Maung 1997, 504; Fujita *et al.* 2009, 5) and the introduction of the Central Bank of Myanmar Law, Financial Institutions Law, and Commercial Tax Law in 1990. While it appeared that there was a major shift in economic policy, some conventional practices remained. The government retained its monopoly on the export of 16 items, including rice, teak, petroleum, natural gas, gems, and jade. In 1991 this list increased to 23 items and again in 1994 to 28 items (Mya Maung 1997, 504). In the case of imports, the government banned ten items in 1998 and added another five in 1999 (Akkanut 2015). The banned items included MSG powder, soft drinks, biscuits, chewing gum, cakes, wafers, chocolate, canned foods, noodles, liquor, beer, cigarettes, fresh fruit, and plastic products. As the ban was imposed upon necessary consumer items, illicit border trade in these items continued.

As Myanmar had lacked a sufficient manufacturing sector for decades, demand for imports was far higher than that for exports, resulting in a foreign trade deficit (Myat Thein 2004, 156). To counter this, the SLORC government implemented a strange rule: "export first, import later," allowing traders to import goods only by using the income they earned from export (Kubo 2012, 148). Other regulations caused further difficulty for traders, including the requirement of a license for each import or export shipment. This license lasted for only three months, and the fees to obtain it were expensive. Additionally, foreign trade transactions could be made only through state-owned banks, which at the time were the Myanmar Investment and Commercial Bank and Myanmar Foreign Trade Bank. The government also imposed a standard taxable value for import duty charges, which was not based on the actual value from the shipping invoice. This meant that traders were typically overcharged for the import duty, and commercial tax was collected when applying for the license rather than after goods were sold. These regulations continued until 2012, and some remain even today. Therefore, the SLORC legalization of border trade in 1988 resulted in increased costs and challenges for traders, who ended up resorting to smuggling.

The fishing sector was also important, as the government's objective was to increase production for domestic consumption, increase exports, and share surplus marine resources with neighboring countries through the establishment of joint ventures (Myat Thein 2004, 191–192). Since the 1970s, Thai fishery boats have exploited the Myanmar marine ecosystem, both legally and illegally (Ahmed *et al.* 2007). As a response, in 1980 Thailand and Myanmar agreed on a maritime boundary of 141.2 nautical miles. However, Thai fishing boats were better equipped and therefore could easily evade Myanmar authorities. In 1990 SLORC enacted the Fishing Right Law, which allowed licensed overseas companies, mostly from Thailand, to operate outside of a 12-mile radius from the Myanmar shoreline. As a result, foreign investment in the fishing sector reached US$300 million. It was reported that three hundred Burmese fishing boats took part in fishery operations and approximately six hundred foreign boats joined illegally (Khin Maung Kyi *et al.* 2000, 86). The productivity of all kinds of fishery increased: for instance, the official record of total fishery production rose from 700,000 tons in 1988–89 to 2.5 million tons in 2005–6 (Fujita *et al.* 2009, 204). Between 1888–89 and 1999–2000, offshore fisheries reportedly increased production from 50,000 tons to 570,000 tons, and marine fisheries increased production from 570,000 tons to 1,171,000 tons. Export earnings rose from US$51 million in 1992–93 to US$183.7 million in 1999–2000, with exports from the fishing sector accounting for 10 percent of the total amount (Myat Thein 2004, 192–193).

Myanmar fishermen took advantage of this situation by entering themselves into the supply chain; though their ships were not well equipped, they managed to sell their fish to larger fish carriers. From an interview with an employee of the Fish Marketing Organization (under the Ministry of Agriculture and Cooperatives of Thailand), who witnessed the booming fish supply from Myanmar to Thailand in major ports of Ranong, it was confirmed that Myanmar fishermen typically sold their fish and received payment through the *phoy-kyuwn* system. The fishermen preferred this method, as cash payment would increase their risk of being robbed and could serve as evidence for arrest if they were caught by the authorities. The booming fishing industry under SLORC facilitated further illicit trade, establishing this sector as another economic activity to utilize informal banking systems.

As described, the failures of socialist economic policy, the civil war among ethnic groups, and SLORC's newly implemented regulations resulted in increased illicit cross-border trade between Myanmar and Thailand. Such illicit trade does not require actual money as a means of exchange but rather allows consumer goods to be "purchased" with ruby, jade, teak, and other products. While the value of the exchange is determined in a unit of currency, either kyat or baht, actual cash rarely crosses the border. Therefore, the process of offsetting transactions on either side of the border is actually a matter of offsetting information rather than money. All of these elements combined have acted as an invisible hand in Thailand-Myanmar border trade for decades.

Myanmar Migrant Workers in Thailand: The Latest Invisible Hand

In 1988 Thai Prime Minister General Chatichai Choonhavan announced a policy to "change the battlefield to the marketplace" in order to strengthen economic cooperation within the region. Chatichai's government initiated "constructive engagement" with Myanmar despite the international community's calls for sanctions for Myanmar's use of violence against its own people during the 8888 Uprising. The late 1980s economic boom inspired Thailand's dream of becoming the fifth Tiger of Asia, following Hong Kong, Singapore, South Korea, and Taiwan. Foreign direct investment—mostly from Japan and Taiwan—increased from 60 percent in 1986 to 360 percent in 1987 (Somboon 2012, 36). The Thai economy grew rapidly due to an export-oriented policy, which resulted in the increase of medium-tech manufactured exports such as electrical appliances and automotive supplies (Pasuk and Baker 1998, 28–38; Somboon 2012, 34). As Thailand moved forward, the demand for high-skilled workers began to increase; but the country still relied on low-skilled workers for certain sectors, including construction, agriculture, and labor-intensive manufacturing. This labor deficit initiated migration from neighboring countries into Thailand (Castles and Miller 2009, 138). As of 2021, there were almost 1.6 million migrant workers from Myanmar in Thailand (Samnak Borihan Raeng Ngan Tang Dao Krom Karn Jad Ha Ngan 2021).

Many studies have observed that Myanmar migrant workers mostly send remittances through the informal banking system. In 2009 Aree Jampaklay and Sirinan Kittisuksathit detailed the various factors that motivated migrant workers to send their remittances through informal channels; one of the factors was that informal methods were more cost-effective as well as convenient, as an agent would collect the money at the workers' job site or somewhere nearby. Additionally, more than two-thirds of Burmese migrant workers from this study were not even aware of other methods by which to send their remittances (Aree and Sirinan 2009, 29–30), and those who worked illegally had to use the informal system as they could not open a bank account in Thailand (Aree and Sirinan 2009, 64). The study further observed that the longer migrant workers remained in Thailand, the higher their possibility of using informal methods of sending remittances. For example, migrant workers living in Thailand for more than ten years were more likely to use an agent than those who had been in Thailand for less than ten years (Aree and Sirinan 2009, 32). Another reason migrant workers chose not to send their remittances through the formal banking system was that many of them did not have a bank account in their home country; the above study demonstrated that only 12 percent of Burmese informants had a bank account in Myanmar.

The operators of the informal banking system range from small individual shop owners to small-scale traders, and the operation becomes massive when these small operators join together to form a network. The operation is simple: when a migrant worker living in Thailand would like to send money home to his family, he gives the agent the amount he wants to send in Thai baht. The agent then calls their counterpart in Myanmar, who pays the worker's family in kyat equal to the value of Thai baht minus the fees of the agents on both sides. For the migrant worker, the transaction is considered complete. The agents usually offset the balance through economic activity, such as Thai agents using the money collected from the migrant worker to buy goods that the agent in Myanmar requires, and delivering it across the border. Considering that the demand to send money grows along with the number of migrant workers, these small fees collected by the agents can add up to satisfy the needs of both sides. Profit comes not only from the collection of service fees, but also from the exchange rate, liquidity of money, and ability to buy goods from Thailand at a lower transaction cost.

The total amount of money circulating in the informal banking system is unknown. Supang Chantavanich and Premjai Vungsiriphisal estimated the figure by calculating the average amount of remittances from two previously mentioned studies, Sean Turnell *et al.* (2008) and Aree Jampaklay and Sirinan Kittisuksathit (2009), multiplied by the total number of registered Burmese migrant workers in Thailand in 2012. They concluded the figure to be between US$248 million and US$1.248 billion. They further suggested that the actual amount may be even higher when also taking into consideration unregistered migrant workers (Supang and Premjai 2012, 226).

If the assumption that remittances are circulated in the illicit border trade is true, then the total amount of illicit border trade can, more or less, reflect the total amount of money sent back to Myanmar. Although the exact volume of illicit border trade is unknown, there is a method that could help to estimate this figure. Kubo Koji (2012, 150–157) suggests that after the legalization of border trade, many traders did not transition to adhering to the new customs regulations of each country, which resulted in the continuing trade being considered as illicit. Therefore, the total volume of illicit trade, though difficult to determine accurately, may be roughly calculated by comparing the customs records of the two countries. This method of calculation is based on the fact that the illicit trade is, for the most part, considered legal in Thai customs law, as most of the goods being exported to Myanmar are legally declared at Thai customs checkpoints in order to reimburse the paid value-added tax. After the goods are released from the Thai customs checkpoint, traders choose to transport their goods across the border in one of two ways: first, by crossing the border over the Thai-Myanmar Friendship Bridge and going through the Myanmar customs process, which makes the trade fully legal; or second, by crossing the border over the Moei River, circumventing the Myanmar customs process. This second method of transport is more common and is considered to be illicit trade. By comparing the Thai customs records for export with the Myanmar customs records for import, the gap can be determined as the amount of illicit trade. This method of calculation was used also by other studies, including the World Bank as included in the Myanmar Economic Monitor Report (Rab *et al.* 2016, 49–55), and another study (Akkanut 2017, 9) that found the volume of illicit trade increased from US$118.48 million in 2001–2 to US$1.6 billion in 2011–12. The number stated here is surprisingly close to the estimated amount of migrant workers' remittances as determined by Supang and Premjai (2012).

The existence of millions of Burmese migrant workers in Thailand can be viewed as another invisible hand in the Thailand-Myanmar border trade and is perhaps the most recently determined one. The higher the demand for methods of remittance, the greater the potential for the trade of goods across the border. While state regulations on foreign trade only recognize transactions through the formal banking system, the invisible hands of migrant workers have facilitated the continuation of illicit trade across the Thailand-Myanmar border through their utilization of the informal banking system.

From Banking and Financial Reforms to Digital Transformation

Difficulty in accessing formal banking systems in Myanmar, as evidenced in the International Monetary Fund (2018b) report on financial access, is one of the factors motivating migrant workers to remit funds informally. The report states that the ratio of bank branches in Myanmar was 5.09 per 100,000 people, while the world's average was 12.73 per 100,000 people. Furthermore, access to automated teller machines in Myanmar was reported at 5.63 per 100,000 people, while the world's average was 41.64. However, recent groundbreaking developments in both institutional and regulatory reforms in Myanmar, combined with the advancement of digital technology, have shortcut the conventional development of banking systems and financial services. Today, through internet access and smartphone applications, migrant workers have more choices for sending their remittances, including both bank and non-bank service providers.

The poor development of banking systems in Myanmar was a consequence of the failure of the socialist economy implemented after the 1962 coup. Myanmar banks were nationalized in 1963, and private commercial banks did not appear until the establishment of the Financial Institutions of Myanmar Law in 1990. The first private bank under SLORC, Myanmar Citizens Bank, was established in 1992.

In the past, the only method of international remittance was through telegraphic transfer between members of the international banking network, or Society for Worldwide Interbank Financial Telecommunication, better known by its acronym of SWIFT. In Myanmar, the only members of SWIFT were the state-owned banks: the Central Bank of Myanmar (CBM), Myanma Foreign Trade Bank, Myanma Investment and Commercial Bank, and Myanma Economic Bank. The transfer fee was expensive, and it was almost impossible for migrant workers to utilize this method of funds transfer. Only big firms could execute transfers using SWIFT, and the government offered no other transfer options.

Following Myanmar's 2010 general election, the newly elected government initiated various political and economic reforms, including reforms in the banking and financial sector. In 2012 the Foreign Exchange Management Law was enacted, further liberalizing the foreign exchange market. All restrictions on transactions were lifted, and for the first time private banks could send and receive foreign currencies. The new government also allowed private banks to open foreign exchange counters in October 2011. Additionally, private, non-bank money changers were legalized in December 2012 (Internationale Zusammenarbeit [GIZ] GmbH 2018, 22–26), and in 2013 the CBM was decentralized by the promulgation of a new Central Bank of Myanmar Law, establishing the institution as an independent organization and granting its governor and board of directors increased authority. Payment systems were also reformed, demonstrated by the establishment of a new platform for the interbank settlement system, called the Myanmar Payment Union, in cooperation with 17 banks (Thu Rein Hlaing *et al.* 2012). For the first time, ATMs were being fully utilized, along with debit and credit cards. The CBM further eliminated the previous regulation of stand-alone capital, as well as the need to receive special approval to open new branches. This encouraged banks to expand their networks nationwide by setting up new branches all over the country (Turnell 2014, 228–230). In 2012 the ratio of bank branches per 100,000 people in Myanmar was 1.86, while in Thailand the ratio was 11.69. However, rapid expansion following the 2012 reforms increased Myanmar's ratio almost threefold to 5.09 per 100,000 people in 2018, while Thailand's ratio remained the same (International Monetary Fund 2018b).

As of August 2022,[3)] there are four state-owned banks, 27 private banks, 17 foreign licensed banks, and 44 representative offices of foreign banks and finance companies in Myanmar (Central Bank of Myanmar 2022). Of the foreign licensed banks, there is only one from Thailand: Bangkok Bank. While Bangkok Bank is allowed to operate fully as a local bank, it has limited its services to business firms and has only one branch in Yangon.

3) Though this paper was accepted in May 2022, the author updated the latest information during his final format editing in August.

Another five Thai banks have their representative offices in Myanmar: Siam Commercial Bank, Krungthai Bank, Kasikornbank, Bank of Ayudhya, and Export-Import Bank of Thailand. These banks are not allowed to operate with full services, but instead help facilitate business with customers and other correspondent banks within Myanmar.

The continually growing number of migrant workers from Myanmar have attracted the attention of Thai banks and foreign remittance companies. In response, these companies now offer several services and products specifically targeted toward migrant workers' needs. Western Union, the US-based non-bank cash-transferring giant started operations in Myanmar in September 2012 (Thwe Khin Myo 2012), right after the US eased economic sanctions on Myanmar. In the provinces bordering Myanmar, and in those with high populations of migrant workers, Thai banks provide a menu option in the Burmese language. Many Thai banks have also started collaborative campaigns with Myanmar banks, pairing themselves together as correspondent banks in order to bypass the intermediary and reduce costs. For instance, Kasikornbank was the first to cooperate with Myanmar's Asia Green Development Bank (AGD Bank), and later with its Co-Operative Bank, in May 2013. This cooperative campaign enabled senders to transfer money at 880 Kasikornbank ATMs using a Burmese-language menu. The maximum transfer amount was limited to THB100,000 per day, and the recipient would receive the funds within 24 hours if the transaction was made before 2 p.m. In April 2013 Siam Commercial Bank (SCB) initiated cooperation with Kanbawza Bank (KBZ Bank), allowing the sender in Thailand to transfer money directly to the recipient's KBZ account using SCB ATMs. This agreement also permitted the recipient to collect the transferred funds at KBZ branches rather than receiving the money in an account, due to the low rate of formal bank accounts within Myanmar (142 per 1,000 adults) (World Bank 2022). While both SCB and Kasikornbank announced that the ATM transfer fee was THB200 per transaction, interviews with Burmese migrant workers revealed that the correspondent bank also charged the recipient and that the exchange rate was worse than that of informal channels. Another pain point for migrant workers when remitting their money through a bank was the Thai regulators, the Bank of Thailand and the Anti-Money Laundering Office, who set strict rules to protect against money laundering and terrorist financing. These rules require migrant workers to show at least three different identification documents in order to process their remittance, which is also known as the Know Your Customer (KYC) rule. This rule makes it impossible for illegal migrant workers to send money home using this method.

Today, Thai banks are putting more effort into financial services within Myanmar. SCB has signed a memorandum of understanding with Ayeyarwady Bank (AYA Bank) (Siam Commercial Bank 2020), while Kasikornbank has expanded its ATM transfer cooperation with AYA Bank, Myawaddy Bank, and KBZ Bank, in addition to its two former partners. Furthermore, in 2020 Kasikornbank was approved by the CBM to invest in one of Myanmar's private banks. As such, Kasikornbank holds a 35 percent share of Ayeyarwady Farmers Development Bank (Somruedi and Nuntawun 2020).

In early 2016 Myanmar enacted the Financial Institutions Law, developing the nation's financial services even further. Under this law, financial institutions are classified as one of the following: (a) banks, (b) development banks, (c) non-bank financial institutions, and (d) schedule institutions (Internationale Zusammenabeit [GIZ] GmbH 2018, 23). The promulgation of the Financial Institutions Law paved the way for the CBM to regulate mobile financial services, a first step toward the legalization of non-bank financial service providers. Consequently, sending remittances through mobile applications became another competitor to the *phoy-kyuwn* system.

Having been under a military dictatorship for decades, Myanmar also lacked development in telecommunications. In the mid-2000s a SIM card alone could cost US$2,500 (Simpson *et al.* 2018, 92), yet after the reforms Myanmar jumped straight into utilizing smartphones and 4G technology. The number of people with access to mobile phone subscriptions surged from 590,000 in 2010 to 61.14 million at the end of 2018[4] (Statista n.d.). Four telecommunication companies (telcos)—Myanmar Posts and Telecommunications (MPT), Ooredoo Myanmar Limited (Ooredoo), Telenor Myanmar Limited (Telenor), and Telecom International Myanmar Co., Ltd. (MyTel)—also offer mobile payments and other financial services in addition to their core business.

The first mobile financial service license was granted in 2016 to Wave Money, a joint-venture company in which Telenor is the major shareholder. Starting with its network of mobile service providers, Wave Money expanded throughout the country with more than 56,000 agents across 294 of the 330 townships nationwide (Chern 2020). In 2017 Ooredoo launched its "M-Pitesan" mobile financial service, and in 2019 MyTel and MPT launched MytelPay and MPT Money, respectively.

Since more people are now able to access mobile communications, the frequency of mobile financial transactions has surpassed that of traditional banking services. As such, non-bank financial service providers have mushroomed. Myanmar banks, too, now offer internet banking and mobile banking services for their customers, and some banks have partnered with financial technology companies. For example, AGD Bank has partnered with TrueMoney, which operates in six countries across Southeast Asia, making it possible to transfer money overseas through a mobile application.

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4) The number of mobile phone subscriptions is higher than Myanmar's total population because many people have more than one mobile phone. This phenomenon is seen also in many other countries in Southeast Asia, such as Thailand, Malaysia, Indonesia, Vietnam, and Cambodia.

The nationwide network of telco-owned mobile financial services provides these companies with an advantage, as their agents serve as de facto bank tellers. However, their experience with high-level regulations and processes is considered limited compared to that of formal banks. While banks have no choice but to develop their internet and mobile banking offerings, competition forces them to also cooperate closely with telco-owned and non-bank financial service providers. Mobile financial access enables users to make payments to a merchant or transfer funds to other users. Money can also be stored digitally in an "e-wallet" by transferring funds from a bank account, adding funds via ATMs and internet banking, or giving cash to service providers' agents, which can be found in every township. For those in Myanmar, this evolution has broken down the historical barriers to financial access.

Non-bank financial service providers are now able to facilitate cross-border transfers. TrueMoney was the first to receive this permission from the Bank of Thailand and the Ministry of Finance, and it is the only non-bank service provider that holds licenses to operate in both Thailand and Myanmar. Launched in 2016, TrueMoney offers money transfer via a mobile application; however, even though TrueMoney is considered a non-bank service provider, the KYC procedure is still required. The company must collect the required documents for registration at the service points prior to a customer's first transaction. After the first transaction, transfers may be made at service points or within the mobile application. TrueMoney planned to initiate a fixed service fee of THB50 for every THB5,000 sent, with a maximum limit of THB30,000 per transaction and THB200,000 per day, and it would take only a few minutes for the recipient to receive the funds from a TrueMoney agent in Myanmar. However, TrueMoney's mobile application discontinued this transfer service in April 2019, rendering service points as the only method of transfer. This decision was in response to the difficulties presented by the KYC requirements, since most migrant workers tend to avoid processes that require many forms of identification (Jatupron, personal communication, November 19, 2022). The KYC rule is one reason why even the world's biggest remittance firm, Western Union, has struggled to succeed in Thailand.

A Brief Survey: The Alternative Choice Is Not Always the Better Choice

Today, migrant workers have more choices in how to send their remittances than ever before. The options range from the costly formal method of international transfer to the ATM transfer services provided by cooperation between Thai and Myanmar banks, the use of an informal *phoy-kyuwn* agent, and the newest option of non-bank service providers. The digitalization of banking services offers even more alternative choices. According to the World Bank, the new methods of remittance charge fees as low as 1.72 percent to send US$200, or 1.6 percent to send US$500 (World Bank n.d.). The fees to send money are a significant factor that migrant workers must consider, which further impacts illicit border trade activity.

Based on the data collected through interviews, 24 of the 32 migrant workers were familiar with digital technology and used mobile applications for payments and to send money to their family regularly while living in Thailand. Sometimes they needed to use a Myanmar SIM card to manage their payments and transfers, but this incurred a data roaming charge.

Interestingly, 22 of the 32 migrant workers told me that they still preferred sending money through the *phoy-kyuwn* system. Regardless of the increased accessibility to bank branches and financial services on mobile applications, sending remittances through the *phoy-kyuwn* system remains cheaper and faster. Six informants explained that they did not send remittances since they visited home every year during the Thingyan festival, which occurs during the long Songkran holiday in Thailand. Another five informants had some experience with sending money through ATMs and with TrueMoney.

Those who prefer the *phoy-kyuwn* system can now ask their agent for more options than before, including sending cash like earlier or transferring the funds into a bank account in Myanmar. They can also ask the agent to add the funds into an e-wallet. Those without a bank account normally keep their cash at home; however, this creates concerns regarding security, as Maung Kyaw explained: "keeping the amount in e-wallet is safer than keep money under my wife's bed at home" (Maung Kyaw, personal communication, December 24, 2019).

Having remittances deposited into an e-wallet by the agent provides more flexibility, as the migrant worker's family can withdraw the amount in cash later. An e-wallet can also be used for payments, or to top up friends' mobile phone balances and receive cash in return. This means that the *phoy-kyuwn* agents now use a mix of remittance methods. The improvement in mobile financial services in Myanmar has actually helped the agents to cut down their costs, and as such, they are able to offer choices that better satisfy their customers' needs.

When the informants who still preferred the *phoy-kyuwn* system were asked to explain their reasoning, most said that this system was less formal than other methods. Therefore, migrant workers feel they can negotiate with the *phoy-kyuwn* agents for a better exchange rate or a lower fee. Typically, migrant workers will call two or three agents to compare their exchange rates before making a decision, while they cannot negotiate when using formal channels. Furthermore, the *phoy-kyuwn* system does not require any documents from either the sender or the recipient. Therefore, this system remains vital for migrant workers who do not have a legal status, as this is the only option available for them.

Interviews with migrant workers revealed further that the main reason ATM and international bank transfers are not preferred is the number of documents required by banks for such processes. Additionally, a bank account must be opened in order to use an ATM, and many migrant workers are not able to communicate well in Thai or English. While the cost for an ATM transfer is THB200 deducted from the sender's account, the recipient also has to pay a fee and receives a less favorable exchange rate, which remains uncalculated until the money is collected. Traveling to collect remittances from the bank, particularly for families living in rural areas, is considered an additional cost. Thus, the World Bank (n.d.) statistic does not accurately reflect the true total cost of sending and receiving remittances.

When interviewed, Zaw Aung, a factory worker in Samutsakorn, explained:

> I sent money from ATM to my family so that they can pay debts. I roughly calculate the amount and thought it was enough. When my brother collected it, he found that the exchange rate was high. After the bank deducted service fees, what he got was not enough for what the family needed. Sending with an agent, you know right away how much your family will get in kyat. (Zaw Aung, personal communication, December 24, 2019)

As Zaw Aung illustrates, migrant workers tend to be more concerned about the recipient's costs in Myanmar than their own. This is another key factor. The *phoy-kyuwn* system, then, can better satisfy migrant workers' needs as it does not require the recipient to travel in order to receive the funds directly from the bank. They also know the exact fees and exchange rates to expect, which helps them to calculate their remittance amount accurately. It is simple—the amount of money received in Myanmar is equal to the number of Thai baht given to the agent. Another informant, who worked in the frozen food industry in Samutsakorn, explained, "My parents never go to the bank. In our village we have around 80 households. There are only four neighbors that have bank accounts. It is difficult for my parents to collect money at the bank branch" (Ma Sin Win, personal communication, December 23, 2019).

Sending money through the *phoy-kyuwn* system is also faster. Social media platforms help to facilitate immediate confirmation of the transfer, and the recipient can collect the funds within one or two hours.

Ten of the 32 informants had tried sending their remittances using TrueMoney. They admitted that it was convenient, except that they had to go to the service point to complete the registration process. However, one informant encountered a problem when their family went to collect the remitted funds from TrueMoney's agent. The agent did not have enough cash and asked them to come back later. Although the informant understood it was the agent's fault and not the company's, he never used the service again after that experience.

It appears that the digitalization of banking services in Myanmar has actually strengthened the informal banking sector, as it enables agents to send money faster and more easily than before. They no longer need to rely on an expansive network, operation costs are reduced by technology, and agents can now provide a variety of services.

To further assess the impact of the digital revolution, border traders must be consulted as well. Border traders can more easily recognize changes in migrant workers' financial behavior, as offsetting trade would become more expensive due to decreased liquidity. The Thailand-Myanmar border trade, both legal and illicit, continues to grow, though the growth rate is lower than that of the last decade. Such growth rates were maintained even during times of high inflation and weak exchange rates. In 2018 the Myanmar kyat rate of inflation was 6.9 percent, while the Thai baht was at 1.1 percent and the world average was 2.44 percent (International Monetary Fund 2018a). Similarly, the Myanmar kyat exchange rate doubled from 750 kyat per dollar in 2012 to 1,500 kyat per dollar in 2019, while in contrast the Thai baht grew stronger against the US dollar (CEIC Data n.d.). This created an almost 20 percent change in the exchange rate between the kyat and baht in just one year, from 42 Thai baht per kyat in 2018 to 50 Thai baht per kyat in late 2019. This situation was challenging for Thai border traders, as the kyat's purchasing power was significantly decreased.

Interviews further revealed that most border traders understand the *phoy-kyuwn* system as the backbone of the Thailand-Myanmar illicit border trade, which in turn empowers Burmese migrant workers in Thailand:

> [W]e know Myanmar workers are important not [only] because many sectors in the Thai economy rely on them—manufacturing, agriculture, service sector, construction, you name it. They are also important for border trade, because of the Thai and Myanmar traders are able to trade. Traders at Mae Sot control the informal exchange rate, people from Chiang Rai, Chiang Mai, Ranong, Rayong, Maha Chai [Samutsakorn] will have to call us and ask. Mae Sot is the capital of Thailand-Myanmar trade. (Maung Kyaw, personal communication, December 25, 2019)

A Thai border trader also admitted that it would be a bit worrisome if migrant workers started to transfer their remittances through formal channels more often, as it would increase their costs:

> [B]oth the Thai and Myanmar governments will be very happy with that because it means they can monitor every single trade transaction. Governments may be able to reduce activity like drug

> trafficking, but I think it's not easy and it's not going to happen immediately, it's not like tomorrow all two or three million workers will stop sending money through *phoy-kyuwn* and go to banks. If this will happen, it will take time. It's not only cost, but money is all about trust. To change behavior, you will have to change perception first, and that is the most difficult part. (Krish, personal communication, January 18, 2020)

All of the interviewed border traders agreed that if every migrant worker changed their remittance method to a formal one, that would significantly impact the Thailand-Myanmar border trade. Nevertheless, such a large-scale transition has yet to occur, even with the major developments in the digitalization of financial services over the past few years. After all, "Money, like water, flows through the most convenient path" (Sa-nga, personal communication, August 14, 2019).

Conclusion

The recent digitalization of banking and financial services offers more choices for migrant workers to send their remittances home through formal channels. However, most migrant workers continue to use the same informal channels as before, because they are still the most convenient. The *phoy-kyuwn* system remains the fastest, least formal, easiest to access, and most predictable. Social ties between migrant workers and informal remittance agents are built through references from their trusted friends. Workers appreciate the informal remittance method since it does not require any documentation, and they feel as though they have more negotiation power since they can ask about the rates and the method by which they prefer the agent to send the money to their family. These social factors heavily influence workers' decisions. Digitalization has actually reinforced the informal banking system by making it more effective and reducing costs for both the sender and the *phoy-kyuwn* agents.

The consensus among interviewed border traders is that if a majority of migrant workers change their preferred method of remittance to the formal channel, their costs will subsequently increase, and the Thailand-Myanmar border trade will be significantly impacted. However, this is not yet the case.

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