Remittance Behaviour among Indonesian Migrant Workers in Sabah, Malaysia

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INTRODUCTION

Malaysia is a country of origin and destination for migration especially among the labor migrants both documented and undocumented, According to the World Bank (2010), the stock of migrants in Malaysia is estimated at 2.4 million as of 2010 and the top source countries include Indonesia, Philippines, China, Bangladesh, India, Singapore, Thailand, Japan, Vietnam, and Pakistan. Furthermore, Malaysia is the major destination country for Indonesian migrants because of its geographical, cultural, and religious proximity to Indonesia.

Indonesian migration to Malaysia reportedly dates back to the 17th century when Indonesians from Java worked in Malaysian harbor towns as manual workers. Trade and agricultural work became a driving force for Indonesian workers to migrate to Sabah in particular. Since the beginning of the twentieth century. In the 1970s, most of Indonesian migration was concentrated on Malaysia’s increased demand for laborers in the agricultural and plantation sector. Strong demand for manufactured goods and real estate had also given rise to a shortage of workers in sectors that are less favorable for the locals especially the so-called SDL (dirty, demanding and demanding) occupations due to the increasing level of education (KOM, 2010).

In light of the increasing number of Indonesians working abroad, remittances to Indonesia have also increased. The KOM (2010) estimated that total remittances to Indonesia reached USD 64.5 billion in 2009. The largest amounts remitted came from Malaysia USD 2.3 billion and Saudi Arabia USD 2.2 billion. And a significant amount of remittances to Indonesia were sent through informal channels.

OBJECTIVE

The objectives of this study are:

- To investigate the factors that influence migrants’ propensity to remit to their origin country; and
- To investigate the factors that influence the use of informal channels for transferring remittances among migrants.

METHODOLOGY

The data used was obtained from the study of Indonesian Migrant Workers in Sabah, conducted by the National Population and Family Development Board, Malaysia in 2010. Three different sets of questionnaire-based surveys were conducted on both migrants and non-migrants, namely 863 Indonesian migrant workers and 422 non-migrant workers, selected through simple random sampling in Sabah. The survey covered a wide range of topics, including socio-economic characteristics of migrants, information on the migration process, family planning, being quieters, employment history, savings and remittances, and satisfaction and satisfaction. However, for this study, the analyses were restricted to the Indonesian migrants.

Both descriptive and multivariate analyses have been applied in order to study the remittance behavior of the migrants. At the initial stage, the descriptive analysis explained the percentage of migrants who reported sending remittance to their country of origin and migrants who reported using informal channels for transferring remittances according to their characteristics. Then, logistic regression analysis was performed to investigate the factors that influence migrants’ propensity to remit and use of informal channels.

RESULT

Table 1 presents the percentage of migrants reported sending remittance to their country of origin and migrants who reported using informal channels. The percentage of migrants who reported sending remittances were higher among those aged 35 to 39 years as compared to those below 30 and above 40 years. There was not much difference in the percentage of migrants who reported sending remittances, both in terms of married and unmarried respondents. The percentage of married migrants reported sending remittances was slightly higher than those never married and divorced/widowed. As expected, those earned higher income were more likely to remit. Meanwhile those who owned properties or land and house in their origin country had higher percentage of sending remittances as compared to those who did not own. And those who sent consumer goods such as clothes and foods to their country of origin were more likely to remit and vice versa.

Table 2 presents the percentage of migrants reported using informal channels for transferring remittances. In total, 34.6 percent of them reported using informal channels. The percentage of migrants who reported using informal channels was higher than that reported using formal channels. The percentage of divorced/widowed (34.5%) migrants who used informal channels was higher than those married (34.6%) and married (31.7%). These earned income less than RM1000 a month were more likely to use informal channels. The percentage of migrants used informal channels was increased as the length of stay in Sabah increased. In contrast, the percentage of migrants used informal channels was decreased as the number of children residing in Sabah increased. And the percentage of migrants used informal channels was also decreased as the amount of money remitted increased.

Table 3 shows the result of the logistic regression analysis investigating the factors that influence the migrants’ propensity to remit. Based on the table given, the variables that appear to be statistically significant in the model are marital status, length of stay in Sabah, number of children residing in Indonesia, and amount of money remitted. The finding shows that migrants from Sabah were 2.3 times more likely to use informal channels as compared to the other provinces. As the number of children residing in Indonesia increases, the likelihood to use informal channels decreases. The same pattern can be observed in the amount of money remitted. The likelihood to use informal channels decreases as the amount of money remitted increases.

DISCUSSION AND CONCLUSION

The results of this study showed that marital status, length of stay in Sabah, number of children residing in Indonesia, house ownership, and goods remittances were the main factors that influence the propensity of Indonesian migrants reported sending remittances to their home country. The likelihood of using informal channels was highest among respondents from Sabah as compared to the other provinces. Furthermore, the likelihood of using informal channels had decreased.

Informal channels play a key role in the Malaysia-Indonesia remittance corridor due to higher transaction costs and poorer service of formal channels. Reduction of transaction costs and extension of remittance services by formalizing informal service providers may increase the use of formal channels.

REFERENCES