

CHAPTER 1

BACKGROUND TO THE STUDY

1.1 INTRODUCTION

Migration has played an important role in the process of industrialization and urbanization in many parts of the world. In many instances, migration facilitates national development by transferring excess labour with low marginal productivity, from the less developed regions to the more dynamic regions with ample job opportunities. Migration represents an integral and vital part of human development (Bilsborrow, 1984).

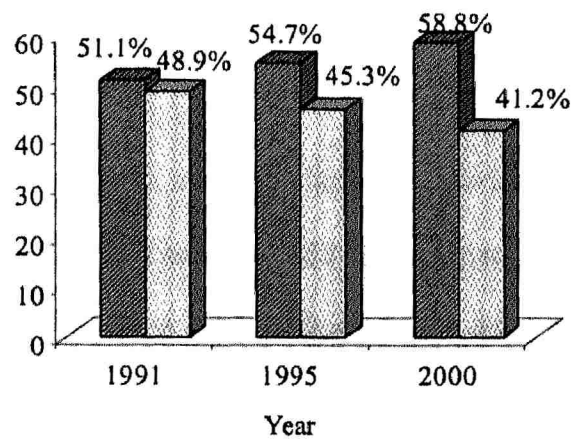
In Malaysia, the population has become more mobile consequent upon rapid development and changes in the social and economic structures. The country, which at the time of Independence was still predominantly a rural agricultural economy, has made great stride in industrialization. The increasing job opportunities in the urban labour market has lured a large number of better-educated young people to move from the rural areas to the big cities, leaving behind the old and the very young. According to the Mid-term Review of the Seventh Malaysia Plan (1996 – 2000), agricultural employment declined by 3.8 percent per annum from 1.7 million workers in 1990 to 1.4 million workers in 1995.

More and more people are moving out from the rural areas, where change is too slow to adequately accommodate the growing size and needs of the population, to urban areas with rapid development where redundant rural workers can be absorbed into other

forms of production with higher productivity (Dixon, 1993). Migration is instrumental in reducing the number of redundant workers in rural agricultural areas and, at the same time, yielding an invaluable supplementary source of income for poor households at the place of origin.

The general patterns of exodus of rural population can be gleaned from the 1991 Population and Housing Census. Rural-urban migration made up 17.1 percent of the inter-state migration while rural-rural migration constituted 12.1 percent. Urban-urban migration constituted about half of the interstate migrants and urban-rural flow formed 20.7 percent. Figure 1.1 shows that with increasing urbanization, the proportion of population residing in the rural areas has been declining from about 48.9 percent in 1991 to 45.3 percent in 1995 and 41.2 percent in 2000.

Figure 1.1 : Percentage distribution of Malaysian population by urban/rural location, 1991, 1995 and 2000

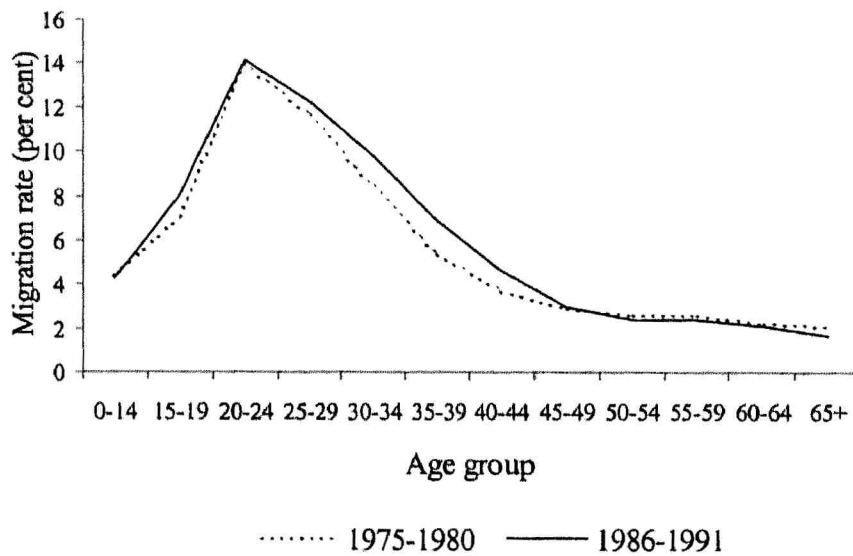


■ Urban □ Rural

Source : Government of Malaysia (1999), pp. 153

Migration tends to be selective of people with certain characteristics. In Malaysia, migrants are predominantly young adults. The 1991 Population Census showed that the propensity to move was greatest among those aged 20 - 24 years and 25 - 29 years. (see Figure 1.2).

Figure 1.2 : Inter-state migration rates by age group, Malaysia, 1975-1980 and 1986-1991



Source : Department of Statistics (1997), pp. 98

The sex ratio of inter-state migrants during the period 1986-1991 was 112 males per 100 females as compared to a sex ratio of 102 for the total population. In developing countries such as Malaysia, women are less likely than men to work in the formal sector, and this probably explains the higher mobility among the males. However, among those in the 20-29 age group, the sex ratio of migrants had decreased from about 108 for the period 1975-80 to 101 for the period 1986-91 (see Table 1.1). This reflected the

increasing mobility of young women in these age groups. More and more young women are migrating to take up jobs in the urban labour market.

Table 1.1 : Sex-ratio of inter-state migrants and total population by age group, Malaysia 1975-1980 and 1986-1991

Age group	Inter-state migrants		Total population	
	1975-1980	1986-1991	1980	1991
0 - 14	104	107	104	105
15 - 19	110	111	97	101
20 - 24	108	101	91	99
25 - 29	109	101	95	99
30 - 34	142	131	101	101
35 - 39	167	143	103	102
40 - 44	150	171	103	104
45 - 49	141	164	97	107
50 - 54	114	124	100	102
55 - 59	93	109	96	98
60 - 64	72	78	96	94
65 +	76	67	98	87
Total	113	112	100	102

Source : Department of Statistics (1997), pp. 99

It is generally the case that migrants' prospects of economic advancement are indeed better in the city than in the village. In Malaysia, the income disparity ratio between rural and urban households widened from 1 : 1.7 in 1990 to 1 : 20 in 1995. This was mainly due to the continued dependence of rural households on low-paying agricultural activities as a major source of income, limited business opportunities, as well as capital constraints and lack of competitiveness of rural industries.

Rural-urban migration facilitates the achievement of the objectives of the National Development Policy (previously known as the New Economic Policy) in the elimination

ntification of race by location and vocation as well as in the eradication of poverty. tances received from migrant children would raise rural income and consumption, . may be spent on improving housing and education. It may also encourage ological change through productive investment, which can further increase rural ies.

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1.2 OBJECTIVES OF THE STUDY

The aim of this research paper is to study the factors affecting remittances in the four districts which experienced negative rate of population growth between 1980 and 1991. The specific objectives of the study are as follows:

1. To study the proportion of households in the depopulated areas that had received remittances from their children and the amount received.
2. To analyze the proportion of migrant children who had remitted and the amount of remittances sent by them.
3. To examine the contribution of remittances to the household economy in the study areas.
4. To discuss some policy implications and make recommendations for social development in the rural areas.

1.3 SIGNIFICANCE OF THE STUDY

Remittances is one of the benefits of out-migration that may have a direct and tangible impact on the sending areas. Remittances can be in the form of cash and kind. However, in most of the studies, remittances are amenable to quantitative measurement in cash rather than payment in kind (Corner, 1980).

Past studies show that migrants generally save and remit a significant proportion of their urban earnings. A large sample survey in Kenya showed that some 89 percent of male migrants in Nairobi regularly sent money back to their home communities, and that on average remittances constituted about one-fifth of their city earnings (Plath, Holland, and Carvalho; 1987). In Indonesia, almost all temporary migrants sent money to their families back in the village (Lipton, 1980). A sample survey showed that 44.3% of the households in Kedah received remittances from permanent out-migrants, and remittances comprised nearly a fifth of their monthly income of these households (Socio-economic Research Unit, 1987).

As more and more people are moving from rural to urban areas, the role of remittances will have significant impacts on future out-migration and socioeconomic development. Simmons et al. (1980) noted that:

Remittances can also have a profound effect on further out-migration. In the case of migration to cities from agricultural areas they could lower the differential between rural and urban levels so that any incentive to migrate would be greatly diminished. On

the other hand, this extra income could be just the amount needed to push the rest of the family above the 'threshold' level and make them capable of surmounting the costs of migration (1977: 60).

The extent to which remittances would have an effect in improving the income distribution in the rural areas is worth studying. If migration involves mainly the poorer segments of the rural communities, and if these migrants are successful in earning and saving a reasonable level of income in the urban areas, then migration may enhance their position relative to other groups. However, as migration streams involve both the rich and the poor, it is likely that the former will be more successful than the latter on account of their better education, better contacts and lesser inclination to take lowly paid forms of employment. Hence, migration may indeed widen the rural income disparity instead of reducing it (Parnwell, 1993).

The impact of remittances on rural areas is usually gauged in terms of the effect of raising the household's aggregate income. Unless some form of *target migration* is embarked on, where the rural-urban migration is used to raise the money to purchase a particular item, remittances will generally be seen to form part of the recipient household's total cash income.

On the use of remittances, most studies conclude that 'consumption' on essential and luxury items greatly outweighs 'investment' in productive forms of enterprise, such

as agriculture. Studies in Malaysia, India, Papua New Guinea and Thailand have shown that up to 90 percent of the income derived from remittances is used for 'consumption' forms of expenditure (Stahl and Arnold, 1986). These findings are not unexpected, because the high incidence of poverty and a lack of income-earning opportunities in rural areas have forced many people to work elsewhere. It is thus entirely logical that remittance income would be used to satisfy the consumption needs of migrant households, leaving little or nothing for investments.

Expenditures among rural households do not only center around satisfying their basic needs, but may also take the form of 'conspicuous consumption', whereby a migrant household may seek to enhance its actual or perceived standing in the community such as by constructing a large and elaborately decorated dwelling, or through the sponsoring of village festivals and ceremonies (Plath, Holland, Carvalho, 1987; Connell and Conway, 2000). Conspicuous forms of expenditure on jewelry, modern clothes and various consumer items, may also be used by returning migrants to convey an impression of 'success' during their period of absence. Quite often, however, migrants will use such conspicuous forms of expenditure to mask their lack of success. This in turn may lead to their conveying a false impression of what life and opportunities in the cities are really like, and at the same time may raise the aspirations of others in the community, encouraging them to emulate their peers' achievements through migration.

1.4 ORGANIZATION OF THE STUDY

The present study is organized into six chapters. In chapter 2, some relevant literature on the studies of determinants of remittances and reasons for remitting will be reviewed. The sources of data for this study and the analytical framework for the analyses of remittances will be discussed in chapter 3.

In Chapter 4, the socio-demographic differentials in remittances sent by migrant children and received by household heads will be examined. The contribution of remittances to the total household income will also be analyzed. Multivariate analyses will then be carried out in Chapter 5 to determine factors affecting the sending and receiving of remittances. Chapter 6 summarizes the salient findings and discusses the policy implications and the need for further research.