



# REMITTANCE INVESTMENT CLIMATE ANALYSIS IN RURAL HOMETOWNS (RICART): RESULTS AND POLICY IMPLICATIONS



Alvin P. Ang and  
Jeremaiah M. Opiniano

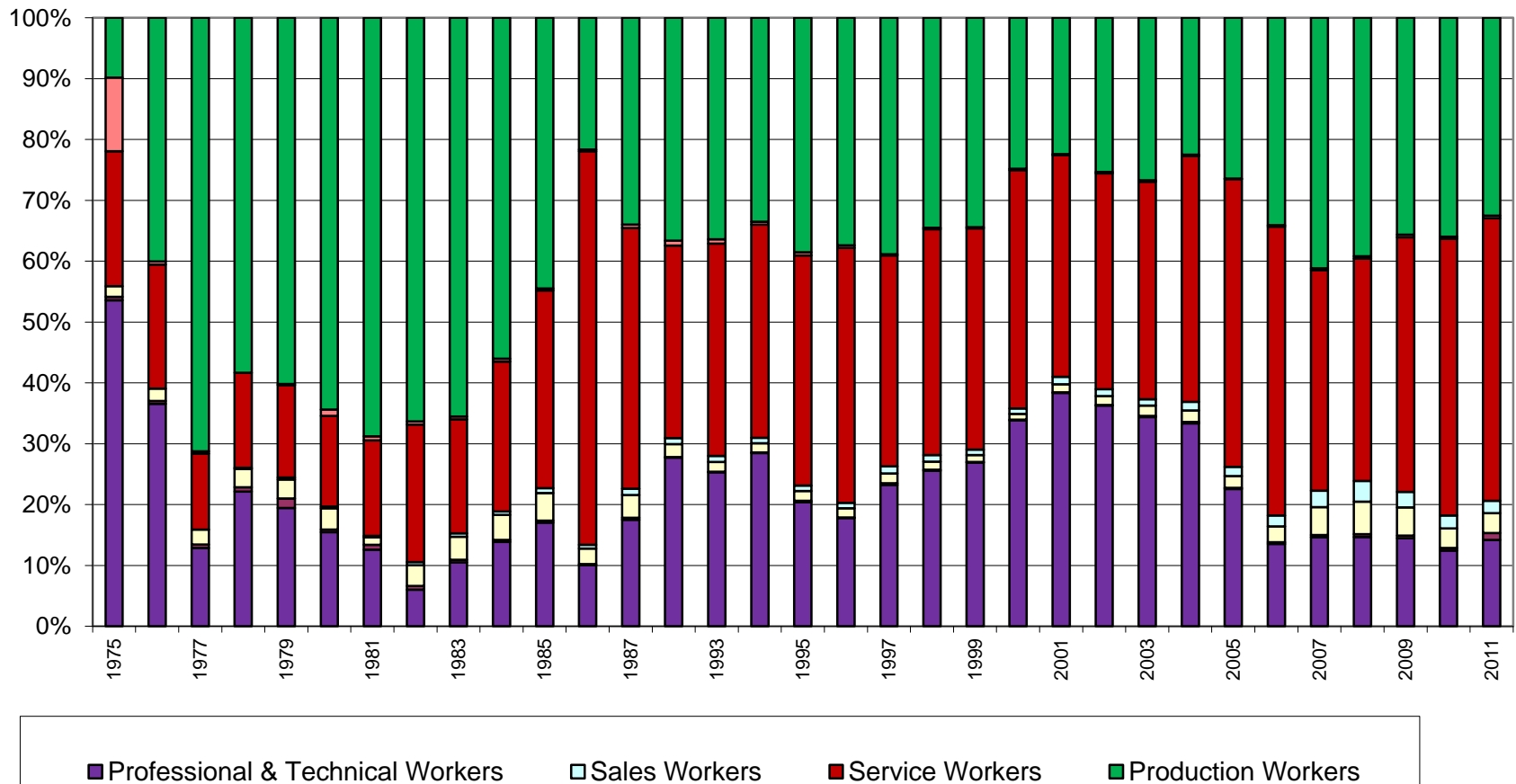
Ateneo Economics Department and  
Institute for Migration and Development Issues (IMDI)

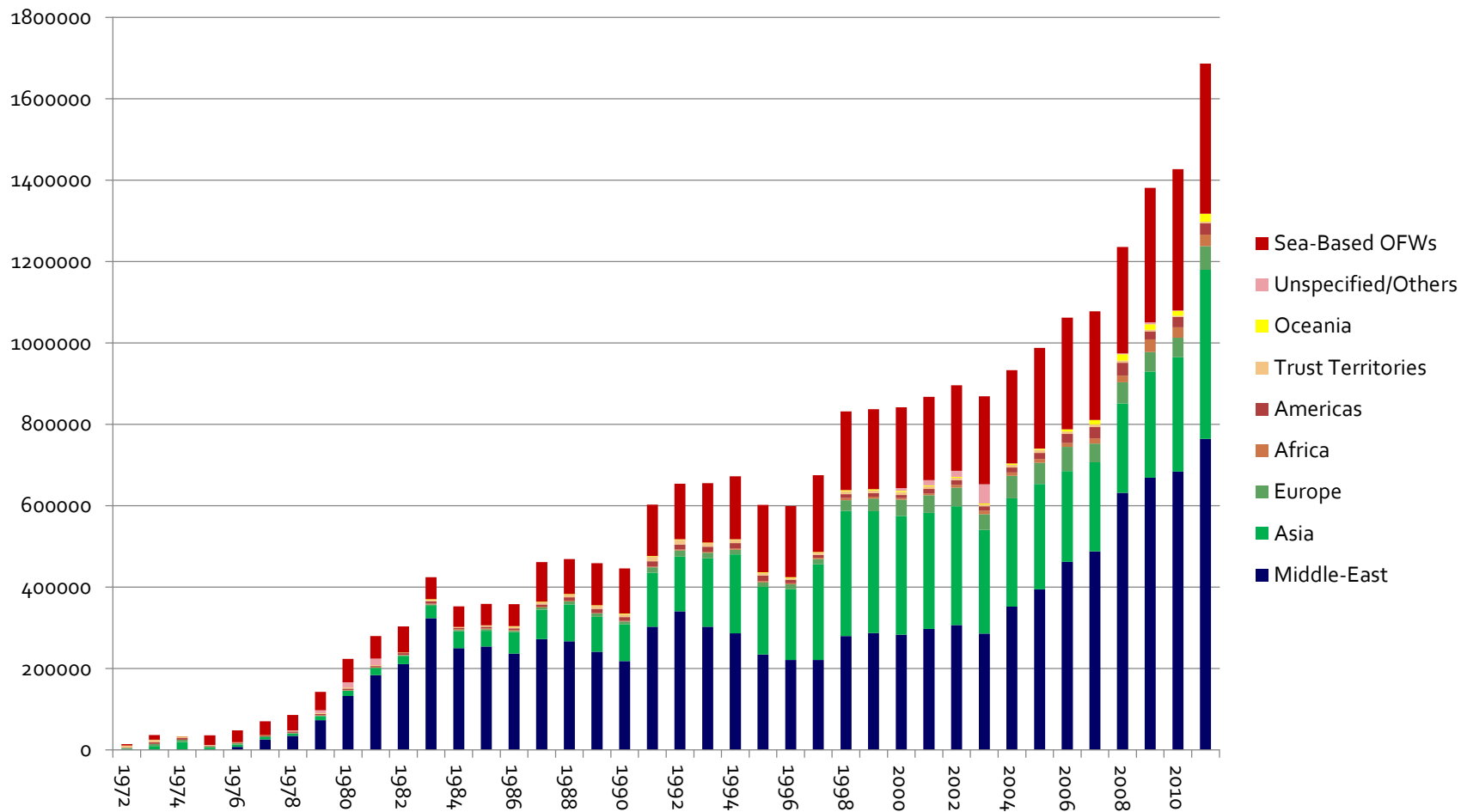
# Flow of Presentation

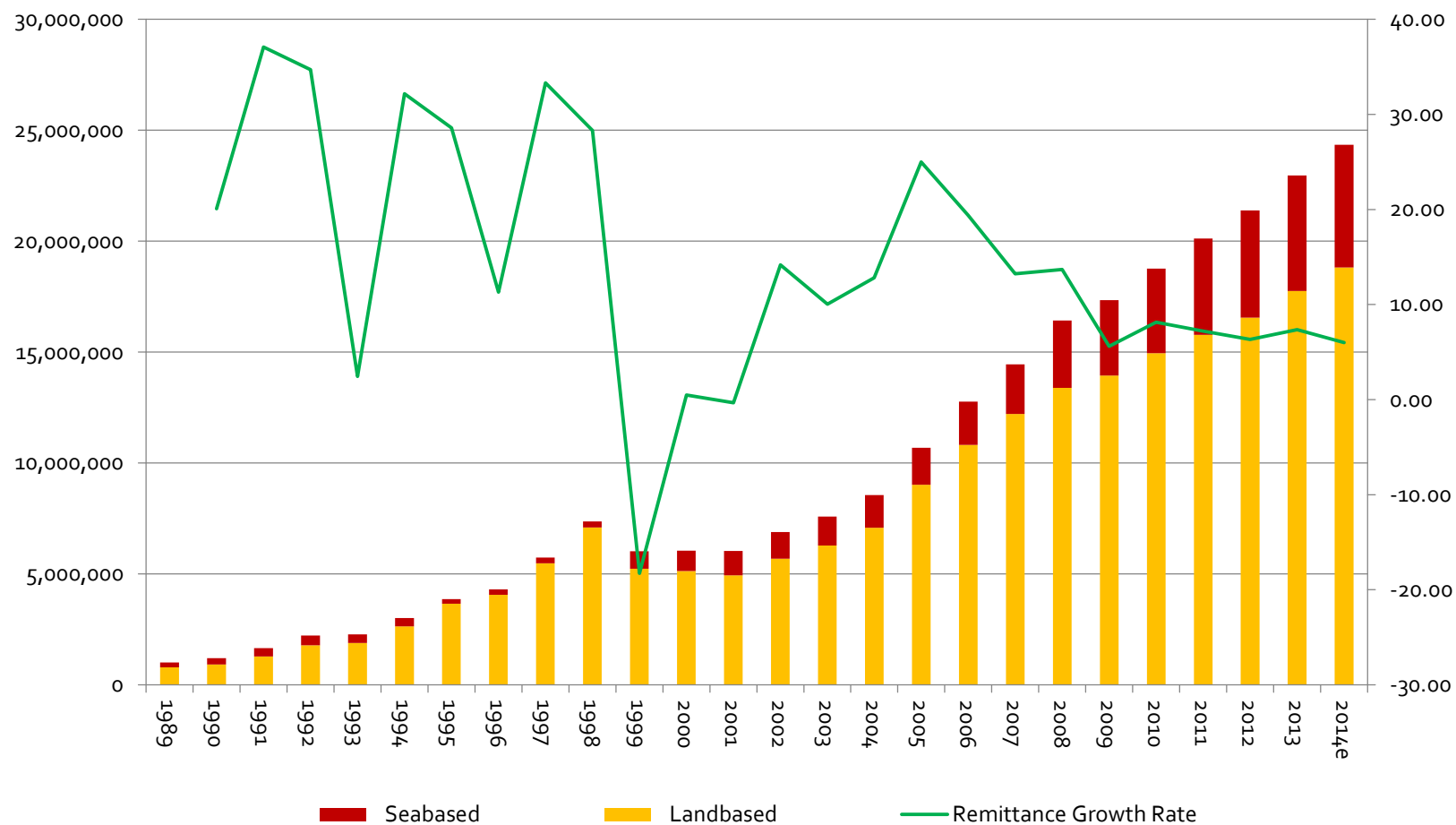
- Broader migration-and-development contexts
- RICART: research questions, methodology, and excerpts of findings
- Implications
  - Local economic development
  - Local governance
  - Financial literacy
  - Directing remittances to development

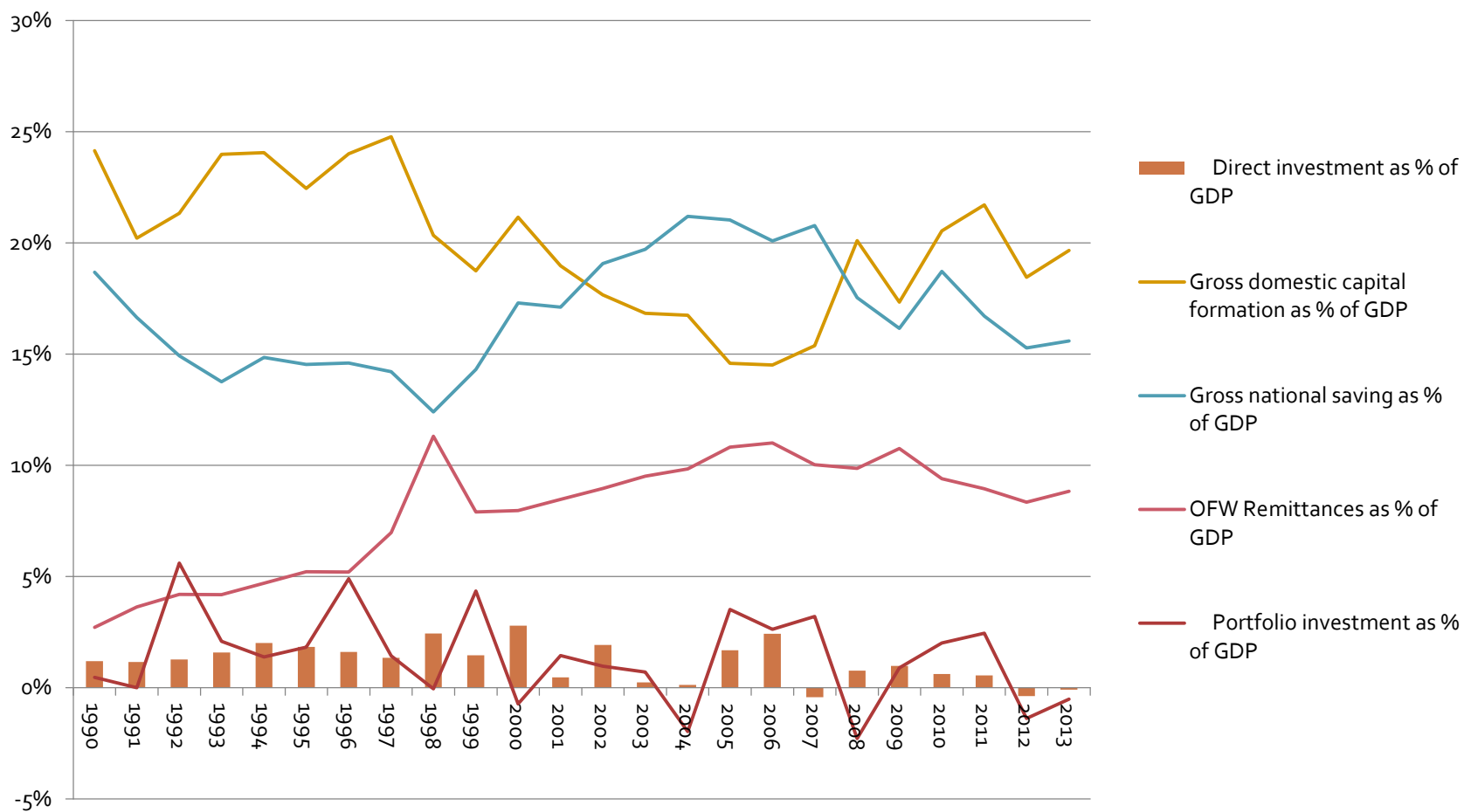
# Context: Service workers tops OFW count

Occupational Structure of OFWs

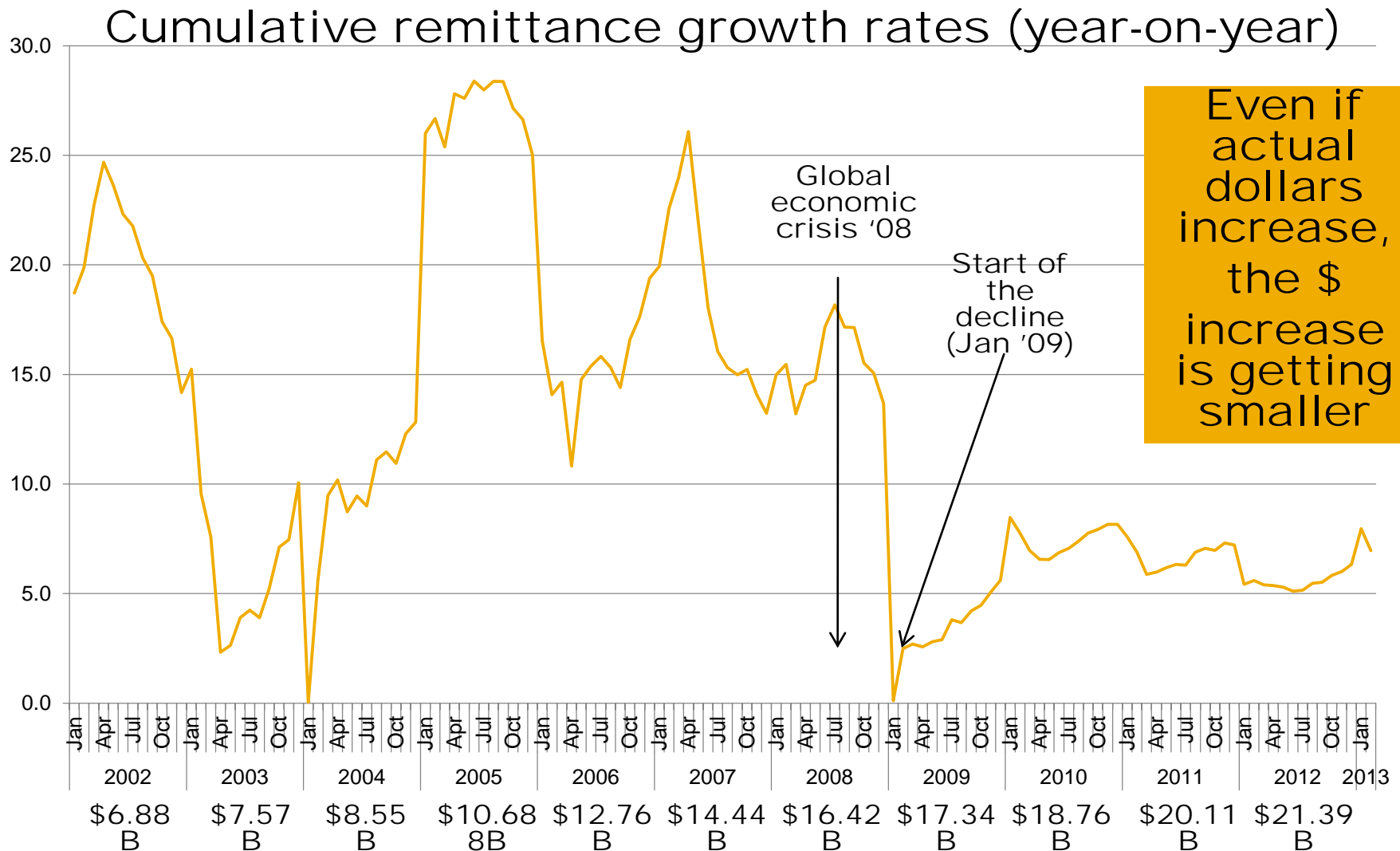




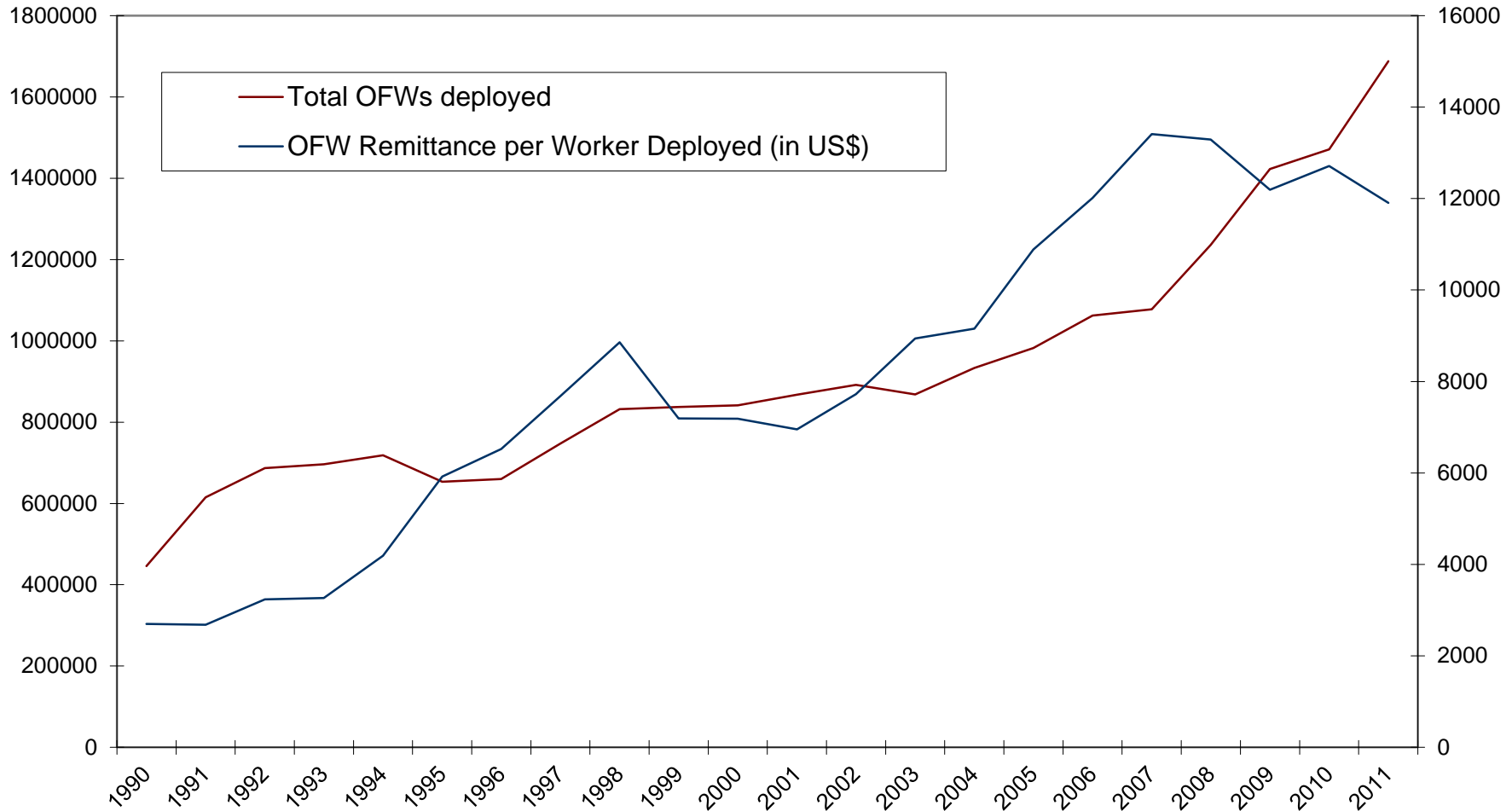




# M&D Context: Remittance growth rates declining?

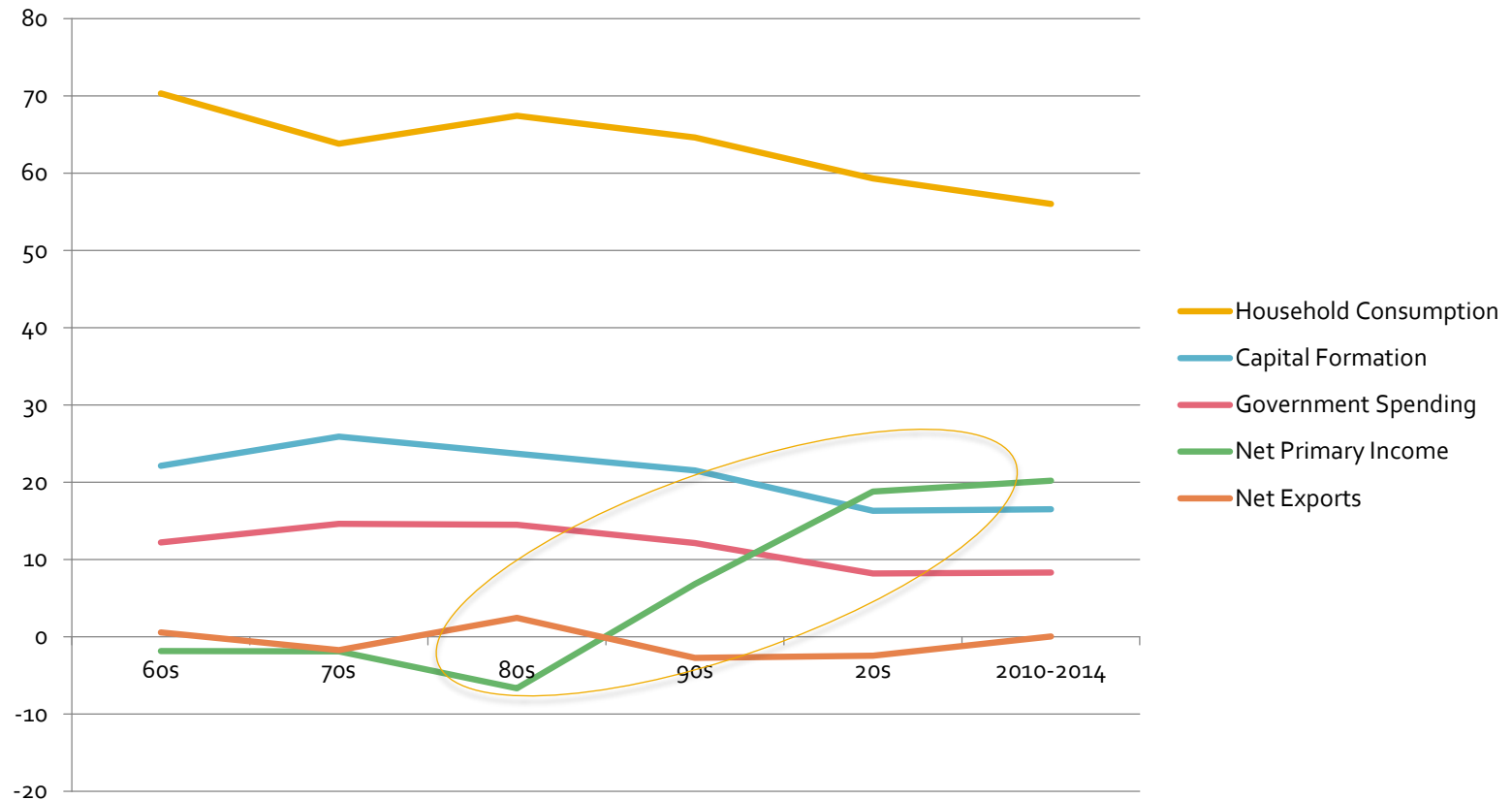


# Remittance per capita also falling



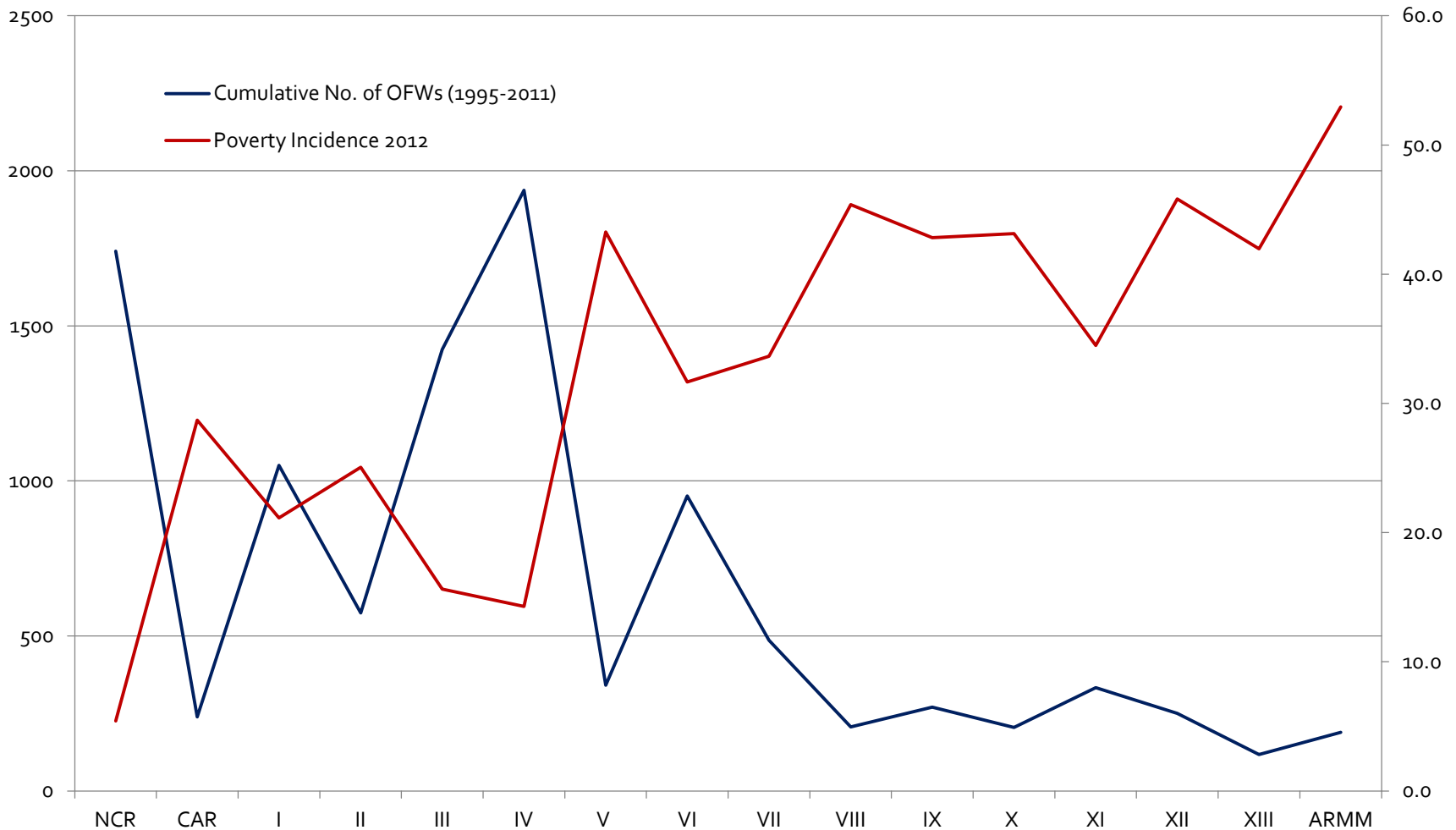


# Expenditure Share to Gross National Income

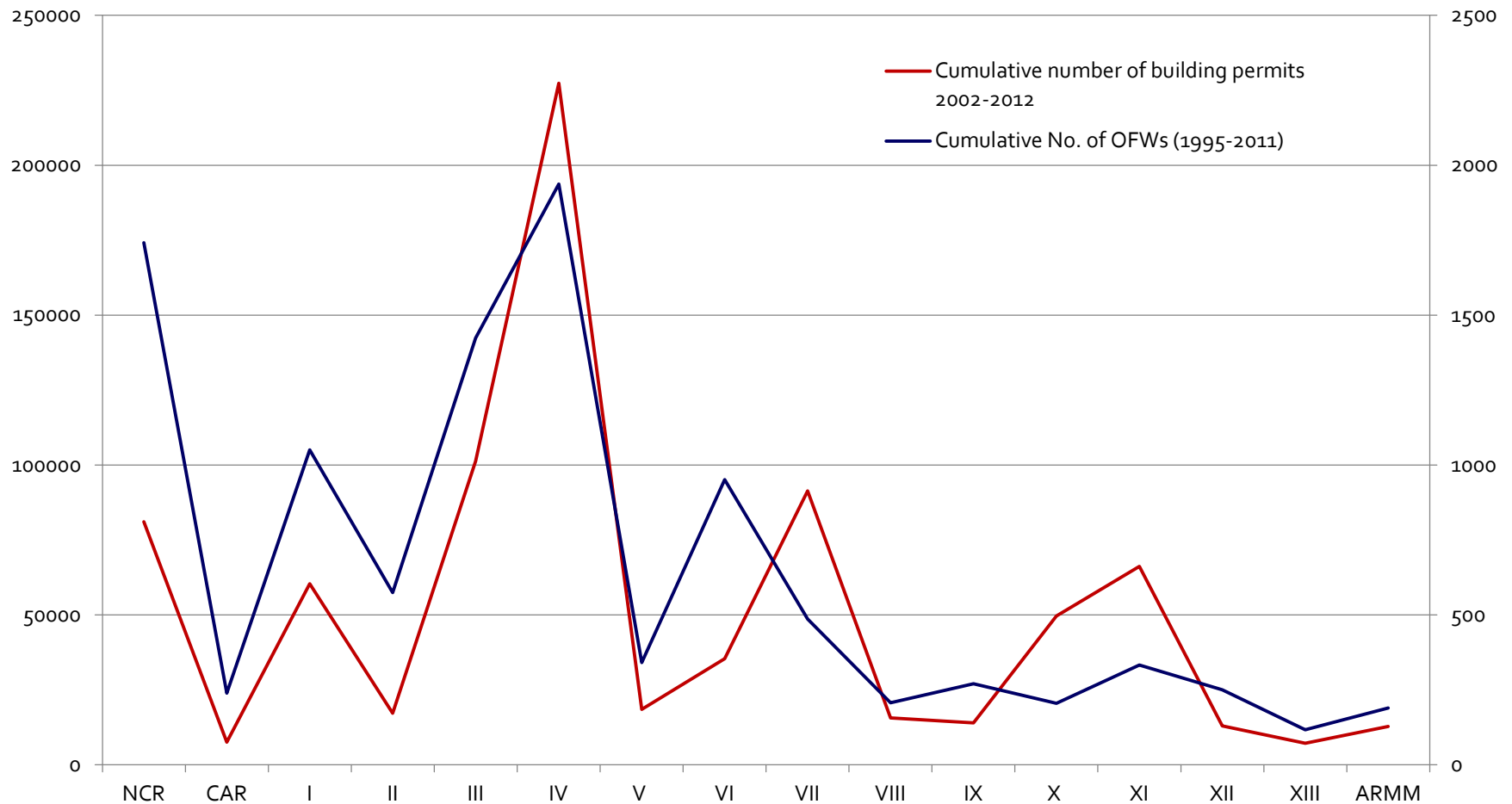


**Net Primary Income share has increased tremendously in the 90s and 20s**

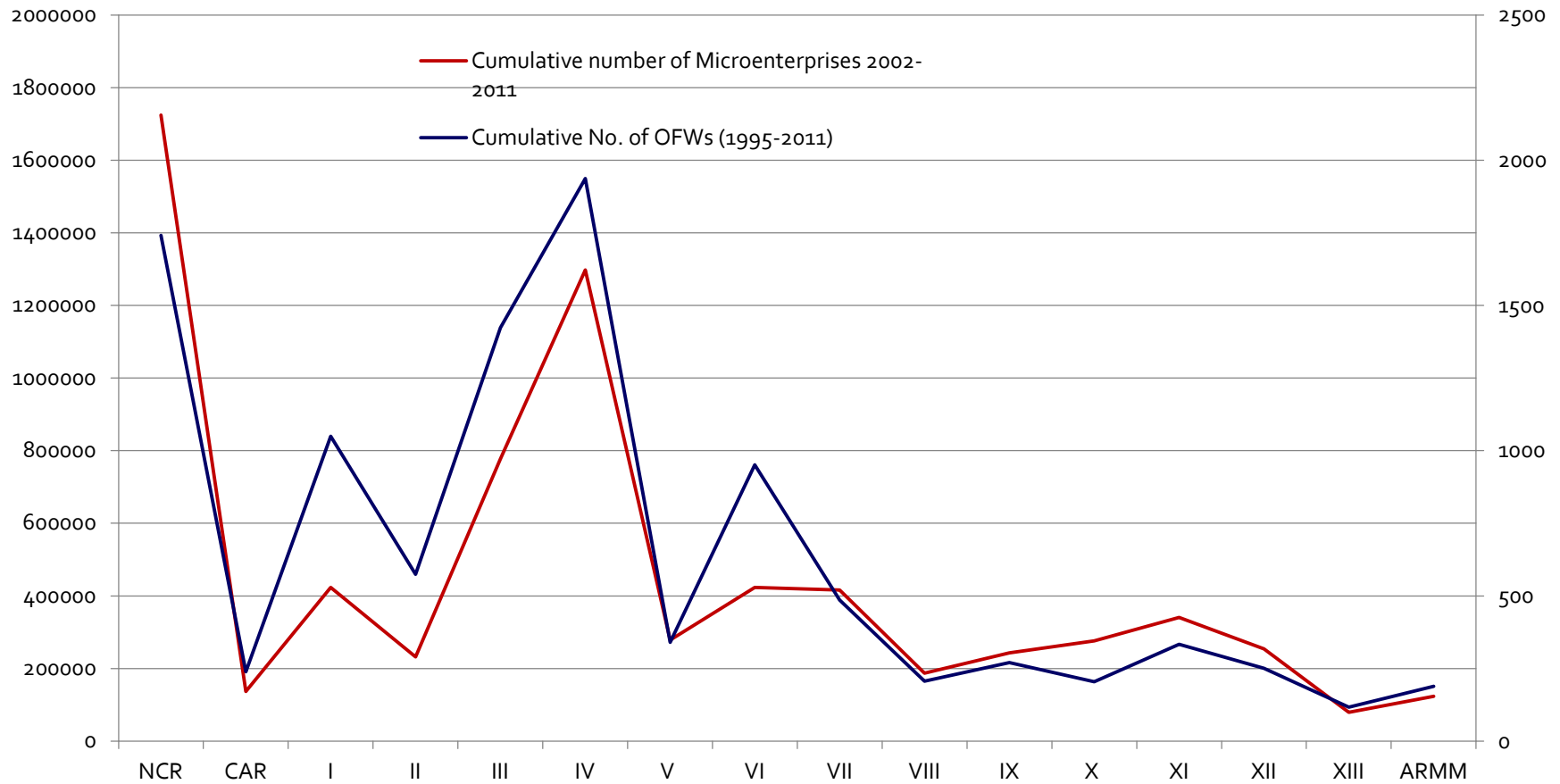
# Poverty incidence and Migrants per region



# Migrants and the housing boom

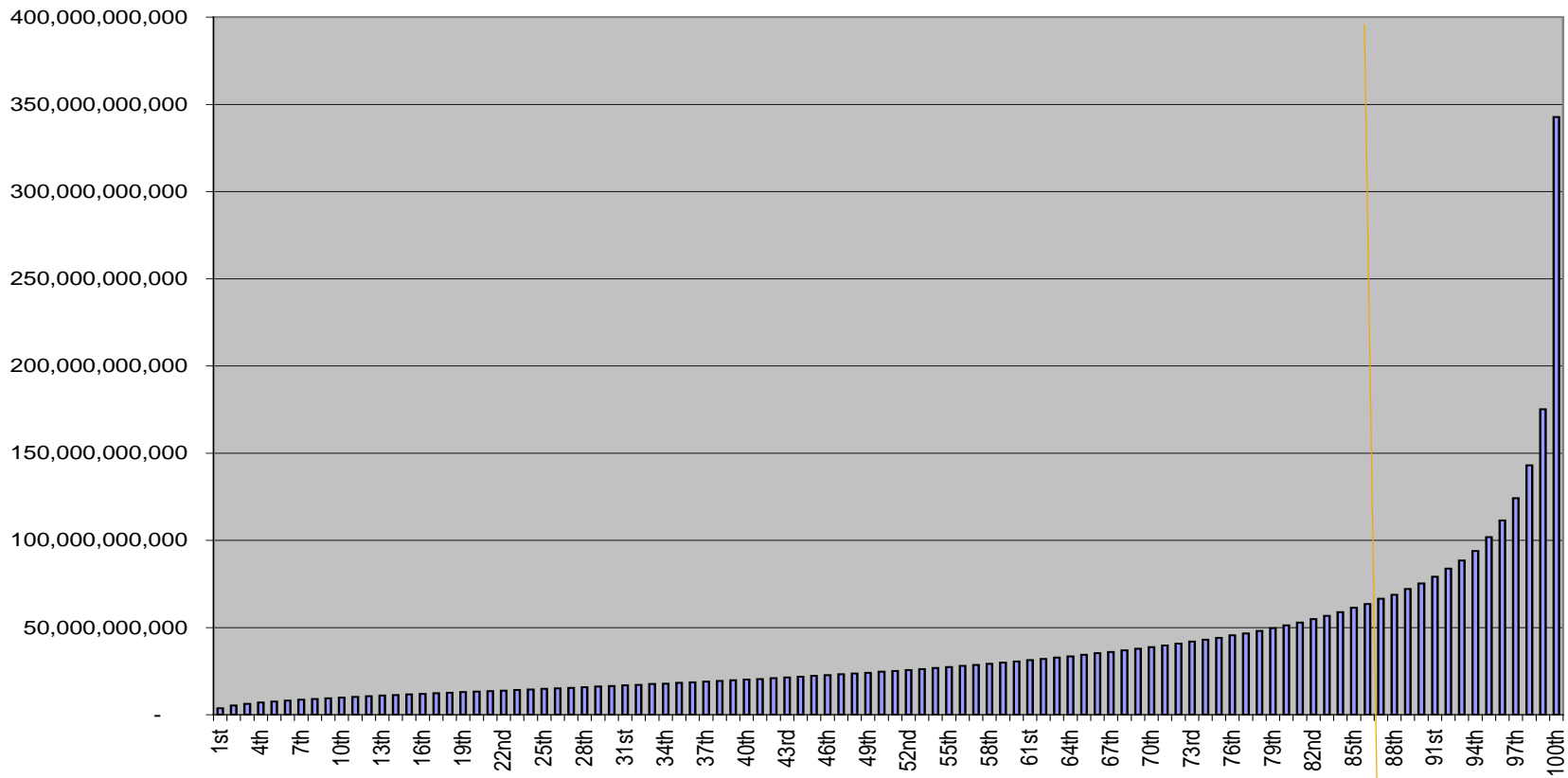


# Migrants and Microenterprises



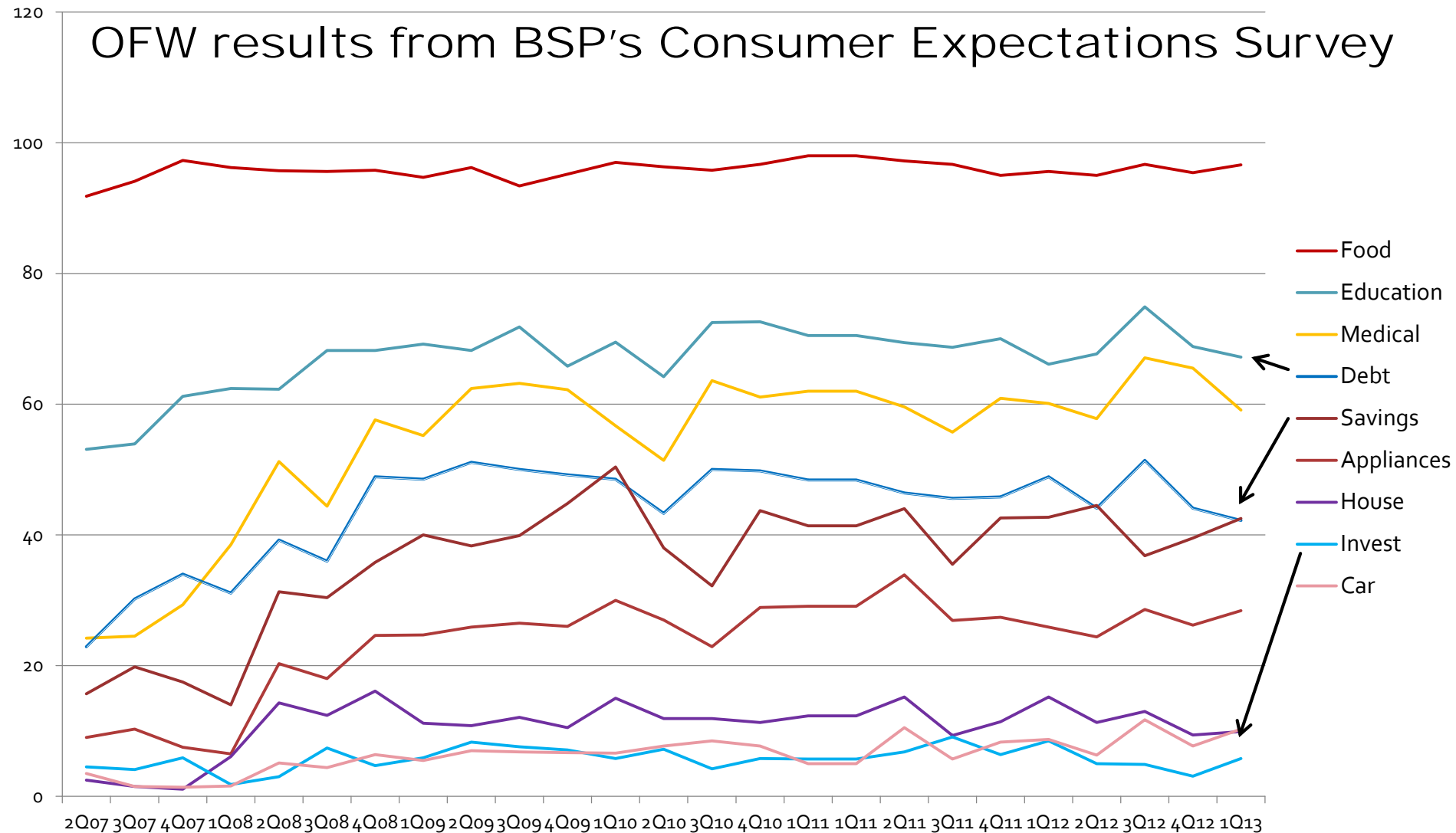
# Philippine income profile

Family Income, by Percentile, 2009



# Migrant savings, investment still minimal

OFW results from BSP's Consumer Expectations Survey



# Questions

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**Are we seeing the plateau of diasporic dividend?**

**What about local communities, where two-thirds of overseas Pinoys come from?**

# Migrant remittances and the rural hometown

- Remittances are a type of financing that are *rooted on people that have links with origin communities.*
- Bridge the disconnection
  - Investment needs for development and poverty alleviation in the rural hometowns;
  - Stakeholders' agenda; and
  - Hometown empathy of overseas Filipinos.

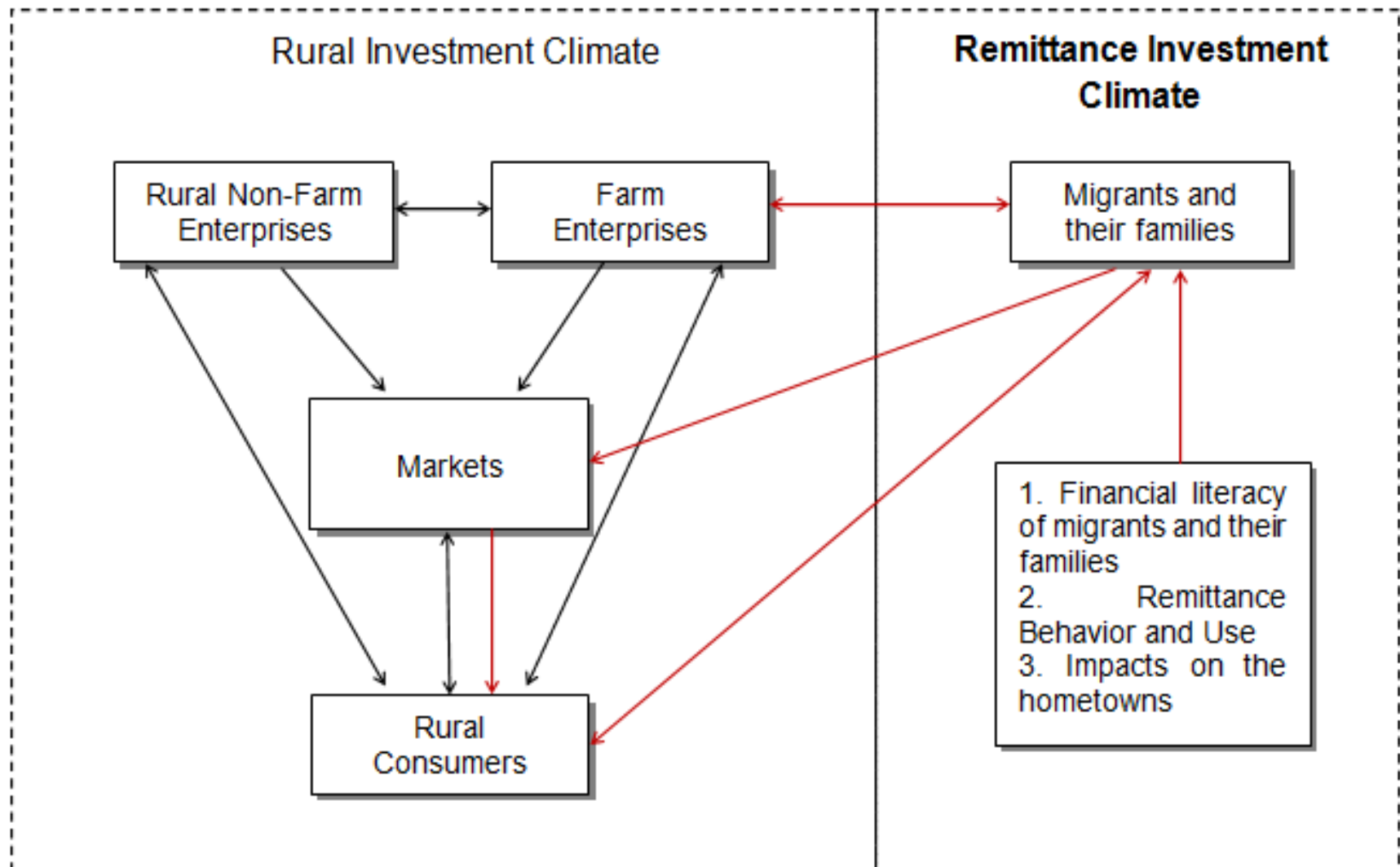


# RICART's Question and variables of interest

*How remittances of overseas Filipinos can be best directed for investment and development finance?*

- Financial literacy of migrants and their families
- Remittance behavior and remittance use
- Impacts of remittances on households, the hometown, and rural economic activities
- Rural income generating activities
- Rural investment climate
- Financial intermediation in rural hometowns

# Integrate Rural and Remittance Investment Climates



# Research Sites

**Magarao in  
Camarines  
Sur** (fifth-  
class town)

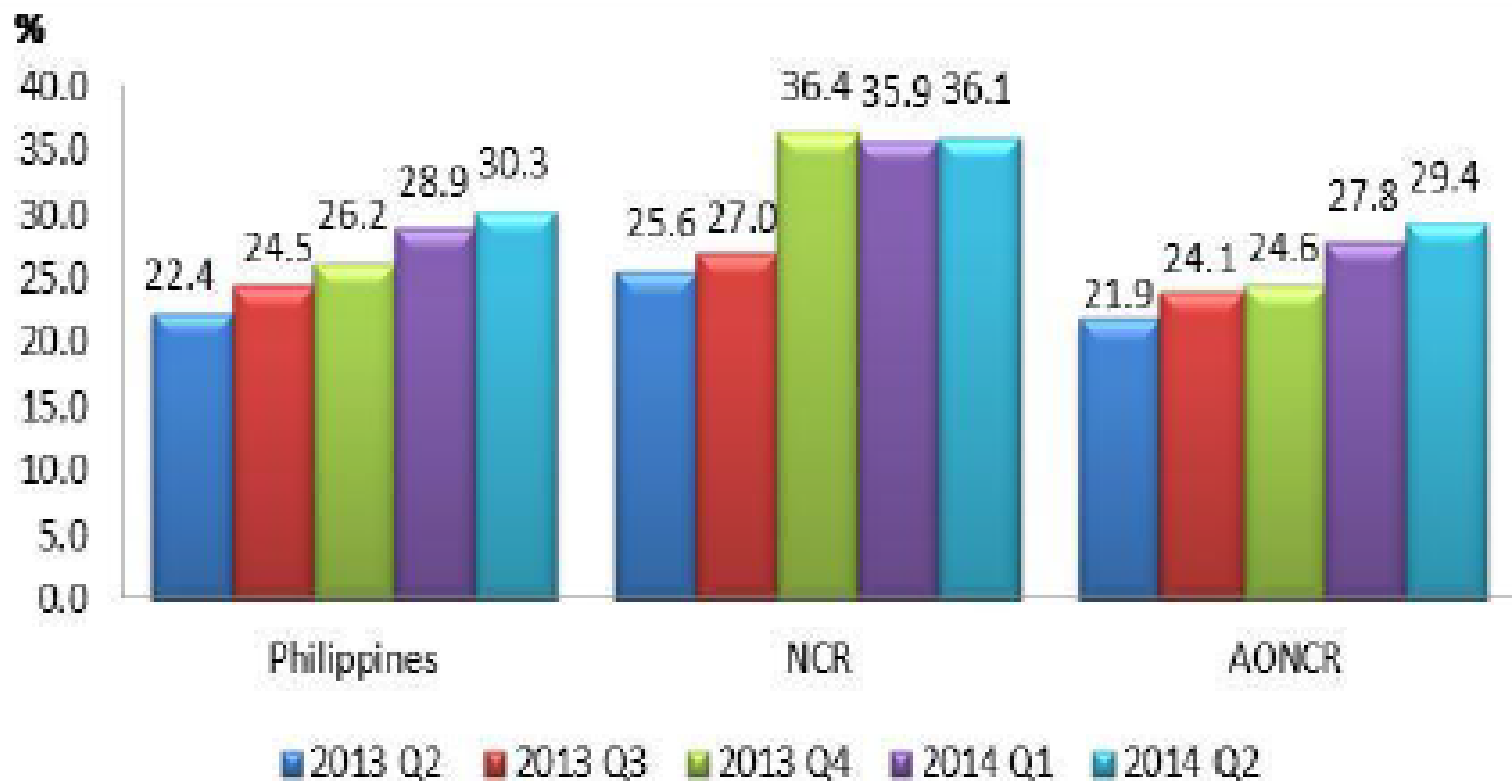


**Maribojoc  
in Bohol**  
(fourth-class  
town)

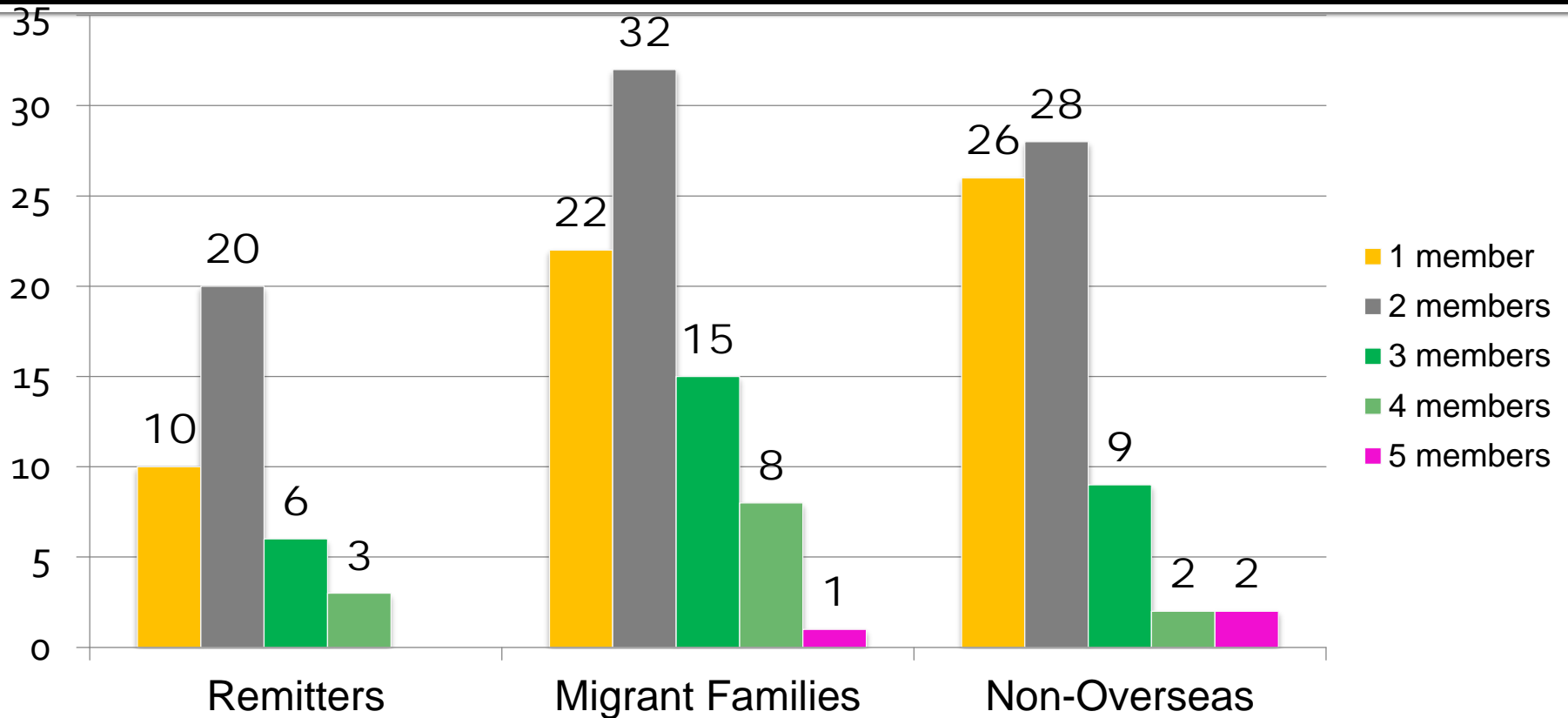


# Household with Savings standstill in the Metro

Percentage of Households with Savings

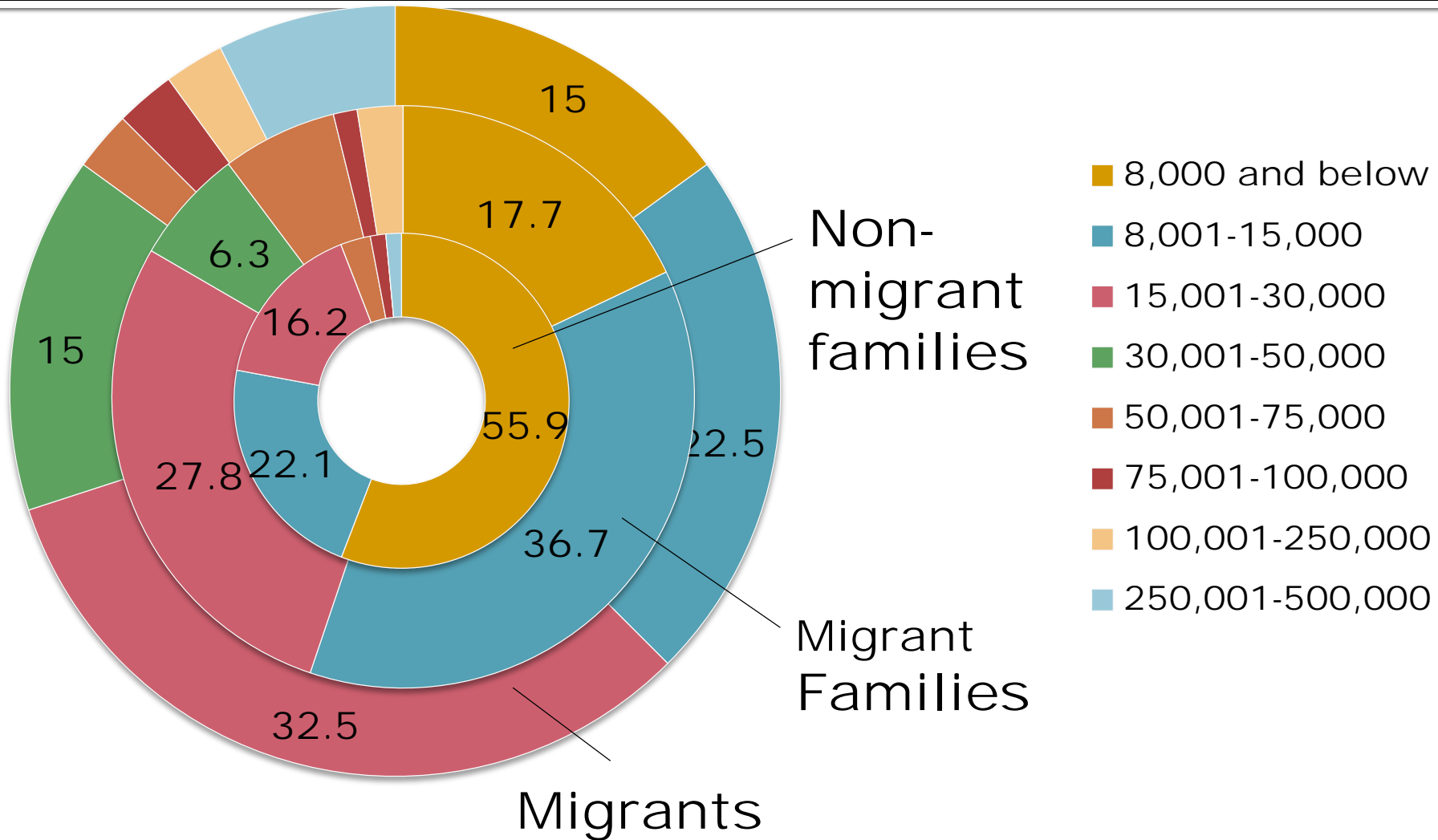


# Number of Income Earners in the Households

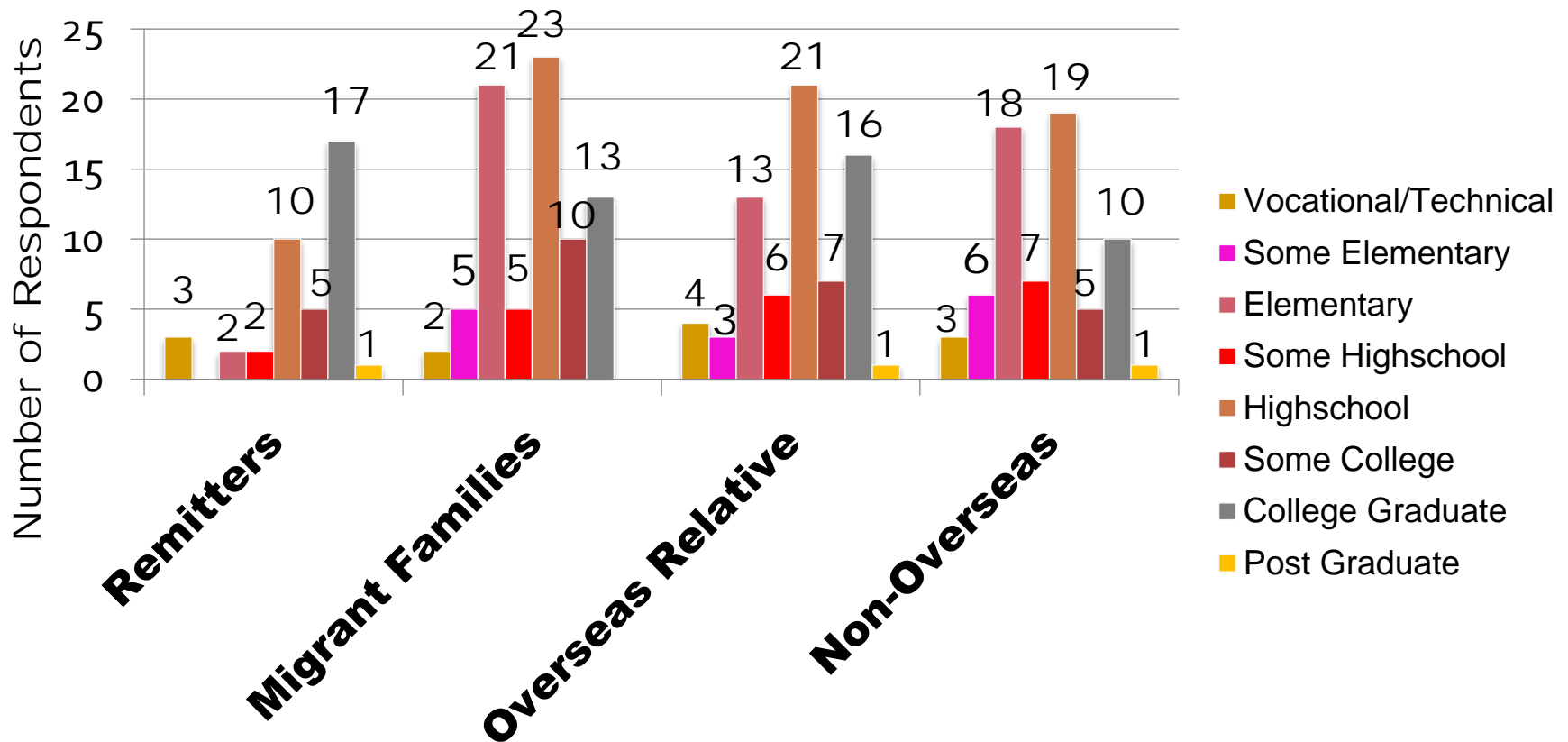


**Household with migrants tend to have more working people**

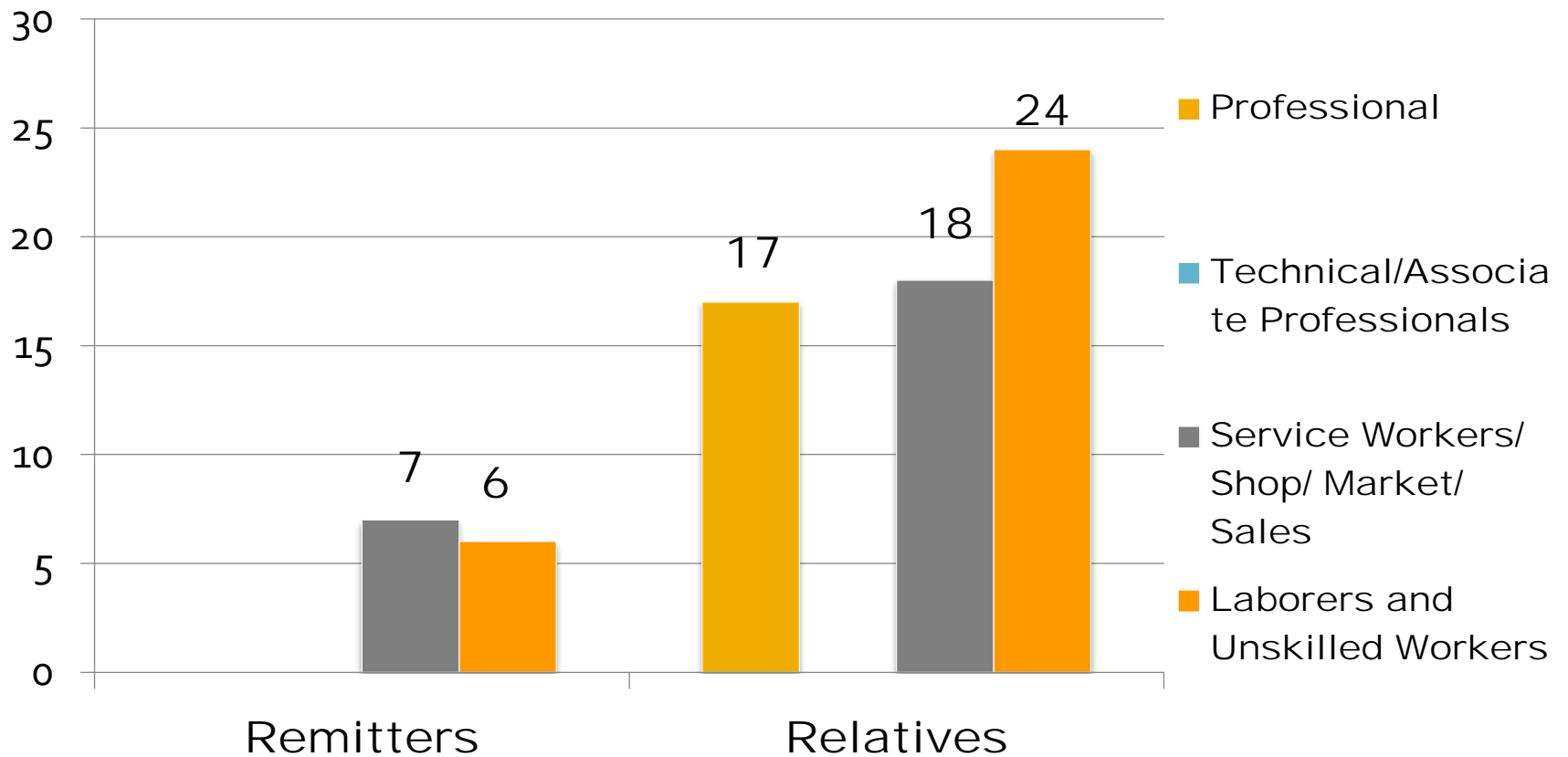
# monthly family income



## Level of Education

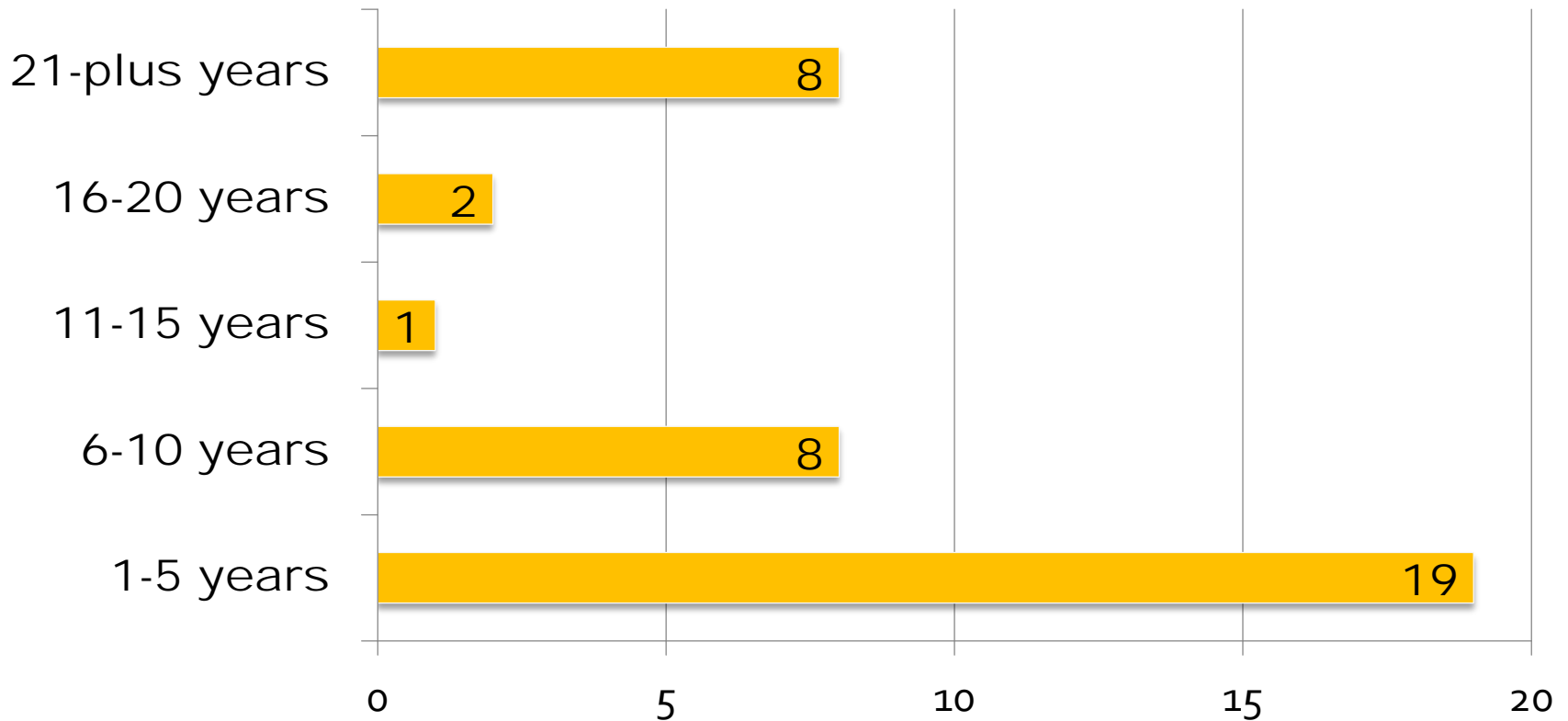


## *Migrants work abroad*

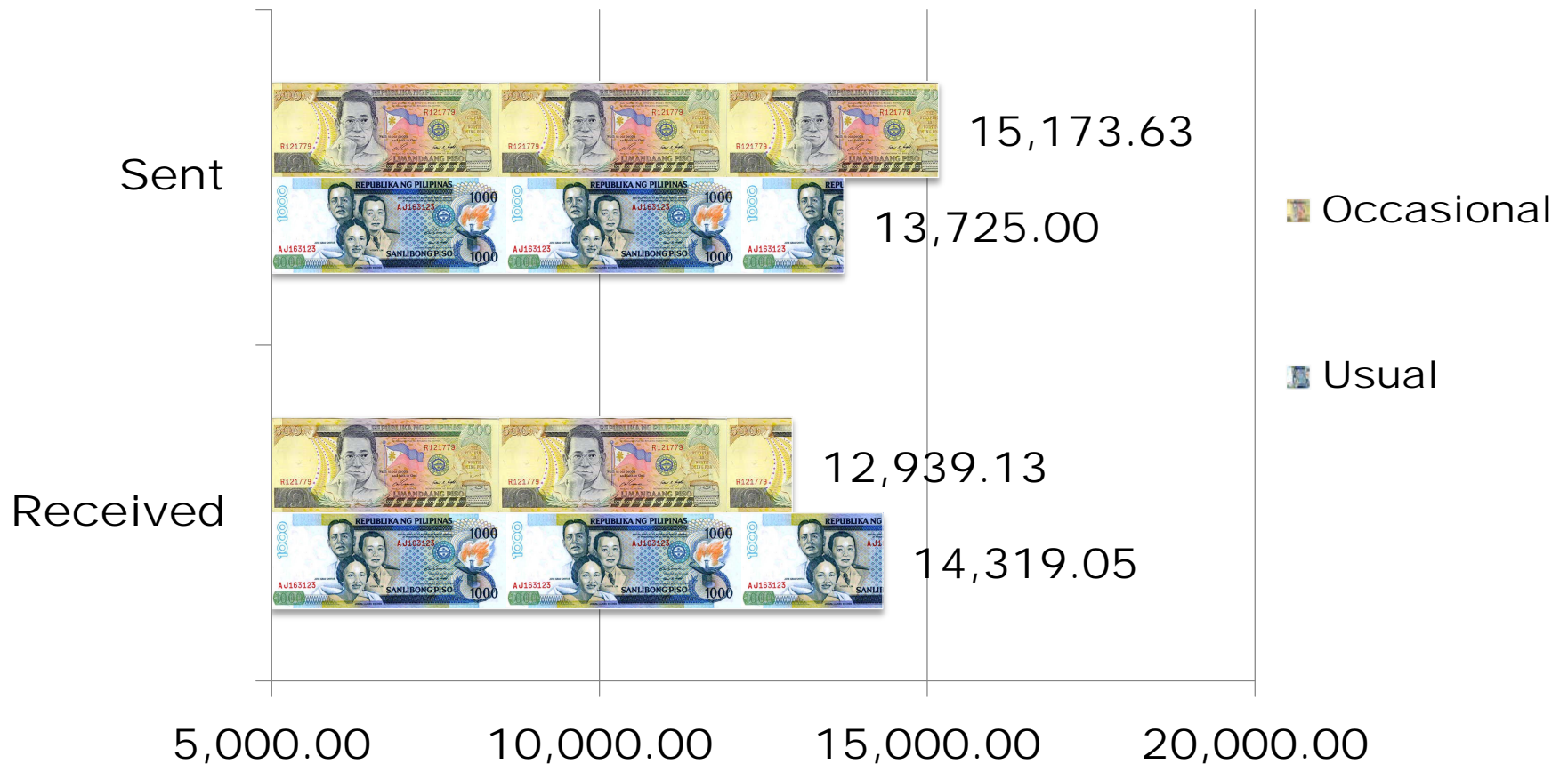




## Length of Stay Abroad

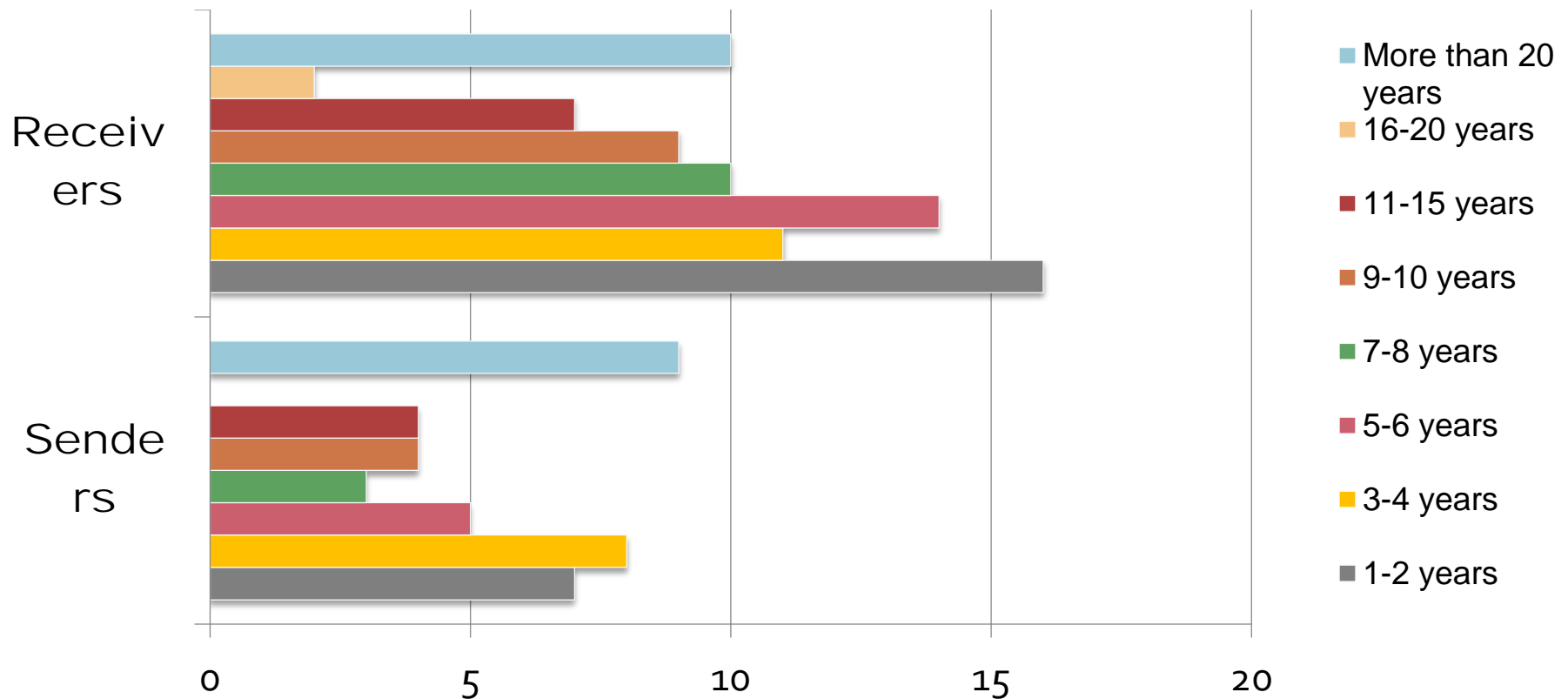


# Average remittance

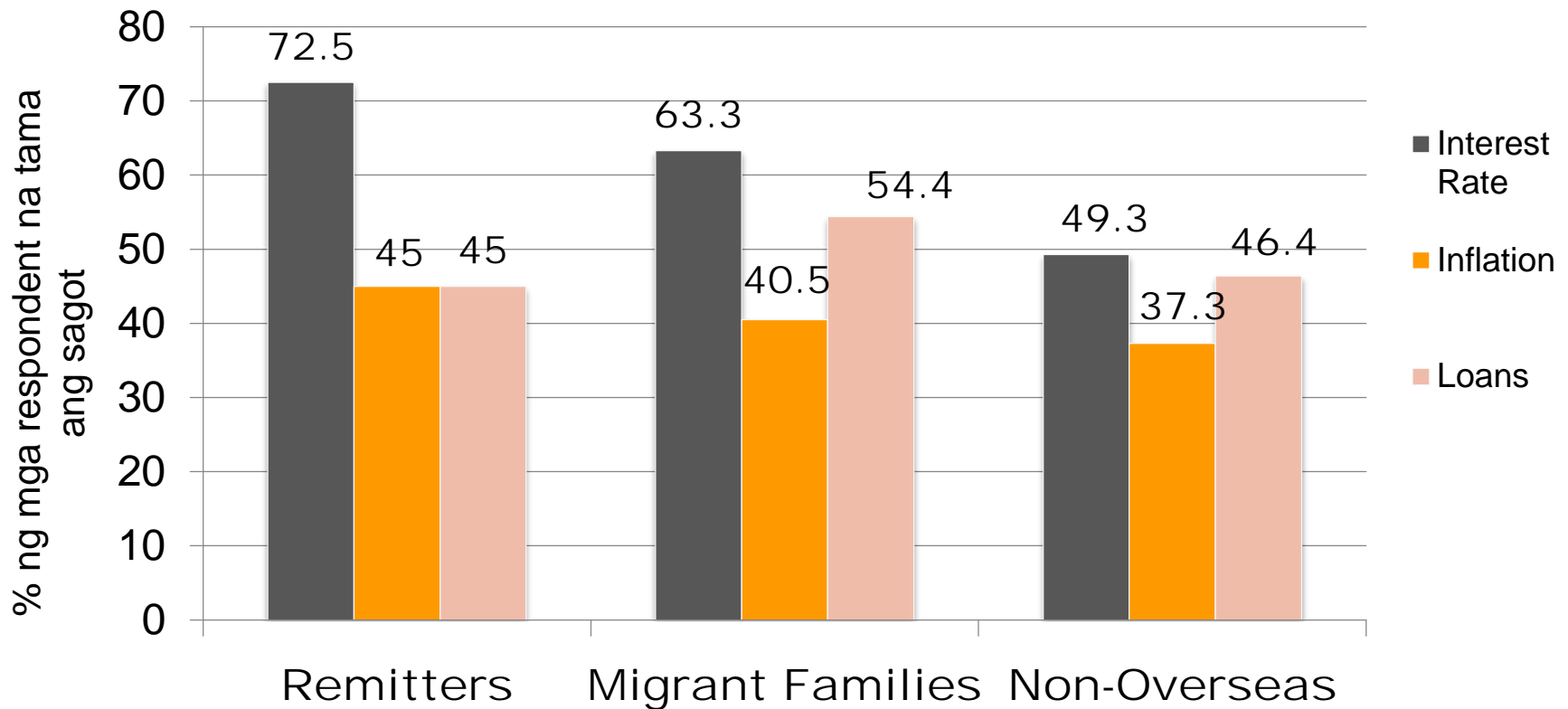


*Significant number of people have been abroad for a long time but still With low income*

## Length of time receiving remittance



# Financial Knowledge: Percentage of Correct Scores on Critical Financial Information



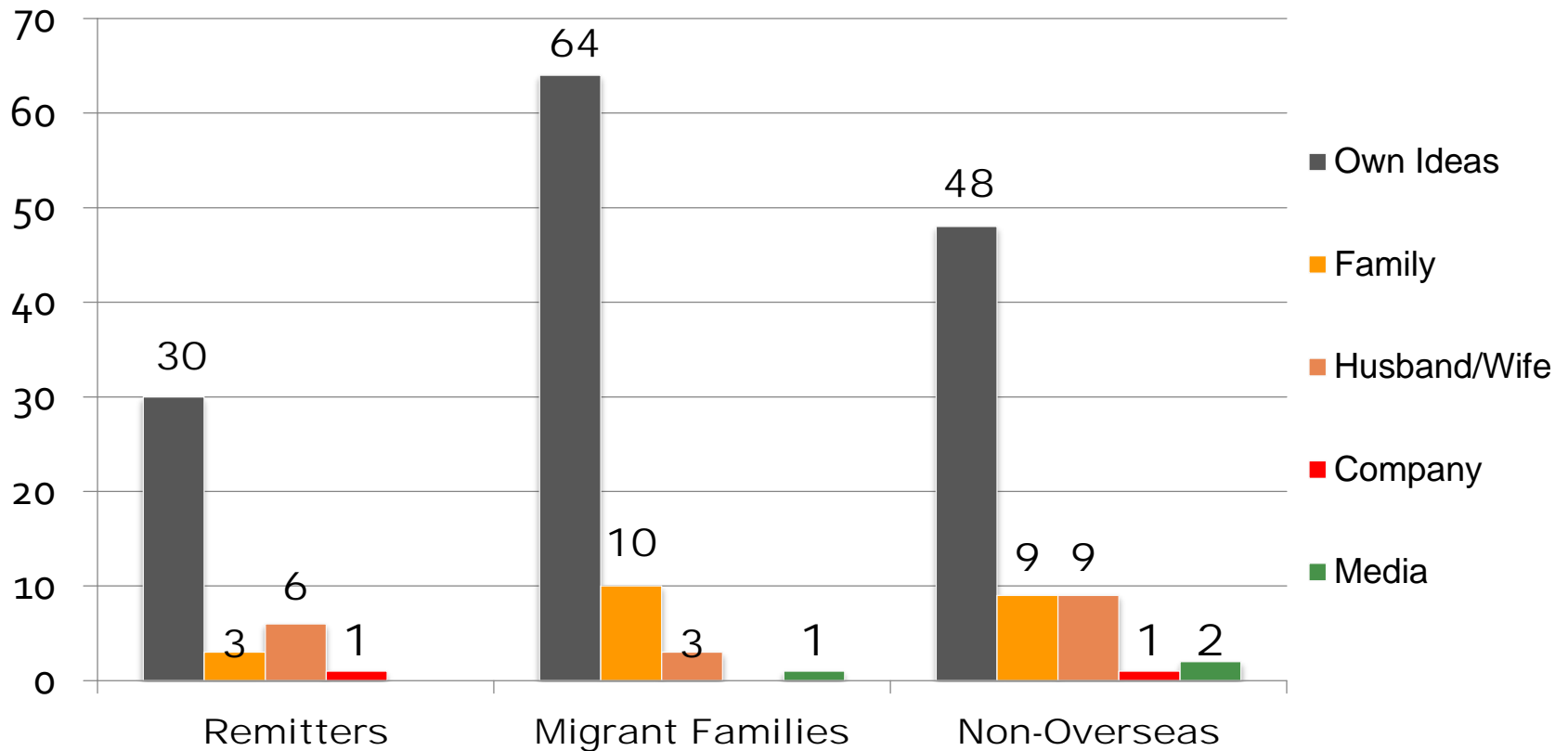
# Comparison of 3 survey areas

Basic finance Concepts	Migrant families (%)			Migrant remitters (%)		
	1	2	3	1	2	3
Interest rate	63.3	61.3	62.5	72.5	81.8	68.1
Inflation	40.5	33.9	60.4	45.00	27.3	66.0
Loans	54.4	71.0	58.3	45.00	77.3	53.2

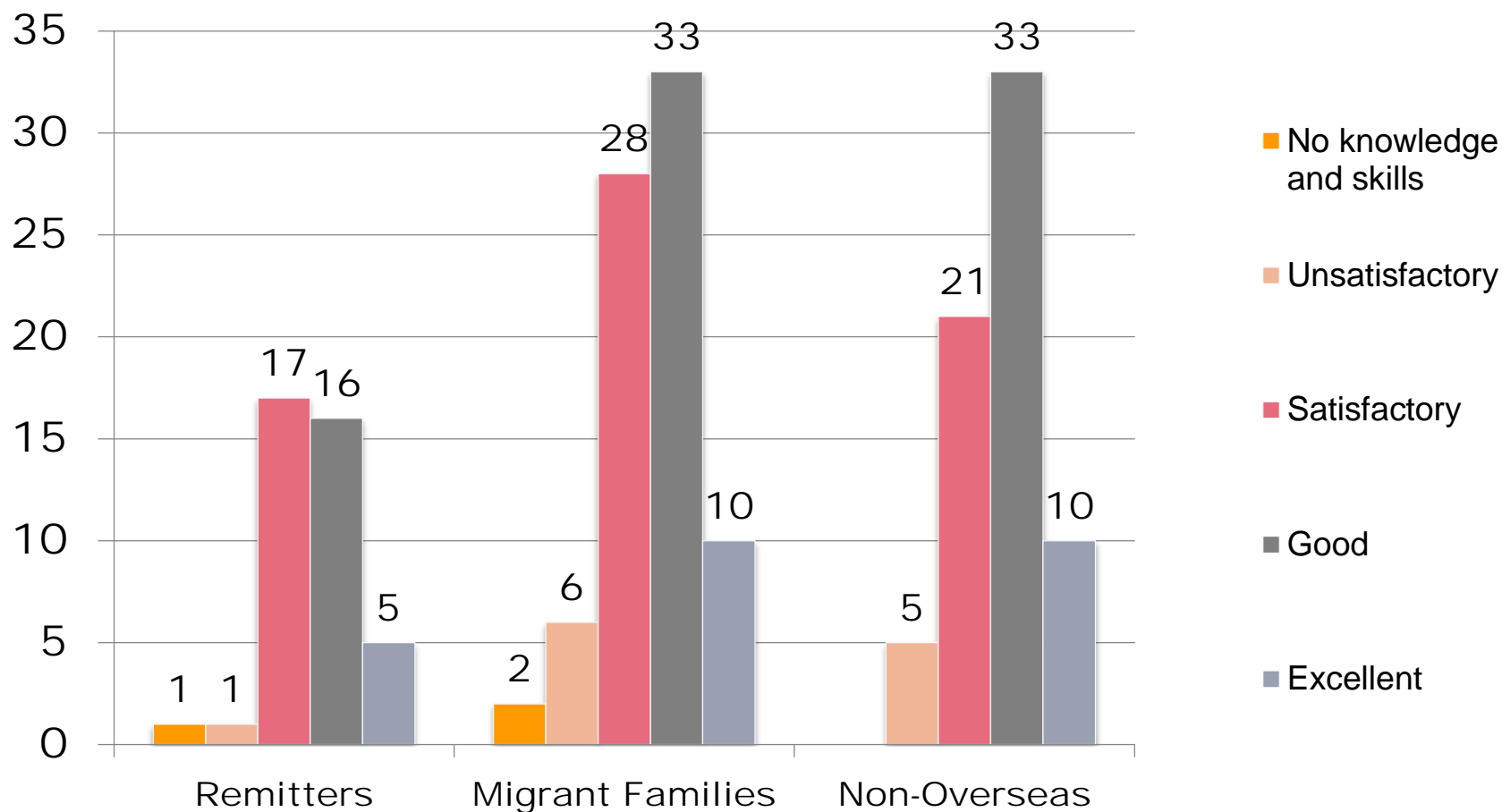
# What affects you in your financial decisions?

	Migrant families	Remitters	Non-migrant families
	%	%	%
Changes in the prices of houses / lots / properties	9.0	6.9	5.8
Changes in the prices of land	7.2	6.9	5.0
Changes of interest rates on deposits	4.8	5.6	2.2
Changes of interest rates on loans	13.2	11.1	15.8
Changes in the inflation rate	21.6	22.2	19.4
Changes in the level of public pensions, benefits and tax exemptions	3.0	1.4	4.3
Changes in the prices of oil and basic commodities (e.g. fish, meat, rice, sugar)	41.3	45.8	47.5

# Where do you get ideas about handling money?

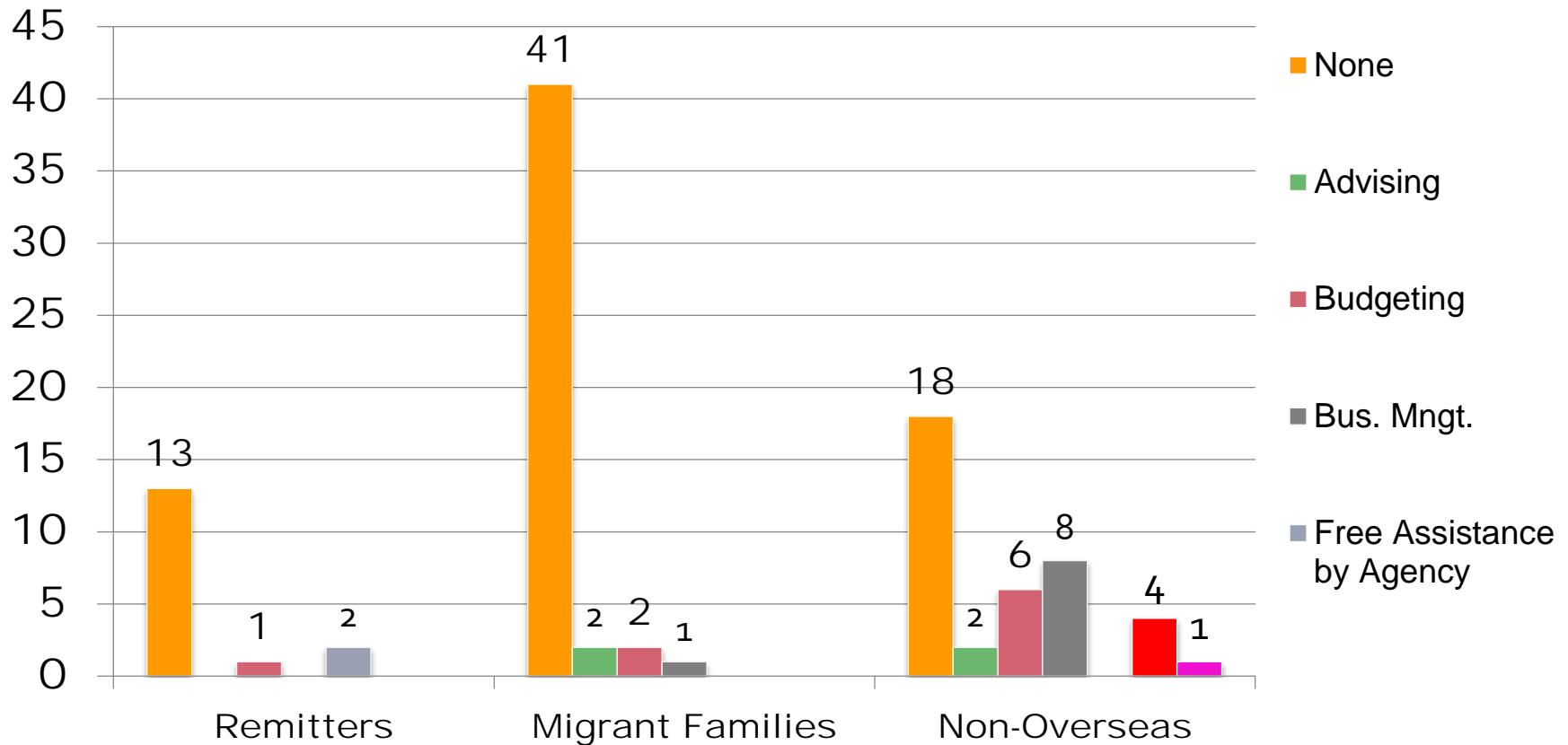


# How do you assess your skills in handling money?



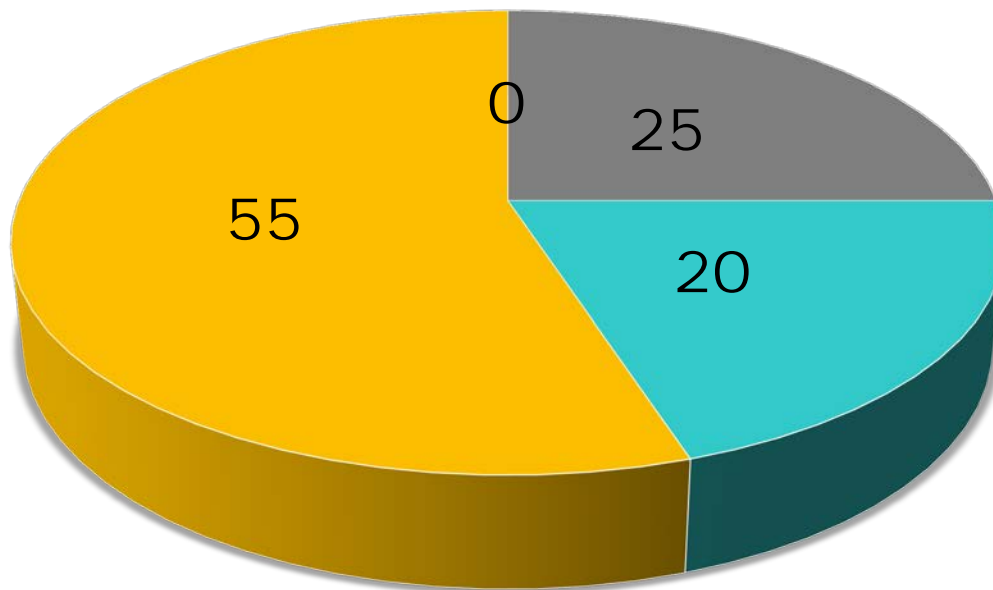


# Do you need help in handling money?



# Do you record your income and expense?

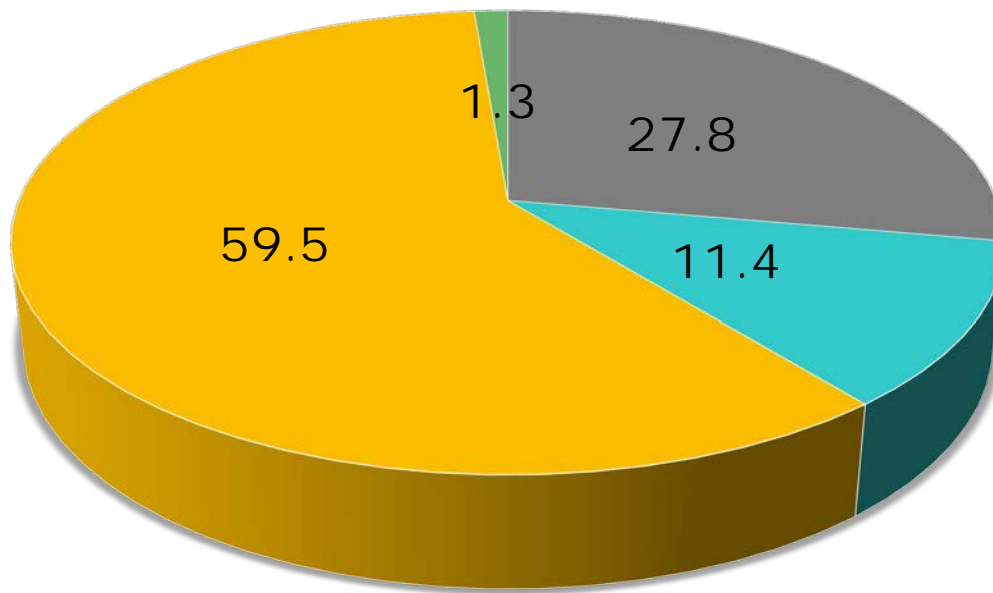
Remitters



- Records everything, entering all revenues and expenditures
- Records everything, but not all revenues and expenditures are entered
- No record of family's resources but has a general idea of how much money is received and spent during a month
- No record of family's resources and don't have an idea of how much money is received and spent during a month

# Do you record your income and expense?

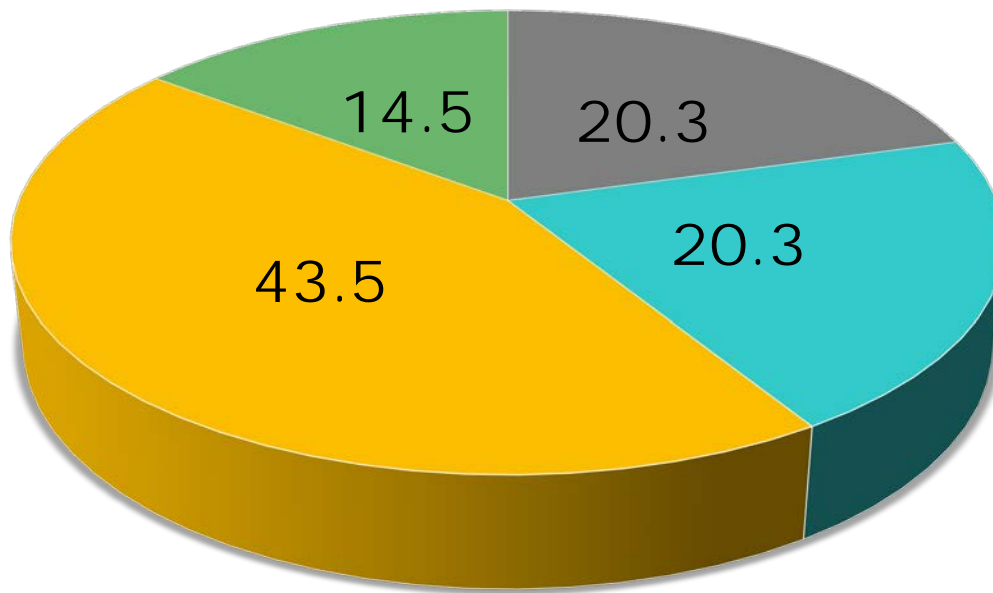
Migrant Families



- Records everything, entering all revenues and expenditures
- Records everything, but not all revenues and expenditures are entered
- No record of family's resources but has a general idea of how much money is received and spent during a month
- No record of family's resources and don't have an idea of how much money is received and spent during a month

# Do you record your income and expense?

Non-Overseas Families



- Records everything, entering all revenues and expenditures
- Records everything, but not all revenues and expenditures are entered
- No record of family's resources but has a general idea of how much money is received and spent during a month
- No record of family's resources and don't have an idea of how much money is received and spent during a month

# Savers and Savings

Respondent group	N	% of total respondents	Average savings (PhP)
Remitters		75.0	17,126.28
Migrant families		49.4	5,075.74
Non-migrant families		43.5	3,974.29
Comparison of average savings, in PhP (RICART rounds 1 and 2)		Remitters	Migrant families
1		19,337.87	13,293.88
2		11,939.07	3,312.93
3		17,126.28	5,075.74

# What financial services do you want to know more of?



Health Insurance



SSS Pension  
fund



Savings account  
in a bank

Overseas Remitters

Migrant Families

Non-Overseas Families

# Types of service you want to know

	Migrant families	Remitters	Non-migrant families
	%	%	%
Consumer loans	7.3	4.3	4.8
Current account in a bank	5.1	2.9	6.1
Savings account in a bank	13.0	14.5	10.9
Savings account in a cooperative	8.5	11.6	7.3
Savings account in a microfinance institution	2.8	-	1.2
Credit card	1.1	-	3.0
Mortgage loan	2.3	-	2.4
Life and non-life Insurance policies	5.6	8.7	10.9
Investments in the stock market	4.0	5.8	1.8
Financial instruments (e.g. mutual funds, unit investment trust funds, bonds)	2.8	10.1	3.6
Private pension funds and their policies (example: private pensions)	11.3	5.8	10.3
Social Security System's pension fund	16.4	17.4	14.5
Health insurance, whether public (e.g. PhilHealth) or private (e.g. Medicaard)	19.8	18.8	23.0

# Probability Analysis

- Probability of setting up Business
- Probability of Investing in Hometowns
- Based on household characteristics, remittance characteristics and financial literacy characteristics for both migrants and their households left behind



# Business Ownership

- MIGRANTS

- *Significant*

- Total household income
- Length of remittance experience
- No records of finance (-)

- *Insignificant but signs consistent w/ expectations*

- Amount of remittance
- Percent of remittance
- No. of income earners

- FAMILIES

- *Significant*

- Amount of remittance received
- Length of remittance experience
- Remittance as only source of income (-)
- No. of income earners
- Ownership of cellular phone (+)
- Ownership of credit card and ATM (-)

# Investing

- **MIGRANTS**

- *Significant*

- Total household income

- *Insignificant but signs consistent w/ expectations*

- Amount of remittance
- Percent of remittance
- No. of income earners
- Size of household (-)
- Education of migrant (-)

- **FAMILIES**

- *Significant*

- Amount of remittance received
- Length of remittance experience
- Remittance as only source of income (-)
- No. of income earners in HHs
- Saving account ownership
- Education of Household head (-)
- Keeping records
- Ownership of credit card, ATM (-)

# Business at present

## REMITTERS

1. SARI SARI STORE
2. LIVESTOCK
3. JEEP
4. APARTMENT

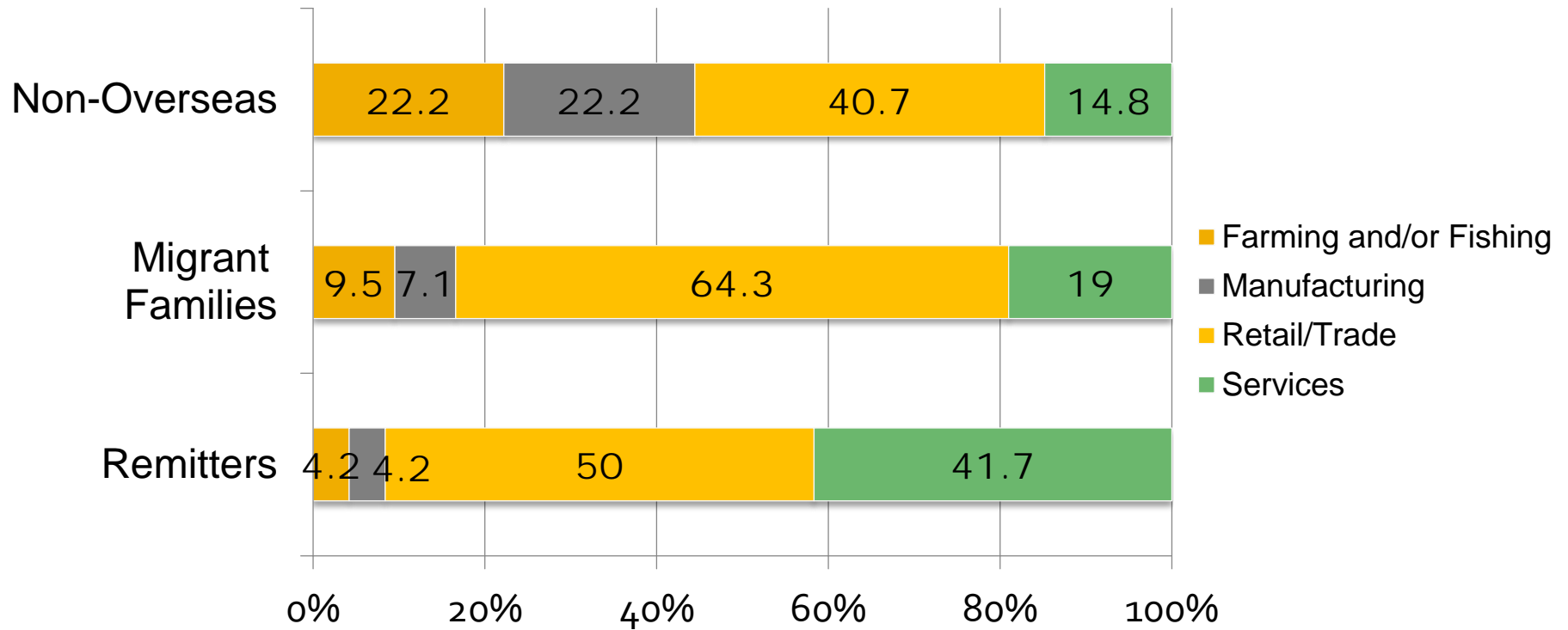
## MIGRANT FAMILIES

1. SARI SARI STORE
2. FARMING
3. LIVESTOCK

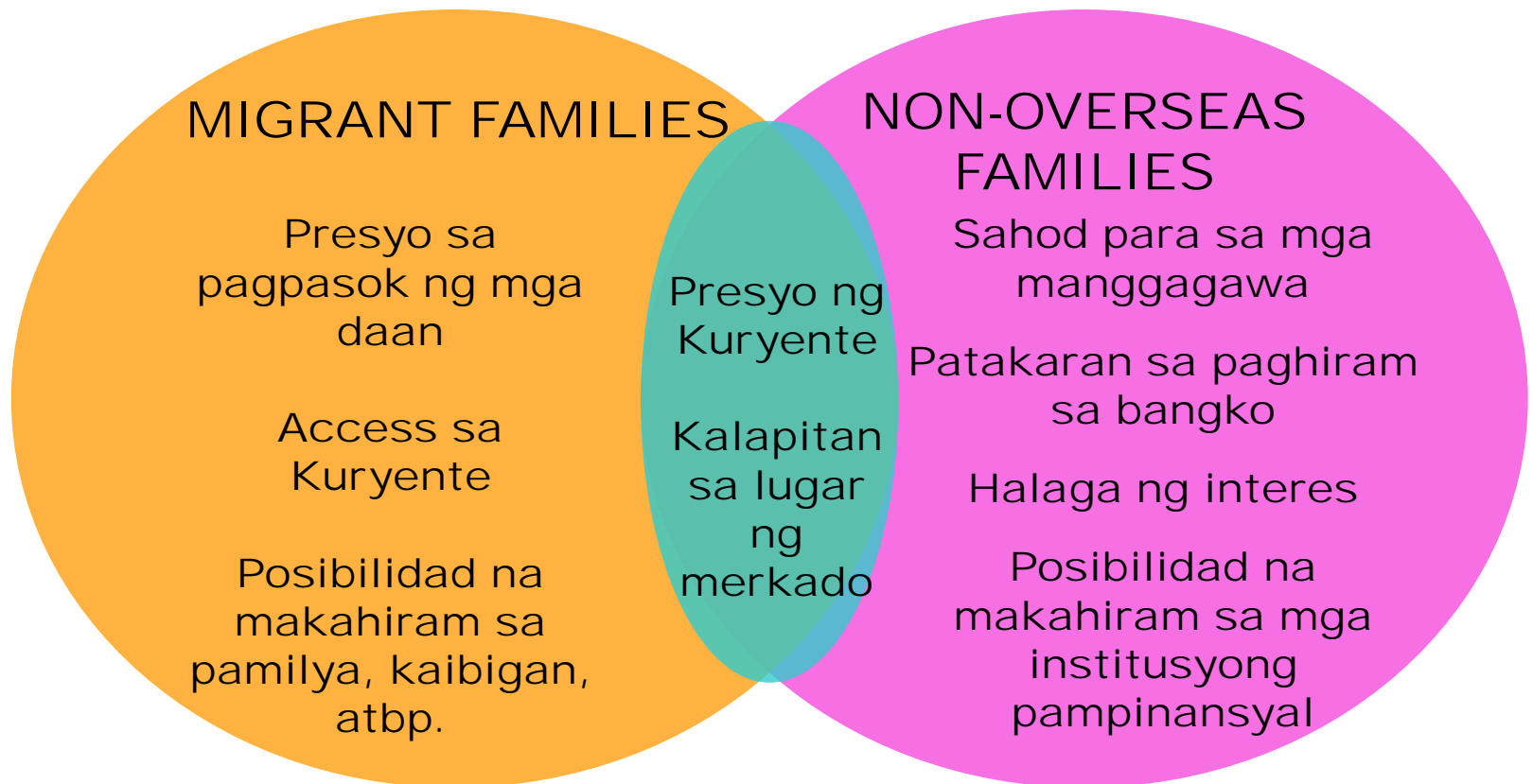
## NON OVERSEAS FAMILIES

1. SARI SARI STORE
2. GARMENT
3. FARMING
4. LIVESTOCK

# Types of business



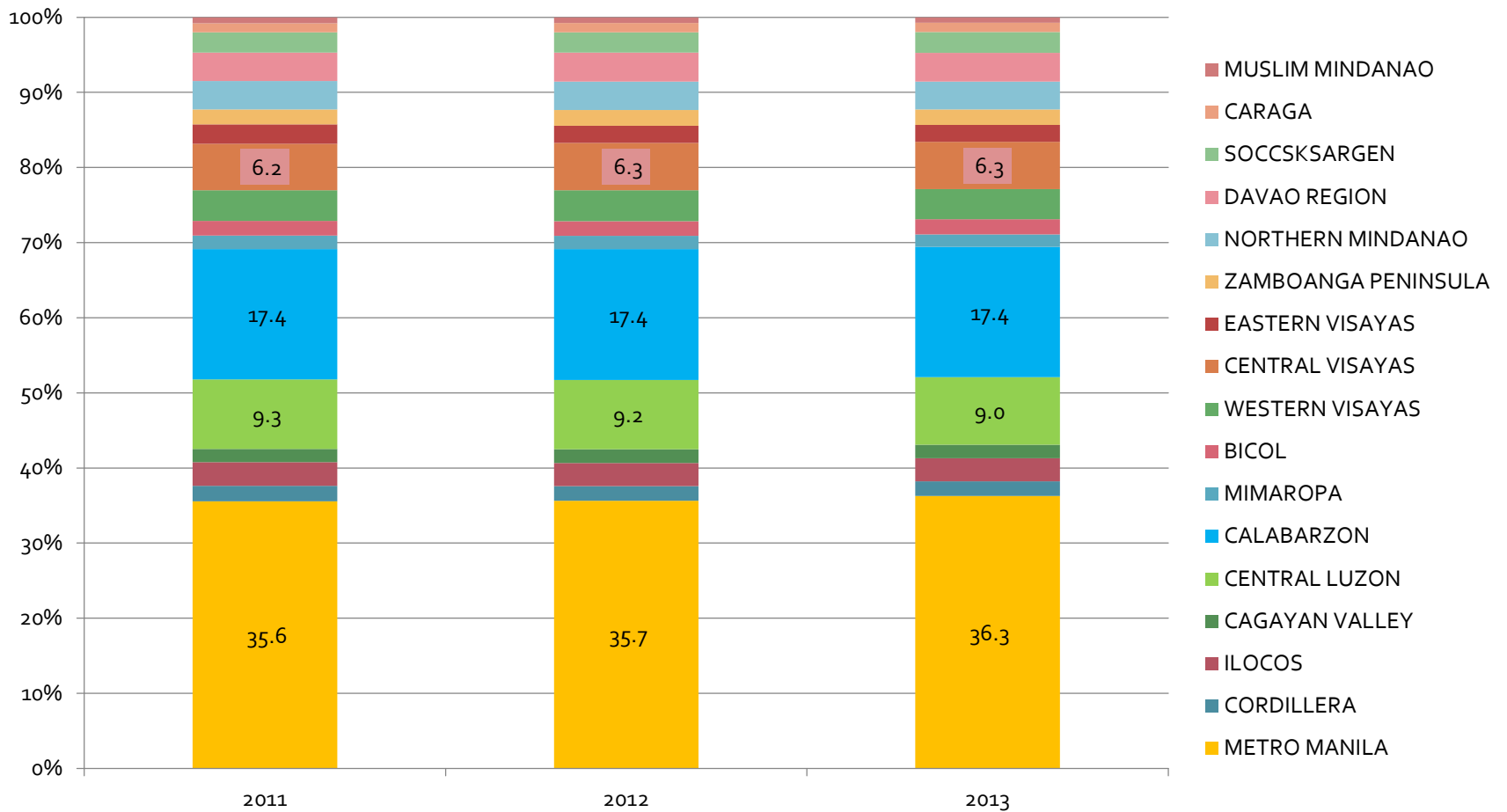
# Problems of investing



# Reasons for non-saving and investing

Not-saving	Not investing	Not doing business
Just enough income	Lack/ No capital	Constraints in business climate
Medical needs	Constraints in investment climate	Lack of experience or skills / No experience in business management
Education expenses	No investment appetite	No interest
Increase in expenses	Age	Age
Rolling over capital to existing enterprises	Lack/No experience	Lack of time due to existing work
Income instability	No one will manage the enterprise	Lack/No capital
	Heavy competition	Fear of risk
		Still thinking on what type of business
		Medical needs
		Just got back overseas
		No one will manage the business

# Regional Share to GDP



# Top Ten Competitive Cities

City	Province	Region
1. Makati		NCR
2. Cagayan de Oro	Misamis Oriental	X
3. Naga	Camarines Sur	V
4. Davao	Davao del Sur	XI
5. Marikina		NCR
6. Iloilo	Iloilo	VI
7. Cebu	Cebu	VII
8. Manila		NCR
9. Valenzuela		NCR
10. Paranaque		NCR

Source: National  
Competitiveness Council



# Implications: in localities

- Local communities should now become economically competitive
  - This is because overseas Filipinos and their families (the former exposed to better systems abroad) may demand for efficiency should they wish to invest their earnings/savings from abroad
  - The investors are the hometowns' own people
- Good local governance matters!

# Implications:

## Financial education

- Interventions to improve Filipinos' financial education may not be enough
  - RICART surveys: low levels of financial literacy barriers to saving/investing/doing business even right in their own neighborhoods
- We need to “force” overseas Filipinos and their families to learn financial education
  - Methods of teaching financial literacy: Mechanical versus emotional?

# Implications: Growth drivers

- Given careful study in localities, remittances should be directed to 'local growth drivers'
  - Agriculture?
  - One town, one product (OTOP)?
  - Tourism?
  - Public infrastructure?
  - Other local economic showcases?

# Key Take Homes

- There is a huge market that needs insurance and social protection
- There is a need to support financial information and literacy to spread to a broader segment of the market
- The base is so huge but largely untapped
- Develop group type of funding

# Policy Recommendations

- LGUs must seriously provide information about their resources and needs to match migrants remittances
  - Current positive national investment climate should be replicated at the local
- National and local policies on financial education must be institutionalized beyond 2 hours of seminar
- Reconsider how local bonds can be developed as a local means of development finance

# Others

- Provided a set of policy recommendations—in layman's terms—to the two municipalities' local officials and migrant families/organizations
- Expand study to other areas (RICART part 2, in Pandi, Bulacan)
  - Survey: Targets OFWs, their families and non-overseas migrants/migrant families
  - Rapid Rural Appraisal: Testing a framework (developed for the National Competitiveness Council) on local economic competitiveness
- Replicating RICART to other migrant-sending countries