

**BALIKBAYAN**

*Diffusion & Development through Remittance in Malinao, Philippines*

In Tagalog, the term *balikbayan* translates as “a return to one’s country,” often denoting both a physical and figurative return to the families and friends that circumstances may have compelled one to leave behind. To the millions of Philippine heritage living outside of their ancestral homeland, the word *balikbayan* evokes nostalgia and longing for childhood friends, home-cooked cuisines and (for a younger generation) the genuine discovery of self and countrymen. However, to the 80 million denizens of the 7,000-island archipelago in the South China sea, *balikbayan* means much more: the *balikbayan box*, for example, is a large carton filled with (predominantly Western) conveniences and luxuries bought as gifts for those back home- at times accompanying ex-patriots on their sojourn, other times mailed from distant lands. As children growing up in Manila, my brothers and I joined our parents in familial exhilaration when packages from America would plop pompously on our doorstep. To the mailmen, the *balikbayan box* from my Californian cousins contained little more than hand-me-down jackets and t-shirts punctuated by fading logos and torn labels. However, to my family, these boxes also contained the enticing emblems of American life; an intoxicating siren call to a mythical land of promise- oft-rendered in movies and television, but only ever experienced when either donning its attire or departing for its shores.

Of the thousands of parcels and packages that make their way back to the urban streets and idyllic pastures of an ex-patriot’s heritage and memory, it is the one that contains the originating country’s currency that is met with greatest fervor. Known commonly as *remittances*, these (usually cash) provisions sent home from ex-patriots, immigrants and Overseer Filipino

Workers (OFWs) have become the driving motor of the Philippine economy, accounting for 10 percent of nominal gross domestic product and 15 percent of total current account receipts in 2004.<sup>1</sup> So potent are these remittances' influence on developing economies that countries such as the Philippines have enacted broad governmental reforms and initiatives to both manage the increasing returns of this growing dependence on labor migration and nurture the exportation of its labor to more lucrative markets in Asia, the Middle East, Europe and North America.

Debates have since erupted between those that view remittance capital as a sustainable salve to a weak economy versus skeptics critical of growing dependence on a fundamentally informal and voluntary source of income – one that separates families and drains the country of its work force. In response, the global economic and monetary management institutions born from the Bretton Woods Agreement of 1944 (the International Bank for Reconstruction and Development and the International Monetary Fund) have begun to weigh in, recognizing that while remittances offer an effective short-term solution, their benefits are no excuse for a nation to absolve itself of structural reforms and the development of viable domestic labor markets.

While parliaments and presidencies continue to argue policies regarding remittances and the exportation of labor, one cannot forget that belying the legislative agenda are families and communities that currently experience both the loss of its citizens to better-wage employment abroad as well as the joy of communal development that comes with targeted remittance. At its core, this paper is a story of that very community (Malinao, Philippines) and a remittance strategy that has maintained a people's social capital by keeping its citizens connected and civically activated through technology regardless of how far they have roamed from home. While analyzing this community's successes, I also explore key strategies employing recent

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<sup>1</sup> Xinhua General News Service, March 16, 2005

advances in mobile text messaging philanthropy. Impressive as the community and organization is in its history and vision, it is an offered hope that new technologies can only augment and strengthen what is already there: a cultural bedrock of civicness ensuring that no matter how far Malinao's citizens disperse, there will always exist a spirit of *balikbayan* driving investment in the community they will forever call home.

## MALINAO AND THE INTERNATIONAL BROTHERHOOD

The town of Malinao lies in the fertile valley of the Aklan province on the Visayan island of Panay. Like many communities in the Philippines, it was founded in the years of Spanish rule (1600 to be exact), 79 years after Magellan landed in Lirnasawa and planted the first Christian cross.<sup>2</sup> A semblance of a formal governing institution dates from 1796 with the first *gobernadorcillo* (chief executive), Don Casimiro Barrera, who was inaugurated by Padre Manuel, a representative of an even greater ruling institution: the Catholic church. Since its inception, the town has developed into a thriving municipality with well over 4,000 households as of the 1995 census.<sup>3</sup>

According to its current mayor, Dominador Ilio, "as a 5th class municipality, Malinao is relatively prosperous. The incidence of poverty is not as pronounced as in other areas of the country where land holdings are concentrated in few individuals. As a consequence of the relatively egalitarian land distribution in the town, education became a route to further rise in the standard of living."<sup>4</sup> However, much like the "backward areas" described by Jane Jacobs in her eponymous work, *Cities and the Wealth of Nations*, lack of employment opportunities and a

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<sup>2</sup> <http://www.albay.com.ph/malinao.albay>

<sup>3</sup> <http://www.census.gov.ph/data/sectordata/prov04.html>

<sup>4</sup> <http://www.malinao-aklan.ph/malinaohistory.html>

robust import-substitution economy (where imported necessities would be otherwise replaced with indigenous products) have led to a consistent migration to urban centers and abroad.<sup>5</sup> Indeed, my own mother's family (which once considered this area home for many generations) has almost entirely abandoned Malinao's pastoral fields in favor of labor markets in Manila, Sydney, Los Angeles and San Francisco- turning instead towards a global network of ex-patriot civic groups to maintain that vital sense of community.

On February 20, 1938, a group of 50 young men who had immigrated to the United States formed the Malinao Brotherhood Improvement Society (MBIS) to consolidate their meager resources and assert the familiar social structures of their hometown in a foreign (at times, hostile) environment.<sup>6</sup> In building a strong social network purposed with providing its members with financial support (including a pre-insurance fund for medical expenses) and a means for re-discovering cultural traditions, these men developed what Deepa Narayan calls a "coping" stratagem whereby civil society becomes the primary service provider in the absence of a functional, friendly and favorable government.<sup>7</sup>

After a brief hiatus when these men were drafted into the U.S. Army during World War II, the MBIS was re-birthed by a new generation of migrant young professionals in the mid-1970s with a Constitution, By-Laws and a well-defined structure of Board Members and Executive Officers. It exists now as a predominantly U.S.-based network of Malinaonons in major American cities, serving as a site for cultural re-discovery for both parents and their U.S.-born children (with its annual fiestas and pageants) as well as a forum for fundraising efforts in (at times, complete) fiduciary support of community development projects in the distant island

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<sup>5</sup> Jacobs, Jane p73

<sup>6</sup> Nadal, Charity, "Official MBIS History"

<sup>7</sup> Narayan, Deepa p14

municipality. According to Charity Nadal, the organization's current President, the MBIS funded the refurbishment of the town Park and Plaza, the rebuilding of the local Parish church and is currently considering the development of a senior community center and a computer lab for the local high school- all while continuing to provide academic scholarships and hospice/bereavement support to the Malinaonon community.

What is most impressive about the MBIS is how it has completely adopted electronic communication technology as a way of a) strengthening its network architecture, b) reducing the transaction costs of interconnecting a global diaspora (both email and mobile phones are arguably cheaper and more efficient than the postal service or traditional long distance wires, and in lieu of costly airfares, websites can facilitate visual updates and augment accountability) and c) decentralizing intelligence (thereby making information transparent and universally accessible). The MBIS uses a yahoo group and extensive email network to augment a number of websites devoted to both Malinao and the efforts of its international constituencies. As a part of the oft-proclaimed "text message capital of the world," Malinaonon Filipinos are remarkably adept at mobile-based short-message-service (SMS) communications; while Internet usage is still mostly underdeveloped in Malinao, the full adoption of mobile telephony by the entire community ("everyone is mobile, from the mayor to the maid," as my mother tells me) allows families on either side of the Pacific to maintain contact.

The MBIS is a perfect example of Narayan's doctrine of cross-cutting ties.<sup>8</sup> Bonds are developed between homophilous ex-patriots within a given city who likely share socio-economic similarities and migrant histories; fiestas and other traditions reminiscent of their heritage serve as bonding rituals within the network, becoming increasingly dense as new generations are

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<sup>8</sup> Narayan, first chapter

included. Through digital modes of communication (email, list-serves and websites), bridges are formed not only with similar civic groups within the U.S., but most importantly with key heterophilous contacts in Malinao; through the use of technology, the MBIS ultimately builds a global community of discourse – a forum for building Malinao both physically and rhetorically through the preservation of culture and knowledge. Furthermore, horizontal, egalitarian ties between interconnected groups are infused with the established vertical system of Malinao's aforementioned local government, providing MBIS' efforts with a higher likelihood of sustainable institutional support.

As an interdependent network within the Filipino diaspora, the MBIS embodies many conditions of a strong and sustainable network. Its network topography is comprised of 25 community groups in the U.S. and a variety of families and individuals throughout Asia and Europe which are then linked to key community leaders and organizations in Malinao. From the migratory patterns of the Depression Era to the professional-class of the 1970s to today's digital generation, the network has continuously demonstrated its versatility and flexibility in its evolution across changing leaderships and the malleability of its function (from civic service provider to cultural entity, fundraiser to political action group).

In organizing fundraising efforts and institutionalizing the delivery of fiduciary support, the MBIS, in many ways, exemplifies an evolution of remittance-based development. Transforming what is traditionally an individualized practice affecting one person's family, the MBIS distributes the benefit of foreign capital donations across the entire community by investing in public commons such as parks, schools and meeting spaces. According to a recent

municipal study, remittances constitute a major portion of Malinao's income, with more than two-thirds (2/3) of households reporting family members working abroad.<sup>9</sup>

REMITTANCE : SALVATION OR STAGNANCE?
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Hundreds of years of colonial rule under Spain, eventual adoption by the Americans, an invasion of the Japanese, merchant trade with the Chinese, Muslim religious influence and inter-migrations between the archipelagos of South East Asia rendered the Philippines politically and economically interconnected with the markets and evolving statehoods of entities far beyond its coastlines long before the term “globalization” became the guiding principle of contemporary political economies. Given its long standing status as a nexus of Eastern and Western culture and political interest in the Asian region, it comes as little surprise that the Philippines should eventually become not only the largest Catholic country in Asia and the third-largest English-speaking country globally, but also the largest exporter of human capital in the world.<sup>10</sup>

With its English-language proficiency and proven cultural adaptability, the Philippines has become a supply region for the world's health practitioners, engineers, seafarers, domestic helpers and other types of contract work. Beginning in 1974, the Philippine government initiated an “Overseas Employment Program” which placed workers in stronger labor markets abroad. At the time, foreign labor emigration was justified as one way the state could alleviate rising unemployment and attract scarce foreign exchange capital. While direct government oversight segued into private recruitment enterprises, both private and public sectors are now pushing for the increased recruitment of professionals into the over-seas labor market, making the OFW an increasingly viable investment and commodity.

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<sup>9</sup> <http://www.malinao-aklan.ph/malinaohistory.html>

<sup>10</sup> Stella, Go p. 1

Mr. Rene Buenaventura, Chief Executive of Equitable PCI Bank (one of the largest bank systems in the Philippines), says, “[Recruiting professionals] is one thing we should continue to push here in the country so we can be assured that we will always have a niche so far as the continuing demand for foreign workers will persist.”<sup>11</sup> Indeed, while there are palpable transformation costs to developing, say, a labor resource in the information-technology field (an area that the country is aggressively pursuing) and transforming this into a profitable exportation market, securing these niches has become increasingly important, given rising competition from labor-export markets in China and India.

According to labor statistics, the number of Filipinos on officially processed work contracts rose from 36, 035 in 1975 to 891, 908 in 2001.<sup>12</sup> This does not, however, account for ex-patriot diasporas who may have adopted residencies permanently abroad, but maintain strong ties with ancestral communities (such as the members of the MBIS) and remit foreign currencies alongside their guest-worker brethren. With a projected 6 percent annual increase in annual labor deployment, there is little wonder that in January 2005, remittances were reported to have grown by 15.9 percent to US\$723 million; the Philippine central bank projects overall remittance income to reach US\$9 billion by the end of the year.<sup>13</sup> This income accounts for 10 percent of the nation’s GDP and 19 percent of the country’s total current account receipts.

What makes remittances practices and policies so contentious is not how much is remitted or that monies are sent back to families at all, but concerns how this income is utilized by the recipients. It is clear that when a migrant’s economic well-being improves, more money is sent home; in turn, according to Dean Yang of the University of Michigan, “the recipient

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<sup>11</sup> Rubio, Ruby. p1

<sup>12</sup> Yang, Dean. p2

<sup>13</sup> Xinhua, p1

households use these resources to make crucial investments for the future, leading to increased child schooling, reduced child labor, and greater entrepreneurial activity in migrants' source households."<sup>14</sup> With regards to the oft-disdained social affects of mass-labor migration, a remittance's ability to alleviate strains on public service by providing resources that an under-resourced community or family cannot are clear positive externalities off-setting the negative externalities of children being divided from their parents or reports of abuse by OFWs in their host countries. Transactions costs in the issue of labor exportation and remittance-based development are indeed a function of questionable economic prospect and grave social sacrifice.

Therefore, critics at the World Bank and International Monetary Fund (IMF) caution that while these funds do provide for a family's subsistence (education, health care, housing and overall welfare), there is a danger that increased dependence could provide a "moral hazard," in that recipients have less incentive to look for work, and governments feel absolved from enacting structural reforms within their domestic economies that could lead to positive labor growth (thereby diminishing the need for oversea contractual work in the first place). In a controversial paper published by the IMF, researchers have found that because remittances are generally spent rather than invested, they do not add to an economy's stock or embrace its productivity. According to Ralph Chami and Samir Jahjah, "Remittances, at least currently, do not appear to be a significant source of capital for economic development." Furthermore, the IMF paper likens the impact of remittances to welfare payments in Western Europe as both are "non-market transfers" that distort labor and investment markets.<sup>15</sup>

Remittances, as a whole, are based on voluntary contributions that are predominantly sent through informal channels. Instances such as the MBIS (where funds are targeted at communities

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<sup>14</sup> Yang, Dean p.1

<sup>15</sup> Chami, Ralph p.4

as well as single households) are rare, and according to Stella Go, a professor at De La Salle University and head of the Philippine Migration Research Network, remittance benefits trickle down to the poor at best, though often times only affect the middle and upper classes.<sup>16</sup> Data from Family Income and Expenditures Surveys (FIES) reveal that certain classes have gained disproportionately from labor migration. Typically, these are urban families from the richer regions of the country who also report having higher incomes.

In response, Philippine President Gloria Macapagal-Arroyo has enacted several reforms that protect and promote OFWs while keeping focus on domestic reform. According to Go, the current Arroyo government “now explicitly recognizes overseas employment as a “legitimate option for the country’s work force. As such, government shall fully respect labor mobility, including the preference for overseas employment.”<sup>17</sup> Specific to Philippine law:

“The State shall promote full employment for its citizens. In the pursuit of this policy, the State shall continuously create local employment opportunities and promote the equitable distribution of wealth and benefits of development. Consistent with the national development objectives, the State shall manage overseas employment programs with utmost regard to the welfare of Filipino migrant workers.”

The Migrant Workers and Overseas Filipinos Act of 1995 (Amendment)<sup>18</sup>

What is most important in this amendment is the emphasis on the creation of local employment opportunities *as well as* the promotion of labor-exportation. While recognizing the increasingly important role of remittances in shoring up the economy, the government remains committed to improving the state’s dire economic circumstances and creating a balanced fiscal dependence between the local and the global.

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<sup>16</sup> Go, Stella.p.6

<sup>17</sup> Go, Stella p.12

<sup>18</sup> Go, Stella p.15

While the Philippine government continues to negotiate bi-lateral labor contracts with countries throughout the world, within the financial services community, facilitating remittance flows is increasingly viewed as an opportunity to modernize economic functions and services. Money transfers and banking systems are re-structured to attract remittance capital into the formal sector, assuaging customers' concerns that envelopes stuffed with cash will be pilfered during the postal process. According to Buenaventura, "for banks, going after informal remittances should be a win-win proposition. Remittances are a volume business with relatively high fixed costs. Even at lower prices, shifting a larger proportion into the formal sector means a positive free revenues opportunity."<sup>19</sup> Referring to banking as "economic enfranchisement," Buenaventura envisions a prepaid debit card system where remittances can be withdrawn like modern checking accounts. After all, non-cash payments are viewed as less vulnerable to criminal activity and are far more economically efficient. Furthermore, banks can act as third-party enforcers with tangible fiscal authority over cash balances, transfer verity and eventually, credit and loans. In accordance with Everett Roger's rules for innovation diffusion, the current strategy calls for embedding the formal financial sector into the existing culture of largely informal remittance practice by allowing would-be adopters to consider and observe the relative advantages, compatibility, complexity and triability of innovations such as debit cards and remittance accounts.

REMI-TEXT: REMITTANCES AND MOBILE MESSAGING
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With up to 160 million mobile messages sent from the country per day, it would be hard to dispute the long-standing claim that the Philippines *is* the text messaging capital of the world.

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<sup>19</sup> Rubio, Ruby p.3

According to K. Oanh Ha of the Mercury News Journal, “unlike in the United States, where text messaging is popular mostly with teens and young adults, sending and receiving messages via cell phone has become tightly integrated into the daily life of many Filipinos. It has become a vital tool for daily communication, commerce and government, as well as a formidable political weapon.”<sup>20</sup> Indeed, as described by Howard Rheingold in *Smart Mobs*, over 1 million residents of Manila, the capital city, successfully ousted the notoriously corrupt President Joseph Estrada through protest efforts organized almost entirely through text messaging broadcasted through mobile-tree networks.<sup>21</sup>

Text-messaging is so deeply embedded within the communications practices of Filipinos that rebels who often resort to kidnapping for income send ransom notes via SMS. In response to the SMS-mediated demonstrations that brought her to power President Arroyo now offers a form of digital-democracy: a direct text cell number to her administration and many governmental agencies. Police stations rely on citizens to report crimes via mobile messaging and soon these tools will become payment devices by allowing customers to pay for retail items with pre-paid minutes. Ha notes the cultural compatibility of the device to the Filipino’s aversion to direct confrontation (even during hostile circumstances such as kidnapping and ransom); furthermore, text messaging is an immediate (and now culturally accepted) way of keeping close ties with family and friends – nothing, after all, is too trivial to prompt a message, the bulk of which is comprised of short salutations, sincere apologies and forwarded jokes.

In a country where computer and Internet penetration stays low and the costs of laying landlines remain prohibitive for many island communities, the comparative advantages of mobile

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<sup>20</sup> Ha, K. Oanh, p.1

<sup>21</sup> Rheingold, Howard, p157-8

telephony as the convergence of the benefits of both computational technology and digital-communication is clear. As in many developing countries, cell phones are a leapfrog technology, allowing users to bypass the aforementioned technologies to remain technologically advanced. Text messages are incredibly cheap, as is the installation of the mobile-phone infrastructure that provides it. Though low-cost, telecommunications remains one of the most profitable industries in the Philippines, growing by 17 percent in a recent year that saw stagnation or single-digit growth from other sectors.<sup>22</sup>

Knowing the growth of this technology in my home country, I was pleasantly surprised that in the recent months, the world of telecommunications and remittance development converged when Smart Co. (one of the country's largest mobile service providers) launched a text-messaging remittance service. Since its unveiling, workers in the United States have taken advantage of the heavily reduced-fee transaction costs by sending up to \$1000 per text message to recipients at home who then access the monies through their Smart Money electronic wallet accounts embedded in their Smart mobile account.<sup>23</sup>

With regards to the MBIS and Malinao's community development, my natural recommendation would be the adoption of this new remittance-via-text technology in addition to their current use of electronic communications and money transfers. Given the low distribution of Internet technology and the aforementioned dominance of mobile telephony in towns as seemingly provincial as Malinao, it makes sense for global community groups such as MBIS to utilize existing networks with little transaction costs. While overall, the United States has been slow in its own adoption of text-messaging, within the Filipino-American community, it is a

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<sup>22</sup> Ha, K. Oanh

<sup>23</sup> [www.smart.com.ph](http://www.smart.com.ph)

thriving practice (if only because it truly is the only way to communicate efficiently with our loved ones in the Philippines). Adding the capacity to donate in an established system that would require the MBIS' existing partners in Malinao to use an existing Smart Mobile account would be very feasible given Smart Co.'s near monopoly as service provider in that region. And in accordance with Roger's criteria for innovation adoption, mobile-mediated philanthropy is indeed compatible and overwhelmingly cost-effective to implement.

## CONCLUSION

Remittances provide a fascinating case-study for network analysis in that the creation of a labor market for exportation, the social ties that are both severed and re-created along with the formal institutions that nurture and criticize its deployment employ an evident myriad of informal and formal ties and structures that are indeed dense and complex. As new banking, communications and fund-transfer technologies are adopted, the amazing potential for remittances to salvage an ailing economy will become increasingly integrated from the informal (the enduring practice of sending *balikbayan boxes* notwithstanding) to more transparent and efficient formal financial institutions in compliance with growing government oversight.

From a personal family history of consistence remittance, I can honestly say that I have personally seen the dire needs and potential for misuse that these funds represent. While the IMF may argue (with great validity) that there exists a moral hazard impeding recipients from reciprocating in part the hard work and toil that remittance funds require by developing their local capacity to subsist *without* the foreign currency in the first place, there would exist a greater moral hazard if better-off families disregard their ancestral homes in the first place. Remittances, after all, are not merely charitable exportations of funds and luxuries; they are fundamentally

investments in families and communities that must remain interconnected despite stretches of land and sea should the culture, heritage, language and knowledge of that community ever hope to survive.

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