



Graduate School of Development Studies

**Remittances from the Netherlands:  
A case of local economic development in the Tammenga  
District in Suriname**

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***Chanel Vanessa Nahar***  
(Suriname)

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Members of the examining committee:

Prof. Erhard Berner[Supervisor]  
Dr Susan Newman[Reader]

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***Inquiries:***

Postal address:           Institute of Social Studies  
                                  P.O. Box 29776  
                                  2502 LT The Hague  
                                  The Netherlands

Location:                 Kortenaerkade 12  
                                  2518 AX The Hague  
                                  The Netherlands

Telephone:               +31 70 426 0460

Fax:                       +31 70 426 0799

## **Dedication**

I dedicate this research paper to my grandmother Joke Schmeltz-Sweeb who believed in me every step of the way. This paper would not be possible without your prayers and positive energy.

## Acknowledgements

My own interest in conducting research on remittances' contribution to Local Economic Development has been part fascination and part frustration. Being an economist I was fascinated by the vast inflows of (especially) cash remittances originating from the Netherlands. At the same time frustrated by the ignorance to measure their contributions on the household level let alone on the level of the local economy.

I can say that no research has been conducted on the significance of remittances with exclusive focus on Local Economic Development yet. For this reason I have chosen this address this fairly new topic area.

Thanks to my supervisor Prof Erhard Berner whose expertise on the subject was invaluable, and for providing me a supportive atmosphere in writing the thesis.

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## List of Acronyms

ABS	General Bureau of Statistics
AOV	System of old-age pensions
CBvS	Central Bank of Suriname
CBS	Dutch Bureau of Statistics
EURO	Currency of Eurozone
KKF	Surinamese Chamber of Commerce
LED	Local Economic Development
Min RO	Ministry of Regional Development
MTO	Money Transfer Operator
SRD	Surinamese Dollar
SZF	Public health care system
USD	United States Dollars



## **Abstract**

This paper explores the dynamics of remittances originating from the Netherlands into the local economy of the Tammenga District in Suriname.

On the national level, these remittances flows amounted up to more than USD 150 million dollars in 2009, in relation to a population of nearly half a million. Compared to other capital flows in the economy this seems significant in terms of their magnitude. Moreover, remittances from the Netherlands have proven to constitute for more than 80 percent of Suriname's total remittances. While previous research demonstrated that 47 percent of Surinamese households receive remittances. Against this background, it is to be expected that remittances are likely to have significant effects on households.

This paper therefore looks at three dimensions of remittances; well-being of households, determinants of local economic development and dynamics of the sender's perspective. The research employed the local economy of the district as a unit of analysis. Its assessment was built on an asset-vulnerability framework through which I have been able to trace the impact of received remittances on variables of human capital. In addition it explored the contribution on household's asset status such as housing. Finally the instrument was used to trace the effects of remittances' channels on enterprise creation.

The research established that the private money flows to households in the study area are a critical channel of purchasing power and investment in human capital. Based on the fieldwork conducted in both Suriname and the Netherlands this research suggests that contrary to the contribution of remittances to household's disposable income, its contribution to Local Economic Development (LED) is found insignificant. This indicates that remittances to the Tammenga District may not be intended to trigger determinants of LED. The specific findings have revealed a rather similar trend. Allocating money transfers for investment purposes is likely to be limited. In all these money flows from the Netherlands, remitters employ a variety of channels in sending remittances, both formal and informal. In turn the motives are considered to have a more altruistic than self-interest base.

## **Relevance to Development Studies**

Migration and remittances have received increased attention in development research. Migration is in fact a pre-condition to remittances and a response to moving away from poverty in the home country. Evidence shows that migrant remittances alleviate the persistence of poverty on the household level in their countries of origin. By entering the foreign labour market in the host country, migrants are able to increase the income-earning capacity and consequently send money home.

Apart from official development assistance, foreign direct investment and other capital flows, international remittances are an important source of

external finance for developing countries. A great number of researchers have addressed and analyzed their role in development. In most of the literature the macroeconomic impact is addressed. Nonetheless, contemporary studies make efforts to measure and leverage the microeconomic contributions of remittances. Yet a few exclusively focus on the determinants of remittances that have the propensity to influence poverty reduction, not just on the financial level but also within local communities at the household level.

## **Keywords**

Remittances/Households/ Consumption smoothing/Productive investments/  
Entrepreneurship/ Human capital/ Vulnerability/Formal and informal  
channels

# Chapter 1

## Introduction

In this research paper the use of remittances in the Tammenga District (hereafter the study area) in Suriname will be investigated in two dimensions namely household's well-being and the financing of entrepreneurship. Remittances channels will address how monetary flows are spent whereas indicators for consumption, investment and savings will attempt to explain its utilization. The second dimension of remittances will examine the capabilities as well as the vulnerabilities of sample senders in four cities of the Netherlands which the highest concentration of Surinamese Diaspora.

### 1.1 Background

Suriname is bordered by Guyana to the West, French-Guyana to the east, Brazil to the south and the Atlantic to the north. Currently the country's population is estimated 500.000 and emigration has been significant in recent decades, especially to the Netherlands. Given the large population of Surinamese Diasporas- an estimated 345.000- in the Netherlands for that matter, a rich setting to explore remittances is provided.

Migration to the Netherlands originally commenced by the colonial elites in their endeavour for higher education. In the periods thereafter this pattern changed and evolved by others in search for improvement in their quality of life (Unger and Siegel, 2006:29).

The explanation for Suriname's monetary flows becomes obvious when one examines the economic conditions in the country starting from its independence in 1975. Household's conditions were relatively poor to those of the Netherlands as the sender-country. As the monetary situation worsened in the mid 1980's, monetary remittances to Suriname started to play an important role in households as consumption smoothing especially after the Dutch aid was frozen. Another important factor that emerged this phenomenon is considered the exodus that started shortly before the (political) independence and went on the years thereafter. The announcement of an incoming government led by a Creole majority created uncertainty in particular for non-Creoles. Resultantly, around 40.000 persons fled the country<sup>1</sup>. Migration motives in the 90s were spurred by high inflation<sup>2</sup> and the effects of the Structural Adjustment Program (SAP). Remittances insured against these income shocks and raised household's consumption. The introduction of an exchange rate that was in accordance with the market, put prices of basic

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<sup>1</sup> By then accounted for about 11 percent of the total population

<sup>2</sup> Inflation reached about 400 percent (see also <http://www.cbvs.sr>)

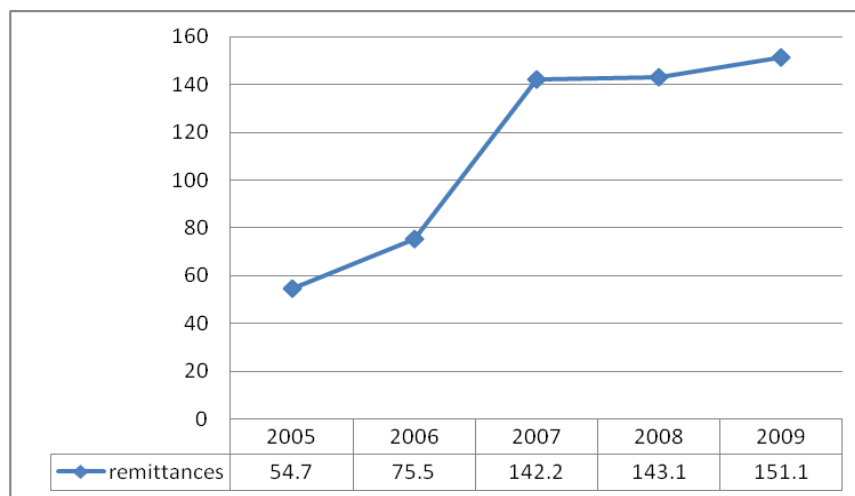
goods under pressure as the Surinamese economy can be labelled an import economy. Furthermore, measures from the SAP concerning government finances did not allow the government as largest employer to increase wages<sup>1</sup>. This was without doubt the overall surge of remittances, in particular from the Netherlands. They served as a shock absorber to ease the negative effects of the 1992 SAP and were primarily destined for consumption.

Migration flows are determined by a variety of factors. As such individuals make different decisions given their circumstances, but for Suriname migrating patterns were inherently determined by internal push-factors.

Traditionally remittances to Suriname have been channelled to the receiver via formal channels, namely the commercial banks. After the economy deteriorated in the early 80's a shift took place from formal to informal remittances channels. The formal structure had many barriers, namely high cost charged by banks who by then were the only formal agents in the Netherlands for wiring money. Therefore many informal ways came into existence. Currently remittances are transferred by both formal and informal means.

Figure 1.1 shows remittances flows from the Netherlands during the analysis period.

**Figure 1.1**  
**Remittances flows from Netherlands**



Source: CBvS

These numbers underline remittances as an important tool to foster economic development. Additionally, empirical evidence from Nijman's study (2008:47) points that remittances' share of GDP between 2000 and 2006, varies around 5 to 7 percent<sup>2</sup>.

## 1.2 Statement of the problem

Literature review revealed that not much has been done by the Surinamese government nor local researchers to assess the impact on households' asset status and furthermore local economic development through remittances flows from the Netherlands. Empirically-based studies are limited to the macro-

economic impacts of remittances flows on the Surinamese economy. I would like to go beyond this scope and fill this gap by introducing an asset-vulnerability framework enables enhanced understanding of how remittances react on the household level. In concrete terms the proposed framework will (1) outline the types of vulnerabilities related to livelihood strategies and (2) illustrate the changes in households' asset status as a result of remittances flows. This will be done in support of the overall objective that is to investigate to what extent remittances serves as an engine for Local Economic Development (LED).

The empirical evidence of the research is gathered from semi-structured interviews on two levels namely the recipients in Suriname and senders in the Netherlands. The interviews in the Tammenga district can be considered critical in understanding the matter at hand.

Tammenga is an urban district in the capital of Suriname. According to a 2006 census by the ABS its population is 14.313, divided in seven sub-districts. The area which holds 3.049 households can be characterized as working-class (see also appendix C for census profile of the district).

### 1.3 Objectives and research questions

The core objective of this research is to look at the contribution of remittances of receiving-households in terms of their well-being and the elements of LED based on the asset-vulnerability framework. Complementary objectives of this study attempt to disclose the transmission channels of remittances given the dynamics of the Netherlands-Suriname relationship. The sender's perspective will examine the various motives behind the remittances flows. Through a qualitative analysis, I seek to show that remittances play a more productive role in establishing Local economic development than is generally thought.

The main research question this paper strives to unfold is:

**How do trends in remittances- originated from the Netherlands- affect the well-being of recipient's families and the local economic development in the Tammenga District of Suriname?** A set of three sub-questions arose in support of the main question:

- 1) What is the role of remittances in livelihoods (well-being) of recipient-households?
- 2) Which determinant(s) of local economic development are triggered by received remittances?
- 3) What are the dynamics of these remittances in terms of the sender's perspective?

### 1.4 Research methods and limitations

The outcome of the study is primarily based on qualitative data. Nonetheless elements of quantitative data collection have been employed in

order to better understand trends in remittance flows. As such a combination of primary and secondary sources was engaged in collecting the requisite data.

Primary sources took the form of semi-structured interviews targeting remittance-receiving households in the study area. This type of interview was necessary to capture interesting and unexpected data on how recipient-households allocate remittances apart from the predefined channels. Additionally interviews were conducted amongst senders as key informants regarding the start of the remittance life cycle.

Instead of focusing on receiving-households living below the poverty line this study addresses the vulnerability through an asset-vulnerability framework of households in the locale. The reason being is that its dynamics better capture change processes concerning receiving-households asset status. These change processes are likely to disclose people's vulnerability. In exploring household's vulnerability the connection with asset ownership is equally important as it reflects how households respond to both opportunities that emerge and the negative effects of a changing environment. In this respect analyzing the local economy of the research area, means an asset-vulnerability framework which involves human assets, physical assets and social capital. The indicators therefore are 1) increased consumption, 2) improved housing, 3) acquiring assets and 4) enterprise creation as a result of remittances inflows.

A second reason to refrain from conducting research amongst low income groups lies in the fact that the outcome of remittance allocation would generally lead to outcomes of 'survival' consumption.

The field research as part of the primary data collection was undertaken in Suriname in July 2011 amongst 31 respondents. The sample which had a snowball sampling basis, was generated amongst the seven localities that constitute the study area namely Bams, Cupido, Doekhie, Kalpoe, Mattonshoop, Ramdjan and Tammenga. The sample size was respectively 5,5,7,2, 3, 2 and 7. It comprises 27 households and 4 local entrepreneurs. Table 1.1 lists the entrepreneurs interviewed.

**Table 1.1**  
**Interviewed entrepreneurs and branch of industry**

<b>Respondent</b>	<b>Branch of industry</b>
Manager	Care hostel
Car mechanic	Car mechanic
Manager	Furniture and sandblasting business
Manager	Lawnmower business

*Source: own creation*

Given that the sub-districts have a rather homogeneous population, the element of dispersion was employed to achieve a broad coverage. Given time constraints, the interviews were required to employ useful methods to quickly reach the targeted sample. They benefitted generally from purposive sampling<sup>3</sup> yet more specifically snowball sampling.

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<sup>3</sup> Purposive sampling draws on the domain of non-probability sampling. Snowball sampling is part of non-random sampling and is based on selection of elements with

Another set of interviews took place in the Netherlands where Surinamese are a migrant group known to be well integrated in the Dutch society (Unger and Siegel: *ibid*). The geographical selection of the interviewees was made on the basis of the CBS database which provided an indication of the highest concentration of Surinamese residents<sup>3</sup>. In Amsterdam, Rotterdam, The Hague and Almere the sample of interviewees was respectively 4, 3, 2 and 1.

Interviewees in both Suriname and the Netherlands were provided a formal introduction by means of the aim of the research, prior to the interview. The justification for solely oral consent lies in the fact that written consent was considered to create suspicion on the purpose of the intentions of the research. Oral consent was obtained from all interviewees however one entrepreneur specifically asked to conceal the true identity. In a pre-interview the entrepreneur disclosed to fear possible consequences as the entrepreneurial activities are conflicting with received social benefits from the Netherlands. The identity and profile of this interviewee are therefore fictitious.

The semi-structured interviews, which lasted on average 40 minutes, also enabled me to build on the interviewee's responses yet still trying to direct the conversation to the list in instances of deviation. Fortunately the interviewees invited me at least to their balconies so that I could obtain a better impression of the conditions with regard to the housing and assets base. Besides, none of the interviewees were awarded monetary compensations for their participation.

As the research is primarily qualitative, interviews aim to provide a thick, rich description and have been conducted until the point of saturation<sup>4</sup>. The objective therefore is not to seek representativeness. In order to guarantee representativeness, basically the strategy of 'handpicking' was employed among a limited number of respondents. Important in this respect is a well-defined population profile. The profile of the interviewed households comprised of the following variables:

- low and middle-income classes
- remittances-receiving

Some interviews were conducted with travellers on board the aircraft (on a Amsterdam-Paramaribo stretch) in order to capture the formal and informal processes of remittances flows. In the same way, crewmembers were interviewed. This was done to receive additional valuable input to the research on complex issues of informal flows. Although these interviews were outside the formal sphere they have contributed to my background knowledge.

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the use of referrals. This was particularly necessary given the aforementioned time constraints (O'Leary, 2010:170).

<sup>4</sup> Credibility in qualitative research can be achieved through the technique of saturation which implies that one finishes data collection at the point that 'additional data no longer adds richness to understanding or aids in building theories'(*ibid*:114).

In light of this, the research acknowledges three limitations.

- 1) Temporal limit: the transfer mechanisms of remittances into the local economy are investigated going back five years. Although it would be optimal to extend the analysis period, at this point I believe that it would be very unlikely that respondents as key informants are able to make reflections for longer periods of time. The scope therefore is 2005-2009.
- 2) Geographical limit: The Tammenga district has been selected because of its heterogeneity in terms of income-classes and ethnicity<sup>5</sup>. As the area can predominantly be categorized as working class (see also appendix C) the allocation of remittances is not likely to lead to outcomes of 'survival consumption'. Geographical limitations in the Netherlands were influenced by data on the largest population of Surinamese Diaspora.
- 3) Conceptual limit: the focus of this study analyses the extent to which private money flows between persons bring about local economic development in the study area. Exploring macro-economic effects of Suriname's remittances is therefore not the aim.

Several challenges were encountered in conducted interviews on both sides of the remittances cycle. Receiving-households were reluctant to release information in particular about cash remittances. In recent times the country has experienced an upswing of crime which could be seen as an immediate cause of some households unwillingly to respond<sup>6</sup>. Even with identification of the researcher, releasing information about personal finances has been received with some reservations. On the contrary information regarding in-kind remittances was provided without any hesitation. In the same period, the government through the Ministry of Social Affairs was conducting an assessment of social security cards to find out whether people still meet the conditions to be provided health care<sup>7</sup>. The question about the type of health care<sup>4</sup> as part of the asset-vulnerability was responded with similar reservation. Another challenge was encountered with regard to the magnitude of money transfers via the MTO's and Banks in Paramaribo. Information on disaggregated money flows could not be released from the Central Bank of Suriname to assess the preference for commercial banks opposed to MTO's as

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<sup>5</sup> Almost all ethnic groups are prevalent in the study area. Broadly speaking, the Surinamese society divides in seven different ethnic groups: Hindustani, Creole, Javanese, Maroon, Amerindian, Chinese and those categorized as *others*.

<sup>6</sup> One local newspaper reports 138 cases of armed robbery and related crimes on citizens and store-owners within a timeframe of 5 months predominantly in the capital of the country. See also <http://www.dwtonline.com/website/archief> (accessed 27/8/2011)

<sup>7</sup> The Ministry of Social Affairs provides a safety net for the poor and near-poor which include almost completely free access to an extensive package of health services for about 42 percent of the population.



means to transfer funds by migrants from the Netherlands. This is felt as an important point since during the analysis period one MTO transitioned to a commercial bank. The analysis made regarding trends of flows through banking or money operators would therefore be incomplete and imprecise. A major challenge in the measurement of well-being of recipient-households was to operationalize the term itself. This is particularly the case because it easily directs towards financial means.

### **Reliability**

In the process of gathering data, multiple methodological methods were employed. The main reason was to strengthen the objectivity and reliability of the data generated. Another reason for such is to minimize the chance of biased information. Through the face-to-face interviews<sup>8</sup> -on both sides of the remittances cycle-, I was able to capture the real opinions from the interviewees. However I am aware that the research amongst the sample population restricts my ability to make generalizations for the Tammenga district as a whole. In addition, the number of Netherlands' respondent households in the population is relatively small while the households in the population under study in Suriname may not have been uniformly selected. This can be seen as a sampling error. The sensitivity of the data on cash remittances may have resulted in underreporting as a non-sampling error.

Map 1.1 positions the district as part of the capital.

**Map 1.1**  
**Map of Tammenga District**



Source: ABS

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<sup>8</sup> The guide to the questionnaires can be found in the appendices A and B

## **1.5 Summary**

The main objection of this chapter is to introduce the research object and indicate the evolution of Suriname's remittances. Furthermore, the chapter provided the delimitations of the research as well as the methodological considerations how the research was conducted. This is critical to understand the focus of the literature review as outlined in chapter 2.

## Chapter 2

### Theoretical framework

This chapter concentrates on the definitional uses of both remittances and LED to provide a starting point for analyzing remittances in the study area. The chapter further surveys the key debates that set out the contributions of remittances to LED. This will in fact serve as a pre-condition to describe the local economy of the study area.

#### 2.1 Theoretical views of remittances

On the basis of experiences in the English speaking Caribbean, remittances are defined as ‘transfers made from earnings and/or accumulated stocks of wealth by individuals who are residents in a foreign country -on a temporary or permanent basis-to their countries of origin for dependent support, investment or any other purpose’ (Kirton,2005:262). Another definition can be found through the words of Goldring (2003:12) that is, ‘remittances represent transnational versions of flows and exchanges of money and goods that are intimately bound up with and regulated by conceptions of and responsibilities associated with being a mother, father, son, daughter, sister, brother, aunt, uncle, godparent etc with claims to varying forms of membership in specific communities, including the locality, transnational community and nation A more elaborated explanation of remittances is grounded in the ‘Remittances Guide for Compilers’ International Monetary Fund (2009:12)

“Remittances represent household income from foreign economies arising mainly from the temporary or permanent movement of people to those economies. Remittances include cash and noncash items that flow through formal channels, such as electronic wire, or through informal channels such as money or goods carried across borders...”

Remittances can be distinguished in four types: potential, discretionary, fixed and saved. For purposes of relevance to this study, fixed and discretionary remittances will be dealt with. Fixed remittances are in essence the major objective why people move from their country of origin. That is, to support the family. Discretionary remittances comprise of funds that are exceeding fixed remittances and are investment flows. Fixed along with discretionary remittances usually make up for the amount sent by remitters (Chami, 2003:58). Essentially remittances represent private transactions between private parties. The money can be viewed as family money which is driven by family values among others sacrifice, hard work and thrift. Thus remittances have a social meaning; money sent as a kind of a social obligation. Besides, people are believed to remit in order to affirm their ongoing role as members of a social network.

Another classification distinguishes remittances into three categories. Firstly remittances are viewed as money flows from migrants who work abroad

for more than one year. These flows, on which there are no claims by the sender, are destined for family and friends and are also labelled unrequited transfers of worker's remittances. The second category comprises migrant transfers which refer to the net worth of the migrant moving from one country to another. Lastly remittances can also take the form of a compensation of employees. As such this refers to funds sent abroad by temporary workers referring to those who work abroad for less than one year (Grabel, 2008:5).

In-kind remittances exist parallel to cash remittances and can take many forms. For Grabel they can constitute of consumer goods or direct payments on behalf of family members in funding insurance premiums and school fees.

Apart from cash (monetary) and in-kind remittances to the home country, migrants tend to allocate part of their income in the host country which can take the form of donations to church or other organizations for charity purposes when these are run by co-nationals. Clearly, remitters' decisions are shaped by motives.

Chami states that there are various motives for remitting. Most obviously people tend to remit because of pure altruism which justifies the migrant's care for those left behind. Put differently, altruism deals with the migrant's concern over the income or consumption levels of the family members left behind in the source countries (ibid). Migrant remittances are related to supporting families of as a result of economic downturns or in instances of 'bad luck'. The commitment to remit on a regular basis is important because failing to send remittances, would be interpreted as a form of social and economic failure by relatives in the home country (Goldring, 13). Not sending money is even perceived to lead to social exclusion. Contrasting the altruism motive, three additional reasons are put forward that have a purely selfish basis. The aspiration to inherit is considered to be the first reason why migrants remit. This means supporting the family the migrant in order to be favour in the line of inheritance. Selfish motives for remitting are also evident as migrants have a strong interest in investments in assets. Aside from investments in fixed capital, migrants perceive social assets-relationships with family and friends- as another important motive. This applies to those who have plans to eventually return to the home basis (Lucas and Stark, 1985: 3). This in fact illustrates the extent, to which motives of altruism and self-interest are interwoven,

The relationship between the migration phase and the remittances transmission channels follows a logical sequence. Money transfers are made to satisfy primarily the most urgent needs (a so-called shock absorber) in the host country in the first phase of the migration process, the period of settling. If financial means allow, transfers are made concerning to fund food, health or debt repayments (Berman, 2009:11).

In general remitters exercise little to no control of the allocation of remittances regarding consumptive purposes. However, when it involves money transfers made with the aim of investment or savings, the remitter does have oversight and exercises control. If the objective is to return home eventually, funds are likely to be transmitted into productive investments and expenditures on land and housing.

Once money flows reach recipient-families its uses can be analyzed in several ways. Remittances studies examine its investments in human capital. One of these studies is conducted amongst Mexican recipient-households where the effects of remittances on household's investments in human capital are addressed. Yet, in theory the effects are contrary to general belief, ambiguous. Remittances inflows allow children continuous schooling and therefore delay 'entering the workforce' but family life may be disrupted in the absence of the wage earner (Hanson and Woodruff, 2003:2).

According to Kirton(ibid:283), remittances in the Caribbean are used for consumption smoothing, savings or investments and typically a combination of the three purposes. They have both a direct and indirect impact on development processes as a result of increasing levels of economic and social well-being. As such remittances are likely to impact consumption levels directly. On the other side, economic and social well-being can be boosted by earnings from productive investments that have been funded by remittances flows. Zarate-Hoyos distinguishes three broad categories of remittances spending: consumption, consumption-type investment and productive investments in agricultural and non-agricultural activities. Unlike the consumption-type investment which are expenditures in human capital, consumption expenditures funds basic subsistence. Remittances that are part of investments take the form of amongst others inputs, tools and machinery.

A vast body of literature on remittance-use presumes that remittances are consumed rather than invested in productive purposes. However, definitions of the term productive investments itself have been subject to debate. Housing and schooling are often downplayed 'non-productive' as their effects are not readily perceptible. Notwithstanding this, access to proper housing affects household's health positively. In addition the funding of housing triggers construction activities in the locality directly. In essence, this points to both multiplier effects and increasing local economic activity (Taylor, 1999:10). A much debated discussion among researchers revolves around the concept of 'conspicuous consumption' which has a negative connotation with regard to a household's spending patterns.

### ***Remittances: Positive and negative debate***

There are different perspectives on the uses of remittances which revolve around remittances being used as either: income, investment or capital. These perspectives are broadly divided in positive and negative perspectives on remittances uses. The optimistic view posits that apart from its positive contribution to economic growth (raising level of national income) remittances are beneficial as they support savings but also as investments in human capital which have potentially long-term economic and social benefits. Some studies in the mid 1980 private flows were viewed as being unproductive as they were principally used to fuel consumption. Moral hazard problem-remittances have the tendency to reduce recipients' motivation to work and consequently slow down economic growth. This pessimistic perspective shared by several scholars such as Durand, Kandel, Parrado, Massey and Brown has been prevalent during the mid 1980s and mid 90's.

General views on remittances direct towards the idea of remittances being allocated towards current consumption compared to small amounts spent on productive investments. In consequence the lack of allocating remittances to productive investments is alleged to have a negative effect on the development process driven by migration.

### ***Remittances: formal and informal mechanisms***

Formal channels constitute of regulated money flows by financial entities and are recorded in the balance of payments' current account. Money flows are channelled through money transfer operators and both state-owned and private banks. Flows of remittances also include those established through unrecorded channels. The use of informal channels is mainly attributed to 'long-ingrained habits and the lack of the banking system. The continued use of informal mechanisms can be attributed to distrust in government and needs for secrecy (Addy et al, 2003:13).

## **2.2 Livelihoods and asset-vulnerability**

### ***Asset-vulnerability: definitional uses and context***

Moser defines vulnerability as 'insecurity and sensitivity in the well-being of individuals, households and communities in the face of a changing environment'. Assets can be conceptualized as 'stocks of capital that can be utilized directly or indirectly to generate the means of survival of the household or to sustain its material well-being at differing levels above survival' (Ncube, 2010:13). Generally speaking labour is identified as the most common asset of poor people.

The asset vulnerability framework includes tangible assets like labour and human capital where human capital combines people's health status with their skills and education. Also assets such as housing and those with an intangible character like household relations and social capital (Moser, 1998:1). The importance of livelihood strategies of receiving households makes sense as it looks at the extent of remittances in relation to both vulnerability and capabilities. Livelihood is conceptualized as 'attempts to capture what people do to make a living as well as the resources that provide them with the capability to build a satisfactory living'(Ncube,12). In addition livelihood attempts to capture the susceptibility of households in managing their resources given the risk factors. Managing resources in order to achieve a viable or improvement in one's life conditions should be seen aside from the institutional and policy context.

In a similar way Berman employs the concept of socioeconomic security refers to the extent to which people have sufficient resources over time. This concept constitutes of five domains namely 1) housing and environment; 2) health and care; 3) work, 4) education and 5) financial resources. The latter obviously has close linkages with remittances.

### 2.2.1 Asset vulnerability framework

The asset vulnerability framework draws from Moser's framework, from which some variables were found to be appropriate for this research. It focuses on four main areas: (1) increased consumption, (2) improved housing, (3) acquiring assets and (4) enterprise creation all as a result of remittances flows. Figure 1.2 provides a schematic overview of the dimensions.

**Figure 1.2: Asset vulnerability framework**

Type of vulnerability	Pre-remittances outcome	Post-remittances outcome
<ul style="list-style-type: none"> <li>• Human capital and capabilities (immaterial infrastructure)</li> </ul>	<ul style="list-style-type: none"> <li>• Decreasing access to higher education</li> <li>• Exclusion from government's subsidized health care</li> </ul>	<ul style="list-style-type: none"> <li>• Facilitated enrolment</li> <li>• Ability to take on alternative health insurance</li> </ul>
<ul style="list-style-type: none"> <li>• Housing and assets (material infrastructure)</li> </ul>	<ul style="list-style-type: none"> <li>• Decadence of housing</li> <li>• Inability to acquire durable goods</li> </ul>	<ul style="list-style-type: none"> <li>• Increasing housing improvements and renovations</li> <li>• Expansion of disposable income to purchase assets</li> </ul>
<ul style="list-style-type: none"> <li>• Enterprise creation</li> </ul>	<ul style="list-style-type: none"> <li>• Job insecurity in waged jobs through reorganisation or incompetiveness of business</li> </ul>	<ul style="list-style-type: none"> <li>• Increased business skills and knowledge via training and schooling</li> </ul>

Source: Modified from Moser's asset vulnerability framework (1998)

Incidences of vulnerability take place on different dimensions. Education and health form the first indicator of the analytical framework, human capital. The educational attainment of respondents was measured on the basis of Chami's classification:

- Low-skilled: less than 8 years of schooling
- Medium-skilled: 9-12 years of schooling
- High skilled: 13 years or more of schooling

According to Moser, educational levels are directly related to household's income levels. With this knowledge in mind, recipient households will be examined on their ability to provide schooling dependent on remittances. The same applies for health care provision.

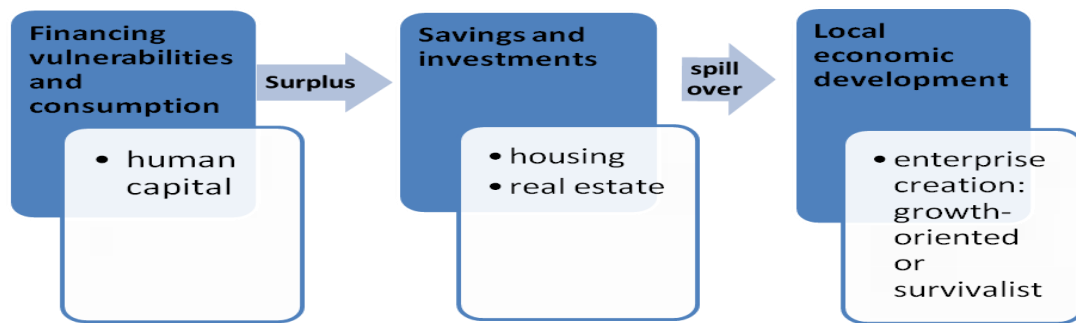
The second indicator, housing can be considered particularly important since it is a basic need. The framework identifies the impact of remittances flows on housing together with assets acquisition. Lacking formal legal title of housing will automatically lead to a sense of vulnerability. In turn this will reflect in refraining from upgrading the home, leading to decadence of housing.

Housing is also important as it can be used in a productive manner that is to provide opportunities for home-based enterprises. In this sense, home ownership remains crucial especially when other sources of income are absent.

The final indicator of the framework deals with enterprise creation. The idea throughout this study is to go beyond the general concept of entrepreneurship, focusing rather on the reasons behind decisions of becoming an entrepreneur<sup>9</sup> considering the role of remittances. The context of this study further requires enterprise creation to be linked to the remittances' potential to trigger elements of local economic development. In this way the established interdependence of indicators becomes visible.

Figure 1.3 illustrates that remittances flows influence the three dimensions of vulnerability firstly. Consequently surpluses of these flows may be employed to establish local development through (more) productive investments.

**Figure 1.3 Presumed allocations of remittances flows**



Source: Modified from analytical framework by Ncube 2010

### 2.3 Elements of Local Economic Development (LED)

Local economic development has various definitional uses. It is viewed to represent increases in a local economy's capacity to create wealth for local residents (Rogerson and Rogerson, 2010:466). Likewise local economic development, being one of the pillars of local development, can also be defined as 'the process by which local governments or community based groups manage their existing resources...to create new jobs and stimulate economic activity in an economic area' (Ncube:15). Syrett conceptualizes local development as 'a local initiative using mainly local resources under control for

<sup>9</sup> An entrepreneur is an individual who takes up entrepreneurship in order to exploit some perceived opportunities (Naude, 2008:3)



predominantly local benefits (ibid). Until the 1990's, conditions of local economic development have been influenced by central government agencies. In this paradigm, the development of localities depended largely on government interventions. In the decades thereafter the process of decentralisation took place whereby power was transferred from the central government to provincial and/or local levels. This transfer of power had a broad base as it also entailed both responsibilities and finances.

Surinamese local government authorities' field of activity is particularly limited due to several constraints of which a major constraint undoubtedly is the scarce budget allocated by the Min RO<sup>5</sup>. This background provides an interesting case for exploring the extent to which remittances from the Netherlands have contributed to the development of the locale. Blakely (1994:179) asserts that local governments and neighbourhoods can play a crucial role in creating a climate that is conducive to business development. The application of proper regulatory and policy tools, that facilitate business development, defines a good climate. This view recognizes various tools of business development however relevant to the context of this research can be considered one-stop centres and start-up and venture financing companies.

Remittances can influence LED in two major ways that is as investment capital and purchasing power for non-receiving remittance entrepreneurs. In this regard the New Economics of Labour Migration (NELM) posits that migrant remittances are likely to result in high levels of consumption rather than allocations into investments. In turn this consumption demand may positively affect productive investments as by other households and firms. In this view remittances generate entrepreneurial investment (Taylor, 1999:65).

The types of entrepreneurs can be distinguished as survivalist's and growth-oriented enterprises. The latter refers to enterprises that are aimed at profit-maximization while survivalist enterprises are driven by the need for security and consumption smoothing (Ncube: 15). Within the group of entrepreneurs, Berner et al (2008:7) distinguish survivalist and micro-enterprises or growth enterprises. The main characteristics of survivalist enterprises are ease of entry by involuntary entrepreneurs. Moreover, these entrepreneurs operate in a business environment of low capital requirements, skills and technology. The enterprises are established with the objective to maximize security and for purposes of consumption smoothing.

On the basis of neo-classical economic theory, Massey and Parrado assert that an indirect relationship can be found between international migration and business formation in the countries of origin. The apparent assumption for such is that capital markets function well and therefore households will attract investment capital nationally. The argument continues to point that migrants move abroad because of the higher wages and will continue their stay for as long as a wage gap exists. Under those conditions they will have little incentives to repatriate. By contrast, the new economics of migration posits that in fact migrants specifically move to accumulate capital for investments because of lack of capital due to market failures. These investments can be allocated in either real estate or the establishment of businesses.

## 2.4 Summary

The emphasis in this chapter is on a different level than the general view of remittances as an important channel at the financial level. It shifted away this attention and stressed that remittances affect critical aspects of a community's quality of life. Hence, it showed that the impact of remittances is not limited to receiving- households but may extend to an entire community as a unit of analysis. The chapter further relates existing literature to the research questions. Most discussions focus on the (macro-) economic impact of remittances while a vast array of the literature mentioned so far mainly focuses on general aspects of remittances. The questions in this research broaden this scope when assessing the relationship between remittances in support of relatives in the country of origin and the social meaning of remittances on the local level. Other literature addresses issues of livelihoods and local economic development. And there is some literature on asset vulnerability and entrepreneurship that serve as a practical guide in answering the research questions. My purpose is to provide a context for remittances' impact on the level of individual households within the locale. Remittances are therefore examined as a motor for development herein.

## Chapter 3

### Sender's perspective and transmission channels

This chapter uses the migration pattern between Suriname and the Netherlands to explain the motives behind remitting migrants. The socio-economic dynamics of the Netherlands-Suriname migration have become a quite significant underlying source of external funds. It also explores the utilization of monetary flows by remittances-receiving households. Additionally emphasis is placed on the dynamics of formal and informal processes between respondents in the two countries in addressing the factors that come into play in the determining the choice for methods of money transfers.

#### 3.1 Senders: dynamics of formal and informal channels

In terms of the dynamics of formal and informal processes, the research showed that both the senders and recipients rely heavily on MTOs as a means of transfer. In all cases they rely on additional hand-carry especially from travellers and crew members as informal means of transmitting remittances possibly because of high fees. Issues of documentation are not at stake when wiring money as 9 of the 10 respondents are Dutch citizens, one has a residence and working permit. Given that most remitters have been in the Netherlands for many years, all of them are Dutch citizens. The remaining one is a legal resident. These outcomes are not surprising as studies indicate that the minimum duration of money transfers is 10 years compared to the maximum of 30 years. This of course questions the references made in the literature with regard to the 'sustainability of remittances'. In fact the drying up of remittances due to second and third generations is complex to capture as each ethnic group has different views with regard to social and family obligations to remit. However more detailed research is required to make definitive statements on the remitting behaviour of second and third generations of the sample population.

Concerning the channels through which cash remittances are used, the trend amongst the interviewed households was quite similar; 19 of them collect remittances at an MTO while 2 receive money via the commercial bank directly deposited into their account. Only one interviewee withdraws money directly from the ATM machine using a duplicate of the sender's debit card. The option of dual ATM cards is one of the creative and competitive product diversification strategies of banks and unions. They tend to be attractive because of low costs. Another advantage which can be a disadvantage at the same time is that recipients are required to open a bank account (Bair, 2005:120).

However these channels are in most of the cases-17 of 22 households-supplemented by visiting travellers hand-carrying remittances. In addition, crewmembers of the local airline have responded positively when asked if they hand-carry money to relatives and friends.

The majority of the respondents who on a monthly basis send money from the Netherlands use MTO's while those who send money twice a year or less frequent rely heavily on travelling persons and couriers. Remittance flows via the banking system has played an insignificant role. Senders reported to be unaware of the exact costs of wiring, but presume that it exceeds those of the MTO's. The method of sending is quite similar to the respondents of the different cities of the research. This can likely be attributed to the fact that the largest MTO caters to the needs of remittance-receiving households by providing services in all four cities of respondents interviewed.

It is quite common to hand carry both cash and some small packages to people in Suriname when you are a crewmember. This is not only for my own relatives and friends. I have experienced that 'via via' someone would call me in the hotel requesting if I can carry urgently documents, mostly real estate papers and authorizations. (Aruna, female, Amsterdam)

Informal interviews with CBvS officials reveal that transmission methods via MTO's are far more popular compared to those via the banking system during the research period. The underuse of transactions via the banking system can be imputed to high costs. Suriname's remittances market is highly segmented. The most important MTO locally is Surichange<sup>10</sup> with branches all over the Netherlands. An interview with its CEO in Paramaribo revealed a market share of 80 percent with over 700 transactions daily.

Surichange is without doubt the market leader in the remittances business in Suriname. I believe that the reason for transactions outside the banking sphere can be attributed to the fact that some recipients don't have access banks. Of course the main reason is the transaction cost charged. Our range per transactions varies between 150 and 300 euro. (Interview: 30/7/11:Mr. Stanley Mathura, CEO Surichange Bank )

Solimano asserts that on the global scale the remittance market is dominated by MTO's as they charge relatively low cost of intermediation compared to commercial banks offering similar services. Hence commercial banks make up a low share in the market. Aside from the fees charged by MTO's, there is also the issue of overvalued exchange rates. In the case of Suriname, remittance-recipients have the option to choose the currency for the received remittances. Two respondents have addressed the latter issue:

I prefer to withdraw the money in foreign currency since the exchange rate is not favourable with the operator. I will either go the black market to exchange for SRD or to another informal place where the rate is high. (Jacintha, female, Ramdjan project)

And

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<sup>10</sup> Surichange Bank operated for long time as an MTO but has officially transferred to commercial bank in 2006. Yet it is still perceived-by many recipients interviewed-as an MTO according to the services offered.

I insist that my relatives back home, receive the amount sent via the MTO in Euros because of the higher exchange rate in the black market or wherever they exchange for Surinamese dollars (Robert, male, The Hague)

This testimonial may imply that beneficiaries and remitters communicate regarding the exchange rate. This may even have implications for the timing of sent remittances as one can logically conclude that there will be an increase in the amounts sent when the exchange rate is higher or favourable.

The interviews conducted amongst the 22 households receiving cash-remittances, revealed Surichange Bank and Western Union as the main operators where remittances are collected. The basic cost of sending money comprises of two principal components namely an explicit fee and the exchange-rate spread. The explicit fee is charged on the basis of a percentage or a fixed amount while the exchange-rate spread refers to the discrepancy between the exchange rate which MTO's adopt against the exchange rate in force within the country (Kirton:252). Research of the costs of intermediation generated the following table.

**Table 1.2**  
**Costs of intermediation Surichange bank compared to Western Union (in euros)**

<b>Surichange Bank</b>		<b>Western Union</b>	
0-74	5	0-200	10
75-200	7	200,01-500	12
201-350	8	500,01-1000	21
351-400	9	1000,01-2000	41
401-500	10	2000,01-3000	61
501-680	2.5%	3000,01-5000	81
681-1000	18	5000,01-6000	101
1001-1400	2.5%	6000,01-10000	121

Source: own research

Despite the overall significance of the formal channels, 8 remitters revealed that they send cash by informal means. However the notion of money transferring via informal channels is subject to a large amount of confusion and should be placed in context. In this paper it is referred to as cash-carried by the migrant or by a third party.

In transferring money, the operator requires the sender to present a valid identification as one of the main components of the money transfer. Both the sender's and the recipient's name and address are recorded. In all cases a receipt is provided to the transferor. Recipients in the home country are able collect the remittances usually within half an hour after the transaction on presentation of a valid identification.

Against the background of the small and open structure of the Surinamese economy, informal private money flows are likely to be at least 50 percent of total flows (Nijman, 45). Informal flows may also have the character of *hawala* a term used to indicate money transfer mechanisms that exists in the absence of, are parallel to conventional banking channels (El Qorchi et al, 2003:6). Because of perceived and real needs for secrecy the use of formalised channels is avoided. The desire to avoid formal records is invoked by the lack of trust in the government (Addy et al, 13).

I find it difficult to use formal channels when transferring money to my relatives. Actually the problem is not with my legal status in the Netherlands because I hold Dutch citizenship for over 20 years. The problem is that I live on social security allowance by the government. And as I have to identify myself in the MTO, I am afraid that my information will end up in public domain. The authorities might stop my social security then. In fact it makes sense because how can you live on welfare and still send money? (Astrid, female, Rotterdam)

Clearly, there are (hidden) reasons for remitters to send money the way they do. The testimonial reveals that people tend to be discouraged to send money via formal channels. This hidden constraint comprises of the forms that need to be filled and the information accompanied with it, which is felt as a practical barrier. This respondent however does not address issues of transaction costs.

Pozo's research (2005:80) illustrated that travellers to Cuba are used to cash-carry remittances as well as in-kind remittances. These so-called *mules* travel with the specific aim to deliver remittances. This however is not the case of the Surinamese descents interviewed in this study. Sending money via informal means has been solely an act without profit motive.

Whenever a friend or relative travels back home, I send money to escape the transaction costs that the MTO charges. I have to admit that in most instances this means an additional transfer aside from the regular transfers. You always feel the urge to send 'something'. But it is not likely to pay relatives or friends for carrying the cash. It is like you might depend on me too to do the same in future times. (Hanna, female, Amsterdam)

Given that the costs of money transfers are high, inefficient transfer amounts are likely to be established which can have an immediate impact on the recipient-household. High costs for wiring hard earned money clearly means high profits for operators and banks but they influence efficiency effects for senders as well as receivers of remittances. This is evident through the following testimonial:

The costs of sending money are high. Sometimes I can afford to send only 40 Euros because times are also tough here. But then to pay an extra 5 euro for wiring is really not worth sending the money at all. (Irene, female, The Hague)

Regarding the amount and the frequency of remittances the study revealed a relatively stable trend. Eight of the 10 interviewees got into the routine of sending around 100 euro monthly. Though the senders were quite reluctant about revealing their annual income, they eventually admit to send approximately 5 percent of their income in the form of remittances. This of course applies to the ones that remit monthly and from which the aim of allocation by recipient-households is increasing purchasing power. In contrast, the percentage of income when money is sent for investment purposes lies much higher, and depends on the nature and phase of starting of the business (see also paragraph 5.1)

In response to the question what determines the amount sent. Seven of the 10 senders state that the amount sent is determined by the economic situation in the home country. Three have pointed out that the economic situation in the Netherlands is a crucial factor to take into consideration when making money orders. However all of the interviewees state that they would remit-aside from the regular transfers-in case of social events like a funeral when urgent financing is required.

### ***3.1.1 Motives***

Even though remittances provide a significant source of income in terms of increased disposable income for recipient-households, there is growing debate by academics on migrant's motivations to remit. Remittances can be viewed as an expression or claim of membership in both family and social networks. Sending remittances can be attributed to remitter's social obligations and thereby affirming their ongoing role as member of a social network (Goldring: *ibid*). A study conducted on behalf of the Dutch Consumer Union showed that remittances of first and second-generation Surinamese immigrants make up the largest segment of the remittances market in Suriname.

Remittance flows from the Netherlands have also showed an increasing trend which Unger and Siegel explain through increasing higher wealth by Surinamese migrants. Their socio-economic status is somewhat different from that of those in Suriname. Eight of 10 senders interviewed revealed that in terms of income, they earn more than the minimum wage<sup>11</sup>. As mentioned earlier the percentage of remittances flows from the Netherlands is well above 85 percent. Another indicator is found in the MTO market-leader where as mentioned earlier on a daily basis 700 transactions take place.

I own a house in Suriname, which was my parents'. All my brothers and sisters migrated to the Netherlands. My sister went first and after settling in, we went one by one. Even though we all sent money in support of our parents, I usually sent the highest amounts also for improvements in the house. After my parents passed away, we agreed that I would buy the house but then for a 'familieprijs' which is meant to be a very reduced/symbolic price as I was the one investing in renovations and improvements. The house is now officially in my name, which resulted in some costs at the attorney because I hold a Dutch nationality. Unlike me, my brothers and sisters have no intention of returning permanently, they are old and have their children and grandchildren here. (Norine, Amsterdam)

For 1 respondent in the study, sending money to relatives was perceived to be an economic disincentive. In this regard, the sender indicates reliance by the recipient on remittances. This is expressed through:

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<sup>11</sup> Dutch gross minimum wages as from July 2011 amount net Euros 1435, 20 for ages 23 and above ([www.rijksoverheid.nl/onderwerpen/minimumloon](http://www.rijksoverheid.nl/onderwerpen/minimumloon)).

I have no regular pattern of remitting. Every now and then, for instance on holidays I send money home to my aunt. Apart from that I no longer have close family living there. But my cousin(her son)has this nasty habit to make calls asking to wire money to buy trendy stuff. Then it was a pair of sneakers, the next thing you know I will be paying for his Blackberry. Sometimes I give in but most of the times I refuse because I dislike the fact that he doesn't try to find a steady job. Hopefully this 'remittance-drip' will stop then. (Anand, male, Almere).

This finding confirms the theoretical approach by de Haas who asserts that remittances are primarily allocated towards 'conspicuous consumption'. In consequence this pattern is assumed to lead to "passive and dangerous dependency" (de Haas, 2005:1274). Moreover, households are assumed to show less work effort in instances of the increased inflow of remittances (Bayangos and Jansen, *ibid*). Likewise, Solimano points that recipients will lack incentives to educate themselves or get engaged in the labour market as a consequence of the 'culture of dependence'.

Literature points to remitters' exercising control over money send home. If the commitment to remit is driven by altruistic motives, he has no control over the ways in which remittances are spent.

For me remitting has been an act of expressing my sympathy with the relatives back home who endured the coup d'états and the economic malaise in the 80's. I am not aware of the allocation of the money nor do I have control over it. It does not matter to me, I just send. (Imro, male, Amsterdam)

Additionally, this observation is in line with Zarate-Hoyos' view that people consider remittances a gift which obviously has implications on their spending pattern.

### 3.2 Remittances-receiving households: transmission channels

Interviewed households have reported that the relationship to sender varies from relative to close family friend. This has been constant in the research period.

**Table 1.3: Relationship of household to sender**

Parent	7
Spouse	2
Son/Daughter	5
Brother/Sister	6
Aunt/Uncle	2
Cousin	3
Other	2
	27

Source: own creation

The data shows that remittances are primarily sent by immediate family followed by extended family. In only one case, there was relationship between sender and recipient was based on friendship.



More than 80 percent (18 households) have indicated that their relation to the sender is immediate family. A small portion claimed that they received remittances from extended family ties such as cousins, uncles and aunts. In two cases the person sending money was a client or a friend.

Table 1.4 illustrates the principal reasons disclosed by recipients in the study area in response to the question why their offspring migrated to the Netherlands.

**Table 1.4: Driving force for migrating**

Social security	14
Political tensions	12
Study purposes	1
	27

The table shows that most people migrated in search of better living conditions. Almost the same amount left the country due to political tensions prevalent namely the military regime. Some left before the country got its independence from the Netherlands in 1975. Only in one case the offspring left for tertiary education. Given the time period of almost 30 years, it was very likely that the respondents answered positively that the senders of remittances are Dutch citizens. Coupled to this data, it is necessary to point that the recipient-households have indicated that the time their offspring resides in Netherlands ranges from 10 to 25 years. Most of the senders have been residing in the Netherlands for over 10 years. Only one of these remittances senders lives in the Netherlands for less than five years.

Another notable finding is that half of the persons responsible for remitting on a regular basis are medium skilled. Others have low levels of education.

### ***3.2.1 Remittances: frequency and amount***

As part of the introductory questions households were asked to indicate the kind of remittances received which can be seen from table 1.5.

**Table 1.5: Types of remittances received**

Cash only	6
In-kind only	5
Both cash and in-kind	16
	27

Source: interviews Tammenga district

As seen from the table More than half of the respondents receive both cash and in-kind remittances however the in-kind remittances were on an irregular basis, complementing cash remittances, opposed to the households that receive only in-kind remittances. They indicated a regular pattern. The households receiving only cash remittances are usually the ones with the higher amounts. With regard to the content of the in-kind remittances, the answers

varied greatly. Two say the parcels consist of foodstuffs. For the households that can be categorized as elderly, the content was primarily medicine and some foodstuff. Two interviewees responded that they receive gifts on special occasions like birthdays. In the case of the car mechanic, the parcels consist of auto parts (see paragraph 5.1).

The only instances when my relatives send parcels are prior to their holiday visits. The content is predominantly foodstuff which is does not make any sense because there is no shortage of basic commodities in Paramaribo. The problem is with the eroding purchasing power while everything can be found in the stores. (Farida, female, Mattonshoop)

This testimonial is probably a reflection of the current economic situation in the country that is characterized by inflation<sup>12</sup>.

Usually around Christmas is when I and most people receive parcels. It is all about sweets and small presents. In collecting the parcel another SRD 20 for handling fees needs to be paid. In addition the shipping company is quite distant from my home with long waiting lines around the holidays. My relatives pay shipping costs of like 20 Euros, depending on the size of the box. In this respect I feel that it is a waste of money, but still appreciate the gesture. (Etienne, male, Bams)

The findings are in contrast to research done in Zimbabwe where non-cash remitting is based on the specific and immediate needs of recipient-households (Tevera,2009:3).

**Table 1.6: Regularity of money receipts**

Monthly	8
Quarterly	10
Every other month	2
Twice a year	1
Annually	1

Source: own creation

The number of households receiving cash remittances is according to the table 22. From this number 8 interviewees claims to receive money on a monthly basis. The highest number of 10 comprises households that receive them quarterly. Two households indicated every other month. For the remaining two households applies respectively once and twice a year.

I believe that the creation of the Euro as well as the financial crises have resulted in a financial setback of my relatives in the Netherlands. Both the amount and frequency have been decreased. It is understandable. (Mrs. Perre, female, Kasabaholo)

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<sup>12</sup> Inflation ranged from 6.9 to 11.3 percent during the analysis period (<http://www.statistics-suriname.org/>).

This finding might be in line with the BoP data from the CBvS. The total amount of remittances shows a slight drop in 2010<sup>13</sup>, probably as a result of the financial crisis' aftermath.

The amount of cash remittances received varies between 50 and 200 euro however the amount is highly dependent on the frequency. The frequency is usually high with the lowest amounts. Interviewees that receive up to 75 euro are those in the monthly and quarterly category. Taken together that accounts for 18 of 22 households. Two households receive the amount of 100 euro every other month. The remaining 2 households receive between 101 and 200, either once or twice a year.

The findings are more or less comparable to the report of the Consumer union which reveals that 33, 48 and 19 percent of Surinamese migrants remit respectively once, 2-4 times, 5 times a year (Dorscheidt: 42).

### 3.3 Summary

This chapter served as both a theoretical framework as an in-depth view of how remittances are manifested in the Surinamese economy. Moreover, it painted the picture of who the senders are as well as their motives to remit. And it shows that remittances are sent in a variety of ways depending on remitters' constraints. The chapter also reviewed the different patterns of remittances as driver for consumptive and investment purposes. Interviews with entrepreneurs revealed many barriers to set up a business. This minimizes the chances of remittances' usage for productive investments considerably. After having presented the theoretical framework of the transmission channels of remittances, the following chapter will link the empirical data to the main question and sub-questions.

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<sup>13</sup> Total of inbound remittances from the Netherlands amounted USD 141,8 million.

## Chapter 4 Livelihoods and consumption smoothing

### 4.1 Consumption smoothing

The usage of remittances has been very straightforward. Twenty households have indicated that remittances are used for consumptive purposes given the relatively small amount. Only two interviewees have revealed to save at least a proportion. Another respondent reported sending remittances in support of her children that stayed behind in the home country

It is hard to measure the impact of the cash that is transferred to me. What I can say is that when I receive it, it allows me to buy more of the items I already buy from my salary or I purchase something that was long time on my list. (Mrs. Karwofodi, female, Doekhie project)

It is only me and my husband since my three children live in the Netherlands. We are both retired with the government and live from pension and AOV. We save the rent because we own this house. In fact we just need the basic subsistence. So we are not dependent on money flows from the Netherlands. Whatever the children send is 'winst' (extra). From that I try to save at least a little, for replacing microwave or stuff like that, but that is only supplementary. I top up with my own earnings. (Mrs. Beeldstroo, female, Tammenga)

These testimonials imply that remittances are an additional source of income. It is also important to bear in mind that remittances are subject to 'drying up'. Studies have shown growing evidence that second and third generations have fewer incentives to continue remitting (Berman: 15). As expressed by another interviewee:

When my mother was still alive, she was living with me and my family because she refused to go in a nursing home. I received monthly money to take care of her. Parcels were sent based on the need but usually they consists of medicine and adult absorbent briefs (pampers). All money orders were withdrawn after my mother passed away. Apparently I would no longer need *it*. (Agnes, female, Tammenga)

This is in favour with Unger and Siegel's survey indicating the decreasing importance of remitting through the loosening ties of second and third generations.

I support one of my sisters back home monthly. She is a housewife and even though her husband has a steady job, 'times are tough' because the husband is an alcohol addict. Sometimes I even send my son's child allowance which in turn creates pressure on my own expenses. Let's be honest, in my social setting child allowance is rarely used for its purpose. (Asha, female, Den Haag)

As such the remitter cares about the well-being of the family even at detriment of the own standard of living. The respondent however estimates the chances of continuation by her son very low. The son is young and does not know the aunt properly. By the time he is old enough to be in the position to remit, the family relation might even be less.

**Table 1.7: Allocation of (cash) remittances by households**

Primary	Consumption smoothing
Secondary	Funding of education and health
Tertiary	Housing improvements and savings

On the overall, the large majority of households devoted remittances to the purchase of extra foodstuffs. Even though the vast majority of households considered remittances as a means to satisfy their livelihoods needs, their importance is not perceived to be high. Remittances were commonly used alongside the household's salaries as a primary income source. On average, the interviewees claimed that in absence of remittances, their lives would not be worse off.

## 4.2 Asset vulnerability

The sources of income of interviewees vary. Table 1.8 gives an indication of households' income. Various scholars (amongst others Solimano) often describe recipient-households as low-income people. At least for the entrepreneurs and those employed in the private sector (within the study area) cannot be labelled as low-income. The same might apply for some of the civil servants depending on their position in the government office. Interviews have revealed that they are mainly employed in the middle and lower levels of the public service structure.

**Table 1.8: Sources of income receiving-households**

Government employed	10
Retired (from government)	5
Private sector	4
Self employed	4
Informal sector	4

Source: interviews Tammenga district

The table shows that with the exception of five retirees, the households in the study area receive remittances in addition to income from production.

Presenting this table is important because it can serve as a point of departure when testing the asset-vulnerability framework because vulnerability is directly related to levels of income.

One way of allocating remittances has to do with the acquisition of assets. Responses by recipients illustrate that they were unable to fund durable goods through remittances. Eight of the total households reveal that acquisitions are only partly possible. Hence remittances were only supplementary when purchasing these goods. More than half of the recipients, 64 percent has acquired assets by own means; either personal loans at local banks or through

buying on credit terms. This clearly relates to the relatively small amounts that are transferred. As mentioned the amounts vary between 50 and 200 euro.

**Table 1.9: Amounts of receipts (in euros)**

Amount	Number of recipients
50-74	11
75-100	7
101-200	4
>200	0

Source: own creation

Table 1.9 illustrates received amounts of remittances. In order to make this finding more robust, it should be related to table 1.8 on the frequency. One then arrives at the conclusion that remittances cannot possibly contribute to expanding household's durable goods yet perceive remittances as a source for funding recurrent expenses.

I am not dependent on remittances when it comes to home improvements. Once every year I paint the house with my two sons. These days there is no real craftsmanship, everyone can be sort of a painter. From the store I purchase the paint already mixed in the desired colour. That is the only expense, aside from the other attributes that go along with the painting job. In fact I get a deduction from the tax office<sup>6</sup> (Mr Veldhuizen, male, Bams)

**Table 1.10: Perceived life without remittances**

Degree of vulnerability	Frequency
Same position	19
More vulnerable	6
Indifferent	2

In the same logic, households were questioned how their vulnerability without remittances flows is viewed. Table 1.10 shows that 19 of 27 households feel they would remain in the same position if remittances were absent. This accounts for 70 percent of the total households. For 6 households their position without remittances would be more vulnerable. Only 2 households responded 'indifferent' to the question. This data is in contrast to Ncube's findings asserting that remittances have a positive influence on a household's asset base as they increase income which in turn reduces vulnerabilities.

In the study area, housing includes four categories namely: public housing, private-rent housing, own property and the so-called 'family houses' that initially belong to family that have migrated to the Netherlands or houses of which the partition inter vivos. As far as the housing of recipient families is concerned, 16 interviewees indicated to own the house they live in compared to 9 who live in a public flat<sup>7</sup>. In two cases the house is owned by the remittances sender yet available to them infinitely.

Based on these data one might draw the conclusion that remittances have no immediate impact on the acquisition of housing in the study area. This can probably be attributed to the government who is supporting the housing sector

through a special mortgage structure with local commercial banks at low interest rates<sup>8</sup>.

In the general sense those employed by the government -10 respondents- feel secure in their jobs. This is not surprising because formerly (but also currently still the trend) people are employed on full-time and indefinite basis. The same is shared by the four interviewees in the private sector. The two categories of respondents of entrepreneurs and the informal workers are concerned about their livelihood. The entrepreneurs fear setbacks in their businesses as a result of economic conditions in the country while those working in the informal sector fear measures by government regarding regulation of the sector and taxation.

### **4.3 Summary**

This chapter expanded on the analytical framework. More specifically, by introducing the asset vulnerability framework as a research instrument, it aimed to investigate the extent to which remittances flows have the potential to influence material and immaterial infrastructure of recipient households. The objective was ultimately to identify how surpluses of remittances contribute to elements of local economic development. This will be dealt with in the subsequent chapter.

## **Chapter 5                      Remittances and investment capital**

The purpose of this chapter is to establish the empirical relationship between remittances and investment. Contrary to the general presumption of remittances being used to support investments in human capital, remittances have a critical function in supporting savings and consequently investments.

### **5.1 Productive investment**

Productive investments fuelled by remittances have the tendency to lessen long-term poverty and thereby create economic security beyond the household level to communities. Apart from its conventional role to provide disposable income to households, another feature of remittances deals with its role to stimulate entrepreneurship in the local economy. In this way entrepreneurship is perceived to form the basis of local economic development since entrepreneurs, as opposed to large organizations, have the ability to respond of local workers.

Four cases of productive appropriation of remittances were found in the research area. Two can be categorized as survivalist enterprises while the other two hold elements to regard them as growth-enterprises.

The first case involves a man-breadwinner of a family of 5-who has established a landscape company with financial assistance of his brother who is residing in the Netherlands for over 20 years. After the first lawnmower was bought, there was great demand for his services. Soon the second lawnmower was bought and he saw the opportunity to make a livelihood out of this. Received remittances together with earnings from the business were further employed to invest in more lawnmowers as well as brush cutters (for different types of the height of the vegetation). Currently five full-time employees are working in this business and earn a monthly wage between 180 and 230 USD. They are all recruited from the neighbourhood and three of them are family members. The business has developed into a self-supporting enterprise. As such it is not dependent on regular remittances from abroad. Aside from the occasional birthday gift as in-kind remittances, only in cases of major unforeseen defects money is transferred from his brother abroad.

This finding is in line with the literature in terms of the limited number of employees. Micro-enterprises are small business comprising of family members and paid workers with a maximum of four. Another characteristic of this type of enterprise involves its limited capital base. Given its small scale operations this enterprise can be classified as capital-extensive. Nevertheless, because of expansion of services outside the locale, the prospects are promising so that the business has the potential to evolve into a larger small business enterprise (Berner et al, 5). Even though this enterprise has the capacity to fund the educational needs of the household's children it does not provide alternatives to escape vulnerability. As such this becomes apparent through the interview



when the entrepreneur revealed not being able to provide adequate health care for all household members.

Researchers have generally concluded that local entrepreneurs become dependent on the continuation of remittances flows in sustaining their enterprises. The view further posits that discontinuation of the flows will likely result in business failures (Massey and Parrado, *ibid*). My findings are in contrast to this view. In two of four cases in the study area, remittances have been employed solely for business formation.

Many reasons can account for the existence of my business. After several attempts to get employed, were unsuccessful so I was forced to start a business from which I could provide for my family. The situation of my family worsened when inflation was skyrocketing. By then there was not much choice for a low-skilled worker like me. I have not been exposed to doing business in any kind of branch prior. In my line of business is important keep track of the vegetation of the clients and plan future appointments accordingly. It was just a matter of starting small and exploring the market. The services have expanded from the Doekhie project to other sub-districts. (Sailesh, male, Doekhie project)

This empirical finding can be backed up by Nichter and Goldmark's (2009:1459) view on the existence of micro-enterprises. In this view, the individual's decision to start up a business is influenced by the economic conditions in the country. Bad economic conditions are likely to spur self-employed individuals. The view continues to presume that the recovery of the economy will lead to closure of the business in exchange to the wage jobs. Given the prospects of growth portrayed by the entrepreneur, the latter however seems not probable.

In his 2009 book *Economics of Development*, Todaro (2009:336) characterizes the aforementioned types of businesses as informal activities. The persistent elements are amongst others small-scale production and service activities.

In Uitvlugt a care hostel is located which consists of 8 apartments and can accommodate 16 persons. The clientele are the elderly, the invalid and tourists. There is also a club for the elderly in which they have lots of activities like needlework and trips. These activities are also open to senior citizens from the neighbourhood. The owner of the hostel is a returned emigrant, who was able to finance the construction of the hostel through a loan and pension payments.

My entire family migrated to the Netherlands when I was very young. I studied social work and have been working in that sector ever since. The land was purchased long time and even a part of the building existence. Apparently the building was not suitable for this hostel so I had to loan money. The process of setting up the business has been full of frustrating referrals from one department to another. The total number of licenses is seven. The most important one is issued by the District commissioner. Aside from routine inspections on predefined dates there is no interaction with the local authorities. (Ursila, female, Bams)

Historically starting a business in Suriname has been subjected to various approval and registration requirements. Fortunately, the Chamber of Commerce and Industry eases this licensing process through the establishment of a *one-stop-window*<sup>14</sup>. The role of the Ministry of Regional Development in stimulating productive investments in the district, for that matter is rather limited to issues of local environment and local administration. A District commissioner is in charge with the supervision of day-to-day activities in the locality. However, the mandate is restricted to small-scale infrastructure (Dougle,2001:161). For Malecki, establishing formal and legal operations entails bureaucratic barriers which consequently tend to reduce potential profits of businesses (ibid). Furthermore, the entrepreneur trains her own personnel with nearly thirty years of experience in social work with elderly and children. This can be considered a case of returned migrants, putting their knowledge and skills to the benefit of the local community.

The third case was encountered in the sub-district Bams. A home-based car mechanic business is owned by a man in his early thirties. It involves family property which he manages after his mother has passed away. At first he was in technical college and received remittances from his brother to fund his schooling. But with all brothers and sisters migrated, lack of parental supervision resulted in dropping out of college. The regular 'money supply' from his brothers and sisters was suspended and limited to only occasional transfers for making housing.

I started repairing cars when I was still in school, back then it was a hobby. I realized I was good at it and could earn a living from it. I am pretty sure that it was the main reason why school didn't work out for me. I work with one cousin and a friend. My business didn't use starting capital from relatives in the Netherlands. Actually I don't need much just some equipment; the business is at my home address. A significant share of my clientele resides in the Netherlands. Like many Surinamese there, they come over for holidays quite often. Some of them own a car. They make money orders to me, prior to their visit for servicing the cars. For big repairs, they usually send the parts via shipping or air cargo. (Kenneth,male, Bams)

When asked about competitiveness strategies to attract more clients, the entrepreneur's response was:

I believe that I have the minimum number of clients both to cover my expenses and be productive given the workers I have. Clients find me through *mofokoranti* (local language for system of mouth-to-mouth advertisement by other clients). Not once had I been actively involved in promoting my business.

This testimonial is in line with literature indicating that survival entrepreneurs have no motivation in expanding their business. These probably

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<sup>14</sup> One-stop centers serve as an information center that link businesses of all kind to the local government.

because of lacking entrepreneurial goals and at the same time they are involuntary entrepreneurs. The option of finding a waged job is thus desirable in order to achieve a better and more secure livelihood. On the other hand this type of entrepreneurs often lacks entrepreneurial experience in creating and maintaining the businesses (Berner et al, *ibid*). In addition, Rakodi (2002:11) emphasizes the role of shelter as multifunctional as it has the potential to generate income from rent. In productive investments, shelter is used to accommodate businesses. In all of the four cases, shelter was employed as a location for home-based enterprises.

Similar to the aforementioned entrepreneurial activity, the last case- and sandblasting-the business was started without any involvement of remittances but rather with the usage of a bank loan.

After completion of my vocational training, I have worked in a state-owned glass industry. As a result of political loyalists' mismanagement the company went bankrupt. I had to find ways to make a living and lucky for me I had acquired the skills to do so. But I am also active as a sculpture which is an irregular source of income. The business is run together with two workers. One is working on a call contract because of decreased demand of services. On quite some instances the business has reached break-even points. Therefore I feel that it is no longer sensible to reinvest. (Michel, male, Uitvlugt)

This case is in line with literature on survivalist entrepreneurs who diversify their income sources against the background that they are hardly able to fund household's recurrent expenses.

Empirical evidence from particularly Latin America, however also the case for other regions throughout the world such as Africa and Asia, have shown that money flows to the home country have the potential to trigger investments in sectors like agriculture and small business (de Haas, 1274).

Only 2 of 10 interviewees report that they were able to assist family with financial means to start a business in their home country. However the remitters make explicit that they have no involvement in the business except for occasional cash injections.

I helped my son to start up a web shop for skateboard, which is booming amongst youngsters in Paramaribo. This is only partly because the start capital was generated by a loan in a commercial bank. The loan is possible through his government job. (Diana, female, Rotterdam)

This finding is in line with where profits made are only part of the household's income while seen as a strategy of increasing security. However in this case, earnings from the formal wage labour are on the contrary, regular and secure (Berner et al, *ibid*).

My father owns a small grocery shop outside Paramaribo. A garage had been rebuilt into a shop. So I funded the venture capital some eight years ago. He is not making too much profit but at least, he is self-supporting. (Martin, male, Rotterdam)

Interviews furthermore revealed that in-kind remittances have the potential to urge business activities.

For quite some now I am receiving parcels from the Netherlands with clothing and shoes for selling, of course summer collection. It used to be a good business aside from my regular job in the public sector. Given my low educational background the salary is minimal. On the workplace I interest co-workers and on Sundays I go to the flea market, selling from the back of my car. This is no longer profitable as nowadays the domestic market is flooded with cheap Chinese cloths. The earnings made partly are to support my family. Another small part is saved so that my sister has some local currency when she is spending the holidays. (Thelma, female, Tammenga)

This finding reflects sender's altruistic motives when sending goods to households in the home country. As such in-kind remittances are used as a complementary source of income by the receiving-household. The finding further relates to a country report that indicated that as a result of the SAP, women were increasingly forced into informal sector employment. According to the report, this is done as means of income or to supplement their wages (Breeveld, 1993:58). In addition Malecki argues that this type of activity can be viewed as 'outside the recognized and fully legal status of other economic activities' but nevertheless critical to individuals involved (ibid).

## 5.2 Investment in real estate

Based on macro-economic analysis from remittances in the Philippines, Bayangos and Jansen argue that private money flows cause a decline in the interest rate on financial markets. And consequently investment may be positively influenced. Between productive investments and in investments in real estate, it is argued that remittances have the tendency to support the latter (Bayangos and Jansen, 2010:8). When investing in real estate, Jamaican remitters (on the basis of the self-interested motive) consider the exchange rate in the home country (Alleyne, 2006:82)

Among the interviews held in the Netherlands, one respondent has indicated to have purchased real estate. The down payment was realized through a loan from the commercial bank.

I am intending to return home after retirement. Owning my own house is one of the requisites to return. So the whole migration 'story' was to increase my earning capacity. But I don't plan to stay here longer than necessary. The most important reason for such is that we are seen as outsiders. Despite the fact that my children are born here, they are still referred to as 'allochtoon'. Also I feel that the quality of life in Suriname is much better. Here you 'work to live' whereas back home 'live to work'. That is of course, if you have a job. Currently I am employed as administrative staff in postal services but personnel will be laid off because of the lagging economy. This of course is worrisome. (Sylvana, female, The Hague)

This finding shows what Maimbo highlights in his work; instances of insecurity trigger migrants to remit funds into investments in the country of

origin. For these activities usually a family member acts as an agent on behalf of the migrant.

Aside from my regular job, I am supervising the construction of my uncle's house. I am responsible for purchasing the building materials as well as paying the workers. I act as an intermediary in receiving remittances and exchanging them for Surinamese dollars. (Sergio, male, Kalpoe project)

### 5.3 Investment in human capital

Employing remittances for health insurance premiums was not likely in the study area. The reason being is that almost half of the respondents obtain health care namely SZF via their employer, the government. Five retired civil servants benefit from the same health insurance. Those working in the private sector have access to services through their employer. For the self-employed the so-called entrepreneurs in the study area could be derived that their health insurance premiums are only indirectly paid from remittances. Four interviewees working in the informal sector noted that they have no health insurance and are not intending to have one soon, at least they feel that it is not possible through remittances. Clearly the amount and the frequency are too low.

In the case for educational attainment, the research has shown that on the overall children are enrolled in high schools and university. The costs for the only university in Suriname are relatively cheap when compared to other countries in Caricom<sup>15</sup>. Only in 6 of 27 households, children have less than a high school education. These relatively high levels of education are the result of investments of remittances in human capital.

My sister who is the godmother of my son takes full responsibility for his education. Aside from the money that she sends for us to contribute for the rent, in September at the commencement of the university year she sends an additional amount for to pay for the fee. (Aretha, female, Uitvlugt).

This finding is in line with Taylor's view on the funding of schooling by migrants. It is presumed to have potentially long-term economic and social benefits which are initially difficult to quantify but are nonetheless critical.

Cash remittances provide me some 'flexibility' with my salary for instance when I have to give my children a weekly amount for bus transportation to school. In fact that is the largest component of sending the children to school. The private company I work for awards employee's children with a basic package of notebooks, pens etc and sponsors the school fees for each

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<sup>15</sup> Annual fees at the Anton de Kom University of Suriname, amount SRD 625 (equivalent USD 192) compared to University of the West Indies' fee of USD 1200 at the undergraduate level (provided the differences in academic materials offered). See also <http://adekus.uvs.edu> and <http://www.mona.uwi.edu>

child that has successfully completed the school year. (Glenda, female, Kasabaholo).

## **5.4 Summary**

This chapter provided an analysis of how trends of remittances originating from the Netherlands affect investments in human capital in general. More specifically, it explored the impact of remittances on productive uses within local economy of the Tammenga district. As such it pinpointed the contribution of remittances as a driver of local economic development. Although remittances to Suriname are significantly large, the study area shows limited contribution to investment.

## Chapter 6      Conclusions

The overall objective of this study was to investigate how trends in remittances-originated from the Netherlands-affect the well-being of recipient's families and the local economic development in the Tammenga District of Suriname. To test the role of remittances in the well-being of recipient-households an asset vulnerability framework was used. The analytical framework was created which was based on theoretical views in relevant literature. The reason being is that I wanted to understand the extent of remittances on both recipient-households livelihood and elements of local economic development. In testing the analytical framework, semi-structured interviews were conducted.

This chapter will (1) present the key findings of the study (2) reflect on the research contributions and limitations.

### 1. The key findings can be summarized as follows:

Empirical evidence as set out throughout this paper revealed that the role of immigrant remittances from the Netherlands in local economic development is and will remain an important issue. Nevertheless the money flows are relatively small resulting in limited effects on LED. Entrepreneurship in the locale has generated few jobs and therefore little employment. One can rightfully conclude that remittances solely serve as a share of disposable income.

- Based on the distinction within the literature between growth and survivalist enterprises, 3 of the entrepreneurs in the study area can be branded survivalist while only 1 has the characteristics of a growth-oriented enterprise. This finding can be seen as a reflection of the business climate in Suriname. Allocating money transfers for investment purposes is likely to be limited. The majority of interviewees in the Netherlands have indicated to remit between 0 to 5 percent of its income either on a monthly basis or quarterly. Those remitting more; from 6 percent and above usually do so annually or twice a year.
- In terms of remittances' role in the livelihoods and asset vulnerability of recipient households, the study showed increases in disposable income. Remittances take the form of a 'family welfare system' which has the ability to smoothen consumption. Additionally they can be considered to reduce liquidity constraints. In this way the standard of living of the households is maintained and in some cases probably improved. Household's spending on recurrent expenses makes up for the largest use by receiving-households. Other allocation of remittances went to education and health.
- Even though Suriname's remittances market is competitive and remitters are increasingly willing to use the formal sector, there was

some evidence of informal channels as means of remittances mechanisms. So during the analysis period informal systems have proven to exist alongside the formal money transfers.

- Remittances in the study area have proven to be predominantly altruistically motivated

Linking the data to other variables established more specific findings. The outcomes of the study does not clearly show whether remittances in the study area have reduced vulnerability in terms of human capital, housing and assets. Improvements in the housing, shows a consistent trend. In this sense 22 of 27 households mentioned to have done so by own means. However, when asked what the character of improvement was, the interviewees indicated that it consisted of minor renovations like painting or replacing washbasins. As such the money is allocated in more sustainable ways like renovation of homes. Five households are dependent on remittances for home improvements. These mainly involve reconstructions of either houses or fences. The Tammenga case provides a clear example of a public flat completely rebuilt. In addition quite known in Suriname is the anti-burglar iron bars behind windows and doors. Money transfers were specifically aimed to fund these as well.

Another notable finding is that women are overrepresented as both recipients and sender. The study revealed that women are more likely to remit and receive funds. Women make up for 23 of the total of 27 beneficiaries compared to 7 of 10 senders of remittances

While migration is claimed to have a negative effect on human capital in the home country (migrants are generally either highly educated or resourceful) the case for the research area illustrates a different picture. On the basis of the testimonials by recipient-households it has been evident that the senders could not be categorized as highly educated or resourceful. Only 1 is high skilled while 2 are employed as teachers in secondary schools.

Approached from the recipient's perspective, this research yields some remarkable conclusions. Firstly, the majority of interviewees-based on their testimonials-claimed not be highly dependent on money flows from the Netherlands. In general, the extent to which the households' well-being is influenced through remittances receipts can be characterized as moderate. The households are able to survive without the infusion of remittances. In fact most basic necessities have been met already. Some recipient-households even tend to look for ways of saving and investments as sustainable uses of remittances. Secondly, throughout the research it became evident that the usage of remittances varies from the acquisition of real estate and housing aside from the more productive uses of some entrepreneurial activities.

By and large, the study showed that remittances are channelled to household consumption rather than to investments. A limited amount of migrants from the sample population have the propensity to invest directly into types of physical assets namely land and housing. Furthermore, analysis findings confirming the increasing purchasing power of recipient-households for periods longer than ten years, even with some evidence of remittances declining as the time the sender spent away lengthens, the 'remittances decay hypothesis' does not hold much stand.



## 2. Research contribution and research limitations

This research adds to knowledge about contemporary views about remittances' contribution to the livelihoods at the household level. Furthermore it reflects the determinants of local economic development triggered by received remittances during the analysis period. It also raises issues of dynamics of remittances approached from a sender's perspective.

### *Research limitations*

Local economic development in the study area is most probably lagging behind due to limited responsibilities and resources of local government. In practise, government in Suriname is still highly centralized. This will trigger entrepreneurship as its opportunities are shaped by local circumstances aside from household's resources. More comprehensive research on the local economy needs conducted using the asset vulnerability as a basis.

### *Expectations and closing*

The expectation was to find that most probably remittances in the study area would first be allocated as consumption smoothing, that is to secure the household's immediate situation or the incidence of poverty. In concrete terms this would comprise of funding of health, education and housing. The data gathered from the interviews showed differently. Households are not dependent on remittances flows at least not to the extent that it affects their vulnerability. Another expectation deals with the fact that recipient-households are generally low-income families. However, the majority of households interviewed in the study area, can be categorized as low-middle income. This probably explains why remittances are used differently across countries as well as across communities.

It is in the conclusion of this chapter that I emphasize that the effects of remittances flows on the local economy of the Tammenga district are complex and not amendable to generalize across the whole of remittances senders and receivers of the district or the population of Surinamese remitters.

## Notes

<sup>1</sup> The Government employs over 40 percent of the labour force (ABS)

<sup>2</sup> The ratio of remittances to GDP across CARICOM countries varies. In Jamaica the percentage was the highest, 14 percent while the ratio in other countries ranged between 4 and 5 percent. Other countries registered smaller percentages (Alleyne:73).

<sup>3</sup> According the 2005 CBS Statline database cities with the highest concentration of Surinamese Diaspora are Amsterdam, Rotterdam, The Hague and Almere with respectively 70,380; 52,504; 45,446 and 17,684 residents (retrieved from <http://statline.cbs.nl/statweb/>)

<sup>4</sup> Suriname has five categories of health care systems: (1)SZF for civil servants, retired civil servants and some voluntary enrolees; (2)private insurance; (3)private out-of-pocket payments; (4) private firms that self-insure their employees and dependents via direct payments and (5) package for the poor and near-poor (Eichler,11).

<sup>5</sup> The Min RO allocated on average 9 percent of its budget to Paramaribo, of which the study area is a sub-district (Dogle, 155)

<sup>6</sup> According to the 1922 Surinamese Act Income tax, article 18 subsection 1<sup>h</sup>, taxpayers may deduct costs of painting their own house once every three years as some kind of compensation for home upgrading (<http://www.belastingdienst.sr/>).

<sup>7</sup> Between 1950 and 1987 the construction of public housing amounted 7.109 with an additional 1.674 against a demand of 20.000. (Breeveld,18)

<sup>8</sup> As from February 2004 the CBvS and commercial banks provide financing facilities to middle-income groups against 7 percent annual interest rate. The primary objective was to ease the housing issue. The mortgage credits went from SRD 70.000 in 2004 to 100.000 in 2006 with duration of 25 years. (retrieved from <http://www.cbvs.sr/dekasreserveregeling-in-suriname/>)

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# Appendices

## ***APPENDIX A: INTERVIEW QUESTIONS RECIPIENTS***

### INTERVIEW QUESTIONS

#### **Remittance-receiving household: Semi-structured questions**

##### **I. Introductory questions**

- Position in the household: husband/wife/child/grandparent/other relative/other
- What is your highest education?
- What is the total number of household members?
- Do you receive remittances (from the Netherlands)?
- In cash or in-kind?
- What is your relation to the sender of those remittances: parent/husband/wife/child/other?
- How long have they been residing in the Netherlands?
- What was the driving force for migrating: social security/political tensions in the 1980's/ study without returning/ other
- What is their residing status: Dutch citizen/ Residence and working permit/illegal/ other
- What is their highest education?
- Describe their position in the labor force

##### **II. Specific Questions: Frequency, average amount and channels**

- What is the frequency of the remittances send cash and/or in-kind?
- Describe the content of the in-kind remittances
- How do you receive the cash remittances: private bank/ public bank/Money transfer operators/ visiting travelers (family or friends)/ Surinam airways crew/ other
- What is the average amount of money (on monthly basis)

##### **III. Uses of remittances: consumption smoothing and/or human capital investment**

- What are your sources of income?
- How do the received cash remittances support your spending pattern?
- What are the cash remittances used for?
- Which type of health insurance do members of the household have: public/ private/ none/ other?

- Which types and levels of school are the children in the household enrolled in?

#### **IV. Livelihood and vulnerability: remittances receivers**

- Do you have a job: no/ yes: formal and regular/ yes: informal and regular/  
yes: informal and occasional
- What branch are you employed in: government/ private sector/ services
- Do you consider your job to be secure?
- Which types of assets were you able to acquire through remittances?
- What is the status of your housing: own house/ rented house/ rented public flat/ rented private flat/rented room/owned by remittance-sender
- Have you improved your house in the last two years (in case of house owner)? If yes, how?
- How do you view your life without remittances: same position/ indifferent/ more vulnerable

#### **V. Productive investments: Entrepreneurship**

- Did you start a business with received remittances or was it at least possible through remittances?
- How is the equipment in the business funded?
- Do you have employees?
- What is your relationship with employees: immediate family member/neighbor/ other
- What is the average wage you pay them?
- Are your employees also remittance- receivers?

## ***APPENDIX B: INTERVIEW QUESTIONS SENDERS***

### **INTERVIEW QUESTIONS**

#### **Remittances senders: Semi-structured questions**

##### **A. Frequency and channels of remitting**

- How often do you send money to Paramaribo?
- What is the amount usually sent?
- Was the amount always the same: indifferent/ more/ less
- What channels do you use to sent money: banking system/ money transfer operators/' hawala'/ travelers
- Justify the channel used

##### **B. Motives to remit**

- Who do you sent money to (relationship: family/ friend)?
- How long have you been sending money?
- Why do you send money: (altruism/self-interest)?
- What is the money spent on: caring for elderly parent/ supplementary income/ productive purposes?
- Is the money sent used for starting or maintaining a business? If yes, what is your position to this business?
- Do you possess assets in the home country?

##### **C. Vulnerability**

- What do you do for a living?
- Do you feel secure in your job and livelihood?
- What is your residence status?
- What percentage of your salary do you remit?
- What determines the amount being sent: economic situation back home/ economic situation in Netherlands/ social event back home/ holidays like Christmas



***APPENDIX C: CENSUS PROFILE TAMMENGA DISTRICT***

Area in square km	6
Population density	2385,5
Population( total)	14,313
Households	3,259
Male	7,077
Female	7,236

Variable: Marital status	Total
Single	5,767
Married	2,420
Divorced	257
Windowed	301
Don't know/no answer	2,436

Variable: Religion	Total
Christianity	7,393
Hinduism	2,198
Islam	708
Traditional religion and others	534
No religion	381
Don't know/No answer	3,099

Variable: employment	Total
Legislators, senior officers and managers	445
Professionals	635
Technicians, associate professionals and armed forces	653
Clerks	791
Service workers and market workers	724
Skilled agriculture and fishery workers	153
Craft and trade workers	689
Plant and machine operators	320
Elementary occupations	721
Unknown	98

Variable: educational level	Total
None/kindergarten	686
Primary	3,224
Lower vocational and Junior Secondary education	4,755
Senior secondary and vocational, technical education	2,235
University and Higher vocational	1,093
Other	106
Unknown	816

Source: ABS(census VII profile)