

# Essays on Rural Poverty in Northern Myanmar

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## Summary

This study aims to shed light on the rural poverty problem in Northern Myanmar using an original dataset collected in Kokang, Shan state, from 2012 to 2017. The author analyzes rural poverty focusing on three perspectives: first, the impact of the socio-economic transformation (opium prohibition and the introduction of alternatives to opium production) on the welfare of households is examined by comparing households with different wealth statuses; second, the impact of the expansion of migrant opportunities on poor households, particularly the impact of remittance behavior of female migrants working in the casinos; and third, the impact of external income shocks (violent conflicts) on households with different wealth statuses, focusing on their financial behavior.

The author discusses the before and after changes in household livelihoods in opium and post-opium Kokang. First, are the two major substitutes to the opium poppy industry, sugarcane and the casinos, bringing economic benefits to ex-poppy farmers in Kokang? Second, if they are, how large is the benefit? Can the two substitutes solve the poverty problem after the anti-opium campaign? Third, in addition to certain economic benefits, are there any other social or economic effects on the farmers in Kokang or the regional economy?

The author found that wealthier households that hold a large amount of land suitable for sugarcane have developed within the agricultural sector, with significant profit from sugarcane cultivation. Meanwhile, poor households were not able to obtain enough profit due to the inequality of land distribution. This suggests that if poor households were to rely solely on sugarcane cultivation, then the subdivision of land as inheritances in the future might bring transgenerational poverty. Specifically, this section analyzes the correlation between the historical inequality of land allocation and the manifestation of poverty that occurred after the introduction of contract cultivation. In addition, while the promotion of casinos as an alternative industry has contributed greatly to the increase in employment of

young women by stimulating high labor demand, the necessity for education will be further disregarded, as the casino industry does not require highly educated labor.

Second, as the casinos were introduced in Kokang at the end of the 1990s, how does the expansion of employment opportunities brought about by the introduction of the casino industry affect poor households? Specifically, what are the impacts of the remittances of female migrants that work in the casinos? Does the remittance behavior of female migrants differ depending on the wealth status of their households?

Previous studies on the impact of remittances have found that poor households tend to receive low remittances, mainly because their low inheritable asset levels render remittances less rewarding. Female migrants that do not have inheritance rights are the focus of this section, which analyzes the remittance behavior of female migrants from poorer households when there is no inheritance motive. More specifically, parents of poor households are unable to arrange marriages for their daughters to men from families that are more affluent. Does this drive young female migrants to spend more on seeking a marriage partner and send less to their families? This is an important question that is addressed in this study.

The empirical results tell us that unmarried female migrants from poor households tend to spend their income on consumption (particularly shopping, entertainment, and room-rent), rather than on remittances or personal savings. This new finding could be attributed to the “self-investment” of female migrants, which provides them with advantages in the marriage market. These results highlight the correlation between remittance behavior and the marriage market structure, and also suggest that remittances have limited impact on poverty reduction or improvements in the living standards of the poor, because the remittances they receive are small or nonexistent.

Third, when the 2015 conflicts occurred, household welfare in Kokang was negatively affected. However, most previous studies have focused only on the consequences of conflicts, which are usually caused by and result in poverty. It is crucial for us to analyze how conflicts affect the financial behavior of households with different wealth statuses. In particular, the author answers this question from the perspective of the correlation between wealthier households’ evacuation behavior and the expansion of borrowing and lending.

The empirical results show that borrowing money from wealthier

households became an important coping strategy used by poor households to deal with the income shock caused by the conflicts. Consequently, wealthier households tended to lend money, and began to demand high interest rates, instead of the kinship-based credit that prevailed before the conflict. Thus, this resulted in the expansion of the usury business between the wealthier and the poor.

In particular, the author clarifies the correlation between wealthier households' evacuation behavior and the expansion of borrowing and lending. The wealthier households in our sample tended to invest more in the usury business, because the conflicts might have eroded their confidence in agricultural investment. Poor households continued to suffer from income shortages, owing to their reliance on non-farm employment. As a result, for a period, wealthier households continued to lend, while poor households had to keep borrowing. These results highlight the possibility that the damage to poor farm households from conflicts results in long-term poverty.

Through these analyses, the author have been able to shed light on the poverty problem in post-opium and post-conflict Kokang, particularly on the poverty impact when the rural household faced policy changes and income shocks. Importantly, when all households got the same opportunities (sugarcane contract-farming and casino employment), regardless of their wealth status, poor households could also take advantage of them. However, the income disparity between the wealthy and poor households widened, since the poor was lack in physical resources, such as land. Moreover, the studies on the remittance behavior, as well as borrowing and lending behavior, of households of different wealth statuses showed that poor households lacked resources and investment (and employment) strategies. At the same time, members of poor households tended to be more altruistic and present-biased; they consider self-benefit more and are prone to over-consumption after obtaining short-term income. These behaviors limit their ability to escape from poverty.