

Role of Hundi in Border Trade Payment of Northern Thailand- Myanmar Before and After 2021 Military Coup

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Abstract

Myanmar considers border trade more important than international trade. Due to the economic sanctions imposed by the West since the military government took power in 1996 up until the latest one in 2021, Thailand -Myanmar border trade has been characterized by more informal trade than previously. Border trade has developed despite being subjected to long-standing international trade barriers.

This study aims to convey an understanding of how the informal border payment, "Hundi", works as the border-trade -payment between Myanmar and Northern Thailand. Even though hundi is an informal transfer system it is widely used as an alternative banking system. Especially, hundi is used in the financing of legitimate businesses, to prevent exacerbating the problems of access to credit of different states. This study draws on available literature and open-source reporting, as well as extensive field research by interviewing trusted sources for more than 30 informants (i. e., border-trader, money changer, money transfer operators, business leaders, hundi operators, immigrant labors, government officials, commercial banking staffs) in the northern part of Thailand with the border city in Shan state, Myanmar during 2017-2022.

This study found that hundi plays a significant role as both a substitute and complement to cross-border trade and payment across the border of Myanmar- Thailand. After the recent political instability, and expansion from a formal banking sector to a mobile money services, in the short term, we are unlikely to see an elimination of the hundi system completely.

Keywords: Border trade, Informal trade, Informal payment, Hundi, Thailand-myanmar, Northern thailand, Military coup

Introduction

Myanmar and Thailand Trade relation; Why Borders matter?

The trade relation between Myanmar and Thailand has been developed before the founding of the Union of Myanmar, a pre-colonial system before King Mindon's regime (1852–1878); whereby it had little regular commerce with the Kingdom of Thailand and the Kingdom of Mon (Mon state in Myanmar). Thailand shares an approximated 2,400 kilometers border with Myanmar. There are various border trade issues, including the smuggling trade that plays one of the most important roles within the sphere of economic activity between the two countries. There are five border trade posts between Myanmar and Thailand. Myawaddy border trade post is the largest Myanmar-Thailand border trade post, with a share of 39% of the total border trade value of the two nations; Tachileik border trade post is the second largest (Figure 1). The border trade share of Myanmar-Thailand is shown in the following Figure 1.



Figure 1 Myanmar - Thailand Border Area

As mentioned in the figure, border trade value from China is the highest among the neighboring countries. It stands the biggest trade partner of Myanmar. Thailand stands the second largest and India, Bangladesh stands the third and fourth respectively. Natural gas, minerals, marine products, Jade are the major export commodities and agriculture products, wood product, clothing and all exportable commodities are also exported. Crude oil, petroleum products, machinery and equipment, transport equipment, construction materials, fertilizer, cement, edible oil, food products, fabric and plastics resin are the major import commodities. Myanmar's main exports partners are neighboring countries and other trading partner countries are Japan, South Korea, Germany, Indonesia, and Hong Kong. According to Commerce Ministry data, Myanmar is Thailand's sixth-largest trading partner in ASEAN, and its seventh largest in the world. China has more favorable conditions concerns with Myanmar because the highways and road transportation are better than others. One main benefit is that Myanmar people are familiar with the products that are imported from China. As China is the country of advanced technology, imported goods from China have variety of choice such as machine and accessories, electronic goods and technology products. The border trade helps to increase the employment opportunities for many workers and creates income. It can improve the security in the area and promote the transportation facilities in those areas and is beneficial for the social sector. On the other hand, there are also still negative signs in some of the political, social and

economic obstacles. Thirteen border trade posts have been opened and there are many places that have still to open border trade posts. The name of the border trade posts, and the respective areas are shown in the following table.

Table 1 Border trade posts of Myanmar with neighboring countries

No	Border Trade Post	Trade Partners	Date of Open
1	Ta Mu	Myanmar-India	5.9.1995
2	Maungtaw	Myanmar -Bangladesh	5.9.1995
3	Kawthanung	Myanmar-Thailand	1.6.1996
4	Tachileik	Myanmar-Thailand	16.3.1996
5	Muse (105 mile)	Myanmar-China	12.1.1998
6	Lwejel	Myanmar-China	23.8.1998
7	Myanwaddy	Myanmar-Thailand	16.9.1998
8	Sittwe	Myanmar-Bangladesh	11.12.1998
9	Myeik	Myanmar-Thailand	1.7.1999
10	Laiza	Myanmar -China	1.5.2000
11	Chinshwehaw	Myanmar-China	19.10.2003
12	Rhi	Myanmar-India	10.12.2003
13	Na Bu Lal	Myanmar-Thailand	29.3.2012

Source: Ministry of Commerce, Myanmar

The border trade of Myanmar-Thailand border trade posts became official in 1996. Even though the border trade is informal, people have been employed to carry goods across the border along the river and hill paths. Myanmar is of vital strategic economic importance to Thailand, because it provides large amounts of natural gas utilized for electricity. Border trade posts between Myanmar-Thailand provide job opportunities for local residents, as well as free flow of goods and services. The major import of Myanmar from Thailand are car and motorcycle accessories, computer- related products, electronic accessories, industrial manufactured goods, electronic machinery, etc. Natural gas, consumer goods, fuel, raw material, intermediate goods, animal, vegetables, metal, wood, and food products are also major export products of Myanmar to Thailand.

Historically, the cross-border trade took place with the objective to allow the exchange of goods between local people living in the immediate neighboring areas. However, after the upper North of Thailand became associated more and more with the neighboring countries politically, commercially, and in other international relations aspects which led to the opening of trade facilitation at the border areas between Thailand, Lao PDR and southern part of China, border trade volume has grown continually with a prediction to expand even more in the future. The border trade boom began in 1997 when the border trade flow in Northern Thailand had the value of 5,932.94 million baht, a 32.51% increase from the 1996 level. The total 1997 northern border trade volume comprised 5,382.99 million Baht of Thai-Myanmar trade (90.74%), 402.59 million baht of Thai-Laos trade (6.78%), and 149.36 million baht of Thai-Chinese trade (2.48%) (Panthamit, 2016). However, since the pandemic and coup, China's border is closed, so the trade volume of Myanmar's border trade with Thailand has become the largest trading volume in fiscal year 2022-2023 (65.6%), Myanmar-China (30.2%) instead. (see Table 2)

Table 2 Border Trade of Myanmar with neighboring trading partners in fiscal year 2022 (1-4-2022 to 31-3-2023) compared to the same period of 2021 (1-4-2021 to 31-3-2022)
unit: million USD

Border Trade Partner	Export	Import	Trade volume	Export	Import	Trade volume
Myanmar-China	2513.835	561.938	3075.773	1922.038	420.879	2342.917
Myanmar-Thailand	3479.87	1876.142	5356.012	3413.489	1676.468	5089.957
Myanmar-Bangladesh	32.377	0.175	32.552	32.968	0.886	33.854
Myanmar- India	10.017	6.378	16.395	45.822	4.782	50.604
Myanmar-Laos	-	-	-	-	-	-
TOTAL	6086.246	2484.552	8570.798	5414.317	2338.213	7752.53
Border Trade Partner	Export(%)	Import(%)	Trade volume(%)	Export(%)	Import(%)	Trade volume(%)
Myanmar-China	41.30	22.61	35.96	35.5	18	30.22
Myanmar-Thailand	57.17	75.51	62.49	63.04	71.70	65.65
Myanmar-Bangladesh	0.53	0.01	0.38	0.61	0.05	0.44
Myanmar- India	0.16	0.26	0.19	0.85	0.20	0.65
Myanmar-Laos	-	-	-	-	-	-
TOTAL	100	100	100	100	100	100

Noted: - No data available

Source: Department of Border Trade, Ministry of Commerce
(<https://www.commerce.gov.mm/en/dobt/border-trade-data>)

The characteristics of the population in Myanmar are ethnically diverse throughout the country. The Thai-Myanmar border varies according to the political environment of each ethnic group in Myanmar. The case of border trade through Mae Sot checkpoint which borders the city of Myawaddy, Karen State, is a group of areas occupied by the Karen ethnic group. Another main border-trade point is between Mae Sai District in Chiang Rai province bordering the Shan State. There are a large number of diverse ethnicities in Shan state (including Akha, Danu, Kachin, Karen, Lahu, Lisu, Shan, Ta-ang (Palaung), Taungyo, Yin-nit Yin-kya and Wa). The Thai-Myanmar border is the longest, making border trade unique and closed. (closed???)

The border trade of Thailand at Chiang Rai province connecting to Shan State, Myanmar takes place in Mae Sai-Tachilek international point of entry area. At present there remains only a few border trade operators, which formerly were large in number but eventually exited the market. The remaining business operators now engage mostly as large wholesalers, and the border trade market is characterized as oligopolistic competition. Therefore, pricing of any commodity can be discussed and mutually determined among these few border trade operators. In term of border trade payment, the commercial bank system is not the popular mode. Traders have only one choice to use cash and in Thai currency due to the unstable Myanmar Kyat (MMK) value. While virtually all trade payments are not made through commercial bank system, certain banking services can be utilized. For both cash and commercial bank as mode of border trade payments, five specific transactional arrangements can be distinguished, namely: (1) trade account clearing by underground money transfer, "hundi"; (2) cash payment in Baht; (3) account clearing among associated/siblings' companies; (4) opening letter of credit (L/C); and (5) depositing the payment in general Thai Baht account.

This study examines the review of previous research works and fieldwork study to further add with the literature in the informal payment transfer (hence after, hundi) which is a subject that is rarely conducted and in discussed in great details with regards to the role of border-trade payment between Thailand-Myanmar. Thus, the survey and compiled information on the importance of these alternative remittance system for Myanmar, need to be updated.

Research Objective

This study reexamines the following: (1) development of the border trade system between Thailand and Myanmar , hundi between 2017-2022. (2) Role of payments involving stakeholders in the borderland of Myanmar- Thailand, including border merchants, relevant government officials performing duties in the scene and out of the scene, financial agents, and informal foreign exchange operators. (3) investigating the competency of “hundi” mechanism and whether its ecosystem is still mainly active, in particular, in the wake of 2021’s military coup in Myanmar whether this has had an impact on hundi system across the border. The study followed El Qorchi (2003) as conceptual framework for this study. The study not only conducted qualitative but also quantitative analyses to describe the hundi system and reach conclusions about its practice.

Theoretical Framework

The theoretical debate on *lawlessness and economics* led by Dixit (2004) proposed the concept of private *mechanisms* — such as long-term relationships, arbitration, social networks to disseminate information and norms to impose sanctions, and for- profit enforcement services — have grown up in place of formal, state- governed institutions. Even in countries with strong legal systems, many of these mechanisms continue under the shadow of the law. Numerous case studies and empirical investigations have demonstrated the variety, importance, and merits, and drawbacks of such institutions. Dixit (Dixit, Lawlessness and Economics: Alternative Modes of Governance, 2004) also argued by examining the theory of private institutions that transcend or supplement weak economic governance from the state. Moreover, this adaption of literature reviews followed from the first work done by El Qorchi (El Qorchi, Munzele Maimbo, & Wilson, 2003)

Methodology

This study consists of two methods of data collection from custom departments of Thailand and Myanmar, then using: (1) quantitative analysis by comparing bilateral trade statistics of Myanmar- Thailand. After that, the data were then described in order both before and after the 2021 military coup. (2) qualitative analysis by document research following the theoretical debate on lawlessness and economics led by Dixit (Dixit, Lawlessness and Economics: Alternative Modes of Governance, 2004) and literature reviews followed from the first work done by El Qorchi (El Qorchi, Munzele Maimbo, & Wilson, 2003) by tracking recent hundi literatures from open sourcing and then applying on the fieldwork to investigate using the snow-balling interviews from 30 trusted sources with questions to fulfill the study objectives (in-depth interviews with key stakeholders, participant observation recordings and other messages). These data were classified into categories according to similar concepts (themes) and interpretation frameworks. These sample group criteria were selected by using a random distribution method from trusted sources that have been contracted within 20 years (snowball sampling) by the research team. Data collection methods consisting of in-depth interviews and focus- group discussion from border trade’s stakeholders across the border between northern Thailand and Myanmar had been characterized and analyzed the development of hundi coming from several fieldtrips, workshops, and online interview (during pandemic time in 2019- 2020) of two border cities of Thailand and Myanmar. These vast interviews were conducted over a period of seven years, specifically between Nov. 2017 – Dec. 2022.

Results

Border trade between Northern Thailand and its neighboring countries is recognized as commodity flow through four channels **(1) Natural crossing point**. Including the natural trails crossing the international boundary with no official recognition by the two countries. **(2) Temporary border checkpoint**. It is established and opened primarily for the economic reasons upon the request made to and approved by the Ministry of Interior of Thailand. The opening of the border is temporary for a definite period and with no impact on national security. **(3) Permissive crossing point**. It is opened for humanitarian reasons to promote local international relations, as well as to allow trade and exchange in consumer goods and travel movements between the two countries. The types of tradable goods, opening and closing hours, and entry- exit control measures are under the authority of the provincial governor, with approval from the Ministry of Interior, Thailand. Currently there are eleven permissive crossing points in the northern Thailand, seven of which on the Thailand- Myanmar border. **(4) Permanent border checkpoint**. It is an official and bilateral border opening to facilitate trade and travel between countries and to promote international relation and cooperation. Presently, there are five permanent border checkpoints in the northern Thailand, two of which are on the Thailand-Myanmar border and three of which on the Thailand-Laos border.

The characteristics of the population in Myanmar are ethnically diverse throughout the country. Also, Thailand- Myanmar border locations differ according to the political environment of each ethnic group in Myanmar. For example, Mae Sot district borders the Myanmar city of Myawaddy in Karen State, which is an area occupied by the Karen ethnic group. And Mae Sai district borders the Myanmar city of Tachilek in Shan State. The Thailand-Myanmar border is long, making border trade unique and restrictive. Especially, border trade that is not conducted through customs (smuggling) and money transfers outside the official system (hundi), due to illegal activities and transactions. Aung (Aung, 2011) divided the cross-border trade in Myanmar into four categories: legal & documented trade (trade is documented in both Myanmar and the partner country), legal & undocumented trade (tradable products that are not subject to trade restrictions, but undertaken without legal export and import licenses issued by Myanmar's Department of Border Trade), illegal-but-llicit & undocumented trade (export and import of products, the importation or exportation of which are restricted by trade authorities), and illegal-and-illicit & undocumented trade (export and import of illicit products, the importation or exportation of which are restricted both by Myanmar and its partner country).

Hundi: Payment and Mechanism

In general, payments incurred from cross- border activities can be settled by two ways: using commercial bank facilities and drawing on international trade agent facilities in the black market. In the first case, importers pay overseas exporters by check, draft, and wire transfer, with or without using a Letter of Credit (L/C). In the latter case, exporters are paid by cash in Baht, Kyat, and US dollar denominations. The development of payments has improved greatly since Myanmar opened up in 2012, with many large commercial banks providing services of international money transfer on imports and exports, as well as money exchange services. However, since the coup in 2021, the informal trade payment has resumed not only for across the border economy between Myanmar and Thailand, but is also applicable inside the domestic economy of Myanmar. The hundi system was widely used during the latest period of military rule, even by international aid groups. In some cases, commissions on transfers have doubled or tripled, with increased rates on both the sending and receiving sides. In November 2019, the

mobile money transfer value accounted for 80% of all money transfers value in Myanmar (Rest of World, 2021). Myanmar's economic system requires cash flow over the economy. Even though there is a decline in the amount of money in circulation, there is an ongoing demand for money in daily consumption, which was also proved by the uncertainty in the financial system under the Central Bank of Myanmar (CBM) occurring quite often, causing the Myanmar's people's lack of trust for the country's financial system. Also, there is a lack of accessibility to traditional banking structures and just a quarter of the population has a bank account. It is popular for people to hold cash instead of depositing their money in banks because they fear that they would not be able to withdraw it. Electronic payments had been slow to catch on in Myanmar until around 2020. A widespread bank run following the military takeover in February 2021 led banks to restrict withdrawals. With only limited access to cash for roughly a year, many of Myanmar people began relying on online services (NikkeiAsia, 2023). As online payments became more efficient, money exchange and transfer services began to transform into online services (Reuters, 2021). Facebook is the most popular social media among Myanmar people. Most online money exchange services exist on Facebook. Nowadays, there are a lot of Facebook pages and groups that offer money exchange and transfer services. These pages post the informal exchange rates twice a day and the customers only need to contact them through messenger to transfer or exchange money. The service fee varies according to the banks or the wallet they would like to use. (Several interviews with Thai businessman, trader and money changers in Yangon from 2017 - 2022).

Since the coronavirus pandemic, the online payments and online money transfer services have grown significantly. Myanmar people acquired more trust in online banking and there are not many steps in transferring the money and it is time saving. For instance, if someone living in Thailand wants to transfer money to Myanmar through online service, they do not have to go anywhere, neither do the receivers. First, the sender has to contact the online money transfer service through social media, the service will reply, telling the customer the exchange rate of that time and service fee, also asking the customer how much they would like to transfer and how the receiver will accept the money. After that the service will give their Thai bank account information. Just after the sender had transfer the money into the service provider's bank account, the service provider will transfer money into the receiver bank account or mobile wallet using their Myanmar bank account. The service has both Myanmar and Thai bank accounts. In that case, there is no money in or out of both countries. The service fee is ranging from 2% to 3%. (Interview with money changer in Yangon, Nov. 2022).

An informal transfer system which is widely used as an alternative banking system, "hundi" of border trade of Myanmar -trading partners in Northern Thailand has again become the most popular mode of border trade payment, even though hundi is unable to declare the sources of money laundering regulation under the standard settlement of formal banking system. Due to a failure to operate of its official mechanism, the border-traders are carrying on using hundi as the financial platform across the border of Thailand-Myanmar. Most research works of informal transfer payment have been studies since the 9/11 incident (September, 11, 2001) in the US, as renewed public interest has focused on informal funds transfer (IFT) systems (Zagaris, 2007) and (Viles, 2008). Hundi is what's known as an "informal value transfer system", varieties of which can be found in many countries around the world. Using agents, money can be remitted domestically or internationally, but the money does not move either physically or through the banking system--instead, the agents that handle the transaction usually settle the debt in another way (Frontier, 2023). The popularity paper by El-Qorchi (El Qorchi, Munzele Maimbo, & Wilson, 2003) has been mostly cited in vast literatures, especially in term of "hawala: ". The hundi has also been defined in several deviations depending upon time and region (in Niger, Nita, in Mali, Senegal, and Comoros, Fax; in

Somalia, Hawala; in India, Hundi; in China and Myanmar, Fei-Ch'ien; Philippines, Padala; in Hong Kong, Hui Kuan; in Thailand, Phei Kwan).

The function of hundi has been well accepted for cross-border funds purpose in developing countries, but it has been agreed by both side of the river-regulator and users, whose participate in informal activities. Many positive characteristics of hundi are speed, transaction cost, cultural convenience, and versatility, yet all have contributed to their abuse by the opposite side. Zagaris (Zagaris, 2007) concludes that hundi is robust in jurisdictions where formal banking systems are absent or weak, or where structural obstacles distort foreign exchange and other financial markets. It also can be an inclusion technique for the poor and underserved (Hariharan, 2012). In countries with limited financial capacity, hundi systems play a critical role. The initial growth of hundi was primarily due to their facilitation of trade between distant regions at a time when conventional banking instruments were either weak or absent. But on the negative side, hundi fiscal implications for both remitting and receiving countries because no direct or indirect tax is paid, so it has a negative impact on government revenue applying equally to both legitimate and illegitimate activities that involve the hundi system. Also, flow of capital flight motivations as well as transactions driven by illicit transactions create difficulties for regulator in the wake of heightened international efforts to combat money laundering and terrorist financing used by illicit groups. Not yet selecting the appropriate regulatory and supervisory response requires a realistic and practical assessment and an understanding of the specific country environment in which the IFT dealers operate (El Qorchi, Munzele Maimbo, & Wilson, 2003).

Vast studies were based on using and understanding the idea of "hundi" in practice that is in different names and places across the region. Among them, (Maimbo, El Qorchi, & Wilson, 2003) studies on the operational characteristics of informal such as "Hawala", which is used predominantly in the Middle East and South Asia., Malaysia (Shanmugam, 2004), Pakistan (Raza, Fayyaz, & Ijaz, 2017), Europe (UK, Germany, The Netherlands, Sweden and Norway (Wang, 2011), Africa (World Bank, 2018) and Central Asia (World Bank, The Money Exchange Dealers of Kabul: A Study of the Hawala System in Afghanistan, 2003); (World Bank, Borderless bazaars and regional integration in Central Asia emerging patterns of trade and cross-border cooperation, 2012), Somalia (Ismail, 2007).

The role of hundi in Myanmar has been well-equipped as international dimensions of the hundi business for Myanmar from a boost from the exodus of political and economic refugees after the crushing of the 1988 national uprising (Downing & Mon, 2017). It has been popular among the remittance purposed by a number of migrants and displaced people (Adams Jr. & Page, 2005); (Hall, 2012); (Deelan & Vasuprasat, 2009); (Kubo, 2015); (Turnell, Vicary, & Bradford, 2010) and (Sandar, 2011) as an important source of foreign exchange in Myanmar. In particular, hundi as a main driver of remittance from Myanmar migrant workers in Thailand has been the most common destination (Kubo, 2015). Myanmar migrants in Thailand send money home unofficially using hundi. Myanmar migrant workers also generated US \$2.8 billion in remittances, equivalent to more than 4% of Myanmar's GDP (Tual, 2021). The reason why hundi is so useful for them is due to banking restriction and currency controls (Thompson, 2019).

2. Middleman/Matchmaking receive-pay Kyat

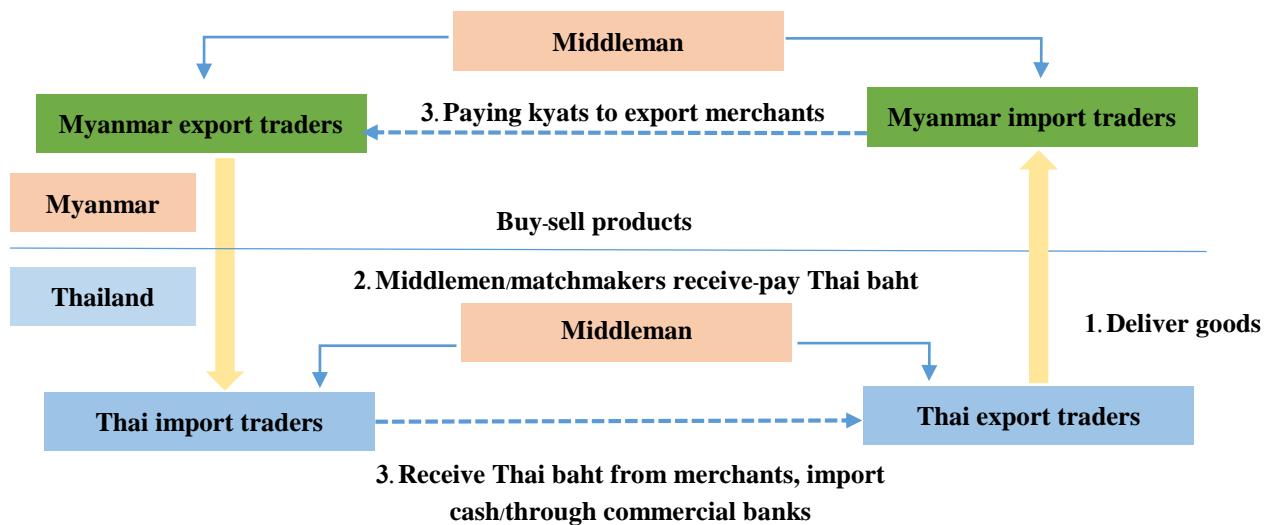


Figure 2 Hundi ecosystem between Thailand- in Myanmar
(Source: Complied by Authors)

The hundi system of border trade is a system that has a clearing system for payment of goods or “clearing agent” which Thai and Burmese merchants developed to use. Hundi operator could be a broker, money remitter, or money exchange dealer whom the client contacts in order to initiate a transfer (Hariharan , 2012). When Thai exporters sell goods to Burmese merchants (usually sold on credit), Thai exporters will receive payment in Baht from Thai importers. With a clearing agent as a contact, the Myanmar importer will make payment in Kyat to the Myanmar exporter. Both Thai and Myanmar clearing agents who perform the same functions as financial institutions, will settle the account of each other. This system is the most persistent and longest standing system of border payments, cash payments in Thai Baht and Kyat for each side. It is the second most popular after payment through the clearing system of hundi payment mechanism However, if paying by cash, there will be cross-border banknotes to pay for the goods. In the case of Thailand, the Bank of Thailand allows the issuance of Thai Baht (THB) to countries that have a border with Thailand no more than 2,000,000 Baht. (see Figure 2)

Discussions

This study examines based on law and economics theoretical framework proposed by Dixit (Dixit, 2007) and then the review of previous research works and fieldwork study (starting from 2026-December, 2022) to further add to the literature in the informal trade pattern and informal payment transfer (hundi) which is a subject that is rarely conducted and discussed in great details with regards to the role of border-trade payment between Thailand-Myanmar. Thus, the survey and compiled information on the importance of these alternative remittance system for Myanmar, need to be updated. This study reexamines the following: (1) development of the border trade system between Thailand and Myanmar by looking back into factors behind the border trade activities that create an informal payment across the border and the relationship periodical evolution of border trade and payment; (2) the role of payments involving stakeholders in the borderland of Myanmar- Thailand, including border merchants,

relevant government officials performing duties in the scene and out of the scene, financial agents, and informal foreign exchange operators; and (3) to investigate the competency of the “hundi” mechanism and whether its ecosystem is still mainly active, in particular, given the wake of 2021’s military coup in Myanmar has had an impact on residents already reeling from the economic hardships.

From the research on Thailand-Myanmar payments and money transfers from 2016 to 2022, it was found that most of the border payments between Thailand and Myanmar were made through informal trade and payment markets. Both the goods payment and the Myanmar workers remittance use the exchange rates on the informal or black market. The informal payments are based on trust. Thus, it is difficult for new entrepreneurs to use the service, which is a long-term limitation. Most Thai and Myanmar merchants do not change their forms of payment. The choice of payment method is dependent on factors such as familiarity, convenience, and customer preferences. The payment method of wholesale merchants is only cash, and only the Baht currency will be used for trading products from both sides. Because the value of Myanmar's Kyat is not stable, border entrepreneurs completely request customers to pay for goods in Baht only. The same applies to the payment of imported goods, entrepreneurs will pay for the goods in Baht as well. This payment mechanism has been changed dramatically from the previous study of Panthamit (Panthamit, 2016) which found that the Myanmar's border trader can get credit lines from a Thai trading partner. However, the hundi operators are still limited to border traders who have trusted each other for a very long time.

This study also found that border trade is considered more important than international trade in the borderland between northern Thailand-Myanmar. Also hundi acts as the most efficient cross-border tool of settlement even after the 2021 coup d'etat by the military regime in Myanmar. Even though the period of study on this subject is from the opening of the checkpoint in 1996-2022 shows the development of modern technology systems has been advanced. Thus, this result benefits faster payments and is less of a hassle in document management. As a result, there is an informal market in the border trading system between border entrepreneurs via hundi operators across the borderlands. The main conditions that confirm the importance of border trade also come after CBM issued a notification on December 14, 2021, on the use of Chinese Yuan and Myanmar kyat for direct payment at the Myanmar-China border. Later, CBM issued a notification dated March 3, 2022, on the use of Thai baht and Myanmar kyat for direct payment at the Myanmar-Thai border as well (Eleven Media Gruop, 2023).

This paper challenges the reality of classic informal border payment “hundi” for border trade payment between northern Thailand and Myanmar which overlooked the cognizance of the beneficial functions of financing trade and remittances, acting instead as a dead-end solution for the fragile period of Myanmar for almost half of the century. Not only the limitation of overlapping of the law and regulation across the country but also the financial instability across the borderland between the two countries may not be convincing enough to regulate the disclosure and transform the informal transfer payment into a formal one. The policy recommendation is to increase the policy using financial literacy with compliance to the law and regulation of government officials and international organizations to reconsider the reality of borderland's tool, “hundi” to border stakeholders. A complexity is conflicts among the ethnic groups and the economic distress that is occurring across the border of Myanmar- Thailand. It is generally acknowledged that hundi has the potential to make a significant contribution towards economic and sustainable growth, and development as a global phenomenon and improving quality similar to a technological venture in a formal platform.

Conclusion and suggestions

The results of this study reexamine the payment method for the dominant ecosystem of stakeholders' payment between Thailand and Myanmar. It can be explained that the reason Thai-Myanmar border entrepreneurs are still using "hundi", informal ecosystem as a main platform up until 2021 is due to the fact that the use of payment services via Myanmar's financial infrastructure is not in favorable conditions, such as financial institutions not yet being favorable importers or exporters of Myanmar as they must obtain a license with trade underlying, including controlling capital and certain types of goods. Entrepreneurs, especially in Myanmar and Southern China, fear tax inspections from the government officials. This study is in line the same as in Afghanistan, where hundi is used by the major Agran merchant to help them cope with an uncertain business climate from the interruptions of cash flow that are prevalent throughout the Afghan economy (Rahimi, 2020).

During 2012-2021, Myanmar's financial institutions had been developed to fit with international standards and more liberalization. But a recent study from 2016-2022¹ reconfirmed that the "informal payment ecosystem" across the border of Thailand-Myanmar is still operating as a normal mechanism. The payment of border goods and the transfer of Myanmar workers back to the country through the informal market were not caused by obstacles in the financial institution structure, law, and tax regulations. The border payment system is considered to be a handicap of border trade. The person who caused the delivery of the product can finish the payment as soon as possible without having to waste time on the process, because there are other slow processes in border trade, such as customs procedures, etc. There are also important economic reasons because of the low fees in the informal market, which are more convenient, and faster than bank transfers, even if it is riskier than before. reconfirming that the "informal payment ecosystem" across the border of Thailand-Myanmar is still operating as a normal mechanism. The payment of border goods and the transfer of Myanmar workers back to the country through the informal market were not caused by obstacles in the financial institution structure, law, and tax regulationsA survey found that since the 2021's coup, more hundi operators are increasing due to the deficiency and lack of trust due to the freeze in the money of retail depositors in Myanmar's banking system. Thus, many Myanmar migrants who have a Thai bank account are now becoming hundi operators and also informal suppliers from retail border trade along northern Thailand-Myanmar border trading routes.

The analysis presented in this study draws upon an extensive set of interviews conducted by the authors, with the current and former hundi operators, government officials, local border-trader, and people living in border areas. These interviews were conducted several times between 2017 -2022 in Thailand (Chiang Rai, Chiang Mai, Tak) and Yangon, Myanmar. The paper draws particularly on a series of interviews conducted by trusted sources in terms of "interlocutors" played an important role in terms of trusted sources and also connected the authors to others who were willing to share their works about hundi payments and techniques. This study found that since the coup in February 2021, hundi has been returned steadily to be the basis across the Myanmar-northern Thailand border trade.

¹ From Interview on May, 18-26, 2021.

New knowledge and the effects on society and communities

This is the latest work for border trade payment which has hidden under the informal market of the border trade of northern Thailand-Myanmar for several decades. It has little research analyze this role from the previous study. Particularly after the military coup, the weakness of the state of Myanmar has made hundi return to be on the spotlight and simultaneous mechanism of border trade and payment ecosystem of Myanmar. This paper will be a useful source for academics, development professionals, policymakers, law enforcement agencies and business actors who are eager to understand Myanmar's informal payment system.

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