



Counting bundles  
Image courtesy of Bloomberg News

# Hundi Networks: Transferring into Post-Coup Myanmar



## Contents

- 3 Executive Summary
- 4 Methodology
- 4 What is a Hundi?
- 5 How Do Hundi Networks Function?
- 5 Hundis as Dispersed Networks
- 6 Hundi Transfers by Single Businesses/Organisations
- 8 Mapping and Capacity
- 8 Mapping
- 9 Capacity
- 9 Due Diligence and Risk
- 10 Guidance for the Myanmar Response

## Executive Summary

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As a consequence of the 1 February Tatmadaw coup, many local and international actors will be compelled to find new and more flexible mechanisms to send funds to local organisations and civil society partners based in Myanmar. This requirement is a function of not only the civil disobedience movement (CDM) and its impact on formal banking structures and wire transfers, but also the increased scrutiny of International NGOs (INGOs), their local partners, and the civil space more broadly. Indeed, prior experience has shown that financial transfers through informal channels will be essential to protecting the independence, impartiality, and physical security of local humanitarian and civil society actors and implementing partners.

Since the coup, “Hundi networks” have been the subject of much interest. Hundis are frequently viewed as the Southeast Asian compliment to the Middle Eastern ‘Hawala’: informal and unsanctioned money transfer agents that operate both domestically and internationally. However, unlike the ‘Hawala’ the term ‘Hundi’ is better understood as a verb — a description of a particular form of economic activity — rather than as a noun. This is because in Myanmar, Hundis often manage a variety of different businesses, of which Hundi transfers are just one stream, rather than exclusively specializing on informal money transfers alone. In this way Hundi brokers generally transfer money as a profitable side activity, using existing businesses as both a cover and source of liquidity. Hundis are thus often quite well established, and are primary mechanisms by which Myanmar migrant workers and businesses abroad move money into, out of, and within the country.

As these transfers revolve around the creation of profit, either through fees or favourable foreign exchange rates, Hundi activity is generally driven by commercial

imperatives, but may also be influenced by political and social objectives: both factors pose a risk to response actors. The largest and most profitable networks — which are sizable — are likely to involve well-established businesses that may, on account of their scale, be implicated in the Myanmar military’s own business dealings, or be closely monitored as competitors. Additionally, the tendency for Hundi networks to operate along ethnic, religious, and social lines speaks to the importance of trust within these systems, and thus signals a potential challenge for international actors seeking to rapidly establish new relationships in a time of acute political and economic uncertainty. Like their Middle Eastern peers, Hundi networks have also been implicated in human, drug, and resource trafficking, thus creating due diligence and do-no-harm implications for humanitarian actors. Finally, an increase in network activity may also draw scrutiny from the Tatmadaw and host-country governments, which could lead to confiscations of funds, detention of brokers, and possibly prosecutions.

Nonetheless, it is clear that the development, peacebuilding, and humanitarian response in Myanmar has rapidly approached a liquidity crisis. Whilst this poses an immediate threat to current programme delivery, there are even greater risks to consider — the upcoming cyclone season, and anticipated escalation in the scope and scale of armed hostilities across the country — both of which constitute a very real imperative for increased flexibility with respect to financial transfer mechanisms. Unlike the Middle East’s Hawala networks, Myanmar’s Hundi networks are unlikely to provide a holistic solution to formal banking impediments, and their utility and appropriateness will need to be determined on a case-by-case basis, and with the recognition that even when necessary there are inherent unmitigable risks.



100 Kyat note  
Image courtesy of Currency Wiki

## Methodology

This paper was undertaken to support donors and international implementing organisations in understanding how to best engage with Hundi networks in Myanmar. By definition, Hundi networks are informal, clandestine, and technically illegal transnational structures. As a result, this paper is primarily based on informal and semi-structured interviews, informed by a grounded theory approach to data gathering and analysis. Interviews were predominantly conducted with Hundi network users (senders and recipients), long-term international response actors in Myanmar, elements of

the Myanmar business community, and several Hundi brokers themselves. This paper is, first and foremost, an attempt to paint a picture of how Hundi networks function, how they are used, and how the Myanmar response can best engage with them. However, as will be discussed throughout this paper, the concept of a “Hundi network” covers a huge array of actors in Myanmar. Indeed, there is such diversity among Hundi networks that nearly each one is, to some degree, unique, and exceptions are the rule.

## What is a Hundi?

Hundi brokers (or agents) are the most commonly used informal money transfer mechanism both domestically within and internationally to Myanmar. A Hundi broker facilitates informal money transfers: a sender gives money in the local currency to the broker, a fee is taken either as a direct deduction or an exchange rate loss<sup>1</sup>, and a recipient in Myanmar receives cash in Kyat in their community. The Hundi concept is an old one: the term originated in India, as businessmen and money changers in the medieval and colonial period used letters of credit to transfer money from one place to the other.<sup>2</sup>

Today, Hundi networks are widely used by Myanmar’s migrant worker community, the majority of whom use Hundi brokers to transmit remittances. An International

Labour Organization (ILO) study found that only 2 percent of Myanmar migrant workers choose to send money via formal money transfer mechanisms, whereas 55 percent relied on Hundi agents and 25 percent preferred to carry cash on their person.<sup>3</sup> However, Hundi network use is not limited to migrant workers; businesses, NGOs, and CSOs regularly use Hundi brokers to transfer funds, both within Myanmar and from abroad into the country. The major hubs of Myanmar Hundi networks are found in Thailand, Malaysia, and Singapore — countries to which Myanmar migrant workers regularly travel to work, and in which many Myanmar entrepreneurs have established themselves. Hundi networks are also found in India, Macau, the UAE, and Saudi Arabia.

[1] Notably, some networks do not charge fees for transfers themselves. Instead, they make their profits off the exchange rate alone. This profit varies depending on the day’s exchange rate, as set by Myanmar’s banks, and how much money the sender wants to transfer. In these cases, the broker only charges fees if the sender wants them to deliver the cash somewhere specific, or if the sender wants them to deposit the cash directly into a bank account.

[2] “Currency Museum,” Reserve Bank of India, accessed 10 April 2021, [https://rbi.org.in/scripts/ms\\_Hundies.aspx](https://rbi.org.in/scripts/ms_Hundies.aspx)

[3] Benjamin Harkins, Daniel Lindgren, and Tarinee Suravoranon, “Risks and rewards: Outcomes of labour migration in South-East Asia,” ILO, 2017, [https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/publication/wcms\\_613815.pdf](https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/publication/wcms_613815.pdf)

## How Do Hundi Networks Function?

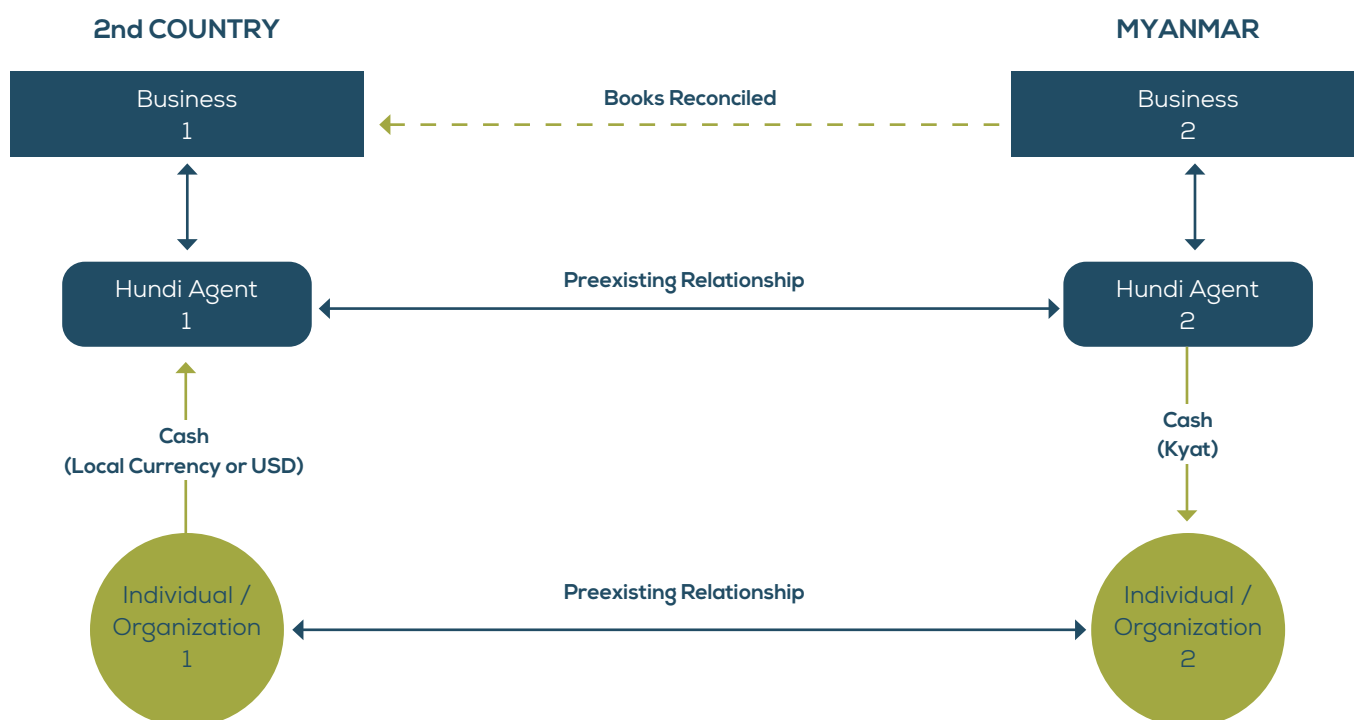
While the term “Hundi” is often used by aid response actors as a noun (“this person/organization is a Hundi”), it might be more appropriate to consider “Hundi” to be a verb or adjective (“this business does Hundi, or this individual works as a Hundi broker”). For a large proportion of Hundi networks and brokers in Myanmar and neighbouring countries, acting as a Hundi agent is not their primary occupation or function. Many different organisations, entities, networks, and individuals regularly act as Hundi brokers, either as their primary income stream, a secondary income stream, as part of specific agreements with individuals or organisations, or opportunistically on a case-by-case basis. It is thus important to bear in mind that Hundi transfers are not conducted by formal organisations or institutions, but rather are a specific function undertaken by organisations or individuals.

There are essentially two types of Hundi networks operating in Myanmar: dispersed family/business networks that conduct Hundi transfers, either as their primary business activity or as a supplementary activity; and transnational companies that conduct Hundi transfers as a supplementary income stream or as part of specific agreements or relationships. However, these two

categories of hundi network should not be understood as hard typologies, but rather as existing on a spectrum, with considerable amounts of overlap and grey area in between. The most important point to emphasize is that **“Hundi” is more accurately defined as an activity, rather than a type of business; any business that uses its transnational linkages and has access to capital to informally facilitate money transfers across borders does, or could, serve a Hundi function.**

### Hundis as Dispersed Networks

In the most basic sense, Hundi brokers (who generally own their own businesses, or work as employees of larger companies) accept money from a sender, then contact a counterpart company or individual acting as a Hundi broker with whom they have a pre-existing relationship and share the payment and the recipient’s information. The recipient Hundi broker delivers the money to the intended recipient (either an individual or an organisation). Both Hundi brokers then “reconcile their books” to reimburse the recipient broker, usually at a much later date.





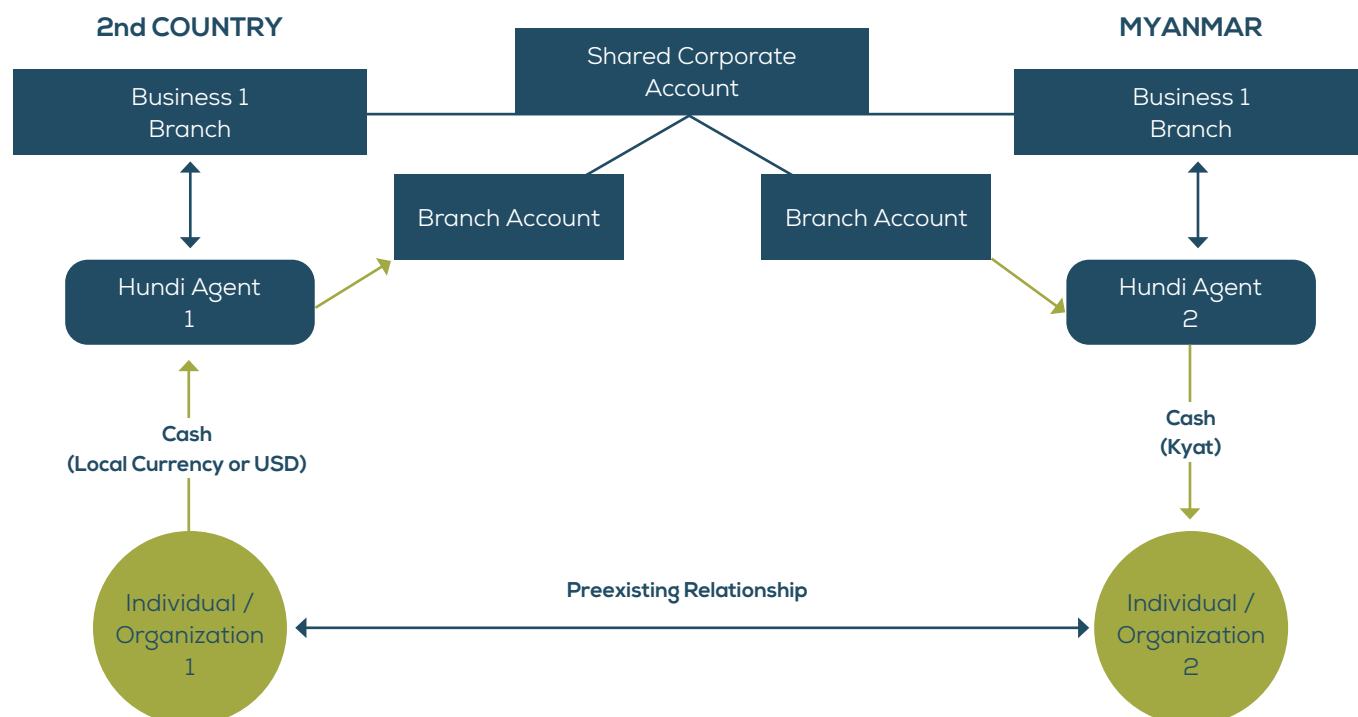
There are multiple mechanisms to reimburse a recipient Hundi broker. However, physical cash is only rarely transferred in Hundi networks; instead, the Hundi system operates through trust-based relationships between the brokers and companies within a specific network. More common mechanisms of remuneration include reimbursement as a part of normal business dealings — for example, by mutually agreeing to artificially inflate prices in a subsequent business transaction — especially if both brokers are acting as agents of functioning businesses. Indeed, having a formal business of some kind is essential to both sides of a Hundi network — both as a cover for profits, a justification for money transfers, and a means of accessing large amounts of capital.

Due to the high capital requirements and the significant degree of trust that must be built among Hundi brokers and businesses, dispersed Hundi networks usually develop within a single family or within a group of close, long-term business partners who are reliant on each other for multiple business activities. These networks then expand as trusted business associates are brought in as brokers. Trust and personal recommendations naturally play the most critical role in choosing a Hundi agent, both for individuals looking to send money and for Hundi brokers seeking a recipient agent.

### Hundi Transfers by Single Businesses/Organisations

Hundi activity is not limited to diverse, decentralised networks. There are also numerous cases of single transnational companies or organisations acting as Hundi agents, especially in larger scale transfers and transactions. In such cases, a single company that operates both in Myanmar and in another country can act as a Hundi broker; since transactions occur internally (albeit likely with multiple bank accounts), it does not need to reconcile with external actors. For instance, one import-export company exports Myanmar-sourced products to a second country, and conducts Hundi transfers from migrant workers or small businesses back to Myanmar. The profits from the Hundi transfers are then primarily used to purchase more goods in Myanmar for export.

This mechanism of Hundi transfer is typically used by larger organisations, especially those that do not have formal bank accounts. Organisations trying to facilitate transfers will thus approach individual companies (especially with which they have a close relationship) and have their money deposited directly into the company’s account. The organisation will then withdraw the money directly from the company account as needed inside of Myanmar, or the money will be disbursed as cash (as in a normal Hundi transfer).



Naturally, this type of Hundi system has advantages over more dispersed networks — namely, that there is only one actor responsible for the transfer — but they also come with their own serious layers of risk. Most critically, due to the fact that the Hundi broker in this case is first and foremost a functional transnational company, it is often more closely tied into the Myanmar and international formal banking system than more dispersed networks. Thus, the risk to the company itself of conducting these black-market transfers can potentially be much greater than to the individual parts of a distributed and decentralised network.

The relationship between the company's owners and the sending/receiving individuals and organisations in

question is also a critical component. Anecdotally, many local organisations in Myanmar have already established long-standing relationships with this type of Hundi broker, sometimes dating back decades. Essentially, these relationships are often built not only on profit, but also on mutually-established trust, derived over time, and sometimes even with a shared ideological or political objective (for example, when a company is partly linked to a geographic area or ethnic group, or when a company owner is sympathetic to a particular cause). For these reasons, such relationships can be very difficult to cultivate in a short period of time or inorganically. As a result, there is no guarantee that international Myanmar response actors will be able to leverage these same kinds of relationships, at least not in a rapid timeframe and with meaningful scale.

#### Counting 1,000 Kyat notes

*Image courtesy of Thura Swiss*



## Mapping and Capacity

Considering the serious difficulties likely to face the international response in using Myanmar's formal banking sector, exploring the use of Hundi networks is a necessity. However, this is complicated by the challenges of mapping Hundi networks, engaging in selection criteria, conducting due diligence, and gauging Hundi capacity. Mapping is likely to be extremely difficult (if not impossible); capacity is tied closely to the business being used to conduct Hundi transfers; and due diligence is complicated by the distinction between the business itself and the Hundi transfer, as one activity it conducts. The selection of a Hundi network is not a clear-cut, one-off decision; in fact, it is likely a decision that will need to be taken on a transaction-by-transaction basis, depending on the location, payment size, recipient individual and organisation (and their relationships to the Hundi broker), and organisational flexibility of the sender.

### Mapping

Because Hundi transfers are more of an activity than a specific type of business, a comprehensive mapping of Hundi networks may be impossible. Indeed, a mapping of Hundi networks may as well be a simple list of companies that have a presence in both Myanmar and neighboring countries. However, based on interviews conducted for this report, nearly every individual in Myanmar — and nearly every CSO in the country — is familiar with several Hundi networks, has pre-existing relationships with a Hundi agent or organisation, and has used Hundi transfers in the past. In different regions of the country, certain larger Hundi networks are particularly well known (albeit sometimes more as large business networks, rather than Hundi brokers, specifically).

#### Cash transfer

*Image courtesy of Investvine*





As the use of Hundi transfers is so common, and the mechanism has such a long established history, the identification of Hundi agents is not as challenging as one might expect — it merely requires that this mapping be tailored to the personal network, the relationships, and the preferences of the transfer recipient, as well as to the amount being sent and the purposes of the money.

## Capacity

Because of the diversity of actors doing Hundi transfers, the capacity of any specific Hundi network is directly tied to the primary businesses of respective Hundi agents and demands of its clientele. A major business network, or a large transnational company, obviously has a far greater

capacity than a smaller network that services migrant labour remittances. One Hundi broker interviewed for this research noted that they transferred, on average, between 100,000 and 150,000 USD into Myanmar on a monthly basis. Another Hundi broker, focused on migrant remittances, stated that they conducted around 10 to 15 transfers per month, with each transfer ranging from 50 to 100 lakh (approximately 3,500 to 7,000 USD) per transfer. Notably, a single Hundi transfer seized by the Tatmadaw in early March 2021 in Kachin State was worth 1 billion Kyat (approx. 709,000 USD).<sup>4</sup> Essentially, the capacity of Hundi networks in Myanmar is highly variable, but it can be substantial, with some single transfers ranging in the millions or tens of millions of dollars.

## Due Diligence and Risk

Conducting due diligence on Hundi networks will, in some ways, be quite simple. In other ways, it will pose a significant challenge, as it may require conducting due diligence on both the individual business and the Hundi function of that business. Theoretically, conducting due diligence on a Hundi network is as simple as conducting a due diligence process on two businesses — the business of the sender broker, and the business of the recipient broker. However, it is important to emphasize that the Hundi function is a parallel function to that of the business itself; while working with the business itself may be perfectly legitimate from a due diligence perspective, the Hundi function is unregulated and thus higher risk. Hundi networks are not only used for remittances; they are also used for drug and human trafficking, smuggling, and illicit mining and resource extraction operations. Hundi networks are completely unregulated, and their role in criminal activities is widely recognised.<sup>5</sup>

Among the several considerable risks faced when using Hundi networks in Myanmar, the single largest one stems from the fact that Hundi networks are informal mechanisms — and thus their use is not explicitly legal, whether in Myanmar or in sending countries. As such, Hundi brokers constantly risk jeopardising their formal businesses through these informal activities. For some Hundi agents, conducting Hundi transfers is the primary function of their business; in these cases, the formal

businesses are often just a cover for the informal money transfers. However, for the majority of Hundi agents, Hundi transfers are a supplementary economic activity. Until now, it has also been a (relatively) low-risk activity. If that changes — essentially, if Myanmar and neighboring governments take active steps to restrict Hundi networks — the number of businesses and individuals willing to act as Hundi brokers will certainly drop, and the cost of using Hundi networks will likely increase to cover the increased risk.

In addition to the inherent risks facing Hundi brokers (and their clients) due to the absence of formal regulations, new risks have arisen following the February 1 coup d'état. Some Hundi brokers have, in the past, regularly worked with armed actors, including the Tatmadaw — generally as part of illicit smuggling, criminal, and resource extraction (such as jade mining) operations. As a result, the Tatmadaw has existing relationships and linkages to many Hundis, and military intelligence is known to track Hundi transfers, to a certain extent. This has been flagged by both key informants and civil society organisations (CSOs) as a major concern since the 1 February coup, especially in areas where Tatmadaw involvement in Hundi networks has been widespread as a function of illicit economies — for instance, Shan and Kachin states. Indeed, money transfers in general have become a major point of scrutiny since the coup.

[4] Sources noted that this transfer was being conducted by private companies, and would likely actually be recovered by the Hundi network through the payment of bribes. They also noted that this was an unusual transfer, in that it involved cash being physically smuggled into the country.

[5] <https://www.emerald.com/insight/content/doi/10.1108/JMLC-04-2018-0030/full/html>

Reportedly, the Committee Representing Pyidaungsu Hluttaw (CRPH)/National Unity Government (NUG), the Civil Disobedience Movement (CDM), as well as several ethnic armed organizations (EAOs) are forming or have already formed trusted Hundi networks to facilitate donations. For example, one ethnic civil society organisation that supports the CDM raised 100,000 USD through Hundi donations in March 2021 alone.

An additional risk and due diligence concern lies in the possibility for loss — either because a part of the Hundi network is compromised or through outright theft. The aforementioned case in Kachin, where authorities seized

a transfer, is a good example of such a scenario. It is also not uncommon for a Hundi broker to simply take the money — this is obviously a particular risk if the event of Hundi brokers who have not been vetted or referred by the recipient, or when the recipient has not been vetted. One recent case involved an alleged pro-CDM support group in Yangon, which raised over 75,000 USD in donations. These donations were sent to the organisers in Yangon by a Hundi broker. However, the pro-CDM group in question did not actually exist, and the money was stolen. It is worth noting that in this case the Hundi network functioned exactly as intended — but the recipient organisation was fraudulent.

## Guidance for the Myanmar Response

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Hundi networks will certainly become a critical part of the international response to Myanmar, especially as the response is forced to explore cross-border modalities due to the increasingly restrictive post-coup context. However, Hundi networks should not be seen as an immediate and fully-formed solution, or a panacea to challenges with the formal financial sector. While they are a necessary function — especially as the Tatmadaw imposes restrictions on the banking sector, and as the banking sector is likely to remain largely nonfunctional due to the efforts of the CDM — it is important to remember that hundi networks are also not necessarily sustainable, carry significant risk, and should be considered a solution of necessity rather than an ideal financial transfer mechanism.

That said, if there is any single recommendation when using Hundi networks, it is this: **The correct Hundi network to use is the one that works for the recipient and for the specific purpose of the payment — often, the best choice will be the Hundi broker that the recipient recommends.** People and CSOs in Myanmar have been using Hundi networks for decades. They have built the necessary relationships; they understand the networks and the inherent risks. It is incumbent on the response to adapt to this knowledge. Building in due diligence, policies and best practices, and proper modalities will fall to international response actors. However, there is no replicating local knowledge and local mechanisms. All other considerations should be secondary.

The following are a set of recommendations that should be considered when devising a set of standard operating procedures and policies regarding Hundi transfers:

- **Rely on local staff and partners.** Hundi use is incredibly widespread in Myanmar. Almost every person interviewed as part of this research has either personally used a Hundi network, or knows a Hundi broker to recommend. Many CSOs have already formed longstanding relationships with a Hundi agent. Most individuals can list numerous Hundi networks that they — or a family member or connection — have used. They recommend these Hundi agents because of an existing trust-based relationship. There will be a push to formalise the Hundi sector to conform to the response — and such formalisation may happen — but until that point, relying on local knowledge will be critical.
- **Overloading the Hundi system as a whole is perhaps an overstated risk; but the potential to overload individual Hundi brokers must be a core consideration.** The Hundi system is extremely widespread and diffuse, and serves several functions. It plays an important role in transnational drug smuggling and illegal resource operations that are, frankly, significantly larger in scale than the international Myanmar response. The risk of the Myanmar response overloading the wider Hundi system itself is thus perhaps overstated, at least at the present time. However, overloading individual Hundi brokers is a serious, if not critical, risk. The Hundi sector is profitable. Brokers generally charge between 2 and 10 percent on a transaction, with fluctuation depending on risk and currency rates. Because it is a lucrative business, Hundi brokers may be willing to promise response actors they can

deliver when they actually cannot. When forming a relationship with a Hundi agent, it is worth considering starting with smaller agreements and payments before moving to larger arrangements, as a means of gauging capacity and building a long-term, trusted relationship. Careful coordination between response actors will be critical, to avoid multiple response actors all using the same Hundi networks (at least initially).

- **Frequent smaller payments will be more effective than infrequent, large payments.** There is the distinct — albeit unlikely — risk that an individual payment might not work, or that it will be seized or won't be unaccepted. It is better to create financial systems that facilitate numerous, smaller payments through multiple networks, as opposed to large payments — the loss of which could be catastrophic to operations.
- **Political due diligence must be a core component of due diligence procedures.** While most due diligence focuses on the possibility of theft, diversion, or unintended harm, the fact remains that many Hundi brokers do work regularly with the Tatmadaw and other government actors. Relying on the relationships, opinions, and information of local partners or staff will remain critical. However, risk analysis will likely require secondary monitoring.
- **The selection of a Hundi broker is dependent on the purpose of payment.** The Hundi broker that is best suited to pay staff is likely not the same as the Hundi broker best placed to fund a local partner or CSO. Again, the recipient is best placed to tell the sender which broker might be most effective. It is incumbent on finance departments at the INGO and donor level to adjust policies and procedures to accommodate this deviation from standard operating procedures, and defer decision-making to

local implementing partners and staff, thus allowing for multiple arrangements to make payroll, fund partners, and ensure cash flow.

- **Donors and implementers must accept that informal mechanisms will be used, and create the appropriate waivers for such mechanisms; this will come down to risk-reward and cost-benefit analysis.** Money must enter Myanmar, to both pay staff and to meet the dramatically expanding needs of the population. Hundi networks will be a necessary part of this system, and processes must be built to facilitate these transfers. Processes and waivers must, at a minimum: protect organisations from traditional compliance considerations (while stipulating that due diligence must still take place); allow organisations to account for Hundi transfer costs in their overheads; and grant some degree of liability protection for both senders and recipients in the event that funds are seized or stolen. International aid actors must thus consider if an individual project is worth the potential risks and side effects involved in the use of a Hundi network. Donors and implementers must consider which projects are most critical, and which are worth the risks — both to organisations and to partners.
- **The status quo functionality of the Hundi system is contingent on Myanmar government policy — it is also contingent on the policy of neighboring countries.** The Hundi system is informal and often nominally illegal. It should not be assumed that neighbouring governments — such as Thailand, Malaysia, and India — won't move to regulate this market, as a matter of economic or foreign policy. Neighbouring governments could make Hundi transfers extremely difficult. It is worth exploring multiple avenues of Hundi transfers — in terms of exploring multiple Hundi brokers and networks, as well as multiple sender countries.

