ASIA-PACIFIC DECENT WORK DECADE 2006 2015

Government of the People's Republic of Bangladesh

International Labour Organization

In the corridors of remittance

Cost and use of remittances in Bangladesh

ILO Country Office for Bangladesh

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ILO Cataloguing in Publication Data

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In the corridors of remittance: cost and use of remittances in Bangladesh / Abul Barkat, Asmar Osman, Subhash Kumar Sen Gupta ; International

Labour Organization, ILO Country Office for Bangladesh. - Dhaka: ILO, 2014

ISBN: 9789221287025; 9789221287032 (web pdf)

International Labour Organization; ILO Country Office for Bangladesh

remittance / cost / migrant worker / international migration / labour migration / case study / methodology / Bangladesh

11.02.5

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Printed in Bangladesh

Foreword

This study reinforces the existing belief that remittances are an important livelihood strategy for Bangladeshi households. In times of crisis, remittances have played a significant role in people's survival and recovery. The most recent example comes from the global financial crisis, which began in the latter half of 2007. Bangladesh's export sectors were affected by this downturn. Labour migration was also affected due to the decrease in the number of jobs available overseas and increasingly strict enforcement of restrictive immigration policies. However, the stock of Bangladeshi migrant workers who stayed in jobs overseas continued remitting money. Indeed, total annual remittance, according to Bank of Bangladesh data, has reached new record highs every year since the 2000–01 fiscal year.

Senior officials of the Government of Bangladesh who have been tremendously helpful in the implementation of this study – namely, Zafar Ahmed Khan (PhD), who was the Secretary to the Ministry of Expatriates' Welfare and Overseas Employment when this study was completed; Hazarat Ali, who is the Additional Secretary to the Ministry; and Begum Shamsun Nahar, who is the Director-General of the Bureau of Manpower Employment and Training – regard the above-mentioned as a remarkable achievement by Bangladeshi migrant workers. Their view that these workers provided much needed foreign exchange stability for their country of origin is echoed by other stakeholders who participated in this study.

The study points out that the Government of Bangladesh recognizes the value of remittances in national planning. It also shows that at the decision-making level value is attached to the role that Bangladeshi workers employed overseas are playing in Bangladesh's move towards becoming a mid-income country. This also comes across from the efforts to adopt an organized and systematic approach to remittances. This study puts forward an argument that the attention to in-flow of remittances should be matched with contribution to services for workers while they are abroad and for their families who are left behind to optimize the returns from the remittances.

It is noted that remittance costs seem to be stabilizing and it is recommended that the government should ensure that the cost of sending remittances is brought lower. The government should strengthen efforts to end the use of the informal remittance channels, which so often leads to the loss or misappropriation of workers' hard-earned money. This should be done by providing cost effective and easy to use channels. The government's efforts to ensure that more and more workers have access to banks are acknowledged and the development of more needs-based banking services is recommended. The setup of the Probashi Kallyan Bank (Expatriates' Welfare Bank) seems to be a step in the right direction.

Both Bangladesh and Switzerland look at migration from an overarching perspective of poverty reduction by improving employment and income. At a time when remittances earned and sent by Bangladeshi migrants surpasses the Foreign Direct Investment and Overseas Development Aid received by the country, addressing concerns about the medium of transfer, transfer cost, channels used, and the development gains from remittances are of utmost concern to both nations. Within the context of labour market and the centrality of employment, income, and livelihoods to the lives of the people, social protection has been a central issue for the International Labour Organization.

This study is an important effort to improve the quality of data about remittances. The recommendations from this study would assist policymakers and the public and private banking sector in improving their service portfolios for Bangladeshi workers employed overseas.

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Acknowledgements

This study was made possible through the help and support from everyone involved with the joint initiative of the International Labour Organization (ILO) and the Ministry of Expatriates' Welfare and Overseas Employment (MEWOE) to research key issues related to labour migration. Foremost, we express our gratitude to Honourable Minister of Expatriates' Welfare and Overseas Employment, Engineer Khandker Mosharraf Hossain (MP), and the Secretary to the Ministry, Zafar Ahmed Khan (PhD). Conducted to inform policy processes under the project "Promoting Decent Work through Improved Migration Policy and Its Application in Bangladesh", it has benefitted from the funding made available by the Swiss Agency for Development and Cooperation (SDC).

MEWOE and the Bureau of Manpower Employment and Training (BMET) would like to express acknowledgement of our gratitude to team leader Abul Barkat (PhD), research consultant Asmar Osman (MSS), and senior research consultant Subhash Kumar Sen Gupta (MA) of the Human Development Research Centre (HDRC) for undertaking and completing this study. We would like to mention the quiet assistance of the support staff of the HDRC who enthusiastically carried out all tasks asked of them. We recognize that Nisha, the Chief Technical Advisor of the ILO, supported this study as a task manager and offered invaluable detailed advice on data, organization, and the theme of the study.

We sincerely thank Zahid Hussain, Lead Economist of World Bank in Bangladesh, for making important suggestions on the study report and Md. Nurul Islam (PhD), Director of Training Standard and Planning at the BMET, for his help in accessing data. MEWOE and the BMET also want to acknowledge the support from the ILO's Reference Group for the Labour Migration Studies, namely, Markus Ruck, the Senior Specialist on Social Security based with the ILO's Decent Work Technical Team for South Asia; Rahnuma Salam Khan, the Senior Assistant Chief of the Planning Wing in the MEWOE; and Nisha for

comprehensive review of the study report. In recognition of efforts it took to technically edit and finalize the manuscript, the MEWOE and BMET would like to take a moment to re-thank Nisha and to express gratitude to John Maloy, a professional editor.

We thank a range of stakeholders, migrant workers and their households, migrant workers associations, the public and private banking sector of Bangladesh, in particular, the Janata Bank and the NRB Bank, and the Bangladesh Bank, for participating in this study. We appreciate your help and candidness in bringing out issues. Such social dialogues are important ways by which we can improve our understanding and together improve the situation for the workers.

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Summary

Key issues

It is undeniably true in the context of Bangladesh that overseas employment and remittance have proved efficacious in reducing unemployment, giving birth to a prospective job market, eradicating poverty, and increasing foreign exchange reserves. And as such, jobs in the overseas labour market and the positive returns gained from such employment have strategically played a dynamic role in expediting massive-scale economic development at the national level. All such factors are attributable to the fact that remittance from Bangladeshi workers overseas has been pinpointed as an economic variable of increasingly greater priority over the course of nearly three decades.

Since 1970, the migration of workers from Bangladesh has been in motion. Currently, over 8 million Bangladeshis are living in many countries across the world, a substantial statistical reality, representing more than 5 per cent of the total population of Bangladesh. Since the embryonic stage of labour migration, Middle Eastern countries have been a major overseas employment destination for Bangladeshi migrants.

In the 2012–13 fiscal year, the remittance sent to Bangladesh through lawful channels by migrant workers is US$14.46 billion. Persons involved in unlawful money transfer, (who spoke to the study team under condition of anonymity) argue that at least 30 to 40 per cent of all remittances are transmitted into Bangladesh through unlawful channels. If this unlawfully remitted money is added to what is received through lawful channels, total remittance would range between US$20.07 billion and US$23.41 billion.

The flow of remittance into Bangladesh has almost always been on an increasing trend. The influx of remittances into Bangladesh has increased by nearly six times in the last decade. In 2012, Bangladesh ranked sixth among the top ten remittance-receiving countries. Bangladesh is the second largest remittance receiver in South Asia.

On average, a Bangladeshi migrant worker remitted 115,178.40 Bangladeshi taka (BDT) in 2012. Male migrant workers remitted an average of BDT115,864.90 in 2012, while women migrant workers sent an average of only BDT75,018.90. Sex or gender-wise disaggregation of the total remittance is no easy undertaking because fund transfer systems do not record the sex or gender of the remitter. Gender-disaggregation of remittance data is not required for the information system of the Bangladesh Bank, the central bank of the country. Qualitative information gained for this study through focus group discussions held with migrant workers who had to Bangladesh suggested that the ratio of per capita remittance contribution by men and woman is 100:70. This ratio was confirmed by small sample size data collected by Janata Bank in 2011–12 in the United Arab Emirates and Italy. This gender-based gap in per capita remittance may be explained by the fact that most Bangladeshi women workers are segregated in low-paying domestic work. Experiences shared in the focus group discussions suggested that there are significant male-female income disparities averaging to a ratio of 100:70. Still, all and all, the proportion of remittance sent by women workers is on an upward trend.

The impacts of remittances are both tangible and intangible. The trickle-down effects also grow noticeable. Poverty status is found to be lower among Bangladeshi migrant households than among Bangladeshi households in general. While 31.5 per cent households in Bangladesh are poor, only about 10 per cent Bangladeshi migrant households are poor (in 2012). Income of Bangladeshi migrant households is much higher compared to that of the average household in Bangladesh. It has been found that the average annual income of a migrant household is BDT229,995 (in 2012), while the national average is BDT181,496. Bangladeshi migrant households, on average, own 124 decimals (0.5 hectares) of cultivable land, whereas the average Bangladeshi household is in possession of only 64 decimals (0.26 hectares). Bangladeshi migrant households spend yearly an average of BDT16,292 on health expenditures, as opposed to BDT10,793 in an average household. Yearly education expenditure is BDT12,896 for an average migrant household, whereas it is BDT9,204 in an average household.

It is suspected that remittance may have a certain role in the formation of dependency syndrome among a section of remittance recipients. This manifests itself as a particular social reality, visible among remittance-recipient households that invest less effort and less energy in economic activities, instead relying on the flow of funds from abroad. Such a problem has befallen the economies of many a remittance-recipient country on a large scale, but even so, dependency syndrome is not viewed to be a major concern for the economy of Bangladesh. So this issue does not appear to present a problem for this research study.

It is also often argued that the emigration of trained and talented individuals (termed as “brain drain”) is damaging for Bangladesh. But the study finds that this supposed brain drain does not have an impact, in most cases, on remittance flow, as highly trained individuals constitute an insignificant portion of Bangladeshi migrant workers. Besides, the inflow into Bangladesh of up-to-date knowledge and better practices learnt from abroad has been an integral part of the migration of professionals (termed “social remittance”). The changing world scenario, in connection with the extraordinary development in communication technologies, has played a role in ensuring that migrant professionals have a proactive role in the development of Bangladesh.

The Sixth Five Year Plan (FY2011–FY2015) of the Bangladesh Government accordingly acknowledges the importance of migrant workers’ remittance for the development of Bangladesh. According to this Plan, further efforts will be made to promote migration. Efforts will also continue to reduce the transaction costs of remittances through better banking support to migrant workers, and also to ensure that male and female migrant workers are treated well and with dignity in host countries through the oversight of local embassies and high-level policy dialogues with host governments, as per the needs of migrants.

Challenges

Discussions with migrant workers and people involved in remittance transactions, both lawful and unlawful channels suggest that the ratio of migrant workers' remittance sent through unlawful channels, as compared to that which comes through lawful channels, has been on a decreasing trend. Simplification of lawful processes for sending remittance and the opening of more overseas branches of Bangladeshi banks has played a significant role in decreasing the tendency to send remittance through unlawful channels. Still, a significant portion of remittance comes to Bangladesh through unlawful channels. Diverting this portion of remittances towards lawful channels remains a challenge for the existing system facilitating remittance of funds.

It is evident that, in a number of cases, migrant workers from Bangladesh are discriminated against when it comes to wages/salary when compared to local workers (and, in some cases, migrant workers from other countries too). It has been found that, in a number of cases, discrepancies exist in the salary structure between men and women migrant workers. Such discriminatory practices need to be taken into consideration by the persons working at the highest levels of authority.

It is widely argued that remittance is not utilized in the most efficient manner to gain the expected economic returns for the overall development of Bangladesh. Two-thirds of the remittances received are used for consumption, and at best one-third is invested for some productive use. And these investments, in most instances, are directed towards the purchase of land, not for entrepreneurial development. Migrant workers have pinpointed an uncongenial business climate in Bangladesh as one of the major reasons for not investing in productive sectors. The major reasons underlying this uncongenial business climate, as reported in discussions with migrant workers, are the absence of good road networks in rural areas, shortages of supply of gas and electricity, lack of information about options for investment, political unrest, corruption, red-tapism and time-consuming processes, unwelcoming attitudes of the relevant officials, and additional costs of doing business in the form of "protection money" or extortion[1].

The government has floated bonds for migrant workers with lucrative returns. These products mainly target those Bangladeshis who are residing abroad for long periods. However, the bonds failed to become popular among non-resident Bangladeshis. The major reason behind the unsatisfactory bond sales is a lack of knowledge among overseas Bangladeshis about these bonds and other facilities provided for non-resident Bangladeshis. The Investment Corporation of Bangladesh (ICB) initiated the Bangladesh Fund at the end of 2012, aiming at letting the stock market bounce back to a stable point. But the attempt to extract any positive output from the expatriates whose investments were mainly targeted turned out to be a big fiasco. This failure is ascribable to the lack of initiatives aimed at disseminating information about such investment schemes among expatriate Bangladeshis. For promoting such products among non-resident Bangladeshis, appropriate campaign mechanisms need to be designed.

[1] This issue refers to individuals or groups of people who use unlawful means to coerce small traders or shop-owners to pay them money as rent for using public land (e.g., roadside pavement) or for "protection" against others like themselves who would extort money from the small businesses. Further, such individuals and groups usurp public land or fill public lakes and swamps to build semi-permanent or temporary accommodations that are rented by the urban poor at relatively steep rents.

Probashi Kallyan Bank (Expatriates' Welfare Bank), a publicly owned bank to serve the credit and investment capital needs of outbound and returning migrant workers, was set up in April 2011. Probashi Kallyan Bank is still in its infancy as an institution and needs to be professionalized and offer a set of well-developed schemes to attract migrant workers. The Non-Resident Bangladeshi (NRB) Commercial Bank Ltd., another bank aiming to meet the banking needs of the diaspora, began its operation in 2013. The NRB Commercial Bank was set up by 53 non-resident Bangladeshis residing in eight different countries and is the first bank of its kind in the Bangladeshi private sector.

Taking into account the important role remittances play in Bangladeshi migrant households, appropriate policies and schemes should be developed to promote the welfare of recipient households and generate conducive opportunities for productive investments. Along with institutional support to maximize remittance inflows through lawful channels, a better investment climate needs to be created for sustainable and productive use of remittances.

Recommendations

Transfer of remittances by migrant workers through legal channels

- **Awareness-raising activities:** In order to generate awareness about the processes for sending remittances through lawful channels promotional activities need to be undertaken in Bangladesh and countries of destination.

- **Fixing of exchange rate for remittance sent by Bangladeshi migrant workers:** A semi-fixed exchange rate system or an adjustable peg exchange rate system should be considered as a means to keep the exchange-rate being offered by public and private sector banks competitive for receiving remittances from migrant.

- **Facilities for Bangladeshi migrant workers at the airports in Bangladesh:** Offer basic facilities (e.g., transport, accommodation, food, etc.) at discounted prices at the airport or within walking distance from the airport. Extend the use of the smart cards being issued currently to all outbound migrant workers and being held by the returning migrant workers to avail themselves of basic facilities.

- **Lack of telegraphic transfer arrangements between public and private sector banks:** Address the inadequacy of telegraphic transfer arrangements between the banks in the public sector (who have countrywide networks) and private banks.

- **Regulating Outward Bill Collection charges on remittances:** Ensure awareness about the purpose of Outward Bill Collection service charges among bank officials and prevent its deliberate or unintentional misuse to ensure that such charges are levied only when the bank has rendered service as a professional agent collecting payments from a buyer on behalf of an exporter in Bangladesh. Outward Bill Collection charges should never be charged on remittances.

- **Financial education for remitters as well as the recipients in Bangladesh:** Initiate regular awareness/capacity-raising programmes on financial education for overseas migrant workers, a strategy that will ultimately enhance the flow of remittance through lawful channels.

- **Client orientation among officials at Bangladeshi public and private sector banks and their exchange houses operating in destination countries:** Hold the bank and exchange house staff accountable for performance and address their hostility towards migrants.

- **Assistance for migrant workers in opening bank accounts:** There is a greater chance of getting remittance through formal channels if migrant workers are assisted to open bank accounts in both Bangladesh and their countries of destination.
- **Supporting migrant workers to address their irregular status and attracting remittance of undocumented Bangladeshi migrants through legal channels:** Bangladesh missions, in coordination with the governments of a labour-recipient country, should pilot-test a scheme to help identify irregular workers for regularization and assist this group to send remittances through formal banking channels.
- **More rational geographic dispersion of the exchange houses of Bangladeshi banks:** Encourage Bangladeshi banks that are allowed to establish drawing arrangements with foreign banks to set up exchange houses in areas where the migrant workers are located.
- **Sufficiency of cover fund:** The regulatory requirements related to sufficient cover funds in Nostro Accounts and the minimum balances required in the correspondent banks' taka accounts as well as for draft drawing facility should be reviewed to address the issue of remittance security and also to encourage banks to widen remittance transfer arrangements.
- **Bangladesh Electronic Fund Transfer Network (BEFTN):** The BEFTN system should be decentralized to the branch level of banks, and automated to ensure that remittance transfer time can be further reduced.
- **Internet connectivity and decentralized payment system:** Ensure digitalization of public sector banks down to the branch level, including those in rural or remote areas, and provide high-speed reliable internet connections to ensure that remittances can be received by beneficiaries at the nearest branch of the bank.
- **Optimizing the web- and mobile-based electronic money transfer service of the Bangladesh Post Office:** Post office branches are already used for electronic transfer of domestic and international remittances. This facility could be widened by the Ministry of Posts and Telecommunications if it takes the initiative to enter into Memorandums of Understanding with a greater number of the postal services of countries of destination.
- **Making Bangladesh High Commissions/labour wings accountable:** There should be a mechanism of accountability with regard to the activities of High Commissions/labour attachés of Bangladesh in order to ensure safe migration and decent employment. This role should include promotion of remittance transfer through lawful channels.
- **Formation of a special cell:** The Ministry of Expatriates' Welfare and Overseas Employment should set up a cell to receive and help address remittance-related grievances by Bangladeshi migrant workers.

Utilization of remittances sent by migrant workers

- **Promoting bonds for non-resident Bangladeshis:** Promoting bonds issued under the Wage Earners' Development Bond Rules, 1981, that target Bangladeshis staying abroad using modern and traditional media as well as institutional partnerships with banks.
- **Encouraging non-resident Bangladeshis to be a part of development activities in Bangladesh:** A transparent mechanism or scheme should be developed for non-resident Bangladeshis to contribute directly to development in Bangladesh.
- **Develop internationally valid, affordable life and comprehensive health insurance for migrant workers:** Encourage development of internationally valid life and health-related insurance schemes for Bangladeshi migrant workers and their dependents.
- **Develop special schemes to promote small- and medium-size enterprise (SME) development targeting Bangladeshi migrant households:** Develop needs-based special loan and business support schemes for those households who may wish to set up SMEs.
- **Integrated approach by the Wage Earners' Welfare Fund and the Probashi Kallyan Bank:** The Wage Earners' Welfare Fund and the Probashi Kallyan Bank should work in coordination with each other and avoid duplication of efforts and initiatives.
- **Maintaining and updating of database of returning migrants:** Fast-track the development of a system to maintain a database of returning migrant workers and ensure that all returning workers have an opportunity to receive an orientation in professional reintegration.

List of acronyms and abbreviations

BDT	Bangladeshi Taka [currency]
BEFTN	Bangladesh Electronic Fund Transfer Network
BMET	Bureau of Manpower Employment and Training
BOMSA	Bangladeshi Ovibashi Mohila Sramik Association
CIP	Commercially Important Person
DD	Demand Draft
EFT	Electronic Fund Transfer
FGD	Focus Group Discussion
FDI	Foreign Direct Investment
FY	Fiscal Year
GDP	Gross Domestic Product
ICB	Investment Corporation of Bangladesh
ILO	International Labour Organization
IMF	International Monetary Fund
IOM	International Organization for Migration
NCC Bank	National Credit and Commerce Bank Limited
NFCD	Non-Resident Foreign Currency Deposit

NGO	Non-Government Organization
NITA	Non-Resident Investor's Taka Account
NRB	Non-Resident Bangladeshi
ODA	Official Development Assistance
PIN	Personal Identification Number
REHAB	Real State and Housing Association of Bangladesh
RMG	Ready-made garment
SHISHUK	Shikkha Shastha Unnayan Karjokram
SME	Small- or Medium-size Enterprise
SMS	Short Message Service
TMSS	Thengamara Mohila Sabuj Sangha

Statement from the Secretary

Remittances are an important source of income for a large proportion of Bangladeshi society. Remittances received are equivalent to about 13 per cent of gross domestic product (GDP). Currently, remittance is the second-largest source of foreign exchange after ready-made garment manufacturing. On average, as per the Bank of Bangladesh reports, in recent years remittances have been about 11–12 times higher than Foreign Direct Investment (FDI) and five to six times higher than Official Development Assistance (ODA).

According to the Migration and Development Brief 2012 published by the World Bank, Bangladesh is the seventh largest recipient of remittances globally and the second largest in South Asia. One of the key features of the remittance trend in Bangladesh has been that it has been steadily growing.

Technical cooperation with the International Labour Organization has been assisting the Ministry of Expatriates' Welfare and Overseas Employment in promoting knowledge about decent work and labour migration governance in Bangladesh. The recommendations put forward in the study will undoubtedly assist policymakers and practitioners to enhance remittance management in the country.

Dr. Zafar Ahmed Khan
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Government of the People's Republic of Bangladesh

Chapter 1

Introduction, study objectives, and methodology

1.1 Introduction

The mounting attention being paid to the issue of migrant workers' remittances stems from the awareness of the distinctive role they play in poverty alleviation and, circumstances permitting, economic development more broadly. Remittances are a relatively stable source of income independent of the local economies of recipient families, and they offer a lifeline to millions in vulnerable groups across the developing world.

A study conducted in 2005 in 71 countries concluded that remittances "reduce the level, depth, and severity of poverty" of receivers and their communities (Adams & Page, 2005, p. 1645). Another study observed that remittance flows lowered the proportion of people, living in absolute poverty in Uganda, Bangladesh, and Ghana by 11, 6, and 5 per cent, respectively (Ratha, 2005). Spatafora (2005) also found a reduction of absolute poverty among remittance receivers, and López-Córdova (2005) identified positive associations between remittances and poverty-reduction "proxies" such as lower infant mortality and higher birth rates.

Table 1.1: Annual number of Bangladesh migrant workers going overseas and annual total remittance (1976–2012)

Year	Official number of migrant workers			% of women to total migrant workers	Official migrant workers' remittance (US$ million)
	Total	Male	Women		
1976	6 087	6 087	-	-	23.71
1977	15 725	15 725	-	-	82.79
1978	22 809	22 809	-	-	106.90
1979	24 495	24 495	-	-	172.06
1980	30 073	30 073	-	-	301.33
1981	55 787	55 787	-	-	304.88
1982	62 762	62 762	-	-	490.77
1983	59 220	59 220	-	-	627.51
1984	56 714	56 714	-	-	500.00
1985	77 694	77 694	-	-	500.00
1986	68 658	68 658	-	-	576.20
1987	74 017	74 017	-	-	747.60
1988	68 121	68 658	-	-	763.90
1989	101 724	101 724	-	-	757.84
1990	103 814	103 814	-	-	781.54
1991	147 131	144 942	2 189	1.49	769.30
1992	188 124	186 217	1 907	1.01	901.97
1993	244 508	242 715	1 793	0.73	1 009.09
1994	186 326	184 331	1 995	1.07	1 153.54
1995	187 543	185 931	1 612	0.86	1 201.52
1996	211 714	209 720	1 994	0.94	1 355.34
1997	231 077	229 315	1 762	0.76	1 525.03
1998	267 667	266 728	939	0.35	1 599.24
1999	268 182	267 816	366	0.14	1 806.63
2000	222 686	222 232	454	0.20	1 954.95
2001	188 965	188 306	659	0.35	2 071.03
2002	225 256	224 040	1 216	0.54	2 847.79
2003	254 190	251 837	2 353	0.93	3 177.63
2004	272 958	261 699	11 259	4.12	3 565.31
2005	252 702	239 132	13 570	5.37	4 249.87
2006	381 516	363 471	18 045	4.73	5 484.08
2007	832 609	813 515	19 094	2.29	6 562.71
2008	875 055	854 213	20 842	2.38	8 979.00
2009	475 278	453 054	22 224	4.68	10 717.73
2010	390 702	362 996	27 706	7.09	11 004.73
2011	568 062	537 483	30 579	5.38	12 168.09
2012	607 798	570 494	37 304	6.14	14 163.99

Source: Bureau of Manpower Employment, and Training (BMET) website (Retrieved from: http://www.bmet.gov.bd/BMET/viewStatReport.action?reportnumber=37 and http://www.bmet.gov.bd/BMET/viewStatReport.action?reportnumber=32 [accessed 13 Jan. 2013].

In Bangladesh, remittance is one of the most significant economic variables in recent times as it proves effective in balancing the country's balance of payments[2], increasing foreign exchange reserves, enhancing national savings, and increasing the velocity of money[3]. For about two decades remittance has been contributing about 35 per cent of Bangladesh's total export earnings (Chowdhury, et al., 2013). Moreover, remittance helps lessen dependence on official development assistance (ODA). In recent years, remittance grew more rapidly in Bangladesh, and is the second largest source of foreign exchange inflow after the ready-made garment (RMG) manufacturing sector. Unsubstantiated as it may be now, it would not be far from the fact to state that if the cost of imported raw materials is deducted from the foreign exchange earnings of the RMG sector, remittance would probably be the single largest source of foreign exchange earnings.

The share of remittance in Gross National Income[4] is gradually increasing. It affects almost all the macro-economic indicators of the country positively. Remittance has added a new dimension to the economic development of Bangladesh. Appropriate and timely policies and initiatives of the government could further boost the amount of remittance received and sort out solutions to the problems connected with remittance flow.

Table 1.2: Top destination countries for Bangladeshi migrant workers (1976–2012)

Country	Total migrants	% of total
Saudi Arabia	2 429 825	29.2
United Arab Emirates	2 211 586	26.6
Malaysia	700 622	8.4
Oman	642 681	7.7
Singapore	422 352	5.1
Kuwait	413 617	5
Bahrain	228 814	2.8
Qatar	167 807	2

Source: BMET website; http://www.bmet.gov.bd/BMET/viewStatReport.action?reportnumber=18 [accessed 10 Mar. 2013].

In this context, it is noteworthy that recently a worldwide discussion is swinging about the stable position of Bangladesh's economy and its bright future. According to a United Nations (2013) report, a number of least developed countries, including Bangladesh, saw solid investment and consumption in 2012, supported by sustained inflows of workers' remittances.

External demand from the overseas countries opened up the scope for a large number of Bangladeshis (mostly semi-skilled or less skilled) to go abroad as migrant workers. The migration of Bangladeshis has taken place as a consequence of several pull (e.g., demand for labour, kith and kinship associations with other Bangladeshis living abroad, etc.) and push factors (e.g., poverty, unemployment/under-employment/disguised unemployment, lack of development in rural areas, etc.).

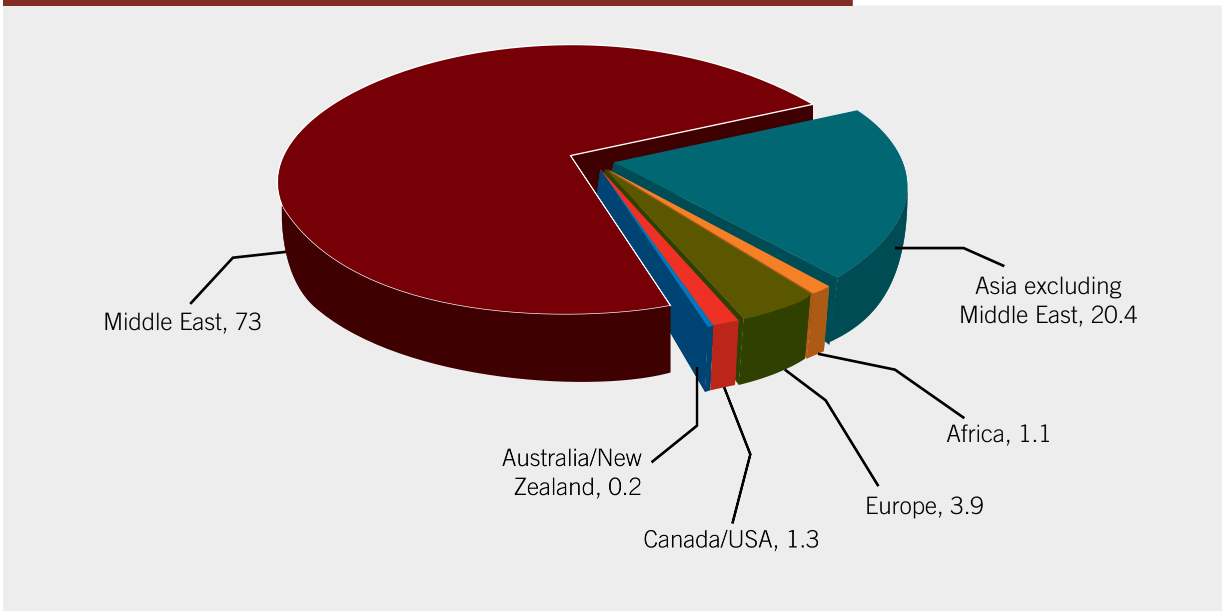
[2] Balance of Payments: BOP compares the difference between the amount of all exports and imports. A negative balance of payments means that more money is flowing out of the country than coming in, and vice versa.

[3] Velocity of Money: The rate at which money is exchanged from one transaction to another, and how much a unit of currency is used in a given period of time.

[4] Gross National Income (GNI): Gross National Income comprises the total value of goods and services produced within a country, together with its income received from other countries, less payments made to other countries in a given period of time. It is to note that total value of goods and services produced within a country is denoted as Gross Domestic Product (GDP), which implies that GDP is part of GNI.

Labour migration from Bangladesh has been taking place since the 1970s (see Table 1.1). Data from the last 10 years clearly show that about four-fifths of all Bangladeshi labour migration was to countries in the Middle East. The majority of Bangladeshi migrant workers are employed in Saudi Arabia, the United Arab Emirates, Kuwait, Oman, Malaysia, and Singapore. In addition, people are also going to Bahrain, Qatar, Jordan, Lebanon, the Republic of Korea, Brunei, Mauritius, the United Kingdom, and Ireland (see Table 1.2 and Figure 1.1).

Figure 1.1: Major regions of destination for Bangladeshi migrant workers by percentage of total out migration in 2012



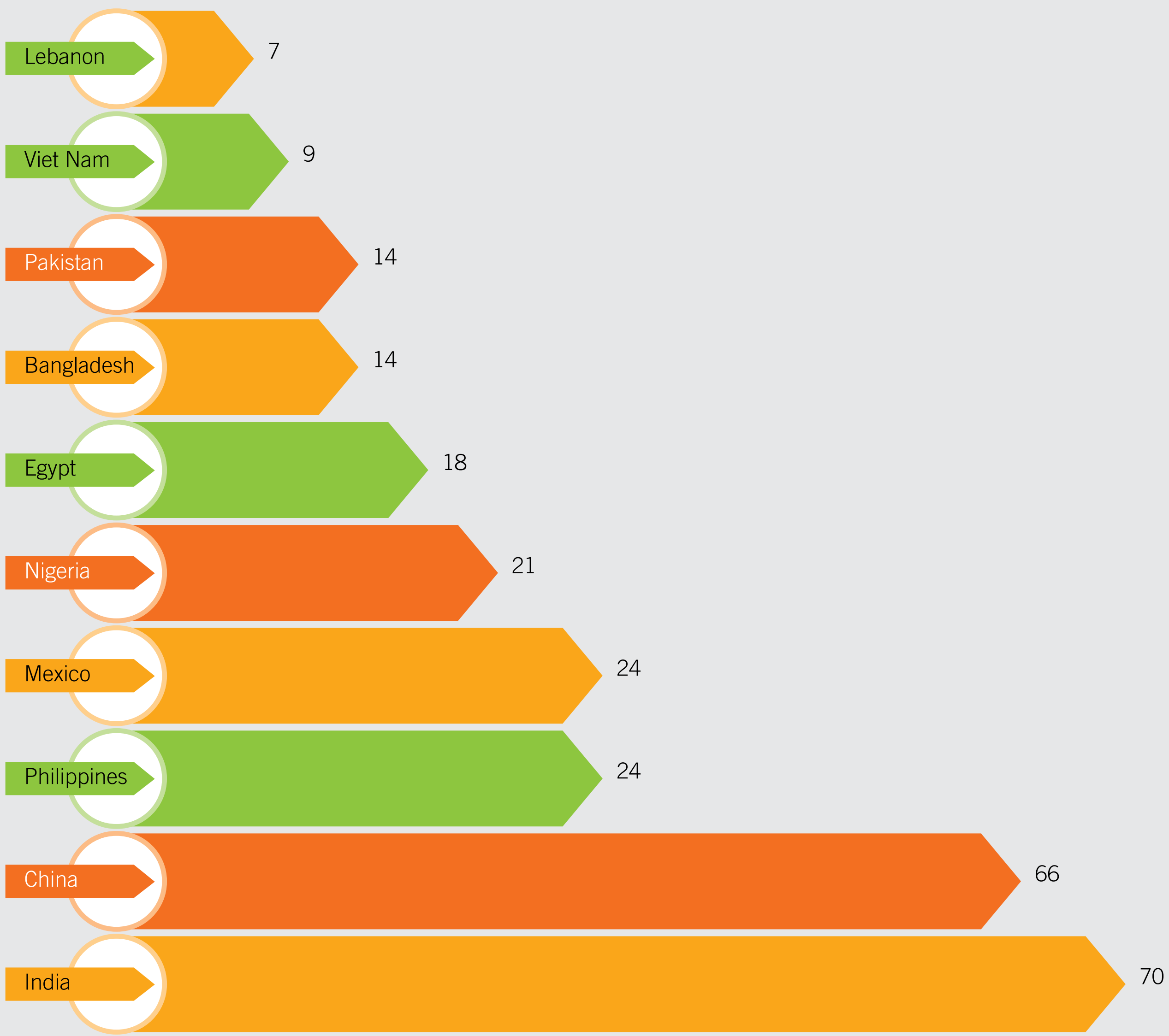
While Middle Eastern countries may still be the principal destinations for Bangladeshi migrants, an analysis of destination countries over time reveals significant changes. In 2001, about 72 per cent of the Bangladeshi workers who journeyed abroad that year went to Saudi Arabia. But this proportion fell down to only 3 per cent in 2011. On the other hand, in 2001, about 9 per cent of the total migrant labour pool went to the United Arab Emirates, but by 2011 that figure had reached 49 per cent. During the same period, the number of migrant workers from Bangladesh heading to Oman increased by a factor of twelve. In 2001, only about 4 per cent of Bangladeshi migrant workers went to countries outside the Middle East, but by 2011, destinations outside that region attracted 13 per cent of departing migrant workers. If one only considers the period from 2007 through 2011, one will see that Bangladeshi labour migration to Saudi Arabia, Kuwait, and Malaysia dropped by 92.6, 99.3, and 99.7 per cent respectively over that five year period.[5]

[5] Some of the reasons for the drop in the numbers include: (1) from 2009 to mid-2013, Saudi Arabia restricted Iqama transfers, or the transfer of temporary resident permits issued based on an employment visa sponsored by a Saudi company or individual. Consequently it made it more difficult for Bangladeshi workers to maintain a residency permit if they changed from their original sponsoring employer to another employer. (Source: Online news portal bdnews24.com, http://bdnews24.com/economy/2013/05/04/saudi-job-market-to-reopen [accessed 25 July 2013]); (2) Kuwait stopped hiring workers from Bangladesh in 2006 due to allegations of irregularities in the recruitment process. In addition, in mid-2013 the Kuwait Government was to begin taking measures to cut the number of expatriate workers in the country by 100,000 annually (Source: The Daily Star, 22 March 2013, http://www.thedailystar.net/beta2/news/kuwait-to-reduce-foreign-workers/ [accessed 25 July 2013]); (3) Malaysia imposed a ban on employment of Bangladeshi workers in 2007 for an indefinite period, citing global economic recession as the reason; although malpractice in the labour recruitment process was also partly responsible for the ban. This ban was lifted with the signing of a memorandum of understanding for government-to-government recruitment in the later part of 2012 (Source: The Financial Express, 4 September 2012, http://www.thefinancialexpress-bd.com/more.php?news_id=142137&date=2012-09-04 [accessed 25 July 2013]).

Among the countries, where a remarkable Bangladeshi workers move, are nearly 20 countries. But, in most cases, the continuation of this migration movement could not be maintainable and came to a halt.

In the 2012–13 fiscal year, the remittance sent home to Bangladesh by migrant workers was US$14.46 billion. Remittance during 2011–12 was about US$12.84 billion, a figure that was 10 per cent larger than that of the previous fiscal year. The flow of remittance into Bangladesh has almost always been on an increasing trend. Since 1976-77, the yearly remittance flow has soared, and is now nearly 295 times greater that it was 36 years ago (from US$49 million to US$14,460 million). In 2012, Bangladesh ranked sixth among the top 10 remittance-receiving countries. Bangladesh is the second largest remittance receiver in South Asia (see Figure 1.2).

Figure 1.2: Top 10 recipient countries of migrant remittances (in US$ billions) in 2012



The Sixth Five Year Plan (FY2011–FY2015) of the Bangladesh Government accordingly acknowledges the importance of migrant workers' remittances for the development of Bangladesh. According to the Plan, the inflow of foreign remittances is the single most important informal safety net program in Bangladesh. It has been a major factor in helping Bangladesh to reduce poverty since the 1990s. Employment abroad and associated remittances have played a major development role in Bangladesh. The plan intends to focus on the ability to send well trained skilled and semi-skilled workers to existing as well as new destination countries (Government of Bangladesh, 2011).The government keeps striving hard to deepen overseas employment opportunities in different countries across the world. According to the Sixth Five Year Plan, further efforts will be made to promote migration, especially from lagging districts of the northern and north-western regions of the country. Two major interventions will be undertaken – skill development through training programs, and financing of migration. In addition, efforts will also continue to reduce the transaction costs of remittances through better banking support to migrant workers and also to ensure that male and female migrant workers are treated well and with dignity in host countries through the oversight of local embassies as well as through high-level policy dialogues with host governments as necessary (Government of Bangladesh, 2011).Considering the important role of remittances, appropriate policies will be needed to promote remittances as a tool both for promoting the welfare of recipient households and raising productive investments. Along with institutional support to maximize remittance inflows through lawful channels, better investment opportunities could be created for sustainable and productive use of remittance incomes via investment opportunity development, microenterprise development, and enterprise development support (Government of Bangladesh, 2011).

1.2 Study objectives

The objectives of this study are to:

1. build knowledge of the policy and institutional challenges related to financial service provision for remittances management, including challenges related to informal remittance flow and those related to client interface;
2. create gendered analysis of the remittance data, remittance flow trends, factors determining remittance flow, and macro-economic effects of remittance;
3. build understanding of remittances' effects on household well-being, especially with regard to social variables such as education, health, future employability, gender equality, and poverty reduction; and
4. present policy imperatives related to: lowering remittance fees and costs, regulating the institutional arrangements and service providers that manage remittances and interact with the clients, developing protected savings and high yield investments, and special measures that may be needed for women migrants.

1.3 Methodology

The study mostly used secondary data and information. In addition, primary data and information were collected through interviews and focus group discussions using separate diagnostic tools for different groups of respondents.[6] Quantitative data and qualitative information have been triangulated as per the needs of the study objectives. All research ethics and the anonymity of respondents/participants

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6 Diagnostic tools are shown in Annex II.

were ensured during primary data collection. In most cases, monetary values from previous years have been inflation adjusted to February 2013 using the Consumer Price Index produced by the Bangladesh Bureau of Statistics (BBS).

Major strategies, tools, and techniques used under this study are as follows:

National workshop: After stocktaking and in-depth review of the relevant literature[7], a day-long workshop was organized wherein various inputs came from the key stakeholders. This workshop took place on 6 February 2013 at the BIAM Auditorium in Dhaka. The workshop was arranged at the initial phase of the study to formulate some guiding principles and an operational strategy to implement.

Use of secondary data and information*:* As the study did not have the scope for wide-scale data collection or a large sample survey for primary data collection, it mostly used secondary data and information for analysis. Data from relevant official national databases and information from other widely accepted reports/articles were used for analysis and estimation. The database of the *Household income and expenditure survey 2010* of the BBS[8] has been used extensively to estimate some necessary information (especially estimations on income, expenditures, household assets, etc.).

Survey: A small survey (not a statistically representative sample survey) was conducted with two groups of people – returning migrant workers and households with a member currently employed overseas (henceforth referred to as "household members") – to understand their current status and to supplement/validate the data and information contained in secondary sources. In-depth interviews with returning migrant workers and household members were conducted in 14 districts of Bangladesh (namely, Barisal, Bogra, Faridpur, Khulna, Kurigram, Kushtia, Moulavibazar, Munshiganj, Noakhali, Pabna, Patuakhali, Rangamti, Rangpur, and Tangail). In each district, an average of five respondents from each of the two target groups (returning migrants and household members) were interviewed. A total of 67 returning migrants and 69 household members were interviewed in this phase. The number of sample districts was derived simply to cover 20 per cent of the districts of Bangladesh. The districts were selected using probability proportionate to number of households in districts of Bangladesh. Districts were selected from all seven of the Divisions of Bangladesh. The survey was carried out in January–February 2013.

In-depth interviews with migrant workers currently employed overseas: In-depth interviews were also conducted with migrant workers currently employed overseas (either by telephone, or in person with workers in Bangladesh on leave). A total of 25 migrant workers currently employed overseas were interviewed in this process. The respondents who spoke by telephone were selected through personal contacts of the researchers, information from NGOs that work on migration issues, and information from journalists who provide coverage of migration-related issues. The respondents were employed in Saudi Arabia, Italy, Lebanon, Malaysia, Singapore, the United Arab Emirates, Bahrain, and Kuwait. The average length of their stays abroad was 6.4 years, and respondents ranged from having been overseas for between one to 13 years. These in-depth interviews were conducted over several phases between January and June 2013.

Focus group discussions (FGDs) with returning migrant workers: Focus group discussions (FGDs) with returning migrant workers were held. One FGD with male returning migrant workers was organized in Tangail on 10 March 2013. Nine male migrants who had worked in Saudi Arabia, Libya, Malaysia,

[7] Newspaper news, television programmes, web-based news portals were also used.

[8] Researchers have used the official version of the database procured from the Bangladesh Bureau of Statistics (BBS).

Singapore, and Iran participated in the group discussion. The average length of their stays overseas countries was 7.1 years, with a range of stays between three and 14 years. A separate FGD for women returning migrant workers took place at Munshiganj on 18 April 2013. Fifteen female migrants who had worked in Saudi Arabia, Oman, Bahrain, Lebanon, and the United Arab Emirates participated. The average length of their stays abroad was 5.2 years, with a range of stays between two and 11 years.

Key informant interviews: A number of key informant interviews were conducted under the study. The major key informants interviewed were from the following groups: Bangladesh Bank, State-owned and private commercial banks, financial institutions handling migrant workers' remittance, development partners of Bangladesh who work on decent migration issues, NGOs working on migration issues, people involved in hundi businesses[9], and relevant journalists, lawyers, and academics. The key informant interviews were conducted over several phases between January and June 2013.

[9] Hundi is an informal system of receipt and payment of money across great distances without any actual movement of money from one location to the other; see Chapter 3 for more details.

Chapter 2

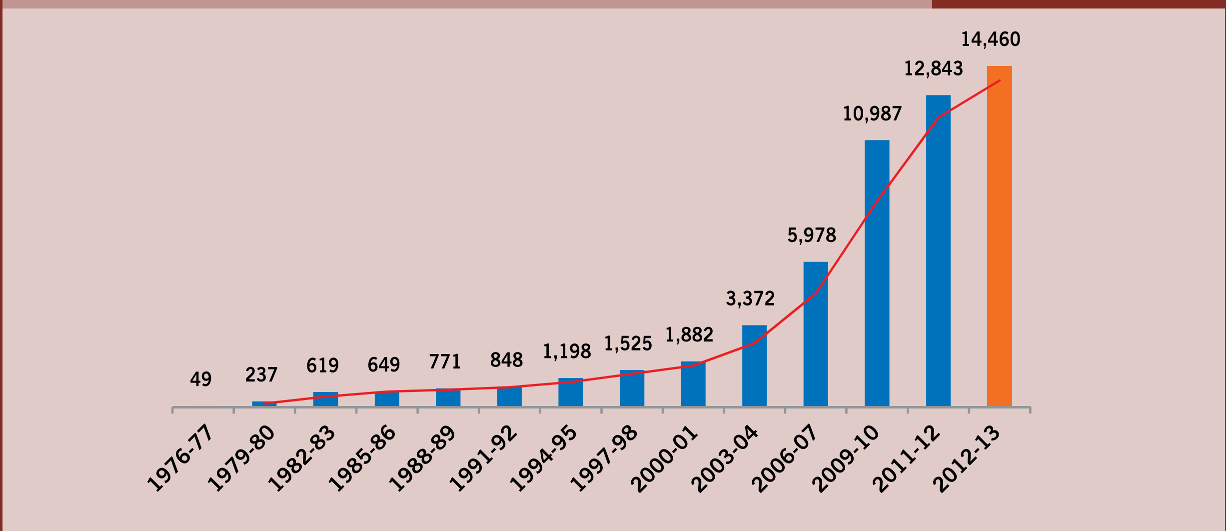
Migrant workers' remittance flow: Status and dynamics

2.1 Remittance flow through legal and illegal channels

2.1.1 Migrant workers' remittance flow through legal channels

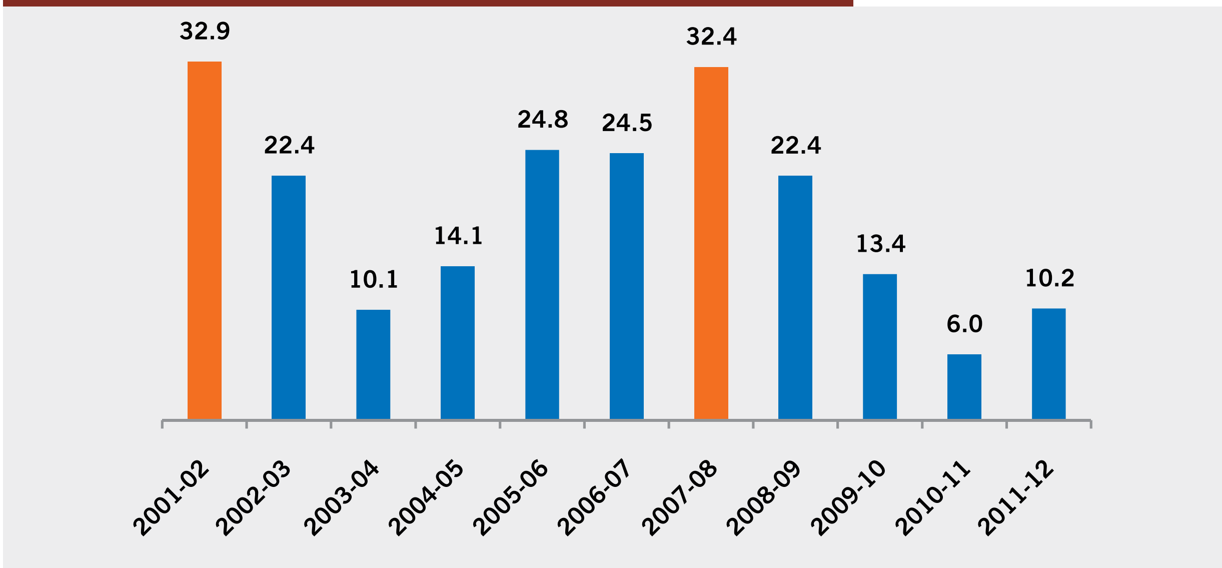
As mentioned in the Introduction above, in the 2012–13 fiscal year, the remittance sent to Bangladesh by migrant workers was US$14.46 billion. Since 1976–77 the yearly remittance flow has grown by a factor of 295 (from US$49 million in 1976–77 to US$14,460 million in 2012–13) (see Figure 2.1 and 2.2).

Figure 2.1: Dynamics of remittance flow into Bangladesh (in US$ millions)



Remittance per capita increased from US$24.3 in 2003–04 to US$77.4 in 2010–11. This upward trend reflects an increase in remittance per migrant from US$1,107.3 in 2003–04 to US$1,671 in 2010–11, as well as an increase in the stock of migrant workers, which grew from 2.2 per cent of the population to 4.6 per cent during the same period (World Bank, 2012).

Figure 2.2: Remittance growth by fiscal year (%)



Except for a few years[10], the volume of total remittance has always been on an increasing trend. Annual remittance growth peaked at about 33 per cent in 2001-02 and 2007-08, but both peaks were followed by sharp declines in growth that can be associated with global economic crises that reduced recruitment of Bangladeshi workers (see Figure 2.2 and Figure 1.1). It should be noted, however, that these declines were only a slowing in remittance growth, not a decrease in total remittance. Total remittances by Bangladeshi migrant workers continued to increase even during these leaner years.

Despite a significant decline in the share of remittances over the last decade or so, the highest amount of remittance still comes from migrant workers in Saudi Arabia. In FY 2001–02, about 46 per cent of total remittance was received from workers in Saudi Arabia, but that figure declined to 28.2 per cent in FY 2010–11. On the other hand, during the same period, the share of remittance coming from Bangladeshi workers in the United Arab Emirates increased from 9.3 per cent of all remittance to 17.2 per cent. Remittance inflow from the United States, Malaysia, and the United Kingdom also grew larger than it had previously been, revealing a significant change in remittance flows over this 10-year period (Bangladesh Economic Review, 2012).

2.1.2 Remittance flows through illegal channels

Besides legal channels, a significant portion of remittance comes to Bangladesh through informal and illegal channels. Sometimes this is referred to as "underground banking". Underground banking is a generic term used to describe any informal banking arrangements that run parallel to formal banking activity, but generally independent of the formal banking system. The combination of geographic diversity and the multiple types of underground banking systems make them attractive for illegal activities and difficult for regulators to control (McCusker, 2005). However, it is also argued that underground banking is a rational choice for money transfers, as it has the same structure and operational characteristics as the formal banking sector without any of its attendant bureaucracy or external regulatory scrutiny (Wilson,

[10] In FYs 1982–83, 1983–84, 1988–89, and 1999–2000 the inflow of remittance decreased compared to the previous fiscal year. In all other fiscal years, the absolute amount of remittance inflow increased compared the previous fiscal year.

2002). Illegal or alternative remittance sent in the form of hundi (or hawala, as it sometimes known*)* is not permissible in Bangladesh. This illegal mechanism not only perpetuates an illegal inflow of remittance into Bangladesh, but also facilitates an illegal transfer of local funds and resources abroad.

An accurate measure of total remittance sent through illegal channels has not yet been made. However, several estimates have been made with valid methodologies. According to the World Bank (2006), 54 per cent of remittances were transmitted to Bangladesh through informal channels. A study conducted by the International Monetary Fund (and quoted in Bangladesh Enterprise Institute, 2007) estimated that from 1981 to 2000 the share of private remittances through unlawful channels was 59 per cent of the total. Another study conducted by Siddiqui and Abrar (2003) reveals that in Bangladesh, 46 per cent of the total volume of remittance are channeled through lawful institutions, 39 per cent through hundi, 5 per cent through friends and relatives, 8 per cent of the total hand-carried by migrant workers themselves when they visited home, and 2 per cent through other mechanisms. According to the *Bangladesh household remittance survey 2009*, 82 per cent of remittance was received through formal channels, while the remaining 18 per cent was sent through informal channels (IOM, 2010). However, the report also concluded that the portion of remittance sent through informal channels was somewhat underreported in the survey due to the "invisible nature of the transfer and sensitivity". This International Organization for Migration (IOM) report also states that there is no significant gap in the proportion of remittance sent through formal and informal channels by sex of the remittance sender. According to Barai (2012), migration to India is not recognized in Bangladesh because of the political sensitivity of the issue and the illegal routes used by people for crossing the border; thus, remittances from Bangladeshi's working in India most likely follow unlawful routes.

A number of the key informants for this study also argued that the amount of remittance sent through illegal channels is currently in the range between 30 to 40 per cent of total remittance, but definitely not more than 40 per cent.[11] As mentioned above, in the 2012–13 fiscal year, the remittance sent to Bangladesh by migrant workers through lawful channels was US$14.46 billion. But that figure may only represent 60–70 per cent of all remittances if estimates of the amount of remittance that reaches Bangladesh through unlawful remittance channels are taken into account. Public and private sector bank officials also believe that the official remittance figures, obtained through the Bangladesh Bank, which capture all transfers through lawful channels, underestimate the magnitude of remittance transfers by 30–40 per cent

However, focus group discussions with migrant workers who are returning or have already returned suggest that the use of illegal channels for sending remittance has been on a downward trend. As time progresses, it appears that better accessibility to the overseas branches of Bangladeshi public and private sectors banks or the exchange houses of Bangladeshi banks has helped increase remittance transmission through legal channels, which in turn, proved effective in reducing the tendency to send remittance through illegal channels. In addition, Bangladeshi banks and exchange houses have strengthened their marketing strategies and expanded their networks abroad in order to attract more remittance business. The newly passed Prevention of Money Laundering Act, 2012, also sparked fear among remittance senders regarding the use of informal channels. These factors together have proved effective in reducing the tendency to send remittance through illegal channels.

In recent years, illegal transfers of money have been a focus issue for many countries, including Bangladesh. The Prevention of Money Laundering Act, 2012, prohibited the sending of remittance through hundi, which is used by many migrant workers. But policy-makers need to be very cautious and careful about the implementation of this Act, considering the purpose of the remittance sent, as well as basic labour and human rights issues. The key elements of the Prevention of Money Laundering Act, 2012, are shown in Box 2.1.

[11] In addition, one can bring up to US$5,000 into Bangladesh without being required to declare it, and consequently monies entering Bangladesh in this manner are also not account for in the official remittance figures.

Box 2.1: The Prevention of Money Laundering Act, 2012

Money laundering is a process of concealing the source of money obtained by illicit means; it also includes illegal transfer of funds. Illegal transfer is an offence under the Prevention of Money Laundering Act. As Section 2 of the Act reads, "Money Laundering means (a) Properties acquired or earned directly or indirectly through illegal means; (b) Illegal transfer, conversion, concealment of location or assistance in the above act of the properties acquired or earned directly or indirectly through legal or illegal means".

Hundi an illegal bill of exchange that evolved in the Middle East and the Indian sub-continent. It is called hawala in Arabic and involves receipt and payment across borders without any physical or electronic movement of funds from one place to another. A hawaladar, or money changer, in one country collects money from a person who wants to send that money to another country without paying any taxes and transmits a hundi, or bill of exchange, orally by telephone or written in an email or letter to a corresponding money changer in the country wherein the recipient is located. The corresponding money changer disburses an identical amount after deducting a small fee or commission. Codes are used for communicating information and as protection from getting caught. Sometimes, the entire transaction is based on verbal agreements. Hundi or hawala operates on an informal system of trust and has no legal status. In Bangladesh, hundi or hawala is not covered under the Negotiable Instruments Act, 1881.

According to the definition given in **Sub-section 2, v (ii)** of the Prevention of Money Laundering Act, 2012, illegal transfer of money is treated as money laundering.

The punishment for money laundering is given in **Section 4** of the Act. Money laundering is an Offence, and if a person commits money laundering, attempts to commit money laundering, abets someone engaged in money laundering, or conspires to commit money laundering, they shall be punished with imprisonment for a term not less than four years and not more than 12 years and shall be liable to a fine which may extend to two times of the value of the laundered property or 10 lacs, whichever is greater. The court can also order to forfeit the property of an offender if it thinks fit.

If a legal entity (company, corporation, registered institutions, etc.) commits the offence of money laundering, that entity shall be liable to a fine which may extend to two times of the value of the laundered property or 20 lacs, whichever is greater, and the registration of such an institution is voidable.

Punishment for providing false information about the source of the money is given in Section 8 of the Act. If any person gives false information about the source of the money, they shall be punished with imprisonment for a term not more than three years or shall be liable to fine which may extend BDT50,000.

2.2 Remittance flow: Disaggregated by gender

Disaggregating total remittance by sex is a difficult task, and there is no official data on this issue. The data on remittance, officially held at Bangladesh Bank, is not disaggregated by sex. Bangladesh Bank officials have confirmed that sex-wise disaggregation is not attributable to the data they have stored in relation to senders of remittance. In addition, key informants and a number of women migrant workers (both currently employed overseas and returning migrants) have argued that, in many instances, a bulk amount of remittance is collected by one individual (typically a male) and that person then remits the money. Many women migrant workers will use that individual to remit their money. This being the circumstances, data on remittance even if disaggregated by sex, will not give an accurate picture.

According to official figures, it has been estimated that from 1976 through 2012 a total of US$107.76 billion was remitted to Bangladesh through lawful channels. Discussions with public and private sector banks pointed out that, so far, the effort to systematically identify what per cent of all remittances are sent by female migrant workers has been lacking. The occupation profile of Bangladeshi migrant women workers suggests that they are migrating for low-skilled and low-paying jobs. But the focus group discussions and interviews held for this study suggest that female workers tend to send home a higher portion of their income as remittance, even though their average income is lower compared to male workers.

The consultations with the migrant workers and public and private sector banks also brought out the challenge of calculating the percentage of total remittances that women workers account for. Given the low wages of Bangladeshi migrant workers, the fees or commissions that exchange houses and banks charge for fund-transfer remains high for individual transfers. To overcome this challenge, migrant workers pool their money and one of them remits it on everybody's behalf. The recipient in Bangladesh then disburses the funds to each intended beneficiary. This informal way of making the remittance fee or commission affordable affects the calculation of the per capita/worker transfer. It further affects disaggregation of remittance amounts by sex or gender because both the numbers and the names get subsumed in a single remitter, who usually is a man.

Based on small surveys by the branches of the Janata Bank in the United Arab Emirates and Italy, which involved discussions with the remitters and analysis of data available to the bank in these two countries, this study estimates that the per capita amount of money remitted by migrant women workers is much lower than the per capita amount sent by migrant male workers. Data from the two countries suggests that the per capita remittance difference between men and women would stand at 100:70 – that is, for every US$100 remitted by the average migrant male worker, the average migrant woman worker would remit US$70 (details can be found in Box 2.2 below). This ratio is a reflection of the fact that Bangladeshi women workers are concentrated in domestic work, which remains low wage and offers little employment tenure or social security. The focus group discussions held in Dhaka point out that, not only are women trapped in low-wage jobs, they also face a gender-based wage gap. This study would propose a deeper analysis of the remittance-sending practices of migrant women and men workers, as well as female-sending and male-sending households, to arrive at median annual values of remittances received by each type of household.

Box 2.2: Examination of wage disparity between male and female migrant workers from Bangladesh

Professional insight shared by the key informants, interviews with migrant workers, and a small survey conducted for the purposes of this study suggest that the portion total remittance contributed by migrant women workers may not be directly proportionate to the percentage of Bangladeshi migrant workers who are women. The prevailing view is that women workers account for considerably less per capita remittance than men workers. A number of migrant workers, both those currently employed overseas and those who have returned at the end of their contract tenure, interviewed for this study stated that, in a number of instances where women and men are doing the same job, migrant women workers earn less than migrant men workers. It is evident that substantially lower earnings for the migrant women workers is the principal reason for women remitting less money per capita compared to migrant men workers. Key informants interviewed for this study reiterated this information by arguing that there exists a discrepancy in the wage structure between men and woman migrant workers, which is 100:70 – that is, women migrants on average earn only 70 per cent of what men migrants earn. This figure was supported by the figures provided by migrant workers who participated in the FGD held for this study.

To examine this ratio of 100:70 two branches (United Arab Emirates and Italy) of Janata Bank Ltd. were asked to prepare remittance data disaggregated by sex. Their data (shown in Tables A and B below) supports the contention that women migrant workers sent less in remittances compared to their male counterparts. The data of the Janata Bank branch in the United Arab Emirates shows that of all Bangladeshi migrant workers currently living in the United Arab Emirates, 4.08 per cent are women. But those Bangladeshi women migrant workers sent home only 2.9 per cent of the total remitted money (Table A). A similar pattern of information is also found in the data from the Janata Exchange House in Italy (Table B).

Table A: Data from Janata Bank Ltd. (United Arab Emirates)

Official number			Estimated actual number				Official amount of remittance sent in 2011-12 (in Crore[12] BDT)			
Men	Women	Total	Men	Women	Total	% of women as total migrant workers	Men	Women	Total	% of remittance sent by women migrant workers
1 000 000	50 011	1 050 011	1 200 000	51 000	1 251 000	4.08	18 486	552.11	19 038.11	2.9

[12] Crore is a unit used in South Asia equivalent to 10 million.

Table B: Data from Janata Bank Ltd. (Italy)										
Official number			Estimated actual number				Official amount of remittance sent in 2011-12 (in Crore BDT)			
Men	Women	Total	Men	Women	Total	% of women as total migrant workers	Men	Women	Total	% of remittance sent by women migrant workers
50 000	423	50 413	90 000	500	90 500	0.55	1 908.19	6.69	1 914.88	0.35

The data from the United Arab Emirates branch shows that the estimated per capita annual remittance for migrant men workers is BDT154,050, while the estimated per capita annual remittance for migrant women workers is BDT108, 256. This comes to a ratio of 100:70. Similarly, the data from the Italy branch shows that the estimated per capita annual remittance for migrant men workers is BDT212,021, whereas the estimated per capita annual remittance for migrant women workers is BDT133,800. This comes to a ratio of 100:63.

These per capita remittance figures are based on estimated migrant worker population numbers, but the data still generally conform to the earnings ratio of 100:70 provided by key informants and migrants interviewed for the study. This certainly supports the claim that wage disparities are responsible for migrant women workers remitting less per capita than men.

On average, a Bangladeshi migrant worker in 2012 remitted BDT115,178.42. A man migrant worker sent, on average, BDT115,864.89, while a woman migrant worker, on average, sent BDT75,018.91. Estimation methodology for these figures is shown in Box 2.3.

A number of key informants and returning migrant workers (both men and women) agreed that women migrant workers send a larger portion of their income compared to their male counterparts. Women migrant workers have a tendency for savings because of the mode of their upbringing in the socio-cultural and religious structure of Bangladesh. One study (Siddiqui, 2008) suggests that a major portion of Bangladeshi women migrant workers work as domestic workers. As such, their food and lodgings are mostly provided by their employers. Women migrants also do not feel secure keeping their earnings in the destination country. Therefore, they sent almost all of their earnings to their home country. Another study (INSTRAW & IOM, 2000) reveals that temporary women migrants to the Middle East remit on average 72 per cent of their income. It is also argued by some returning migrant workers that in a number of destinations countries for Bangladeshi women migrant workers (e.g., Saudi Arabia) women's mobility is inhibited (as compared to men), which also compels women migrants to spend less (compared to men's expenditures).

Box 2.3: Estimation methodology for remittance flow by sex

The per capita remittance figures by gender for 2012 found above were estimated by the authors using information from the *Bangladesh household remittance survey 2009* (IOM, 2010). According to this survey, on average, a migrant worker sent yearly sent home BDT81,710 in the form of remittance (Men: BDT82,197; Women: BDT53,220). The survey was conducted in 2009. Thus inflation has been adjusted for between 2008/09 and February 2013, using the Consumer Price Index produced by the BBS. Inflation over this period was 40.96 per cent. The result is the figures seen in Figure 2.2. However, according to another survey report – the *Household income and expenditure survey 2010* of the BBS (2011) – the annual remittance sent by a migrant worker was BDT132,274.7 (Men: BDT132,383.9; Women: BDT126,833.3). If these figures are inflation adjusted (from 2009/10 up to February 2013), then the average amount of annual remittance sent by a migrant worker becomes BDT173,743.21 (Men: BDT173,886.25; Women: BDT166,595.53). This calculation was also done using the Consumer Price Index produced by BBS. The inflation over this period was 31.35 per cent. But, as the sampling strategy of the *Bangladesh household remittance survey 2009* was designed to focus on remittance, for this study the information from the *Bangladesh household remittance survey 2009* has been taken as more accurate. However, it should be noted that the survey conducted for this study found the average migrant worker remittance for 2012 to be BDT140,039.2. This conclusion is subject to the limitation that the survey sample size of 50 should not be considered representative.

Chapter 3

Transferring remittances

3.1 Sending remittances: Methods

Bangladesh Bank permits banks in Bangladesh to establish drawing arrangements with foreign banks and exchange houses for facilitating the remittance-sending process for Bangladeshi nationals living abroad. Bangladeshi nationals living abroad can send foreign exchange easily and directly to their own bank accounts maintained in Bangladesh or to their nominated person's / relative's bank accounts in Bangladesh.

A total of 58 banks are operating in Bangladesh[13]. All the banks of Bangladesh are involved in remittance drawing; private banks collect 70 per cent of the total amount, the State-owned banks 28 per cent, and specialized foreign banks rest 2 per cent.

In the last five years, the private commercial banks have increased their volume of remittance drawn compared to State-owned commercial banks. Between 1990 and 2002, the number of private commercial banks increased significantly, and this expansion in the banking sector contributed to Bangladesh drawing an increased volume of remittance. But even though private commercial banks have taken up an increased share of total remittance, an analysis of the long-term trend of remittance flows through State-owned commercial banks reveals their stable nature (Table 3.1).

[13] State-owned commercial banks: four; private commercial banks: 38; foreign commercial banks: nine; specialized banks: eight.

Table 3.1: Legal channels utilized and amounts remitted by fiscal year (in US$ millions)						
Category of bank	**2005–06**	**2006–07**	**2007–08**	**2008–09**	**2009–10**	**2010–11**
State-owned commercial banks	2 198.47	2 320.40	2 635.85	2 891.82	3 047.70	1 544.05
Private commercial banks	2 354.10	3 408.90	5 004.23	6 509.02	7 617.22	3 815.92
Specialized banks	44.02	72.49	91.86	101.99	111.91	54.19
Foreign banks	205.28	176.66	182.83	186.41	210.60	136.41
Total	**4 801.87**	**5 978.45**	**7 914.77**	**9 689.24**	**10 987.43**	**5 550.57**

Source: Bangladesh Bank.

In line with the policy guidelines set by Bangladesh Bank, commercial banks provide facilities to migrant workers. The various facilities provided by the banks tend to be rather similar, with the differences mostly seen in two areas – the time required to complete a transaction and exchange rates. Two high-level officials from two State-owned commercial banks, who spoke to the study team on condition of anonymity, admitted that during the last global financial crisis, compared to the private sector banks, they faced less pressure to mobilize foreign exchange. This may have affected their willingness to improve quality of services to low-income migrant workers and their perception of the need to come up with attractive foreign exchange schemes to attract this target group.

The inflow of remittances into Bangladesh follows both formal/legal and informal/illegal channels. The various methods of sending remittances are delineated below.

3.1.1 Formal channels of remitting money from abroad

Foreign Demand Draft /taka Demand Draft	
Channel	Banks / Exchange company
Process	The remitter goes to the money exchange house/bank in their country of residence in order to buy a Demand Draft (DD), or a pre-paid instrument, generally in Foreign Currency (namely, US$). Remitter buys the DD by paying local currency as per the exchange rate offered by the exchange company/ bank. The remitter can send the DD to the beneficiary through postal service/courier at their own risk. However, some of the exchange houses have their own printing hub in Bangladesh, where the DD can be printed and then sent locally to the beneficiary's bank through the postal service. The beneficiary's bank will honour the DD if it has an institutional drawing arrangement with the money exchange house. Generally, a money exchange house or a bank undertakes to issue a pre-paid instrument like a DD and make full payment to the beneficiary overseas only if has a correspondent bank, agent, or branch in the country concerned who will pay the beneficiary when the DD is deposited.
Usual time requirement	This is a manual process. Sometime it takes a long duration to send for collection. Generally, it requires 1 to 2 work days in urban areas and 1 week to 10 work days in rural areas. This is only clearing period, and does not include time taken by the postal service to move the DD from one country to another.
Problems	1. DD gets lost in transit. 2. Lengthy collection and account credit process. 3. Amendment in account details is time-consuming (required if the sender of the DD made a mistake in providing the beneficiary's details or if there is any change in the beneficiary's bank account). 4. Marking Stop Payment and reissuing is time-consuming (if required)

Electronic Fund Transfer (EFT)	
Channel	Banks/Exchange company
Process	EFT is a method that is used for remittance in certain countries. Bangladesh has recently adopted EFT and is developing every day. Remitters send the funds from an exchange house/bank which has established a remittance drawing arrangement with a Bangladeshi Bank. The remitting company then sends the transaction through a wire transfer. The corresponding bank credits the funds to the beneficiary's account if the beneficiary holds an account in that bank, or sends the transaction to beneficiary's bank using the Bangladesh Electronic Fund Transfer Network (BEFTN) of Bangladesh Bank. The BEFTN acts like a real-time transaction facility between Bangladeshi banks, but not all branches of local banks have connected to the BEFTN
Usual time requirement	At the level of the branches of local banks, the BEFTN is a sort of semi-real time transaction facility. Practically speaking, the transaction gets credited to the beneficiary account by the next working day where BEFTN connectivity is available and the transfer process is automated, and in three to four days where the process is manual and banks/branches are not linked to the BEFTN directly.
Problems	If transaction details are mismatched, return or rejection of the transaction is time-consuming where processing is manual.

PIN	
Channel	Exchange houses such as Western Union, MoneyGram, etc.
Process	The PIN code remittance-drawing arrangement is getting very popular now-a-days. A remitter sends funds through agents abroad and receives an auto-generated PIN number, which is then provided to the beneficiary. The beneficiaries will then go to an agent in Bangladesh, and provide the PIN number and ID in order to collect the funds. Full remittance sent through this channel is paid to beneficiary in cash. The payment may be collected from any branch or agent of the exchange house in Bangladesh.
Usual time requirement	About 15–60 minutes from the time of sending.
Problems	1. Internet connectivity problem at disbursement locations. 2. It is time–consuming where the payment system is not decentralized.

Remittance transmission by means of mobile phone has been becoming popular at a fast pace. One woman remittance recipient at a low-income settlement in Dhaka told the research team that "now, it is so simple a task for me to receive the remittance from my husband working in the UAE. Earlier, remittance collection required certain assistance from others as I made an attempt to do so, and the process was really time-consuming. Now, it is very easy." However, the coverage of mobile banking network for sending remittance to Bangladesh is still very limited in terms of the number of countries and exchange houses.[14]

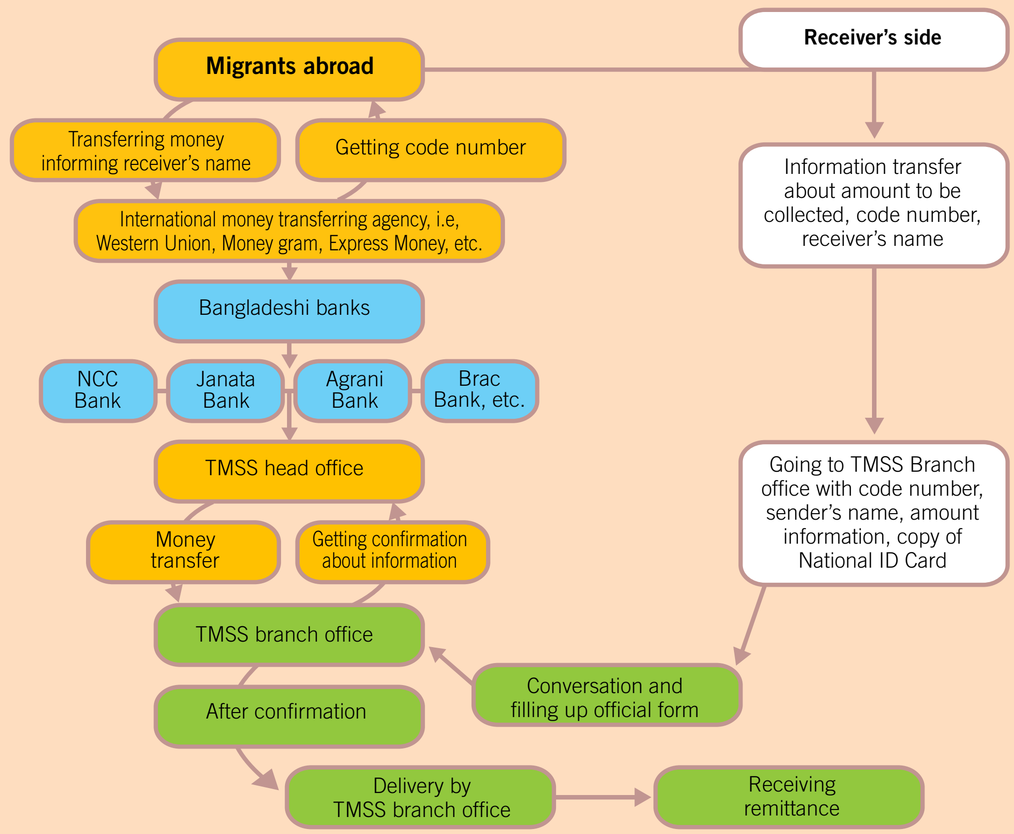
It is noteworthy that Bangladesh Bank has devised certain flexible methods by dint of which migrant workers can send money from abroad through branch post offices, branches of NGOs, and mobile phone operators in addition to branches of banks and exchange houses. The remittance-sending process through branches of a national NGO is shown in Box 3.1 to understand the process in detail.

[14] Source: Key informant interviews with Bangladesh Bank officials, officials from private commercial banks who deal with mobile banking for sending remittance, as well as in-depth interviews with household members.

Box 3.1: Process of sending remittance through branches of a national NGO

Thengamara Mohila Sabuj Sangha (TMSS), an NGO with 500 branches across the Bangladesh, started a Foreign Remittance Payment Project in May 2008. To deliver remittance, TMSS is working as a commissioned agent of the National Credit and Commerce (NCC) Bank Ltd. as part of a larger initiative called the Remittance and Payment Challenge Fund, floated by DFID and Bangladesh Bank. NCC Bank has contracts with multiple international money transfer agencies (i.e., Western Union, MoneyGram, Money Express, etc.). NCC Bank made this agreement with TMSS because the bank does not have branch offices in rural areas all over the country. For every remittance delivery, TMSS receives BDT100 commission from the NCC Bank. To remit money through a TMSS branch, the sender needs to use lawful channels (MoneyGram, Western Union, Money Express, etc.) from the foreign country. At the overseas end, a sum of money is charged as a commission . The commission amount may vary from time to time, and different money transfer agencies charge different commissions. As part of the remittance transfer process, migrants need to fill out a form that specifies the name of the beneficiary. Upon completion of these formalities, the sender will receive a code number. Generally, this number is eight to 17 digits in length. At the beneficiary's end, the beneficiary needs to have three pieces of information: 1) The code number; 2) the sender's name and name of the country; and 3) the amount to be received. The beneficiary also needs to bring their national ID card and a photocopy of their card, which will be kept by the TMSS branch At the TMSS office, NGO staff help the beneficiary to fill out a remittance receipt form. Local TMSS branch offices do not have internet connections, so they contact their head office by mobile phone; the head office then gives confirmation about the remittance transfer by sending a mobile SMS or text message to the TMSS branch office. Upon receipt of the text message from the head office, the branch office delivers the transferred funds. TMSS does not impose any fees upon remittance receivers. Because of the need to crosscheck with the head office, TMSS delivers remittance during office hours only. TMSS does not impose any conditions on receivers to receive remittance, so people who are involved with TMSS programs and local residents both can utilize TMSS' service.

Remittance transfer process through a national NGO (TMSS)

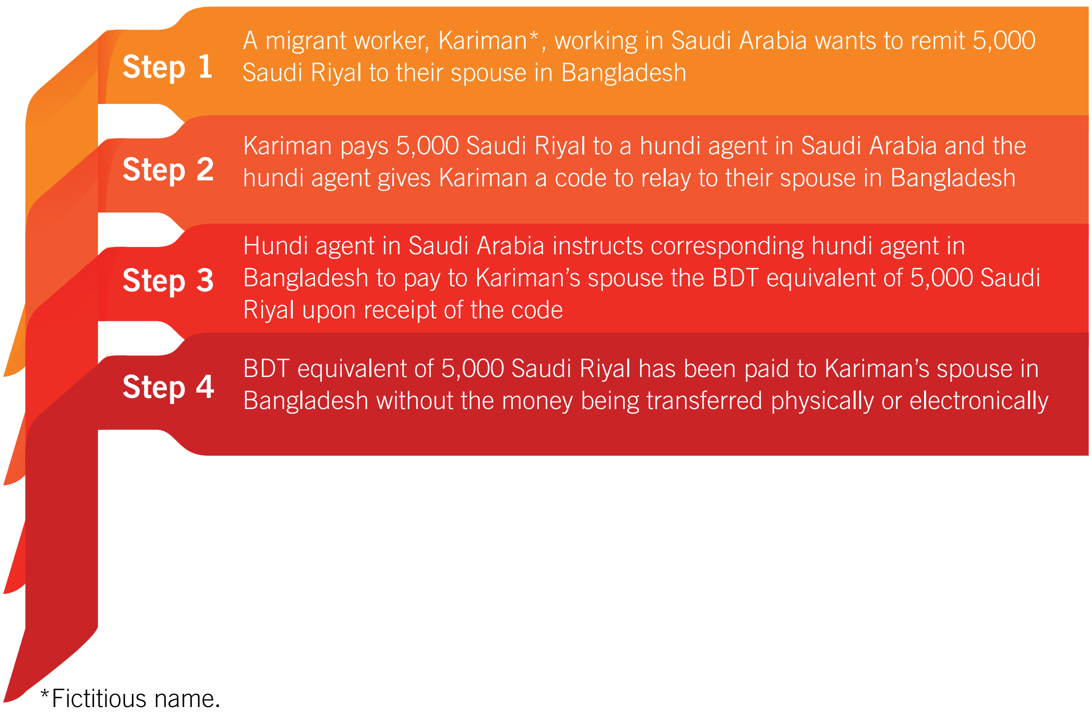


Source: Key informant interview with TMSS officials.

3.1.2 Informal channels of remitting money from abroad

Besides legal channels, a significant portion of remittance comes to be transmitted into Bangladesh through informal and illegal channels. Sometimes, this is referred to as “underground banking”. Illegal or alternative remittance sent in the form of hundi is not permissible in Bangladesh. This mechanism not only helps illegal inflow of remittance, but also facilitates illegal transfer of local funds and resources abroad. The basic principle of hundi involves transferring the value of currency without necessarily physically relocating it.

Hundi	
Channel	Informal network of persons and/or entities which operate outside the regulated financial system.
Process	This informal – and as per Bangladeshi law, unlawful – channel has a wide and strong range of networks all over the world. Basically, this is a network of a group of individuals and/or entities in which all are connected to one-another by a relationship of informal trust and commitment to honour each other’s instructions transmitted through means that are non-legal or illegal. The exchange rate offered by hundi is generally more favourable to migrant workers than the rates offered by lawful channels. Hundi involves a disbursement process that is faster than all lawful channels, including PIN, if the time taken to fill the form is counted. These days, hundi relies on coded messages communicated by email or phone. In the case of low-income Bangladeshi migrant workers, the hundi networks that they use rely mostly on the phone. Usually, a Bangladeshi sender comes to a hawaladar in the destination country, who acts as an agent of a hundi network and gives them the money in the local currency of the destination country to send to a beneficiary in Bangladesh (who will receive the remittance in BDT). The hundi agent takes the money from the sender and sends a coded message to a corresponding hundi agent in Bangladesh containing details such as the amount of money to be paid to the beneficiary and identification means to verify the beneficiary by phone orally or through SMS. The corresponding hundi agent turns over the agreed upon funds to the beneficiary after deducting a commission amount, if any.. Sometimes funds are delivered to the doorstep of the beneficiary’s home. But usually, the beneficiary must meet the corresponding hundi agent to receive the funds. Local communities in Bangladesh generally know who in their neighbourhood acts as a hundi agent.



*Fictitious name.

Usual charges	Generally no charge or commission involved.
Time requirement	Almost instantaneous transfer or hardly any time-loss between the time of giving money to the hundi agent in the destination country and receipt of the amount by the spouse in Bangladesh.
Problems	1. Fraudulent practices and funds going missing with no documents to reclaim. 2. Informal funds, therefore no consideration for tax exemption as foreign remittance. 3. The corresponding hundi agent in Bangladesh often pay out to the beneficiary less than the amount agreed upon with the sender. 4. Delay in payment, in some cases, due to unavailability of funds. 5. Country's loss of a huge amount of foreign currency, affecting the national economy.

3.2 Impediments and challenges to transfer of remittance through legal channels and the way forward

Box 3.2: How do hundi people manage their business?

Hundi agents or networks utilize the funds received in the country of destination to support their business (e.g., unlawful payment or bribes, going around export/import duties, for settling sale and purchase accounts, etc.). Hundi agents earn profit by accumulating cash to trade illegally. For example, the hundi agent who operates in Saudi Arabia in the above-mentioned example may have sold a property at a profit to the corresponding hundi agent in Bangladesh. If this transaction takes place within the regulatory system, the hundi agent in Saudi Arabia would have to pay a tax on that profit in Bangladesh. To avoid paying taxes, the transaction documents would be prepared for a sum that does not show any profit or shows the minimum profit that must be shown to avoid arousing any suspicion. The rest of the payment would be settled through such hundi transactions.

Source: Key informant interviews with officials at commercial banks (both public and private); and Individuals involved in the hundi dealings.

It is often argued that underground banking is a rational choice for money transfer in many cases, as it has the same structure and operational characteristics as the formal banking sector without any of its attendant bureaucracy or external regulatory scrutiny (Wilson, 2002). It requires no identification from either the remitter or receiver of the funds save for the exchange (via telephone, fax, or similar) of a simple password between the remitter and recipient of the funds. This anonymity serves illegal immigrants, who might fear that using a formal financial institution could lead to their discovery by immigration authorities, and legal immigrants, who, because of language, limited education or illiteracy, may experience difficulties with navigating the processes of formal institutions (World Bank & IMF, 2003). The transactions through illegal channels are rapid, with authorization and completion of transfers occurring within minutes or hours by telephone, fax, email, or similar. In addition, the formal banking sector is usually bound by an official or market exchange rate, underground bankers are under no such constraint and, as they often speculate in currency exchange rates, are able to charge far lower fees (McCusker, 2005). How people involved in the hundi business manage their business is delineated in Box 3.2.

The *Bangladesh household remittance survey 2009* states that 38 per cent of remittance recipients do not have a bank account (IOM, 2010). This indicates that this portion of remittance recipients receive remittance through informal channels. Thus, there is major scope for channeling the money from unlawful means to lawful channels.

Migrant workers as well as a couple of hundi operators interviewed for this study pointed out that a number of specific reasons underlie the sending of remittance through illegal channels. These reasons include:

- low cost (no charge in most cases);
- home delivery;
- almost real time transactions;
- no requirement of documents;
- no need to fill in transfer forms or get various papers endorsed at the beneficiary's end. For example, Bangladesh Bank regulation requires a beneficiary to submit a declaration for remittance of a sum equivalent to US$5,000 and above (FE Circular No. 07, dated 22 July 2012);
- the branches of legal transfer agents being too distant;
- the convenience offered by the hundi agents, who render door-to-door collection and disbursement service at no charge or for a minimal commission;
- benefits gained by bypassing the official exchange rates; and
- no lawful means by which undocumented migrants could send money, except when they pool their money with other migrant workers, which is remitted by one of the workers and the beneficiary disburses among all other intended beneficiaries.

Migrant workers currently employed overseas, who were interview for this study, also argued that in a number of cases commercial bank officials abroad (mostly those of certain State-owned commercial banks) did not behave cordially with them. These officials showed reluctance and, sometimes, behaved rudely towards the migrants. Sometimes, when the officials do agree to listen and assist low-income migrant workers, they do so in a disdainful manner and make the workers wait a long time. This type of attitude, in many instances, discouraged migrant workers from sending money through formal banking channels. One migrant worker currently employed in the United Arab Emirates, in an interview with the research team, expressed the following: “The problem lies in the mentality of some of the bank officials. They take an elitist approach towards us, deny our existence, and underestimate us like the representatives of a lower station of life. In a sense, their behavior towards us is marked by noticeable rudeness, cold response, and snobbery. But, they should not let the matter slip into oblivion that they are here [abroad] only because of us – the migrant workers.”

Even so, migrant workers prefer lawful channels to remit money. According to the *Bangladesh household remittance survey 2009* (IOM, 2010), despite the benefits in terms of less cost and less delays in receiving money through informal channels, only 7 per cent said they prefer to bring remittance through informal channels. The survey done for this study also reveals that most migrant workers still prefer lawful channels to remit money to Bangladesh. The respondents/participants in the survey also argued that although they can enjoy a better exchange rate and quick delivery mechanism using informal channels, they still prefer to send money through lawful channels (namely, banks) since they consider it to be the most reliable and trustworthy mechanism of remittance transmission, where the possibility of losing money or falling victim to fraudulent practices is nil.

Migrant workers currently employed overseas and returning migrants interviewed for this study argued that there are some measures that can be taken to bring more remittance money through legal channels. These measures include: (a) exchange houses/booths should be opened in locations that are convenient for migrant workers[15]; (b) incentives should be given to migrant workers to remit through lawful channels; and (c) migrants should be offered a good exchange rate. Migrant workers also argued that there would be a better chance of getting remittance sent through legal channels if support was given to migrant workers to open bank accounts not only in Bangladesh but also in destination countries. The introduction of advantageous bank loan terms for returning migrant workers who can show evidence of having remitted through lawful channels could help encourage legal remittance among migrants who hope to return to Bangladesh and start their own businesses.

[15] A number of officials from commercial banks who operate overseas branches have argued that Bangladesh Bank does not want give permission for opening more exchange houses in different locations, fearing that so many branches will not be profitable. Private sector bank officials claim this stance by Bangladesh Bank is not logical. However, Bangladesh Bank officials interviewed for this study argued that they have approved 258 drawing arrangements between Bangladeshi banks and international foreign exchange houses in the last four years. According to them, the total number of these drawing arrangements now stands at 920. In addition, Bangladesh Bank approved the opening of 62 exchange houses by 23 Bangladeshi banks during the same period. Bangladesh Bank officials stated that, of these 62 approved exchange houses, only 27 have already started their operations to transfer remittances. Bangladesh Bank officials argued that, in many cases, banks' proposed plans to open new exchange houses are not based on any feasibility study backed by a business plan. This is in large part, officials claim, because most proposals are for opening exchange houses only in the European countries or only in places where Bangladeshi migrant workers live en masse (e.g., Mostafa Centre in Singapore). The Bangladesh Bank suggests increasing the number of bank branches or the number of the exchange houses of these banks in different locations based on feasibility and taking into account labour migration trends.

Chapter 4

Utilization of migrant workers' remittances

4.1 Status at a glance

The focus group discussions and interviews conducted for this study reveal that the migrant workers, on average, remitted more than half of the income they earn abroad back to Bangladesh. This information suggests that the ratio of income earned and remittance sent home has remained consistent over the last decade, as Siddiqui and Abrar in a 2003 report suggested that a typical Bangladeshi migrant worker remits about 56 per cent of income to their family in Bangladesh. It is widely argued that a large amount of remittance is not utilized in an efficient manner that will produce the expected economic return for the overall development of Bangladesh. It is further argued that remittances could be invested in in many productive sectors, but instead they are used for consumption. This view is not new. According to Siddiqui and Abrar (2003), two-thirds of remittances received so far have been used for consumption, whereas, at best, one-third has been invested. The survey conducted for this study likewise shows that investments of remittance are made mostly through the purchase of land and other fixed assets, and not for entrepreneurial development.

Many a migrant worker is interested in the productive utilization of their money in the greater interest of the nation. But, when Bangladeshi expatriates edge forward with a noble intention of investing in productive sectors across the country, they get exposed to countless barriers. Thus, in many cases expatriates even refrain from investing in productive ventures. A number of reasons underlying their not being interested in productive investments have been identified. Some of the reasons are shown in Box 4.1.

Box 4.1: Why expatriates refrain from investing in productive ventures in Bangladesh

- Lack of information on scope, training, etc.
- Perception of less risk in the purchase of land and construction of houses
- Insufficient ideas about investment opportunities
- Major expenditures at the household level
- Lack of efficacy among the household members of the remittance sender in running a business venture
- Inadequate good governance
- Political unrest and uncertainty
- Sense of insecurity
- Shortage of perception of required infrastructures and services
- Perception of high hidden cost in doing business
- Unsuccessful past investment
- Interest in investing abroad
- Perception of bureaucratic red tape

Source: In-depth interviews with returnee and current migrants.

Focus group discussions arranged by the research team with returning migrants revealed that remittance is not used for community development activities. Migrants, in some cases, donated money for the sake of the infrastructural development of local religious centers, but generally migrants' willingness to invest in community development is meagre. These findings support an earlier study (De Bruyn & Kuddus, 2005) which also suggested that there is almost no evidence among migrant workers that they are interested in investing in community development.

A number of migrant associations in Bangladesh (e.g., BOMSA) and NGOs (e.g., SHISHUK) offer advice as well as assistance to returning migrant workers who are in the midst of the reintegration process. For example, SHISHUK, in a number of projects, indirectly encouraged remittance utilization towards the development of households and communities. However, these initiatives are very limited in number and extent. Moreover, such efforts have gone bare of a strong foothold; they are taken up sporadically with a vulnerable basis. In addition, these initiatives are not meant to be long-term programs; rather, they hold to the concept of being short-term projects.

In-depth interviews with household members reveal that, in many cases, remitted money is viewed as being the foundation of social security for the older aged parents of migrant workers. This supports the findings of Kuhn (2001).

However, it must be acknowledged that in spite of tendency for remittance to be used for consumption and the many barriers to investment, many migrant workers and households do invest in productive sectors. Remittance, in some cases, is used in the development of agriculture activities (particularly investment in improved seeds, fertilizer, pesticides, and irrigation). Investment in agriculture-oriented businesses is not an unusual phenomenon. The investment of certain migrant workers in fisheries also gains the attention of researchers. In addition, many migrants have also invested in small- and medium-scale business ventures.

It should also be recognized that the use of remittance for consumption still has positive long-term development outcomes. The use of remittance to pay for education, health care, and the like has a significant impact upon human resource development in Bangladesh, and can therefore be seen as productive – if indirect – investment.

4.2 Initiatives for investing migrant workers' remittances

The government has created initiatives to utilize migrant remittance productively as part of broader plans aimed at fostering the growth of the Bangladesh economy. One of the major initiatives put forward by Bangladesh Bank to attract investment by migrant workers is the Wage Earners' Development Bond. Scope was created to attract investment of foreign remittances in 1981. The special features of the Wage Earners' Development Bond are shown in Box 4.2.

Box 4.2: Special features of the Wage Earners' Development Bond

- Open to any Bangladeshi wage earner in their own name, in the name of a person nominated by the wage earner, or in the name of a beneficiary of the wage earner residing in Bangladesh.
- Bond can be purchased without operating of Foreign Currency Account.
- 12 per cent interest on maturity (compound interest rate accrued on half-yearly basis).
- Can buy bonds just by submitting copy of the wage earner's passport.
- Bonds can be purchased through the Exchange Companies of Bangladeshi banks in operation abroad.
- No upper limit of purchase.
- Bonds may be rendered as a security/collateral against loan taken from any scheduled banks in Bangladesh.
- By purchasing bonds totaling of BDT80,000,000 or above, the bond-holder shall be treated as a Commercially Important Person (CIP) and shall enjoy the facilities entitled to a CIP.
- In case of loss of bonds, announcement of the loss in newspapers, which is mandatory in case of all other bonds, will not be required.
- Death-risk-benefit is associated with the holder of the bonds.

However, Bangladesh Bank officials interviewed as key informants for this study informed the research team that Wage Earners' Development Bonds have lost momentum in their sale among non-resident Bangladeshis. Despite a better sales position compared to last year's, the net position is not satisfactory, mostly due to a higher rate of encashment[16]. Bangladesh Bank officials pointed out a number of reasons for the loss of sales momentum for Wage Earners' Development Bonds. The major reasons given were: 1) a 5 per cent source tax on interest; 2) lack of confidence due to fluctuations in interest rates; 3) encashment of a large portion of bonds due to relatively low returns; 4) loss of investment due to a recent stock market scam in 2010–11 that many believe was a result of a regulatory failure; 5) the government's inability to recover the investors' money and the consequent reduction in reinvestment in bonds; and 6) the depreciating value of Bangladeshi currency (BDT) as the bonds as well as the interest earned are in BDT.

The Government of Bangladesh introduced the US Dollar Investment Bond and the US Dollar Premium Bond in 2003 to facilitate investment of hard-earned foreign currency by non-resident Bangladeshis. Non-resident Bangladeshis are eligible to purchase US Dollar Investment Bonds and US Dollar Premium Bonds with foreign currency deposited in their Foreign Currency Account or with a cheque/draft in foreign currency. US Dollar Premium Bonds offer a bit higher interest at maturity compared to that of US Dollar Investment Bonds. However, for both bonds, the principal amount is can be repatriated from abroad, and both the interest and principal are free from income tax in Bangladesh. Commercially Important Person (CIP) facility is granted to the purchaser of bonds valued at US$1 million or more. Bangladesh Bank officials told the researchers that, in the 2011-12 fiscal year, the performance of both US Dollar Investment Bonds and US Dollar Premium Bonds grew excellently in view of the Bank's targets. Outstanding balances as of February 2013 were 1,295.51 crore taka (BDT12.95 billion) for the US Dollar Investment Bond and 258.86 crore taka (BDT2.59 billion) for the US Dollar Premium Bond. The major reason for the popularity of these two bonds when compared to the Wage Earners' Development Bond is that the US dollar has not depreciated like the taka, making them more popular among buyers. Bangladesh Bank officials informed the research team that they are planning to float a sovereign bond. Security of investment in a sovereign bond is guaranteed by the State. Bangladesh Bank officials, therefore, believe that such a bond is likely to attract non-resident Bangladeshis.

[16] Wage Earners' Development Bond: Outstanding balance as of February 2013 is 4,974.89 crore taka (approximately BDT49.7 billion).

Although the returns offered by the bonds mentioned above are much more lucrative compared to many other bonds in the international market, the popularity of these bonds among non-resident Bangladeshis is still not high. The major reason underlying the unsatisfactory sales performance of the bonds is that too many non-resident Bangladeshis have adequate knowledge of the bonds. Recommendations have emanated from several sources on how to better promote these bonds. The major recommendations are shown in Box 4.3.

Box 4.3: Recommendations for promoting bonds for non-resident Bangladeshis

1) Road shows on the financial products of Bangladesh were held abroad, with a focus on non-resident Bangladeshis. The government arranged the programs and the participating commercial banks bore the cost. The road shows have proved useful in disseminating information about the financial products. More road shows, in a more concerted form, involving all the relevant stakeholders (and maybe incorporating other relevant themes for the benefit of Bangladeshis working/living abroad) could be arranged.
2) In the local newspapers abroad (which are popular among non-resident Bangladeshis), regular advertisements of these financial products need to be published. Since this is a costly method of advertisement, joint initiatives by the commercial banks would be instrumental. However, this initiative needs to be supported and promoted by the Government of Bangladesh, at least during the first phase.
3) Television commercials on such products need to be telecast on a regular basis in the satellite television channels of Bangladesh, which are viewed from abroad by migrant workers. As this is a costly method of advertisement, joint initiatives by the commercial banks would be instrumental. However, this initiative needs to supported and promoted by the Government of Bangladesh, at least during the first phase. It is notable that the time schedule for the airing of such advertisement needs to be fixed in consideration of the local reality of the migrant workers in target countries.
4) Commercial banks now enjoy a profitable percentage earned out of total sales of the bonds (earlier, it was only a fixed amount on the sale of each bond). Still, the banks do not show interest in selling government bonds; rather they prefer to promote their own products. This being the case, the government, by means of persuasion and enforcement initiatives, could cause the commercial banks to behave reasonably in the event of fixing sales targets.
5) There are various allegations against officials at Bangladeshi High Commissions and labour attachés ranging from issues of corruption and lack of service orientation to lack of relevant skills and competencies to learn. High Commissions/labour attachés must be involved in all activities with commitment and dedication towards ensuring safe and useful migration by the migrant workers of Bangladesh. Information on investment opportunities for non-resident Bangladeshis should be readily noticeable and easily accessible at the offices of Bangladesh embassies/high commissions/labour attachés.

Source: Key informant interviews with Bangladesh Bank officials and officials at commercial banks (both public and private); and in-depth interviews with migrant workers currently employed overseas and returning migrants.

It is notable that the sale of flats and land by private real-estate agencies to non-resident Bangladeshis keeps growing more popular among affluent Bangladeshis overseas. The Real Estate and Housing Association of Bangladesh (REHAB)[17] organizes a fair abroad for non-resident Bangladeshis at regular intervals. Details of a recent fair organized by REHAB are shown in Box 4.4.

[17] REHAB is the only trade organization of real estate developers in Bangladesh, with a current membership of 260 developers. All major institutionalized developers in the country are members of this organization.

Box 4.4: Results of 2012 real estate fair in the United States aimed at non-resident Bangladeshis

A three-day fair organized by REHAB was launched on 6 October 2012 in New York City. It was the 10th such fair arranged by REHAB in the United States focusing on non-resident Bangladeshis. Forty-five Bangladeshi real estate companies received flat and plot sale commitments worth BDT4.94 billion at that fair. According to REHAB, the flat sale commitment increased by around BDT940 million compared to that of the previous year. According to REHAB, non-resident Bangladeshis at this fair showed an eagerness for buying flats, while last year they were more interested in buying plots. REHAB also stated that while sales of flats has dropped more than 50 per cent in last two and a half years in the local market, such a positive response from non-resident Bangladeshis has come as great relief to the sector.

Source: The Financial Express, 19 October 2012;
http://www.thefinancialexpress-bd.com/index.php?ref=MjBfMTBfMTIfMTJfMV85MF8xNDc0NjA= [accessed 27 Mar. 2013].

It is notable that in order to make it easier for non-resident/migrant worker Bangladeshis to deposit funds in Bangladeshi accounts, Bangladesh Bank has made certain provisions, which can be found in Box 4.5 below.

Box 4.5: Bank accounts/depositing mechanisms for non-resident Bangladeshis/migrant Bangladeshi workers

Non-Resident Foreign Currency Deposit (NFCD)	■ All non–resident Bangladeshi nationals and persons of Bangladesh origin, including those having dual nationality and ordinarily residing abroad, may maintain an interest-bearing NFCD Account. ■ Accounts can be opened with US dollars, Pounds Sterling, Japanese Yen, and Euros. ■ The account holder can freely repatriate the balance and the interest accrued thereon in foreign exchange to the country of their residence or anywhere they choose, and may at their option, convert the balance into taka at the prevailing exchange rate.
Non-Resident Investor's Taka Account (NITA)	■ Non-resident person/institutions, including non-resident Bangladeshi nationals, may buy/sell Bangladeshi shares and securities by opening a NITA Account. ■ NITA account holders can purchase shares and securities of domestic companies. The profit and dividends of these shares and securities and the sale proceeds of shares and securities can be deposited in the NITA account. ■ Funds in a foreign currency can be credited to the NITA Account if they have been remitted from abroad through a lawful banking channel, or via a transfer of funds from an NFCD Account held in Bangladesh. ■ Balance of a NITA account can be used freely in order to buy and sell shares and securities, and freely remitted abroad in equivalent foreign exchange. ■ A NITA account holder may give a legal delegation of authority to a nominee to handle transactions related to the Account or to buy and sell shares and securities. Now-a-days, a specific account called the Beneficiary Owners' Account is required to buy and sell shares.

It is noteworthy that investment by non-resident Bangladeshis is treated on par with Foreign Direct Investment (FDI), and FDI enjoys a number of incentives. Special incentives are provided to non-resident Bangladeshis to encourage investment in the country. Non-resident Bangladeshis enjoy facilities similar to those of foreign investors. Moreover, they can buy newly issued shares/debentures of Bangladeshi companies. A quota of 10 per cent has been fixed for non-resident Bangladeshis in primary public shares. Furthermore, they can maintain foreign currency deposits in NFCD Accounts. An additional rebate of 5 per cent on the total sale price of State-owned enterprises sold by the Privatization Commission is granted when the buyer, including non-resident Bangladeshis, pays the full amount in foreign currency.

Probashi Kallyan Bank (Expatriates' Welfare Bank), a specialized bank to serve the credit and investment capital needs of outbound and returning migrant workers, has been set up with seed money from the Wage Earners' Welfare Fund. The basic features of this bank are given in Box 4.6.

Box 4.6: Basic features of the Probashi Kallyan Bank (Expatriates' Welfare Bank)

Probashi Kallyan Bank (Expatriates' Welfare Bank), a Bangladeshi specialized financial institution, operates as a specialized bank for the benefit and welfare of migrant workers. The bank was inaugurated on 20 April 2011, and it started its operation in December of that year. As of now, the entire operational activities of the bank can be divided in two components: i) Assistance to out-bound workers through loans to cover the cost of migration; and ii) Loans for professional re-integration of retrenched workers.. In addition to the loan products, the Probashi Kallyan Bank also offers savings products for migrant workers and their families.

From December 2011 through February 2013, approximately 1,400 individuals seeking overseas employment have received migration loans from Probashi Kallyan Bank. Job seekers willing to go to countries in Asia, Africa, or the Middle East can receive up to BDT84,000 as a collateral-free loan, and workers willing to go to countries in Europe or other continents are given up to BDT1,010,000 as a collateral-free loan. From December 2011 through February 2013, the bank also gave out loans worth BDT10 million for rehabilitation of returning workers from abroad. Bank authorities have branches in seven divisional headquarters. The bank has also opened branches in Comilla, Tangail, and Dinajpur. Branches will soon be opened in Noakhali, Faridpur, Munshiganj, Gopalganj, Brahmanbaria, Sirajganj, Kurigram, and Cox's Bazar. Probashi Kallyan Bank has already opened liaison offices in Saudi Arabia, the United Arab Emirates, Malaysia, Bahrain, and the Republic of Korea to extend banking facilities to the door-step of migrant workers. Liaison offices are scheduled to open in 10 more countries in the near future.

However, Bangladesh Bank and Probashi Kallyan Bank have recently taken opposing stances on the latter's proposal to go move into commercial banking on a limited scale. The Probashi Kallyan Bank has made a proposal that the central bank should allow it to launch limited-scale commercial activities in one of its branches (for the time being) and open an exchange house. But Bangladesh Bank representatives said that, as per the Banking Company Act, there was no scope for a non-scheduled bank like Probashi Kallyan to engage in commercial banking. On the other hand, Probashi Kallyan Bank officials said that per Section 4(6) of the Probashi Kallyan Bank Act, 2010, the bank should be allowed to perform commercial banking..

It should be noted that a number of individuals who spoke with the research team, under condition of anonymity. told researches that the process of securing a migration loan through the Probashi Kallyan Bank was more difficult than expected and more time-consuming than promised. These individuals welcomed the initiatives of the bank, but also argued that the bank is still not 100 per cent accessible to common migrant workers. They also raised complaints about a lack of client orientation among the officials of the bank.

Sources: Official website of Probashi Kallyan Bank, (www. pkb.gov.bd/); key informant interviews with Bangladesh Bank officials; interviews with number of individuals who applied for Probashi Kallyan Bank loans to go abroad; the Daily Sun: 28 January 2013, http://www daily-sun.com/details_yes_28-01-2013_Probashi-Kallyan-Bank:-Take-loan,-fly-abroad_392_1_0_3_23.html [accessed 10 Apr. 2013]; and the New Age: 20 January 2013, http://newagebd.com/detail.php?date=2013-01-20&nid=37385 [accessed 10 Apr. 2013].

The Investment Corporation of Bangladesh (ICB), a statutory corporation created to mobilize capital investment in diverse sectors of the economy initiated the Bangladesh Fund in March 2011. The Bangladesh Fund was established as a BDT50 billion mutual fund of stocks on the Bangladesh bourses, and it was hoped that the Fund would help stabilize the share markets after the scandal-plagued crash of 2010–11. But according to local press reports (Daily Sun, 2012), the fund could not find popularity among expatriate Bangladeshis whose investments were mainly in specific enterprises or ventures. The ICB has made several attempts to attract the funds from expatriate Bangladeshis. Of these, the most recent is the permission granted by Bangladesh Bank to allow the ICB to open investment accounts for expatriate Bangladeshis. These investment accounts would enable expatriate investors to have greater control over where and how much of their funds would be invested.

Banks for non-resident Bangladeshis[18] have been approved by Bangladesh Bank, and one of the approved banks – NRB Commercial Bank Ltd. – launched its operation recently (2 April 2013). The bank was set up by 53 non-resident Bangladeshis from eight countries, and with its foray into the country's banking system, NRB Bank became the first of its kind in the private sector. NRB Bank has an advantage because non-resident Bangladeshis who invest through the bank do not have to pay income tax on investment earnings, whereas investment income earned by local investors is taxed by the State. Even so, the chairperson of the NRB Commercial Bank told the research team that the process of running a business venture in Bangladesh is marred by bureaucratic control and rigidity, and that it is highly time-consuming to navigate all the red tape. The chairperson laid stress on the need to build investor-friendly environment and a positive image of the country for attracting investments.

[18] It should be noted that banks of this sort are quite different from typical commercial banks and represent the "first of its kind in the world". The non-resident Bangladeshi bank idea was developed by a senior official of the Banking Regulation and Policy Department, Bangladesh Bank. Bangladeshi expatriates have been demanding such a bank for themselves since the late 1990s, when remittance inflow increased at a stable rate. The Bangladesh Bank official formally presented the idea and proposal for such a bank in a paper titled Alternative resource of World Bank for external financing in Bangladesh: A foreign remittance approach. This paper was presented at the 16th Biennial Conference of the Bangladesh Economic Association (BEA) on 15 December 2007 [Source: key informant interview with Md Bayazid Sarker, Deputy Director, Banking Regulation and Policy Department, Bangladesh Bank].

Chapter 5

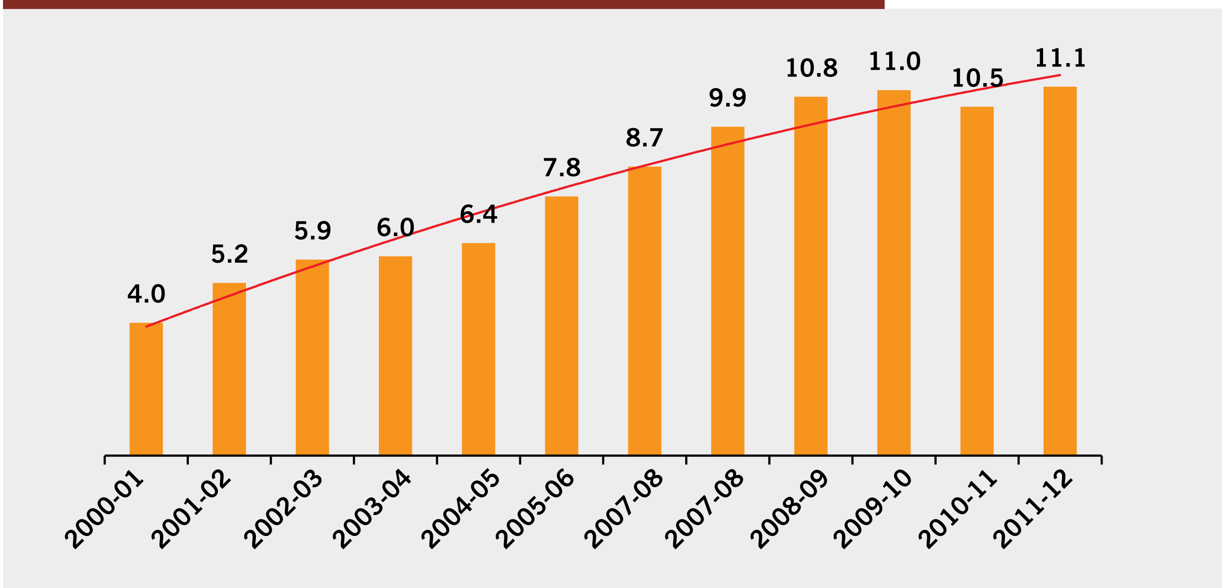
Impact of migrant workers' remittances

5.1 Macroeconomic impacts

Overseas employment and remittances play an important role in expediting the economic development of Bangladesh by reducing unemployment, creating new jobs, eradicating poverty, and increasing foreign exchange reserves. Remittance has become one of the most important economic variables in Bangladesh over the last three decades, and it proves effective in balancing the country's balance of payments, increasing foreign exchange reserves, enhancing national savings, and increasing the velocity of money. If the cost of imported raw materials is deducted from the foreign exchange earnings of the ready-made garments sector, remittance becomes the single largest sector of foreign exchange earnings (Chowdhury, et al., 2010). Some study findings support the idea that remittance is also a potentially stabilizing factor for national currencies and can provide developing countries with lower borrowing costs by presenting them with a stable flow of foreign exchange (Gupta, et al., 2007; Ratha, 2005).

Remittances provide a potential boon for a country's financial development: a stream of earnings to be tapped for savings and leveraging through formal credit and other products (Aggarwal, et al., 2006; Guiliano & Ruiz-Arranz, 2005: Gupta, et al., 2007).The existence of links between financial-sector development and economic growth now enjoys a broad consensus, and there is growing acceptance that better financial institutions lead to lower levels of poverty and inequality (King & Levine, 1993; Levine, 1997; Beck, et al., 2000a; 2000b; Rajan & Zingales, 1998). "Leveraging up" remittances through formal financial institutions is important. By themselves, remittance flows do not solve the structural financial constraints befalling many a developing country. Financial institutions allow remittance recipients to access credit needed to finance business projects, smooth consumption, and establish a financial and savings culture more broadly. Remittance contributes directly to Bangladesh' Gross National Income; while contributing indirectly to the real GDP growth of Bangladesh. Remittance as an equivalent percentage of GDP and export earnings has increased over the years (see Figure 5.1).

Figure 5.1: Trend of remittance as an equivalent percentage of GDP



In the 2001–02 fiscal year, remittances were approximately equal to 5.26 per cent of GDP. In 2011–12, remittances were the equivalent of 11.14 per cent of GDP (see Figure 5.1). Likewise, in 2001–02 remittances were equivalent to 41.78 per cent of total exports, with that number increasing to the equivalent of 50.82 per cent in 2010–11.[19]

Migrant workers' remittances to Bangladesh have accounted for a much larger share of foreign exchange inflows. Bangladesh, India, Pakistan, and Sri Lanka were all significant positive outliers when the size of remittance as an equivalent percentage of GDP was compared with more than 100 countries in 2005 (Anand, et al., 2012). In terms of foreign currency inflow, the contributions by official development assistance and FDI are negligible compared to those of export earnings or private income through remittance. Moreover, about half of the total disbursement amount of official development assistance goes towards the payment of interest and the principal amount over the years. In addition, RMG exports from Bangladesh remain dependent on the import of raw materials. As a consequence, remittance is regarded as the most secure source of foreign exchange for Bangladesh (Unnayan Onneshan, 2012).

[19] Figures derived from data provided by Bangladesh Bank and the BBS.

One study (Barai, 2005) suggests that remittances have not adversely affected the external competitiveness of exports by putting appreciating pressure on the Bangladeshi taka. The economy has so far been able to avoid the "Dutch Disease"[20] effects of remittances at the macro level due to a continuous deprecation of the taka against the major international currencies over time. It is grows evident that by offsetting the pressure of deficits in the merchandise trade balance, remittances have helped Bangladesh improve its international credit rating.

Table 5.1: Composition of external inflows towards Bangladesh

Fiscal year	Remittances	Grants	FDI and Portfolio Investment	ODA	Total	Remittances as equivalent percentage of GDP
	US$ million					
2000-01	1 882	373	169	543	2 967	4.0
2001-02	2 501	479	385	298	3 663	5.2
2002-03	3 062	510	378	466	4 416	5.9
2003-04	3 369	257	282	147	4 055	6.0
2004-05	3 848	200	800	491	5 339	6.4
2005-06	4 802	500	775	535	6 612	7.8
2006-07	5 979	587	899	512	7 977	8.7
2007-08	7 915	703	795	758	10 171	9.9
2008-09	9 689	523	802	563	11 577	10.8
2009-10	10 987	564	519	914	12 984	11.0
2010-11	11 650	727	740	312	13 429	10.5

Remittances are the largest single source of foreign exchange inflows for Bangladesh. As Table 5.1 shows, remittances were ten-times larger than the average annual medium and long-term official loans received by Bangladesh in FY 2010–11.

5.2 Impacts at the household level

The development impact of remittances is dependent on the pattern of remittance use by the beneficiaries. The recipients of remittances use their remittance income for a wide range of purposes, of course with a substantial portion being used for consumption. Due to the poverty status of many recipients, the marginal propensity to consume[21] of remittances is high and expected to remain high in future (Barai, 2012). The remitted money as well as the knowledge and experience of migrant workers cause a number of significant changes in their households in Bangladesh. One study (De Bruyn & Kuddus, 2005) shows that inflows of remittance into Bangladesh mostly take place in four forms: (a) transfer to family and friends; (b) transfer to save or invest; (c) transfer to charity or community development; and (d) collective transfer to charity or community development. But most transfers are made in the first two forms; thus impacts need to be assessed at the household level. According to Thao (1999), remittances bring

[20] Dutch Disease: Negative consequences arising from large increases in a country's income. Dutch Disease is primarily associated with a natural resource discovery, but it can result from any large increase in foreign currency. The term originates from a crisis in the Netherlands in the 1960s that resulted from discoveries of vast natural gas deposits in the North Sea. The new-found wealth caused the Dutch guilder to appreciate, making exports of all non-oil Dutch products less competitive on the world market.
[Source: *Investopedia*, http://www.investopedia.com/terms/d/dutchdisease.asp [accessed 15 Mar. 2013].

[21] Marginal Propensity to Consume is the proportion of additional income that an individual desires to consume.

additional funds to the household, which, in turn, contributes to higher consumption, ensuring better access to health and education services, and improving housing as well as living conditions and the like.

It is noteworthy that the impacts of remittance are considered to be greater in developing countries with higher poverty incidence and lower financial development density (Guiliano & Ruiz-Arranz, 2007). The remitters, who suffered, in most cases, the curse of unemployment in their home countries, not only become employed but also start sending money to their home countries, a change towards progress that efficaciously constructs a better domestic status for employment generation.

The ways in which remittances alleviate the poverty of individuals includes the following:

- **Supplement "survivalist" income:** Remittances provide food security, shelter, clothing, and other basic needs to many recipients.
- **Consumption "smoothing":** A significant number of remittance recipients, especially in rural areas, have highly variable incomes. Remittances allow better matching for incomes and spending.
- **Education:** For a large portion of the population in many a developing country, education is expensive and hard to reach at all levels. Remittances can allow the payment of school fees and provide the wherewithal for children to attend school by removing/reducing the need for children to work for the sake of family survival (Yang, 2005; López-Córdova, 2005).
- **Housing:** The use of remittances for the construction, upgrading, and repair of houses is prominent in many widely different circumstances.
- **Health:** Remittances can be utilized to ensure access to preventive and ameliorative health care. As with education, affordable health care is often unavailable in many remittance-recipient countries.
- **Debt:** Being in thrall to moneylenders is an all-too-common experience for many in the developing world. Remittances provide the repayment of debts and the means to avoid taking loans through the creation of alternative income and asset streams.
- **Social spending**: Remittances can be used to meet various "social" expenditures like marriage expenses, religious obligations, funerals, and related costs that are culturally unavoidable.
- **Consumer goods:** Remittances can be used for the purchase of consumption goods likely to serve as entertainment or means for a prosperous life.

There is no denying the fact that the extent of poverty reduction is explicably bound up with the use-appropriateness of remittances. Typically, remittances are spent to meet basic survival, consumption, housing, health, and education of poorer recipients. Once these needs are met, however, remittances can be invested to create income-generating activities. Research findings indicate that expenditure on agricultural equipment and fertilizers, vehicles, retail stock and equipment, and on land improvement are common forms of investment made possible through remittance earnings (Woodruff & Zenteno, 2001; Yang, 2005; Aggarwal, et al., 2006).

According to the *Bangladesh household remittance survey 2009* (IOM, 2010), remittance led to improvements in the consumption of food among a majority (61.7 per cent) of Bangladeshi households with at least one migrant worker working abroad (hereafter referred to as "Bangladeshi migrant households"). The survey also suggests that nearly nine-tenths (89 per cent) of Bangladeshi migrant households are able to afford more varied kinds of food and therefore enjoy more diversity in their diets as a result of remittance income. The report also suggests that remittances have positive impact on education; nearly nine in ten Bangladeshi migrant households (87.9 per cent) acknowledged that remittances have enhanced educational opportunities. Eighty-three per cent of households in the study reported using remittances to buy books, papers, and other learning materials; and 67 per cent stated that they used remittance funds to pay tuition fees, exam fees, and transportation costs for their children.

The impacts of remittances are both tangible and intangible. There are direct and indirect benefits. Trickle-down effects are also found. By drawing a comparison between Bangladeshi migrant households and national household statistics, a set of impacts can be assessed (see Table 5.2)

Poverty status is significantly better among migrant households than among Bangladeshi households in general. While 31.5 per cent of all Bangladeshi households are classified as poor, only about 10 per cent of Bangladeshi migrant households are below the poverty line.

Household income is much higher in average Bangladeshi migrant households compared to the average household of Bangladesh. It has been found that yearly income of a migrant household is BDT229,995, while the national average is just BDT181,496.

Spending capacity is also higher among Bangladeshi migrant households. Average yearly food expenditure of a migrant household amounts to BDT122,462, well above the BDT95,288 spent in the average household in Bangladesh. A migrant household yearly spends, on average, BDT16,292 on health care, as opposed to BDT10,793 in health spending in an average household. Average yearly education expenditure is BDT12,896 in a migrant household, but is just BDT9,204 in an average household.

Land ownership status is also significantly higher among migrant workers. The average migrant household owns 124 decimals (0.5 hectares) of cultivable land, whereas the average Bangladeshi household only possesses 64 decimals (0.26 hectares).

Access to improved toilet facilities is much higher among migrant workers. Improved toilet facilities are noticeable in nearly three-fourths (74 per cent) of Bangladeshi migrant households, which is a large improvement on the national figure of 51.5 per cent of households.

Housing structures among Bangladeshi migrant households are also better compared to national figures. Thirty-five per cent of Bangladeshi migrant households have a house with brick or cement main walls, which is only true of 26 per cent of households across Bangladesh in general. Likewise, 16 per cent of Bangladeshi migrant households have roofs made principally of cement or tiles, when that is the case for only 10 per cent of households nationally.

Bangladeshi migrant households also possess more household assets compared to the typical scenario in Bangladesh. Eighteen per cent of Bangladeshi migrant households possess a refrigerator, while 12 per cent of households possess one nationally. Similarly, 52 per cent of the Bangladeshi migrant households possess a television, while nationally the figure is 37 per cent.

Table 5.2: Comparison of selected indicators between national data and migrant household data

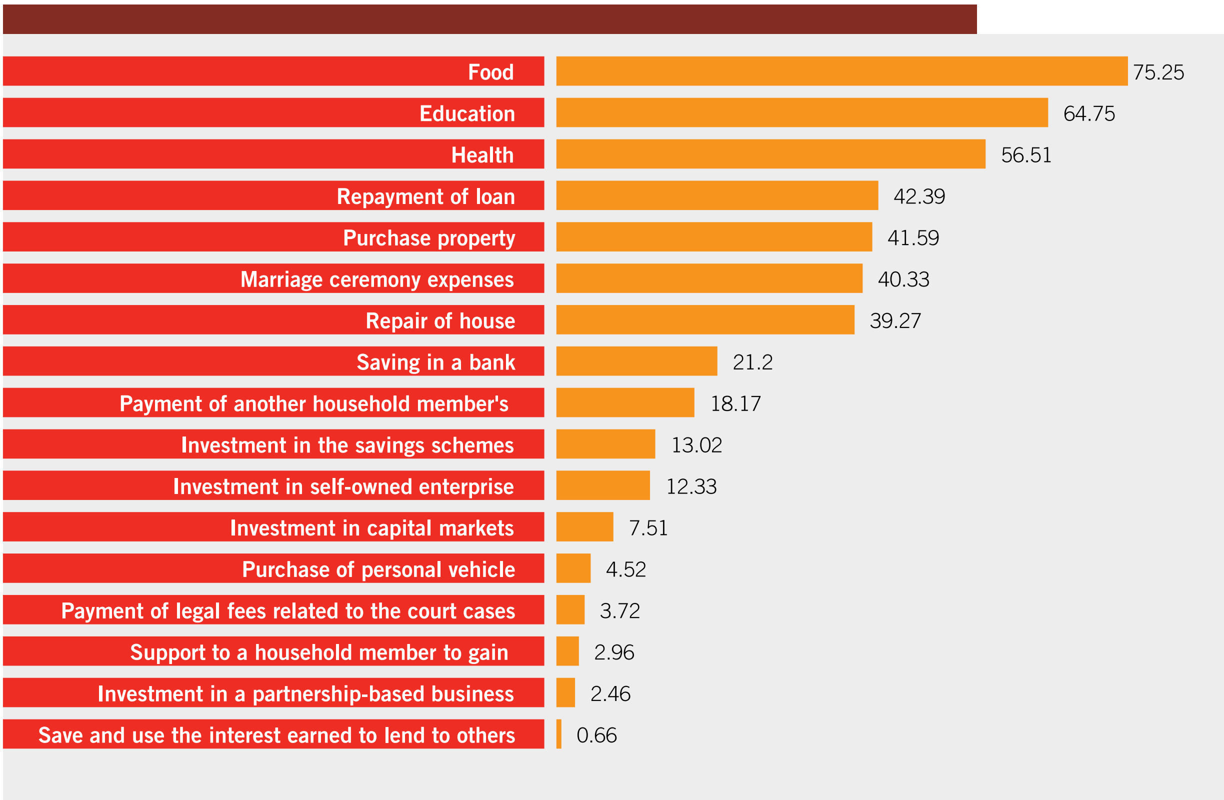
Indicators	Bangladeshi migrant households	National
Poverty status (households below upper poverty line)	9.9% Source: BBS, 2011	31.5% Source: BBS, 2011
Average yearly household income	BDT229 994.56 Source: IOM, 2010*	BDT181 496.10 Source: BBS, 2011*
Average food expenditure (yearly)	BDT122 462.1 Source: BBS, 2011*	BDT95 287.6 Source: BBS, 2011*
Average health care expenditure (yearly)	BDT16 291.6 Source: BBS, 2011*	BDT10 793 Source: BBS, 2011*
Average education expenditure (yearly)	BDT12 895.9 Source: BBS, 2011*	BDT9 203.7 Source: BBS, 2011*
Average ownership of cultivable land (in decimals)	124.1 decimals Source: IOM, 2010	64.1 decimals Source: BBS, 2011
Improved toilet facility at household	73.7% Source: IOM, 2010	51.5% Source: BBS, 2010
Main roof material is cement/tile	16.1% Source: IOM, 2010	10.4% Source: BBS, 2011
Main wall material is brick/cement/stone	35.4% Source: IOM, 2010	25.7% Source: BBS, 2011
Ownership of refrigerator	18.1% Source: IOM, 2010	12.3% Source: BBS, 2011
Ownership of television	51.9% Source: IOM, 2010	37.5% Source: BBS, 2011

Note: Estimated by research team.
*Inflation adjusted up to Feb. 2013.

According to Bangladesh Bank (2011), the use of remittance in productive sectors (namely, self-proprietorship business, partnership business, investment in capital markets, arrangement of international migration for other household members, etc.) is lower compared to the use of remittance in traditional areas, such as investment in property, lending, for consumption, etc.) (see Figure 5.2).

It is also evident that the impact of remittance, although significant, is not highly satisfactory among migrant workers. The majority of migrant workers (who are mostly less skilled) are not paid according to their expectations. They are discriminated against in the destination country compared to local workers. Women migrant workers from Bangladesh are generally paid less than their male counterparts despite performing similar work. The issue of violation of the agreed wage-rate and benefits is also common. The survey conducted for this study reveals that about 50 per cent of migrant workers received salaries and benefits that were less than what was promised to them.

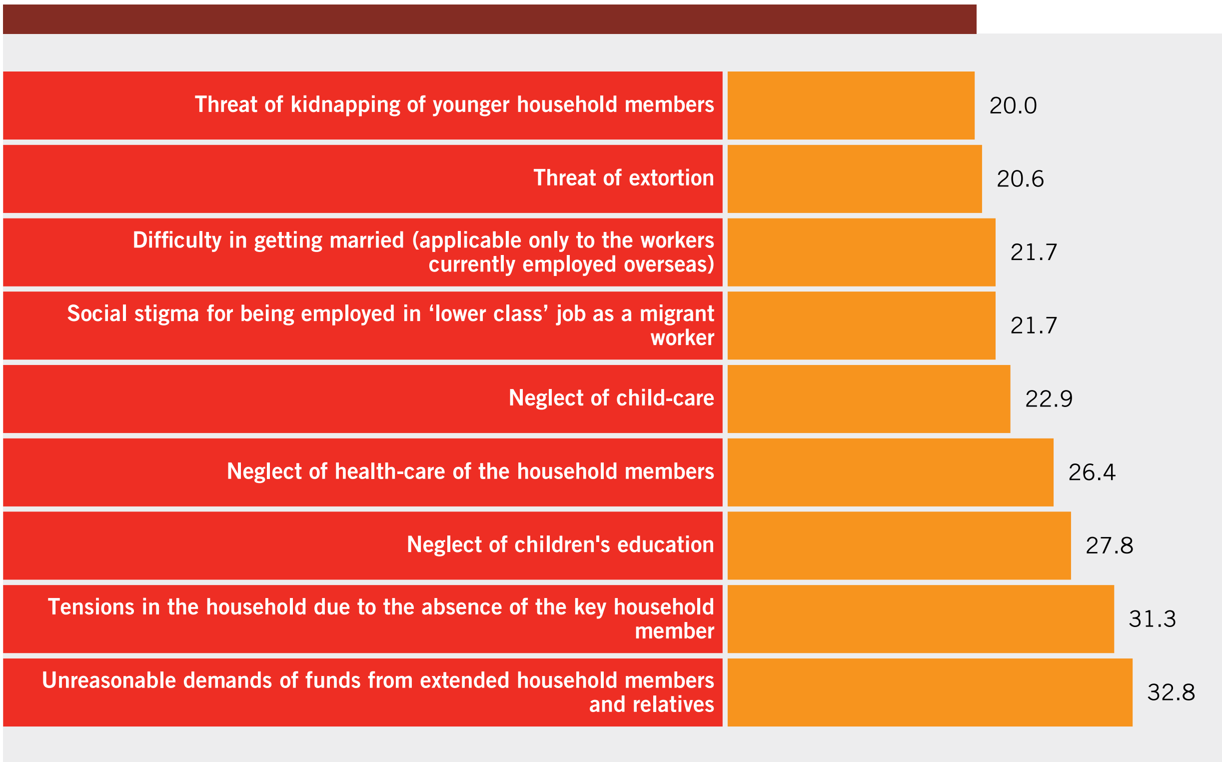
Figure 5.2: Use of remittances by the Bangladeshi migrant households by percentage of respondents surveyed (multiple responses possible)



The survey also reveals that some Bangladeshi migrant households experienced negative impacts related to having a household member living overseas as a migrant worker. The negative impacts reported by the family members of migrant workers include: family disintegration, disruption of children's' education due to lack of supervision, halt of family members' health care, stinted growth of children, threat of extortion, social stigma derived from perception of migrant workers as holders of lower-class jobs, marriage problems, threat of kidnapping, and pressure from other relatives over money and other benefits owing to an erroneous idea of the amount of money being remitted.

A number of negative factors related to remittance and migration were also reported by key informants, migrant workers, and Bangladeshi migrant households. It is evident that a blind belief in high returns from labour migration can take hold when migration becomes a common practice in a district, sub-district, or village. Such belief makes the local communities overlook the negative outcomes of labour migration. The majority of Bangladeshi migrant workers are employed in low-skill and low-paid work overseas that in Bangladesh are considered "lower class" jobs. In a country marked by social stratification, the stigma attached to manual work, poor living conditions overseas, and the perceived immoral behaviour that migrant workers are believed to acquire when they are without their families, makes low-income migrant workers a socially devalued group. Other negative factors associated with or arising from labour migration that were reported by Bangladeshi migrant households include: disintegration of community harmony as a result of rising social inequality, moral deviation of children and youths due to the absence of household heads/important decision makers, drug abuse as a consequence of the sudden inflow of remittance money, speculative price rises in the local commodity and property markets, marital problems and household discord, and increasing self-centredness (see Figure 5.3).

Figure 5.3: Negative factors reported by migrant workers and household members by percentage of respondents (multiple responses possible)



However, academics have yet to reach a consensus about the impact of remittances on society. In addition, it has been stated logically that remittances, in many cases, enhance the demand for certain products at the local level. In addition, it can be argued that areas where wealth is generated through remittance attract people from neighboring areas seeking employment in newly generated business entities or to tap into this flow of remittance through small informal business ventures in those areas.

It could be noted that, according to Sixth Five Year Plan (FY2011-FY2015), the Chittagong and Dhaka divisions are home to a solid majority of Bangladeshi migrant households. About 78 per cent of all migrant workers come from these two divisions. in terms of percentage of the population, Chittagong division has the highest proportion of its population working abroad (7.7 per cent), followed by Sylhet division (4.28 percent), and then Dhaka division (4.04 per cent). On the other end of the spectrum, less than 1 per cent of Rajshahi division's, and a little less than 1.5 per cent of Khulna division's population, are working abroad. Barisal holds a better position, but still lags behind the more prosperous eastern divisions. The Sixth Five Year Plan concludes that since households having expatriate workers are highly concentrated in certain areas of the country, the excluded or marginally included regions have gained little from inward foreign remittances.

It is a grave concern that remittance may contribute to the creation of "dependency syndrome" among a section of the recipients (De Bruyn & Kuddus, 2005; Ali, 2012). This syndrome generally provokes intentional unemployment, which in turn, could affect the allocation of human resources essential for the necessary development of domestic industries. It may also cause there to be less industrial activity in specific regions of Bangladesh where flow of remittances is comparatively higher (Barai, 2012). But the research team did not find any ample, well-documented evidence in relation to dependency syndrome (details are shown in Box 5.1).

Box 5.1: Dependency syndrome: Not yet a concern for Bangladesh

The focus group discussions (with returning migrants and migrant household members) arranged during this study suggested that dependency syndrome is discussed much more widely than it is an actual, active issue. The participants in the group discussions argued that remittances absolutely provide a rising sense of security because of the additional income flow into the household, but that it hasn't done much to convince people to stop working. Participants states that those individuals who live off remittances without working a job are people who were known to be perpetually unemployed/underemployed even before any remittance income began coming in. (Participants called these individuals vadaimma, a the local term that means "lazy in nature".) One of the focus group participants said, "The people seeking to work never rely only on the remittance; rather they use that remitted amount to take up other economic activities and improve their standard of living. Only those who are unemployed because they are lazy grow dependent on the remittance." Another participant said, "In-fact there is no loss due to the so called dependency syndrome because there is no work. If there were work, which beneficiary of remittance would take up work? No one. Most people – while they are receiving remittance – are not willing to toil._Such people are incapable of hard work, and therefore, stay dependent on remittance." The findings reveal that socialization encourages the Bangladeshi migrant workers to act as benevolent providers for the household, and their behaviour, in turn, increases social and household expectations from them.

"Brain drain" is also a widely discussed issue seen as a negative side of migration experienced by sender countries. Brain drain (or human capital flight) is the large-scale emigration of individuals with technical skills or knowledge. Although the term originally refers to technology workers leaving a nation, the meaning has broadened into: "the departure of educated or professional people from one country, economic sector, or field for another, usually for better pay or living conditions". Brain drain is usually regarded as an economic cost, since emigrants usually take with them the value of their training, which may have been sponsored by the government or other organizations. Brain drain is often associated with the de-skilling of emigrants in their country of destination, while their country of emigration experiences the draining of skilled individuals (Niimi, et al., 2008). However, this study reveals that brain drain is not a concern for Bangladesh. Details are shown in Box 5.2.

Box 5.2: Brain drain: Not a threat to Bangladesh

It is often argued that brain drain has been a damaging factor for Bangladesh. Studies have suggested that an increase in the share of migrants with tertiary education has a negative impact on total and per capita remittances. This implies that Bangladeshi migrants with higher education remit less to the country compared to migrant workers with less education. Key informant interviews with Bangladeshi migrants currently employed overseas have also validated this fact. But it could still be claimed that the “brain drain” factor has almost no impact on remittance flow as professionals constitute only 2.2 per cent of all total migrant workers from Bangladesh.

In addition, “social remittance” has been an integral part of migration of professionals. Migration cannot be viewed as a process that uproots persons from their home country and integrates them into a new society and culture. Recent studies suggest that contemporary immigrants do not cut ties with their home country; rather, they sustain multiple linkages with it. Twenty-first century immigrants belong to two societies simultaneously (Levitt, 2005). They become incorporated into the institutions and patterns of daily life of the country in which they reside. At the same time, they maintain connections, build institutions, conduct transactions, and influence local and national events in the countries from which they migrated (Glick-Schiller, et al., 1995). “Social remittances are ideas, practices, mindsets, world views, values and attitudes, norms of behavior, and social capital (knowledge, experience, and expertise) that the Diaspora mediate and transfer from host to home countries” (Markley, 2011, citing Mohamoud & Frehaunt, 2006).

Key informant interviews with Bangladeshi professionals currently employed overseas have revealed that the changing world scenario, with extraordinary development in Information Communication Technology, has proved effective in enabling them to maintain a healthy connection with Bangladesh. Now-a-days they visit Bangladesh more frequently than they did previously. Some return to Bangladesh at a certain age with a handsome amount of foreign exchange and start living in Bangladesh on a permanent basis. In addition, the door of opportunity is held open for returning migrants across the home country, a particular reality that attracts a portion of workers to go back. Such factors altogether have proved instrumental in offsetting brain-drain by brain-gain!

Sources: Key informant interviews with Bangladeshi migrants currently employed overseas; Bureau of Manpower Employment and Training (BMET); Levitt, 2005; Markley, E, 2011, citing Mohamoud, A.A.; Frechaut, M. 2006. Social remittances of the African Diasporas in Europe. (Lisbon, North–South Centre of the Council of Europe); and Glick-Schiller, N., Basch, L., C.S., From Immigrant to Transmigrant: Theorizing Transnational Migration. Anthropological Quarterly. 68, 1995, p-48-63.

Chapter 6

Recommendations

6.1 Transfer of remittances by migrant workers through legal channels

Awareness raising activities: For creating awareness regarding sending remittances through lawful channels, the following activities can be undertaken: (a) road shows in a more concerted form involving all the relevant stakeholders (these may incorporate other relevant themes for the benefit of Bangladeshis working/living abroad); (b) publishing of advertisements in the local dailies abroad that are popular among the non-resident Bangladeshis. Joint initiatives by the commercial banks would be instrumental; and (c) television commercials on the Bangladeshi satellite TV channels that are telecast in the countries of destination. Time zone differences and work-hours need to be taken into account when deciding when to air these commercials so they reach the greatest number of Bangladeshi migrant workers possible.

Fixing of exchange rate for remittance sent by Bangladeshi migrant workers: Low-income migrant workers are highly vulnerable to exchange rate fluctuations. Even a small difference is significant in their decision-making, as it constitutes a significant percentage loss from or gain to their income. The international currency exchange companies often offer a better rate of exchange than Bangladeshi public and private sector banks. While the workers appreciate the safety in having their remittance credited into a bank account in a public or private sector bank, they also have to be prepared to accept that the money received will be less than what they would have received if they were to remit through an exchange company. The government should consider a semi-fixed exchange rate system or an adjustable peg exchange rate system to keep the exchange rate being offered by Bangladeshi public and private sector banks competitive for receiving remittances from migrants.

Facilities for migrant workers at the airports in Bangladesh: Workers spend considerable time running pillar-to-post to get an overseas job contract and migration documents. They undertake strenuous journeys to reach Dhaka and Chittagong where the international airports are. By this time, most workers are far more economically stressed and anxious about their life in the country of destination. Flight delays are fairly common and facilities at the airport unaffordable for the workers. Provision of basic facilities (e.g., a night stay facility, food at discounted prices, etc.) at the airport would ease some of their stress. The electronic smart card that is issued to all the outbound migrant workers should be diversified and airport-based services should be made available to the outbound or returning card-holders at subsidized rates.

Lack of telegraphic transfer arrangements between public and private sector banks: The current telegraphic transfer arrangements between public sector banks, who have country-wide networks, and private sector banks, which have more international banking arrangements but are concentrated in the urban areas, are inadequate. This leads to slower disbursement of remittance. The network for telegraphic transfers needs to be expanded.

Regulating the Outward Bill Collection service charges on remittances: Regulation of Outward Bill Collection service charges is critical to ensure that these charge are levied by a bank only when the bank has rendered service as a professional agent to collect payments from a buyer on behalf of an exporter in Bangladesh. These charges should not be applied on remittances. Remittances are not collected by the banks, rather the banks are merely acting as either transfer agents or disbursement agents of funds, for which service the migrant worker has already paid an international fund transfer fee/commission. Remittances, as per the Bangladesh Bank regulation, are to be credited into the beneficiary's account without any deductions. Both public and private sector banks should ensure that their officials are aware of the difference between payment collection and remittance, and Bangladesh Bank needs to regulate this type of activity.

Financial education for remitters as well as recipients in Bangladesh: The foreign missions of Bangladesh should initiate regular awareness/capacity-raising programmes on financial education, which ultimately will enhance the flow of remittance through lawful channels. For the semi-literate among the migrant workers, audio-visual contents would be useful. Bangladeshi banks and their exchange houses should be encouraged to sponsor the cost of financial literacy and remittance-related awareness raising among migrant workers. In Bangladesh, the government should also initiate projects about raising financial literacy among migrant households. NGOs working in Bangladesh could play a role in this regard.

Client orientation of the officials at Bangladeshi public and private sector banks and their exchange houses in destination countries: In a number of cases, commercial bank officials working abroad have not behaved cordially towards migrant workers. These officials do not just show reluctance, they sometimes behave rudely with migrants. This should be regarded as an offense and looked into. As a matter of policy and practice, performance assessment of bank officials should be institutionalized, and orientation to serve clients, irrespective of their socio-economic status, should be an important criteria of appraisal. Poor performance-related action should be taken against officers who fail to demonstrate client orientation and/or misbehave with the customers .

Assistance for migrant workers in opening bank accounts: There is a better chance of getting remittance through formal channels if migrant workers are given assistance to open bank accounts in Bangladesh as well as destination countries. This initiative must be taken in all countries of destination, but particularly be diligently pursued by the labour attachés and Bangladeshi foreign missions in Middle Eastern countries.

Supporting migrant workers to address their irregular status and attracting remittance of undocumented Bangladeshi migrants through legal channels: Bangladesh missions, in coordination with the governments of a labour-recipient country, should pilot-test a scheme to identify irregular workers and help them become documented migrant workers. This may help those undocumented Bangladeshi migrant workers who are caught in an irregular status due to recruitment fraud or a lack of understanding of the local laws affecting the migrant workers. This effort would also help increase remittances transfers through formal banking channels.

More rational geographic distribution of exchange houses: In the last four years, Bangladesh Bank approved 62 exchange houses to 23 banks. Of these approved exchange houses, only 27 have started their operation to transfer Bangladeshi migrant workers' remittances. However, the exchange houses of Bangladesh are concentrated mostly in the United States and United Kingdom. Greater geographical dispersion of exchange houses needs to be ensured by Bangladesh Bank. Some special incentive should be considered if that would encourage the banks to set up and offer services in areas accessible to Bangladeshi migrant workers.

Sufficiency of the cover fund: The regulatory requirement related to sufficient cover funds in Nostro Accounts, and the minimum balance requirement related to the correspondent foreign banks' taka accounts and draft drawing arrangements should be reviewed regularly. This is essential for ensuring timely measures for the security of remittance as well as to encourage the banks to develop new remittance drawing arrangements.

Bangladesh Electronic Fund Transfer Network (BEFTN): The BEFTN system should be decentralized at the branch level of banks. Automation of remittance routing should be prioritized within the regulatory framework to enable the transfer of remittance in a short amount of time to the branch where the remittance beneficiary has a bank account..

Internet connectivity and decentralized payment system: Public sector banks have the widest retail network in Bangladesh. So they are much more accessible than the private sector banks. All public sector banks should be digitalized down to the branch level, including those in rural or remote areas, and provided with high-speed reliable internet connections to ensure that remittances can be received by beneficiaries at the nearest branch of the bank.

Optimizing the web- and mobile-based electronic money transfer service of the Bangladesh Post Office: Post office branches are already used for electronic transfer of domestic and international remittance. The facility could be widened by the Ministry of Posts and Telecommunications if it takes initiative to enter into Memorandums of Understanding with a greater number of destination country postal services. It is the quickest remittance transfer facility and if it can be made more affordable, linked to a post office savings account for direct credit, and expanded to 9,800 post office branches as planned initially, it holds the potential of reaching the Bangladeshi migrant households in remote areas.

Making Bangladesh High Commissions/labour wings accountable: Performance indicators and accountability mechanisms should be put in place to ensure that the foreign missions and labour attachés of Bangladesh are working towards ensuring safe migration and decent overseas employment for Bangladeshis. Their role should include the promotion of remittance transfer through lawful channels. The position of labour attaché should be considered a specialized technical post requiring expertise in labour law and social protection. The current practice of drawing labour attachés from different ministries should be reviewed. To ensure a clear line of communication and accountability, recruitment and deployment of the post to a Bangladesh mission should be done by the Welfare and mission wing of the Ministry of Expatriates' Welfare and Overseas Employment.

Formation of a special cell: There should be a separate cell in the Ministry of Expatriates' Welfare and Overseas Employment. This cell should have an easy complaint-lodging system accessible through phone calls and email. The cell should have the power and authority to follow up the lodged complaints and ensure redress by the relevant authorities. The complaint-lodging mechanism should be widely circulated through media in Bangladesh and countries of destination, including by SMS to the mobile subscribers of Bangladesh.

6.2 Utilization of remittances sent by migrant workers

Promoting bonds for non-resident Bangladeshis: In order to promote bonds issued under the Wage Earners' Development Bond Rules, 1981, that target Bangladeshis staying abroad for long periods of time, the following measures are recommended:

(a) road shows in labour migration-prone districts in a more concerted form and involving all the relevant stakeholders. These may incorporate other relevant themes for the benefit of Bangladeshi migrant households;

(b) advertisements in local dailies abroad that are popular among non-resident Bangladeshis;

(c) television commercials on Bangladeshi satellite TV channels that are televised in countries of destination. Joint initiatives by the Ministry of Expatriates' Welfare and Overseas Employment and the banks would be instrumental in promoting the bonds. Time zone differences and work hours need to be taken into account when deciding when to air these commercials so they reach the greatest number of overseas workers possible.

(d) replacing the existing fixed-rate commission system for the sale of the bonds with a graduated commission system for the authorized dealers of Bangladesh Bank who sell such bonds. Such a system would enable the authorized dealers to earn an increasing rate of commission as the amount of sale increases and therefore act as an incentive to promote the bonds; and

(e) currently, the banks are not particularly interested in selling these bonds; rather, they prefer to promote their own products. The government could persuade the authorized agents to better promote these instruments. The government may also consider taking an even stronger initiative by fixing a sales target, but with an attractive incentive for the authorized dealers, as discussed in point (d) above.

Encouraging non-resident Bangladeshis to be a part of the development activities in Bangladesh: A transparent mechanism may be considered to create a direct link between development and non-resident Bangladeshis. For example, the government may consider an initiative whereby a dollar sent in donation by a Bangladeshi migrant worker for local development of their region or for any other development purposes could be supplemented with a matching grant provided by the Government of Bangladesh.

Develop internationally valid, affordable life and comprehensive health insurance for the migrant workers: In collaboration with public and private sector insurance providers, design universal insurance to give life cover and to cover medical costs associated with in-patient treatment, occupational illness, rehabilitation treatment, out-patient surgery, nursing at home, and medical evacuation. This is needed to ensure that the dependent family is not left destitute if a migrant worker in a not so secure job dies while working overseas and to ensure that treatment facilities that are locally available in a country of destination can be availed by the migrant workers.

Develop special schemes to promote small- and medium-size enterprise (SME) development targeting the households of migrant workers: Bangladeshi migrant households should be given training and information about SME initiatives and facilities, and based on an assessment of needs, special loan schemes may be developed for those households who may wish to set up SMEs.

Integrated approach by the Wage Earners' Welfare Fund and the Probashi Kallyan Bank: The Wage Earners' Welfare Fund and the Probashi Kallyan Bank should work in coordination with each other and avoiding duplication of efforts and initiatives. The prime objectives of the bank should involve ensuring proper re-integration of returning migrants. The fund should focus on the welfare and social protection of migrant workers.

Maintaining and updating a database of returning migrants: Although there already is the provision for registering returning migrants, the task remains unfinished. The process of setting up a system for creating a database of returning migrant workers is slow. Databases of outgoing and returning workers are essential to help see the profile of the workers. This in turn would help public and private sectors offer more suitable schemes for investment and professional reintegration.

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Annex 1

List of key informants interviewed

Bangladesh Bank *(in alphabetical order)*

1. A.K.M. Azizur Rahman (Deputy General Manager, Debt Management Department).
2. B.M. Sobur Uddin (Joint Director, Debt Management Department).
3. Joydev Chandra Banik (Deputy Director, Strategic Planning Unit, Central Bank .Strengthening Project Cell).
4. Md. Bayazid Sarker (Deputy Director, Banking Regulation and Policy Department).
5. Md. Masud Biswas (General Manager, Foreign Exchange Policy Department).
6. Md. Mostafizur Rahman Sarder (Deputy General Manager, Research Department).
7. Md. Shafiul Alam (Deputy Director, Foreign Exchange Policy Department).
8. Muhammad Shahriar Iqbal (Assistant Director, Foreign Exchange Policy Department).
9. Bangladesh Bank official unwilling to disclose identity.
10. Bangladesh Bank official unwilling to disclose identity.

Commercial banks and financial institutes (in alphabetical order)

1. Farasath Ali (Chairman, NRB Commercial Bank Ltd.).
2. Kamruzzaman (Area Manager, Thengamara Mohila Sabuj Sangha-TMSS, Tangail).
3. Khondoker Asif Khaled (First Assistant Vice President, NRB Division, Mutual Trust Bank Ltd.).
4. Md. GolamSarwar (Senior Consultant-DMD, Janata Bank Ltd.).
5. Md. Ismail Hossain (Chief Executive, UAE, Janata Bank Ltd.).
6. Md. Mahbubur Rahman (MD, Janata Exchange Company, SRL).
7. Sheikh Shafiqul Islam (Assistant General Manager, Foreign Remittance Department, Janata Bank Ltd.).
8. Sultana Razia (First Assistant Vice President, Wholesale Banking Division, Mutual Trust Bank Ltd.
9. Official working in a state-owned commercial bank unwilling to disclose identity.
10. Official working in a state-owned commercial bank unwilling to disclose identity.
11. Official working in a private commercial bank unwilling to disclose identity.
12. Official working in a private commercial bank unwilling to disclose identity.

Organizations working on migration issues (in alphabetical order)

1. Masud Parvez (Secretary General, Welfare Association of Repatriated Bangladeshi Employees-WARBE).
2. Md. Omar Faruque Chowdhury (Executive Director, Ovibashi Karmi Unnayan Program).
3. Sumaiya Islam (Director, Bangladesh Ovibashi Mohila Sramik Association-BOMSA).
4. Syed Mahbub Elahi (Chairman, Ovibashi Karmi Kallyan Foundation-OKKAF).

Experts (in alphabetical order)

1. Asjadul Kibria (Business Page Editor, The Daily Prothom Alo).
2. Shariful Hasan (Senior Reporter, The Daily Prothom Alo).
3. Md. Nurul Islam, PhD (Director-Training Standard and Planning, Bureau of Manpower Employment and Training-BMET).
4. Shamim Ahmed Chowdhury Noman (EC Member, Bangladesh Association of International Recruiting Agencies-BAIRA).

Others (in alphabetical order)

1. Key informant on hundi business unwilling to disclose identity.
2. Key informant on hundi business unwilling to disclose identity.

In the corridors of remittance

Cost and use of remittances in Bangladesh

This study reinforces the existing belief that remittances are an important livelihood strategy for Bangladeshi households. In times of crisis, remittances have played a significant role in people's survival and recovery. The most recent example comes from the global financial crisis, which began in the latter half of 2007. Bangladesh's export sectors were affected by this downturn. Labour migration was also affected due to the decrease in the number of jobs available overseas and increasingly strict enforcement of restrictive immigration policies. However, the stock of Bangladeshi migrant workers who stayed in jobs overseas continued remitting money. Indeed, remittances have contributed to higher consumption and certain other benefits such as improved education and health. On the negative side, remittances are also seen as a major element of the speculative price-rise of the assets migrant households like to buy, such as land. There is, now, a growing interest in improving financial services for better investment of savings from remittances and also in improving remittance management skills of the migrant workers and their households.

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Published by the International Labour Organization with financial assistance from the Swiss Agency for Development and Cooperation under the "Promoting Decent Work through Improved Migration Policy and its Application in Bangladesh" project.

ISBN: 9789221287025 (print)
9789221287032 (web pdf)