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Government of the People's Republic of Bangladesh

International Labour Organization

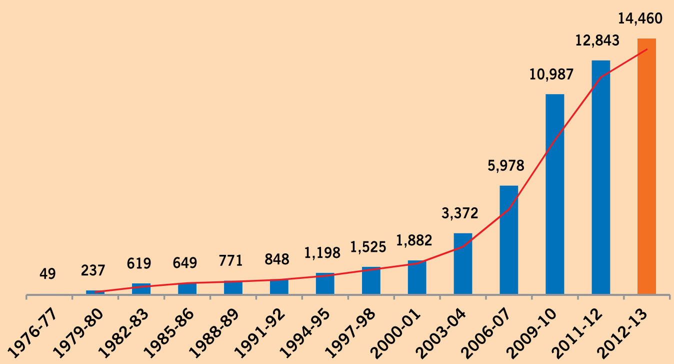
In the corridors of remittance

What is undeniably true in the context of Bangladesh is that overseas employment and remittance have been key factors in reducing unemployment problems, giving rise to a large population on the move in the international job market, reducing poverty at the household level, and increasing foreign exchange reserves. Since the embryonic stage of Bangladeshi labour migration, Middle Eastern countries have become a major overseas employment source for Bangladeshi workers. Over 8 million Bangladeshis are estimated to be living in as many as 157 countries. A particular statistical reality is that more than 5 per cent of the total population of Bangladesh lives and works overseas.

Remittance in the Sixth Five Year Plan (FY2011-FY2015) of the Bangladesh government

The Plan 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 oversight by local embassies and high-level policy dialogues with host governments as per the needs of migrants.

Flow of remittances: The flow of remittances into Bangladesh shows an upward trend. In the 2012-13 fiscal year, the remittance sent to Bangladesh, using lawful channels, by migrant workers was US$14.46 billion. Persons involved in unlawful money transfers, who spoke to researchers under condition of anonymity, reported that about 40 per cent of all remittances come through unlawful channels. Some others claim that the percentage of remittances received through unlawful channels has been declining with the introduction of new measures, such as compulsory bank account opening. Despite an absence of verifiable data about all remittances, based on the qualitative experiences, it may be said that the total remittance would be over US$20 billion, not US$14.46 billion, in the 2012–13 fiscal year.



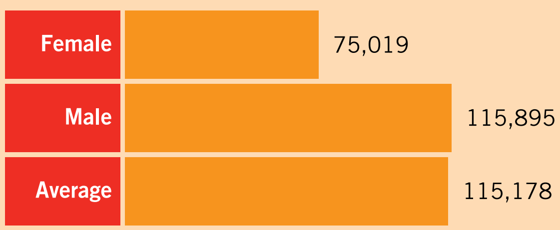
Dynamics of remittance flow into Bangladesh (in US$ million)

Migrant workers currently employed overseas said that in cases some Bangladeshi commercial bank officials abroad do not behave cordially with them. This type of attitude, in many instances, discourages migrant workers to send money through formal banking channels. One migrant worker currently employed in the UAE told - 'the problem lies in mentality of some bank officials; they consider themselves as elite and treat us as lower-class people. But, they should remember that they are here (abroad) only because of us, the migrant workers'.

Sending remittances: Most migrant workers prefer lawful channels for remitting money to Bangladesh. They have argued that even though they enjoy a better exchange rate and quick delivery using unofficial channels (hundi/hawala), they still prefer to send money through lawful channels, such as banks, as they consider them to be the most reliable and trustworthy methods. The ratio of migrant workers' remittance sent through unlawful channel compared to lawful channels has declined over time. The major reasons are: increasing ease of remitting processes and an increase in the number of banks accessible to migrant workers; outreach efforts by commercials banks and exchange houses aimed at attracting more remittance; awareness-raising about the role of unlawful channels created by the Prevention of Money Laundering Act, 2012; and incentives such as tax exemption on remittances.

Amount of remittance sent: In 2012, on average, a migrant worker remitted 115,178.40 Bangladeshi taka (BDT). The average male migrant worker sent BDT115,864.90 in 2012 while the average woman migrant worker sent BDT75,018.90.

Remittance sent by the average migrant worker in 2012 (in BDT)



Researchers' estimation based on the Bangladesh Household Remittance Survey 2009 (IOM, 2010)

Gender-disaggregated remittance data: Gender-disaggregated remittance data is not held in the information system of Bangladesh Bank, the country's central bank. Qualitative information gained from migrant worker focus group discussions held for this study suggests that the ratio of per capita remittance contribution by men and woman is 100:70; that is, for every US$100 remitted by the average migrant male worker, the average migrant female worker would remit US$70. This was confirmed by small sample size data collected by the Janata Bank in 2011–12 in the United Arab Emirates and Italy. This gap 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 100:30. Still, all and all, the proportion of remittance sent by women workers to total remittance is on an upward trend.

Impacts of remittance: Remittance contributes directly to Bangladesh's Gross National Income (GNI), while also contributing indirectly to the real GDP growth of Bangladesh. In 2001-02, remittances were of an amount equivalent to 5.3 per cent of GDP, and that figure increased to 11.1 per cent in 2011-12. In 2001-02, remittances were equivalent to 41.8 per cent of Bangladesh's total exports, and that figure had risen to 50.8 per cent in 2010-11.

The impact of remittances at the household level is both direct and indirect. In 2012, 31.5 per cent of Bangladeshi households were classified as poor, but only about 10 per cent of migrant households are poor. The average yearly income of a migrant household is BDT229,995, while the national average is BDT181,496. The average migrant household owns 124 decimals (0.5 hectares) of cultivable lands, nearly double the 64 decimals (0.26 hectares) held by the average Bangladeshi household. A migrant household spends BDT16,292 yearly on health care, whereas the average household spends just BDT10,793. Yearly education expenditure is BDT12,896 in the average migrant household, whereas it is BDT9,204 for an average household.

Impacts of remittance at the household level

Issues	National	Migrant
Poverty (under upper poverty line)	31.5%	10%
Average yearly income (BDT)	181 496	229 995
Average yearly health expenditure (BDT)	10 793	16 292
Average yearly education expenditure (BDT)	9 204	12 896
Cultivable land ownership (decimal)	64	124

Estimated by the researchers based on Household Remittance Survey 2009 (IOM, 2010), the database of the Household Income and Expenditure Survey 2010 (Bangladesh Bureau of Statistics, 2011) and Consumer Price Index (CPI) produced by Bangladesh Bureau of Statistics

"Brain Drain" v/s "Brain Gain"

"Dependency syndrome" and "brain drain" are not yet of concern for Bangladesh. In addition, "social remittance" has been an integral part of migration. The changing world scenario, with amazing development in communication technologies, has played a role in ensuring professionals' proactive role in the development of Bangladesh.

Expectations aside, it should be noted that migrant workers are investing in productive sectors. Remittances are used in developing agriculture and agri-businesses. Migrant workers are also investing in other small- and medium-scale business ventures. These initiatives of migrant workers should be acknowledged. And the use of remittance for consumption also has a positive long-term development outcome. The use of remittance for education, health, etc. has significant impacts in developing the human resources of Bangladesh – that is a productive investment.

Use of remittances: It is widely argued that remittance is not utilized in an efficient manner to gain the expected economic return for the overall development of the country. Two-thirds of the remittances received are used for consumption, whereas only one-third is invested. Investment, in most instances, is for land purchases, not for entrepreneurship development. Migrant workers pinpointed the uncongenial business climate of Bangladesh as one of the major reasons for not investing their remittances in productive sectors.

Key challenges

- Besides legal channels, a significant portion of remittance comes through informal and unlawful channels. Channelling migrant workers' remittance towards formal channels is a challenge.
- State-owned commercial banks are losing popularity as a means of sending remittances; this needs to be revisited as a high priority.
- Two-thirds of remittance is used for consumption and one-third is invested. Uncongenial business climate remains as one of the major reasons migrants are not investing in productive sectors.
- There exists a discrepancy in salary structure between male and female migrant workers, which has women getting paid 70 per cent of what men earn for the same job.
- The government has debt instruments (e.g., bonds) with lucrative benefits for migrant workers, but they have not attracted adequate interest from migrant workers. A similar situation faces the Bangladesh Fund of the Investment Corporation of Bangladesh (ICB).
- Probashi Kallyan Bank has been operating as a specialized bank for benefit and welfare of migrant workers. But this institution needs scaling-up.
- Banks for non-resident Bangladeshis have been initiated. This type of innovative approaches needs to be expedited, with suitable facilities and an attractive business climate, which are lagging.

Recommendations

Remittances through legal channels

- Awareness raising activities: Steps need to be taken in order for the launch of (a) road shows; (b) advertisements in local dailies abroad; and (c) television commercials on Bangladeshi satellite TV channels that are viewed abroad.
- Fixing of exchange rate for remittance sent by Bangladeshi migrant workers: Regulator may consider a fixed exchange rate policy for foreign remittance from migrant workers.
- Special economic zones for non-resident Bangladeshis: Special economic zones can be established for returnee and non-resident Bangladeshis.
- Facilities for remittance senders at airports in Bangladesh: Priority basis facilities (e.g., transport, night stay facility, etc.) should be provided at the airport for migrant workers who can show evidence of having remitted through legal channels. Certification of Important Wage Earner of Bangladesh could prove instrumental.
- Expansion of telegraphic transfer (TT) arrangements: TT arrangements between state-owned commercial banks and private commercial banks need to be expanded.
- Regulating outward bill collection (OBC) charges on remittances: In many cases, commercial banks deduct an amount known as an OBC charge, and this practice needs to be stopped.
- Financial education for remitters as well as the recipients in Bangladesh: Audio-visual content would prove effective in making migrant workers aware about all such issues.
- Proactive role of Bangladeshi commercial bank officials working abroad: Resentment displayed by Bangladeshi commercial bank staff abroad towards migrants should result in exemplary punishment.
- Mandatory opening of account: Transmission of a higher amount of remittance through formal channels would be more likely if migrant workers are obliged to open bank accounts.
- Attracting remittance from undocumented Bangladeshi migrants through legal channels: Bangladesh missions, in coordination with the governments of labour-recipient countries, can create mechanisms for undocumented migrants to send remittances legally.
- Rational geographic distribution of exchange houses: Exchange houses of Bangladesh are concentrated in a

few regions (mostly in the United States and the United Kingdom). Geographical variations need to be ensured by Bangladesh Bank.

- Sufficiency of cover funds: No remittance can be disbursed without having confirmation that sufficient cover funds have been credited by the sending company to the nostro account. This practice discourages sending companies, and needs to be reconsidered.
- Decentralizing of the Bangladesh Electronic Fund Transfer Network (BEFTN): The BEFTN should be decentralized at the branch level of banks, and should utilize fully automated software.
- Expansion of internet connectivity and decentralized payment system: Expansion of internet connectivity among State-owned commercial banks and a decentralized payment system is required.
- Expediting use of postal service units as remittance distribution channels: This could be expanded by arranging Memorandums of Understanding between the Bangladesh Post Office and the postal services of labour-receiving countries.
- Making Bangladesh foreign missions/labour wings accountable: There should be a mechanism of accountability in the foreign missions/labour wings of Bangladesh. The recruitment at labour wings could be done through a separate cadre.
- Formation of special cell: There should be a separate cell in the Ministry of Expatriates' Welfare and Overseas Employment equipped with a complaints lodging system that can be accessed through phone calls and email. The complaint lodging mechanism should be widely promoted through media (both local and abroad) and especially by sending SMS (Short Message Service) messages to mobile subscribers in Bangladesh.

Utilization of remittances sent by migrant workers

- Promoting bonds for non-resident Bangladeshis: (a) road shows; (b) advertisements in local dailies abroad; (c) TV commercials on Bangladeshi satellite TV channels that are viewed abroad; (d) the government could persuade and enforce, if necessary, (in the form of fixing a sales target) the commercial banks. Sovereign bonds need to be floated.
- Initiation of housing projects for non-resident Bangladeshis: The National Housing Authority of the Government of Bangladesh already has a small-scale housing project for non-resident Bangladeshis. This could be extended with the participation of the private real estate sector, so long as there is strict regulation.
- Initiation of expatriate insurance in foreign currency: Expatriate insurance policies in foreign currency can be initiated.
- Financial inclusion of migrant households in small- and medium-sized business ventures: Migrant households can be provided with soft loans, so that they can operate entrepreneurial activities.
- Integrated approach by the Migrant Workers' Welfare Fund and Probashi Kallyan Bank: The Migrant Workers' Welfare Fund and Probashi Kallyan Bank should work in close coordination.
- Maintaining and updating a database of returnee migrants: Adherence to the process of registration should be encouraged immediately.

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