Chapter 1

Introduction

1.1 Introduction of the study

The importance of foreign remittances in the economy of Bangladesh is widely recognized and requires little reiteration. The role of remittances in socioeconomic advancement of developing countries is increasingly being recognized in contemporary development literature. Along with the readymade garment (RMG) sector and non-farm activities in the agriculture, Remittances have been identified as one of the three key factors that have been responsible for reducing the overall incidence of poverty as well as maintain a healthy balance of payment in Bangladesh.

Bangladesh is the 8th most remittance receiving country in the world. Remittance more than 10 million citizens abroad very important for Bangladesh and along with garment export are key source of foreign exchange. In fiscal year 2020-2021 the Reserve of foreign exchange exceeds 46 billion US dollars in which the amount of foreign remittance is more than 21.8 billion.

With the figure of 21.8 billion Bangladesh is the eighth highest receipt of remittances among the 10 countries listed by EIU report. (Covid-19 and Migrant Remittance: A hidden Crisis Looming). The share of remittance inflow in balance of payment in the export earnings rise socio economic growth.

Remittance is the second highest source of foreign currency earnings of Bangladesh after exporting of RMG. The fact that remittance supports socio economic development of a developing nation is evident today in Bangladesh. According to the recent study of WB remittance has helped to reduce the poverty level in Bangladesh by 1.5 percent. We therefore propose to carry out a statistical study on the effect of remittances on per capita incomes, which have a direct implication on the welfare of households, in order to remove speculation and channel the discourse away from the qualitative realm onto a more secure, quantitative footing. Such an effort is necessary in order to derive more accurate conclusions which will greatly assist in the formulation of guidelines for future policy. Remittance is one of those important instruments, which helps to solve our problem by strengthening the economy. Migration is such a process, which helps to reduce

unemployment, increases reserves and helps to make the balance of payment favorable and also helps immensely in other socio-economic aspects. Unemployment situation is one of the most alarming economic indicators of a country; migration and consequent remittance is mainly related with employment and earning of foreign currency. So, remittance is a vital issue for over-populated countries like Bangladesh. Therefore, we need to give proper attention on this issue. It also helps to increase foreign reserves, national savings and investments. From socio-economic point of view it uplifts living standard, social status and help ensuring basic needs.

1.2 Background of the study

For any business school student only curriculum activity is not enough for handling the real business situation, therefore it is an opportunity for the students to know about the field of business through the internship program. As internship program is a perfect blend of theoretical and practical knowledge. This report is prepared as partial requirement of the six -month internship program for the MBA. Sonali Bank limited has given me the opportunity to complete 6 (six) months internship program at Suihari Branch,Dinajpur. In my report I have given concentration on "A Study on socio-economic impact of foreign remittance in Bangladesh". During this period I learned how the organization works with the help of internal supervisor. On the basis of working experience in this period. I have prepared this report and I tried my level best to relate the theoretical knowledge with the practical work situation.

1.3 Significance of the study

The internship report is an important partial requirement of 1.5 years MBA program. Knowledge and learning become perfect when it is associated with theory and practice application. By this internship program, students can establish contracts. It may help to get a job in a practical life. A developing country like Bangladesh has a large number of unemployed graduates. As they have no internship experience they have not been able to gain normal professional experience of establishing network system which is important in getting a job. Therefore it is obvious that the significance of internship is justified as the crucial requirement of MBA program.

1.4 Objectives of the study

Major objectives of the study are as follows

- To find out the volume of foreign remittance in Bangladesh during last 5 years.
- To find out major source of foreign remittance, nature of foreign remittance and their impact on balance of payment.
- To focus on socio-economic impact and macroeconomic issues of foreign remittance in Bangladesh.
- To suggest for increasing foreign remittance and liberalize the procedural difficulties and flaws.

Chapter 2

Literature Review

The aim of this study is to analyze the socio-economic impact of foreign remittance in Bangladesh. There are many tapes of research on impact of foreign remittance. Since the study focuses on socio-economic impact, this section only reviews the appropriate and related studies to get a better idea of the selected topic.

Chowdhury *et al.* (2010) found that in Bangladesh remittance is one of the most important economic variables in recent time as it helps in balancing balance of payments, increasing foreign exchange reserves, enhancing national savings and increasing velocity of money. Remittance has both positive and negative impact on socio-economic condition of Bangladesh. However positive impact is more influential than negative one. (Chowdhury, 2014).

Sutradhar (2020) investigates the impact of workers remittance on economic growth of four South Asian emerging countries by employing balanced panel data from 1977 to 2016.This study reveals a joint significant and negative relationship between remittance and economic growth in four countries. Ali (2014) found that remittance earning; increasing day by day but at a lower rate than the increase in emigration from Bangladesh due to increasing share of unskilled or semi- skilled labors than professional in international migration. The share of remittance in gross national income (GNI) is increasing day by day. Remittance affects almost all the macroeconomic indicators of a country positively. Though there are also negative sides of remittance earning, its overall contribution to Bangladesh economy is very much effective.

Sarkar and Islam (2018) using secondary data explores the impacts of remittance on socio-economic development in Bangladesh. This article reveals that remittance has significant impact on Bangladesh economy and socioeconomic advancement for example reducing poverty, increasing household expenditure, savings, leading to maintain the quality of life as well as gender equality.

Kumar *et al.(2018).* Explores the significant factors and utilization of international remittance in Bangladesh by using primary data from 84 migrant households. The estimated results find that household size, training, skill, years at abroad and earnings significantly affect international remittance in Bangladesh. This indicates migrants remit home motivated

by mixed views like, altruistic, loan repayment and exchange view. The study also finds 50.01 percent of remittance is utilized only in consumption of food purpose. The study suggests arranging training and skill enhancing programs to migrants and creating investment opportunities.

Datta and Sarkar (2014) found that remittance can foster growth and development as well as prevent balance of payment crisis while they also have a negative impact on growth if used for conspicuous or unproductively. Recipient of remittance can become highly dependent on the easy money causing them to reduce their efforts and or their participation in the labor market which would affect economic growth negatively.

Rahman and Yeoh (2008) investigate that there are two types of remittance system one formal other informal. Formal system is those that operate under the regulated financial system. In informal system the institution involved in money transfer are supervised by government agencies and laws that determine their creation, characteristics, operation and closures.

As the emigrant workers from Bangladesh gradually increased over the years and annual remittance to the country significantly rose with the passage of times. Khan and Sultana (2021).Pradhan et al (2008) analyzed the impact of workers remittance on economic growth by employing panel data of 25 years from 39 developing countries for the period of 1980-2004 and found a positive and significant impact remittance on economic growth.

Fayissa and Nsiah (2010) researched the influence of remittance on economic growth in 36 African countries over the period of 1980-2004 and identified a positive relationship between remittance and economic growth. Ramirez (2013) carried out a study which explained the impact of remittance on economic growth using panel data of 23 upper- and lower income Latin American and Caribbean countries for the period of 1990-2007. He expressed the positive and significant impact of remittance on per capita GDP growth.

Sarkar *et* al.(2018) analyzed that remittance is one of the major sources of capital especially for the developing countries like Bangladesh. This study attempts to explore the relationship between remittance and economic growth in Bangladesh using time series data from 1995-2016 extracted from the World Bank database as well as Bangladesh Bank statistics were used to measure the relationship of remittance and gross domestic product (GDP) with some other variables such as gross capital formation, gross domestic saving and household final consumption

expenditure. The study has found that on an average, remittance of Bangladesh has been increased by 10.85% from 1995-2016 which is higher than the average growth of the country's GDP. It has revealed that there is a positive relationship of remittance with the GDP, gross capital formation, domestic saving and household final consumption expenditure in case of Bangladesh. Thus, this study recommends that Bangladesh should take proper initiatives for maintaining an increasing trend of remittance in the coming years which would be useful for the socio-economic development of the country. Keywords: Remittance, Economic Growth, Bangladesh.

The above explained literature mainly focuses on the effects of remittance on the developing country like Bangladesh. Most of the papers identified either only joint impact of group of countries or impact of an individual country's economy. They did not analysis both social welfare and economic impact. Further study should focus on the both aspect of the impact of remittance. This paper provides the both social and economic impact of remittance in Bangladesh in recent time.

Chapter 3

Methodology of the study

3.1 Methodology

This study is based on secondary information. The relevant secondary data are collected from Bangladesh statistics department and Research department of Bangladesh Bank Bangladesh bureau of statistics, Bangladesh Informatics Division(BID),Bangladesh Bank bulletin, Economic trend, Bangladesh economic review , Ministry of planning, Ministry of social welfare, Bangladesh economic update. Various articles, publications of World Bank, several books and websites, journal report were also considered.

This report mainly focuses on three things. First, it shows the remittance income of Bangladesh. Secondly, it shows the impact on socio-economic and financial growth. And at last it investigates and find out the opportunities and challenges of remittance income of Bangladesh. Tabular chart and graphical representation have been used to properly reflect the data and information.

3.2 Limitations

Constraints during the course of my investigation are as follows

- Restrictions to have access to the information confidential by concern authority.
- Lack of published relevant documents
- The most recent information is not available
- Within this limited period, it is a bit tough to track all the facts accurately.
- Based on secondary source of data

Chapter 4

Theoretical background

4.1 Definition of Foreign Remittance

A remittance is a non-commercial transfer of money by a foreign worker, a member of a diaspora community or a citizen with familial ties abroad, for household income in their country or homeland. Again, foreign remittance is a transfer of money from a foreign worker to their family or other individuals in their home countries. In Many countries, remittance constitutes a significant portion of a nation's economic growth as measured by gross domestic product.

4.2 Importance of Foreign Remittance

Remittances are playing an increasingly large role in the economies of many countries. They contribute to economic growth to the livelihoods of those countries. According to World Bank estimates, remittances will total US$573 billion in 2020, of which US$422 billion went to developing countries that involved 250 million migrant workers. For some individual recipient countries', remittances can be as high as a third of their GDP. International remittances have a major impact on the developing economies of the world with the majority of remittances, $441 billion, going to developing nations. This amount is nearly triple the $131 billion of global Official Development Assistance. For many developing nations, remittances received make up a significant portion of their economies often receiving over 10% of their GDP in remittances each year. Remittance has become a major contributor to the Bangladeshi economy. As the migrant workers from Bangladesh gradually increased over the years, the amount of annual remittance to the country significantly rose. According to World Bank, Bangladesh is now one of the largest recipients of remittance with almost $19.6 billion in 2021. It was third highest recipient of remittance in South Asia. A survey on the remittance usage conducted by Bangladesh Bureau of Statistics shows that 32.81%and 32.82% of the remittances are used for food and non-food expenditure respectively. On the other hand, 18.84% of remittances are used for durable and other expenses including 17.39% for utilized in the purchase of land. In case of investment and savings, Bangladesh Bureau of Statistics revealed that 33.45% of remittances go to investment and 13.74% of remittances go to savings.

4.3 Types of Remittance

According to foreign exchange regulatory act 1947 and guidelines for foreign exchange, Bangladesh Bank has classified all foreign remittance into two broad categories

- Inward remittance
- Outward Remittance

Inward remittance

Inward remittance takes place when our country receives remittance from foreign countries. In details foreign inward remittance means the remittance of freely convertible foreign currencies that we receive from foreign countries against which the permitted dealers make payment in local currency to the beneficiary. The way of receiving inward remittance are draft mail transfer, export bills, travel cheque and foreign bills.

Outward Remittance

Outward foreign remittance occurs when our country remits currency to foreign countries. In details outward remittance means selling of foreign currencies by the authorized dealers or formal channels. It must be assured by the authorized dealers that foreign currencies are remitted and used only for the right purpose. Outward remittance can be done by appropriate method to the country to which remittance facility is authorized by Bangladesh Bank.

4.4 Remittance Sending System

Formal System

Remittance is sent formally through various ways such as demand draft, traveler check, telegraphic transfer, postal order, direct transfer, automatic teller machine etc.

Informal System.

Hundi or money carrier system is prevalent as informal process of remittance sending in most cases. The most popular reasons behind the preference towards hundi system is the

absence of any transaction charges, its fast delivery and the opportunity to maintain confidentiality.

4.5 Purposes of foreign remittance

Generally foreign remittance is used in the following expenditures

- Repaying loans for migration
- Buying land and construction house
- Investing in business
- Increase in income and savings
- Community development
- Improving living standards
- Social ceremonies
- Child education
- Donation to relatives.

4.6 Migration from Bangladesh and Remittance

Migration has become an important livelihood strategy for the people of Bangladesh. It has remarkable positive impact on social development and empowerment through skill transfer and by fostering many community development initiatives. Bangladesh has a long history of international migration.

During British rule some people migrated to UK and also USA for trade and higher study. But after independence of Bangladesh in 1971, the flow of migration to other 2 countries also increased. During mid 1970s due to oil exploration of Middle East countries, there was tremendous demand for skilled and unskilled workers. The higher income of the migrated person not only changes his destiny, but has also improved the lives of his family in the home country.

Bangladesh is considered as a resourceful country of a huge labor-force. About 60 million people constitute this vast reservoir of active manpower. Bangladesh is steadily turning her manpower into an asset through training and skill development with a view to meeting the needs of overseas employment. It is not possible for Bangladesh to absorb the full range of available less-skilled, semi- skilled, skilled and professional manpower within the country

in an appropriate manner and hence it is needed to find employment opportunities abroad. There are also a number of foreign countries who are in need of importing manpower from other countries. Overseas employment from Bangladesh started officially in 1976 with a modest number (6,078) of workers. Presently about 10 m Bangladeshi migrants are working all over the world. Yearly migration from Bangladesh is about 0.3-0.4m. Bangladeshi workers are mainly engaged in 143 countries of the world but about 90% of the migration takes place in the Middle East and Malaysia. Libya, Qatar Saudi Arabia, UAE, Kuwait, Oman, Malaysia and Singapore are some of the major countries of destination. Currently two types of international migration occur from Bangladesh. One takes place mostly to the industrialized west and the other to Middle Eastern and South East Asian countries. Voluntary migration to the industrialized west includes permanent residents, immigrants, work permit holders and professionals. They are usually perceived as long term or permanent migrants. Migration to Middle East and South East Asia are usually for short term and that migrants return home after finishing their contracts of employment in the host countries. Bangladesh has classified temporary migrant population into four categories. These are professional, skilled, semi-skilled, and unskilled. Doctors, engineers, nurses and teachers are considered as professionals. Manufacturing or garments workers are considered as skilled; while tailor, mason, etc. as semi-skilled workers; housemaid, cleaner, laborers are classified as less-skilled.

4.7 Socio-economic sectors influenced by Remittance

- Agriculture sector
- Industry sector
- State owned enterprises
- Transport and Communication Sector
- Power and Energy Sector
- Education sector
- Public Health
- Direct household consumption
- Social savings and investment

4.8 Role of Different Institutes Considering Foreign Remittance

- Ministry of Finance (MoF)
- Bangladesh Bank
- Foreign Exchange Policy Department (FEPD)
- Nationalized Commercial Bank
- Private Commercial Bank
- Bureau of Manpower, Employment and Training (BMET).
- Ministry of expertise welfare and overseas employment

Chapter 5

Analysis and interpretation

5.1 Bangladesh in global remittance context

During the COVID-19 pandemic, global remittance flows have proven more resilient than expected. This is especially true for inflows to low and middle-income countries. According to World Bank data, global remittances are expected to total $702 billion in 2020, down from $719 billion in 2019 (-2.4 percent). Of that total, $540 billion are expected to have flown into low and middle-income countries, down from $548 billion (-1.6 percent).While total remittance inflow was down; some countries actually increased it during the crisis quite substantially. Among them are Mexico, the third-biggest remittance recipient in the world, as well as Egypt, Pakistan and Bangladesh, the global numbers five, six and eight. Among developing nations, India and the Philippines had some of the smallest losses in 2020 compared to 2019, at 0.2 percent and 0.7 percent respectively. Bangladesh has been maintaining position within top 10 remittance recipient countries since last 15 years.

Table 1: Top Ten Remittance Receiving Countries in 2020

Country	Amount (in billion U.S. dollars)	Changes from 2019	Rank
India	83.1	-0.2	1
China	59.5	-13.0	2
Mexico	42.9	+9.9	3
Philippine	34.9	-0.7	4
Egypt	29.6	+10.5	5
Pakistan	26.1	+17.4	6
France	24.5	-8.8	7
Bangladesh	21.8	+18.4	8
Germany	17.9	-2.0	9
Nigeria	17.2	-27.7	10

(Source: world Bank, 2020)

Table 1 shows the top 10 remittance receiving countries in 2020 based on World Bank data. Bangladesh has already become one of the top 10th remittance-recipient countries in the world which has strengthened the country's foreign exchange reserve. In 2020 Bangladesh has achieved the eighth position among the top 10 countries list after India, China, Philippines, Mexico, Pakistan, Nigeria and Egypt (World Bank, 2020).

5.2 International Migration and Bangladesh

The country has a long history of international migration and overseas remittances. In 1942, some workers mainly from Sylhet region migrated to the port cities of London and Liverpool in the UK. After getting Independence on 16 December of 1971, diasporas' movement grew gradually. Middle East was become main destination for many Bangladeshi migrants when oil price was increased in the 1970s. Later on, it was expanded to the South East Asia's newly industrialized countries like Malaysia, Singapore, South Korea, Hong Kong. Short-term labor migration started in the mid-1970s and steadily increased between 1980s and 2000s. But a sharp increase was seen in recent years. On average more than half a million people go abroad annually for both long-term and short-term employment (BMET, 2019). Labor migration from Bangladesh was geared furthermore for the government of Bangladesh promoting international labor migration as part of an overall development plan since 1976. With the passage of time, international migration became part of the economic, social and political fabric of the country. Table 2 shows the country wise migration from Bangladesh from 2009 to 2020.

Table 2: Country Wise Migration in Bangladesh

Calendar year	Saudi Arabia	UAE	Malaysia	Qatar	Oman	Singapore	Kuwait	Jordan	Lebanon	Bahrain	Other	Total
2009	14666	258348	12402	11672	41704	39581	10	1691	13941	28426	52837	475278
2010	7069	203308	919	12085	42641	39053	48	2235	17208	21824	44312	390702
2011	15039	282739	742	13111	135265	48667	29	4387	19166	13996	34952	568062
2012	21232	215452	804	28801	180326	58657	2	11726	14864	21777	61836	607789
2013	12654	14241	3853	57584	134028	60057	6	21383	15098	25155	65194	409253
2014	10657	24232	5134	87575	105748	54750	3094	20338	16640	23378	74001	425684
2015	58270	25271	30483	123965	129859	55523	17472	22093	19113	20720	53132	555881
2016	143913	8131	40126	120382	188247	54730	39188	23017	15095	72167	52735	757731
2017	551308	4135	99787	82012	89074	40401	49604	20449	8327	19318	44110	1008525
2018	257317	3235	175927	76560	72504	41393	27637	9724	5991	731	63082	734181
2019	399000	3318	545	50292	72654	49829	12299	20347	4863	133	86879	700159
2020	161715	1083	125	3607	21165	10085	1743	3769	488	3	13886	217669
2021*	65046	511	4	512	7328	6776	1	1883	-	2	3179	85242

Source: Bureau of Manpower, Employment and Training.*up to February 2021.

Reviewing the trend of country-based worker export, it is observed that Saudi Arabia is the key destination country of Bangladeshi migrant workers. In 2020, 1, 61, 715 workers went to Saudi Arabia, which is 74.29 percent of the total number of migrant workers. Oman (21,165) and Singapore (10,085) are among other top destination countries of our migrant workers. Besides, 65,046 expatriate labors from Bangladesh until February 2021 of FY 2020-2021 which is 76.30 percent of total number went abroad in the same period. The number of Bangladeshi expatriates by country in 2020 is shown in Table 2 and Figure 1.

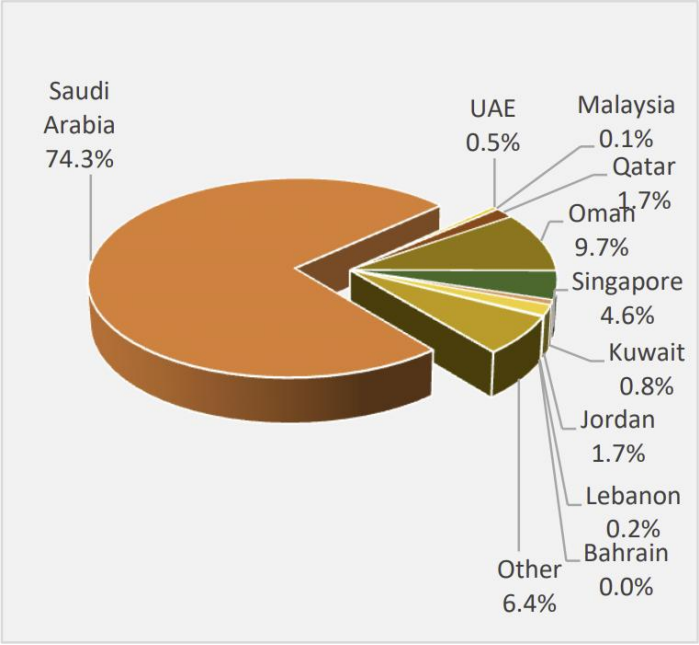

Figure 1: Overseas Employment by Countries in 2020

5.3 Expatriates Classified by Skills

Analyzing the expatriates by their category or by skills it is observed that during the last 11 years proportion of less skilled overseas workers is about 46.2 percent of all overseas workers. On the contrary, proportion of skilled overseas workers is about 38.64 percent of all overseas workers. The number of expatriates classified by skills is presented in Table 3. From the Table, it is observed that number of expatriates in all categories has been declined significantly in 2020 compared to that of 2019 due to pandemic caused by COVID-19.Table 3. and Figure 2 show that, the share of skilled and professional expatriates was about 28.25 percent and 0.30 percent respectively of the total manpower export, which stood at 28.35 percent and 0.17 percent in 2020. In addition,

analyzing Table-3 and Figures-2 it has been observed that not only export of semi-skilled labors have been decreased but also export of skilled labors have been increased in the long run.

Table.3: Number of Expatriates classified by skill

Calendar Year	Professional	Skilled	Semi-skilled	Less-skilled	Others	Total
2009	1426	134265	74604	255070	8485	475278
2010	387	90621	12469	287225	7560	390702
2011	1192	229149	28729	308992	7440	568062
2012	812	209368	20498	377120	9509	607798
2013	689	133754	62528	212282	9224	409253
2014	1730	148766	70095	193403	11690	425684
2015	1828	214328	91099	243929	4697	555881
2016	4638	318851	119946	303706	10590	757731
2017	4507	434344	155569	401796	12302	1008518
2018	2673	317528	117734	283002	13244	734181
2019	1914	304921	142536	197102	53686	700159
2020	378	61719	9412	139640	6520	217669

Source: Bureau of Manpower, Employment and Training

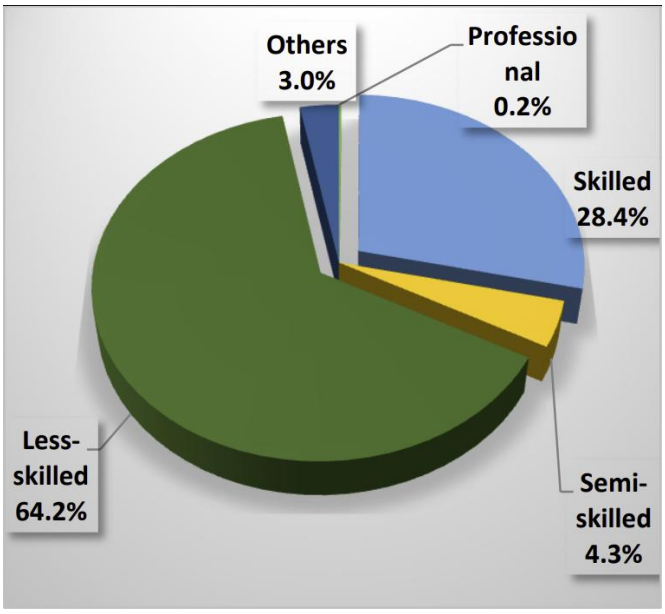

Figure 2: Country wise migration in Bangladesh

5.4 Remittance flows in Bangladesh

Despite the decline in Bangladesh's labor export and the return of a large number of expatriate workers due to the outbreak of COVID-19, remittances from Bangladeshi expatriates increased by 36.10 percent to US$24,777.71 million during the July-June period of FY 2020-2021 compared to the same period last year. In FY2019-20, the manpower export from Bangladesh was 5.31 lakh which is 23.37 percent lower than the previous fiscal year. On the contrary, Bangladesh earned remittances of US$18,205.01 million in FY2019-20 which was 10.87 percent higher than the previous fiscal year. Year-wise data of inward remittances sent by Bangladeshi expatriates is shown in Table-4 and Figure-3.

Table 4: Number of Expatriate Employees and Amount of Remittance

FY	No. of Employment Abroad'000	Amount of remittance			
		In Million US$	Percentage Change %	Tk. In Crore	Percentage Change %
2009-10	427	10987.40	13.40	76109.60	14.15
2010-11	439	11650.32	6.03	82992.90	9.04
2011-12	691	12843.40	10.24	101882.78	22.76
2012-13	441	14461.15	12.60	115646.16	13.51
2013-14	409	14228.30	-1.61	110582.37	-4.38
2014-15	462	15316.91	7.65	118982.32	7.60
2015-16	685	14931.14	-2.52	116856.72	-1.79
2016-17	905	12769.45	-14.48	101099.62	-13.48
2017-18	880	14981.69	17.32	123156.01	21.82
2018-19	693	16419.63	9.60	138007.00	12.06
2019-20	531	18205.01	10.87	154352.00	11.84
2020-21*	122	16687.94	-	141521.00	-

Source: BMET, Bangladesh Bank.* July-February.

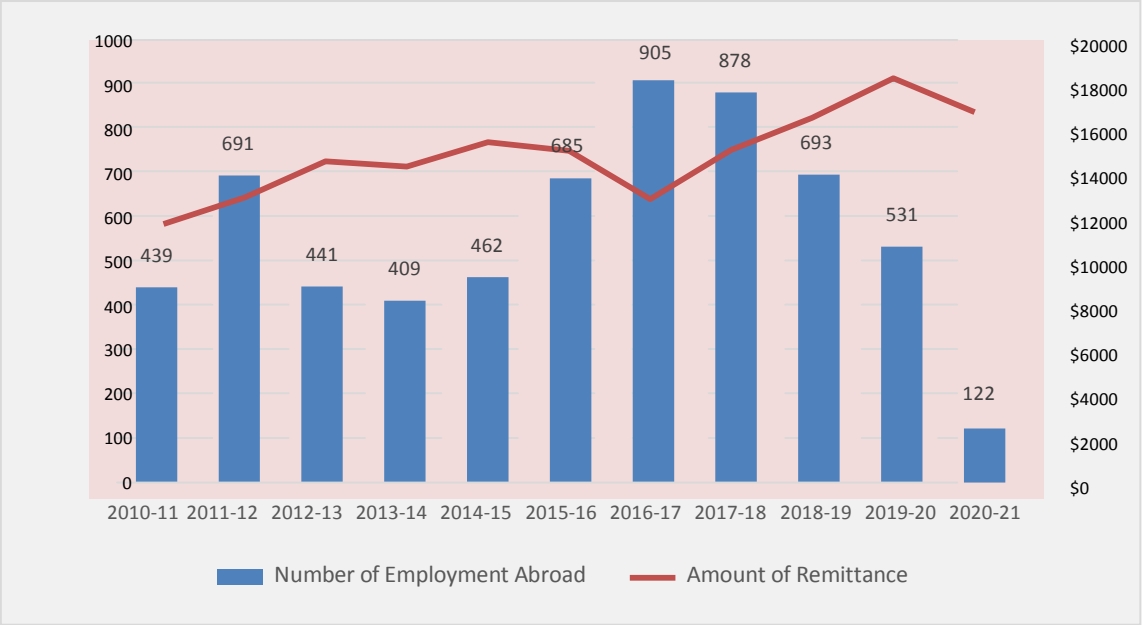

Figure 3: Manpower Export and Remittance Inflow

5.5 Country wise remittance in Bangladesh.

Despite worldwide travel restrictions due to Covid-19 pandemic, most of the migrant workers went to KSA for their employment. The major share of remittance came from the Middle-East countries. Of which the highest amount of remittance (24%) has been received from Saudi Arabia during July- February of FY2020-21; Followed by the UAE (10%), Kuwait (8%) and Oman (6%). Among the western and European countries the United States (13%) topped the list. At the same time remittance inflow increased from United Kingdom, Malaysia, Singapore and some other countries. Country-wise remittances sent by Bangladeshi expatriates from FY2020-21 are shown in Table 5 and Figure 4.

Table 5: Country Wise Remittances (In million US$)

FY	KSA	UAE	USA	Kuwait	UK	Oman	Malaysia	Qatar	Italy	Singapore	Others	Total
2009-10	3427.05	1890.31	1451.89	1019.18	827.51	349.08	587.09	360.11	-	193.5	881.68	10987.4
2010-11	3290	2002.6	1848.51	1075.8	889.6	334.3	703.7	319.4	-	202.3	984.09	11650.3
2011-12	3684.37	2404.78	1498.45	1190.13	987.45	400.93	847.49	335.25	-	311.5	1183.05	12843.4
2012-13	3829.5	2829.4	1859.8	1186.9	991.6	610.1	997.4	286.9	-	498.8	1370.7	14461.1
2013-14	3118.9	2684.9	2323.3	1106.9	901.3	701.1	1064.7	257.5	-	429.1	1640.6	14228.3
2014-15	3345.23	2823.77	2380.19	1077.78	812.34	915.26	1381.53	310.15	260.16	443.4	1567.1	15316.91
2015-16	2955.55	2711.74	2424.32	1039.95	863.28	909.65	1337.14	435.61	351.31	387.2	1515.39	14931.14
2016-17	2267.22	2093.5	1688.9	1033.3	808.16	897.71	1103.62	576.02	510.78	301	1489.24	12769.45
2017-18	2591.58	2429.96	1997.49	1199.70	1106.01	958.19	1107.21	844.06	662.22	330.2	1755.07	14981.69
2018-19	3110.40	2540.41	1842.86	1463.35	1175.63	1066.06	1197.63	1023.91	757.88	368.3	1873.2	16419.63
2019-20	4015.16	2472.56	2403.40	1372.24	1364.89	1240.54	1231.30	1019.60	699.15	457.40	1928.77	18205.01
2020-21*	3931.11	1709.09	2190.59	1251.70	1334.86	1064.62	1429.72	898.10	544.95	438.73	1894.47	16687.94

Source: BMET, MoEWOE. Bangladesh Bank. *Upto February 2021.

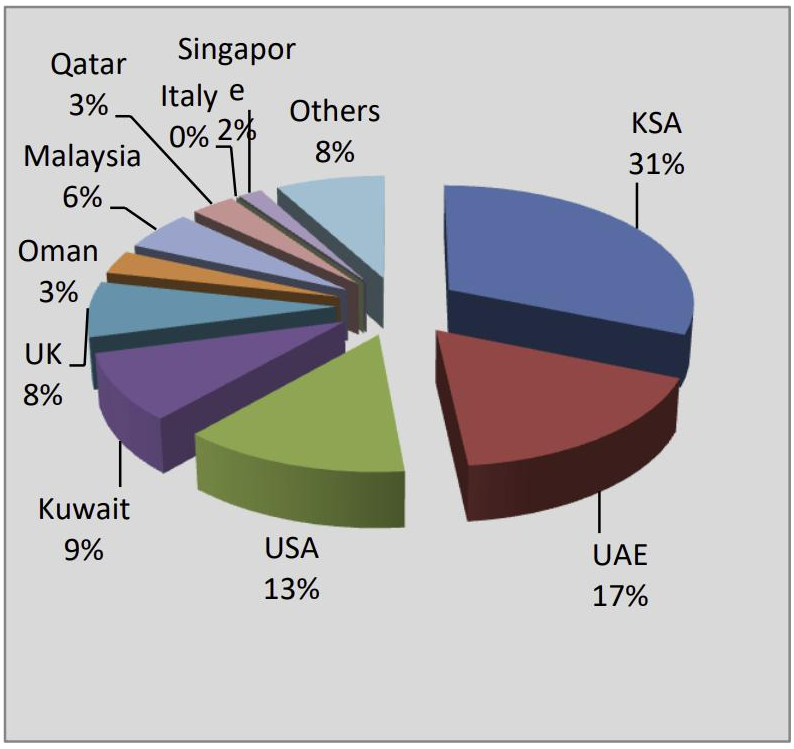

Figure 4: Country wise Remittances Inflow in FY 2020-21(In million US$)

5.6 Effects of remittance in Gross domestic Product (GDP) and Export Earning

The remittance sent by Bangladeshi expatriates was 9.05 percent of GDP and 50.82 percent of total export earnings during FY2010-11. But these ratios had declined and stood at 5.43 percent of GDP and 40.51 percent of total export earnings respectively in FY2018-19. In the FY2020-21, the ratios of remittances to GDP and remittances to export earning has increased as compared tothe previous financial year.

Table 6: Remittance as Percent of GDP and Export Earnings

FY	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**
As percentof GDP	9.05	9.63	9.64	8.23	7.	6.76	5.11	5.47	5.43	5.52	6.97
As percentof Export Earnings	50.82	52.92	53.52	47.15	49.78	43.58	36.85	40.86	40.51	54.06	63.92

Source: Bangladesh Bank, BBS.

In FY2020-21, remittances accounted for about 6.97 percent of GDP and 63.92 percent of total exports which was 5.52 percent of GDP and 54.06 percent of total export earnings respectively in FY2019-20. Remittances as percent of GDP and as percent of total export earnings are shown in Table-6 and Figure-5

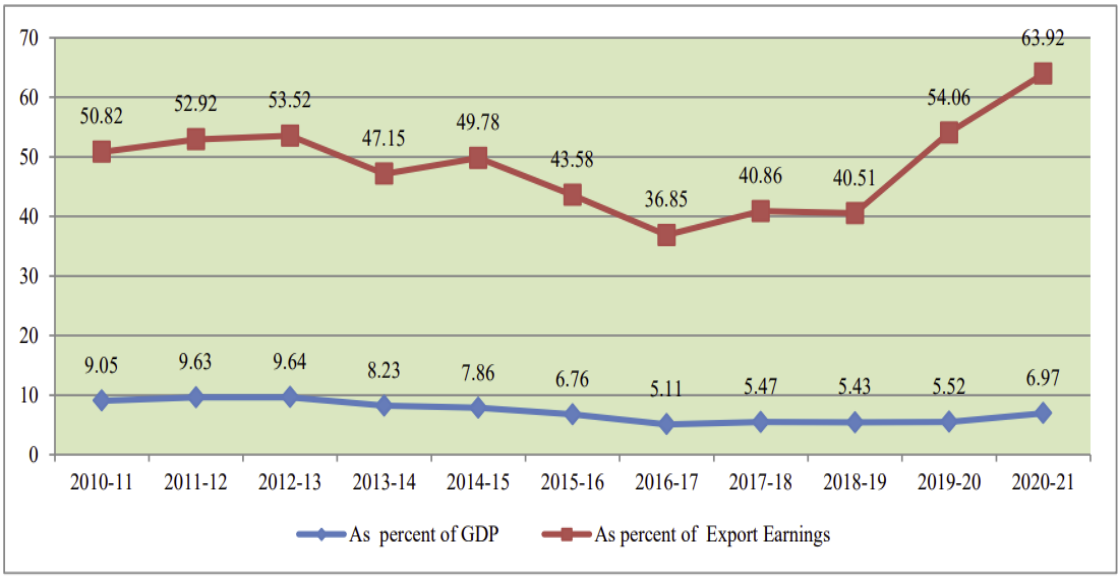

Figure 5: Remittance as Percent of GDP and Export Earnings

5.7 Relation between Remittance and Balance of Payment (BOP)

Remittances also have a positive impact on the balance of payment and help offset deficits in the balance of trade in goods and service.

The trend of trade balance from FY 2014-15 to FY 2020-21 (July-April) has been shown in Figure 6.1 and the overall balance of payments position from FY 2014-15 to FY 2020-21 has been shown in Table 7.

Table 7: Balance of Payments (In million US$)

Trade balance	**-6965**	**-6460**	**-9472**	**-18178**	**-15835**	**-17858**	**-14222**	**-17227**
Exports f.o.b. (including EPZ)	30697	33441	34019	36285	39604	32832	28752	31331
Import, f.o.b. (including EPZ)	37662	39901	43491	54463	55439	50690	42974	48558
Services (net)	**-3186**	**-2708**	**-3288**	**-4201**	**-3176**	**-2541**	**-2266**	**-1149**
Primary income (net)	**-2252**	**-1915**	**-1870**	**-2641**	**-2382**	**-3106**	**-2579**	**-2798**
Of which Govt. interest payments	366	382	384	597	758	978	855	817
Secondary income (net)	**15895**	**15345**	**13299**	**15453**	**16903**	**18782**	**15295**	**21127**
of which workers' remittances	15820	15278	13240	15402	16862	18763	14691	20463
Current account balance	**3492**	**4262**	**-1331**	**-9567**	**-4490**	**-4723**	**-3772**	**-47**
Capital account	**496**	**464**	**400**	**331**	**239**	**256**	**207**	**127**
Financial account	**1267**	**944**	**4247**	**9011**	**5130**	**7537**	**4476**	**7867**
Of which FDI (net)	2525	2502	3038	3290	4946	3233	1111	1468
Portfolio investment (net)	379	139	457	365	224	191	31	-220
Other investment (net)	-284	-480	2137	7128	3108	5872	3334	6619
Errors and omission	**-882**	**-634**	**-147**	**-632**	**-700**	**-145**	**-198**	**-449**
Overall balance	**4373**	**5036**	**3169**	**-857**	**179**	**2925**	**713**	**7498**

Source: Bangladesh Bank* July-April, 2021.

Deficit in net services receipts was US$ 2,541 million in FY 2019-20, which was US$ 3,176 million in FY 2018-19. During July-April 2021, services net registered a deficit of US$ 1,149million, which was US$ 2,266 million during the same period of previous fiscal year showing an improvement of services receipt of the country. The current account balance incurred a deficit of US$ 47 million during July-April 2021, which was a surplus of US$ 125 million during July- March 2021. This deficit in current account balance was mainly due to increase in the valueof import. However, this deficit was improved compared to the

deficit of US$ 3,772 million during July-April, 2020. Despite the deficit of current account balance, the overall balance achieved a significant surplus of US$ 7,498 million during July-April, 2021 as compared to the surplus of US$ 713 million during July-April 2020, stemmed by the surplus in capital and financial account. The trend of current account balance, capital and financial account and overall balance are shown in Figure 6.

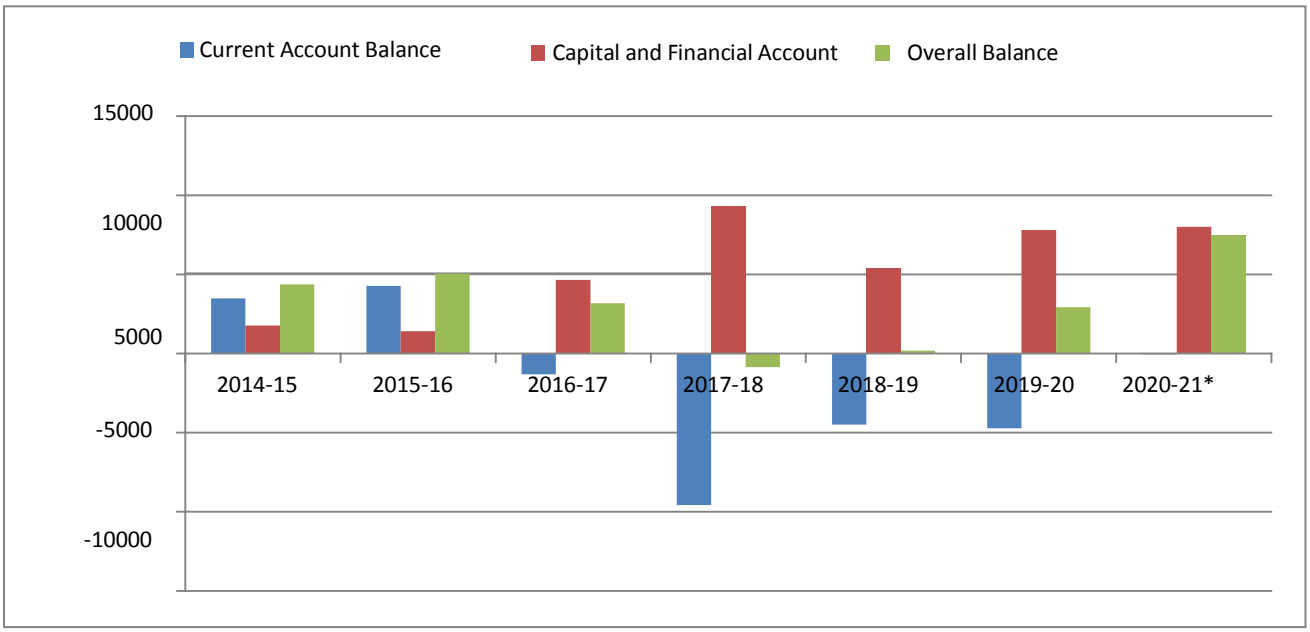

Figure 6: Balance of Payments (BOP)

It is found from a study that during migration the total income of migrant households increased by 119 percent. A significant portion of remittance is used for purchase of land and home construction. While going abroad a migrant worker usually manages the fund for his migration either by selling land or mortgaging land. So to retrieve the sold or mortgaged land some portion of remittance is used. The table below can clearly explore the utilization patterns of remittances in Bangladesh.

5.8 Utilization of Remittances in Bangladesh

The various sectors and activities which are benefited most from remittance are construction, agriculture, services, manufacturing, transport and communication and social infrastructures.

The remittances are generally treated as income source of the family of a migrant worker. Usually the returnee migrants try to utilize the remittance in the investment opportunities. In the responses from the returned migrants, land is found the safest and most profitable investment. Migrant workers chose to invest in all kinds of land –

arable, homestead, commercial, etc. They have also mortgaged in land as an income-earning avenue. Investment in savings among these families is found to be relatively low. Other investment sectors through utilizing remittance are considered as financing in sending other family members abroad; construction of structured home, investment in business, etc. Investment of remittances in productive venture is not always because of the lack of willingness of the part of individuals or families, but also due to lack of viable investment opportunities.

Table - 8: Utilization patterns of Remittances in Bangladesh

Purposes	Remittances used (%)
Food and Clothes	20.45
Medical Treatment	3.22
Child Education	2.75
Agricultural land purchase	11.24
Homestead land purchase	0.96
Home construction / repair	15.02
Release of mortgage land	2.24
Taking mortgage of land	1.99
Repayment of loan(for migration)	10.55
Repayment of loan (other purpose)	3.47
Investment in Business	4.76
Savings/Fixed deposit	3.07
Insurance	0.33
Social ceremonies	9.07
Gift/donation to relatives	0.94
Send relatives for pilgrimage	0.92
Community development activities	0.09
Sending family members abroad	7.19
Furniture	0.69
Others	1.05
Total	**100**

5.9 Impact of Remittance in Economic Development in Bangladesh

Remittance is an integral part of international migration. It constitutes the second largest financial inflow for many developing countries, exceeding international aid. It contributes to economic growth and the livelihood of people worldwide. In Bangladesh, remittance is one of the most important economic variables in recent times as it helps in addressing the balance of payments, increasing foreign exchange reserves, enhancing national savings and velocity of money, and reducing the influence of development partners at policy level. The increasing flow of remittance to Bangladesh contributes to rapid growth of its economy, creates income opportunities, provides better living condition, and facilitates infrastructural development. Because of its conducive impacts on the economy, remittance has become a major source of development for Bangladesh. The remittances not only enhance GDP but also elevate the standard of living of millions of families and relatives dependent on expatriate workers. Moreover, it is greater than foreign direct investment (FDI) in Bangladesh. The share of remittance in GNI (Gross National Income) is increasing day by day. It affects almost all the macro-economic indicators of a country positively. As a result, remittance has created a new dimension in the economic as well as social development of Bangladesh.

As it is an inexpensive source of foreign exchange earnings and less prone to market fluctuations and private capital flows, it is used in maintaining balance of payment and easing foreign exchange constraints (Khan, 2008). Remittance facilitates internal (rural-urban) migration in Bangladesh. In Bangladesh, a major portion of remittance is invested in the urban areas to build high-rise buildings, shopping malls, and several establishments, which create formal and informal job opportunities in the urban areas. Moreover, remittances have positive impacts on poverty reduction and sustainable development in Bangladesh. International Organization of Migration (IOM) examines the dynamics of remittance utilization and its effectiveness as a poverty-alleviating tool (IOM, 2005). It shows that remittance increases the personal savings of recipient families, provides opportunities for investment and reinvestment, strengthens people's entrepreneurial initiatives, all those effects of remittance have further impact on the poverty reduction. If the cost of imported raw materials is deducted from the foreign exchange earning of the garments sector, remittance becomes the single largest sector of foreign exchange earnings. It helps to achieve the target of SDGs through the proper guidance of the government. It is now well accepted that one of the routes to achieve economic

emancipation for Bangladesh lies in the labor export sector. However, remittances have been causing a silent economic revolution in Bangladesh.

5.10 Impact of Remittance on Family or Household

Remittance has numerous micro level effects on family or household. Most of the Bangladeshi migrants are temporary labor which is the predominant type of migration found in Asia, whereby millions of left- behind families maintaining a better living in their home countries by receiving remittance. Remittances sent by Bangladeshi expatriates make a significant contribution towards accelerating economic and social development of their families. For a large number of rural households, remittances are a major source of earning to guarantee subsistence, with empirical studies revealing that remittances constituted half of the total income of these rural households. Different studies show that high-skilled migrants have less connection to their home country, whereas, less-skilled or semi -skilled labors have strong ties to families. They send a significant amount of remittances to their beloved families in Bangladesh. Generally, remittances are used for various productive, investment and consumption purposes. Different literatures demonstrate that remittances are mostly used for direct consumption of the family members. For example, remittance increases the ability of families to purchase food, clothes, furniture and medicine. Remittance encourages pecuniary conditions of recipient family and boosts their living standard. For instance, it assists them expanding their daily food intake, eating quality food, taking good care of their health, and sending their children to better educational institutes with adequate learning materials.

5.11 Impact of Remittance on Society

Remittance greatly contributes to the socio-economic development of migrant workers. It brings financial solvency and enhances workers' living standard. Researchers have found that remittance sent by workers is typically used to repay loans for migration, buy land and construct houses, invest in business, increase income and savings, take part in community development, improve health and nutrition, attend social ceremonies and so on. Remittance has a remarkably positive impact on social development and empowerment through skill transfer and by fostering many community development initiatives. Society receives influences from the migrant and his/her family's cumulative activities. So, foreign remittance has direct and indirect influences on the society of Bangladesh. According to

BMET mainly construction, agriculture, manufacturing, transport, services and social infrastructure are sectors which benefit highly from foreign remittances. Sometimes, migrant people invest in housing construction or in small businesses such as setting up of grocery shops, procuring of sewing machines, even finance in mobile accessories or laptop/computer/ photocopier shops to promote job facilities for local people as well as stimulate the demand for local products. When demand increases for certain products at the local level, it often relates to the overseas remittances. However, Bangladeshi expatriate workers spend their remittances frequently in community development activities including gifts or donations to near and dear ones, same faith based religious organizations, charity and helping victims of any kinds of disasters. remittance has positive impacts on aged people for their social security. Remittance ensures parental support and acts as a social security resource base for the elderly in Bangladesh. Migrants subsidize to the creation of social capital for social welfare activities by using their remittances for example, building schools, mosques, madras's (Islamic school), developing infrastructure, facilitating drinkable water and sanitation at local isolated places, providing sports materials to youths etc.

5.12 Impact of Remittance on Culture in Bangladesh

Remittance plays an important role in shaping the culture of Bangladesh. It may inspire migrant's families to apply foreign ideas, knowledge, norms and values. For example, when the financial condition of a family is developed, the members of the family can avail several material cultures, such as television, computer, and furniture, which in turn may affect other elements of non-material culture. Migrants living in any overseas countries, acquire new ideas, knowledge, norms and values. Thus, their experiences change their tastes, motivations, and habits. In that case, remittance provides with opportunities to come up with changed tastes, motivations, and habits. It is also observed that significant number of the migrants' families have improved their civic amenities by the help of remittance. These include TV, VCD, and Radio, Cassette player, Ornament, Furniture, Telephone, Motorcycle, Computers, Refrigerators and other home appliances. On the other hand, remittance recipient families are able to send their children to the English medium schools facilitated with modern and developed equipment's. As a result, children can have the opportunity of being familiarized with the modern norms and values different from the traditional norms and values of their families, which may create cultural conflict among the new generation and the older generation.

5.13 Some Negative Impacts of Foreign Remittance

- Although foreign remittance influences the rapid economic development, income opportunity, better living conditions, infrastructural development, it also creates income inequality, cultural leg, and class distinction among the remittance recipient and non-recipient households.
- Remittance flows increase the price of the land of Bangladesh, create social inequality, and foster the rate of inflation.
- Remittance recipient household members become more dependent on the transnational migrants. This dependency however, makes them indifferent to productive activities
- Migrant's workers have to bear high cost for migration. So they a large sum of remittance to pay their debt.
- Socio-economic development sometimes hindered by improper utilization of foreign remittance.
- Semiskilled and unskilled migrant workers leads to lower remittance compared to their number.
- Recipients of remittance can become highly dependent on the easy money, causing them to reduce their efforts and or their participation in the labor market, which would affect economic growth negatively.
- In short run remittance negatively affects the poverty reduction and socioeconomic growth.

Chapter 6

Findings and suggestions

6.1 Findings

- Foreign remittance has both positive and negative impacts on the socioeconomic condition of Bangladesh. However, the positive impacts are more influential than negative one. In Bangladesh, remittance helps people generate income
- Bangladesh still receives a lower amount of remittances compared to the number of the national working abroad due to short term employment, less skilled in working performance and low paid.
- Remittance can influence social development by changing household income and expenditure, domestic saving and investment and so on.
- It has revealed that there is a positive relationship of remittance with the GDP, gross capital formation, domestic saving and household final consumption expenditure in Bangladesh.
- The negative impacts of remittance flows on society are increase the price of the land, creating social inequality, and foster the rate of inflation.
- Remittance flow is affected by different factors such as reduction of manpower export, high rate of emigrant to home countries, poor bilateral relationship with the manpower importing countries, lack of proper policy related to manpower export etc.
- The global economic crisis due to pandemic has slowed down the growth of importing labor from Bangladesh as well as remittance flows.
- Lake of compulsory training, high cost of migration, exploitation, unskilled and semiskilled labor hinders the foreign remittance flows and weaken the socio-economic growth.

6.2 Suggestions

- Bangladesh should formulate proper manpower export policy for achieving higher remittance from the different countries
- The country has to build strong bilateral relationship with the remittance sending countries.
- Bangladesh needs to increase its bargaining power with the manpower importing countries for increasing the benefits of the workers which ultimately increase the remittance income.
- There is need to promote sufficient training and awareness programs for the workers that enhance skill of the workers and motivate them as well.
- Several investment opportunities can be created so that the remittances of transnational migrants can be utilized properly.
- Government Organizations (GOs) as well as Non-Government Organizations (NGOs) should consider the interest of international migrants and work for making congenial environment of sending money to the country.
- The related institutions should be concerned about the rights of migrant.
- NGOs should launch awareness programs for the families of the remittance recipient families so that they can be provided with guidelines of proper utilization of remittance.

Chapter 7

Conclusions, Policy implications and future work

7.1 Conclusion

Remittance plays a vital role in the national economy through increasing household income, gross domestic saving, investment and ultimately economic growth. It has an immense potential for the socio-economic development of the remittance recipient countries. The steady growth of emigration from Bangladesh over the years is favorable to the socio-economic development of Bangladesh; as the inflow of remittance has increased in the past years. The study tries to shed lights on the impacts of foreign remittance on the socioeconomic condition of Bangladesh. In this respect, the study portrays both positive and negative aspects of remittances flow of Bangladesh. The paper is guided by the central statement that remittance is one of the important forces of socioeconomic development of Bangladesh despite of its few negative influences. This study reveals that remittance has both positive and negative impacts onto the family, social, and cultural life of Bangladesh. In case of the family life, remittance increases direct consumptions, increases the ability of buying goods, and helps them improve the standard of living. In the case of society level, remittance contributes to social development. It provides freedom, enhances philanthropic and social aid activities, helps victims of natural disasters, and contributes to alleviating poverty from the society. In addition, remittance ensures social security of elderly persons and empowers the women of migrants' family. Above all, remittance creates social capital in the society of Bangladesh. From the study it also can be concluded that remittance has a strong positive impact on the developing economy of Bangladesh. Each year hundreds of thousands of people of Bangladesh migrate to different countries of the world. As a result, considerable amount of remittance is inflowing to Bangladesh which contributes to the phenomenal economic growth of the country. Consequently, foreign exchange reserves are increased and balance of payment of the country is maintained. Moreover, it creates income opportunity, provides better living conditions, and facilitates infrastructural development. Besides these, there are some adverse such as brain drain effect depresses the average level of skilled and educated workers in worker sending countries .The moral hazard problem may be created by remittances which could weaken the incentive to work for recipient families. This tendency may reduce economic activity.

7.2 Policy implications

As remittance brings both positive and negative impacts to the socioeconomic condition of Bangladesh and the positive impacts are more effective than the negative one, the government of Bangladesh and other relevant associations need to consider with due importance. For government, several rule and regulation favorable to the migrants and remittance flow should be formulated. Several investment opportunities can be created so that the remittances of transnational migrants can be utilized properly. Government Organizations (GOs) as well as Non-Government Organizations (NGOs) should consider the interest of international migrants and work for making congenial environment of sending money to the country. They can consider bilateral agreements with the destination countries so that the interests of the migrants can be promoted. The related institutions should be concerned about the rights of migrant workers so that they can get favorable environment from the beginning of the migration to the returning phases. In additions government should introduce provisions of sending money with low cost as well as it can make sure that at the time of collecting remittance in the home the sender and receiver are not required to pay extra fees. Above all, NGOs can launch awareness programs for the families of the remittance recipient families so that they can be provided with guidelines of proper utilization of remittance.

7.3 Future work

In the future studies, researchers should consider the prospects of remittance in respect to the development of Bangladesh and should work on to find out the problems and prospects related to international migrants and their earning remittances. And governments and policymakers should put more emphasis on migration policies, and require amendment for the proper implication of these policies and the productive use of remittances to secure socio-economic growth.

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