

## **Present Economic Impact of Remittance in Bangladesh: A Quantitative Analysis in 2018**

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**Abstract:** Remittance is one of the most important economic indicators in Bangladesh as it influences the country's balance of payments, foreign exchange reserve, national savings, Total Investment and standard of living. Remittance earning is increasing day by day and is now the second largest source of foreign exchange earnings after exports. Migration as well as remittance contributes to a significant reduction in poverty and economic development of our country. The researcher conducted a research using primary and secondary data to reveal the real economic impact of remittance in Bangladesh. The social cost of earning remittance is much more important than the so called development. The study has been conducted by Quantitative and Qualitative Methods. As it is exploratory study, A survey by face to face interviews has been conducted with a structured Questionnaire and collected quantitative data has been analyzed by SPSS software. The study found particular impact remittance on particular variables quantitatively regarding remittance in Bangladesh.

**Keywords:** Remittance, Migrant workers, Employment etc.

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### **Chapter One: Introduction**

The importance of foreign remittances in the economy of Bangladesh is widely recognized. Along with the readymade garment sector and non firm activities in the agricultural sector, remittances have been identified as one of the three key factors that have been responsible for reducing the overall incidence of poverty in Bangladesh. But, it is seen that earning remittance is a very challenging job for the expatriates at present. Both male and female Bangladeshi expatriates go abroad for money. Their sent remittance is used in their daily economic activities for better standard of living and better life.

**1.1 Background of the Study:** Most migrants in Bangladesh are unskilled, and come from rural areas. The poor family may have more impact on poverty reduction. In the short-term remittances help loosen the budget constraints of their recipients, allowing them to increase expenditures on both durables and non-durables products, and provides them with protection against negative income shocks (Bruyn 2005). Investment in health and education is valuable for long-term economic growth and poverty reduction. Studies conclusively found that migrant families invested more in these areas (Murshid 2002). The most comprehensive review of the literature on remittances in Bangladesh (Bruyn2005) lays out a number of benefits.

Muntakim M. Choudhury and others wrote an article on "The Global Financial Crisis and its impact on remittance of Bangladesh". This paper highlights the effects of global recession and its impact on improved economics as an example of Bangladesh. Due to global economic slowdown, there have been a number of adverse reactions in less developed economies, one of which was the flow of foreign currency. This study found that the flow of remittance has flowed to Bangladesh.

Kuntal Roy Chowdhury and others<sup>4</sup> authored an article on "Remittance as a tool of Economic Development: Bangladesh Perspective". They find that in Bangladesh, remittance is one of the most important economic variables in recent times, because it helps in maintaining balance of money, increasing foreign exchange reserves, increasing national savings and speeding up the pace.

The real scenario of the remittance earner's families should be investigated. For this reason, a pure research has been conducted on the impact of remittance in the economic condition of Bangladesh by how the influence of remittance in Bangladesh can be well defined.

**1.2 Statement of the Problem:** BMET classifies short-term immigrants in the Middle East and Southeast Asia in four categories: professional, skilled, semi-skilled and inefficient. Doctors, engineers, teachers and nurses are considered as professional workers. Manufacturing or garment workers, drivers, computer operators and electricians are considered efficient, but soft and major are considered as semi-skilled. Housemaids, agro-laborer, hotel boy and menial laborers, i.e., cleaners, cart loader, carton pickers and considered as unskilled workers. The above mentioned workers of Bangladesh send their earnings to their families to be self sufficient, to enrich financial condition. But, at present we can see many challenges and problems of earning remittances. Female migrant workers are talk of the country in terms of sufferings and oppressions regarding remittance

earning. Male migrant workers are also exploited in different ways before and after going abroad. So, the real economic impact of remittance ought to be investigated to make a conclusion on remittance earning earnings in Bangladesh.

**1.3 Rationale of the Study:** The study has been conducted to contribute to the society and nation quantitatively and qualitatively. Quantitative means how much income, savings and investment increased and how much demand, consumption increased by the expatriates and their family members.. Finally the society can know the real impact of remittance and their consequences of earning remittance. Everything has its dark sides. Remittance earning is not out of exception. It is urgently necessary to show the picture of the effect and impact of remittance in Bangladesh. Who is able to go abroad from a family? How he should manage the necessary amount to go abroad? How he will use his earnings properly? How he will monitor and take care his family staying abroad? In which cases he will be a specialist? etc. should be identified. Observing the points above the researcher decided to conduct the research which is very important for the nation. This will be an important contribution to a body of research concerning Remittance in Bangladesh.

**1.4 Research Question:**

- a) How remittance is used in expatriate’s families?
- b) What is the real income of the expatriate?
- c) What are the positive and negative economic impacts of remittance?

**1.5 Research Objectives:** The research topic has been selected from simple observation. The research objectives have been divided into two parts. These are:

**Broad Objective:** The broad objective of this research is to assess the impact of remittance on the socio-economic condition of Bangladesh. The study will help the economic policy makers to implicate new and applicable policies. This study will help further research.

**Specific Objective:** The specific objectives of the research are:

- To identify the real income of the expatriates;
- To investigate the economic influence of remittance in the expatriate’s family;
- To examine the utilization of currencies earned from abroad in the concerned family;

**1.6 Limitations of the Study:** Although this research was carefully prepared, the researcher is still aware of its limitations and shortcomings. First of all, the research was conducted in three areas which have lasted for eight weeks. Eight weeks is not enough for the researcher to observe all of the respondent’s views. It would be better if it is done in a longer time. Second, the population of the experimental group is very large, only 380 respondents were interviewed. Third, since the questionnaire designed to measure the respondent’s attitude towards the impacts of remittance in Bangladesh; it seems not to provide enough evidence of the respondents actual behaving to the questions in their speaking performance.

**Chapter Two: Literature Review**

For the present study the researcher found related literature in Internet, thesis, books, journals and research. Followings are some relevant literatures, which reviewed by the researcher for the purpose of conceptual clarity.

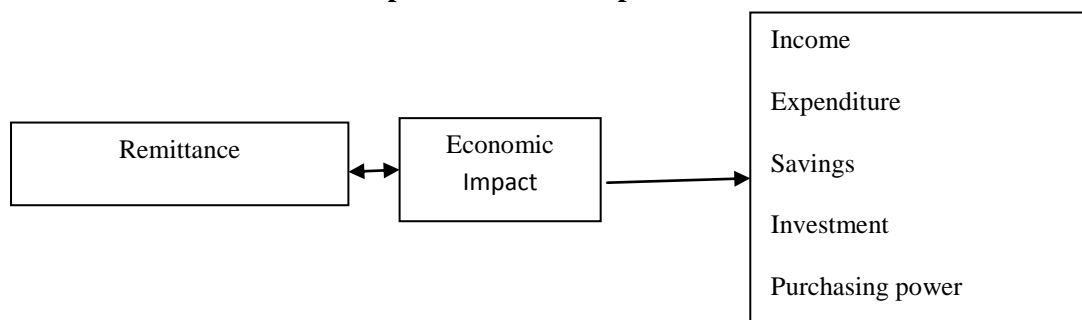
Name	Year	Findings	Remarks
ILO	2014	In the last decade, remittance became a major source of foreign funds, which exceeded the amount of FDI and OAD abroad in the country. Workers' remittances are 9 times higher than FDI in 2014-15 and 25 times more than portfolio investment and 4 times more than in Bangladesh.	Positive Impact
World Bank	2013	Bangladesh is the 5th top emigration country with 7.76 million.	Positive
World Bank,	2014	From the beginning of the 1970s, Bangladesh is one of the largest remittance countries in Bangladesh by its labor force, mainly through the export of Middle East and Southeast Asian countries.	Positively defined
Siddique,	2012	The experimental analysis acknowledges that	Negatively

Selvanathan and Selvanathan		remittances have mixed reactions with economic growth. There is no relation between remittance and economic growth of Bangladesh and India.	defined remittance
World Bank	2006	The official record amount is much lower than the actual remittance, which is through official and private channels. Money transfers through informal channels can add at least 50 percent of worldwide recorded streams. In spite of this subordinate report, many studies highlight important secrets among international magazines.	Positive Description
International Monetary Fund (IMF)	2007	However, most of the research is based on survey-based and very few research studies, which can measure the impact of remittance within the poverty line of developing countries. Several studies have shown that more flow of remittance, the recipient country will be healthy. During economic plight, remittances can actually be counterproductive to opponents that immigrants are inspired by the pleasure and send extra money. Due to the stability of this flow, developing countries take advantage of low-cost loans in the international capital market by securing the future flow of remittance.	Positive Impact found
kanayake et al	2008	External direct investment and foreign direct investment in developing countries are examined. The study uses annual information of a large group of developing countries in Asia, Africa, Latin America and the Caribbean region for the period 1980-2006. They see that sending both money and foreign direct investment are important for the growth of the developing country	Remittance helps to achieve economic growth
Adams	2005	By examining the effect of remittance on the behavior of family spending in rural areas and urban Guatemala, a study of 7,276 families took information from 2000 surveys and compared the six-cost and investment remittances received on investment products and non-remuneration marginal budget share. The results show that international remittance recipients increase margins on investment in housing and education, and spend less on margins on food.	Remittance acts in productive way
Ranjan and Subramanyam	2005	Find out that remittances have formed an important incentive for domestic demand. Arguments that international remittance recipients strictly reduce their efforts	Remittance mitigate domestic needs
Zhu and Luo	2008	Recommend that the income of the country does not increase due to immigration, but income discrimination is shrunk. The goal of this paper is to investigate the relationship between the effectiveness of migration and savings in rural China.	Remittance discriminates income
de Brauw and Rozelle	2008	It is impossible to find any evidence of a connection between migration and productive investment; More specifically, they offer that immigrants in poor areas use remittances to increase current costs and to spend abroad, but there are some evidence that the families of the unorganized areas have little more potential acceptable investment	No relationship found between remittance and Investment
Corbacho and Ruiz	2013	The current evidence is that in France a major negative income increase in the property of the 19th	Positive impact found

		century increased crime. Although remittances sent to family members abroad were an important source of family income in many countries in the LAC region, their influence on the crime was largely obsolete.	
Kagochi and Kiambigi	2012	In Mexico, about 5 percent of remittance land is invested for land purchase and construction of houses	Remittance is mainly invested to fixed assets
Kunt et al.	2011	Show that remittances have significant positive impact on the growth and depth of the banking sector in the municipal level of Mexico.	Banking sector is developing due to remittance

It is found from the above that remittance plays a significant role the economy. However, remittance has its many negative impacts.

### Chapter Three: Conceptual Framework



Here,

Remittance is Dependent Variable (DV)

Economic Impact is Independent Variable. It is seen that economic impact has been measured and influenced by five economic variables as Income, expenditure, Savings, Investment & purchasing power of people.

### Chapter Four: Methodology

The study took into account the formal and informal sources of information. Qualitative and quantitative information has been gathered to examine the influence of remittance in Bangladesh.

**4.1 Nature of the study:** The study is exploratory in nature. Here, qualitative approach has been used to assess social impact of remittance and quantitative approach has been used to assess economic impact of remittance in Bangladesh.

**4.2 Kind of information needed:** The information of this research is mostly from primary sources: speeches and direct quotes of the concerned people. To collect in-depth data, a mixture of research techniques including Survey, face to face interviews were conducted. Secondary data has also been collected for a reliable research.

**4.3 Key Informant Interviews:** Interviews have been made to collect the information from different government and non-government agencies working for international labor migration.

In-depth Interview: A structured questionnaire for quantitative study and a semi-structured questionnaire for qualitative study have been deployed to collect the information about the impact of remittance from households. Households have been divided into three categories-low, middle and high remittance earners.

**4.4 Sample Size Determination:** There was a large scale sample size. As the number of migrant workers in Bangladesh is more than 50,000. So, the sample size was measured with the help of Zikmund's formula. According to Zikmund's formula the sample size is 322. According to Cornish if sample size is more than 322, the result will have more acceptances. So, sample size has been taken 380 finally. A simple random probability sampling has been used.

**4.5 Sampling frame:** The researcher selected two particular areas of Bangladesh to assess the impact of remittance.

1. Dhaka- Total expatriates-Total Population -48396 (2017)-All age group expatriates

2. Narsingdi-Total expatriates-Total population-28029 (2017)-all age group expatriate

Grand Total population– Sample frame-76425.

Source: BMET website (2017)

The researcher thought that the above sampling frame reflects the whole expatriates of Bangladesh.

**4.6 Hypothesis:**

1. Null hypothesis-Ho: Remittance not contributing in the standard of living of Migrant workers and their families.

Alternative Hypothesis: Remittance is contributing in the standard of living of Migrant workers and their families.

**T-Test**

**One-Sample Statistics**

	N	Mean	Std. Deviation	Std. Error Mean
Income	380	2.37	.484	.025
Expenditures	380	1.69	.585	.030
Savings	380	3.26	.651	.033
Investment	380	3.44	.932	.048
Purchasing Power	380	2.37	.483	.025

**One-Sample Test**

	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Income	95.551	379	.000	2.371	2.32	2.42
Expenditures	56.203	379	.000	1.687	1.63	1.75
Savings	97.523	379	.000	3.258	3.19	3.32
Investment	71.854	379	.000	3.437	3.34	3.53
Purchasing Power	95.586	379	.000	2.368	2.32	2.42

From t- test it can be decided that null hypothesis is rejected and alternative hypothesis is accepted. That means Remittance is contributing in the standard of living of Migrant workers and their families.

**4.7 Data Collection:** The respondents were taken from Different villages of Narsingdi District, Narsingdi district city and Dhaka city. On the basis of remitters’ percentage from the stated zones, the number of respondents was selected from each category of zone. Secondary data has been collected from newspapers, journals, articles and reports of different government and non-government organizations (NGO’s).

Information obtained from Quantitative Survey-  
Frequency Table - Respondent's Gender

		Respondent's Gender			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	308	81.1	81.1	81.1
	Female	72	18.9	18.9	100.0
	Total	380	100.0	100.0	

Frequency Table - Respondent's marital status + June 17, 2018

		Respondent's Marital status			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Married	281	73.9	73.9	73.9
	Unmarried	99	26.1	26.1	100.0
	Total	380	100.0	100.0	

Frequency Table - Expatriates Country Location

		Expatriates Country Location			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Middle-East	166	43.7	43.7	43.7
	South-East Asia	71	18.7	18.7	62.4
	Europe	48	12.6	12.6	75.0
	America	47	12.4	12.4	87.4
	Africa and others	48	12.6	12.6	100.0
	Total	380	100.0	100.0	

Frequency Table - Expatriate's work type

		Expatriate's work type			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Permanent Post	123	32.4	32.4	32.4
	Temporary Post	257	67.6	67.6	100.0
	Total	380	100.0	100.0	

Frequency Table - Expatriate's educational qualification

		Expatriate's educational qualification			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Illiterate	118	31.1	31.1	31.1
	Below SSC	118	31.1	31.1	62.1
	SSC or HSC	117	30.8	30.8	92.9
	Degree & Above	27	7.1	7.1	100.0
	Total	380	100.0	100.0	

Frequency Table - Expatriate's family living Place in Bangladesh

Expatriate's family living Place in Bangladesh		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Metropolitan City	54	14.2	14.2	14.2
	District City	104	27.4	27.4	41.6
	Village	222	58.4	58.4	100.0
	Total	380	100.0	100.0	

### Chapter Five: Findings

After receiving remittance the expatriates' and their family stories on economic variables to the interviewer-

Firstly, Expatriates' Income after going abroad...

- 238 male expatriate said that their income has been increased after going abroad
- 70 male expatriate said their income increased, but something.
- Just 1 female expatriate said her income increased after going abroad.
- 71 female expatriate answered that their income something increased
- Chi square is significant.

Secondly, Expenditures...

- 143 respondents answered that their expenditures increased substantially after sending remittance who are 37.6 percent of total respondents
- 213 respondents said that after sending remittance their expenditures increased who are 56.1 percent of the total respondents.
- 24 respondents said that after sending remittance their expenditures increased something who are 6.3 percent of the total respondents.
- Chi square is significant.

Thirdly, Savings...

- 44 respondents said their savings increased.
- 194 respondents answered that their savings something increased.
- 142 interviewees said that their savings unchanged who are 37.4 percent of the total respondents.

Fourthly, Investment...

- 71 respondents answered that after sending remittance their investment increased.
- 119 respondents answered that after sending remittance their investment something increased.
- 143 said their investment remains unchanged.
- Only 12.4 percent respondents said their investment decreased.
- Chi square is significant.

Fifthly, Purchasing Power...

- 240 respondents said their purchasing power increased.
- 140 respondents who are 36.8 percent of the total respondents said that their purchasing power something increased.

**Assessment:** In case of Hypothesis 1, the null hypothesis is rejected. So, it can be remarked that, Remittance is upgrading the standard of living of Migrant workers and their families.

### Chapter Six: Conclusions

Remittances have become a prominent topic in the economics literature in the last two or more decades due to their increasing volume and important role in promoting growth and reducing poverty. The literature presents arguments in favor of the contribution of remittances to development and growth, but equally also objections to that effect. Considering the issues above, this study examines the impact of remittances on the Bangladesh economy and household welfare. Through this study, the researcher found particular changes in



different particular variables as Income, Expenditure, Savings, investment and Purchasing power due to remittance earning at expatriate's families of Bangladesh. A number of studies have examined the impacts of foreign remittances on household welfare and poverty, but this study differs in its methodological approach.

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