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## **Impact of Foreign Remittance in the Socio-Economic Development of Bangladesh**

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### **Abstract:**

*Foreign remittance is currently the second largest source of earning foreign currency for Bangladesh after garments sector. Almost 9.6 million people went abroad after independence. Over the year the number of migrated workers is increasing and thus the amount of foreign remittance. It has a direct contribution to the overall socio-economic development of Bangladesh. Number of migrated workers is increasing over time. Most of them are less-skilled or semi-skilled. Professional or skilled migration is increasing at a negligible rate. If the proper channels could be maintained and migrated people get proper assistance in and out of the country than it will help Bangladesh to become economically developed country.*

**Keywords:** *Remittance, one stop service, socio-economic condition, investment*

### **1. Introduction**

Bangladesh is a small country of South Asia with a highly densed population. Because of the shortage of natural resources and infrastructural facilities it could not provide employment to all of its population. For this reason a huge number of people tend to migrate abroad. Workers are classified as professional, skilled, semi-skilled and less skilled. These migrated workers became a good source of foreign remittance.

The word remittance originates from the word remit, which means to transmit money/fund. In banking terminology remittance means transfer of fund from one place to another. When money transferred from one country to another is called foreign remittance.

### **2. Objectives**

Primary objective of this study is to find out the impact of remittances in socio-economic condition of Bangladesh. Besides this another objective is to find out several problems regarding different aspects of remittances.

### **3. Methodology**

Data are collected from both the primary and secondary sources.

- i. Primary data: primary data means the raw data gathering from own observation. Primary data has been collected from the questionnaire survey. Questionnaire includes both open ended and close ended questions.
- ii. Secondary data: secondary data are collected mainly from website of different governmental bodies, banks and institutions deal with remittance and migration.
- iii. Sample size: for the study, questionnaire survey conducted among 210 respondents. They were selected randomly from sylhet city corporation area.

### **4. Profile of Study Area**

Sylhet is a major city in north-eastern Bangladesh. It is the capital of Sylhet Division and Sylhet district. Sylhet is located on the banks of the Surma river and is surrounded by the Jaintia, khasi and Tripura hills. The city has a high population density, with nearly 500,000 people. It is one of the largest cities of Bangladesh. The Sylhet region is well known for its tea gardens and tropical forests, the city however is currently known for its business boom- being one of the richest cities in Bangladesh, with new investments of hotels, shopping malls and luxury houses, brought mainly by expatriates living in the United Kingdom. [2]

### **5. Limitation**

- 1) Survey was conducted at sylhet city corporation area. So it may not represent the whole scenario of Bangladesh.
- 2) Respondents were very reluctant to give appropriate and accurate information

### **6. Data Analysis**

Bangladesh has a long history of migration. After independence about 9.6million [1] people went abroad. Flow of migration from the period of 2001 to 2014 is given at table 1:

Year	No
2001	189,060
2002	225,256
2003	254,190
2004	272,958
2005	252,702
2006	381,516
2007	832,609
2008	875,055
2009	475,278
2010	390,702
2011	568,062
2012	607,798
2013	409,253
2014	425,684

Table 1

Source: Bureau of Manpower, Employment and Training [3]

Migration population is classified as four categories. Category wise migration data are given at table 2:

Year	Professional	Skilled	Semi-skilled	Less skilled
2001	5,940	42,837	30,702	109,581
2002	14,450	56,265	36,025	118,516
2003	15,862	74,530	29,236	134,562
2004	12,202	110,177	28,327	113,670
2005	1,945	113,655	24546	100316
2006	925	115468	33965	220436
2007	676	165338	183673	472700
2008	1864	292364	132825	437088
2009	1426	134265	84517	246585
2010	387	90621	20016	272118
2011	1192	229149	28729	301552
2012	36084	173331	104721	284153
2013	689	133754	62528	203058
2014	1730	148766	70095	193403

Table 2

Source: Bureau of Manpower, Employment and Training [4]

Over the time number of migrated workers and the amount of remittances sent by them are increased. At present in many areas remittances form an important part of household livelihood strategies. Flow of remittances from the year 2001 to 2014 is given at table 3:

Year	Remittances	
	In million us dollar	In billion taka
2001-2002	2501.13	143.77
2002-2003	3061.97	177.29
2003-2004	3371.97	198.70
2004-2005	3848.29	236.48
2005-2006	4802.41	322.76
2006-2007	5998.47	413.01
2007-2008	7914.78	542.96
2008-2009	9689.26	666.77
2009-2010	10987.40	760.11
2010-2011	11650.32	829.91
2011-2012	12843.43	1018.82
2012-2013	14461.14	1156.47
2013-2014	14228.26	1105.84
2014-2015	15316.91	1189.93

Table 3

Source: Bangladesh Bank [5]

Remittances sent by the migrated workers received by their family members. These money mainly spent for fulfill the daily household expenditures. Education level of migrated workers varies according to their job. Education level is given at table 4:

Education level	Percentage
Below SSC	36.89
SSC & equivalent	37.57
HSC & equivalent	19.08
Graduation	5.15
Post-graduation & above	1.31

Table 4

Source: Data collected from survey

#### 6.1. Mode of Sending Remittance

Remittances could be sent through formal and informal channels.

Formal system: remittance is sent through several formal channels such as banks, money transfer agencies, post offices etc.

Informal system: hundi is the largest source of informal remittance transaction. This is an illegal process of sending remittance.

#### 6.2. Remittance and Household Uses

From survey this is found that most of the amount sent to the family uses various unproductive sectors such as purchasing land and house, clothing etc. category wise remittance distribution are shown at table 5:

Item	Percentage
Food & clothes	20.45%
Education	2.75
Land purchase	12.20
House construction/repair	15.02
Loan repayment	14.02
Business investment	4.76
Savings	4.37
Medical treatment	3.22
Gift/donations and social ceremonies	10.01
Community development & religious activities	1.01
Others	1.74

Table 5

Source: Data collected from survey

#### 6.3. Remittance and Reserve

In Bangladesh export is low and import is very high. Sources of foreign remittance are very low. Every year Bangladesh has to take a huge loan to make up balance of trade deficit. For last few years reserve are gradually increasing where remittance has a big contribution. Reserves and remittances are rising over time. There is no doubt that there is a positive relationship between reserve and remittance. Reserve and remittance are shown at table 6:

Year	Reserve in million us dollar	Remittance in million us dollar
2005-2006	3483.8	4802.41
2006-2007	5077.2	5998.47
2007-2008	6148.8	7914.78
2008-2009	7470.9	9689.26
2009-2010	10749.7	10987.4
2010-2011	10911.6	11650.32
2011-2012	10364.4	12843.43
2012-2013	15315.2	14461.14
2013-2014	21558.0	14228.26
2014-2015	25025.2	15316.91

Table 6

Source: Created by author data collected from Bangladesh bank

#### 6.4. Remittance and Investment

Economy of Bangladesh is slowly growing. Due to political unrest and instability level of direct foreign investment is relatively low at this country. It is quite hard to maintain a steady growth without foreign investment. At this regard remittance is a good source of investment. Every year the amount of remittance received is not used in productive sector. Rather most of the amount are use unproductive sectors. If it could be ensured that major portion of this amount are invested in several industries that it will help the overall development of our economy.

## 7. Findings

From this study several the findings are summarized here:

1. Number of migrated population are growing over time
2. Less skilled workers are the highest number among all the categories of workers
3. People are reluctant to invest, rather they prefer to buy luxury products by the amount they get
4. There is a positive relationship between the remittance and reserve
5. Remittance has a contribution on national savings
6. Remittance is the second largest source of earning foreign currency after garments
7. Remittance helps to reduce the dependence on foreign help
8. Expatriates don't feel safe to invest in Bangladesh, and if they want they face many harassments from various parts of inside and outside of government bodies.

## 8. Problems of Remittance

The main problems created by remittance are given below:

1. It increases inequality among different parts of Bangladesh. Some parts of this country such as Chittagong, sylhet, Noakhali have a huge number of emigrants. As a result these areas' people earn more than other parts of the country.
2. Where there are both foreign remittance earners and non-remittance earners live in same society there shows some social disparity among them.
3. To earn foreign remittance many talented and active worker are going abroad. As a result Bangladesh are losing talent
4. Remittance has a negative effect on young generation. It induced them to get easy money, which may cause social unrest and instability.
5. Remittance gaining families look for some luxurious product, this tendency has a negative impact on balance of trade.
6. Because of illegal money transfer such as hundi, government are deprived from fees and taxes

## 9. Recommendation

Bangladesh is one of the important remittance earning countries of the world. We want to solve the unemployment problem. Working of Bangladeshi residents in different countries is a great opportunity to reduce the prevailing unemployment rate. We have seen that several policies and activities have been undertaken to increase remittance flow in formal ways. But lesser steps are taken to proper utilization of remittances. Concerned authority should take some steps and should be careful some issues, such as-

1. A centrally controlled database should be maintained by government carrying all the data relates with migration
2. Cost of going abroad should be monitored by concerned authority; as a result workers will be safe from paying excess fees to brokers.
3. Influence of middlemen and their associates should be controlled
4. Problems created by the middlemen and brokers should be checked.
5. Embassies of Bangladesh should take positive and necessary actions when they got any complaints from the migrated workers.
6. Positive steps should be taken to encourage the migrated workers to send remittance through proper and legal channels.
7. Proper training should be provided to the workers before going abroad.
8. Government should take steps to maintain a close relationship with countries where there are scope to create job opportunities and placing workers.
9. One stop service centre should be established for expatriates who want to invest in Bangladesh.

## 10. Conclusion

Migration is an important phenomenon in current world. Less developed country with huge population grab the chance to sending their workers abroad and earn foreign remittance. It helps to reduce the unemployment problem.

Remittance has a positive impact on socio economic development of our country. It helps to increase the foreign exchange reserve. It helps to increase the standard of living of the people of Bangladesh. People spend more money on educating their children, could provide better medical facilities and developing the habit of savings. All these things ultimately have a positive impact on society.

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**Annexure**

## Questionnaire

This questionnaire is designed for conducting a survey on “**Impact of foreign remittance in the socio-economic development of Bangladesh**”. Your response will become the basis of our work, please answer to the following questions. It is assured that your responses will be strictly confidential and will be used only in academic purpose.

Name:

Cell No:

Address:

1. Member in your family-
  - 1-4
  - 5-8
  - Above 8
2. Earning members: \_\_\_\_\_
3. Main source of income:
  - Job
  - Business
  - Foreign remittance
  - Others
4. What percentages of income are earned from foreign remittance? \_\_\_\_\_
5. Level of education of expatriates:
  - Below SSC
  - SSC & equivalents
  - HSC & equivalents
  - Graduation
  - Post-graduation & above
6. By which channel receive the remittance?
  - Formal
  - Informal
7. If foreign remittance is the main source of income, than spending modes are:

Item	1%-20%	21%-40%	41%-60%	61%-80%	81%-100%
Food & clothes					
Education					
Land purchase					
House construction/repair					
Loan repayment					
Business investments					
Savings					
Medical treatment					
Gift/donations and social ceremonies					
Community development & religious activities					
Others					