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Migrant remittances is a way for Bangladesh to march toward a developed country through socio - economic development

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Abstract

Over the last two decades, Bangladesh has experienced positive economic and social changes. Its average annual GDP growth rate has increased from 2.4% in the 1980s to 4.9% during the 1990s (MHHDC, 2001). Here remittance plays a vital role. Migration is considered as the development alternative to the economy of Bangladesh. The share of remittance to GDP and export earning has been increasing over the year. For this purpose this paper has given its attention on balance of payments, foreign exchange reserves, national savings, velocity of money, GNP and GDP of Bangladesh to identify the impact of remittance.

Keywords: Remittance, GDP, Poverty, Development

Introduction

Bangladesh officially the People's Republic of Bangladesh is a country in South Asia. The total area of Bangladesh is about 1, 47, 570 Sq. Km and has a population of 152 millions. After independency within four decades through many ups and downs the socio economic condition of Bangladesh has reached at such a stage which can be the model to many other countries. Though till now Bangladesh is a low – income country but the possibility of becoming the country of mid- income is knocking at the door. The government of Bangladesh is trying its best to announce Bangladesh as a mid- income country within 2021. If the economic growth rate will continue then there is no barrier to reach the goal.

As a developing country Bangladesh cannot provide all its labors with job facilities and so unemployment rate is very high here. Bangladesh is a huge reservoir of professionals, skilled and semi-skilled manpower. In this backdrop, international migration started in the part of the globe. Bangladesh is one of the major manpower sending countries in the world. Around 8 million Bangladeshi nationals are working in 143 countries across the world. Bangladeshi emigrants send a portion of their earning as remittance or foreign exchange from foreign countries to Bangladesh for their family members and relatives.

Remittance is the second largest sector of foreign exchange earning after garments sector in Bangladesh. Remittance is one of the most important economic variables in recent times as it helps in balancing balance of payments, increasing foreign exchange reserves, enhancing national savings and increasing velocity of money. For about two decades remittance has been contributing around 35% of export earning. Moreover, it is greater than foreign aid and thus helps in lessening dependence on foreign aid.

Flow of Remittance in Bangladesh:

The flow of remittance income of Bangladesh is increasing. The reasons are that the government and private recruiting agencies have taken various initiatives such as pre-departure training (language, culture, custom, value system, rules & regulations of the host countries), monitoring (within and outside the country) and diplomatic & high profile discussion with the government and private owners of the host countries.

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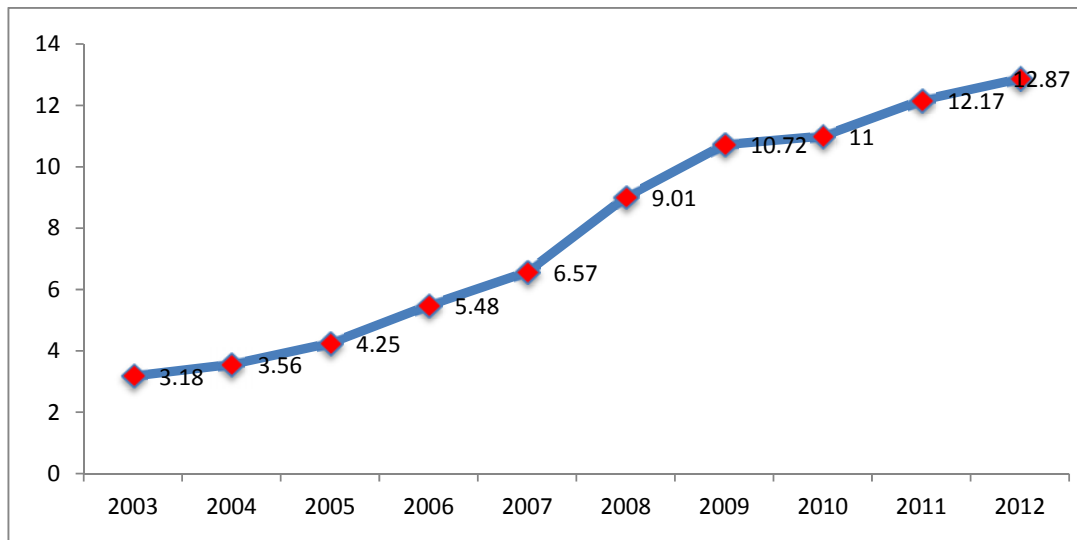
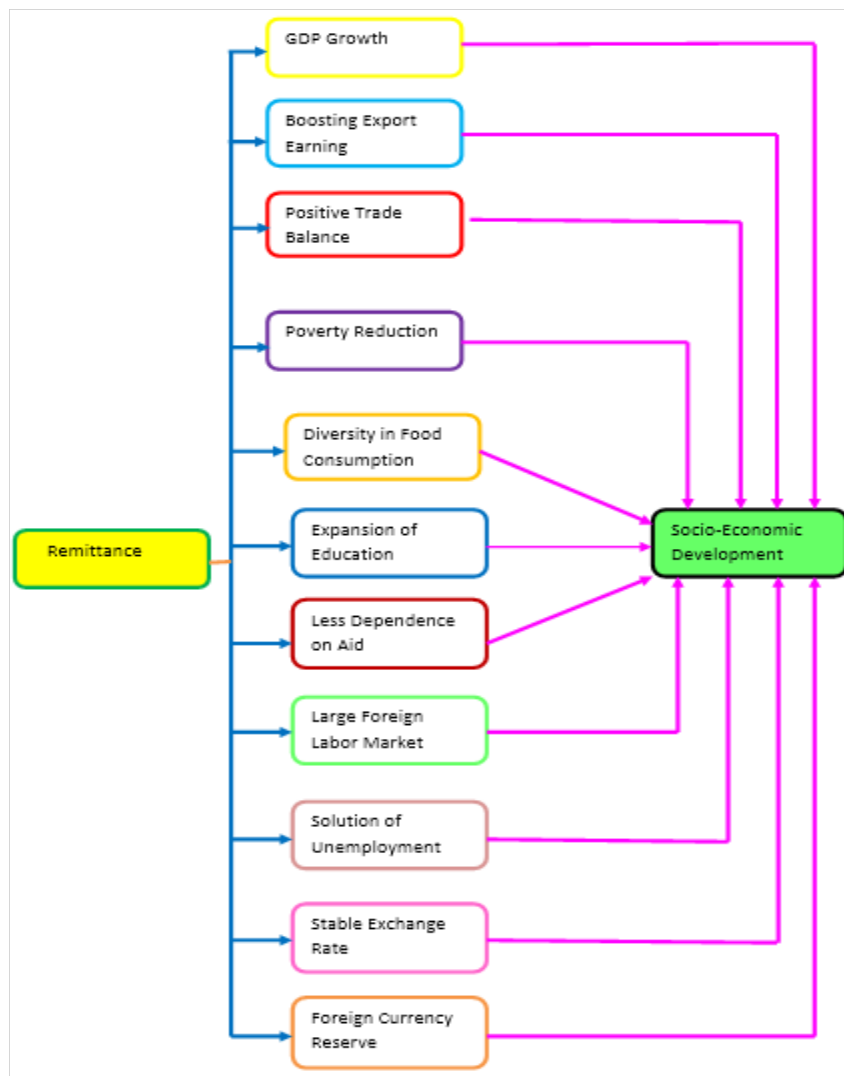


Fig: 1 Flow of Remittance in Bangladesh (In Billion USD)
Source: Kalerkantho, January 10, 2013 (Special Issue)

Impacts of Remittance



Growth of GDP: The share of remittance to GDP has been increasing over the year. In fiscal year 2011-2012 the remittance as a percentage of GDP is 11.11 but in 2001-2002

it was 5.26 which is 5.85 percent more than that of year 2001-2002.

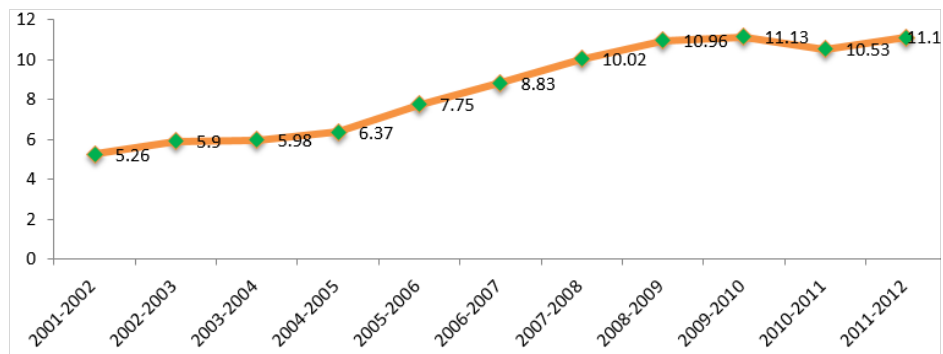


Fig: 2 Remittance as a Percentage of GDP
Source: Source: Bangladesh Economic Review, 2012

Creating Foreign Labour market: The highest numbers of Bangladeshi workers are migrated to the ten countries such as Saudi Arabia, UAE, Qatar, Oman, Bahrain, Kuwait, Libya, Iraq, Singapore and Malaysia. In case of labor

migration Bangladesh is highly dependent on the Middle Eastern countries. The labour migration is creating new foreign labour markets.

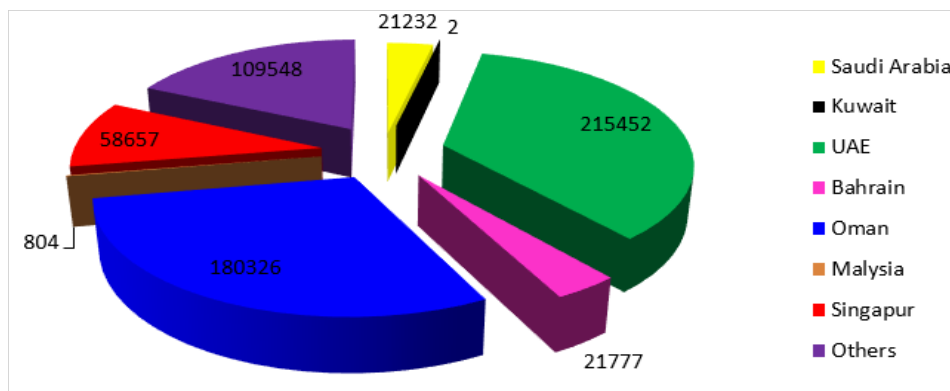


Fig: 3 of expatriate Bangladeshi by country
Source: Bangladesh Economic Review, 2012

Boosting Of Export Earning: In fiscal year 2011-2012 the remittance as a percentage of export earning is 52.92 which was 11.14 percent higher than that of the year 2001-

2002. Therefore, remittance contribute our economy by boosting up exports .

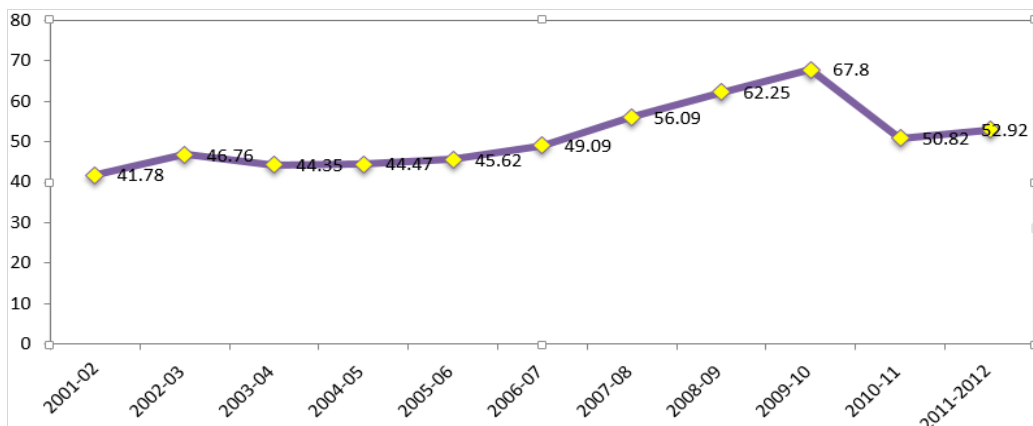
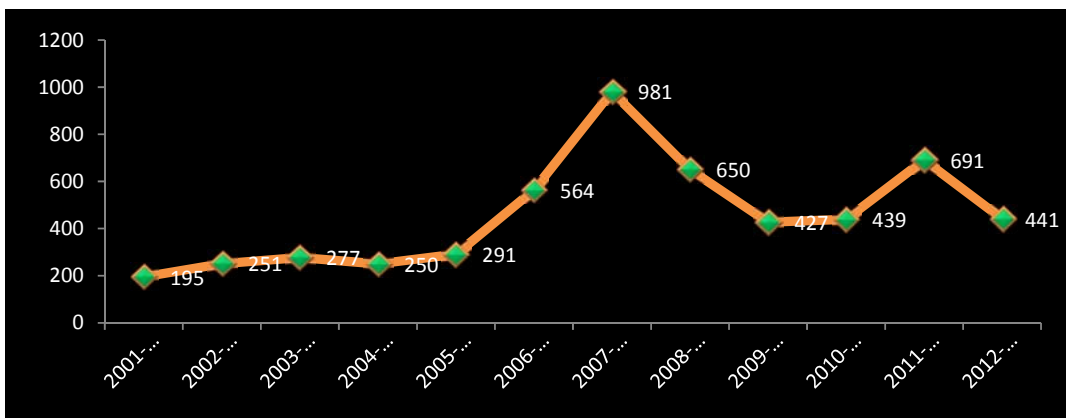


Fig: 4 Remittance as a Percentage of Export Earnings
Source: Bangladesh Economic Review, 2012

Solution of Unemployment Problem: Bangladesh is a huge reservoir of professionals, skilled and semi-skilled manpower. Every year 2.5 m workforce is added in the

labour market. Formal sector employment generation is 0.2-0.3 m. Overseas employment can play a pivotal role as it creates 0.6 – 0.7 m employment.



Fig; 5 No of employment abroad (000)
 Source: Bangladesh Economic Review 2012 and Bangladesh Bank

Satisfactory Reserve Level: Every year we have to take loan and to wait for it to make up BOT deficit. But now remittances help a great to have the reserves at satisfactory

level. In recent times, it is recorded that our reserve is at the maximum level where remittance is the largest contributing sector.

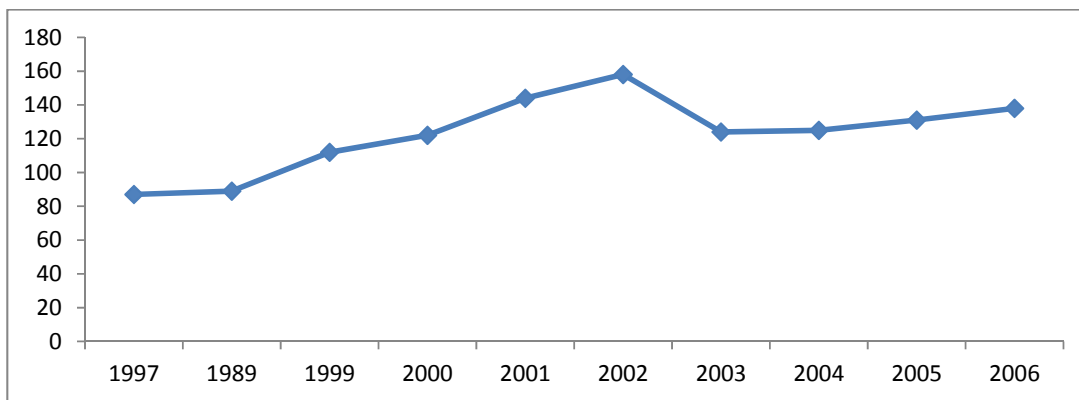


Fig: 6 Reserve level
 Source: Policy Analysis Unit, Bangladesh Bank (June 2007)

Stable Exchange Rate: We have observed devaluation of Taka against US\$ from fiscal year (End June) 1991 -2006. In fiscal year 2010-11, the average exchange rate of taka against USD is 70.48 than that of 69.19 in FY2009-

10. However, in 2008-09 and 2009-10 the exchange rate was stable against USD because of the availability of foreign reserve as well as remittance flow and export earnings.

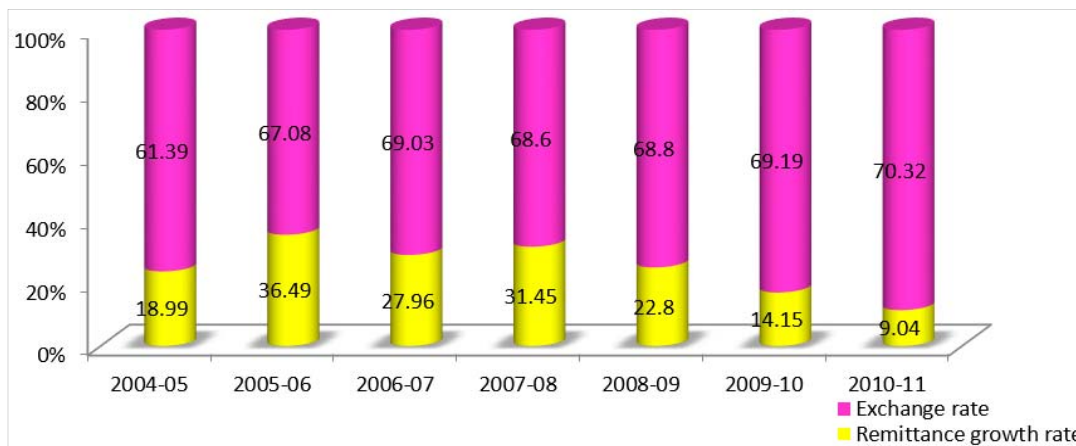


Fig: 6 Remittance and exchange growth rate
 Source: Bangladesh Bank, Bangladesh Bureau of Statistics and Export Promotion Bureau

Positive Current Account Balance: Remittance plays a significant role for a positive current account balance in any economy. Generally Bangladesh is considered as a trade

deficit country but current account balance since FY 2005-06 remains positive for high remittance inflow.

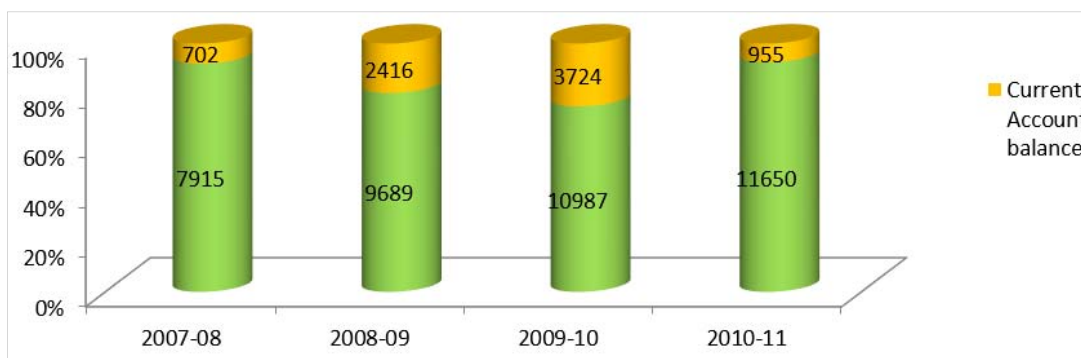


Figure: 7 Remittance and Current Account Balance (In USD million)
Source: Bangladesh Bank

Diversity in Food Consumption: Remittances have led to improvements in the consumption of food among the majority of migrant households. Remittance income,

recipients' families could afford to have various kind of food and they enjoy more diversity in their diet.

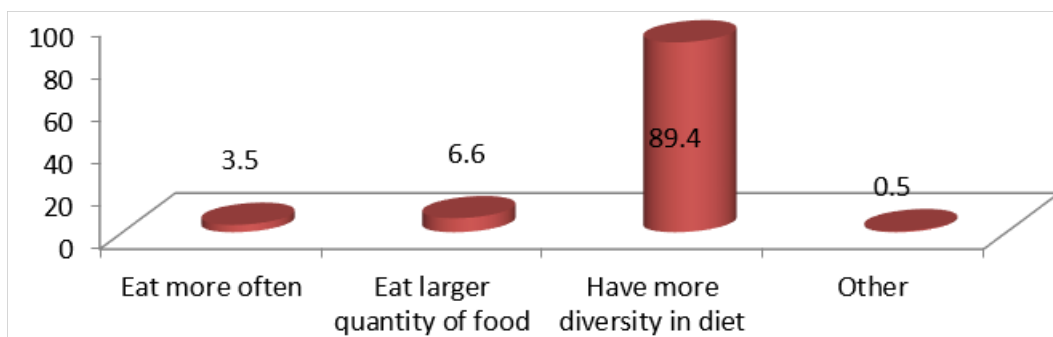


Fig: 8 Change in consumption patterns
Source: IOM, BHRS, 2009

Impact on Education: There are clear indications of remittances having a positive impact on level of education in the migrant households.

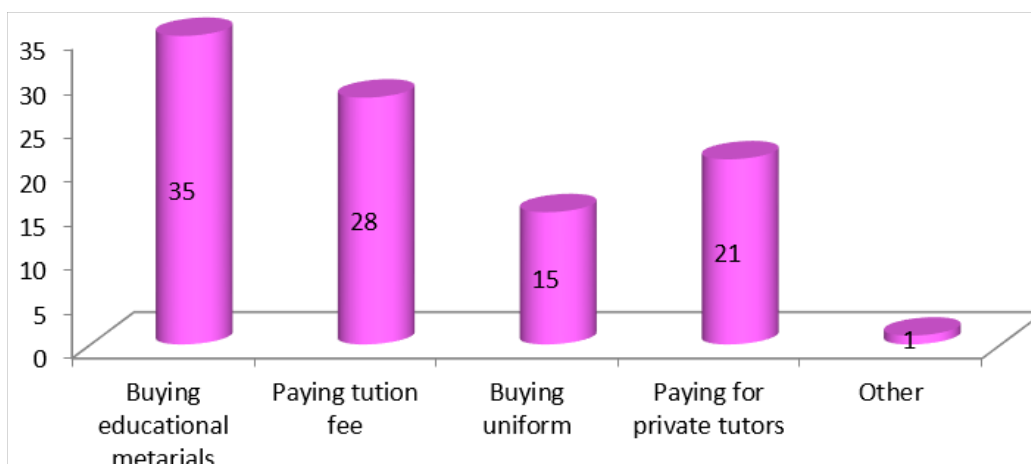


Fig: 9 Children's Education
Source: IOM, BHRS, 2009

Less Dependence on Foreign Aid: Two decades ago, foreign aid used to be about 6% of GDP, now it's less than 2%. Meanwhile, remittance jumped from about 2.5% of GDP

to about 11% of GDP. If remittances stopped flowing tomorrow, the economy would simply crash.

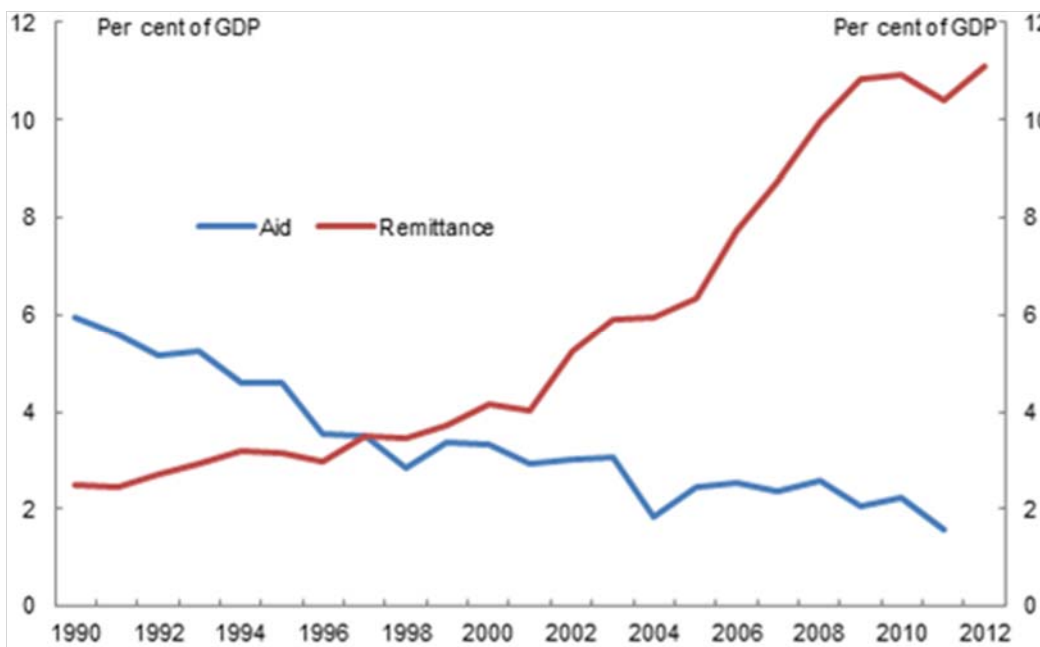


Fig: 10 Remittance and foreign aid
Source: Bangladesh Economic Review, 2012

Poverty Reduction: The important issues on which international migration is expected to have an effect are Poverty alleviation and income inequality.

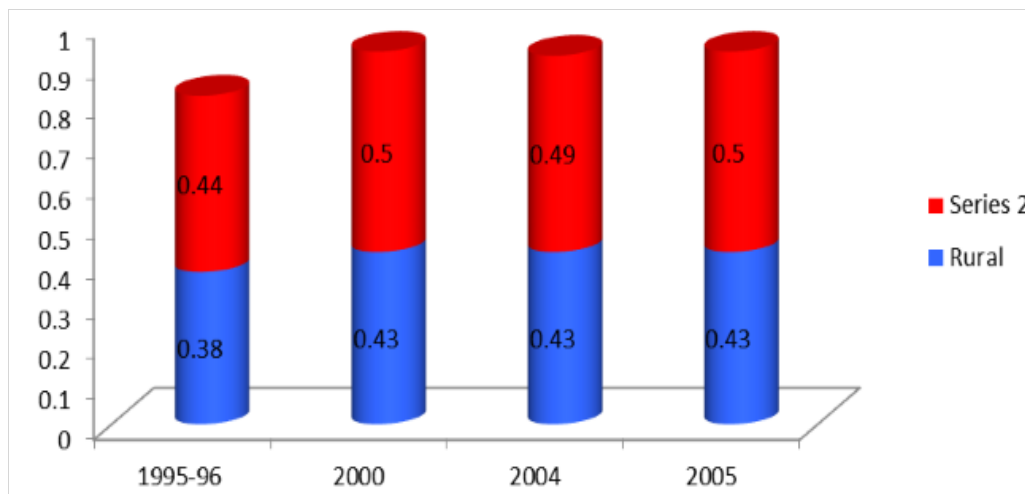


Fig 11: Inequality in Income
Source: BBS, HIES and PM

After FY2000 the income inequality in rural area is unchanged. There is a negative relation between remittance and poverty reduction.

Table: 1 GDP P/Capita Growth Rate in Bangladesh

Yaer	GDP P/Capita Growth Rate
1980	0.8%
1990	2.4%
2000	4.1%

Source: World Bank

Direct Foreign Investment: Bangladesh is a slowly developing country with a huge population. It is also characterized by political unrest. Due to political unrest, level of direct foreign investment and future prospects of the same in our country is not very hopeful. But remittance may use for investment purposes also. Macro-investment is possible if the emigrants invest in joint ventures.

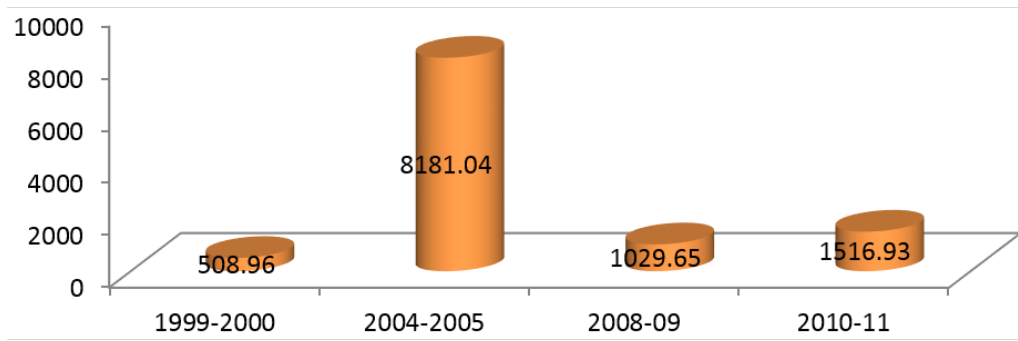


Fig: 12 Remittances as percentage of key foreign investment
Source: Bangladesh Bank and Bangladesh Economic Review

Changing Purchasing Pattern: Remittance may finance the purchase of basic consumption goods, housing, and children’s education and health care.

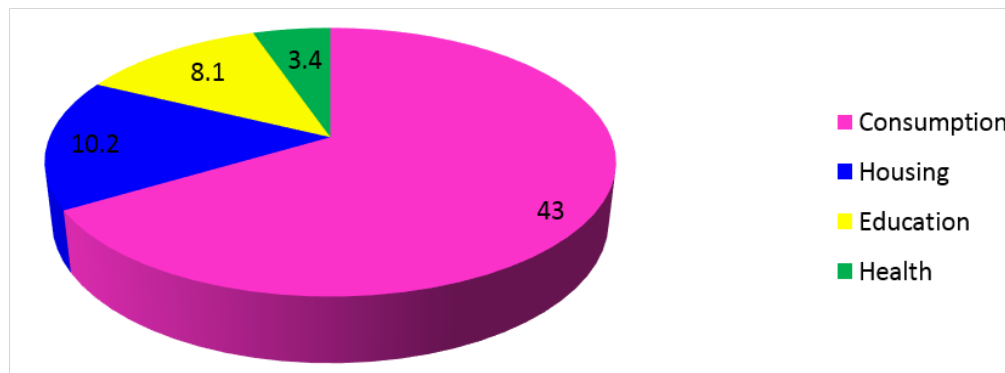


Fig: 13 Remittance and Expenditure by Category in 2010-11
Source: Adopted from “Policy Research Working Paper-5018”, World Bank.

Conclusion

Remittances emanating from international migration have a number of beneficial economic effects. Some of these effects are microeconomic in nature and have direct consequences on the well being of the household that receives remittances. Other effects are more economy wide in nature, provided the remittance flows arrive through official channels, and have macro economic ramifications. The remittance is the second largest income sector of Bangladesh, The government of Bangladesh has been paying the various government and nongovernment import bills and the installments of various foreign debts & donations from the remittance income. The remittance income has also contributed to boost up the foreign exchange reserve, per capita income and employment opportunities. Thus, the government should take necessary measures to save the significant income generating sector of Bangladesh.

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1. Source: Bangladesh Economic Review, 2012
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