

Safeguarding free flow of remittance



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Increased movement of labour influences the welfare of a country through remittances and has been viewed as a stimulus to the development process of developing countries. Remittances can generate multiplier effect in the economy through the expenditure made out of this income. Such expenditure increases the aggregate demand. Bangladesh economy has benefitted from exporting its labour force in many countries of the world. The performance of remittance in the country has been overwhelming. It increased by 19.6 times - from USD 764 million in 1991 to USD 14.9 billion in FY2016. The export sector including export of human resources has played a key role in the improvement of the macroeconomic performance of the country. It has contributed in terms of incremental employment generation and investment. It has been working as a major cushion for balance of payments and stable foreign exchange reserves.

Bangladesh is an exporter of professional skilled, semi-skilled and unskilled workers to more than 22 countries. The number of Bangladeshi workers going abroad per year has increased by five times - from 1.5 lakh in 1991 to 7.6 lakh in 2016. Currently, remittances received by Bangladesh constitute 6.7 percent of its Gross Domestic Product. During 1991-2016 wage earners' remittance to Bangladesh registered a growth of 12.6 percent per year which is far above its annual GDP growth which is around 7 percent at present. The gap between remittance inflow and foreign aid disbursement has been increasing since 2001 due to consistent growth of remittance inflow and decline in the foreign aid as a percentage of GDP.

Between 1991 and 2016 total out-

flow of migrants from Bangladesh was about 96.3 lakh, which was an average of 3.9 lakh per year for 25 years. They went to provide services in the Middle East, Asia, Africa and Europe. An analysis of the dynamics of labour movement from Bangladesh shows that the buoyancy of remittances is mainly due to the increase in the number of short-term migrants to countries such as Saudi Arabia, Kuwait, the United Arab Emirates, Qatar, Oman, Libya, Bahrain, Iran, Malaysia, South Korea, Singapore, Hong Kong and Brunei. Bangladeshi migrants are also working in the USA, the UK, Australia, Canada, Germany, France, Italy, Switzerland, New Zealand, Belgium, the Netherlands, South Africa, Japan, Mauritius, Jordan and Lebanon.

The importance of remittances in the economy of Bangladesh is well understood. As has been experienced in the past years, increased remittances have been due to increased number of migrants to various countries. The trend of remittances and migrant workers is, however, not always linear. In recent times, there is a declining trend in remittances inflow while the outflow of migrant workers has increased.

Annual remittance flow has been hovering around USD 14-15 billion since FY2013. Remittance income has been on the decline since July 2015 and recorded a (-) 2.5 percent annual growth in FY2016. In the early months of FY2017, remittance inflow continued to be slow and fell below USD 1 billion a month in November and December of 2016. To recall, in November 2011 remittance income went down to USD 909 million.

Remittance inflow during July-December of FY2017 was the lowest when compared with the same period of the last four fiscal years. During the period, growth of remittance declined by (-) 17.6 percent compared to the

corresponding periods of the previous fiscal year. Gulf Cooperation Council countries are the sources of 57.6 percent of total remittance inflow to Bangladesh. Except Qatar, remittances growth was negative at (-) 16.9 percent in all the GCC countries during the July-December period of FY2017. Remittance from Qatar registered a positive growth of 45.6 percent which is believed to be linked to the ongoing constructive works for the Qatar FIFA World Cup in 2022 that requires a large workforce. In addition to GCC coun-

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tries, remittances from Malaysia, Singapore, the UK and the USA have also seen a significant fall during the same period. Remittances from all these countries dropped significantly.

In contrast to declining remittance trend, the outward migration from Bangladesh has significantly increased during the last few years. Annual growth of outward migration in FY2016 was 48.2 percent. During July-December FY2017, growth of migrant workers was 23.5 percent over the corresponding months of the previous

fiscal year. In November 2016, the number of migrants going abroad reached 81,483, a record high since July 2008 when outward migration flow was 88,202. Growth of migrant workers to the Middle East continued to rise, accounting for 78.5 percent of the total number during this period. Key destinations of migrants from Bangladesh were Saudi Arabia, Oman, Qatar and Bahrain.

Among the reasons for declining remittances, economic slowdown in the GCC countries and Europe is the most common reason. This has affected the employability and wages in these countries. Steep fall in oil prices in the oil-exporting GCC countries has taken a toll on remittances in Bangladesh. Since 2012, oil prices have declined by as high as 63 percent. This region is a major source of remittances for Bangladesh. Though Bangladesh has benefitted from lower global oil prices in terms of lower subsidy requirements of the government, the flip side of this fall is being reflected through lower remittances.

Lower income level in the oil-exporting countries due to cyclic low oil prices has led respective governments to undertake economic reforms to scale down government spending including lowering of public and private investment programmes and adopt austerity measures. Fiscal deficit as percentage of their GDP has declined in most of these countries. These countries have also witnessed a sharp slowdown in their GDP growth during the last few years. Such strains on the economy may have led to cutting down on wages of migrant workers by employers which in turn has reduced the amount of remittances.

In view of continuing fall in oil prices and slowdown of their economies, the Gulf countries have also

begun to nationalise their labour market by replacing foreign workers with their own workers. Government policies of these countries have favoured national workers in the low skilled labour market which used to be the niche jobs for migrant workers from Bangladesh.

The other reason for low inflow of remittances is the increased use of informal channels to send remittances. Particularly, small remitters use *hundi* that gives them lower transfer time in emergency, lower cost of sending money, and higher exchange rate. Depreciation of local currency in the countries where remitters work against Bangladeshi taka may have encouraged small remitters to transfer through informal channel. *Hundi* operators offered better exchange rates with no transaction fees. *Hundi* traders have expanded their network freely and have their agents at general stores near every household. Recently, the *Independent Review of Bangladesh's Development* published by the Centre for Policy Dialogue revealed that *hundi* traders were using mobile banking flyer of a popular bank of Bangladesh which provides mobile banking services in Bangladesh. However, they supposedly do not have any permission to expand their network overseas. Some of the agents of the mobile banking services may be involved in this. In Singapore, the *hundi* traders introduced a scratch card of different denominators which an aspirant remittance sender could buy. To transfer money to their home the sender has to buy a card and provide the recipient's mobile number and address in Bangladesh.

A slowdown in remittances has serious ramifications for the economy of Bangladesh as it is a major source of foreign exchange reserve. A continuous

CONTINUED ON PAGE 11

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