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Worker outflow hits record high but remittance falls

JAMIL MAHMUD and MD ASADUZZAMAN

Bangladesh sent the highest number of migrant workers in its history in 2022 thanks to a surge in demand for labourers in the Middle Eastern countries but remittance receipts did not go up proportionately.

More than 11.35 lakh Bangladeshis left the country for jobs abroad last year, nearly doubling from 6.17 lakh migrant workers who flew abroad the previous year, data released by the Bureau of Manpower Employment and Training (BMET) showed.

Despite the surge, the country did not see a higher inflow of remittances, the cheapest source of foreign currencies for Bangladesh, and a vital source of household income for the lower-income groups in the country.

a three-month probation period after being employed in a host country. As a result, it takes three to six months for them to start sending money home.

He blamed the yawning gap in the dollar rates between the informal market and the banking channel for the slowdown in remittance flow.

"Bangladeshi migrant workers mostly earn \$200 to \$400 a month. So, if they find that the unofficial market offers Tk 10 to Tk 15 per USD more compared to the official platform, then they are most likely to take the service from the unofficial platform," he said.

The proprietor of Sadia

being the biggest employer as it hired 54 per cent of Bangladeshis who left the country in the year. Oman, the United Arab Emirates, Singapore, Malaysia, Qatar and Kuwait were among the top employers.

Workers were mainly hired in the service, construction and agriculture sectors last year.

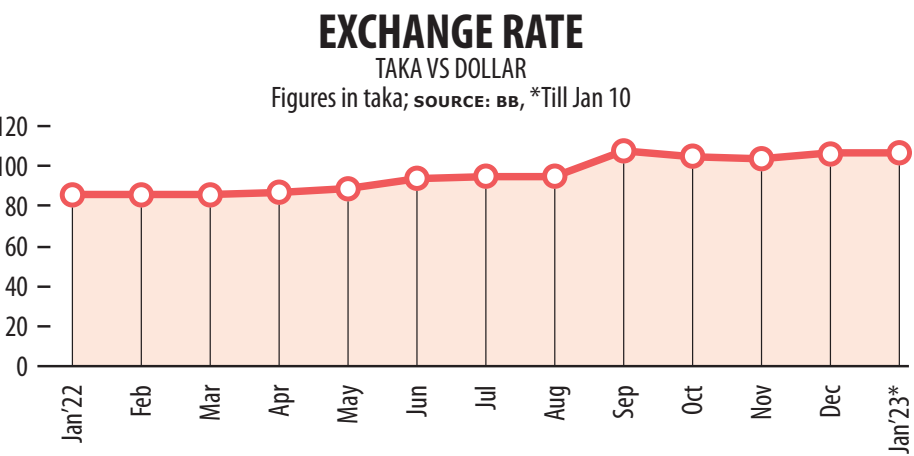
On average, the country sent five lakh to six lakh workers per year in the

in the case of the UAE as well.

"It gives a clear picture that remittances are sent through informal channels such as hundi. As per my analysis, a vast vicious cycle is working in these two countries."

In fact, hundi cartels account for half of the remittances that flowed to Bangladesh even before the pandemic. The dollar rate gap between formal and informal channels has driven the migrant workers towards the cross-border

Desperate, banks ignore own rates for collecting remittance



AKM ZAMIR UDDIN

In a desperate attempt at collecting the greenback to meet immediate requirements, a good number of banks are ignoring directives of two lenders' organisations to not offer over Tk 107 for each US dollar coming in as remittance.

The directive was a part of a consensus reached between Bangladesh Foreign Exchange Dealers' Association (BAFEDA) and the Association of Bankers Bangladesh (ABB) in September to follow multiple exchange rates.

Documents seen by The Daily Star showed that three banks were ignoring the directive, offering up to Tk 110 for each dollar availed from foreign exchange houses.

But senior bankers, on condition of anonymity, say that at least 15 to 20 banks were offering higher rates.

Economists say that these incidents reveal the volatility the still persists in the foreign exchange market and which would deepen further if appropriate policy measures were not immediately taken.

The market should be allowed to determine the exchange rate between the taka and the dollar, otherwise the volatility will not subside, they said.

The banks offering high rates are now getting more remittance than others, creating an uneven competition in the banking sector, said the bankers.

Although some banks have a strong network of agent outlets in rural areas, they are now getting lesser remittance than those offering the higher rates.

"Our remittance inflow is decreasing as we are following the BAFEDA's instruction," said an official of a bank having such a strong agent outlet network.

Contacted, Md Mezbaul Haque, spokesperson of Bangladesh Bank, said the central bank can hardly do anything to this end as the BAFEDA had fixed the rate.

The BAFEDA is an organisation of banks whose priorities include implementing foreign exchange related policies.

Haque thinks that the organisation should take steps against the errant banks

as the central bank had not set the rate.

He, however, said the central bank may talk to the BAFEDA about the matter.

A managing director of a bank said the BAFEDA does not have any authority to take steps against a bank.

Rather the central bank should identify steps that should be taken, he said.

Punitive measures against the errant banks will not be the solution, said Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh.

"The dollar-strapped banks ignore the rate as they have to meet their immediate requirements for making import payments," he said.

The central bank should take measures to withdraw the multiple exchange rates with a view to restoring discipline in the foreign exchange market, he said.

As per the policy of the BAFEDA and ABB, exporters are allowed to get Tk 102 for each US dollar. Importers buy the greenback based on the weighted average exchange rate plus Tk 1. The average rate will be decided based on the rates paid to exporters and exchange houses.

The two organisations took the decision to halt further depreciation of the local currency against the dollar.

The interbank exchange rate of the dollar stood at Tk 107 on January 10, which was 24 per cent higher year-on-year.

If the market determines the rates, there will be no distortion, said Mansur.

The country's foreign exchange reserves are still going down, which is not good for the economy. It had slipped to less than \$33 billion on January 9 after the central bank cleared international import bills.

The BB paid \$1.12 billion to clear payments for the country's imports from member states of Asian Clearing Union (ACU), an arrangement to settle payments for intra-regional transactions among member countries, including Bangladesh.

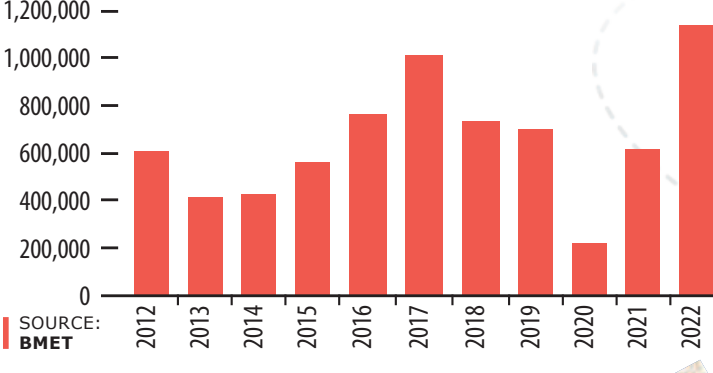
Volatility in the market was expected to subside had the import payments reduced, said Mansur, also a former high official of International Monetary Fund.

"But this has not happened. Required policy measures should be taken immediately, or else the reserves will decrease further," he said.

Multiple exchange rates can not be followed for long, said Monzur Hossain, research director of the Bangladesh Institute of Development Studies.

The exchange rates should be aligned with the market rate gradually and the central bank should closely monitor the market, he said.

OUTFLOW OF MIGRANT WORKERS



Rather, money transferred by workers through the official channel dropped 6.65 per cent to \$21.28 billion in 2022 from \$22 billion a year earlier.

The discrepancy – a record outflow of migrant workers and a fall in remittance inflow – comes at a time when Bangladesh faces a dollar crisis to pay for higher trade costs.

Analysts and recruiting agents blame the growing use of informal channels, also known as hundi, by migrant workers for the decline in remittances.

Shameem Ahmed Chowdhury Noman, secretary general of the Bangladesh Association of International Recruiting Agencies (Baira), said fresh Bangladeshi migrant workers usually undergo

International said the government should strike a balance of the dollar rate between the unofficial channel and the banking channel and suggested increasing the 2.5 per cent incentive to 5 per cent on remittance transfers.

"Otherwise, remittance inflow through formal channels will not see the expected jump."

In 2022, two-thirds of the migrant workers got jobs in the Middle East, with Saudi Arabia



past one decade and the number was around 7 lakh before the pandemic hit the country, BMET data showed.

Noman attributed the improving economic scenario from the lows of the pandemic for the rise in outbound migration.

"Normalcy has returned to most countries, so there will be more job opportunities for Bangladeshi workers," he said.

Prof Mustafizur Rahman, a distinguished fellow of the Centre for Policy Dialogue, a think-tank, says although Saudi Arabia is the main destination for migrant workers, the rate of remittance from the Middle Eastern country is falling. The situation is the same

illegal money transfer system.

Although a lower number of workers went to Kuwait, the trend of remittance from the country is higher, according to Prof Rahman.

"The government should think about the matter seriously as the country's households are receiving the money, but the funds are not added to the foreign currency reserves."

Owing to lower remittance and moderate export earnings against escalated imports, the reserves declined from \$44.95 billion in early January of 2021 to \$32.52 billion this week.

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Paper export doubles

SUKANTA HALDER

Bangladesh's export of paper and paper products have risen 123.35 per cent year-on-year in the first half of the current fiscal year thanks to the post-pandemic recovery and manufacturers' focus on finding new export destinations.

Export receipts of the six months amounted to \$95.08 million, according to the Export Promotion Bureau.

However, manufacturers and exporters say the industry can do even better with more policy support.

The US alongside countries in the Eurozone, Middle East and Africa are the major export destinations of locally produced paper and paper products, according to Bangladesh Paper Mills Association (BPMA).

China, India and some other countries were major players in the global market.

But many paper mills have been closed down, including nearly 1,200 mills in China, over pollution and environmental concerns, enabling Bangladesh to grab a bigger share, said AKM Nawsherul Alam, secretary to the BPMA.

Buyers are always on the lookout for good quality products at low prices and Bangladesh has been doing well in its manufacture of paper, tissue, toilet paper, facial tissue, napkin and diaper, he said.

Industry insiders said the exports began rising fast after the government offered a 10 per cent cash incentive on receipts in 2016.

Bangladesh has more than 100 mills with a combined annual production capacity of more than 15 lakh tonnes of products.

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Bangladesh has been doing well in manufacturing paper and related products at low cost, which gives the country some competitive advantage in the international market, industry insiders say.

GRAFT CHARGES Why National Bank won't be penalised HC asks authorities to explain

STAR BUSINESS REPORT

The High Court yesterday asked authorities concerned to explain why appropriate legal measures should not be taken against National Bank and its board of directors over their alleged involvement in corruption and money laundering.

The money laundering allegedly took place through the issuance of a letter of credit (LC) by the bank for two dummy organisations.

Issuing a rule, the HC gave the respondents – officials concerned of the government, Bangladesh Bank and Anti-Corruption Commission – 10 days to provide the explanation.

The HC also asked the managing director of National Bank to submit in

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