



# REMITTANCE CHANGING rural economy of Bangladesh

Being invested in small-scale income generating opportunities

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Supported by remittance, the families of Bangladeshi migrant workers are playing a crucial role in developing the country's rural economy by not only purchasing goods, but also investing in different small-scale income generating opportunities, according to experts.

Alongside agricultural activities, remittance is a major driver of the rural economy as the inflow of such funds creates more demand for goods and services, they said.

As per a study by the Bangladesh Bureau of Statistics (BBS), styled "Cost of Migration Survey: Bangladesh 2020", about 62 per cent of the 2.7 million workers that went abroad between 2015 and 2018 hailed from rural areas.

Meanwhile, the national statistical agency's "Household Income and Expenditure Survey-2016" published in 2019 says about 68.44 per cent of the remittance received by rural families is used to meet basic need while 27.98 per cent is invested in various ventures.

Professor Mustafizur Rahman, a distinguished fellow of the Centre for Policy Dialogue, said remittance has been playing a big role in boosting non-agricultural activities for the past few decades.

"Remittance has a positive impact on the rural non-farm economy, commercialisation of agriculture and rural small-scale industries," he told The Daily Star.

For example, the families of migrant workers would have to buy rods and bricks

should they want to build a house and so, this indirectly stimulates production.

So, it can be said that remittance has a positive "multiplier effect" on the domestic economy in terms of generating employment and raising aggregate demand, he added.

Since the introduction of agent banking in 2013, families of migrant workers in rural areas have received about Tk 1.04 lakh crore in remittance as of December last year, shows Bangladesh Bank data.

This was about 91 per cent of the Tk 1.14 lakh crore worth of remittance received through agent banking during the period.

The country's total inward remittance amounted to Tk 12.54 lakh crore between fiscal years 2013-14 and 2021-22, it added.

Zahid Hussain, former lead economist of the World Bank's Dhaka office, said much of the money remitted by migrant workers is initially spent on repaying the loans taken to send them abroad.

But after those dues are clear, the remittance helps beneficiaries improve their livelihoods.

Different analyses suggest that remittance-receiving families spend more on education, healthcare, food and sanitation compared to other groups of people.

"So, remittance plays a big role in improving the living standards of rural families and ensuring financial security," he added.

To understand correlation between labour migration, poverty and development, the Refugee and Migratory Movements Research Unit (RMMRU),

supported by the Swiss Agency for Development and Cooperation (SDC), conducted three surveys in 2014, 2017 and 2020 in rural areas across 20 districts.

The surveyed districts were chosen based on their high, medium or low prevalence of migration while the families of non-migrants and internal migrants were also interviewed.

Last year, the RMMRU published an e-book titled "Impact of Migration on Transformation to Sustainability: Poverty and Development in Bangladesh", based on the findings.

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According to the e-book, remittance receiving families fare better compared to non-migrant and internal migrant families when it comes to using agricultural equipment such as irrigation pumps, power tillers and tractors.

For example, 25 per cent of remittance-receiving families use irrigation pumps compared to 24 per cent of non-migrant families and 19 per cent of internal migrant families in 2020.

That year, 47 per cent of the remittance receiving families were involved in poultry farming, 28 per cent in animal rearing, and 6 per cent in aquaculture.

Besides, 1.4 per cent of remittance-

receiving families were involved in local enterprises such as textile units, spice mills, saw mills, hotels and restaurants.

Moreover, 8 per cent of them invested in transportation, such as rickshaws, microbuses and trucks, while 12 per cent bought shops in different locations.

The e-book says the poverty rate among 1,565 remittance-receiving families has reduced from 10.9 per cent in 2014 to 6 per cent in 2020.

"It is hard to quantify but the contribution of successful migrants in the country's rural economy is huge," said Professor Tasneem Siddiqui, founding chair of RMMRU and editor of the e-book.

She then said remittance-receiving families possess a better purchasing capacity compared to the general public and tend to buy more goods than others.

"As a result, local markets flourish," Tasneem added.

Remittance is also an important part of sustainable agricultural production as rural remittance-receiving families spend significant amounts on irrigation.

However, it cannot be said that every migrant family is doing equally well in terms of economic progress as there are instances of "failed migration", she said.

Economist Zahid Hussain said a significant portion of inward remittance is a result of migrant workers sending their savings home.

This money is mostly invested in the agriculture and service sectors as the amounts are not large enough to invest in industry, he added.

## Bank subsidiaries may go under BB control

Cabinet approves final draft of law

STAR BUSINESS REPORT

Banks' subsidiaries including brokerage firms, merchant banks and asset management companies are going to fall under the purview of Bangladesh Bank as per the final draft of a bank company (amendment) act, 2023.

The cabinet approved the final draft yesterday.

According to the draft, banks will have to follow the central bank's orders when recruiting the boards of directors, managing directors or chief executive officers.

Moreover, if existing officials do not meet qualifications and eligibility requirements stipulated by the central bank, they will lose the right to retain their posts.

If Bangladesh Bank is dissatisfied with the activities of the board members, managing directors or CEOs and if those are unacceptable or adversely affects the banks, the central bank will have the right to order the respective banks to take action against them.

The central bank will even be allowed to declare void the approval of the subsidiaries if they violate any condition imposed by the regulator or if those become involved in any activity that has an adverse effect, it said.

The banks' subsidiaries will also remain under the purview of the Bangladesh Securities and Exchange Commission (BSEC), explained an anonymity-seeking top official of a merchant bank which is a subsidiary of a renowned bank.

However, through the amendment the central bank will gain some control, he said.

Working under two regulators might be tough for the companies so the BB and BSEC should ensure that they have good cooperation in place, he added.

The banks will not be allowed to invest capital in the subsidiaries higher than that stipulated in the central bank's orders.

The banks will have to limit their capital market exposure so that the market value of their listed companies' shares, corporate bonds, debentures, mutual funds and lending in stock market related companies do not cross 25 per cent of their paid-up capital, share premium and retained earnings.

That the investments of banks in non-listed companies' shares, bonds, debentures and mutual funds are in line with the central bank's orders will have to be informed from time to time.

## Pioneer Insurance posts lower profit in 2022

STAR BUSINESS REPORT

Pioneer Insurance Company Ltd posted a 12 per cent year-on-year decline in profit to Tk 51.57 crore in the financial year that ended on December 31.

Its profit stood at Tk 58.68 crore in the previous financial year of 2021.

Thus, the insurer reported earnings per share of Tk 6.09 for 2022 compared to Tk 6.93 (restated) in 2021.

A restatement is an act of revising one or more of a company's previous financial statements to correct an error.

The net asset value per share of Pioneer Insurance rose to Tk 46.88 in 2022 from Tk 44.23 (restated) in 2021, while the net operating cash flow per share slipped to Tk 7.57 from Tk 7.86 (restated) during the period.

The board of directors recommended a 25 per cent cash and a 5 per cent stock dividend for 2022.

Shares of Pioneer Insurance closed unchanged at Tk 71.50 on the Dhaka Stock Exchange yesterday.

## Global economy's 'speed limit' set to plunge

Says World Bank, blaming systemic banking crises

STAR BUSINESS REPORT

The global economy's "speed limit"—the maximum long-term rate at which it can grow without sparking inflation—is set to slump to a three-decade low by 2030, a new World Bank report showed.

"An ambitious policy push is needed to boost productivity and the labour supply, ramp up investment and trade, and harness the potential of the services sector," it said.

The report -- Falling Long-Term Growth Prospects: Trends, Expectations, and Policies -- offers the first comprehensive assessment of long-term potential output growth rates in the aftermath of the Covid-19 pandemic and the Russian invasion of Ukraine. These rates can be thought of as the global economy's "speed limit."

The report documents a worrisome trend: nearly all the economic forces that powered progress and prosperity over the last three decades are fading. As a result, between 2022 and 2030 average global potential GDP growth is expected to decline by roughly a third from the rate that prevailed in the first decade of this century—to 2.2 per cent a year.

For developing economies, the decline will be equally steep: from 6 per cent a year between 2000 and 2010 to 4 per cent a year over the remainder of this decade.

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A tractor sprays pesticides on wheat crops in Arapongas, Brazil. Wheat prices were 4 per cent up in the two weeks to March 23 compared to the same period a year ago in the global market, according to the World Bank.

PHOTO: REUTERS/FILE

## Rice, wheat and maize prices fall further globally: WB

STAR BUSINESS REPORT

The prices of rice, wheat and maize fell globally in the two weeks to March 23 compared to two weeks ago, showed the World Bank Food Security Update.

It said maize and rice prices closed 1 per cent lower and wheat closed 2 per cent down than two weeks ago.

Maize prices fell 13 per cent and wheat prices were almost 34 per cent lower than the highs of more than a year ago when Russia invaded Ukraine. Rice prices were up 17 per cent.

Maize and wheat prices were, respectively, up 22 per cent and 4 per cent than in January 2021, while rice prices were 4 per cent lower.

The agricultural, cereal and export price indices closed 3 per cent, 2 per cent, and 2 per cent lower, respectively, in the two weeks to March 23, World Bank data showed.