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Socio-Economic Impact of Foreign Remittance in Bangladesh

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Abstract- 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 remittance gets momentum in recent time in Bangladesh and is the second largest sector of foreign exchange earning after the garment; sector. If cost of imported raw materials is deducted from the foreign exchange earning of the garments sector, remittance becomes the sign: largest sector of foreign exchange earning. Remittance earning ; increasing day by day but at a lower rate than the increase in emigration from Bangladesh due to the increasing share of unskilled or semi-skilled labors than the professionals in international migration. The share o remittance in GNI (Gross National Income) is increasing day by day. Remittance affects almost all the macro-economic indicators of a country positively. Though there are also negative sides of remittance earning e.g. brain drain, its overall contribution to Bangladesh economy is very much effective.

Keywords: *anti money laundering, money laundering, remittance.*

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Keywords: anti money laundering, money laundering, remittance.

I. Introduction

The importance of foreign remittances in the economy of Bangladesh is widely recognized and requires little reiteration. Along with the readymade garment (RMG) sector and non-farm activities in the agricultural sector, remittances have been identified as one of the three key factors that have been responsible for reducing the overall incidence of poverty in Bangladesh. The volume of remittances from Bangladeshi migrant workers exceeded USD 4 billion in early 2007), [1] a figure which shows the amount of yearly foreign direct assistance received by the country. Indeed, any comment on the abovementioned aspect of remittances will at best be speculative unless supported by firm empirical evidence. We therefore propose to carry out a statistical study on the effect of remittances on per capita incomes, which have a direct implication on the welfare of households, in order to remove such speculation and channel the discourse away from the qualitative realm onto a more secure, quantitative footing. Such an effort is necessary in order to derive more accurate conclusions which will greatly assist in the formulation of guidelines for future policy. Remittance is one of those important instruments, which helps to solve our problem by strengthening the economy. Migration is such a process, which helps to reduce unemployment, increases reserves and helps to make the balance of payment favorable and also helps immensely in other socio-economic aspects. Unemployment situation is one of the most alarming economic indicators of a country; migration and consequent remittance is mainly related with employment and earning of foreign currency. So, remittance is a vital issue for over-populated countries like Bangladesh. Therefore, we need to give proper attention on this issue. It also helps to increase foreign reserves, national savings and investments. From socio-economic point of view it uplifts living standard, social status and help ensuring basic needs.

II. Statement of the Problem

Remittances have emerged as a key driver of economic growth and poverty reduction in Bangladesh, increasing at an average annual rate of 19 percent in the last 30 years (1979-2008). Revenues from remittances now exceed various types of foreign exchange inflows, particularly official development assistance and net earnings from exports. The bulk of the remittances are sent by Bangladeshi migrant workers rather than members of the Bangladeshi Diaspora. Currently, 64 percent of annual remittance inflows originate from Middle Eastern nations. Robust remittance inflows in recent years (annual average growth of 27 percent in (FY06-FY08) have been instrumental in maintaining the current account surplus despite widening a trade deficit. This in turn has enabled Bangladesh to maintain a growing level of foreign exchange reserves. There are some key macroeconomic determinants of remittances in Bangladesh. Based on a simple regression exercise

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we find that number of workers finding employment abroad every year, oil price, exchange rate and GDP growth are the key determinants of changes in the level of remittance inflow. Each additional migrant worker brings in $816 in remittances annually. Every dollar increase in oil price increases annual remittance by nearly $15 million. Depreciation of exchange rate by one taka increases annual remittance by $18 million and remittances are higher during periods of low economic growth. An interesting implication is that the impact of oil price increase on Bangladesh's balance of payment is unfavorable. A dollar increase in oil price increases oil import payments by about $26 million whereas it increases remittances by $15 million. Thus the impact of a dollar increase in oil price on the balance of payments is a deficit of $11 million[2].

There is a widespread concern that recent decline in international oil prices and slow own in the global economy, particularly US, Europe and Middle-East are likely to have adverse effects on Bangladesh's remittance inflows. Assuming oil prices at around $70 per barrel and GDP growth of 5.5 percent we predict: Remittance will grow by 12.4 percent, reaching $10.76 billion, if we are able to export another 610,000 workers (annual average of 2006-2008) in FY10. This is the optimistic case. Remittances will grow by 10.2 percent, reaching $10.55 billion, if the outflow of migrant workers in FY10 reverts to levels observed before the recent oil price boom—350,000. This is the base case. Remittances will grow by 8.5 percent, reaching $10.38 billion, if the outflow of migrant workers in FY10 is only 50 percent of the base case—150,000. Growing remittance is a lifeline to Bangladesh, but it threatens to create risks of a bubble with a partial use of the funds in productive investment activities. "Rising labor migration and the attendant high remittance inflows are not altogether unmixed blessings. They pose some challenges to macroeconomic management that require care fill handling," said the central bank chief. Expatriate remittance jumped to $9.7 billion in 2009 from just $2.5 billion in 2002. Even in times of global recession, Bangladesh's remittance inflow showed 32.4 percent and 22.3 percent growth in 2008 and 2009. The remittance inflow fuelled foreign currency reserves to a new high of $9.3 billion, according to statistics updated until September 24[3].

III. Importance of the Study

The outward migration of labor and the remittances that are generated as a result have been a feature of Bangladesh's post liberation history. The earliest official records on remittances indicate that the country received about US$24 million in overseas remittances in 1976. Since then foreign remittance receipts have grown at an exponential rate. For any worker sending country, migration results in a mixture of benefits and costs. The costs may include the loss of the labor supply in which substantial amounts of human capital are invested, possible distortions in the age structure of the population, rural depopulation and a "brain drain" to developed countries. On the benefits side, we may see a reduction in social tensions caused by unemployment and/or underemployment, skill acquisition of returning migrants and, most significantly, money transfers from migrants to their families back home.

The role of remittances in the economies of labor sending countries such as Bangladesh is assuming increasing importance. It is viewed as a very stable source of foreign exchange (Ratha 2005) and even as being counter-cyclical (Esquivel and Huerta-Pineda. 2006). The effect of remittances on the macro-economy of a country has been well documented in the literature. The incoming foreign exchange helps receiving countries to pay import liabilities, improve their balance of payments position, strengthen foreign exchange reserves and finance external debt. At the micro level, remittances contribute towards increasing the income of receiving households with concomitant effects on the standard of living, while depending upon consumption patterns they have been known to increase the level of savings which is a source of capital. Thus, in resource scarce countries like Bangladesh remittances have a great potential to generate positive economic and social impacts. This fact has been recognized by policymakers and has received attention from researchers. However, as has been mentioned, there are hardly any studies on the microeconomic impact of remittances on household or per capita incomes. Most research has tended to be on the potential use of remittances as a policy tool and, having acknowledged its importance, on possible avenues of further increasing the volume of official remittance receipts by channeling them through legal avenues and by promoting even greater export of labor.

Objectives of the study: The major objectives of the study are as follows:

1. To find out the volume of foreign remittance in Bangladesh during last ten years.
2. To find out the source of foreign remittance, nature of foreign remittance and their impact on balance of payment of Bangladesh.
3. To identify the major determinants of foreign remittance along with the constraints and prospects.
4. To focus the socio-economic impact of foreign remittances on economic advancement of Bangladesh.
5. To suggest for increasing foreign remittance and liberalize the procedural difficulties and flaws.

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IV. Review of Related Literature

Kuntal Roy Chowdhury and others[4] authored an article on "Remittance as a tool of Economic Development: Bangladesh Perspective". They find that 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. Remittance gets momentum in recent time in Bangladesh and is the second largest sector of foreign exchange earning after the garments sector. If cost of imported raw materials is deducted from the foreign exchange earning of the garments sector, remittance becomes the single largest sector of foreign exchange earning. Remittance earning is increasing day by day but at a lower rate than the increase in emigration from Bangladesh due to the increasing share of unskilled or semi-skilled labors than the professionals in international migration. The share of remittance in GNI (Gross National Income) is increasing day by day. It affects almost all the macro-economic indicators of a country positively. Though there are also negative sides of remittance earning e.g. brain drain, its overall contribution to Bangladesh economy is very much effective. Appropriate and timely government policies and initiatives can boost up the amount of remittance and can rectify the problems related to it. Remittance has created a new dimension in the economic development of Bangladesh. We have to properly unlock the potentialities of remittances and utilize it properly to make it an indispensable tool of the economic development of Bangladesh.

Muntakim M. Choudhury and others[5] wrote an article on "The Global Financial Crisis and its impact on remittance of Bangladesh". This paper evaluates the impact of worldwide recession and its effect on developed economies taking Bangladesh as an example. Due to global economical downturn, least developed economies have suffered a number of adverse effects of which one was the decline in inflow of foreign currency. This study found that inflow of remittance has remained slayable in Bangladesh. However if the recession continues some crisis would be discernable by the end of 2009. The paper ends exploring the steps to tackle the situation as well as providing guidelines for exporting skilled and unskilled labor force. Recommendations, based on the findings, if implemented will enable the Government of Bangladesh to deal with adverse economical conditions when remittance inflow will decrease. Policies will need to be implemented and proper formulation of the activities should be done to achieve the target as laid down in this paper. Hence, decrease in remittance will not have a major importance in least developed countries like Bangladesh.

Md. Mizanur Rahman and Brenda S.A. Yeoh[6] wrote the article entitled "The Social organization of Remittances: Channeling Remittances from East and South East Asia to Bangladesh". They found that there are two types of remittance systems; (i) formal and (ii) informal. Formal systems are those that operate under the regulated financial system. In formal systems the institutions involved in money transfers are supervised by government agencies and laws that determine their creation, characteristics, operations and closure (APEC, 2003: 3). Formal systems include banks and postal services, money transfer operators (MTOs) and other wire transfer services, and credit unions. Banks and postal services offer reliable remittance services in almost all host and home countries in Asia. However, migrant workers usually find their services expensive. The World Bank estimates that the average cost of transferring remittances remains about 13 per cent, and sometimes exceeds 20 per cent of the amount remitted (Maimbo, 2005:5). They not only charge higher fees but also take a longer time to complete the process. Bureaucratic hassles and weak or absence of banking services in many rural areas are some other drawbacks (Passas, 1999; El-Qorochi et al, 2003).

Another important player in formal funds transfer systems is money transfer operators (MTOs). They provide the fastest service in formal money transfer systems. They take minutes to transfer money from one part of the world to another. Because of this service, they are gradually establishing firm rooting in the remittance market, beating the formal banking system. However, they charge higher fees. Western Union and Money Gram are examples of two major MTOs. They first started operations in North America and now cover almost all countries in the world. Western Union transfers money to make payments using money orders and other electronic systems. Consumers can quickly and easily transfer money to more than 225,000 Western Union Agents located in over 195 countries and territories worldwide, the largest network of its kind Money Gram is operating in 170 countries worldwide and have 75,000 local agents. The MTOs had penetrated the Asian remittance market at the end of last decade and are presently operating in almost all receiving and sending countries in Asia.

Debit and credit cards are used to draw cash from Automatic Teller Machines (ATM) in many remittance recipient countries. Every time cash is withdrawn by using such cards, a small fee is charged. The debit and credit card companies have started to fill the niche in the remittance market in Latin America (Orozco, 2004). Immigrants in North America are increasingly using debit and credit cards for remittance. They are faster and comparatively cheaper. However,

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they have yet to reach migrant workers in Asia. The use of such cards (credit or debit) is still limited to skilled migrant workers who are on authorized status. The majority of low-skilled migrant workers do not have access to the banking services in host and home countries. Therefore, we see little prospect for these smart cards to penetrate the Asian remittance market in the near future. In general, the formal system is plagued by high transaction costs, long delays in transferring remittances, exchange loss (due to official foreign exchange conversion rate), and last but not least, overly bureaucratic procedures.

M. Serajul Islam[7] wrote an article on "Banks and the Foreign Remittance Business". He found that foreign remittance is one of the major economic success stories of Bangladesh. Last year, nearly 7 million Bangladeshis have sent almost US$ 11 billion in foreign exchange to the country. Major part of the money remitted has come from the Middle East where the overwhelming majority of our expatriates lives and works in conditions that are sometimes too sad to describe. There is no dearth of praise for the efforts of the expatriates, particularly from the Government. We even have a Ministry of Expatriate Welfare. Other major manpower exporting countries in South Asia and Philippines have nothing like what we have. Yet we all know our expatriates suffer in every step of their epic journey to go abroad, serve there in conditions that are often inhuman and then send almost all they earn expect what is required to keep them alive, and then return home to find the same poverty awaiting them as the one from which they wanted to escape by deciding to go overseas. Those who speak of the role of our expatriates in glorious terms in reality offer very little help to them when they grapple with unscrupulous manpower agents, loan sharks and their unfair employers in their work places broad. It is true that the expatriates remit a mind boggling amount of foreign exchange to the country. By offering us far less than that amount, our development partners behave as our masters, humiliating us publicly in any manner they like. Yet those who contribute so much to the economy of the country have not even been given a policy transparent enough for them to understand and seek protection within its provisions when they are subjected to fraud and miseries at every step of their effort to go abroad and during their stay abroad. It has now common knowledge that the average Bangladesh expatriate worker spends to 3 times more money for a job abroad than an expatriate from other countries where the job is the same type and the workers have the same qualification and experience or the lack of it. When they land in their work places, many of our expatriate workers sadly find out that the pay given to them is substantially less than what they had been promised. Given the fact that many of the expatriates borrow money from loan sharks or by selling whatever possession they have, the discrepancy in salary has two serious effects. In quite a few cases, these poor expatriates fall sick both physically and mentally and some even die from heart attacks. In many cases, the workers try to change jobs because they have no other alternative but to seek a job at better pay so that they can repay the loan that they have incurred at home. Such efforts to change jobs are illegal in the Middle East. In Saudi Arabia alone, there are reportedly over 2 hundred thousand Bangladeshis running from Saudi police for seeking a better paying job. There are just too many things that need to be done to bridge the gap between the lip service that our Government provides and what is actually offered to the expatriates to help them in their efforts. Our expatriates literally take their hearts in their hands to send us those mind boggling sums of foreign exchange. The nation owes them a big debt but doing very little to pay it back.

Aktar-uz-Zaman Kazi[8] had a study on "Foreign remittance fluctuation needs to be stabilized". He finds that inward flow of foreign remittance to our country is fluctuating for the last few months. The last financial year has passed bagging 13.25 per cent growth over the previous financial year. Foreign remittance is the major source of foreign currency of Bangladesh. Remittance inflow rose by 10-32 per cent in the last 20 years, which continued even during the global recession in the past two years. Impact of remittance is well known to all. It reduces the extent of the country's dependence on foreign aid. The amount of remittance received in a year is four times higher than the foreign aid the country receives yearly. It contributes to the GDP of the country. A research showed that increase in remittance by Tk1.00 would result in the increase in national income by Tk.3.33. Currently, garment manufacturing is considered as the highest foreign currency-earning sector of our country. However, if the cost of importing raw materials is adjusted then the net earnings from migrant workers' remittances stand higher than that of the garment sector. As Bangladesh has a very narrow export base, remittance has been used in financing the import of capital goods or raw materials for industrial development. So it improves the balance of payment (BOP). It also helps increase the supply of national savings. Foreign remittance constitutes one-third of foreign currency earnings. It should be added here that our foreign remittance is nine times larger than the foreign direct investment. Identification of problem regarding oscillation of foreign remittance is necessary. A senior economist of World Bank has recently said that remittance inflow into Bangladesh would fall because of recession, and its impact is being felt now. He also said one of the causes for negative growth is that the recovery from the global economic meltdown is slow. Most economies, except China and India, are not showing a strong rebound. This is holding back the earnings of the Bangladeshi expatriates working abroad. However, a recent Asian Development Bank research says, the reason for the rise of incoming remittance is

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due to the tendency of migrant workers to spend less and save more during the crisis. A relatively lower impact of global recession on countries such as Kingdom of Saudi Arabia (KSA), an employer of nearly 20 lakh Bangladeshi migrants, also helped to maintain an upbeat trend in remittance inflow. The research also indicates a macro-micro mismatch. At macro level, we can see a rosy picture of an increase in inward remittance, but at micro level, many families of migrant workers are suffering as a result of the global financial crisis. In the Middle East, more than 30 lakh Bangladeshi are employed out of 50 lakh migrants across the globe. These migrant workers in the Middle East send about 62 per cent of the total remittance. The government has set the target for exporting about five lakh people in the year 2010, but up to September 2010 only 91,904 persons were sent abroad. In the last 10 months manpower export stood at 5,768 to KSA, 34 to Kuwait, 609 to Malaysia and 12,132 to Libya. In the year 2007 and 2008, Bangladesh had exported 2, 04,112 and 90,234 to KSA, 2, 73,201 and 38,332 to Malaysia respectively. Bangladeshi expatriates are returning home in greater numbers because most of their contracts have expired. As a resulting these markets are being occupied by other manpower exporting countries. According to media reports, no country is interested to take foreign labors except Singapore, UAE and Mauritius. Experts believe a huge amount of remittance also flows through an illegal network known as Hundi, which is a big problem for our economy. This unlawful inflow covers around 40 per cent of inward remittance. Hundi is prohibited by law in Bangladesh.

Prof Tasneem Siddiki[9] in 2004 showed that only 46 per cent remittance comes through proper channel and 8.0 per cent carried by wage earners themselves and 5.0 per cent via friends or relatives. She also shows that the goods brought by the migrants, although not considered remittance as such, are a remarkable segment of the wages earned. Recently, some real estate and other business groups are influencing the expatriates to invest their money at a high profit rate or to purchase plots or flats. Sometimes they encourage wage earners to send their money through Hundi and avoid banking channels. Even when the rate of USD in open market has been increased, it is found that some remitters are using Hundi for its high exchange rate. It has badly affected the flow through legal channel. The government is trying its best to mitigate the situation, but very little has been achieved so far. Bangladesh Bank had arranged special campaigns to prevent Hundi activities in the country.

In July 2002, the government announced full tax exemption on money remitted through the official channel. In this arrangement emigrants will not be required to furnish TIN certificates to purchase immovable property. Interest earned from foreign currency deposit account and wage earners development bond has also been made tax-free. Such type of incentives and exemption do exist, but it is not enough to attract remitters. The area of the exemption has to be widened. Bangladesh is used to send unskilled or semiskilled manpower abroad who earn a little compared to the skilled and trained professionals. For going abroad all categories of manpower spend about the same amount of money. But their earnings vary according to their skills. An unskilled person earns four times less than a skilled person, while professionals earn even higher. Sp the number of outgoing manpower is not always important, but fewer skilled people can earn much more than a large number of unskilled persons. So it is very important to develop skills in the relevant sectors to cater to the demand abroad.

Fariha Haque[10] had a study on “General Overview of inflow of Remittance in Bangladesh”. This paper develops a theoretical framework to examine the effect of workers remittance on Bangladesh economy. To illustrate the effect of remittance, this paper uses the same national income accounting framework as considered by Amjad R. (1986), in his paper "Impact of Workers' Remittances from Middle East on Pakistan Economy: Some Selected Issues- the Pakistan Development Review (1986)". Findings suggest that the inflow of remittances increased from $0.2 billion in 1980 to $1.7 billion in 1999 that is about $1.5 billion increase over the 18 years. In the year of 1996-97, remittances contributed almost 53.34% to overall balance of payment for Bangladesh. Moreover, remittance contributed the highest of 62.12% in the year 1998. As remittances, GNP and remittance as percentage of GNP shows similar trend in growth rate, this indicates that inflow of remittances positively contributes to GNP. Furthermore, remittance earnings also positively contribute to the Balance of Payments (BOP).

V. Major Findings

‘Foreign remittance’ means purchase and sale of freely convertible foreign currencies as admissible under Exchange Control Regulations of the country. Purchase of foreign currencies constitutes inward foreign remittance and sale of foreign currencies constitutes outward foreign remittance.

So we see that there are two types of Foreign Remittance:

- Foreign Inward Remittance
- Foreign Outward Remittance

Banks in Bangladesh, for example, MTBL (Mutual Trust Bank Ltd.) has established remittance arrangements with a number of exchange houses to facilitate wage earners to remit their money to Bangladesh. This bank has already been in operation with UAE Exchange Centre LLC, Wall Street Exchange LLC, Trust Exchange, Route Asia Exchange, Instant

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Cash and Bangladesh Money Transfer. MTBL have obtained permission from Bangladesh Bank to start operation with Al Saad Exchange, First Solution Exchange, Al Ahalia Exchange Bureau and Federal Exchange. The bank maintains correspondence with other 16 Exchange House which are Al Fadaral Exchange, National Exchange, City Exchange, Future Exchange, Al Ghurair Exchange, Habib Exchange, Al Ansari Exchange, Emirates India International Exchange, Instant Exchange, Oman UAE Exchange, Modern Exchange, Purusuttam Kanji Exchange, Musandam Exchange, Lasidas Tharia Exchange, Oman United Exchange and ICICI Bank. The extensive branch network of these Exchange Houses has been largely helping Bangladeshi expatriates working in the UAE, UK, Qatar, and Oman to transfer their funds speedily and efficiently through online network. MTBL's total foreign remittance volume was Tk.2, 671.53 million in 2006. MTBL is exploring further avenues of remittance from other countries such as Saudi Arabia, Malaysia, USA and Italy in the near future. The Foreign Remittance department of MTBL Dilkusha Branch is equipped with a number of foreign remittance facilities. Following are the types of foreign

- Issuance of Foreign Demand Draft (F.D.D)
- Issuance of travelers Cheques (T.C)
- Issuance of foreign T.T (Telegraphic Transfer)
- Disbursement of the cash of incoming F.T.T.
- Collection of F.D.D.

Table 1 : Trends of Major Macroeconomic Indicators

Indicators	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10
Exchange Rate	54.0	57.4	57.9	58.9	61.4	67.1	69.0	68.6	68.8	69.2
Per Capita GDP in Taka	19525	20754	22530	24628	27061	29955	33603	38330	42628	47405
As percentage of GDP										
Domestic Savings	18.4	18.2	18.6	19.5	20.0	20.3	20.3	20.3	20.1	19.0
Investment	23.1	23.1	23.4	24.0	24.5	24.7	24.5	24.2	24.4	25.0
Revenue Income	9.6	10.2	10.4	10.6	10.6	10.8	10.5	11.1	11.3	11.5
Revenue surplus/deficit	1.5	1.9	2.0	2.1	1.6	2.0	0.9	0.5	0.4	1.6
Annual Development Program (ADP)	6.3	5.5	5.6	5.7	5.5	5.2	3.8	4.1	3.7	4.1

Sources; Bangladesh bank annual report, 2009-2010

Medium Term Macroeconomic Framework: Key Indicators

Indicators	Actual		Revised	Estimated	Projected	
	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13
Total Revenue	10.8	10.4	11.5	11.9	12.5	13.1
Tax	8.8	8.6	9.3	9.7	10.2	10.8
Non-tax	2.0	1.8	2.2	2.2	2.3	2.3
Domestic borrowing	3.5	3.1	2.5	3.0	2.6	2.3
External borrowing	1.6	0.8	2.0	2.0	2.1	2.0
Exports(% change)	17.4	10.1	8.0	15.0	16.0	16.5
Imports(% change)	25.6	4.2	6.0	16.0	17.5	18.0
Remittances(US$ million)	7915	9689	10987	14000	17100	20800
Current account balance(% of GDP)	0.9	2.8	3.7	3.6	3.3	3.0

Source: Bangladesh Bank Annual Report, 2009-10

VI. Remittance in Bangladesh

Remittance is the life line of Bangladesh economy. Some 4.5m nonresident Bangladeshis are working abroad, and sending home hard earned foreign currencies. It is believed that the actual number of Bangladeshi migrants, both legal and illegal, would be close to 7.5 million. In the first 10 months of FY 2006-07, number of manpower export stood at 0.42m, showing 83.14% rise, compared to 0.25m in FY2004-05 . In FY2005-06, the number stood at 0.29m, current year to year growth is around 16%. In addition to achieving higher export earnings, the country witnessed a 44 percent growth in remittance earnings during the first quarter of 2008-09 fiscal year compared to the same period of the previous fiscal year. The other records of remittance earnings in a single month are $820.71 million in July and $808.72 million in March of year 2008. A total of 9,81,102 Bangladeshi people went abroad in 2007-08 fiscal year which is about 74 percent above the previous fiscal year figure, Bangladesh Bank statistics show. According to the statistics, on monthly average basis more than 81,000 Bangladeshis went abroad in 2007-08 fiscal year. The figure was 46,000 in the previous fiscal year. Non-resident Bangladeshis (NRBs) sent $2.345 billion to Bangladesh between July and September of 2008, according to the Bangladesh Bank statistics. Meanwhile, private bank officials said the

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global economic slowdown, mainly in the US and European countries, is yet to impact the remittance inflow. They, however, apprehend that if the crisis continues it may have a negative impact on the inflow. The remittance market of Bangladesh has been showing a steady growth in terms of incoming remittance volume. Considering the current macro-economic indicators: it seems that this growth run will continue in the coming years. Central Bank predicts that our annual incoming foreign remittance will touch $10 billion in the next 3 years. The reasons for such robust growth can be summarized as:

- Stable macro-economic indicators including GDP growth,
- Steady growth in manpower export specially in the middle east
- Substantial devaluation of the local currency
- Rapid urbanization
- Development of new remittance corridors in Australia and part of Europe and Africa
- Increased focus of Central Bank and the Government to channel funds through formal channels
- Increased competition among financial institution to grab market share
- Aggressive marketing policy adopted by Banks to increase their share of wallet
- Expansion of branch network of various commercial banks
- MFIs involvement in channeling remittance funds in remote areas
- Participation in the UN peace keeping missions
- Anti-Money Laundering rules and regulations came in force

However, the market is still far from perfection in terms of service quality, cost structure, and transaction risk aspects. Among all, the biggest impediment is the speed of transactions and cost of transaction. In cases, it takes more than a week to send a foreign remittance to beneficiary. Average cost is 20 SAR for a remittance from Saudia Arabia to Bangladesh.

VII. Major Remittance Sending Countries

Overseas migration from Bangladesh may be divided into two categories. Outflows of Bangladeshis to the Western World, mainly to UK, and more recently to the USA and Canada have been going on for a long time. The migrants tend to stay permanently and tend to be skilled and semi skilled workers and professionals. On the other hand the migration boom in the early eighties relates mostly to temporary migration of mostly semi skilled and unskilled laborers to the Middle East. In recent years Malaysia, Korea and Singapore have emerged as important destinations for Bangladeshi migrant workers. Around 41 percent of the migrants have gone to the Kingdom of Saudi Arabia alone, while the other Gulf States namely, UAE, Oman, Qatar, Bahrain, Kuwait, Iraq and Iran have cumulatively absorbed nearly 53 percent of the migrant workers from Bangladesh. The employment of workers abroad is quite sensitive to the prevailing socio-political environment of the recipient countries. The Gulf crisis in the 1990s forced the return of some 56,000 workers back home and led to a sudden decline in remittance inflows from Kuwait and Iraq.

Table 2 : Country-wise Workers' Remittances[12]

(Million US Dollar)

Countries	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10	Average growth rate
Saudi Arabia	1386.0	1510.5	1697.0	1735.0	2324.2	2859.1	3427.1	16.73%
UAE	373.5	442.2	561.4	804.8	1135.1	1754.9	1890.3	32.01%
UK	297.5	375.8	555.7	886.9	896.1	789.7	827.5	21.29%
Kuwait	361.2	406.8	494.4	680.7	863.7	970.8	1019.2	19.35%
USA	467.8	557.3	760.7	930.3	1380.1	1575.2	1451.9	22.10%
Italy	27.2	41.4	83.0	149.6	214.5	186.9	182.2	43.49%
Qatar	113.6	136.4	175.6	233.2	289.8	343.4	360.9	21.58%
Oman	118.5	131.3	165.3	196.5	220.6	290.1	349.1	19.95%
Singapore	32.4	47.7	64.8	80.2	130.1	165.1	193.5	35.53%
Germany	12.1	10.1	11.9	14.9	26.9	19.3	16.5	10.71%
Bahrain	61.1	67.2	67.3	80.0	138.2	157.4	170.1	20.62%
Japan	18.7	16.0	9.4	10.2	16.3	14.1	14.7	0.56%
Malaysia	37.1	25.5	20.8	11.8	92.4	282.2	587.1	150.59%
Other countries	65.3	80.1	134.6	164.7	186.8	281.1	497.4	42.32%
Total	3372.0	3848.3	4801.9	5978.5	7914.8	9689.3	10987.4	21.94%

Source: Bangladesh Bank Annual Report, 2009-10.

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VIII. Current Remittance Process

Currently the remittance process is mostly manual, partially automated. Migrants use different methods in sending remittance involving both official and unofficial channels. A major portion of remittance is being processed by Hawala's which is also known as 'hundi', which is an illegal process. And these Hawalla's are getting market due to lengthy process of remittance management using banking channel.Legally bank and exchange house acts as main means for remittance. Exchange houses play a vital role as remitters touch point. Mostly, remittance process initiates from exchange house .Exchange house acts as the contact point for remitter, exchange house receives the payment instruction from remitter and transfer the instruction to bank with which they have bilateral arrangement for fund mobilization. The receiving bank receives the fund and routes the remittance to actual beneficiary thro other banks or agents. Central bank acts as clearing house for inter bank fund transfer.

Officially, transfer of remittance takes place through demand draft issued by a bank or an exchange house, telegraphic transfer; postal order; account to account transfer. When remittances are transferred directly from the foreign account of migrant worker to his own account at home it is known as direct transfer. This can be through telegraphic means or otherwise. Remittances are frequently sent through demand draft in Taka issued by a bank or an exchange house in favor of a nominee of migrant. Usually the draft is sent by post or in emergency by courier service. One can send remittance through the postal authorities. In such case the remitted money is handed over to the receiver by the local post-office.

As there is no automated system between exchange house to and bank to bank – the process takes weeks to process a transaction in general.

Table 3 : Export and Import Index

Year	Export price Index	Import price Index	Commodity terms of trade
FY 00	120.31	136.17	88.35
FY 01	123.15	146.41	84.11
FY 02	126.23	157.76	80.01
FY 03	135.19	164.15	82.36
FY 04	139.60	169.96	82.14
FY 05	142.38	176.66	80.60
FY 06	149.28	183.09	81.53
FY 07	165.70	232.52	71.26
FY 08	171.29	241.15	71.03
FY 09	178.23	248.33	71.77
FY 10	190.07	264.27	71.92

Source: Bangladesh Bank Annual Report, 2009-10.

Roadblocks in Current Remittance Process: The major roadblocks of a smooth and efficient payment of foreign remittances are as follows:

- Poor infrastructure in rural and semi-urban economy
- Inadequate reach of private commercial banks within the country
- Massive information asymmetry in the market
- Active 'Hundi' market
- Inefficiency of financial institutions
- Poorly regulated exchange houses
- Low literacy rate in the country
- Uneven competition among financial institutions
- Lack of investment in IT backbone development for market efficiency
- Absence of a strong central payment gateway for 'Straight Though Processing (STP) of payment services. These above imperfections/inefficiencies have resulted in abnormal share of 'Hundi' business in this sector. Today, it is estimated that the share of 'Hundi' business constitutes roughly 40% of total incoming foreign remittances.

Table 4 : Foreign Aid Receipts and Debt Payment

Particulars		FY 08	FY 09	FY 10
1.	Receipts	2062.0	1847.0	2216.9
i)	Food aid	111.0	52.0	88.0
ii)	Commodity aid	-	-	-
iii)	Project aid	1951.0	1795.0	2128.9
2.	Repayments	767.0	831.0	879.0
i)	Principal	580.0	641.0	687.0
ii)	Interest	187.0	190.0	192.0

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3. Outstanding external debt as of end June	20266.0	20859.0	21792.0
4. Outstanding debt as percentage of GDP	25.5	24.3	21.9
5. External debt services as percentage of exports	5.4	6.4	5.3

Source: Bangladesh Bank Annual Report, 2009

Table 5 : Balance of Payment

(Million US Dollar)

Item	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10
Trade balances	-2319	-3297	-2889	-3485	-5330	-4710	-5152
Export fob(including EPZ)	7521	8573	10412	12053	14151	15581	16236
Of which, Ready Made Garments(RMG)	5686	6418	7901	9211	10700	12348	12497
Import fob(including EPZ)	-9840	-11870	-13301	-15511	-19481	-20291	-21388
Services	-874	-870	-1023	-1255	-1525	-1616	-1237
Receipts	924	1177	1340	1484	1891	1832	2471
Payments	-1798	-2047	-2363	-2739	-3416	-3448	-3708
Income	-374	-680	-702	-905	-994	-1484	-1484
Receipts	63	116	136	244	217	95	52
Payments	-437	-796	-838	-1149	-1211	-1579	-1536
Of which, official interest payment	-175	-203	-204	-212	-234	-238	-215
Current transfers	3743	4290	5438	6554	8551	10226	11610
Official	61	37	125	97	149	72	122
Private	3682	4253	5313	6457	8402	10154	11488
Of which: worker's remittances	3372	3848	4802	5979	7915	9689	10987
Current account balance	176	-557	824	936	702	2416	3737
Capital account	196	163	375	490	576	451	442
Capital transfer	196	163	375	490	576	451	442
Financial account	-31	784	-141	762	-457	-825	-641
Foreign Direct Investment(net)	276	800	743	793	748	961	913
Portfolio Investment	6	0	32	106	47	-159	-117
Other Investment	-313	-16	-916	-137	-1252	-1627	-1437
MLT loans(excluding suppliers credit)	544	940	1023	1037	1338	1204	1601
MLT amortization payment	-397	-449	-488	-525	-580	-641	-687
Other long term loans (net)	-41	-46	-37	-24	-6	-70	-156
Other short term loans (net)	13	241	-256	493	-160	-169	67
Other capital	-125	-182	-495	-535	-603	-650	-902
Trade credit (net)	-321	-320	-898	-481	-1108	-1277	-1045
Commercial Bank	14	-200	235	-102	-133	-24	-315
Assets	86	-91	31	-86	-146	-129	-410
Liabilities	-72	-109	204	-16	13	105	95

Source: Bangladesh Bank Annual Report, 2009-10.

IX. Conclusion

It can be concluded that there had been increasing trend in workers remittances during 2004 to 2010. There was also similar situation in other remittances. Country-wise remittances shows that remittances of Soudi Arabia and USA are the highest followed by UAE, Kuwait, Qatar, Italy, Oman etc. Foreign Direct Investment did not had increasing trend during the period rather it had declining trend. Average per capita GDP was Tk.30642 per year during 2004 to 2010 and average foreign remittance was $6656 every year. Practically, there is enough scope to increase our foreign remittances by increasing manpower export through good training, good monitoring, and good advertisement and international liaison. For the expansion of technical education co-operation of recruiting agencies publicity of opportunities available in different countries are needed.

Therefore, it is very vital for the acceleration of economic growth in Bangladesh. Remittance has some problems also but they are very negligible in comparison to its overall benefit. So, government, concerned authorities and the people of Bangladesh have to take proper care about remittance considering its importance in our economy.

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