

Worker's Remittance and Socioeconomic Development: Evidence from Bangladesh

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ABSTRACT

Worker's remittance is one of the most important sources of foreign exchange earnings in recent times as it has positive impacts on socioeconomic development in Bangladesh. Using annual time series data from 1981 to 2023, the study explores the impacts of remittances on socioeconomic development in Bangladesh. Bangladesh is one of the leading nations of sending workers abroad received approximately \$22.61 billion of remittances, almost 5% of its GDP in 2023 (BMET, 2024). The remitted income has occupied a leading place of financing which exceeds all the foreign aid and investment in recent years. The study reveals that inflows of remittances have significant impacts on Bangladesh economy and socioeconomic development, for instance, reducing the poverty, mitigation of credit constraints, increasing the household expenditure, enhancing domestic savings, financing better education and health, leading to maintain the quality of life as well as gender equality. For that reason, the government of Bangladesh should make an appropriate policy to maximize the benefit of remittance and retain the manpower to the sustainable economic growth and development sector of the country.

Keywords: Remittance, Economic growth, Socioeconomic Development

INTRODUCTION

Remittance is a transfer of money from a migrant worker to their family in their home country while they are employed and residing abroad. At present it is one of the most important and reliable international capital inflow besides foreign direct investment and foreign aid in the contemporary global economy. Remittances have been rapidly increasing worldwide, becoming the fastest-growing source of foreign exchange earnings for developing countries, peculiarly Bangladesh. They offer substantial economic benefits to both origin and host countries. Remittances directly and indirectly raise national income, boost consumption expenditure, stimulate investment, accelerate production, create job opportunities, and indirectly increase the income of families not directly receiving remittances (Comes *et al.*, 2018). They contribute to poverty reduction, improved healthcare, and education. Additionally, remittances enhance domestic savings, investment, and consumption in recipient countries, and they support higher investment in human and physical capital (Najid Ahmad *et al.*, 2013).

Bangladesh is one of the world's largest labor-exporting countries. Officially, labor export began in 1976 with 6078 workers, earning \$24 million that year. Since then, both the number of migrant workers and the amount of remittance have steadily increased. According to an IOM report in 2023, over 7.40 million Bangladeshi migrants are working in 176 countries worldwide. The country's population has grown from 119 million in 1995 to 173 million in 2023, with the labor force increasing from 52 million in 1995 to 74.92 million in 2023 (World Bank, 2023). However, employment opportunities have not kept pace with this population growth. The Bangladesh Bureau of Statistics (BBS, 2023) reports that there are currently 25 million unemployed individuals in the country. This substantial labor force needs employment to contribute to economic

development and improve their living standards, but the country cannot provide enough jobs to meet these needs. Migration offers an alternative solution, providing better employment opportunities not only for migrants but also for their families back home. Remittances sent by these workers help to support their families and stimulate the local economy, highlighting the critical role of migration in addressing unemployment and promoting economic development in Bangladesh.

The migration of a large labor force has led to increased remittance inflows in Bangladesh, significantly benefiting both migrant families and the country. Remittances play a crucial role in maintaining a favorable balance of payments, enriching foreign currency reserves, and contributing to the gross domestic product (GDP) (Islam, 2011). Over the years, the importance of remittances has grown, now representing the second largest source of foreign currency earnings after exports, contributing over 5 percent of GDP (World Bank, 2023). According to Hasan (2010), remittances have a substantial macroeconomic impact at the household level, significantly alleviating poverty. This growing inflow not only supports individual households but also stimulates the local economy, underscoring the critical role of remittances in Bangladesh's economic development.

Migrant workers significantly contribute to the socioeconomic development of Bangladesh. Jonwanich (2007) found that remittances positively impact economic growth and significantly reduce poverty by increasing income, smoothing consumption, and easing capital constraints for the poor in Asia and Pacific countries. Thus, understanding the effects of remittances on the economy and households is crucial. Various scholars have characterized the impact of remittances on economic growth differently across countries. In Bangladesh, remittances are a major source of financing, yet limited studies have explored their relationship with economic growth and socioeconomic development. This underscores the need for more research to fully understand the role and impact of remittance on Bangladesh's economy.

This paper examines the impacts of remittances on the socioeconomic development of Bangladesh, arguing that they play a significant role in the country's development. While there are some negative effects, the positive impacts are more extensive. Consequently, remittances are considered a crucial force in the socioeconomic progress of Bangladesh. The discussion is divided into five sections. The first section provides an introduction, the second outlines the data and methodology, and the third focuses on migration and remittance inflows in Bangladesh and South Asia. The fourth section examines the impacts of remittance on Bangladesh's socioeconomic development. Finally, the fifth section presents the conclusion.

DATA AND METHODOLOGY

The study is descriptive in nature and data set presented is based on secondary sources which are collected from various sources like World Development Indicator, World Bank, Bangladesh Economic Review (BER), Bureau of Manpower, Employment and Training (BMET), Global Knowledge Partnership on Migration and Development (KNOMAD), International Labor Organization (IOM). Different remittance related journal articles, reports and books are also reviewed. Descriptive statistical tools such as line graph, bar diagram, Pie chart, and tables are used to represent the migrants and remittance data in Bangladesh and South Asia.

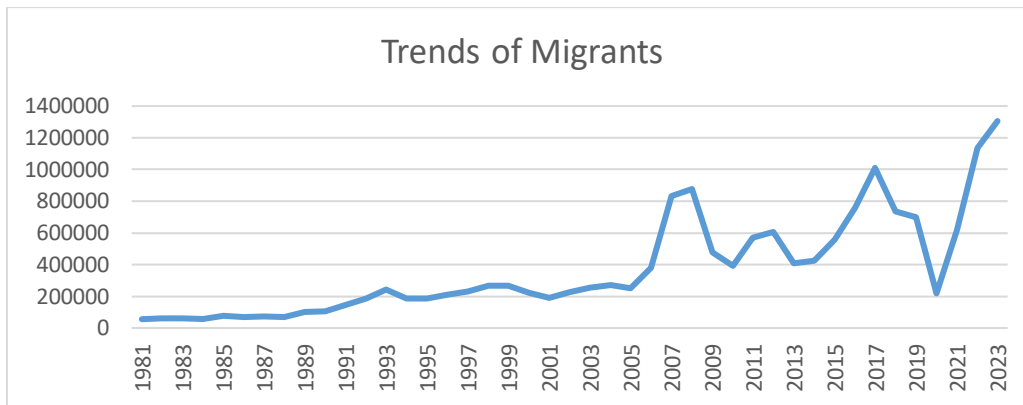
MIGRATION AND REMITTANCE INFLOWS IN THE CONTEXT OF BANGLADESH AND SOUTH ASIA

3.1 Migration Trends of Bangladesh from 1981 to 2023

Bangladesh is a labor surplus country. It sends a good number of labor abroad since 1976. Migration trends can change over time due to various factors, including changes in government policies, economic conditions, political stabilities, and global events. From 1981 to 2023, an average of 359,218 people left the country annually for foreign employment. The COVID-19 pandemic in the 2020s troubled migration flows temporarily but accelerated digitalization and remote work, offering new opportunities for skilled professionals. Bangladesh's youthful population presents potential for both domestic and international labor markets. According to the Bureau of Manpower Employment and Training, over 1.307 million people left the country in

search of jobs in 2023 breaking all previous records. Notably, female participation in migration rose, challenging traditional gender roles. The trend of migration is given in the Figure 1.

Figure 1: Migration Trends of Bangladesh from 1981 to 2023



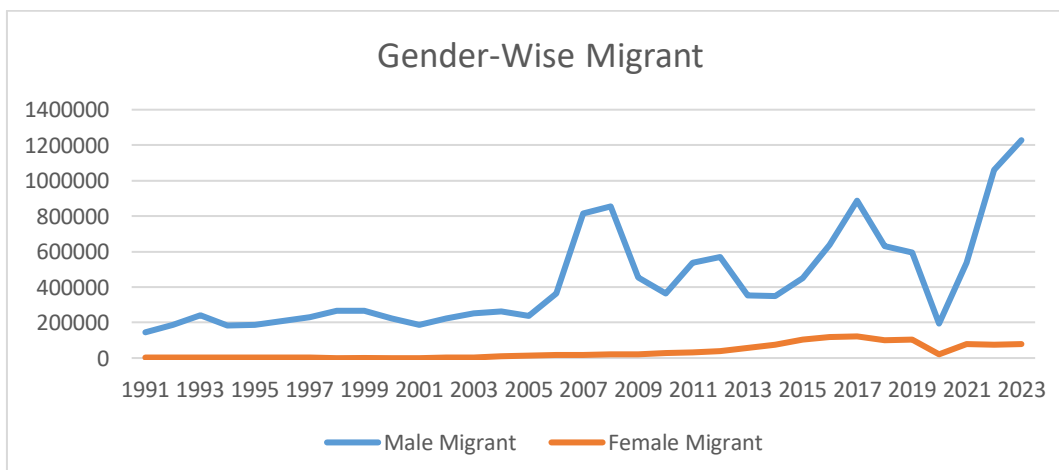
Source: Bureau of Manpower, Employment and Training, Bangladesh, 2023

During 1981 to 2023, the mean number of international migrants is found to be 359218 with a minimum of 55787 and maximum of 1305453 international migrants. International migration in Bangladesh is increasing from 1981 to 2009, and then decline up to 2014. It again becomes upward trend up to 2017 and decline upto 2020 due to pandemic COVID-2019. In 2023, it has now reached the upward position and breaks all the previous records.

3.2 Female Migration Trend of Bangladesh

Female recruitment is one of the most important issues in the overseas employment sector of Bangladesh. According to the Bureau of Manpower, Employment and Training (BMET) female employment abroad from Bangladesh has officially started in 1991 with a modest number of 2189. In 2023, about 77263 women have migrated from Bangladesh to other countries of the world. and it is equivalent to almost 6% of total employment. Currently, most of the women migrated to the Gulf countries, namely the United Arab Emirates, followed by Jordan, Lebanon and the Kingdom of Saudi Arabia, Oman, Qatar, Kuwait and Bahrain. More recently, women also started to migrate to Mauritius, Maldives and Malaysia (BMET, 2023). The women migration from Bangladesh is still dominated in some occupations like housekeeping, nurses, garment and other factory workers. The housekeeping workers usually come from the village and sub-urban areas with poor economic background. Almost 92% of female migrant workers are migrating as domestic aside. Most of the women migrants are uneducated and travel without relevant skills and proper training.

Figure 2: Overseas Employment Gender-Wise



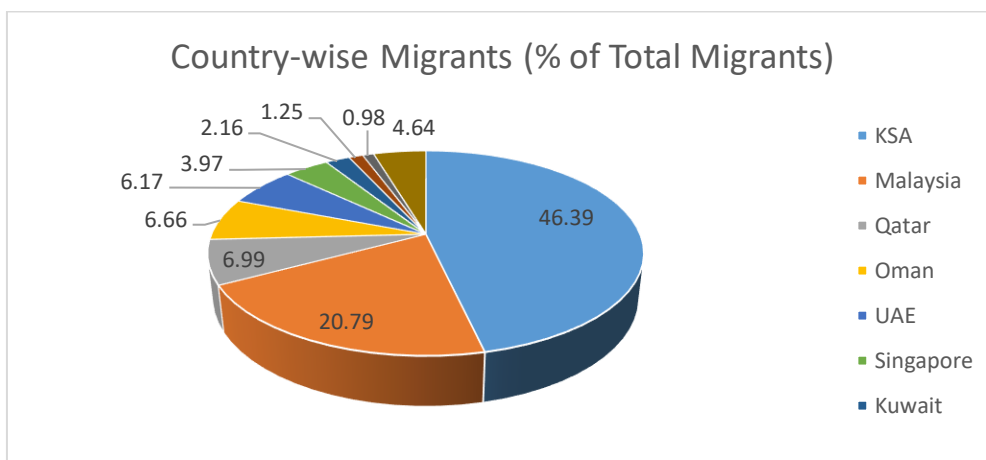
Source: Bureau of Manpower, Employment and Training, Bangladesh, 2024

Figure 3 shows the trends of male and female overseas employments from 1991 to 2023 in Bangladesh. The trends of male migrants gradually increase with some ups and downs in various times and it again becomes upward trend up to 2017 and decline upto 2020 due to pandemic COVID-2019. In 2023, it has now reached the upward position and breaks all the previous records. However, the trend of female migration is significantly lower compared to that of male migration, and it parallels the issue of land excess.

3.3 Country-wise Overseas Employment

According to the data of Bureau of Manpower, Employment and Training (BMET, 2023), a total of 1305453 workers went abroad in 2023. During this year, country-wise data on migration showed that a large number of Bangladeshi workers migrated to the kingdom of Saudi Arabia 46.93 percent of total migration, followed by Malaysia (20.79%), Qatar (6.99%), Oman (6.66%), the UEA (6.17%), Singapore (3.97%), Kuwait (2.16%), the UK (1.25%), Jordan (0.98%), Italy (0.52%), South Korea (0.25%) and other countries (3.19%).

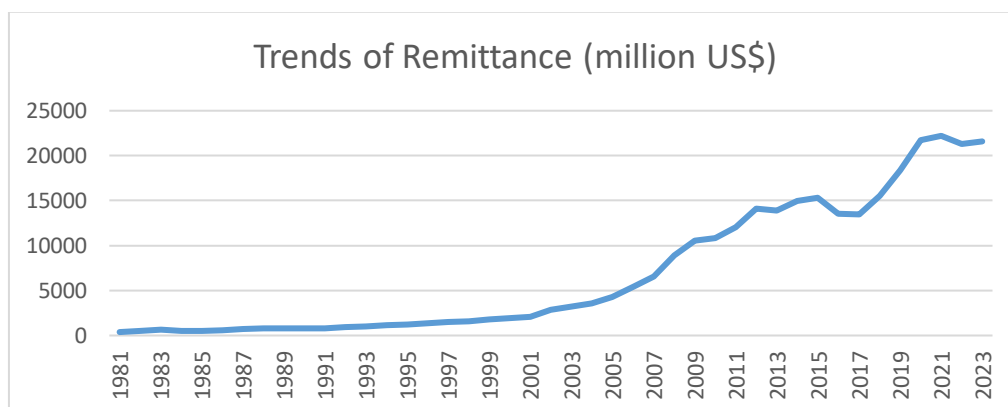
Chart 1: Country-wise Overseas Employment of Bangladesh



3.4 Remittance Inflows in Bangladesh from 1981 to 2023

Bangladesh has experienced a steady increase in remittance inflows over the years from 1981 to 2023. In 2023, despite the challenges posed by COVID-19 pandemic, Bangladesh received a record-high amount of remittances. The Russia and Ukraine war, and pandemic initially disturbed remittances flows but they recovered as the year proceeded. The trend of remittance is given in the figure 2. During 1981 to 2023, the mean amount of remittance in Bangladesh is \$6870 million, with a minimum amount of \$381 million in 1981 and a maximum amount of remittances of \$22205.5 million 20121. Remittance inflows in Bangladesh are increasing continuously up to 2016. After 2016, they decrease slightly up to 2018, and then it becomes upward trend till 2023 except 2021.

Figure 3: Remittance Inflows in Bangladesh from 1981 to 2023



Source: Bureau of Manpower, Employment and Training, Bangladesh, 2023

3.5 Trend of Remittance Growth and Remittance as percentage of GDP, Export Earnings and Import Payment in Bangladesh

Bangladesh’s economy significantly depends on earnings from its emigrant workers, which is the second-largest source of foreign currency after the readymade garment sector. According to the World Bank, in 2023, Bangladesh received nearly \$23 billion in remittances, making it the 7th highest recipient globally and the third highest in South Asia.

Table 1 illustrates the trend in remittance growth and the percentage of GDP, export earnings, and import payments attributed to remittances in Bangladesh from 2011 to 2023. The data reveals that Bangladesh received the highest remittance of \$24777.71 million in 2021, while the lowest was \$11,650.32 million in 2011. The table also indicates that the inflow of remittances and their percentage shares in terms of GDP, exports, and imports experienced a significant setback in 2023 due to the COVID-19 pandemic. However, these figures are expected to achieve a positive turnaround in the current year.

Table 1: Trend of Remittance Growth and Remittance as percentage of GDP, Export Earnings and Import Payment in Bangladesh

Year	Total Remittance	Growth (% of Remittance)	Remittance (% of GDP)	Remittance (% Export Earnings)	Remittance (% of Import Payments)
2011	11650.32	6.03	9.05	50.64	34.61
2012	12843.43	10.24	9.63	53.58	34.59
2013	14461.15	12.51	9.64	54.43	43.07
2014	14228.30	-1.61	8.21	47.78	38.91
2015	15316.90	7.64	7.85	49.08	40.67
2016	14931.18	-2.51	6.74	43.59	37.42
2017	12769.45	-14.48	5.11	37.54	29.36
2018	14981.69	17.32	4.66	41.29	27.51
2019	16419.63	9.60	4.67	41.46	29.62
2020	18205.01	10.87	4.87	56.68	35.91
2021	24777.71	36.10	6.03	67.14	40.83
2022	21031.68	-15.12	4.56	42.71	25.49
2023	22610.73	2.75	4.76	41.29	31.10

Source: 1) Bangladesh Bureau of Statistics. 2) Statistics Department, Bangladesh Bank, 2024

Table 2: Top Remittance Earning Countries in South Asia in 2023

Top Remittance Recipient Countries in South Asia				
Country	Remittance (Billion US\$)	Percent of total Global Remittance inflow	Country	Percentage Share of GDP
India	125.00	14.53	Nepal	26.60
Pakistan	24.00	2.79	Sri Lanka	7.30

Bangladesh	23.00	2.67	Pakistan	7.00
Nepal	11.00	1.28	Bangladesh	5.20
Sri Lanka	5.40	0.63	India	3.40
Afghanistan	0.30	0.03	Bhutan	2.80
Bhutan	0.10	0.01	Afghanistan	2.00

Source: Migration and Development Brief 37, April, 2024

Table 2 shows the amount of remittance inflows, percentage of total global remittance inflow and percentage share of GDP in South Asian countries in 2023. Table reports that in 2023, India receives US\$125 billion remittance while Pakistan, Bangladesh, Nepal, Sri Lanka, Afghanistan and Bhutan receive \$ 24 billion, \$ 23 billion, \$11 billion, \$5.40 billion, \$0.30 billion and US\$0.10 billion respectively. The Table also plots the amount of remittance as a percentage of GDP in South Asian countries. It is seen from the Table that remittances as share of GDP are highest in Nepal following Pakistan, Sri Lanka, Bangladesh, India, Bhutan and Afghanistan. Nepal receives 26.60 percent of her GDP as remittance income while Pakistan, Sri Lanka, Bangladesh, India, Bhutan and Afghanistan receive 7.30 percent, 7.0 percent, 5.20 percent, 3.40 percent, 2.80 percent and 2.00 percent of GDP. The Table also shows that India receives the highest percent of Global remittance which is 14.53 followed by Pakistan (2.79), Bangladesh (2.67), Nepal (1.28), Sri Lanka (0.63), Afghanistan (0.03) and Bhutan (0.01).

IMPACTS OF REMITTANCE ON SOCIOECONOMIC DEVELOPMENT IN BANGLADESH

Remittances have profound effects on the socioeconomic development of Bangladesh, contributing to economic stability, poverty alleviation, human capital investments, entrepreneurship, and gender empowerment. As Bangladesh continues to harness the potential of remittances, it must address challenges and implement policies that maximize the positive impacts on development while ensuring the well-being of migrant workers and their families. Here are some the key impacts of remittances on the country's development:

4.1 Remittance and Poverty Reduction

Remittances have both direct and indirect impacts on poverty reduction in Bangladesh. These financial supports sent by migrants significantly support in the fight against poverty. They play a crucial role in the economic development of recipient communities by addressing immediate family needs for food, shelter, education and healthcare. Remittances enhance household incomes, providing a pathway for long-term poverty alleviation. Families can invest in education, improving future job prospects and earning potential, and access healthcare, reducing medical expense burdens. Additionally, remittances stimulate entrepreneurship and small-scale business development, creating jobs, boosting local economies, and mitigating poverty. Studies by Adam and Page (2005) indicate that international migration and remittances significantly reduce poverty levels, depth, and severity in developing countries. Similarly, research by Taylor *et al.* (2015) demonstrates that increased international remittances lower both the poverty headcount and the poverty gap.

4.2 Remittance and Household Expenditure

Remittances have a profound influence on household expenditure. When migrants send remittance to their families in their home countries, it serves as a crucial source of income. These funds are often allocated to cover essential expenses like food, housing, education, and healthcare. Remittances enhance a household's financial capacity, enabling them to afford a better quality of life and invest in their future. They play a vital role in meeting daily needs, reducing financial stress, and preventing families from falling into poverty. While the impact of remittances on household expenditure fluctuates, they consistently contribute to improving the financial wellbeing and living standards of recipient households. Osili (2004) finds that a large proportion of

remittance income is spent on household purpose in developing countries. Remittances have led to improvements in the consumption of food among migrant households (IOM, 2009), and it has a positive impact on per capita incomes (Choudhury, 2014).

4.3 Remittance and Gender Equality

International migration has a significant impact on women's roles within households, manifesting in three distinct dimensions. Firstly, women who migrate abroad for employment and send remittances to their families often experience an increase in their influence over economic decision-making within the household, compared to their non-migrant status. Secondly, women whose husbands are international labor migrants and directly receive remittances undergo a shift in their roles within their home countries. In the absence of their husbands, these women assume responsibility, gain control over household authority, and effectively become the heads of their families. This transition empowers them with control over household resources, granting greater autonomy, independence, freedom of movement, and decision-making power. So, women who are receiving remittance from their husband are increasing the women empowerment not only at household but also at their community. Thirdly, a conflicting scenario unfolds for women who do not directly receive remittances, particularly when the recipients are their husband's family members. In such cases, these women often experience disempowerment, lacking control over these financial resources and being treated as passive family members, with limited interaction beyond the family circle (Sarkar & Islam, 2014).

4.4 Remittance and Domestic Savings

Remittances have a significant impact on domestic savings and investment in recipient countries. When individuals or household receive remittances from their family members working abroad, they often use a portion of these funds for savings. This inflow of foreign capital can contribute to higher savings rates, which, in turn, can facilitate domestic investment and economic developments. Several researchers show that remittances inflows stimulate domestic investment in the receiving countries by increasing domestic savings, improving human capital and broadening financial sector (Mundara, 2009, Gheeraert *et al.* 2010, & Rao and Hasan, 2012). By fostering a culture of savings and financial stability among recipients, remittance not only provide immediate relief but also lay a foundation for long term economic growth and prosperity in the countries that rely on them.

4.5 Remittance and Quality of Life

Remittances play a crucial role in improving the quality of life in Bangladesh because it contributes to household incomes, enabling families to afford better healthcare, education, quality food, housing and increases living standard as well as life expectancy. Additionally, remittances reduce poverty and create opportunities for investment in small business and local infrastructure, fostering community development. The steady flow of remittances also helps stabilize the national economy, improving financial inclusion and increasing resilience against economic shocks. Remittance has a significant effect on the improvement of quality of life in Bangladesh (Pradhan & Khan, 2015). Overall, remittances are a crucial factor in driving socio-economic progress and improving living standards in Bangladesh.

CONCLUSION

The article attempts to analyze the relationship between remittance and socioeconomic development in Bangladesh through the study of different empirical articles. It concludes that many economists are optimistic that the remittance can be a major contributor to economic growth and socioeconomic development while some of them found remittance to have a negative impact on it. This review shows that more work is needed to be carried out with appropriate methodology to re-investigate the controversy regarding the impact of remittance on economic growth and other areas. Bangladesh is one of the leading nations of sending workers abroad, it ranks the seventh largest recipient of remittance in the world and third among South Asian countries in the 2023. Therefore, the government should make appropriate policies to maximize the benefit of remittance and retain the manpower to the sustainable economic growth and development sector of the country.

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