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ARTICLE · MAY 2015

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How the Remittances from Bangladeshi Migrant Workers are being utilized by their Families at home?

S.M. Arifuzzaman¹, Syed Abdulla Al Mamun, Ph.D., ACMA²,
Noman H Chowdhury³, Leo V. Dewri⁴

¹(Assistant Professor, BRAC Business School, BRAC University, Bangladesh)

²(Associate Professor, School of Business Studies, Southeast University, Bangladesh)

³(Senior Lecturer, BRAC Business School, BRAC University, Bangladesh)

⁴(Senior Lecturer, Department of Business Administration, East West University, Bangladesh)

Abstract: *This research aims to find out the true extent of remittance utilization on household exploring through three factors: consumption, savings and finally investment. Furthermore, this research work seeks to identify the paradox between motivational aspects of migration and intends to locate the pathway for remittance utilization of household. We have found that migrants we have surveyed are middle aged, mostly illiterate with not much professional or technical training. Also, most of the migrants have utilized the remittance for increasing their well being and not much they have invested or saved in productive sectors.*

Keywords: *International migration, Migrant workers, National economy, Remittance, Socio-economic, Utilization*

I. Introduction

In Bangladesh, the impact of international migration on national economy is an established fact to researchers, policy makers and donor bodies, but the true impact of remittance on the recipient households is still in experimental phase. Remittance works not only as a source of income, but also as a means of improving the capability of the people in terms of increasing access to all forms of social institutions. To find out the actual impact of remittance on the household and society, it must also need to clarify the pattern of remittance usage in a country like Bangladesh. Remittance utilization may work as stimulating factor for a household as well as economy, if invested locally. The process of migration is driven by both social and economic causes and the remittance usage is its residual effect on the recipient household. Therefore, this research finds the impact of remittance on the household welfare, in terms of enhancement of households' level of consumption, saving and investment.

II. Objective

The overall objective of the study is to find out the most prevalent ways of remittance utilization in Bangladesh with a view from socio economic perspective.

1. To study the current patterns of remittance usage and the dynamics behind the usage in Bangladesh with specific focus on the outlay of remittance usage.
2. To explore the motivations for remit in a developing country like Bangladesh
3. To find any correlation between the motivation to remit and usage of remittance, if there exists any

III. Literature Review

Literature on remittance utilization is relatively scarce because most of the prior research focuses on the reason of migration, why migrant's send remittance largely over-shadowed the scope of remittance utilization related research. Garib (2005), Markova and Reilly (2006) attempted to see the pattern of remittance utilization based on evidence from some European countries, but their works were more closely related with the reason for migration. In Bangladesh, some studies led by Siddiqui (2001), Murshidet al. (2000) focused on the socio-economic dynamics of remittance utilization. But it is obvious that it's a difficult task to address as households are heterogeneous in Socio-economic structure, intra-community and inter-community differences may be largely responsible for differences in the mode of utilization. While addressing the mode of remittance-utilization in Bangladesh, Mahmud and Osmani (1980) estimated that, 70 to 80 % of cash earnings are saved abroad. Again Muinulet al (1987) while counting on the economic perspective of migration, found that 90% of the migrants' from Chittagong and Sylhet send remittance back to Bangladesh and the bulk of the remittance is largely invested in land and in purchasing of property.

An interesting point was emerged from Muinulet al (1987) that apart from land purchase, savings are spent on acquiring transport vehicles such as rickshaws and buses, and savings in cash would probably be very

low. Mahmood (1991) compared the quality of living accommodation of a household before and after migration and found that migration has negative impact on bank savings prior to migration but after migration the result was not so evident. In another study done of Abdullahel (1999) looked at five economic wellbeing indicators of migrants' families e.g. ability to save, land holdings, investment in housing, access to electricity and debt repayment. Using data from 70 villages located in 10 regions of rural Bangladesh, the author found that education, occupation, access to credit and wealth, duration of migration significantly and positively affects four out of six welfare outcomes. Again Hibabullah (1980) comparing the utilization of remittance in the rural-urban scenario commented that rural household spent much more on consumption, interest payment and festivals, whereas their urban counterparts spent more on food, clothing, fuel and lighting.

Murshidet al (2002) while analyzing utilization of remittance observed that, current migrant households have annual income over 80 thousand and highest savings rate around 24%; food consumption accounts for the largest single expenditure groups(35%) with repayment of loans taking 2nd position and in the process of migration and return, migrant families engage in considerable land market activity. Majority of the study on utilization of remittance declares consumption as the most usual way where the bulk of the remittance is used, Siddiqui and Abrar's (2001) study revealed this proportion as 20 per cent while Afsar (2003) found it over 50%. Land and house construction constitutes the second largest sector in which migrants families put their remittance; (Bruyn and Kuddus, 2005) finds this very recently and so did Murshid,et al. (2002) saying that 15 to 40 per cent and 10 to 30 per cent is spent on each sector respectively. The third sector where the remittance is mostly used is in repaying loans and the proportion varies between 10 to 25 %.The same was focused in many studies like Murshidet al.(2002); Siddiqui and Abrar (2001). Education receives the fourth place, followed by health care, sending other family members abroad and finally various social ceremonies (Murshidet al, 2002; Siddiqui and Abrar, 2001). Investment of any kind taken by migrants' families varies from 4 to 5% and this is mostly for setting up grocery shops (see Murshidet al, 2002; Siddiqui and Abrar, 2001). It is a common trait that savings rate of remittance receiving families are higher than others (Mahmood 1991).

IV. Methodology

1. Research setting

The study focuses on 7 districts (Sylhet, Noakhali, Chittagong, Dhaka, Comilla, Bogra, and Khulna) of Bangladesh. These districts are chosen purposively for high number of migrant's from those districts and also considering geographical location. Though, it would have been methodologically ideal to randomly select the districts, but lesser degree of demographic variability is also important in doing comparative analysis among different districts. These seven districts were selected as those are situated in regional pockets and are almost of similar socio-demographic characteristics.

1.1 Research design

This is a population-based cross-sectional descriptive study where data are collected via survey. In this survey we collected information on socio-economic characteristics of the households having at least one migrant family member (either current or past).

1.2 Study population and Sampling Strategy

This survey primarily addresses families members of which are currently migrated to foreign lands or migrated abroad or past migrants who are staying abroad for more than two years. Because, it is hard to look at the remittance utilization pattern and capture the dynamics in fullest of the new migrants' with duration of less than two years. The study is conducted in 7 upazillas of 7 selected districts. The sample size for the survey has been determined using formula of the cross-sectional descriptive study. The sample size $n_0 = (Z_a + Z_b)pq/a^2$ or $n = n_0 / (1 + n_0/N)$. Multistage Cluster Sampling procedure is used to achieve the goal of the study.

2. Data Collection Techniques

2.1 Collection of Primary Data

This research is based on both primary and secondary data. For primary data a structured questionnaire is developed encompassing the said variables in the framework. The questionnaire has been thoroughly pre-tested and modified on the basis of feedback received before finalization. The questionnaire has been pre-coded for using computer and the questionnaire has included socio-economic (SES) information, detailed information on migration expenditure, remittance utilization dynamics etc. Ideally each question takes average 45 minutes to collect the information from each respondent.

2.2 Collection of Secondary Data and Information

Secondary data source is the Ministry of Expatriates' Welfare and Overseas Employment, Bangladesh Bank, Bureau of Manpower Employment and Training (BMET), Research Institutes, websites, etc. Available

secondary data from the formal sector, articles and research publications, newspaper articles, journals, etc. are studied and reviewed for the purpose of useful information and reference.

3. Data Processing and Analysis

The data processing is carried in two phases. First phase include bi-variate differential analysis of the study variables. In phase two multivariate econometric modeling is carried out to assess the true nature of the remittance utilization from pure economics perspective. The data is analyzed using Microsoft Excel 2007.

V. Findings and Discussion

To fulfill the objectives discussed several questions were asked to the respondents. However, it is crucial to know the background and characteristics of the population in any research. It helps in interpreting the results and to examine the causal relationship among the study variables. Moreover, this assessment helps in comparing the findings with similar characteristics of other independent survey findings.

1. Social and Demographic Profile

In the first place, we tried to find out the family pattern of the migrants. It is found that about 83.85% of the respondents went from nuclear families, while only 16.15% are from joined families. We have also found that 91.67% of the respondents are married. These results may indicate that family and the social status can be great influence in going abroad. Next intention was to find out the academic qualifications of the migrants. Fig. 1 below provides data on education of respondents.

It is found from the study that around 16.67% respondents have good education i.e. HSC and above, 36.98% respondents did not complete education up-to S.S.C before they departed for overseas jobs. This indicates that overseas employment could be one of the reasons for their early dropout from schools. On the contrary, it is also observed that only 5.21% have degrees higher than HSC. 2.18% of the total respondents were found to be completely illiterate. With respect to age of the migrants, this study reveals that a noteworthy portion of the respondents are middle aged. Fig. 2 shows data regarding age groups.

It is a matter of concern that 70.65% of the middle aged (more than 40 years) migrants' education level is below H.S.C. From the statistics it is evident that out of the middle aged migrants, a significant portion's education level is not so good and they are old enough to work less. Hence they are bringing less amount of remittance. Fig. 3 shows the result.

2. Uses of the Remittance

2.1 Remittance in buying Land

One of the most important aspects of this research is to find out where the remittances are being used. As such, questions were asked to find out their volume of land properties before and after the migration. Fig. 4 provides data in this regard.

From the statistics it is found that the average amount of land has increased significantly for four types of lands except for the residential land. The statistics clearly show that migrants have spent a significant portion of the remittance in acquiring lands. Fig. 5 provides data on this.

In cases of non-agricultural lands, ponds and others, the amount of lands they owned remain unchanged for a large number of migrants. A good number of migrants (16.15%) have increased the amount of residential lands after they went abroad. Ownership of agricultural lands increased for 48.44% of migrants. As mentioned, ownership of lands for some migrants also decreased. These were more evident in cases of those migrants who have not been in abroad for quite a long time, rather for settling there they assumedly had to sell lands and finance their stay in foreign lands.

2.2 Impact of remittance on the well-being

Although it is very difficult to evaluate the impact of remittance on quality of life of the associated families, some indicators like increase or decrease of usage of pure drinking water, usage of fuels for cooking, materials used for constructing houses, electricity and some other utilities were used. Fig. 6 shows data on this regard.

The statistics clearly shows that remittance has increased the well-being of the migrants' families. Number of families using gas has increased significantly (from 8.85% to 29.69%). 54.17% of families used brick, concrete etc. for constructing their houses, while the percentage is 22.91 for non-migrant families. Around 40% families, who previously had floors made of mud, reconstructed their house-floors with cement. The percentage is around 10% for the ceilings. Use of electricity also increased around 20%. So, positive change in quality of life at least in tangible terms is evident. Questions were also asked about use of TVs, Refrigerators etc., in order to make a comparison between before and after of their migration. Fig.7 provides the data regarding this.

Data shows that the number of migrants using TV, Motor Bikes, Refrigerators and Mobile phones has been increased greatly. This indicates clearly that a good percentage of the remittances is used purchasing household appliances for their families. It is found that remittance has improved the usage of pure drinking water. The number of respondents having source of pure drinking water of their own increased from 57.29% to 74.48%.

5.2.3 Impact to the expenditure pattern

It has already been discussed that migrants have spent a good amount their remittances for buying lands and purchasing of household appliances for their families. In this segment Fig.8 provides the average expenditure on food, education, medical, travel and communication.

The statistics clearly indicates that average expenditures in all the above mentioned areas have increased to a great extent. The next table reveals information on exactly what percentage of families increased or decreased expenditure in each of the areas and what percentage of families did not change their expenditure in these areas.

From this table it is evident that a significant portion of the interviewed families have increased their expenditures to a great extent in all of these five areas. One probable reason for decrease of expenditure by some families may be that the migrants of these families were not been able to stable in foreign land and hence could not send enough money back to their families at home.

3. Size of earnings and Remittance

Form the Fig.10 it can be seen that about 80% of the respondents could yearly earn more than Tk. 5 Lac. About 13.54% of the respondents were able to earn more than Tk. 25 Lac.

Next attempt was to find out the proportion from their earnings the migrant workers sent back to home. Fig.11 shows the comparison between their earnings and percentage of their earnings sent as remittance.

From the Fig.11 it can be found that the percentage of earning sent as remittance differs from migrants to migrants and is largely correlated to their size of earnings. For example, migrants with earnings less than five lac sent around 40% of their earnings to their families whereas it is 7% for those who earned more than 25 lac.

4. Savings by the migrants

Migrants actually spend their remittances in three different ways: consumption, savings and investment. Already we have discussed that the migrants spent a good amount in pure consumption as well as to buy lands, i.e. in investments. Besides, it is found that 64.06% respondents made savings, small or big, from their earnings. Fig.12 shows the size of savings made by them.

It is evident that, 56% of migrants could save between Tk. 1 Lac to Tk. 5 Lac whereas 12% of the migrants could make savings of even more than Tk. 5 Lac a year. Fig.13, depicts that the savings were mostly (45%) made in government banks whereas it is around 20% when it comes to private banks.

5. Area of Investment

Already it has been discussed several times in which segment the remittances are invested. It is very important for Bangladesh as if the remittance can be invested properly it can give so many benefits like: contribute to the GDP, providing employment opportunities, guard against inflation, etc. In this segment we have tried to find out where and how much the migrants have invested their remittance. We have found that about 73.96% of the respondents have invested some of their remittance while other did not invest. Then we have asked the respondents to tell where they have invested. It has been found that 7.29% in buying tractor, 1.56% in buying pump, 5.73% in fish firm, 8.33% in poultry firm, 51.04% in land, 7.81% in small shop, 1.04% in rice mill, 9.90% in house for rent, 45.31% in house to live, 5.21% in buying apartment, 5.73% in share market, 3.13% in buying bonds. The statistics reveals a very disappointing fact that most of the migrants have invested in non-productive sectors like in buying lands and houses.

Next the question was asked to see the amount of money they have invested. The result is shown below in the Fig. 14.

Form the statistics above it can be stated that amount of investment is very high as more than 60% of the respondents have invested over Tk. 1 Lac. Although the amount invested is good enough but the sectors are not productive as discussed before. One positive thing that we can infer is that if some ways the migrants can be motivated to invest their remittance in productive sector it can brings benefits in so many folds.

6. Impact of remittance

Questions were asked to know the impact of the remittance to them in four different areas. The first area was children's education. The question was asked that whether the remittance has increased the opportunities for the education of their children and requested them to tell how much they agree or disagree with it. 50% of the respondents agree that the remittance did not increase the opportunities for their children's education, 25% are strongly agreed and 25% are strongly disagreeing. The second area was safe drinking water.

75% of the respondents do not agree that the remittance did not make the safe drinking water easily available for them, while the rest (25%) agree that it has made it available. The next area was the impact of remittance to the health of the family. 50% of the respondents strongly agree that it has improved situation, 25% agree, and the rest (25%) disagree. The last area was the improvement of the well-being. Not surprisingly 75% of the respondents strongly agree that it has improved and the rest (25%) agree with this. The statistics clearly shows that the main impact of remittance is for improving the well-being of their families.

VI. Figures and Tables

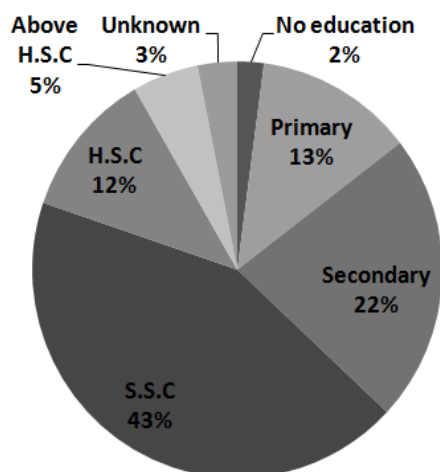


Figure-1: Education Status of all respondents

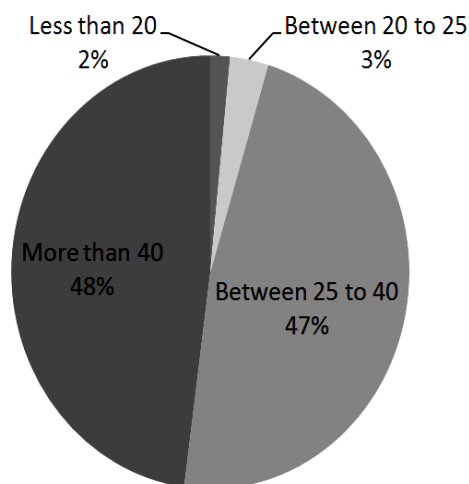


Figure-2: Age profile of the migrants

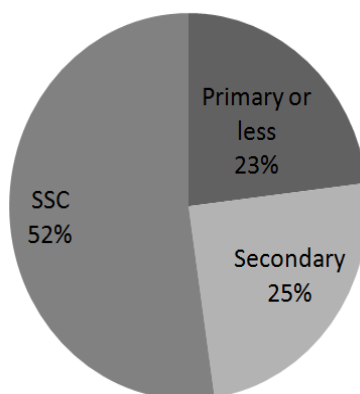


Figure-3: Education Status of the Aged (40 or more than 40) migrants

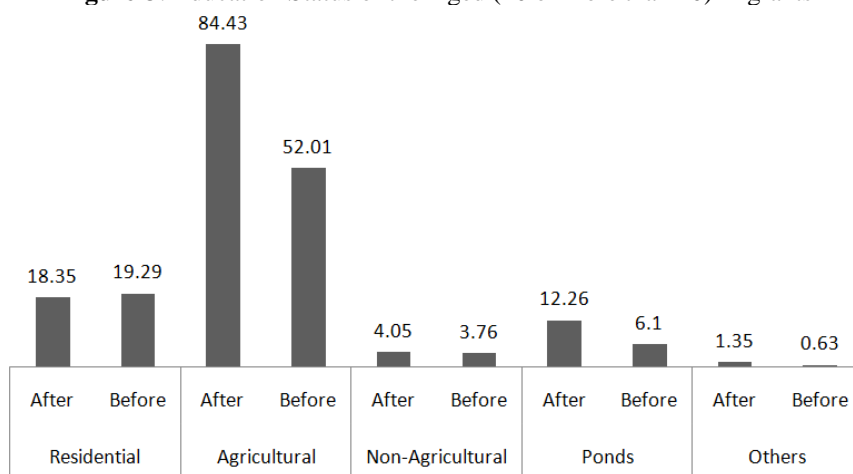


Figure-3: Amount (in Hundreds) of different types of Lands Before and after the migration

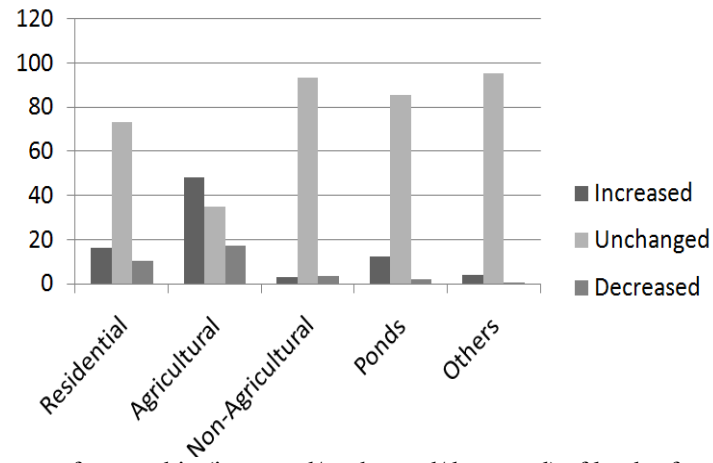


Figure-4: Status of ownership (increased/unchanged/decreased) of lands after the migration

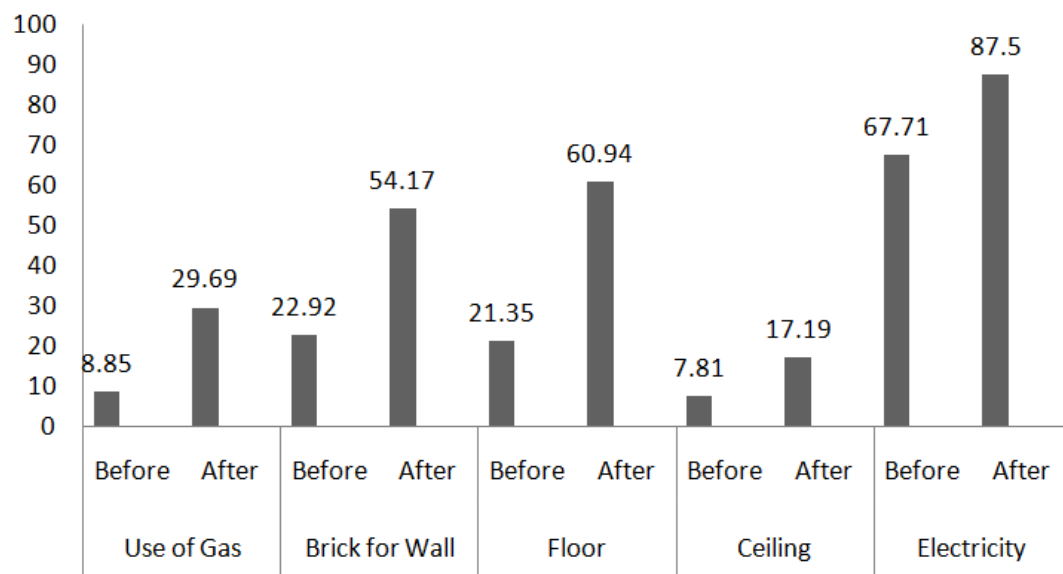


Figure-5: How the remittance impacts to the well-being of the family

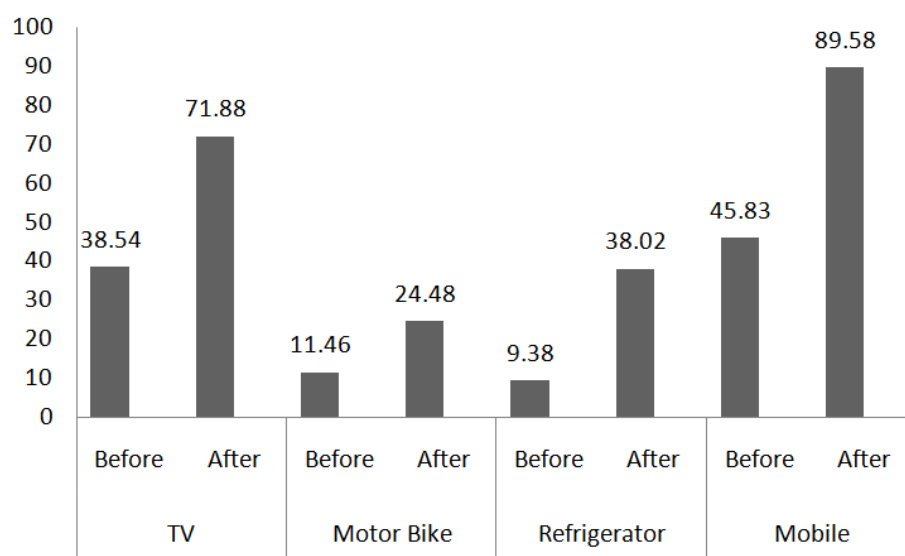


Figure-6: Use of utilities (Percent)

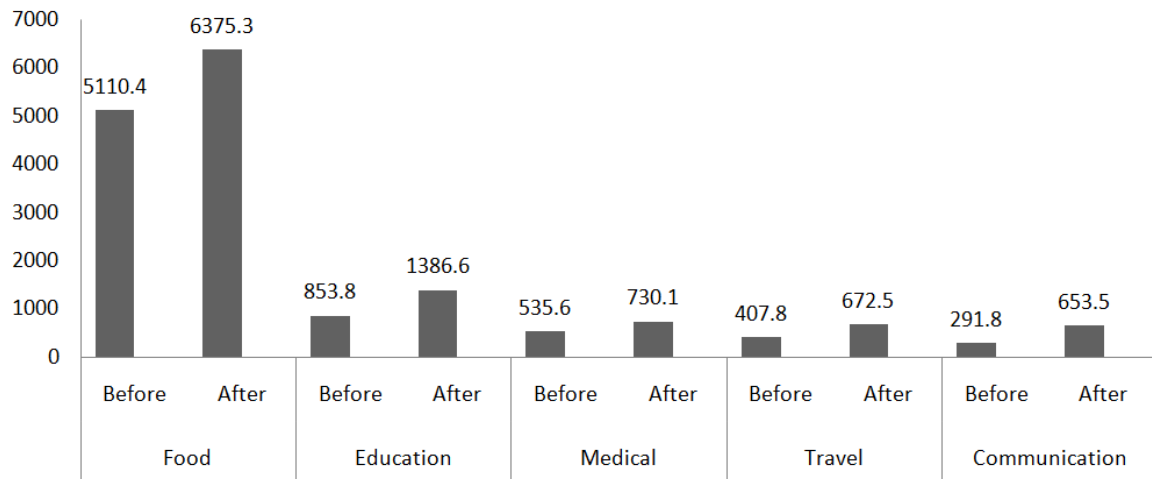


Figure-7: Impact of remittance to the expenditure (in BDT)

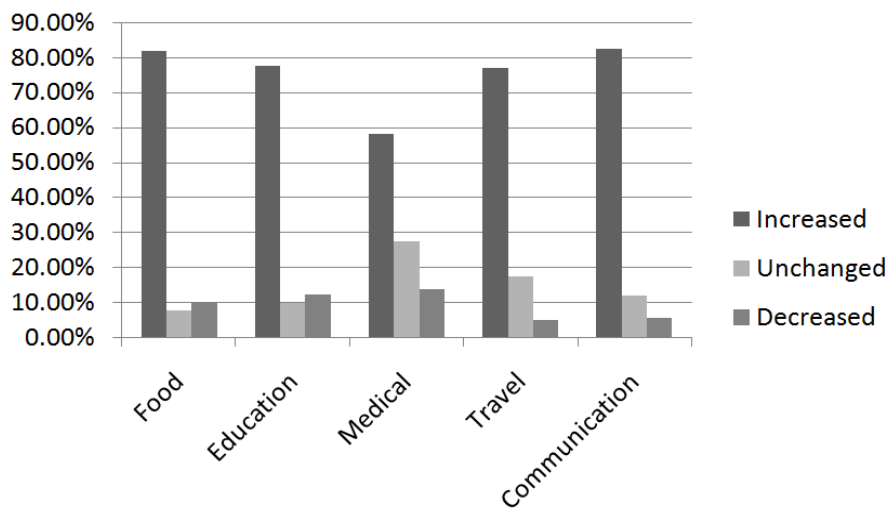


Figure-8: Status of expenditure before and after migration (Percent)

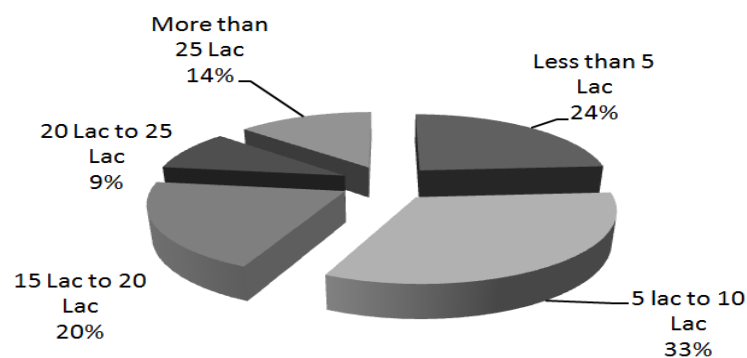


Figure-9: Earnings (in BDT) by the migrants

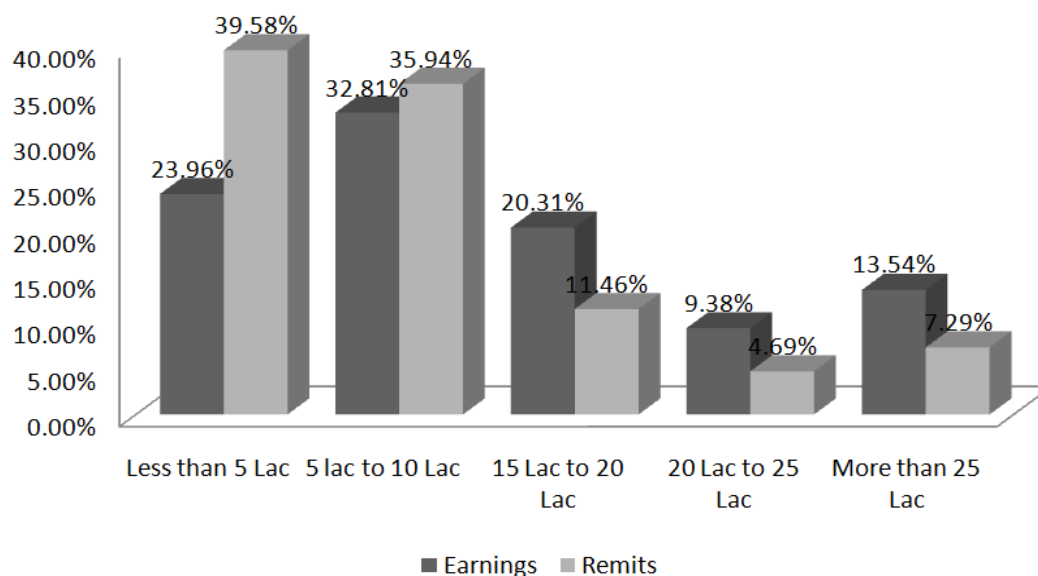


Figure-10: Earnings/Remits (in BDT)

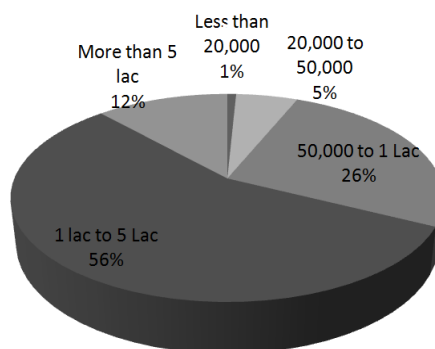


Figure-11: Remittance Saved by the migrants

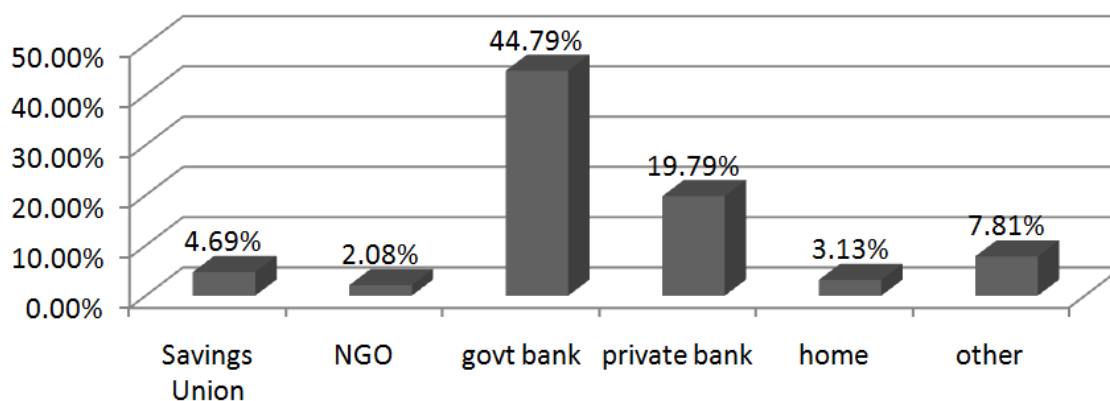


Figure-12: Where the remittance is saved?

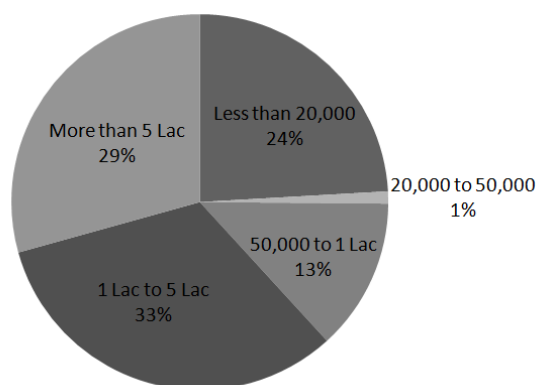


Figure-13: Remittances Invested by the migrants

VII. Conclusion

Bangladesh being the most densely populated country is facing enormous difficulties in managing employment opportunities for its vast population. In this context, overseas employment has created a new opportunity for the unemployed people. In fact, it has opened a huge manpower market for Bangladesh where the country could be a competent supplier. Overseas job opportunity has been contributing in changing positively the socio-economic condition of the country. Unfortunately due to some problems we cannot take the full benefits of this huge amount of remittance. We have found that migrants we have surveyed are middle aged, mostly illiterate with not much professional or technical training. Also, most of the migrants have utilized the remittance for increasing their wellbeing and not much they have invested or saved in productive sectors. There is absence of proper guidelines or policies from Government about the procedures or cost of going abroad, so there is a huge variation in the costs of going abroad. Some agents are taking the advantage of them charging different amount from the migrants. Our migrants have faced much difficulty while they were abroad.

Pertinent to this issue, the Government of Bangladesh should also give increased emphasis on the overseas employment issues in a situation when the country has created strong image and has many success stories and since the local job opportunities are very limited. Bangladesh needs to assess immediately its competitive position with its comparator countries namely, India, Sri Lanka, Pakistan, Nepal, Vietnam, Cambodia, Thailand, Mauritius, Indonesia, the Philippines, etc. Bangladesh can earn at least 300%-400% higher remittance through sending skilled and technically sound manpower instead of sending unskilled workers. Finally, the social issues need to be addressed while expanding overseas employment market for long term social stability and peace.

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