

Social Finance Programme

**Migrant Worker Remittances and Micro-Finance
in Bangladesh**

**Tasneem Siddiqui
Chowdhury R. Abrar**

(Refugee and Migratory Movements Research Unit)

September 2003

ISBN: 92-2-114914-5 (printed version)

ISBN: 92-2-114915-3 (pdf version)

Prepared for

Social Finance Programme
International Labour Office

Table of Contents

Executive Summary	1
1. Introduction.....	6
2. Origin and Scope of Migrants' Remittance.....	11
3. Survey of Remittance Receiving Families: Socio-Economic Profile.....	19
4. Survey of Remittance Receiving Families: Remittance Dynamics.....	29
5. Nature of Remittances and the Bangladeshi Migrants in UAE.....	49
6. Remittances Dynamics and Financial Institutions.....	63
7. Micro-Finance Institutions.....	88
8. Recommendations.....	101
References	
Appendix: List of Interviewees	

Executive Summary

This report assesses the scope and origin of migrant remittances in Bangladesh. It examines the current role of financial institutions in transferring remittance and macro-economic background against which such transfers takes place. It also evaluates current use of remittance, the characteristics and needs of remittance sending and remittance receiving persons. The study also explores the possible role of micro-finance institutions in attracting, transferring, and administering remittance.

Over the past 25 years labour migration from Bangladesh has registered a steady increase. From 1990 onwards on an average 2,25,000 Bangladeshis are migrating on short-term employment, mostly to 13 countries. In the past the bulk of the migrants consisted of professional and skilled labour. However, the recent trend is more towards semi- and unskilled labour migration.

Major outflow of Bangladeshi labour generated significant financial flow to the country in the form of remittance. However, due to increase in the flow of unskilled and semi-skilled labour, remittance is increasing at a much lower rate than the labour flow. Remittance is crucial for Bangladesh's economy. It constitutes almost one-third of the foreign exchange earning. In 1998-99, remittance contributed 22 percent in financing imports. Studies have shown it has strong positive impact on GDP, and also on consumption and investment.

Based on fieldwork in villages of Tangail and Chittagong, the study finds that the migration propensity is very high in the study areas with almost every second household having at least one member working overseas. For these households remittance is a major source of earning.

123 persons received remittance from the 100 households surveyed, which meant that in some families there was more than one remittance receiving person. More than half of the remittance sending persons was married, yet parents constitute the highest number of recipients of remittance. A large segment of the receivers were more than 50 years of age and more than half of them were illiterate. These are important factors in determining use of remittance.

The remittance sending members of these families on an average are staying for more than five years overseas. 76 percent of them were less than 35 years of age. One-tenth of the remittance sending persons was illiterate, and about 77 percent of them had an educational background from Class I to Secondary School Certificate. About 25 percent of remittance senders were students when they went abroad and another 25 percent were living off their own land. A large segment of them were working as construction labourers overseas, another group worked as agricultural labourers. UAE, Saudi Arabia and Singapore constituted the most of important destinations of these migrants.

If the migrant workers' total income abroad and the present family income from other sources is combined and then compared with the pre-migration family income, it registers an increase in total income by 119 percent. On an average, the interviewee households annually received about Tk.72,800 as remittance. This means that a typical migrant remits 55.65 percent of his income. Remittance constitutes 51.12% of the total income of these families.

Transfer of remittances takes place through different methods. 46% of the total volume of remittance has been channeled through official sources, around 40% through *hundi*, 4.61% through friends and relatives, and about 8 percent of the total was hand carried by migrant workers themselves when they visited home. Others include sell of work visas. Migrants sent work visa from his country of destination. Their families either sent another member abroad with that visa, or sold it for cash.

There is a difference between the total volume of transaction and the number of transactions. In the three-year period studied, remittance was transferred 1068 times. 52% of the total number of transactions took place through official channel. However, as seen earlier percentage of the total volume of remittance through this channel was 46%. There is also some variation in the average amount transacted under each method. Under official method the average amount was little more than Tk.17900, whereas the average amount per transaction under *hundi* was Tk.19500. However, the amount per transaction was the highest when it was personally carried by the migrant workers (Tk.145,000). On an average each of the household received remittance about 4 times per year. A few, of course, received remittance regularly each month.

The costs of receiving remittance through official and *hundi* channels were calculated. For official channel this included service charge, speed money, conveyance and other costs. The average cost per official transaction was found to be Tk.136.50. For *hundi*, at the receiving end, the costs involved phone charges, conveyance and remittance lost. For the 100 households such costs on average stood at Tk.75.53 per transaction.

Under official transaction, the time required for receiving cash after depositing the draft in the bank was 12.83 days. For *hundi*, the average time per transaction following receipt of information was 3 days.

From the pattern of use of remittance one finds that for some families remittance is the major source of income to maintain subsistence. However, remittance was also invested in other avenues. In the Bangladeshi context land is the safest and a very profitable investment. Therefore, receiving households made all kinds of land related investments, arable, homestead and commercial. Some of them have been successful in releasing mortgaged land and others had taken in land mortgaged as an avenue for income. In comparison to previous studies, investment in savings of these households was relatively low. A substantial portion of remittance was used to finance migration of other family members. Families saw this as a major investment for further enhancing their household income. Remittance senders also brought in items while they came on holidays or sent through friends. This included cassette player, radio, television, computer etc. If the amount is added with the total remittance in value terms its percentage share stands at 9.21%.

20 remittance-sending persons were interviewed in Dubai and Ajman cities of UAE. The interviewees represented different occupations: skill garments and factory workers, self employed, salaried employees, small enterprise owners and large enterprise owners. Except a few all were regular remitters. There was a degree of similarity in methods used in remittance transfer and average number of annual transactions per year between the experience of 100 remittance receiving households and the 20 remittance sending persons. However, the volume of remittance per transaction was relatively high in cases of 20 remittance-sending persons. This can be explained by the inclusion of persons who belonged to the high-income categories, remitting large amounts of money.

Information on two new aspects of remittance transfer was received from the sending persons, that was not possible to get from the receivers. These are transfer time and the costs of sending remittance from the sending end. The cost of transferring remittance in the official channel included service charge, postal charge and conveyance. It stood at Tk. 151 per transaction. For hundi the cost involved fax, phone and/or postal charges. None of the 20 interviewees lost money while sending money in this method. The average transaction cost for hundi was Tk. 52. If one adds the average costs for sending and receiving money through official and *hundi* methods, those would amount to Tk. 287.50 and Tk. 127.53 respectively. This may lead one to argue that the common perception that sending money through hundi does not involve cost, is not valid. Secondly, cost is not the major factor why people use informal methods, speedy transaction, less paper work and confidentiality are more important considerations.

The study also deals with the magnitude of unofficial transfer and the role that financial institutions play in transferring and utilising remittance. It identified several factors that work for a large portion of remittance to flow through unofficial channel. These include efficiency of the hundi channel, smuggling, exchange rate differentiation, need for recruitment fees in the destination countries, collusion of interest between business, banks and hundi operators.

Detailed discussions with high officials of central bank and other financial institutions lead us to believe that there is a growing awareness about the need to develop proper strategies and gear existing financial institutions, both government and privately for mobilization of resources. In that context, the Bangladesh government has adopted several policy measures that include encouraging Bangladeshi banks to open correspondent relationships with financial institutions in the destination countries, developing and liberalizing the existing financial instruments to attract the migrant remittances and promoting remittance by allowing it tax free status.

It was found that the government banks such as Sonali and Janata could not play desired roles in the UK and UAE respectively as they were handicapped by disbursement of loans on extra-financial considerations. Although developing correspondent relationship with banks and exchange houses has increased substantially, management of private banks argue that the authorities are unduly favouring government banks, by not allowing private banks to open branches in cities where Bangladeshi government banks are functioning. However, private banks, such as the Islami Bank, have made major advances in accessing the remittance of migrant

workers by undertaking innovative strategies at the ground level in destination countries.

The study found that not much of an effort has been geared by the financial institutions with regard to utilization of remittance. Their principal activity in this regard has been offering a few savings and investment instruments. Two private banks, BASIC and Islami Bank, with their small enterprise development and social development objectives respectively have developed some products they may be found attractive for the migrants to invest. A number of important observations made by those involved in the financial institutions have also included in the relevant section.

The role of micro-finance institutions in harnessing and utilization of remittance has been another important area of inquiry of this study. Bangladesh is in the forefront of micro-finance movement and Bangladeshi MFIs have been extremely innovative in different fields. A few Bangladeshi MFIs such as Grameen Bank, Bangladesh Rural Advancement Committee (BRAC) and Association for Social Advancement (ASA) have become models for replication worldwide. Until now Bangladeshi MFIs are not involved in remittance transfer. The existing legal framework under which they operate does not allow them to harness remittance or access them in the destination countries. However, senior management of two of the largest MFIs, Grameen and BRAC have stated that there is potential for their participation in the remittance transfer to development of correspondent relationships with banks and exchange houses abroad. Once the remittance is transferred to Bangladesh through their corresponding partners, MFIs such as Grameen and BRAC can transfer that remittance through their wide organizational network at the grassroots level. Both the institutions have about 1200 such branches countrywide.

Grameen is allowed under the present legal framework as the Ordinance under which it operates allows it to perform as bank, as long as it does not handle foreign exchange. BRAC and other MFIs require changes in legal framework to engage in financial transactions with non-members. Setting up of a BRAC Bank is under process. Once that institution comes into operation BRAC leadership is confident that they will be able to deliver remittance within 24 hours in any part of the country.

Some view that so far access to resource has not been a major problem for MFIs. Credit Development Forum, the caucus body of MFIs, thinks that donor funding, MFIs own Revolving Loan Fund, resources from Palli Karmo Shayok Foundation and local banks have so far been able to meet their liquidity needs on easy terms. Hence, there is no need or incentive for MFIs in Bangladesh to access remittance money.

The study found that none of the MFIs are involved in the utilization of remittances. There are instances where some MFIs were aware that their credit money was used to finance migration of members. However, none of the MFIs have developed any programmes targetting the remittance of migrant workers. In general, the MFI credit is geared to micro initiatives ranging from Tk. 5000 to Tk. 10,000. Over time, some entrepreneurs have emerged who can manage larger amounts of credit. In order to transform the micro-credit receivers into micro-entrepreneurs some MFIs have recently begun programmes such as MELA. Remittance receiving families could

benefit from such programmes if they could be linked with the innovative programmes that these MFIs are developing.

Both Grameen and BRAC believe that they will be able to tie up with the remittance receiving families once they are involved in the transfer process. In the mobilization of savings as well Grameen has a few financial products such as bond and mutual fund, which the migrant families can access. Legal framework under which BRAC and other MFIs operate does not allow them to encourage savings of those who are not their members. In that context, necessary changes are to be made in the legal framework for these MFIs to get involved in savings of the non-members. Of course, once BRAC Bank is in operation this impediment will no longer exist for BRAC.

1. Introduction

International migration of labour has become an integral part of the global economy. Almost all countries are involved in the migration process in one way or other. Some are participating as labour sending countries, some as receiving, and others as transit countries.¹ There has been a marked increase in the volume of migrant population. According to UNDP (1995) over 125m people i.e., one out of every forty-five, live outside their country of origin for various reasons. Between 1965 to 1975 the migrant population was growing on an average rate of 1.2%, from 1975 to 1985 this increased to 2.2% and from 1985 to 1990 period it became 2.6% (UN, 1997). If the 1985-90 growth rate persisted then the size of migrant population would have risen to 145m by 1998.

Increase in migrant flow is associated with growing flows of remittances. Global figures show that official remittances has increased from less than US\$ 2 billion in 1970 to US\$ 70 billion in 1995 (ILO, 2000). This does not include informal transfers. Micro-studies in countries like Pakistan, Philippines, has shown that only around half of the remittances are transferred through official channels and the rest finds their way in through different unofficial methods. Consequently the actual amount of remittance is likely to be at least double the officially recorded figures. Remittances play a central role in many labour sending economies. They provide a major source of income and foreign exchange. They also finance imports and contribute in meeting international financial obligations, such as debt servicing. Their level is often significant compared to the country's merchandise exports. In some labour sending countries the quantum of remittance has exceeded the quantum foreign aid received. In the resource scarce countries migrants' remittance has great potential to generate positive social and economic impact. However, it is generally believed that in most of the remittance receiving countries maximum benefit is not derived out of it.

¹ Of course in many cases countries are involved in more than one capacity i.e., both as receiver and sender.

Bangladesh is a huge labour surplus country. On an average, it exports about 225,000 people annually (1990-99). More than 25% of its foreign exchange earning is derived from the remittances of the migrant workers. However, this sector is yet to be efficiently organised. Very recently, initiatives are being taken to re-organise various aspects of the labour migration process involving government, civil society and development partners. This study aims to understand the nature of flow of the migrant worker remittances in Bangladesh, the role that financial institutions play in transfer of remittance and macro-economic background against which such transfers take place. It also attempts to gauge current use of remittances and the latent demand for innovative investment opportunities among remittance receiving persons.

Micro Finance Institutions (MFIs) have emerged as major actors in savings mobilization and credit disbursement at the grassroots level in Bangladesh. They are considered by different bilateral and multilateral agencies as one of the most sophisticated institutional networks available with some form of presence in over 80% of villages of the country (World Bank, 1996). They are also being credited for bringing about 20% of the country's population under credit schemes, mostly belonging to the bottom strata of the population. Their success in savings mobilization and collateral free credit delivery system and door to door services through contacts at the grassroots make them potential institutions for encouraging savings and investment of remittance in Bangladesh. The objective of the present study is also to explore the role that MFIs can play in ensuring efficient flow and effective use of remittance.

The specific objectives of the study are:

- to explore the scope and origin of migrant remittances in Bangladesh;
- to understand characteristics and needs of remittance-sending and -receiving persons;
- assess the characteristics, conditions and obstacles of the remittance transfer process;
- analyse the macro-economic conditions under which transfer of remittance takes place;

- to gauge potentials and constraints of gearing remittance towards productive investments
- to understand the extent of involvement of micro-finance and other institutions in attracting, transferring, and administering remittance, and
- to explore the potential role of these institutions in improving access to cheap, reliable and productive investment opportunities;
- to assess the role of other relevant actors.

Research Method

This study has two broad areas of enquiry: (a) extent of remittance flow and its current transfer process and (b) potentials of involvement of micro-finance institutions in remittance transfer and use. This requires information from varied organisations comprising of government institutions, banks (central and commercial), research organisations, remittance sending and remittance receiving persons, migrant workers' associations. Therefore, it is natural that the work would entail secondary and primary data generation by using different methodological techniques. The methodology used for conducting the study is discussed below:

Secondary Data

Over the last couple of years a few studies have been undertaken on labour migration from Bangladesh. These have been conducted on areas such as protection issues (Siddiqui,1998a), national legal framework on migration (RMMRU,1999), labour migration and trade unions (ILO,1999), female labour migration (Siddiqui,1999), recruitment and placement process (IOM,2000a) and returnee's rehabilitation (IOM,2000b). A few other studies have focussed specifically on remittance aspect (Mahmood,1996; Ahmad and Zohra, 1997, IOM 2000c). Besides, BMET and Bangladesh Bank have regular statistical updates on labour and remittance flows. All these constitute the secondary source of information for the study.

Primary Data

Primary data had to be generated for understanding the extent of remittance flow and its transfer process; for assessing levels of involvement of formal banks,

transfer agencies, savings banks, co-operatives, money couriers/hundi, central bank and different government ministries and agencies and also for gauging the role of MFIs in attracting, transferring and administering remittance. Therefore, research plan envisaged primary data generation at four levels: (a) survey of remittance receiving and remittance sending persons; (b) survey of MFIs; (c) survey of banks and other financial institutions; and (d) detailed interview of the senior government functionaries, representing different ministries and leading members of the private sector and civil society organisations including research institutions.

(a) Survey of Remittance Receiving and Remittance Sending Persons

This involved interviewing remittance sending and receiving persons. Interviews of sending and receiving persons would shed light on average amount of transfer, extent of formal and informal transfer, frequency of such transfer, use of remittance, needs of remittance sender and user, different methods applied by the migrants workers and their relative advantages etc. In conducting the interviews two sets of interview schedules had to be prepared. The schedules should contain both structured and open-ended questions. Data analysis was done using both qualitative and quantitative techniques. Quantitative data was processed by using SPSS software package.

The next stage of research designing involved selection of field study sites. Having higher incidence of migration of labour was used as the criteria for selecting field sites. This was done on the basis of BMET's data base. Two locations were identified in Chittagong and Tangail. These were Mirersharai in Chittagong and Kalihati in Tangail.

Field work took place in November 2000. 100 interviews were taken from 3 villages of Kalihati: Nagbari, Ratanganj, and Pakutia, and 3 villages of Mirersharai: Sonapahar, Madhyam Sonapahar and Gopinathpur. From each of these locations interviewees were randomly identified. The criterion for selecting the interviewee was those who have been receiving remittance for at least two years. However, two families were interviewed that were receiving remittance for one and a half years.

In understanding the dynamics of remittance transfer process it was equally important to examine the experience of remittance sending persons. Therefore, a fieldwork was also conducted in a labour importing country. UAE was selected, as it has been the third important source of remittance for Bangladesh. Moreover, it was relatively easy to get visa for such a trip. 20 persons were interviewed who have been sending remittance for at least two years. These interviews were done in two cities: Ajman and Dubai. Initial contacts were made with the migrant workers through the Bangladesh consulate in Dubai. Later, once the field work started network of migrant workers became the major source of contacts with the interviewees.

(b) Survey of Micro-finance Institutions

There are many different types and sizes of MFIs operating in Bangladesh. Some of the MFIs have national programmes, others operate locally. There also exists difference between these MFIs with regard to their savings and credit operationalisation process. Therefore, by taking inputs from a sizeable number of MFIs the study identified different types of roles they could play in attracting, transferring and administering remittance. Two methods were used to get inputs from the MFIs. Firstly, by interviewing key persons of selected MFIs and MFI related institutions, and secondly, interviewing the local officials of MFIs in the areas where the field surveys of remittance receiving persons were conducted. As part of the methodology of the study a workshop will be conducted with about 20 representative MFIs once the first draft of the report is prepared. This is planned in March 2001.

(c) Survey of Banks and other Financial Institutions

Many organisations are involved in transferring remittance, directly or indirectly, both in remittance sending and receiving countries such as the central bank, commercial banks, transfer agencies, savings banks, co-operatives, and national savings bureau. In order to understand their role interviews were conducted with representatives of these institutions.

(d) Interview of Government Functionaries and Representatives of other Institutions

Different government ministries are involved with labour migration. Labour and Employment Ministry is the line ministry concerned. The other concerned ministries are Finance and Planning. Key functionaries of these ministries were

interviewed for assessing the impact of macro economic policies on remittance. With regard to involvement of MFIs a major area of investigation should be government's legislative, regulative framework for MFI operation, fiscal and taxation policies regarding MFIs etc. There are two migrant workers associations in Bangladesh, the Welfare Association of Repatriated Bangladeshi Employees and Bangladesh Migrant Centre. Their support was sought in conducting interviews of remittance receiving persons for the study. Through interviews of their leaders the potential roles of these associations in this regard was assessed.

The report is divided into seven sections including introduction and conclusion. Section II highlights the scope, origin and importance of remittances in Bangladesh. Section III presents findings of survey of 100 remittance receiving households of Chittagong and Tangail. Section IV presents findings of 20 interviews of remittance sending persons from UAE. Section V identifies different agents currently operational in remittance transfer, and various methods of transfer. It also focuses on role formal financial institutions in the remittance transfer process. Section VI deals with the extent to which micro-finance institutions are involved in attracting transferring, and administering remittances and also evaluates the potentials of these organisations in improving access of migrant workers' families to cheap, reliable and productive investment opportunities. The last section draws conclusion on each of the areas of investigation and provides recommendations that may help develop strategies for ensuring efficient flow and effective use of remittances.

2. Origin and Scope of Migrants' Remittance

International labour migration from Bangladesh has a long history. In the early 1940s work opportunities in British merchant ships paved the way for migration for Bangladeshis. The migration route has taken various twists and turns since then, but voyages beyond borders in search of better life still continues unabated. The present form of labour migration, with which this study is concerned, mainly began in the 1970s to cater to the labour needs of the Middle Eastern countries. Gradually, such migration also expanded to the newly industrialised countries of Southeast Asia. The foremost character of this type of migration is its short duration. This migration takes

place on the basis of specific job contracts. Almost all of those who participate in this labour market return to Bangladesh on completion of their contracts. This section makes a cursory look into the existing data on the flow of migrant workers, their skill composition, destination countries and most importantly transfer of remittance through them to Bangladesh.

Flow of Migrant Workers

Systematic recording of information on migration of Bangladeshi workers began in the mid-70s. Bureau of Manpower, Employment and Training (BMET) of Labour Ministry, maintains the record. Table 2.1 captures the total number of 'official' flow of migrant workers over almost the past quarter of this century. The table suggests that the highest number of people migrating from Bangladesh was in the year 1997 (381,077). Also, the above table indicates the yearly average flow of around 200,000 workers; though such an average distorts the significant increase in the numbers from the early 1990s.

BMET has classified temporary migrant population into four categories. These are professional, skilled, semi-skilled, and unskilled. Doctors, engineers, nurses and teachers are considered as professionals. Manufacturing or garments workers are considered as skilled, while tailor, mason etc. as semi-skilled workers housemaid, cleaner, labourer are classified as unskilled. Table 2.1 shows that the skill composition of those who migrated over this period, in general, indicates a consistent level of comparatively high proportion of semi and unskilled migrant workers. However, from 1976 to 1981 the professionals and the skilled workers outnumbered the semi and unskilled ones, i.e., more than 50%. Generally, the proportion of professional and skilled on the one hand, and semi-skilled and unskilled, on the other hand, has been in the region of 4:6 over almost a quarter of a century. However, the least proportion of professional and skilled workers who migrated for work did so during 1996-1998, with the year 1997 seeing the least number of professional and skilled workers migrating for work (18%). Though the share of unskilled workers claims the major part (44%) among the whole bulk of the migrants, it has been showing a frequent fluctuating trend within the range of 31% to 53% during the period 1976-99.

Table 2.1: Total No. of People Officially Migrated Yearly, Their Skill Composition and Remittance Sent by Them During 1976-2000

Year	Professional	Skilled	Semi-Skilled	Un-Skilled	Total	Remittance (US\$ Million)
1976	568	1,775	543	3,201	6,087	23.71
1977	1,766	6,447	490	7,022	15,725	82.79
1978	3,455	8,190	1,050	10,114	22,809	106.90
1979	3,494	7,005	1,685	12,311	24,495	172.06
1980	1,983	12,209	2,343	13,538	30,073	301.33
1981	3,892	22,432	2,449	27,014	55,787	304.88
1982	3,898	20,611	3,272	34,981	62,762	490.77
1983	1,822	18,939	5,098	33,361	59,220	627.51
1984	2,642	17,183	5,484	31,405	56,714	500.00
1985	2,568	28,225	7,823	39,078	77,694	500.00
1986	2,2210	26,294	9,265	30,889	68,658	576.20
1987	2,223	23,839	9,619	38,336	74,017	747.60
1988	2,670	25,286	10,890	29,356	68,121	763.90
1989	5,325	38,820	17,659	39,920	101,724	757.84
1990	6,004	35,613	20,792	41,405	103,814	781.54
1991	9,024	46,887	32,605	58,615	147,131	769.30
1992	11,375	50,689	30,977	95,083	188,124	901.97
1993	11,112	71,662	66,168	95,566	244,508	1,009.09
1994	8,390	61,040	46,519	70,377	186,326	1,153.54
1995	6,352	59,907	32,055	89,229	187,543	1,201.57
1996	3,188	64,301	34,689	109,536	211,714	1,355.34
1997	3,797	65,211	193,558	118,511	381,077	1,525.03
1998	9,574	74,718	51,590	131,785	267,667	1,599.24
1999	8,045	98,449	44,947	116,741	268,182	1705.74
2000 (Jan. March)	202	20853	5515	17791	46271	1949.32
Total	108,569	798,860	591,506	1,180,146	2,679,171	19,907.17

Source: Prepared from BMET and Bangladesh Bank Data 1999.

Increase in the flow of semi-skilled and unskilled workers in proportion to professionals indicates two things. Firstly, Bangladesh hardly took into account that in order to advance and protect its international market of professional and skilled workers it needed to invest in development of its human resources in accordance with the market need. Failing to do so has resulted in losing its traditional market to other competing countries and also to newly emerging ones. Secondly, according to migration experts (Shah, 1995:18), during the early years of the oil hike, the Middle Eastern countries mostly needed professional and skilled persons for their rapid infrastructure development. The 1990s saw the gradual slowing down of the pace of infrastructure development. This does not mean that there has been an overall

reduction in the need for labour. Rather, these economies now need more semi-skilled and unskilled labour for maintenance purpose and domestic work. Both the arguments hold some ground.

Destination

Bangladesh export migrant workers to 13 Middle Eastern and North African countries. Only 8 countries among them, account for more than 82% (24,10,690) of the total migrants till now (Siddiqui, 1998). These countries are Saudi Arabia, UAE, Kuwait, Qatar, Iraq, Libya, Bahrain and Oman of which Kingdom of Saudi Arabia, alone accounts for nearly half of the total number of workers who migrated from Bangladesh during the period 1976-99.

Saudi Arabia is the largest employer of Bangladeshi migrant workers. From 1976 to February 1999 altogether 2,679,171 people have migrated from Bangladesh on overseas employment. Of this figure 1,126,539 have gone to Saudi Arabia during this period. In 1998 alone altogether 267,667 persons went overseas on employment; more than half the number, i.e., 158,715 had gone to Saudi Arabia. From the late 1980s to 1997 Malaysia used to be the second largest employer of Bangladeshi migrant workers. However, due to financial crisis, the number of Bangladeshis migrating to Malaysia fell drastically. If one counts the total number of people from 1976 to 1999, Malaysia still stands in the second position among the Bangladeshi labour importing countries (3,85,019). Other major countries of destination for migrant workers are UAE, Kuwait, Oman, Qatar, and Bahrain.

Table 2.2: Migration by Country of Employment (1976-2000 (March))

Country	K.S.A	Kuwait	U.A.E	Qatar	Iraq	Libya	Bahrain	Oman	Malaysia	Korea	S.Pore	Others	Total	Remittance	
Year														Million US	(Crore Tk.)
1976	217	643	1989	1221	587	173	335	113				809	6087	23.71	35.85
1977	1379	1315	5819	2262	1238	718	870	1492				632	15725	82.79	125.16
1978	3212	2243	7512	1303	1454	2394	762	2877	23			1029	22809	106.9	165.59
1997	6476	2298	5069	1383	2363	1969	827	3777			110	223	24495	172.06	266.95
1980	8695	3687	4847	1455	1927	2976	1351	4745	3		385	2	30073	301.33	492.95
1981	13384	5464	6418	2268	13153	4162	1392	7352			1083	1111	55787	304.88	620.74
1982	16294	7244	6863	6252	12898	2071	2037	8248			331	524	62762	490.77	1176.84
1983	12928	10283	6615	7556	4932	2209	2473	11110	23		178	913	59220	627.51	1568.76
1984	20399	5627	5185	2726	4701	3386	2300	10448			718	1224	56714	500	1265.49
1985	37133	7384	8336	4751	5051	1514	2965	9218			792	550	77694	500	1419.61
1986	27235	10286	8790	4847	4728	3111	2597	6255	53		25	254	68658	576.2	1752.85
1987	39292	9559	9953	5889	3847	2271	2055	440				711	74017	747.6	2313.94
1988	27622	6524	13437	7390	4191	2759	3268	2219	2			709	68121	763.9	2423.59
1989	39949	12404	15184	8462	2573	1609	4830	15429	401		229	654	101724	757.85	2446
1990	57486	5957	8307	7672	2700	471	4563	13980	1385		776	517	103814	781.54	2691.63
1991	75656	28574	8583	3772		1124	3480	23087	1628		62	585	147131	769.3	2818.65
1992	93132	34377	12975	3251		1617	5804	25825	10537		313	293	188124	901.97	3513.26
1993	106387	26407	15810	2441		1800	5396	15866	67938		1739	724	244508	1009.09	3986.97
1994	91385	14912	15051	624		1864	4233	6470	47826	1558	391	2012	186326	1153.54	4629.63
1995	84009	17492	14686	71		1106	3004	20949	35174	3315	3762	3975	187543	1201.52	4838.31
1996	72734	21042	23812	112		1966	3759	8691	66631	2759	5304	4904	211714	1355.34	5685.3
1997	106534	21126	54719	1873		1934	5010	5985	152844	889	27401	2762	381077	1525.03	6709.15
1998	158715	25444	38796	6806		1254	7014	4779	551	578	21728	2602	267667	1599.24	7513.18
1999	26286	3324	39120	864		239	666	713		136	1000	563	268182	1806.63	8882.74
2000 (Jan-March)	32701	278	7014	715		484	815	1220	30	264	2584	166	46271	478.50	2440.34
Total	1318693	302970	338114	90713	66343	46686	75779	214620	385526	10864	78087	13139	2956243	18537.19	69783.48

Source: Prepared from BMET and Bangladesh Bank data 2000

Flow of Remittance

The massive outflow of Bangladeshis generated significant financial flows, in the form of remittances, which have become a valuable and inexpensive source of foreign exchange available for economic development of the country.

Information on the annual flow of remittance from migrant workers is not available from BMET. The Statistics Department of Bangladesh Bank records the annual flow of remittance from all over the world. Table 2.2 also shows that the remittance sent by migrant workers has grown over time. It has increased from a paltry figure of US\$23.71m (1976) to US\$1806.63m (1999). Nonetheless, it is important to note that the yearly growth rate of remittance is much less than the growth rate of the total number of migrant workers.

Table 2.3. Percentage increase/decrease in number of migrants and remittance over the previous year²

Year	Number of migrants	Increase/Decrease %	Remittance (us \$ million)	Increase/ Decrease %
1976	6,087		23.71	
1977	15,725	158.33	82.79	249.18
1978	22,809	45.04	106.90	29.12
1979	24,495	7.39	172.06	60.95
1980	30,073	22.77	301.33	75.13
1981	55,787	85.51	304.88	1.18
1982	62,762	12.5	490.77	60.97
1983	59,220	5.64	627.51	27.86
1984	56,714	4.23	500.00	20.32
1985	77,694	36.99	500.00	0
1986	68,658	11.63	576.20	15.24
1987	74,017	7.8	747.60	29.74
1988	68,121	7.97	763.90	2.18
1989	101,724	49.33	757.84	0.79
1990	103,814	2.05	781.54	3.12
1991	147,131	41.72	769.30	1.56
1992	188,124	27.86	901.97	17.24
1993	244,508	29.97	1,009.09	11.87
1994	186,326	23.79	1,153.54	14.31
1995	187,543	0.65	1,201.57	4.16
1996	211,714	12.89	1,355.34	12.79
1997	381,077	79.99	1,525.03	12.52
1998	267,667	29.76	1,599.24	4.86
1999	268,182	0.19	1806.63	12.96
TOTAL	2,909,972		18058.74	

Source: Prepared from BMET and Bangladesh Bank data.

In terms of the total amount of remittance, the number of migrants does seem to have a determinable co-relationship. This can be seen from the figures of percentage increases as shown in the next table. Evidently, except 1977, the increase

² Bureau of Manpower, Employment and Training (BMET), 1999.

or decrease in the number of migrants workers in a given year over those of the previous years do not correspond with a reliable increase or decrease in the amount of remittance. The largest yearly increase of remittance over the previous year occurred in 1980 (75.13% more than 1979), though the number of migrants over the past year increased by only 22.77%. Similarly, the largest increase in the number of migrant workers over the previous year occurred in 1981 when 85.51% more migrant workers left for abroad but the increase in remittance in that year over the previous year was virtually unchanged (increase of 1.18% only). The year showing the next highest increase in the number of migrants (1997 over 1996, increasing by 79.99%) also did not indicate a corresponding increase in the amount of remittance sent to Bangladesh.

It is understood that migrating abroad for work may not lead to immediate remittance as the initial expenditure in terms of settling down, purchase of goods for own use, etc., may delay the process of remittance. However, even a two year lag does not indicate an increase in remittance corresponding to the number of migrants workers of the last two years. During the last two decades, the remittance flow broadly indicates an average yearly increase of around 10%.

The problem regarding Bangladesh Bank data is that it provides aggregated data on remittance received from abroad. This means it includes remittance sent by short-term contract migrants, permanent settlers, and other long-term immigrants. An analysis of country-wise data suggests that the bulk of the remittance was received from the Asian countries. From 1991 to 1996 this amounted to 82.72% of the total remittance, whereas only 13.88% was received from the western countries that host permanent or long-term residents. The rest of the 3.29% of the remittance received was from other minor recipient countries that include both Asian and western countries other than those named (Siddiqui, 1998:8). Therefore, it is evident that a significant section of remittances is sent by the short-term migrant workers of Asia.

Remittances and Macro-Economic Indicators

The latest official information, reported by The Daily Star on the 23rd April, 1999 reveals that: “Bangladesh earned remittance of US\$ 1525.03 million against manpower export of 381,077 in 1997, while 1599.24 million US Dollars [sic] earned against manpower export of 267,667 in 1998.”

There is a general agreement that conducive macro-economic climate and innovativeness of the financial sector have major ramifications for inflow of remittance into migrant workers' home countries. Flow of remittances has been crucial for Bangladesh economy. In 1977-78 remittances constituted 14.5 percent of total foreign exchange earnings. The share of remittance rose to 40.4 percent in 1982-83 before it registered a decline. Remittance has been mainly used to pay for the import bill. Its contribution to financing imports rose from a paltry 8.4 percent in 1977-78 to 26.7 percent in 1982-83. In 1998-99 the figure stood at 22 percent. Bangladesh's export earnings can finance a little more than half of the total import bill. In that context remittance also has a major role in maintenance of balance of payments.

An IOM study (2000a) finds that an increase in remittance by one million Taka would result in an increase in national income by Tk. 3.33 million. The study concludes that remittance has a strong positive impact on GNP, consumption, investment and imports.

Earnings of Migrant Workers have been used for meeting import bills by selling to the importers through the Wage Earners' Scheme/ Secondary Exchange Market. Another study (IOM, 2000b.) finds that imports of consumption goods was emphasised rather than capital goods, while some raw materials imported are essentially converted into luxury goods. The study observes "As a result the remittances fail to be utilised for investment purposes".

The contribution of remittance to GDP has registered a major growth from a meagre 1 percent in 1977/78 to 5.2 percent in 1982/83. In the 1990s the ratio hovered around 4 percent. However if one takes account the unofficial flow of remittance its contribution to GDP would certainly be higher at least by a few percentage points.

Remittance constituted a very important source for the country's development budget. Although its share remained below 20 percent in the late 1970s, in the 1980 the figure rose to 40. For certain number of years in the 1990s remittances contribution rose to more than 50 percent of the countries development budget. If one compared remittances with foreign aid, one finds that over time the proportion of

remittances has increased significantly over foreign aid, particularly in recent years. Despite the sluggish growth in remittance flow during the period, such a trend can be explained by declining disbursement of foreign aid.

One can conclude that remittance has a major role in Bangladesh economy. Not only it provides valuable foreign exchange that the country needs, it also has an important multiplier effect on GDP as well as in other macro-economic determinants.

3. Survey of Remittance Receiving Families: Socio-Economic Profile

Sections III and IV present the findings of the fieldwork conducted in six villages of Chittagong and Tangail under Mirerشارai and Kalihati thanas respectively. Villages under Mirerشارai than are Shonapahar, Maddhyam Shonapahar and Gopinathpur. Under Kalihati thana villages covered by the study are Nagbari, Ratanganj and Pakutia. The people of these villages are predominantly dependent on agriculture for their livelihood. Only Ratanganj was a traditional market place for the surrounding villages. The number of persons interviewed in each of the two study areas is fifty. This section presents basic socio-economic and migration history related data of 100 remittance receiving families. Issues covered are type, size and income of the remittance receiving families; age, sex, occupation and educational background of both remittance receiving and remittance sending persons of the families concerned. Section IV highlights on different aspects of remittance transfer process, pattern of remittance flow and nature of its use by the remittance receiving families.

Type and Size of Family

Family is defined as members of a social unit residing in the same compound and eating from the same kitchen. In this study the migrant worker has also been accounted for in the family structure although he resides overseas. Three types of family structures have been identified: extended, joint and nuclear. Nuclear family is comprised of migrant worker, his wife and children. In case of unmarried migrant workers it will include his parents, brothers and sisters; joint family includes migrant worker, his parents, brothers and sisters, and if married, his wife/children; whereas extended family includes migrant worker's own immediate family, and parents'

brothers and sisters and their families. The migrant households under the study mostly represent joint families (63). Only one household represented extended family and 36 households were nuclear families.

Table 3.1. Type and Size of Family

Type	Mirersharai	Kalihati	Total
Extended	1	0	1
Joint	30	33	63
Nuclear	19	17	36
Total	50	50	100

Table 3.2. Number of Family Members

Area	Male	Female	Total
Mirersharai	122	164	286
Kalihati	154	160	314
Total	276	324	600

Table 3.2 shows that the average family size of the respondent households at 6 with a total membership of 600. Of them, 276 are males and 324 are females. The lowest number of family member is 1 and the highest is 17. The seventeen-member household represents a joint family Naghbari of Kalihati which includes parents, brothers' families and migrant worker's family.

Family Income

Table 3.3 shows that the present average family income per month is Tk 16,699.25. The family income is higher in Kalihati (Tk 18,071.50) than Mirersharai (Tk 15,327). The highest income earning family belongs to Kalihati (Tk 68,300 per month) and the lowest income earning family belongs to Mirersharai and the income recorded is Tk 2,500. The highest income earning family is from Ratangonj of Kalihati. Son of this family leaves in Italy since 1993. The lowest income earning family belongs Gopinathpur of Mirersharai. Migrant worker himself is the only earning member of that family. He was working in U.A.E and did not have any particular occupation their.

Table 3.3. Present Income of Remittance Receiving Families (in Taka)

Area	No. of Family	Average	Lowest	Highest	Total
Mirersharai	50	15,327	2,500	60,000	7,66,350
Kalihati	50	18,071.50	3,000	68,300	9,03,575
Total	100	16,699.25	2,500	68,300	16,69,925

Migration Experience of Family Members and Relatives

A number of interviewee households had experience of multiple migration. Table 3.4 shows that 66 of these 100 households had at least one or more family members or close relatives, either residing abroad during the interview or had previous international migration experience. Migration propensity is higher in Mirersharai with 40 out of 50 households having other migration experience. In contrast only 26 of the 50 households of Kalihati had that experience.

Table 3.4. Migration Experience of the Family

Area	No	Yes	Total
Mirersharai	10	40	50
Kalihati	24	26	50
Total	34	66	100

Information on Remittance Receiving Persons

Table 3.5 shows the number of persons from each family receiving remittance. It states that in as many as 80 families, 1 person receives remittance. In case of 17 families 2 persons receive remittance. And in 3 families 3 persons receive remittance. Therefore the total number of remittance receiving persons is 123.

Table 3.5. Number of Persons Receiving Remittance

Number of persons	Chittagong	Tangail	Total Families
1	37	43	80
2	11	6	17
3	2	1	3
Total	50	50	100

Table 3.6. Relationship of the Remittance Receiving Persons with the Migrant Worker

Relationship	Mirersharai	Kalihati	Total
Wife	18	9	27
Father	21	29	50
Mother	15	6	21

Brother	9	12	21
Others	2	2	4
Total	65	58	123

Table 3.6 shows that in most of the cases remittance is received by the father of the migrant worker. The next largest category is wife, followed by mother and brother. 53 of the remittance senders are married, yet only 27 of the receivers are wives. In other words, some of the married migrants also send remittance in the name of father, mother or brother. There could be many reasons for that. Most important perhaps is prerogative of the family patriarch to handle the family accounts. Other reason could be the wife is illiterate, may not have a bank account in her name or the husband lacks confidence on the wife's ability to manage remittance.

In order to understand the nature of use of remittance it is important to know the basic characteristic of those who are receiving it, whether they have the capacity to ensure effective utilization of the money, and their age, educational, and occupational background. Table 3.7 shows the age of the remittance receiving persons. The highest number of remittance receiving persons belong to the age category of 51 and above. In comparison to Kalihati (15) persons belong to this age group, is much higher in Mirersharai (28). Higher age may work as a barrier in investment of remittance in non-traditional economic ventures.

Table 3.7. Age of Remittance Receiving Persons

Age	Mirersharai	Kalihati	Total
Up to 20	2	1	3
21-25	6	3	9
26-30	7	6	13
31-35	9	8	17
36-40	6	6	12
41-45	2	6	8
46-50	4	12	16
51 above	30	15	45
Total	66	57	123

Table 3.8. Educational Background of Remittance Receiving Persons

Level	Mirersharai	Kalihati	Total
Illiterate	34	23	57
Class 1 to 5	7	11	18

Class 6 to 10	12	8	20
S.S.C.	7	8	15
H.S.C.	4	5	9
BA/BSc	2	1	3
Vocational Training		1	1
Total	66	57	123

In Table 3.8 it is shown that 57 of the remittance receiving persons are illiterate. This can be a handicap for them to process papers for transferring remittance through official channels.

Table 3.9. Occupational Pattern of Remittance Receiving Persons

Occupation	Mirersharai	Kalihati	Total
Salaried employee (formal)		1	1
Salaried employee informal		1	1
Salaried officer (formal)		2	2
Teacher		3	3
Share cropper/ Agricultural labour	4	3	7
Land owning farmer	17	19	36
Welding mechanic		1	1
Artisan/boat man	1	3	4
Money Transfer (<i>Hundi</i>)		1	1
Retired	2		2
Unemployed	1	1	2
Student		1	1
House wife	34	13	47
Business	7	7	14
Others		1	1
Total	66	57	123

Table 3.9 shows the occupational pattern of the remittance receiving persons. 123 remittance receiving persons represent 17 types of occupational category. This ranges from various forms of formal and informal salaried officers, employees to those involved in teaching, agriculture and other skill worker such as welder, artisan and boatman. 45 of them were housewives. And the next highest number of them belongs to land owning agricultural households (34). If compared between Mirersharai and Kalihati, highest number of remittance receiving persons are housewives whereas in Kalihati it is the land owning agricultural households. This, among other things, show that the Migrant worker are originating from relatively better-off families.

Table 3.10. Number of Remittance Receiving Persons with Bank Account

Bank Account	Mirersharai	Kalihati	Total
Yes	42	46	88
No	23	12	35
Total	65	58	123

Table 3.10 shows that 88 remittance receiving persons have their own bank accounts. This means that they have access to formal channel of remittance transfer. In comparison to Mirersharai, more persons of Kalihati have bank accounts.

Information on Remittance Sending Persons of 100 Families

In this section some basic information on the remittance sending persons of these 100 interviewee families are provided. Table 3.11 presents the age of the remittance senders during his first migration and at present. The table shows that 13 were less than 20 years when they first migrated. At present 92 of the migrant workers are less than 35 years of age. This highlights that migrant population is very young and they spend the most productive years of their lives abroad.

Table 3.11. Age of Remittance Sending Persons at Time of First Migration and at Present

Age Group	Present Age			At First Migration		
	Mirersharai	Kalihati	Total	Mirersharai	Kalihati	Total
Up to 20				5	8	13
21-25	5	17	22	22	25	47
26-30	19	18	37	9	9	18
31-35	9	8	17	8	6	14
36-40	10	5	15	3		3
41-45	5		5	3	2	5
46-50	2	2	4			
Total	50	50	100	50	50	100

Table 3.12. Educational Background of Remittance Sending Persons

Area	Illiterate	Class 1 to 5	Class 6 to 10	SSC	HSC	BA/BSC	Others	Total
Mirersharai	8	6	17	11	5	2	1	50
Kalihati	4	12	20	11	2	1		50
Total	12	18	37	22	7	3	1	100

Table 3.12 shows the educational background of the remittance sending persons. There is hardly any difference among the remittance sending persons of Kalihati with that of Mirersharai. From both the areas most of the migrants belong to the educational category of Class six to ten. The number of migrants who have passed the SSC examination is equal in both the areas. Altogether 12 persons, 8 from Mirersharai and 4 from Kalihati are illiterate while 3 have completed up to Bachelor's degree.

Table 3.13. Marital Status of Remittance Sending Persons

Person	Mirersharai	Kalihati	Total
Married	33	20	53
Unmarried	17	30	47
Total	50	50	100

More than half of the remittance sending persons are married. However the number of married people is higher in Mirersharai. This tallies with the data on age. The average age of remittance senders from Mirersharai is relatively higher than those from Kalihati.

The table on occupation shows that a large section of the remittance senders were students and land-owning farmers before migration. The next highest category was business. Pre-migration occupational pattern also shows that those who have migrated mostly owned land or had business. In the country of migration, the highest number of migrants (30) are involved in construction work. Among them 25 are unskilled construction workers and 5 of them are skilled. Altogether 21 of the migrants are employed in different types of formal and informal jobs. Almost one-half (24) the migrants from Kalihati work as unskilled construction labour whereas 16 others from Mirersharai work as agricultural labour in the destination countries.

Table 3.14. Occupational Pattern of Remittance Sending Persons before Migration and at Present by Area

Occupation	Before Migration			In the Host Country		
	Mirersharai	Kalihati	Total	Mirersharai	Kalihati	Total
Salaried employee (formal)	3	3	6	4	4	8
Salaried employee (informal)				1	8	9
Salaried Officer (formal)	1		1		1	1
Computer Operator				3	1	4
Sales man				5	1	6
Agriculture labour	5	5	10	16	2	18
Agriculture in own land	19	6	25			
Tailor					1	1
Driver (non-mechanised)	1		1			
Transport labour				3	1	4
Non-agricultural labour					1	1
Unskilled construction labour				1	24	25
Poultry/Miscellaneous	8	14	22	5	1	6
Skilled Garments labour				2		2
Electrician		1	1	1		1
Welding Mechanic	1	1	2	2		2
Artisan/Weaver/Boat man		1	1			
Skilled Constriction Labour	2	2	4	5		5
Visa buying and selling		1	1	2		2
Unemployed		1	1			
Student	10	15	25			
Others					5	5
Total	50	50	100	50	50	100

Destination Country of Migration

Table 3.15 presents destination countries of the 100 remittance receiving persons covering their all migration experiences. It shows that 2 of these 100 remittance senders migrated three times and 22 of them migrated two times. This does not include migrants returning to their destination countries after spending holidays in Bangladesh. This only includes new migration with new work contract. The major destination of their current migration is UAE. 37 of the total were currently working in the UAE. Saudi Arabia was the second largest destination, with Singapore being the third largest. The countries in others for current migration include Pakistan and Italy. Singapore constituted the most important destination for the second migration

experience. One of the two who migrated for the third time went to Singapore and the other to Iran.

Pattern of migration from both source areas suggests that migrants from Mirersharai have mostly gone to UAE followed by Oman. All 37 who had gone to UAE originated from Mirersharai. On the other hand, Saudi Arabia constituted the most important destination for those who migrated from Kalihati, followed by Singapore. Of the 28 persons who went to Saudi Arabia, 26 hailed from Kalihati. None of the migrants from Mirersharai went to the South-east Asian countries.

Table 3.15. Countries of Destination of the Remittance Senders by Area

Country Name	Current Migration			2 nd time			Before than that		
	Mirersharai	Kalihati	Total	Mirersharai	Kalihati	Total	Mirersharai	Kalihati	Total
Saudi	2	26	28	1	4	5			
Kuwait	2	4	6						
UAE	37		37	3		3			
Korea		1	1						
Singapore		13	13	1	8	9		1	1
Malaysia		4	4		2	2			
Oman	6		6	1		1			
Lebanon				1		1			
Qatar	2		2						
Oman				1		1			
Others	1	2	3	1		1	1		1
Total	50	50	100	9	14	23	1	1	2

Table 3.16 provides information on years of current migration second migration and first migration. The table indicates that 58% of the workers migrated between the years 1996-2000 for their current migration.

Table 3.16. Total Migration Experience

Year	First time	2 nd time	3 rd time
1975-1980	1	2	1
1981-1985	3	2	1
1986-1990	3	5	
1991-1995	35	9	
1996-2000	58	4	
Total	100	22	2

Duration of Stay Overseas

Table 3.17 shows that 100 remittance senders altogether, covering their current, second and first migration, stayed abroad on an average 5.89 years. Their average stay overseas under current migration is 5.18 years. Migration experience has been relatively longer for those from Mirersharai over those from Kalihati. The average stay overseas (combining multiple migration) of those from Mirersharai stood at 7.29 years, whereas of those who went from Kalihati stood at 4.50 years.

Table 3.17a. Duration of Overseas Stay (In years)

Area	No	Average	Lowest	Highest	Total
Kalihati	50	4.50	2.00	9.00	225.00
Mirersharai	50	7.29	1.50	22.00	364.50
Total	100	5.8950	1.50	22.00	589.50

Table 3.17b. Cost of Current Migration

Area	No	Average	Lowest	Highest	Total
Mirersharai	50	80,932	3,000	1,50,000	40,46,600
Kalihati	50	1,41,848	60,000	3,50,000	70,92,400
Total	100	1,11,390	3,000	3,50,000	1,11,39,000

Table 3.18. Sources of Cost for Migration

Sources	Mirersharai			Kalihati			Total		
	No	Sum	%	No	Sum	%	No	Sum	%
Own Saving	24	892600	22.058	24	1051100	14.82	48	1943700	17.45
From Family (Without interest)	23	857000	21.178	25	1411800	19.91	48	2268800	20.37
From family (With interest)	1	23000	0.568	2	130500	1.84	3	153500	1.38
Loan from money lender	13	383000	9.465	23	1074000	15.14	36	1457000	13.08
Loan from Bank	1	5000	0.124	4	69000	0.97	5	74000	0.66
Loan NGO				1	25000	0.35	1	25000	0.22
Loan to be repaid by working aboard	10	597500	14.765	8	575000	8.11	18	1172500	10.53
Land sale	16	775500	19.164	16	1163400	16.40	32	1938900	17.41
Land mortgage	9	215000	5.313	20	971000	13.69	29	1186000	10.65
Sale of property (Gold/House)	8	157000	3.880	8	277200	3.91	16	434200	3.90
Sale of property (Cattle, tree)	3	31000	0.766	9	129000	1.82	12	160000	1.44
Dowry				4	156000	2.20	4	156000	1.40
Others	2	110000	2.718	2	59400	0.84	4	169400	1.52
Total		4046600	100.00		7092400	100		11139000	100.00

Monthly Income Abroad

Table 3.19. Monthly Income of Remittance Sending Persons Abroad (in Taka)

Area	No. of Persons	Average	Lowest	Highest	Total
Mirersharai	50	10,133	2,500	50,000	5,06,650

Kalihati	50	11,668	3,000	65,000	5,83,400
Total	100	10,900.5	2,500	65,000	10,90,050

Conclusion

This section showed that the majority of the remittance receiving families are joint families with an average size of six persons. The present average income of these households, including the migrants' income overseas amount to Tk. 16,699. Before migration it stood at Tk. 7627.20. Therefore, one can see that there has been a substantial increase in the family income. This also means that the migrant producing families are not poor families. Another interesting feature is that about 50 percent of the total households had other migration experiences.

If one looks at the composition of remittance receivers, then one finds that fathers constitute the largest segment. Less than half of married migrants send remittance to their wives. A majority of the remittance receivers are illiterate. With regard to remittance senders one finds that bulk of them belong to less than 35 years of age. On an average they are residing abroad for six years. Their average migration cost is Tk. Tk. 111,390. Two-fifth of the amount was secured from their own savings or family savings.

4. Survey of Remittance Receiving Families: Remittance Dynamics

This section deals with characteristics of remittance transfer and use of remittance by the 100 remittance-receiving households of Mirersharai and Kalihati. Here remittance is defined as the portion of international migrant workers' earnings in cash or kind sent from the country of employment to the country of origin through different channels and also hand carried during their visits home. Issues that are discussed here are: the amount of remittances received by the families, average amount transferred annually, the number of remittance transaction in a year, transfer methods used, cost of transferring remittance, relative advantages and disadvantages

of each method from the perspective of migrant families. The section begins with a discussion on annual flow of remittance.

Extent of Remittance Transfer

Table 4.1. Year-wise Number of Migrants and Number of Families who received Remittance

Year	Number of Migrants		Total	Number of Remitting Persons		Total
	Mirersharai	Kalihati		Mirersharai	Kalihati	
2000	50	50	100	50	44	94
1999	50	50	100	49	46	95
1998	43	42	85	37	41	78

Table 4.1 shows year wise number of migrants and number of families who received remittance. All 50 families from Mirersharai received remittance in year 2000. In 1999, 49 families received remittance, 1 family did not receive any though one of its members was overseas. In 1998, 37 families of Mirersharai received remittance. The corresponding figures for Kalihati families were 44 in 2000, 46 in 1999 and 41 in 1998.

Table 4.2 presents year-wise flow of remittance to the families of Mirersharai and Kalihati. It covers the remittance flow of last three years. Most of the families interviewed were receiving remittance for the last three years.³ The table shows that in 2000 the total remittance received by these families was Tk. 67,20,500, in 1999 it amounted to Tk. 91,00,000 and in 1998 Tk. 60,19,180. In 2000 the average amount received per family stood at Tk.67,205, in 1999 at Tk 91,000 and in 1998 at Tk.77,168.97.

Table 4.2. Total Remittance Flow

Year	Mirersharai				Kalihati				Grand Total
	Average	Highest	Lowest	Total	Average	Highest	Lowest	Total	
2000	63,680	5,00,000	5,000	31,84,000	70,730	2,30,000	6,500	35,36,500	67,20,500

³ One of the criteria for selection of families in the first place was a minimum two years of migration experience. There are 15 families who represent two years of migration experience. Therefore, the table for year 1998 gives information on the flow of remittance of 85 families.

1999	89,260	7,20,000	5,000	44,63,000	92,740	3,00,000	28,000	46,37,000	91,00,000
1998	55,282.8	2,10,000	18,000	27,64,140	65,100.8	2,50,000	15,000	32,55,040	60,19,180
Total	34,70,380	7,20,000	5,000	1,04,11,140	38,09513.3	3,00,000	6,500	11428540	21839680

The table shows the difference between Mirersharai and Kalihati. In 2000 families of Mirersharai received a total of Tk. 31,84,000 as remittance and families of Kalihati received Tk. 35,36,500. If one looks into the year-wise figures in both the areas the highest amount of remittance was received in 1999. Migrant families in Mirersharai received Tk. 44,63,000, while those of Kalihati received 46,37,000.

One does not find any major difference in the total amount received by households in Mirersharai and Kalihati. However, in each year the figure for Kalihati is slightly higher than Mirersharai. In Mirersharai the average amount received in 2000 per household stood at Tk. 63,680 and in Kalihati at Tk.70,730. In 1999 the figures stood at Tk. 89,260 (Mirersharai) and Tk. 92,740 (Mirersharai) and in 1998 Tk. 74,706.48 (Mirersharai) and in Kalihati (Tk. 79,391.21).

If the remittances sent by the migrant workers are calculated with the present family income, (excluding the migrants' income) then 51 percent of the total earnings of the family is derived from remittance.

Remittance in Kind

A section of remittance is also transferred in kind. Transfers that take place in kind is quite difficult to measure. This was particularly so, given the fact that the migrant workers who brought those things were not present at the time of the interview. However, different studies show that transfer in kind constitutes quite significant portion of migrant workers remittance. Rivera Batiz (1986) showed that in Pakistan its share in total remittance could be between 9-17%, in Yemen it was between 8-10%.

Families under present study also received remittance in kind. While coming on holidays the migrants themselves brought or through friends they sent among other things cassette players, VCR, VCP, computer, television, camera, video camera, clothes, blanket, home appliances, brief case, radio, watch and gold. Apart from

clothes and blankets, most of the above items have the potential of being used as capital as they have liquidity value. Table 4.3 shows the number of such goods received by the migrant families and their estimated value. In monetary terms the value is Tk. 22,15,400. It was also found that in most cases they have been able to retain the goods brought. If the amount is added with the total remittance then its percentage share stands at 9.21%.

Table 4.3. Remittance Flow in Kind

Item name	Mirersharai		Kalihati		Total Number of items	Total Tk.
	Number of items	Approximate Market Value (Tk)	Number of item	Approximate market value (Tk.)		
Cassette	28	228500	14	118500	42	347000
VCP/VCR	2	17000	5	54000	7	71000
VCD player	1	30000	1	30000	2	60000
Computer	9	175000	1	70000	10	245000
Television	8	42000	14	265000	22	307000
Camera	1	25000	10	39000	11	64000
Video Camera	3	6200	1	25000	4	31200
Clothes/Shoes	36	160000	18	80000	54	240000
Blanket	32	52800	22	38800	54	91600
Home App.	5	9500	3	6000	8	15500
Gold	22	340000	18	300000	40	640000
Briefcase	14	21000	8	15000	22	36000
Radio	1	600	2	600	3	1200
Watches	32	30400	19	20400	51	50800
Others	11	7100	14	8000	25	15100
Total	205	1145100	150	1070300	355	2215400

Methods Used

Officially, transfer of remittance takes place through demand draft issued by a bank or an exchange house, travelers' cheques, telegraphic transfer, postal order, account transfer, automatic teller machine (ATM) facilities, electronic transfer and in kind. Remittances can also be transferred through unofficial channels, such as money courier/*hundi*, friends and relatives, personal carriage and bartering visa for cash. In the two areas studied mainly four types of methods have been used in transferring remittance. These are: remittance sent through drafts, *hundi*, relatives and friends, and personally carried by migrant workers themselves while coming on holidays.

Table 4.4. Total Remittance Received by the Families (in Taka)

Method Used	Mirersharai				Kalihati				Grand Total
	2000	1999	1998	Total	2000	1999	1998	Total	
Official	12,46,000	14,12,000	14,06,000	40,64,000 39.04%	2176500	2275000	1592000	60,43,500 52.88%	1,01,07,500 46.28%
<i>Hundi</i>	12,84,000	15,91,000	10,56,140	39,31,140 37.76%	1069000	2072000	1543040	46,84,040 40.98%	86,15,180 39.45%
Returning Friends	3,08,000	2,19,000	70,000	5,97,000 5.73%	81000	210000	120000	4,11,000 3.60%	10,08,000 4.62%
Carried by MW	2,90,000	11,90,000	1,81,000	16,61,000 15.95%		80000		80,000 0.70%	17,41,000 7.97%
Others	56,000	51,000	51,000	1,58,000 1.52%	210000			2,10,000 1.84%	3,68,000 1.68%
Total	31,84,000	44,63,000	27,64,140	1,04,11,140 100%	3536500	4637000	3255040	1,14,28,540 100%	2,18,39,680 100%

Table 4.4 shows the highest amount of remittances sent through official channel. In the two areas studied official transfer mostly took place through demand drafts issued by banks or exchange houses. The drafts were primarily sent by post by the remitters, in a few instances drafts were carried by returning friends or relatives. The remittance receivers mostly got drafts through registered mail. Only in few cases they received by courier service. The second most important method of transaction was *hundi*. 39.45% of the remittance came through *hundi*. The migrant workers also sent remittance through friends and relatives who were coming home on holidays or by finishing their work contract. This undeclared money is then exchanged in the informal market that provides higher rates. 4.62% of the total remittance was brought by friends and relatives. The migrants themselves personally hand-carried 7.97% of the remittance. In most cases this money is also undeclared and sold in informal market.

Remittances were also received by families in methods other than mentioned above. Migrants send visas to their families, either to take their family members abroad, or for making profit by selling those visas. ‘Others’ category includes these cases. For example Baharuddin of Sonapahar, Mirersharai works for a Bangladeshi family in UAE. He does not receive any salary in UAE. Instead his family collects his salary from the employer’s parents after every two months. Tula Mian of Nagbari

usually sends remittance four to five times a year from Saudi Arabia. Last year he did not send any remittance in cash, rather arranged visas for taking two other members of his family to Saudi Arabia. He also sent tickets for them to undertake the trip. This can be considered another method of sending remittance. Jahangir Alam from Pakutia of Kalihati sent a work visa to his father. His father sold for cash.

Table 4.5 shows the number of remittance transaction in the last three years. Altogether remittances were sent 1,068 times. In other words these hundred families received remittance each year in 356 installments. 564 times (52.81 percent) it came through official channel, 442 times (41.385 percent) through *hundi*, 32 times (2.996 percent) through friends and relatives, in 12 instances (1.12%) was personally carried by migrant workers themselves and in 18 cases by other means (1.70%).

Table 4.5. Methods Used and Number of Times Remittance Sent

Method Used	Mirersharai		Kalihati		Total		Amount Sent	%
	No. of Times	%	No. of Times	%	No. of Times	%		
Official Channel	264	44.84	300	62.63	564	52.81	1,01,07,500	46.28
<i>Hundi</i>	278	47.20	164	34.28	442	41.38	86,15,180	39.45
Returning Friends	21	3.56	11	2.25	32	2.99	1,00,800	4.61
Carried by MW	10	1.69	2	0.42	12	1.12	17,41,000	7.97
Others	16	2.71	2	0.42	18	1.70	3,68,000	1.69
Total	589	100.00	479	100.00	1,068	100.00	2,18,39,680	100.00

If one compares the number of transactions in the two areas, one finds that incidence of *hundi* is higher in Mirersharai (47.198%) than in Kalihati (34.237%). 62.68% of the total number of transactions that the families of migrant workers of Kalihati received was in drafts, whereas the figure for families of Mirersharai is 44.88%. One of the reasons for increased use of banking system in Kalihati can be explained in terms of source countries of remittances. A majority of the migrants who are sending remittances to their families in Kalihati are based in Saudi Arabia (26), followed by Singapore (13) and Malaysia (4). In contrast, an overwhelming number of migrant (37) from Mirersharai is based in the UAE.

It is interesting to note that there is a difference between the amount of money received by the families through each channel and in the number of transactions. Through official channel and *hundi* the money received was 52.80% and 41.38% of the total number of times respectively. Whereas, of the total remittances the amount

received through these methods was 46.28% and 39.44% respectively. The number of transactions made through friends and relatives and hand carried by migrant workers themselves constituted 2.99% and 1.12% of the total number of transactions. Whereas the total remittance received through these methods stood as high as 4.61% and 7.97% respectively.

Amount Per Transaction

In analysing the nature of remittance transfer process it is important to know how much a typical migrant remits per installment. Does the amount vary according to the method of transaction? Table 4.24 gives some idea on this issue. In case of these 100 interviewees, the average remittance per transaction stands at Tk. 20,449.138 (218,39,680/1068). The amount per transaction is much higher in case of Kalihati compared to Mirersharai. In Kalihati it is Tk 23,849.16, while in Mirersharai it is Tk 17,675.96.

Table 4.6. Amount Sent per Transaction (in Taka)

Method Used	Mirersharai	Kalihati	Average Amount
Official Channel	15,393.94	20,145.00	17,921.10
<i>Hundi</i>	14,140.79	28,561.22	19,491.36
Returning Friends	28,428.57	37,363.64	31,500.00
Personally Carried	1,66,100.00	40,000.00	1,45,083.33
Others	9,875.00	1,05,000.00	20,444.44

The average amount of transaction is significantly higher when it is personally hand carried by the migrant workers themselves. However, there is not much of a difference between amount transacted through *hundi* and official channel. The average amount transacted through the official banking system stood at 17,921.10. In case of *hundi* the amount of average transaction stood at Tk.19,491.35. The average amount is relatively higher (Tk 31,500) when money got sent through relatives and friends, and as mentioned earlier it is highest when remittances were personally carried by the migrant worker when they came to Bangladesh on holidays. This amounts to Tk. 1,45,083.33 per transaction.

Annual Average Number of Transfer

Table 4.7 shows the number of times each of these households have received remittance in last three years. One can see that in 2000 a total of 15 households had received remittance 4-5 times a year. In Kalihati in 2000 the 19 households received 2/3 times a year. In 2000 the maximum number that a household received remittance was 12 times in Mirersharai and 8 times in Kalihati. On an average, in year 2000, households received remittance 3.56 times, in 1999 4.05 times, and in 1998 3.61 times. Therefore on an average annually the 100 households received remittances 3.92 times.

Table 4.7. Number of Times Remittance Received by Each Family

Times	Mirersharai				Kalihati			
	1 st Year	2 nd Year	3 rd Year	Total	1 st Year	2 nd Year	3 rd Year	Total
1	8	6	1	15	6	1	4	11
2-3	13	12	10	35	19	18	16	53
4-5	15	19	17	51	14	18	16	48
6-8	10	9	6	25	5	9	5	19
9-12	4	3	3	10	0	0	0	0

Transaction Cost

Frequency of use of different methods for channeling remittance among other things also depends on the cost associated with the respective method. Each of the method of remittance transfer has some cost associated. In this section an attempt is made to quantify the costs incurred at the receivers' end for transaction of remittance. First let us discuss the cost incurred by the remittance receivers through official channels. Official channels have a nominal service charge for handling the transaction of remittance. However except for few persons none of the respondents could state what was the amount charged by the banks. One person reported that banks charged him Tk. 200 for drawing Tk. 20,000 remittance. Charges for transaction varies a little from bank to bank. However from the head offices of the banks information was gathered about the transaction cost of remittance. Janata, Rupali, Agrani, and Sonali, all banks charge Tk 100 as service charge when they process a draft handed over to them by a remittance receiver in their local branches.

Table 4.8. Incidence of Speed Money in Official Transaction

Range (Tk)	Times			Person		
	Mirersharai	Kalihati	Total	Mirersharai	Kalihati	Total
50 – 100	4	37	41	2	7	9
101 – 200	3	22	25	0	8	8
201 – 300	0	3	3	0	2	2
301 – 400	8	6	14	1	1	2
401 – 500	0	1	2	0	1	1
501 – 600	1	0	1	0	1	1
Total	16	69	85	3	20	23

A section of those who received money through the banking channel reported that they incurred some nominal costs, which could be treated as speed money to facilitate transaction. Table 4.8 shows that amount paid as speed money, the number of incidents and the number of persons involved in such transactions. The amount ranged from Tk. 50 to Tk. 600. Nine persons reported that they paid Tk. 50-100 as speed money 41 times and 8 others reported that they paid Tk 101-200 in 25 times. The highest amount paid as speed money is Tk 600.

Speed money was paid 85 times by a total 23 remittance receiving persons. The total amount paid was Tk.16,220. The rest 77 families did not have to pay the money. The table further shows that an overwhelming 68 speed money related transactions took place in Kalihati, the rest 17 took place in Mirersharai. One can further see that of 264 cases of receiving remittance through official channel in Mirersharai speed money had to be paid in 6.34% cases. In case of Kalihati a staggering 22.67% of 300 cases was reported.

The respondent families assigned a few reasons for the payment of speed money. One had to pay such an additional charge if the amount was large or if one needed to collect the money on an urgent basis. Mr. Enamul Huq Munshi paid the highest amount of Tk 600. He received remittance regularly almost every month. Due to postal delay and other reasons he had to encash three drafts at a time. The bank official demanded speed money to clear all three cheques together and as such he was

required to pay the amount. Mr. Jahangir Alam of Kalihati had to pay Tk. 500 as bribe for encashing a cheque of Tk. 50,000.

Transport Costs

There is hardly any conveyance cost involved for receiving money that comes through *hundi* or friends and relatives. Generally *hundi* agents hand deliver the money at home. In Kalihati a few incidents were reported where remittance beneficiaries had to make enquiries as payments were not made on time. This involved some costs such as rickshaw van expenses. On four occasions money got lost in *hundi* method. Therefore the total amount lost should be calculated as cost of remittance transfer in *hundi* method. The 100-interviewee families altogether lost Tk 42,000 in this process. Banks were located in relatively close proximity of both the study areas. Remittance receiving families mainly walked to these banks for transactions. In Kalihati however, some households reported that they incurred transport costs, particularly the female beneficiaries. They mostly travelled by rickshaw van. The costs incurred for transport amounted to Tk 2,226. It was paid by 11 persons, 16 times, all from Kalihati.

Other Costs

In a few incidents the illiterate beneficiaries of remittance had to incur some additional costs as they needed to secure help from others to process banking formalities. In such cases they treated them to food and pay for their travel. Mr. Malek Khan, father of Mr. Arfan Khan of Nagbari of Kalihati was unable to make transaction in the bank on his own. So he needed help from his relative. After encashment of the draft, he had to treat his relative and pay for his transport. All these cost him about Tk 100 per transaction. The total amount of other costs was Tk 2,140.

Total Cost Per Transaction at the Receiving End

If all the costs in the official method are counted, it shows that at the receiving end cost per transaction is Tk 136. In *hundi* channel this stands at Tk 75.53.

Transfer Time

This section deals with the amount of time required to access the remittance at the receiving end. In case of bank transaction, the time accounted for was after the clients deposited the drafts in the banks following their receipts of the same through the postal system. In other words, this is not the total transfer time. To account the total transfer time through official channel, the number of days involved between posting of the draft by the remitter and its receipt by the recipient has to be added. In case of *hundi*, the number of days calculated begins from the time they receive information from the remitter by either phone or fax. In 40 transactions (9.05%) the receivers did not have any prior information. The average is calculated from 402 transactions.

Table 4.9. Remittance Transfer Time in Days

Method Used	Highest		Lowest		Average	
	Mirersharai	Kalihati	Mirersharai	Kalihati	Mirersharai	Kalihati
Demand Draft	25	25	2	7	10.33	15.13
<i>Hundi</i>	180*	14	.04 (1 hour)	1	3.03	3
Relatives and friends	3	7	1	1.5	2.1	3.12
Carried by migrants	3	2	1	1	1.5	1.5
Others	7	NA	7	NA	7	0

*Since it was a special incident it was not calculated in the average of *hundi*.

From the above table it is seen that in case of Mirersharai it takes about 10.33 days through bank, 3.03 days through *hundi* and 2.1 day through friends and relatives. In case of Kalihati however one can see that transaction through banks takes much longer on an average 15.13 days. In case *hundi* both areas need similar time, for *hundi* 3 days and through relatives and friends 3.12. The highest number of days (180) recorded in remittance transaction was through *hundi* method. The lowest recorded was also through *hundi* method which took only one hour. The incident that took 180 days to receive remittance occurred in Ratanganj in Kalihati. Mr. Mohammad Shahid of Maddham Sonapahar of Mirersharai used to receive money from his brother. On three occasions Mr. Shahid asked his brother over phone to send money urgently. On all three occasions his brother, Mohammad Rahim, sent money within an hour of the telephone conversation.

Problem

Table 4.10. Problems in Receiving Remittances through different Methods

Area	Official Channel	<i>Hundi</i>	Total
Kalihati	8	2	10
Mirersharai	11	8	19
Total	19	10	29

Out of the 100 remittance receiving families 29 faced some difficulties in receiving remittance. 10 of those who faced problems are from Kalihati and 19 from Mirersharai. They faced problems mainly in two methods: through official channels and *hundi*. Ten problems are associated with *hundi* method and 19 with official method.

Two interviewees mentioned that the bank officials delayed their payments on various pretext and it took quite a long time in getting the money. Four identified giving bribe as a major problem faced by them. Two mentioned problems related to some mistakes in the draft. Mr. Obaidul Huq of Nagabri and Mr. Khurshid Alam of Sonapahar used to remit in the name of their brothers. In both the cases their problems were related to names of beneficiaries which took a long time for them to settle. Rashed Soudagar of Ratanganj used to remit in the name of his brother as his wife was not able to operate an account. The arrangement was the brother would give Tk 2,000 per month to the wife of Rashed Saudagar for subsistence and rest of the money would be kept in bank in the name of Rashed Saudagar. Upon return he found his brother only the paid his wife the amount arranged but had misappropriated the rest of the amount as nothing was deposited in bank. In this process Rashed Saudagar bulk of his three year income..

Five of the 10 who faced problem in receiving remittance through *hundi* lost their their remittance. One reported an incident of snatching away the entire sum and the rest four experienced harassment and delay. Altogether the five persons lost a sum

total Tk 54,000. Md. Sabur's brother Mohammad Shawkat of Nagabari was supposed to receive Tk 40,000 from his brother through a local hundi dalal named Rashid Doctor. The dalal refused to pay him the money and a rural arbitration took place and Rashid Doctor was asked by the arbitrators to pay back the money to Shawkat. Rashid Doctor fled away from the village and absconded for six months. Later Shawkat was able to recover a portion of the amount. The rest four could not recover their remittance from the dalals.

Relative Advantage and Disadvantage of Different Methods

From the receiver's perspective the interviewees identified certain advantages and disadvantages of methods they had used.

Official Methods

Official method was considered to be the most secured method. There was little scope for losing money if they were sent by this method. Banks were in close proximity of these families in both the areas. Therefore, not much of money had to be spent on conveyance. None of the interviewees reported any loss of drafts or cheques.

Relatively longer transaction time was seen by some as a major problem in transacting through bank. On many occasions, migrant families need immediate transfer of funds. However, the banking system is not sufficiently geared to respond to such needs. Eight respondents reported that they had pay bribe to encash drafts. In one instance, one person lost the entire amount as miscreants snatched it away as he was coming out of the bank. Some bank functionaries were reported to have harassed the respondents on flimsy grounds in order to secure extra money. Others delayed payment on different pretexts. Some respondents of Kalihati thought that banks want to keep the money with themselves as long as they can and therefore they delay payments on some grounds or the other. Others felt that such delays are basically ploys to extract speed money. Some illiterate and semi-literate beneficiaries reported that had to bring along someone else to help them process the formalities of encashing a draft. This entails additional cost.

Hundi

The foremost advantage of the *hundi* system from a receiver's perspective is the transfer of money at a short period of time. Few of the respondent families had the experience of receiving remittance within hours of telephonic conversation with their migrant relative. Another important advantage is that *hundi* operators deliver money at home and all forms of transaction formalities could be avoided. In addition, recipients did not have to pay any charge, commission or speed money. The other advantage of the *hundi* system is that confidentiality can be maintained.

Some families have highlighted problems of *hundi* system. Four respondents reported that they had lost money at least one time each. They, however, did not have any scope to seek legal redress. In other words, the chances of losing money, however minimal is always there in *hundi* transaction.

Personally Hand-carried or sent Through Relatives and Friends

Migrant families felt that the safest method of remittance is hand carrying by migrant workers themselves. The remittance receiving families treated sending remittance through friends and relatives as a secure method of transaction. However, migrant workers and their families do not always travel frequently home. As such these two methods cannot be used as frequently as the two other methods.

From the discussion above it is evident that migrant workers were quite acquainted with both the methods. Although it is easier to receive money through *hundi* system, most of them did not have any particular problem in transferring remittance through banks. The problems that have been identified by the recipients about the banking system are more related to efficiency and accountability of the banking system, but not much due to illiteracy and ability to transact. Besides, from Saudi Arabia almost all remittances came as draft. In that respect, the educated and illiterate, all families have been able to operate through the banking system. The most important reason for *hundi* system to continue to remain operational was at the sending end. Persons sending money through *hundi* are doing so as they are getting

some additional benefits or services if compared with the banking system such as better exchange rate, shorter transaction time and in cases deferred payment.

Use of Remittance

The impact of remittance on the economy of labour sending countries depends to a large extent the way they are used (Martin, 1983). Over the years, concerns have been expressed about the limited extent of the productive use of remittance. Different authors have different perceptions about what constitute productive use. However, there is a general agreement that bulk of the remittance money is used in daily expenditure for food and clothing. Another big segment goes into house improvement. Demary (1986) estimated that 50-60% of remittance in Asia are typically spent in current consumption and only about 10% goes into investment. Table 3.29 shows sector wise use of remittance in value terms by 100 interviewee families under the present study. The sectors in which remittance was utilised are food and clothing, medical treatment, education, agricultural and homestead land purchase, home construction/repair, releasing of mortgaged land, taking in mortgage of land, repayment of loan taken for migration and other purpose, investment in business, savings and fixed deposit, insurance, social ceremonies, gift/donation to relatives, financing pilgrimage of relatives, community development activities, financing migration of other family members, buying furnishes and other home appliances. The column 'others' include payment of speed money, expenses for litigation, misappropriation of remittance by hundi operators or relatives.

Table 4.11. Use of Remittance Sent from abroad

Avenue	Mirersharai		Kalihati		Total	
	In taka	%	In taka	%	In taka	%
Food & Clothes	2361600	22.68	2104680	18.416	4466280	20.45
Medical Treatment	552300	5.30	151500	1.325629	703800	3.22
Child Education	340200	3.27	260740	2.281481	600940	2.75
Agricultural land purchase	1299400	12.48	1156000	10.11503	2455400	11.24
Home Stead land purchase	40000	0.38	170000	1.487504	210000	0.96
Home constriction/repair	1891000	18.16	1389000	12.15378	3280000	15.02
Release of mortgaged land	70000	0.67	420000	3.67501	490000	2.24
Taking Mortgagee of land	190000	1.82	245000	2.143756	435000	1.99
Repayment of loan (for migration)	552000	5.30	1752600	15.33529	2304600	10.55
Repayment of loan (other purpose)	124000	1.19	633500	5.54314	757500	3.47
Investment in Business	448000	4.30	591200	5.173014	1039200	4.76
Savings/Fixed deposit	385000	3.70	285000	2.493757	670000	3.07
Insurance	72140	0.69		0	72140	0.33
Social ceremonies	1497000	14.38	483000	4.226262	1980000	9.07
Gift/donation to relatives		0.00	205000	1.793755	205000	0.94
Send relative for pilgrimage		0.00	200000	1.750005	200000	0.92
Community development activities	10000	0.10	10520	0.09205	20520	0.09
Sending family member abroad	470000	4.51	1101000	9.633776	1571000	7.19
Furniture	55000	0.53	96300	0.842627	151300	0.69
Others	53500	0.51	173500	1.518129	227000	1.04
Total	10411140	100.00	11428540	100	21839680	100.00

20.45% of remittance was used by families in food and clothing. Medical treatment and children's education consumed another 4.97%. Agricultural land purchase, homestead land purchase, release of mortgaged land, taking mortgage of land altogether accounted for 16.43% of the remittance. Home construction and repair also consumed a large portion of remittance (15.02%).

Table 4.12. Nature of Housing before Migration and at Present

Type	Before	At present
Pucca	6	7
Semi-Pucca	4	5
Tin	2	9
Semi-Kutchha	61	58
Kutchha	27	21
Total	100	100

Investment in home construction and repair is reflected on the type of homestead of these families (Table 4.12). These families owned five types of houses: Pucca (brick house with concrete floor and roof), semi-pucca (brick house with tin roof and concrete floor), tin (tin structure with concrete floor), semi-kutchha (earth

floor, sides with tin and roof with tins or thatched) and kutcha.(mud floor, sides with mud or bamboo, roof either tin or thatched). The table shows upward mobility of the households regarding type of homestead structure. For example before, 27 of the interviewees used to live in kutcha houses, currently 21 live in them. 61 used to live in semi-kutcha houses; at present 58 live in similar houses. 2 used to live in tin-shed houses, now 9 live them. 4 used to own semi-pucca homestead, now the number has increased to 5. 6 had pucca house, now 7 have such house. It is important to note that although the types of household remain the same, many have renovated them.

Land size before migration and at present

Some considered investment of remittance in housing or land purchase as unproductive since it does not add to the country's productive capacity and also results in inflation.⁴ However if considered from migrants' point of view given the lack of viable avenues of investment, law and order situation and concomitant pressure from the extortionists, land still constitutes the safest avenue for remittance utilisation. Arable land immediately provides economic return through crop production and value of both arable and homestead land increases over time. Use of remittance in releasing mortgaged out land is also quite important in the rural context as it re-establishes the right of the person to cultivate in the land. It also adds to the social esteem of the family concerned. Construction of house is not also seen by some early studies as productive venture. This is because such an investment was seen more in terms of improved economic status rather than avenue of economic activity. However, home construction may be seen as durable asset, which does have exchange value. Investment in house can also be treated having potential for migrant worker as it can be used as collateral if he/she wants to borrow for investment purpose from banking or MFI sources.

Repayment of Loan

International migration involves huge cost and it was seen earlier that a significant portion of these costs was borne through borrowing. Therefore the first

⁴ Discussed in Fred Arnold (1992).

thing the migrant families do when remittance starts flowing in, is to pay off the debts. 10.55% of last three years' remittance of these families went into repayment of loan. Another 3.47% went into settling debts incurred by the families due to reasons other than migration. If one looks into the use of remittance in debt repayment on the basis of area (Mirersharai and Kalihati), one can see that only 5.30% of the remittances were spent in this purpose by the Chittagonian families, whereas the families from Kalihati spent 15.33% of their remittance for the same reason. This is because the average stay of abroad of the migrants from Mirersharai is much longer than the ones from Kalihati. And the Chittagonians have already repaid their loans incurred for migration in the years before than the last three years whereas the ones from Kalihati have migrated relatively recently. Therefore a section of them are still paying back. Table 4.14 shows that 30% of the respondents have paid back the total loan taken for the purpose of migration, 36% partially repaid and only 14% could not repay their loans at all. Other 20% did not take any loan in the first place.

Table 4.14. Repayment of Loan incurred for Migration

Area	Yes	No	Partially	Not applicable	Total
Mirersharai	13	9	16	12	50
Kalihati	17	5	20	8	50
Total	30	14	36	20	100

Business Investment

Of the total remittances received by these families only 4.75% has been invested in business. Such business investment was made by 20 persons, 16 from Kalihati and 4 from Mirersharai. Six of those from Kalihati have used it in running shops which their families already had. One has constructed a market place. This person is from Kalihati, three of his sons work in Singapore as migrant workers and all three send remittances regularly. Remittances received from all three sons went into the construction of the premise. Soon all the stores will be rented out. One of these families used remittance for opening a phone and fax shop, one in tailoring shop, and another in stationery store. Six others from Kalihati invested in different types of services related to farming. For example, 2 of them run irrigation schemes and sell water to the farmers, 2 have invested in agriculture related trading; they buy and sell paddy, and 2 invested in handloom factory. One of the four from Mirersharai

invested in pottery making, another one in saw mill, and the other two in transport business. People in both the areas are dependent on agriculture for living. There existed hardly any other investment opportunity. Even then in comparison to Kalihati the rate of investment in Mirersharai is relatively less. One reason could be a large number of remittance receivers of Mirersharai were housewives and older men. Mirersharai is a relatively conservative area and women there do not work outside home. For the aged people it is hard to start something fresh. Therefore they saw remittance as income for maintaining their families.

Financing Migration of other family Members

Quite a substantial portion of remittance have gone into financing migration of other family members. This is 7.19% of the total remittance. To the families interviewed this was treated as a very important investment for further enhancing the family income.

Social Ceremonies

A large sum of remittance has been used (9.7%) in social ceremonies such as wedding, naming of the child, Eid and death. Among these the highest portion has been spent in weddings of family members of the remittance sender. In few examples, migrants spent a lot of money in their own weddings. Besides, dowry was paid when their sisters were married off. Slaughtering cows during Eid is another avenue of spending. In Mirersharai particularly, the social status of the family is associated with the size and the price of the cow. Significant cultural difference is evident in the expenditure pattern during ceremonies between Kalihati and Mirersharai. Chittagonians tend to spend more on ceremonial occasions compared to Kalihati. Table shows that the Chittagonians spent 14.38% of their total remittance whereas people from Kalihati spent 4.22%.

Savings

In both study areas the amount of savings was comparatively low. It was 3.40% of the total remittance. Savings were kept in banks, few made fixed deposits

and still a few others had taken insurance policies. In Kalihati some of the savings are maintained with the NGOs. These are local NGOs named *Adharer Alo* and *Polli Ujjiban Sangstha*. Women of Kalihati were found to be quite interested in savings. However, their experience with Social Development Service (SDS) made them somewhat apprehensive about institutional savings. The functioning of SDS was declared unlawful by the government of Bangladesh and its accounts were seized. This has created panic among the villagers and resulted in withdrawal from savings schemes. A few families informed that their family members outside are now sending less remittance and saving themselves in the countries of employment.

Community Development Activities

A small amount of remittance was contributed to the mosques and madrasas.

Others

Others include speed money, court settlement, misappropriation, purchase of home appliances, installing tube-wells and sanitary latrine.

Conclusion

Certain things are clear from the discussion on the use of remittances. It is true that remittances are generally treated as income source of the family. Yet these families did not spend major share of the remittance in consumption. Wherever the families found investment opportunities they utilised that. In the context of Bangladesh for an individual, land is the safest and most profitable investment. Therefore they chose to invest in all kinds of land – arable, homestead, commercial etc. Some of them have been successful in releasing mortgaged land. They have also mortgaged in land as an income-earning avenue. Although this is criticised by many as exploitative avenue which leads to pauperisation of rural families, it is commonly practiced all over Bangladesh. One cannot expect a different behaviour from the migrant families.

In comparison to previous studies, investment in savings among these families was found to be relatively low. In general there is a lack of information about different savings schemes available. Moreover SDS experience had shaken the trust of potential savers in savings schemes. Fraudulence committed by a few insurance companies also worked as disincentive for saving. Utilising remittance in sending family members abroad from the perspective of the migrants' families is an investment rather than consumption. Therefore if one adds investment in land, financing migration of other family members, construction of homestead, investment in business, then one would appreciate the intention of the families for income maximisation given the limited options. On the basis of the above findings it is argued that investment of remittances in productive venture is a difficult proposition not always because of the lack of willingness of the part of individuals or families, but also due to lack of viable investment opportunities.

5. Nature of Remittances and the Bangladeshi Migrants in UAE

The United Arab Emirates (UAE) is one of the oil rich countries of the Middle East. The British withdrew from the territory in 1971. It was after the discovery of oil in the mid-1970s that major development work began there. Due to the shortage of indigenous labour UAE became dependent on foreign labour and Bangladesh became a major supplier of labour. The earliest figures available on international labour migration from Bangladesh shows that during the first three years UAE was the largest recipient of the Bangladeshi labour. Gradually of course few other countries surpassed UAE. Yet, UAE is the receiver of 11.38% of Bangladeshi workers who go abroad through official channel. From the perspective of remittance flow as well, UAE is an important country. From 1994-95 to 1999-2000 UAE was the third largest remittance sending country of Bangladesh preceded by Saudi Arabia and Kuwait. In 1996-97 UAE stood fourth as remittances from Oman of that year surpassed UAE. The country is inhabited by three million people. Expatriate community comprises three-fourth of the country's total population. Bangladeshis with ten percent of expatriate population constitute the third largest workforce of UAE.

Almost 200,000 Bangladesh workers live in these six Emirates that is looked after by the Bangladesh consulate based in Dubai. Most are in construction work, cleaning, garments manufacturing, agriculture, plumbing, electrical and motor mechanic work. In addition there are vendors (vegetable, meat and fruits). In the Friday market in Fujira thousands of Bengali fruit and vegetable vendors can be seen. There are also small shop-keepers dealing in grocery, perfume and cosmetics. A good section of Bangladeshis are employed in the government agencies such as Dubai Municipality and Dubai Electric and Water Authority (DEWA). Most are employed as menial labourers, though there are some professionals in these organisations as well. In addition, there is a handful of other professionals – bankers, working in Arab and western banks, and doctors. The government jobs are secured and job contracts, including payment of salary, are generally honoured. However, there have been some problems in the private sector where salaries are often kept unpaid for as many as two to six months. Sometime workers are made to work for longer period without compensating them for overtime.

For the present study twenty interviews of Bangladeshis residing in two Emirates of UAE, Dubai and Ajman, were conducted. This was done to get an idea of remittance transfer process from the senders' perspective. As the number of interviewees is small, to get a wider perspective, samples were selected based on their professional differentiation and economic condition. This includes skilled workers, small enterprise owners, large businessmen, formal employees and self employed. Skilled workers include garment worker and plastic machine operator. AC mechanic and taxi drivers are treated as self employed. Tailoring shop owners constitute the small enterprise category. Cases of automobile show room owner and construction firm owners represent the large business enterprise. Different formal salaried employees interviewed are production manager in garments factory, sales executive of an insurance company etc. Major limitation of the sample is it does not represent any cases of construction workers or farm labourers.

Socio-Economic Characteristics of the Remittance Sending Persons

The remittance receiving persons interviewed went to UAE from different areas of Bangladesh. Five of them went from Cox's Bazar, five from Mirersharai, one

from Chokoria, three from Narayanganj, two from Dhaka city, one each from Narsingdi, Chandpur, Barisal and Sylhet. 17 of the interviewees' current age is less than 40 years and four of them were less than 20 years of age when they first migrated. Their average age is 32 years. On an average, these persons have been residing in UAE for nine years. One of them has been staying there for the last twenty-one years. And minimum period of stay of a person interviewed is one and a half-year. If the total years of stay of these twenty migrants are added it comes to 180 years. Twelve of them are married and eight still unmarried. The total number of family member including the remittance sending person of these families stands at 143. The average family size is 7.15. One of the respondents' families stays in Dubai with him. Others' families are residing in Bangladesh. Other family members of these interviewees also have migration experience. Eleven of these remittance senders have one or more of their family members residing abroad.

Table 5.1 presents the average present income of these remittance-sending persons by their professions. Seven persons interviewed who are in skilled profession, mostly in garments, earn an average income of Tk 10,800 per month. Their lowest income recorded is Tk 6,300 and the highest is Tk 21,000. Most of those working in the garments industry, were previously employed in garments sector in Bangladesh and their educational background reflects ten years of schooling.

Table 5.1. Monthly Income of the Remittance Senders by Profession

Occupation	Highest	Lowest	Average	Total
Skilled worker (7)*	21,000	6300	10,800	86,400
Big Enterprise owner (2)	2,30000	1,96,0000	21,3000	42,6000
Small Enterprise owner (5)	30,000	10,000	19,000	76,000
Salaried Employee (4)	98,000	30,000	48,950	1,9,5800
Self Employed (2)	30,000	25,000	27,500	55,000

*Figures in the parenthesis describe number of persons.

There are two types of business owners among the respondents, large enterprise owners and small enterprise owners. One of the two large enterprise owners owns a construction company. Their monthly incomes are Tk 2,30,000 and 1,96,000 respectively. The owner of the construction company has been residing in Dubai for the last 21 years. Before migration he was an employee in a private engineering firm. In 1978 he came to Dubai and joined Al Mafid Construction Company. In 1989 he

took over its management. Now it is the only construction firm in Dubai which is owned by a Bangladeshi. He also imports fish from Bangladesh, Thailand and Myanmar.

The other large enterprise owner has an automobile showroom. Mohammad. Nasiruddin has been residing in Dubai for the last 17 years. He has a local partner who owns the plot of land where he initially set up a motor workshop. 24 Bangladeshis work in his business. Some of them are recruited locally. His brother was with him when he first started this business. The brothers became very friendly with the owner of the workshop premise who later became a partner in business. After the landowner passed away, his sons continued with the partnership. Recently Nasiruddin and his partners have invested 1 million Dirham in a motor showroom and spare parts business. Fifty-percent investment has been made by his partners and the rest by Nasiruddin. They have a profit sharing arrangement. However, they have an understanding that eventually Nasiruddin will buy back the rest of the shares once he can arrange another half a million dirham. His brother has come back to Bangladesh to settle down. He is now preparing himself to contest local elections. So Nasiruddin manages the whole business on his own.

The five small enterprise owners have tailoring and embroidery shops. They sew veils and caps for local market. Their monthly average income at present is Tk 19,000. The highest and lowest incomes recorded are Tk 30,000 and Tk 10,000 respectively. All five of them came to Dubai as contract workers. Gradually they established their own business enterprises. They have to have a local partner known as *kofil or Arbab*. These local partners get a share of the profit but hardly make any investment. Their income has fallen in recent time due to a host of factors. A good number of Bangladeshis have invested in this enterprise after seeing the success of those who started this initially. This has resulted in over competition and lowering of the profit. Recently some Japanese embroidery machines have been imported to Dubai which are operated through computer. Due to its large-scale production capacity labour cost had been reduced. This has resulted in further lowering of profits for those who still sew manually.

Four persons were interviewed who works in different public and private offices as salaried employees. Their average monthly income is Tk 48,950. The

highest and lowest incomes of the salaried employees are Tk 98,000 and Tk 30,000 respectively. One of them is a production manager in a garments factory and another person works as a sales executive in an insurance company. Third person interviewed is a civilian employee of UAE Air Force. And the fourth person is a salaried employee in a private firm.

M. H. Khan, the production manager of garments factory came to Dubai 14 years ago as a pattern designer. His employer is a Pakistani who also own a similar business in Egypt and mostly stays there. In the absence of the employer Khan virtually runs the factory which employs about 250 Bangladeshi workers. The third person working is a civilian employee of the UAE Air Force. Earlier, he used to work as flight sergeant in Bangladesh Air Force. His present monthly salary is Tk 30,000.

One of the self-employed persons interviewed works as a taxi driver. He earns Tk 25,000 per month. The other self-employed person is an air conditioner mechanic. He has been staying in Dubai for 18 years. He has been able to take two of his brothers there. His monthly income is Tk 30,000.

Outside these traditional incomes five of the interviewees have some earning from selling visas. The migrant workers through their contacts with local Arabs or those in the management positions procure work visa and send them home. They can sell each visa at prices that vary between of Tk 30,000–60,000. In 2000 five interviewees earned a total amount of Tk 8,40,000. It is a good source of extra income for them. However few problems are also associated with this earning. Firstly, the cost of the visa by the buyers are paid in Bangladesh. It is difficult to transfer this money to Dubai for further investment. It is very difficult to keep control of the money when it is kept with the family. Secondly, the method of deferred payment is also difficult to operationalise. This is because once the person enters Dubai with work permit issued by his name, very little can be done if he decides not to pay.

Thirdly, the work permit is issued on a particular individual's name. In many instances the buyer first agrees to pay certain amount but once the visa is issued in his name, refuses to pay the total sum. In such situations the procurer of the visa cannot help but take whatever the buyer gives. It should be mentioned that most of the

interviewees looked down upon the practice of selling of visa by fellow workers. This they thought as a form of taking advantage of the poor people's plight.

Flow of Remittance

All the interviewees except two had more than two years' migration experience. Therefore remittance sending persons on 2000 and 1999 should be 20 and in year 1998 it should be 18. However, in 2000 one person, in 1999 three persons and in 1998 five persons did not send any money. One of the large scale business owner's family resides in Dubai. He usually does not remit to Bangladesh. Only once he remitted Tk 1,00,000 in 1999 on a special occasion; his niece was getting married. Some of the small enterprise owners did not remit any major amount during the reporting period since they made major investments in Dubai. They informed that along with the cost of establishing business, they had to pay a large sum to their *kofils* for opening their enterprises. However in 2000 these people altogether sent Tk 44,60,000. In 1999 they sent Tk 49,94,000 and in 1998 Tk 46,30,000.

Table 5.2. Annual Average Flow of Remittance by Profession

Profession	Year 2000	Year 1999	Year 1998	Total Flow
Skilled Workers	49,714	89,428	75,833.33	14,29,000
Self-employed	1,58,500	1,80,000	2,25,000	11,27,000
Salaried Employee	3,36,250	1,53,333.33	1,66,666.66	23,05,000
Small Enterprise Owner	85,000	1,30,000	1,45,000	18,03,000
Large Enterprise Owner	10,50,000	15,00,000	12,40,000	76,00,000
Total Flow	44,60,000	49,94,000	46,30,000	1,42,64,000

Table 5.2 shows profession wise average annual flow of remittances sent by the interviewees. It also presents the total flow in each year. The table does give a comparative understanding of remittance transfer among different occupational groups. Two business persons in the year 2000 remitted on an average Tk 10,50,000, in the year 1999 they remitted Tk 15,00,000, and in 1998, Tk 12,50,000. The small enterprise owners on an average remitted Tk 85,000 in 2000, Tk 1,30,600 in 1999 and Tk 1,45,000 in 1998. Four formal employees in these years remitted Tk 3,36,250, Tk 1,53,333.33 and Tk 1,66,666.66 respectively. The two self-employed persons, the AC mechanic and the taxi driver, remitted Tk 1,58,500, Tk 1,80,000, and Tk 2,25,000 on an average in the above mentioned years. The six garment workers and one plastic machine operator who constituted the skilled worker category on an average remitted

Tk 49,714 in 2000, Tk 89,428 in 1999, and Tk 75,833.33 in 1998. The total remittance of these twenty persons stands at Tk 1,42,64,000.

Remittance in Kind

In addition to remittance in cash these 20 interviewees also sent through friends or brought along with themselves when they came on holidays Tk. 6,28,600 worth of remittances in kind (Table 5.3). The items included cassette players, radio, VCR, VCP, television, fan, camera, blanket, home appliances, brief case, watch, gold etc.

Table 5.3. Remittance in Kind in number and their approximate total value

Item Name	No. of Item	Approximate Market Value Tk.
Cassette Recorder	5	42,500
VCP/VCR	1	12,000
Television	4	100,000
Camera	3	29,000
Fan	5	10,900
Cloth	17	100,000
Blanket	15	22,500
Home Appliances	14	40,000
Gold	8	145,000
Briefcase	16	51,000
Radio	1	1,600
Watches	8	11,600
VCD	1	40,000
Total		606,100

Method Used

Table 5.4. Year-wise Method of Remittance Transfer

Method	Year 1	Year 2	Year 3	Total
Official Channel	3,800,000.00	4,014,000.00	3,370,000.00	11,184,000.00
<i>Hundi</i>	514,000.00	700,000.00	1,005,000.00	2,219,000.00
Returning Friends	29,000.00	20,000.00	55,000.00	284,000.00
Carried by MW	67,000.00	260,000.00	200,000.00	527,000.00
Others	50,000.00	0	0	50,000.00
Total	4,460,000.00	4,994,000.00	4,630,000.00	14,264,000.00

Table 5.4 highlights different methods used by the remittance senders in the last three years. The highest number of transfer has been conducted through official

channels. Altogether remittance was transferred through official channels 133 times. This is 57.33% of the total number of transactions. On 75 occasions remittances were sent though hundi. This is 32.33% of the total number of transfers. In 16 instances (6.90%) remittances were sent through friends and relatives and in 7 instances (3.02%) they were personally carried by the remittance sender when they went home on holidays. If these figures are compared with those of Mirersharai and Kalihati, it appears that there is a degree of similarity in the response regarding methods of remittance transfer. As seen earlier in case of Mirersharai and Kalihati, in 53% instances remittances were received through official channels, in 41.38% instances it was received through *hundi*. Most of the respondents use multiple method for sending remittance. Six of the respondents use only official channels. A few mentioned that they send remittance through official channel when the amount is larger. Shushen Paul stated that he uses hundi if it is less than Tk 10,000 and if he needs to send money on an urgent basis.

Average Number of Annual Transaction

Now let us look into the number of times that each migrant remit each year and also on the issue of average amount sent per transaction. In the year 2000 and 1999 each interviewees on an average sent remittance 4.4 times. In 1998 each of them sent 3.11 times. Two of the interviewees' migration experience does not cover 1998. They only migrated after 1998. Therefore the average for 1998 is calculated by dividing it with 18 instead of 20. Two persons were found who remit a particular sum each month. Jahangir Alam from Mirersharai, who is the sales executive in an insurance company, earns Tk 33,000 per month, each month he remits Tk 5,000 to his family for their subsistence. Murshed Khan from Mirersharai sadar, who is a salaried employee who earns around Tk 40,000 per month, sends Tk 10,000 each month. Both of them keep a portion of their income as savings.

Table 5.5. Number of Annual Transaction by Method (Yearwise)

Method	Year 1	Year 2	Year 3	Total	%
Official Channel	51	55	27	133	57.33
<i>Hundi</i>	29	22	24	75	32.33
Returning Friends	5	7	4	16	6.90
Carried by MW	02	04	01	07	3.02
Others	01	00	00	1	.42

Total	88	88	56	232	100
-------	----	----	----	-----	-----

Table 5.6. Amount Sent per Transaction

Method Used	No. of Times	Total Amount	Amount per Transaction
Official Channel*	28	91,00,000	3,25,000
	105	20,84,000	19,847.62
<i>Hundi</i>	75	22,19,000	29,586.67
Friends and Relatives	17	2,84,000	16,705.88
Personally Carried	6	5,27,000	87,833.33
Others	1	50,000	50,000
Total	232	14264000	61482.75

*The top row of official channel describes the amount transacted by one businessperson and a salaried employee.⁵ Rest of the table presents other 18 cases.

Table 5.6 presents the average amount transacted by the senders through different methods. Two of the interviewees remitted 63.80% of the total remittance. This may distort the average flow and hence was reported separately. These two remitted the money in 28 installments. Each time they used official channel, and the average amount they transacted stands at Tk 3,25,000. The total amount sent by these two persons over the last three years is Tk 91,00,000. The rest of the 18 remittance senders altogether remitted Tk 51,64,000. The amount per transaction through the official channel for them is Tk 19,847.62. The amount per transaction through *hundi* is larger than that of official channel. An average amount of Tk 29,586.67 has been sent through *hundi* per transaction. The average amount per transaction in both remittance receivers and remittance senders' data is the highest when it is hand-carried by the migrant worker.

Cost of Transaction

The interviewees who transacted through official channel mentioned three types of institutions through which they remit. These are local Arab or foreign banks, UAE branch of Janata Bank of Bangladesh and different exchange houses. It costs 3 Dirhams (Tk 45) per transaction of remittance when the draft is processed through exchange houses. It costs 5 Dirhams (Tk 75) when it is prepared through local or

⁵ The salaried employee was the production manager at a garments factory. Both remitted large amounts of money; the businessperson sent altogether Tk 75,00,000 and the other Tk 16,00,000.

foreign banks. Those who processed their drafts through Dubai branch of Janata Bank they had to pay 10 Dirhams (Tk 150) per transaction. Once the draft is prepared it is sent to Bangladesh through postal system. Registered mails from Dubai to Bangladesh costs 5.50 Dirhams (Tk 82.50), and if the draft is sent through courier the cost is around 20 Dirhams (Tk 300). Most of the interviewees who sent through official channel use exchange houses for issuance of draft. These 20 interviewees mentioned the name of three exchange houses. These are UAE Exchange House, Wall Street Exchange House, and World Exchange House. Among Arab banks they mentioned the name of Mashreq Bank. The garments factory manager Mr.. Khan sent money nine times; in all cases he used money exchange company for making the drafts and sent those by registered mail. Hundi transaction did not entail any cost.

Transport Cost

Some respondents reported that the Dubai branch of Janata Bank was not located at a convenient site. Therefore it involves some transportation cost. However the exchange houses and other banks where the remittance senders have their accounts are usually in their close vicinity. Therefore they do not incur any additional cost. The *hundi* service is easily accessible and transport cost is very nominal.

Other Cost

Hundi itself, although is cost free, involves some other costs with its operation. The remittance senders either have to phone or communicate with their families through fax for both informing the families and getting information about their receipt of the remittance. Therefore, one has to add the costs of phone call and fax.

Transfer Time

Table 5.7. Transfer Time (in Days)

Type of Method	Highest	Lowest	Average
Official Method	18	7	12.3
<i>Hundi</i>	5	2 hours	2.7
Friend	5	2	3

Self-carried	2	2	2
--------------	---	---	---

Table 5.7 shows the time needed to transfer remittance to Bangladesh from Dubai by different methods. Official methods involving banks or exchange houses take 12.3 days on an average. *Hundi* transaction takes much less time. On an average, it takes 2.7 days. The highest time that *hundi* method took reported by an interviewee was 5 days, whereas in case of drafts that are sent through postal system, took 18 days. When remittances are personally carried by the migrant workers it only takes the time to reach their destination by air and local transport. Friends also take the same amount of time. Generally after reaching Bangladesh they take at least one or two days time to settle down and pass on the money to the sender's house.

Advantages and Disadvantages of sending Remittance through different Methods

Banks/Exchange Houses

Almost all the 20 interviewees stated that banks and exchange houses were extremely reliable. However as the transaction hours are convenient to them and cost is lower in exchange houses the interviewees preferred sending money through exchange houses to banks. They made some observations about the Dubai branch of Janata Bank. They pointed out that the location of the bank is not suitable. It is not on their regular way. With other banks or exchange house it is easier because they can access these places during their break time as those are closer to their workplace. Secondly, Dubai branch of Janata Bank takes a relatively long time to prepare a draft as they have to prepare the drafts manually. On the contrary, the other banks or exchange houses process their drafts within minutes. Thirdly, Abul Khair pointed out that he felt intimidated when he went to the bank for processing a draft. The bank officials did not treat him with enough respect because of his status, which hurt him. So he prefers using exchange house. Fourthly, the charges of transaction through Janata Bank were quite high compared to other banks. This was also seen as a disincentive by the senders. However in November last bank has reduced their transaction fees and it is now almost at par with local banks. Fifthly, usually people make drafts from the branches where they have their accounts. A few respondents including Abul Khair stated that they do not have accounts in Janata Bank because it

does not provide automatic teller machine (ATM) facilities. Four of the respondents reported when they went to remit money through Janata Bank they were approached by bank staff for using *hundi* through their own links. The formal banking hours are not suitable for the migrant workers as they hardly get opportunity to come out from their work place during those hours.

Hundi

The exchange rate offered by the *hundi* operators is 1-2% higher than the official exchange rate. They do not charge anything for transaction. It is the fastest method of transaction. In urgent situations this is the quickest method for sending money. The *hundi* operators provide door to door services. In fact in Dubai some of the earlier migrants from Mirersharai are involved in *hundi* collection business. It is because of their contacts with the Chittagonian community in Dubai, they convince the newcomers to use *hundi*. Zahedul Islam Chowdhury observes that it is this reason one finds use of *hundi* more common among the Chittagonians in Dubai. Social network plays an important role in *hundi* operations. It also allows deferred payment without charging any interest. Among these 20 persons, no one had experienced loss of money or deceit using this method. However, some respondents stated that they heard others lost money while remitting through *hundi* channel. Though *hundi* is treated by some as relatively reliable, it was not as much reliable as official channels.

It was interesting to note that there are other social reasons for sending remittance through *hundi*. Few mentioned they send money to wives, fathers or brothers separately and preferred to keep the amounts sent secret, as it creates tension among the family members. *Hundi* provides the opportunity to maintain such confidentiality.

Zahed Chowdhury reported that sometime ago one Akter Kamal came to Dubai and introduced himself as a relative of Peer (spiritual figure) of Gorangia of Chittagong. He lived in Dubai for about a year, created a good image for himself and set up a *hundi* business. His business flourished as he gave good rates. At a certain point of time Kamal fled Dubai and reportedly usurped 4,00,000 Dirhams (Tk 60,00,000) of remittance money from unsuspecting migrants.

Personal Hand Carriage and through Friends / Relatives

When remittances are carried personally and transacted through friends and relatives, they do not incur any cost. Such processes are also faster than the official channels.

These services cannot be availed at a regular basis. In respect to sending remittance through friends and relatives the person has to be very reliable. Shushen Paul reported that he sent Tk 25,000 in this method. His friend reported that the suitcase with all the money got lost during his travel from Dhaka to Sylhet. Paul says it was difficult to determine whether the person was telling the truth or made up the story. The money could not be recovered.

Intended Purpose of Sending Remittance

Table 5.8 presents the avenues in which the remittance sender wanted the remittances to be used according to their occupation. One finds that the large-scale enterprise owners sent money with specific objectives. These included land purchase and for investment in business. They did not remit for food and clothing. On the other hand small enterprise owners and garment workers remitted 30.23% and 34.01% of their total remittances for food. A large portion of the remittance of salaried employees was kept as savings in formal financial institutions. The reason for this is explained below. M H Khan, is a highly paid production manager in a garment factory in Ajman. His family resides in Malibagh Chowdhury Para in Dhaka. For the last three years he sent major portion of his earning home amounting to Tk.16,00,000. Khan planned to buy a plot of land in Dhaka. He is yet to finalise the purchase and as such the money has been kept in a bank. However, of the amount Tk. 1,20,000 has been spent for other reasons.

Table 5.8. Purpose of Sending Remittance by Profession

Avenues	Large Enterprise Owner		Self Employed		Employed		Small Enterprise Owner		Garments		Total	
	Tk.	%	Tk.	%	Tk.	%	Tk.	%	Tk.	%	Tk.	%
Food and Clothe			125000	11.09	220000	9.54	545000	30.23	486000	34.01	1376000	9.66
Medical Treatment									130000	9.09	130000	0.91
Child Education			36000	3.19	70000	3.04	30000	1.66	60000	4.20	196000	1.37
Loan Repayment					30000	1.30	10000	0.56	20000	1.40	60000	0.42
Land Purchase	1050000	13.82	220000	19.52	230000	9.98	100000	5.55	285000	19.94	1885000	13.22
Home Construction			165000	14.65	50000	2.17	83000	4.60	210000	14.70	508000	3.56
Taking Land Mortgage			30000	2.66					60000	4.20	90000	0.63
Releasing Mortgaged Land							30000	1.66	36000	2.52	66000	0.46
Business Investment	6450000	84.86	146000	12.95			237000	13.14			6833000	47.90
Investment in Usury												
Savings			50000	4.44	1595000	69.20	280000	15.53			1925000	13.49
Social Ceremonies	100000	1.32	1750000	15.53	100000	4.34	20000	1.11	52000	3.64	447000	3.13
Gift/Donation			30000	2.66							30000	0.21
Community Development					10000	0.43					10000	0.07
Sending Family Members Abroad			150000	13.31			468000	25.96	90000	6.30	708000	4.96
Total	7600000	100	1127000	100	2305000	100	1803000	100	1429000	100	14264000	100

Difficulties in investing remittance in productive venture when a person is abroad are evident from Jahangir Alam's case. Over three years, he sent Tk.5,70,000. Of that amount Tk. 2,95,000 was spent in different business ventures. He invested bulk of the money in shrimp cultivation and also opened bookstore in the local market. His brother was looking after these businesses. The shrimp project failed and his brothers could not run the bookstore. Currently, the bookstore has been rented out. Following these business failures Alam has kept Tk. 1,80,000 in bank in a joint account in his own and brother's names. He has also financed migration of one of his brothers by spending Tk. 1,20,000.

The table also shows that about 5% of the total remittance was spent for financing migration of other family members. Zahedul Islam Chowdhury of Chokoria had remitted Tk. 3,00,000 in the three-year period. One-third of that amount was sent to buy land. The rest Tk. 200,000 was sent to facilitate his sister's migration to the United States who was selected under a special migration lottery. However, for some reason his sister could not go and the money was wasted. A portion of Abul Khair and garment worker Amir Hossain's remittances was also spent in financing their family members' migration abroad.

Remittances were also used in social and religious ceremonies. Mohammad Shahabuddin, who works as a taxi driver, remitted a total of Tk.3,35,000. Of that sum, he spent Tk. 1,55,000 spent in his own wedding. Likewise, Abdus Salam and Mohammad Alauddin sent Tk. 20,000 each for their sister's wedding.

Conclusion

This section highlighted different aspects of remittance sending process from the perspective of a sender. It also presented the differences in sending pattern by professional categories. The basic findings regarding remittance flow and transaction pattern are similar to those underscored by the remittance receivers. For example in both situations more than half the number of transactions took place through the official channel and the next important channel is hundi. However, remittances sent through hundi method was relatively less than that reported in the previous section. The presence of salaried people and large enterprise owners in the interview sample may explain the difference.

6. Remittance Dynamics and Financial Institutions

Remittances are defined as the “portion of international migrant workers' earnings sent back from the country of employment to the country of origin” (ILO: 2000). They play a significant role in the sending countries economies. Apart from being a major source of income and foreign exchange, remittances also finance

imports of capital goods and raw materials, and contribute to the balance of payments. Remittances enhance savings and investment, and thus help augment capital formation and overall economic development.

There is a definite correlation between macro-economic policies operational in the remittance receiving state and its flow. Inflation and exchange rates affect flow of remittance. This is an important consideration for migrants with the ability and proclivity to save. Major fluctuations in inflation and exchange rates will tend to dissuade migrants who are likely to save in the home country. Like any other investor, fiscal policies and tax regimes are also other important considerations in the migrants' decision to engage in productive investment.

Hundi

As stated earlier remittance constitutes a very importance resource for Bangladesh. In that context various ministries and other arms of the Government of Bangladesh, including the Bangladesh Bank are committed to encourage the flow of remittance through official channel (i.e., through the banking sector) as much as possible. Studies have indicated that a large portion of remittance is channeled through informal means and the country is deprived of the valuable foreign exchange. Organised syndicates based in diverse cities such as London, New York, Dubai, Kuala Lumpur and Singapore are conducting such operations with great degree of sophistication and impunity. Periodic shortage of foreign exchange reserve has prompted the government, particularly the Bangladesh Bank to take steps to curb the practice of hundi.

A number of reasons have been attached to the growth of Hundi market. These include:

- Financing smuggling of various items, including gold
- Existing tax regime leading to under-invoicing of imports
- Unholy alliance between official of financial institutions and hundi elements
- Financing recruitment charges of the recruiters
- Difference between official and unofficial exchange rates
- Quality and speed of service
- Ability to reach clients both in destination countries and in the source countries

Financing Smuggling

There is a general agreement that demands of the parallel economy have attracted a significant portion of the Hundi money. With a porous border and weak surveillance capacity, both at land and sea fronts, smuggling is rampant. Press periodically reports about organized criminals involved in smuggling activities. Items range from simple consumer goods to electronic products to gold. It is alleged that duty free cities of Singapore and Dubai are the two important bases from where the smuggling rackets operate. In order to finance their operations they require hard currency and through an elaborate network of agents and sub-agents they are able to harness remittances, big and small.

Existing Tax Regime

A number of bankers and financial experts have stated that the existing tax regime contributes to under-invoicing of imports. They believe that the tax structure is designed in such a way that there is a general tendency for importers to under-invoice their imports. Under such conditions, these importers will be in need of foreign exchange from other sources, to meet the gap between the actual value of the goods imported and their official value and hundi helps mitigating that need.

Unholy alliance between business, bank officials and hundi elements

There is a widely prevailing view that a nexus of interests between business, a section of bank officials and those involved in hundi is operational. Officials of a nationalised bank conceded that they had detected gross irregularities in the performance of a section of officials in the Sylhet district and following departmental inquiry disciplinary actions were taken, some lost their jobs. A senior bank official states that it is extremely unlikely that over-invoicing of exports and under-invoicing of imports is possible without the complicity of bank officials.⁶ During the course of field work of the study in one of the Gulf States, at least four of the twenty Bangladeshi migrant workers stated that when they went to transfer money through a

⁶ Mr. Neaz Ahmed, Head, International Division of IFIC Bank, 17 January 2001.

Bangladeshi Bank, they were advised by a section of the bank staff that they (the bank staff) would be able to facilitate transfer of the money at a better rate and at a faster speed. Bangladesh Bank claims that the practice of hundi has registered a decline following some drastic measures by the Bank against some banks that were allegedly involved in hundi trade through telegraphic transfer.⁷ The Governor of Bangladesh Bank states the success of his Bank's intervention was reflected in the sharp rise in the legal flow of remittance from US \$1.3 billion in 1996 to US\$ 2 billion in 2000.⁸

Financing Recruitment Charges

Over time the recruitment industry has become a buyer's market from that of supplier's. Fierce competition among the supplier recruiting agencies in the source countries, had led to growth of fee charging recruitment process. This meant, during the initial periods of recruitment, employers used to pay the cost of recruitment including visa fee, *ikama* fee, and air ticket. In addition they also used to pay a fee to his counterpart in the source countries for their services. Now, the relationship is reversed. In order to secure job contracts agents of source countries vie against each other, and in some cases, bid for work contract from the employers in destination countries. This entails paying of such fees in hard currency. Migrant workers' earnings thus become a convenient source of financing such arrangement. Mannan (2001) reports that in order to secure contracts recruiters now offer not only to pay 1000 and 1200 Rials as visa fee for one or two years respectively, to the Saudi employers or agents, but also some additional fees. It is estimated that the current rate ranges from 3000 to 4000 Saudi Rials. The arrangement is such that this money has to be paid as soon as the work order is issued. That leaves no other choice but to manage the money from hundi sources. Mannan further estimates that in 1997 alone Bangladesh lost a staggering amount of Tk. 4,387,500,000 in this process.⁹

⁷ A report published in weekly *Banglar Sangbad* (1 May 2000) it was stated that the Bangladesh Bank team found connivance of two international banks and five national banks in hundi operations. At a point of time Tk. 1092 crore were transacted, that were suspected to be hundi transfer. In the absence of any law against hundi the report was not published and the matter was kept aside, the report added.

⁸ Personal Interview with the Dr. Farashinuddin Ahmed, Governor of Bangladesh Bank on 18 January 2001.

⁹ Mannan reckons that if recruiters had paid, on an average, 3000 Saudi Rials for each of the 117,000 Bangladeshi workers who went to Saudi Arabia in 1997, then they had paid at least a total of 351,000,000 Saudi Rials. This issue has been discussed in details in M. Abdul Mannan, 'Bangladeshi Migrants in Saudi Arabia: A Field Report', RMMRU Occasional Paper 5, 2001.

Difference Between Official and Unofficial Exchange Rates

Major difference in rates of exchange at the banks and the curb market creates condition for flow of remittance into the informal sector. With easy opportunities to exchange money unofficially at a higher rate most of those who bring in foreign exchange are inclined to change it at unofficial rate. Some bank officials observe that the government regulation to declare source of any amount flowing into accounts higher than US\$ 3000 itself has augmented the flow of hundi. They argue that such regulations need to be changed to ease the flow of money from foreign sources.¹⁰

Quality and Speed of Service

Providing quality service in a good time has been the hallmark of hundi practice. Almost every one agrees that efficiency has been the most important strength of those involved in hundi trade. The whole transaction is done in an informal way and there is no paper work involved. These are conducive to migrant workers own dispositions, as they do not have to go to a bank or money exchange office, stand in a cue, fill in forms, pay charges for the service, post the draft incurring some additional cost and then worry if the money had reached home. As against such arrangement in the formal sector clients generally receive services either in their own work place or residential quarters, do not have to fill in forms, bear any charges and are assured that their beneficiaries would receive payment within a very short time. This study found that average transaction time in the formal sector is about 24 days, while through hundi it takes only 3 days. Cases have been found in which within an hour money was transacted.

Hundi operators also provide some additional services. To keep their regular clients satisfied they also agree to deferred payment. That means if a client needs to send money on an urgent basis and do not have the money at the time, hundi operators will send the money required and will collect it at a later date. Generally, such deferred payment does not involve any extra charge or interest.

¹⁰ Khandaker Mahbubur Rahman, General Manager, Sonali Bank, 12 December 2000.

In Singapore, one source informs that remittance of Bangladeshi workers is connected to a smuggling syndicate, particularly involved in gold smuggling. They have organized collection teams who visit the Bangladeshi workers in their pay day, every fortnight.¹¹ Remitters receive slightly a higher rate than official rates. The source further informs that the Singapore based syndicate also collects remittance of Bangladeshi workers in Malaysia. The syndicate is alleged to have good contacts with some politically powerful elements in Bangladesh. That provides them protection and immunity from law enforcing agencies.

There are however differences of opinion whether the rates offered by hundi operators is the most important factor for workers to use this channel. Some argue more than rates it is efficiency and speed that drives them. Others say, "hundi operators do not necessarily pay higher rates, particularly to those who send small amounts, it is the failure of the Bangladeshi banks to cater to the needs of the migrants workers have led them to this informal sector".¹² Most important among these is rigidity of banking hours. Migrants work under stringent work conditions and they hardly have the opportunity to visit banks in working hours. In that context, exchange offices have flexible hours, they are also opened on holidays. Hundi operators make their services available at any time. Easy availability of hundi service also attracts Bangladeshis in cities such as London, Birmingham and Manchester. They prefer to remit money through their contacts, who had been serving the community for a long time.¹³

A senior bank official contends that, "there is a growing realization among the private banks about the value of remitted dollars and they are gearing up their activities to harness this resource. Unfortunately, their efforts are thwarted by imprudent government policies directed to restrict these banks access to that market. This has resulted in huge loss for the country. In this age of information technology, with proper policies at place, private banks could contribute a lot in combating hundi."¹⁴

¹¹ Personal interview of Ali Noor Chowdhury, a long term resident in Singapore.

¹² Personal interview of Mr.M. Aminuzzaman, Managing Director of Uttara Bank on 2 January 2001.

¹³ *Ibid*

Ability to Reach Clients both in Destination and Home Countries

Hundi business operates through extensive networks of agents and sub-agents, both in the home and destination countries. Such networks enable them to access clients, a positive advantage over formal banks whose reach is quite restricted at both ends. Although through correspondent banks and exchange houses they can increase their reach in the destination countries to an extent, they lag far behind of hundi operators in establishing their networks in different corners of rural Bangladesh. Under the circumstances, the only institutions that have the potential to challenge the hundi operators through their own networks are the MFIs such as BRAC and Grameen Bank.

The Bangladesh Bank governor identifies several reasons for sustenance of the hundi business. These are: exchange rate differentiation, quality of service of hundi operators and lack of presence of formal banks in the migrant concentrated areas in the destination countries.¹⁵ He states that the best solution to hundi problem is to maintain a steady and acceptable exchange rate that will not differ with the hundi operators in a major way. The Governor states that it is with that aim the Bank had to change exchange rate three times.¹⁶ With the objective of curbing hundi Bangladesh Bank has also decided to open branches of nationalized commercial banks in the USA and UK so that people can remit money through official channel. The Bangladesh Bank chief admits that hundi operation is linked with smuggling.¹⁷ Therefore, strict enforcement of law in the border areas is a necessary condition and that should be accompanied by reform in the banking sector. Dr. Farashuddin Ahmed states that Bangladesh has a very liberal foreign exchange regime and vested quarters are taking advantage of the loopholes in the system.¹⁸

¹⁴ *Ibid.*

¹⁵ Personal interview with Dr. Farashuddin Ahmed, Governor of Bangladesh Bank.

¹⁶ *Ibid.*

¹⁷ A major Bangla weekly *Shaptahik 2000* (12 January 2001, vol. 3 no. 35) reports that in a recent interview with Daily Manabjain the Governor of Bangladesh Bank had stated that the hundi money is linked to importation of illegal arms, narcotics and films. The report stated that the Governor had attributed to experts when he said that the amount of money transacted under hundi would stand between US\$.100-150 crore per year.

¹⁸ Personal interview with the Governor of Bangladesh Bank.

Mobilisation of Remittance through Official Channels

Role of Bangladesh Bank¹⁹

As part of its overall strategy to combat hundi the BB encourages the nationalised and private banks to link up with foreign banks and exchange houses in the destination countries. Murshid et al (2000) reports that Bangladesh Bank has undertaken a number of policy decisions regarding remittance. These include:

- Open up 20 new exchange houses in different places under Bangladeshi ownership
- Permission to Sonali Bank to set up Sonali exchange in various countries.
- Under the anti-hundi drive suspicious transaction could lead to cancellation of license;
- Declaring remitted money as tax free; and
- Campaign to create awareness among the migrant workers of Bangladeshi migrants

There are different savings and investment schemes offered by the banking institutions in Bangladesh. Although only a few of those are directed to the migrants, most others are for all. Migrants can also access those schemes.

Bangladesh Bank offers a few savings and investment facilities within the country for wage earners' abroad. These are:

Non-Resident Foreign Currency Deposit (NFCD)

Migrants can have a NFCD account in any branch of Bangladeshi and foreign banks that holds an authorized dealership license. The account can be opened for different periods: one month, three months, six months or one year in US dollar, pound sterling (PS), Canadian dollar (CD), German Mark DM), Japanese Yen (Y) or Euro-currency (Euro). The minimum necessary balance must be US\$1000 or PS 500 or their equivalent amount in currencies stated above. The accounts are renewable and

¹⁹ The powers and functions of Bangladesh Bank fall into three categories. These are: (a) controlling of money supply, (b) regulating credit, and (c) regulating scheduled bank activities. The Bank's service functions include (a) printing and minting currency, (b) acting as a clearing house, (c) maintaining foreign exchange reserves and regulating exchange rate mechanism, (d) performing some treasury functions for government. The Government of Bangladesh has taken policy decisions to design and implement programmes, including credit programmes aimed at poverty alleviation. In pursuance of such policies Bangladesh Bank issued circulars to banks to develop linkage with established NGOs to deliver credit to the poor.

can be maintained for an indefinite period even after the return of the wage earner (migrants). One is also eligible to open an NFCD account with his/her savings within six months of one's return to Bangladesh. The interest is determined in terms of interest accounted on the value of Eurocurrency. The interest accrued is tax-free. The capital and interest of NFCD account is also transferable in Bangladeshi taka at the current exchange rate. There is also the provision to withdraw the capital money before the expiry of the period specified but in that case one will not receive the interest. NFCD forms are available in Bangladeshi missions abroad.

Wage Earners' Development Bond

The remittance of Bangladeshi migrants abroad can be invested in Bangladeshi currency in five-year Wage Earners' Development Bond. The bonds are available in different denominations: Tk. 1000, Tk. 5000, Tk. 10,000, Tk. 25,000 and Tk. 50,000. The Bonds are issued for specific periods. The profits are investable in Bangladesh and the bonds accrue an annual interest of 12% (as of 28.11.2000). If a bondholder wants to encash them before the expiry of the term s/he would be entitled to get interest at a reduced rate. The capital money of the investment is freely transferable abroad in foreign currency. The interest is tax free. The Bond is available at National Savings Bureau offices, branches of Bangladeshi banks abroad and Bangladesh missions abroad.

Non-resident Investor's Taka Account (NITA)

One can open a NITA by the money remitted from abroad for investment in the share and securities of the capital market of Bangladesh. Such an account may be opened in any dealer branch of an authorised bank. The current balance of NITA is transferable in foreign currency to any country any time. One can buy share and securities from stock exchange with the balance of NITA and the money earned as dividend and shares and securities sold may be saved in NITA. The capital and profit money is tax exempt and the bank directing the account can work as nominee.

In order to make the schemes popular among the migrant workers, Bangladesh Bank has already simplified the formalities with regard to NFCD. Only photocopy of

passport signature or a certification from a notary public is enough to open such an account. As far as the campaign to market these instruments, Bangladesh Bank is engaged in regular contacts with the missions abroad.

The central bank also allows investment of NFCD funds in remunerative business projects to allow payment of competitive interest rates to account holders. Recently the bank relaxed foreign currency dealing, allowing authorized dealers to transact dollars with Bangladeshi Bank at rates within the band of Tk. 53.54 and Tk.54.14 on the basis of market demand. Earlier the banks were obliged to transact at certain fixed rates. The Bank officials believe that a decision of allowing market to decide exchange rate would help curb *hundi* business (*The Independent*, 6 December 2000).

Extent of Operations of Nationalised Commercial and Private Banks

In the following section the role, function and extent of operations of both nationalised and private banks are discussed.

Nationalised Commercial Banks

According to the Governor of the Bangladesh Bank 80% of total remittance of the country is channeled through four banks, Sonali, Janata and Agrani Bank in the nationalised sector, and Islami Bank in the private sector.²⁰ The table below compares the performance between the private and nationalized banks in mobilizing remittance. It informs that although there has been increase in the flow of remittance between 1999 and 2000, there has been little difference in comparative share of the nationalized and the private banks.

Table 6.1. Comparison of Remittance Earning of Nationalized and Private Banks

Type of Bank	1999		2000	
	Tk. (in crore)	%	Tk. (in crore)	%
Nationalized Banks	7516.11	(73.39)	8682.38	(73.38)
Private Banks	2725.62	(26.61)	3149.75	(26.62)
Total	10,241.73	(100.00)	11,832.13	(100.00)

²⁰ Personal interview with Mr. Farashuddin Ahmed, the Governor of Bangladesh Bank.

Earlier *Sonali Bank* had six branches in the UK. On 3 June 1999 all six branches were closed on the advice of the Bank of London. In order to settle outstanding issues such as recovery of bill and pending suits, representative offices are functioning. The Bank was set up to facilitate transfer of remittances of the Bangladeshi residents in the UK. However, as early as 1974 due to some bad advances at the directive of the Bangladesh government the branch sustained major losses. As both Bangladesh Shipping Corporation and Bangladesh Biman failed to service their debts within a year their accounts were classified as non-performing. As high as 79% of the Bank's assets were tied up as bad loan. Finally under pressure of the central bank of the UK the branches were closed down. However, a new financial institution namely the Sonali Trade and Finance, UK Ltd. (STFL) was established to take care of the assets and liabilities of Sonali Bank. Currently, five branches of STFL are operational. The government of Bangladesh has continued its effort to reestablish the branches in the UK.

In the Middle-east Sonali Bank functions at the Bangladesh Mission office in Jeddah. One of the principal activities of the office there is to popularise the Wage Earners' Development Bond. In addition, the Sonali Bank has agency arrangements with a number of exchange houses in the Gulf region and also in the South East Asia.

Janata Bank began operations in UAE since 1976. In the initial years, the Bank suffered major losses due to non-repayment of loans. In most cases loans were disbursed on non-economic considerations and the defaulters were locally influential. There was very little that the Bank could do to recover the loans. In that sense, in the Gulf region right from the very beginning of its operation the Bank suffered from credibility crisis. Again in 1995, the Bank suffered another setback as a major Bangladeshi construction firm failed in business. The Bank sustained losses as it provided guarantee for the venture without keeping sufficient collateral.

Bank officials feel that smuggler-hundi nexus has established a tight hold on the informal transfer. They tend to undercut whatever competitive rate banks may offer. Measures such as devaluation of currency to shore up the value of remitted money are also undermined by the same forces.

There has been a prevailing perception in the migrant circles in host country that services rendered by the bank in Dubai is far from satisfactory. This, they view, is largely due to the fact that the staff, including those recruited locally from among the Bengali community lacks necessary expertise and professionalism. Senior management of the Bank concedes that its performance could be improved in a major way. They further inform that for the last six years the Bank has been trying to send an inspection team to look into the problems in its overseas branches. It is yet to receive necessary clearance from the concerned authorities. The matter becomes further complicated as those recruited locally are fall under local labour laws. Taking disciplinary action against them would involve a lot of cumbersome procedures.

When asked about the reason for the competitive rates that exchange houses offer to the remitters, Janata Bank official stated that exchange houses are cost efficient as they can staff a booth with only one person. Bank instruments by law have to be signed by two persons. That means increase in the overall costs that make it less competitive. Janata Bank proposes to expand its operation in Bahrain and Italy. Following a high level visit a feasibility study has been commissioned. The Bank believes that within three years the Italian unit can be made profitable. Janata Bank proposes to tie up with the Netherlands Based Habib Bank GM for harnessing remittances at Bahrain. Bank officials are apprehensive that inordinate delay in receiving necessary permission may harm the proposed project. Unforeseen factors may eventually make the project unfeasible. Delayed action on the part of the Bangladesh missions that issue report on the potential partner financial institutions also contributes to the delay.

Janata Bank is also negotiating arrangements with some established money exchange companies such as Western Union and James Cook with the aim of expediting transfer of remittance. Of course, transferring money to remote rural areas within a short time would continue to pose a serious challenge. The Bank realises that arrangements with such companies would be mainly focussing on migrants in developed western countries for transfer to districts such as Dhaka, Mirersharai, Sylhet, Comilla and Noakhali. The Bank views that relatively high charges attached in such transfers are unlikely to attract small remitters from the Middle-east. Janata Bank reported that they had major success in selling bonds. In recent period it sold bonds

worth Tk 10 crore in UAE. Bank officials also welcomed the recent relaxation of rules pertaining to opening of NFCD account, but states that the matter has not been adequately publicised.

Agrani Bank is one of the most important conduits of remittance. 33-34% of the total remittance of Tk. 9200 to 9500 crore was channelled through the Bank in 2000. The middle eastern countries constitute 60-70% of the Agrani Bank's total remittance source. Although Agrani Bank does not have any overseas branch, it has arrangements with 17 exchange houses in the Middle east and a total of 900 correspondence facilities all over the world. The Bank plans to open an exchange house of its own in Singapore.

Bangladesh Krishi Bank has 11 authorised dealing branches that handled all foreign exchange dealings. It also has correspondent relationship with 120 banks. In 1998-99 BKB channeled Tk. 84.36 crore as remittance.

Private Banks

Of the private banks *Islami Bank of Bangladesh Limited (IBBL)* has taken proactive measures to harness remittances of migrant workers.²¹ The bank aims at establishing interest-free Islamic welfare oriented banking and small income groups are one of its major target beneficiaries. The IBBL's charter emphasizes human resource development, employment generation and opportunities of self-employment generation. The Islamic Bank Foundation has set up two technical institutes in Dhaka and one in Bogura to train youths in various technical and vocational skills. All these make IBBL a suitable institution in the formal banking sector to target the migrant workers, both in the host country and in the home country.

In order to collect remittances of migrant workers of the Middle-eastern countries, IBBL took up a proactive programme, with commitment and professionalism. Visits to several Arab states by senior bank officials and their

²¹ This section draws substantially from the authors' earlier work "Contribution of Returnees: An Analytical Survey of Post Return Experience", RMMRU, commissioned by International Organization for Migration, June 2000.

meetings with their counterparts in the banking sector in the host country, representatives of Bangladeshi communities and Bangladeshi embassy officials, provided them with better understanding of the dynamics of remittance processes and host countries' financial systems. This was followed by posting of senior bank staff in Saudi Arabia, who was attached to local Al Rajhi Bank to meet the Saudi regulations. His principal task was to establish contacts with the Bangladeshi migrant workers at different sites, motivate and encourage them to remit money through the formal channel, and to save certain amount of their earnings in their own names, while sending the rest to their families. The representative of IBBL also made good use of the 'Call and Guidance Centres' set up by the Saudi authorities for the spiritual enrichment of the migrant workers of different nationalities. In his presentations, the Bank official motivated his audience to be prudent with their earnings.

Within a short time, the IBBL representative realised that traditional approach to banking with fixed hours and formal contacts with the clients would not work in providing services to them.²² Instead, in order to earn confidence of their potential clients informal contacts were crucial. That meant the official to make extensive travels to meet migrant workers at their work places and residential quarters, make himself available even at odd hours. Intensive campaign about the advantages of sending remittance through official channels (income tax rebate, future investment opportunities etc.) has been a major factor behind IBBL's success in earning confidence of the migrant workers.

Keeping in view the special needs of migrant workers, client friendly forms were prepared and procedures for opening account were also simplified by IBBL. The procedures were relaxed to the extent that those without valid documentation could also open account and remit money. To keep the clients informed about their account IBBL regularly sends them statement of account and individual transaction. The success of IBBL by providing this informal and migrant friendly banking service can be measured by the opening of 70,000 accounts of Bangladeshi migrants in Saudi Arabia by one committed individual.²³ Following its success in Saudi Arabia IBBL has decided to send more official to Qatar, Bahrain and UAE. The bank has also

facilitated opening of accounts various civic groups of migrant workers: clubs, association, savings cooperatives and professional cooperatives.

National Bank reported a steady increase in the flow of remittance over the years. In 1998 the Bank received Tk. 323 crore as remittance, the figure for 1999 stood at Tk. 398 crore. There was a sharp rise to Tk. 470 crore in 2000. National Bank has arrangements with 21 exchange houses in the Gulf and the Middle east region, especially in countries of Oman, Kuwait, the UAE, Qatar, Bahrain and Saudi Arabia. The Bank has exchange houses arrangements in other countries as well, including Malaysia, Singapore and Switzerland. Before formalising arrangement with an exchange house that expresses interest in collaborating with the Bank, the Bank verifies it's past performance and financial strength. After receiving permission from the Bangladesh Bank it then asks the exchange house to put in a deposit of \$50,000 as security money. Only after such deposit the exchange house begin collaborating with the Bank. The Bank represents Western Union in Bangladesh and money can be remitted from 13 countries through that agency in within a very short time. However, the Bank management feels that comparatively higher costs will be a disincentive for the general migrant workers to use this channel. National Bank stated that it plans to open an exchange house in Singapore in the near future.

Another private concern the *International Finance and Investment Corporation (IFIC)* reports that it had branches and exchange offices in Nepal, Oman and other Middle eastern countries. IFIC's Oman-Bangladesh Exchange Company has carved out a major niche in the Bangladeshi community in Oman and has its largest share with 41% of the market. The Bank management believes that opening a branch or having correspondence relationship with a bank in India by a Bangladeshi bank is a far difficult proposition than those for an Indian bank with Bangladesh.²⁴ They suggest that Bangladesh Bank should look into the matter and ensure that reciprocity is maintained under which Bangladeshi banks will get same opportunities and

²² Interview of Mr. Mohammad Abdul Mannan, Senior Vice President of IBBL, who was posted in Saudi Arabia for more than four years on 10 July 2000. For a detailed account see his work 'Harnessing Migrant Workers Remittance: Field Experience in Saudi Arabia', RMMRU Occasional Paper 5.

²³ *Ibid.*

²⁴ Mr. Neaz Ahmed, Head of International Division, IFIC.

privileges in dealing Indian expatriates in third countries, as Indian Banks get in dealing with Bangladeshis.

Prime Bank does not have any foreign outlet yet. It has applied to Bangladesh Bank for opening branches in Singapore, Hong Kong, Oman, India and Kuwait. The bank's involvement in remittance is growing but could be much more if it had more branches overseas. The Bank management believes that with their motivation and client friendly approach, private banks would extend important services to the mostly illiterate Bangladeshi migrant workers ensuring much higher flow of remittance.

Of the other private banks *Uttara Bank* runs an exchange house in Qatar in collaboration with a local financial institution. Currently, the Bank is considering opening exchange houses in New York, London and Singapore.

Transaction Time

Sonali Bank management believes that delivery of service within the quickest possible time is key to attract remittance.²⁵ In that context the Bank has made arrangements with courier service to send remittance statements within 24 hours. In order to serve the remote areas branch offices have been instructed to send special messengers. Although this incurs some degree of cost, the Bank believes it has to put up with this in order to remain competitive in the remittance market.

Agrani Bank officials state that time taken is contingent upon many factors. Obviously the instruments have to come to the head office for clearance. Sometimes the distance and channel of communication between the head office and feeder branch necessitate undue time. Officials acknowledge that there are instances where bank personnel in the disbursing branch harass clients and unnecessarily waste time for their personal gains. A senior management of a NCB reported that in one instance a departmental inspection could unearth collusion of bank officials with *dalals* (middlemen) in Sylhet. Following further inquiry jobs of some of those officials were terminated.

²⁵ Interview with Khandakar Mahbubur Rahman, General Manager, Sonali Bank on 12 December 2000.

Agrani Bank is planning to introduce the international transfer of money through electronic means. However, it would not make major difference in transferring remittance of migrant workers, particularly in the remote areas. Bank officials acknowledge that providing door-to-door services is difficult and time consuming. The Managing Director viewed that with regard to disbursing remittance there is scope for collaboration between banks and the NGOs who have good access in the rural areas and who have personal knowledge about their clients.

Bangladesh Krishi Bank receives remittances mostly through telegraphic transfer. Officials explain that the Bank can deliver the money to the beneficiary within a very short time if they reside in major cities. However, customer identification becomes a problem if the branch is located in the remote area. When demand drafts are presented by clients in rural branches they are to be cleared from the head office. The draft is then sent back to the branch for payment. All these formalities generally take around 15-30 days.

Bangladesh Bank, however states that a recent study has revealed that 85% of remittance is delivered within 7 days, 10% within 15 days and there are some delays with the rest 5%.²⁶ However, its Governor insists that it is the last category that dominates the perception of people about remittance transaction through banks. He concedes that banks can certainly improve their performance and can not match the promptness of hundi operators. He adds, “they are not only prompt in the city but also in the remote areas”.²⁷

Schemes for Outgoing Migrant Workers

Agrani Bank launched a scheme in 1994 to provide loans to outgoing migrant workers. The amount varied between Tk 40,000-50,000. The programme was unsuccessful as it became very difficult to recover the money after a migrant worker left the country. Through its experience the Bank learnt that tracing a person who is unwilling to repay loan is a difficult task. Agrani Bank officials further point out that there have been instances where debtor worker sent back the money he owed. But

²⁶ Personal interview, Dr. Farashuddin Ahmed, Governor, Bangladesh Bank.

²⁷ *Ibid.*

agents through which money was sent, failed to forward it to the Bank and misappropriated it. In most cases these agents were instrumental in completing formalities for the bank loan in the first place.

Table 6.2. Disbursement of Loan by Agrani Bank for Migration

Recruiting Agency	Number of loanees	Amount of loan per person	Total Loan
Leasing Garments	198	45,000	89,10,000
Golden Contract	24	35,000	8,40,000
Betronix	33	45,000	14,85,000
Total	255	-	1,12,35,000

Under a special loan scheme of the foreign trade branch, 255 persons were provided loans for their migration to Malaysia. The loanees were to pay back the bank from their overseas earnings. M/s. South-eastern Agency stood guarantee for the loans. Of the 255 loanees, 185 (72,55%) cleared the loan, the rest defaulted. Agrani Bank then sued the defaulters for realisation of the money. Of them 27 cleared the dues, cases against 43 others are pending.

National Bank does not have any scheme for providing loans to outgoing migrant workers. It feels that such loans will be a bad investment as there is very little scope for securing guarantees for repayment. Uncertainty of employment, fraudulent practices of recruiting agencies, irregular payment of salary, misappropriation of remittance by agents and middlemen, all these create conditions that makes repayment difficult. Under such circumstances, with their grassroots level contacts NGOs may be better placed to provide loans to outgoing migrant workers and realize them.

Most of the banks officials interviewed stated that they did not have any special incentive package for migrants. However, a good number of them expressed their interest in the kinds of incentives offered in other countries such as the Philippines and Mexico.

Utilization of Remittances

Nationalised Commercial Banks

Most of the commercial banks, nationalised and private, offer the *Bangladesh Bank* facilities and instruments to Bangladeshi wage earners. These include the NFCD account, Wage Earner's Welfare Bond and Non-resident Investor's Taka Account. Agrani Bank does not have any separate instrument for targeting migrant workers. However the Bank's Industrial Development Bond is a popular instrument, which is also subscribed by migrants. Other banks such as the Sonali, Bangladesh Krishi Bank and BASIC Bank do not have any separate instruments/programmes that may be accessed by wage earners.

Banks always look for entrepreneurs who could be good borrowers. "In that context, before committing to any arrangements we must be convinced about the capability and potentiality of the borrower"²⁸ Under such conditions, Industrial Development Bond is a good and safe instrument for those who want to invest. Senior management official of *Agrani Bank* states that the Bank is setting up advisory or counselling centres for people who are interested to invest or save money in particular schemes. Agrani Bank plans to launch a campaign on this issue in the print and electronic media. Others however believe that Agrani Bank bonds are too restrictive to attract foreign investment. In order to ensure the success of the bond, offers of profit and good exchange rates and wider publicity are needed. Sonali Bank management informs that although banks facilitate remittances, they do not have the authority to invest them. Of course, one may use the resource creatively with the consent of the account holder by making them partners. But that involves a lot of ground work, developing projects which are to provide some degree of guaranteed profit for the investors. The Bank does not have the adequate resources and manpower to explore these opportunities.

Bangladesh Krishi Bank has extended credit facilities amounting to Tk. 10.44 crore during 1999-99 to agrobased industries. BKB is also involved in micro-credit

²⁸ Managing Director, Agrani Bank, 11 January 2001

activities with the help of and in linkage with various donor agencies, government and non-governmental organizations. Besides agricultural credit, it provides financial assistance to landless unemployed for productive and income generating off farm activities. During the year 1998-99 Tk. 155.63 was disbursed in micro-credit to 1,617,019 beneficiaries.

Private Banks

Of the private sector banks, National Bank and Islami Bank have some special facilities open to all that may be accessed by wage earners abroad. The government owned, but privately run, BASIC Bank also has innovating programmes that may be linked up with remittance.

National Bank has a General Savings Insurance Scheme that can be availed by the wage earners. It is a blend of savings and insurance facilities. There are four categories of savings account varying on the amount of money that one is prepared to put in. The amount is withdrawable before the end of the policy time but at the end of the term specified, each investor/account holder will receive the double the amount deposited after death. If the death is accidental than s/he will get triple the amount. These will be non-cheque account and the depositor will lose interest if he/she withdraws the capital during the policy period. The account will be automatically renewed at the end of its term unless stipulated otherwise. The scheme has a built in life insurance component.

Islami Bank has a number of saving and investment schemes for all. These may be accessed by the wage earners. The Mudaraba Savings Bonds are instruments of Tk. 5000, Tk. 10,000, Tk. 25,000 and Tk. 50,000, Tk. 100,000 and Tk. 500,000 denominations to be taken for five or eight years. The holder of the bond will receive share of the profit of the capital raised through the bond according to Islamic *Sharia*. The owner of the bond will also receive part of investment in Mudaraba account in every account year. The weightage is 1.25 for 8 year scheme and 1.10 for 5 year scheme. The Bank also offers Special Pension Scheme under which individuals could deposit money at rates agreed upon and in return will earn profit in the same way as Mudaraba bonds. With social goals as one of its prime motivations Islami Bank also

has programmes for rural development and agriculture, housing and business. Its other investment schemes such as transport, doctor may attract migrant workers specially those who want to invest money and receive profit according to *Islami Sharia*.

IBBL has expanded its operations in areas where the migrant workers generally originate from. In order to provide effective service branches were opened in strategic locations so that beneficiaries of migrant workers remittances and migrant workers themselves on return can access these accounts with relative ease.

Bank of Small Industries and Cottage (BASIC) was set up in 1989 with the goal for financing Small Scale Industries (SSIs) in the private sector. Although the Bank is fully state owned, it operates like a private bank. By its Memorandum and Articles BASIC is committed to provide 50 percent of its loanable funds to small and cottage industries sector. The Bank also offers technical support to SSIs to enable them to run their enterprises successfully. The Bank channels micro-credit to the urban poor through linkage with NGOs with a view to facilitating their access to the formal financial market for the mobilisation of resources. Although the Bank has not been involved in collection of remittance and is yet to develop overseas network, for the reasons stated above, it is well geared to provide assistance to those who are interested to set up small enterprises including the returnee migrants or members of their families.

BASIC follows three methods of micro-credit delivery: (a) it lends to NGOs who on-lend to their members,²⁹ (b) it lends direct to the target groups or ultimate borrowers under the Bank's own management, and (c) it lends directly to the member-borrowers and NGOs providing non-financial services like group formation and monitoring and supervision in exchange for a supervision fee.³⁰

In pursuance of the Bangladesh Bank's policy of linking up with the NGOs to deliver credit to the poor, BASIC has been actively engaged in credit programmes for the urban poor, in a limited scale. As the Bank does not have any branches in the rural

²⁹ At present it lends through 18 NGOs.

³⁰ At the end of 1999 a cumulative amount of micro credit of Tk.131.89 million was disbursed to 37,476 poor people.

areas it mainly focuses on the urban areas. BASIC management³¹ defines micro-credit as “credit provided for development of micro-enterprises”. It further views that “Micro credit has the potential of being good business for commercial banks”. The bank’s programme targets particularly those in the urban informal sector.³² In the rural areas it plans to target artisan groups who can be organised with relative ease. Its criteria for selection of groups include:

- Those employed in self-employed income generating activities having knowledge in the trade and marketing.
- Those who do not have assets in the form of machines, tools and equipments and other moveable asset and domestic livestock of worth and use exceeding Tk 30,000.
- Those individuals whose monthly income does not exceed Tk. 5000.

BASIC provides loans to individual members organized in a group. Loan sizes vary between Tk. 2000 to Tk. 15,000 per borrower. The Bank charges 7% to 10.5% interest for providing funds to NGOs for on lending to its clients. If the Bank lends to NGO members or if it directly handles micro credit operations entirely on its own the interest charged is 16%. The loans are collateral free. Group guarantees replace collateral. The member-borrowers have to sign necessary instruments that are counter-signed by executives of concerned NGOs, if the NGOs are involved in the loan disbursement process. All stocks/equipment procured with the loan remain hypothecated with the Bank.

BASIC believes that terms of average recovery rate of loans are directly proportional to the intensity of monitoring and supervision exercised by bank and NGO staff. In that context a separate cell has been created in the Head Office to monitor the scheme and the Bank plans to deploy separate staff in branches where volume of business would justify. The bank management underscored the need for training and sensitizing its staff, both at top management and branch levels, for the overall success of this novel programme. However, they feel the training institutes hardly offer training courses specifically designed for the banking with the poor, particularly through NGOs.

³¹ Alauddin A Majid, (Managing Director, BASIC) “Micro-credit for the Poor”, (Mimeo)

³² The Bank has identified a number of activities in the informal sector. These include: tailoring, handicrafts, embroidery, sweet meat box making, hair bank and clip making, rubber slipper strap, jute bag, paper bag and envelope, bangle manufacturing, hair cutting saloon, shoe making and polishing, push cart, sugar cane, juice making, tea shop/hawking, pan and *bidi* shop and *chanachur* vending.

So far BASIC's experience on banking with the poor has been a major success. Its rural artisan group development (involving black smiths in Kalihati and Brahmanbaria and potters in Comilla), small poultry farm development and weavers' credit programmes have all yielded excellent results. The weavers' credit programme is being implemented by Grameen Uddog, a subsidiary of Grameen Bank and a total of Tk.100 million has been sanctioned for this purpose. With regard to the urban poor BASIC has disbursed loans through several NGOs. These loans were extended for activities such as shoe making, artificial jewellery, sewing, shop keeping, trading, *nakshi katha* stitching etc.

The management of the Bank identified slum eviction to be a major constraint. Relocation of loanees entails unforeseen expenses. They further argue that fund cost, lending and on-lending rates should be judiciously fixed to facilitate banks and NGOs to garner sufficient spread. This is emphasized, as BASIC management view that "demand for micro-credit has been found (to be) interest-inelastic. To the poor, access to credit is more important than interest rate"³³.

Some Observations from Bank Officials

Bank officials, both of nationalized commercial banks and private banks, view that when their proposals are rejected by the concerned authorities, in most cases, they are not accompanied by grounds of such rejection. Very often they send letters of two to three sentences, communicating the decision. Under such circumstances, in order to curb arbitrariness, and establish accountability and transparency, concerned authorities should cite rules and provide reasonable explanation in support of their decision.

A general concern expressed by private banks is that the government does not want private banks opening branches in cities where nationalised banks have existing branches. They contend that the Bangladesh Bank regulations do not allow them to freely open new Units outside the country. They view this to be a discriminatory policy and it should be reversed to allow private banks access such markets in a

³³ Interview with Mr. Alauddin A Majid, Managing Director of BASIC on 20 December 2000.

competitive footing. The private banks argue that the remittance market is quite big and with their motivation, efficient decision making capacity and management strategy, they will be able to substantially increase the flow of remittance if they are allowed unhindered access to the market.

A section of private bankers argue that poor quality of service of the government banks had to an extent contributed to the flourishing of informal hundi market. Under such condition, the government banks need to be exposed to competition from private banks. That would eventually increase the efficiency of the banks and would contribute to increased flow of remittance. This rationale for the continued existence of the nationalised banks was questioned by a senior private bank official. He felt that the government should privatise all banks and act only as a regulatory body. “The government should monitor the banking sector, it should not engage itself in banking”³⁴

Bangladesh Bank however has a different perspective on the issue. Its Governor wonders why are the private banks interested in opening branches where government banks are located. They are free to open branches in many other cities where Bangladeshi migrants live and where government banks don't have their branches. A senior central bank official contends that private are not gearing enough attention to mobilize remittances, their main target is to get a share of the import business that is more profitable and hence their interest in opening branches overseas. The official further argues that if private banks were indeed serious about mobilisation of remittances, they do not need to open branches. They can easily enter into corresponding relationships with other financial institutions in the destination countries to do the job. He states private banks have a role in taking the NFCD scheme to the migrant workers.

The management of the National Bank points out that physical presence makes a big difference in harnessing remittances. They cite the performance of the Gulf Overseas Exchange Company of which National Bank holds 25% equity. The management believes that as a single unit its record of sending remittances is very

³⁴ Managing Director, the Prime Bank, 18 January 2001

good (Tk. 70 crore last year) and Bangladeshi migrant workers prefer to avail its services for its client friendliness. Prime Bank management also shares the view. They argue finance organisations should be freely allowed to channel remittance, there should be open permission. They believe that physical presence of bank officials is very important to motivate migrant workers to send their remittance.

Prime Bank officials suggest that Banks should be allowed to lend freely from the fund created from the remittance and they should be allowed to do so in foreign currency. This view was shared by officials of the nationalized banks.

Senior management of National Bank stated that Bangladeshi banking law does not permit ownership of more than 30% share in a foreign company. This works as an impediment as without majority shares it is difficult to establish control over the management of the company. In the absence of effective control over management, putting into operation policies to attract Bangladeshi expatriates becomes difficult. National Bank officials believe that personal care in filling up forms and meeting their queries go a long way in earning trust of the potential clients. All these have positive correlation in increasing the flow of remittance. These bankers believe that the government should consider changing the rules and create a liberal regime to allow them to function overseas.

BKB management suggests that there should be proper incentives for higher remitters such as taxation and credit facilities that are accorded to Commercially Important Persons. In order to encourage migrants to transfer remittance through Bangladesh Krishi Bank and save, policy changes may be made to provide (1-2%) extra interest on their savings. If such savings are eventually used in investment **once** the migrant returns, then s/he may be provided with loans at a lower interest rate than the prevailing market rate. The Managing Director of the Prime Bank stated that in the mid-1970s India took such a pragmatic measure and the conversion facility risk was taken up by the Reserve Bank of India. Any person of Indian origin was allowed to open accounts and remit money. Such an innovative policy helped augment the remittance flow in a major way.

Conclusion

This section deals with the involvement of various institutions with remittance of Bangladeshi migrant workers. It was found that a large portion of remittance is channeled through the informal sector. A number of factors have been identified for such a process. This include operation of informal economy linked to smuggling, gap in exchange rates, need for financing recruitment in destination countries, efficiency of the informal channel, collusion of interests between hundi operators and others. The section also dealt with policies adopted by the Bangladesh Government, particularly the central bank in combatting the hundi operations. Among others, the central bank encourages setting up of correspondent relationships between Bangladeshi banks with financial institutions in the destination countries. The activities and extent of operations of some important banks was detailed out. It also dealt in some detail operations of two banks whose institutional goals and lending policies may be quite pertinent for migrant workers and member of their families to meet their savings and investment needs. The section also documents some of insightful perceptions of the management of central bank and other banks.

7. Micro-Finance Institutions

There is a general agreement that productive use of remittance flows can have a positive impact on the economy of the migrants' country of origin. Remittance could be geared toward savings, investment and business creation and community development projects (ILO, 2001). Although remittance constitutes the most important source of foreign exchange earning in Bangladesh, it has not drawn due attention of the government. It is only in the last few years that the banking sector has recognised the potential of remittance. However, the migrant workers issue including remittance flow and utilization are yet to be on the work agenda of the Non-Governmental Organizations of Bangladesh, including the Micro-finance Institutions (MFIs).

Among the developing countries Bangladesh has a rich experience of Non-governmental Organisations' involvement in development activities. The term NGO

connotes a wide variety of organizations. They include charity organizations, local clubs, voluntary associations, civic groups, advocacy movements and institutions providing a range of services such as education, health, legal aid, environment, credit and literacy. One estimate suggests that there are about 25,000 registered Non-governmental organisations in Bangladesh. Of these about 1200 is foreign fund obtaining organisations. (Siddiqui, 1998). These are registered with the NGO Affairs Bureau of the Government of Bangladesh. Some NGOs focus on a specific area of activity such as health, education, credit, legal aid, media advocacy and the like, others are engaged in a diverse range of activities. There are a number of NGOs that are involved in credit operations. For some, delivery of credit may be their only activity, for others, this may constitute one of their many other programmes.

Over the decades MFIs in Bangladesh are playing an ever-increasing role in providing poorer sections of the community access to micro-credit. By now Bangladeshi MFIs, such as the Grameen Bank and the Bangladesh Rural Advancement Committee (BRAC) have become role models for replication in a number of countries worldwide.

Method of Information Collection

As part of the study plan, key persons of a selected MFIs and MFI related organizations were interviewed. They included, Prof. M. Yunus of Grameen Bank, Mr. F H Abed of BRAC, Dr. Salehuddin Ahmed of PKSF and Khandaker Hossain of CDF. The study team's effort to seek interview with the leaders of the other large MFI, Proshika, did not succeed. A number of appointments had to be rescheduled or postponed due to political programmes including hartals that interceded the study period. The study plan provides for holding of workshop involving several other MFIs, large, medium and small, following the preparation of the first draft. Conclusions and recommendations of the workshop will be incorporated in the revised report.

Grameen Bank has been at the forefront of micro-credit operations. It is the pioneer of micro-credit movement. Although it started as a MFI, the institution now

works under a formal banking structure. Grameen Trust is its subsidiary body that looks into research in poverty alleviation related issues.

Bangladesh Rural Advancement Committee (BRAC) is the largest MFI in Bangladesh. BRAC tops the lists of all MFIs in several criteria - in terms of membership, net savings, cumulative disbursement, outstanding loans and revolving loan fund.

Except for membership, Association of Social Advancement (ASA) is the second largest MFI in terms of net savings, cumulative disbursement, outstanding loans and revolving loan fund.

Shakti Foundation and CARITAS are two other important MFIs of Bangladesh. Shakti primarily works in the urban area emulating the Grameen model, CARITAS is a church based MFI involved in a number of development initiatives in different parts of the country.

Bangladesh Palli Karmo Shayok Foundation has been the apex funding agency of the MFIs in Bangladesh. It provides micro credit to the poor through its Partner Organizations. Its importance to MFIs is borne out by the fact that PKSF's micro credit disbursement has risen from Tk. 3 million in 1990-91 to a cumulative amount of Tk.5665 million at the end of the financial year of 1998-99. The number of its total micro credit borrowers increased in this period from only 0.006 million to 1.5 million – 90% of whom are women. It takes care of the funding requirements of large, medium and small organizations enlisted as its partner organizations.

Credit Development Forum (CDF) is a network of 572 micro finance institutions (MFIs) in Bangladesh. Established in 1992, CDF works as a conduit for channeling micro finance related information.³⁵ CDF's core activities include networking and coordination, advocacy, research, information dissemination, capacity

³⁵ Registered with Joint Stock Companies and NGO Affairs Bureau as a non-profit company limited by guarantee, CDF's objective include enhancing competence of MFIs in Bangladesh to enable them to provide adequate and appropriate financial services to the poor through adaptation and replication of best microfinance practices.

building of MFIs, exposure visits, workshops/seminars, manual and training modules development.

Role and Nature of Bangladeshi MFIs

Up to June 2000 these MFIs disbursed a total of Tk. 109,120.08 million and the loan outstanding was Tk. 20,812.04 million. The total active members of these organizations stood at 10,219,124. Of them 7,574,269 (74.78%) were outstanding borrowers. A staggering 27,460.27 million is being used as revolving loan fund (RLF). Net savings of the members stood at Tk. 8,088.44 million, of which 85.84% was being used in RLF. The average loan recovery rate was reported to be 95.5%.

Table 7.1. Performance of Micro finance Programme for Three Selected Years

As of	No. of MFIs	Total Active member			Net Savings (TK.)	Cumulative Disbursement (TK.)			Recovery Rate (%)	Outstanding Loan (TK.)	Out-standing Borrower
		Male	Female	Total		Rural	Urban	Total			
1	2	3	4	5	6	7	8	9	10	11	12
June '96	234	-	-	4,989,476	1,808,254,464	-	-	21,949,325,463	-	6,257,719,936	-
June '98	369	1,194,953	5,970,693	7,165,646	4,287,789,565	50,954,834,612	2,633,972,011	53,588,806,623	-	11,806,471,158	4,257,872
June' 00	572	1,591,436	8,627,688	10,219,124	8,088,439,004	101,559,896,295	7,560,187,107	109,120,083,402	95.38	20,812,036,295	7,574,269

Source: Developed from CDF Statistics, Vol. 10, June 2000

So far, 572 MFIs received Tk. 27,460.27 million from external and internal sources for the RLF. The major external sources include foreign donation 16.93% (International NGOs 0.33% and International Donors 16.60%), members' savings (25.29%) and the Palli Karmo Shahayok Foundation (PKSF) (24.03%). Funds generated internally by these MFIs through service charges constitute 14.06%. CDF Statistics notes that while contribution of foreign donation and local bank to the RLF appears to be decreasing, the contribution of members' savings, service charge and PKSF is increasing.

Table 7.2. Sources of revolving loan fund (RLF) of micro finance programme, June, 2000

Sources	No. of MF-NGOs received fund*		Amount (in million Tk.)	As percentage of total RLF
	June' 2000	%	June' 2000	June '2000
Members' savings	527	92	6,943.45	25.29
PKSF	127	22	6,597.68	24.03
Loan Bank	39	7	3,099.97	11.29
International NGO	76	13	89.92	0.33
International Donor	156	27	4,558.28	16.60
Service charge	401	70	3,862.14	14.06
BRAC	54	9	74.18	0.27
ASA	16	3	25.03	0.09
Proshika	128	22	30.78	0.11
Own fund	362	63	1,079.29	3.93
Others	229	40	1,099.55	4.00
Total	572		27,460.27	100

If one looks into the sector-wise allocation of micro finance one finds that the largest single sector was small business (41.31%). This was followed by livestock (20.91%) and agriculture (12.63%). Among other sectors, food processing, fisheries and transport draw another 15.15% of the allocation.

Despite the fact that the MFIs are involved in both rural and urban areas, as stated earlier they are yet to engage themselves in the harnessing and utilization of remittance of migrant workers of Bangladesh. However, major actors in the micro-credit movement in Bangladesh such as Grameen Bank, BRAC and ASA all have indicated their eagerness to engage in remittance related activities.

Table 7.3. Sector-wise Allocation of MFI Fund

Sub- sector	% disbursed up to June' 2000 (476 MFIs)
Agriculture	12.63
Fisheries	4.74
Food Processing	6.99
Small business	41.31
Cottage industries	3.03
Transport	3.42
Housing	1.28
Health	0.39
Education	0.02
Livestock	20.91
Others	5.28
Total	100.00

Source: CDF Statistics, Vol 10, June 2000

MFIs in Remittance Mobilization

As yet none of the major MFIs are involved in remittance mobilization. BRAC has developed a policy strategy with regard to migrant workers' remittance. It plans to make a major dent in the informal hundi flow by launching its BRAC Bank. BRAC has decided to link up with other banks to harness remittance from Bangladeshi migrants. BRAC is confident that with its 1200 branches spread all over the country it can effectively serve migrant families and curb the hundi business. With such a wide network BRAC is confident that migrant workers overseas will find it an attractive option to send money through BRAC Bank.

On issues of harnessing and utilization of remittances the Grameen Bank has expressed its interest to deal with them as test case. The Bank management believes, there is a lot of scope for effective harnessing and utilization of the migrants' hard earned remittance. Prof. M. Yunus, Managing Director of the Bank, stated that the Social Act Ordinance, 1983 through which the Bank is governed, does not allow Grameen Bank to deal with foreign exchange. This has been a major impediment for the Bank to access foreign exchange at the source countries. There may be two solutions to the problem. The Bank management may consider establishing links with commercial banks, such as the Sonali Bank, which are authorized to deal in foreign currency. Under an arrangement, those banks will arrange remitting the money, and Grameen Bank through its countrywide network will distribute it at the grassroots. The other option could be Grameen Bank seeking permission from the government to deal with foreign exchange.

With regard to possible involvement of micro finance institutions in mobilizing remittance K. Zakir Hossain, Executive Director of CDF holds a different view. He feels that micro finance has reached a saturation point. Involving the MFIs in harnessing remittance as a resource is likely to be a difficult proposition. As yet there MFIs do not suffer from any shortage of funds, and therefore there is no pressing need for exploring alternative sources of funds, such as remittance. Donor agencies, PKSF, banks and NGOs' own Revolving Loan Fund have so far proven adequate to satisfy the credit needs of MFIs.

Productive Investment of Remittances and MFIs

Both these major MFIs have several programme packages that may be accessed by migrant workers and the members of their families. BRAC feels that there is yet to emerge any mechanism that has targeted remittance for savings under the present institutional structures. Through its grassroots level programmes BRAC can induce migrants and their families to open savings account. It may consider industrial financing and other productive investments for the account holders. BRAC leadership also feels “adequate monitoring and overseeing mechanisms should be at place to ensure that savings and investments of individuals are protected”.³⁶

BRAC has initiated a micro enterprise lending, and assistance programme (MELA) catering to the small business owner and entrepreneur through providing credit and non-financial business development services. The concept is relatively new for Bangladesh particularly in rural areas. It was introduced through 10 branches of Rural Development Project (RDP) in 1997 and by the end of 1998 this programme had expanded to 34 branches. Currently loans are disbursed in six sectors: textile, cottage, transport, food processing, agro-based farming and other enterprises. BRAC allocated Taka 100 million in RDP Phase IV (1996-2000) for MELA Programme.

MELA is designed to stimulate growth of small enterprises in the semi-urban and rural areas with self-sustaining credit and technical assistance facility. It is intended to fill the gap that exists between small-scale credit programmes and formal credit by continuing to provide credit opportunities to those entrepreneurs who fall into this gap. It is believed that this growing segment is fundamentally important to the process of overall development efforts in Bangladesh. The large scale loans under MELA should serve as a mechanism for graduating existing RDP participants to greater self-sufficiency and growth and also encourage more ambitious and skilled entrepreneurs who face problems finding access to reasonably priced credit before. The specific characteristics of MELA differ from more traditional small-scale credit

³⁶ Personal interview with Mr. F H Abed, Founder Executive Director of BRAC, 4 January 2001.

programmes. MELA provides loans to individuals (not small group formations as normal MFI credits are disbursed) for both working capital and capital investment.³⁷

This study has found that there is a section of migrant workers who wants to put their remittance and savings in productive investments but whose financial needs do not quite meet the requirements of neither the traditional micro-credit schemes nor the commercial lending institutions. As MELA considers applications from non-group members, migrant workers and members of their families may access its resources by submitting viable enterprise projects. Such projects may also be an example for the government and other micro finance institutions that are interested to take schemes for those whose needs cannot be met by existing institutions.

With regard to issuance of bond or share BRAC believes that the capital market in the country is too depressed to envisage such projects. Setting up a mutual fund is one of the issues presently under consideration by BRAC. BRAC leadership feels that “improvements in the investment climate and law and order situation, and rationalization of the tax regime, are some of the key conditions for success in any financial endeavours, including effective harnessing and effective utilizations of resources”³⁸.

With regard to accessing migrant households Grameen management feel that with Grameen’s presence in almost half of the total villages of the country it will not be a difficult task to reach the migrant families. The Bank is confident that with its

³⁷ The applicant must provide with one or 2 guarantors as well as some legal covenants as part of the qualification process. The minimum and maximum loan amount is Tk. 20,000 and Tk. 200,000 respectively and the interest rate is 15% flat with equal monthly loan repayments. The loan terms can be either for 12, 18 or 24 months. Tk. 100 as application fee and 1% of the loan amount is charged as loan appraisal fee after the approval of the loan. Collateral requirement exists especially in the case of loans greater than Tk. 50,000 or in the case of new borrower. All non-members are required to provide collateral irrespective of the loan size. The maximum loan equity ratio is 80:20. The authority may cancel the loan if three consecutive loan installment payments are missed. In keeping with BRAC’s mission, MELA gives preference for women, local artisan and new entrepreneurs with sound proposals. All loans are appraised by the Programme Organizer of MELA project, scrutinized and approved by the respective District Managers (MELA) before sending it to the Senior Regional Manager (MELA) for final approval. Loans over Tk. 100,000 require the approval of the Manager - MELA. Loans are disbursed by cheque and loan repayments are made in the branch offices by the borrowers. The whole project is monitored in two ways. The District Managers directly oversee the operations of the PO (MELA) and the Monitoring Department periodically checks the documentation and whether or not the borrowers are utilizing their loans in accordance with their loan application.

³⁸ Personal interview with Mr. Abdul Mueyed Chowdhury, Executive Director, BRAC, 4 January 2001

long experience at the grassroots level work, it will be able to overcome any problem that it may encounter in engaging in a new venture.

Grameen management feels that the Bank already has several product items that remittance receiver or sender may choose from. Under one of its saving scheme the amount saved doubles in seven years. Another scheme offers a client a dividend of Tk. 5000 for every one Tk.100,000 deposited. In addition, under the Grameen Mutual Fund a person depositing Tk. 1000 per month will get more than double the amount invested after ten years.

Grameen also provides opportunities for self-employment and investment. Prof. Yunus explains that with a group of institutions, the Grameen family is well suited to offer a returnee migrant opportunities for self-employment, to utilize his/her savings and create scope for investment, and help his/her reintegration process. Grameen's Venture Capital Fund provides opportunities for relatively solvent families or individuals. It is a joint investment opportunity with Grameen Bank and the investor gets the share of loss and profit.

Prof. Yunus asserts "starting from the micro enterprise loan to venture capital every thing is possible once we make the link with the migrant workers and their families. While providing reaching remittances door to door, we can offer them different kinds of packages". The Grameen head adds, "as we are inexperienced in this particular field (dealing with migrants) first we can advance on an experimental basis. We are interested to do something under the framework of the Bank. We can choose an area, get some projects started and can observe how they work". Grameen management informs that the Grameen phone has already been serving migrant workers and their families. They are confident that there is ample scope to extend many more services to them.

CDF believes that MFIs's role could be more of a facilitator, than getting directly involved in remittance. Their successful clients may be introduced to the banks, who will subsequently finance them. The Forum views that schemes should be developed by the government to help set up small-scale industry and enterprises with adequate encouragement and support so that those who are more enterprising among

the returnee migrants may take advantage. There is a major scope for agro-based product diversification. If government comes up with proper projects with scope for equity participation from potential investors then that may induce some to invest, including those who have resources from remittance or returnee migrant workers. Obviously, there is scope for use of remittance in a planned way to help gear up the economy.

The fact that some investments requires a high gestation period. This itself may act as a disincentive to potential investors. Another added problem will be the expectation of investor migrants. Obviously, their preference will be investments that are safe and accrue high return. Under such an expectation scenario, some believe that the government sponsored savings instruments continue to remain the best option. Some of these instruments yield high interest, as high as 8-12% interest. It will be very difficult to provide investor migrants with better rates of dividends from any enterprise. There will be the demand for security of investment. Very few enterprises will be able to provide that security, because entrepreneurship by definition has to be risk prone. There is little likelihood of MFIs interest to access migrants' remittance as they can access PKSf's resources only at 3-5% interest.

CDF reminds us that not all producers are entrepreneurs. Having some savings at one's own disposal should not in any case be construed that the person concerned is a budding entrepreneur. Therefore, efforts must be directed to harness savings from individuals, develop in relatively large pool for investment.

There are legal constraints in involving MFIs in remittance. Dr. Salehuddin Ahmed, Managing Director of PKSf points out that as all MFIs work under legal status of either the Voluntary Society's Act, NGO Act or the Trust Act, they are prohibited to make financial transactions. In fact strict adherence of the law would not allow these MFIs to run even their credit programmes. But over the years, their success in micro-credit has led the government allow them to continue. The government feels that the MFIs are performing important social and economic functions. However, Dr. Ahmed observes, "further extending the MFI activities into remittance affairs may lead to legal complication as that would interfere with the financial laws of the land". For better harmonisation and regulation of the micro-

finance sector the Government has set up Micro Finance Research and Reference Unit with the Governor of Bangladesh Bank as its Chairperson.³⁹ The Unit has begun functioning and is expected to present its recommendations within three years of its inception. One source suggests that the matter of equipping MFIs with special financial power of saving mobilization for the third party is under consideration and scrutiny of the Unit.

Another constraining factor is that MFIs are only allowed to mobilise savings of their clients. Unless the migrant workers or their families become members of these organisations, there is hardly any scope for these organisations to provide any form of service to this category of people. The present financial rules of the country do not allow non-members savings mobilisation. Hence, a need would arise for an agency that will issue license and oversee activities of such institutions. Bangladesh Bank may be mandated to undertake the task or an independent agency would be needed if such undertakings are allowed.

In view of the unconstrained supply of resources from different sources including the PKSF, it appears migrants' remittance is unlikely to generate major interest for bulk of the MFIs in the foreseeable future in Bangladesh. However, as noted earlier, both Grameen Bank and BRAC, the two largest micro-credit providing institutions of the country, have expressed their interest on the issue.

One senior MFI official stated that dependence on donors itself has a constraining effect in dealing with innovative programmes. There is a tendency of the donor agencies to set a common agenda to channel money to the MFIs. Generally the donors show a lack of interest to go beyond their pre-selected areas such as health, poverty, gender etc. As a result despite their interest to pursue the remittance issue some MFIs may not be very comfortable to follow up with such programmes. Again the donors' insistence only to work with the poor could be another inhibiting factor. Generally, the migrant workers or their families are not perceived to be belonging to the poorer segments of the community. Hence, some MFIs may feel they may not be serving their original target group, if they work for the migrant workers.

³⁹ Among others Prof. M. Yunus (Grameen Bank), Mr. F H Abed (BRAC), Dr. Salehuddin Ahmed (PKSF) and Director General of the NGO Affairs Bureau the members of the Committee.

A few NGOs reported that they had the experience that credit from NGOs was used to pay for migration. In one instance one female head of a local group took loan from an MFI for an income-generating project, but in reality sent her son overseas with the money. As the loan fell due shortly she took money from another MFI and cleared the first credit. When she failed to service her second loan due to irregular remittance of her son, her case was detected by ASA. Given experiences such as these, ASA feels in order to avoid such incidents, MFIs could consider getting involved in the migrant workers issue by providing them loans and deal with their remittance and the government may consider setting up due mechanism to facilitate such a process. ASA categorically stated that if legal impediments were removed, then their organization would actively consider in getting engaged with such an issue.⁴⁰ ASA further viewed that despite the fact that liquidity is not a major problem for large NGOs, pooling of remittances of migrant workers may provide as an important resource for small NGOs who may need Tk.1,000,000 to Tk. 3,000,000. In that way remittances could be mobilised for local initiatives, if laws allow. ASA also feels that adequate legal cover should be there to look after the interests of the investors.

Another successful MFI, mostly working with the urban poor women, is Shakti Foundation. The Shakti leadership also reported that some of their female clients had gone overseas, although there is no official figure of such cases. The organization does not have any specific programme targetting the migrants, but feels that if returnee migrants become their members they can be provided with various training, which may help them to be better entrepreneurs. Currently, under a USAID funded JOBS programme Shakti is having twenty of its staff trained in enterprise development and business management. Shakti leadership feels that most MFIs may not be interested to engage themselves to meet the specialized needs of remittance receivers. However, they may be provided with training, counselling and information about investment opportunities. In that context, non-financial service providing NGOs such as Steps Towards Development, Centre for Development Services or Dhaka Ahsania Mission may have a role to play. Shakti also feels the JOBS project of

⁴⁰ Interview with Mr. Enamul Haque, General Manager, Credit Development, ASA, 19 December 2000

USAID and MIDAS (Micro Industries Development Assistance Scheme) may be important sources for training and financial resources.

CARITAS, is the sixth largest MFI in terms of membership and net savings, and seventh in terms of cumulative disbursement and Revolving Loan Fund. The organization believes that the migrant workers issue has been a neglected field in Bangladesh. The Development Director of CARITAS Mr. Thomas Costa reckons that NGOs can develop a number of programme with regard to protection and promotion of rights of migrant workers. However, dealing with their remittance merits in-depth understanding of the migrants' needs and also changes in the legal structures under which MFIs operate. CARITAS leadership states that they are open to ideas for engaging with the remittance mobilization and utilization issues. The organisation further believes that the government may consider setting up an appropriate financial institution that would attract remittances for investment.

Conclusion

This section looked into the issue of the status and scope of work of MFIs in Bangladesh. It was found that MFIs are involved in a diverse range of sectors in the country's economy. However, so far they have no involvement with mobilization or utilization of migrants' remittance. The section also assessed the possible avenues of such involvement. It was found that due to prevailing resource supply situation, there may not exist major interest of the MFIs to get involved in remittance mobilization. This issue has been further compounded by existing legal constraints where MFIs are prohibited to access resources of non-members. However, with regard to remittance utilization, a few of the leading MFIs are developing necessary strategies. Both Grameen and BRAC feel that there exists ample opportunity for utilizing the remittances of migrant workers and link them with a number of investment packages that they are already offering and some others that they planning. There is also enough scope for those migrants with entrepreneurial ability to access investment funds. These MFIs view that in order to tap this resource from its origin they can tie up with existing banks in the migrants destination countries or seek permission from the Government of Bangladesh to make necessary amendment to the laws that govern them so that they can do so directly. Both the institutions believe with their wide

grassroots level network, they will be able to make a major difference to the lives of migrants and their families.

8. Recommendations

This study has shown that there is general decline in the supply of skilled and professional categories of migrants from Bangladesh. This has given rise to a situation where increase in number of people migrating has not been matched by commensurate increase in remittance inflow. Under such conditions, a number of measures need to be taken. This may include:

1. Proper market studies have to be conducted to know potential demands for types of labour in different regions in the medium term. Accordingly, training courses have to be organised to cater to such potential markets. Such training programmes should be imparted through private sector, including non-governmental organizations. Initiatives must be taken for proper certification of the skills that a good section of migrant workers possess, such as electrician, mason, bricklaying, plumber, fitter and turner etc.
2. In this respect special incentives may be provided to private recruiting agencies who export skilled manpower.

A wider awareness programme needs to be organised for dissemination of information on various benefits and advantages of sending remittance through official channels, options available for savings and investment and utilization opportunities at the grassroots. The target group for such programme would be potential migrants, migrants, and remittance receiving families. They may be reached through training of elected members of union councils, local level government functionaries, volunteers of migrant workers associations and members of grassroots level, trade union and peasant associations.

In order to encourage remittance through official flow some innovative programmes may be undertaken by the government. Given the fact that securing place in government schools for children has become a major problem, authorities may consider offering migrant' children places in local government schools, if the migrants concerned remit money through official channel. Such incentives may be

tied up with providing access to local clinics and hospitals, allotment of residential and commercial plots etc.

An intensive campaign has to be launched so that non-resident Bangladeshis are allowed to open foreign currency accounts and that transactions through banks and exchange houses are not only secure, but also are tax exempt. Messages should also be put across that when migrants return and want to invest in projects, they can justify their remittance as legitimate earnings. This will help them secure further funds from other sources.

In order to provide incentive for official flow government may consider giving the remitters an additional 1% bonus over the official exchange rate. Government may also consider giving migrant workers the right import goods, that can be considered as remittance in kind. Such remittance in kind may be made exempt from custom duties.

Efforts must be made to create congenial condition for investment at home. In that respect law and order situation should be improved where potential investors feel secure.

The study has found that most of the migrants of Bangladesh are remitters of small amounts. In order to encourage small savers proper incentive programmes may be undertaken. Bonds, shares and mutual fund at attractive rates may be offered targetting the small savers.

The central bank may consider allowing banks appoint brokers/agents on payment of commission who help mobilizing individual remittances. This appears to be an effective tool to mobilize remittance of Bangladeshi migrants.

There is a tendency of irregular migrants sending remittance through informal channels. Therefore, along with efforts towards encouraging flow of regular migration, procedures must be simplified so that irregular migrants can send remittance through regular channels.

A fund may be created from the remittances sent by the Bangladeshi migrant workers. This fund can be used to lend money to entrepreneurs at the same conversion rate. Under such a scheme small remittances may contribute to a large pool of funds that may be accessed by people with entrepreneurial ability.

The government may consider floating bonds in foreign currency such as US dollars to attract migrants' savings. Such bonds will provide security against devaluation that many savers are weary about Taka bonds. The government may also consider launching a special mutual fund for migrant workers. It may provide the initial capital and offer shares to wage earners for further capitalisation.

Bangladesh Bank may arrange setting up a decentralised clearing system or the sub-chest system. This would facilitate quick clearance of drafts, thereby increasing the efficiency of banking system and increased client satisfaction.

Banking service within the country should be improved, on-line banking system should be introduced with support from the T&T Board by installing fibre optics lines. There exist an on-line connection between Singapore and the Philippines. Such links ensure quick transfer of money. Prime Bank official stated that though they have computerised their system 10-15% time the system remains down owing to weak power and telecommunication infrastructure.

A comprehensive stocktaking of all micro-credit initiatives of existing government, private and non-governmental organizations may be undertaken to create a data-base. Such a data-base will be extremely useful for further research and exchange of ideas and information between various actors. CDF may consider incorporating information about micro-credit agencies of other agencies in their bi-annual CDF Statistics.

A few tested MFIs such as Grameen, BRAC and ASA may consider engaging in savings mobilization of migrant families on a pilot basis. They may be given a special permission to circumvent the legal provisions that exist in this regard. It is understood that MFIs do not have any special incentive for savings mobilisation. Under such condition, the above programme may be taken up as matter of social

responsibility by such MFIs. Achievements of such pilot scheme may ultimately lead to other MFIs replicate their experience.

References

- Adams, Richard H, Jr., 1998, *Remittance, Investment and Rural asset accumulation in Pakistan in Economic Development and Cultural Change*, Chicago.
- Ahmad, Q K and Zohora, F 1998 'Utilization of Remittances from Abroad for Local Employment Promotion: The Case of Sylhet Division', ILO and BUP (Mimeo)
- Arnold, Fred 1992, The Contribution of Remittance to Economic and Social Development in Kritis, Lim M Mary, Leam Lon and Zlotnik Hania eds. *International Migration Systems, A Global Approach*, Clearendon Press, Oxford, 1992
- Bangladesh Krishi Bank 1999, Annual Report 1998-99
- Basic Bank, 2000, A profile, (Brochure)
- C Villalba, Maria Angela, 2000, 'Migrant Remittances and investments may serve as local engines of growth' paper presented at the workshop on *Making the Best of Globalization: Migration Worker Remittances and Micro-Finance organized* by ILO, Geneva, November.
- Credit Development Forum, 2000, *CDF Statistics*, Microfinance Statistics of NGOs and MFIs, Vol 10, June 2000.
- GoB 1999, Bangladesh Economic Analysis, 1998.
- ILO 1999 'International Labour Migration and the Role of Trade Unions: Bangladesh- A Country Study' by Tasneem Siddiqui, Shahdeen Malik and C R Abrar, (Mimeo)
- ILO, 2000, 'Making the best of Globalization' concept paper presented at the workshop on *Making the Best of Globalization: Migration Worker Remittances and Micro-Finance organized* by ILO, Geneva, November.
- IOM 2000a 'Inflow of Remittances and their Effective Use' prepared by KAS Murshed for IOM, Dhaka (Mimeo)
- IOM 2000b 'Are Migrants Chasing after the 'Golden Deer', a Study on Cost Benefit Analysis of Overseas Migration by Bangladesh Labour by Afsar R, Yusuf M and Islam Shamsul ABM, (Mimeo)
- IOM 2000c 'Recruitment and Placement Planning and Process' prepared by Shahdeen Malik and C R Abrar for IOM, Dhaka. (Mimeo)
- IOM 2000d 'Contribution of Returnees: An Analytical Survey of Post-Return Experience' prepared by Tasneem Siddiqui and C R Abrar for IOM, Dhaka (Mimeo)

- Islamic Bank Foundation, 1994, Welfare Programmes (Brochure)
- Islamic Bank Limited, 1999, Rural Development Scheme (Brochure)
- Islamic Bank Limited, 1999, Islami Bank 16 Years of Progress (Brochure)
- Keenly, Charles B and Tran, Bao Nga, Remittances from Labour Migration: Evaluations, Performances and Implications, *International Migration Review*, Volume XXIII, No.3
- Lowell, B Lindsay and De la Garza, Rodolfa O, 2000 'The Developmental role of remittances in U.S. Latino communities and in Latin American Countries', paper presented at the workshop on *Making the Best of Globalization: Migration Worker Remittances and Micro-Finance* organized by ILO, Geneva, November.
- Mahmood R.A. 1996 'Emigration Dynamic in Bangladesh: Level, Pattern and Implications', paper presented at the Asiatic Society of Bangladesh
- Mahmood, RA, 1998, 'Globalization, International Migration and Human Development: Linkages and Implications' (Mimeo)
- Mahmood, RA 1994, 'Analysis of present and future Emigration Dynamics in Bangladesh', paper presented at the IOM/UNFPA meeting on Emigration Dynamics in Developing Countries, held in Bellagio, Italy, Oct 1994
- Majid, Alauddin A 2000 Basic Bank: Micro-credit scheme for the poor (Report)
- Mannan, M A, 2001, *Bangladeshi Migrant workers in Saudi Arabia: A field report* (in Bangla), Occasional Paper 5, Refugee and Migratory Movements Research Unit, Dhaka.
- Nayyar, Deepak 1994 *Migration, Remittances and Capital Flows: The Indian Experience*, Oxford University Press, Delhi
- Prodem Oportunidad 2000, 'The Role of Microfinance Institutions, Gearing Remittances towards Productive Investment' paper presented at the workshop on *Making the Best of Globalization: Migration Worker Remittances and Micro-Finance* organized by ILO, Geneva, November.
- Puri Shivani and Ritzema Tineka 1999, *Migrant Worker Remittances, Micro-Finance and the Informal Economy: Prospects and Issues*, Working Paper N 21, ILO, Geneva.
- RMMRU 1998 'A Draft Law for the Protection and Welfare of Migrant Workers of Bangladesh' by Shahdeen Malik, Tasneem Siddiqui, Nizamul Huq and C R Abrar, paper presented at the National Conference on Temporary Migrant Workers of Bangladesh: Toward Developing a National Plan of Action organised by RMMRU and BNWLA, Dhaka, April.
- Shakti Foundation 1999 Shakti foundation for Disadvantage Women (Brochure)

Siddiqui, Tasneem 1998 'Growth and Sustainability of the NGO Sector in Bangladesh', *biiss journal*, Vol. 19 No. 3, pp 297-328.

Siddiqui, Tasneem 1998a *National Responsibility towards the Migrant Workers*, Occasional Paper 1, Refugee and Migratory Movements Research Unit (RMMRU), University of Dhaka.

Siddiqui, Tasneem 1999 'Transcending Boundaries: International Labour Migration of Women from Bangladesh' INSTRAW/IOM commissioned study (Miemo)

Soesno, Bank Rakyat Indonesia, 2000 'Migrant Workers Remittances and Microfinance in Indonesia', paper presented at the workshop on *Making the Best of Globalization: Migration Worker Remittances and Micro-Finance* organized by ILO, Geneva, November.

UNDP 1995 *World Development Report*

United Nations 1997 *World Population Monitoring*.

World Bank 1996 *Pursuing Common Goals: Strengthening Relations Between Government and NGOs*, University Press Ltd.

Lists of Interviewees

Serial No.	Name of the Organization	Date of Interview	Time of Interview	Person Interviewed
1	Sonali Bank	12.12.2000	10.00 A.M.	Kh. Mahbubur Rahman GM, Int'l Division
2	Credit Development Forum	12.12.2000	3.00 P.M.	Mr. Kh. Zakir Hossain Executive Director
3	Shakti Foundation	14.12.2000	12.00 P.M.	Ms. Nazma Akter Director, Programme
4	Palli Karma Sahayak Foundation	17.12.2000	12.00 P.M.	Dr. Salehuddin Ahmed, Managing Director.
5	Islami Bank Bangladesh Ltd.	17.12.2000	2.00 P.M.	Mr. Abdur Raquib Executive President
6	CARITAS	18.12.2000	10.00 A. M.	Mr. Tomas Costa, Director, Development
7	Rupali Bank	19.12.2000	10.00 A. M.	Mr. Yasin Ali Managing Director
8	Janata Bank	19.12.2000	1.30 P. M.	Mr. Shamsud Zoha DGM, Int'l Division
9	ASA	19.12.2000	2.30 P. M.	Mr. Enamul Haque, GM Development
10	Bangladesh Bank	20.12.2000	11.00 A.M.	Mr. Kh. Mazharul Haq Chy, GM, CMED
11	Basic Bank	20.12.2000	12.30 P. M.	Mr. Alauddin A. Majid Managing Director
12	Bangladesh Krishi Bank	21.12.2000	10.00 A.M.	Mr. Golam Sarwar, AGM, Int'l Division
13	Uttara Bank Ltd.	02.01.2001	2.00 P.M.	Mr. M. Aminuzzaman Managing Director
14	Bangladesh Rural Advancement Committee (BRAC)	04.01.01	10.00 A.M.	Mr. F. H Abed, Founder Director Mr. A Muyeed Chowdhury Executive Director
15	Grameen Bank	11.01.2001	10.00	Dr. Md. Yunus Managing Director
16	Agrani Bank	11.01.2001	12.00	Mr. M. A. Yousuf Managing Director
17	National Bank	17.01.2001	10.30 A.M.	Mr. Nazmul Hossain, Sn. V. President, Int'l Division
18	IFIC Bank	17.01.2001	4.00 P.M.	Mr. Neaz Ahmed Sn.Exe.V. Precident, Int'l Division
19	Bangladesh Bank	18.01.2001	12.30	Dr. Farashuddin Ahmed Governor, Bangladesh Bank
20	Prime Bank	18.01.2001	3.30 P.M.	Mr. Kazi Abdul Mazid Managing Director
21	Grameen Trust	13.02.2001	10.00	Prof. M A Latifee Managing Director Dr. Shamsul Bari Programme Director