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Dynamics of remittance practices and development: Bangladeshi overseas migrants

A.K.M. Ahsan Ullah

Remittances from migrant workers play a significant role in keeping the economy of Bangladesh vibrant, adding around six per cent to the country's GDP and helping to maintain the balance of payments. This article examines remittance flows from Hong Kong and Malaysia to Bangladesh; the dynamics of remittance practices; and the impact on the well-being of migrant families. Data were collected from 126 labour migrants (56 in Hong Kong and 70 in Malaysia) between November 2004 and October 2006. The article presents empirical data showing that while remittances are significant component of the Bangladeshi economy, a considerable amount goes to 'unproductive' schemes. Hence remittances at the micro level that do not significantly contribute to increasing household capacities fail to bring about the anticipated sustainable development at the macro level.

La dynamique des pratiques d'envoi de fonds et le développement : migrants bangladais à l'étranger

Les envois de fonds par les travailleurs migrants jouent un rôle considérable dans le maintien du dynamisme de l'économie du Bangladesh, car ils comptent pour environ six pour cent du PIB du pays et contribuent à maintenir la balance des paiements. Cet article examine les transferts d'argent de Hong Kong et de Malaisie vers le Bangladesh, la dynamique des pratiques d'envois de fonds et l'impact sur le bien-être des familles migrantes. Des données ont été recueillies parmi 126 ouvriers (56 à Hong Kong et 70 en Malaisie) entre novembre 2004 et octobre 2006. Cet article présente des données empiriques qui montrent que, si les envois de fonds constituent effectivement un élément considérable de l'économie bangladaise, une quantité importante va vers des programmes « non productifs ». Ainsi, les envois de fonds au niveau micro qui n'apportent pas une contribution importante à l'accroissement des capacités des ménages ne donnent pas lieu au développement durable prévu au niveau macro.

Dinâmicas de práticas de remessa e desenvolvimento: imigrantes bengaleses

As remessas feitas por trabalhadores imigrantes desempenham um papel significativo em manter a economia de Bangladesh vibrante, adicionando cerca de seis por cento do PIB do país e ajudando a manter o balanço de pagamentos. Este artigo examina os fluxos de remessa de Hong Kong e Malásia para Bangladesh, as dinâmicas das práticas de remessa e o impacto sobre o bem-estar das famílias de imigrantes. Os dados foram coletados de 126 trabalhadores imigrantes (56 em Hong Kong e 70 na Malásia) entre novembro de 2004 e outubro

de 2006. O artigo apresenta dados empíricos mostrando que embora as remessas sejam um componente significativo da economia de Bangladesh, um montante considerável vai para esquemas “improdutivos”. Assim, as remessas no nível micro que não contribuem significativamente para melhorar as condições da família, não conseguem promover o desenvolvimento sustentável previsto no nível macro.

La dinámica de las remesas y el desarrollo: los migrantes de Bangladesh en el extranjero

Las remesas de los trabajadores migrantes constituyen una parte importante de la economía de Bangladesh ya que representan el seis por ciento del PIB del país y contribuyen a mantener el equilibrio de la balanza de pagos. Este ensayo analiza los flujos de remesas de Hong Kong y Malasia hacia Bangladesh, la dinámica de cómo se utilizan las remesas y su impacto en el bienestar de las familias de los migrantes. Se recopilieron estadísticas de 126 trabajadores migrantes (56 en Hong Kong y 70 en Malasia) entre noviembre de 2004 y octubre de 2006. Los datos empíricos que presenta el ensayo demuestran que, si bien las remesas son un componente significativo de la economía de Bangladesh, una parte considerable se destina a actividades “improductivas”. Por lo tanto, las remesas a nivel micro que no contribuyen de manera significativa a mejorar las condiciones de los hogares no aportan al desarrollo sustentable a nivel macro que sería deseable.

KEY WORDS: Globalisation; Labour and livelihoods; East Asia; South Asia

Introduction

The general debate on the issues of ‘North–South’ migration often impedes an understanding of its developmental causes and consequences. This undermines effective policies for a better connection between migration and development, and thus diminishes the potential contribution of migration to enhancing well-being in both sending and receiving countries (de Haas 2008). There is a consensus that emigration remains either neutral in balancing labour supply-and-demand, or that it results in a loss to sending countries or a gain to receiving countries. Today, however, the fact that remittances far exceed foreign assistance to developing countries has sparked interest in the relationship between migration and development among scholars and policy makers worldwide. Migration has become one of the most significant dynamics affecting economic relations in both developing and industrialised countries.

Remittances are among the most defining links between migration and development, be it at macro, meso or micro levels. Global flows of about US\$300 billion take place South–South, North–South, North–North, and South–North (IOM 2008), with a number of sources showing that nearly 75 per cent of the total flows to developing economies. In 2006, in 22 countries, remittances were equal to more than 10 per cent of their Gross Domestic Product (GDP); in six countries they were equal to more than 20 per cent of GDP (World Bank 2009: 3–5). The author agrees with Kapur (2003) that the surge in remittances has given rise to a kind of ‘euphoria’, with migrant remittances being proclaimed as the newest ‘*development mantra*’ among institutions like the World Bank, governments, and development NGOs. The USA (US\$34.1bn) and Saudi Arabia (US\$14.9bn) are the largest sources of workers’ remittances to developing countries, followed by Germany (US\$9.9bn), Switzerland (US\$9.2bn), and France (US\$4.7bn). India received the world’s largest remittance inflows and in Bangladesh remittances reached US\$6.4bn in 2007 (World Bank 2009). While remittances are generally meant to flow from migrants to families in the sending country, this is not always the case as

the direction sometimes shifts depending on the global economy. For example, during the 2009 meltdown, some remittance flows have to a certain extent changed direction from the sending families to the migrants, especially between Mexico and the USA – a phenomenon known as ‘reverse remittances’. Over the past 40 years, the impact of migration on development in sending economies has been the subject of great interest (Castles and Miller 2003). ‘*In the past few years there has been a remarkable renaissance in the interest in the issue of migration and development in migrant-sending societies by policy makers and scholars*’ (de Haas 2008: 2). This quote speaks to the significance of the current study, but a comparative analysis of the macro and micro impact of remittances from Hong Kong and Malaysia in Bangladesh has received little attention.

Remittance flows and Bangladesh

Despite scepticism about the correlation between migration and development (Massey *et al.* 1998: 260), interest in the links between the two has undoubtedly been triggered by the striking rise in remittance flows. After decades of pessimism and unresolved debate on ‘brain drain’ versus ‘brain gain’, governments of sending countries have paid renewed attention to transnational migrants and ‘diasporas’ as potential actors of growth (de Haas 2008). The massive outflow of Bangladeshi labour generates significant financial inflows in the form of remittances, which are a major contributor to the economy. As elsewhere, remittances constitute the single largest source of foreign exchange in Bangladesh. Economic advancement to date has been underpinned by the remittances of individual Bangladeshis working overseas (Figure 1). Their aggregate contribution exceeds the net earnings of the garment industry, known to be the highest foreign-exchange earner in Bangladesh, amounting to more than US\$3.5bn a year.

In the last 30 years the remittance injection into the Bangladeshi economy increased dramatically, totalling US\$31,683.85 million (TK145353.96 crore¹) between 1976 and 2004 (BMET 2009). The trend continues as income represented US\$859 million in January 2009. Bangladesh received US\$6.148bn during the July–February period of 2008/09 against US\$4.840bn in the corresponding period of the previous year (Bangladesh Bank 2009). Miraculously, the ongoing economic meltdown has had little impact on remittance flows despite reduced out-migration. The average remittance inflow increased by 22.7 per cent in the last 10 months of 2008/09, although the monthly growth rate appears to be declining in the context of the global recession. The first nine months

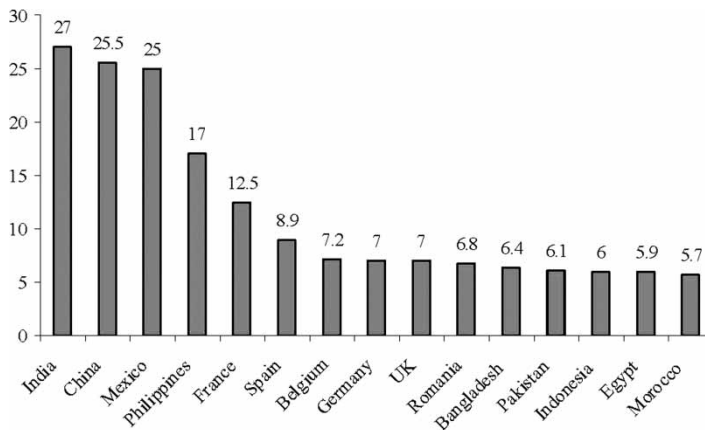


Figure 1: Top fifteen remittance receiving countries in 2007 (in billion US\$)
Source: World Bank, 2009

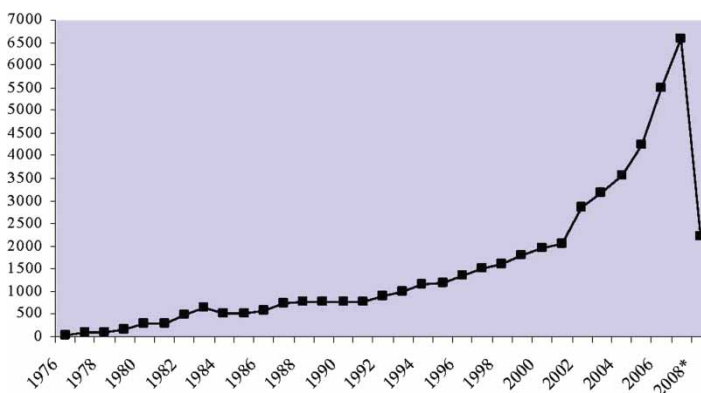


Figure 2: Trend in growth of remittances (in million US\$)

Source: Bangladesh Bank, 2009.

*Until March 2008.

of 2009 (financial year July–March) saw a 25 per cent decline in migrant workers employed abroad from 537,000 compared to 720,000 during the same period last year. From July to April of 2008/09, remitters sent US\$7891.17 million, up from US\$6430.94 million in the same period of the previous year. Over the previous 10 months, Bangladesh has recorded a \$1460 million or a 22.7 per cent rise from the same period of last fiscal year (Bangladesh Bank 2009). The monthly growth rate soared to 53.4 per cent in August, and September 2009 was the first month in that fiscal year to suffer a decline in growth.

The remittance inflow in April 2009 was US\$857.30 million, showing a slight upward trend. In the past, global remittance flows have been stable, or even counter-cyclical, during economic downturns in migrant host countries, and resilient in the face of slowdowns. But the current crisis is global, and the World Bank’s Global Economic Outlook projects a 4.2 per cent to 7.3 per cent decline in remittance flows to South Asia in 2009. Remittance flows to Bangladesh fluctuate with oil prices because about 63 per cent of Bangladesh’s remittances come from the Middle East, which hosts over 3.6 million Bangladeshi workers. A further 29 per cent come from the USA, UK, and Germany (Bangladesh Bank 2009). The sharp and sustained decline in oil prices combined with the impact of the financial crisis in the banking sector is adversely affecting the construction boom in the Middle East.

A record number (1.7 million) of Bangladeshi workers have left the country in the since 2007, and female migration is on the increase. In Asia though between 1970 and 2000 the numbers declined (46.6 per cent to 43.3 per cent) and also declined in North America (51.1 per cent to 50.3 per cent), but rose in Africa (from 42.7 per cent to 46.7 per cent), Oceania (46.5 per cent to 50.5 per cent), Latin America and the Caribbean (46.8 per cent to 50.2 per cent) and Europe (48 per cent to 51 per cent) (IOM 2008). About 20,000 Bangladeshi women migrated abroad in search of employment in 2007. In the Middle East, female Bangladeshis continue to occupy a major share in the domestic service sector. However, no gender-disaggregated data on remittances are available from any sources in Bangladesh.

Though Bangladesh has labour export-import agreements with a number of countries, no such agreement exists with the government of Hong Kong. According to official data, however, Bangladesh started receiving remittances from Hong Kong in 2004–06 amounting to US\$5.63 million, and from Malaysia US\$25.51 million in the same period (BMET 2009). Evidently, migration, legal or illegal, from Bangladesh to Hong Kong started over 20 years ago. Despite this evidence, and the importance of migration in itself, studies on Bangladeshi

migrants in Hong Kong do not exist to the author’s knowledge. A small amount of work has been done on the pattern of use and the impact of remittances on the well-being of the families left behind, and thus on national well-being. The macro-level impact of remittances on development is significant but the micro-level impact is often not visible, as the lion’s share is spent on daily consumption as opposed to productive schemes.

This article records the income and subsistence expenditure of both the Hong Kong respondents (HKRs) and the Malaysia respondents (MRs). How much they can remit and how the remittances are used will be illustrated, along with an examination of the impact of remittances on household well-being.

Methods

The study used primary and secondary sources, such as data on overseas remittance flows to Bangladesh from the Bureau of Manpower, Employment and Training (BMET) and the Central Bank of Bangladesh. The BMET has no data on the number of Bangladeshi migrants in Hong Kong, although some information on remittances is available. Literature and newspapers were scanned during 2004–06 for current information. Thus, the sample was drawn from government offices and the author’s research. A questionnaire survey was administered by using both closed and open-ended questions. A total of 126 (56 HKRs and 70 MRs) were interviewed, selected through random sampling. Data were collected from November 2004 to

Table 1: Recorded monthly incomes of the HKRs and the MRs

Income	f		%
HKR*			
5000–7000 (US\$ 645–903)	28		50
7001–9000 (US\$645–1161)	6		11
9001–11000 (US\$ 1161–1419)	16		29
11001–13000 (US\$ 1419–1677)	6		11
Mean		8580	
SD		2064.366	
Total	56		100.00
MR**			
0–500 (US\$ 0–148)	4		6
501–1000 (US\$ 148–296)	18		26
1001–1500 (US\$ 296–444)	41		58
1501–2000 (US\$ 444–592)	6		9
2501–3000 (US\$ 740–888)	1		1
Mean		1175	
SD		385.869	
Total	70		100.0
Significance (HKRs vs. MRs)		P = 0.000	

Source: Survey 2004–6

*Hong Kong respondents (in Hong Kong dollars)

**Malaysia respondents (in Malay Ringgit)

October 2006. The sample was drawn applying an appropriate statistical tool with the precision level of ten per cent. Time constraints and resource limitations prevented from maintaining the precision level at five per cent, a standard that would have ensured the best representation. The migrants' families were also interviewed. In addition, in order to find out more about remittance practices, 13 in-depth case studies were conducted, enabling the author to verify the data provided by the remitters.

The equation of the pool of remittance

Official transfers of remittances exclude remittances in kind (payments made in the form of goods and services). A smaller literature considers the question of 'social and biological remittances' or the impact of migrants on ideas, behaviours, and social capital and thus development in sending countries. Migration decisions and remittance-practice patterns are part of a range of decisions that a household generally can make as part of a broad set of survival strategies: primarily, remittances produce much-needed capital to sending households; second, remittances provide safety nets for those households that are beyond the reach of the state and who lack local wage work; third, remittances can support local investments that are largely ignored by the state and the international movement of capital, thus creating options for the households of origin that allow members more flexibility in their social roles (Ullah and Routray 2003).

Let us look at the study data from Hong Kong and Malaysia on how migrants carve out remittances from their earnings. Migrants' remittances commonly refer to the transactions that are initiated by individual migrants living or working outside their country of origin. Relatively new migrants clearly had fewer offers of work than those with longer overseas experience.² Essentially, the highest income group received more work offers because they had been there for longer, had more diversified contacts among employers, and were more fluent in the local language. Some of them managed some sort of 'secondary work' to tackle the risk of work uncertainty, such as selling cigarettes, mobile phones, and gold when they visit Bangladesh, with *Bakhshish*³ supplementing their earnings.

Data thus demonstrate that the mean income of the HKRs was HK\$ 8580.36 (TK 72933.06 or US\$1108). The highest percentage of the HKRs earned the lowest income range (HK\$5000–7000) followed by the range of HK\$ 9001–11000 or US\$ 1161–1419). The lowest percentage of the HKRs earned the highest range of income (HK\$11001–13000 or US\$1419–1677). The income varied depending on a number of factors, such as the chances of being hired from among other competitors such as Mainland Chinese, Nepalese, and Pakistanis.

The majority of the MRs (around 59 per cent) earned RM 1001–1500 (US\$296–444) and 26 per cent earned RM 501–1000 (US\$148–296). Only one per cent earned the highest range of income. The mean income was RM 1175 (US\$347). In order to work out the mean difference in income between the HKRs and the MRs, both currencies, Hong Kong Dollars and Malaysian Ringgit were converted into Bangladeshi Taka.⁴ The statistical test shows a significant difference in the level of income ($P = 0.000$) between the HKRs and the MRs, with the HKRs earning significantly more than the MRs.

The volume of migration determines how much a country will receive in aggregate remittances. A shorter period of migration produces less income, so there is a strong correlation between the volume of remittances and the length of the migration stint. Remittances are carved out of the migrant's disposable income after deducting living expenses and, in some cases, savings and other costs. New migrants need time to settle down before they can start sending remittances. The delay in beginning to send remittances points to the fact that certain expenses are fixed including accommodation costs. Local personal expenditure is a significant element in the cost-benefit analysis in deciding to migrate. There were variable levels

Table 2: Recorded monthly personal expenses in destinations countries

Expenditure*	<i>f</i>		%
HKRs			
1000–3000 (US\$ 129–387)	3		5
3001–5000 (US\$ 387–645)	34		61
5001–7000 (US\$ 645–903)	16		29
7001–9000 (US\$ 903–1 1 61)	3		5
Mean		5304	
SD		1393.748	
Total	56		100
MRs			
<200 (US\$ 59)	1		1
201–400 (US\$ 59–118)	30		44
401–600 (US\$ 118–1 77)	31		46
601–800 (US\$ 177–237)	5		8
801–1000 (US\$ 237–296)	1		1
Mean		497	
SD		158.545	
Total	68		100
Significance (HKR vs. MR)		p = 0.000	

Source: Survey 2004–6

*Counted as Hong Kong Dollar for the HKR and Malay Ringgit for the MR

and patterns of expenditure, but in general the monthly expenditure of the HKRs was more than half of their monthly mean income, which implies that they had to spend more than they remitted.

This is underlined by the field data that the majority of the HKRs spent between HK\$ 3001 and 5000 (or US\$ 287–645) per month and 29 per cent between HK\$ 5001–7000 (or US\$ 645–903). For most of the HKRs, the largest portion of their income was spent on accommodation, followed by food. For others, bills, entertainment, toiletries, and visa and travel fees⁵ (for visiting China) were major areas of expense. Migrants who had girlfriends⁶ spent more than those who did. Having a ‘temporary girlfriend’ is a common picture among the HKRs. One respondent said, pointing at one of his compatriots: ‘... *he has girlfriends. He spends money lavishly on buying gifts and watching movies. Stupid indeed!*’. Around 44 per cent of the MRs spent in the range of the RM 401–600 (US\$119–177) and about 43 per cent between RM 200–400 (US\$59–119) per month. The mean expenditure⁷ of the MRs was RM 497.14 (US\$147). Like the income difference between the HKRs and the MRs, there was a significant difference in the expenditure in itself (P = 0.000).

The microeconomics of remittances and dynamics of practice

Macro-level approaches to migration outcomes and remittance practices focus on national patterns and outcomes, particularly in terms of foreign exchange and labour patterns, but such analyses do little to reveal what remittances mean for communities of origin. Understanding

Table 3: Remittance practices at origin

Purposes	Hong Kong		Malaysia	
	In Taka '(000)'	%	In Taka '(000)'	%
Consumption	5295	38	2054	41
Education*	976	7	305	6
Medical treatment	558	4	359	7
Agricultural land purchase	488	4	273	6
Taking mortgagee of land	2508	2	359	7
Release of mortgaged land	1045	1	60	1
Homestead land purchase	168	1	-	-
Home construction and renovation	435	3	198	4
Repayment of loan	293	2	159	3
Investment in business	6967	5	124	3
Savings/fixed deposit	976	7	208	4
Social ceremonies**	1394	10	337	7
Gift/donation to relatives	488	3	104	2
Send relative for pilgrimage	391	3	90	2
Sending family member abroad	502	4	142	3
Furniture	335	2	55	1
Others***	604	4	134	3
Total	13947	100	4954	100

Source: Survey 2004–6

* For children and siblings

** For weddings, *khatna* (circumcision) etc

*** For accidental and urgent need

the local effects of remittance practices and migration outcomes merits looking beyond the aggregate number of migrants a country sends and contextualising remittance practice in terms of local socio-cultural and economic patterns. Earnings generally are consumed, invested, or saved in the country of destination, or remitted and subsequently saved, invested, or consumed. This study found poor management of remittances, primarily because of the lack of direct monitoring of the remitters; also, money goes largely on areas for which it was not originally intended. The study found that a very small portion of remittances were used for productive use and most are normally used for paying off debts, subsistence living, land purchase, house renovation or construction, and health. Power relations have a lot to do with determining how remittances are spent. Some wives of remitters may use money lavishly, and fathers of families may decide unilaterally to spend remittances on unprofitable schemes.

Among all other factors, economic factors are the most powerful force in encouraging migration, and remittances become central to the migration process. Theoretically, there are three basic reasons to send remittances: migrants want to better the family economy by injecting additional income, while at the same time under this 'altruistic' act, sending remittances can also increase their own inheritance chances; second, the family often places 'pressure' on the migrant to remit money; and finally, some families believe that money should be sent home

because if it remains with the migrant it might go astray. These reasons link to arguments that family members support potential migrants in the expectation of reciprocal support (IOM 2008). Where there is no welfare state it is taken for granted that children will support their parents, and children working overseas are expected to offer financial support. Remittances also serve to repay the family’s costs in supporting the migration.

This study found that in most families it was the fathers, followed by the wives and mothers of the senders, who received the remittances. While it is often argued that remittance outcomes encourage women’s economic independence in both communities (Weyland 2004), migration can influence the gendered basis of economic and political activity in many different ways. In some cases migration decisions and remittance-use patterns can create new stresses on the relationships between men and women as they cope with the implications of migration.

In terms of the number of persons supported by remittances, the study found that around 25 per cent of the HKRs support between seven and nine family members, 44 per cent supported four to six members, and some sent back money to support ten to 12 members. The mean number of persons supported is 6.21, which reinforces the argument that the dependency ratio is higher than the national level. About 55 per cent of the MRs supported between four and six family members and about 28 per cent supported between seven and nine members.

A common debate about migration concerns how remittances are used, in particular the division between investment and consumption. This study found that remittances were spent on: consumption and clothing, medical treatment, education, agricultural and homestead land purchase, home construction and renovation, releasing of mortgaged land, taking in mortgaged land, repayment of loans taken for migration and other purposes, investment in business, savings and fixed deposits, insurance, social ceremonies, pilgrimages, migration of other family members, and furniture and other household appliances.

As in many other countries, most surveys suggest that a major part of remittance income is used for consumption.⁸ There is continuing discussion about what encompasses ‘productive’ and ‘unproductive’ use, as some researchers regard land purchase and children’s education as productive uses, while others do not (IOM 2008). Some studies demonstrate that education and health receive a small share of remittance income (4 or 5 per cent) but in this study 7 per cent of remittance income was used for educational purposes by the remaining family. MRs spent about the same percentage of their remittances for this purpose.

Table 4: Amount of money borrowed for migration (in Taka)

Amount	Hong Kong			Malaysia		
	n = 32		%	n = 41		%
10,000–20,000 (US\$ 147–294)	13		41	13		31
20,000–40,000 (US\$ 294–588)	17		53	9		22
40,000–60,000 (US\$ 588–882)	2		6	5		13
60,000–80,000 (US\$ 882–1176)	-		-	11		27
80,000–100,000 (US\$ 1176–2352)	-		-	3		7
Mean		31904			49286	
Standard deviation		15848.800			26423.745	
Significance (Hong Kong vs Malaysia)				p < 0. 004		
Total	32		100	41		100

Source: My field data 2004–6

Note: ‘not applicable’ indicated by –

Thirty per cent of the HKRs and around 42 per cent of the MRs spent remittances on consumption. A second important use of remittances by MRs is medical treatment and the mortgaging of land, followed by social ceremonies. In Bangladesh, buying and mortgaging land is generally considered the safest investment because of its potential to yield direct economic returns through crop production, and thus land can increase in value over time. The use of remittances to reclaim mortgaged land was quite common in the rural context as families wanted to re-establish their right to the land. Financing the migration of other family members, social ceremonies such as weddings, dowry, and pilgrimages (*hajj*), were the other major uses of remittance income. A relatively high proportion – 10 per cent – of the remittance income was spent on social ceremonies such as weddings, child naming, circumcision (*khatna*), Eid,⁹ and death rituals. Among these, the highest portion was spent on family weddings, and dowry payments when the remitter’s sisters or daughters married.

MRs saved less compared with HKRs; 4 per cent and 7 per cent of the total remittance amount was saved respectively. Some deposited in bank accounts, a few made fixed deposits and others bought insurance.

Luxury purchases and educating children cannot be sustained locally; therefore, migration may become even more prevalent with the rise in demand for expensive goods. The consumer goods purchased by migrants and their households often takes out a large chunk of hard-earned remittances. At some point, there is a chance that this pattern will collapse as remittances dry up and migrants lose their attachment to sending communities and countries – the so-called ‘remittance decay’.

The data from this study show that the majority of both the HKRs and the MRs borrowed money to support migration. The loans that largely determine the impact of remittances have tended to be overlooked in the cost analysis of migration. The mean amount borrowed by the HKRs and the MRs respectively was TK31903.79 (US\$469) and TK49285.71 (US\$725), meaning that the MRs borrowed a significantly higher amount ($P < 0.004$) from external sources. This could be explained by the MRs’ socio-economic background: migrants from Bangladesh to Malaysia often come from a poorer background. Around 25 per cent of both

Table 5: Changes in post-migration well-being

Well-being* status	Before	After	Significance
HKR	<i>f</i>	<i>f</i>	
Better than most neighbours/better than average	-	3 (5.4)	P < 0.000
About average	21 (37.5)	42 (75.0)	
Worse off, poorer than most neighbours	35 (62.5)	7 (12.5)	
Total	56 (100.0)	52 (100.0)	
MR			
Better than most neighbours/better than average	7 (10)	35 (50)	P < 0.000
About average	53 (75.7)	25 (30)	
Worse off, poorer than most neighbours	10 (14.3)	10 (14.3)	
Total	70 (100.0)	70 (100.0)	

Source: Survey 2004-6

Significance at 95% confidence interval; Parentheses indicate percentages

*In considering well-being, land assets, ornaments, savings and other assets like cattle have been included.

Table 6: Changes in housing status

Housing	Hong Kong		Malaysia	
	Pre-migration	Post-migration	Pre-migration	Post-migration
Pucca*	6	12	2	5
Semi —Pucca**	7	17	9	12
Tin***	10	14	24	32
Semi—Kutch---	17	7	16	17
Kutch + +	16	6	19	4

Source: Survey 2004–06.

* Roof, walls and floor are cemented (with bricks);

** VVfells are cemented (with bricks), but roof may be of tin and the floor may be of mud or cemented.

*** Roof is of tin and walls are of tin and the structure i.e. pillar etc is of wood. Floor may be of mud or cemented

+ Either roof or walls is of tin or of straw and the floor is of mud

+ + Roof, fence are of straw with wooden structure and the floor is of mud.

sets of respondents borrowed some additional money to support their families until they started remitting. Borrowing money from diverse sources posed a financial and psychological burden on the migrant and their families, with MRs experiencing greater psychological costs.

The study found that most migrant workers did eventually manage to repay their loans. An overwhelming majority of the HKRs reported having done so, although only 69 per cent of the MRs did. However, those who had failed to repay their loans were relatively new migrants, i.e. most of the defaulters had been in the host country for less time than those who could repay punctually. The fact that a higher percentage of the HKRs reported paying back their loans suggests they had a better financial footing than the MRs. The correlation between under-payment and the period abroad is that the lower-paid migrants took longer to repay their debts. As already mentioned, borrowing has crucial implications for migrants and their families. However, Ullah and Routray (2003) argue that the period of migration is significant in explaining the borrowers' earnings, assuming that the willingness to repay is constant. The majority of the HKRs (55 per cent) paid their loan back within one year after migration, while 19 per cent paid in three years. Only a very few of the MRs (5 per cent) took only six months to pay back their loan, while nearly half (45 per cent) paid back in one year and the rest paid within three years of their departure.

One example of the importance of loans in migration is the story of Abul, a 35-year-old who has been in Malaysia for the last 13 years and spent a total of TK120,000 (US\$1765) on his migration. He borrowed TK 40,000 (US\$588) from one of his relatives and the remaining TK 25,000 (US\$368) from a moneylender. He paid back the money in three years. With the interest rate compounded, the total loan was TK 32,000 (US\$470) from the original loan from the moneylender. But he could not repay his relatives. After he lost his full-time job in a paper mill in Selangor, he moved to Shah Alam where he met other Bangladeshis who arranged a part-time job for him. Despite several attempts to return home, he has not been able to afford the airfare.

Remittances appear to be a more effective instrument for income redistribution than large, bureaucratic development programmes or development aid. This 'private' flow of foreign exchange seems to flow directly to the beneficiary, does not require a costly bureaucracy on

Table 7: International remittances as a share of export and GDP in %

Selected countries	1980		1990		1995		1999	
	Exports	GDP	Exports	GDP	Exports	GDP	Exports	GDP
Albania	-		-	-	127.2	15.5	85.1	9.7
Algeria	2.8	1.0	2.4	0.6	9.7	2.7	7.1	2.0
Bangladesh	27.0	1.1	40.4	2.5	28.9	3.2	28.1	3.7
Benin	34.7	5.5	33.7	4.8	22.8	4.6	18.4	3.1
Egypt	38.6	11.8	43.3	8.7	24.3	5.5	26.4	4.2
India	24.7	1.5	7.2	0.5	18.1	2.0	21.3	2.6
Nepal	13.3	1.5	16.0	1.7	9.5	2.3	13.2	3.0
Pakistan	59.1	7.4	31.2	4.9	19.1	3.1	12.0	1.8
Sri Lanka	11.7	3.8	16.5	5.0	17.3	6.2	18.8	6.6

the sending side, and far less of it is likely to be siphoned off into the pockets of corrupt government officials (Ullah and Panday 2006). Remitters generally want the remittance be used in income-generating and productive investment purposes to stimulate and sustain the well-being of the household (Ahlburg 1995; Connell and Brown 1995). If we look at the micro-level impact of remittances, the well-being of the migrant-sending families had changed significantly when judged against the three perceived conditions of well-being ($P = 0.000$). The findings resonate with contemporary arguments that remittances are a more effective instrument for income redistribution, poverty reduction, and economic growth than development aid.

Housing is one of the best indicators to measure the development impact of remittances on rural households in Bangladesh. A well-built house is a status symbol and the data show a considerable amount of remittance income (HKR 3 per cent and MR 4 per cent) is spent on building and renovating homes. The following data clearly show that housing conditions have improved following migration in both the HKR and the MR cases. The number of *kutchha* (lower quality) houses has declined while the number of *pucca* (higher quality) houses has increased considerably.

The macroeconomics of remittances

Migrants engage in a variety of economic, political, social, and religious transnational practices that affect development, whether directly or indirectly, though development processes can also affect migration. Determining the development implications of capital and labour flows and other financial and social capital of migrants calls for a consideration of their social lives. Stahl and Arnold (1986) argue that while most Asian remittances go towards meeting the daily cost of living in the receiving households, the productive use of the estimated US\$8 billion in annual remittances is an important resource in terms of the balance of trade, and global as well as local economic investment outcomes. The effect of a shock induced by remittances would depend on the degree of capital mobility and on the exchange-rate regime.

Over the years, concerns have been expressed about the limited productive use of remittances, though there is a wide range of perceptions about what constitutes productive use. With regard to the economy-wide consequences, remittances may have a short-term macro-economic impact through their effects on prices or exchange rates. Remittances impinge on households' decisions in terms of labour supply, investment, education, migration, occupational choice, and fertility, with potentially important aggregated effects. Another channel whereby

remittances may affect a country's long-term economic performance is through their distributional effects and impact on economic inequality. Understanding the impact of the skills and resources gained through migration involves examining migrant families' income-generating capacity, consumption needs, investment options, and career paths in the contexts in which they earn their living. Remittances have proved less volatile, less pro-cyclical, and therefore a more reliable source of income than other capital flows to developing countries, such as foreign direct investment (FDI) and development aid (Ratha 2003).

In FY1998/99, Bangladesh paid 22 per cent of the total import debt from remittances. In FY1977/78 remittances contributed an estimated 1 per cent of GDP, rising to 5 per cent in 1982/83 with a slight (4 per cent) decline in the following decades; and in 2008 it rose to about 8 per cent. However, it remains low when we look at Nepal where the value of the remittances makes up between 15 and 20 per cent of GDP. The economic impact of remittances is likely to depend in part on the pattern of consumption and investment of recipient households. Remittances that are consumed can generate positive multiplier effects, and there is a correlation between the size of this multiplier effect and the recipient i.e. urban or rural households.¹⁰ Remittance transfers are, above all, private funds and are not substitutes for national development efforts, comprehensive development strategies, or official development aid. They do, however, have the potential to contribute significantly to economic development at household, local, national, and regional levels.

The data offered by the Central Bank of Bangladesh show that remittances contribute more to national and local economies than trade does in several parts of the developing world, substantially exceeding development assistance in many countries. Given that one major motivation for remittances is altruism, they tend to have a counter-cyclical impact as family members receive increased remittances during economic downturns. To the extent that remittance income reduces the recipients' need to work, this might have a negative impact on overall economic activity. Plausibly, remittance flows might generate similar problems at a national level by supporting the overall balance of payments.

Conclusions

This study clearly demonstrates that HKRs contributed more to development than MRs did, generally because of the income variability and uncertainty among the latter group. Unfortunately, despite claims that government and policy makers have paid sufficient attention to the fact that migration is now a significant development engine for Bangladesh, no data have been maintained for HKRs. In addition, discrepancies in the data concerning MRs limited the scope of the research.

Migration constitutes part of the development process, affecting development in both sending and receiving societies. Migration has figured prominently in the development discourse in Bangladesh in the last few decades as remittances relate in a significant way to the direct inflow of foreign exchange. As the volume of imports exceeds exports, remittances play a significant part in paying import dues. Anecdotal evidence and theory suggest that labour may suffer with transfers. However, determining the empirical relationship between remittances and growth is complicated by problems of endogeneity, associated difficulties in finding adequate instruments to explain the behaviour of remittances, and measurement issues.

Analyses which are critical of remittance practices describe migration outcomes as one part of a process that binds migrant-sending households and communities to an exploitative cycle of dependency. Such critical voices argue that remittances encourage cross-border migration in a never-ending cycle and can undermine local traditional systems in sending communities.

However, there are also arguments that remittances can lead to growth (defined in social as well as economic terms) for sending nations, communities, and households.

In macro-economic terms, remittances play a central role in migrant-sending economies such as Bangladesh. They provide a major source of foreign exchange and contribute to meeting international financial obligations, such as debt servicing. Micro-economic studies may provide an alternative and possibly more fruitful avenue for research in this area. In this context, the question arises as to whether remittances tend to stabilise disposable household income and consumption. Income from abroad has been historically much more volatile than GDP, which would call into question whether these flows tend to stabilise disposable income as proxied by GDP, and therefore overall development. While further research is required to reassess the migration-development nexus, this study has sought to explain the micro- and macro-economics of remittances from Malaysia and Hong Kong to Bangladesh and their impact on development.

However, the existence of a credible investment environment – characterised by good governance, economic and political stability, and transparency and regulation of financial institutions – is critical to the willingness of migrants and remittance recipients to invest in development. Thus, in tandem with creating incentives to direct remittances to uses that will have a positive impact on development, governments must work to create a sound policy, financial, and legal environment that stimulates capital inflows, including remittances.

Notes

1. One crore is 10 million taka.
2. The HKRs have hourly work, which they obtain by waiting at designated spots where those seeking labourers go to hire them.
3. An amount offered spontaneously in addition to the fixed salary/wage if the work is satisfactory.
4. Conversion at the June 2006 rate.
5. HKRs have to go to China to get their visas extended because they are given only a two-week permit on arrival, which they are not permitted to extend while they are resident in Hong Kong.
6. More than 500,000 women work in HK as domestic helpers. This made it easy to find girlfriends for romantic relationships, according to the male respondents.
7. To test the significance, Hong Kong Dollars and Malay Ringgit were converted into Bangladesh Taka (BDT). 1 HK\$ = 9.50 BDT and 1RM = 16 BDT, as of June 2008.
8. The study defined consumption as buying food and clothes. Consumption has normally been considered unproductive use. However, some researchers argue that consumption contributes to the human development therefore is a productive use. Many of the respondents disagreed with this argument as they claim that hard-earned money is sent for future investment, not for consumption. I share their view that this should be considered as unproductive use.
9. The slaughtering of cows during the Muslim festivals of Eid is a large expenditure.
10. Rural households tend to consume more domestically produced goods and thus generate a higher multiplier effect.

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