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INTERNATIONAL MIGRATION, REMITTANCES AND DEVELOPMENT : UNTAPPED POTENTIALS FOR BANGLADESH

1. INTRODUCTON

International migration for employment is amongst the most important aspects of development of the country during the post-independence era. Intrigued by high level of wages and better job opportunities abroad, and abject unemployment and poverty at home, migration for employment has now become an integral part of life for thousands of nationals. The impetus once generated among the young and the educated is fostering the process further ahead. The dormant enterprising qualities of these people are responsible for the discovery of newer and newer destinations of migration. Bangladeshis are now to be found in Japan, Taiwan in the East; Malaysia, Brunei in South East; in many countries of Middle East and North Africa; UK, West Germany, Sweden in the Western Europe; and in the USA, Canada in North America.

The most tangible aspect of international migration is the corresponding inflow of remittances from the nationals working abroad. They are now amongst the major sources of foreign exchange for the country; and source of disposable income for thousands of migrant households. Both the process of migration and the inflow and use of remittances have been major catalysts in

the growth and development of various activities¹ in the country during the past decades. This is particularly important in areas where there is a concentration of migrant families as they cater to the various needs of the respective families.

The purpose of the present paper is to highlight the development potentials of international migration, therefore, overseas remittances. In view of the level of resources which have been flowing into the country in the form of overseas remittances, the study attempts to identify the various sectors which would seem to have potentials for investment of overseas remittances. The various determinants of productive use of remittances are identified, and the role of public policy in this regard is highlighted.

The paper has been organized into six sections including the introduction and the conclusion. Section 2 gives an overview of the level of international migration from Bangladesh, and their various geographical distributions. Section 3 discusses the level and importance of overseas remittances to the Bangladesh economy. Section 4 is concerned with the development potentials of overseas remittances - the need and scope for productive use of remittances. The current pattern of use remittances is discussed, and its possible implications are highlighted. Section 5 deals with various government policies which would positively influence a greater use of remittances for productive purpose. The major observations of the study are listed in the following section.

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1. For the impact of international migration and the use of remittances on the domestic economy, see, Islam, Muinul, and others, "Overseas Migration from Rural Bangladesh : A Micro Study", Rural Economics Programme, Department of Economics, University of Chittagong, September 1987; Mahmud, W., and S. R. Osmani, "Manpower Export from Bangladesh to the Middle East : A Cost-Benefit Analysis", BIDS, Dhaka, 1980; Siddiqui, A. M. A. H., "The Economic and Non-Economic Impact of labour Migration from Bangladesh," in Arnold, Fred, and Nasra M. Shah (eds), *Asian Labour Migration : Pipeline to the Middle East*, Westview Press, Inc., 1986.

2. BANGLADESHIS MIGRATING ABROAD

The process of Bangladeshis migrating abroad has long been in operation. Evidence shows that even as early as in 1942 there were already Bangladeshis, people from the geographical area now called Bangladesh, who migrated and settled in the port cities of London and Liverpool in the UK.² Following the Second World War, and especially during the late fifties and early sixties, a large number of Bangladeshis migrated to the UK on employment. The mass exodus of people for overseas employment, however, took place during their mid-70s during which time the Middle East emerged as the major destination of migration for employment. But with diminution of the relative importance of the earlier destinations of migration, newer destinations are being discovered.

The present section highlights the level and composition of Bangladeshis migrating to the UK and the Middle East. Availability of information apart, these two geographical destinations, by all possibility, account for most of the Bangladeshis migrating abroad on employment.

Middle East

Level of Migration

With an initial stock of about 6,000 nationals working in the region upto 1976, gross migration to the region rose to 816,877 as of December 1990. Compared to annual flow of about 5,559 in 1976, the level of flow of migration to the region is as high as 101,563 in 1990 (Table 1).

2. For further details on the process of Bangladeshis migrating abroad, see, Hossain, A. R. M. A., "Migration of Labour from Bangladesh", Bureau of Manpower Employment and Training, Dhaka, 1979; Mahmood, R. A., "Implications of International Movement of Labour for Trade and Development - With Particular Reference to Bangladesh", Doctoral dissertation, University of Sussex, March 1984.

Table-1 : Migration of Bangladeshis to the Middle-East

Year/Period	Number of Migrants	Yearly Average
upto 1976	5,559	5,559
1977-80	92,191	23,048
1981-84	2,32,600	58,150
1985-88	2,86,817	71,704
1989	98,147	98,147
1990-	1,01,563	101,563
(1977-90)	(8,16,877)	(57,951)

Source : Bureau of Manpower, Employment and Training (BMET), Dhaka.

Of the 13 Middle Eastern countries importing manpower from Bangladesh³ only 8 of them account for almost the whole of migration to the region. These are Bahrain, Iraq, Kuwait, Libya, Oman, Qatar, KSA, and the UAE. During 1977-1990, of the total gross migration of 811,318 to the whole of the Middle East, more than 98 per cent went to these 8 countries (Table-2). Among the individual countries the Kingdom of Saudi Arabia stands up as the most important importer of labour from Bangladesh, accounting for about 38 per cent of the total migration to the region so far. This is followed by the UAE 14 per cent, and Oman 12 per cent.

3. The other five countries include Iran, Algeria, Jordan, Lebanon and Yemen.

Table - 2 : Geographical Distribution of Bangladeshis in the Middle-East

(in percentage term)

Country of Migration	1977-80	1981-84	1985-88	1989	1990	1977-90
Bahrain	4.13	3.54	3.81	4.41	4.43	3.92
Iraq	7.57	15.35	6.60	1.45	2.82	8.11
Kuwait	10.34	12.33	11.73	11.36	5.56	10.92
Libya	8.74	5.09	3.37	2.04	0.55	3.95
Oman	13.87	15.82	6.33	11.73	18.39	12.08
Qatar	6.95	8.06	7.93	8.85	7.92	7.97
K. S. A.	21.45	27.23	45.85	39.68	50.48	37.60
U. A. E.	25.20	10.83	14.09	15.13	8.12	13.78
Others	1.74	1.76	0.29	5.34	1.74	1.67
All Together :	92,191	2,32,600	2,86,817	98,147	101,563	811,318

Source : Bureau of Manpower, Employment and Training (BMET), Dhaka.

Skill Composition of Migrants

Bangladeshis migrating to the Middle East comprise mostly unskilled and semi-skilled workers; and the relative share of those who could be classified as professionals and semi-professionals - such as doctors, engineers, scientists, teachers, is minimal. The latter accounted for hardly 6 per cent of the migrants going to the Middle East during the period 1977-1990 (Table-3).

United Kingdom

Level of Migration

The number of Bangladeshis living in the UK has been estimated at 136,000 as of 1982. This is based on an estimation of

Table-3 : Distribution of Migrants by Different Skill Groups

(in percentage term)

Skill Groups*	1977-80	1981-84	1985-88	1989	1990
Professionals and Semi-professionals	14.13	5.17	3.20	5.19	5.78
Skilled	31.90	34.33	36.33	38.15	34.38
Semi-skilled	4.73	7.41	12.85	17.79	20.04
Unskilled	49.06	53.09	47.62	38.87	39.80

Note : * Professionals and semi-professionals : Doctors, engineers, cost-and chartered accountants, computer experts, administrators, teachers, nurses, foremen; Skilled : masons, drivers, plumbers, laundrymen, mechanic helpers; Unskilled : municipality workers, and all other trades which are mainly menial. For further details see, Hossain, A. R. M. Anwar (1979).

Source : Adapted from data supplied by Bureau of Manpower, Employment and Training (BMET), Dhaka.

the initial stock of Bangladeshi population of 70,000 by the 1971 Population Census of Great Britain. Added to this has been a natural increase of about 29,000 over the base population. Between 1973 and 1982 a total of 32,000 Bangladeshis were allowed to enter into the UK and remain there. Although new entrance into the UK has now been almost stopped, it is, however, still being allowed to the dependents and spouses of those who

Table-4 : Number of Bangladeshi Immigrants in the UK

Year	Population at the beginning of the period	Natural Increase	New Entrants	Total
1971	70,000 ^a	1,820 ^b	—	71,820
1972	71,820	1,867	—	73,687
1973	73,687	1,916	1,689 ^c	77,292
1974	77,292	2,010	763	80,065
1975	80,065	2,082	2,978	85,125
1976	85,125	2,213	3,680	91,018
1977	91,018	2,366	2,980	96,364
1978	96,364	2,505	4,040	102,909
1979	102,909	2,676	3,690	109,275
1980	109,275	2,841	5,000	117,116
1981	117,116	3,045	5,620	125,781
1982	125,781	3,270	7,620	135,871

Notes : (a) Anwar (1979) and Tinker (1974)

(b) Based on a 2.6 percent increase on the base figure.

(c) Control of Immigration Statistics, Home Office, United Kingdom, various issues.

Source : Adapted from Mahmood (1989).

have already settled in that country.⁴ Assuming that new entrants have maintained the same pace during the 80s as before, as dependents are still migrating to the UK, the number of Bangladeshis currently living in the UK would be near about the mark of 200,000. The possibility of this being much higher is quite likely.

Occupational and Skill Distribution

The present occupational distribution of Bangladeshis in the UK could be grouped under three broad categories, e.g., (a) skilled, semi-skilled, and unskilled; (b) semi-professionals and (c) professionals. Added to these are also different types of self-employment, and miscellaneous other occupations. The different occupations included under the above broad skilled groups are :

(a) Skilled, semi-skilled, and unskilled workers : (i) Jobs in factories, (ii) tailoring jobs in ready-made garment industry, and (iii) catering.

(b) Semi-professionals : Public sector jobs mostly in lower ranking civil service posts, particularly in social services; as also in various financial and commercial institutions.

(c) Professionals : This group includes doctors, engineers, teachers, chartered and cost accountants, computer specialists, barristers, business executives, etc.⁵

4. In mid-70s the then Labour Government of the United Kingdom took a decision to allow the spouses and dependents of those who had legally settled in the Kingdom prior to that proclamation to come to the UK and settle there. This was decided because most of the earlier migrants went to the UK single, and in course of time the possibility of their returning home permanently was becoming bleaker. So in order to allow their spouses and dependents to join them in the UK the decision was taken.

5. For details on the occupational distribution of Bangladeshis in the UK, see, Mahmood (1984), Anwar (1979), Runnymede Trust (1977).

Other Destinations of Migration

Concrete evidences on the level and the pattern of migration to other places are yet to be generated. However, two major areas could be identified. First, alongside migrating to the UK, a large number of Bangladeshis have also been migrating to the major Western European countries such as West Germany, Sweden and Norway. Then there are the United States of America and Canada where, it is believed, there is a large contingent of Bangladeshi nationals. Secondly, in the East, Japan has lately emerged as an important destination of Bangladeshi workers. Beginning from early 1980s - taking the advantage of 'Visa at the Port of entry', and in the guise of tourists and business, many young Bangladeshis entered into Japan and took up jobs - though unofficially. Given job prospects and high remunerations on the one hand, and lack of serious restrictions on the part of the employers to appoint foreign workers, the number of those migrating to Japan increased significantly until Visa requirement was introduced in March 1989. According to some unofficial sources as of 1989 there were more than 10,000 Bangladeshis illegally staying and working in Japan.

Future of International Migration

Despite the shrinkage in demand for expatriate workers in the major destinations such as the Middle East at the aggregate level, and increasing restrictions on migration to other places, the overall trend of migration from Bangladesh would seem to be quite positive. This is reflected in the current level of migration to the Middle East, and an increasing presence of nationals in other parts of the world. The latent enterprising qualities of migrants are responsible for the discovery of newer places of migration and innovaton of ways and means to migrate to these places even though not always on legal basis.

3. INFLOW OF REMITTANCES

Economic motives being amongst the most important factors behind migration, accumulation of savings abroad and transfer of remittances are the most tangible aspects of international migration for employment. Overseas remittances are the major sources of disposable income for thousands of migrant households, and of foreign exchange for the country.

Level and Trend of Remittances

Bangladesh earned a total of Taka 178 billion as remittances from nationals working abroad during the period 1977 to 1990. This is equivalent to US \$ 6.4 billion. The level of remittances received by Bangladesh as early as in 1977 was Taka 866 million, equivalent to US \$ 56 million. This grew to Taka 16 billion, US \$ 637 million, in 1983. And in 1990 overseas remittances reached the level of Taka 27 billion which was equivalent to US \$ 774 million.

Geographical Origin of Remittances

Remittances flowing into Bangladesh originate from two major parts of the world, e.g., Middle East, and Western Europe. This corresponds with the outflow of nationals for employment. The relative share of these two regions of the total remittances went through significant changes over time (Table 5). The Western countries would account for more than three fourths of the remittances flowing into Bangladesh as early as in 1977. Their relative share fell to less than a fifth in recent years. For the Middle Eastern countries the opposite has been the case. Their relative share of the total increased from less than one fourth to more than four-fifths between 1977 and 1990.

Importance of Remittances

Tables 6 compares the compares the level of remittances received by the country during a particular year with the major

Table - 5 : Level and Geographical Origin of Remittances

Years/ Periods	MIDDLE EAST ^a			WESTERN COUNTRIES ^b			ALL OTHERS			GRAND TOTAL	
	Amount in Million		Percen- tage of Total	Amount in Millions		Percen- tage of Total	Amount in Millions		Percen- tage of Total	Amount in Million	
	Taka	(US\$)		Taka	(US\$)		Taka	(US\$)		Taka	(US\$)
1977	172	11	19.86	662	43	76.44	32	2	3.70	866	56
1978	605	40	37.35	893	59	55.12	122	8	7.53	1620	108
1979	1274	82	45.47	13.95	90	49.79	133	9	4.75	2802	180
1980	2450	159	50.96	2345	152	48.77	13	1	0.27	4808	311
(1977-80)	4501	292	44.58	5295	344	52.45	300	20	2.97	10.096	655
1981	3696	205	62.20	2216	123	37.29	30	2	0.50	5942	329
1982	8397	380	72.79	2687	121	23.29	452	20	3.92	11536	522
1983	12232	497	77.99	3000	122	19.13	453	18	2.89	15684	637
1984	9877	390	77.61	2394	94	18.81	455	18	3.58	12726	502
(1981-84)	34202	1472	74.53	10297	460	22.44	1390	58	3.03	45889	1990
1985	10419	363	75.74	3162	110	22.99	175	6	1.27	13756	497
1986	13590	448	79.38	3077	102	17.97	454	15	2.65	17121	565

Contd. Table 5.

Years/ Periods	MIDDLE EAST ^a			WESTERN COUNTRIES ^b			ALL OTHERS			GRAND TOTAL	
	Amount in Million		Percen- tage of Total	Amount in Millions		Percen- tage of Total	Amount in Millions		Percen- tage of Total	Amount in Million	
	Taka	(US\$)		Taka	(US\$)		Taka	(US\$)		Taka	(US\$)
1987	16549	501	71.78	5257	159	22.80	1248	38	5.41	23054	698
1988	16628	505	70.61	4626	141	19.64	2295	70	9.75	23549	716
(1985-88)	57186	1817	73.81	16122	512	20.81	4172	129	5.38	77480	2458
1989	15230	469	62.26	4965	159	20.30	4267	122	17.44	24462	750
1990	17043	493	63.85	4897	142	18.35	4751	139	17.80	26691	774
(1989-90)	32273	962	63.09	9862	301	19.28	9018	261	17.63	51153	1524

Note : a : Refer to the 8 major Middle Eastern countries.

b : Include only 4 major Western countries, i.e. UK, USA, Germany and Canada.

Source : Adapted from data supplied by the Exchange Control Department, Bangladesh Bank, Dhaka.

macro parameters of the country. Based on the table, overseas remittances are now among the most important sources of foreign exchange to the country. As of 1987/88, they were equivalent to about 56 per cent of the export receipts; one quarter of the import payment; and 46 per cent of the current account deficits. They were equivalent to 5 per cent of the gross domestic product. Remittances received during 1987/88 were 3.5 times higher than the ADP allocation for industrial development in that year; 9 times higher than the allocation for agriculture; and 10 times higher than that for education and training.

Table 6 : Importance of Overseas Remittances

(Remittances as percentage of)

Macro Parameters	Year		
	1980/81	1984/85	1987/88
Gross Domestic Product	3.16	3.31	4.76
Gross Domestic Savings	136.11	67.64	83.81
Export Earnings	53.96	43.94	55.75
Import Payments	16.62	16.88	25.06
Balance of Trade Deficit	23.02	27.42	45.51
External aids and loans	41.31	39.62	—
Tax Revenue	34.78	34.47	53.28
Non-Tax Revenue	110.43	482.84	273.52
Total Current Revenue	26.45	15.86	22.53
Annual Development Programme	26.16	28.26	50.85
Remittances (Tk. in Million)	(6197)	(11525)	(22948)

Source : BBS, *Statistical Year Book of Bangladesh*, different issues; Exchange Control Department, Bangladesh Bank, *Annual Import Payments*, Bangladesh Bank, *Economic Survey of Bangladesh*, Ministry of Finance, GOB.

The information on the level of remittance as shown in the above refer to those as are available from the official sources. This official statistics, however, cover only that portion of the savings of nationals working abroad coming into the country through the institutional channels - cash remittances through banks and post offices. Excluded from these flows are remittances flowing into the country through the unofficial channels either in cash form or in the forms of goods and services. Accordingly, there are leakages in the flow of remittances, giving an underestimation of their actual level. According to different sources such leakages could be to the extent of 10 to 20 per cent of the official level of remittances.⁶

4. DEVELOPMENT POTENTIALS

The development potentials of international migration, therefore, could be seen from the need and scope for use of remittances for various productive purposes. This refers to the use of remittances for purposes having the prospects to generate income and/or employment.

From an individual migrant's point of view the endeavour to migrate is an investment; an effect to derive a return from the investment made towards the cost of migration. The success out of migration should, therefore, be reflected in the capacity of a migrant to enhance his living standard - actual or potential, during the post-migration period as compared to previously. This will presuppose, first, generation of some surplus out of overseas employment - over and above the costs of migration and, secondly,

6. For further details on this, see, Mahmood, R. A. and Farid Bakht, "Overseas Remittances and Informal Financing in Bangladesh", Research Report No. 101, Bangladesh Institute of Development Studies, May, 1989.

acquisition of assets having the prospects of yielding a return in the future.⁷

At the micro level, the development potentials of overseas remittances can be seen in terms of their contribution to the resource base of the country and their potentials for the growth and development of different sectors. Bangladesh has been earning in recent years on an average Taka 2,500 crores per year as remittances from the nationals working abroad. If even half of these could be saved and invested, the corresponding level of investment would come to Taka 1,250 crores per year. Compared to the Annual Development Programme of the country particularly with regard to development outlays for sectors such as industry, agriculture, education, transport and communication this will mark most highly. Moreover, if one assumes an investment employment ratio of Taka 50,000 : 1, with the amount of Taka 1,250 crores the country could generate 250,000 new employment per year. This refers to the number of direct employment that would be created. What about the indirect effects of creating such employment ?⁸

The need for productive use of remittances could be seen further from the adverse consequences of the non-productive use

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7. For further details on the various preconditions for a success out of migration, see, Mahmood, R. A., "Problems and Prospects of Productive use of Remittances in Bangladesh", *Bangladesh Development Studies*, Dhaka, August 1990.
 8. The investment employment ratio mentioned here would seem to be quite high in the context of a country like Bangladesh. Based on the experiences of various self-employment generating programmes such ratio is significantly higher. This will imply that the employment generating potentials of overseas remittances will actually be much higher. And, if the secondary effects of employment generation are also included, the latent potentials will be much more. Compared to the recent level of migration - around 100,000 per year - the estimated employment generating potentials of remittances will demonstrate that even if half the remittances are used productively the country can provide employment to people many times higher than the number of those going abroad every year.

of the same. Unscrupulous consumption out of overseas remittances has been alleged to be responsible for an inflationary pressure in the localities where there is concentration of migrant households. This adversely effects the purchasing power of the non-migrant families, and the distribution of income as between migrant and non-migrant families.

Current Use of Remittances

Based on table 7, the most important non-consumption uses of remittances are construction and development of houses, purchases of land, machinery and transport equipment, wedding and festivals, and education of children. Construction and development of houses account for 19 per cent of the remittances received by the migrant households. The second most important use of remittances - both in absolute and relative terms, is the purchase of land. About 16 per cent of the remittances are used for the purpose. Establishment of trade and business account for about 4 per cent of the remittances received. One should note from the table that 9 per cent of the remittances received by migrant families are kept in banks as fixed deposits.

A careful scrutiny of the alternative uses of remittances will demonstrate that a very small proportion of the remittances received by migrant households are used for purpose which can truly be labeled as productive. Purchase of land is seen by most of the migrant households as accumulation of assets with more of social value - a status symbol, rather than to boost agricultural production. Similarly, houses are built mostly for family dwelling purposes than for renting. As such, based on the experiences of the returned migrants from Iraq and Kuwait following the Middle East crisis, most of these families can hardly depend on their

Table 7 : Pattern of Use of Remittances

Use of Remittances	Number of Cases	Percentage of Migrants	Level of Remittances Used		Percentage of Remittances Used
			Absolute (Tk. '000)	Average	
Construction and Development of Houses	196	64.05	1,84,92	94	19.00
Purchase of Land	145	48.39	1,48,37	102	15.25
Machinery and Equipment	6	1.96	55	9	0.06
Vehicles	15	4.90	29,32	195	3.01
Consumer Durables	74	24.18	15,76	21	1.62
Fixed Bank Deposit	71	23.20	88,61	125	9.11
Business	43	14.05	39,27	91	4.04
Education of Children	147	48.04	18,33	12	1.88
Payment of Loans	141	46.08	42,75	30	4.39
Donation to Relations	142	46.41	20,71	14	2.07
Wedding	175	57.19	86,23	49	8.86
Medical Treatment	181	59.15	32,49	18	3.34
(Sub-Total)	—	—	(7,06,82)	(231)	(72.64)
Total Remittances received	306	—	9,73,02	318	100.00

Source : Adapted from Mahmood (1989).

accumulated assets out of remittances to supplement their income in case of an emergency.⁹

Areas for Productive Use of Remittances

The following sectors would seem to have great potentials for investment of overseas remittances.¹⁰

(i) *Improvement of agriculture* : Since most of the migrants spend a significant proportion of their overseas savings to purchase agricultural land, there is much scope for using overseas remittances for improving irrigation facilities, use of modern technologies, and mechanization of agricultural activities such as ploughing, spraying, threshing, etc.

(ii) *Small scale rural industries* : Small scale rural industries could include rice mills, flour mills, grinding spices, bread and biscuit factories, poultry farms, ice-cream making, ice-plant, workshops producing agricultural equipment such as weeder, sprayers, and rural transport equipments such as rickshaw, carts, boat, etc.

(iii) *Rural service industries* : Here one could think of three major areas for investment. These are services required in relation to agricultural activities, construction and development of houses, and social activities. The first category of services include renting of agricultural equipments such as irrigation pumps, power tillers, threshers, weeders, sprayers, etc. The second category of services include contractors and planners for the construction of houses in rural areas. The third category of services include catering for social occasions such as marriage, festivals, receptions—commonly known as decorating services.

9. See, Mahmood, R. A., "Bangladeshi Returned Migrants from Iraq and Kuwait : Experiences and Policy Insights", Asian Development Bank, Manila, April 1991.

10. This is based on Moahmood, R. A., "International Migration and Domestic Economy", in Islam, Rizwanul and M. Muqtada (eds), *Bangladesh : Selected Issues in Employment and Development*, ILO/ARTEP, New Delhi, 1985.

(iv) *River and road transportation* : Beyond running road and river transport networks, there are also ample scope for establishing workshops, garages, shipyards, assembling and manufacturing of transport vehicles.

(v) *Industry* : Investment in industry could provide the greatest opportunity for utilizing a significant proportion of overseas remittances. For the type of industry which can use overseas remittances, the following guidelines might seem quite appropriate.

(a) Industries with a relatively high import content.

(b) Export oriented industry which can utilize the overseas connections of expatriate nationals.

(c) Industries most suitable in the areas where there is a concentration of migrant households, and based on local resources.

5. POLICY IMPERATIVES

Determinants of Use of Remittances

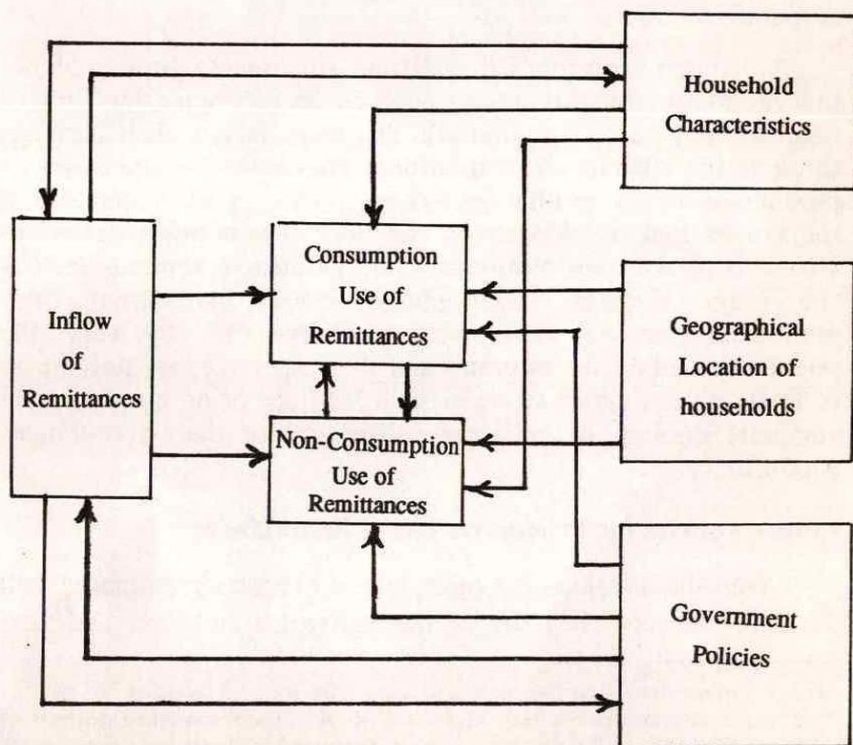
The use of remittances for productive purposes would depend on three sets of issues, viz., (a) socio-economic background of a household, (b) geographical location of a household, and (c) existing government policies as pertaining to savings and investment. The first set of issues affecting the alternative use of remittances refer to household characteristics which influence (a) accumulation out of remittances - family size, alternative source of income, family living standard, etc., and (b) prudent use of the accumulation made out of remittances - managerial quality among the members of a family as based on their education, skill and training, and experience in trade and business.

The second set of factors relate to the locational characteristics of a household. Most important among these is the availability of infrastructural facilities such as good communication, electricity,

banking and financial institutions, and market place. Accordingly, migrant households living in towns and cities would have a greater prospect of using their remittances for various productive purpose as compared to their rural counterparts.

However, all these will need to be complemented by appropriate public policies geared to productive use of remittances. Appreciation of the society of the need to mobilize the resources generated by overseas remittances for various productive purposes, and measures taken in this direction should underline productive use of the same.

Schematic Diagram Showing the Interface between Use of Remittances and Various Underlying Factors



Source : This has been adapted from Mahmood, R. A., Problems and Prospects of Productive Use of Remittances in Bangladesh, Bangladesh Institute of Development Studies, Dhaka, August 1990.

The schematic diagram shown above gives an idea of the various factors underlying the alternative use of remittances, and the nature of the interrelationship between them.

Existing Government Policies

The various policies taken so far by the government having some bearing with international migration, and inflow and use of remittances may be divided into five major groups as depending on the objective of such policies. These are policies geared to : (a) Legal basis for overseas employment; (b) Institutional development; (c) Market development; (d) Workers' protection and welfare measures; and (e) Maximization of remittances. The salient features of these various policies are given in the Appendix.

A detailed scrutiny of the existing government policies shows that the main emphasis has so far been on enhancing the flow of nationals abroad on employment, and channelising their earnings through the official or institutional channels. The question of productive use of remittances has received very little attention of the policy makers. Moreover, the very few policies geared to channelising overseas remittances into productive ventures such as the Wage Earners Development Bond, investment from remittances free from government restrictions, etc., have very little popularity among the migrants and the respective families. Many of them are not either aware of such facilities or do not find them adequate enough to encourage them to use their remittances accordingly.¹¹

Future Policies for Productive Use of Remittances

Given the development potentials of overseas remittances, and the rationale on the part of the individual migrants and the

11. For further details on the pattern of use of the various facilities for productive use of remittances, see, Mahmood, R. A., "Problems and Prospects of Productive Use of Remittances in Bangladesh", Bangladesh Institute of Development Studies, August, 1990.

respective families for a greater utilization of their remittances for various productive purposes, the core of any planning exercise should be in maximizing the benefits from remittances. Three types of policies would be appropriate here : (a) those designed to motivate the individual migrants or the respective families to use their remittances for productive purposes by themselves, (b) direct use of remittances by the government, and (c) mobilization of the surpluses generated by remittances for various productive purposes.

Use of Remittances by migrants and respective families

i. The migrants should be made aware of the need and the alternative avenues for investment available in the country through mass media and financial institutions.

ii. Counselling facilities by financial and specialised organizations about alternative investment opportunities, and problems and solutions in the way of investment in different sectors and areas should be made available.

iii. Provisions of basic infrastructures such as electricity, gas, road communication, market places, financial institutions, etc., in areas where there is a concentration of migrant household would greatly encourage the migrants to invest remittances for various productive purposes.

iv. Guidance and training to those who would like to make productive investments, in areas such as project appraisal maintenance of accounts, identification of investment opportunities, could be provided by specialised agencies both in the public and private sector.

v. Simplification of government formalities which currently inhibit capital investment in the country, e.g., industrial license, trade license, etc.

Use of Remittances by the Government

vi. The government could take up investment projects on its own (like the erstwhile Pakistan Industrial Development

Corporation) and later sell them to a group of migrants. The ownership of such establishments could be jointly between the government and the representative of the migrants.

Mobilization of Surpluses Generated by Overseas Remittances

vii. Mandatory use of a certain percentage of overseas remittances for income yielding bonds such as the Wage Earners' Development Bond for a certain period of time.

viii. Popularization of the various means of portfolio investment available in the country such as Defense Savings Certificate, Investment Corporation of Bangladesh Certificate, with an extension of the services of the organizations involved therein in the areas where there is a concentration of migrant households.

ix. Establishment of a specialised financial institution aimed at recycling overseas remittances to prospective investors within the country.

The government should establish a specialised financial institution - may be called Overseas Development Fund, concerned with recycling overseas remittances to prospective investors. The institution would have dual functions : on the one hand, it will receive deposits in foreign exchange from nationals working abroad - like any commercial bank dealing in fixed deposit/investment accounts or similar to Foreign Currency Accounts under the WES. However, the main preoccupation of the Fund, on the other hand, will be to provide long term investment loan to prospective investors within Bangladesh. Unlike the Bangladesh Shilpa Bank or similar other institutions - which draw their loanable funds from the government or from aids and loans, the Fund will generate loanable funds from its depositors. A continuous flow of remittances from nationals working abroad, through the Fund, will be the source of its loanable fund.

The modus operandi of the Fund will be such that upon receipt of an application for a loan from a prospective investor-

whether a migrant for a non-migrant - the Fund will act as a commercial lender. Depending on the project feasibility, collateral, and other formalities which the Fund may deem appropriate, the fund will sanction loan at the commercial rate of interest. Such loans could be either in foreign exchange, or in local currency, or in both.

The management of the Fund could be jointly between the public and private shareholders. The paid up capital of the fund could be its initial loanable fund. An active participation of the government on a majority basis could act as a security to its depositors, and also as a source of additional capital.

6. CONCLUSIONS

International migration for employment and inflow of remittances from the nationals working abroad have been amongst the major developments of the country during the post-independence era. Intrigued by job situation at home and allured by high income and better living conditions abroad, more than a million Bangladeshis have so far migrated abroad on employment dispersed across different parts of the world.

Overseas remittances, the most tangible aspect of international migration for employment, are now the most important sources of disposable income for thousands of migrant households and one of the most important source of foreign exchange for the country. The current level of remittances received by Bangladesh amounts to over Taka 2,500 crores per year. As compared to the major macro parameters of the country such as export, import, aids and loans, ADP allocations, etc., overseas remittances rank highly.

Despite the development potentials of overseas remittances - to generate income and employment in the country, policy interest in this regard has been quite low. This underlines the inability of those who are in the helm of decision making in the country to duly appreciate the latent potentials of overseas remittances. A

greater utilization of overseas remittances for productive purposes would presuppose awareness building among the migrant households about the need, creation of politico-economic environment encouraging investment outlays, and adoption of appropriate policy commensurate with the socio-economic background of the migrants and latent potentials of overseas remittances.

Appendix - A

SALIENT FEATURES OF MAJOR GOVERNMENT POLICIES

Major Policies

Basic Features

1. Legal basis for overseas employment

Emigration Ordinance of 1982

A revised and updated version of the Emigration Act of 1922 keeping in view the underlying inadequacy of definitions, ambiguity of rules, restrictive emigration procedures, lack of coherence, and absence of guidelines for promotion of overseas employment.

Legal Measures against employers and employees

Penalty for those national or foreigners, violating the provisions of the Emigration Ordinance.

2. Institutional Development

Establishment of the BMET

Entrusted with the responsibility to process foreign demand for labour, conduct promotional campaign for foreign employment, supervise foreign recruiting agents, operate welfare fund for migrants, collect and disseminate labour market information.

Bangladesh Overseas Employment Services Ltd. (BOESL)	Deal with private and public employment, workers in overseas jobs, monitor labour market trends, and undertake overseas employment promotion functions.
Overseas Employment Promotion Council (OEPC)	Monitor and review manpower situation, coordinate inter-agency activities, enforce rules and regulations, examine performance of recruiters, and suggest problems solving measures.
Bangladesh Association of International Recruiting Agencies (BAIRA)	Promote overseas employment and assist the government in regulating activities of private recruiters.

3. Market Development

Creation of Manpower Pool	Stock of qualified persons with at least three years of experience and having passed a trade test, and readily available for employment overseas.
Training for overseas Employment	Provide trade training in skills which are in demand abroad by both private and public sector.
Free Exit	Unless a particular skill is critical to the nation, emigration is free to all subject to the clearance of the BMET.
Placement fees for overseas jobs.	A maximum ceiling on the charge that a public and private recruiting house can make for an overseas employment. And that a recruiting agent shall not make a profit of more than Taka 3,000 per recruit.

Private Sector Participation	Private recruiters are granted license to recruit persons for overseas employment against vacancies procured by them through their own efforts under the supervision of the BMET.
Establishment of Diplomatic Relations	Deployment of Labour Attaches in Bangladesh Missions abroad with the specific task to promote employment of nationals abroad, secure employment orders, assist recruiting agents, facilitate welfare to nationals working abroad, monitor labour market situations, and keep the policy makers abreast of the alternatives.
Inter-agency coordination	To maintain mutual cooperation among the departments and agencies involved in manpower export in one way or another to quicken the process of migration and resolve various problems that may arise from time to time.

4. Workers' Protection and welfare measures

Terms and conditions of employment	Fixing standards for work contracts for nationals working abroad involving duration of work, salaries, compensation, fringe benefits, leaves, medical facilities, etc., to be followed by those employing them.
On-site Inspection	Assistances to be provided usually by Labour Attaches in Bangladesh Missions abroad in cases of between employers and employees, settlement

of unpaid salaries, fulfillment of contractual obligations by the employer, repatriation of unsuitable workers.

Welfare Measures

Designed to raise the morale and productive capacity of workers in the forms of generating awareness about laws and custom of foreign countries, protection of workers from fraud and breach of contract, provision of insurance in case of death or accident, facilities to recover claims on employers, a fund raised to help dependents of emigrants in case of death and injuries.

5. Maximization of Remittances

Wages Earners' Scheme

To encourage the inflow of remittances through the official channel, allow a higher premium for foreign exchanges out of the earnings of nationals working abroad, import of goods out of overseas remittances.

Foreign Currency Accounts

Migrants allowed to have foreign exchange account in either Dollar or Sterling; the deposits can be exchanged in the market under the WES, to be closed down within six month upon the return of the migrant from abroad.

Non-resident Foreign Currency Fixed Deposit

Migrants can have accounts in Dollar or sterling for a term of 1,3,6,12 months with interest rates respectively of 10%, 12% 13%, 14%. Such deposits

should not be less than Sterling 500 or US \$ 1000; both principal and the interest thereon can be reported abroad after the expiry of the term.

Education Foreign Exchange Account

Designed for the education of the workers' children, and may be maintained upto the level of US \$ 30,000 as long as the workers is abroad, and upto five years from his return to home.

Wage Earners' Development Bond

5-year bonds purchasable out of overseas remittances either by the migrant himself or his nominee valued at Tk. 1,000, 5,000, 10,000 and 25,000. The bond earns 16% interest every six months the reinvestment of which will earn a compound interest of 23%. Such interest earnings are free of tax, and if Tk. 25,000 is invested at a time, a life insurance coverage is permitted. Bonds are usable as collateral for loans from any financial institution.

Investment Corporation of Bangladesh Certificate

The certificate purchased in US Dollar yields a return of 20% and can be resold at any time at WES rate of exchange.

Banking Facilities

To encourage workers and their families to transact business with the banks, the normal clearing requirements for cheques and drafts sent from abroad have been waived by banks.

Government Intervention

Workers are required to remit at least 25% of their earnings back home as

per agreement signed by the worker while going abroad, endorsed further by a surity bond.

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