



Citizen's Platform for SDGs, Bangladesh  
এসডিজি বাস্তবায়নে নাগরিক প্ল্যাটফর্ম, বাংলাদেশ

# Virtual Dialogue on সাম্প্রতিক রেমিটেন্স প্রবাহ: এত টাকা আসছে কোথা থেকে?

## Remittance Flows in Recent Times: Wherefrom Is So Much Money Coming?

Presented by

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## Section 1: The Context

### *Robust Remittance Flows During the Pandemic Period*



- ▶ Global remittance flows to low and middle income countries in pre-covid 2019 was US\$ 554.0 billion.
- ▶ In the backdrop of the pandemic, the World bank, in April 2020, had predicted the sharpest decline in remittance flows in recent years, for 2020. In 2020 remittances were projected to come down by 19.7 per cent, to \$ 445.0 billion
- ▶ Generally speaking, in the past, remittances have been counter-cyclical. Workers tend to send more money back home in times of hardships
- ▶ However, the low projections in the Covid-19 period was driven by the fact that both recipient and sourcing countries/economies have been adversely affected because of the pandemic. This was true for major developed destination countries (USA, UK, Italy) as also developing countries of the Middle-East and East Asia. Hence, the subdued projections by various institutions
- ▶ Remittances to Bangladesh has been equivalent to about 7 per cent of Bangladesh's annual GDP (in case of Nepal it is as high as 25 per cent)
- ▶ A fall of 22.1 per cent was predicted by the World Bank for South Asia, to US\$ 109.0 billion, after a rise of 6 per cent in 2019
- ▶ However, the projections proved to be wrong and way off the mark for South Asian countries such as Bangladesh and Pakistan, and to some extent, Sri Lanka.
- ▶ Lower Remittance flows would have exacerbated economic, social and fiscal pressure these countries were facing during the pandemic. From this perspective, higher remittance flows are a big relief for countries such as Bangladesh.

## Section 1: The Context

### *Robust Remittance Flows During the Pandemic Period*



- ▶ Projections were proved to be wrong for some countries including Bangladesh and Pakistan and, to some extent, Sri Lanka

**Table: Remittance Flows to Selected Countries in 2020**

USD Million	2019	2020	Change (in %)	Period
India	83332	56454.27	-32.3	Jan-Dec
Philippines	27612.19	27346	-0.9	Jan-Oct
Bangladesh	18363	21741.83	+18.4	Jan-Dec
Pakistan	22245	25965.63	+16.7	Jan-Dec
SriLanka	6052	6291.3	+4.0	Jan-Nov

Source: Latest data from respective Central Banks

## Section 1: The Context

### Robust Remittance Flows During the Pandemic Period



Table and Figure: Bangladesh Remittance Inflow with Growth Rates: FY 2010-FY2021

	Remittance (USD in Million)	Growth Rate
2009-10	10987.4	-
2010-11	11650.32	6%
2011-12	12843.43	10%
2012-13	14461.15	13%
2013-14	14228.3	-2%
2014-15	15316.91	8%
2015-16	14931.18	-3%
2016-17	12769.45	-14%
2017-18	14981.69	17%
2018-19	16419.63	10%
2019-20	18205.01	11%
2020-21 (July December 2020)	12944.75	38%

Source: Bangladesh Bank



- ▶ Remittance flows to Bangladesh has been quite robust over the recent past months. During the July-December, 2020 period the growth rate was 38 per cent higher than the corresponding period of pre-pandemic 2019
- ▶ In the backdrop of the ongoing pandemic, these high flows have significantly contributed to the Bangladesh economy by (a) raising household incomes of recipient families at a time of falling income, (b) inducing supply-side response through demand-side multiplier effects, (c) replenishing forex reserves, (d) increasing money supply in the economy and (e) helping maintain exchange rate stability
- ▶ This higher flow of remittances, at a time when the pandemic has caused income erosion and employment uncertainties in Bangladesh's major migrant destination countries has led to asking about the underlying causes that are driving the high remittance flows

## Section 1: The Context

### *Robust Remittance Flows During the Pandemic Period*



Table: Projections versus Actual Remittance Flows During 7FYP Period (in billion US\$)

Remittance	FY2016	FY2017	FY2018	FY2019	FY2020	Average 7FYP
7FYP Projections	17.3	19.1	21.0	23.1	25.4	21.16
Actual	14.9	12.8	15.0	16.4	18.2	15.46
Actual vs. 7FYP	(-13.8%)	(-32.9%)	(-28.6%)	(-29.0%)	(-28.3%)	(-26.9%)

Source: 7FYP, GED, Planning Commission and Bangladesh Bank

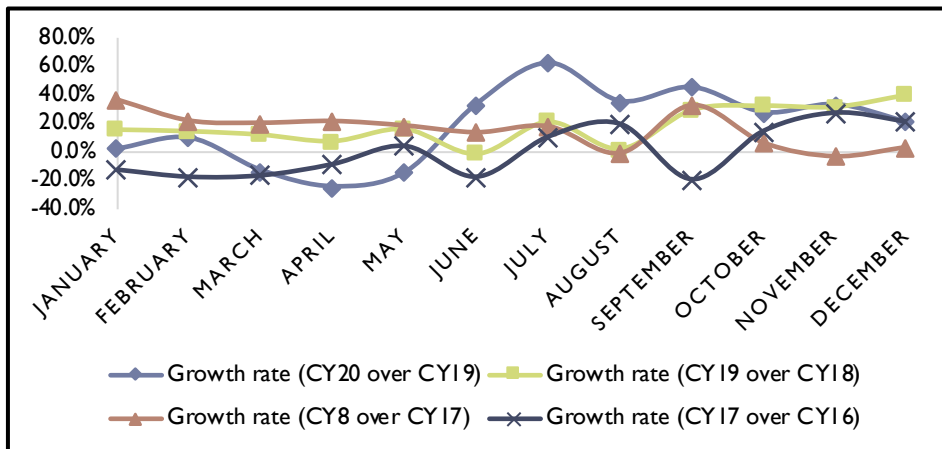
- ▶ However, it will be good to keep in mind that the remittance flows during the 7FYP was significantly below the respective annual targets set out in the Plan document. It may be noted that if the current robust growth of remittance inflows sustains over the rest six months of FY 2020-21, the total remittance will only approximate the FY 2020 projections made in the 7FYP (US\$ 25.4 billion)

## Section 1: The Context

### *Robust Remittance Flows During the Pandemic Period*



Figure: Month on month growth of remittance flows to Bangladesh: CY 2016 to CY 2020 (%)



Source: Bangladesh Bank

- ▶ While the month on month remittance growth rate was very high in FY 2021 (July-December, 2020), these rate were also quite robust in FY 2020 (July-December, 2019)



## Section 1: The Context

### Robust Remittance Flows During the Pandemic Period



Table 1(a): Remittance flows: Where is the money going?

Region	Overseas migration	Lower poverty line		Upper poverty line	
		% of household	% of household with overseas migration	% of household	% of household with overseas migration
Barisal	3.9%	14.8%	0.9%	26.8%	1.4%
Chittagong	17.3%	8.6%	3.4%	18.3%	5.7%
Dhaka	8.2%	7.0%	2.8%	15.7%	3.0%
Khulna	4.5%	12.4%	2.1%	27.4%	2.5%
Mymensingh	2.4%	17.8%	0.9%	33.0%	1.2%
Rajshahi	2.7%	14.2%	1.4%	28.9%	1.4%
Rangpur	0.8%	30.7%	0.2%	47.4%	0.4%
Sylhet	12.5%	11.5%	1.6%	16.2%	2.3%
<b>Total</b>	<b>8.1%</b>	<b>12.6%</b>	<b>1.6%</b>	<b>24.2%</b>	<b>2.9%</b>

Source: Authors' calculation using HIES 2016

- ▶ Households with above poverty line income are the major recipients of remittances
- ▶ Less than 30.0 per cent of remittance receiving households are those with income below the national poverty line
- ▶ In Divisions with relatively high poverty incidence (e.g., Rangpur: 47.0 per cent; Mymensingh: 33.0 per cent) percentage of households receiving remittance are the lowest (0.8 per cent and 2.4 per cent respectively) compared to other Divisions and the national average of 8.1 per cent

## Section 1: The Context

### *Robust Remittance Flows During the Pandemic Period*



Table 1(b): Remittance flows: Where is the money going?

Overseas migration	Upper poverty + 25% line		Upper poverty + 50% line	
	% of household	% of household with overseas migration	% of household	% of household with overseas migration
3.9%	46.0%	1.9%	61.9%	2.4%
17.3%	37.1%	7.5%	53.4%	9.8%
8.2%	30.1%	4.4%	44.2%	5.0%
4.5%	48.0%	2.6%	63.8%	2.9%
2.4%	58.1%	1.4%	75.3%	1.5%
2.7%	48.7%	1.5%	64.5%	1.8%
0.8%	66.0%	0.5%	78.1%	0.5%
12.5%	35.1%	3.0%	52.0%	4.8%
8.1%	42.7%	3.2%	58.2%	4.2%

Source: Authors' calculation using HIES 2016

- ▶ About half of the remittance receiving households are those whose income is more than 1.5 times the national poverty line as per 2016 HIES

## Section 2: Wherefrom are the Remittances Originating?



Table: Remittance sources by ranking: FY2019, FY2020 and FY2021

FY 2018-19	Ranking in FY2019/FY2020/FY2021
K.S.A (1)	K.S.A (1)(1)(1)
U.A.E (2)	U.S.A (3)(3)(2)
U.S.A (3)	U.A.E (2)(2)(3)
Kuwait (4)	Malaysia (5)(7)(4)
Malaysia (5)	Oman (7)(6)(5)
U.K. (6)	U.K. (6)(5)(6)
Oman (7)	Kuwait (4)(4)(7)
Qatar (8)	Qatar (8)(8)(8)
Italy (9)	Singapore (11)(10)(9)
Bahrain (10)	Italy (9)(9)(10)
Singapore (11)	Bahrain (10)(11)(11)
South Africa (12)	South Africa (12)(13)(12)
France (13)	S. Korea (16)(12)(13)
Jordan (14)	France (13)(14)(14)
Lebanon (15)	Jordan (14)(15)(15)

Source: Bangladesh Bank

Note: Number in parenthesis shows respective ranking in FY2019, FY2020, and FY 2021.

- The list of top ten ranked countries have remained unchanged in recent years (FY 2015- FY2021)
- Ranks have changed: For Kuwait from 5<sup>th</sup> in 2015 to 7<sup>th</sup> in 2021
- Qatar's ranking has gone up up from 10<sup>th</sup> in 2015 to 8<sup>th</sup> in FY 2021
- UK's ranking has gone up from 7<sup>th</sup> to 6<sup>th</sup>

## Section 2: Wherefrom are the Remittances Originating?



Table: Sources of Remittance Flows to Bangladesh and Incremental Share

SL	Country	Share in July-June FY2015	Share (July-June)		% Share in incremental remittance
			FY2020	FY2021	
1	Saudi Arabia	21.8%	21.0%	23.7%	30.4%
2	United States of America	18.4%	11.6%	12.5%	14.8%
3	United Arab Emirates	15.5%	14.3%	10.8%	2.3%
4	Malaysia	9.0%	6.9%	9.0%	14.3%
5	United Kingdom	5.3%	7.8%	8.0%	8.3%
6	Kuwait	7.0%	7.9%	7.1%	5.2%
7	Oman	6.0%	6.8%	7.1%	7.6%
8	Qatar	2.0%	5.9%	5.2%	3.3%
9	Italy	1.7%	4.3%	3.2%	0.5%
10	Singapore	2.9%	2.4%	2.7%	3.3%
11	Others (n.i.e.)	10.2%	11.0%	10.7%	10.0%
<i>Total</i>		<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>
<i>(In million USD)</i>		<i>(15316.9)</i>	<i>(7716.3)</i>	<i>(10894.1)</i>	<i>(3177.8)</i>

Source: Bangladesh Bank

- ▶ No significant change is discernible in terms of sourcing of Bangladesh's remittances
- ▶ Saudi Arabia, where the highest number of Bangladeshi migrant workers reside (31.8% of the total of 13.2 million who have left for employment since 1976), has the highest share in remittance flows
- ▶ Our estimates of incremental remittance flows also shows a similar patterns. However, shares of Saudi Arabia and Malaysia in incremental flows are higher than respective share in remittances (30.4 per cent and 23.7% and 14.3% and 9% and 14.3% respectively)

## Section 3: Explaining the Underlying Drivers of High Remittance Flows



### *Plausible reasons for robust remittance flows during the pandemic months*

- ▶ Higher demands by remittance-receiving households for cash in view of adverse affects of the pandemic in terms of erosion of income and employment opportunities
- ▶ Informal to Formal: Larger flows through formal channels in view of difficulties faced by informal channel (hundi) operators during the pandemic
- ▶ Positive impact of the 2 per cent incentive on remittance sent from overseas (which has been in place since July, 2019)
- ▶ Bangladesh bank had raised the ceiling of sending remittances without supporting document to US\$ 5000 (500 Thousand Taka) remittance flow for purposes of incentive, from US\$ 1500 (150 Thousand Taka), in July 2020
- ▶ bKash and some other mobile transfer platforms are paying an additional 1 per cent which may have also encouraged larger flows
- ▶ Hajj effect: Additional disposable money kept for *hajj*, which was not spent in 2020, may have been sent back home



## Section 3: Explaining the Underlying Drivers of High Remittance Flows

- ▶ There are apprehensions that a part of the remitted money is Bangladeshi taka being recycled back home for incentives and whitening of black money. This merits closer scrutiny by the Bangladesh Bank. Bangladesh Bank has procedures in place to forestall misuse of the cash incentives. There is a need to examine if these safeguards are being properly enforced. Any departure in the size of the average remittance flow, sources of income of the senders, etc. may be examined closely in this connection
- ▶ According to Bangladesh Bank circular, Copy of remitter's passport, appointment letter from the employer, certification of BMET and copy of business license for the business person need to be submitted if the amount is higher than US\$ 5000 (or 5 Lac Taka). If the beneficiaries receive the incentive violating the rules, they would not be entitled to get any incentive in future and the dealing bank would face sanctions by the Bangladesh Bank
- ▶ The government had allocated TK. 3060 in FY 2019-20 budget for incentives for sending remittance. In FY 2020-2021 budget the same amount has been kept for this. The government will need additional money in view of the increased remittance flows. 70 per cent of the allocated funds are estimated to have been already paid out in the first six months of FY 2021. Our projections indicate that the government will need an additional amount of about TK. 1300 crore in FY 2021 for the incentives
- ▶ A Query: *Was there any ceiling in sending money, put in place by sourcing countries, which was relaxed because of the pandemic and explains, at least to some extent, higher amount of remittance flows?*

## Section 3: Explaining the Underlying Drivers of High Remittance Flows



*Will remittance flows be sustained in future?*

**Table: Future Remittance Flows**

Bangladesh Migrant Workers	
FY Period	No. of Persons
2015-2016	684537
2016-2017	905326
2017-2018	880037
2018-2019	692978
2019-2020	530578
2020-2021 (July- November)	7671

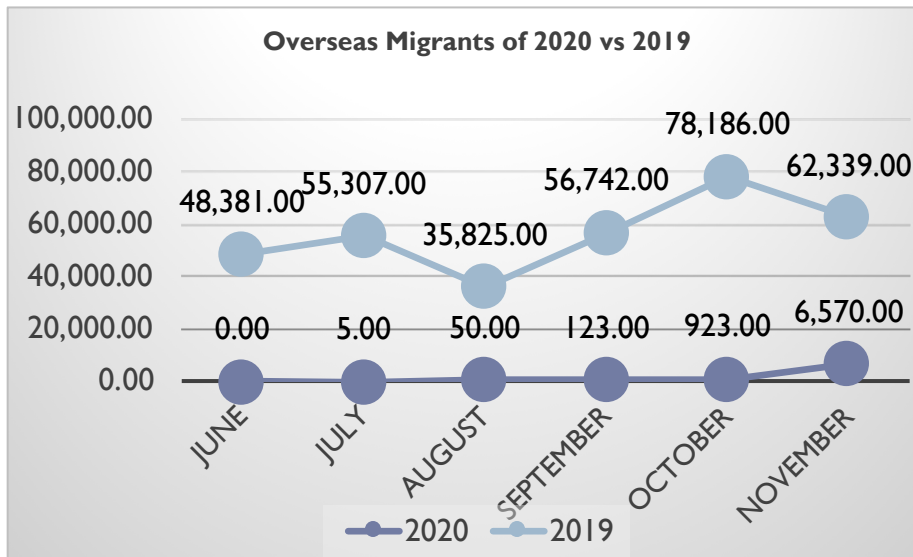
Source: BMET

- ▶ During 7FYP period 36.9 lac people went aboard as migrant workers (annual average: 7.4 lac)
- ▶ The number of workers going abroad during FY 2021 (July-November 2020) was only 7.7 thousand

## Section 3: Explaining the Underlying Drivers of High Remittance Flows



Figure: Overseas Migration Trends



Source: BMET

- ▶ Month on month data shows that during the first five months of FY 2021 number of workers leaving for overseas job market was very low
- ▶ Whether the robust number of migrant workers leaving the country for overseas jobs will sustain in near-term future remain uncertain



## Section 3: Explaining the Underlying Drivers of High Remittance Flows



- ▶ We need to keep in mind the issue of high cost of migration and net welfare benefits enjoyed by remittance-receiving households
- ▶ According to the most recent ‘Cost of Migration Survey’ of July 2020, by the BBS, average migration cost per person in Bangladesh was Tk 4.17 lac (about US\$ 5.0 Thousand). This was equivalent to 17.6 months earnings of an average migrant workers
- ▶ If we consider that about 7.4 lac workers left annually during the 7th FYP, total migration-related expenditure annually was about US\$ 3.7 billion, about 24 per cent of the average annual remittance flow during 7FYP (US\$ 15.5 billion)
- ▶ Bangladesh will need to address the issue of exorbitantly high sending cost with the urgency that it deserves, and not just consider how much remittances are flowing to the country. SDG 10.7.1 obligates countries to work towards significantly reducing sending costs of migrant workers



# Thank You!

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