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12 February 2012

Online at <https://mpra.ub.uni-muenchen.de/36459/>

MPRA Paper No. 36459, posted 28 Feb 2012 10:19 UTC

MICROFINANCE INSTITUTIONS WILL BE AN IMPORTANT INSTRUMENT TO EARN MORE REMITTANCE, SEND REMITTANCE AND UTILIZE REMITTANCE IN BANGLADESH

Sk. Mahmudul Alam¹

February 2012

Abstract

Remittance is called the life blood of Bangladesh economy. In Bangladesh it contributes much in reducing poverty. In a study of Institute of Microfinance led by Professor S.R. Osmani, we have seen that 4 % poverty of Bangladesh solely reduced by foreign remittance. Microcredit is another important tool in reducing poverty. In the same study, we have seen that microcredit solely reduced 4% poverty in Bangladesh. In Bangladesh microcredit will be an important tool in earning remittance. Microfinance Institutions in Bangladesh can play its role in two stages – a) pre-stage and b) post stage. In pre stage MFIs can work as an important source of money for migration and MFIs can also trained migrant worker according to their importers' demand which helps workers to improve their efficiency. This helps Bangladesh to earn more remittance which helps in reducing poverty. In post stages MFIs can help migrant worker to send money and also work for proper utilization of this remitted money. This helps to create entrepreneurs which help to create employment, which help to reduce poverty in Bangladesh. This whole process is discussed in this paper elaborately.

Key Words: Bangladesh, Microfinance Institutions, Microcredit, International Migration, Migrant Workers, Remittances, Development.

JEL classifications: F22, F24

¹ Sk. Mahmudul Alam is a Research Associate at Institute of Microfinance (InM). This paper is an outcome of desk study. Any opinions expressed in the document are author's own and no need to take these views are InM's.

1. Introduction

Bangladesh is the pioneer nation of microcredit. Dr. Muhammad Yunus, an economist of Bangladesh and founder of Grameen Bank, popularized this concept throughout the world. The main purpose of microcredit is to help poor people for their self employment. Microcredit practitioners think that by taking microcredit, the poor people make scope to earn money for their livelihood and some may have opportunity to accumulate wealth which will show them the exit way from poverty. In Bangladesh, Dr. Yunus and his institution successfully implement this. For their contribution towards poverty reduction, they were awarded Nobel Peace Prize in 2006. After their success, many Microfinance Institutions (MFIs) emerge to help the poor people in Bangladesh. These MFIs are keeping a good contribution to reduce the poverty level.

Current foreign currency reserve in Bangladesh is \$10590.94 million². To achieve this huge reserve, remittance plays a big role. It has emerged as a key driver of economic growth and poverty reduction. Revenue from remittances exceeds official development assistance and net earnings from exports which has enabled Bangladesh to maintain a growing level of foreign exchange reserves.

Bangladeshi worker has enormous demand throughout the whole world. To utilize this demand MFIs can play a big role. If the MFIs provide credit to the poor people and trained them, and government provides proper support, then it will possible for Bangladesh to emerge as a leading manpower exporter country in the world. By that way Bangladesh can earn huge foreign currency which helps Bangladesh to emerge as a mid level income country soon and then develop country. It is a macro concept. If we think in micro level, we will observe a tremendous result. If a poor man may get the opportunity to go a develop country after getting credit from an MFI, then in most case he will have the opportunity to earn more money than from Bangladesh which will give his family a big push to exit from the domain of poverty. His earning not only push his family to exit from the domain of poverty but also it creates a spillover effect which help his relative or some of his society people to exit from poverty. Some people may ask why we give importance to the MFIs credit. Its answer is very simple. Only MFIs in Bangladesh give

² Bangladesh Bank, Governor Secretariat: 22 June, 2011.

credit to the poor people without any collateral and MFIs work for poverty alleviation. A major portion of this paper discuss about this matter.

Sending remittance to its destination is not an easy task. The remitters face various problems in sending remittance through official channel, especially to the remote areas (e.g. Island). The process of sending remittance through banks is slow and complicated. There is a lot of paper work and documentation is needed to send money through official channel. A major portion of remitters and remittance receivers are less educated. They are always afraid to do papers work, for that they like hundi system or take help of friends to send remittance. Microfinance Institutions in Bangladesh have branches throughout the country; even they have branches in remote area. If we utilize these branches for sending remittance then the remittance receiver can easily receive remittance. This procedure removes lots of hazard in sending and receiving remittance. In this paper we try to explain this procedure in detail.

Every year Bangladesh receives a lot of foreign remittance through its migrant workers. From research work we found that a major portion of foreign remittance is used for unproductive activities. MFIs can assist the migrant and his family in effective utilization of remitted fund through some targeted projects with the support of Non-Government Organizations (NGOs). In this paper we also explain about this matter.

2. Definition and Classification of Remittance

Remit means “to transfer” or “to send”. Remittance refers to the transfer of money by the migrant workers to their family and friends in their native region from his working region. In most cases, remittance receivers are economically poor or dependent people, and it leads to better economic conditions for them. Such Inward Remittances are contributing to economic growth of that area. Migrant workers who live and work abroad and transfer their earnings to their family back home are called Remitters. The person who is living on the remitted money is called Remittance Man.

There are mainly two types of remittance: local/domestic remittance and international/foreign remittance. While local/domestic remittance is remittance within countries, international remittance is the remittance from one country to another country. Usually the currencies and the banks are different for international/foreign remittance and the currencies are same but bank may

same or not for local/domestic remittance. According to its direction international remittance is again of two types: inward remittance and outward remittance. If a migrant worker sends remittance to his country, then the sending remittance is inward remittance for his home country and outward remittance for his working country. In this paper we only discuss about inward remittance.

3. International Labor Market for Bangladeshi Migrant Worker

Manpower is one of the major national resources of Bangladesh. About 73.87 million³ people constitute this vast reservoir of manpower. However, inadequate education and insufficient capacity of the local industry is responsible for a large section of the population remaining unemployed. At the current level of development it is not possible for Bangladesh to absorb the full range of available unskilled, semi-skilled and professional manpower within the country in an appropriate manner and hence the need to find employment opportunities for them abroad. The absence of a vibrant domestic labor market creates huge demand for overseas employment among the young labor force. Starting in 1976, over the years, Bangladesh has emerged as a notable exporter of manpower and a steady source of human resources to a number of foreign countries who need to import manpower from other countries.

Two decades ago, it was said that Bangladesh has vast population but it has very few natural resources and very few land in proportion to its population. There is no ray of hope in front of Bangladesh to exit from poverty. Some people anticipate that the condition of Bangladesh may become worse within next few years if the government fails to control its population growth. But a tremendous thing has seen by the whole world that this vast population which is once curse for Bangladesh now becomes a blessing for Bangladesh. Now government dreams that Bangladesh will become a mid level income country within 2021. It is only possible for remittance which is sent by the Bangladeshi migrant workers. Bangladesh is one of the leading manpower exporter countries in the world. Bangladesh exports three categories of worker throughout the world. These categories are – Skilled, Semi-skilled and Less skilled. According to the estimation of Bureau of Manpower, Employment and Training (BMET) from the 1976 to December 2010

³ Source: http://www.indexmundi.com/bangladesh/labor_force.html

Bangladesh has export 71,14,410 workers in abroad. Table 1 shows category wise manpower export in period of 1976 to December 2010 from Bangladesh.

Table 1: Category-wise Overseer Employment from 1976 to December 2010.

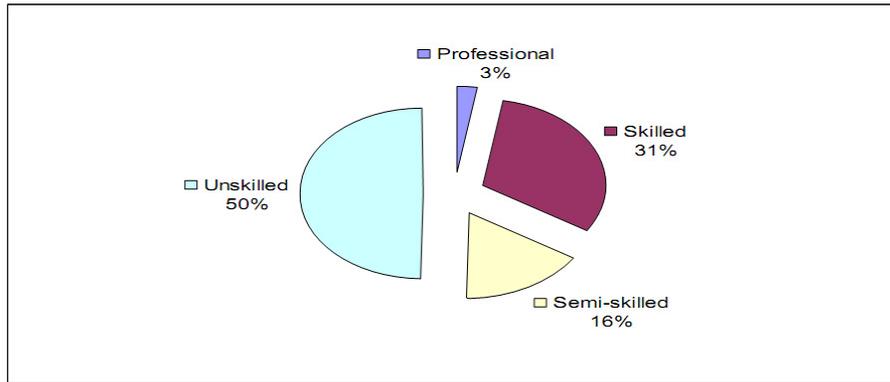
Year	Worker's Category				Total
	Professional	Skilled	Semi-skilled	Less-skilled	
1976	568	1775	543	3201	6087
1977	1766	6447	490	7022	15725
1978	3455	8190	1050	10114	22809
1979	3494	7005	1685	12311	24495
1980	1983	12209	2343	13538	30073
1981	3892	22432	2449	27014	55787
1982	3898	20611	3272	34981	62762
1983	1822	18939	5098	33361	59220
1984	2642	17183	5484	31405	56714
1985	2568	28225	7823	39078	77694
1986	2210	26294	9265	30889	68658
1987	2223	23839	9619	38336	74017
1988	2670	25286	10809	29356	68121
1989	5325	38820	17659	39920	101724
1990	6004	35613	20792	41405	103814
1991	9024	46887	32605	58615	147131
1992	11375	50689	30977	95083	188124
1993	11112	71662	66168	95566	244508
1994	8390	61040	46519	70377	186326
1995	6352	59907	32055	89229	187543
1996	3188	64301	34689	109536	211714

1997	3797	65211	43558	118511	231077
1998	9574	74718	51590	131785	267667
1999	8045	98449	44947	116741	268182
2000	10669	99606	26461	85950	222686
2001	5940	42742	30702	109581	188965
2002	14450	56265	36025	118516	225256
2003	15862	74530	29236	134562	254190
2004	12202	110177	28327	122252	272958
2005	1945	113655	24546	112556	252702
2006	925	115468	33965	231158	381516
2007	676	165338	183673	482922	832609
2008	1864	292364	132825	448002	875055
2009	383	104627	18419	341922	465351
2010	387	90621	12469	279673	383150
Total	180680	2151125	1038137	3744468	7114410
%	2.54	30.24	14.59	52.63	

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

Bangladesh mainly exports unskilled labor. According to BMET, during the period between 1990 and 2009, about 2.76% of the migrants were professional, 31.32% percent skilled and 16.27% semi-skilled. The remaining nearly half – 49.65% are unskilled. If Bangladesh wants to earn more remittance, then Bangladesh should export more skilled, semi- skilled labor. For that Bangladesh should create more training institute according to meet the demand of its migrant labor import country, where people are trained according to the demand of their importer. Figure 1 shows the category of Bangladeshi migrant worker in the time period 1990 to 2009.

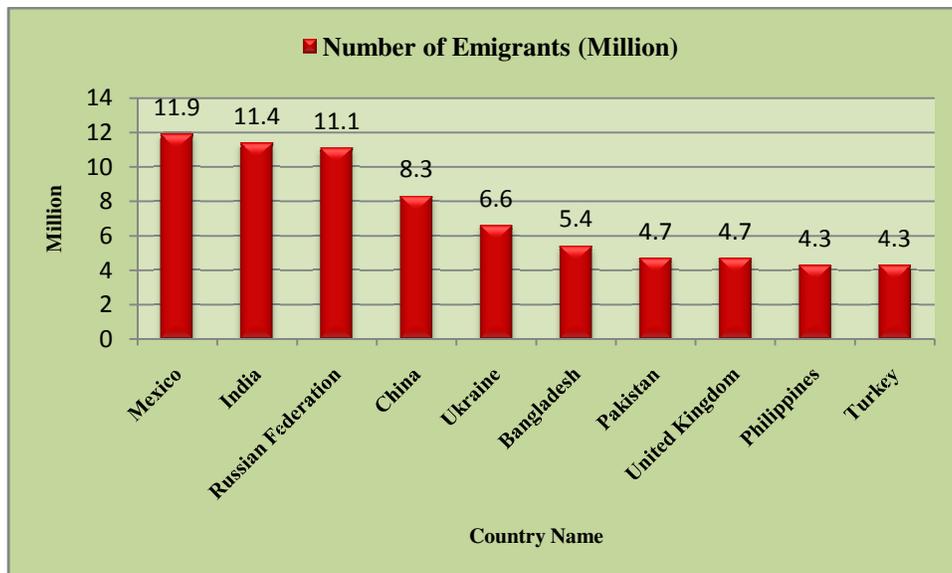
Figure 1: Category of Bangladeshi migrant worker (1990 to 2009)



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

According to World Bank, Bangladesh is the sixth among the top ten emigration countries in the world during the year 2010. Mexico is the top remittance emigrant country among the world during the year 2010. Over the same period, India has been the second highest emigrant countries with about 11.4 million emigrants, followed by the Russian Federation with 11.1 million, China with about 8.3 million and Ukraine with 6.6 million. Figure 2 represents the top ten emigrant nations in the world for the period 2010.

Figure 2: Top Ten Emigration Countries in the World, 2010



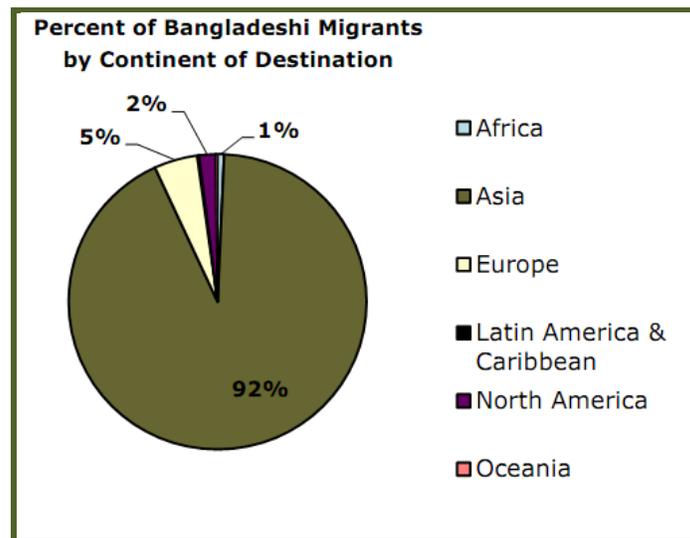
Sources: Development Prospects Group, World Bank; UNPD

Destination countries of Bangladeshi overseas workers

The Bangladeshi migrant workers are mainly choosing the Middle Eastern countries as their destination along with South East Asia. The most popular destination country in the Middle East is Saudi Arabia. Half of all Bangladeshi migrant workers have migrated to this country. Saudi Arabia is followed by the United Arab Emirates (UAE) and Kuwait, Oman and – to a lesser extent – Bahrain, Qatar, Libya and Iraq. In South-East Asia, Malaysia has been the main destination country for Bangladeshi migrant worker. Singapore and to a much lesser extent South Korea receive a significant number of labor migrants as well. In the last few years, the most popular countries remained Saudi Arabia, the UAE and Kuwait, while the South-East Asian countries are gaining ground.

According to Bangladesh Association of International Recruiting Agencies (BAIRA) the major countries of manpower export from Bangladesh are Saudi Arabia, Kuwait, UAE, Qatar, Iraq, Libya, Bahrain, Oman, Malaysia, Korea, Singapore, Brunei, Laos, Mauritius, Spain, Lebanon, and United States of America (USA). Figure 3 shows the percentages of Bangladeshi migrants by continent of destination.

Figure 3: The percent of Bangladeshi migrants by continent of destination

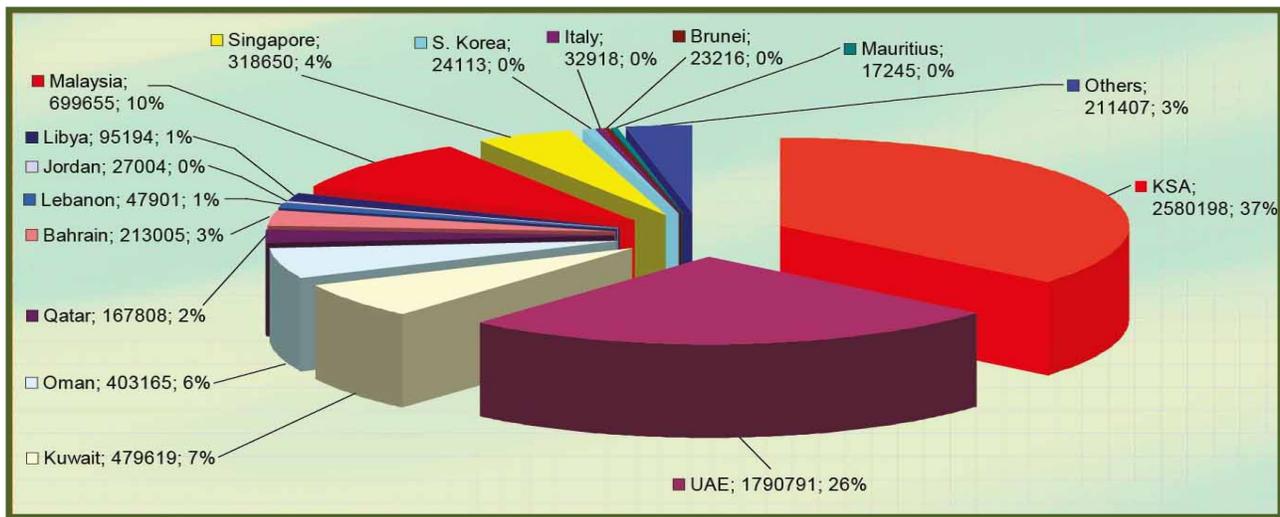


Source: Human Development Report 2009

Bangladesh is receiving remittance mostly from the Middle East, USA and United Kingdom (UK). Top five countries contribute 86 per cent of the total remittance flow. It should be noted

that though more than 50 per cent of the migrant workers from Bangladesh are in Saudi Arabia, but remittance flow from Saudi Arabia is around 41 percent, indicating a preponderance of unskilled and semi skilled Bangladeshi workers visiting this country. Figure 4 shows country-wise oversee employment (major countries) from 1976 to 2010.

Figure 4: Country-wise oversee employment (major countries) from 1976 to 2010



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

Country analysis on prospect of exporting manpower

The prospect of exporting manpower from Bangladesh will depend, inter alia, on the state of economy and its growth prospect, demographic features, immigration policies of labor importing countries. The following is a rundown on the policies and prospects of important labor importing countries where Bangladeshi workers — skilled as well as semi-skilled and low skilled — can expect to secure jobs.

UAE:

BMET predicts that a large number of construction works will take place in the next few years in Dubai and Abu Dhabi. That will open the opportunities for Bangladeshi workers to secure jobs as rod binder, pipe lifter, mason, tile fixer etc.

The UAE has planned to spend more than \$500 billion in the construction sector for the next 5 years⁴. As such this will create immense opportunity for professionals, skilled and semi-skilled workers especially for the following occupation:

Masonry	Pipe fitter	Diploma engineers
Electrician	Crane operator	Draftsmen
Plumber	Oil and gas exploration	Surveyors technicians
Tiles fitter	Chemical and health	Foreman
Carpenter	Tourism	Doctors
Painter	Hospitality	Nurses
Welder	Engineers	Medical technicians
Steel fixer	Architects	Accountants

In addition, oil and gas sector and hospitality industry will present opportunity to gain jobs as professionals.

Saudi Arabia:

The government of Saudi Arabia has taken a project of almost US \$100 billion to build four mega economic cities⁵. More than a million job opportunities in different categories will be opened. These are as follows:

King Abdullah Economic City: 100 kilometers from the north of Jeddah, this city will be established on the shore of the Red Sea covering an area of 68 square kilometers. This city will

⁴ ILO, (April 2010), “Study on the International Demand for Semi–skilled and Skilled Bangladeshi Workers TVET Reform Project.” Maxwell Stamp Limited, Bangladesh

⁵ ILO, (April 2010), “Study on the International Demand for Semi–skilled and Skilled Bangladeshi Workers TVET Reform Project.” Maxwell Stamp Limited, Bangladesh

be divided into six zones. This project will provide opportunities for various kinds of jobs. The estimated number of the prospective job creation is as follows:

1. Small Enterprises	3,30,000
2. Research and Development	1,50,000
3. Administration	2,00,000
4. Service	1,15,000
5. Hospitality	60,000
6. Education and Health	1,45,000

Ha'il Economic City: The second economic city, with a budget of US \$8 billion, will be created on the north-eastern side. There will be 12 different divisions including residential and commercial prospects. It is estimated that about a few hundred thousand workers will be required for implementing such a project.

Madina Economic City: The third economic city is known as “Knowledge Economic City”. Around 20 thousand workers will be required for different aspects in the implementation of the project.

Jizan Economic City: This city will be situated 725 kilometers north of Jeddah. It will cover an area of 100 million square meters on the shore of the Red Sea. A seaport, industrial area, commercial area, residential area, hospital, school etc will be constructed over there. This will create immense opportunities in various aspects.

Appropriate preparation is required for targeting the aforementioned job areas. Other than the trades mentioned, training facilities can also be opened for hotel management and tourism, driving and nursing. In every case ‘Arabic Language Learning’ courses should always be included.

The government of Saudi Arabia has announced that 500 hospitals will be constructed in Rabeg Riyadh and Sakaka. It is estimated that electrician, plumber, mason, carpenter etc will be

required. As a result Bangladesh may acquire skills in these types of jobs. Overall, like the UAE, the trades and occupations for which there are tremendous demands in Saudi Arabia are as follows:

Masonary	Pipe fitter	Diploma engineers
Electrician	Crane operator	Draftsmen
Plumber	Oil and gas exploration	Surveyors technicians
Tiles fitter	Chemical and health	Foreman
Carpenter	Tourism	Doctors
Painter	Hospitality	Nurses
Welder	Engineers	Medical technicians
Steel fixer	Architects	Accountants

Kuwait:

Oil rich Kuwait has plenty of employment opportunities for foreign workers. The following are the likely jobs:

Driver	Health technician
Electrician	Pipe fitter
AC mechanic	Hotel management
Vehicle mechanic	Catering personnel
Technician	Engineer
Nurse	Computer programmer Driver

Construction plan in immediate future:

1. The 21 kilometer long Ahmed Al Jaber Bridge will be constructed in north of Kuwait city.

2. Two islands will be established, one in the middle of Kuwait city called Bubiyan and one in the north of Kuwait city called Failaka.
3. A new seaport will be constructed on the island of Bubiyaan.
4. A new cargo terminal will be constructed in the Kuwait international airport.
5. A third railway will be constructed which will connect Bubiyaan with the 2 ports of Kuwait.
6. Many hospitals are being constructed and many more construction work has been planned in future.

New ventures planned in oil field:

1. For extraction of further oil, there is demand in drilling rigs, drilling mud, tubing and wellheads.
2. Construction of new piper building
3. Replacement of the old underground pipelines.
4. Building a new oil refinery

Electricity sector: There is plan for establishment of big electricity production centre as well as small electricity production plants. These ventures need more manpower in various trades relating to operation and maintenance.

The Kuwait government is considering recruiting highly educated doctors, trained nurses, health technician etc. from Bangladesh. Nurses and technicians are two major professions in which there are good opportunities of employment if they are trained in English language.

Job opportunities are being created in the following sectors also:

Air conditioning	Hotel and catering Sector
Sales and Marketing Sector	JCT sector
Agricultural Sector	Auto parts/ Services Sector
Satellite technology	Garments Sector

Currently Kuwait has imposed embargo on import of manpower from Bangladesh on account of protests made by a section of Bangladeshi expatriates for no-payment of wages that the

employers refused to pay for months. It is, however, expected that Bangladesh's Prime Minister's visit to Kuwait will reopen the opportunity for Bangladeshi workers to secure jobs in Kuwait.

Oman:

Oman's socio-economic development and various new development projects have increased the demand for semi skilled and skilled workers, executives and professionals. In technical and IT professional sectors, workers from Bangladesh have a lot of job opportunities. Most Bangladeshi workers are currently in governmental, non-governmental and business organizations mainly in agriculture, fishing, car repair, domestic service, and metal workshop trade. In these trades there are more job opportunities for Bangladeshi workers.

To reduce unemployment and limit dependence on foreign labor, the government is encouraging the replacement of foreign expatriate workers with local workers. Training in information technology, business management, and English support this objective. Industrial development plans focus on gas resources, metal manufacturing, petrochemicals, and international transshipment ports. In 2005, Oman signed agreements with several foreign investors to boost oil reserves, build and operate a power plant, and develop a second mobile phone network in the country. Oman has been historically a country of destination for the South Asian economies, especially Bangladesh.

Construction work	Domestic service
Agriculture	Metal workshop trade
Fishing	Information technology
Car repair	Business management

Bahrain:

Bahrain is planning to develop the international airport as well as build a new airport. Bahrain is also constructing hotels and other real estate to improve tourism. All those effort will require skilled workers. Among the industries there are aluminium extraction, iron and steel, ship-

building and repairing, information technology, health care and education sectors which are in the stage of development. Tele-communication and transport sector have also developed a wide infrastructure. Bahrain is planning to construct a new airport. In order to develop the tourism sector the government of Bahrain is building new hotels and is also working on improving the real estate industry.

Possible work sectors in Bahrain for Bangladeshi workers are:

Oil and gas	Transport
Manufacturing	Ship-building and repairing
Service sector	Information technology
Construction	Health care
Tele-communication	Education sectors

Libya:

Before the civil war (2011) Libya government spends 36 million US dollars for residential building project in different areas of Libya. In that time Libya government planned to build 4 power plants and 3 international airports within next five years. If civil war stops between Government force and Rebel force then opportunities may open in front of Bangladeshi workers to work again in manufacturing and agricultural sectors of Libya. Before civil war Bangladeshi workers are working in the following trades:

Welder/Fabricator	Painting	Rod binding	Fitter
Tiles fitting	Operator	Road Equipment Technician	Fisherman
Technician	Nurse	Rigger	Engineer
Surveyor	Mechanics	Plumbing	Electrical Technician
Steel fixing	Mason	Plasterer	Driver
Steel Fixer	Lineman	Pipe fitting	Drainage-Nets technician
Shuttering Carpenter	Foreman	Physician	Cooking

United States of America:

The US has been accepting growing numbers of skilled temporary workers. In November 2005, the United States Senate voted to increase numbers of skilled migrants from 65,000 to 95,000 per year. The immigration target in 2005-2006 set an upper limit of 143,000 and 142,930 visas were issued under the program. The upper limit for the 2006-2007 Migration Program was set at 144,000 places, which include 97,500 places in the Skill Stream and 46,000 in the Family Stream. The Program will continue to focus on the skills that business and industries are looking for but will also meet legitimate close family reunion needs. Therefore, there has been an increase in the size of the Family Stream with 3000 extra places becoming available, 1000 of these being for spouse visas. The increased demand for spouse visas is driven by two main factors – the increasing global mobility of young immigrants and the larger sponsorship base created by the increased skilled migration intake.

BMET has identified employment opportunity in America for professions like nursing, I.T, cooking, old age care service, etc. The salary structure is also good. However, for employment as a nurse, one needs to pass the CGFNS⁶ examination. To seize this opportunity arrangement should be made for training in nursing.

The following are the principal categories of jobs that are normally available in USA for overseas workers:

Accounting	Marketing	Real Estate	Finance
Advertising, Marketing	Homecare & Special Care	Reception, Service	Health & Beauty
Banking, Insurance	Hotel	Recruitment	Farm, Landscaping
Caretakers & Handymen	Housekeeping & Cleaning	Retail & Service	Voluntary Work
Chefs, Cooks	HR & Training	Sales	Nursing
Computer & IT	Job Training, Open Days	Secretarial, PA ⁷ & Office	Engineering
Construction	Legal & Paralegal	Social Work	Part Time, Weekend

⁶ Commission on Graduates of Foreign Nursing Schools

⁷ Personal Assistant

Driving	Management & Executive	Student & Graduate	TV, Film & Musicians
Education & Teaching	Media, Design & Creative	Travel & Overseas	Nanny & Babysitting

Source: ILO, (April 2010), "Study on the International Demand for Semi-skilled and Skilled Bangladeshi Workers TVET Reform Project." Maxwell Stamp Limited, Bangladesh

Australia:

Australia's General Skilled Migration Program is designed to attract people who have skills in particular occupations that are required in Australia. The emphasis of the program is on skilled migration (both temporary and permanent), particularly to labor starved regions.

The Department of Immigration and Multicultural Affairs (DIMA) allocates around 130,000 to 140,000 migration places each year with a firm focus on bringing in migrants with the relevant skills to complement Australia's labor market needs and skill shortages.

The government's migration program focus has also moved steadily since the 1980s from encouraging family migration to skilled migration. In order to encourage skilled migration to the regions where skill shortages are particularly acute, the government has created state and territory specific migration schemes that include the Skilled Independent Regional (Provisional) (SIR) Visa, the Regional Sponsored Migration Scheme and the State and Territory Nominated Independent Scheme. Business migrants are encouraged to migrate to the regions and there are various visas available for such migrants. Some business migrants may apply for a Business Talent visa to obtain direct permanent residence if they have high-level business attributes and are sponsored by a state or territory government agency.

Another change in focus to migration patterns over the last few years has been the change in emphasis from permanent settlement to temporary migration to Australia, particularly by business and skilled migrants. Many of these temporary migrants go on to settle permanently and add to Australia's 'brain gain'. In fact, there is a growing link between temporary migration and permanent migration, with a temporary visa often being the first step towards permanent migration. The following is a list of job opportunities available for migrants including Bangladeshi migrants subject to its immigration policy with regard to intake of workers from the sub-continent.

The job opportunities in Australia are as follows.

Accounting & Finance	Farm, Landscaping	Nursing
Advertising, Marketing	Health & Beauty	Part Time, Weekend
Banking, Insurance	Homecare & Special Care	Reception, Service
Caretakers & Handymen	Hotel Jobs	Recruitment
Chefs, Cooks & Kitchen	Housekeeping & Cleaning	Retail & Service
HR ⁸ & Training, Job Training, Open Days	Computer & IT ⁹	Sales
Construction	Legal & Paralegal	Secretarial, PA & Office
Driving & Warehouse	Management & Executive	Social Work
Education & Teaching	Media, Design & Creative	Student & Graduate
Engineering	Nanny & Babysitting	Travel & Overseas

United Kingdom and European Union

The UK government has introduced points system favoring skilled migrants similar to the Australian system. The UK's existing Highly Skilled Migrant Program is designed to allow highly skilled people to migrate to the United Kingdom to look for work or self-employment opportunities, but there have been problems verifying skill levels and so the government is keen to more effectively target foreign workers with the skills in demand.

Other western countries in Europe have almost similar pattern of demand for high skill workers and professionals. The following is an indicative list of jobs available for Bangladesh workers:

Retail & Service	Sales	HR & Training
Banking, Insurance	Engineering	Reception, Service

⁸ Human Resources

⁹ Information Technology

Caretakers & Handymen	Farming	Legal & Paralegal
Chefs, Cooks & Kitchen	Finance	Management & Executive
Computer & IT	Homecare & Special Care	Media, Design & Creative
Construction	Hotel Jobs	Nanny & Babysitting
Driving	Housekeeping & Cleaning	Nursing

Source: ILO, (April 2010), "Study on the International Demand for Semi-skilled and Skilled Bangladeshi Workers TVET Reform Project." Maxwell Stamp Limited, Bangladesh

New Zealand:

New Zealand maintains both an Immediate Skill Shortage List and a Long Term Skill Shortage List and conducts a regular review of occupational shortages. As part of each review, submissions are sought from industry groups about both the nature and extent of skill shortages in their area. The immigration policy and job prospects in New Zealand are almost similar to those of Australia.

Canada:

Canada has a Skilled Worker Visa with a 'points' selection system that assesses the applicant by work experience, language ability and education. This visa allows the successful applicant to migrate as a permanent resident and to apply for jobs available to any resident skilled worker.

During the period from 2003 to 2008 annual flow of workers from Bangladesh ranged from 1300 to 1700 per annum against a total number of nearly 363,494 foreign workers entered, re-entered and already staying in Canada in 2008. Another batch of nearly 1,500 students proceeds to Canada for studies from Bangladesh against 178,000 foreign students in Canada.

The table below gives a complete picture of intake of foreign workers in Canada during the last 8 years:

Table 2: Intake of foreign workers in Canada during last 8 years

	2001	2002	2003	2004	2005	2006	2007	2008
Initial entry	79,867	72,856	66,637	74,027	81,759	94,419	115,137	134,784
Re-entry	39,847	38,059	36,602	38,526	40,964	44,684	49,768	57,735
Total entries	119,714	110,915	103,239	112,553	122,723	139,103	164,905	192,519
Still present	67,302	71,168	76,862	86,450	101,822	116,886	135,991	170,975
Foreign workers	187,016	182,083	180,101	199,003	224,545	255,989	300,896	363,494
Initial entry	73,546	68,660	61,173	56,444	57,849	62,240	64,598	70,370
Re-entry	7,373	8,288	8,539	9,677	10,028	9,546	9,440	9,139
Total entries	80,919	76,948	69,712	66,121	67,877	71,786	74,038	79,509
Still present	105,381	127,376	139,880	150,161	153,920	156,246	159,911	163,352
Foreign students	186,300	204,324	209,592	216,282	221,797	228,032	233,949	242,861

Source: ILO, (April 2010), "Study on the International Demand for Semi-skilled and Skilled Bangladeshi Workers TVET Reform Project." Maxwell Stamp Limited, Bangladesh

The following is a list of job opportunities available for migrants including Bangladesh migrants subject of course to its immigration policy with regard to intake of workers from around the world.

Financial Managers	Audiologists and Speech Language Pathologists	Contractors and Supervisors, Heavy Construction Equipment Crews
Computer and Information Systems Managers	Physiotherapists	Electricians (Except Industrial and Power System)
Managers in Health Care	Occupational Therapists	Industrial Electricians
Restaurant and Food Service Managers	Head Nurses and Supervisors	Plumbers
Accommodation Service	Registered Nurses	Steamfitters, Pipefitters and

Managers		Sprinkler System Installers
Construction Managers	Medical Radiation Technologists	Welders and Related Machine Operators
Financial Auditors and Accountants	Licensed Practical Nurses	Heavy-Duty Equipment Mechanics
Geologists, Geochemists and Geophysicists	University Professors	Crane Operators
Mining Engineers	College and Other Vocational Instructors	Drillers and Blasters – Surface Mining, Quarrying and Construction
Geological Engineers	Chefs	Supervisors, Mining and Quarrying
Petroleum Engineers	Cooks	Supervisors, Oil and Gas Drilling and Service
Contractors and Supervisors, Pipefitting Trades	Supervisors, Petroleum, Gas and Chemical Processing and Utilities	Specialist Physicians
General Practitioners and Family Physicians	Contractors and Supervisors, Carpentry Trades	

Source: ILO, (April 2010), "Study on the International Demand for Semi-skilled and Skilled Bangladeshi Workers TVET Reform Project." Maxwell Stamp Limited, Bangladesh

Malaysia:

BMET reports that recently many job opportunities have been created in Malaysia. Also Malaysia has shown interest in recruiting about 100,000 female workers from Bangladesh. The following occupations have been identified as potential opportunities for Bangladesh workers.

Block Layer	Electrician / Electrical Technician
Cargo Handler	Engineer
Carpenter	Executive Chief
Chef/Cook	Food Processing And Preservation,
Computer Engineer	Foreman

Computer Programmer/ Software Developer	Furniture Upholsterer
Construction Installer	Lab. Technician
Construction Manager	Machine Operator
Crew	Maintenance And System Support
Cutter	Manager
Cutting Master	Mechanics
Designer	Painter
Electrical And Electronics Engineer	

Japan

According to the contract between Government of Bangladesh and Japan International Training Co-Operation Organization (JITCO) Bangladeshi workers are being recruited as interns after training in different trade courses. Recently, Bangladesh Embassy in Japan has indicated that there is a possibility that under JITCO work schedule 70,000 - 80,000 Bangladeshi workers will be employed in coming years.

The professions for which Bangladesh can expect to secure employment in Japan are:

English teachers
Engineers
ICT ¹⁰ professionals

Singapore

In Singapore Bangladeshi workers usually work in the shipyard and infrastructure establishment sectors. There are a lot of job opportunities in hospitals, hotels and restaurants. But to attain the opportunities, Bangladeshi workers must be well trained. Hotel management and catering trades also have potential in the employment field.

¹⁰ Information and Communications Technology

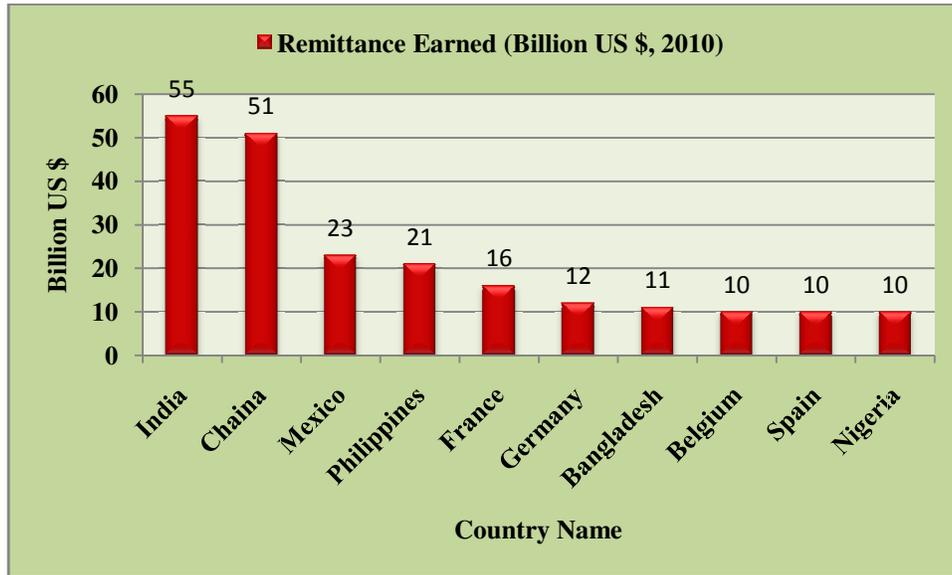
Some training centers have been established and run jointly by the companies situated in Singapore. In these institutions workers take training in specific trades like: rod binding, shuttering, carpentry, tiles fixture, welder, etc. The employer or its representatives come directly to the centers and choose workers by taking tests.

Healthcare	Physiotherapy
Bio-pharmaceutical	Rod binding
Manufacturing	Shuttering
ICT	Carpentry
Lab technicians	Tiles fixture
Nursing	Welding

4. Flow of Remittance into Bangladesh

According to the Migration and Remittance Factbook 2011, Bangladesh is the seventh nation among the top ten recipients of migrant remittance nation in the world. India is the highest remittance recipient's country among the world for year 2010. She receives about 55 billion US\$ in the year 2010. Over the same period, the China has been the second highest remittances receiver with about US\$ 51 billion, followed by the Mexico with US\$ 23 billion, Philippines with about US\$ 21 billion, France with 16 billion and Germany with about 12 billion. The following figure represents the top ten recipients of migrant remittance nation in the world.

Figure 5: Top Ten Recipients of Migrant Remittance Nation in the World

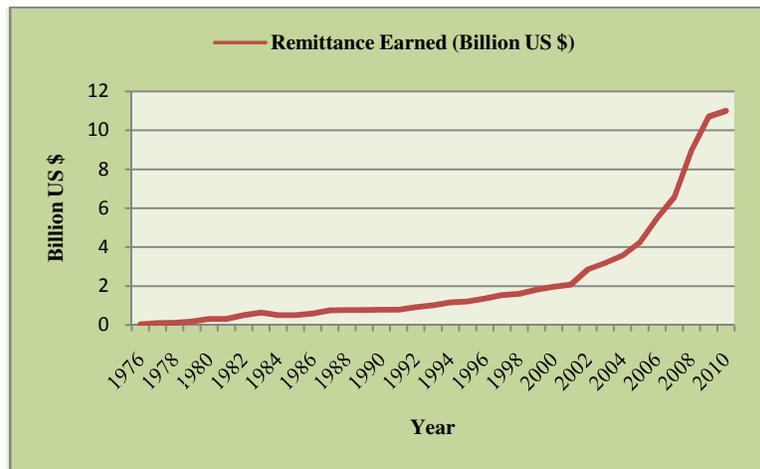


Source: Migration and Remittance Factbook 2011

Size, Growth, and Origins of Remittances

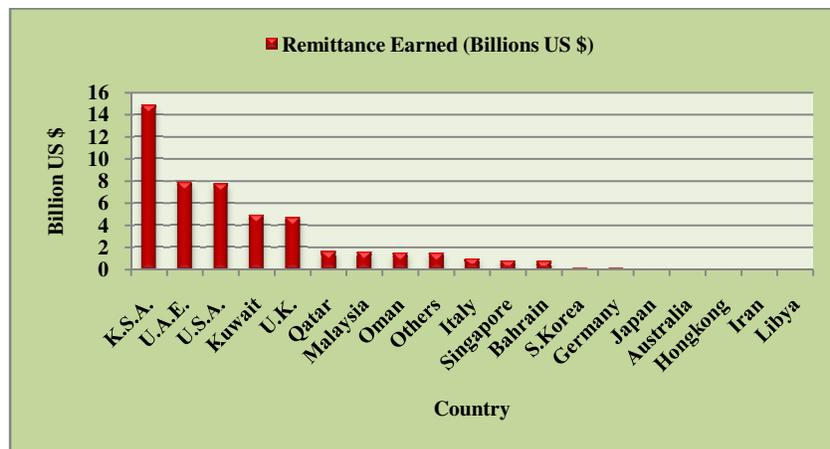
According to Bureau of Manpower, Employment and Training (BMET), a total amount of US\$ 78.68 billion has been remitted to Bangladesh from across the globe between 1976 and 2010. However, if we add the amount of remittances transferred through informal channels and therefore not captured in the official data, this number will be much higher. As the following figure shows, except for a few years in early 1980s and one year around 2000 the remittance flow has been steadily increasing with acceleration in the growth rate in recent years. The Iran-Iraq War seems to explain the slowdown in the growth of remittances in the early 1980s. Similarly, the Gulf War of the early 1990s may have been the reason for sluggish growth in remittances during that period. It should be noted that the recent spur in the growth of remittances can partially be ascribed to increased use of formal channels of remitting money from abroad for a variety of reasons. They include increased efficiency and larger network of formal channels that involve both nationalized commercial banks (NCBs) and private commercial banks (PCBs), somewhat stricter enforcement of laws against informal channels like the hundi system (which are supposedly used for transfer of funds among terrorist groups) after the terrorist attack of September 11, 2001, and various government programs to encourage remittance transfers.

Figure 6: Flow of Remittance in Bangladesh (1976-2010)



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

Figure 7: County-wise Remittances Earned (2005-2006 to 2010-2011¹¹)



Source: Bangladesh Bank

Most remittance flows originate in Middle East. Figure 7 presents total remittance transfers by country of origin between 2005-2006 and 2010-2011. As the figure shows, Saudi Arabia alone is the source of about US\$ 15 billion in remittance transfers to Bangladesh between the fiscal years of 2005-2006 and 2010-2011. Over the same period, the United Arab Emirates has been the second largest source of remittances with about US\$ 8 billion, followed by the USA with US\$ 7.7 billion, Kuwait with about US\$ 5 billion, and the United Kingdom with 4.7 billion. It is clear

¹¹ July 2010-May 2011

from the figure that the largest share of the remittances originates in countries that receive most of the short-term migrant workers.

Table 3: County-wise Remittances Earned (2005-2006 to 2010-2011¹²)
(Millions of US Dollar)

Country	2010-2011	2009-2010	2008-2009	2007-2008	2006-2007	2005-2006
Bahrain	166.38	170.14	157.43	138.2	79.96	61.29
Kuwait	972.81	1019.18	970.75	863.73	680.7	454.38
Oman	305.74	349.08	290.06	220.64	196.47	153
Qatar	290.52	360.91	343.36	289.79	233.17	161.43
K.S.A.	2973.22	3427.05	2859.09	2324.23	1734.7	1562.21
U.A.E.	1814.36	1890.31	1754.92	1135.14	804.84	512.64
Libya	4.59	1.46	1.25	0.36	2.61	0.16
Iran	2.29	4.49	3.28	3.24	2.36	1.68
Subtotal for Middle East	6529.91	7222.62	6380.14	4975.33	3734.81	2906.79
Australia	9.27	8.45	6.78	13.11	11.34	8.89
Hongkong	9.82	8.32	9.09	8.1	6.15	5.37
Italy	188.52	182.19	186.9	214.46	149.65	78.43
Malaysia	647.03	587.09	282.22	92.44	11.84	19.05
Singapore	181.33	193.46	165.13	130.11	80.24	61.32
U.K.	813.32	827.51	789.65	896.13	886.9	517.39
U.S.A.	1728.25	1451.89	1575.22	1380.08	930.33	701.37
Germany	23.13	16.5	19.32	26.87	14.91	10.95
Japan	13.58	14.74	14.12	16.29	10.17	8.71
South Korea	22.14	20.77	18.33	19.69	17.08	16.4
Others	445.12	453.86	242.36	142.17	125.05	92.56
Subtotal for regions other than Middle East	4081.49	3764.78	3309.12	2939.45	2243.66	1520.44
Total	10611.4	10987.4	9689.26	7914.78	5978.47	4427.23

Source: Bangladesh Bank

¹² July 2010-May 2011

Determinants of Remittances to Bangladesh

In general, the literature differentiates between micro and macroeconomic determinants of remittances. Among the microeconomic determinants, altruism towards the family left behind by the migrants in the home country, investment in home country by “self-interested” migrants, insurance against risks that migrants are exposed to in the host country, and payment back (return) to the family for the investment that it made on the migrant, have been extensively discussed and tested for various remittance receiving communities/countries around the world. At the macro level, movements of foreign exchange rate, differences in interest rates between host and home country, and business cycle fluctuations in host and home country of the migrants have been shown to be important determinants.

There have been only a few studies that explore the determinants of remittance transfers to Bangladesh. These studies seem to focus on macroeconomic determinants. For example, Barua et al (2007) show that income differentials between host and home country and devaluation of home country currency positively and high inflation rate in home country negatively affect workers’ remittance decision. Using a simple regression analysis, Hussain and Naeem (2010) find that number of workers finding employment abroad every year, oil price, exchange rate, and Gross Domestic product (GDP) growth are the key determinants of changes in the level of remittance inflow into Bangladesh. According to their results, each additional migrant worker increase remittances by US\$ 816 annually. Furthermore, a one dollar increase in oil price increases annual remittance transfers to Bangladesh (mainly from Middle East) by nearly US\$ 15 million. They also find that depreciation of exchange rate by one Bangladeshi taka increases annual remittance by US\$ 18 million and those remittances are higher during periods of low economic growth in Bangladesh. The last result is consistent with the finding of Sayan (2006) who shows that migrants from Bangladesh increase their remittance transfers during times of economic hardship in their home country.

5. Impact of Remittance for the Development of Bangladesh

Microeconomic impact

It has been a general conclusion of most micro-level studies that the remittance-receiving households use the largest fraction of remittances for consumption. However, purchase of land,

construction and repair of houses and repayment of loans have been some of the other important uses of remittances.

Table 4: Percentage Distribution of Remittances by Expenditure Categories

Expenditure categories	Range of percentage share of remittances spent
Food and clothing	20-36
Purchase of land	3-40
Home construction and repair	2-30
Repayment of loans	10-19
Wedding and other social ceremonies	0-10
Education	0-5
Savings	3-7
Funding other people's migration	0-7
Investment in business	0-5
Health care	0-4

Source: Khawaja A. Mamun and Hiranya K Nath (March 2010), "Workers' Migration and Remittances in Bangladesh".

Various survey-based studies indicate that family transfers account for up to 70 percent of the total household income. Some studies (e.g. Afsar et al, 2002) suggest that over time households with overseas labor migrants become increasingly dependent on remittances. Most surveys also indicate that remittances are mainly used for consumption (Siddiqi and Abrar, 2001; Afsar, 2003). Depending on how consumption is defined, as much as 80 to 90 percent of remittances are used for this purpose. Table 4 presents the percentage distribution of remittances spent by the most important expenditure categories. Note that it presents the range of percentage shares of remittances spent on these items as reported by various micro-level studies. Whether all items can be included in consumption is disputable. While it is not surprising that between 1/5th and 1/3rd is spent on basic items like food and clothing, it is interesting to note that up to 40 percent of remittances are spent on purchase of land. Land is the safest way to invest in Bangladesh. As Siddiqi and Abrar (2001) argue, arable land provides direct economic return through crop production. Furthermore, in a land-shortage economy like Bangladesh, the value of land

appreciates very quickly. Repayment of loans also accounts for a large share of the total use of remittances. These findings are further corroborated by Sharma and Zaman (2009). They find that while the remittance-receiving families spend more on consumption of food and non-food items, the same is not true for health and education expenditure. They also note that their spending on home appliances and land are higher than non-migrant families'. Finally, remittance-receiving families save more and have more outstanding loans (resulting mainly from high upfront cost of migration). However, it also shows their credit-worthiness.

In an interesting study, Mohapatra et al (2009) find that the remittance-receiving households in Bangladesh had higher per-capita consumption than others after the devastating floods of 1998. Based on household survey data, this study emphasizes the role of remittance transfers as a consumption smoothing mechanism in the face of natural disaster.

There are instances of some non-resident Bangladeshis (NRB) making individual contributions every year to mosques, orphanages, or madrasas (an academic place where the Islamic faith is taught). Also, there are Bangladeshi immigrants mainly in the USA and the UK - who come from the same region/area - organize to pool money and transfer to the respective areas of their origin for charity or community development. The money is given for health care, religious projects such as mosques or educational projects, construction and repair of roads and culverts and the provisions of scholarships to students in the villages where the expatriates come from. However, the total transfer is very small and not well known to formal/government institutions in Bangladesh.

Macroeconomic impact

To give a perspective on how important remittances could be for economy-wide impacts, Table 5 presents comparisons of these transfers with GDP, foreign direct investment (FDI), total merchandise export earnings, and official foreign aid in Bangladesh between 2000 and 2008. By 2008, remittances are already more than 11 percent of GDP. The remittances have far exceeded the official foreign aid and FDI into Bangladesh. The flow of remittances as a share of total export earnings has increased over the years and was about 65 percent in 2008. These comparisons signify the importance of remittances for the overall economy in Bangladesh.

Table 5: Comparison of Remittances with Key Macro Variables

Year	Remittance as a percentage share of			
	GDP	FDI	Merchandise Exports	Foreign Aid
2000	4.15	337.88	34.97	-
2001	4.41	584.21	36.11	151.2805
2002	5.98	867.44	52.32	197.4889
2003	6.12	907.38	51.01	200.4814
2004	6.30	774.39	47.00	344.8075
2005	7.05	502.94	50.03	285.0349
2006	8.86	691.56	47.08	-
2007	9.60	986.19	51.61	402.6996
2008	11.37	826.80	64.59	435.451

Source: Khawaja A. Mamun and Hiranya K Nath (March 2010), "Workers' Migration and Remittances in Bangladesh".

As most micro-level studies show, the remittances directly augment household income and increase consumption. Thus, although remittances do not seem to have contributed to the macro economy, the increases in income and consumption at the household level have some significant macroeconomic consequences. For example, in a note prepared for the G8 Outreach Event on Remittances in Berlin, Ratha and Mahapatra (2007) state that remittance may have reduced the share of poor people in the population by 6 percentage points in Bangladesh. Raihan et al (2009) further show that a 1.7 percentage point reduction in headcount ratio measure of poverty level between 2000 and 2005 can be attributed to the growth in remittances. This finding is further corroborated by Vargas-Silva et al (2009) who use several different measures of poverty. In a very recent study, S.R. Osmani (August, 2011) showed that remittance solely reduced rural poverty by 4.8% in Bangladesh.

Furthermore, it is important to recognize that even though remittance receiving households may not directly invest the funds that they receive through transfers from the migrant member, the increase in consumption itself should work its way through multiplier effect on the aggregate demand and therefore should contribute positively to growth. Also, it has been noted above that the remittance-receiving households save a part of their remittance transfers. Further, there is some evidence that Bangladeshi immigrants also transfer funds directly to the home country in

order to save. Over the years, government and banks have been able to attract savings from individual immigrants by creating a number of bonds and special savings accounts aimed at migrants (de Bruyn and Kuddus, 2005). However, the amount transferred directly for investment is very low.

But as long as the savings of the remittance-receiving households and the migrant workers enter the formal financial system in Bangladesh, they are used to finance investment and consequently they contribute to long-run growth. In addition, increasing use of the financial system to transfer funds itself should channel some of these remittance flows into productive investment.

Thus, to assess the macroeconomic impact of remittance transfers, we will present (i) an illustration of the multiplier effects of remittances on sectoral level output using the input-output framework; (ii) some tentative results from a vector autoregressive (VAR) macro model.

The multiplier effects of remittances at the sectoral level

Stahl and Habib (1989) analyze the impact of remittances at the sectoral level by using the input-output framework. They use survey data from a World Bank study on the expenditure patterns of remittance-receiving households in Bangladesh and match them to the 47 sectors comprising the input-output table for Bangladesh. This sectoral distribution of expenditures is imputed to total remittances inflow data for the years between 1976 and 1988 to obtain corresponding sector-wise anticipated expenditures out of remittances. Assuming these expenditures to be autonomous additions to final demand attributable to remittances, they are then multiplied by the output multiplier matrix $[I - A + m]^{-1}$ to obtain total output attributable to remittances. Note that here A is the technical coefficient matrix given by the input-output table, and m is the diagonal matrix with import coefficients as the diagonal elements. The results for the most important sectors are summarized in Table 6.

Table 6: Remittance Induced Output in Bangladesh

	Increase in output when US\$ 1 of remittance is spent (in US\$)
Rice	1.09
Other crop	1.21
Live stock	1.34
Fisheries	1.00
Forestry	4.91
Leather	1.18
Wood	1.52
Miscellaneous industries	2.67
Urban house	1.10
Rural house	1.04
Petroleum	1.73
Electricity	1.42
Transport service	1.74
Banking service	1.37
Other service	1.11

Source: Khawaja A. Mamun and Hiranya K Nath (March 2010), "Workers' Migration and Remittances in Bangladesh".

If the remittances are spent on sectors that have strong forward and backward linkages with many other sectors, the overall impact on output is high. For example, according to their calculations, if a dollar of remittances is spent on forestry, it will lead to an increase of about US\$ 5 in output. Forest products such as bamboos, woods, canes, are used as intermediate inputs to produce a variety of goods. Thus, an initial expenditure on these products may lead to a much larger increase in overall output.

Some tentative results on the macroeconomic effects of remittances from a VAR model

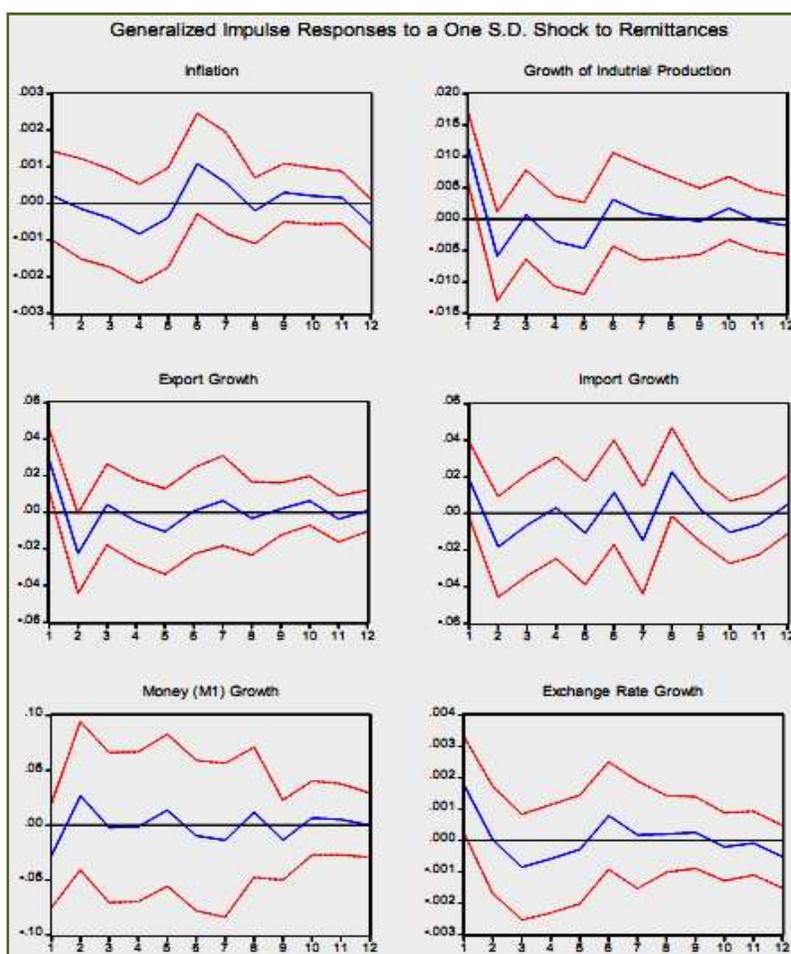
Khawaja A. Mamun and Hiranya K Nath (March 2010), examined the effects of remittances at the macro level by using a vector autoregression (VAR) macro model of the following form:

$$Y_t = A_0 + \sum_{i=1}^p A_i Y_{t-i} + \epsilon_t$$

Where Y is an $n \times 1$ vector of macro variables, A_0 is an $n \times 1$ vector of constants, A_i is an $n \times p$ matrix of autoregressive coefficients of lagged variables, and ϵ is an $n \times 1$ vector of error terms. Although they would like to include a number of important macro variables in this model, limited availability of data for Bangladesh allows them to use the following variables only: Industrial Production, Consumer Price Index (CPI), Export Receipts, Import Payments, M1 Money Stock, Remittances, and the Nominal Exchange Rate of US Dollar in terms of Bangladeshi Taka. For each variable, they use monthly data for a period between July 1994 and December 2008. The data are seasonally adjusted. They conducted Augmented Dickey Fuller (ADF) Test on each series to determine its stochastic trending properties. Except for M1 and Remittances, all other series are found to be unit root processes. Therefore, they used their stationary forms. That is, they used log first differences of all series including M1 and Remittances. They estimated equal lag length VAR with lags of up to 6 months. They then derive the generalized impulse responses of each of the variables to a one standard deviation shock to remittance growth. Figure 8 presents the generalized impulse responses for 12 months.

As we see from the figure, a one standard deviation shock to the growth of remittances has significant positive impact on the growth of industrial production, export growth, and the change in nominal exchange rate in month 1. However, the effects quickly dissipate after the second month. Note that since we include CPI inflation in the model, these results should be interpreted as real effects of a shock to real remittance growth. It is hard to speculate the actual mechanism through which these macro variables are affected by remittance growth in Bangladesh without exploring more on the structure of the economy. Also, it is imperative to use a more general VAR specification with additional endogenous macro variables. But given the data limitations, it is outside the scope of their study. Thus, the results presented in Figure 8 should be taken to be indicative of potential effects of remittances on the overall economy and should not be overemphasized as evidence of precise effects on the respective macro variables.

Figure 8: Generalized Impulse Responses from a Vector Autoregression Macroeconomic Model



Source: Khawaja A. Mamun and Hiranya K Nath (March 2010), “Workers’ Migration and Remittances in Bangladesh”.

6. Way of Earning More Remittance

Bangladesh will be the leading nation in the world to earn remittance if the government and the related personnel take following steps:

- First, the number of skilled people and the skills and quality of the workforce has to be improved.
- Second, with margins come under pressure in the traditional markets, the overseas manpower companies, must be able to add to their international marketing infrastructure and skills so as to explore new markets, establish contacts with the staffing companies in the respective host markets and even deal with the employers directly. It is evident that

the export of manpower from Bangladesh is concentrated in only few countries dominated by the Middle East. Bangladesh needs to progressively change this.

- Third, a massive up gradation and scaling up of training infrastructure and curricula needs to be attended to immediately, as prospective global employers would look for globally recognized certification.
- And lastly, fund crisis is a very crucial problem for migrant worker for migration. Therefore government should make a fund to help the unemployed young people to train them and to provide them loan with an easy and favorable condition. In this regard, microfinance institutions in Bangladesh may help the government by giving microcredit and training to the migrant workers. In this regard Palli Krama Sahayak Foundation (PKSF) may play a big role with their partner organizations (POs).

Based on the changing nature of employer needs, a new collaborative and more organized approach needs to be followed by overseas manpower agencies, staffing and training companies, institutions, NGOs/MFIs and government in Bangladesh to spread its wing globally by sending more Bangladeshi and reaping benefits from the huge emerging opportunities from remittances income.

7. Sources of Money of Migrant worker for Migration in Bangladesh

The main sources of money for migration of migrant workers in Bangladesh are as follows:

- Sell own asset like land; ornaments of mother ,sister and wife; house; homestead; cattle; trees; furniture; shop; business institutions etc.
- Pawn own asset like land; ornaments of mother, sister and wife.
- Own savings
- Borrow from other member of the family like brother, sister, cousin, sister-in-law, brother-in-law, uncle etc.
- Borrow from friends or neighbors
- Borrow from NGOs or MFIs
- Borrow from Bank or other financial institutions
- Borrow from money lenders
- Borrow from the employer

Table 7 shows the percentages of the main sources of money for migration of migrant workers:

Table 7: Sources of money of migrant workers for migration

Source of Money	Percentage
Sold Asset	23.51
Own Savings	49.53
Borrowed From Other Family Members	13.69
Borrowed from Friends or Neighbors	14.77
Financial Assistance from Work Place	1.43
Bank/Other Financial Institute	1.72
Microfinance Institutions	2.29
From Employer	1.22
Others	7.53
Don't know	2.29

Source: Md. Abdul Khaleque, Access to Financial Services Project¹³, (InM, 2011).

From the above table, we observe that most of the people of Bangladesh use their own savings for migration. Sold asset is the second highest source of money for migration. Borrowed from friends and neighbors; borrowed from other family members and borrowed from microfinance institutions successively get the position of third, fourth and fifth. The most important matter is, people borrow money from MFIs for their migration but when they are asked about the purpose of taking loan, they provide misinformation about the use of loan. Because most of the MFIs have no program to help migrant people for their migration.

8. Role of MFIs for poverty alleviation

This section reviews most of the available studies to draw a comparative picture of what has been the observed impact of microcredit on poverty emerging from the empirical studies.

Impact on Poor

The pioneering study on the impact of micro credit was a study of the Grameen Bank by Mahbub Hossain (Hossain 1988). The data were collected through field surveys in 1985 conducted in five

¹³ This Project is lead by M. A. Baqui Khalily

selected project and two control villages in the area of operation of 5 branches of the Grameen Bank. The sample size consisted of 975 borrowers and census of all households in seven villages. An earlier study was done in 1984 (Hossain 1984). The study (Hossain 1988) reported a number of concrete contributions of microcredit from the bank:

- Borrowers have increased their business capital by an average three times within a period of 27 months;
- Asset in the form of livestock increased by 26% per year;
- About one third of members who reported to be unemployed became self-employed after joining microcredit program of the bank;
- Grameen Bank members had incomes about 43% higher than target groups in control villages, and 28% higher the target group non-participants in the project villages. The enhanced income is from the income generating activities undertaken by using microcredit.
- The program is general enhanced overall income of households in the project villages: average household income is about one-sixth higher in project villages than in the control villages. Thus microcredit has reduced poverty.

On the other hand, the study by Zahir et al (BIDS 2001) is more detailed and used panel data. The study area included 13 regions of Bangladesh, covering 91 villages spread over 23 sub-districts. Following a census of all households in the 91 villages during October 1997, the study administered three repeat surveys, on a matched sample of about 3000 rural households – during 1998, 1999 and 2000. Besides collecting information at household levels, separate modules were administered on MFI-members from these households and for village and samity-level information. Major findings are as follows:

- Microcredit from smaller MFIs supported numerous income-generating activities, mostly of self-employment nature. The participants earned higher income from livestock than non-participants.

- Both head-count and poverty gap measures show that regular participation registered a faster rate of poverty reduction than occasional participants, and reduction in poverty among the latter was faster compared to non-participants.
- Generally, the study finds program participants to be less vulnerable to crises even though they face similar degree of crises as non-participants.

Table 8 summarizes the findings of major quantitative impact studies with results of other more recent studies.

Table 8: Impact of microcredit on household income/expenditure

Source	Name of organization studied	Income or expenditure per annum (BDT)	Participants	Control (non-participants)	% difference
Hossain 1984	GB ¹⁴	Income, per capita	1762	1346	30.9
Hossain 1988	GB	Income, per capita	3524	2523	39.7
BIDS 1990	BRDB	Income, per household	6204	4260	45.6
BIDS 1990	BRAC-RDP	Income, per household	2844	1560	82.3
IMEC 1995	Proshika	Income, per household	22,244	17,482	27.2
Rahman 1996	PKSF	Expenditure, per household	26,390	23,802	10.9
Khandker 1998	BRAC	Expenditure, per capita	5180	4202	23.8
Khandker 1998	GB	Expenditure, per capita	5050	4335	16.5
Khandker 1998	RD-12	Expenditure, per capita	4931	4279	15.2
Halder 1998	BRAC	Expenditure, per capita	8244	6480	27.2
BIDS 1999	PKSF	Expenditure, per capita	36,528	33,732	8.3
IMEC 1999	Proshika	Income, per household	48,635	43,584	11.6
Zohir 2001	PKSF	Wage income, per capita	5858	5559	5.3
Hossain 2002	GB	Income, per household	18134	14204	27.7
Khandker 2003	GB, BRAC, RD-12	Expenditure, per capita	3923	3838	2.2
Rahman, Atiur 2005	PKSF	Annual Income, per household	58109	38968	49.1

¹⁴ Grameen Bank

Khalily 2010	PRIME-2 of PKSF	Annual income, per household	53394	48505	10.1
Rabbani 2011	PRIME-3 of PKSF	Annual Income, per household	61530	45680 (benchmark)	34.7
Khalily 2011	FSVGD & UP of PKSF	Monthly Income, per household	5224	4463 (early dropouts)	17.0

Source: Faruqee & Badruddoza (2011)

The most comprehensive impact study of microfinance, a joint research project of the Bangladesh Institute of Development Studies (BIDS) and the World Bank, finds strong evidence that the programs help the poor through consumption smoothing and asset building (Khandker 1998; Pitt and Khandker 1998). The findings support the claim that microfinance programs promote investment in human capital (such as schooling) and raise awareness of reproductive health issues (such as use of contraceptives) among poor families. The studies also shed light on the role of gender-based targeting and its impact on household and individual welfare, finding that microfinance helps women acquire assets of their own and exercise power in household decision making.

The research project estimates that the marginal impact of microfinance on consumption was 18 percent for women and 11 percent for men (Pitt and Khandker 1998). The study finds that some 5 percent of borrowers may lift themselves out of poverty each year by borrowing from a microfinance program, if the estimated impacts on consumption continue over time (Khandker 1998). But even if this does happen, microfinance could lift less than 1 percent of the population out of poverty because it reaches only a quarter of the population. If this rate were sustained given the level of poverty among program participants in 1991/92, this could have led to an estimated 5 percentage point reduction in poverty for participants and a 1 percentage point reduction for the village as a whole over the program period.

Hossain and Bayes (2009) show a very upbeat picture regarding the role of microfinance in rural poverty reduction. According to this study, MFI member households experienced faster poverty reduction by nearly 7 percentage points compared to the non-member households from the same landholding “target” group during the period between 1987 and 2007.

Two recent studies carried out by InM on microcredit program for ultra poor - - Impact study of PRIME¹⁵ (2011) and Impact Study of FSVGD (2011) - - indicate strongly positive impact of the

¹⁵ Program Initiative for Monga Eradication

programs on the income, consumption and asset formation of the ultra poor as a result of the special microcredit program for the ultra poor.

In a very recent study by S.R. Osmani (2011) focuses on the dynamics of poverty in Bangladesh. The study is based on long-term panel survey covering 63 districts, and examines the factors, including the role of microfinance, that have a causal influence on this dynamics. After completing his first survey Osmani finds the followings:

- Microcredit plays an important role in enhancing the scope for accumulation of non-land assets, especially for the poor.
- Microcredit promotes asset accumulation for both ‘productive borrowers’ and ‘consumption borrowers’. ‘Consumption borrowers’ gain because they are better able to avoid depletion of assets at times of crises. ‘Productive borrowers’ gain additionally by being better able to accumulate assets.
- Microcredit’s contribution to assets is also reflected in contribution to the reduction of poverty.
- It also raises consumption levels of those who stay poor
- The contribution of microcredit towards poverty reduction in rural Bangladesh is about 4 percent.
- Clearly, there is much more to poverty reduction than microcredit, but there is a role for it as well.

The above review covers studies conducted on programs of major organizations in the country over more than two decades applying both quantitative as well as qualitative methods on impacts of microcredit for the poor and extremely poor. In all cases, the findings show that microcredit increases employment and income of households that leads to improved quality of life as indicated by reduced food insecurity, improved housing, health, sanitation and education and formation of assets in many different forms. The changes come over a period of time that needs continued access to finance. However, it should be noted that finance alone did not lead to such changes but other developmental and macro-factors have definitely contributed positively or

negatively. On the whole, the research studies have proved the positive impacts of financial services for the poor.

9. MFIs and Migration

MFIs can play a significant role in both pre and post-migration stages through direct and indirect involvement toward building and sustaining overseas labor market for Bangladeshi migrant worker. They can do the following tasks to earn more remittance:

- Identification and selection of potential workers while working with target groups
- Providing education, training, job orientation/counseling and guidance to prepare potential migrants for employment.
- Facilitating migration of workers for overseas employment, by linking with relevant institution to provide travel support;
- Collectively mobilizing opinion of stakeholders to formulate policy and to have suppliers (agencies) to work within a system that can promote manpower supply as a sustainable business;
- Supporting relevant bodies to set standards for skills training for various occupations and certification to satisfy employers' requirements;
- To assist the migrant and his family in effective utilization of remitted fund through some targeted projects with the support of NGOs.
- MFIs can make a program to provide credit for migration which increases the number of migrant worker.
- MFIs can collaborate with bank and mobile company to send remittance in a safe and swift way.
- MFIs can aware potential migrant worker about the forgery of travel agency and recruiting agency.

10. Pre migration role of MFIs

MFI can do two types of work before migration. These are: (a) Selecting and trained potential migrant worker and (b) working as a source of money for migration.

Selecting and trained potential migrant worker

MFIs work at the grassroots level. They can easily meet local people when they operate their program. During their operation they have the opportunity to select potential migrant workers. They should select the young people who are healthy, unemployed, ambitious, searching work and have strong desire to go abroad to change their fate. After selecting this type of people, MFIs will train them according to the foreign employer and the workers will. During their training, they should aware the potential migrant about the forgery and cheating of the recruiting agency and the difficulties of destination country especially the women migrant. To protect potential migrant worker, MFIs can make a link with recruiting agency and foreign employer.

In Bangladesh, BRAC¹⁶ all ready start almost this type of work. According to BRAC, Bangladesh has 6.5 million migrant workers employed overseas, many of whom fall victim to exploitation by recruitment agencies or their foreign employers due to their lack of knowledge about the migration process as well as labor laws and rights. Their SMFC¹⁷ project works with both the potential and returning workers, especially women and youth, and provides information on safe migration process, relevant laws and rights, legal support, social arbitration to recover money from middlemen and skills training. The project also raises public awareness on the issue through the media. There are 6 SMFC's in 17 districts and the project works to protect nearly 2 million workers. Through community-based Migration Forums, it has recovered US \$176,000 from middlemen on behalf of the exploited workers.

Nowadays Labor Trafficking has become a major threat to the economy of Bangladesh. Recognizing the contribution of labor, BRAC has initiated a new project titled “Advocacy for Safe Migration and Abating Labor Trafficking” in July 2010 in order to reduce labor trafficking. This project is covering 9 trafficked prone-districts in Bangladesh. Through their innovative

¹⁶ Building Resources Across Communities (formerly Bangladesh Rural Advancement Committee)

¹⁷ Safe Migration Facilitation Centre

advocacy tool they are trying to raise awareness on safe migration as well as abating human trafficking.

Working as a source of money for migration

To migrant in a foreign country, people need a lot of money which is very much difficult to manage for a poor fellow. The amount of money for migration in European countries and American countries is much larger than the Middle East countries. This huge money for migration is always difficult for poor and middle class people. In most case we observe that people manage this money by selling their asset like land; ornaments of mother, sister and wife; house; homestead; cattle; trees; furniture; shop; business institutions etc. Most serious thing for some migrant worker's family is to sell their own homestead. They think that if their son/daughter can successfully go to abroad and if he/she gets a good job means high salary oriented job then it is no matter for them to repurchase this homestead again. In the Bangladesh, we experienced that some of potential migrant workers take the money from their father-in-laws house as a dowry. In some cases the bride's father compelled to sell his homestead to manage this money. If the bride's father is unable to pay this money then the groom's family comes upon a havoc pain on the bride's life. Sometimes the level of oppression crosses all limits. In extreme cases the bride was killed for the money of dowry. Few cases the girls' committed suicide to avoid this havoc pain.

To protect people from this type of problem, MFIs can come forward. MFIs can make a program to provide credit to the migrant worker. We already know that women member in some MFIs took loan to send their son /daughter/ husband in abroad. In this case these women give misinformation about the use of loan. One of the largest MFIs in Bangladesh, ASA experienced it.

Another successful MFI, mostly working with the urban poor women, is Shakti Foundation. The Shakti leadership also reported that some of their female clients had gone overseas, although there is no official figure of such cases. The organization does not have any specific program targeting the migrants.

CARITAS, is one of the largest MFIs in Bangladesh, believes that the migrant workers issue has been a neglected field in Bangladesh. The Development Director of CARITAS Mr. Thomas

Costa reckons that NGOs can develop a number of programs with regard to protection and promotion of rights of migrant workers.

So we see, though MFIs have no program targeting the migrant but people get loan from MFIs for their migration. From the table 7 we see 2.29 percent people of Bangladesh take loan from MFIs for their migration. To utilize the opportunity of catching huge foreign labor market and earn huge foreign remittance, Bangladesh government should come forward and encourage MFIs to give loan in an easy terms and condition to Migrant workers. In this regard PKSF can play an important role.

To support the underdeveloped areas of the north having concentration of ultra poor families, PKSF started Financial Services for the Overseas Employment of the Ultra Poor (FSOEUP) program in 2008 to facilitate overseas employment. The program policy ensures that a person selected for overseas employment is a member of an ultra poor family in monga (a seasonal famine northern part of Bangladesh) affected area. PKSF signed memoranda of understanding with the Bureau of Manpower Employment and Training (BMET) and the Bangladesh Overseas Employment and Services Limited (BOESL) to help smoothen cooperation and enhance progress of the program. PKSF has initially allocated Taka 100 million for this program and Taka 84,000 for each selected person. As of June 2009, PKSF disbursed BDT 2.25 Million under this program. Whereas POs disbursed BDT 0.25 Million in the field. Under this Program, 27 people have been sent abroad for employment, mainly to Malaysia, Dubai and Abu Dhabi. PKSF is assisting the people to go abroad not only by providing credit facilities but also organizing orientation program, health check-up and to prepare papers for passport. At present PKSF increase the amount BDT 84,000 to BDT 200000. But it's a matter of great regret that from 2008 to 2011 PKSF only send 27 person to abroad under this program and their activities become stagnant in the same point for many days. Government should encourage PKSF to accelerate the activities of this program. PKSF takes this program only for some selected areas and some selected class of people of Bangladesh. If Bangladesh government wants to increase its remittance earning in a greater extent, then government should take this type of program throughout the country.

Critics said that microcredit involves huge risk, if the MFIs give large amount of money as a credit then this risk will increase in a greater extent. We do not agree with this opinion. Because

if the MFIs correctly select the potential migrant worker and give them training according to the importers demand and give credit only the certified migrant worker who successfully completed the training and the related government agencies like BMET, BOESL, Ministry of Expatriates' Welfare and Overseas Employment (MEWOE), Ministry of Labor and Employment and the foreign embassies help the MFIs by providing information about the importer, then the risk of default loan will be decreased in a greater extent.

11. Post Migration Role

MFI can do two types of work after migration. These are: (a) sending remittance in a safe and swift way and (b) Proper utilization of remitted fund.

Sending remittance in a safe and swift way

If we use MFIs in sending remittance with the collaboration of some reputed national commercial banks and some mobile companies, then the migrant workers can easily send their remittance in a low cost in remote area (unreachable area like island, Char). It is only possible because the MFIs have branches throughout the Bangladesh; even they have branches in every ward or every village. According to the Bangladesh Microfinance Statistics 2010¹⁸, 772 MFIs in Bangladesh have 19,227 branches throughout the country. We can easily send not only the foreign remittance but also the domestic remittance with these branches. In the context of Bangladesh we know that most of the bank in Bangladesh has branches in thana town. All the villages in a thana are not nearer to the thana town. Maximum of the village are situated far from the thana town even some times this distance reaches to few kilometers. To withdraw money and deposit money in a far distant bank is not so easy. It involves so much risk of hijackings. To use banking facility in a far bank needs cost. In many cases we observe that the remittance receivers are women, it not easy for a woman to go to a far bank for receiving remittance in all time.

If some commercial banks make a network with some mobile company and some reputed MFIs then the problem faced in banking by rural Bangladeshi people is solved in a greater extent. Bank can use mobile company to transfer banking information in swift way and use the branches of reputed MFIs (like BRAC, ASA, Buro Bangladesh) to collect and provide money. Then the

¹⁸ Bangladesh Microfinance Statistics 2010 was published in a joint collaboration of Institute of Microfinance (InM) and Credit and Development Forum (CDF)

remittance receiver collects remittance from his own ward or village. We know that in every year a lot of money comes to Bangladesh through hundi system or relatives or friends. For that government of Bangladesh deprive from a lot foreign remittance. It's happen because most of the migrant workers and the remittance receiver are less educated. They are afraid of papers work. So they always try to avoid formal channel to send remittance. If we can do the above mentioned work then it is possible to send any amount of money through formal channel in a low cost and low risk.

Almost this type of banking already starts in Bangladesh. In Bangladesh some MFIs, Mobile companies, Bank are involve with this type of banking. Among them mostly notable MFIs are BRAC, ASA, BURO Bangladesh and the mostly notable mobile companies are Robi Axiata Limited, Banglalink, Bangla-link, Citycell and the mostly notable banks are Dutch Bangla Bank, Prime Bank, AB Bank and Dhaka Bank.

Dutch-Bangla Bank Limited (DBBL) is the first bank in Bangladesh, who introduced mobile banking service to bring poor people from remote area under smart banking service. Bangladesh Bank has already allowed 10 banks to initiate mobile banking with the aim to connect the deprived section of the society with the modern banking system; DBBL is the first runner among of them.

DBBL is operating this new innovative banking service through Banglalink and Citycell mobile operator and their approved agents throughout the country. One can create a bank account visiting any of the approved agents showing proper documents with a fee of Tk 10. Subscriber must own a mobile phone to get the service. Once the account is created, a 4 digit mobile banking PIN code will be provided to perform all sort of banking activities securely and secretly. Subscriber can withdraw and deposit cash amount from his mobile going to the agents and agents will guide and help the customers if there is any difficulty. Since, mobile network is extremely insecure and data are sent unencrypted, a customer can deposit or withdraw money five times a day and he can deposit or draw Tk 5,000 per day. One percent of the transaction amount or Tk 5, whichever is higher, will be taken as cash-in-charges. In case of cash out the charge will be 2 percent of the transaction amount or Tk 10. However, the registration fee, salary and remittance disbursement services will be provided free of cost.

Mobile operator Robi Axiata Limited, Eastern Bank Limited (EBL) and BRAC Bank Limited have begun a mobile remittance to facilitate Bangladeshi expatriates living abroad to transfer money through mobile phone. This is an easy, most convenient and secured way to receive foreign remittance. Selected retailers/distributors, Robi Service Partners (RSP), will act as cash out points (accredited by the partner banks) from where the beneficiaries can withdraw their remittance in cash. Initially the service will be launched at RSP's of Dhaka, Comilla and Chittagong region. Gradually the service will spread out all over Bangladesh. Customers of any mobile operator can receive remittance service from RSP and remittance recipients can get this service free of cost.

BURO Bangladesh is one of the high performing NGO/MFIs in Bangladesh. It has 621¹⁹ branches throughout the Bangladesh. BURO has already entered agreement with six leading Bangladeshi commercial banks, to use its branch network for the delivery of remittances.

BRAC has developed a policy strategy with regard to migrant workers' remittance. It plans to make a major dent in the informal hundi flow by launching its BRAC Bank. BRAC has decided to link up with other banks to harness remittance from Bangladeshi migrants. BRAC is confident that with its 2860²⁰ branches spread all over the country it can effectively serve migrant families and curb the hundi business. With such a wide network BRAC is confident that migrant workers overseas will find it an attractive option to send money through BRAC Bank.

Proper utilization of remitted fund

MFIs can work for the proper utilization of remittance. MFIs can assist the migrant and his family for effective utilization of remitted fund through some targeted programs like savings, microenterprise. Savings program may have monthly installment like the Deposit Premium Scheme (DPS) of different commercial bank. MFIs can vary the range of both installment size and maturity for the convenience of Migrant worker and his family. The monthly installment can be as low as BDT 500 or any multiples of it i.e. BDT 1,000, BDT 2,500, BDT 5,000 and so on. Maturity of fund may be 3/5/7/10 years. Another savings program MFIs may take like Fixed Deposit Program of different commercial bank. Here minimum amount to open a Fixed Deposit Account may be BDT 5000 or any multiples of it and maturity of fund may be

¹⁹ Annual report 2010, BURO Bangladesh

²⁰ Source: <http://www.brac.net/content/stay-informed-brac-glance> (Date:22/7/2011)

3/6/12/24/36/60/120 months. In these deposit programs Migrant or his family may receive interest like the commercial bank. Critics may ask, if these facility exist in commercial banks, why people go to the MFIs? It's because in every village or every ward MFIs have branch which banks have not and MFIs' staffs are more friendly than commercial banks' staff for the poor and less educated or illiterate persons.

For building microenterprise, MFIs can give support to migrant and his family members in two ways – (a) MFIs can provide credit to the home back migrant or his family members and (b) MFIs can provide good suggestion for enterprise development.

Almost these types of work MFIs started in Bangladesh. Among them mostly notable MFI is BRAC. Through its grassroots level programs BRAC can induce migrants and their families to open savings account. It may consider industrial financing and other productive investments for the account holders. BRAC leadership also feels “adequate monitoring and overseeing mechanisms should be at place to ensure that savings and investments of individuals are protected”.

BRAC has initiated a Microenterprise Lending and Assistance Program (MELA) catering to the small business owner and entrepreneur through providing credit and non-financial business development services. The concept is relatively new for Bangladesh particularly in rural areas. It was introduced through 10 branches of Rural Development Project (RDP) in 1997 and by the end of 1998 this program had expanded to 34 branches. Currently loans are disbursed in six sectors: textile, cottage, transport, food processing, agro-based farming and other enterprises. BRAC allocated Taka 100 million in RDP Phase IV (1996-2000) for MELA Program (Siddiqui, Tasneem & Chowdhury R. Abrar. 2003).

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

entrepreneurs who face problems finding access to reasonably priced credit before. The specific characteristics of MELA differ from more traditional small-scale credit programs. MELA provides loans to individuals (not small group formations as normal MFI credits are disbursed) for both working capital and capital investment.

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

On issues of utilization of remittances the Grameen Bank has expressed its interest to deal with them as test case. The Bank management believes, there is a lot of scope for effective harnessing and utilization of the migrants' hard earned remittance. Prof. Md. Yunus, former Managing Director of the Bank, stated that the Social Act Ordinance, 1983 through which the Bank is governed, does not allow Grameen Bank to deal with foreign exchange. This has been a major impediment for the Bank to access foreign exchange at the source countries. There may be two solutions to the problem. The Bank management may consider establishing links with commercial banks, such as the Sonali Bank²¹, which are authorized to deal in foreign currency. Under an arrangement, those banks will arrange remitting the money, and Grameen Bank through its countrywide network will distribute it at the grassroots. The other option could be Grameen Bank seeking permission from the government to deal with foreign exchange (Siddiqui, Tasneem & Chowdhury R. Abrar. 2003).

With regard to accessing migrant households Grameen management feel that with Grameen's presence in 81,379²² villages of the country it will not be a difficult task to reach the migrant families. The Bank is confident that with its long experience at the grassroots level work, it will be able to overcome any problem that it may encounter in engaging in a new venture.

²¹ A nationalized commercial bank in Bangladesh.

²² http://www.grameen-info.org/index.php?option=com_content&task=view&id=26&Itemid=175, February 12, 2012

Grameen management feels that the Bank already has several product items that remittance receiver or sender may choose from. Under one of its saving scheme the amount saved doubles in seven years. Another scheme offers a client a dividend of BDT 5000 for every one BDT 100,000 deposited. In addition, under the Grameen Mutual Fund a person depositing BDT 1000 per month will get more than double the amount invested after ten years (Siddiqui, Tasneem and Chowdhury R. Abrar. 2003).

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

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

There are legal constraints in involving MFIs in remittance. Dr. Salehuddin Ahmed, former governor of Bangladesh Bank pointed out that as all MFIs work under legal status of the Voluntary Society's Act, NGO Act or the Trust Act, they are prohibited to make financial transactions. In fact strict adherence of the law would not allow these MFIs to run even their credit programs. But over the years, their success in micro-credit has led the government allow them to continue. The government feels that the MFIs are performing important social and economic functions.

Another constraining factor is that MFIs are only allowed to mobilize savings of their clients. Unless the migrant workers or their families become members of these organizations, there is hardly any scope for these organizations to provide any form of service to this category of people.

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

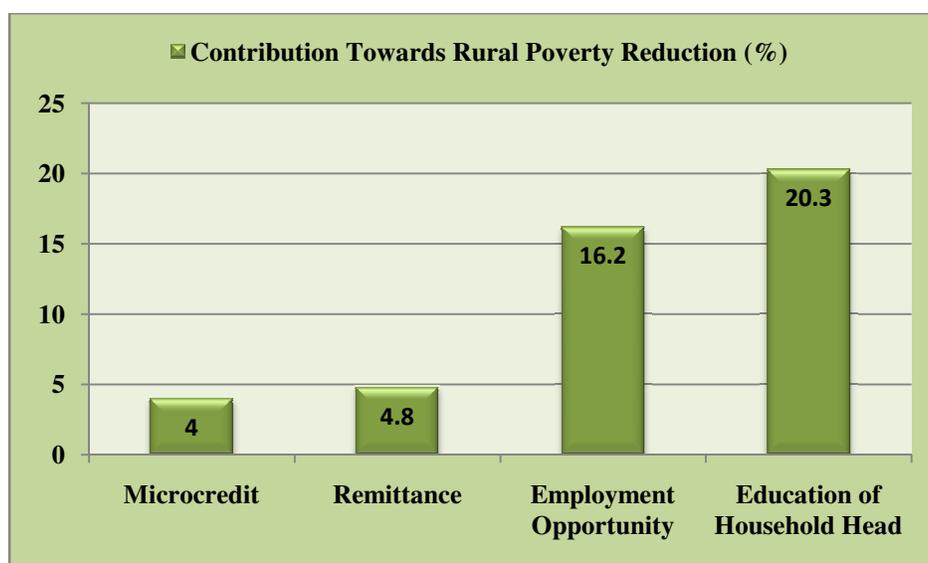
12. Impact of Remittance on Poverty in Rural Area

If the MFIs send a young, energetic, ambitious, hardworking member of a poor family in abroad who is willing to go abroad to earn more money after getting proper training from the MFIs according to his importer, then we expect that he will earn more money from his home country. When he sends this money to his country, this remittance gives a big push to his family to exit from the domain of poverty. After getting remittance, his family can easily repay the loan that they took from the MFI to send their member in abroad. When this family gets remittance then their consumption of all good will be increased. From table 4 we have seen that a family who received remittance, they spend 20-36% of their remitted money into food and clothing, 3-40% remitted money to purchase land, 2-30% of remitted money to construct or repair house, 10-19% remitted money used to repayment of loan, 3-7% percent remitted money used for savings, 0-5% remitted money used to education, 0-5% remitted money used to investment in business and 0-4% used for health care. So we found that consumption of all necessary good's is increased after getting remittance. Therefore we can say that this family may exit from the vicious cycle of poverty after getting remittance.

Remittance not only changes the financial condition of a family, but also it has a spillover effect on neighbor family. As we have seen that the consumption of all necessary goods are increased after getting remittance, then we can easily understand that the remittance receiver family bought these necessary goods and services from the nearest shop or neighbor family. So the income of neighbor family will also increase.

From table 4 we have seen that 0-7% of remitted money was used for funding for other peoples migration. So we see that remitted money are used for other peoples migration like brother, sister, nephew, brother-in-law, sister-in-law, friends etc. When this relatives or friends go to abroad then their family will also exit from poverty and this process is a continuous process. Therefore, we can say by sending one people into abroad MFIs not only alleviate poverty from one family but also it helps others family (relatives or friends family or neighbor) to exit from the domain of poverty. From the study of Osmani (2011) we came to know that remittance helps 4.8% rural family to exit from the poverty where microcredit helps 4.0% family to exit from the poverty. These means MFIs helps 8.8% family to exit from the domain of poverty. Figure 10 illustrates this matter:

Figure 9: Contribution toward Rural Poverty Reduction (%)



Source: S.R. Osmani et al (2011), Asset Accumulation and Poverty Dynamics: The Role of Microcredit

13. Conclusion

Remittance is the life blood of present Bangladesh economy. Once it was think that the huge population is a burden for Bangladesh. But at present, Bangladesh proves that this huge population is not a curse for her, it's a blessing from almighty creator. By exporting human recourse she now dreams that she will be the mid level income country within 2021. In this transition way microfinance institutions can keep a good contribution. They can help Bangladesh

government to earn more foreign currency by helping migrant for their migration, sending remittance and proper utilization of foreign remittance. By this way MFIs give a big push to the poor families of rural area which help them to exit from the domain of poverty by changing their socio-economic condition with remittance.

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