

Use of Remittances and Savings by Overseas Contract Workers of Bangladesh

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In view of the level of remittances flowing into the country out of the savings of nationals working abroad and their importance to the domestic economy, the present study looks into pattern of use of such remittances for various productive purposes. Productive use is seen here as having implication for the future flow of income- actual or potential. Based on the experiences of 306 returned migrants from the Middle East it has been shown that about 50 percent of the uses of remittances by the respective households could be labelled as productive. The productive use of remittances would depend on the level of savings that a household can generate out of overseas remittances received over and above the costs incurred due to family expenses and the ability of a family to appreciate the potentials of and to utilise remittances for productive purposes as depending on the socio-economic dynamics of the society. A greater exploitation of the potentials of overseas remittances would require an active participation of the government in mobilising overseas remittances into productive ventures.

I. Introduction

The savings of nationals working abroad, therefore, overseas remittances, are amongst the major development of the country during its post-independence era. They are now among the major source of foreign exchange for the country, and disposable income for thousands of migrant households dispersed across the country. Bangladesh has so far earned Tk. 146 billion as remittances from nationals working abroad- upto June 1989; this is equivalent to US \$ 5.49 billion. This is due to a total of about 1

million people who have so far migrated overseas on employment.¹ Overseas remittances have overshadowed the skepticism raised by expatriate experts about the economic viability of the newly independent country labelling it as a 'test case of development'.

The process of migration and the inflow and the use of remittances are major catalysts in the socio-economic development of the country.² This is particularly important in the areas where there is a concentration of migrant households. Remittances, through their disposal for consumption, services, and investment, created significant impact on the local economy. Creation of employment opportunities, vitalisation of the local economy, benefitting friends, relatives and neighbours in the forms of gifts, donations, and loans, contribution towards local infrastructure building, etc., are among the positive linkages of the inflow and the use of remittances. Alongside, inflationary pressures on land, construction materials, income elastic consumption items, social polarisation, rise in social tensions are also associated with the process of migration and the use of remittances.

Despite their limitations, overseas remittances are expected to have immense potentials for the overall development of the country, and to make a permanent dent on the economic

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1. Bangladeshis are now to be found in Japan, Taiwan, Hongkong, in the Far East; Malaysia, Brunei, Singapore, in the South East; in the Middle East and North Africa; in the UK, West Germany, France, Italy, Sweden, in the Western Europe; and in the USA and Canada. As of June 1989, some 664,331 Bangladeshis migrated to the Middle East; and the number of those currently staying in the UK will be more than 200,000. For further details on the level and trends of migration of Bangladeshis overseas, see, Mahmood, R.A., *Employment of Bangladeshis Abroad and Use of Their Remittances*, a report prepared for the Planning Commission, GOB, March 1990.
 2. Socio-economic dynamics of international migration and the inflow and use of remittances are discussed in Islam, M. et al., *Overseas Migration from Rural Bangladesh: A Micro Study*, Rural Economics Programme, Department of Economics, University of Chittagong, Bangladesh, September 1987; Siddiqui, A. M. A. H., 'The Economic Impact of Labour Migration from Bangladesh', in Arnold, F. and Nasra M. S. (eds.), *Asian Labour Migration: Pipeline to the Middle East*, Westview Press, Inc, 1986; Mahmood, R. A. *Post Migration Adjustment Problems and Policy Options: A Case Study of Bangladesh*, Asian Regional Programme on International Labour Migration, WP No. 1, February 1989.

conditions of the respective households.³ The exploitation of the potentials of overseas remittances would, however, depend on the state of public awareness about such latent potentials, and the use of the same for alternative purposes. That whilst accumulation of savings is the prime motive behind migration, the ultimate test of the success or failure of the process will lie at the capacity of the economy, and of the individual households, to make an optimal utilisation of the latent potentials of overseas remittances.

The purpose of the present exercise is to make a brief review of the level and patterns of use of remittances by individual migrant households. The end objective is to derive possible implications of the observed pattern of use of remittances for future planning. For the convenience of analysis, this paper is organised into three sections, besides the introduction and conclusion. Section II analyses the level and trends of remittances flowing into Bangladesh. Section III highlights some of the current patterns of use of remittances by the receiving households. The possible role that the government can play in mobilising a greater flow of remittances into productive ventures is discussed in section IV.

II. Level of Remittances

Based on official statistics Bangladesh earned a total of Taka 146 billion as remittances from the nationals working abroad during 1977 to June 1989. This is equivalent to US \$5.49 billion. Intertemporarily, the level of remittances flowing into the country increased quite rapidly. However, such a growth has not been all that steady. Remittances increased steadily until 1983; from an initial level of Tk. 866 million, as of 1977, the level of remittances increased to Tk. 15,684 million in 1983. The following year witnessed a significant downswing in the level of remittances which continued until 1985. The level of remittances took a sharp upturn beginning from 1988, and during the subsequent years they far exceeded the level of 1983. In 1988 overseas remittances

3. For the various potentials of overseas remittances and the rationale for productive use of remittances, see Mahmood, R.A., Implications of the International Movement of Labour for Trade and Development - with Particular Reference to Bangladesh, A doctoral dissertation on Economics, University of Sussex, May 1984.

reached the level of Tk. 24 billion which was equivalent to US \$737 million. This demonstrates that over a period of slightly more than a decade the level of overseas remittances flowing into Bangladesh increased by about 30 times (Table 1).

Remittances flowing into Bangladesh originate from two major regions of the world, e.g., Middle East, and Western Europe. This corresponds with the outflow of nationals overseas on employment. Both the absolute and relative shares of remittances originating from these two regions experienced significant changes over the years. The Western Countries accounted for more than three fourths of the remittances which were flowing into Bangladesh in 1977. Their relative share fell to less than a fourth in recent years. For the Middle East the opposite has been the case. Among the Middle Eastern countries their relative shares of the total remittances from the region changed very much over time. The relative shares of Qatar and the UAE, for example, consistently decreased over the years. For Oman, in contrast, it has been increasing. The KSA and the UAE, however, have all along been maintaining the first and second positions respectively. The USA and the UK between them account for more than 95 percent of the remittances coming from the Western Countries.

The official statistics on remittances, as are shown in Table 1, are a gross underestimation of the actual flow of resources coming from the nationals working abroad. This is because, by definition, remittances include all those resources coming into the country out of the savings of nationals working abroad, and that, depending on the mode and channels of transfer, remittances can be in cash and kind, and may be coming either through the institutional or unofficial channels.⁴ However, the official

4. Depending on the forms they take, and the channels they flow through, remittances may be defined as,

$$R_m = (T_{hc}^o + T_{hc}^p) + (T_{hg}^m + T_{hg}^a) \text{ where,}$$

R_m = level of remittances coming into the country at any point in time ;

R_{hc} = Transfers made back home out of savings of nationals working abroad in the form of cash. The superscripts refer to such transfers being made through official channels (o), and private channels (p).

T_{hg} = Transfers made in the form of goods paid out of migrants' savings abroad.

The superscripts 'm' and 'a' refer respectively to goods imported having been duly accounted for to the Customs Officials, and those brought home outside regular import channels. The latter includes accompanied and unaccompanied baggages of an incoming migrant, smuggled goods paid for out of overseas earnings of nationals abroad, etc.

Table 1 : Geographical Origin of Remittances into Bangladesh

Years/ Periods	MIDDLE EAST ^a			WESTERN COUNTRIES ^b			ALL OTHERS		GRAND TOTAL		
	Amount in Millions		Percen tage of Total	Amount in Millions		Percen tage of Total	Amount in Millions		Percen tage of Total	Amount in Millions	
	Taka	(US\$)		Taka	(US\$)		Taka	(US\$)		Taka	(US\$)
1977	172	11	19.86	662	43	76.44	32	2	3.70	866	56
1978	605	40	37.35	893	59	55.12	122	8	7.53	1620	108
1979	1274	82	45.47	1395	90	49.79	133	9	4.75	2802	180
1980	2450	159	50.96	2345	152	48.77	13	1	0.27	4808	311
(1977-80)	4501	292	44.58	5295	344	52.45	300	20	2.97	10096	655
1981	3696	205	62.20	2216	123	37.29	30	2	0.50	5942	329
1982	8397	380	72.79	2687	121	23.29	452	20	3.92	11536	522
1983	12232	497	77.99	3000	122	19.13	453	18	2.89	15684	637
1984	9877	390	77.61	2394	94	18.81	455	18	3.58	12726	502
(1981-84)	34202	1472	74.53	10297	460	22.44	1390	58	3.03	45889	1990
1985	10419	363	75.74	3162	110	22.99	175	6	1.27	13756	479
1986	13590	448	79.38	3077	102	17.97	454	15	2.65	17121	565
1987	16549	501	71.78	5257	159	22.80	1248	38	5.41	23054	698
1988	16628	505	70.61	4626	141	19.64	2295	70	9.75	23549	716
(1985-88)	57186	1817	73.81	16122	512	20.81	4172	129	5.38	77480	2458
1989	8031	244	94.60	246	8	2.90	212	6	2.50	8489	258
(Up to June)											

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

b. Include only 4 major Western countries.

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

Table 2 : Inflow of Remittances from Middle East Country-wise and Period-wise

(Tk. in Millions)

Countries	Periods									
	1977-1980		1981-1984		1985-1988		1989 (Up to June)		1977-1989 (Up to June)	
	Total	%	Total	%	Total	%	Total	%	Total	%
Bahrain	86	1.83	454	1.32	1342	2.33	223	2.76	2105	2.01
Iraq	450	9.58	3482	10.14	2418	4.20	134	1.66	6484	6.20
K.S.A.	1807	38.48	15555	45.31	24565	42.71	3594	44.45	45521	43.51
Kuwait	499	10.63	3457	10.09	9931	17.27	1585	19.60	15472	14.79
Libya	287	6.11	2358	6.87	1744	3.03	95	1.18	4484	4.29
Oman	117	2.49	1678	4.89	5977	10.39	660	8.16	8432	8.06
Qatar	374	7.96	2112	6.15	4111	7.15	766	9.47	7363	7.04
U.A.E.	881	18.76	5106	14.87	7098	12.34	974	12.05	14059	13.44
Sub-Total	(4501)	(95.85)	34202	(99.62)	(57186)	(99.43)	(8031)	(99.33)	(103920)	99.33
Others	195	4.15	129	0.38	325	0.57	54	0.67	703	0.67
Total	(4696)	(100.0)	(34331)	(100.0)	(57511)	(100.0)	(8085)	(100.0)	(104623)	(100.0)

Source : Same as Table 1.

statistics cover only the cash remittances through the institutional channels— banks and post offices. What about the other composite elements of remittances flowing into the country ? The failure to include all these different components of remittances gives a gross underestimation of the actual level of remittances flowing into the country.

One should note further that the official estimates of remittances are derived by converting foreign exchange received from nationals working abroad via the official rate of exchange. For example, 1 US \$ received as remittances is reported by the Bangladesh Bank as being equivalent to Tk. 34 (US \$: Taka, say, being 1:34). However, from the migrant households, point of view they would have received Tk. 35 from the same foreign exchange converted at the WES rate. In terms of disposable income in the hands of the migrant households it is Tk. 35, not Tk. 34 as reported by the Bangladesh Bank, which it all should matter.

Given the low coverage of the official statistics on remittances one logical question would be : what is the maximum possible level of remittances that Bangladesh could have earned from the nationals working abroad. An answer to this question would give an idea of the level of underestimation provided by the official statistics of the actual flow of remittances. If the maximum possible level of remittances that could be expected from the nationals working abroad at any point in time is called the 'Potential' level of remittances, a comparison of this with the official estimates of remittances will give some idea of the level of underestimation. Based on the assumption that remittances are a function of the level of savings of nationals working abroad, and given the fact that whatever the nationals save abroad is the maximum that the country can expect as remittances, an estimate of their aggregate level of savings abroad would provide the corresponding estimate of the potential level of remittances. The aggregate level of savings is a product of the average level of savings and the stock of nationals abroad at a given point in time.⁵

5. potential level of remittances (PR) is defined as

$$PR_t = \sum_i \sum_j S_i m_{ij}, \quad i=j=1,2,\dots,n$$

where,

s = average level of savings of nationals abroad ; m = stock of nationals working abroad at any point in time t ;

i = i'th skill category ; j = j'th country.

For further details see, Mahmood, R.A. (1984).

Despite various methodological limitations, an estimate of the potential remittances from Bangladeshis working in the UK and Middle East conforms that they are much higher than the remittances reported by the official statistics. The level of remittances through the informal channels would be no less than 20 percent in the case of the UK and 10 percent in the case of Middle East. If this is accepted, the corresponding level of such informal transfers will amount to Tk. 1,457 million even as early as in 1985. Of this, Tk. 415 million would come from the UK and Tk. 1,042 million from the Middle East.⁶

Noteworthy, the official statistics on remittances may contain earnings not necessarily originating from the nationals working abroad. To take advantage of the higher exchange premium offered to the earners of remittances, as well as to evade tax, incomes accruing to nationals abroad due to underinvoiced imports, overinvoiced imports, payments received by public servants from various international negotiations, may come into the country in the guise of overseas remittances. A proper adjustment of remittances for such non-remittances income will give a lower value of remittances based on official statistics.

Despite the various limitations, based on available statistics, overseas remittances are now among the most important sources of foreign exchange to the country. As of 1987/88, they are equivalent to about 56 percent of the export receipts ; one quarter of the import payments ; and 46 percent of the current account deficits. They are equivalent to 5 percent of the GDP. The relative importance of remittances becomes much more vivid if compared with the Annual Development Programme of the country, and development allocations for various sectors of the economy. Remittances were 3.5 times higher than the ADP allocation for industrial development during 1987/88 ; 9 times higher than the allocation for agriculture ; and 10 times higher than that for education and training.

6 . A detailed treatment of the various aspects of the Non-formal transfer of remittances is given in Mahmood, R.A., and Farid Bakht, Overseas Remittances and Informal financing in Bangladesh, Research Report No. 89, BIDS, February 1989.

Table 3 : Importance of Overseas Remittances

(Remittances as percentage of)

Macro Parameters	Year		
	1980/81	1984/85	1987/88
Gross Domestic Product	3.16	3.31	4.76
Gross Domestic savings	136.11	67.64	83.81
Export Earnings	53.96	43.94	55.75
Import Payments	16.62	16.88	25.06
Balance of Trade Deficit	23.02	27.42	45.51
External Aids and Loans	41.31	39.62	—
Tax Revenue	34.78	34.47	53.28
Non-Tax Revenue	110.43	482.84	273.52
Total Current Revenue	26.45	15.86	22.53
Annual Development Program	26.16	28.26	50.85
Remittances (Tk. in Million)	6197.10	11525.40	22948.30

Source : BBS, Statistical Year Book of Bangladesh, different issues.

Exchange Control Department, Bangladesh Bank.

Annual Import Payments, Bangladesh Bank.

Economic Survey of Bangladesh, Ministry of Finance, GOB.

III. Use of Remittances

Common Uses of Remittances

Based on the experiences of 306 returned migrants from the Middle East,⁷ the most common and important uses of remittances have been found to be for the construction and development of houses, purchase of land, machinery and transport equipment, wedding and festivals, and education of children (Table 4). Two major uses of remittances, both in absolute and relative terms, are construction and development of houses and purchase of land. On an average Taka 1,02,000 is used for the purchase of land ; and Taka 95,000 for the construction and development of houses. They account respectively for 15.25 percent and 19.00 percent of the remittances received by the sample households. About a fourth of the migrant families keep on an average Taka 125,000 in banks as fixed deposits equivalent to about a tenth of the remittances received by them.

Table 5 shows that the level of remittances used for a particular item is positively related to the skill level of the migrants.⁸ For most of the items listed in Table 4, the average level of remittances used by a professional and semi-professional is significantly higher than that used by the lower skill groups. There are, however, a few items on which a greater use of remittances is specific to a particular skill group. Average level of remittances

7 . This is due to a survey carried out during January-March 1985, in four districts of Bangladesh. The basic objective of the survey was to ascertain the changes experienced by returned migrants from the Middle East in terms of their socio-economic status between pre-and post migration periods. In total 368 returned migrants were interviewed based on a pre-designed questionnaire, and they covered migrants from different skill categories, e.g., professionals and semi-professionals, skilled, semi-skilled and unskilled. The outcome of the survey is reported in Mahmood, R.A., *Bangladeshi Returned Migrants from the Middle East : Process, Achievement and Adjustment*, Bangladesh Institute of Development Studies, May 1986.

8 . The composition of the skill groups identified in the table is as follows : *Professionals and semi-professionals* : doctors, engineers, cost and chartered accountants, computer experts, administrators, diploma engineers, teachers, nurses, foremen ; *skilled* : masons, drivers, plumbers, mechanics, welders ; *semi-skilled* : rod binders, mason helpers, laundrymen, mechanic helpers, shop workers, hotel boys ; *Unskilled* : labourers, municipality workers, and all other trades which are mainly menial.

used for repayment of loans, for instances, is the highest in the case of unskilled migrants ; the semi-skilled though spent the most in relative terms. Both the average and relative uses of remittances towards wedding are also the highest in the case of unskilled migrants.

Table 4 : Use of Remittances for Alternative Purposes

Use of Remittances	Number of Cases	Percentage of Migrants	Level of Remittances Used		Percentage of Remittances Used
			Absolute (Tk. '000)	Average	
Construction and Development of Houses	196	64.05	1,84,92	94	19.00
Purchase of Land	145	48.39	1,48,37	102	15.25
Machinery and Equipment	6	1.96	55	9	0.06
Vehicles	15	4.90	29,32	195	3.01
Consumer Durables	74	24.18	15,76	21	1.62
Fixed Bank Deposit	71	23.20	88,61	125	9.11
Business	43	14.05	39,27	91	4.04
Education of Children	147	48.04	18,33	12	1.88
Repayment of Loans	141	46.08	42,75	30	4.39
Donation to Relatives	142	46.41	20,17	14	2.07
Wedding	175	57.19	86,23	49	8.86
Treatment	181	59.15	32,49	18	3.34
(Sub-Total	—	—	(7,06,82)	(231)	(72.64)
Total Remittances Received	306	—	9,73,02	318	—

Source : Computed from raw data generated by Mahmood (1986).

Table 5 : Alternative Use Remittances by Differential Skill Categories

(Taka in '000)

Skill	Alternative Use of Remittances												
Category	Total Remittances Received	Construction and Development of House	Purchase of Land	Machinery & Equipment	Vehicles	Consumer Durables	Fixed Deposit	Business	Education of Children	Repayment of Loan	Assistance/ Donation to Relatives	Wedding	Medical Treatment
<u>Professional & Semi-professional</u>													
Average	729.10	159.23	180.00	19.50	296.11	34.18	261.92	165.39	25.74	23.82	38.12	41.56	72.01
Percentage	—	21.79	28.23	3.70	24.29	5.73	24.61	32.08	3.75	5.85	3.88	7.51	3.54
No. of cases	(48)	(26)	(37)	(2)	(9)	(28)	(25)	(13)	(19)	(17)	(26)	(18)	(22)
<u>Skilled</u>													
Average	271.21	63.99	75.29	4.33	44.50	20.04	59.00	89.29	9.14	17.15	9.26	30.97	9.40
Percentage	—	22.46	32.74	8.95	10.09	6.02	16.64	30.25	4.93	14.69	3.32	14.90	4.94
No. of cases	(119)	(80)	(51)	(3)	(6)	(24)	(23)	(14)	(66)	(56)	(53)	(54)	(77)
<u>Semi-skilled</u>													
Average	194.41	190.66	78.89	3.00	—	11.71	200.00	31.40	5.67	18.11	7.73	17.25	12.38
Percentage	—	19.18	31.07	1.46	—	4.09	13.05	13.90	3.51	17.83	3.44	14.70	5.32
No. of cases	(42)	(27)	(25)	(1)		(7)	(1)	(5)	(15)	(18)	(22)	(20)	(25)
<u>Unskilled</u>													
Average	220.18	64.94	74.06	—	—	9.20	34.36	33.64	13.96	51.00	8.90	70.63	11.07
Percentage	—	27.73	25.26			4.51	14.07	25.71	7.55	13.00	3.59	16.48	7.98
No. of cases	(95)	(63)	(32)			(15)	(22)	(11)	(47)	(51)	(41)	(83)	(57)

Source : Computed from raw data generated by Mahmood (1986).

If the ownership of agricultural land prior to migration is taken as an index of one's pre-migration socio-economic status, as Table 6 shows, this will correspond well only with respect to the items on which remittances are mostly used, i.e., land, house, etc. In the case of machinery and transport equipment, however, migrants owning very little land prior to migration spend proportionately more, i.e., 4.97 percent, as compared to 1.46 percent in the case of the highest land owning group. Moreover, the extreme land ownership groups spend a significant proportion of their remittances for the establishment of trade and business of some sort.

Productive Use of Remittances

Any classification of the different uses of remittances into some economically meaningful groups, say, productive and non-productive, is immensely difficult. This is because, whatever might seem productive from an individual's point of view may not be so from the national point of view and vice-versa. Purchase of land, for instance, will add to the productive assets of a migrant household and should, therefore, be termed as productive. However, from the national point of view purchase of land simply involves a transfer of ownership, and makes no additional contribution to the national economy. Similarly, expenditures on education would seem productive from the micro point of view but not from the macro.

Despite such differences in the interpretation of the various uses of remittances, we have identified below a list of items which may be termed as being productive uses of remittances. Two definitions of productive uses, i.e., denoted as definitions 1 and 2, are used here.⁹ Average and relative uses of remittances under both the definitions are analysed with respect to the various socio-economic characteristics of the migrant households. Table 7 shows that out of total remittances of Taka 95.99 million received by the sample migrant households, about 49 percent are used for productive purposes under the definition 1. The average use of

9. Productive uses of remittances under definitions I and II are as follows. Definition I covers expenditures incurred on the purchase of land, construction and development of houses, purchase of machinery, vehicles, establishment of business and fixed deposits in banks. Definition II covers, in addition to the items included under Definition I, remittances used for medical treatment and education to members of a migrant family.

Table 6: Use of Remittances by Ownership of Agricultural Land Prior to Migration

(In percentage terms)

Land Ownership Groups (in acres)	Average Remittances Received (Tk. in '000)	Uses of Remittances for										Wedding	Medical Treatment
		Construction and Development of House	Purchase of Land	Machinery & Equipment	Vehicles	Consumer Durables	Fixed Deposit	Business	Education of Children	Repayment of Loan	Assistance/ Donation to Relatives		
Upto 0.50	210.10 (52)	22.47 (28)	27.50 (24)	4.97 (2)	20.84 (2)	1.31 (12)	8.51 (6)	35.94 (11)	3.93 (24)	17.61 (22)	4.7 (26)	12.72 (22)	6.71 (31)
0.51-1.00	362.21 (52)	19.28 (32)	30.23 (30)	1.64 (2)	2.51 (2)	5.81 (12)	27.54 (9)	15.64 (4)	6.90 (23)	16.21 (25)	2.79 (25)	14.49 (24)	4.25 (24)
1.01 - 1.50	184.25 (32)	20.97 (18)	28.34 (14)	-	4.17 (1)	6.21 (6)	14.93 (7)	27.04 (5)	3.76 (19)	11.55 (15)	3.34 (12)	13.99 (14)	8.42 (18)
1.51-2.00	386.92 (12)	51.49 (8)	31.68 (6)	1.46 (1)	2.78 (1)	3.83 (5)	23.04 (5)	40.98 (1)	4.25 (8)	3.79 (7)	5.36 (7)	16.12 (5)	2.04 (6)
2.01 & above	504.03 (37)	23.16 (23)	29.06 (23)	-	28.87 (3)	5.56 (16)	15.07 (24)	33.47 (7)	4.00 (20)	17.43 (11)	3.08 (20)	12.69 (20)	7.52 (23)

Note : Figures in the parentheses refer to the number of cases on which the estimates are based.

Source : Same as Table 5.

Table 7 : Productive Use of Remittances by Various Socio-economic Characteristics of Migrants

(Tk in '000)

Socio-Economic Groups	Number of Cases	Remittances Received		Remittances Used Productively by			
		Total	Average	Definition I		Definition II	
				Average	%	Average	%
Occupation							
Professional & Semi-professional	49	353,57	722	477	66.06	493	68.29
Skilled	119	317,54	267	96	35.90	109	40.96
Semi-skilled	42	88,92	212	87	41.01	95	45.02
Un-skilled	96	199,85	208	85	40.80	98	47.12
Length of Stay Abroad							
Upto 12	37	31,73	86	39	45.82	42	49.54
13-24	70	100,47	144	66	46.15	74	51.45
25-36	72	165,60	230	116	50.25	123	53.57
37-48	43	143,18	332	180	54.20	199	59.76
49-60	32	155,26	485	248	51.13	274	58.56
61& above	52	363,64	699	316	45.23	339	48.46
Remittances Received							
Upto - 100	85	63,40	75	19	25.66	23	30.50
101-200	93	132,14	142	50	35.18	61	43.30
201-600	91	377,72	415	160	38.62	175	42.27
601& above	36	396,63	110	707	64.15	734	66.77
Land Ownership							
Upto - 0.50	52	109,25	210	39	18.32	44	21.10
0.51-1.00	52	188,35	362	34	9.43	40	11.05
1.01-1.50	32	58,96	184	28	15.28	35	19.17
1.51-2.00	12	46,43	387	51	13.12	54	14.06
2.01& above	37	46,82	127	28	21.76	29	22.68
All Together	306	959,88	314	152	48.50	165	52.69

Source : Computed from raw data generated by Mahmood (1986).

remittances for productive purposes is Taka 152,000. Under the second definition - which takes expenditures on education and medical treatment also as productive, the relative use of remittances for productive purposes rises to 53 percent of the total.

Looking through Table 7 one observes that both the average and relative uses of remittances for productive purposes correspond well with the various socio-economic characteristics of the migrants. The highest absolute and relative uses of remittances for productive purposes are due to the professionals and semi-professionals. As high as 68 percent of their remittances are used for productive purposes. For the unskilled migrants the corresponding figure is 47 percent. Excepting for the professionals and semi-professionals, the relative uses of remittances for productive purposes would seem to demonstrate an inverse relationship with the skill level of the migrants. This is quite significant under the second definition used.

With regard to the length of stay abroad of the migrants, the relative use of remittances for productive purposes increases monotonically upto a maximum duration of 4 years. Beyond this period, relative use of remittances for productive purposes gradually declines, the absolute level of remittances used for that purpose though continues to rise. Both the absolute and relative uses of remittances for productive purposes correspond positively with the level of remittances received. Migrant families receiving total remittances upto Taka 100,000 for instance, used at the most 31 percent of the total remittances received for productive purposes ; the corresponding figure for the highest remittances receiving group is 67 percent. The observed relationship between the use of remittances for productive purposes and the pre-migration land (agricultural) ownership of the migrant families is erratic.

IV. Role of Government for Productive Use of Remittances

Channeling remittances into productive uses will require three sets of pre-conditions. First, the migrants or the respective families should accumulate some surplus (out of overseas remittances received by them) over and above their immediate consumption needs. Second, there should be adequate opportunities for using remittances productively. Third, and most

important of all, government policies towards productive use of remittances should be appropriate and consistent.¹⁰

In the context of Bangladesh, for a great majority of the migrant families the surplus generated out of overseas remittances is very low. An enhanced standard of living following migration and the observance of various social occasions account for a sizeable proportion of the remittances received. Use of remittances for consumption purposes results from the failure of the migrants or concerned families to appreciate the need for productive use of remittances. The observed low level of use of remittances for productive purposes could further be related to a lack of adequate investment opportunities in the country-capital or portfolio. Opportunity for investment is seen here in relation to the expectations and managerial qualities of the migrants or of the respective family members. Even with respect to the simple forms of investment in assets such as Saving Certificates, Postal saving Schemes, Prize Bonds, Wage Earner's Development Bond, etc., very few of the migrant families are aware of these schemes, let alone to make use of them. In the case of capital investments, official requirements are so stringent that it takes years before any investment plan can actually be realised.

Given these different constraints, there are three important areas where the government could play an active role to encourage greater use of remittances for productive purposes. These are : (i) awareness building ; (ii) creation of new opportunities for investment ; and (iii) direct participation.

10. The current government policies towards overseas remittances may be divided into two broad groups : (a) those designed to encourage a greater flow of remittances through the institutional channels ; (b) those designed to encourage productive uses of remittances. Under the first set of policies, nationals working abroad are allowed to : (i) have a higher exchange premium which is compatible with the market rate of foreign exchange, (ii) open foreign currency accounts and retain their overseas savings in foreign currency until six months after they have returned home permanently, (iii) repatriate abroad the savings kept in foreign currency accounts, (iv) use foreign exchange earned to import goods allowable under the Bangladesh Wage Earners Scheme, and (v) enjoy tax exemptions for their overseas savings. The second set of policies include : (i) Wage Earner's Development Bond, (ii) Investment from the appropriate authority (ies), and (iii) import certain capital machinery out of overseas savings at a concessionary rate, or free of licensing requirements.

i) Awareness Building : This will have two aspects. First, to generate awareness among the migrants or the respective families about the need for utilising a part of their overseas remittances for productive purposes, i.e., to accumulate assets which would yield some return, or having scope for capital gains or resale values. The second aspect of awareness building will relate to making people aware of the opportunities available in the country to invest their overseas savings, i.e., areas/sectors where opportunities exist for investment.¹¹ As a method of raising awareness, different publicity media, e.g., radio, television, newspapers, could be used more widely. Publication of booklets and pamphlets covering the various aspects of productive use of remittances and their distribution among the migrant families would seem quite useful.

(ii) Creation of New Opportunities for Investment : In addition to the existing investment opportunities, new facilities will need to be created. These should take into account the attitudes and expectations of the migrants, geographical areas within Bangladesh where they come from, and their financial and entrepreneurial capabilities.

(iii) Direct Participation of the Government : This will be seen both as complementary and substitute to the other roles recommended for the public authorities. Direct participation of the government could have three important facets. First, in the events of disinvestment or denationalisation of industries currently belonging to the public sector a part of this could be earmarked for the nationals working abroad payable, preferably, in foreign exchange. Secondly, government could undertake new investments with a view to selling them off to the prospective migrants at a later date. The nature and level of such investments should conform to the financial and entrepreneurial capabilities of the prospective buyers. Thirdly, government could set up institutional facilities whereby overseas remittances could be diverted into productive uses. One suggestion here would be to create financial institutions, may be called Overseas Development Fund, geared to channeling overseas remittances to the

11. Overseas remittances have great potentials for investment and employment generation in sectors such as : (i) agriculture, (iv) river and road transportation, (v) service industry as such, and (vi) industry. For further details on this, see, Mahmood, R.A., "International Migration and Domestic Economy", in Islam, R., and Muqtada, M. (eds.), Bangladesh Selected Issues in Employment and Development, ARTEP/ILO, New Delhi, 1987.

prospective investors within Bangladesh. It will draw its loanable fund from the foreign currency deposits of nationals working abroad, and provide long-term investment loans to the prospective investors within Bangladesh. Public ownership of the fund on a majority basis would act as a security to its depositors, as well as an important source of initial capital.

V. Conclusions

Given the magnitude and potentials of overseas remittances, and the expectations of the migrants to use these to improve upon their socio-economic conditions, the current pattern of uses of remittances would seem to be far from being the optimal. Based on even a seemingly loose definition^{*} of the productive use of remittances, only half of the remittances used by a sample of 306 returned migrants from the Middle East could be classified as being productive. From the national point of view the corresponding share will be even lower. Productive use of remittances appears to be function of the level of remittances received by the migrant households. The latter would, however, depend on the skill composition of the migrants as well as on the tenure of their employment abroad. The low level of use of remittances for productive purposes could be explained in terms of three factors : (i) lack of adequate surplus generated out of overseas remittances over and above the immediate consumption needs of the family ; (ii) inability of the migrants or the respective households to appreciate the need for, and/or utilise a greater proportion of remittances for productive purposes ; and (iii) lack of adequate investment opportunities within the country for the productive use of remittances.

A proper exploitation of the potentials of overseas remittances for investment and employment generation will require an active participation of the government in this matter. The three important areas in which the government could play an active role are : (a) awareness building among the migrants about the need for and potentials of a greater use of remittances for productive purposes ; (b) creation of new opportunities for the investment of overseas remittances keeping in view the financial capabilities, expectations, entrepreneurial qualities, and geographical distribution of the migrant families within Bangladesh ; and (c) direct participation in channeling remittances into productive uses, and in creating institutional facilities geared to this direction.

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