
Business and Non- Business Uses of Individual Foreign Remittances in Bangladesh

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Abstract

The study attempts to identify the uses of foreign remittance in Bangladesh's business and non-business sectors. The researcher uses different financial and statistical techniques. A structured interview schedule is designed to collect the primary data. The study finds that almost 77% of remittance users do not use remittances in business sectors. A huge number of users (54.9%) are unemployed and housewives; hence, they only spend remittance purchasing daily necessities, luxuries, fashionable items, etc. Only 23% of remittances are used in the business and investment sectors. There is a negative correlation between business uses and non-business uses of remittance. Finally, the study recommends that both senders of remittance and the government should motivate the remittance receivers to save and invest a portion of remittance in business sectors for economic development. Remittance receivers should control their expenses for unnecessary or least required items.

Keywords: Business Uses of Remittance, Business Organization, Non-profit Organization, Foreign Remittance, Non-resident Bangladeshi, Households, Expenditures, Festivals.

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1.0 Introduction

A good number of Bangladeshi citizens, who are called NRBs, are living and working all over the world. These NRBs invest their time, labor, and skill abroad. As a reward, they earn foreign currencies (FC) and sending back these FCs to the parent

country Bangladesh as remittances. The receiver and users of these remittances are usually commercial banks and household sectors of Bangladesh. Remittance most commonly refers to the funds expatriates send to their country of origin via

wire, mail, or online transfer. These peer-to-peer funds transfers across borders are economically significant for many developing countries. Remittances have been playing an important role in the economy of developing countries (Akhter, 2016). In general, remittances are of two types, namely i) Individual; ii) Collective. Individual remittance is the financial transfer to a household or relatives. At the same time, collective remittance covers bulk transfers by a group of migrants, associates, or professional bodies gathering resources together and sending them for community programs. Individual remittances are mostly used in family matters, whereas collective remittances are contributed to community advancement. Workers' remittances are present transfers by migrants who are employed or intend to stay employed for more than a year in another economy in which they are considered residents. Social remittances are typically defined as the ideas, practices, identities and social capital that flow from receiving to sending country communities. The researcher attempted to determine the business and non-business uses of foreign remittances in Bangladesh.

Non-business uses of remittances indicate those sectors from which users of remittances will not earn profit or they cannot add value to their money. For example, buying clothes, dresses, furniture, luxuries, etc., or spending in observing festivals, etc. Business uses of remittances indicate the utilization of remittances from where the user can expect more money in the future. Investing in share markets, depositing in Banks or other financial institutions, purchasing land for sale, investing in business operations etc. can be treated as the business uses of remittances.

2.0 Literature Reviews

Foreign Remittance means the purchase and sale of freely convertible foreign currencies as admissible by "Foreign Exchange Regulations Act-1947" and "Guidelines for Foreign Exchange Transaction –VOL. 172 of the country. The purchase of foreign currencies constitutes inward foreign remittance, and the sale of foreign currencies is outward foreign remittance. In a broad sense, foreign remittance includes all sale and purchase of foreign currencies on account of import, export, travel and other purposes. However, specifically, foreign remittance means the sale & purchase of foreign currencies for the purpose other than export and import. As such, this chapter will not cover the purchase & sale of foreign currencies on account of import & export of goods.

ILO (2015) claimed that each year, more than 400,000 workers leave Bangladesh for overseas employment. Bureau of Manpower, Employment and Training (BMET) disclosed that up to December 2017, 114 million Bangladeshi people are living outside of Bangladesh (BMET 2017). A study on Bangladesh by Datta and Sarkar (2014) attempted to analyze the impact of remittances on economic growth using time series econometric techniques, specifically, the autoregressive distributed lag (ARDL) framework taking only two variables remittance and GDP under consideration. The study suggests that while remittances can foster growth and development as well as prevent the balance of payment crises, they can also have a negative impact on growth if used for conspicuous consumption or unproductive purpose. The findings of this study show that there is a possibility of a long-run relationship between remittances and GDP, but there is no predictive causal relationship, neither in the short-run nor in long-run. Siddique, Selvanathan and Selvanathan (2012) conducted a study on remittance and economic growth on major South Asian countries (i.e., Bangladesh, India and Sri Lanka). This article investigated the causal link between remittances and economic growth by employing the Granger causality test under a Vector Auto Regression (VAR) framework using time series data over a 25-year period from 1980-2005. The empirical analysis identifies that remittances have a mixed response to economic growth. The study finds no causal relationship between remittance and economic growth in the case of Bangladesh and India. But for Sri Lanka, a two-way causal relationship is found between remittance and economic growth. Hasan (2020) finds in a study that people spend more on religious festivals than other ones. But this study did not mention the business and non-business uses of remittance.

The literature review shows that some works have been done regarding remittances and their uses or contribution. But no comprehensive work has been done on the business and non-business uses of remittances in Bangladesh. The present study attempted to minimize this research gap.

3.0 Objectives

The objectives of this study are as follows:

- i. To identify the business and non-business uses of foreign remittances in Bangladesh
- ii. To rank the sectors of business and non-business uses of foreign remittances in Bangladesh
- iii. To find out the way to mitigate the non-business uses of foreign remittances in Bangladesh

4.0 Methodology

This is an empirical study to identify the business and non-business of remittances by the remittance receiver of Bangladesh. The study collects data from Shariatpur District of Bangladesh, from where a huge number of people are working abroad, especially in Middle East Asia, European Countries, and America. Random Sample Technique is used. The study period and Data collection period from July 2021 to June 2022. Likert Scale 5.0 is used to evaluate the questionnaire collected from the remittance receiver of the selected area under study. Descriptive statistics, correlation, and ranking methods are used in this study. A set of questionnaires is designed to collect the responses from the remittance receivers.

5.0 Analysis and Findings

This section analyses the business and non-business uses of remittances by the household sectors of Bangladesh.

5.1 Occupation of Remittance Receivers

Uses of remittance mostly depend on the occupation of the remittance receiver. The following table shows the frequency of occupation of the remittance receiver. Chowdhury (2020) finds in their study that migrant workers have been playing an important role in propelling the country's economic activities for a vast majority of the low-income population. Bangladesh is one of the major remittance recipient countries and earned US\$21.8 billion in 2020. Over half a million workers from Bangladesh are employed in foreign countries annually, which eases the pressure on the domestic labor market considerably. However, the inflow of these enormous remittances has been encountered by various challenges including the ongoing COVID-19 pandemic, which has brought numerous adverse socio-economic impacts on migrant workers.

Table 01: Occupation of Remittance Receiver

		Unemployed	Self Employed	Government Service	Private Service	House Wife	Total
Gender of Remittance Sender	Male 73.9%	44	25	10	16	0	95
	Female 26.1%	15	12	3	3	25	58
Total		59	37	13	19	25	153

Source: Developed by authors

It is revealed from Table 01 that 73.9% of remittance users are male and 26.1% of users are female, and most females are only housewives. Surprisingly, 38.6% of

remittance receivers are unemployed and 16.33% are housewives. They have not been involved in any kind of financial activities to earn for their family. They use remittances only for consumption. Mankiw (2012) says consumption is the spending by households on goods and services, except for purchases of new housing. This means that the household remittances are not for business purposes.

5.2. Business Uses of Remittances

In Bangladesh, remittance receivers are mainly household sectors, especially the remittance senders' family members. Uses of remittances in profitable sectors are treated as the business uses of remittance under this study. Starting a new business like a store, grocery shop, etc., or investing in a new sector, investing in the Share market, depositing money in Banks such as DPS or FDR, etc. are examples of business uses of remittances.

5.3 Non-business Uses of Remittances

Uses of remittances in non-profitable and consumption sectors are treated as the non-business uses of remittances in this study. Purchasing daily necessities, cost of family maintenance, paying house rent, consumption, buying furniture, electronics, luxuries, dresses, and festivals (EID, pujas, etc.) expenditures are treated as the non-business uses of remittances under this study.

5.4 Analysis of the Age Group of Remittance Senders

The study has chosen five age classes of remittance senders. The study does not consider non-residents Bangladeshi whose age is below 20 years.

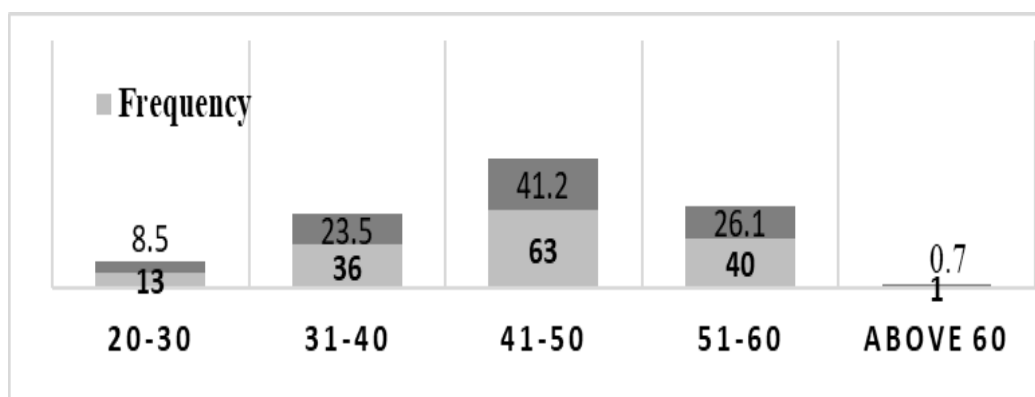


Figure 01: Age Group of Remittance Sender (Source: Developed by author)

Among the sample study, the maximum remittance sender's age is between 41-50 years, and the percentage is 41.2%. They left the country at an earlier age, like below 40 years, and they settled their working life and stayed more years. Some of them are coming back to their homeland after 50-60 years.

5.5 Job Criteria of the Remittance Sender and the Sources of Remittances

Most of the NRBs are staying in Middle-East Asian countries. They can be classified into skilled, semi-skilled and unskilled workers. Some NRBs are students, Restaurant workers, Construction workers, and professionals like Doctors, Teachers, and IT experts. Most of them are employed in private jobs, and only a few are employed in government services. The numbers of desk job holders are very poor in abroad for Bangladeshi citizens and migrants.

Table 02: Skills of Remittance Sender

Skills of Remittance Sender	Frequency	Percent	Valid Percent	Cumulative Percent
Skilled	58	37.9	37.9	37.9
Unskilled	66	43.1	43.1	81.0
Semiskilled	29	19.0	19.0	100.0
Total	153	100.0	100.0	

Sources: Developed by the author

Table 02 shows that the percentage of unskilled workers is higher than of skilled and semi-skilled workers. These skilled, unskilled and semi-skilled workers work in construction companies, shopping malls, religious places controlled by the government or private sectors, etc. Some educated and technical NRBs are engaged in office jobs like educational institutions, IT sectors, transportation, hospitals, tourism, money exchange houses etc. A good number of NRBs are doing their own businesses. Therefore, salary, wages, commissions and profit from businesses are the main sources of remittances of NRBs.

5.6 Recipients of Remittance

Study finds that Parents, spouse, relatives, and offsprings are the main recipient of remittance. The NRBs have an emotional touch of these groups. That's why they are sending remittance to them to meet up their needs, demands etc. Recipients of

remittance use this money both in business and non-business sectors. They receive this money directly through Bank, or remittance channel like Western Union, RIA, XpressMoney, MoneyGram etc. Some funds come through the international passengers. Sometimes, remittance comes through hundi, a verbal or written agreement to pay a stated sum, used as part of an informal system for transferring money.

5.7 Analysis of the uses of Remittance in Business and Non-Business Sectors

Study finds that households are the main receiver and user of remittances in Bangladesh. They use remittance for their consumption and livelihood. During festivals or emergency need, they are receiving more remittances.

Table 03: Heads of Remittance Expenses and Utilization

Heads	Frequenc y	Percent	Valid Percent	Cumulative Percent
Business and Investments	35	22.9	22.9	22.9
Family Expenditures & Festivals	76	49.7	49.7	72.5
Savings	16	10.5	10.5	83.0
Home Repair & Land Purchase	8	5.2	5.2	88.2
Medical Expenses	9	5.9	5.9	94.1
Others	9	5.9	5.9	100%
Total	153	100%	100%	

Sources: Developed by the author

From above Table-03, it is revealed that a good number of people use a portion of remittance to purchase fixed assets like Land, buildings, electronics, ornaments, dresses, etc. The study finds that recipients use the remittances in Business and investments, Family expenditures and Festivals, Savings, home repair or building a new house, purchasing land, medical treatments, donations & charities, etc.

5.8 Ranking the Business and Non-Business Uses of Remittance

Frequency given in Table-03, it is revealed that recipients use remittance both in business and non-business sectors. Based on this data, the following figure is prepared to rank the heads of Business and Non-Business Uses of Remittance.

Family expenditures and festival expenses stood in first position of the uses of remittances. This is a non-business sector. Almost 50% of the total received remittance is used in this sector. Business and investment sectors get 22.90% of received remittances. It indicates that near about 77% of remittances are used in non-business sectors.

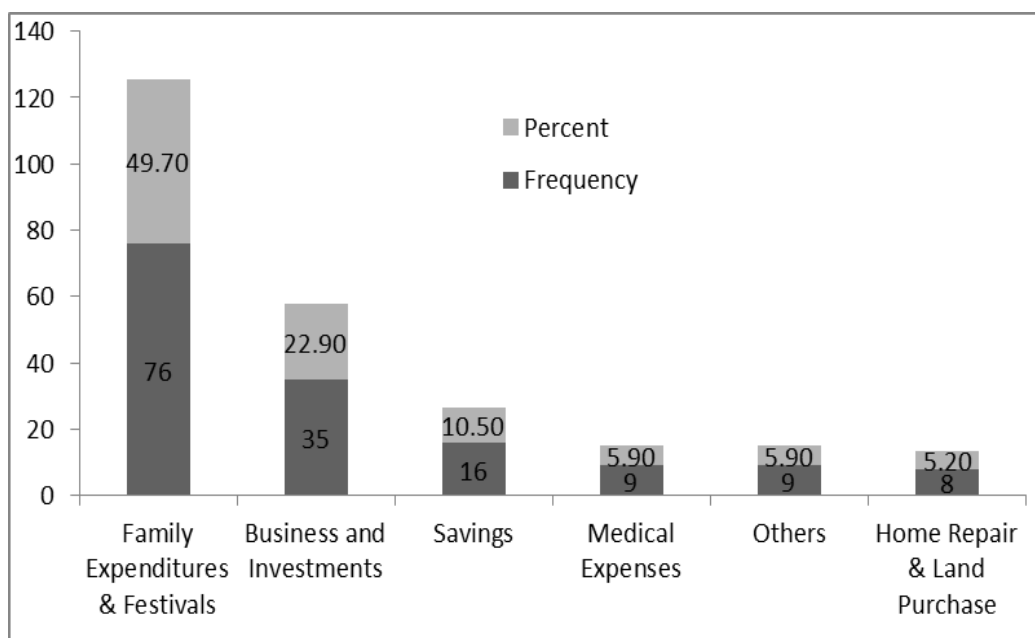


Figure 02: Ranking the heads of the Business and Non-Business uses of Remittance (Sources: Developed by author)

Figure 02 clearly proves that recipients of remittance are using the remittance in consumption and non-business unproductive sectors. Only 10.5% of remittance is saved or deposited in households or in financial institutions like banks, insurance, cooperatives, etc. This result is supported by Hye (2017), who conducted a study on the impact of remittances on remittance-recipient households' socio-economics behavior. From the survey results, it appears that higher-duration of remittance-recipient households have higher levels of income and investment, expenditure, and higher socio-economic standing in society. Migrant workers send money back to their relatives. The workers sent a maximum amount of money back home to support their family members as Covid-19 had affected their incomes," said Bangladesh Bank's former governor Dr. Salahuddin Ahmed (Bhuyan, 2021).

5.9 Likert Scale Analysis of Questionnaire

The study uses a Likert scale 5.0 point to analyze the questionnaire. Respondents under the study are the remittance receivers who are mainly living in Bangladesh.

Table 04: Analysis of Questionnaire Survey

Serial	Queries	Statistics	Frequency and Percentage of Respondents					Total	Weighted Average Likert Scale 5.0
			Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree		
		Likert 5.0	1	2	3	4	5		
01	Remittance is your main source of family earnings	Count	3	3	12	41	94	153	4.44
		% of Total	2.0%	2.0%	7.8%	26.8%	61.4%	100%	
02	During festivals, you receive more remittance	Count		1	14	67	71	153	4.36
		% of Total		0.7%	9.2%	43.8%	46.4%	100%	
03	You spend more remittance for family expenditures	Count		34	36	49	34	153	3.54
		% of Total		22.2%	23.5%	32.0%	22.2%	100%	
04	The more remittance you receive, the more you spend on luxuries	Count	7	13	57	14	62	153	3.73
		% of Total	4.6%	8.5%	37.3%	9.2%	40.5%	100%	
05	You spend a portion of remittance to purchase and develop land	Count		7	11	71	64	153	4.26
		% of Total		4.6%	7.2%	46.4%	41.8%	100%	
06	Sometimes you save a portion of the remittance in hand	Count		5	93	15	40	153	3.59
		% of Total		3.3%	60.8%	9.8%	26.1%	100%	
07	Sometimes, you purchase new furniture and electronic items by remittance	Count		12	19	40	82	153	4.26
		% of Total		7.8%	12.4%	26.1%	53.6%	100%	
08	You donate a portion of remittance in social responsibilities	Count	3	23	22	39	66	153	3.93
		% of Total	2.0%	15.0%	14.4%	25.5%	43.1%	100%	
09	You spend more remittance in Eids and other festivals	Count	4	2	9	54	84	153	4.39
		% of Total	2.6%	1.3%	5.9%	35.3%	54.9%	100%	
10	Sometimes you save a portion of remittance in the Bank	Count		7	42	47	57	153	4.00
		% of Total		4.6%	27.5%	30.7%	37.3%	100%	
11	You are receiving more remittances from sender who is staying many years abroad	Count	78	41	18	11	5	153	1.84
		% of Total	51%	26.8%	11.8%	7.2%	3.3%	100%	
12	You use a portion of remittance for business purpose	Count		2	80	25	46	153	3.75
		% of Total		1.3%	52.3%	16.3%	30.1%	100%	

13	Unplanned use of remittance is in increasing trend	Count	20	19	83	10	21	153	2.95
		% of Total	13.1%	12.4%	54.2%	6.5%	13.7%	100%	
14	You have no intention or target to save a portion of remittance	Count		2	80	25	46	153	3.75
		% of Total		1.3%	52.3%	16.3%	30.1%	100%	
15	You can save a portion of your remittance after expenditure	Count	6	11	73	23	40	153	3.52
		% of Total	3.9%	7.2%	47.7%	15.0%	26.1%	100%	
16	You have opportunity to reduce the remittance expenditure	Count	92	37	18	3	3	153	1.61
		% of Total	60.1%	24.2%	11.8%	2.0%	2.0%	100%	
17	You have no proper plan to use the remittance	Count		2	4	75	72	153	4.42
		% of Total		1.3%	2.6%	49.0%	47.1%	100%	

Source: Developed by author based on survey results

Eighty-eight (88%) percent of total respondents agreed or strongly agreed that remittance is their main sources of family earnings. Therefore, it is their common intention to use remittance for their livelihood. They spend these earnings mostly in non-business sectors like purchasing daily necessities, foods and dresses, new furniture's, electronics, fashionable items etc. Survey shows that 59% of remittance receivers are unwilling to save a portion of remittance for future use. But only 30.1% of remittance receiver strongly agreed that they use a portion of remittance in business sectors.

5.10 Correlation Analysis

The study uses Pearson correlation (r) to find out the positive and negative relationship among different variables under study.

Table 05: Correlations Matrix

Q	Queries	N	Correlations								
			Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9
			153	153	153	153	153	153	153	153	153
Q1	You spend more remittance for family expenditures	r	1	.782**	.434**	.785**	.694**	.689**	.146	.529**	-.101
		Sig.		.000	.000	.000	.000	.000	.071	.000	.213
Q2	The more remittance you receive, the more you spend on luxuries	r	.782**	1	.572**	.694**	.688**	.757**	.111	.475**	-.085
		Sig.	.000		.000	.000	.000	.000	.170	.000	.298
Q3	You spend a portion of remittance to purchase and develop land	r	.434**	.572**	1	.422**	.427**	.432**	.185*	.383**	-.184*
		Sig.	.000	.000		.000	.000	.000	.022	.000	.023

Q4	You have no intention or target to save a portion of the remittance	r	.785**	.694**	.422**	1	.774**	.519**	.099	.546**	-.029
		Sig.	.000	.000	.000		.000	.000	.226	.000	.721
Q5	Sometimes you save a portion of the remittance in hand	r	.694**	.688**	.427**	.774**	1	.641**	.014	.815**	-.097
		Sig.	.000	.000	.000	.000		.000	.868	.000	.233
Q6	Sometimes you save a portion of remittance in the Bank	r	.689**	.757**	.432**	.519**	.641**	1	-.012	.511**	-.131
		Sig.	.000	.000	.000	.000	.000		.878	.000	.106
Q7	Unplanned use of remittance is in increasing trend	r	.146	.111	.185*	.099	.014	-.012	1	-.002	.092
		Sig.	.071	.170	.022	.226	.868	.878		.982	.260
Q8	You can save a portion of your remittance after the expenditure	r	.529**	.475**	.383**	.546**	.815**	.511**	-.002	1	-.075
		Sig.	.000	.000	.000	.000	.000	.000	.982		.358
Q9	You have the opportunity to reduce the remittance expenditure	r	-.101	-.085	-.184*	-.029	-.097	-.131	.092	-.075	1
		Sig.	.213	.298	.023	.721	.233	.106	.260	.358	
**. Correlation is significant at the 0.01 level (2-tailed).											
*. Correlation is significant at the 0.05 level (2-tailed).											

A Pearson product-moment correlation was run to determine the relationship between the profitability ratios of the selected banks in two periods. The analyses are given as under:

- i. There was a strong, positive correlation between huge family expenditure and receiving more remittance, which was statistically significant ($r = .782^{**}$, $p = .000$). It is revealed that the more remittance received by the remittance receiver, they spend more on family expenditures and family maintenance.
- ii. Family expenditure is negatively correlated to the opportunity to reduce expenditure. The intention of the user of remittance is to spend more and more on luxury items.
- iii. The table shows that there is a negative correlation between savings in hand and savings in Bank. It means those people who hold a portion of remittance in hand, they are not willing to save it in the Bank.
- iv. As people have no intention to save a portion of remittance, they have no intention to reduce the expenditure (Q4 vs. Q9).

6.0 Policy Recommendations

Bangladesh strongly depends on the earnings of Non-Resident Bangladeshi (NRBs). Migrant workers regularly send back their earnings to their homeland. But the users of remittance are not using this source properly in business sectors. The study highly recommends that the government to prepare a policy guideline that at least a minimum portion of remittance must be used in business sectors by receivers of remittance. Users of remittance should reduce their unnecessary buying of luxuries and fashionable items. They should grow the mentality of savings. A portion of remittance should be saved in Banks such as DPS or FDR or even in a cooperative in their own locality. Users of rural areas can invest in the small dairy project or in agricultural sectors. Users of semi-urban areas can start small businesses in local municipalities or upazila or village markets. Senders of remittance have to monitor and direct the receivers of remittance to use a portion of remittance in the business sector and to reduce the use of remittance in non-business sectors. As remittance is the main earning source of 80% of the users, they should try alternative income sources to meet their financial needs. At present, the government's move to provide a 2.5 percent incentive to the beneficiaries to discourage illegal 'hundi' (informal way of transferring money). This incentive should not be stopped.

7.0 Conclusions

Though the receiver and users of remittances are usually commercial banks and household sectors of Bangladesh, the study worked on household sectors only. From observation and questionnaire survey, the study finds that most of the household's remittance users are using the remittance in non-business sectors. Sometimes, this uses is treated as unproductive expenditures. They use remittance in unproductive and non-business sectors as remittance is the main or only source of income for 80% of remittance receivers. If they are able to find an alternative or another source of income along with remittance, they will be able to save a portion of remittance. Hence they can invest a part of their remittance in profitable business sectors. Government should motivate the remittance sender and user to use an amount of remittance in the business sector.

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