IOM
UN MIGRATION

SNAPSHOT

REMITTANCE INFLOWS TO BANGLADESH DURING COVID-19

INTRODUCTION

The inflow of remittances is one of the main driving forces in Bangladesh's economic growth and development (IOM, 2021b). Remittances support the economy by increasing foreign exchange reserves and national savings, and reducing poverty levels (Chowdhury and Chakraborty, 2021). As a result of the COVID-19 global crisis and the decrease in overseas Bangladeshi migrant workers, the inflow of remittances to the country was initially predicted to decline significantly in 2020 (ADB, 2020; World Bank, 2020a). However, contrary to all negative forecasts, recorded remittance inflows to Bangladesh remained resilient (IOM, 2021a; IOM, 2022).

PART 1: OVERVIEW OF REMITTANCE INFLOWS TO BANGLADESH (2019–2021)

ANNUAL TRENDS

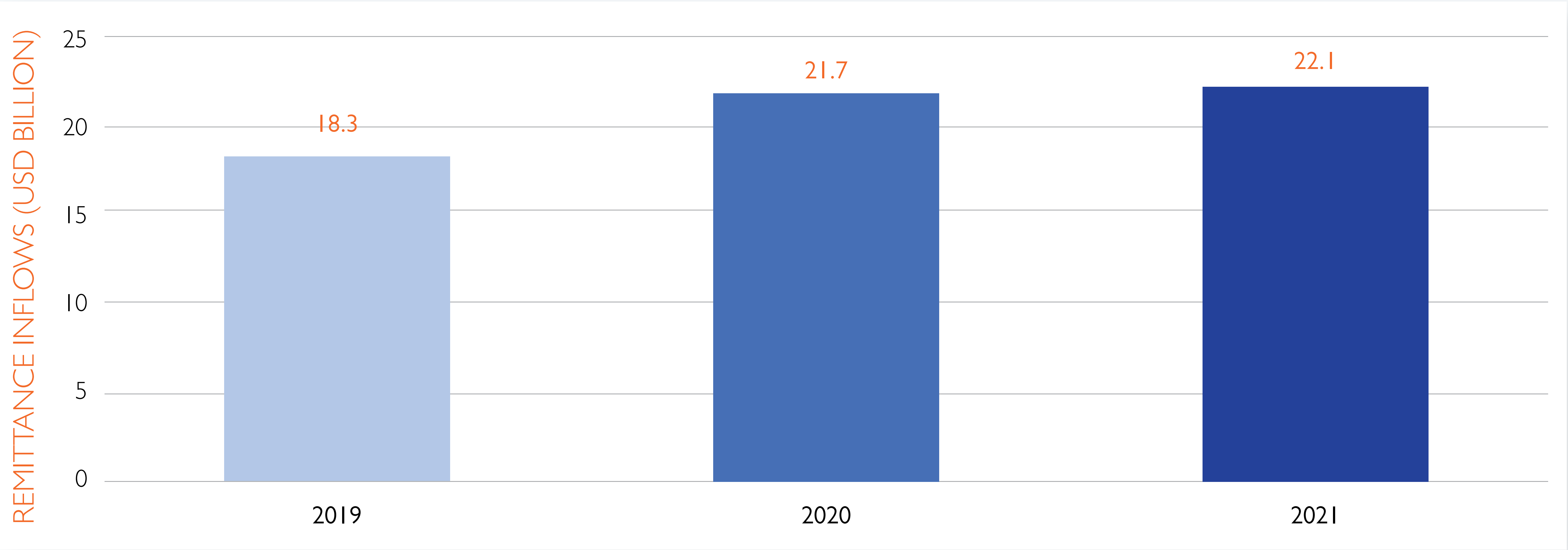
Defying all predictions of a decline due to the COVID-19 pandemic, remittance inflows in Bangladesh rose from USD 18 billion in 2019 to USD 22 billion in 2021 – a growth of 20 per cent (Figure 1) (Bangladesh Bank, 2022b). The most significant increase, however, was experienced between 2019 and 2020, when the level of remittance inflows increased by 19 per cent, surpassing the 8 per cent increase projected by the World Bank in October 2020 (World Bank, 2020b). Between 2020 and 2021, the remittance inflows slightly increased by 1.5%.

Various reasons could explain the growth of remittance inflows in the country. For example, the Government introduced a 2 per cent cash incentive on remittance receipts to encourage overseas migrants to send money through formal channels. The Bangladesh Bank also supported the use of formal channels through initiatives of time and cost-effective transactions (Bangladesh Bank, 2022a). By the end of 2021, remittances to Bangladesh contributed about 18 per cent to South Asian remittances and 6.2 per cent to the national GDP. Additionally, Bangladesh ranked as the fourth largest receiving country in the region and the eighth in the world (World Bank, 2022).

QUARTERLY TRENDS

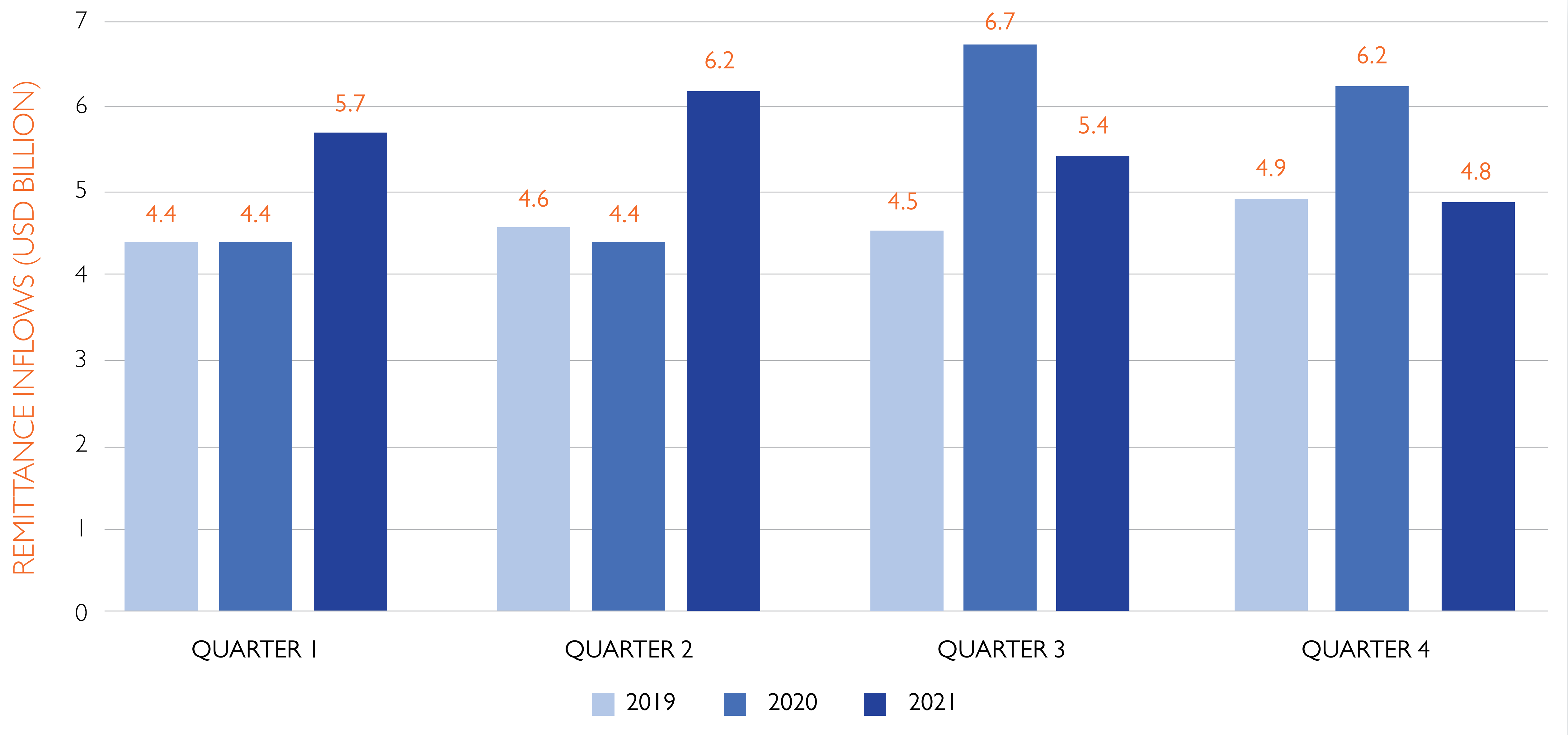
Quarterly remittance inflows for Q1 and Q2 2020 were similar to those in the same periods in 2019. However, as seen in Figure 2, remittance inflows for Q3 2020 (USD 6.7 billion) significantly increased compared to Q3 2019 levels (USD 4.5 billion) – an increase of 49 per cent (Bangladesh Bank, 2022b). Q4 2020 also experienced an increase of 27 per cent compared to Q4 2019. Despite the economic downturn related to the COVID-19 pandemic, remittance inflows kept rising throughout Q1 and Q2 2021, which reflected an increase of 29 per cent and 39 per cent, respectively, against the same periods in 2020 (ibid.). Remittance inflows for Q3 and Q4 2021, however, showed a decreasing trend, with figures almost above pre-pandemic levels.

Figure 1: Total remittance inflows (2019 – 2021)



Source: Statistics Department, Bangladesh Bank – Monthly Data of Wage Earners' Remittances (2022).

Figure 2: Quarterly remittance inflows (Q1 2019 – Q4 2021)



Source: Statistics Department, Bangladesh Bank – Monthly Data of Wage Earners' Remittances (2022).

BANGLADESH

MONTHLY TRENDS

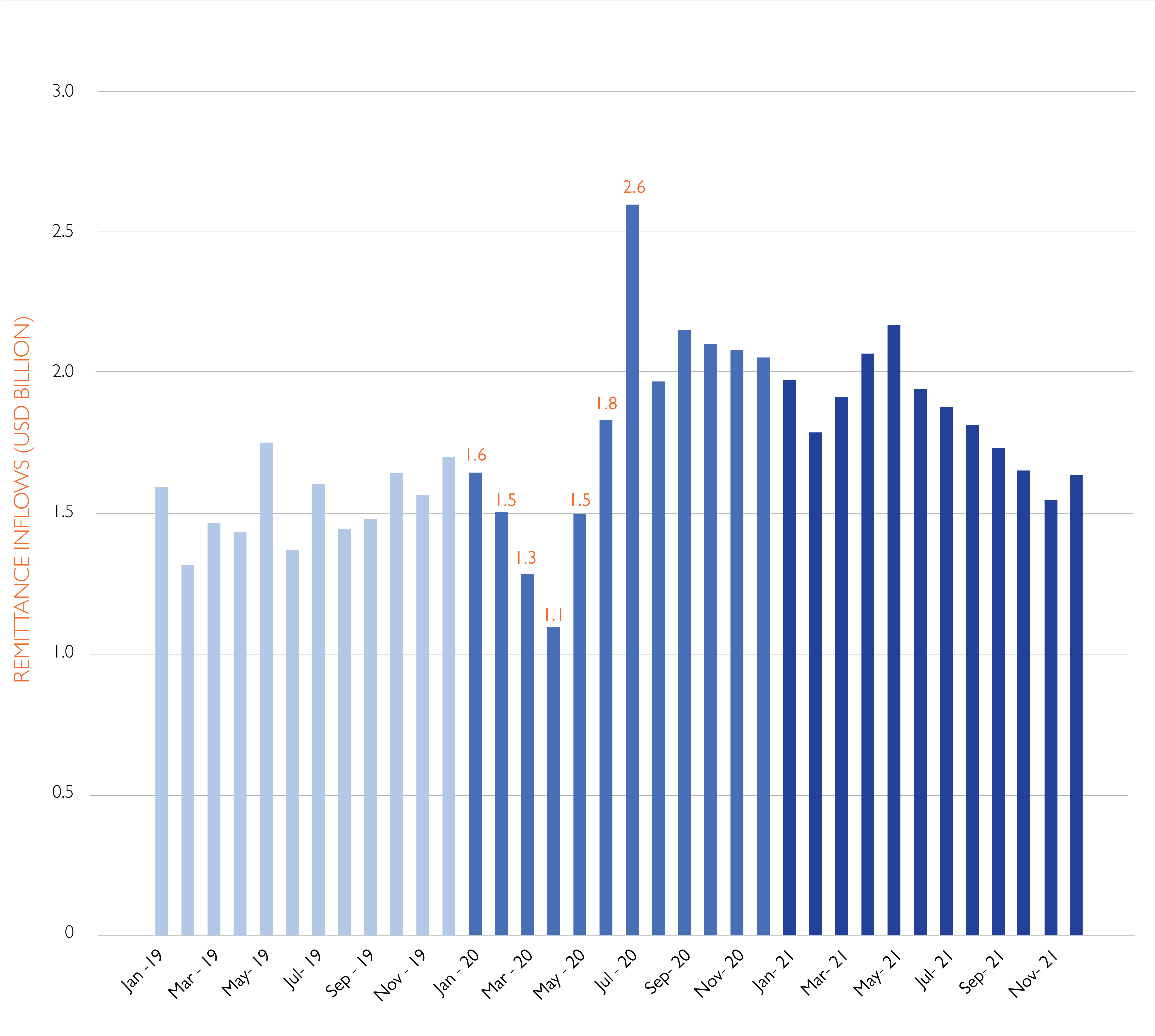
Remittance inflows during the first four months of 2020 declined from USD 1.6 billion in January 2020 to USD 1.1 billion in April 2020 – a decrease of 33 per cent (Bangladesh Bank, 2022b). Following the outbreak of the COVID-19 pandemic in March 2020, major host countries for Bangladeshi migrants implemented extensive lockdowns, which led to an initial reduction of remittances inflows. However, previous years observed an increase in remittances during festivity seasons, and 2020 was no exception (ibid.) As seen in Figure 3, in May 2020 – the month of Ramadan – remittance inflows increased to USD 1.5 billion and reached USD 1.8 billion in June 2020. However, July 2020 observed a significant surge in the amount of remittance inflows as migrants typically send larger amounts of money home during the Eid-ul-Adha festival in Bangladesh (IOM, 2021a). In July 2020, the country received USD 2.6 billion in remittances – a surge of nearly 63 per cent compared to July 2019 (Bangladesh Bank, 2022b). The rise in remittances in July 2020 was also partially due to the pandemic-induced cancellation of the Hajj pilgrimage, which led families to reallocate travel funds to remittances to support family members during the COVID-19 lockdown, as well as the July 2020 flooding that affected nearly 4.7 million people in the country (World Bank, 2020b).

Nonetheless, perhaps a more important reason for such rise in remittance inflows in Bangladesh, not only in July but throughout 2020, is the introduction of Government policies and bank-led initiatives that boosted remittances and accelerated the transition from cash to digital – and likely from informal to formal channels. According to the United Nations Capital Development Fund (UNCDF), the proportion of remittances transactions that were digitally received through BRAC Bank,[1] a major commercial bank in Bangladesh, increased from 37 per cent in 2019 to 75 per cent in 2020 (UNCDF, 2022). BRAC Bank also supported families with digital cash grants worth USD 13 million to 575,000 mobile wallets (IOM, 2021a). bKash – one of BRAC Bank's subsidiaries – offered a 1 per cent cash bonus to customers receiving remittances through banking channels abroad on BDT 10,000 (USD 100) or more (ibid.). At the same time, the Government of Bangladesh relaxed the conditions for overseas workers to claim a 2 per cent remittance incentive up to USD 5,000 (Bangladesh Bank, 2022a). The Government also increased the monthly limit for money transfers through mobile financial service providers from BDT 75,000 to BDT 200,000 (USD 75 to USD 200) (ibid.).

As the COVID-19 pandemic continued in 2021, monthly remittance inflows in Bangladesh also showed resilience but with figures below the 2020 levels. The slow-down in the growth of remittances – mainly from mid-2021 – suggested downside risks for 2022, mostly caused by the gradual remigration of return migrants, keeping remittances flat (World Bank, 2021). As of mid-2022, the level of remittance inflows to Bangladesh was already 10 per cent below the mid-2021 levels but 20 per cent above pre-pandemic remittances figures (Bangladesh Bank, 2022b).

[1] BRAC Bank Limited is a commercial bank in Bangladesh that, since its inception in 2001, has partnered with 57 exchange houses and seven banks to build a worldwide remittance network. bKash, one of BRAC Bank's subsidiaries, is the country's largest mobile wallet provider with 40 million customers, including 400,000 digital remittance recipients (UNCDF, 2022).

Figure 3: Monthly remittance inflows (January 2019 – December 2021)



Source: Statistics Department, Bangladesh Bank – Monthly Data of Wage Earners' Remittances (2022).

PART 2: EXPLORING THE LINK BETWEEN THE BANGLADESHI DIASPORA AND REMITTANCES

In line with the proven resilience of remittance inflows during the COVID-19 pandemic, this section explores how the Bangladeshi diaspora[2] supported such resilience by analysing the main remitting countries and major countries of destination for Bangladeshi emigrants. The Bangladeshi diaspora could be categorised into two main groups. The first group includes emigrants, permanent residents and students in Europe and North America – particularly in the United Kingdom and the United States (Islam, 2020). Migration to the United Kingdom first dates to World War II, when the country faced labour shortages and families from Bangladesh and India initiated migration. Migration expanded when immigration laws were relaxed in the 1970s, leading to close transnational connections between Bangladesh and the United Kingdom today (IOM, 2022). This migration process later expanded to other nations, including the United States and Canada. The second diaspora group includes short-term migrant workers to the Middle East, particularly to the Gulf Cooperation Council (GCC) countries – a process that began in the wake of the 1973 oil price spike and the emergence of the GCC countries as affluent economies (Islam, 2020).

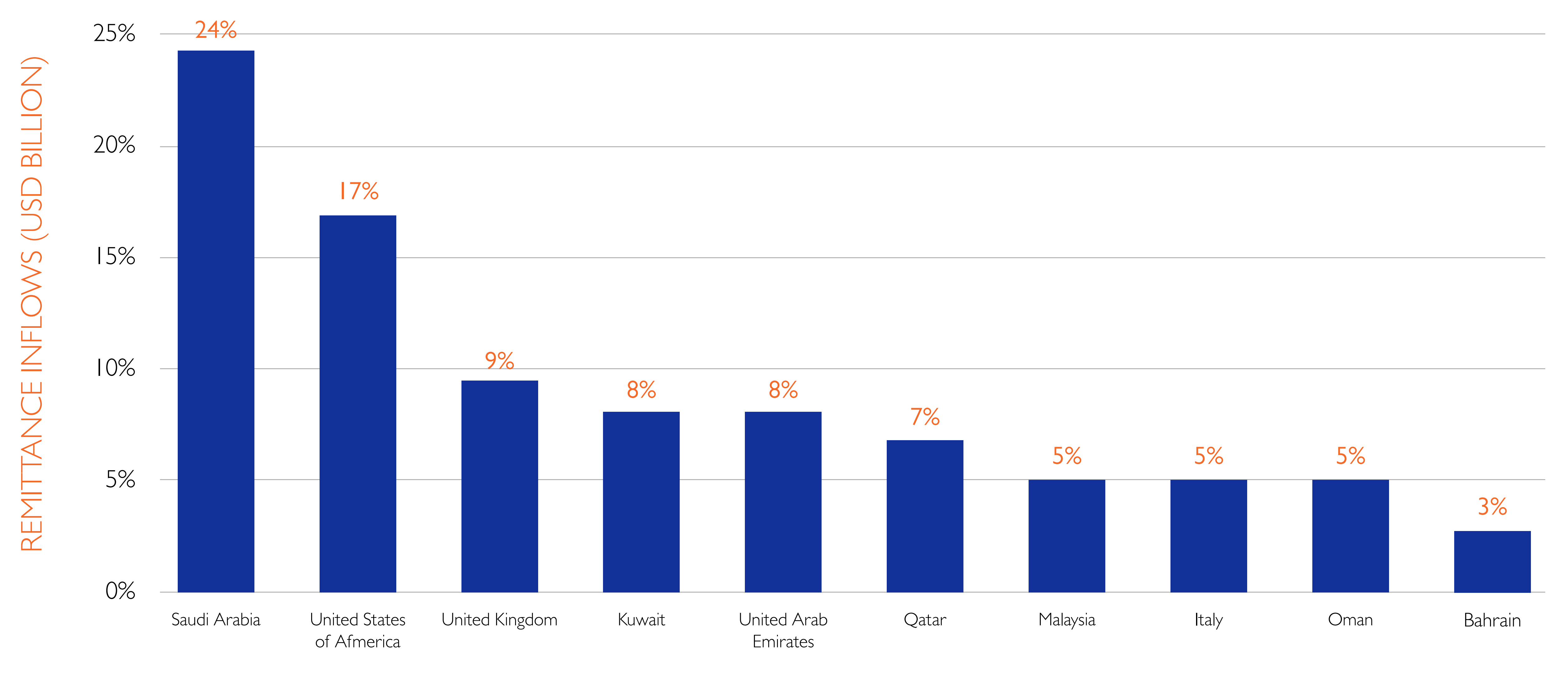
Data collection on the diaspora population is complex. Migrants and their descendants may consider themselves, or not, as part of diaspora communities. Also, emigrant populations are not automatically members of diasporas (IOM, 2022). However, other data sources – not directly measuring the diaspora population – can provide insights on how diasporas maintain links to a particular country of origin (IOM, 2020). Data on migrant stocks and remittances can act as a proxy for the link between the geographical concentration of diasporas and the economic contributions of diasporas in their home countries.

According to the Statistics Department of the Bangladesh Bank, more than half of remittances inflows (54%) came from the GCC countries in the second half of 2021, predominately from Saudi Arabia, which sent almost one quarter of the total remittances (Figure 4). The United States and the United Kingdom ranked second and third, respectively, accounting for 17 per cent and 9 per cent of the share of remittances inflows to Bangladesh (Bangladesh Bank, 2022c). Hence, Bangladeshi emigrants – including migrant workers – and diasporas hosted in these three major remitting countries play a crucial role in Bangladesh's economic development, given that remittances are the second largest source of foreign income (World Bank, 2021).

Further, the latest migration stock data as of mid-2020 shows that 9 out of the top 10 destination countries from Bangladeshi emigrants were also among the top 10 major source countries of remittances inflows, highlighting the link between the size of the diaspora and the source of remittances inflows (DESA, 2021) (Figure 5).

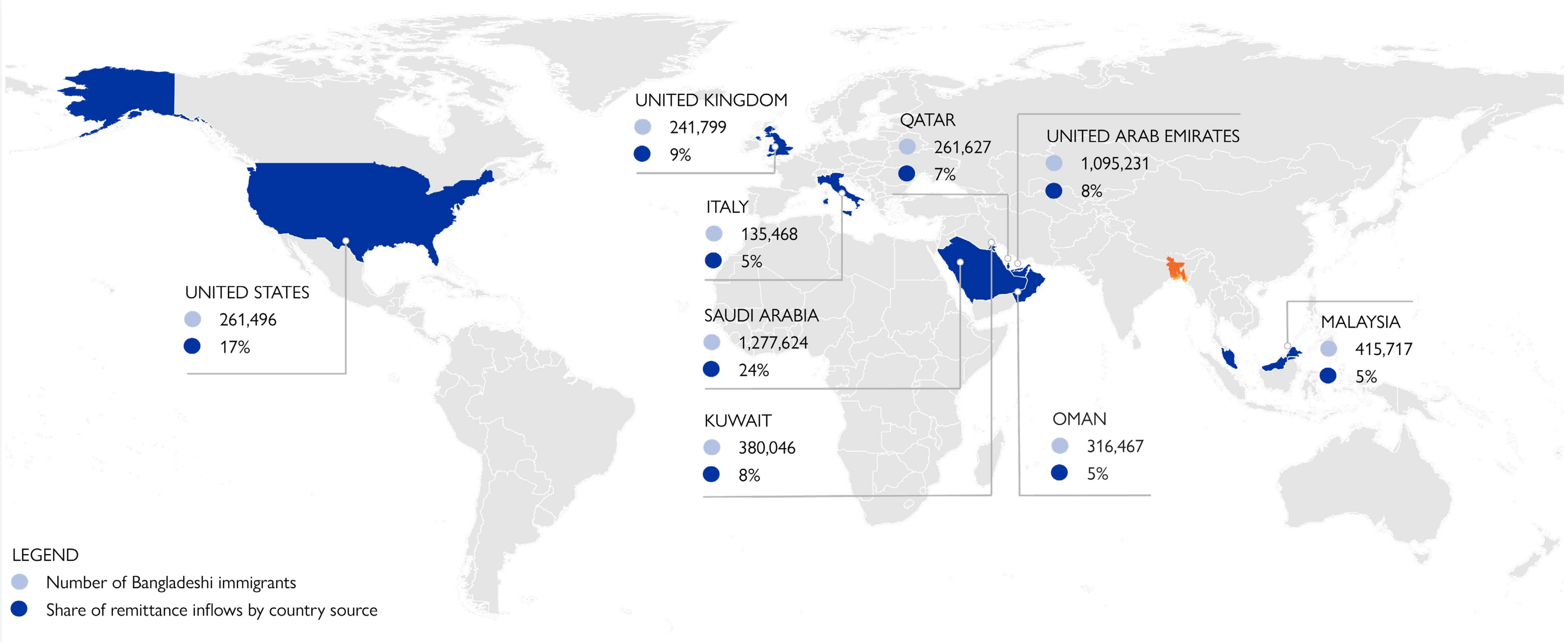
[2] IOM defines diasporas as "migrants or descendants of migrants, whose identity and sense of belonging have been shaped by their migration experience and background" (IOM, 2019).

Figure 4: Top 10 source countries of remittance inflows to Bangladesh (July – December 2021)



Source: Statistics Department, Bangladesh Bank – Wage Earners' Remittance Inflows – Top 30 Countries (2022).

Figure 5: Major destination countries for Bangladeshi emigrants versus major remitting countries

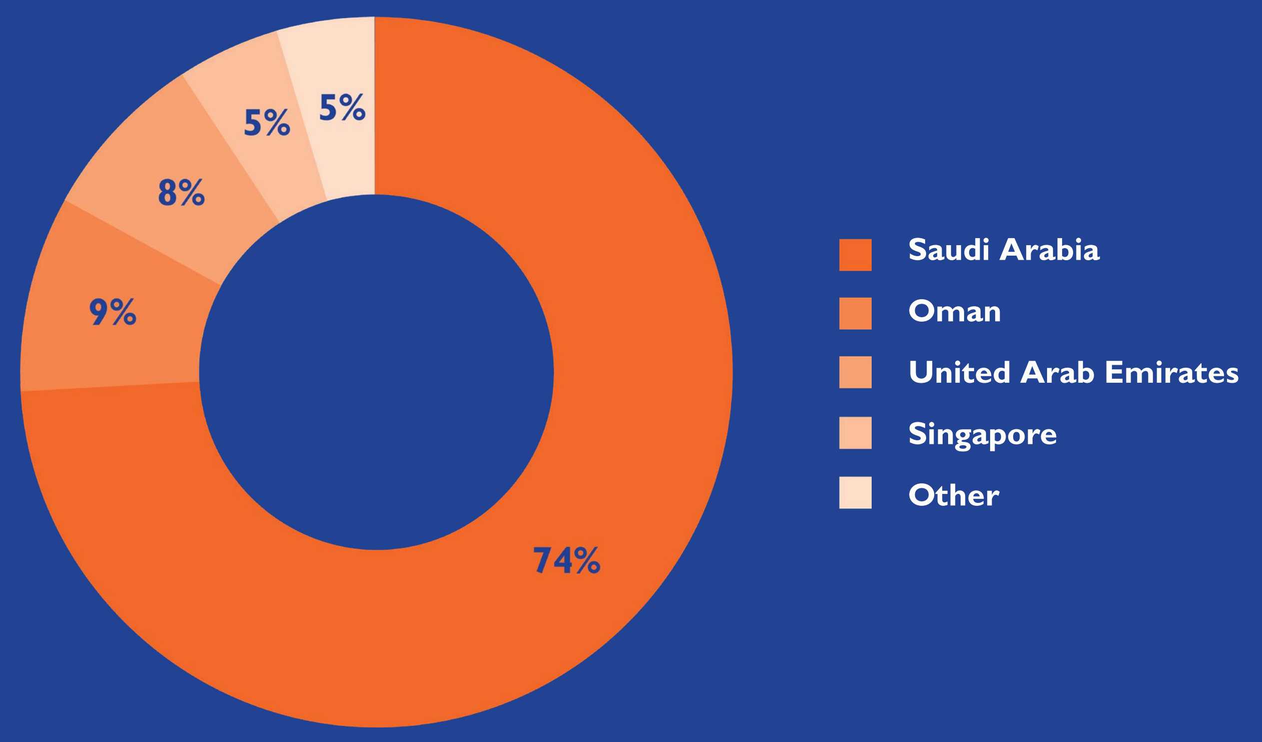


This map is for illustration purposes. The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by IOM. The dotted line represents approximately the Line of Control in Jammu and Kashmir agreed upon by India and Pakistan. The final status of Jammu and Kashmir has not yet been agreed upon by the parties. Final boundary between the Republic of Sudan and the Republic of South Sudan has not yet been determined. Final status of the Abyei area is not yet determined.map is for illustration purposes.

Source: Compiled from the Statistics Department, Bangladesh Bank (2022) and DESA International Migrant Stock (2020).

The Bangladeshi Government has also promoted the deployment of workers abroad since the 1970s. However, in 2020 and early 2021, the COVID-19 pandemic caused disruptions in major labour receiving countries for Bangladeshi migrant workers (IOM, 2021c). The spike in COVID-19 cases in South Asia and the emergence of the Delta variant were followed by widespread travel bans, preventing Bangladeshi nationals from entering major labour receiving countries, such as Malaysia, Singapore, Thailand and the United Arab Emirates (IOM, 2022). According to recent figures from the Bureau of Manpower, Employment and Training (BMET), the number of registered overseas migrants reached 617,000 in 2021 – which was about three times higher than the annual total in 2020 and 88 per cent of the annual total in 2019 (BMET, 2022). In terms of destination, as seen in Figure 6, nearly 90 per cent of Bangladeshi workers went to GCC countries in 2021 (74% to Saudi Arabia, 9% to Oman, 5% to the United Arab Emirates and another 5% to Singapore) (ibid.). Labour migration figures, however, appear to be recovering as international restrictions worldwide have eased. As of August 2022, the number of registered overseas Bangladeshi workers reached 783,000 – already 12 per cent higher than 2019 figures (ibid.).

Figure 6: Main countries of destination for overseas Bangladeshi workers in 2021



Source: Statistics Department, Bangladesh Bank – Monthly Data of Wage Earners' Remittances (2022).

However, the actual number of Bangladeshi migrant workers is likely to be higher as irregular migrants are not generally counted in official records. According to the Ministry of Expatriates' Welfare and Overseas Employment, there are currently around 13 million Bangladeshis working abroad, bringing approximately USD 15 billion to Bangladesh's economy. Bangladeshi migrant workers have now become a vital part of the country's economy, contributing 12 per cent to Bangladesh's Gross Domestic Product (GDP) and generating 9 per cent of its employment, with 700,000 new workers joining the foreign job market every year (ILO, 2021).

[3] See IOM Snapshot of Remittance Inflows to Pakistan during COVID-19.

CONCLUSION

Remittances inflows to Bangladesh have proven resilient during global economic instability following the COVID-19 outbreak in 2020 and 2021. However, the resilience in remittances during the pandemic is not a new phenomenon. During the Global Financial Crisis (GFC) in 2008, remittance flows to Bangladesh grew by over 37 per cent and contributed to 56 per cent of all foreign exchange earnings (BMET, 2022; Chowdhury and Chakraborty, 2021). Not only did the GFC disrupt the demand side of the global economy, but it also created a supply shock by restricting the 'movement' of resources, mainly labour services. Therefore, the resilience in remittances in Bangladesh – and in other countries in the region[3] – is an intrinsic long-lasting characteristic of the countercyclical nature of remittances, which tend to increase in times of recession to support relatives at home (IOM, 2022).

Additionally, as discussed in this study, other factors could have contributed to Bangladesh's countercyclical nature of remittances. Government policies boosted and eased the use of formal remitting channels, and bank-led initiatives encouraged overseas migrants and workers to use e-transfers and cashless digital solutions over cash-based exchanges. Hence, the observed resilience of remittances in the country is the result of both the altruistic nature of migrants to support their families and the positive effects of the Government initiatives.

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