



The Bangladesh Household Remittance Survey 2009

Speech of **Dr. Atiur Rahman**, Governor, Bangladesh Bank

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Chief Guest

I would like to congratulate the International Organization for Migration (IOM) on their successful completion of national level household survey on remittance utilization titled "*The Bangladesh Household Remittance Survey 2009*" which attempts to obtain a comprehensive understanding of remittance channeling and utilization patterns of migrants at the household level.

Remittance inflows from migrant workers abroad have been playing a major role in accelerating socio-economic development, promoting employment and underpinning external sector viability of Bangladesh over the last few decades. Since independence, Bangladesh has been persuading proactive policies to locate overseas labour markets for its nationals and has been remarkably successful in penetrating the labour markets of Middle East, East Asia, and North America. Between 1976 and 2009, Bangladesh received more than USD 62 billion remittances from its migrant population.

Unlike other South Asian economies, Bangladesh has been enjoying a surplus in the current account balance during the last few years. Even during the crisis period, the foreign exchange reserve crossed USD 10.0 billion underpinned by steady growth in remittance inflows. Rising steadily, annual inflows of workers' remittances have grown nearly four-fold between FY 02 and FY 09 (from USD 2.5 billion in FY 02 to USD 9.7 billion in FY 09). Contrary to apprehensions, workers' remittance inflows to Bangladesh grew buoyantly during the global financial turmoil (by 32.4 and 22.4 percent respectively in FY 08 and FY 09). Bangladeshi migrant workers being largely in low-skilled jobs did not suffer job losses extensively in host markets abroad as initially feared.

The growing inflows of remittance have been highly beneficial for Bangladesh in upholding domestic demand in the recessionary global environment, in enhancing availability of borrowing resources for both the government and the private sector, and in augmenting foreign exchange reserve cushion for coping with the uncertainties of the fragile, unstable external environment. Remittances have resulted in improved living standards of worker's families and helped in improving the income distribution in favor of poorer households.

Prompt delivery of workers' remittances, at affordable costs, to recipients in rural areas away from bank branches has for long remained a challenge for banks. The IOM survey finds that around 82 percent of sample households received remittances through formal channels. Remitters and recipients not well-served by banks have often been lured by fast acting hundi channels diverting the foreign exchange inflows to illegal capital flight, tax evasion and crime/terrorism financing. Besides, the survey finds positive relationship between financial literacy and the use of formal channels for remittance transfer. Bangladesh Bank (BB), on its part, has recently organized a country-wide banking sector road show to build up general population literacy on financial services and awareness against money laundering and illegal hundi channels in remittance delivery. This major new campaign-mode drive in widening and deepening financial inclusion will be repeated, appropriately refined, in other regions of the country. Besides, banks are now advised to open bank accounts for farmers at only Taka 10. About 8.5 million farmers have already opened bank accounts since the measure taken by BB. Since many farmers depend on remittances for their household expenditure, they will now be able to receive remittances directly to their accounts more easily and quickly.

BB has now been encouraging partnerships between banks and mobile phone networks for extending banking services to the door of the mass people. Fast expanding mobile telephony in Bangladesh already covers well over half the total adult population. This has opened up windows of opportunity for creative partnerships of banks and mobile telephone companies in devising cost effective arrangements for delivery of remittances (and eventually other financial services) through the countrywide area agent networks of mobile phone companies covering rural areas distant from bank branches. A number of such BB approved partnerships are already active. .

Bangladesh is open for foreign direct investment in all industrial sectors excepting for four reserve sectors (defense equipments, reserve forestry, atomic energy, currency printing and minting) mentioned in the Industrial policy. Stock markets in Bangladesh are open for foreign portfolio investment by non-resident individuals or institutional investors. Fully serviced plots in developed industrial parks (EPZs) are available for foreign investors, for export-manufacturing with duty free import of inputs. NRBs can invest in instruments like US Dollar Premium bond, US Dollar Investment Bond and Wage Earners Development Bond having attractive rate of returns. Besides, deficiencies in infrastructure (power and energy) arising from growth driven demand pressure provide excellent new investment avenues.

Bangladesh Bank, in recent time has taken firm steps to digitize the banking system to ease the process of financial services. Some of these initiatives include installation of Bangladesh Automated Clearing House, CIB online, e-banking, mobile banking, enterprise data warehouse and so on. Further proactive measures will be taken over the near and medium term to ensure safe and quick transfer of remittances. I would like to congratulate the IOM again for conducting this household remittance survey which will help the policy makers in formulating and implementing policies targeted towards smooth remittance transfer and identifying potential markets for the Bangladeshi nationals.

Thank you all.

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