

Article

The Resilience of Foreign Remittances in the Time of Pandemic: Bangladesh Perspective

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Abstract

Foreign remittances have contributed significantly to Bangladesh's overall economic development through the years. More than half a million Bangladeshi citizens work abroad, which lessens the country's labour market burden. As a result, Bangladesh deemed a big beneficiary of remittances, earning USD 21.8 billion in 2020. It is inseparably linked to economic matters and influenced Bangladesh's economic strengths. However, it endured appallingly during the recent worldwide COVID-19 outbreak and has already seen remittance inflows fall. This article examines the effects of foreign remittances on the COVID-19 issue and the link between remittances and the general stability of Bangladesh's economy. Also, suggested some possible courses of action to face these challenges in an effective way. The recommendations derived from this study findings will aid to increase the valuable remittances and overall welfare for the society.

Keywords: *Foreign Remittance, Pandemic Time, Bangladesh*

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Introduction

Bangladesh has been an essential source of migrant workers for countries suffering from labour shortages. For ages, migration over the border in pursuit of resources, jobs, and higher incomes has been a critical phenomenon and debated in historical, political, and socio-economic assessments (Chowdhury and Chakraborty, 2021). South Asian migrant laborer increased from 23.9 million to over 38 million in 2017 (Quayyum and Kpodar, 2020). Additionally, South Asia accounted for 20% of global remittances, which aided the region's economic and social development (World Bank, 2020a). However, considering the current economic situation and development prospects for South Asian countries, concerns have been expressed regarding the sustainability of the rising trend in remittances in the following years.

The pandemic of COVID-19 has dispensed an enormous blow to the flow of remittances and the mobility of global migrant workers. Income from export also affected due to the severe wave of virus infections as the demand for exported items has reduced. Empirical studies have evidenced that exports and remittances are driven mainly by multiplier effects representing direct and induced economic consequences (Sutradhar, 2020). The immediate impacts of exports include foreign exchange gains, employment creation, and profitability for exporting businesses. On the other hand, the induced effects of exports and remittances rely on the multiplier effects in the economy.

Many migrant workers and their families depend on foreign earnings where remittances are their primary source of income. Numerous benefits result from this flow of remittances, including boosting the country's foreign exchange reserve, alleviating poverty, and lessening public funding pressure (Yasmin et al., 2012; Alam et al., 2020). As a result, analyzing the intensity of remittance flows during the current pandemic is critical to reducing the long-term negative impacts on migrant workers. Therefore, this paper aims to look into the socio-economic effects of remittances, which may help alleviate the effects of the Coronavirus.

Remittance During Pandemic

Remittances to South Asian nations did fall during the peak of the global pandemic. Since this health issue hurts both demand and supply, the migrant workers and their dependent families will be significantly affected. The drop in remittances in April-May is directly caused by the tightened rules implemented in receiving nations (ADB, 2020). Remittances are often counter-cyclical, and people are remitting more during times of economic difficulty at home (Chowdhury, 2011). As the COVID-19 pandemic has affected all countries, the fall in employment in the foreign markets will have long-lasting impacts on the receiving countries.

Since March 2020, regular migration has been almost ceased for all nations. Bangladesh sent just 181 thousand workers between January and August 2020, compared to 441 thousand the previous year. In the meantime, another 141 thousand employees returned to the country (Quayyum and Kpodar, 2020). However, this may appear confounding, and as a result, individuals in the destination nations are also suffering.

Table 1. The flow of remittance in Bangladesh during 2020-2021

(Source: Bangladesh Bank Report, 2020)

| Month/Year | Remittances (in a million US\$) |
|-------------------|--|
| May'21 | 2171.11 |
| April'21 | 2067.64 |
| March'21 | 1910.98 |
| February'21 | 1780.59 |
| January'21 | 1961.91 |
| December'20 | 2050.65 |
| November'20 | 2078.74 |
| October'20 | 2102.16 |
| September'20 | 2151.05 |
| August'20 | 1963.94 |
| July'20 | 2598.21 |

Table 1 shows the remittance flow in a million US\$ from July 2020 to May 2021. It is evident from table 2 that in the 2020-21 fiscal year, total remittance was recorded at 22,836.98 million US\$, which was the highest compare to previous years as stated. Furthermore, according to Bangladesh Bank statistics, remittance inflows in May 2021 reached a new high of 2171.11 million US dollars compared to prior months, although COVID-19 devastated most of the world's economy. Experts, however, believe that the statistic does not imply that Bangladesh will continue to keep a greater level of remittances in the coming months.

Table 2: Flow of remittance in Bangladesh during 2010-2011 to 2019-2020

(Source: Bangladesh Bank Report, 2020)

| Year | Total (in a million US\$) |
|-------------|--------------------------------------|
| 2019-20 | 18,205.01 |
| 2018-19 | 16,419.60 |
| 2017-18 | 14,981.69 |

| | |
|---------|-----------|
| 2016-17 | 12,769.45 |
| 2015-16 | 14,931.16 |
| 2014-15 | 15,316.90 |
| 2013-14 | 6,772.75 |
| 2012-13 | 14,461.10 |
| 2011-12 | 12,843.40 |
| 2010-11 | 11,650.30 |

Employment and Global Impact

The expected economic cost of the COVID-19 is estimated to be between \$5.8 trillion to \$8.8 trillion globally, which equals between 6.4% and 9.7% of global GDP (Siddiqui, 2020). With the enormous flow of remittances to developing nations comes a slew of difficulties. Furthermore, foreign financing, such as FDI, is expected to remain low as a result of travel prohibitions, disruptions in international trade, and a drop in income coming from a certain big multinational business (World Bank, 2020b).

Employment in Asian economies is declining. International Labour Organization (ILO) estimates that the job losses will start in the third quarter of 2021 in North America and Europe and Central Asia, reducing hours by 19.3% and 13.9%, respectively (Chowdhury and Chakraborty, 2021). As a result, a significant decrease in these foreign revenue flows is expected to put more economical, financial, and social pressure on the governments of these nations (Kabir et al., 2020).

The Essential of Remittance in the Time of Pandemic in Bangladesh

Remittances are vital to many developing nations across the world, including Bangladesh. The fall in employment in the foreign markets will have long-lasting impacts because it is widely known as a remittance fighter and has worked in many areas of the world. Due to the COVID-19 pandemic outbreak beginning in January 2020, several aspects of the global economy, society, politics, and culture have altered.

It is, however, a worldwide catastrophe since no country is immune to this health and economic crisis. The rise and fall of globalization, among other things, are affected by the COVID-19 pandemic. This worldwide health crisis is fraught with uncertainties, including extended quarantines, travel restrictions, the closing of non-essential restaurants and enterprises, remote social ordering, and lockdowns, among other things (Alam et al., 2020). Public health crises, infections and diseases, and advances in therapeutic medicine and vaccines affect not just individuals and their families but entire societies, institutions, and global interrelationships and estimations (Kohlscheen, Mojon and Rees, 2020).

Nevertheless, remittances contribute to both economic growth and development in many ways. Bangladesh was the eighth largest beneficiary of remittances and the sixth-largest migrating country globally (World Bank, 2020a). Remittance inflows have a significant influence on the economy in recipient countries. However, this section focuses on how remittances are necessary for strengthening various channels during the pandemic situation.



Figure 1. Different Channels that Strengthen by Foreign Remittance

(Source: Author's self-computation)

- Economic Stability Issue

Remittances have an impact on the economic progress of developing nations. At the administrative level, remittances positively impact economic growth by reducing the budget deficit, boosting foreign exchange reserves, stabilising exchange rates, strengthening the financial sector, and expanding productive activity (Alam et al., 2020). To address the economic consequences of the coronavirus pandemic, the government revealed a Tk 72,750 crore stimulus plan on 5 April, in addition to the previously announced Tk 5,000 crore package (Ali et al., 2020). This equates to roughly 2.52% of the country's GDP. The global economy is likely to decline by -2.2 per cent in 2021, according to a projection issued on 26 March by the Economist Intelligence Unit (Rodela et al., 2020). These effects are expected to be more pronounced in major G20 economies, such as Germany, Italy, the United Kingdom, and the US – all countries that are major markets for Bangladesh's most vital tradable good: ready-made garments. That is why Bangladesh will face a greater challenge to attain its expected GDP next year.

- Employment Issues

Since early 2020, the COVID-19 pandemic has been wreaking havoc on the world economy, and many Bangladeshi employees have experienced unexpected job loss in most cases without recompense. The pandemic has put Bangladeshi migrant labourers into an interminable state of insecurity. The government of Bangladesh has already mobilised US\$386 million in the budget of 2020–2021 to encourage migrant workers to send their money through the official channels (Karim, 2020; Siddiqui et al., 2020). Numerous banks currently give an additional financial advantage to remittance receivers over the statutory 2%, enhancing the attractiveness of sending remittances through official channels (Bangladesh Bank, 2020). There is a risk of a global economic downturn due to COVID-19's effects, which may make it difficult for Bangladeshi migrant workers to find and retain jobs overseas, regardless of whether they have work permits or contracts.

- Foreign Trade Issue

Bangladesh's economy has proliferated, fueled mainly through ready-made garment exports and migrant worker remittances. The country is heavily reliant on imported goods from different countries. According to a recent study, in March, the country imported goods worth Tk 31,617 crores per the customs value – about Tk 4,500 crores less than that in the previous month (Bangladesh Bank, 2020). Meanwhile, exports of nearly all items, including the top earner ready-made clothes, have fallen substantially due to the COVID-19 pandemic in recent time.

- Sustainable Development Issue

Bangladesh will also encounter challenges in achieving sustainable development issues. The Covid-19 has both short-term and long-term influence; explicit and implicit are two sorts of impact (Karim, 2020). These goals may create a delay in reaching the SDGs; some experts predict that the timetable for completing the SDGs will be re-evaluated (Karim, Islam and Talukdar, 2020).

Conclusion and Recommendations

Remittances can boost internal demand and alleviate poverty in South Asian nations. The extended lockdown to contain the pandemic in Bangladesh has had a negative impact on the

country's economy. This means employment possibilities for return migrants remain minimal. Remittance helps advance socio-economic development while bringing financial stability to foreign workers. If such circumstances persist, it is expected that a recession may occur in the long run. The government must develop long-term plans for people who work abroad and outline a comprehensive strategic plan to shield the country from economic instability in the future. A lot more the government and policymakers can do to help alleviate the strain on migrant workers continue to get foreign remittance. The inflow of remittances may raise the poor people's income level and help reduce poverty. Thus, remittances are more beneficial in the case of poverty reduction rather than economic growth.

The government of Bangladesh should collaborate with its development partners to solve the underlying issues that migrant workers confront. Finally, the research concluded that COVID-19 is continually being detected worldwide, so adopting well-thought-out policies in a timely manner will help sustain the foreign labour market and increase remittance inflows, therefore enhancing Bangladesh's growth potential.

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