

## **The Impact of Remittances on Socioeconomic Development in Rural Bangladesh**

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## **Abstract**

International remittances sent back to the homeland by migrant workers have an enormous impact on the economic growth and poverty reduction in developing countries. Remittances also serve as an important source of foreign exchange reserves for developing countries. In a handful of developing countries, remittances from emigrants account for more than 10 percent of the GDP. Bangladesh is the fifth highest remittance-earning country in the world. In 2005, 6.0 percent of the GDP in Bangladesh came from remittances. Data on remittances originate primarily from two sources: information collected by central banks and published as part of the balance of payments statistics, and information from sample surveys among remittance senders and receivers. These surveys can be used to understand how the patterns of remittance transfer and expenditure are associated with other characteristics such as the behavior of remittance senders and receivers. They can also reveal information about that part of remittances which are not transferred through formal channels. The findings can also be useful for examining the social and micro-economic dynamics of remittances and to assess the importance of unrecorded transfers in total flows. The purchase of basic consumption goods, housing, education, and health care have been identified as the main uses of remittances by households in recipient countries. In wealthier households, remittances can provide capital for small businesses and entrepreneurial activities. Senders also use remittances to repay debts associated with the migrants' travel.

However, the impact of remittances may vary between and within the developing countries. There have been a lot of studies to examine the impact at the national level but none has scrutinized the impact within the country. The purpose of this present study is to examine the impact of remittances within the country and on the rural-urban differentials in Bangladesh. Our analyses will concentrate on identifying the following: (1) the proportion of the remittances that is used for basic consumption goods, housing, education and health care; (2) the proportion that is used for capital investments; and (3) the proportion that is used for loan payments

## **Methodology**

We have already collected data from household heads by using a structured questionnaire. The structured questionnaire contained information on the identification of migrant households,

household structure, household facilities and assets, causes of migration, pattern and volume of remittances, utilization of remittances, and the impact of remittance. In addition to the abovementioned sections, there were a few questions regarding the awareness and attitude of migration and remittance are included in the questionnaire.

### **Sampling Design**

The study adopted multi-stage cluster sampling procedure to select the required sample households, where *mauzas* were considered as a cluster. A total of 30 clusters were proposed for the survey. Thirty clusters could be regarded as the minimum number of clusters needed to have a statistically representative sample of a population by internationally recognized survey designs, such as WHO's EPI cluster sampling design.

At the first stage 30 *upazillas* (unit of administration) were selected using systematic probability proportionate to size (PPS) sampling procedure. Since the numbers of *upazilla* were different in the six divisions, a stratified random sampling with proportional allocation was adopted to estimate the number of *upazillas* from each division (stratum). At the second stage, a *mauza* were selected randomly from each of the selected *upazillas*.

Therefore, the following steps were adopted to select the clusters and sample households:

- (i) The number of *upazillas* in each of the six strata was determined and defined.
- (ii) The *upazillas* were selected individually from the six strata using systematic PPS sampling procedure
- (iii) A *mauza* were selected randomly from each of the selected *upazillas*
- (iv) Finally, about 134 households from each cluster were selected using systematic sampling technique or compact segment, covering 4000 households in total.

In addition to the sampled migrant households, the study collected detailed interviews from 500 non-migrant households for studying the socio-economic variation. The non-migrant household from each cluster was selected using systematic sampling procedure.

**Analytical Techniques**

The study will use several statistical tools and techniques to analyze the data. Specially, a classical multiple regression models as well as a logistic regression model will be used to study the socio-economic impact of remittances on households and communities within Bangladesh.

**Results**