



Migration Dynamics And Remittance Flows: A Comprehensive Analysis Of India And Bangladesh

Dr. Swati Madan, Jawaharlal Nehru University, New Delhi

Abstract: Migration and remittance flows between India and Bangladesh are critical to the socio-economic landscapes of both nations, with millions of migrants contributing significantly to household incomes and national economies. Despite the prominence of these flows, there remains a gap in comprehensive studies that link migration dynamics with the broader economic and policy contexts, particularly in terms of their impact on poverty alleviation and development. This research aims to fill this gap by analyzing the drivers of migration, remittance transfer mechanisms, and analysing the push and pull factors that influence migration decisions. Using a mixed-methods approach, including quantitative analysis of remittance data and qualitative interviews with migrants and key stakeholders, the study explores migration patterns and remittance channels. Key findings highlight the critical role of remittances in improving household welfare, with significant regional variations in migration trends. The study also identifies gaps in migration policies and formal remittance channels that hinder optimal economic outcomes. The implications of this research underscore the need for more efficient remittance transfer systems, enhanced migration policies, and targeted interventions to maximize the benefits of migration for sustainable economic development in both India and Bangladesh.

Keywords: Remittance, Diaspora, India-Bangladesh relations, cross border mobility, Economic growth

1. Introduction

Migration has evolved into a phenomenon that affects almost every region of the world globalisation. People can now migrate more easily, affordably, and quickly in quest of employment, education, and a higher standard of living. In addition, people are forced to flee their country in search of greener pastures for themselves and their families overseas: civil unrest, economic hardship, disparities, and a lack of viable employment. Migration may enable fair and long-term economic growth in the home and host countries when the right policies support it. By making capital investments in shelter, hygiene practices, schooling, and healthcare, remittances are a substantial source of family earnings that enhances the quality of life for individuals, families, and entire communities. Countries accepting migrants benefit from immigration since migrants frequently fill critical labour gaps, start businesses, and pay social security and tax payments. Some immigrants are among the most active members of the host community, assisting in technological advancements and enhancing their host cities and communities by bringing a variety of cultures. There are two types of global migration: temporary migration, which is defined as employment under a specific short-term contract of employment accompanied by the worker's return to their home country following the contract's termination. On the other hand, migration happens permanently when an immigrant leaves his native country to live and work in another nation and is granted a permanent residency visa or a permit residence that's also continuously extended. Both contractual and permanent migration is taking place from India and Bangladesh. This paper describes the push and pull variables contributing to the migration flux from India to Bangladesh. Imperialism has historically affected both countries. As a result, the causes of emigration before independence varied from those during the time after. Substantive changes have occurred in the sources and demographics of migrants throughout the two phases. Similarly, the volume of their foreign remittances has also shifted. The study examines the main places from which Indian and Bangladeshi migrants depart, the regions

of India and Bangladesh from where migration originates and the remittance inflow.

2.1 International Migration from India: Dimensions and Patterns

The migration of individuals from India originated traditionally due to economic, political, and religious ties with the rest of the world, primarily Asian and African countries. However, the pattern of international migration completely changed at the beginning of the colonial era.

The worldwide labour outflow from free India has been described by massive changes over the past 50 years (Srivastava and Sasikumar 2003). Since the 1990s, these progressions have turned profoundly with changes in destinations and job profiles of migrants.

The outflow of labour from India to overseas can be categorised as follows: First, people with proficient mastery, specialised capabilities, and high skills migrate to developed countries like America, Canada, and the United Kingdom, either as contractual or permanently settled migrants attaining high salaries. Second, semi-skilled and unskilled relocate as provisional labourers to the countries in the Gulf (fundamentally to the GCC nations). Nowadays, such outflows are additionally coordinated towards Southeast Asian nations like Malaysia. Third, exceptionally youthful IT experts move from East Asia to the recently rising countries like mainland Europe, Australia, New Zealand, Singapore, and Japan.

2.2 Migration Flow from India

Migration from India, particularly to the Gulf region and Southeast Asia, is driven by a combination of economic factors, with over ninety percent of Indian migrants heading to countries like Saudi Arabia, the UAE, Oman, Qatar, and Malaysia. These migrants, often semi-skilled or unskilled workers such as housekeepers, drivers, and construction workers, typically work on temporary contracts, returning home once their contracts end. Push factors like high unemployment, poor wages, and limited job opportunities in India, especially in rural areas, fuel this migration, as does the lack of modern agricultural techniques and poor infrastructure. Skilled professionals, particularly IT graduates and engineers, are also drawn abroad by the promise of higher salaries and better job prospects. However there is no Indian information source on permanent migration to developed countries, even though worldwide migration outflows from India to the industrialised and migrant-recipient countries, including the United States of America, Canada, and the United Kingdom, have continued unabated for years.

Rural poverty, landlessness, and limited employment options lead many to seek work in the Gulf, while urban migrants are attracted to opportunities in developed nations. Despite challenges such as temporary employment and the lack of permanent settlement options in the Gulf, migration has become a crucial economic lifeline for India, with remittances playing a significant role in supporting families and contributing to the country's economy.

2.3 Remittance Flow in India

Contemporary literature shows a transformation in remittance inflow in developing countries; in the case of India, it has maintained the top position as the highest remittance-receiving country for decades. The post-liberalisation era witnessed a significant enhancement in the remittance inflow to the Indian economy (Sil and Samapti 2010). The Indian government introduced economic reforms in the early 1990s. Liberalisation, Privatization and Globalization in India resulted in integrating the Indian economy with the rest of the world. The Reserve Bank of India (RBI) reported that India continues to sustain its stance as the world's top remittance recipient. International remittance to India increased to 68 billion USD from 1990 to 2011, showing an upward trend in the past two decades. The figure shows that the remittances rose to USD 2 billion, USD 8.5 billion in 1995-96, USD 13 billion in 2000-01, USD 24.9 billion in 2005-06, and USD 70 billion in 2011-12 and USD 111.2 billion in 2022 (Figure 2.3.1). The remittance represents 4 percent of the country's GDP, a sharp rise almost negligible in 1990-91(0.7 percent) (Chishti 2007). India has consistently been ranked the highest remittance recipient country for the past 23 years; nearly ten percent of worldwide remittances are sent home by Indian migrants. Considering past trends, it would be assumed that India would continue to be the top recipient of remittances in the coming years (World Bank 2022).

Some states of India, especially southern states, supply more migrants; thus, the impact multiplies. Kerala is the best example; remittances constituted 43 percent of the state GDP in 2011-12, and Kerala state per capita income is always much higher than the national figure. Punjab and Goa are also on the top list from India. Kerala is the leading state in receiving remittances, with little less than 50 percent of the total inward remittances in India, followed by Punjab with 17 percent (Tumbe 2011; Hindustan Times 2011).

An interplay of factors is responsible for expanding the remittance flow in India (Niimi and Caglar 2006). Such as an increment in the number of migrants and their pay, better information and data collection, lower costs and more extensive organisations in the business which support remittance and the government strategies that further develop banking access and the innovation to transfer money, which advances exchanges through formal channels. The migration pattern has prompted a massive shift in the source area of remittance into India. Moreover, professional and IT computer programmers began working in developed countries in the mid-1990s, especially in the US; Indian migrants multiplied during the 1990s because of the utilisation of H-1B visas, which permits them to deal on a contract basis for six years. These labourers have better buying power and more saving potential than unskilled workers (Chishti 2007).

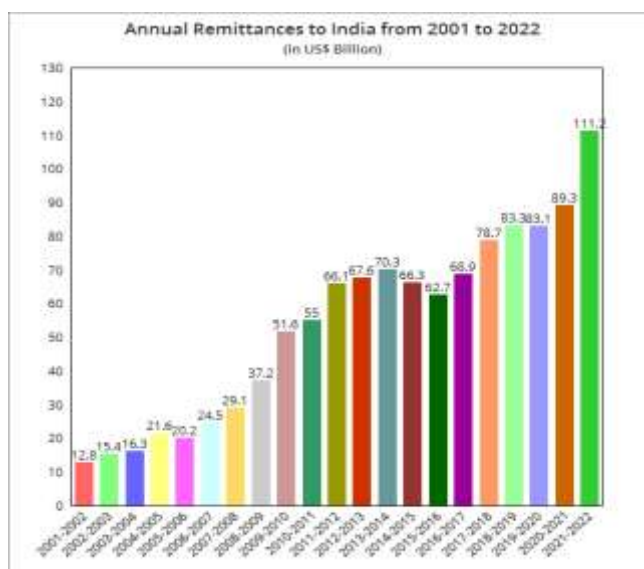


Figure 2.3.1: Flow of Remittances to Indian Economy 2001-2017. Source: World Bank data (2017 and 2022)

However, the RBI does not offer a state-level reprieve for private transfers to India. The accessible information gives us the details of that remittance through a proper formal channel. There are informal channels, too, through which remittance flows to different countries. The proper vigilance and restriction on the remittance flow through informal methods around 1991 in India brought about a more noteworthy progression of remittance through official channels.

A significant part of Indian worker migration to the Gulf countries has been its considerable portion of labourers' remittance sent home to India. Before the 1970s, most of the remittances were coming from developed countries; nonetheless, remittance was overwhelmed significantly by the expansion of workers to Gulf nations. Semi-skilled and low-skilled labourers in Middle Eastern countries remit income regularly and are seen as a reason for adding to the increment in remittance (Khadria 2006). As per the RBI, from 2004-05 onwards, North America has superseded the Gulf nations regarding remittance sources. RBI also assessed that Forty-five percent of remittances come from the United States and Canada, twenty-five percent from the Mideastern countries, and thirteen percent from European countries.

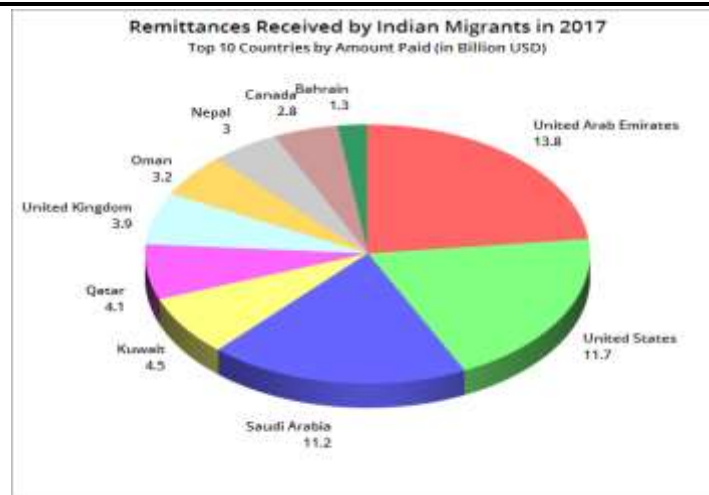


Figure 2.3.2: Remittance received by Indian migrants in 2017, top ten countries by the amount paid in USD billion.

Source: Pew Research Centre 2018.

https://www.bb.org.bd/pub/quaterly/remittance_earnings/apr_jun2019.pdf

Conversely, forty percent of the remittance started from the Middle East area and twenty-five percent from the United States and Canada in 1990. The shift began in mid-2000, but the Gulf district remains a significant source of work, just as remittance (Mallick 2010; Hindustan Times 2011). Workers from Gulf nations are sending remittances of more than 33 percent of the yearly USD 70 billion to India. Along these lines, they have added approximately five percent of the Indian domestic product. An increase in remittance coming from Gulf nations could be ascribed to income from blue-collar workers (Kohli 2014; MOIA 2012). Aside from remittance, migration likewise has different ramifications in India.

3. International Migration from Bangladesh: Dimensions and Patterns

With a long history of migration outflow and remittance inflow, incalculable Bangladeshis purposely migrate to another country for both permanent and temporary periods. Bangladeshi people began relocating to Britain's central city of Manchester in 1942. After independence, most Bangladeshis attempted to search for occupation in Middle Eastern countries. They opted for the EU as a destination country, particularly Germany, because of better labour contracts and appropriate executions of labour laws. Rising oil prices in the 1970s enabled immigrants in the Arab world to have unrestricted growth opportunities that eventually extended towards the newly formed nations of South Eastern Asia in 1990. Similarly, throughout the 1990s, there was a tendency to seek employment in industrialised nations like America, Canada, and Italy, as well as in certain Asian nations like Japan, Singapore, and Malaysia.

With a long history, migration is a complex phenomenon due to its dynamic flow. Initially, there was a United States and United Kingdom diaspora of proficient, skilled workers (Professional workers). Besides, a Bangladeshi diaspora of the low-pay or jobless section of the workforce furthermore resides in developed countries. Thirdly, several migrant labourers reside contractually in Middle Eastern nations (essentially Saudi Arabia and the United Arab Emirates), Singapore, Malaysia, and European countries. The types of diasporas in the first and second categories account for 0.01 billion migrants. In contrast, in the last thirty years, approximately three million migrants migrated as labourers, per official data (IOM 2019).

3.1 Migration flows from Bangladesh

Migration from Bangladesh has been a key driver of economic growth, with remittances playing a crucial role. Most Bangladeshi migrants have traditionally moved to the Middle East, particularly Saudi Arabia and the UAE. Factors such as the rise of other labor-sending countries, economic downturns in the Gulf, and political instability have contributed to this shift. In response, Bangladesh has sought new markets in regions like South Africa and Europe. Between 1976 and 2018, around twelve million Bangladeshis migrated, but many work on temporary contracts and return home afterward. The push factors include unemployment, political instability, and economic challenges, while the pull factors are higher wages and better opportunities abroad. Despite fluctuations in

migration trends, the demand for labor in developed countries continues to drive migration, presenting both opportunities and challenges for Bangladesh's economy..

3.2 Remittance Flow in Bangladesh

The remittance inflow in Bangladesh has mainly increased with labour migration over the past few years. Since FY 2007-08, the growth of remittances has gone down. The rise in unemployment in some Middle Eastern countries due to the global economic recession and collapse of the infrastructure sector in the Middle East led to the increment in remittance. The prevailing circumstances in these Middle Eastern countries' political unrest are another reason for the detrimental effect on migration and remittance flow into the economy. International workers' remittances have increased from 2505.44 million USD in FY 2001- 2002 to 14461.15 million USD in FY 2012-2013 (Bangladesh Bank 2013). With a tremendous rise of 12.60 percent as compared to the previous year, remittance from 2012-2013 is USD 12843.43 million (Figure 2.5.1).

The ease of transactions between foreign exchange banks and native banks is one reason for this growth. Besides, Bangladesh Bank has also approved about 40 banks to set up thousands of drawing arrangements, complementing more than 250 exchange houses worldwide for collecting remittances (Bangladesh Bank 2012). Some banks have already established twenty-five exchange houses/ subsidiaries abroad for collecting remittances. Bangladesh Bank has issued strict guidelines to commercial banks to ensure speedy delivery of remittance to the beneficiary by 72 hours as per current policy, which is yet another reason. Many banks can now distribute remittances through national mobile operator outlets such as Grameenphone, Robi, and Banglalink (Bangladesh Bank 2012). In 2018, Bangladeshi workers remitted USD 15 billion, 15 percent more than in 2017 (USD 13 billion) (Bangladesh Bank 2018). Generally, migrant workers cannot send money in the first year of migration. They remit money after the completion of the first year. The expansion in the inflow of remittance in 2018 can be credited to the enormous migration of migrant workers in 2017.

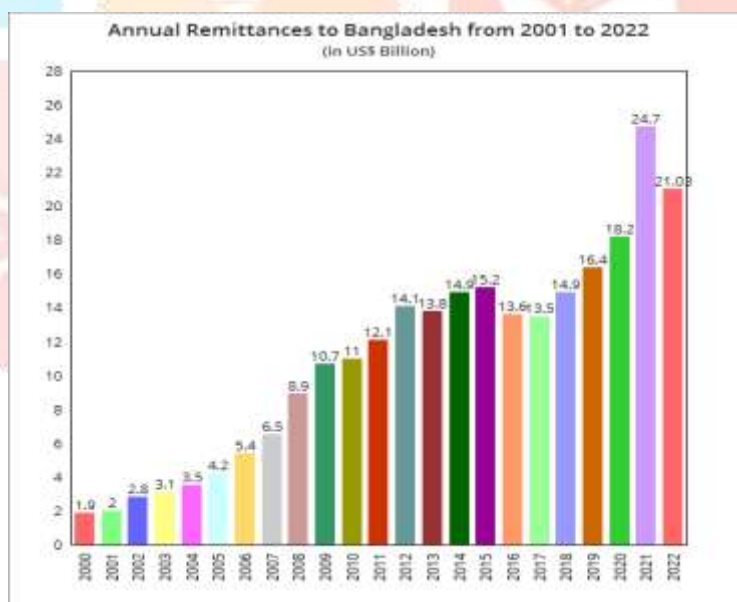


Figure 3.2.1: Flow of Remittances to Bangladesh Economy 2001-2017.

Source: Bureau of Manpower Employment & Training (2018), Bangladesh Bank (2023).

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Although the portion of remittance from Saudi Arabia falls with time, it remains the maximum. In 2001, approximately 45 percent of the total remittance from Saudi Arabia was reduced sharply to 28 percent in 2011-12. The share of UAE in total remittances doubled from nine percent in 2001 to 18.72 percent in 2011-12, which was 9.3 percent in 2001. Like the previous years, most Bangladeshi short-term contract workers migrated to the Gulf and other Arab countries. This year has been no exception. Almost 82.11 percent of the total workers who migrated from Bangladesh went to the Gulf and other Arab countries in 2017. The remaining 17.89 percent mainly

went to different South East Asian countries. The economic recession impacting all the countries, including the Middle East, added to the problem of political unrest and resulted in a steep reduction in the remittances from workers in Middle Eastern countries. Additionally, stringent policy measures were taken by the governments of various Middle Eastern countries to inhibit labour recruitment from Bangladesh due to fraudulent practices by recruiting agencies. Such a policy further impeded the remittance inflow from the Gulf countries. Conversely, remittance from countries other than Gulf countries, such as the United States of America, Malaysia, the UK, Singapore, etc., has increased in the last few years.

Remittance dropped to a six-year low of USD 13.53 billion in 2017. The figure is 0.53 percent lower than in 2016, when migrant workers remitted USD 13.6 billion. As of the previous year, Saudi Arabia has the highest remittance-sending rate for Bangladesh (17.19 percent). It is followed by the United Arab Emirates (16 percent), the USA (13 percent), Malaysia (7 percent) and the United Kingdom (7 percent). Nevertheless, remittance could have increased, given the record migration increase in 2016 - 2017. Government and private banks have played a significant role in receiving foreign remittances in 2017. According to the Bangladesh Bank, Islami Bank has collected over 19.3 percent (USD 2388 million) of the total remittances, making it the top remittance-receiving bank in 2017. However, before the significant change that occurred in the management of the bank, it used to collect around 30 percent of the total remittance flow. Islami Bank is followed by Agrani Bank (9.79 percent), Sonali Bank (7.82 percent), Janata Bank (6.44 percent) and Dutch-Bangla Bank (5.35 percent).

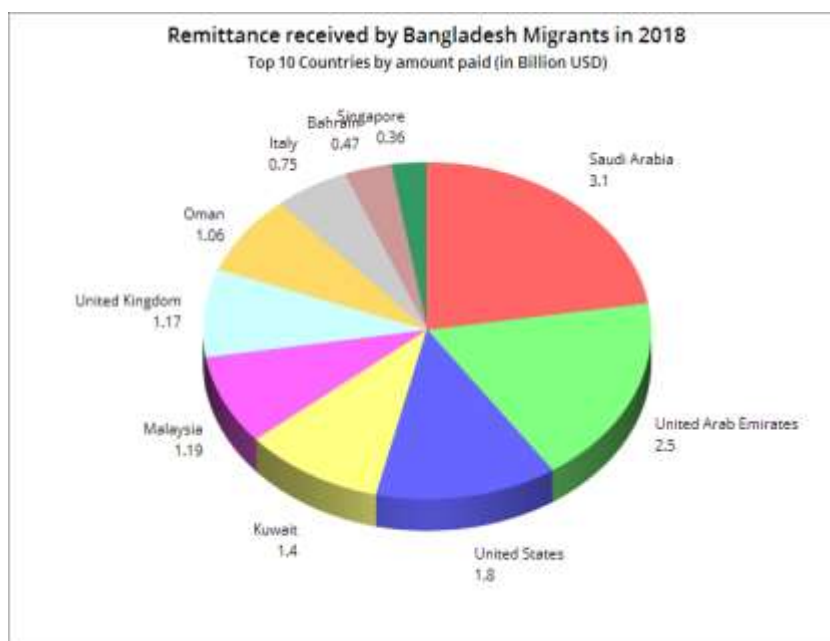


Figure 3.2.2: Remittance received by Bangladesh migrants in 2017, top ten countries by the amount paid in USD billion.
Source: Bangladesh Bank 2017; BMET 2018

The leading cause for the bridge between the number of migrants' outflow and remittance inflows is that most semi-skilled and unskilled Bangladeshi workers migrated overseas for jobs; salaries and wages of such migrants are low in contrast to those of salaried professional and proficient workers. The reverse of this trend was seen in FY 2012-2013, where the outflow of workers overseas was less, but there was an increment in remittance. One of the explanations for the growing trend of remittance is that several skilful migrants went abroad. Another cause is that the transfer of remittance through the official method increased. Also, the government has facilitated numerous ways for speedy remittance transfer via the formal channel. For example (i) simplification measures taken up by the government that simplify the approval process between Bangladeshi banks with various overseas exchange houses of drawing arrangement. To date, 300 overseas exchange houses have made 850 drawing arrangements with 42 Bangladeshi Bk (BER 2013). (ii) the number of exchange houses for the collection of remittances increased. Currently, 16 local banks are allowed to establish 44 exchange houses for collecting

remittances and transmission to other countries (BER 2013). (iii) Bangladesh Bank has granted permission to four banks to hand out remittances through the outlet of mobile phone operators (BER 2013).

Bangladesh is a huge labour surplus country, so the government cannot create employment opportunities for its working population. Migration is the best possible option for these Bangladeshi people. On the other hand, remittance helps build foreign exchange reserves magnanimously and plays a crucial role in alleviating Bangladesh's foreign exchange constraints. This chapter has attempted to capture different aspects of voluntary migration from Bangladesh and international remittance inflow to Bangladesh based on available secondary data. With few exceptions, workforce exports and remittances increase every year.

As Bangladesh is a gigantic worker-exporting country, it is not feasible for the government to open doors of employment for its whole working populace. Migration is the ideal choice for these Bangladeshi individuals. Then again, remittance helps raise foreign exchange reserves and meet macroeconomic constraints. This chapter has analysed various parts of deliberate migration from Bangladesh for employment and the subsequent remittance inflow to Bangladesh based on secondary sources of information. It depicts that with few exceptions, mainly the outflow of labour and inflow of remittance show increment consistently. Noteworthy migration of workers was noticed in FY 2007-2008, but afterwards, there was a negative and more slow migration development. It is additionally seen that Bangladesh is endlessly dependent on Middle Eastern nations for work. Even though labour migration to Saudi Arabia, the biggest worker market for us, is diminishing. One reason behind this is a global financial crisis. One more explanation is that the Government of Saudi Arabia prevents labour import from Bangladesh because of fraud practices and the deceitfulness of recruiting agencies. In this way, it is presumed that Bangladesh mainly migrates professional(skilled), semi-skilled, and less-skilled workers. The amount of skilled migration is also reasonable, as the government has made many efforts to increase the skilled migration. For example, professional and training programs for potential migrants were conducted by the Institute of Marine Technology and Technical Training Centre.

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