

Remittance Is the Source of Productivity Improvement

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Abstract

Over the last two decades it has been found that remittance is an important household income in many developed and under developed countries. Global remittance money grows three times than foreign investment and foreign development aid. In his study, Jason found, that countries which received remittance experienced declining poverty with income inequality. 65 countries received more remittance money than foreign investment and foreign development aid combined. Remittance money has been used to cover trade deficit, balance payment, educational development, repayment of loan, food and clothing, real estate development, investment in business, agricultural material purchase, relocate family members for better opportunities. In this study, remittance earning countries' overall productivity development will be examined.

Key Words: Remittance, Productivity Improvement, Foreign Development Aid, Foreign Investment, Declining Poverty, Household Income

1. Introduction

Remittance is the life line of many developed and underdeveloped countries around the world. According to reports conducted by the World Bank and the United Nations, one in every ten people are directly associated with remittance. The United States is one of the largest sources of outflow remittance, which is more than 42 billion dollars annually. It has been found that over the last two decades remittance outflows exceeds the amount of foreign investments and foreign development aid combined. For example according to the World Bank report in 2013 the foreign development aid was around \$126 billion, whereas the remittance amount in developing countries was \$550 billion. The outflows of foreign development aid were 42% of the remittance amount. In 2012 it was estimated that 9% of the remittance money was used to transfer the remittance from one country to another, which indicates there was a development enterprise of \$50 billion.

2. Literature Reviews

Jason Morton, Panday Primiti, and Maria Kuala (2010) extensively studied the impact of remittance recipient countries and their economy. His finding was that the remittance receiving countries experienced declining poverty with increased income inequality. The conclusion was that the remittance was positively correlated with the GDP and it played a positive role in domestic development. Ratha (2012) found that remittance is a major source of reducing both the scale and severity of poverty. Furthermore, these remittances

have been found to have a major impact on areas such as health, agriculture and gender equality. Significant studies have been conducted by individual researchers as well as by researchers in the World Bank, International Organization of Migration, and the United Nations regarding the impact of the inflows of economic development of the amount of remittance money. The information of remittance in the following tables given below was collected from several researchers and reports conducted by the World Bank.

Table 1: Remittance Sent to Home Countries

	01 4	2013	2012	2011	2010	09	08	07	06	05	04	03	02	01
Global			514											
1. India		71	69.35	63.92	53.48	49.2	49.9	37.22	28.35	22.13	21.7	20.99	15.74	14.27
2. China		60	60.25	61.35	52.27	48.73	48.52	38.79	27.94	24.1	21.3	15.06	14.38	40.52
3. Mexico		22	23.49	23.59	22.08	22.08	26.04	27.17	26.88	23.06	18.1	16.57	11.46	38.11
4. Philippines		26	24.45	23.06	21.47	19.73	18.63	16.30	15.25	13.57	11.7	10.24	7.66	20.92
5. Nigeria		21	20.57	20.62	19.82	18.37	19.2	17.8	16.74	14.49	2.8	1.06		16.7
6. Egypt		20	20.52	14.32	12.45	7.15	8.6	7.66	5.33	5.02	3.3	2.96	2.95	14.37
7. Pakistan		15	14.01	12.26	9.69	8.72	7.04	5.99	5.12	4.28	3.9	3.96	5.41	8.94
8. Bangladesh		13.83	14.06	12.17	11.05	10.72	9.01	6.57	5.48	4.52	3.56	3.19	3.12	7.50
9. France		21.6	19.45	19.48	16.90	15.55	16.41	14.45	13.03	11.95	12.7	11.31		7.91
10. Germany		14.7	13.66	14.89	12.97	10.88	10.91	9.9	7.57	6.93	6.6	5.78		12.6
11. S. Korea		9.0	11.04	10.39	8.73	2.52	2.77	.87	.99	.85	.8	.83	7.59	8.34
12. Spain		10.0	10.13	11.45	10.54	10.25	9.9	11.81	10.74	8.89	7.9	6.6		3.32
13. Belgium		10.8	10..02	10.97	10.47	10.36	10.25	9.10	7.49	7.24	6.8	5.99		8.18
14. Vietnam		11	10.00	8.6	8.26	6.02	6.81	5.5	4.8	4.0	3.2	2.7		
15. U.K.			8.33	8.08	7.40	6.85	7.86	7.88	6.75	6.30	6.4	5.03		5.91
16. Lebanon			7.47	7.53	7.65	7.56	7.18	5.77	5.20	4.92	5.59	4.74		5.91
17. Italy		7.8	7.23	7.03	6.80	2.68	3.14	3.16	2.62	2.39	2.17	2.14		5.30
18. Poland		7.2	6.91	7.64	7.37	9.08	8.82	10.45	10.5	8.5	6.5	4.7	3.83	3.28
19. Morocco			6.89	7.25	6.42	6.45	6.27	6.9	6.73	4.45	4.2	3.6	3.29	7.31
20. Indonesia		7.9	7.21	6.92	7.12	6.79	6.79	6.17	5.72	5.42	1.87	1.49	1.682	4.93
21. Romania		3.6	4.5		4.9			8.5					1.646	4.62
22. Ukraine		9.3	6.5	6.72	5.61	5.07	5.77	4.50	.83	.59	.41	.33	1.670	1.08
23. Sri Lanka			6.31	5.13	4.16	3.36	2.95	2.53	2.2	2.0	1,6	1.44	1.296	
24. Russia Fed		6.4	5.17	5.67	5.26	5.36	6.03	4.71	3.34	3.01	2.49	1.45	1.817	2.64
25. Nepal		5.4	4.95	4.22	3.52	2.97	2.73	1.73	1.45	1.21	.82	.77		4.07
26. Brazil			4.94	4.79	4.28	4.23	5.09	4.38	4.25	3.54	3.56	2.52	2.08	2.03
27. Guatemala			4.92	4.23	4.26	4.03	4.46	4.24	3.7	3.07	2.6	2.15	2.86	3.46
28. Thailand			4.13	3.99	3.58	1.64	1.9	1.64	1.33	1.19	1.62	1.61	1.38	3.14

Source: Author calculation based on data collected from World Bank, Several Research articles on remittance web side information from several countries.

Table 2: 15 recipients of remittance during 2000-2013

2013	2012	2011	2010	2009	2008	2007	2006
India(71)	India(69.35)	India(63.92)	India(53.48)	India(49.2)	India(49.9)	China(38.79)	India(28.35)
China(60)	China(60.25)	China(61.35)	China(52.27)	China(48.13)	China(48.52)	India(37.22)	China(27.94)
Philippines(26)	Philippines(24.45)	Mexico(23.59)	Mexico(22.08)	Mexico(22.08)	Mexico(26.04)	Mexico(27.17)	Mexico(26.88)
Mexico(22)	Mexico(23.49)	Philippines(23.06)	Philippines(21.47)	Philippines(19.73)	Nigeria(19.2)	Nigeria(17.8)	Nigeria(16.74)
France(21.6)	Nigeria(20.57)	Nigeria(20.62)	Nigeria(19.82)	Nigeria(18.37)	Philippines(18.63)	Philippines(16.3)	Philippines(15.25)
Nigeria(21)	Egypt(20.52)	France(19.48)	France(16.90)	France(15.55)	France(16.41)	France(14.45)	France(13.03)
Egypt(20)	France(19.45)	Germany(14.89)	Germany(12.97)	Germany(10.88)	Germany(10.91)	Spain(11.81)	Spain(10.47)
Pakistan(15)	Bangladesh(14.06)	Egypt(14.32)	Egypt(12.45)	Bangladesh(10.72)	Belgium(10.25)	Poland (10.45)	Poland(10.5)
Germany (14.7)	Pakistan(14.0)	Pakistan(12.26)	Bangladesh(11.05)	Belgium(10.36)	Spain(9.9)	Germany(9.9)	Germany(7.57)
Bangladesh (13.8)	Germany(13.66)	Bangladesh(12.17)	Spain(10.54)	Spain(10.25)	Bangladesh(9.01)	Belgium (9.1)	Belgium(7.49)
Vietnam(11)	S. Korea(11.04)	Spain(11.45)	Belgium(10.47)	Poland(9.08)	Poland(8.82)	Romania(8.5)	UK(6.75)
Belgium(10.8)	Spain(10.13)	Belgium(10.97)	Pakistan(9.69)	Pakistan(8.72)	Egypt(8.6)	UK(7.88)	Morocco(6.73)
Spain(10)	Belgium(10.02)	S. Korea(10.39)	S. Korea(8.73)	Lebanon(7.56)	UK(7.86)	Egypt(7.66)	Indonesia(5.72)
Ukraine(9.3)	Vietnam(10)	Vietnam(8.6)	Vietnam(8.26)	Egypt(7.15)	Lebanon(7.18)	Morocco(6.9)	Bangladesh(5.48)
S. Korea(9)	UK(8.3)	UK(8.6)	Lebanon(7.65)	UK(6.85)	Pakistan(7.04)	Bangladesh(6.57)	Egypt(5.33)

Continued Table 2:

2005	2004	2003	2002	2001
China(24.1)	India(21.7)	India(20.99)	India(15.74)	China(40.52)
Mexico(23.06)	China(21.3)	Mexico(16.57)	China(14.38)	Mexico(38.11)
India(22.13)	Mexico(18.1)	China(15.06)	Mexico(11.46)	Philippines(20.9)
Nigeria(14.49)	France(12.7)	France(11.31)	Philippines(7.66)	Nigeria(16.7)
Philippines(13.57)	Philippines(11.7)	Philippines(10.24)	S. Korea(7.59)	Egypt(14.37)
France(11.95)	Spain(7.9)	Spain(6.6)	Pakistan(5.41)	India(14.27)
Spain(8.89)	Belgium(6.8)	Belgium(5.99)	Poland(3.83)	Germany(12.6)
Poland(8.5)	Germany(6.6)	Germany(5.78)	Morocco(3.29)	Pakistan(8.94)
Belgium(7.24)	Poland(6.5)	UK(5.03)	Bangladesh(3.1)	S. Korea(8.34)

Germany(6.93)	UK(6.4)	Lebanon(4.74)	Egypt(2.95)	Belgium(8.18)
UK(6.30)	Lebanon(5.59)	Poland(4.7)	Guatemala(2.86)	France(7.91)
Indonesia(5.42)	Morocco(4.2)	Pakistan(3.96)	Brazil(2.08)	Bangladesh(7.5)
Egypt(5.02)	Pakistan(3.9)	Morocco(3.6)	Russia Fed(1.817)	Morocco(7.31)
Lebanon(4.92)	Bangladesh(3.56)	Bangladesh(3.1)	Indonesia(1.682)	Lebanon (5.91)
Bangladesh(4.52)	Brazil(3.56)	Egypt(2.96)	Ukraine(1.67)	UK(5.91)

Table 2 indicates that for most countries, there is significant amount of money coming from overseas.

3. Problem Statement and Conclusion

The worldwide inflow and outflow of remittances has been rising over the last decade, which was characterized by global economic slowdown. Remittance money has been used by the host countries for multiple purposes. In many poor countries, balance payments and maintenance of minimum level for foreign reservation depends on the inflows of remittance. This study will focus on development in different areas remittance recipient countries. The study also will investigate the impact of small entrepreneur development in the developing and under developing countries, and whether remittance plays an important role for a sustainable micro-economic development. In the study, prediction and the pattern of migration and remittance will be given; the brain drain due to migration will also be studied. We will conduct surveys and statistical tests to examine whether remittance is playing a more important role for educational development, poverty reduction, and entrepreneur development than foreign development aid and foreign investment combined.

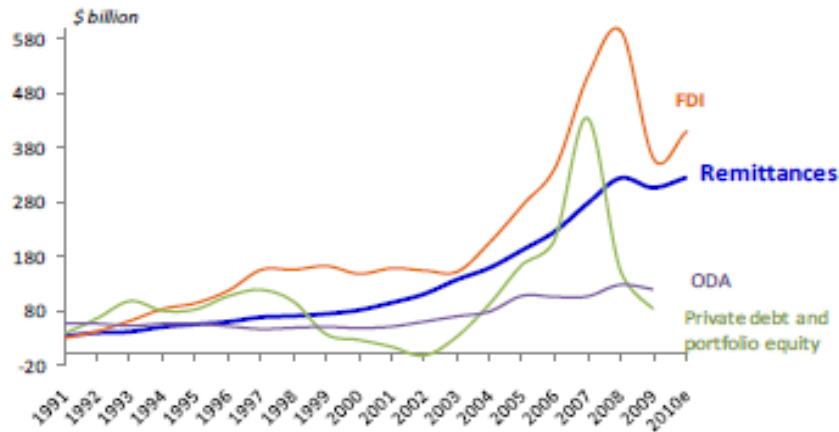
Table 3: Remittance as a Percentage of GDP

	014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	02	01	00
Global			514												
1. S.E. Asia													21		
2. India			3.7	3.4	3.1	3.6	4.1	3.00/66	2.99/63	2.65	2.65/66				
3. China		0.4	0.5	0.6	0.6	0.5	0.5	.50/108	.41/113	3.9	.39/114				
4. Mexico		1.8	2.0	2.0	2.1	2.5	2.4	2.59/68	2.79/65	2.68	2.68/65				
5. Philippines		9.8	9.8	10.3	10.7	10.7	10.7	10.9/21	12.3/20	13.16					8.2
6. Nigeria			4.5	8.5	8.7	10.9	9.3	10.9/22	11.6/23		13.04/20				
7. Egypt			7.3	6.1	5.7	3.8	5.3	5.87/40	4.96/45		5.59/41				
8. Pakistan		6.2	6.2	5.8	5.5	5.4	4.3	4.19/54	4.02/45		3.91/49				
9. Bangladesh			12.2	10.8	10.8	11.8	11.2	9.58/26	8.77/29		7.16/32				2.6
10. France		0.4	0.4	0.7	0.7	0.6	0.6	.56/106	.58/102		.56/107				
11. Guyana		10.7	16.5	0.4	0.4	0.3	0.3	16.3/17	15/17						
12. Korea Re		0.5	0.5	0.8	0.7	0.9	1.0	.63/104	.64/98		.77/97				
13. Spain		0.7	0.7	0.7	0.7	0.6	0.6	.65/103	.61/98		.59/105				
14. Belgium		2.2	2.1	2.1	2.2	2.2	2.1	1.96/77	1/82/77		1.83/77				
15. Vietnam				7.0	7.8	6.2	7.5	8.7/29	6.24/37		5.95/37				
16. U.K.		0.1	0.1	0.1	0.1	0.1	0.1	.07/135	.04/135		.08/133				

17. Lebanon	16.0	17.2	18.3	19.9	21.8	23.9	23.02/6	23.18/5		32.53/6				9.4
18. Italy	0.4	0.4	0.3	0.3	0.2	0.2	.14/131	.14/128		.13/128				
19. Poland	1.3	1.4	1.5	1.6	1.9	2.0	2.46/71	2.48/69		2.27/71				
20. Morocco	6.8	7.3	7.3	7.1	6.9	7.8	8.9/28	8.31/31		7.71/30				
21. Indonesia	0.8	0.8	0.8	1.0	1.3	1.3	1.43/88	1.57/82		1.9/76				
22. Romania	1.9	2.2	2.1	2.4	3.0	4.5	5.0/46	5.44/39		4.76/43				
23. Ukraine	5.4	4.8	4.8	4.8	5.1	3.8	2.71/61	2.88/64		2.8/64				
24. Sri Lanka	9.6	10.1	8.7	8.3	7.9	7.2	7.75/35	7/66/33		8.09/28				
25. Russia Fed	.0.3	0.3	0.3	0.3	0.3	0.3	.28/116	.27/119		.32/117				
26. Nepal	28.8	25.0	22.2	21.7	23.2	21.7	16.8/15	16.1/16		14.91/17				
27. Brazil	0.1	0.1	0.1	0.1	0.2	0.2	.24/123	.3/118		.32/117				
28. Guatemala	10.0	10.0	9.5	10.2	10.7	11.4	12.4/19	12.3/22		11.27/22				1.6
29. Thailand	1.5	1.3	1.3	1.1	1.1	0.7	0.66	.64/98		.67/101				

Source: Author calculation based on data collected from World Bank, Several Research articles on remittance web side information from several countries.

Figure 1: Private capital flows 1990-2010e



Source: World Development Indicators (September 2010), Global Economic Monitor, and staff estimates.

Figure 1 indicates the remittances stable source of capital inflows.

Cited from: The Migration and Development Brief 13, November 2010, World Bank

Table 4: Countries with high percentage of Gross Domestic Products (GDP) 1990 through 2013

Countries	2013	2013	2012		2011		2010		2009		2008		2007	
		% of GDP	R	% of GDP	R	% of GDP	R	% of GDP	R	% of GDP	R	% of GDP	R	% of GDP
Tajikistan	4.1	52	3.7	47.5		46.9	2.03	40.9		49.6		49.6		36.2
Kyrgyz	2.3	31		30.8		27.6	1.38	26.4	1.07	27	1.47	28.0	1.02	18.51
Nepal		28.8		25.0		22.4	3.51	21.7	2.97	23.3	2.73	24.4	1.73	16.79
Bermuda				21.8		22.6		22.0		23.2				24.6
Panama		1.0		1.1		1.2		1.4		1.3		0.9		0.91
Guatemala		10.0		10.0		9.5		10.2		10.7		11.4		13.71
Lesotho		25		23.8		26.1		28.0		32.1		35.3		245
Moldova	2.0	24		24.5		23	1.31	22.3		23.1		31.41		33.87

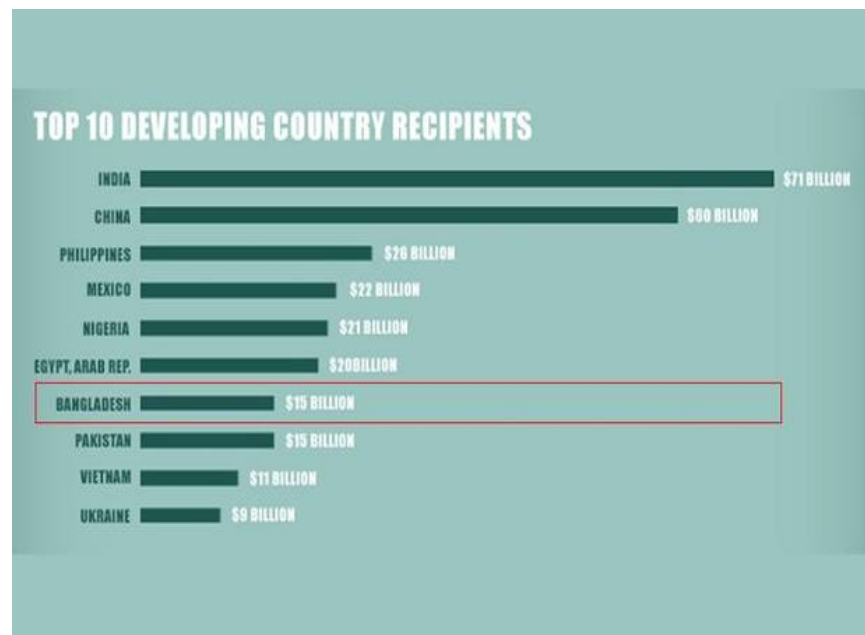
Armenia	2.4	21		19.2		19.7		18.0		16.6		9.0		
Haiti		21.1		20.4		21.1		22.3		20.9		21.4	21.6	20.47
Samoa		21		21		21	.143	26.5		22.1		25.8		19.45
Liberia		20		23.4		23.4		2.4		2.2		6.8		8.39
Lebanon		16.0		17.2		18.2	8.41	21.5		22.4		24.5	24.5	23.2
Kosovo		16.1		16.4		16.9		17.4		18.8		18.5		19.71
Tonga				12.6		16.5	1.11	20.6		22.6		37.7	32.3	33.55
Honduras		16.9		15.7		15.9		16.5		19.3		20.3	25.6	21.15
Guyana		10.7		16.5		16.0		16.3		12.9		1450	24.3	16.24
El Salvador		16.4		16.4		15.8		16.2		16.5		17.2		18.45
Jamaica		15.0		14.5		14.6		15.3		15.6		14.7		16.55
Jordan		10.8		11.3		11.7		13.3		14.5		18.7	20.3	20.07
Serbia	3.5			7.3		7.5		9.1		9.8		5.7		7.86
Kosovo		16.1		16.4		16.9		17.4		18.8		18.5		19.71
Bosnia		10.6		10.9		10.7		10.9		12.5		14.7		
Albania		6.2		8.3		8.7		9.7		10.9		11.5		13.71
Nicaragua		9.6		9.5		9.2		9.2		9.2		9.9		
West Bank and Gaza				20.1		17.0		18.1		17.8				
	2006	2006	2005	2005	2004	2004	2003	2003	2002	2001	2000	1999	1998	1900
		% of GDP	R	% of GDP	R	% of GDP	R	%	%			%		%
Tajikistan		36.2												
Kyrgyz											0.7			
Nepal											2.0			
Bermuda														
Panama														
Guatemala											3.1			1.6
Lesotho		30.3		27.5		29.0		29.0	29.0	29.5	32.2	34.2	35.7	74.2
Moldova		24		27.1		24.6		24.6	19.5	16.4	13.9			
Armenia														
Haiti		21.4		25.4		28.7		28.7	21.0	17.8	15.8	--	--	2.1
Samoa		24.0		22.8		14.0			17.0	18.8	19.4	19.6	18.7	38.4
Liberia														
Lebanon		23.2		25.7		23.6		23.6						
Kosovo														
Tonga		30.3		33.3		32.2		32.2	44.5	38.1				21.1
Honduras									11.1		5.9			2.1
Guyana		23.8		19.5		13.4					3.8			
El Salvador									13.7		13.4		11.2	7.6
Jamaica								14.9			9.9			5.0
Jordan		19.4		20.4		21.6		21.6	22.4	22.4	21.8	21.5	20.5	12.4
Serbia		16.8		16.8		13.1								
Kosovo														
Bosnia		17.6		20.7		20.9		20.9	23.1	27.0	30.1	40.6	49.7	
Albania								15.7	16.5	17.1	16.2	11.9	18.5	
Nicaragua						9.5				9.4		9.9		5.0
West Bank and Gaza											20.9	23.8	24.5	

Table 4 shows that many countries have a fairly high percentage of remittance to GDP. Empty cells indicates that information are not available at this moment

Table 5: Top 15 countries with high percentage of GDP from 2008 through 2013

2013	2012	2011	2010	2009	2008
Tajikistan(52)	Tajikistan(47.5)	Tajikistan(46.9)	Tajikistan(40.9)	Tajikistan(49.6)	Tajikistan(49.6)
Kyrgyz(31)	Kyrgyz(30.80)	Kyrgyz (27.6)	Lesotho (28.0)	Lesotho(32.1)	Tonga(37.7)
Nepal (28.8)	Nepal (25)	Lesotho (26.1)	Samoa(26.5)	Kyrgyz(27)	Lesotho(35.3)
Lesotho (25)	Moldova(24.5)	Liberia (23.4)	Kyrgyz(26.4)	Nepal(23.3)	Moldova(31.4)
Moldova (24)	Lesotho (23.8)	Moldova (23)	Moldova(22.3)	Bermuda(23.2)	Kyrgyz(28)
Haiti (21.1)	Liberia(23.4)	Bermuda (22.6)	Haiti (22.3)	Moldova(23.1)	Samoa(25.8)
Samoa (21)	Bermuda(21.8)	Nepal (22.4)	Bermuda(22.0)	Tonga(22.6)	Lebanon(24.5)
Armenia (21)	Samoa (21)	Haiti (21.1)	Nepal(21.7)	Lebanon(22.4)	Nepal (24.40)
Liberia(20)	Haiti (20.4)	Samoa (21.0)	Lebanon(21.5)	Samoa(22.1)	Haiti(21.4)
Honduras(16.9)	W. Bank Gaza	Armenia (19.7)	Tonga(20.6)	Haiti(20.9)	Honduras(20.3)
El alvado(16.4)	Armenia(19.2)	Lebanon (18.2)	W.Bank Gaza18.1)	Honduras(19.3)	Lordan(18.7)
Kosovo (16.1)	Lebanon(17.2)	W. Bankaza(17)	Armenia(18.0)	Kosovo(18.8)	Kosovo(18.5)
Lebanon (16.0)	Guyana(16.5)	Kosovo (16.9)	Kosovo(17.4)	Wbankgaza(17.8)	Salvador(17.2)
Jamaica (15.0)	El Salvador (16.4)	Tonga (16.5)	Honduras(16.5)	Armenia(16.6)	Bosnia(14.7)
Jordan (10.0)	Kosovo (16.4)	Guyana (16.0)	Guyana(16.3)	Salvador(16.5)	Jamaica(14.7)

Figure 2: Top 10 remittance recipient countries in 2013



Source: bdnews24.com (published 2013-10-04)

Bangladesh has been ranked seventh on the list of ten countries expected to receive highest officially recorded remittance this year.

Remittance sums also rival total income from entire industries (Asian Philanthropy Forum, 2014). Nationally, it provides a source of income for the developing country and makes up for capital, where exports or other resources may fall short.

Figure 3: Remittance vs. Major Exports in Some Developing Countries

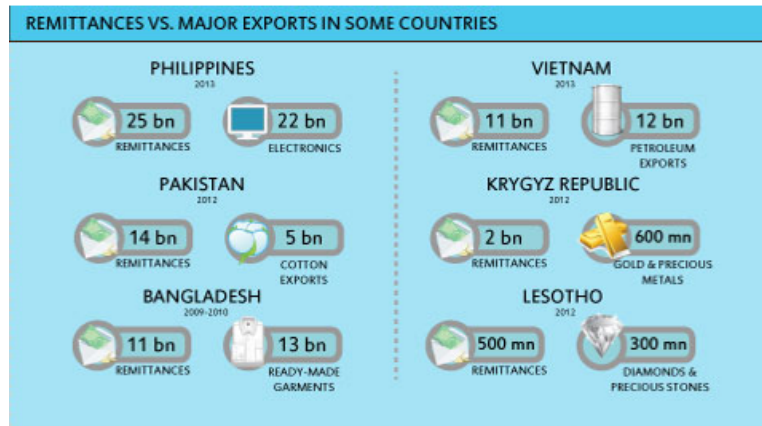


Figure 3 is a comparison listing remittances versus major exports of some of the top remittance receiving countries in the world (The World Bank, 2012). In most of the comparisons above, remittance is near or exceeds profit from one of their major exports.

4. Conclusion

Remittance has served as an important part in developing countries' economies. It stimulates both home and abroad economies. Remittance can finance basic consumption, improve health care, improve dwellings, eradicate poverty and improve living condition, stabilize the household income, purchase real estate, and/or invest in business; the decision of use, however, is up to the recipients. Remittance comes from migrants giving money back to their home country to support family members and friends. It really helps the economy of the countries and helps those that are living in poverty. Remittances are much more stable and even counter cyclical in the face of external economic shock. Remittance tends to be well targeted to the needs of its recipients. Remittances reducing of poverty and promoting of human development is well documented and reported as beneficial to overall development. The output of Tables 1 through 4 and Figures 1 through 3 indicates the role of remittance as a resource of productivity improvement.

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