Remittances and Household Dependence: Evidence from Bangladesh

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Research Questions

- What is the effect of remittances on Household Dependence in Bangladesh?
- Do remittances increase both the likelihood and amount of non-remittance income generated by households in Bangladesh?

Data Source

- Household survey data from the Bangladesh Survey on the Use of Remittances, 2013
- Nationally representative survey of 8,995 households with temporary male migrants
- Cross-sectional data with rich information about Migration patterns, Remittances received, Remittance uses, Migrant characteristics, Socio-economic profiles of family members left behind

Empirical Methodology

Empirical strategy examines effect of remittances on:
- Likelihood of having non-remittance income (extensive margin)
- Amount of non-remittance income (intensive margin)

Baseline model: Linear regression of remittances on dependence indicators

- Address endogeneity concerns using instrumental variable (IV) approach
- Instrument is change in economic fitness of destination countries
- Economic fitness measures country's capability for complex production
- Positive change → reduced demand for low-skilled labor → lower migrant income and remittances
- Explore sensitivity to exogeneity assumption using imperfect IV method
- Allows for non-zero correlation between instrument and error term
- Generates bound estimates instead of point estimates

Key Results

- Effect of Remittances on Non-Remittance Income
  - Magnitude of Non-remittance Income (IV): 0.266
  - Magnitude of Non-remittance Income (OLS): 0.170
  - Likelihood of Non-remittance Income (IV): 0.149
  - Likelihood of Non-remittance Income (OLS): 0.007

Mechanisms

Health productivity effect:
Remittances improve health → increased productivity → more income generation

Capital accumulation effect:
Remittances → physical & financial capital accumulation → facilitates non-remittance income

Conclusion

- Remittances promote income generating activities and reduce dependence through rental income.

Contact

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