

Economic Recession and Its Impact on the Bangladesh's Economy with A Special References of RMG and Remittance Sectors

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Abstract: *In the late 1970s, the ready-made garment (RMG) industry of Bangladesh started and became a player in the national economy. It is the common phenomenon that due to recent global economic recession almost all the countries in the globe fell into difficulties is going to overcome the recession. Nevertheless to say this might be more difficult for the developing country like Bangladesh. But fortunately for Bangladesh the prominent foreign exchange earning sectors (RMG & Remittance) showed the positive figure even in these bad days of economic recession. It is argued that this favorable outcome is due to two factors. First, the exports of Bangladesh are almost entirely consumer goods whose demand does not fall as sharply as income; and second, Bangladesh has acquired a competitive edge in the world apparel market. In this paper, we exploited the ways, concept and techniques which helped us a lot to overcome the difficulties and able to stabilize our economic improvement.*

Keywords: Readymade Garments, knitwear, Export, Economy, Recession

1. Introduction

The RMG industry of Bangladesh has expanded dramatically over the last three decades. The export composition changed dramatically since then; readymade garments (RMG) comprising knitwear and woven apparel products emerged as the principle export items of the country while jute export stalled.³ The country achieved remarkable success in export expansion, mainly because of the stellar performance of the RMG industry. The demand for a country's exports depends on the import proposition of the people of other countries. Such propositions are predicted to be influenced by their economical growth. The recession that ravaged much of the world, especially the western world, during 2008 and 2009 had profound implications for export efforts, and hence economic growth, of the world. As the western economy moved in the negative growth zone, their imports plummeted. Consequently the exports of the rest of the world also plummeted. In this paper, we exploited the ways, concept and techniques which helped us a lot to overcome the difficulties and able to stabilize our economic improvement especially for our paper we selected two of most prominent foreign currency earner sectors RMG & Remittance. We analyzed the RMG sectors in the Case-1 and Remittance sector in Case-2 for the convenient.

2. Literature Review

Murshid et al (2009) mentioned in their paper that two main sources of economic growth of Bangladesh have been manufacturing and servicing, both crucially dependent on the RMG sector. Thus any impact on RMG sector, will adversely affect economic performance of the country.

Several researchers were given emphasized on forecast or estimate export demand function. Nur et al (2007) estimated an export demand function for Bangladesh using bilateral trade data and applying co-integration techniques. Real exchange rate and real GDP were used as explanatory variables. Estimates were generated for five major countries. The estimates produced positive income elasticity for exports, for all five export destinations. However, the magnitude of the elasticity's varied widely among countries. Choudhury (2001) estimated export demand functions of total exports and exports to fifteen major trading partners of Bangladesh over the period 1972-73 to 1997-98. A simple log-linear form of the export demand function was estimated and unit value of exports and the weighted index of GDP were used as explanatory variables. Some other with mentioning is Ahmad et al (1993) and Razzaque (2004). Haider (2007) discussed in his paper that, big buyers are interested in continuing and expanding their business in Bangladesh if the short lead time and standards can be ensured. Recently, Murshid et al (2009) in their paper addresses to the task of assessing the likely impact that the global financial crisis may have on Bangladesh. And they found during GFC the performance of RMG and Remittance sectors are quite satisfactory. They also found few reasons for that but our present paper extensively searched the reasons behind the better performance of the above mentioned sectors. Taslim & Haque (2011) mentioned in their paper that in spite of global recession of 2008-2009 with exports of most of the countries declined an explosive growth of readymade garments export confirm that Bangladesh is consolidating its position in the world market.

3. Methodology

We basically used the secondary data for our study. We took help from different Journals, Books, Newspapers, Magazines, and Internet etc. for supporting our work. Personal interview may also be conducted with the important personalities of these sectors.

Case-I: Ready Made Garments (RMG) Sector

The economy of Bangladesh is largely dependent on agriculture. However, in recent years, the Ready-Made Garments (RMG) sector has emerged as the biggest earner of foreign currency. This sector has developed rapidly because it is a labor intensive industry, ordinary technology; cheaper labor and small capital are required. The ready-made garment (RMG) sector has experienced an exponential growth since the 1980s. In the 1980s, there were only 50 factories employing only a few thousand people but now there are 5150 garment factories in Bangladesh (See table-1).

Table 1: Year wise growth of Garment Factories in Bangladesh

Year	No. of Factories	Year	No. of Factories
1983-84	134	1997-98	2726
1984-85	384	1998-99	2963
1985-86	594	1999-2000	3200
1986-87	629	2000-01	3480
1987-88	685	2001-02	3618
1988-89	725	2002-03	3760
1989-90	759	2003-04	3957
1990-91	834	2004-05	4107
1991-92	1163	2005-06	4220
1992-93	1537	2006-07	4450
1993-94	1839	2007-08	4743
1994-95	2182	2008-2009	4925
1995-96	2353	2009-2010	5063
1996-97	2503	2010-2011	5150

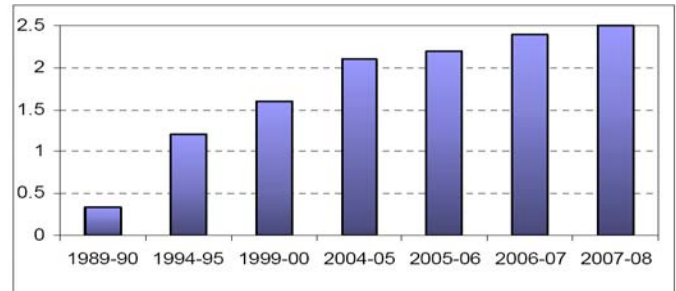
Source: BGMEA Website 2009

The sector contributes significantly to the GDP. The Readymade Garment industry of Bangladesh has become the largest foreign exchange earning sector, exporting apparel of all sorts to the USA, Europe and developed countries. USA is the largest importer of Bangladeshi RMG products, followed by Germany, UK, France and other E.U countries. The RMG industry of Bangladesh tells an impressive story about leadership of private enterprise and the country's successful transition to a major export oriented economy. The country registered its first apparel export in 1978, but the progress since the early 1980s has been simply phenomenal. The RMG sector contributes around 76 percent to the total export earnings. In 2007 it earned \$9.35 billion. This sector also contributes around 13 percent to the GDP, which was only around 3 percent in 1991.

It also provides employment to around 4.2 million Bangladeshis, mainly women from low income families which affect their social status. It has by now become a huge industry, earning the lion's share of the country foreign exchange and created the largest job opportunities for our countrymen specially provided the largest formal employment for the women. Of the estimated 4.2 million

people employed in this sector, about 50 percent of them are women from rural areas. In 2000, the industry consisting of some 3000 factories employed directly more than 1.5 million workers of whom almost 80% were female. The number of workers in garments sectors is increased day by day. In 1985-86 the total workers were. 20 million In 2007-08 the number of garments workers in Bangladesh is 2.50 million (See table-2).

Table 2: Year wise Number of Workers Employed in RMG Sectors (In Million) in Bangladesh



Source: BGMEA Website, 2009

Not only in case of employment opportunities if we look at the total export and the export value of the RMG sector this it can be easily shown that how much RMG sector is earning foreign currency for Bangladesh (See table-3)

Table 3: Export of RMG sector against total Export of Bangladesh (in million US \$)

Fiscal Year	Total Export of RMG (Woven & Knit)	Total Export of Bangladesh	% of RMG's total Export
2000-2001	4860.43	6471.30	75.11
2001-2002	4583.80	5986.09	76.57
2002-2003	4912.10	6548.40	75.01
2003-2004	5686.09	7603.00	74.79
2004-2005	6417.67	8654.52	74.15
2005-2006	7900.80	10526.16	75.06
2006-2007	9211.23	12177.86	75.64
2007-2008	10701.65	14110.80	75.84
2008-2009	12347.77	15565.19	79.33

Source: BGMEA Website

From the table, it is shown that approximately 80% of total export of Bangladesh is garments oriented. It is also visible from the table during recession total RMG export is remarkably increased. But it is also true that the recent global economic recession created a panic for the people who are engaged with the RMG sector as well as to the expertise in this sector. The RMG sector, which accounts for more than 75 percent of Bangladesh's export earnings, fell behind the export target of the EPB (Export Promotion Bureau) for the first time in history, notching a negative growth of 6.03 percent in knitwear products and barely edging past with 0.16 percent rise in woven items during the last fiscal year. (Stat: The Daily Star).

Of course specialized people are identified several reason to be afraid of regarding RMG sector. Some of the reason is mentioned below; **First:** Declining wealth and earnings in the USA and EU has reduced import demand and may reduce demand for Bangladeshi exports. **Second:** Another impact could be through the banking system, reducing trade

credit to buyers involved in imports from Bangladesh. This may in turn affect our exports. **Third:** Currency depreciation of major currencies including the Euro and Indian Rupee. **Fourth:** Removal of safeguard on China in EU from January 2008 and **Fifth:** It is also argued that the withdrawal of quota restriction on china at the end of 2008 will be problematic for Bangladeshi RMG exports to USA. **Sixth:** major buyers are cutting order citing many reasons and piling up orders for India, Vietnam and other Asian countries.

4. Data Analysis and Findings

The export of RMG sector plays an important role in the socio-economic development of Bangladesh. We already have seen export earnings from this sector accounts for approximately 80% of Bangladesh compared to total export earnings. The foreign exchange reserve of the country depends on the RMG sector, which plays a stabilizing role in terms of micro economic balance of the country (See table-4).

Table 4: Year wise export scenario of RMG sector (In million US \$)

Fiscal Year	Woven	Knit	Total
1999-2000	3082.56	1269.83	4352.39
2000-2001	3364.20	1496.23	4860.43
2001-2002	3124.56	1459.24	4583.80
2002-2003	3258.27	1653.83	4912.10
2003-2004	3538.07	2148.02	5686.09
2004-2005	3598.20	2819.47	6417.67
2005-2006	4083.82	3816.98	7900.80
2006-2007	4657.63	4553.60	9211.23
2007-2008	5168.66	5532.99	10701.65
2008-2009	5918.51	6429.26	12347.77
2009-2010	6013.43	6483.29	12496.27
2010-2011	8432.4	9482.06	17914.46

Source: Export Promotion Bureau (EPB) Website

From the table, it is very much clear that during the recent economic recession *i.e.* the year 2010-11 both in woven and knitwear sub sectors of RMG sector, the export performance in monetary value is quite satisfactory *i.e.* the data is showing there was no adverse affect due to global recession. Even if we analyze country -wise export (See table-5).

Table 5: Country -wise Export (In million US\$)

Fiscal Year	USA	Germany	UK	France	Italy	Netherlands	Canada	Total
2000-01	2500.42	789.88	598.18	365.99	295.73	327.96	125.66	5003.82
2001-02	2218.79	681.44	647.96	413.69	262.31	283.36	109.85	4623.34
2002-03	2155.00	820.72	778.25	418.51	258.99	277.95	170.26	4879.68
2003-04	1966.58	1298.54	898.21	552.96	315.93	290.44	284.33	5606.99
2004-05	2412.05	1353.80	943.17	626.17	369.18	291.94	335.25	6331.56
2005-06	3039.77	1763.38	1053.74	678.94	427.89	327.20	406.97	7697.89
2006-07	3441.02	1955.38	1173.95	731.76	515.66	459.01	457.21	8733.99
2007-08	3590.56	2174.74	1374.03	953.13	579.23	653.88	532.90	9848.57
2008-09	3693.4	2135.8	1222.92	969.8	522.28	907.8	587.05	10039.05
2009-10	3628.05	2000.08	1260.03	952.92	540.38	917.36	595.55	9894.37
2010-11	4625.16	3130.97	1759.87	1405.69	761.93	965.2	894.68	13543.8

Source: Export Promotion Bureau (EPB) Website

It appears that in 2010-11 USA secured the top position in respect of importing commodities from Bangladesh followed by Germany, UK, and France. During this period, goods worth US\$4625.16 million were exported to USA, which was 25.82% of the total export of the country. The principal commodities exported to USA are woven garments, knitwear, home textile etc. During FY 2010-11 exported 78.81% of woven garments, 38.36% of frozen shrimps and 24.19% of knitwear to USA. Bangladesh's positive export performance in the US market, for example, contrasts sharply with that of many other countries in the region (See table-6).

Table 6: Growth of Exports Export scenario of Major Woven Exports in the USA (In %)

Market	Country	FY 2010-11	% Share FY 2010-11	% Growth
USA	China	15768.73	1.92	15.9
	Bangladesh	3395.04	9.02	31.96
	Vietnam	2744.9	7.3	24.16
	Mexico	1246.23	6.45	4.43
	Indonesia	2227.77	5.92	2.7
	India	1959.8	5.21	15.62
	Italy	835.72	2.22	15
	Cambodia	793.29	2.11	30.12
	Sri Lanka	752.91	2	14.54

Source: Calculated from ITC database & United States International Trade Commission (USITC)

It will be seen that RMG export growth has become very low for Mexico, India, Italy and Sri Lanka although Cambodia and Vietnam have managed to post positive growth rates. Nevertheless, Bangladesh's performance would appear to be the best in this particular grouping. Bangladesh registered a 31.96% export growth in woven

products to the USA market. This basically indicates that Bangladesh has been increasing its market share in the USA apparel market at the expense of competing countries, despite the recession.

Table 7: Growth of Exports Export scenario of Major Knitwear Exports in the USA (In %)

Market	Country	FY 2010-11	% Share FY 2010-11	% Growth
USA	China	15298.51	36.21	24.23
	Viet Nam	3778.18	8.94	22.68
	Indonesia	2789.84	6.6	22.31
	Honduras	2243.68	5.31	23.75
	Cambodia	1741.13	4.12	30.2
	India	1582.77	3.75	22.21
	Pakistan	1285.72	3.04	30.81
	Mexico	1424.06	3.37	8.72
	Bangladesh	1169.98	2.77	35.6

Source: Calculated from ITC database & United States International Trade Commission (USITC)

It can be seen that the RMG export growth has become very low for Mexico, China, Viet Nam, Indonesia, Honduras keep their positive growth where Cambodia and Pakistan have managed to post positive growth rates. Nevertheless, here also Bangladesh's performance would appear to be the best in this particular grouping. Bangladesh registered a 35.6% export growth in knitwear products to the USA market. This basically indicates that Bangladesh has been increasing its market share in the USA apparel market at the expense of competing countries, despite the recession.

The above graph is showing that during recession period Bangladesh RMG sector did not face that type of problem which can create significant trouble in Bangladeshi economy. So, from this analysis we find that actually there is no adverse affect on RMG sector due to economic recession. Not only in recession period, was our economy not affected after the recession also. Our research establish the fact; what are the nitty gritty behind the RMG sector's positive export scenario. The main findings of RMG Sector are summarized below: **First:** The Export Processing Zones (EPZ) are playing significant role in expanding rapid industrialization. Government has extended all its support and eased invested procedures such as offering tax holiday up to 10years, tax exemption and duty import of capital machinery and spare parts for export-oriented industries. The export oriented industries are entitled to receive additional foreign exchange on a case by case basis for publicity; campaign in opening overseas offices and participating in international trade fairs. **Second:** Bangladesh expands its supply capacity and diversifying its export product to new markets to sustain its gains during recession. Bangladesh RMG sector already shift their market in South Africa and Middle East in stand of EU and USA. In 2010-2011 fiscal years Bangladesh exports \$48 million knitwear and woven in South Africa. Suppliers in Bangladesh have been trying to enter the high quality Japanese market. Quoting a Japan ministry of finance report, officials at the Japan-Bangladesh Chamber of Commerce and Industry (JBCCI) informed that in 2010, US\$ 125 million worth of apparels had been shipped from Bangladesh to Japan against a shipment worth US\$ 52 million in the previous year, indicating that Bangladeshi is

well balanced to enter the Japanese market. **Third:** Withdrawal of quota restriction on China at the end of 2008 are not creating obstacles for Bangladeshi exports to USA and EU market because the main advantages of Bangladesh over its competitors is its price. Low labor cost is one of the prominent factors for better performance of RMG sector. A labor cost is remarkably low in Bangladesh compared to other competing countries. Exporters from Bangladesh have been cutting back on prices further in trying to cope with the crisis. (See table-8).

Table 8: Labor Cost in 2008 for competing countries

Country	US\$/hour	Bangladesh=100
Bangladesh	0.22	100
Cambodia	0.33	150
Pakistan	0.37	168
Vietnam	0.38	173
Sri Lanka	0.43	195
Indonesia	0.44	200
India	0.51	232
China	0.55	250

Source: Jassin O'Rourke, 2008

Fourth: By the end of 2008, the buyers started to search for new market, lower cost suppliers. Bangladesh is considered better than India, Vietnam, Cambodia and other countries. And Bangladesh has also backward linkage for knitwear. Thus Bangladesh has emerged as strong contender based on its good quality yarns, in addition to its low cost advantages and good quality workmanship. **Fifth:** Fourth: the most important features of Bangladesh RMG industry are its shortening lead time. Due to maintaining of lead time other international buyers are not diverting their attention towards other suppliers for the importation for RMG products in the Quota Free business environment. **Sixth:** Banking support such as, low interest rates as support for working capital so that salaries to workers can be paid and CAMEL rating of classified and industrial loans that was also another reason for that RMG sector was not affected. **Seventh:** Duty free access in USA for all Least Developed Countries (LDCs) under National Partnership for Development Act (NPDA) that increasing market share in US. **Eighth:** During recession Bangladesh diversified its export both in woven and Knitwear. The share of knitwear increased, within recession the RMG sector there has been diversification into different products; Bangladesh started on an exporter of shirts, and has subsequently diversified into trousers, Jackets, T-shirt and Sweaters. **Ninth:** Currency devaluation of competing countries like Indian Rupee and Chinese Yuan also give some advantage to Bangladesh for the RMG export was not affected by economic recession.

Case-2: Remittance Sector

A remittance is a transfer of money by a foreign worker to his or her home country. Remittance is a steadily growing external financial source for developing countries. It can generate substantial welfare gains for migrants and thereby could play an important role in reducing poverty. Money sent home by migrants constitutes the second largest financial inflow too many developing countries, exceeding international aid. Remittances contribute to economic growth and to the livelihoods of needy people worldwide. Moreover, remittance transfers can also promote access to financial services for the sender and recipient, thereby

increasing financial and social inclusion. Remittances also foster, in the receiving countries, a further economic dependence on the global economy instead of building sustainable, local economies.

Remittances are shaped by complex factors present in both host countries and sending countries. In addition, it is also determined by individual characteristics like gender, skill, and socio-economic circumstances of the family back home. The main determinants of remittances are thought to be the bilateral exchange rate, economic conditions or GDP of the host country, the total stock of migrants. Shubhasish Barua et al (2007) found that income differential between host and home country is positively correlated with the inflow of remittance while inflation differential between home and host country is also found to be negatively correlated with the inflow of remittances, indicating that higher inflation in home country relative to host country may be exerted some negative effect on workers' remittances and devaluation of domestic currency or increase in exchange rate is positively correlated with the flow of workers' remittance in Bangladesh. It is also argued that unskilled workers tend to send a higher proportion of their (low) incomes home. On the other hand, a negative relationship between unskilled workers and remittances is also likely, resulting from the positive relationship between income and human capital. The latter found that a higher share of unskilled labor reduces the average remittance size, which they interpreted as a reflection of small earnings of unskilled workers from which to remit.

A study of World Bank (2008) finds that remittances impact positively to maintain balance of payments in many developing countries. It has an impact on investment, saving, consumption which is the driver of economic growth. IMF Article IV also figured remittance as a variable with FDI and portfolio flows (ADB Bangladesh Quarterly Economic Update, March, 2010). M. Rahman, D. Bhattacharya, Iqbal, Khan & Paul (2009) discussed in their paper that remittances play a crucial role on three counts i. ability to pay for import payments, ii. sustain foreign exchange reserves and iii. household income of remitters. Remittances have emerged as a key driver of economic growth and poverty reduction in Bangladesh, increasing at an average annual rate of 19 percent in the last 30 years.

Revenues from remittances now exceed various types of foreign exchange inflows, particularly official development assistance and net earnings from exports. Remittance flows to Bangladesh have grown rapidly over the last ten years from 10.9 percent in 1990-91 which increased to 13.4 in 2009-10 and 6.03 in 2010-11. A total of some five million Bangladeshis are estimated to be resident overseas. While initially most of the migrant labor went to the Middle East, mainly to Saudi Arabia, there has been considerable diversification of destination countries in more recent years. Today, migrants are found in significant concentration all over the Far East and Europe, including Malaysia, South Korea and Japan and in Germany and Italy. Other traditional destinations USA and UK also remain very important both as a source of remittance and a favored destination.

At the micro level, remittances have had a beneficial impact on household consumption, reducing poverty and creating

jobs. Returned migrants have also brought with them new ideas and knowledge, along with seed capital, often making a significant contribution to the local economy. And at the macro level, it has helped to ease our foreign exchange constraint, stabilizing the exchange rate and allowing Bangladesh to import much needed raw materials, intermediate goods and capital equipment. Comfortable reserves of foreign exchange have also contributed to overall macro stability and have reduced aid dependency, along with rapid growth of our export sector. Bangladesh experienced a massive growth of remittance in the recent years. Remittance stood at 8 billion US \$ in the FY2007-08. Remittance in Bangladesh grew above 25% last year, but it lost any growth trend in recent months. As there have been well-publicized incidents of migrants being sent back home or visas being cancelled because of the increase rate of unemployment is increased in many countries (See table-9).

Table 9: Unemployed rate of major OECD countries (percent)

Country	2007	2008	2009	2010
United States	4.6	5.7	7.3	7.5
Japan	3.9	4.1	4.4	4.4
United Kingdom	5.4	5.5	6.8	8.2
Germany	8.3	7.4	8.1	8.6
Euro area	7.4	7.6	8.3	-----
Korea	3.2	3.2	3.6	3.6

Source: OECD Economic Outlook No.84

Of course in some of the cases, these incidents were not directly related to the global recession. Several reasons behind to be afraid of the remittance sectors are;

First: The economic slowdown as mainly indicated by poor GDP growth rates and high unemployment levels, in two of the major remittance source countries, namely the U.S.A and U.K which account for almost 28 percent of remittance flows to Bangladesh. **Second:** The fall in oil prices and the magnitude of impact on the economy of GCC countries which accounts for 63 percent of our total remittance earnings. **Third:** Uncertainty about exchange rates.

5. Data Analysis and Findings

From 2001 to 2013, worldwide flow of remittances (i.e. the global remittance market) almost doubled from 1882.10 US\$ to 12303.64 US\$. In other words, the global recession has not dampened remittance flows, at least until 2008. This is also the experience of Bangladesh which posted a dramatic rise in remittance growth in 2008-09 (See table-10).

Table 10: Yearly Remittance inflow in Bangladesh (In million US\$)

Year/Month	Remittances	
	In million US dollar	In million Taka
2012-2013*	12303.64	896348.62
2011-2012	12843.43	1018827.79
2010-2011	11650.32	829928.90
2009-2010	10987.40	760109.59
2008-2009	9689.26	666758.50
2007-2008	7914.78	542951.40
2006-2007	5998.47	412985.29
2005-2006	4802.41	322756.80
2004-2005	3848.29	236469.70
2003-2004	3371.97	198698.00
2002-2003	3061.97	177288.20
2001-2002	2501.13	143770.30
2000-2001	1882.10	101700.10

Source: Bangladesh Bank Website

Table shows the rapid rise of remittances, during recession in 2007-08 remittance inflow was US\$ 7195 million but in 2008-09 it rise up on US\$ 9689 million. So we can say during recession period Bangladesh did not affected negatively in case of remittance.

There has been a gradual change in the share of remittance flows by regions. From 1980 to 2006, the inflow of remittances from the Middle-East remained above 70 percent. However, since 2006, there appears to have been a shift that is taking place with remittances increasingly coming from new sources, like USA, Canada, UK, Germany, Italy, Malaysia, and Japan reflecting considerable diversification of labor flows (See table-11).

Table 11: Intensity of remittance inflow by region (In percent)

Area	Year							
	1980-85	1985-90	1990-95	1995-00	2000-06	2006-07	2007-08	2008-09
Middle east	72	70	75	74	73	66	63	64
ROW	28	30	25	26	27	34	37	36
Total	100	100	100	100	100	100	100	100

Source: Bangladesh Bank Website

The Kingdom of Saudi Arabia is the most important source of remittances for Bangladesh, followed by the U.A.E, U.S.A and U.K. The USA, KSA and UK account for almost 60 percent of total remittances (See table -12).

Table 12: Inflow of remittance in million US\$ by sending country

Country	Remittance inflow from all countries		Percent change (Y-O-Y)
	2007	2008	
U.S.A	1086.88	1582.49	45.60
U.K	889.74	823.42	-7.45
Kuwait	768	949.53	23.51
K.S.A	1788.28	2733.69	52.87
U.A.E	938.15	1379.54	47.04
Malaysia	29.71	165.03	455.47
Total	6568.03	9019.6	37.33

Source: Bangladesh Bank Website

While remittance flows did exceedingly well in 2008, by the end of the year there is a hint that deceleration in growth may have begun. It may be noted that remittances from Malaysia increased by a huge 455 percent in 2008 over 2007, although starting from a low base, while the worst performance is noted for the UK, registering a negative growth in remittances. However, the UK performance underlies the sharp drop in the sterling-USD exchange rate, resulting in the negative growth in USD terms. Germany, Italy and Malaysia have also become important labor destination countries for Bangladesh. India attracts the largest share of remittances among all developing countries (USD 30 billion), followed by China (USD 27 billion). Over time the inflow of remittances to developing countries has been increasing (with the exception of Mexico). Even in the year 2008, when GDP growth rates in most countries of the world have been slowing down, often markedly, remittance flows to developing countries has been rising. In the case of Bangladesh is growth rate was striking, especially in 2008(See table-13).

Table 13: Top remittance recipient developing countries (In million US\$)

Country	Year							Remittances as a share of GDP, 2011 (%)
	2006	2007	2008	2009	2010	2011	2012	
India	28334	37217	49977	49468	54035	63011	69350	3%
China	27401	38186	47492	47930	52269	61365	60246	1%
Mexico	26543	26880	26041	22076	22080	23588	23219	2%
Philippines	15251	16302	18642	19765	21427	23065	24453	10%
Poland	8496	10496	10447	8126	7575	7641	6913	1%
Nigeria	16932	18011	19206	18368	19818	20619	20568	9%
Egypt	5330	7656	8694	7150	12453	14324	20515	6%
Romania	6718	8542	9381	4952	3952	3890	3669	2%
Bangladesh	5428	6562	8941	10521	10850	12068	14060	11%
Pakistan	5121	5998	7039	8717	9690	12263	14010	6%

Source: World Bank staff calculation based on data from IMF Balance of Payments Statistics database and data releases from central banks, national statistical agencies, and World Bank country desks. Date: April 2013.

Table shows that In 2012 Bangladesh posted the highest growth rate in remittances amongst top remittance receiving countries 11 percent over 2011. In Asia, the major countries remittances come from are Singapore, Malaysia, South Korea, and Japan (See table-14).

Table 14: Wage earners remittance inflows (yearly) USD in million from top Asian countries

Year	Singapore	Malaysia	South Korea	Japan
2002-03	31.06	41.40	3.93	18.24
2003-04	32.37	37.06	5.19	18.73
2004-05	47.69	25.51	18.41	15.99
2005-06	61.32	19.05	16.40	8.71
2006-07	80.24	11.84	17.08	10.17
2007-08	130.11	92.44	19.69	16.29
2008-09	165.13	282.22	18.33	14.12
2009-10	193.46	587.09	20.77	14.74
2010-11	202.33	703.73	23.95	15.21
2011-12	311.46	847.49	30.05	22.16

Source: Bangladesh Bank Website

In FY 2011-12 remittances from Singapore increased to \$311.46 million from \$80.24 million in FY2006-07. In the same fiscal year, Bangladesh earned \$847.49 million in remittances from Malaysia, an increase by almost 9 times from \$11.84 million in FY 2007-08. This was largely due to the influx of Bangladeshi migrants to that country in the said year. Remittances from Japan have also increased significantly recently. In FY 2011-12, remittances earned from Japan amounted to \$ 22.16 million, up from \$10.17 million in FY 2006-07.

So from the data analysis our major findings are mentioning as follows: **First:** Remittances have increased for most developing countries despite the recession. **Second:** The share of Bangladesh has increased in the world remittance market. **Third:** Remittance outflow from Saudi Arabia do not seem to depend on oil prices – at least in the short-run. **Fourth:** Remittance flows closely track total number of migrants although remittances are more stable. **Fifth:** Remittance flows operate with a significant lag in the face of migration. **Sixth:** Exchange rate stability is likely to encourage remittances. **Seventh:** All these indicators suggest that remittance flows to Bangladesh will remain strong in the next few years unless large number of migrants are

forced back home. **Eighth:** The counter-cyclical policies adopted in some key host destinations are expected to benefit Bangladesh. **Ninth:** A high proportion of remittances are sent home to Bangladesh through informal channels or hundi. A household survey by World Bank (2005) suggests that formal remittance constitutes about 54 percent of the total, implying that if appropriate incentives to use formal channels can be developed, this figure could go up quickly. The Bangladesh Bank suggests that its policies have resulted in further improvement of performance, with formal remittances now at 60 percent. The reasons for increasing share of formal channel appear to be related to tax exemption of remittance and interest earnings from non-resident foreign currency deposit account and permission of banks in Bangladesh to be establishing drawing arrangements with foreign banks and exchange houses for facilitating remittance by Bangladeshi nationals living abroad. Further measures are on the cards to stimulate formal flows including establishment of innovative mechanisms to bridge the ‘last mile’ in reaching remittance to the door in partnerships involving banks, NGOs or the postal system. During the recession, even though RMG sector of Bangladesh did not affected according to the result showed above. But it will not be wise decision to sit idle. This is the time to think regarding the future of our RMG sector for post economic recession periods. We have the following recommendations for policy formulates.

First: Government needs to allot US\$ 43 million at lower interest rate for forward and backward linkage as we have shortage in our linkage sectors. **Second:** Reduction of bank interest rate, improvement of productivity and enhancement of subsidy to make the RMG sector more competitive in the period of global economic recession and after global economic recession. **Third:** Bank, Insurance, Port and related establishment need to reduce their charge, VAT, duty etc proportionately for RMG sector and also need to reduce import duty and VAT on machinery spare parts and accessories that related to RMG production. **Fourth:** A clear idea is required about international market. And also required to ensure a better political environment. **Fifth:** In an increasing interdependent world, trade and investment are crucial for every country. In the wake of global recession, Bangladesh’s garments industry might need to modify its product to lower the prices. Export diversification means producing newer items and exporting to more countries.

Along with look for newer external markets for Bangladeshi products, particularly RMG. Japan is featuring in discussions in this regard. **Sixth:** Bangladesh bank provided loan at a very low interest to all small and medium enterprise. **Seventh:** Government also must have to be focused to invest different sectors in Bangladesh like For example; Bangladesh should have benefited more if money is invested to Agriculture sectors, Ship building etc. **Eight:** Government should provide some liquid assets to support the different sectors. **Ninth:** RMG sector need keep their focus on long term and needs to expand its supply capacity. **Tenth:** Government should monitor RMG sector strictly and some new laws need to be set and immediately enforced that relate to two specific subjects, land tenure and Banking. Land values should be taxed, which have the effect of stopping land speculation and in initially lowering its price and providing enough place and opportunity for everyone to be able to earn. This will raise the demand and encourage the necessary employment to meet it. **Eleventh:** Bangladesh needs to concentrate on improving the working environment in factories and address other social issues related to the garment industry.

Along with RMG sector, to keep the performance of Remittance sector up we have also the following recommendations for that: **First:** Bangladesh has long been a supplier of human resources to the rest of the world, but of low skill level. So Bangladesh need up-skilling the workers to get better opportunity and competitive salary in the other world.

Second: To increase the remittance inflow Bangladesh Bank need to influence commercial Banks and Non Government Organization (NGO) to efficient their Banking and Investment services. **Third:** Bangladesh Government and Bangladesh Bank need to take some necessary steps to stop the hundi. **Fourth:** Need to encourage participation of women in the Migration pool. **Fifth:** Need to identify new destination of remittance. For that reason government need to improve relationship with employing countries. And government also needs to keep good relation with current employing countries. **Sixth:** Bangladesh Government needs to meet with Malaysian and other government who stop the labor visas. For an example; Malaysian government already take a step to cancelled 55 thousand labors visa. **Seventh:** Provide official help and financial support to the needy people who are going to other countries as guest workers. Find more innovative ways for better use of their remittance. **Eighth:** Focus on labor export to wealthier countries to increase the inflow of remittance.

6. Conclusion

From the above discussion it is clear that Bangladeshi economy did not affected during the recession. Where the other countries are trying to cope up with the loss of recession from our different graphs we understand that Bangladeshi economy did not suffer much problem after the recession in case of RMG and remittance. But disaster can arise any time; crisis can come at any stage of life, so we have to be very care full so that in future we can avoid any unexpected situation. We believe which recommendation we suggested those can help to avoid the unexpected situation

and keep our glorious history of RMG and remittance in upcoming years.

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