

# **International Migration and Development: Evidence from Rural Households in Bangladesh**

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Aid communities and the governments of developing countries are paying increased attention to international migration as a key driver of economic development. Evidence, however, suggests that the poor cannot readily take part in international migration due to the high placement cost. Previous studies also provide mixed results regarding the positive contribution of international migration to the physical and human capital investment of origin households. This thesis uses unique data on rural households for the period 2000–2014 to examine the characteristics and outcomes of international migration from Bangladesh.

The first analytical chapter (Chapter 4) explores the question of whether and how the socio-economic characteristics of the beneficiary households of international migration have changed over time. The analysis shows that education level of household members and household assets are important and positive determinants of international migration, particularly in early years of migration. It also reveals that, in recent times, less educated and less wealthy households are beginning to take part in migration, albeit slowly. In

addition, social network facilitating migration within community is a key contributor to migration, but its predictive power declines as the migration period grows long. These findings suggest that entry barriers to international migration, resulting from paucity of financial, human and social capital endowment, have decreased in recent years. Contrary to the findings in exiting literature, migration network plays limited role in rendering the change in the composition of beneficiary households of international migration. Further analysis suggests that possible causes for the change include persistent demand for low-skilled workers in major destination countries, growing domestic labour demand favouring educated workers, and improved access to non-collateral loans and grants to finance migration.

The results of my first analysis provide evidence that the landscape of international migration in the country is changing in favour of the poor. But, these new migrant households are likely in debt and repaying loans they have taken to pay for migration cost. The government would be well advised to continue supporting new and potential migrant families by promoting the provision of non-collateral and low-interest loans for migration. In addition, the study finds that recruitment agents play an increasingly important role in facilitating international migration for households inexperienced with migration. The government may wish to work collaboratively with trustworthy agents while at the same time strengthening measures to protect migrants from fraud and abuse as increasing number of less educated households participate in overseas employment.

The second set of analyses (Chapter 5) evaluates the outcome of migration on household investment and consumption by classifying migrant households into three distinct groups in varied stages of migration (new, continued and post). The results show that initiating migration reduces household investment in business, while terminating migration is associated with substantial increase in business investment. It is also found that migration contributes significantly to augmenting healthcare expenditures, and helps improve the school enrolment ratio of children, especially girls, in households with relatively new experience of migration. The outcome of migration in household investment and consumption are distinct between groups and even of opposite directions in some cases. These heterogeneous effects often cancel each other out and, consequently, no or insignificant average effects of migration are observed when only the average effect on all migrant households is estimated. This finding suggests a need for reconsideration of the findings in many previous studies in which no heterogeneous effect of migration is taken into account.

The findings from the second analysis provide important policy implications for the governments of Bangladesh, which is looking for ways to promote productive use of remittances. My results suggest that migrant households are not likely to increase business investment in the initial period but only after working abroad for some years and that migrant households in rural Bangladesh preferred to invest in business rather than agriculture. It also finds that the level of business investment is highly correlated with favourable market infrastructure and business opportunities. Therefore, the government is encouraged to improve economic infrastructure and create a favourable business

environment in order to stimulate migrants to invest at home. The government is also advised to look into the observed gender differences in the educational outcome of migrant children and promote investment in education in general and especially for boys among migrant households.