

# **Impact of Remittances on Human Capital Investment in Bangladesh**

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# Overview

- If remittances primarily enhance consumption, they may have no lasting impact on economic growth.
- Only through asset accumulation and human capital investment, remittances may serve as a vehicle for growth.
- Hence, it is very important to ensure the proper utilization of remittance.

# Research Question

- The most effective type of investment that a migrant can make is promoting the education of his or her children
- However, investing in education is a choice that households may or may not make.
- Much of the investment in child education doesn't have immediate benefit and the returns are in the future.

**Investigate the impact of remittance on child education for households with migrants in Bangladesh.**

# Literature Review

- The question of how households spend or use remittances is a topic of lively debate
- **Chami et al. (2003)** - “significant proportion, and often the majority” of remittances is spent on “status-oriented” consumption goods
- Survey of Investment from Remittance (SIR)-2016 (75% consumption and 25% investment)
- **Adams and Cuecuecha (2010)** -households receiving international remittances spend less at the margin on food—and more at the margin on two investment goods—education and housing

# Literature Review (cont.)

- **Raihan et.al (2009)** show that the impacts of remittances on education and health expenditures are positive but insignificant implying a limited role of remittances in fostering development of human capital
- **Dorantes and Pozo (2010)** illustrates that while girls' school attendance rises with the receipt of remittances while also noting that migration of family members may temper and even cancel-out the positive remittance effect

# Data

- Household Income and Expenditure Survey (HIES), 2010
- Information regarding migration of any member of the households was collected along with information about their age, sex, education, occupation, name of district, country of migration, duration of stay, amount of remittances sent during last 12 months etc
- Education status and expenditure of the children

# Methodology

- There are at least four methodological challenges that confront any economic (or social science) work on international migration and remittances.
  - simultaneity
  - reverse causality
  - selection bias and
  - omitted variables
  
- In four specification I try to estimate the impact-
  - 2 OLS
  - Instrumental Variables (IV) approach with Two-Stage Least Squares (2SLS) (interaction between GDP fluctuation in the destination country & remitter dummy and district level remitter intensity used as IV)
  - PSM





**SECTION 2: EDUCATION**

**PART B: CURRENT ENROLLMENT (ALL PERSONS 5 YEARS AND OLDER)**

**EXPENDITURE DURING THE PAST 12 MONTHS FOR EDUCATION**

**ID CODE as in Roster**

8  
How much did your household spend during the past 12 months on your schooling?

**WRITE THE EXPENSES IN TAKA**

**IF NOTHING WAS SPENT, WRITE "0" (ZERO)**

**IF UNKNOWN, LEAVE BLANK**

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
Admission fees	Annual/ session fees	Registration fees	Examination fees	Tuition fees	Text books, note book	Exercise books, stationary	Uniform dress, footwear	Private tutoring	Hostel Expenses (incl food)	Transport cost	Tiffin cost	Cost of Internet and e-mail (edu. related)	Donation (edu. related)	Other, specify	Total

# Descriptive Statistics

HH Type	Freq.	%
No International Remitter	11,106	90.74
International Remitter	1,134	9.26
Total	12,240	100

Level of Education	Boy Children		Girl Children		Edu. Exp. (BDT)
	Freq.	Percent	Freq.	Percent	
Pre-primary	321	4.52	259	3.7	14,541
Primary	3,688	51.97	3,807	54.46	10,805
Secondary	2,822	39.76	2,830	40.48	29,247
Tertiary	266	3.75	95	1.36	32,780
Total	7,097	100	6,991	100	---

# Results

VARIABLES	OLS(1)	OLS(2)	2SLS
HH Having remitter	0.409***		
Log of remitted amount		0.0371***	0.0325***
Observations	7,648	7,648	7,648
R-squared	0.484	0.485	0.485

- Controlled for various socio-economic covariates (HH head's gender, education level, mother's education, income, asset, location, HH size, number of school going children etc.)
- District level fixed effect considered
- Clustered standard error
- Valid IV( $F > 10$ )
- No over identification

# Result(PSM)

Sample	Treated	Controls	Difference	S.E.	T-stat
ATT	9.487	9.083	0.404	0.058	6.91

- Outcome variable(log of Education expenditure)
- PSM result similar to OLS
- Difference significant

# Limitations

- Potential offsetting effects of migration and remittances not captured
- Only education expenditure is considered not the performance of the students
- Others

Thank You  
Questions and suggestions?