

## **Overseas Remittances in Bangladesh: The Lifeline for the Economy**

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### **INTRODUCTION**

Bangladesh is a resource scarce labor surplus economy and is facing the daunting challenges of feeding its 150 million of people, about half of whom are lying below the food based poverty line. Of the very few sources of foreign exchange, overseas remittances is one of the major sources of tangible resources to the economy of Bangladesh followed by commodity exports, foreign direct investment (FDI) and the official development assistance (ODA). In the backdrop of the narrow based exportable and their high concentration in a less wider market, inauspicious official and physical infrastructural facilities for FDI and shrinking trends of the bilateral and multilateral assistances (ODAs), remittance becomes the main issue of concerns to the policymakers, politicians and economists. Therefore, manpower export becomes a top policy agenda in the economy of Bangladesh for maintaining the overall macroeconomic stability. It is now considered as a crucial development strategy which augments country's potency of import payments, improve balance of payment situations. Thus, it helps the country to trim down from the dependency on foreign aid / loans and in some sense ensure better food security at least to the migrants households'. It is widely acknowledged fact that remittance inflow bumps up capital formation through additive savings, and by increasing the disposable income of the migrant households, which augments dynamism in the rural economy and ensure long run economic growth of the country.

Globalization i.e. the economic integration among the nations of the world has given a new pace in labor movements from the economically backward region to the developed one. Though there is an old debate of 'brain drain' from periphery to centre, the issue has been offset by the needs and the amount of remittance sent by the migrant labors. Even the recent literature also suggests that manpower exporting countries can make a large pool of money from the remittance that can be used to increase social overhead capital by investing to enhance infrastructural facilities, which may built the avenues for economic development. Besides, the so called unskilled labor comes back to the domestic country as semiskilled worker and may emerge as a development forces and drive away the economy from a low level equilibrium to the high equilibrium by giving a big push to the economy.

The development impact of remittance can be seen both from micro and macroeconomic perspectives. From macro frontier remittance is used to make import payments thus maintaining balance of payments and

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are used for the productive investment by the government (Salim, 1992) and also work as a macroeconomic stabilizer for the economy. In the micro arena remittance constitutes an important element of disposable income for the migrant households. Remittance has significant impacts on their livelihoods that make up their socio-economic fabric. Remittance enhances children's educational possibilities, basic health care services and overall social status. That is remittance positively affect households' as well as aggregate macroeconomic activities.

Literature on remittance is large and researchers have analyzed the issues of trends, patterns, and impact on the domestic economy. For Bangladesh Ali, et al. (1981) has identified remittance as a means of achieving a favorable balance of payment as well as creating a new resource base for the country; while Mahmood, (1985); Salim, (1992); Murshid et al. (2001) have focused on the utilization of remittance. These studies found that a significant portion of overseas earnings is spent for consumption purpose, acquisition of assets (particularly land), investment in petty trades and business and reinvestment to go to the other countries. Some of the other studies, such as, Salim, (1991, 1992), Mahmood (1991), Matin, (1994), Jesmin, (2005), focused on the macroeconomic impact of remittance in Bangladesh and concluded that remittance is equivalent to a significant amount of export earnings, covering the payment for the major imports of the country as well as having a dramatic effect on the balance of payment position. Other studies like Siddiqui (1991), Mahmood (1991), Rahman (2002) have concluded that remittance is beneficial in uplifting the socio-economic conditions of the migrant families. These studies also concluded that remittance enhances non-farm activities to the rural economy and thus works as an absorber of the slack season's surplus labor. The main objective of this paper is to examine the development impacts of remittance in the Bangladesh economy. The study is based on secondary data collected from Bangladesh Bureau of Statistics (BBS), Bangladesh Bank (BB), Bureau of Manpower Employment and Training (BMET), Ministry of Finance, Government of Bangladesh, internet and other published papers.

## **FLOW OF REMITTANCE TO BANGLADESH**

Remittances become a buzzword over the last few decades due to its importance in shaping up the underdeveloped and developed economy. Migrants send either money or goods to their families and friends at home. These goods or money sent to the country by migrants are generally treated as remittance. However, this broad definition excludes many unofficial transactions, which in some cases are even equivalent or more than that of the official transactions. Therefore, remittance information collected from official sources is an underestimation of the actual level. In this analysis we are considering information available only from the official sources. Transfers through informal channel such as 'hundi'(cash transfers through intermediaries), in kind transfers, such as consumers goods are not captured in the considered data, though they constitute substantial amount. Besides, the Bangladeshi soldiers and army officers working in

various UN peace keeping mission are also sending a significant amount to home, which is also not included in the official statistics (Hossain, 2007).

Though there are some fluctuations, the flow of remittance has been increasing over the years. Remittance to Bangladesh have increased from 23.2 million US dollar in 1976 to 9689.00 million US dollars in 2009. This is, of course a remarkable achievement for a resource scarce underdeveloped country like Bangladesh, which is striving towards increasing its foreign exchange by diversifying its export items and by creating physical infrastructural facilities to attract foreign direct investment. The country also becomes successful in finding new markets for the growing surplus of unskilled and semiskilled labor. The flow of remittance to Bangladesh is shown in table-1.

**Table 1: Flow of remittance to Bangladesh**

Year	US \$ in million	Annual Change (%)
1976	23.2	-
1977	82.79	256.85
1978	106.90	29.12
1979	172.06	60.95
1980	301.33	75.13
1981	304.88	1.18
1982	490.77	60.97
1983	627.51	27.86
1984	500.00	-20.32
1985	500.00	0.00
1986	576.20	15.24
1987	747.60	29.75
1988	763.90	2.18
1989	757.84	-0.79
1990	781.54	3.13
1991	769.30	-1.57
1992	901.97	17.25
1993	1009.10	11.88
1994	1153.50	14.31
1995	1201.50	4.16
1996	1355.30	12.80
1997	1525.00	12.52
1998	1599.00	4.85
1999	1806.60	12.98
2000	1955.00	8.21
2001	2071.00	5.93
2002	2847.80	37.51
2003	3177.60	11.58
2004	3610.15	13.61
2005	3848.09	19.80
2006	4802.00	24.79
2007	5979.00	24.51
2008	7915.09	32.37
2009	9689.09	22.41
2010	10987.40	13.40
2011	11650.32	6.03
2012	12843.43	10.24

**Source: Bangladesh Bank, 2010 and authors' calculation. .**

The table reveals that in 1976 the amount of remittance was only 23.2 million US dollar, which jumped to 82.79 million US dollar in the next year. Until 1983 flow remittance has been increasing steadily. However,

it shown a sudden downward trend in the next couple of years, which is attributable mainly the so called oil crisis in the Middle East countries that causes a low flow of oil revenue to these countries and thus causes low employment of labor from developing countries. Afterwards though it recovered, has shown some fluctuations. In the 1980's the flow of remittance remains almost stable, however, shown a gradual increasing trend in the 1990s and a jump afterwards.

Geographically the market for Bangladeshi migrant laborers are concentrated to the Middle East countries and the Western Europe. However, in the late 1990s East Asian countries, especially Malaysia emerged as a big market for the Bangladeshi labors. The relative share of remittance in these regions has changed significantly over the years. In the initial years of independence and in the early 1980s the Western Europe and some socialist countries of Eastern Europe had absorbed a substantial amount of Bangladeshi migrants. And in particular, Western Europe would account for more than three fourths of the remittances flowing into Bangladesh. The relative share fell less than one tenth in recent years because countries of Western Europe now have no demand for the unskilled worker. These countries and also the Eastern Europe who have opened their economies and North American countries have high demand for technically skilled workers and high level professionals that Bangladesh failed to supply. The opposite is true for the Middle Eastern countries (Mahmood, 1991). Currently, the Middle Eastern countries like Saudi Arabia, UAE, Qatar, Oman, Bahrain and Kuwait contribute almost 85 percent of remittance to Bangladesh. Obviously, this corresponds to the total outflow of migrants to these countries. Especially, the contribution of Saudi Arabia is twice than the combined contribution to the other Middle Eastern Countries.

For the last few year the USA and the UK is also contributing a significant share to the remittance to Bangladesh. In the FY 2004/05 contribution of the USA and the UK were 467.81 and 297.54 million US dollar, respectively. The US figure is next to the Saudi Arabia, while that of the UK is just behind Kuwait and the UAE. Though Malaysia and Singapore are playing the vital role in absorbing Bangladeshi workers over the last ten years or so, their shares to the remittance is not that significant. In the late 1980s and early 1990s a significant portion of Bangladeshi workers has found work in the North African countries particularly in Libya.

## **REMITTANCE AND THE ECONOMY OF BANGLADESH**

The domestic push factors mainly caused by economic insecurity of the people in Bangladesh led to migration to Middle East and other Asian and African countries, while the social as well as economic insecurity forced them to migrate to Western Europe and North American countries. Generally, migrants to the Middle Eastern countries are for the short period and they are unskilled or semiskilled in nature, while the highly educated and professionally enriched people have migrated to Western Europe or North American countries for relatively longer periods. However, whatever the reasons for their migration are the

remittance that they send to the country is in doubt the lifeline for our society. The major constraint of Bangladesh to achieve faster economic growth is obviously the lack of tangible resources. Overseas remittances are thought to enhance country's resource base through additive savings that can make avenues for long term economic growth. Bangladesh can also earn foreign exchange by increasing commodity exports, by attracting foreign direct investment or by asking for foreign grants or loans from the foreign countries. A substantial amount of costs are involved in all these options. Earnings from commodity exports depend on diversity, broad base, better quality and high valued commodities. Attraction of foreign direct investment depends on the suitable physical and infrastructural facilities. And official development assistance that is the amount of foreign grants or loans depends not on our needs but the availability of loanable or aidable resources of the donor countries. However, manpower export is the only source, which has the least opportunity cost as Bangladesh has an untapped human resource with no or minimum working opportunities domestically. The following table compares the level of remittances to the other external sources of income for the last few decades.

**Table 2: Remittance to Bangladesh compare with other incoming resource flows**

(million US dollar)

Year	Remittance	FDI	Export Earnings	ODA
1981	305	12	711	1146
1982	491	3	626	1240
1983	628	21	686	1177
1984	500	7	811	1268
1985	500	3	934	1269
1986	576	3	819	1306
1987	748	16	1074	1595
1988	764	14	1231	1640
1989	758	21	1286	1668
1990	782	15	1524	1810
1991	769	23	1718	1732
1992	902	25	1993	1611
1993	1009	74	2383	1675
1994	1154	829	2534	1559
1995	1202	750	3500	1739
1996	1355	1543	3884	1443
1997	1525	1105	4427	1481
1998	1599	3493	5172	1251
1999	1807	1974	5324	1536
2000	1955	2147	5752	1588
2001	2071	1311	6467	1369
2002	2848	350	5986	1442
2003	3178	463	6548	1585
2004	3610	556	7603	1033
2005	3848	845	8654	1507
2006	4802	792	10526	1567
2007	5979	666	12177	1630
2008	7915	1086	14110	2061
2009	9689	1132	15565	1847
2010	10987	913	16204	2222
2011	11650	775	22924	1777
2012	12843	995	24287	2126

Source: Bangladesh Bank, 2010.

It is evident from the table that remittances constitute the second largest incoming resource flow for Bangladesh next to commodity exports. Furthermore, remittances tend to be less volatile than other incoming resource flows and are more stable than foreign direct investment.

Remittance plays crucial role in the economy of Bangladesh. In one sense, it overcomes the foreign exchange deficit and on the other hand it constitutes as a major source of disposable income for thousands of migrant households in the country. Studies (Rahman 1985, Mahmood 1989) found that remittance is the major source of income for the migrant households Rahman (1985), found that remittance has increased the average monthly income by Tk. 4501. Some studies also found that remittance has increased the consumption level of the migrant households. Khuda (1982) found that 29 percent of the migrant's remittances have spent on consumption while the Mahood (1989) found the corresponding figure of 46 percent between pre and post migration. The results of these earlier studies correspond to that of the recent studies by Hossain, (2011).

### **DEVELOPMENT POTENTIALS OF REMITTANCE IN BANGLADESH<sup>3</sup>**

The utilization of remittance in Bangladesh is not homogeneous. A heterogeneous picture on the uses of remittance is evident from different studies. Remittance is the main component of migrants' income and consumption and also a significant source of foreign exchange to the country. In the broader framework the uses of remittance can be considered from both micro and macro point of view. Existing studies (Islam 1981, Mahmood 1986, Deb 1986) show that most of the households spend their increased income in consumption, construction and development of houses, buying arable or homestead land, spends on education of their children and on basic health care situation, released out mortgaged land, weeding, establishment of charitable institutions such as mosque, school etc. Deb (1986), found that the average consumption expenditure of the receiver of the remittance is 10 percent higher than the non receiver. One of the interesting findings of his study is that remittance increased the demand for all commodities but the demand for food items is less than that of the non-food / conspicuous items. This may be due to the fact that migrants' families are more solvent than that of the non-migrant families, which in some sense might be true because migration requires a substantial amount of money that can only be bearable by a solvent household. Islam (1981), found that the receiver of remittance has a tendency to purchase arable or homestead land. A recent phenomenon is that remittance earner from one country is reused to meet the expenses of going to other countries. Remittance is also used in rural non-farm activities. Particularly, the group of relatively low educated (graduate or below) are less interested to engage themselves in agricultural activities directly. They try to use remittance in sub-sectors of agriculture i.e. in livestock, fisheries or forestry. Another important trend is that if remittance receivers become financially solvent and have some

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<sup>3</sup> This section draws heavily on Hossain, 2007.

regular income flow they keep remittance as fixed deposit in the bank and thus make the money idle. Some receivers also use remittance as a capital to initiate petty trade.

From the macro point of view remittance is used to make import payments and for the productive investment of the government. However, exact direction of macro level use is not well known due to lack of literature. However, through Wage Earners Schemes government imports certain capital goods and raw materials, which promote country's industrialization. Bangladesh also suffers from balance of payments deficit. The remittances are used to ease that deficit.

The need and scope of the uses of remittance to various productivities determines the development potentials of remittance. The issue is whether the remittances are creating additional income or it is generating employment.

From the individual point of view his endeavor can be considered successful if he can arrange a smooth flow of life cycle income and can leave some assets for the next generation. From the macro point of view the development potential of remittance can be understood from its contribution to the resource base of the country and the development of different sectors. Government policies should be designed to use remittance in such a way it can work as a sustaining income generating catalyst. Remittance should be used to reap its maximum potentials. Since most of the migrant labor forces are from the rural economy, the following sectors should come under greater attention:

- i) Improvement in agriculture and promoting agricultural extension services and noncrop subsectors such forestry, fishery and livestock. Focus will also be given to increase the production of non foodgrain cash crops ;
- ii) Small-scale rural industries such as rice and flourmills, grinding spices, bread and biscuit factories, ice plants i.e. agro-based small scale industries to be established or be initiated by the remittance recipients families so that the trickle down effect positively affect the rural communities;
- iii) Rural service industries;
- iv) Transport and communication business;
- v) Petty trading;
- vi) Export oriented industries small scale micro industries establishment etc.

## **CONCLUSION**

In the backdrop of less diversification and narrow base of exportable, scrawny and inadequate facilities to attract foreign direct investment and declining trend of official development assistance, the remittances

earned from manpower export is playing a vital role in the social and economic development of Bangladesh. The increasing trend of remittance creates new dynamism in the economy. It is giving new shape in the socio economic structure of the economy by easing the pressure of disguised, structural unemployment in the country. The resources generated from the remittances have given a new way of life for the county especially the rural community of Bangladesh. It has created new employment and generating income by gearing up the rural non-farm activities shaping up the sub-sectors of agriculture, which is still considered as the main way of living for the people of Bangladesh. Therefore, new attempts are emerging to export more manpower to the international market so that Bangladesh can face the daunting challenges of feeding its 150 million of people, about half of whom are experiencing either transient or permanent food insecurity. The remittance will thus keep the famine or food insecurity at bay and will work as a powerful catalyst for economic development that will help Bangladesh to reap the benefit of globalization.

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## MICROFINANCE AS A TOOL TO EMPOWER WOMEN SLUM DWELLERS

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### ABSTRACT

Microfinance in developing countries has significantly targeting women for social development. Evidence in this regard has been analyzed from the case study method. This paper includes three target clients and their life to demonstrate development in a micro analogy manner. We estimate the impact of microfinance on status of women empowerment in slum dwellers in Dhaka. The paper introduces microfinance as a device to empower women who are slum-dwellers in the context of economic, social and decision making spheres.

**Keywords:** Empowerment, Microfinance, Slum-dwellers

### INTRODUCTION

Microfinance is the delivery the financial and credit services to the underprivileged people without collateral. Microfinance does not only provide financial and credit services, it also empowers the poor people. Empowerment means facilitating each person to attain his or her potential by developing the sense of self worth and self-reliance. Microfinance is the only financial channel which targeted clients irrespective of their location but they give priority on women. A women needs access to the material, human, social resources necessary to make strategic choices in her life to be empowered and microfinance allows that. Schuler and Hashemi (1994, p.65) is define a women's level of empowerment “as a function of her relative physical mobility, economic security, ability to make various purchases on her own, freedom from domination and violence within her family, political and legal awareness, and participation in public protests and political campaigning”. Charmes and Wieringa (2003, p.423) also identify women’s empowerment “as a process in which the following elements will be considered: awareness/consciousness, choice/alternatives, resources, voice, agency and participation”.

This paper focuses on this crucial social issue as a matter of investigation and considers Bangladesh as a research platform. Bangladesh has been experiencing considerable microfinance growth which bolsters women’s empowerment to a greater extent. However, most studies have focused on rural areas and among the cases devoted to urban groups, the slum areas have been ignored due to lack of infield data. Specifically slum dwellers are a highly vulnerable group and women empowerment in this social class never been prioritized. This paper attempts to begin to fill this gap. As mentioned above, most Micro Finance Institutions (MFIs) target women as a prime target client. This study will explore the slums of Dhaka as an important locale. In Bangladesh, imbalanced growth among social classes has led many

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people to migrate to urban areas. Lack of decentralization is another reason that binds certain groups of people to life in slums. These groups of people mostly take a transient attitude toward slum life which is not perceived as a permanent place to live. Depending on their economic capability and other social conditions, they will move from this place. Some of the MFIs are working in such types of slums in Dhaka. For this case study, which aims to produce authentic evidence lacking in the literature on slum dwellers, we have selected such clients of the SafeSave, a small MFI in Dhaka.

The organization of this paper is introduction, research gap investigation, Objectives of the research, Literature review, Methodology, Result and Discussion.

## **Objectives**

The main purpose of this paper is to identify the impact of microfinance on status of women empowerment in slum dwellers in Dhaka. At the same time the paper will point out how the following factors (i.e., economic, social and decision making) will enhance the women empowerment in such social frames.

## **LITERATURE REVIEW**

In previous time Bangladesh was known as a land of flood, but now the country better known as a land of Microfinance. Many researchers called this land as a birthplace of Microfinance also. Remarkably Bangladesh achieved a momentum success in the field of Microfinance although this country facing the challenges of poverty.

Traditional financial institutions have failed to provide basic financial services (Braverman and Guasch 1986, 1989; Hoff and Stiglitz 1990) and many programs like cooperative programs have been developed to fill this type of gap. Irish cooperative effort can be mention at this point. Their purpose is to help the poor become self-employed and thus escape poverty. Many of these programs provide credit using social mechanisms, such as group-based lending, to reach the poor and other clients, including women, who lack access to formal financial institutions (Huppi and Feder 1990; Von Pischke, Adams, and Donald 1983; Yaron 1994).

In Bangladesh women participation in development stream was somehow ignored by major formal financial institutions which had been changed by the increase of MFIs in recent years. Most of the MFI including largest one Grameen Bank targeted mostly women as their prime client. It is evident that microfinance targeted women due to the social, demographic and cultural reason. In certain aspect it also revealed that women have good economic or credit culture when it concerns mostly repayment.(Khandker, 1998).

Khandker (1998) put emphasis on women's membership is one of the important dimension of the group-based social development model. It is very difficult to reach women individually in rural Bangladesh because of the *pardah* systems, which secludes women in order to uphold standards of modesty and morality. Women may find it easier to counter seclusion as a group than as individuals. Although group

solidarity is effective with men as well, it is particularly effective with women in Bangladesh, who find it more convenient to attend weekly group meetings, adhere to the rules and regulations of group solidarity and prosperity, and make small transactions with the programs. While other programs bypassed women because they were perceived as high credit risks (because of childbearing and associated health hazards), the targeted credit programs promote women's participation. This emphasis partly reflects the programs emphasis on equity and long-term social and economic development and partly reflects the realization that loan recovery rates are higher for women than men.

Story of Sufia can be one of a million which changes the fate of women empowerment in Bangladesh. Dr. Muhammad Yunus started his experiment with these typical Bangladeshi women in Jobra Village in late 70s. Sufia Khatoon (bamboo stool maker) was in an inescapable a vicious cycle, which means, she must sell the finished products to the money lenders who used give her small credit to the poor people for their daily economic or other purposes. But due to inability of lack of finance she always had to compel to accept the unavoidable clauses of loan. But later the model of microfinance in Bangladesh changes this mechanism and allowed credit to reach the poor, especially poor women. As a consequence, the group formation and guarantee to repay individual loan became the hallmark of micro financing (Khandoker, 1998).

## **METHODOLOGY**

Case study method has been used as methodological preference for this research. "Case study research method as an empirical inquiry that investigates a contemporary phenomenon within its real-life context, when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used"(Yin, 1984, p.23). Since the role of micro finance on women empowerment, participant' behavior and life to demonstrate development in a micro analogy manner, lack of authentic success evidence in the area of impact of micro finance in a particular social context (Bangladesh), lack of primary data and theorizing problem, a case study method is a suitable approach that helps the researchers to examine data at the micro level and give a better insights into the detailed behaviors of the subjects of interest ( Zainal, 2007). Case study method helps the researcher to understand real life situations, issues and problems when there is a lack of plausible existing theory. It put emphasis on analysis of a comprehensive limited number of events or case which is related with situation or object and their relationships. As mentioned by Creswell (2007, p.73) "case study research is a qualitative approach in which the investigator explores a bounded system ( a case) or multiple bounded systems ( cases) over time, through detailed, in-depth data collection involving multiple sources of information (e.g., observations, interviews, audiovisual material, and documents and reports), and reports a case description and case- based themes".

In November 2011, this study conducted in the Mohammadpur slum of Dhaka city in Bangladesh The case study method had been used to collect the information in order to find out the impact of micro finance Institution, namely SafeSave on slum dwellers women empowerment. The purposive sampling had been used to select the target population. The target population has been selected from two major criteria's. One criterion was considering their gender and another one involvement with microfinance.

Primary data were collected from three (3) female clients of ‘Safe Save’ through focus group discussion and personal interview. Participants were selected on basis of their willingness to take part in interview and the availability of the research’s time during the field visit in slum area of Bangladesh. The characteristics of three female clients are as follows:

Client 1	Client 2	Client 3
Age 35, Education: secondary, Children: 3, Husband profession: business	Doing business; have two chotpoti shops, three family members, working with safe save for 7 to 8 years, primary education, have mobile phone and electricity.	Nine family members. Sons are salesmen, working with save safe for 10-15 years, taken 7000tk loan; Have TV electricity and Mobile , son is Decision maker

### **SafeSave Micro Finance Institution: Setting the Context**

SafeSave is located in Dhaka city. They are having 9 branches serving 17,600 clients in the slums of Dhaka. Their main objective is to serve their clients (poor and very poor men, women and children) in Dhaka, the capital of Bangladesh as money -management resource. They have classified their clients into three categories. 1. Employed (e.g., housemaids, day-laborers, or rickshaw drivers), 2. Self-employed (e.g., small stall-holders, peddlers or dressmakers) 3. Elderly, unemployed or school children. Majority of the clients are women. Safesave is having three main savings and loan schemes. Now their clients hold \$810,000 in their savings accounts (\$1 = 82 taka). On other hand 9,340 of the clients hold loans which are worth a total of \$625,000.

### **Results and Discussion**

Women can play a significant role to growth especially slum rural areas of developing countries along with men. But in slum households generally men dominate economic activity, decision-making, and ignore women as they are not empowered. Microfinance is one of the imperative means to empower women. Women are considered to be empowered when they have ability to make decision by own, influence in other decision making, access to resources, generate income, and voice to thrash out their grievances. Sine our objective is to find out the impact of microfinance on such women empower issues, there is evidence that the slum dwelling women who access microfinance ‘make economic progress’, ‘attain increased decision-making power’, and ‘gain higher standing in their communities’. The finding of data has been presented in a fashion of storytelling according to emergent issues from interview transcripts of three female clients in Safesave.

### **II Economic progress**

Micro-finance gives slum dweller female the opportunity to initiate their own business in the locality. This helps to develop the slum women economically and financially. On the whole, Micro finance encourages the women to participate in income generating activities. Slum-dwellers women are now more implicated economic and financial activities by getting loan and depositing money in Safasave, as one client stated;

“I have taken 7.000 tk as loan from safe save (MFI) and invest it to my business. Now, I have two shop of Chotpoti.”

According to another client

“I withdraw a loan amount Tk 8000 for the purchase of a mobile phone. Now, I have mobile phone business at our slum area. I can earn 100Tk per day from my business.”

Thus having a financial sustainability makes every family member more happy and certain about future, as another client stated;

“After being the member with 20tk and simple admission procedure, I started saving money in the micro finance institution (safe save). Then I took a loan amount 10000tk. I have bought a few portion of land in village from the loan of these MFI’s.”

Women now places monetary value on what she does and values herself for having some economic independence and contributing to the family’s economic well-being, as one client stated;

“My girl school fees are bearing through my business profit. Now I have a dream to buy refrigerator through my saving money at Safe Save.”

According to another client

“I withdraw 5000 TK from Safesave to support my son in business crisis.”

### **III Decision making capacity**

Micro-finance opportunities enhanced the decision making ability of the female since they are financially contributing their family so their importance and decision-making capacity/power at family affairs increased than before. Member of Safesave Slum-dwellers women are now have the ability to make decision by own and influence over other decisions as they are more economically independent and financial solvent, as one client stated

“I am doing small business at our slum area and making a significant contribution to my family. Previously, my husband is the decision maker of my family, who is doing the business of fish,

who has two fish shop. But now, we are taking decision jointly on every family matter.”

According to another client

“Firstly my husband did not interest to do samity (cooperative). He thought it’s full of difficulties. Then I make him convinced through rules and regulation of the safe save. Then he agreed with me.”

Apart from family, they are being recognized and respected at all levels. According to one client

“I am two years experienced in safe save. I have a tea shop at my area. Safe save also gave offer my neighbor at very early, then they did not believe them. Once they saw my success as a successful entrepreneur, my all the neighbors’ have involved with safe save and getting the advantage. Now they are also asking my advice on all aspects of their life.”

### [III] Social progress

Slum dwellers women are now become more aware about their family education and children health. According to one client

“I have very little education but I want to see my child as doctor in future. I am trying to buy fish and vegetable as much as I can for my family.”

Micro Finance improves the self-confidence level in women wits. Now, they are more confident than ever, as one client stated

“I have no bank account. Safe save is my bank. I am saving and taking loan with safe save. Saving and loan both are equal important for me. Because firstly I save then I withdraw the amount as loan or deposit format at my crisis moment.”

Micro Finance creates awareness in different social and safety issues. Now, slum woman are wakefulness than they had before. According to one client

“I have electricity and television at my home. Now, we can see movies, drama and news also. We become more aware about different government and NGO activities. We know what our right is and what we have to do for our future safety.”

From the case review, it reveals that now slum women can generate more income and contribute more to the family’s well being and future than they could do before. Women are more self independence and make a noteworthy contribution to the family emergency. Women are become more noteworthy and

respected among their family members as well as their society members. Previously these three families were dominated by the husband and son. All the decision regarding family issues were taken by the husband. But now women also more involved in the family decision making. They not only give advice to their family members but also to their community members. It also reveals that slum dwellers women are becoming more aware on the subject of different social and safety issues. They are more concern about their family member's education and health than ever. Now, they know their basic human rights and making demand over these rights. These results are similar to other studies (Chowdhury, Ghosh and Wright, 2005; Charmes and Wieringa, 2003; Khandker, 1998) as microfinance enhances women empowerment but different from other studies in the sense that microfinance has also significant impact on Bangladeshi women who are slum-dwellers.

## **CONCLUSION**

We recognized that micro finance has significant impact on slum dwellers women in terms of their economic, decision making and social progress. This type of research has much contributing scope for essential development in socio economic situation in Bangladesh. Women empowerment through microfinance can indirectly change the economic growth as well. Evidence of this study is mentionable to indicate the impact of microfinance programs in slum women. Considerable social upgraded life can be ensured by this type of effort as well. Under this research, data has been collect from one institution and three clients. Further research can be carried out to bring the results large scale in other financial institutions of Bangladesh.

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## **The Contribution of Foreign Remittances on Investment sectors in Bangladesh**

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### **1. INTRODUCTION**

Remittance inflows in the economy of Bangladesh are getting larger every passing year, matching with the increasing external demand for its manpower. The ensuing development impacts of remittances, as a means of transfer of wealth, on socioeconomic factors are increasingly viewed with importance. Remittances have helped improve the social and economic indicators like nutrition, housing, education, health care, poverty reduction, social security, investment activities of the recipient households, and on the over all living condition of the people in Bangladesh. The relative weight of remittances has also increased against most of the macroeconomic variables alongside the contribution to GDP.

Foreign remittances are defined as the money or goods send by expatriates both skilled and unskilled, to their home countries from abroad. Incomes earned abroad by them are partly spent and partly saved or send to their home country through different official and unofficial channels. Remittance forms a major source of foreign currency to the developing nations and has become a substantial component of making current account surplus in the balance of payments.

Bangladeshi workers are mainly engaged in 143 countries of the world but about 90% of the migration takes place in the Middle East and Malaysia. Currently two types of international migration occur from Bangladesh. One takes place mostly to the industrialized west and the other to the Middle Eastern and South East Asian countries. Voluntary migration to the industrialized west includes permanent residents, immigrants, work permit holders and professionals. Bangladesh has classified temporary migrant population into four categories.

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These are professional, skilled, semi-skilled, and unskilled. Doctors, engineers, nurses and teachers are considered as professionals. Manufacturing or garments workers are considered as skilled; while tailor, mason, etc. as semi-skilled workers, housemaid, cleaner, laborers are classified as less-skilled.

Remittances now form an important part of household income contributing to the livelihood strategies of both the rural and urban Bangladesh. The remittances sent by the migrant workers have grown over time considerably. In the last 25 years more than 7.6 million people have sent their valuable foreign currency to Bangladesh. Since long in Bangladesh, many migrants have been transferring their income through the unofficial channels known as “*hundi*”. Today due to the establishment of different agencies like Western Union, Money Gram, International Money Express (IME) etc. in several district headquarters of the country, the remittance flows has become popular for transferring cash or money in time to the recipients through these banking channels. However, it is difficult to calculate the exact size of remittance flows in Bangladesh due to the use of unofficial channels. In this regard, it is estimated that unrecorded flows through informal channels are believed to be more than 50 percent of the recorded flows in developing countries.

Basically, remittances are private funds that should be treated like other sources of household’s income. In terms of asset formation, larger number of remittance receivers uses their funds to purchase land or buildings or consumption in town areas. In short, it could be asserted that the productive use of remittance income is yet to be sought though it forms a significant part of GNP. So, in this situation it has become an important issue to consider, where these remitted money are used. But it is not easy to determine the exact impact of this flow at the household and community levels. One school of thought maintains that remittances are merely used to satisfy the consumption needs of the family at home and are not used for productive investment. So, it has become very pressing issue to determine whether the remitted money has more impact on consumption or on investment.

### **1.1 Objective of the Study**

The objective of this study is to find out the impact of remittances on gross domestic investment in Bangladesh, so as to determine if remittances along with other variables significantly affect GDI in Bangladesh.

## **2. LITERATURE REVIEW**

Majed, Band Ahmad, M. I. (2010), found that real interest rate has a negative impact on investment. They found that an increase in the real interest rate by 1% reduces the investment level by 44% in the Jordanian economy. The results also show that the influence of the real interest rate on investment is higher than the influence of the income.

Eregha P.B. (2010), revealed that variation in interest rate plays a significant role on investment decision in the economy. It has negative impact on investment decision both in the short run and long run. The other determinant being income played a positive role and it is highly significant in the short run and long run on investment decisions. Lastly, it was inferred that exchange rate played a positive but not significant role in investment decision in the short run and long run.

Tom, B.D. and Umbareen, K. (2005), found that remittances have both positive and negative impact at household and community levels. Allowing families to meet basic needs, opening up opportunities for investing in children's education, health care, etc. These are all positive impact of remittances and the negative impact of remittances are dependency on remittances and neglect of local productive activities by families.

Charles, W.S. and Habib, A (1989), claimed that by the early 1983, official remittances from migrant workers abroad amounted to 84 percent of merchandise exports for Bangladesh. The report also provides abundant evidence that only a very small portion of remittances are directed into productive investment. There are some sectors where these remittances are spent significantly like rice growing and processing (9.7%), sugar refining (10.4%), eligible oil and vegetable ghee (11.1%) and rural house building (6.3%). This analysis indicates that although it is true that only a small fraction of remittances are directly spent on investment goods, it cannot be concluded that their potential contribution toward economic development is minimal.

Pichitra,P (2009), the effect of exchange rate could have both positive and negative impact on investment, so to use exchange rate policy to boost investment may not be appropriate. Though On the one hand, it stimulates investment in export-oriented industry, on the other hand, it might reduce investment in domestic-oriented one. Since there is always a situation where a winner or loser occurs from movement in exchange rate, exchange rate policy should be neutral. Tasneem,S. (2005), argues that if the cost of import of raw material is adjusted, then the net earning from migrant workers' remittances is higher than that of the garments sector.

BaldéYéro (2011), found that both remittances and foreign aid promote savings and investment in Sub-Saharan Africa, but remittances are strongly more effective. The coefficients of remittances are 6 to 7 times higher than those of foreign aid. A 10% increase in remittances increases savings by 7% and investment by 6.5%, while the same 10% increase in foreign aid increases savings and investment by respectively 1.6 % and 1%. According to these results, remittances, although less important in volume and in percentage of GDP, are more effective in boosting savings and investment in SSA than foreign aid.

To summarize the literature review, it can be concluded that most of the previous studies did not either include remittance as a determinant of investment or found an insignificant relationship between them. Most of the models did not include remittance as a determinant because there has been little migration, and thus remittance, to these economies. Therefore, it is important that we analyze the impacts of remittance on investment in Bangladesh, as the country contributes among the top ten suppliers of migrant workers abroad.

### **3. METHODOLOGY**

#### **3.1 The Concept**

There are several definitions of remittances. In its narrower sense, remittance refers to cash transferred from one place to another. There are different types of remittances that can be distinguished: international or international, individual or collective, formal or informal, in cash or only kind. In this paper, researchers often used a narrower definition of remittances. In the present paper, remittances refer to *financial international* transfers from abroad to the home

country. In practice this means money sent back to Bangladesh by nationals or emigrants, including the diasporas, from the country where they are living or working.

A theoretical distinction is made between migrant workers and Diasporas. According to the UN International Convention on the protection of migrant workers' Rights, the term migrant workers refers to persons who are engaged in remunerative activities in a state of which he or she is not a national (UN General Assembly, 1990). Siddiqui (2004) defines Diasporas as “transnational groups of immigrants living abroad but maintaining economic, political, social and emotional ties with their homeland and with other Diasporas communities of the same origin”. In general, the migrant worker's relationship with the destination country is of a (perceived) temporary nature, while that of the Diasporas is of a more permanent or long-term in nature. However for the present paper no such distinction is made as it was felt unnecessary for the present research.

Regarding the types of remittance, this report will only consider the amount of money transmitted through the proper channels and for which the data are available for the reports of Bangladesh Bank. The remittances come through unofficial channels and in kinds though very significant in amount, are not considered for the present study as it is quite impossible to estimate them at the macro level, though, at micro level some attempts have been made.

### **3.2 The Model**

This paper, therefore, has developed a model to analyze the impacts (if any) of remittances on GDI at the macro level. The model, therefore, is proposed as follows:



Therefore, the general format of our investment function becomes;

$$GDI = f(IR, LR, SR, GDS, GDP, ER, R)$$

Where, GDI = Gross Domestic Investment, IR = Inflation Rate, LR = Interest Rate on Loan, SR = Interest Rate on Savings, GDS = Gross Domestic Savings, GDP = Gross Domestic Product, ER = Exchange Rate between Tk and US\$ (Tk. Per US\$), and R = Remittances.

Specifically, We will consider a simple linear model for OLS regression to estimate the impacts of each of the variables on Investment. Particularly, this paper is very much interested to determine if there is any impact of remittance and other selected variables on investment in Bangladesh.

$$GDI = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + e$$

Where,  $X_1$ =GDP,  $X_2$ =ER,  $X_3$ =IR,  $X_4$ =LR,  $X_5$ =SR,  $X_6$ =R, and  $X_7$ =GDS; and  $\alpha$  is constant and  $\beta_i$ 's are coefficients to estimate and  $e$  is the error term.

### **3.3 Sample Selection and Data Collection**

This paper uses 25 years of data from 1987 to 2011 for all the selected variables. For the present study the data on remittances refers to the international transfer of funds by the migrants to mother country, from the country where they work or live. As there has been discrepancy in the data provided by Bangladesh Bank, BMET (.....) and IMF, this paper uses the data provided by BMET. Study of the literature suggests that most of the previous researchers have also used these data for their researches. One of the most important reasons of using the data provided by BMET is that it has used the estimated unofficial transfer for their data, as significant amount of the remitted money flows to Bangladesh through '*hundi*' or by hand through person-to-person.

The data on GDP has been used according to 1984-1985 factor cost, GDS and GDI at the market prices, inflation rate considering 1995-1996 as the base year, and exchange rate taken as Taka per unit of US\$. All the figures of GDP, GDS, GDI, and Remittances are provided in crores of Taka. The interest rates on deposit and lending have been collected from the report of IMF. The data on the rate of inflation was collected from the reports of Bangladesh Bank.

## **4. Findings**

### **4.1 Descriptive Analysis**

A descriptive analysis shown below portrays the trends of all the dependent and independent variables for selected time series data. At a glance all of them shows an upward trend, indicating a very vibrant and robust economy, specially during the 90's and onward.



**Table1: GDP, GDS, GDI and Remittances (Figures in Crores of Taka)**

Year	GDP*	GDS*	GDI*	Remittances**
1987	35722.00	1833.00	6490	2313.94
1988	36777.00	2737.00	6944	2423.59
1989	37547.00	1424.00	6165	2446.00
1990	39739.74	2794.00	9283	2691.63
1991	41170.38	3445.60	9595.5	2818.65
1992	42776.02	5293.30	10985.1	3513.26
1993	44418.62	6588.90	13521.4	3986.97
1994	46204.25	7676.20	15892.7	4629.63
1995	48033.94	9069.50	19465.1	4838.31
1996	50603.75	9739.20	22120	5685.30
1997	53240.21	28738.30	37446.5	6709.15
1998	56083.23	34853.20	43303	7513.23
1999	58887.40	38901.60	48757.5	8882.74
2000	62503.08	42394.20	54586.5	10199.12
2001	65878.25	45337.00	58536.3	11590.79
2002	68776.89	49722.58	63109.431	16484.53
2003	72422.07	55890.21	70313.49	18485.12
2004	76984.66	64851.15	79816.8	21286.52
2005	81603.73	74432.96	90277.6	27304.34
2006	86989.58	84393.19	103932.5	38366.56
2007	92643.90	96385.92	115757.6	45337.35
2008	98387.83	110801.46	132088.44	61587.83
2009	103995.93	123574.80	150011.2	73981.46
2010	110339.68	139558.32	169414.08	76639.97
2011	117732.44	154350.00	194512.5	90240.05

**Source:** \*- Bangladesh Bank, \*\*- Bureau of Manpower, Employment and Training (BMET).

### **Gross Domestic Investment (GDI)**

From FY-1987 to FY-2011 there was no negative trend of GDI except FY-1989. In the very next FY it increased about 50.58 percent. In FY-1997 GDI increased almost 1.7 times than FY-1996. As a percentage of GDP (at market price) private investment was quite higher than public investment.

### **Gross Domestic Product (GDP)**

For the last two decades Bangladesh economy has been growing at around 5% on average. As the robust private sector, primarily the garments industry has contributed to the growth of the manufacturing sector in the country, the GDP growth has always been positive for the selected period.

### **Remittances**

Remittance is a very crucial factor for a country to develop especially for third world country like Bangladesh. This chart shows that every year it has been increasing particularly in FY-2002 it increased a lot. According to BMET that year more than two hundred thousand expatriates send their valuable money in Bangladesh. But during FY-2010, Bangladesh achieved comparatively low remittances because in that year number of expatriates were getting down than the immediate previous year.

### **Gross Domestic Saving (GDS)**

Available data indicates that gross domestic savings at current market price had an upward trend during these 25 fiscal years except in FY-1989. In FY-1997 GDS increased almost 3 times than the preceding FY and reached into five digits for the first time. From FY-2000 to FY-2003 this upward trend was comparatively slow. But it appears that in recent years (FY03-11) private savings was higher than private investment, which indicates that some private savings is channeled to government sector induced by comparatively high rates of savings certificate. On the other hand the public sector component of savings increased very slowly for the said period.

**Table 2: Lending Interest Rate, Savings Interest Rate, Inflation Rate and Exchange Rate**

<b>Year</b>	<b>LR*</b>	<b>SR*</b>	<b>IR**</b>	<b>ER (Taka/\$)**</b>
1987	16.00%	12.00%	10.35%	30.63
1988	16.00%	12.00%	11.42%	31.25
1989	16.00%	12.00%	8.00%	32.14
1990	16.00%	12.04%	9.30%	32.92
1991	15.92%	12.05%	8.94%	35.68
1992	15.00%	10.47%	5.09%	38.15
1993	15.00%	8.18%	1.33%	39.14
1994	14.50%	6.40%	1.83%	40.00
1995	14.00%	6.04%	5.20%	40.20
1996	14.00%	7.28%	4.07%	40.84
1997	14.00%	8.11%	3.96%	42.70
1998	14.00%	8.42%	8.66%	45.46
1999	14.13%	8.74%	7.06%	48.06
2000	15.50%	8.56%	2.79%	50.31
2001	15.83%	8.50%	1.94%	53.96
2002	16.00%	8.17%	2.79%	57.43
2003	16.00%	7.82%	4.38%	57.90
2004	14.75%	7.11%	5.83%	58.94
2005	14.00%	8.09%	6.48%	61.39
2006	15.33%	9.11%	7.16%	67.08
2007	16.00%	9.18%	7.20%	69.03
2008	16.38%	9.65%	9.94%	68.60
2009	14.60%	8.21%	6.66%	68.80
2010	13.00%	7.14%	7.31%	69.18
2011	13.25%	10.02%	8.80%	71.17

**Sources:**\*- International Monetary Fund, \*\*- Bangladesh Bank

### **Exchange Rate**

From FY-1987 to FY-2011 the value of home currency depreciated continuously except in FY-2008. In FY-2008 taka appreciated against US dollar due to greater inflows of foreign exchange as remittances and export receipts outperformed the imports. The trend continued till the end of FY-2008. Despite hefty growth in exports (41.5%) and a moderate growth in wage earners remittances (6.0%), Bangladesh Taka witnessed 6.34 percent depreciation against US dollar in FY-2011 mainly because of higher import demand.

### **Inflation Rate**

Controlling inflation has always been a big challenge for Bangladesh. In FY-1987 the inflation rate was 10.35 percent. The highest inflation rate in these 25 years was 11.42 percent in FY-1988. From FY-1991 to FY-1993 inflation rates primarily shows a negative trend. In FY-1996 and 1997 it happened again but during FY-1998 suddenly inflation rate increased about 3.96 times than FY-1997. During the last decade (FY00-FY09) the inflation rate ranged between 1.94%-7.20% (except 9.94% in FY08 due to pre-crisis price boom in the international market). In July 2008, international price of petroleum showed nosedive fall to near USD 40 per barrel in FY09 which contributed to relieve pressure on inflation.

### **Interest Rate on Lending**

The lending interest rate in Bangladesh was 13.25% as of 2011. Over the past 25 years this indicator reached a maximum value of 16.38% in 2008 and a minimum value of 13.00% in 2010. It further indicates that interest rates on lending were between 14-16 percent from 1987-2007. From FY-1995 to FY-1998 the rates of lending remain unchanged but increased during the FY-1999 to FY-2002. In FY-2004 it declined to 14.75 percent. But the rate moved upward during FY-2005 to FY-2007 but continued to fall during FY-2008 to FY-2010 and reached 13.25 in FY-2011.

### **Interest Rate on Savings**

The deposit interest rate in Bangladesh was 10.015% as of 2011. Over the past 25 years this indicator reached a maximum value of 12.05% in 1991 and a minimum value of 6.04% in 1995.

The rates of deposit declined during FY-2000 to FY-2004 because of some steps taken by Bangladesh Bank to stabilize it. It is evident from the figure that the interest rates on deposit were increasing throughout FY05-FY08 and thereafter declined to 8.21% in FY-2009 and 7.14% in FY-2010.

#### 4.2 Regression Results and Discussion

**Table-3: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	1.000 <sup>a</sup>	.999	.999	1597.24719

a. Predictors: (Constant), GDS, IR, LR, SR, Remittances, ER, GDP

**Table-2: ANOVA<sup>b</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.396E10	7	1.057E10	4.142E3	.000 <sup>a</sup>
	Residual	4.337E7	17	2551198.594		
	Total	7.401E10	24			

a. Predictors: (Constant), GDS, IR, LR, SR, Remittances, ER, GDP

b. Dependent Variable: GDI

According to the table-1 and table-2, both the high R<sup>2</sup> value and the significant F statistics indicate that the model used in explaining the changes in the dependent variables are considered as satisfactory.

**Table-3: Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-12386.932	10866.010		-1.140	.270
	GDP	1.283	.350	.575	3.664***	.002
	ER	-795.945	290.433	-.200	-2.741**	.014
	IR	-381.708	185.768	-.020	-2.055*	.056

LR	-641.817	639.292	-.012	-1.004	.329
SR	755.278	424.031	.025	1.781	.093
Remittances	.009	.091	.004	.094	.926
GDS	.730	.110	.619	6.651***	.000

a. Dependent Variable: GDI

Note: \*, \*\*, and \*\*\* denote significant at 90%, 95% and 99% respectively.

As far as table 3 is concerned the coefficients significantly (at 10%) affecting investment differs from each other. Here we can see that five variables which have impact on investment, these are GDP, ER, IR, SR, GDS. But the contribution of remittances on investment in Bangladesh is not significant. The coefficients carry their expected signs, indicating positive relationship between investment with GDP, savings interest rate (SR), and GDS; whereas, negative relationship with exchange rate (ER), inflation rate (IR), lending interest rate (LR, insignificant) and remittances (insignificant). This indicates, though positive, the relationship between investment and remittance is highly insignificant.

## 5.1 CONCLUSION

The Government of Bangladesh with 160 million people is faced with a challenge to use the human resource effectively. The GOB has recognized labor migration as a potential tool for the socio-economic development of the country. Efforts to manage migration have been strengthened and introduced digitized migration management system in order to maximize benefits from migration and minimize the harmful effects.

The aim of the paper was to investigate whether the remittances have impact on investments or not. Now the result seems to conclude that macroeconomic factors of home country have significant impact on investments. Inflation rates, interest rates of savings, gross domestic product, and gross domestic savings of Bangladesh have positive relationship with investments. Exchange rates have also a positive relationship on investments in Bangladesh. But the most surprising thing is that remittances have no impact on investments in Bangladesh. As there are two options to use these remitted money, one is investment and another one is consumption, so it is clear that the most of remitted money is used for consumption. Since the most of people in

Bangladesh are living under poverty line that is why people use these remitted money for consumption instead of investments.

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## **Employees' Perception about the Performance Management System in Mobile Phone Companies of Bangladesh**

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### **ABSTRACT**

In order to be competitive at present time, the most effective approach of organizations is to utilize the full potential of their human resource. Consequently, to develop their knowledge and skill and driving their performances toward the organization's goal, top level managers are becoming more conscious than ever in implementing performance management system. However, the success of the system heavily depends on the employees' participation in formulation and implementation of the process. All the mobile phone companies of Bangladesh have introduced this system but employees' perception is still not yet clear in some cases. Sometimes lack of communication and disinclination of the managers to implement the system work as a barrier and employees develop wrong impression about the system. If the organizations want to get benefited from the system, managers need to make sure; all the employees are aware of its measures and engaged in performance management system.

### **KEYWORDS**

Performance Management System, Performance Appraisal, Mobile Phone Companies of Bangladesh.

### **INTRODUCTION**

In recent years, organizations are trying to establish a 'performance culture' which includes strategies to improve both individual and team performance to the overall success of the organization (Fletcher and William, 1996). The name of this process is given Performance Management (IPM, 1992). According to Armstrong (2006), the aim of performance management is to align individual's objectives with organization's objectives ensuring that everyone shares and understands business core values. Guest (2007) asserts performance management as a part of 'hard HRM' and describes as a bundle of HR practices that affect organizational performance (cited in Leopold and Harris, 2009, p. 190). Among the different views of performance management, one thing is common that it is a powerful tool to control organization's performance when organizations implement it effectively. Undoubtedly, this process has come across far beyond than pointless review meeting and box-ticking exercise in successful organizations. Management needs to consider different frameworks of PMS while introducing it and factors that influence of this process. In fact, the process of implementation of performance management system is even harder than to formulate the different frameworks. Apparently, employees' view on performance management system is one of the salient features of its success. This paper will reveal the perception of employees about the performance management system in mobile phone companies of Bangladesh and identify the factors affecting the PMS.

### **LITERATURE REVIEW**

The term 'Performance' barely has a clear meaning at present organizations. According to Lebas (1995), meaning of 'performance' varies from efficiency, to robustness or resistance or return on

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investment or it can be anything regarding to business outcomes. However, in the case of management, the focus should be on future, about the capability of unit being assessed rather than past achievement (Lebas, 1995). He continues, performance is never objective rather it is only a way of defining where one wants to go. Armstrong (2006) states, performance management is basically management of expectations and it conveys for expectations to be defined and agreed in terms of job responsibilities and accountabilities (expected to do), skills (expected to have) and behaviours (expected to be). He also asserts performance is a matter not only of what people achieve but how they achieve it. Brumbach (1988) states, 'performance means both behaviours and results. Behaviour emanates from the performer and transforms performance from abstraction to action. Not just the instruments for results, behaviours are also outcomes in their own right – the product of mental and physical effort applied to tasks – and can be judged apart from results', (cited in Armstrong, 2006, p. 7). So, in order to assess performance both input (behaviour) and output (result) need to be considered (Armstrong, 2006).

While introducing performance management, management should ask themselves two questions – Why and what do we measure? (Lebas, 1995). The purpose of the measure needs to be clear and agreed in order to get optimum results. Armstrong and Baron (2005) state performance management should be adapted to the context of the organization and managed flexibly (cited in Porter *et al.*, 2008, p. 142). Though it varies from organization to organization but management should decide whether they want to link this system to reward strategy or employee development or something else. In a recent IRS survey (IRS 2003a), 89 per cent of the respondents suggested it was 'to identify training/development needs' and 82 per cent mentioned 'evaluating individual performance', almost a third of respondents cited 'to identify/acknowledge good performance' or 'ensure managers and staff communicate effectively' (32 per cent) with only 19 per cent identifying 'help to make reward decisions' as a reason of appraisal (cited in Bach, 2005, p. 296). According to IPM (1992), PMS should not focus only in a progress in profitability or the delivery of services, but also in a development of employee satisfaction, motivation and recognition with the organization (cited in Fletcher and Williams, 1996, p. 170). On the other hand, only the purpose of the measure does not clarify what is to be measured (Lebas, 1995). It is often said that 'what gets measured gets done' and 'if you can't measure it, you can't manage it', (cited in Armstrong, 2006, p. 59). Lebas (1995) states, measures are supposed to identify the deviations from the expected results. According to Stivers and Joyce (2000), measures must include detailed guidance to individuals telling them what they must do well for the organizations to attain its objectives. They continue with the reference of Balanced Scorecard, most organizations identify that four to five measures for each of the perspectives (financial, customer, internal processes, and learning/growth) works well. On the other hand Lebas (1995) states, a study of underlying performance is the basic way to identify the measures that lead to actions. However, choices of measures are muddled by 'political issues' and difficult to choose since they are dependent on strategic mission (Lebas, 1995).

Performance management system is also immensely influenced by the performance appraisal. Though it has got huge criticisms but the significance of this process is still valid in present organization. Porter *et al* (2008) referencing (IRS, 2001) argue, performance appraisal is being criticized due to the way it is often carried out but it is used as a key element of performance management by 80 per cent of organizations. It is often believed that performance appraisal is the same thing as performance management but there are significant differences between them (Armstrong, 2006). According to Armstrong (2006), the basic distinction between them is that in performance appraisal, managers usually assess and rate individuals' performances in an annual review meeting whereas performance

management is more comprehensive and continuous process of management where managers clarify the mutual expectations and act as coaches rather than judges and focuses on the future. However, Longenecker and Gioia (1988) claim, 'less than 20 percent of performance appraisals are done effectively' (cited in Wilson, 2002, p. 621). The common reason of the failure of this process is that the appraiser needs to be both a disciplinary judge and a helpful counsellor which is quite difficult in most cases (Wilson, 2002). In addition to that sometimes line managers lack the required technical skills and people management skills to conduct an effective appraisal (Beardwell *et al*, 2004). Moreover, a lack of time and resources may deter line managers in providing comprehensive and effective performance reviews objective-setting. As a result, they make out the appraisal process as a bureaucratic nuisance and form filling exercise. Porter *et al* (2008) also assert that a large proportion of time in the appraisal is spent talking about the things that have gone wrong whereas positive aspects of performance should be emphasized.

According to Millmore *et al* (2007), performance management can play an important role in ensuring the effectiveness of an organizational structure. Allocation of resources, organization of work tasks, distribution of responsibilities and establishing reporting patterns to clarify responsibilities are influenced by a well managed performance management system (Millmore *et al*, 2007). In order to be successful, performance management system must be integrated both vertically and horizontally in organization's strategies. Referencing Purcell *et al*'s AMO model (2003), Millmore *et al* (2007) suggest, organization should formulate their strategy in such a way so that people can have the ability, be motivated and get the opportunity to perform effectively. Walters (1995) asserts, management should be aware about organizational systems and processes those cause individual failings while assessing individuals' performance. On the other hand, Porter *et al* (2008) referencing SMART model state that targets should be measurable and achievable. Performance management and HRM practices should be aligned to enhance employee performance and development with the aim of maximizing organizational performance but according to Hartog *et al* (2004), such integration is not easy in reality. Guest model (1997) suggests that organization level HR practices directly affect individual-level employee outcomes and later in the causal chain, individual performance is assumed to affect organizational performance (cited in Hartog *et al*, 2004, p. 561).

### **Research Hypotheses**

The purpose of the study is to know employees' perception about the performance management system within the telecom sector of Bangladesh. The researchers also want to see the difference among the perception of employees' regarding performance management system of different companies.

Related to the objective, the following hypotheses have been developed:

### **Hypotheses**

- H<sub>1</sub>:** There is no relationship between employees' perception about understand ability of performance management (PM) system and fairness of performance management (PM) system.
- H<sub>2</sub>:**  $\mu_1 = \mu_2 = \mu_3 = \dots = \mu_k$  (The average satisfaction level of Employees' towards performance management system of each of the company is equal)

- H<sub>3</sub>:** P = 0.70 (70% of the employees say that performance management system involves focus on development and fostering communication) (Q -5)
- H<sub>4</sub>:** P> 0.30 (More than 30% of the employees say that success of performance management system depends on alignment of individual goals to organizational goals) (Q -7)
- H<sub>5</sub>:** P< 0.60(Less than 60% of the employees say that during goal-setting stage of the performance management system they are communicated) (Q -9)

## RESEARCH METHODOLOGY

### A. Sources of data

Both primary and secondary data have been used for the purpose of the study. Primary data have been collected using a questionnaire. The questionnaire consists of 13 questions, three (3) of them (Q. No. 8, 12, 13) to measure employee’s satisfaction towards performance management system of his/her company. In addition, the questionnaire included questions on demographic characteristics of the respondents.

Secondary data were collected from different books, publications, research studies, journals, articles, and websites.

### B. Respondent profiles

The sample of the study covers the employees from telecom sector of Bangladesh. A sample of 380 employees (250 male and 130 female) selected purposively from different managerial level (Table-1) of 6 Mobile Phone companies of Bangladesh. Data were collected by non-probability sampling and conveniently.

**Table–1: Samples in terms of Company Name, Managerial Level Positions and Gender**

Managerial -Level –Position	Company Name	Gender		Total
		Male	Female	
Entry/ Bottom Level	Grameen Phone	23	17	40
	Robi	12	8	20
	TeleTalk	5	23	28
	Banglalink	30	1	31
	Airtel	16	11	27
	Citycell	36	2	38
<b>Total</b>		<b>122</b>	<b>62</b>	<b>184</b>
Mid-Level	Grameen Phone	20	14	34
	Robi	13	11	24
	TeleTalk	7	6	13
	Banglalink	30	4	34
	Airtel	34	2	35
	Citycell	14	13	27
<b>Total</b>		<b>118</b>	<b>50</b>	<b>168</b>

Managerial -Level –Position	Company Name	Gender		Total
		Male	Female	
Top Level	Robi	10	16	26
	Banglalink	0	2	2
<b>Total</b>		<b>10</b>	<b>18</b>	<b>28</b>
<b>Total</b>		<b>250</b>	<b>130</b>	<b>380</b>

### Measures:

After gathering the data, they have been entered in SPSS (Statistical Package for the Social Sciences) version 16. These entered data have been analyzed by some of SPSS tools, which are descriptive statistics (Gupta & Gupta 1996), reliability analysis (George & Mallery 2006), factor analysis (George & Mallery 2006) and correlation analysis (Gupta & Gupta 1996).

Responses from the 380 respondents about “how many times in a year employees and their supervisor formally sit to discuss about the performance management system according to their company” are put into table-2.

**Table–2: Cross tabulation in terms of Company Name, Formal discussion with the supervisor in a year**

Company Name	Formal discussion with the supervisor in a year						Total
		1	2	3	4	5-5+	
Grameen Phone	Count	0	3	0	19	52	74
	% within Company Name	0.00%	4.10%	0.00%	25.70%	<b>70.30%</b>	100.00%
Robi	Count	6	29	8	3	24	70
	% within Company Name	8.60%	<b>41.40%</b>	11.40%	4.30%	34.30%	100.00%
TeleTalk	Count	15	6	4	5	11	41
	% within Company Name	<b>36.60%</b>	14.60%	9.80%	12.20%	26.80%	100.00%
Banglalink	Count	9	44	1	3	10	67
	% within Company Name	13.40%	<b>65.70%</b>	1.50%	4.50%	14.90%	100.00%
Airtel	Count	13	22	19	7	2	63
	% within Company Name	20.60%	<b>34.90%</b>	30.20%	11.10%	3.20%	100.00%
Citycell	Count	41	13	1	0	10	65
	% within Company Name	<b>63.10%</b>	20.00%	1.50%	0.00%	15.40%	100.00%
Total	Count	84	117	33	37	109	380
	% within Company Name	22.10%	<b>30.80%</b>	8.70%	9.70%	28.70%	100.00%

Source: primary source

From the table-2, it is seen that **70.3%** respondents of Grameen Phone say the frequency of formal discussion about the performance between them and their supervisor is 5 or more than 5 times in a year,

**41.4%** respondents of Robi, **65.7%** respondents of Banglalink, **34.9%** respondents of Airtel say that their supervisor formally discuss with them about the performance twice in a year, **36.6%** respondents of TeleTalk and **63.1%** respondents of Citycell say once in a year they and their supervisor formally discuss about the performance.

The employee satisfaction towards performance management system scale in this study consists of 3 items (KMO = 0.69 at  $p < 0.005$ ). Employees’ satisfaction towards performance management system scale includes items relating to expectation of one’s supervisor regarding one’s performance; opportunity to know one’s career goal, employees’ involvement at the performance management process and has showed good reliability (Cronbach’s alpha) of 0.814.

**Result**

To find the relationship between employees’ perception about understandability of PM and fairness of PM, the cross tabulation has been done. The result of the Cross tabulation is presented on table 4.

**Table 4:** Cross tabulation (Employees’ perception toward understandability of PM and fairness of PM)

		Fair		Total
		Yes	No	
Understandable	yes	288	60	348
	No	5	27	32
Total		293	87	380

Source: Primary Data

Table- 4, show cross tabulation between employees perception toward understandability of PM and fairness of PM. The cross tabulation statistics yield the Phi and Cramer’s V measures, as well as the contingency coefficients of correlation. Their value shows the relationship between employees perception toward understandability of PM and fairness of PM.

**Table- 5 (Chi-Square Tests)**

Level of Measurement	Symmetric Measures	Value	Significance
Nominal by Nominal	Phi	0.444	0.000
	Cramer's V	0.444	0.000
	Contingency Coefficient	74.818 <sup>a</sup>	0.000
Number of Valid Case		380	

\*.At 0.05 level of significance

According to the table-5, there is a significant relationship between these two variables, employees perception toward understandability of PM and fairness of PM,  $\chi^2 (1) = 74.85, p \leq .005$ . The effect size is .444. So according to the result of table- 5, **H<sub>1</sub>** cannot be accepted.

To test the **H<sub>2</sub>** the researchers have used the one-way ANOVA analysis .The results of the one-way ANOVA analysis presented on table 6 (Appendix). As on table 6, there is a statistically significant difference (F (5, 373) = 24.636, p = .000 at 0.05 level of significance) among employees average satisfaction towards Performance Management of each of the company. We can see that there significance level is 0.000 (P = .000), which is below 0.05 and, therefore, we can reject **hypothesis 2(H<sub>2</sub>)**.

**Table 6: One-way ANOVA analysis**

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	61.451	5	12.290	24.636	.000
Within Groups	186.075	373	.499		
Total	247.526	378			

\*.At 0.05 level of significance

Here the researchers have done post hoc test to know which companies’ employees’ average satisfaction towards performance management are different. The Multiple Comparisons in Table-7 (Appendix, table-7) contains the results of post-hoc tests. As on table – 7, we can see that the average satisfaction level toward performance management system of Citycell employees differs from the average satisfaction level of employees of Grameen Phone (p=.000), Robi (p=.000), Banglalink (p=.000), TeleTalk (p=.000) and Airtel (p=.000) respectable. It is also clear that there are differences among Airtel, Robi (p=.002) and Banglalink (p= .000) employees average satisfaction level toward the performance management system of their companies.

However, there were no differences among the employees average satisfaction level toward performance management system of Grameen Phone, Robi, TeleTalk, Banglalink, Airtel; Robi, Banglalink, TeleTalk; TeleTalk, Banglalink, Airtel.

**Table 7: Multiple Comparisons (Post Hoc Tests)**

(I) Company Name	(J) Company Name	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
Grameen Phone	Robi	-.15586	.11776	.772	-.4932	.1815
	TeleTalk	.03032	.13751	1.000	-.3636	.4242
	Banglalink	-.23969	.11958	.342	-.5822	.1029
	Airtel	.32404	.12108	.082	-.0228	.6709
	Citycell	-.97380*	.12007	.000	-1.3177	-.6299
Robi	Grameen Phone	.15586	.11776	.772	-.1815	.4932
	TeleTalk	.18618	.13890	.762	-.2117	.5841
	Banglalink	-.08384	.12118	.983	-.4310	.2633
	Airtel	.47989*	.12266	.002	.1285	.8313
	Citycell	-.81795*	.12166	.000	-1.1665	-.4694

TeleTalk	Grameen Phone	-.03032	.13751	1.000	-.4242	.3636
	Robi	-.18618	.13890	.762	-.5841	.2117
	Banglalink	-.27002	.14045	.390	-.6723	.1323
	Airtel	.29372	.14172	.304	-.1123	.6997
	Citycell	-1.00413*	.14086	.000	-1.4076	-.6006
Banglalink	Grameen Phone	.23969	.11958	.342	-.1029	.5822
	Robi	.08384	.12118	.983	-.2633	.4310
	TeleTalk	.27002	.14045	.390	-.1323	.6723
	Airtel	.56373*	.12441	.000	.2074	.9201
	Citycell	-.73411*	.12342	.000	-1.0877	-.3806
Airtel	Grameen Phone	-.32404	.12108	.082	-.6709	.0228
	Robi	-.47989*	.12266	.002	-.8313	-.1285
	TeleTalk	-.29372	.14172	.304	-.6997	.1123
	Banglalink	-.56373*	.12441	.000	-.9201	-.2074
	Citycell	-1.29784*	.12487	.000	-1.6556	-.9401
Citycell	Grameen Phone	.97380*	.12007	.000	.6299	1.3177
	Robi	.81795*	.12166	.000	.4694	1.1665
	TeleTalk	1.00413*	.14086	.000	.6006	1.4076
	Banglalink	.73411*	.12342	.000	.3806	1.0877
	Airtel	1.29784*	.12487	.000	.9401	1.6556

\*. The mean difference is significant at the 0.05 level.

To test the hypothesis one-tailed Z-test and two-tailed Z-test has been used. The results of the Z-test are presented below.

**H 3:** While testing the hypothesis, the z-calculated value 0.051 is greater than the z-table value - 1.96 and less than the z-table value 1.96 at significance level 0.05. So we cannot reject the H 3 that means more than 70% employees say that performance management system in their organization involves focus on development and fostering communication.

**H 4:** Though testing the hypotheses, the z-calculated value 0.072 is greater than the z- table value - 1.65 at significance level 0.05. So we cannot reject null hypothesis. Therefore the opinion of more than 30% of the employees of the telecom industry is that success of performance management system depends on alignment of individual goals to organizational goals.

**H 5:** While testing the hypotheses, the z-calculated value -0.012 is less than the z- table value 1.65 at significance level 0.05. So we cannot reject null hypothesis. Therefore the less than 60% of the employees say that during goal-setting stage of the performance management system they are communicated.



## **RECOMMENDATIONS**

The findings of the study have practical implications for organizations and individuals. There is relationship between employees' perception about understandability of performance management (PM) system and fairness of performance management (PM) system (Hypothesis 1). Fairness of the system will be strongly established as long as employees are able to understand the framework of PMS. It is the responsibility of the managers/supervisors to explain the standards of performance and way of measuring the performance in order to get employees motivated and rewarded appropriately. Otherwise, if the framework remains vague to employees, they will consider the system is unfair since other HR functions greatly depend on PMS.

On the other hand, the average satisfaction level of employees' towards performance management system of each of the company is not equal (Hypothesis 2) which indicates that implementation of performance management system in mobile phone companies of Bangladesh are different in one to another. The comparison among different companies shows that the average satisfaction level of employees is highest in Grameenphone which holds the majority of the market share and lowest in Citycell which holds the least market share. In other words, successful implementation of PMS also results positively in achieving organization's goals.

The aim of performance management is to develop the skill and knowledge of employees as more than 70% (Hypothesis 3) employees say that performance management system in their organization involves focus on development and fostering communication. Employees' development should be the prime objective of any PMS because in the long run, employees bring competitive advantage through their skill and knowledge.

More than 30% of the employees of the telecom industry say that success of performance management system depends on alignment of individual goals to organizational goals (Hypothesis 4). In order to achieve organizational goals, there is no alternative of having all the employees achieved their individual goals. It's not the organization that performs and achieve rather it's the people behind the organizations that perform and achieve goals. If the employees don't have the clear visibility of their individual goal then their performance will not be directed toward organization's goal.

The participation of employees in every stage of performance management makes the system successful. However, less than 60% of the employees say that during goal-setting stage of the performance management system they are communicated (Hypothesis 5). As long as employees are not properly communicated about their goals, they will not be interested to achieve those goals which will eventually affect the organization's performance in a negative way.

## **CONCLUSION**

This paper explores the view of employees about the performance management system in mobile companies of Bangladesh. Though there is no basic difference among companies in terms of framework of PMS but it is the implementation that makes difference. According to employees, most of the companies are trying to implement performance management system with sincere effort but the progress will depend if the organizations try to assess how employees are accepting the system.

Continuous reminder of their job description and standards of performance through performance management system enables organizations to remain on the track. But lack of communications results in low satisfaction level and finally employees end up with an 'unfair' perception about the system. Managers need to understand the criticality of the implementation of the system along with the formulation of PMS. The strong presence of employees in every stage of the system will make the whole process easier for both the parties. In conclusion, the full potentiality of performance management system will not be utilized if employees are not engaged in the formulation and implementation process.

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