



Remittance Influx through Authorized Channels to Combat the Imminent Food Crisis in Bangladesh

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ABSTRACT

As numerous ominous indicators point to a severe food crisis in many regions of the world in the coming days, global food security has become a crucial concern. Bangladesh is not an exception, and the problem has grown to be a very worrying occurrence that casts a shadow over the social and economic prospects of the nation. With a view to lessening the severity of the risk of food insecurity, this qualitative and secondary data-based article explores the role of increasing foreign remittance inflow through official channels. In addition, it examines the causes of the impending food crisis, the importance of stable foreign reserves for ensuring food security, the importance of remittance inflow through formal channels as well as the reasons why remittances are sent through an informal channel. The study found that supply disruption of fertilizers and fuel, higher cost of fertilizers, global recession, climate change along with the reduction of remittance, and devaluation of Bangladeshi taka are serving as the drivers for the upcoming food crisis in Bangladesh. The study suggests that it is necessary to implement comprehensive policies and measures like expanding the banking network into rural and semi-rural areas through emergency outlets or sub-branch facilities in the communities where migrant workers' families live and ensuring easier procedures than those existing to send money back to those communities. Offering higher rates as the kerb market to convert other currencies to Taka, effective use of fast electronic settlement systems, and numerous awareness-raising campaigns can motivate the remitters to avoid unauthorized channels to remit foreign currency.

KEYWORDS -Food Supply, Foreign Currency, Foreign Exchange, Import, Letter of Credit, Remitter, Reserve Stability, Supply Disruption.

1. INTRODUCTION

Global food security in the upcoming days has become a critical topic as many grim factors indicate an acute food crisis in many parts of the world. Bangladesh is no exception, and the issue has become a highly alarming phenomenon that is shadowing the country's social and economic future. Around 205 million populations in 45 countries are at risk of acute food insecurity coming days (Food and Agriculture Organization & World Food Programme, 2022). In a May 2022 report of Boston Consulting Group, Bangladesh is placed among 45 countries that are highly exposed to the risk of food crisis. Factors such as the Ukraine-Russia war, global warming, climate shocks, the effect of the post-COVID-19 pandemic, impending global economic recession, etc. are considered the drivers of these food insecurities. Some of those drivers contributed to worsening food situations in the year 2022, as the intensity of food insecurity was greater than at any time in the last six years (Global Network against Food Crises, 2022). Low-income countries are said to be more affected because of this rising food insecurity (Rother et al., 2022).

In October 2022, the prime minister of Bangladesh Mrs. Sheikh Hasina alarmed that the country has a high risk of facing famine in 2023. She emphasized growing local food production and reducing food wastage. The word of the prime minister indicates how severely Bangladesh has been exposed to the risk of a food crisis. Famine is the acute shortage of food that leaves a large portion of households in hunger (WFP, 2021). The last time Bangladesh had famine was in the year of 1974, three years after the country got its independence from Pakistan. Unofficially it is assumed that around 1.5 million people died in that famine. The global politics of food aid along with the flood played a major role in this human catastrophe (Alamgir, 1980; Sobhan, 1979).

After the famine, the country faced a food crisis close to a famine in 1984 due to a massive monsoon flood that drastically reduced crop production and rural employment (Clay, 1985).

Although there is a scope of debate on the probability of Bangladesh being the victim of an acute food crisis or famine, the high inflation of food as well as other commodities has its presence in the country. To illustrate, the 1974 famine started with high food inflation (Hossain, 1999). Since the Russia-Ukraine crisis, inflation is on the rise. In September 2022 the inflation rate was 9.10% and before that month, the rate was 9.52%. Such a rate is very high considering that the average monthly inflation before 2022 was below 6%. In September 2021 the inflation rate was 5.59%. In the same month of 2020, the year of the pandemic, the rate was 5.97% and in 2019 it was 5.54%. Since May 2022 the inflation rate become greater than 7% (Bangladesh Bank, 2022). The steep rate of inflation poses an alarming sign for the economy of Bangladesh in near future as well as indicates the current hardship limited income people are going on.

With the country's inflation going high, the foreign exchange (forex) reserve maintained by the central bank of Bangladesh is depleting. In October 2022, the country's foreign exchange reserve was USD 35.81 billion. In the previous month, it was USD 39.06 billion. In January 2022 the foreign currency reserve of Bangladesh was USD 44.95 billion; in the previous month, December 2021 the reserve stood at USD 46.15 billion. The decline started at the beginning of the year 2022 (Bangladesh Bank, 2022). It is reported that because of the lack of US dollars, the importers and the banks are having difficulties in opening Letters of Credit to import necessary goods including foods and fertilizers. The availability of a strong foreign exchange reserve is crucial for the import-dependent country Bangladesh.

Also, the constant depletion of the forex reserve has been slowly generating public panic in the upcoming days. Such rising public panic can cause a detrimental impact on the economy as well as on the food market. It has been observed in Bangladesh on several occasions that if any panic on the economy ensues among the mass public in upcoming days the price of food commodities rises along with the demand for hoarding foods among the households.

Along with the export-oriented manufacturing industries, one of the major sources of Bangladesh's foreign income is remittance sent by the migrant wage and salary earners of the country. In the year 2021-22, the remittance received by Bangladesh was USD 21.03 billion (Bangladesh Bank, 2022). However, that is the account of remittance the country received in a formal channel. A large portion of the country's remittance inflow happens in informal channels such as transferring through friends, relatives, acquaintances, etc., and Hundi. Hundi is an illegal mode of money transfer where migrant workers send their income to their families in the country through intermediaries abroad. Those intermediaries provide money to the expatriates' families via the agents working in this informal channel (Ahmed et al., 2017). In this process, no foreign currency enters the economy as the agent gives local currency to the families of the migrants. There are no official statistics but according to a recent estimation of the Criminal Investigation Department of Bangladesh police, the country lost foreign currency around USD 7.8 billion in the last year due to illegal money transfers through the informal channel (Saad and Khan, 2022). Such a number is very significant for a developing country like Bangladesh. A Survey by Ullah and Panday (2007) suggested that majority of the migrant workers prefer unofficial channels for sending remittance money.

The increase in the inflow of remittance has contributed positively to increasing the foreign currency reserve in Bangladesh as well as in other major South Asian economies. In the long run, a statistically strong positive relationship between remittance and foreign exchange reserve has been observed in Bangladesh. The remittance played a substantial role for Bangladesh in attaining steady growth of reserves in the last several years (Naseem, Aslam, and Hassan, 2012; Khan, Amin, and Ahmed, 2021).

Inward remittance is considered one of the two prime sources of the country's foreign currency supply. The other is export proceeds. Because of the instrumental impact of remittance any scope of raising it needs to be considered.

This paper aims to explore the role of increasing foreign remittance inflow in formal channels to mitigate the intensity of the risk of food insecurity. Moreover, it will explore the drivers of the potential food crisis, the significance of maintaining steady foreign reserves and remittance inflow through authorized routes for ensuring food security as well as the factors attributed to sending remittances through the informal channel.

The rest of the article is structured as follows- the next section presents the literature review, which is followed by the methodology part. After that comes the findings and analysis section. The study ends with a conclusion and recommendation segment.

2. LITERATURE REVIEW

As the paper mainly focuses on the food crisis and the role of encouraging remittance inflow in the formal channel to mitigate the risk, the literature on the food crisis and remittance has been explored.

Economist Amartya Sen has many works on famine. According to Sen (1982), there is a relationship between the lack of democracy and famine. He illustrated the great Bengal famine of 1943, where mass starvation took place under the British crown. He blamed the redistribution of food as a major factor of famine. Bowbrick (1986) refuted Sen's theory by indicating that his theory is based on inaccurate statistics that lack credibility.

The only famine independent Bangladesh had in her history is the 1974 famine that took place three years after the country got liberation from Pakistan. Razzaque et al. (1990) studied infant mortality during the 1974 famine in rural areas. They concluded that the infant mortality was higher of famine-born babies up to the second year of life and the mortality of famine-conceived babies was higher in their first year of life. According to Hossain (1999), the process of the 1974 famine in Bangladesh started in 1972 with the rise of inflation which exploded in the year of famine. Such intensity of high inflation threw the lower-middle income population into the poverty trap. Speculative and precautionary piling up of food caused the steep rise in food prices. The flood destroyed the employment opportunities of the then agriculture-dependent country. The steep supply of money in the war-torn nation as well as the hoarding of food accelerated inflation. Sobhan (1979) opined that the damages of the 1974 famine could have been curbed significantly if the available food stock was relocated and shared austerity was imposed. He also argued that the food warding off done by the US Government could have an instant effect. He proposed the formation of food reserve facilities by the countries of the third world.

McMichael (2009) argues on the 2007-08 global food crisis that crisis was caused by the high dependence on fossil fuels, speculation in the commodity market, and the inflationary effect of biofuel offsets. For the same crisis, Gregory, and Ingram (2009) attributed the role of factors that concomitantly affected the food systems' supply and demand. They also concluded that climate change had a slight impact on that food crisis. Lang (2010) suggested that in order to ensure food security a sustainable food system is required. According to Magdoff (2008), it is the responsibility of the government to make sure all the people are well-fed. Shedding the light on the 2008 food crisis, he suggested empowering the poor and farmers in the process of attaining food security.

With a view to attaining food security for Bangladesh, Muniruzzaman (2013) suggested imposing specific rules and regulations to supervise the management mechanism of food crises. In addition, he emphasized ensuring food security for poor farmers and developing scientific knowledge of food. Ghose et al. (2014) identified threats to the country's food security. The challenges identified are the area of food production is constantly reducing due to rapid urbanization, high population growth, political instability, lack of proper food distribution, etc. Islam et al (2022) identified climate change as a threat to Bangladesh's food security. The loss of food production due to the inverse climate effect propels the country to import more food and set off inflation.

As remittance is one of the major sources of foreign currency in Bangladesh, the topic has been inducing much literature on its various aspects. Ahmed and Uddin (2009) studied the GDP growth of Bangladesh in relation to remittances, export, and import. Their empirical study suggests that those variables attribute to short-term GDP growth but not to the long term. However, Ahmed (2010) concluded that remittance inflow has a negative impact on economic growth. Afzal et al. (2022) found that the remittance and reserve in Bangladesh are more closely correlated than the other South Asian countries such as Sri Lanka, Pakistan, and Bhutan.

Naseem, Aslam, and Hassan (2012) concluded that there is a significant positive relationship between the rise of remittance inflow and the increase of foreign currency reserves in Bangladesh, Pakistan, and India. Khan, Amin and Ahmed (2021) statistically found that the increase of 1 percent remittance inflow would raise the country's foreign currency reserve by 0.43 percent.

Alam (2007) suggested ensuring sector-wise and nation-wise diversification in order to maintain the sustainability of the remittance inflow for Bangladesh. Also, he emphasized sending a more skilled workforce for migration. Barua et al. (2007) worked on the macroeconomic determinants of remittance inflow in the country. Income dissimilarity between home and host country of remittance was found to have a positive correlation. Also, the reduction of the value of Bangladeshi taka was found to be in a positive correlation with remittance inflow. On the other hand, there is a negative correlation between workers' remittance inflow and the inflation

dissimilarity between the home country and the host country.

In order to increase remittance in the formal channel, Uddin et al., (2022) suggest expanding the banking network all over the country, including in rural areas. Mannan and Wei (2009) conducted research on expatriates' preference for remittance channels. Frequent users of Internet banking, higher educated migrants, and those who are sending a large amount of remittance are more likely to avail of formal channels for remitting money. Migrants residing in high-income countries and migrants living in the host country with illegal status are less likely to avail of formal channels for sending remittances. Cost is a key point in selecting the channel of remittance.

3. RESEARCH OBJECTIVES

The broad objective of this study is to explore the role of increasing foreign remittance inflow through formal channels to mitigate the upcoming risks of food insecurity in Bangladesh. Specifically, this research work focuses on the-

- a) Drivers of the potential food crisis
- b) Significance of maintaining steady foreign reserves
- c) Importance of remittance inflow through authorized routes for ensuring food security as well as
- d) Factors attributed to sending remittances through the informal channel.

4. METHODOLOGY

This study is based on secondary data and is descriptive in nature. Relevant recent data from news media and credible international and local government and non-government institutes are taken to assess ongoing situations and find opportunities and threats. Data generated by Bangladesh's government institutes' such as Bangladesh Bank are used. Also, data, information, and opinions generated by international organizations such as World Bank, International Monetary Fund (IMF), Food and Agriculture Organization (FAO), and World Food Program (WFP), etc. are used in this paper. Relevant reports, journal articles, conference proceedings, and other literature on different issues related to the paper have been explored and their insights are used to align with this paper's objective.

5. FINDINGS AND ANALYSIS

5.1 Driving Factors of the Risk of Food Crisis: Many blame exclusively the Ukraine-Russia crisis for this impending risk to food security. However, there are many more factors that are aggravating near-future food security. The cumulative impact of many negative outcomes has put the country's as well as worldwide food security at risk.

A. Disruption of Supply and the Rising Cost of Fertilizer

Fertilizer is an instrumental element in food production. Up to May 2022, globally, the price of fertilizer increased by 30%. In 2021, the price increased by 80%. The price of three primary types of fertilizer Urea, diammonium phosphate, and muriate of potash has been rising since 2021 and the price of Urea surpassed the record high price that took place in the year. The supply disruption caused by the Ukraine crisis and sanctions, the increase in the cost of fuels required to produce fertilizer, export restrictions on China, and strong global demand have pushed the price high. It is expected that the prices will remain high for a while (Baffes & Koh, 2022). Russia is the world's leading exporter of fertilizer (Esfandabadi et al., 2022). Such a scenario is concerning for Bangladesh as of the total fertilizers the country use, around 80% is imported. The reduction of supply and rising prices can impose a severely adverse impact on the country's agricultural output (Ahmed, 2022).

B. Fuel Supply Disruption

Fuel supply and price shock have threatened food security in several regions of the world (Food and Agriculture Organization & World Food Programme, 2022). Despite being rich in natural gas, Bangladesh must import a large amount of liquefied natural gas to satisfy its local demand and generate electricity. The supply shortage and steep price hikes have forced the country to curtail its import. The Ukraine-Russia conflict has pushed the global fuel price including natural gas upward. As Europe, a major buyer of Russian gas started to purchase more liquefied natural gas (LNG), it led to an LNG shortage for emerging countries like Bangladesh. This global gas supply tension is likely to continue in the following year ("Gas Market Report, Q4-2022," 2022). Also, the diesel price in the country is increased by more than 40%. As the oil price surged in the global market because of the Russia-Ukraine war, it also affected Bangladesh's diesel price. It is particularly a matter of concern for Bangladesh regarding food security as around 83% of the country's agricultural irrigation pumps are operated by diesel engines (Hossain et al., 2015). Around 80% of the diesel used in the country is imported (Mohiuddin,

2021). The government has raised its subsidy on fertilizer by USD 232.5 million in the fiscal year 2021-22 amid the increase in importing costs (Ahmed, 2022).

C. Probable Global Recession

The year 2023 holds a grave risk of a global recession. As central banks globally raise the rates of interest concurrently, there is a probability that the world is going towards a worldwide recession. The increase in interest rate reduces the money supply in the market. Central banks around the world are doing that to curb the inflation rate that was caused by the Covid-19 pandemic. The global economy faced an acute contraction during the period of the pandemic from 2020-21. But such synchronized actions of central banks are pushing the world into an economic downturn (Guénette et al., 2022). Numerous important export destinations for Bangladesh are anticipated to be affected by the recession. It imposes major threats on Bangladesh's economy as it may hurt the country's export. The decrease in export can lead to an increase in the unemployment rate and a reduction of necessary imports. It is observed in 1974 when the decrease in employment contributed to famine.

D. Climate Change and Natural Calamity

In the middle of 2022, the price of soybean oil skyrocketed in Bangladesh and the supply shortage took place around the world. One of the main actors of this occurrence is the reduction of soybean production in South America because of the drought. South American countries- Brazil and Argentina supply around half of the global soybean. In the same year, the Sylhet division of Bangladesh was affected by a massive flood, which destroyed a huge portion of crops in that area. Floods also were one of the main drivers of the 1974 famine. With climate change, the frequency of disasters that hampers food production is going up. It is bringing more natural hazards that impose high risk on agricultural production. As the temperature rises, natural disasters like storms, floods, cyclones, wildfires, droughts, heat waves, etc. increase. Bangladesh is highly vulnerable to climate change as the country greatly depends on agriculture and it possesses a high risk to the country's food security (Acevedo and Novta, 2017; Sikder and Xiaoying, 2014).

E. Shortage of Global Food Supply

The Russian-Ukraine conflict has adversely impacted the global food market and caused a shortage of many grains, oilseeds, and crops. The supply disruption, sanctions, and speculations have contributed to this downfall. Both Russia and Ukraine are major exporters of the global food market. Russia is the world's leading wheat exporter and Ukraine holds 5th position in the world as an exporter of that crop. Ukraine and Russia are respectively the first and second largest exporters of sunflower oil. Ukraine is the fourth largest exporter of maize (Esfandabadi, et al., 2022). The absence of those two countries in a large part of the global food market has been creating intense tightness. Observing the tension in the world food supply, 34 countries have limited their food export to secure their local food security (Espitia et al., 2022). These scenarios also impose great risk for Bangladesh as the country imports many categories of food items on a large scale including edible oil, wheat, and other grains. According to the food ministry of Bangladesh, the country used to import 6.7 million metric tons of food. In the year 2021-22, it was reduced to 5.0 million metric tons because of a food supply shortage in the world market. The reduced imports shot up the inflation level in the country.

F. Reduction of Remittance

Remittance is one of the main sources of the country's forex reserve. For an import-dependent country, it is highly essential, and the food security of the country is highly dependent on imports. Bangladesh is seeing a reduction in the inflow of foreign remittances. In October 2021, the country received remittances that amounted to USD 1646.87 million. In the same month of this year, the amount stood at USD 1525.43 million. The inflow of remittances has been decreasing since the year beginning of the fiscal year 2022-23. Yearly remittances also reduced from the fiscal year 2020-21. In 2020-21 the inflow of remittance was USD 24777.71 million. In the fiscal year 2021-22, it was reduced to USD 21031.68 million (Bangladesh Bank, 2022).

G. Steep Devaluation of Bangladeshi Taka against US Dollar

The sharp depreciation of the value of the Bangladeshi Taka (BDT) against the US Dollar (USD) is significantly increasing the cost of import. It is raising the cost of importing fertilizers, fuels, and food. At the end of January 2022, the rate of one USD was BDT 86.00. At end of the month of October 2022, it jumped to BDT 103.10.

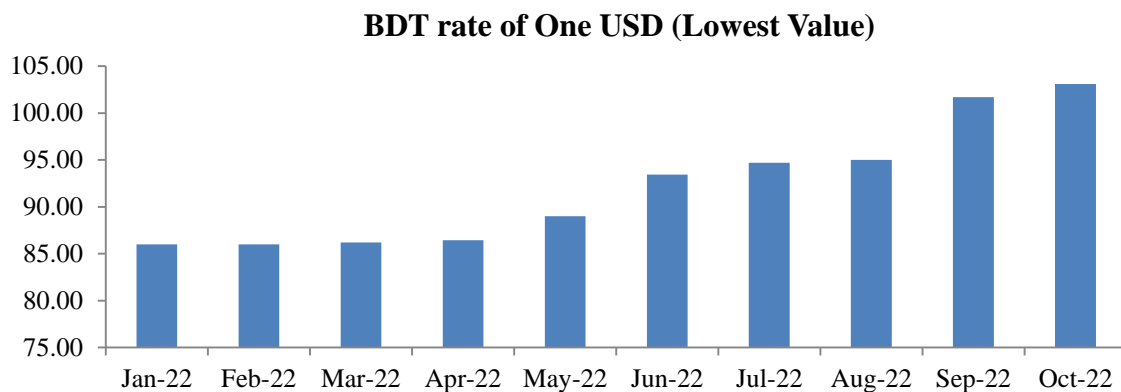


Fig. 1: End of the Month BDT rate of USD from January 2022 to October 2022.

Source: Bangladesh Bank

Within the year 2022, from January to October the rate of one US Dollar in terms of Taka increased by 19.88%. In Kerb Market, the rate of the Dollar against BDT is higher. The reason behind such a Dollar hike is that the Federal Reserve System, the central bank of the USA, has taken the contractionary monetary policy to fight the rapidly rising inflation created by the pandemic situation and it reduced the US dollar supply globally (Gopinath & Gourinchas, 2022). Such action created a shortage of the US Dollar worldwide. Due to this shortage, the importers of Bangladesh are having difficulties in opening Letters of Credit (LC) to import necessary items to keep their economic activities ongoing.

5.2 Importance of Foreign Reserve Stability for Food Security

The increasing cost of importing foods and fertilizers can reduce countries' foreign exchange reserves worldwide. Such erosion of reserves will reduce the countries' ability to meet import payments related to foods and fertilizers (Rother et al., 2022). For food-importing nations, the foreign exchange supply can significantly affect short-term food security (Gingrich et al., 2001). A significant portion of food consumed in Bangladesh is imported. In the fiscal year, 2021-22 Bangladesh imported 5.00 million metric tons of food grain. In the same period, the local food grain production was 39.04 million metric tons. The global food shortage has reduced the food import of the country, as in the year 2020-21 the country imported food grains 6.70 million metric tons (Bangladesh Food Situation Report, 2022; Bangladesh Food Situation Report, 2021).

The prime minister of Bangladesh emphasized increasing local food production to tackle the risk of a food crisis or famine. To avert the food crisis, increasing local food production is necessary. However, the country's agriculture ecosystem has its fair share of import dependency. Most of the country's agricultural irrigation pumps are operated by diesel engines and more than half of the diesel used is imported. To meet global expenditure recently the government has increased the diesel price. The use of fertilizer is highly prevalent in Bangladesh's food cultivation and 80% of the fertilizers consumed in the country are imported. In the global market, the price of both diesel and fertilizer soared due to supply shortages and increases in cost. On top of that, the value of the taka has been constantly losing against US Dollar. Bangladesh uses US Dollar to meet its import cost. The crisis in the country's dollar market is making it difficult for importers as well as exporters who import materials to manufacture their export items, to open Letters of Credit to import necessary goods.

Because of those import necessities in order to keep a smooth food supply, the availability of adequate foreign exchange reserves is required. However, pressure on Bangladesh's foreign exchange reserve is rising constantly. The increased cost of food grains, fuel, and fertilizers coupled with decreasing value of taka fueled this tightness. From the beginning of the year 2022, Bangladesh saw an alarming decline in its foreign exchange reserve. The country's forex reserve decreased to USD 35.81 billion in October 2022 from USD 46.15 billion in December 2021 and the downfall is ongoing (Bangladesh Bank, 2022).

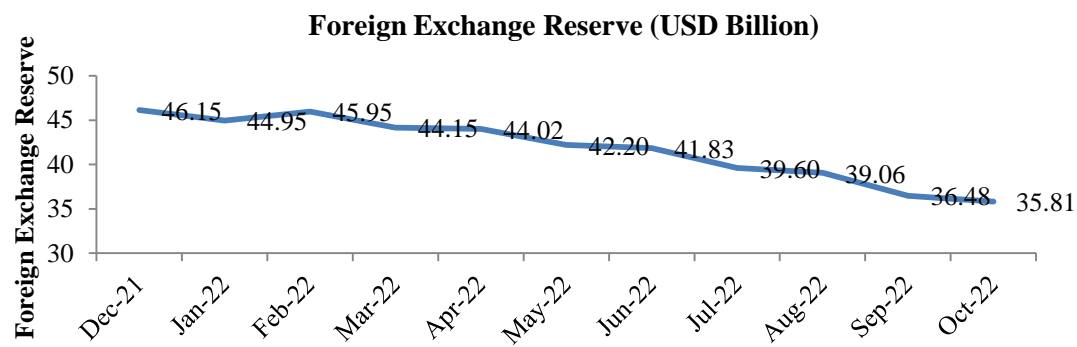


Fig. 2: Foreign Exchange Reserve of Bangladesh from December 2021 to October 2022

Source: Bangladesh Bank

The constant reduction of the country's foreign currency reserve is causing slow and visible panic among households. On several occasions it has been observed in Bangladesh, whenever public panic ensues in the economy many households start to hoard food in fear of having a crisis in the upcoming days. Whenever such occasions happen the prices of food commodities spike instantly.

Such an alarming reduction of the country's foreign currency reserve imposes a great threat to the country's food security and its ability to absorb global supply shock. Considering the import dependency of the country's food environment keeping a stable and strong foreign reserve will act as a safeguard on rainy days. To tackle ongoing difficulties as well as to prevent probable crises the need of increasing the foreign currency reserve has become mandatory.

5.3 Necessity of Remittance Inflow in Formal Channel to Ensure Food Security

The dependency on imports to satisfy the country's food cultivation and to keep food on the table of the country's population, the prevention of erosion of the country's foreign exchange reserve as well as to increase it has become a key necessity. As remittance, sent by Bangladeshi expatriates, is a major source of the country's forex reserve, it has become urgent to stop the leakage of remittance through informal channels.

An estimation by the Criminal Investigation Department of Bangladesh police presented in September 2022 concluded around USD 7.8 billion has been transferred through an illegal informal channel, Hundi within the last year (Saad and Khan, 2022). Bangladesh lost USD 7.8 billion in foreign currency because of this illegal process. The actual amount could be much higher than this. The CID's figure is about 21.78% of the forex reserve at the end of October 2022. In the last fiscal year, Bangladesh received remittances that amounted to USD 21 billion. The CID's estimation is 37.14% of that figure. On top of that illegal informal channel of remitting money, Hundi is considered one of the key means of capital flight in Bangladesh (Alam et al., 1995).

To indicate how significant that number is for Bangladesh, the country is in the discussion with the IMF on receiving a loan of USD 4.5 billion. The amount of loan the country is seeking from the IMF is much lower than the amount transferred through illegal informal channels within one year. For an import-dependent country, driving those remittances from the informal channel to the formal or official channel would have been a great relief for its balance of payment and foreign exchange reserve. The amount of foreign reserve would have been much higher if that leakage on remittance inflow would have been prevented earlier.

When migrant workers send money to Bangladesh through unofficial methods to secure a better rate, they essentially raise the country's inflation rate (Ahassan Habib et al., 2021). Because as such cash supply increases while asset or product or food level remains the same. In short, it does not add to the productive capacity of the country. This eventually increases the purchasing power of people and raises the prices of essential commodities. However, due to increased income inequality, not everyone can afford such a price hike. Honestly, such price hikes surpass the greater rate benefits in the informal channels. Nevertheless, remittance channelized through formal ways could have increased the purchasing power of the government and the government could thus restock enough food and prevent any danger of a food crisis.

Realizing the significance of healthy remittance inflow to maintain the stability of foreign currency reserves, the central bank of Bangladesh has decided to permit mobile financial service (MFS) providers to bring remittance from migrant wage earners. In this process, MFS providers can bring remittance partnering with internationally authorized payment gateways, financial institutions, card schemes, digital wallets, etc. (The Business Standard, 2022).

5.4 Factors Contributing to Informal Remittance Inflow

The use of Hundi is prevalent among many families of expatriates, but they are not willing to disclose their availing of this practice to others (Ahmed et al., 2017). The CID's estimation says the number is very significant for the country's economy.

Formal or official channels include banks, money transfer institutions, postal services, and wire transfers. Informal or unofficial money transfer includes illegal practices such as Hundi as well as practices that are not illegal such as sending money through other known persons. In the process of sending remittances through illegal channels, the nation doesn't get any foreign currency.

There are many factors that are contributing to the practice of channeling remittance through illegal informal channels. As a large part of migrant workers' families resides in rural and semi-urban areas, the availability of banking networks to channel remittance proceeds through banking channels plays an important role. Till now, the country's banking networks in rural and semi-urban areas are very limited. Along with costs, the lack of availability of banking networks is one of the main reasons for availing informal channels for sending remittances (Uddin, et al., 2022). On the other hand, the Hundi agents directly deliver the cash money to the families of migrant workers at their homes in remote rural areas. Such a facility is absent in the formal money transfer process (Rahman and Fee, 2005).

There is the administrative cost of remitting money through formal channels that are also encouraging the expatriates to avail of informal channels because informal channels offer cost-free services (Rahman and Fee, 2005). The cost of sending remittances and the high availability of informal channels are significant factors in sending cross-border remittances through informal channels. Coupled with the high availability of informal channels, limited availability of financial infrastructure, and formal remittance service, the lack of financial inclusion and high cost of transaction in formal remittance transferring are pushing the remittance senders out of availing formal channels of sending remittance. Informal channels are the only options for irregular migrants because of their lack of documentation (Mannan, 2015). The Hundi system is preferred by many because of its quicker delivery, the scope of protecting confidentiality, and free of transaction charges (Khan, 2021). Sending money to the migrants' households faster is an important factor in opting for an informal system. Also, getting a better exchange rate in the informal channel over the formal channel is also an instrumental reason for avoiding official channels (Ullah and Panday, 2007). The lack of knowledge as well as the presence of much documentation and paperwork are also perceived as hindering factors for many migrant workers in availing formal or official channels.

6. CONCLUSION AND RECOMMENDATION

Increasing all forms of local food production is vital to avert imminent food crises or food insecurity. However, due to the intense dependency on the country's food cultivation to import, the stable import capacity is the key to maintaining a smooth operation in the ecosystem of food production. To ensure that all households in the nation have access to enough food, it is crucial to maintain a stable and adequate foreign exchange reserve. As foreign remittance is one of the main sources of the country's international currency reserve, diverting a large portion of remittance inflow from illegal informal channels to formal official channels can soothe the crisis in the foreign exchange reserve Bangladesh is currently facing.

Comprehensive policies and actions need to be taken with the goal of raising remittance inflow through formal channels. The expansion of the banking network in rural and semi-rural areas is essential. In this regard banking institutes can establish more agent outlets and sub-branches in the areas where the families of migrant workers reside, and those banking units should facilitate remittance payments in those areas. Furthermore, cost waiver in fund transferring can be implemented only for remittance senders to encourage them to use official channels. In addition, the remittance of foreign currency should be allowed to convert into Bangladeshi taka at the rate of the Kerb market. Because net contribution from foreign remittance is the highest among all other sources of foreign exchange reserve.

Collaboration should be there with government and financial institutes to make the remittance transfer faster and easier. In this regard, effective use of fast electronic settlement systems can be implemented in remittance transfers. Continuous above-the-line and below-the-line awareness communications from government and private organizations need to be going on to increase awareness among the expatriates and their families to prevent them from availing of illegal channels to transfer money. An awareness program needs to be run to raise awareness about the risk of bringing remittance through any type of informal channel as well as the importance of bringing remittance through the formal channel for the greater well-being of the nation and the country.

Bangladesh Bank has already decided to allow MFS organizations to be part of the remittance inflow channel to bring more efficiency and greater access to the remittance transferring process. Such an initiative can become very fruitful considering the vast availability of the MFS agent network across the country, especially in rural and semi-urban areas where many migrant workers' families reside. More such comprehensive initiatives are required to increase the efficiency of remittance transfer and to motivate more remitters to avail of official or formal channels.

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