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Loan Choice and Indebtedness of Bangladeshi Return Migrants

Amer Ahmed
The World Bank
sahmed20@worldbank.org

Esther Bartl
Department of Economics(PHD), University of Sussex, Falmer BN19RH
The World Bank
ebartl@worldbank.org

Abstract：Bangladeshi migrant workers face extremely high migrations costs, and often finance their migration episodes by incurring substantial debt. These costs have been found to be associated with persistent indebtedness, even after return. Individuals from poorer households have been found to prefer loans provided by a bank or money lender. At the same time, older individuals who not qualify for formal loans prefer borrowing from family and friends. The size of migration costs and time since return are major determinants of loan repayment. A one percentage point increase in migration costs may reduce the likelihood for full loan repayment by 12.9 percentage points. Early return may reduce the probability of full loan repayment by 7.32 percentage points compared to planned return. Presence of collateral may reduce the already repaid loan amount by around 30 percentage points, but implies that indebted households are putting their productive assets at risk.

JEL codes：F220, O150, D140

Key words：labor migration, migration cost, migration loan, Bangladesh

LOAN CHOICE AND INDEBTEDNESS OF BANGLADESHI RETURN MIGRANTS

S. Amer Ahmed and Esther M. Bartl[1]

Abstract

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Table 1: Personal characteristics of labor migrants with and without migration debt.

** T=1**			

Figure 3: Development of migration costs and the amounts borrowed over time (100,000s of BDT)

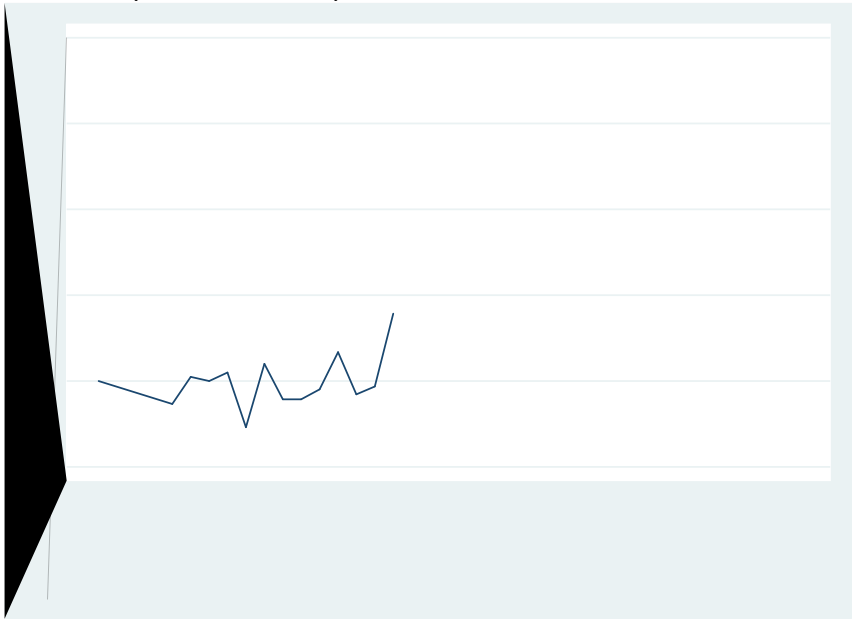

Figure 4: Intermediary/agent fees constitute the largest share of migration cost (in 1,000s of BDT)

Figure 10: Collateral is more commonly put up to get loans from banks/other financial institutions and money lenders

Figure 11: The amount of collateral depends on the loan source.

Table 6. Multinominal logistic regression of loan choice on migrants' characteristics.

Table 8: Linear Probability model of full repayment dummy on migrants' characteristics (heterogeneous effects).

Figure A1: Bangladeshi labor migrants are concentrated in a few destination countries.

Table A1: High migration costs force

Figure A2: Estimated average years that will need to be spent to repay family loans (distr. in %).

Figure A3: Estimated average years that will need to be spent to repay loans from friends (distr. in %).

Figure A6: Estimated ratio of migration debt

Variable name	Description

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