



# RMMRU

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# Remittance Backed Financial Products in Bangladesh

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## List of Acronyms

UN= United Nations  
EU= European Union  
G-8= Group of Eight  
EPS= Employment Permit System  
ILO= International Labour Organization  
BMET= Bureau of Manpower Employment and Training  
IOM= International Organization for Migration  
NGOs= Non-Governmental Organizations  
RSP= Remittance Service Providers  
NBFI= Non Bank Financial Institution  
FDI= Foreign Direct Investment  
UAE= United Arab Emirates  
GCC= Gulf Cooperation Countries  
DFID= Department of International Development  
MTOs= Money Transfer Organizations  
ATM= Automated Teller Machine  
DD= Demand Draft  
TT= Telegraphic Transfer  
WT= Wire Transfer  
EFT= Electronic Fund Transfer  
BEFTN= Bangladesh Electronic Fund Transfer Network  
WARBE= Welfare Association of Repatriated Bangladeshi Employees  
BPSSR= Bangladesh Payment and Settlement Systems Regulations  
BFIU= Bangladesh Financial Intelligence Unit  
BACPS= Bangladesh Automated Cheque Processing System  
CIT= Cheque Imaging and Truncation  
MICR= Magnetic Ink Character Recognition  
DC= Data Centre  
CCDB= Centre for Community Development Bangladesh

PIN= Personal Identification Number  
**GPO=** General Post Office  
FGDs= Focus Group Discussion  
KSA= Kingdom of Saudi Arabia  
NRBs= Non Residence Bangladesh  
PS= Pound Sterling  
CD= Canadian Dollar  
NFCD= Non-Resident Foreign Currency Deposit  
NITA= Non-Resident Investor's Taka Account  
DPS= Deposit Pension Scheme  
FC= Foreign Currency  
WEWDPS= Wage Earners' Welfare Deposit Pension scheme  
FDR= Fixed Deposit Receipt  
BO= Beneficiary Owner's  
EOD= End Of Day  
PNGOs= Partner Non-Governmental Organizations  
MRPC= Migrant Rights Protection Committees  
VPN= Virtual Private Network  
DRS= Disaster Recovery Site  
CBS= Core Banking Solution  
OPGSPs= Online Payment Gateway Service Providers  
LAN= Local Area Network  
WAN= Wide Area Network  
WER= Wage Earners Remittances  
BPO= Business Process Outsourcing  
BAFEDA= Bangladesh Foreign Exchange Dealers' Association  
AOF= Account Opening Form  
MEWOE= Ministry of Expatriates' Welfare and Overseas Employment

# REMITTANCE BACKED FINANCIAL PRODUCTS IN BANGLADESH

Tasneem Siddiqui<sup>1</sup>

## Section 1: Introduction

The importance of migrants' remittances as a source of development finance is now widely recognized in various fora including the UN, EU and G-8. The development impact of remittances, however, depends on two factors: migrants' access to cost-effective, transparent and safe money transfer channels, and opportunities for productive investment of remittances (Jampaklay & Kittisuksathi, 2009).

In 2004 the Republic of Korea began implementing the Korean Employment Permit System (EPS). It signed agreements with 15 origin countries that send worker to Korea to provide protective conditions to workers on the move. Bangladesh is one of the countries participating in the EPS. Korea has also initiated a partnership programme with International Labor Organization (ILO). The ILO-Korea Partnership aims to ensure that migrants' rights are protected and migrants can attain maximum gain from their migration experience. The Korean Government among other things, desired to better organize remittance transfer system and increase remittance utilization opportunity in countries with which it has signed EPS agreement. This study reviews remittance-backed financial products in Bangladesh. The objectives of the research are to make:

- A review of literature on remittance uses studies in Bangladesh and identifies use of remittances and proportion directed towards savings and investment.
- An evaluation of remittance services in terms of cost, (fees and exchange rate), speed, reliability, and access.
- Preparation of an inventory of savings, loan and insurance products tailored to migrant workers and remittance receivers in Bangladesh.
- Describe coverage and use of such products and identify the constraints.
- A description of regulatory policies, laws and practices related to remittance services
- Locate and list financial awareness modules in pre-departure orientation programmes.
- Recommend methods for increasing financial awareness among migrants and development/use of remittance-backed financial products.

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<sup>1</sup> Tasneem Siddiqui is a professor of Political Science of the University of Dhaka. She wrote this paper with research assistance from Md. Rifat Istiak Piash, a junior research assistant of RMMRU.

- Gather existing and emerging best practices that promote use of remittance-backed financial products and use of remittance services among migrants and beneficiaries.

## **Methodology**

The report requires collection of both secondary and primary data. In the following a brief description is provided on the methodology pursued in gathering such data.

**Secondary sources:** A number of researches have been conducted on remittance transfer, available avenues of investment opportunities (ILO 2003, RMMRU 2009) and utilization of remittances at household level (IOM 2009, Afser 2009, RMMRU 2010, 2012). In 2010, World Bank has conducted a global payment systems survey (2010). All these constitute secondary sources. Along with the published documents, most recent information from the central Bank website and the websites of bank and non bank financial institutions and Bureau of Manpower Employment and Training (BMET) has also been gathered.

BMET, IOM, Manusher Jonno Foundation, Winrock International, RMMRU and some of the NGOs, such as WARBE, BOMSA, run pre-departure orientation briefings and trainings for the migrants. IOM and RMMRU has published migration information guide-books. These guide-books and the Modules followed by the training organisations has been gathered and evaluated to find out the extent of financial literacy they provide.

**Primary Data:** Primary data is collected at two levels. First level involves Interview of relevant central bank functionary and remittance service providers. Second level involves focus group meeting with the members of remittance receiving families.

**Interview of Central bank functionary:** Central Bank is the regulatory authority of remittance transfer. After gathering most recent secondary information on remittance and regulation, in order to feel the gaps, a key Central Bank official has been interviewed<sup>2</sup>. Issues pursued in this respect are, key features of the remittance market of Bangladesh, laws and regulations governing different types of remittance service providers.

**Interview of Remittance Service Providers (RSP):** Different types of remittance service providers (RSP) are operating in Bangladesh. They include public and private commercial banks, exchange houses and money transfer operators, post-

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<sup>2</sup> Interview of Md Ahsanullah, Executive Director, Bangladesh Bank, (7-10-12).

office and micro finance institutions. Along with such traditional actors, mobile phone companies and card based remittance payments are technology based new service providers. Sonali Bank, Agrani Bank, Janata Bank and Pubali Bank are major public banks that are involved in remittance transfer from the very beginning. Islami Bank Bangladesh Ltd. is the pioneer private sector bank who got involved in remittance transfer particularly from the Gulf countries from 1980s. Officials who handle remittances in these banks are important repository of knowledge in area of remittance transfer. In order to get a comparative understanding of different service providers, interviews has been conducted with them as well as of few selected officials of exchange and money transfer houses, NGOs and mobile solution providers. (Annex I)

Utilization of migrants' remittance depends to some extent on availability of investment tools. Since 2000, the central bank of Bangladesh has launched a few products for encouraging investment of Non Resident Bangladeshis. Private commercial banks have also launched some investment products for migrants. These products had been collected and evaluated through interview of officials of relevant banks (Annex I).

***Focus Group Meetings:*** There is hardly any recent information on how the migrant families are using different remittance services and what type of remittance backed financial products are available to the migrant families or to returnee migrants for investment? Do they have much choice? Do they have information on available financial products? What type of access do they have to investment loans? To get a first hand idea about the experience of end users of remittance products the study held seven focus group meetings in 2 migrant producing districts of Bangladesh. The two districts are Comilla and Tangail. Focus group meetings were organised in collaboration with two NGOs, who provide services at the grassroots<sup>3</sup>. Number of participants in focus group meetings varied from 12 to 23. Household members who are currently receiving remittances and a few returnee migrants participated in the dialogues. A check list of issues has been designed to conduct the focus group meetings. (Table 3.1)

## **Structure of the Report**

The report is presented in seven sections including this introductory one. Section two sets the context of migration and remittance in Bangladesh. It throws some light on patterns and trends of remittance flows to Bangladesh and also makes a review of existing literature on use of remittances by migrant families. Section three concentrates on different methods of remittance collection, transfer and delivery

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<sup>3</sup> Name of the NGOs are, AHRDT and RPDO.

that are currently in operation in Bangladesh and extent of use of these methods by migrant families.

Section four presents remittance backed financial products such as, savings, loan and investment schemes tailored for migrants by different public and private banks and Non Bank Financial Institutions (NBFI). It also presents feedback from migrants' families on level of use of such investment, savings and insurance products. Section five presents the regulatory laws, policies and institutions that govern remittance. Section six makes an assessment of pre-departure orientation modules in terms of extent of financial literacy provided in those training manuals. This section also presents the role of community based organization-the Migrant Rights Protection Committees (MRPC) operational at the grassroots in ensuring potential and returnee migrants' excess to information and services on remittance backed investment and other financial products. The final section draws major conclusions and makes recommendations particularly to increasing financial awareness on remittance backed products.

## **SECTION II: TRENDS OF LABOUR MIGRATION FROM BANGLADESH**

Recently Bangladesh has been identified<sup>4</sup> as one of the next eleven countries having high potential to become world's emerging economics. One of the three elements which have contributed to such status of Bangladesh is labour migration and flow of remittance<sup>5</sup>. A World Bank study indicates that remittance flow has helped Bangladesh to cut poverty by 6% in the fiscal year 2006. The 6<sup>th</sup> Five year plan highlighted that poverty has reduced more in those regions of Bangladesh where migration takes place<sup>6</sup>. In 2010 remittances were almost 12 times more than the foreign direct investment (FDI) flows to the country and around 6 times more than total foreign aid received. It enabled the country to maintain balance of payment surpluses for more than 8 years in a row, despite trade imbalances and stagnant FDI inflows. Therefore it is important to recognise the important role that the gulf and South East Asian labour receiving countries indirectly play in supporting economic development of Bangladesh.

### **History of Labour Migration**

Labour migration from Bangladesh has a long history. Migration linked to trade and spread of spiritualism was common experience of those residing in the territory that

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<sup>4</sup> Goldman Sachs, a renowned investment, banking and securities firm. Goldman Sachs investment bank and economist Jim O'Neill in a research paper have identified Bangladesh as one of the Next Eleven (N-11) — having a high potential of becoming, along with the BRICs, the world's largest economies in the 21st century. Goldman Sachs study of N-11 nations, Global Economics Paper No: 153, March 28, 2007.

<sup>5</sup> Hossain Zillur Rahman, 2011. The rest of the two are Garments manufacturing and service sector.

<sup>6</sup> 6<sup>th</sup> Five year Plan (2011 - 2015), Planning Commission, Ministry of Planning, Government of the People's Republic of Bangladesh.



now constitutes Bangladesh. In the early 1940s work in British merchant ships created new opportunity of migration for Bangladeshis. The migration route has taken various twists and turns since then, but voyages beyond borders in search of better life and livelihood still continues to be a major feature of Bangladeshi society and economy.

The present form of contractual labour migration mainly began in the 1970s to cater to the labour needs of the Gulf countries and later to countries of South East Asia. The foremost character of this type of migration is its short duration. This type of migration takes place on the basis of the specific job contracts. Almost all of those who participate in this labour market have to return to origin country on completion of their contracts. The UN convention on Protection of Rights of all Migrant Workers and their Family Members defined a migrant worker as a person who had been employed, is employed or going to be employed in a country of which he or she is not a national.

### **Annual Flow of Migrant Workers:**

According to Bureau of Manpower, Employment and Training (BMET)<sup>7</sup> data, from 1976 to 2011, almost 7.7 million Bangladeshis have gone abroad as short term migrants. Graph 2.1 captures the growth of official labour migration flow over the last 35 years. The graph indicates that in 1976 migration flows from Bangladesh were less than 10,000. By 2008 it reached its peak (800,000). 2009 is the year of global financial crises which saw major downfall in labour recruitment by the traditional destination countries. Even then 400,000 people migrated for work from Bangladesh in that year. In 2010 the migration figure has not picked up. In terms of growth in flow of migration, 2011 was a good year. That year migration has increased by 45.40 percent over the last year.

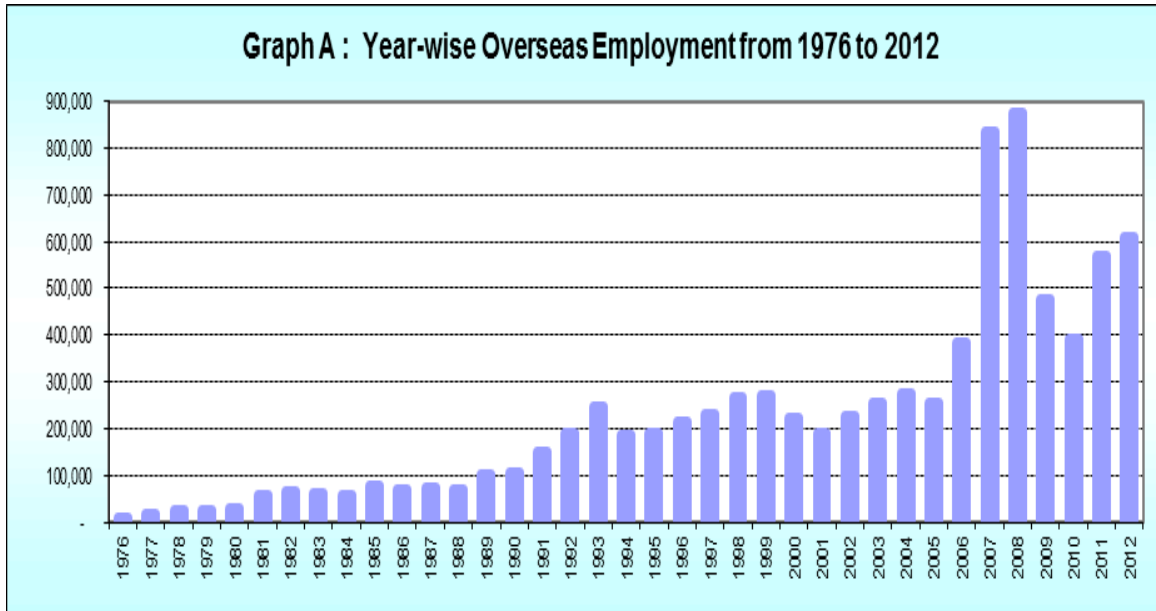
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<sup>7</sup> BMET is the executing agency of the Ministry of Expatriates' Welfare and Overseas Employment in governing migration.

## Graph 2.1: Year Wise Trends of Overseas Employment

Source: Prepared by RMMRU<sup>8</sup> from BMET data

Table 2.1 (Annex 1) presents country wise distribution of annual outflows of Bangladeshi workers in percentage share. The table shows Saudi Arabia, UAE, Kuwait, Qatar, Bahrain, Oman, Malaysia, Korea, and Singapore are some of the major receiving countries of Bangladesh. Table 2.2 (Annex 1) indicates that GCC



countries, along with Libya, Jordan and Lebanon still continue to be the major destinations of Bangladeshi workers. From 2005 till 2010, except for 2008, around 80% of the workers went to GCC countries. Saudi Arabia used to receive 60 to 70% of total Bangladeshi migrants during 1999 to 2004. Since then the share of Saudi Arabia started reducing. In 2010, it dropped to a meagre 1.81 percent. In 2011, 2.65 percent of total Bangladeshi migrants went to Saudi Arabia. Migration to UAE was constantly growing since 2001. In 2011, 49.77 percent of the total number of Bangladeshi workers went to UAE. In September this year the UAE government has taken a decision to restrict entry of further number of Bangladeshi workers to that country. In 2011, 23.80 percent of the total number of workers went to Oman and 8.57 percent to Singapore. Although only 0.19% of the workers went to Korea in that year, they went under employment permit system. Their work and living condition is much better compared to average migrants working in the Gulf or Libya<sup>9</sup>. It is evident that the labour market of Bangladesh is not static. Drastic ups and downs of flow to different destinations are visible in year wise migration flow (Siddiqui, 2011).

## Women Migration from Bangladesh

<sup>8</sup> Refugee and Migratory Movement Research Unit (RMMRU) is an affiliated body of the University of Dhaka. It is involved in research, policy advocacy and grassroots service mobilisation for the migrant workers of Bangladesh.

<sup>9</sup> Interview of Ms Shamsun Nahar, DG BMET (4-10-12)<sup>9</sup>

Since 1980s along with male workers, women also started taking part in the global contractual labour market, although in a very small proportion. During the early years, doctors, nurses and teachers mostly constituted the women migrants. However migration of semi skilled and lowly skilled women workers is a new phenomenon. During different period of the 1980s and 1990s, successive governments of Bangladesh put partial or complete ban on migration of semi and less skilled women as measures of protection (Siddiqui 2001). In 2003 the Government relaxed such restriction. Between 1991 to 2000 female migrants constituted less than 1% of the total flow, after the relaxation of restriction during the years of 2005 or 2006, 6% of the total labour flow from Bangladesh was women. In 2009 and 2010 share of women were, 4.7% and 7% of the total flow respectively. In 2011 the flow of female migrants increased by 10.37 percent over that of 2010 (RMMRU 2012).

Jordan and Lebanon are the major destinations of Bangladeshi female migrants. Table 2.3 (Annex 1) shows since 2005, 90 to 99% female workers migrated to the GCC countries along with Jordan and Lebanon. Bangladeshi women hardly migrate to South East Asian countries. 2011 record indicate no women migrated to Korea that year. Women mostly work as domestic workers; a section of them also work in the garments and other manufacturing factories.

### **Skill Composition:**

BMET has classified temporary migrants in to four categories. These are professional, skilled, semi skilled, and lowly skilled. Doctors, Engineers, teachers and nurses are considered as professionals. Manufacturing, garments and other workers, drivers, computer operator and electricians are considered as skilled while tailor, mason etc as semi skilled. Domestic workers, cleaners, agro, labourers, hotel boys are classified as lowly skilled. In 2011, 40.34% were skilled workers, 6% were semi-skilled and 54.39% were less skilled. Only 0.21% of the workers were professionals (BMET).

### **Migrant Workers' Remittances**

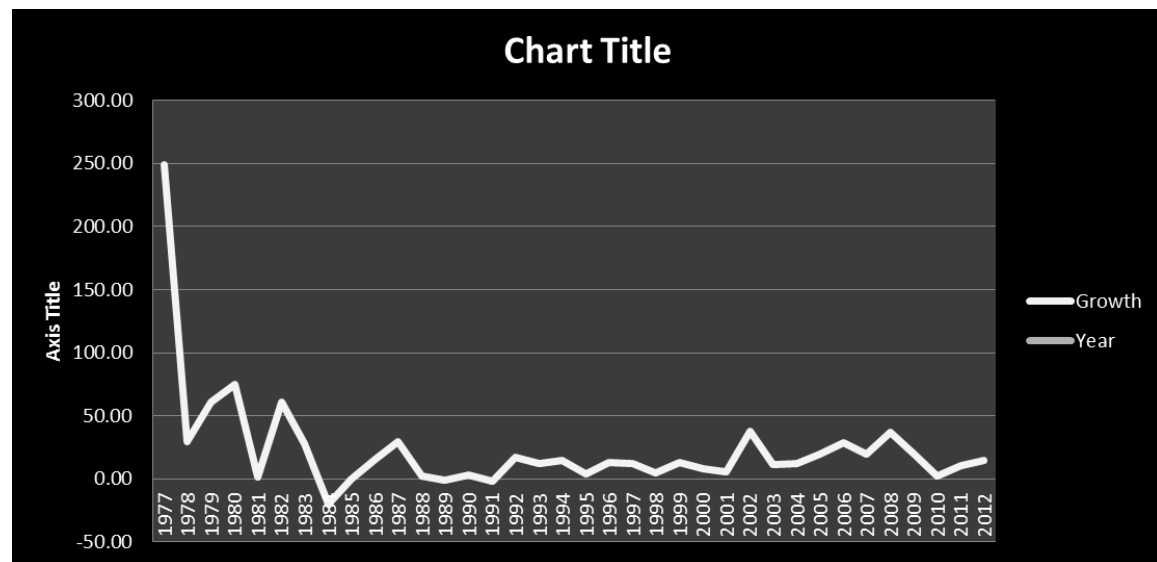
**Flow:** Remittance flow to Bangladesh has grown tremendously over time. It has increased from a paltry figure of \$ 23.7 million in 1976 to \$ 14.17 billion in 2012<sup>10</sup>. Major increase is visible however since 2002. Traditionally 50% of the remittances used to come from Saudi Arabia. Since FY 2008-09 this share came down to

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<sup>10</sup> Bangladesh Bank, 2012

around 30%. Still, Saudi Arabia (\$3313.64 millions) is the single largest remittance sending country of Bangladesh followed by UAE, USA, Kuwait, UK and Malaysia. The USA is the third largest source country for remittances (\$1591.92 millions). However this does not indicate that remittances coming from the USA are migrants' remittances. This third position of USA is due to the fact that they are routed to Bangladesh from different countries by Central Bank of the Bangladesh via USA. Altogether 65.61% of the remittance of FY 2010-2011 came from gulf region. Over the last five years 0.31% (8757) of the total workers migrated to Korea and remitted 0.23% (\$115.7 million dollars) of the total remittance flow to the country in these years. (Annex 2 Table 2.3). Following graph shows the trend of year wise growth of remittance flow since 1977 to 2012.

**Graph 2.2: Year wise remittance growth**



**Use of Remittance:** At one point of time there was a general misconception that families misuse a large portion of the remittances sent by the migrants. Since 2000, different studies provided evidence that a majority of migrant families do utilise remittances in a sensible way. Siddiqui and Abrar ( ILO 2003), Afsar (2009) and Siddiqui (2010), also corroborate the same findings. Siddiqui and Abrar's study (ILO 2003) conducted on remittance recipient families whose member migrated at least a year ago, found that, 13% of the remittances were spent on loan repayments, 20% on consumption, 3% on bearing medical expenses. Another study by Siddiqui (DFID and Bangladesh Bank 2010) was conducted in Malaysia Bangladeshi remittance sending migrants. Among them, those who were staying in Malaysia for more than 3 years sent 22% of their remittances for consumption, 4% for medical, as much as 15% for education of family members and only 4% for loan repayment. The difference in percentage of loan repayment between the two groups can be explained in terms of their length of stay. Recent migrants spend more in

repayment or loan incurred in financing migration. As the older migrants do not have the pressure of repayment they have more money at their disposal to spend in other areas.

Dfid and Bangladesh Bank study (2010) also show that 14% of the migrants spend a section of their remittances either in purchasing agricultural land or in land for building shopping complex or in housing for rental in nearby towns. All these purchases are seen as investment. Another 6% was spent on homestead land in their villages. These purchases are separated from investment. Migrants use remittances in increasing agricultural production. 4% of remittances they spent in purchasing quality seeds, water for irrigation and employing labour during plantation and harvesting. Migrants' families have invested in mechanising agriculture through purchase or renting of irrigation pumps, power tillers and tractors. A number of families invested in poultry, fish and animal farming. RMMRU (2012) collated 101 narratives of successful returnee migrant entrepreneurs. These entrepreneurs have invested in fish and poultry feed mills, cotton textile mills, garment factories, medical clinics and pharmacy, each creating employment of 5 to 200 workers in rural and semi-urban areas.

Afsar (2009) found 7% of the total remittances were used in financing migration of another family member. Migrants and their families treat this as an important investment for further enhancing the family income.

Siddiqui and Abrar, (ILO 2003) found that savings deposits of migrants were low (3%). Savings are kept in banks and as fixed deposits. 1.7% of the amount has been spent on purchasing insurance policies. Although the amount insured was low, the number of migrant households participating in this scheme was almost 37%. Some have subscribed to national insurance programmes such as Meghna, Delta and Jamuna, others taken policies of local initiatives such as Adharer Alo and Palli Unnoyon Shangstha.

### **Section Conclusion**

It is evident from section II that Bangladesh has a long history of migration. Contractual migration has created international employment for 7.7 million Bangladeshis. The Gulf and Southeast Asian countries are the major destinations of Bangladeshi workers. Earlier, mostly male members participated in the short term labour market. It is only recently that a significant number of women are migrating formally as contract workers. Migration of Bangladeshi workers to Korea again restarted from 2008 under the formal EPS scheme. On an average 1500 men have migrated to Korea each year since then.

Bangladesh receives a substantial chunk of foreign exchange from the flow of remittances of the migrant workers. Existing literature indicate that migrant family use only one fifth of the total remittance in subsistence, they use an important portion in children's education And they also invest remittance in generating further income. They are exposed to insurance policies but not to public and private banks investment products. The following section presents different methods currently in operation in Bangladesh for receiving remittances.

### **SECTION III: REMITTANCE COLLECTION, TRANSFER AND DELIVERY**

In the past, major portion of the remittances reached Bangladesh through informal channels, popularly known as hundi<sup>11</sup>. Siddiqui and Abrar (ILO 2003) found that in early 2000, 43% of the total volume of remittance to migrant households had been received through formal channel. Approximately 40% came through hundi, 4.6% was send through friends and relatives and about 8% was hand carried by the migrants when they came home and rest 2% represented others. Over the last decade, successive governments have been trying their best to meet the efficiency level of hundi channels. In 2009 IOM did a country wide survey of Migrants' remittances. It found that in 2009, 20% of all remittances were reaching Bangladesh through formal channels. Although many have questioned such findings, yet it is well understood that flow through formal channel has increased many folds. This section highlights different methods,

Three distinct functions require to be performed to ensure efficient flow of remittances through formal channels<sup>12</sup>. These are collection, transfer and delivery. While there may be a variety of methods and service providers, all of them use one or more of only two ways and it is basically a simple and low risk transaction on the part of the intermediary: cash to cash (e.g. MTOs such as Western Union as well as Banks acting as MTOs) and account to account (e.g. Banks and account holders).

#### **Remittance Collection**

Remittance collection is the first step for sending remittance from destination. There are many players in collection of remittance. Banks of receiving countries, branches

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<sup>11</sup> *Hundi*, also known as '*hawala*', is an ancient device in which monetary value is transferred via a network of dealers or brokers from one location to another. It is a trust based arrangement. Along with formal channels such as bank or money transfer agencies the informal system of hundi is used to transfer remittances of migrant workers from destination countries to origin countries. The aspect of trust in hundi operation has changed. In recent times in most cases the remitter releases money to hundi operator after being confirmed through mobile phone or other means about the receipt of the same by the beneficiary.

<sup>12</sup> Interview of Abul Kasem Mohammad Shirin, DMD, Dacca-Bangla Bank on 29<sup>th</sup> of May 2011

of Bangladeshi banks, remittance houses of Bangladeshi banks and money transfer agencies are operational in the destination country.

**Bank:** As per Bangladesh bank's regulation any transfer of remittance has to touch a bank. Bangladeshi banks can collect remittance by establishing their own branches or exchange houses. When a bank has its own branch in the destination country the process of collection becomes very easy. However it is not feasible for a bank to establish a foreign branch or exchange houses in all the destinations of migrants as it would entail high operating cost. Besides, migrants are dispersed in remote corners of any country. So the Banks develop partnership with local banks exchange houses and money transfer houses who are already operating in the concerned destination points of the migrant receiving countries.

**Exchange Houses and Money Transfer agencies:** In the past Bangladeshi banks mostly developed relationship with national and international banks operating in the destination country for harnessing remittance. Remittance collection has increased many folds since the banks started developing corresponding relationship or drawing arrangements with money transfer houses and exchange houses. All the banks in the country are now engaged in remittance collection. Each money transfer house has agreement with about 10-12 banks operational in Bangladesh be it national or international. Money transfer houses are interested to develop relationship with those banks which have sufficient country-wide coverage and branches<sup>13</sup>. While considering Partnership with a bank, exchange houses asses the Bank's outlet, for instance the number of branches, the number of ATM booth etc. Western Union, Money gram, express money are some important multinational money transfer houses operational in Bangladesh. MoneyGram has drawing arrangement with City bank, premium bank, mutual trust bank, Agrani bank, Islami Bank, IFIC bank, Jamuna, NCC, Standard, EBL, Al Arafa, and Uttara bank. Western Union has relationship with as many as 30 banks.

## **Remittance Transfer**

Second step of remittance flow process is transfer. Remittances are transferred in many ways. Increasingly it is becoming technology based.

**Cheque:** Cheque is the primitive method of transferring remittance. Remitter sends cheque to the receiver with the help of different postal transport services. Once the

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<sup>13</sup> Presentation of Mohammad Shirin, DMD, Dutch Bangla Bank LTD at a national dialogue on Probashi Kallyan Bank, organised by RMMRU in collaboration with MJF in 29 May 2011.

receiver gets the cheque can go to the bank and deposit the cheque or take the cash from the bank.

**Cost** The transaction cost is not high, it is only the postal charge.

**Speed:** This method is time consuming. It involves postage, deposition by the remittance receiver, clearance from issuing bank and then disbursement. It can take more than a month.

**Reliability:** This method is not always reliable as the cheques can get lost in the process of transfer.

**Demand Draft:** This method is used by individuals to make transfer payments from one bank account to another. The major difference between demand drafts (DD) and normal checks is that demand drafts do not require a signature in order to be cashed.

**Cost:** Cost of issuing demand draft is low but it involves additional postage cost. For quite a while draft was cheap in contrast to other transfer methods which were available in the past. Now some less costly methods have emerged.

**Speed:** It takes around 15 to 20 days to transfer.

**Reliability:** Draft is generally reliable. They are marketed as a relatively secure method for cashing checks. Sometimes they can get lost while transfer. It is not that much used nowadays because of relatively longer time requirement.

**Telegraphic Transfer:** Telegraphic Transfer or Telex Transfer, often abbreviated to TT, is an electronic means of transferring funds overseas. A transfer charge is collected while sending money. "TT," means a cable message from one bank to another in order to effect the transfer of money.

**Cost:** Compare to cheque and demand draft TT is costlier. It may require more parties to deliver the fund that increases the cost further.

**Speed:** This method was considered very swift compare to cheque and DD. It takes 24 hours to transfer. Keeping time value of money in mind this method is considered to be the best.

**Reliability:** This method is very reliable.

**Web-based Transfer:** Wire transfer or credit transfer is a method of electronic funds transfer from one person or institution (entity) to another. A wire transfer can be made from one bank account to another bank account or through a transfer of cash at a cash office. Bangladesh Bank has permitted two organizations to perform web-based-transfer.



**Cost:** Based on financial calculation it's not costly because of time value of money.

**Speed:** This method is very fast, takes only minutes to remit.

**Reliability:** Internet connectivity in Bangladesh is still poor. Financial literacy has also not reached certain point. For these reasons web-based transfer solutions are not the best methods yet. Major risk arises from hacking.

One can see use of advanced technology can enable more efficient service provision, quicker transaction at a lesser price. Till now among the available methods TT is the most efficient and less costly method. Most of the banks in Bangladesh are fully automated. Nevertheless banks do not have branches in remote areas. This entails inclusion of more partners in remittance delivery. This on its own turn increases cost.

### **Remittance delivery**

Delivery is the last leg of remittance transfer. Remittance delivery is also becoming highly automated. Electronic or ICT-enabled bank products supported by custom made software are fast replacing long-drawn manual delivery mechanisms. Banks deliver Remittances either by account credit to individual bank accounts or by cash delivery through Web-based- Transfer (WT). Along with banks there are four different types of actors currently involved in delivery. They are bank outlets, NGO booths, general post office branches and mobile company outlets.

**Delivery through the bank account:** Delivery through bank account is one of the traditional ways to deliver remittance to the recipients in Bangladesh. Migrant beneficiary requires having an account in a bank. The beneficiary can withdraw the remitted fund from his/her account. Since most of the banks have automated their services a beneficiary can receive remittance within 24 hours if the concerned bank has branch or ATM booth within the recipient's reach.

**Cost:** Minimum cost incurs.

**Speed:** It is less time consuming.

**Reliability:** This method is most reliable. If the recipient does not need the money for emergency reasons, then bank to bank is the best option. This method is congenial to develop savings habit as well. Never the less, since branches are insufficient it's not reliable for people in remote areas. In those cases concerned banks have to take other non bank partners such as NGOs, Post office. Exchange houses and banks now more and more use Electronic Fund Transfer (EFT).

**Disbursement through other bank's branches:** If the beneficiary is located in a place where there is no branch of the bank, the bank disburses the remittance

through other bank which has branch in that locality. Concerned bank needs to have agreement with the bank. Banks are now using BEFTN system of the Bangladesh Bank in operationalizing such agreements. The second bank disburses the remittance either in cash or through the account of the beneficiary maintained with that bank.

**Cost:** When concerned bank go into partnership with another bank to deliver the remittance, it entails extra cost.

**Speed:** When the transaction involves inter bank arrangement, then it takes a little longer.

**Reliability:** This method is also very reliable. If the recipient does not need the money for emergency reasons, then inter-bank is good option. This method is congenial to develop savings habit as well. Since branches are insufficient it's not reliable for people in remote areas.

**Cash-to-cash disbursement:** Cash to cash delivery is organized from the destination. Exchange or money transfer houses while collecting remittances issue a PIN to the sender; the sender informs the bank's name and PIN to the beneficiary. Exchange house also send this information to the bank. If the exchange house uses the bank's web software, the information is recorded into the system automatically. Bank official checks the available fund of the exchange house in the nostro account and if sufficient fund is found, authorize the payment of remittances. After authorization the remittances become available to all branches of the bank for disbursement. The beneficiary goes to the bank, gives the pin number. The bank officer enters the PIN, amount, senders name and country and remittance sending date into the system finds everything as correct, allow the bank officer to disburse the full amount to the beneficiary in cash. Beneficiary does not require maintaining any account with bank.

**Cost:** This method is costly compare to bank to bank system.

**Speed:** This method is very fast and hassle free. It can match the speed of hundi system.

**Reliability:** Cash to cash system is very reliable but there are some risks of virus attack, damage of data base management system or hacking. Back up continuity plan is essential in this case. Cash to cash system discourages savings habit of the receiver.

**Delivery Partnership with NGOS, GPO and Mobile companies:** In order to bypass the short comings of banks of not having branches in remote areas and to match the speed of informal transfer; exchange houses, money transfer agencies or banks are using different institutions as partners in remittance delivery. NGOs,

Post offices and Mobile companies are such partners. More than 100 NGOs who have background in micro finance, now deliver remittance to people by coming into agreements with banks. Adding NGOs also entails additional cost (half a dollar). Western union<sup>14</sup> and Money gram has many NGO partners.

The General Post Office of Bangladesh is perceived by many as an important partner in remittance delivery<sup>15</sup>. All the banks together have around six thousand branches where as post office has more than 10 thousand outlets. Western union has already come into agreement with General Post Office (GPO). It has automated 500 remote branches of GPO for using them as last leg in remittance delivery. The total postal system could be rejuvenated through this attempt.

Mobile companies are also interested to become involved in remittance delivery. In fact two companies, Robi and Banglalink, has already taken part in bank mobile partnership solution in transferring internal remittances. Banglalink and BRAC bank have launched a solution entitled bKash. Islami bank and Robi are going to launch their product entitled M-cash. Robi is also taking part in international remittance transfer at a very limited scale<sup>16</sup>. Only in extreme remote areas banks have taken its service in transferring international remittance. Of course it adds extra cost. Robi is also trying to work in the destination countries in collaboration with money transfer houses. With the help of its parent company Axiata, it is conducting information campaign in migrant camps for sending remittance through exchange houses such as Western union.

The above discussion shows that in order to match the speed of informal sector; formal players have brought in significant changes both at policy and implementation level. At this stage it is important to know how the migrant families are using these new technologies in receiving remittance. It is not possible to give exact cost incurred in each method as costs vary from Bank to Bank, exchange house to exchange house, country to country and postal charges vary according to locations of different destinations. However the table 3.1 gives an idea of comparative costs and time incurred in different transfer and delivery methods-

Table 3.1 Comparative statement of cost and time on different methods

<b>Methods</b>	<b>Transfer Time</b>	<b>Delivery Time</b>	<b>Cost</b>
Cheque	Weeks (Postage)	Weeks to months	Postage cost only

<sup>14</sup> Interview of Syed Mohammad Kamal, Country Manager, Western Union on 26<sup>th</sup> of September, 2012.

<sup>15</sup> Interview of Sufia Akter Begum, Consultant, GPO on 24<sup>th</sup> of September, 2012.

<sup>16</sup> Interview of Md. Shahriar, Robi on 24<sup>th</sup> of September, 2012.

Demand Draft	Weeks (Postage)	Weeks to months	Postage cost only
Telegraphic Transfer/Bank to Bank	Seconds	Same day (same bank) A few days (inter-bank)	Costlier compare to Cheque and Demand Draft and 3 to 5 times less compare to Instant cash
Exchange House/ MTOs	Seconds	Same day (same bank) days (banks, NGOs, POs)	3 to 5 times more than TT, Bank to Bank

### Services Used by Migrant Families

In order to understand the level of use of services discussed above, by migrant families, focus group meetings were conducted by the research team. Seven FGDs were set in six villages. Among those, one group consisted only of female, two were male and the other was a mixed group. The participants were family members of migrants and a few of them were returnee migrants. Total number of people participated in the focus group meeting was 115. The focus group meetings were conducted in six migrant intense villages of Comilla and Tangail. These are Dhakar Gaon, Dosh Para Gram, Sholakandi Gram, Suruj Gram, Chatihati Gram and Kamanna Gram. Following sections highlight the findings of focus group meeting on use of the above channels.

### 3.2 Number of Migrant Families with Bank Accounts

.Name of Area	No. of participants with bank account	Total number of participants
Dhakargaon(male)	17 (89.47%)	19
Dhakargaon (female)	6 (50%)	12
Dosh para	15 (75%)	20
Shola Kanda	10 (52.63%)	19
Chatihati	9 (60%)	15

Suruj	11 (68.75%)	16
Kamanna Gram	14 (82.35%)	17
Total	82 (69.49%)	118

### 3.3 Types of Remittance Transfer Methods Used by Migrant Families

Name of The District	Name of Area	Remittance Services used by the migrant family					
		Formal Channel				Informal Channel	Total No
		Cheque	Demand draft	Teleg(rap hic Transfer	Instant Cash	Hundi	
Comilla	1.Dhakar Gaon male	0%	0%	63.15%	78.94%	15.78%	19
	2.Dhakar Goen femail	0%	0%	50%	100%		12
	3.Dosh Para Gram	0%	0%	85%	55%	10%	20
	4.Sholakandi Gram	0%	0%	36.84%	89.47%	15.78%	19
Tangail	5.Chatihati Gram	0%	0%	46.66%	86.66533%	26.66%	15
	6.Suruj Gram	0%	0%	75%	81.25%	18.75%	16
	7.Kamanna Gram	0%	0%	88.23%	58.82%	17.64%	17

#### Use of Modern method by Remittance recipients of Chatihati Gram:

Chatihati is one of the three villages where focused group in Tangail was conducted. Fourteen of the participants were male and only one of them were female. Members of their families went to UAE, KSA, Malaysia, Iraq, Singapore, South Korea and Italy. Members of these families migrated for relatively longer period. On an average they have migrated for 4.9 years. Earlier only four families received remittance through banks and the rest received through hundi. Now almost all of them receive remittance through bank either in their account or through instant cash. Five participants did not have any bank account. The rest have account in Agrani Bank, Dutch-Bangla Bank, City bank and Islami Bank Bangladesh Ltd. On an average these families receive remittance four to five times a year only one family receives remittance every month. Highest amount of remittance is received by Abul Kasem from his son who resides in South Korea. He received US\$9650 per year as remittance. Interestingly he receives remittance through hundi. Ali and Rafiqu'l's family members are in Italy, last year they send US\$6024 each. Rest of the receivers received on an average US\$1807.

#### Use of Modern method by Remittance recipients of Suruj Gram:

Sixteen members participated in the FGD of Suruj Gram of Tangail. Four of them were women. On an average their family<sub>20</sub> members had migrated 4.6 years. They

migrated to Malaysia, KSA, UAE, Singapore and Jordan. Most of the migrants are men. Only Soburs wife is a female migrant who working in garments in Jordan. Lowest migration experience recorded was one year and highest was 10 years. Instance of hundi reduced in recent time. They used both bank account and instant cash system. Lokman hossain's son lives in Singapore. He sent USD \$7831 over ten installments during the last year. Mohammad Ali received the lowest amount USD \$723. On an average this group USD \$2367 per year. Eleven of the seventeen recipient of this group had bank account. Most of them had account in Agrani Bank, followed by Islami Bank. Few had account in Uttara Bank and Bangladesh Krishi Bank.

#### **Use of Modern method by Remittance recipients of Kamanna Gram:**

Seventeen remittance recipient families were interviewed, twelve of them were female. Their household members on an average have migrated 8.2 years. Fourteen of the participants had bank accounts, mostly in Sonali Bank followed by Rupali, Uttara Bank and Islami Bank Bangladesh Ltd. This group simultaneously uses bank account and instant cash method in receiving remittance. However account to account transfer is more compare to instant cash. Reseda's husband is residing in KSA for the last fifteen years. Earlier he used to send money through hundi now she received remittance mostly through bank account. It takes four to five days. On an average her husband sends USD \$2410 annually on six to seven installments. Three sons of Mazeda migrated to three different countries, one to Qatar, one to KSA and another one to UAE. Last year all together she and her husband received USD \$10843.

**Use of Modern Methods by Male Recipients of Dhakar Gaon:** Dhakar Gao is a village of Daudkandi Upozilla. Due to it's proximity to the Dhaka Chittagong main high way, the area is exposed to all kind of off-farm economic activities along with firm agriculture trading of all kind of agricultural goods, migration of family members and small business are common. 19 recipients participated in this meeting. They were mostly fathers and brothers of migrants. People from this area migrated to different countries. Four families have their members in Saudi Arabia, Singapore, Qatar and Malaysia each country has migrants from at least two families. Rest of the focus group participant's family members went to Dubai, Maldives, Kuwait and Oman. Two families even have migrants in United States of America and Canada. The focus group participants informed that earlier they used to receive remittance more through informal channels. In recent years their family members are sending remittances more through formal channels. Remittances from USA, Qatar, Dubai, and KSA are sent mostly through formal channels. Those who receive remittances from Singapore mentioned that their families equally use formal and informal channels.

Almost all of the participants have bank accounts and some of them have more than one accounts. Participants mostly have accounts in public commercial banks. These are Agrani Bank, Sonali Bank, Pubali and Janata Bank. Some of them have accounts in Islami Bank, BRAC bank and NCC Bank. These three are private

banks. All most all the beneficiaries' receive remittances through bank accounts and instant cash system. Remittances sent for regular use come through bank account. When resources are needed urgently they use instant cash system. For instant cash, it seems that Islami Bank channel was used the most. Brac Bank and Agrani Bank are also offering instant cash services. Recipients informed that usually in this system they get the remittance very quickly. One of Ismail's brother stays in Dubai. When Ismail's brother sends money through instant cash he is supposed to receive it within hours but, many a times it took more than days and more than one visit. The reasons assigned for delay are wrong PIN or the bank is yet to receive information from the concerned exchange house and money transfer house.

Not all the participants had knowledge about the cost of transfer. However the participants provided phone number of migrants who informed about the cost. Abdur Razzak's son is residing in KSA. His son informed the research team over phone that when he sends money through Al-Razi Bank, it charges 16 Riyal but it takes four-five days. Telemoney is a local money transfer house. It charges 15 Riyal where as the other transfer house NCL charges 22 Riyal per transaction. He still prefers NCL as it offers better exchange rate.

### **Use of Modern Methods by Female recipients of Dhakar Gaon**

Twelve female members participated in this focus group meeting of remittance recipients. Majority of them were wives of migrants and a few of them were mothers. Their family members are residing in KSA, Singapore, Malaysia, Dubai and Maldives. Half of them do not have bank account and the other half has accounts in Agrani bank, Janata bank and Islami Bank. These women mostly received remittance through formal channels. Agrani and Islami bank's instant cash system is found to be the most popular method. Rahima Begum's husband was in Singapore. He returned and re-migrated to KSA. For the last five years he is working there as pipe fitter. Earlier Rahima maintained an account in Janata Bank now she has switched to Islami Bank as she receives more remittance in Islami bank's Spot cash arrangement. Her husband used to send money through hundi. Since he migrated to KSA he sends his money through formal channel, both bank to bank and instant cash. Nurunnahar has three sons, one went to KSA, one to UAE and the other one went to Maldives. She has an account in Agrani Bank. Her son from UAE and KSA send remittance through Agrani Bank and Islami Bank. Both of them use instant cash system. Her son who is in Maldives does not remit regularly. Sometimes he sends money through acquaintance. Participating women did not have any idea about the cost of remittance delivery.

### **Use of Modern Methods by Dosh Para Gram**

Dosh para gram is located in Daudkandi. Eighteen remittance receiving families and two returnee migrants participated in the focus group. In the locality Janata Bank, Islami Bank, Agrani bank and South East bank have branches. This group represented diverse migration experience. Mizanur Rahman has one brother in Italy, one in Netherlands. Another two families have one member each in USA and Australia. Five families have their brothers or fathers in UAE and four other families have migrants in KSA, Malaysia, Libya, Korea, Oman and Singapore. Mizanur rahman's brother in law is in Italy for 6 years. His sister has bank accounts in South east Bank and Janata Bank. His brother in law sends money every month through bank. If money is needed urgently then it is sent through Islami Bank. Two of Zakir Hosain's brothers are currently abroad. The brother who is in Malaysia sends money through Janata Bank. The brother who resides in UAE, uses Islami Bank. Mahfuzur Rahman returned from Korea few years ago. When he had work permit he used both formal and informal channel. His family had accounts in Janata and Islami Bank. From Noniab Bank (Agricultural bank of Korea) he used to remit to Janata Bank or Islami Bank. When his work permit was over he became an irregular migrant. As irregular migrant, he could only send money through hundi. When he sent money through hundi, he had to purchase dollar with BDT .1 more. When he purchased dollar through bank, he had to pay BDT .25 more. To send two to three hundred thousand Korean-Won he used to lose Tk. 1200 to 1500 in informal channel and 2500 in formal channel. It took 3 to 4 days or more to reach his family when he processed his remittance through Bank. It took less then 24 hours in hundi channel.

### **Use of Modern Methods by Sholakandi Gram**

Compare to the other two villages, Sholakandi is located in the enterer. Sixteen migrant recipient families and three returnee migrants participated in this focus group meeting. Fourteen of them were women and three were men. All the men were returnee migrants, one from Malaysia, one from KSA and the other from Korea. Spouses or sons of women recipients went to Singapore, Malaysia, UAE, Oman and Kuwait. All three men had bank accounts. More than half of the women participants did not have bank accounts. They received remittance through instant cash system or through relatives account. Bahar uddin himself was in Korea for eighteen years. He sent remittance through both formal and informal channels. His son has migrated to UAE two years ago. He sends remittance every month through Islami Bank. His son uses both instant cash and bank to bank transfer method. Aowlia Begum's son is in Dubai for the last three years. He does not have papers. He sends money to his brother in law, but not on a regular basis. Aleya Begum's son in law stays in Oman. He took her son and her husband to Oman. She receives



remittance through Islami Bank as well as through an NGO named page. She also has an account in Sonali Bank. Research team had a telephone interview of Shahera Begum's son. He informed that he spends 25 riyal for instant cash payment and 15 riyal for normal transfer. Financial awareness of women who participated in this group seemed particularly low. Ayesa Begum's son is residing in Kuwait for the last 7 years. Her brother financed her son's migration. Her son paid back the loan. She or her husband does not have a bank account. Her son still sends all the money to his uncle's account. Ayesa thinks her brother understands better, so it is wiser to send the remittance to him. Local people might take her son's money by misleading her. Nevertheless it is unfortunate that neither she, nor her husband or her son keeps track of the total amount cumulated.

**Section conclusion:** From the findings of focus group it's evident that altogether seven banks are operational in the focus group areas. In the study area, migrant families are using latest technology of remittance transfer with quite ease. Even in 2003, only a handful was exposed to banks. Majority used to receive remittance through hundi. In case of collection, transfer and delivery it can be said that, banks and money transfer houses have been successful in bringing a large number of previously non banked people into the purview of bank. The method of instant cash delivery has increased the speed of remittance transfer through formal channels; it has contributed to financial inclusion of a community who has hidden potential to become savers and investors. Along with the educated ones, less educated fathers, wives of migrants are now regularly using the banks. With financial literacy, some are getting exposed to other services offered by banks. One problem was identified with instant cash system. Migrant families withdraw the full amount which does not allow development of savings habit for future income of the family. Another important finding of the focus group meetings is, having bank accounts increases use of both account transfer and instant cash method; Use of instant cash is more when families do not have bank accounts.

#### **SECTION IV: REMITTANCE BACKED FINANCIAL PRODUCTS**

In order to create opportunity of investment for those who do not directly want to develop business enterprises as well as to mobilize savings and capital, the Bangladesh Bank, national commercial banks and public commercial banks have developed some investment products. This section discusses some of those products and later presents field findings on level of use of those instruments by migrant families.

##### **Government Bonds and Savings Accounts**

The Ministry of Finance and the Bangladesh Bank has introduced four investment products in the form of bonds and accounts for the remitters. All these products are risk free as those are sponsored by the government.

**The U.S. Dollar Premium Bond:** The U.S. Dollar Premium Bond is designed for the Non-resident Bangladeshis (NRBs). The NRBs can purchase this bond with the help of their Foreign Currency Accounts. The Bonds are issued in the denominations of US \$500, \$1000, \$5000 and \$50000 and in such other denominations as the Government may decide<sup>17</sup>.

It matures in three years. The bond-holder can draw interest half yearly at a fixed rate of 7.5% per annum in Bangladeshi currency at the current rate of conversion with the US dollar. The principal and interest both are tax free. Once matured the principal can be re-invested or transferred to any other country in foreign currency and can be liquidated before it matures. The interest paid will be lower if the bond is liquidated before the maturity period. All public and private banks can now sell this bond through their overseas branches or any authority determined by the government.

**U.S. Dollar Investment Bond:** The Ministry of Finance introduced the U.S. Dollar Investment Bond, in October, 2002, as an investment instrument in foreign currency for Bangladeshi emigrants. This Bond can also be purchased with the help of foreign currency account. The Bond is issued in the denominations of US \$500, \$1,000, \$5,000 and \$50,000. Most of the terms and conditions are similar to US dollar premium bond, but interest rate is fixed at 6.5% per annum<sup>18</sup>.

**The Wage-earner Development Bond:** The remittance of Bangladeshi migrants abroad can be invested in Bangladeshi currency in Wage Earners' Development Bond. The bonds are available in different denominations like Tk. 1,000, Tk. 5,000, Tk. 10,000, Tk. 25,000 and Tk. 50,000. The Bond is available at National Savings Bureau offices, branches of Bangladeshi bank abroad and Bangladesh missions abroad.

The maturity period of this Bond is five years. Interest rate is 11.80% at cumulative basis per annum. The interest is tax free. It ensures a loan facility up to 90% against this bond. The profit can be re-invested in Bangladesh. Bonds can be encashed before maturity at a reduced interest rate<sup>19</sup>.

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<sup>17</sup> Interview of Mr. Rashid Ahmed, DGM of Sonali Bank Ltd on 24<sup>th</sup> of September, 2012.

<sup>18</sup> Interview of Md. Hasan Ali, General Manager of Pubali Bank Ltd on 3<sup>rd</sup> of October, 2012.

<sup>19</sup> Interview of Mr. Rashid Ahmed, DGM of Sonali Bank Ltd on 24<sup>th</sup> of September, 2012.

**Non-Resident Foreign Currency Deposit:** Migrants can open a NFCD account in any branch of Bangladeshi and foreign banks that holds an authorised dealership license. The account can be opened by the US dollar, pound sterling (PS), Canadian dollar (CD), Japanese Yen or Euro. The maturity period of NFCD can be one month, three months, six months and one year. Once matured, it can be renewed and the interest is tax free. The amount can be invested in Bangladesh or it can be transferred to any other country in foreign currency. In case of encashment before the maturity period no interest is paid<sup>20</sup>.

**Non-Resident Investor's Taka Account-NITA:** In order to invest remittance in the primary and secondary market of the capital market a migrant can open a NITA account abroad. Such an account can be opened with any dealer branch of an authorized bank. The obtained dividend of the share will be automatically adjusted with the NITA account. The worth can be transferred to any other foreign country. Obtained dividends are tax exempted. A NITA account can be operated through a nominee. In case of selling the share, the fund will be transferred to the NITA account<sup>21</sup>.

One can see many products are available for investment. The important question in this respect is how many of those are suitable for small remittance sending short-term migrants. While looking into the prospect of investment of migrant's remittance, one has to take into consideration the inflation rate in Bangladesh. In August 2012 it was around 7.9% according to Bangladesh Bureau of Statistics.

### **Investment and savings Products of Public and private Commercial Banks**

Public and private commercial banks have recently launched several types of investment and savings products. These are Bonds, DPS, fixed deposits, Savings accounts, investment loans and investment in capital market. First a discussion is made on Bonds launched by different banks.

**Government Treasury bills:** Government of Bangladesh issues Govt. Treasury bill which contains different maturity period like 91, 182 or 364 days. On the other hand The Government also issues Treasury bond which contains 5, 10, 15 or 20 years maturity period. These bond and bills are being sold with the help of auction<sup>22</sup>.

Any citizen of Bangladesh and the authority of Bank, NBF, Insurance and Corporate body are eligible to have the privilege. Migrants are required to have a Foreign Currency (FC) account to get this opportunity. In case of bill there are

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<sup>20</sup> Interview of Rubana Pervin, Assistant General Manager of Agrani Bank Ltd on 25<sup>th</sup> of September, 2012.

<sup>21</sup> Interview of Md. Mosharraf Hossain, Executive Vice President of Islami Bank Bangladesh Ltd on 28<sup>th</sup> of September, 2012.

<sup>22</sup> Interview of Mr. Rashid Ahmed, DGM of Sonali Bank Ltd on 24<sup>th</sup> of September, 2012.

2.31% - 4.61% profit can be derived according to the maturity period. In case of Bond there are 7.8% - 9.1% profit can be derived according to the maturity period. These are risk free investments because of government guarantee. Every six months interval the profit can be withdrawn.

**Mudaraba NRB Savings Bond (MNSB) Scheme of Islami Bank:** The aim of this scheme is to generate savings of migrants. The Mudaraba NRB Savings Bonds are of six denominations in Bangladeshi Currency, Tk. 25,000.00, Tk. 50,000.00, Tk. 1,00,000.00, Tk. 2,00,000.00, Tk. 5,00,000.00 and Tk. 10,00,000.00. The Non-Resident Bangladeshis (NRBs) aged 18 years and above who have been serving abroad will be eligible to purchase this Mudaraba NRB Savings Bond. Family members of migrants can also purchase Mudaraba NRB Savings Bond with the fund remitted by their relatives serving/residing abroad. Maturity periods of this saving bond are 5 years and 10 years. Quard of maximum 90% of the total outstanding amount against MNSB may be allowed as per existing norms applicable for QTDR<sup>23</sup>.

### **Deposit Pension Schemes**

**Wage Earners Welfare Deposit Pension Scheme of NCC bank:** NCC is a private bank, it has floated A special DPS product titled “Wage Earners’ Welfare Deposit Pension scheme” (WEWDPS) for the overseas wage earners. Under the scheme remitters make monthly deposits from their foreign currency remittances sent for 5 years. The deposit can be in his/her own name or in the name of his/her beneficiary. This scheme is Income Tax free. Profit of this scheme is higher than regular Fixed Deposit schemes. On maturity migrants can receive the entire amount (with profit) at a time or as pension allowance on monthly basis for 10 years. If the account holder dies during the period, nominee receives the deposited amount with saving rate plus 1% interest<sup>24</sup>.

**Probashi DPS of BRAC Bank:** To secure migrants savings BRAC bank’s Probashi Banking Service introduced monthly saving scheme, "Probashi DPS". A migrant can open a DPS with monthly instalment of minimum Tk. 500. Instalment will be realized automatically on due date. Loans are provided against 90% of deposited amount. Any NRB who is between 18 to 65 years of old and have valid Residence / Work permit can open a DPS. The applicant have to maintain Probashi Savings / Current Account<sup>25</sup>.

### **Fixed Deposit Receipt (FDR)**

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<sup>23</sup> Interview of Md. Mosharraf Hossain, Executive Vice President of Islami Bank Bangladesh Ltd on 28<sup>th</sup> of September, 2012.

<sup>24</sup> Interview of Shamsul Huda Khan, DMD of National Bank Ltd on 5<sup>th</sup> of 3<sup>rd</sup> of October, 2012.

<sup>25</sup> Interview of Shahrear Md. Zamil, Senior Relationship Manager of BRAC Bank Ltd on 2<sup>nd</sup> of October, 2012.

**Probashi Fixed Deposit of BRAC Bank:** A fixed deposit account allows one to deposit money for a set-period of time, there by earning a higher rate of interest in return. BRAC has introduced this scheme to attract migrant savings. Maturity period of this FDR can be 3 months, 6 months, 12 months, 24 months, 36 months. The instrument is Auto renewable on maturity. It provides cumulative interest gain. Any migrant who is between 18 to 65 years of old can open this account. The migrant must have valid Residence / Work permit and a Probashi Savings / Current Account<sup>26</sup>.

**Probashi Abiram of BRAC:** Probashi Abiram is a Fixed Deposit ideal for NRBs who want to get a return every month. If the NRB has sufficient fund, s/he can open Probashi Abiram for 1 year to 3 years tenure .The interest will be paid every month on the Probashi Savings/Current Account automatically. Monthly instalment for DPS will be automatically realized from this account. Eligibility criteria are same as other migrant products of BRAC.

### **Investment in capital market**

**Probashi Biniyog of BRAC Bank:** BRAC Bank offers 'Probashi Biniyog' instrument to provide migrants the opportunity to invest in the Bangladeshi Capital Market through a Beneficiary Owner's (BO) account funded by a Non Resident Investor's Taka Account (NITA). Both BO account and NITA requires to be held with BRAC Bank Limited. NRBs can invest into the Bangladeshi Capital Market from anywhere in the world. Custodian Service will be provided by BRAC Bank. Migrants can repatriate 100% of capital, dividend and investment profits. Migrants can apply for IPOs as well as buy and sell shares in the Secondary Market through BRAC Bank. They can use e-mail, fax or phone to issue trade orders to BRAC Bank<sup>27</sup>.

**EBL Swadesh Biniyog:** Eastern Bank Ltd (EBL) launched Swadesh Biniyog instrument to offer migrant the option to subscribe to IPO and also to buy and sell shares in the secondary market through a Beneficiary Owners (BO) account which will be funded by Non Resident Investors Taka Account (NITA). NITA will be held with EBL Bangladesh and the BO account with EBL Securities Limited.NRBs can subscribe to IPO from anywhere in the world.

### **Investment loan scheme:**

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<sup>26</sup> Interview of Shahrear Md. Zamil, Senior Relationship Manager of BRAC Bank Ltd on 2<sup>nd</sup> of October, 2012.

<sup>27</sup> Interview of Shahrear Md. Zamil, Senior Relationship Manager of BRAC Bank Ltd on 2<sup>nd</sup> of October, 2012.

**Investment Loan of Probashi Kallayan Bank:** Probashi Kallayan Bank is a specialised bank established by the government in 2011, to serve three functions. These are, provide migration finance loan, transfer of remittance and provide investment loan. The bank provides investment loan to returnee migrants and family members of current migrants at 12% interest. Interest rate of other banks is at least 3 to 4 % higher than the rate offered by this bank. However disbursement rate of investment loan of this bank is yet to pick up. Last year it has only provided loans to 36 returnees.

**NRB Entrepreneurs Investment Scheme of Islami Bank :** IBBL has introduced this scheme to provide loan opportunity to the migrants. Non Resident Bangladeshi within age limit of 18 to 60 years are eligible to this scheme. The rate of return is 12% or to be determined by the Bank from time to time. Collaterals security may not be insisted up to Investment of Tk.0.50 million only. Term Investment is approved for Maximum 10 years depending on the nature/need of investment client/business. Working Capital and Trade Financing is provided for maximum 1 (one) year on revolving basis<sup>28</sup>.

### **Savings Instruments**

**Non-resident Foreign Currency Current Account:** This is a saving scheme of banks to attract remitters. Several banks ie Mercantile Bank, Agrani Bank, Janata Bank, Pubali Bank are offering these products. Bangladeshi nationals residing abroad can open this account. Foreign nationals residing abroad or in Bangladesh can also open this account. Deposit can be made in foreign currency only (Cash, TC, Drafts or transfer from other FCY Accounts).Cash can be withdrawn in local currency. Fund can be used to make investment in Wage Earners' Development Bond<sup>29</sup>.

**Probashi Savings Account of BRAC:** Probashi Savings Account offers a regular savings account in local currency for the migrants who are residing abroad and want to save to utilize in future after coming back to Bangladesh. It is an interest bearing Taka account in which interest is paid twice a year. Cheque Book and ATM Card are available in this account. Any NRB who is between 18 to 65 years of old can open this account. The NRB must have valid Residence / Work permit<sup>30</sup>.

**EBL Shonchoy:** EBL Shonchoy is a daily interest bearing and monthly interest paying taka savings account for the Global Bangladeshis. The Account is aimed to

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<sup>28</sup> Interview of Md. Mosharraf Hossain, Executive Vice President of Islami Bank Bangladesh Ltd on 28<sup>th</sup> of September, 2012.

<sup>29</sup> Interview of Mr. Rashid Ahmed, DGM of Sonali Bank Ltd on 24<sup>th</sup> of September,2012.

<sup>30</sup> Interview of Shahrear Md. Zamil, Senior Relationship Manager of BRAC Bank Ltd on 2<sup>nd</sup> of October,2012.

help NRBS save in local currency. A migrant only need Tk.1,000 to open the account but BDT 5,000 must be credited to the account within 60 days of opening through remittance; else the account will be closed. The initial deposit can be withdrawn if the account is closed. 5% per annum accrued daily and paid monthly basis; Interest will be calculated on daily balance of the account. If EOD balance of the accounts falls below Tk. 10,000/-, no interest will be paid for that day.

**EBL Paribar:** EBL Paribar is a daily interest bearing and monthly interest paying savings account for the families of Non Resident Bangladeshis. The account is for helping the Global Bangladeshis to maintain their family expenses locally. The account will be on the beneficiary's name. Minimum Initial Deposit required is BDT 1,000. NRB can open joint account with the beneficiary (resident) with the resident either being the sole operator or jointly by NRB and resident. Rate of Interest @5% p.a. accrued daily and paid monthly basis; Interest will be calculated on daily balance of the account. If EOD balance of the accounts falls below Tk. 10,000/-, no interest will be paid for that day.

**EBL Global:** EBL Global is an FCY current account which can be opened in USD/GBP/Euro/Yen without restriction on transaction frequency. The account can be operated by the mandate by the account holder. Account fund remains in foreign currency and can be freely remitted abroad and en-cashed in Bangladesh in local Currency. Deposit can be made in foreign currency only. Cash withdrawal facility from the account is in local currency in Bangladesh. Minimum Initial Deposit is USD 500 or equivalent GBP/EURO/YEN.

## **USE OF THE PRODUCTS BY THE MIGRANTS**

So far we have described the investment and savings products that different public and private banks as well as the ones that Ministry of Finance and the Bangladesh bank have introduced.

This section gives an idea about how these products are being used by migrant families on the basis of the FGDs. It also throws some light on use of remittance by migrants families.

**Use of Investment Products in Chatihati Gram:** Fourteen out of fifteen participants of Chatihati Gram of Tangail spent a significant portion of remittance in household consumption. Among them five identified household expenditure as their top priority. Rest identified them as second third or fourth priority. Four identified repayment of loan as their top priority. Another four identified purchase of land both agricultural and building construction as their top priority for last year. House construction and investment in business has been identified as top priority by two

other recipients.

Out of these fourteen, eight have invested in business. This includes hand loom sari factory, opening of tea stall, stationary, cloth store and purchase of agricultural land. Nine families have taken investment and business loan mostly from NGOs such as SS, Sheba, Ulka, Unmukto and Grameen Bank. Loan size varied from BDT 100000 to 20000. Only one took loan (BDT 20000) from Agrani Bank. Although these loans were sanctioned under investment head half of them used it in financing migration of family members. Only two members have some savings and four has life insurance policies. None of these participants have any information at their disposal about different public and private bank's investment offers.

**Use of Investment Products in Suruj Gram:** Last year eight out of sixteen focused group participants spent highest portion of remittances in household maintenance. Five spent highest in loan repayment, three in agricultural land purchase and one in business. Eight used a portion of their remittances in different types of investments. Most of them invested in purchasing fertilizer and irrigation. Four has savings in bank. Four have taken investment loan from NGOs and one has taken loan from Agrani Bank. Four has life insurance policies from Delta life Insurance and National Life Insurance. None of these participants have any information at their disposal about different public and private bank's investment offers.

**Use of Investment Products in Kamanna Gram:** Nine of the seventeen participants of Kamanna Gram of Tangail identified household expenditure as the single highest remittance utilization area last year. Six mentioned last year they spent highest amount of remittance in agricultural land purchase and in agricultural production. Two spent highest amount in house construction.

Nine of the remittance recipient families made different investments. Seven of them invested in increasing agricultural production and agro based business. Four bought agricultural land. Nine of the participants have some savings. Only two have savings with the bank. Rest has savings with NGOs. Only one has life insurance policy. None of these participants have any information at their disposal about different public and private bank's investment offers.

**Use of Investment Products in Dhakar Gaon:** Male participants of Dhakar Gaon focus group discussion identified day to day consumption as the major head in which remittances are used. Remittances particularly come handy when a member of the household has to be married off. Besides, remittances also went in to children's education and elderly health<sub>31</sub> care. All nineteen members of



remittance receiving families stated that they wanted to create some fixed asset from remittances. Almost all these families have invested a portion of the remittance in purchasing land, both agricultural and homestead. They particularly ask for remittances during cultivation, harvest of seasonal cash crops such as potato, corn and vegetables. Migrants have a tendency to send larger amount of remittance during Eid festivals. This group did not use any investment product of banks. They are not aware about the products presented above. Most of them have saving accounts. Younger section of the participants would like to have more information on products that different service providers are offering. A little less than half of them have subscribed to life insurance policy.

### **Use of products by female recipients of Dhakar Gaon**

Women of Dhakar Gaon also use a section of remittance in day to day consumption, health care, and children's education. Initially they spent a substantive amount in repayment of loan they incurred to finance their husband or sons' migration. Rahima's husband's investment target was to buy a piece of agricultural land from his first migration to Saudi Arabia. He could fulfill his dream. Her husband also kept some money aside to open a grocery shop upon return. After returning from Saudi Arabia, her husband run the grocery for a while and then went to Singapore. Rahima wedded her two daughters off. Her husband brought gold for both of their Daughters. Her next target is to fix the homestead. Nurunnahar did not possess any homestead land. Earlier her husband was abroad. They bought homestead land from her in laws with her husband's remittances. Her husband returned quite some time ago. Now, all three of her sons are abroad. They borrowed from different sources to send the first two sons. Initially they spend a large portion of the remittance in paying back the loans. Later they invested their first two sons' remittance in financing the migration of the third son. Now she is saving for her daughter's wedding. Roshna Akter has five children. She mostly spends her remittances in house hold maintenance. She also spends a little in agree business. Shefaly on the other has released her husband's mortgaged land.

None of the investment products discussed earlier were used by the participants of this focus group .Eight of them are members of one or two NGOs. They have taken loan from Grameen, BRAC, CCDB etc. They mostly took agree loan and Cow fattening loans. Participants felt that members of migrant families are treated as potentially important clients by NGOs as they have steady income sources to pay back the loan installments.

**Dosh Para Gram:** Four participants of Dosh Para Gram were elderly members

of the households. They have retired from active work life. They depended on remittances to sustain their families. The rest of the participant belonged to age group of 20-40. They were involved in agriculture, trade of seasonal agri products etc. Mohammad Alam is a returnee from Dubai. He was there for one year and eight months. He could not do much in Dubai. His was a case of failed migration. Few years later he sent two of his brothers abroad; one to Saudi Arabia and the other to Oman. After returning to his village Alam opened a furniture store. Every now and then he uses the remittances sent by his brother as working capital for the furniture store. However, his furniture store does not make much profit. He is planning to migrate to Libya by selling the store. He thinks instead of doing business locally, investment in financing migration brings in better return. Two of Khandakar Arif's brothers stay in Dubai. At one point of time one of them returned and tried to do some business but he failed and went back to Dubai again. Mosharraf who returned from Korea on the other hand has invested in purchasing arable land and pond. Since he returned he is not only cultivating paddy, he has also invested in cultivation of cash crop such as potato, corn and other vegetables. He cultivates fish in his own pond and has taken lease of another water body. He thinks that despite having the potential to grow bigger he cannot do so due to lack of access to credit. Two of his brothers are residing in the Netherlands and send remittance to their respective families every month. In their case remittances are used for family maintenance. These families do not have eligible members to invest remittance in income generating activities.

Most of the participants have taken loan from NGOs and Krishi Bank. Brother of Shaikh Farid took a business loan from BRAC. Along with other sources, he used this loan in financing his migration. To his family, this is much better an investment, compared to doing business in the village. One participant has an FDR and seven has DPS with Exim and BRAC banks. One stated that the current system of DPS is not suitable for migrant families as it requires monthly payment by certain dates. Migrant families may not receive remittance by the stipulated date. Non-payment of instalments on due date results in loss of interest for the whole month. Another family member mentioned that he was maintaining a DPS with BRAC Bank for four years. He urgently needed money and had to liquidate his instrument. He was not paid any interest. Five of the participants purchased life insurance schemes, one with Delta Insurance Company and the rest with Meghna Insurance Company.

**Sholakandi:** Participants of Sholakandi were both males and females. As seen earlier, all the males had bank accounts and but majority of the females did not. Baharuddin was in Korea for eighteen years. He has built a six-storied building near Daudkandi market that he rented out. He has DPS with Islami Bank and NCC Bank.

He plans to build a shopping centre in Daudkandi market with his son's income who is currently working in Dubai. Moni's husband migrated six years ago. Initially, she spent most of the remittances in paying the money to the money lenders. Now she uses husband's remittances for maintenance of household expenditure. She also saved a section of remittances for their daughter's wedding that took place last year. Now she is saving to send her son abroad. Anwara Begum's son is in Dubai. He regularly sends money. Her husband invests the money in fixed deposit instrument. Anwara and her husband can maintain their subsistence from the earning of her husband in bamboo trading. Ayesha Begum on the other knows nothing about son's remittance. Her brother helped her son to migrate and son sends to her brother. Once his son returns he will secure the remitted money from his uncle. Ayesha Begum thinks that she and her husband have aged and they are not literate. People in rural areas may deceive and take her son's money from them and so she feels that the money is more secured with her brother.

### **Section Conclusion**

This section shows that Government of Bangladesh introduced three types of instruments for the migrants. These are bonds, fixed deposits and savings accounts. However, these products are targeted towards the long term migrants or a section of relatively better off short term migrants. Unfortunately they are not suitable for small income earning short term contract migrants. US Dollar Premium Bond, US Dollar Investment Bond and NFCD, all require opening of foreign currency accounts. Short-term migrants hardly open foreign currency accounts. In most cases they do not even qualify to open such account. These instruments can only be purchased in destination countries. Again left behind migrant remittance beneficiaries cannot purchase them. The Wage Earners' Welfare Bond is the only available product in Taka account where migrant beneficiaries can invest. Short term migrants do not have access to information on these products as well

On line brochures are available on these instruments. Hard copies are also available in bank counters of destination countries where there are large concentrations of Bangladeshi diaspora. Nonetheless there is hardly any campaign to popularize these products.

From the four FGDs it appears that migrant families perceive remittance as an income source for day to day expenditure of the household. Nevertheless, a majority of families, after paying off their loans, invest in one form of venture or other. Official figures do not count purchase of land as investment. But migrants perceive that as the safest investment, the price of which increases way more than what different banks offer on various instruments or the return from business ventures of family members. Besides,<sup>34</sup> agricultural land creates employment for

left behind family members when they cultivate. Migrant families have invested in children's education and marrying their daughters off to economically better off families. Some have invested in trading of seasonal agricultural products. Financing migration of family members is found to be an important area for investment by migrant families. A few have been successful in developing enterprises and many failed. Therefore, many migrant households opt for migration of other family members or re-migration of the returnee rather than investment in enterprise development.

None of the participants had any idea about government floated investment instruments such as dollar bonds and premium bonds. A few have invested in fixed deposits. Depository pension schemes of BRAC, Exim, NCC and Islami Banks are used by some families. Life insurance policy has been found to be well known and subscribed by the migrant households. Therefore, one can say that a few of the products are in use by migrant families. The rest of them are either not applicable to the migrants or they lack information on them. Except Islami, none of the banks have investment loan product for migrant entrepreneurs.

## **SECTION V: LAWS AND REGULATORY REFORMS**

Since the 1990s successive Governments of Bangladesh have initiated different policy reforms. These reforms made significant contribution to increase remittance flow to Bangladesh. This section presents existing laws and reforms that have been undertaken by successive Governments.

### **Regulatory Instruments**

Four regulatory instruments of Bangladesh Bank are applicable to remittance governance. These are Foreign Exchange Regulation Act, 1947, Money Laundering Prevention Act, 2002, Suspicious Transaction Detection Act, 2003 and Payments and Settlement Systems Regulations (BPSSR), 2009. The Foreign Exchange Regulation Act, 1947 (*As modified up to 1996*) is the primary regulatory instrument of Bangladesh with respect to all kinds of foreign exchanges including remittance. On the basis of this Act The Foreign Exchange Policy Department of Bangladesh bank has framed guidelines under the heading of "Guidelines for Foreign Exchange Transaction". Bangladesh Bank on one hand attempts to make transfer efficient on the other hand it wants to curtail any possibility use of illegal transaction in the name of remittance. Any unusual payments of remittances are monitored under this Act. A new IT system is being installed for Bangladesh Financial Intelligence Unit (BFIU) for STR and CTR to ensure a highly secured financial system. Bangladesh

Bank has prepared Bangladesh Payment and Settlement Systems Regulations (BPSSR) in 2009. This regulation gives legal and regulatory support to electronic exchange of images of paper items and electronic transfer of funds.

### **Policy reforms**

In 2000, Bangladesh bank relaxed foreign currency dealing and in 2002 Ministry of Finance (MOF) reformed the exchange rate policy, rendering foreign exchange in current accounts free floating. By 2001 MOF set up 24 hours and 72 hours remittance delivery time standard for urban and rural areas respectively. To avoid delays in delivery BB instructed all national commercial banks to reconcile remittances received through NOSTRO account on a daily basis. Since 2005, BB is quite liberal in giving permission to new exchange houses, money transfer agencies in areas where there is large concentration of Bangladeshi migrants. Banks have been allowed to use the extensive network of tested micro finance institutions as well as mobile companies as last lag of remittance delivery to remote areas<sup>32</sup>.

**Recent reforms:** In 2010, BB operationalized the Bangladesh Automated Clearing House. It has two components - Bangladesh Automated Cheque Processing System (BACPS) and Bangladesh Electronic Funds Transfer Network (BEFTN). Bangladesh Automated Cheque Processing System (BACPS) is the electronic cheque processing of paper-based instruments, uses Cheque Imaging and Truncation (CIT) technology. The system supports both intra-regional and inter-regional clearing and is based on a centralized processing centre located in Dhaka and in designated clearing regions. BACPS participants are all commercial banks and related Government offices. Country wide use of Magnetic Ink Character Recognition (MICR) encoded standardized instruments i.e., Cheques, Drafts, Pay-Orders, Dividend and Refund Warrants, etc. has been ensured<sup>33</sup>.

Bangladesh Electronic Funds Transfer Network (BEFTN) is the maiden initiative for electronic (credit and debit) transfer of funds. This network facilitates the transmission of funds between the banks electronically, which makes it faster and efficient means of inter-bank clearing over the existing paper-based system i.e., BACPS. A state-of-the-art Data Centre (DC) and a Disaster Recovery Site (DRS) have been established comprising of modern software and hardware for dealing with the operations of BACH. A Virtual Private Network (VPN) has been created

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<sup>31</sup> The software has been provided by United Nations Office for Drugs and Crime (UNODC)

<sup>32</sup> Speech by Dr. Salehuddin Ahmed, Governor of Bangladesh Bank in RMMRU- The Daily Star organized policy dialogue on Safe Migration and Remittance Management at BRAC Centre in June 2007

<sup>33</sup> Interview of Mr. Ahsanullah, Esecutive Director of Bangladesh Bank on 4<sup>th</sup> of October 2012.

using the communication links between the participating commercial banks and Data Centre (DC) & Disaster Recovery Site (DRS).

Bangladesh Bank instructed the commercial banks to implement Core Banking Solution (CBS) and establish Inter-branch Connectivity among the bank branches. At present 37 banks have full online banking, 4 banks have partial (selected branches are connected) online banking and 6 banks will have online banking soon.

To facilitate smooth repatriation of remittance against off-shore IT/Business Process Outsourcing services provided by Bangladeshi freelancers in non-physical form, Bangladesh Bank has allowed Authorized Dealers to offer the facility of repatriation of remittances against such service exports through Online Payment Gateway Service Providers (OPGSPs). Bangladesh Bank has relaxed remittance on account of legal expenses for legal prosecution against banks in foreign countries.

All the offices and departments of BB are now connected in a single network through LAN/WAN. All inward Wage Earners Remittances (WER) has been reported through this system. Through this web based data upload system banks and stakeholders can get the total picture of WER on daily/periodical basis. All inward remittances other than export and Wage Earners Remittances will be reported through this system. From this BB, the banks and the stakeholders can get the total and the details of the inward remittances other and export and WER.

The rapid growth of mobile phone users and countrywide coverage of mobile operator's network has made their delivery channel an important tool-of-the-trade for extending banking services to the unbanked/banked population, especially to expedite faster delivery of remittances across the country. Bangladesh Bank has approved some Mobile Financial Services (in broad categories) aiming at financial inclusion of the unbanked. These are, inward foreign remittance disbursement; cash in /out using m-wallet account through agents/ Bank branches/ ATM's/ Mobile Operator's outlet.

Poor persons can open bank account by depositing BDT 10 (equivalent 12 cents only) at any state owned commercial and specialized bank against national ID card and registration card issued by the Ministry of Food & Disaster Management. There will be no bindings for maintaining minimum balance on the said account and banks shall not impose any charges/fees on these accounts.

Bangladesh Bank has also done some policy reforms to encourage investment in Agriculture, SME and stock market. All these reforms are applicable to

remittance receiving families as well. Agricultural loan is offered to farmers for production of Pulse, Oil-seed, Spices and Maize at 4% interest concessional credit.

Bangladesh banks SME Credit Policy and Programme is also applicable for returnee migrants or family members of current migrants. It gives priority to the small entrepreneurs and women entrepreneurs. It gives special emphasis to manufacturing and service sectors. Bangladesh Bank, with the help of government and different development partners, is implementing 4 refinance facilities to banks and NBFIs against their disbursed SME credit. Under these refinance facilities, 22 banks and 24 NBFIs have signed administrative agreement with BB.

To facilitate participation of migrants in stock market BB allowed authorized dealers (ADs) to credit the proceeds of the inward remittances against Business Process Outsourcing (BPO) services to the accounts of individual service provider subjects to certain terms and conditions.

### **Reforms still required**

The above mentioned reforms are very important. Nevertheless some more reforms are required. Some of the reforms which can bring qualitative changes can be done very easily. In the following paragraphs some of them are presented.

**Access to bank accounts:** Before migration most of the unskilled workers do not open bank accounts in the country of origin. When they are already abroad some receiving countries do not allow migrants to open bank accounts in banks of their countries of origin if the concerned bank does not have a branch in that country. Besides, many of them do not comply with account opening rules of BB. Unskilled migrants lack necessary documentation as their passports are retained by the employers. They face difficulty in finding an introducer, and may not have photograph of the nominees. In such situations migrant do not have much option rather than sending remittances to their beneficiary account or use instant cash system. In both the situations migrants lose control over their remittance. They cannot guide a portion of their remittances towards savings or investment. The long term Bangladeshi Diaspora with foreign passports cannot open NRTA.

**Security Deposit for Drawing Arrangements:** According to October 2007 Guidelines on Drawing Arrangement of Bangladesh Bank the amount of minimum security deposit in case of EFT system is US\$25,000 and in case draft drawing system it is US\$50,000 and for balance of NRT account Tk. 5,00,000. This security deposit and balance required in the NRT<sub>38</sub> account work as hindrances in

developing new drawing arrangement. Various bank particularly of Bahrain, Kuwait and Qatar expressed their regret to meet this condition as they do not accrue any interest and the amount lie idle for years. Such deposit encouraged the remittance houses only to draw arrangement with one or two large banks resulting in a monopoly of a few.

**Transparency in Exchange Rate:** It has been observed that some Bangladeshi banks are quoting high rates to the overseas Exchange Houses/Banks to attract more remittance and these rates often exceed the local inter-bank Foreign Exchange market by a wide margin. Large money transfer houses extract such extra benefit as banks are interested to enter into drawing arrangements with those houses. Remitters do not get the benefit of higher rates.

**Implementation of BEFTN mechanism:** Bangladesh Bank has introduced (Bangladesh Electronic Fund Transfer Network) system that links all the commercial private and public banks. This has largely solved the problem of inter-bank day to day transaction. The EFT System has some shortcomings. Alpha numeric A/C number has no access in the software. I.e. SB A/C, Current A/C & STD A/C have different identity, absence of which sometimes makes return of the remittance proceeds although the A/C number quoted is correct. Customers face delay in receiving remittance for this. The routing number of every bank branch name meant the branch name which is always present in the website. But when computerized full A/C number is absent in the EFT software' BFTN Department return it back to the processing branch as name and A/C differs. But if the routing number is correct the software may automatically complete the full A/C number of the beneficiary. Few government banks with large rural network have not yet been able to implement the BEFTN system. This hinders fast delivery of remittances.

**Title of the Exchange House:** As per policy of Bangladesh Bank regarding the establishment of Drawing Arrangement between the exchange house abroad and bank operating in Bangladesh, "without having permission/consent from the concerned bank, the name of the bank or part of it (viz. Sonali, Rupali, Janata, Agrani) shall not be used by the exchange house with its own name" [Clause No. 1 (iv)].

Some established exchange houses' title partially matches the names of some banks in Bangladesh, e.g, Eastern Exchange. They have been doing remittance business globally in that name and will not change their names for the sake of doing business in Bangladesh. It is also difficult to obtain the permission from concerned bank. The Clause 1/gha of the 2007 guidelines stipulates that the concerned institution must have the nomenclature such as 'money transfer', 'exchange' and 'remittance' in their company names to<sub>39</sub> demonstrate that it is involved in money



transfer business. Some exchange houses are involved in money exchange business with due authorization from their governments but do not have those words in their company names. They cannot change their existing names.

***Annual minimum remittance:*** The Bangladesh Bank has set minimum amount to be remitted through the exchange houses. The amount varies from country to country. A US-based exchange house has to remit minimum USD 3.00 million to Bangladesh, for a UK based company it is USD 2.00 million. The established exchange houses can fulfill the requirement but for a newly set exchange house it is a difficult condition to meet.

***Tax on profit against deposit money of Foreign Remittance:*** Generally banks deduct tax on profit and also excise duty from all deposit as per law of the land except Wage Earner's Bond of NRBs which is allowed only for NCBs but the major share of remittance is handled by the Public commercial banks. They do not enjoy this.

***Diversification of business activities:*** Most of the private and public banks are leaning to establish their own exchange houses in different countries with 100% subsidiary facility. These houses are only permitted to collect and send remittance to the respective beneficiaries. This restriction on business activities is a great barrier for business development. As establishment and management of such a house are very difficult and expensive, only handling remittance may not be profitable for this kind of houses as far as the cost is concerned.

***ATM and Point of Sales placement:*** An obstacle of inward remittance is unavailability of cash at non-bank /NGOs in rural areas. Now, there is a rule for branch placement (one rural branch for two urban branches). There is no such rule for ATM placement.

### **Section conclusion**

This section shows that Bangladesh Bank has initiated important reform processes to ease the flow of remittance. Most recent in this respect is the establishment of BEFTN. But more reforms are required. Some of them are very simple administrative reforms. However they have not taken place for a long time. Encouraging the opening of a bank account or even making it mandatory before taking up overseas employment is a good example. Civil society organisations have been advocating this reform since 2002. Changes are also needed in the policy requirement of large amount of security deposit for each drawing arrangement between banks and money transfer houses.

## **SECTION VI: LEVEL OF FINANCIAL AWARENESS IN PRE-DEPARTURE ORIENTATION PROGRAMMES**

Previous section shows that recently banks have launched some products to encourage investment and savings. Migrant families do not know about most of them. In Bangladesh along with the government a few local, national and international organizations now conduct some form of pre-decision and pre-departure awareness raising programmes. This section looks into these programmes and evaluates the level of presence of financial information in those.

### **BMET**

The Bureau of Manpower Employment and Training organises two types of awareness raising programmes. One is pre-departure briefing for departing migrants and the other is pre-departure orientation training for female migrants. The two-hour briefing of BMET takes place just before departure; it focuses on airport procedures, role of recruiting agencies, dos and don'ts in the country of destination etc. One sentence verbal appeal is made in the briefings for transfer of remittances through formal channels. It highlights the disadvantages of informal channel. This short duration of the training does not allow discussion on how to send remittance through formal channel, importance of savings, or available savings products. Opening of Bank account could have been an ideal and practical tool to increase awareness but even after continuous appeal to BMET, Bank account opening has not been made mandatory to migration processing activities. Country specific benefits are distributed during this briefing. Practical banking and financial instruments are not available in those booklets.

In order to ensure protection of women workers, the 21 day pre departure trainings are organized. Currently, there are fifteen training centers either solely managed by BMET or managed in collaboration with national and international organizations such as IOM, UNWOMEN, Manusher jonno Foundation etc. The modules on pre-departure orientation trainings organized for potential women migrants indicate that these trainings concentrate more on skills development for domestic work and care of elderly and children. It also provides information on safe migration procedures and tips for ensuring protection in the countries of destinations. However, module lacks contents on remittance transfer system or investment options.

**UNWOMEN:** UNWOMEN is working on female labour migration in partnership

with Government and grass-roots NGOs. It also runs resource centres in ten District Employment and Manpower Offices (DEMO). It has developed IEC materials, radio programmes and conducts some sessions of the pre-departure training programmes of BMET. A scrutiny of training programmes, IEC material and radio programme content reveal that it covers procedures of safe migration, avenues of trafficking, procedures to be followed airports of Bangladesh, transit and destination. Financial literacy is not addressed at all.

**IOM:** IOM runs several trainings for potential and departing migrants under three broad areas. These are safe labour migration, anti-trafficking and reducing irregular migration to Europe. In 2007-08 IOM and RMMRU launched an information campaign on remittance under component three of Payments and Partnership project of Bangladesh Bank with support from DFID. Under this project IOM produced leaflets, branded the airport, posted mega-signs, and organized trainings with the help of partner NGOs to create awareness to send money through legal channel and to encourage migrant families to invest in productive ventures. The campaign slogan is 'Everything will go in vein, if money is not used in right area

**RMMRU:** The Refugee and Migratory Movements Research Unit have been conducting two thematic national information campaigns since 2006. One is on protection of rights of labour migrants and the other is on remittance transfer and utilization<sup>34</sup>. The theme of the second campaign is 'Sweat of migrant workers, keeps the wheel of the national economy rolling'. MJF and Winrock international are the other two Partners of RMMRU which helps in conducting awareness raising programmes. It formed 56 Migrant Rights Protection Committees (MRPC) with the help of grassroots partner NGOs (PNGOS). The PNGOs and the committee members run 1-day pre-decision and 4-day pre-departure orientation training in twenty-seven districts. Manuals for two programmes contain separate chapters for financial literacy. It motivates migrants to open two bank accounts, one in his or her own name and the other in the name of beneficiary of remittance. It highlights migrants should start savings from the very beginning in his/her own account and remit a portion of their earnings for family maintenance in the beneficiary account. It provides practical skills on filling up forms for transferring money; give names and more importantly it provides detail information of banks and exchange houses operating in specific countries. The modules also have comparative analysis of investment, deposit and insurance schemes of different bank and non-bank financial institutions. RMMRU is also running a campaign for making openings of Bank account mandatory.

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<sup>34</sup> This is a part of DFID and the Bangladesh Bank project where IOM and RMMRU shared implementation the project among the two organisations.

**BRAC:** It is the largest NGO of Bangladesh. BRAC got involved with migration issue in 2006 with its Safe Migration Facilitation Centre programme. The aim of this programme is to reduce involvement of subagents in migration processing. It is working in 17 districts of Bangladesh. At the local level it organizes various events to promote and disseminate information on safe migration. Through courtyard meeting, market meeting, school quiz programmes and by distributing IEC materials it attempts to generate awareness on machination and fraudulent practices of sub-agents. It also provides information on BMET registration procedure, passport processing, medical test, visa, job contract etc. It does not run any pre-departure orientation training. BRAC does not provide financial information.

**WARBE and BOMSA:** Welfare association of repatriated Bangladeshi employees (WARBE) and Bangladeshi Obhibashi Mohila Association (BOMSA) are two organizations developed by returnee migrants. WARBE has established migration information support centres in 10 districts. It runs pre-departure orientation training. The module is specially designed to discourage irregular migration to Italy. Its training sessions are divided into three sessions of four-hour duration. The module covers cost-benefit analysis of migration, migration procedure, migrant rights, sensitisation on foreign culture, language and health. BOMSA specifically works with women migrants. It runs pre-departure orientation through peer approach. It provides skills training on sewing. It also gives psychological counseling, health support and seed grant to the distressed returnees.

**Linking remittance receivers with investment service providers:  
Emerging best practice of information campaign**

The Migrant Rights Protection Committee (MRPC) is an innovative institutional framework functioning at twenty seven migrant intense districts of Bangladesh to ensure the rights of labour migrants of Bangladesh working in the GULF and South East Asian countries. Along with disseminating information on procedures of safe labour migration the MRPCs promote economic advancement of migrant families by encouraging transfer of remittance through formal channels and efficient utilization of migrant's remittance in productive ventures through information campaign.

Different banks, business advisory bodies and training institutions have launched investment packages that include business solutions, training programmes, loan opportunities, investment products and insurance policies targeting the migrants. These financial and technical solutions are mostly provided at district levels, while, the returnee migrants and left behind family members of current migrants are dispersed at remote villages. Existing

solutions and investment schemes to a large extent cannot be availed by migrants due to lack of information and connectivity. MRPCs have initiated a host of programmes to bridge the gap among these service providers, migrants and their families.

The MRPCs organizes remittance and skill fairs at local levels where banks, Non-Bank Financial Institutions (NBFI), training bodies display their products and programmes. Through festivity these fairs inform potential migrants not only about procedures of overseas job recruitment, they also inform about official channels of remittance transfer and investment products offered by banks and NBFIs. Account opening drives are also taken by the banks in these fairs. The MRPCs helps the families to transform a section of their remittance into capital for generating future income. For example Abdus Salam of Comilla returned from Saudi Arabia. Upon receiving information and advice from MRPC he visited district level institutions and invested in pisciculture, fish wholesale depot and vegetable gardening. The MRPCs document the cases of successful migrant enterprises and feed in their cases to the organizers of bi-annual mega remittance festivals that bestow the migrant entrepreneurs with “Golden Sons of Bangladesh award” from no less than the Finance Minister of the Country.

MRPCs organize weekly counseling, conduct visa verification help migrants in filling up passport forms, lodge online complain against fraudulence, secure bank loans for financing migration etc. under the slogan of “The money earned with the sweat of migrants, keeps the wheel of the country rolling” the MRPCs organized more than 200 event last year, which includes Market meetings, court yard meetings, street drama, public announcement, rally etc. Last year alone the MRPCs helped the migrants recover Taka 2.904 million through arbitration with the fraudulent recruiting agencies and their sub-agents. They helped 300 potential migrants and their families to open bank account. In last six months, 32 potential migrants got bank loan through MRPC facilitation. The MRPCs collected information of 6200 potential and 12440 returnee migrants’ and feed that to an online job data base. In Bangladesh this is the only source of online database of returnee migrants.

MRPCs are the grassroots arm of RMMRU which is a research training and policy advocacy organization of the University of Dhaka. RMMRU formed strategic partnership with seven local level NGOs and pioneered the model of MRPC. Currently 54 MRPCs are operational at union levels. RMMRU first

formed these MRPCs in 2004 under Remittance Payments and Partnership Project funded by Bangladesh Bank, Dfid and manuser jonno foundation. Two of the major civil society organizations involved in labour migration, BRAC and WARBE subsequently formed similar form of grass root institutions for providing services to the migrant. The 2009 GFMD placed the work of MRPCs as one of the global best practice.

### **Section Conclusion:**

This section highlights that government as well as NGOs provide pre-departure orientation trainings. Some of the NGOs run awareness campaigns at the grassroots level as well. While the programmes run by the government, other NGOs and UN Women touch on the remittance issue, it is only IOM and RMMRU who put specific emphasis on financial awareness in pre-departure orientation trainings. One reason for others not imparting more in-depth financial awareness is that, development of a financial awareness manual or module requires technical knowledge on operationalisation of remittance transfer system, actors involved, assessment of investment products, deposit schemes and insurance policies. If a generic module on financial literacy is developed in most likelihood, these organizations will include that in their training programmes. In this regard the ILO has developed a Training Manual – Budget Smart – Financial Education for Migrant Workers and their Families that can be applied and adapted.

There are quite a few investment products offered by the Ministry of Finance and the Bangladesh Bank. Pre-departure orientation briefings of government can not cover these issues due to short duration of the training. The government hardly runs any information campaign among the migrants in the destination countries on the products available for investment. So far, public or private banks also did not engage in any campaign to popularize their products among the short term contract migrants, whereas, these banks are running huge campaign to attract remittance transfer through their banks.

## **SECTION VII: CONCLUSIONS AND RECOMMENDATIONS**

This paper is on remittance backed financial products in Bangladesh. It begins with developing an understanding of extent of labour migration from the country. It showed each year 500,000 to 600,000 workers migrate mostly to Gulf and

Southeast Asian countries on short-term contract. Year-wise flow of workers to destination demonstrates that there is generally single country dominance. In any given year more than 50 percent migrants go to a specific country. Initially it was Saudi Arabia, then at different points of time it was Malaysia and over the last three years it was the UAE. Bangladeshi migrants are mostly men. It is only recently that lowly skilled and semi-skilled women are also migrating. Last year they constituted more than six percent of the total flow.

For more than two decades Bangladeshis mostly participated in semi and lowly skilled jobs. In recent years skilled migration has been increasing. Over the last four years around 1,500 Bangladeshis are migrating to Korea annually under EPS programme.

In 2012 Bangladeshi migrants sent US\$14.17 billion as remittance. This is six times higher than the amount of foreign aid the country received and almost twelve times more than foreign direct investment. The amount is 3.2 times more compared to net foreign exchange earning from the apparel manufacturing sector that is generally considered as the largest foreign exchange earning industry.

The paper highlighted that the formal system of remittance collection, transfer and delivery went through major changes in Bangladesh. Traditional methods of bank to bank transaction through cheques or demand drafts have been taken over by electronic transfer systems. Almost all banks in Bangladesh have online facilities now. Several money transfer houses including Western Union and Moneygram have become deeply involved in remittance business in Bangladesh. Most importantly, instant cash payment system has revolutionised remittance delivery. Its speed can match the speed of traditional hundi system. To cover remote areas money transfer agencies and banks have developed working relationship with non-governmental organizations, general post office and mobile companies. However, with additional number of partners in delivery additional costs also get added.

Focus group discussions show that both educated and less educated, elderly men and women, young wives and brothers have embraced new technologies of remittance transfer. They use the new method of instant cash delivery system with relative ease. This has led to financial inclusion of migrant families by exposing them to formal financial institutions.

The paper analysed various investment, savings and insurance products offered by government, public and private banks and non-bank financial institutions. The Ministry of Finance and Bangladesh Bank marketed US dollar Premium Bonds and US dollar Investment Bond about a decade ago. However, none of the Focus Group participants knew about these instruments. In fact, these instruments

are mostly targeted towards long-term Diaspora or relatively better off short term professional migrants. The average short-term contract migrants do not fit into the criteria of opening a foreign currency account to participate in investing in these bonds in the first place. The same findings apply for the bonds launched recently by public and private commercial banks. BRAC Bank and Eastern Bank Ltd. have created opportunity for migrants to invest in capital market through Beneficiary Owners (BO) account funded by non-resident investors' taka account. These opportunities are also created for Diaspora and professional migrants.

Fixed Deposit and Deposit Pension Schemes are two products that can attract short term contract migrants as well as their family members. Focus Groups reveal that a handful of migrant families did open fixed deposit accounts. Relatively larger number of migrant families has opened DPS account with different private commercial banks. Savings accounts are also perceived to be facilitating savings. Most of the male participants of the Focus Groups have beneficiary accounts. Half of the female remittance receivers had bank accounts. They do not feel the necessity of opening account as they withdraw remittance through instant cash system. No initiative was seen where banks motivated women recipients to open account to encourage savings.

It became evident from focus group meetings that migrant families have at their disposal some savings that they use in generating further income. The highest amount of money allocated for investment goes in purchasing agricultural land. They perceive such purchase as productive as family members cultivate the land. These families spent their remittances in modernising agriculture, use of power tiller and procuring of irrigation water, quality seeds and fertilizer. These families have invested in pisciculture, cash crop production and marketing. Unfortunately, business advisory services are not available at local level which treats members of migrant families as entrepreneurs. They do not have access to seasonal credit, neither do they have exposure to financial management, entrepreneurial and marketing trainings. In order to transform the micro enterprises of migrant families or returnee migrants these services are very much in need at local level.

BMET has been running a pre-departure orientation briefing for departing migrants for many years. Since early 2000 various awareness raising programmes have been launched to reduce fraudulent practices in the migration process and to promote protection of workers in the countries of destination. Civil society organizations were in the forefront in developing such awareness campaigns. The paper showed that pre-departure briefing of BMET takes place only a few days before migration and it lasts only for a couple of hours. This briefing is more



congenial to disseminating information on airport formalities and general dos and don'ts in the countries of destination. During these sessions appeals are made to departing migrants to send remittance through formal channels and about the bad effects of hundi on the economy. Quite understandably it is not possible to impart financial literacy during these briefings. However, BMET can facilitate opening of bank accounts when the migrants come to its premises for fingerprinting or for securing clearance certificates. Banks have expressed their desire to open booths at BMET premises for this purpose.

BMET also runs a 21-day training for potential female migrants who wished to work as domestic workers or as care givers for children or the elderly. These trainings mostly concentrate on imparting skills to perform domestic work, elderly and child care. There is a great scope to impart financial literacy in this programme. Unfortunately, the training modules lack updated financial information. This is mainly because such information needs regular update.

IOM and RMMRU were involved in a nation-wide campaign on remittance transfer and productive utilization under a Bangladesh Bank and DFID project. RMMRU has also published two handbooks. One of them has targeted all migrants and the other is specifically targeted towards female migrants. Both have separate chapters on financial issues. These handbooks also provide comparative analyses on investment opportunities of different banks, non-bank financial institutions and NGOs.

Recently various banks have launched some small and medium enterprise packages and loan opportunities. Some business advisory bodies have also emerged that provide business solutions to potential entrepreneurs. They also organise financial, entrepreneurial and marketing trainings. These solutions are mostly provided at district level while migrants and their families are dispersed in remote villages. Migrants cannot avail these schemes due to lack of information and connectivity. This hinders enterprising returnee migrants and families of left behind migrants to turn their micro ventures into small, medium or large enterprises. Not every migrant is an entrepreneur. Many want to invest in savings instruments. Not very many options are available to them in this regard.

The paper at the end presented all the important reforms that Bangladesh Bank has initiated for efficient collection, transfer and delivery of remittances as well as for encouraging investment. The most important among the recent reforms is introduction of BEFTN system. This has contributed in increasing the speed of remittance delivery in cases where inter-bank arrangements are needed. Nonetheless, some more reforms are still required. Most simple among them is ensuring opening of bank account by the migrants before they depart for overseas

employment. With only Taka 10 to 100 deposits rural people can open bank accounts with public commercial banks. Despite such easing of procedure to open accounts by the central bank, the Expatriates' Welfare and Overseas Employment Ministry is yet to make this a pre-requisite for securing emigration clearance.

The system of keeping huge security deposit for each drawing arrangement is another important policy area business. Offering of exchange rate higher than the market is another practice that needs to be regulated. Minimum remittance target set by Bangladesh Bank also constrains the new comers.

## **Recommendations**

The recommendations of the study are presented under four broad heads. These are: general recommendations, recommendations to improve remittance collection, transfer and delivery, recommendations towards enhancing investment opportunities and finally, recommendations towards dissemination of information.

### **General Recommendations:**

- From the realisation of the importance of migrant remittances in achieving the status of middle income country by 2020, safe migration should be incorporated as a thrust sector in all development plans of the country, such as the 10-year perspective plan and the five-year development plan.
- Bangladesh has been participating for a quite while in semi and the low end of skill market. It is well recognised that, skilled migration reduces exploitation and increases income. The government of Bangladesh and its development partners need to invest in skill development as per global market demand.
- In order to understand the pattern of use of remittance and to direct a portion of that towards investment annual survey of migration and remittance needs to be conducted.

### **Towards Improving Collection, Transfer and Delivery of Remittances**

- Bangladesh Bank may consider reducing the security deposit of the exchange houses for establishing drawing arrangement with each bank. It is important to ensure security of migrants' remittance. Remitters' payments are already secured as payments are effected only after receipt of counterpart funds in the respective Nostro Accounts.
- The minimum annual remitting amount can be re-fixed as USD 1.00 million for a certain period when an exchange house starts its remittance business.

- The Bangladesh Bank may consider allowing exchange houses that do not have the nomenclatures such as ‘money transfer’, ‘exchange house’ in their company name to operate in Bangladesh, if they are duly authorized by the central bank of the concerned country.
- Bangladesh Bank needs to monitor the practice of offering higher exchange rate to the overseas exchange house/banks. It should oversee that the rate does not exceed the local inter-bank foreign exchange market rate. BAFEDA’s directive of 2009 stipulates that banks conversion rate to the exchange houses can only vary up to less by 20 paisa per US dollar from the inter-bank buying and selling average rate. This can be the yard stick.
- A few public banks such as the Krishi (Agricultural) Bank have a large rural coverage but they are yet to enter the BEFTN system. They need to be brought under BEFTN coverage without delay.
- In order to overcome the shortcomings of lack of access of alpha metric account number Bangladesh Bank should introduce different branch codes of all banks in the software of BEFTN.
- In order to deliver remittance quickly to remote areas banks and exchange houses are partnering with NGOs, mobile companies and the post office. This adds to the cost of delivery that has to be borne by the migrants. Instead of increasing the number of partners, banks must think of using more technology based methods such as installing ATMs in the remote areas. The central bank may impose some rules for ATM and POS placements in remote areas. Through use of national media, end users should be trained to use high tech methods such as ATM.

### **Towards Increasing Investment and Savings Opportunities**

- In order to encourage capital formation from migrant remittances, the Bangladesh Bank may introduce a separate account scheme for migrants in the name and style of “Migrants Savings Account” and devise a simple 1(one) page Account Opening Form (AOF) with short KYC and relax the condition of providing nominee’s photographs for opening of such account with any Bangladeshi Bank. Iqamah/work permit may also be allowed as ID in cases where passport of the migrants are with held by the employer.
- Bangladeshi Diaspora should also be allowed to open NRTA account.
- The Finance Ministry may notify the Ministry of Expatriates’ Welfare and Overseas Employment (MEWOE) to make account opening of job seekers as a pre-requisite for securing BMET clearance for overseas work. Migrants can be encouraged to open two bank accounts, one in his/her own name in order to save

for the future and the other one, jointly with another family member for supporting day to day expenses of the household.

- Opening of bank account may be eased by renting out space to the banks in the premises where migrants have to come for fingerprinting for receiving BMET clearance to take up overseas employment.
- The threshold amount for filling up of 'C form' for receiving remittance may be increased so that the beneficiaries of small remittances do not require filling up that form.
- Most of the investment opportunities of public and private banks are targeted towards Diaspora or professional short term migrants. Investment products need to be designed and launched targeting small but regular remitter.
- Bangladesh Bank should allow the private commercial banks to introduce Wage Earner's Bonds for the migrants. Most importantly some of these bonds should be targeted towards the short term labour migrants.
- To encourage the migrants' build-up national savings, all types of taxes and excise duties from their deposits should be withdrawn.
- The focus group meetings show that migrant families are interested in DPS and Fixed Deposits. Under special scheme government may add additional 2 to 3% interest directly to the migrant families who would open those deposit schemes with any public or private banks or NBFIs.
- The finance ministry should allocate challenge fund to different banks to disburse low interest loan for enterprise development to migrant families and returnee migrants.
- All foreign exchange earning sectors receive special incentives from the government. Migrant workers however do not receive any such incentive. Government can pay 3% interest as matching grant to those returnee migrants who are taking investment loan from the Probashi Kallyan Bank. In that case effective interest rate for investment loans would come down to 9%.
- Government can design a few large scale development projects and encourage migrant investment in those by floating shares.

### **Information campaign to link migrants with reliable investment service providers**

- Focus group meetings demonstrate that migrants hardly have access to information on investment opportunities that are currently available. Moreover they face difficulty in transforming their micro enterprises into medium size enterprises

due to lack of information on available business advisory services. Recently banks, business advisory bodies and training institutions have launched SME packages. Information campaign has to be launched both at grassroots levels through mobilizing community organizations and at national level through mass media to inform left behind family members about all available savings and investment as well credit and training opportunities. In this respect the MRPC model of information campaign and connecting migrants with services can be replicated at a larger scale.

- In order to generate growth in rural areas through transforming migrant remittance as source of capital, different service providers and migrants family members need to be brought closer through organizing innovative programmes such as remittance and skills fairs, court yard meetings, at local levels.
- In order to reach the migrants directly, information particularly on investment instruments should be made available in the remittance collection centers of destination countries as well.
- Information on current investment instruments or credit or training opportunities is not readily available at one place. Therefore, an information kit has to be prepared that will collate offers of all banks, non-bank financial institutions, business advisory bodies, business skill imparting institutions.
- Banks and other service providers launch new products and withdraw some others. To incorporate recent developments, the information kit should be annually updated.
- Two types of interventions will be required to regularly disseminate information about investment products. These are indirect intervention through electronic media and direct intervention at the grassroots through community level organizations of Government and NGOs. Government and NGOs run pre-decision migration information trainings, pre-departure orientation trainings and briefings before departure. Once the information kit on investment products are prepared, they should be handed over to the training service providing organization so that they incorporate the financial module in their existing training programmes and grassroots activations.

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## **ANNEX 1**

### **List of Interviewees:**

- 1.Md Ahsanullah, Executive Director, Bangladesh Bank, (4-10-12).
- 2.Ms Shamsun Nahar,DG BMET (4-10-12).
- 3.Abul Kasem Mohammad Shirin, DMD,Dutch-Bangla Bank on 29<sup>th</sup> of May 2011.
- 4.Ms. Sufia Akter Begum, Consultant, GPO on 24<sup>th</sup> of September, 2012.
- 5.Mr. Md. Shahriar, Robi Telecom, on 24<sup>th</sup> of September, 2012.
- 6.Mr. Rashid Ahmed, DGM of Sonali Bank Ltd on 24<sup>th</sup> of September,2012.
- 7.Md. Hasan Ali, General Manager of Pubali Bank Ltd on 3<sup>rd</sup> of October,2012.
- 8.Ms. Rubana Pervin, Assistant General Manager of Agrani Bank Ltd on 25<sup>th</sup> of September, 2012.



- 9.**Ms. Md. Mosharrat Hossain, Executive Vice President of Islami Bank Bangladesh Ltd on 28<sup>th</sup> of September, 2012.
- 10.**Mr. Shamsul Huda Khan, DMD of National Bank Ltd on 5<sup>th</sup> of 3<sup>rd</sup> of October,2012.
- 11.**Mr. Shahrear Md. Zamil, Senior Relationship Manager of BRAC Bank Ltd on 2<sup>nd</sup> of October,2012.