



*A Research Paper
On
“Remittance Management System of Sonali Bank Ltd.”*



Submitted To

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LETTER OF TRANSMITTAL

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Mr. Riyashad Ahmed
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Subject: Submission of Research Paper on “*Remittance Management System of Sonali Bank Ltd.*”

Dear Sir,

With due respect I would like to inform you that it is a matter of great pleasure for me to prepare the Research paper on “*Remittance Management System of Sonali Bank Ltd.*” that is actually determined as a learning approach to coordinate my theoretical knowledge with practical experience.

Being an employee of Sonali Bank Limited and exactly working in NRAT Computer section for foreign remittance in Wage Earners’ Corporate Branch, Dhaka it is quite rationale for me to study on the foreign remittance in Sonali Bank Limited.

I have gathered huge knowledge about various aspects of foreign remittance earning in the process of preparing the research paper. I would like to thank you and the University for giving me the opportunity to have such a useful topic to work with also guiding me to make my effort fruitful.

Most obediently yours,

.....

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At the very beginning, I would like to express my deepest gratitude to almighty for giving me the strength and the composure to finish the Internship Report. Words actually will never be enough to express how grateful I am, but never the less I will try my level best to express my gratefulness toward some people.

I would like to express my profound gratitude to my honorable teacher **Mr. Riyashad Ahmed** Sir, Assistant Professor of Finance, BRAC Business School, BRAC University for his guidance and supervision for furnishing this report and giving me such an important topic like “**Remittance Management System of Sonali Bank Limited**” as an internship report. I would like to place my gratitude to my colleagues at Sonali Bank Limited who wholeheartedly helped me in getting necessary information and to enable me to complete my internship report. I have also got help from our Head Office especially from FRMD, MIS & TMD division.

At last I would like to thank again to my honorable supervisor who gave me proper guidelines, suggestion & advice time to time & gave me opportunity to work in my well known working environment. Otherwise it was impossible for me to complete this internship in such a quick time

EXECUTIVE SUMMERY

This report is prepared to fulfill the requirement of MBA program of BRAC University on **“Remittance Management System of Sonali Bank Limited”**. I have chosen Sonali Bank Limited because it is the largest financial organization in Bangladesh. It has a great financial influence over the country. It provides the major portion of funding to some income generating and economic development projects namely Poverty alleviation, Credit program, and Agro-based Industrial Credit program in the rural areas, it has a large participation in foreign exchange business and off balance sheet activities. I am also a proud member of Sonali Bank Ltd, Wage Earners’ Corporate Branch, Dhaka which also help me to collect all information properly to find out the actual foreign remittance scenario of Bangladesh and mainly through Sonali Bank Ltd.

The prime focus of this study is to highlight and analyze the Inward Foreign Remittance condition, year-wise, country-wise analysis, discussion of different source of remittance of Sonali Bank Ltd, Remittance Management System (RMS) & distribution process etc. This is the new invention of Sonali Bank Limited to process and credit the foreign remittance within 8-24 hours to the beneficiary accounts. Here I tried my best to focus on the overall scenario of Foreign Remittance management in Sonali Bank Limited.

This study is divided into several sections. In the first section, it is the introductory part namely Introduction, Objectives of the study, Research methodology, Limitation and Coverage of the study. In the second section the background of the Sonali Bank Limited has stated briefly and the organization set up of the bank. The third section is about internship experience. The next section deals with Foreign Remittance, Remittance Management System (RMS), and contribution of remittance to the national economy & Findings of the study. Last chapter deals with Problems of Sonali Bank Ltd, SWOT analysis, conclusion and some recommendation to overcome the problems and reaching a new level of service in financial sector of Bangladesh.

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Chapter-1 | Introduction

Introduction

1.1 Origin of the report

As a requirement of the MBA program, I have assigned by my honorable supervisor **Mr. Riyashad Ahmed**, Assistant Professor of Finance, BRAC Business School, BRAC University to study the remittance management system of Sonali Bank Limited followed by a detail report.

1.2 Rationality of this study

Internship is a compulsory task for students of MBA program to attain a MBA degree. Being an employee of Sonali Bank Limited and exactly working in foreign remittance section of Wage Earners' Corporate Branch, Dhaka it is quite rationale for me to study the system of remittance earning and distribution among the branches of Sonali Bank Limited.

Alongside, foreign remittance earning is one of the key interests of banking sector in Bangladesh. Reasons behind the interest may be easy meet up of foreign currency needs arise from day to day foreign trade and increasing customer base in locality. New generation banks are taking birth with highly automated banking solutions and they can manage the remittance earning and crediting to beneficiary's A/c efficiently. But first generation banks (NCBs and semi govt. bank and other private bank) who uses traditional tools and mechanism partially or fully till today may not manage remittance services as faster as it demand by the remitters/beneficiary. Nonetheless, all banks have developed their own system to perform remittance services to clients. Therefore, this study is very much significant as a prioritized sector of banking institutions.

1.3 Scope of this report

The scope of the report was based on the annual reports & web site, input from interviews of executives of the Sonali Bank Limited. The analysis was based on the exposed and available information only. Comparison of remittance earning by both the NCBs and PCBs is done based on available information in web site of other banks and Bangladesh Bank. SWOT analysis of the company has been done. Some recommendations also have been worked out to improve the current situations for the company.

1.4 Objective of the study

The broad objective of this report is to fulfill the partial requirement of the MBA program. The specific objective aimed for this report is to conceptualize the system of remittance management and inside mechanism of handling remittances by Sonali Bank Limited.

1.5 Methodology

To illustrate the system of remittance management of SBL, this paper is intended to have a closer look on the technological aspects of the system. Also the concerned sections of the bank will be included in the study to understand the overall mechanism. The entire path of remittance from source country to receiving country i.e. from deposition of cover fund to deposition of the proceeds of the remittance to beneficiary's A/c is tried to delineate in the report.

Some statistical data collected from inside and outside of the bank will also be incorporated in the report to compare the remittance earning position of the bank.

Information used to prepare this report has been collected from both the primary and secondary sources which together provided more comprehensive information.

1.6 Collection of the data

An open discussion method was followed to gather primary information by informally interviewing the various executives of the company. Participants were purposefully selected as they commonly engaged directly in remittance services.

Sources of Primary Data :

Interview, observation

Sources of Secondary Data :

- a) Annual report of SBL
- b) Web site of different NCB, PCB, Bangladesh Bank
- c) Newspaper, other report and printed materials

1.7 Limitations Of The Study

This report suffered from several limitations:

- The most important of them was “time constraint”. Time was not adequate to complete the study more perfectly.
- Gathering remittance related data from other banks was quite difficult, in some cases I had to depend on open information source like newspaper, web site etc.
- This report also suffered from inadequate secondary information.
- This report’s factual accuracy may be compromised due to out-of-date information.
- The findings may not be generalized to the SBL as a whole.

1.8 List Of Abbreviations Used

SBL	: Sonali Bank Limited
RMS	: Remittance Management System
TRA	: Transfer Responding Advice
SWIFT	: Society for Worldwide Inter bank Financial Telecommunication
BEFTN	: Bangladesh Electronic Fund Transfer Network
DD	: Demand Draft
TT	: Telegraphic Transfer
PO	: Payment Order
EFT	: Electronic Fund Transfer
FDD	: Foreign Demand Draft
FOAD	: Foreign Overseas A/c in Dollar
FOAE	: Foreign Overseas A/c in Euro
NRAT	: Non Resident A/c in Taka
FCFP	: Foreign Currency Fund Purchase
WEFP	: Wage Earners’ Fund Purchase
COC	: Cash Over Counter

1.9 Definition Of The Terms

Remittance : A payment of money sent to a person in another place is called remittance.

Foreign Remittance: In simple terms, it means money remitted in foreign currency. More precisely, it is termed as remittances in foreign currency that are received in & made out abroad. Conceptual Issues International remittances are defined as the portion of migrant workers' earnings sent back from the country of employment to the country of origin (ILO, 2000).

Transfer of remittances takes place through different methods. 46% of the total volume of remittance has been channeled through official sources, around 40% through hundi, 4.61% through friends and relatives, and about 8 percent of the total was hand carried by migrant workers themselves when they visited.

Two types of Foreign remittance:-

- (1) Foreign Inward Remittance
- (2) Foreign Outward Remittance

Cover Fund : Replenishment of USD A/c of foreign correspondents by themselves to cover day to day payment instruction on behalf of the remitter.

Spot Cash : Payment made to beneficiary's in cash on demand instead of deposit the proceeds to beneficiary's A/c.

TRA : TRA is an intra bank financial instrument used for transferring money from one branch to other.

BEFTN : A network devised by Bangladesh Bank keeping itself in the role of a hub connecting all commercial and specialized banks in Bangladesh that are engaged in remittance earning from abroad. Utilizing the network, any bank can transfer the remittance to other bank beneficiaries shortly.

Chapter-2

An Overview of Sonali Bank Ltd.

2.1 Introduction

Sonali Bank Limited is the largest State-owned commercial bank in Bangladesh. It was established under Bangladesh Banks (Nationalization) Order-1972, President's Order No.26, 1972 consisting of National Bank of Pakistan, Bank of Bhawalpur and Premier Bank. Sonali Bank Limited was registered on June3,2007 as a Public Limited Company under Companies Act,1994 with the joint stock companies and firms for managerial efficiency and developing bank service. Bangladesh Bank issued Banking License on June5, 2007 under the Bank Company Act, 1991. Sonali Bank Limited took over the business of Sonali Bank on November15, 2007 with all its assets, benefits, rights, powers, authorities, privileges, liabilities, borrowing and obligations as a going concern under a Vendor's Agreement signed between the Government of the People's Republic of Bangladesh and the Sonali Bank Limited.

2.2 Board of Directors :

Sonali Bank Limited is governed by a Board of Directors consisting of 11(Eleven) members headed by a Chairman. The Bank is headed by the Chief Executive Officer & Managing Director, who is a well-known Banker and a reputed professional.

Sl No.	Name	Designation
1.	Vacant (Recruitment under process)	Chairman
2.	Mr. Mohammad Muslim Chowdhury	Director
3.	Mr. Md. Fazlul Haque	Director
4.	Mr. A.K.M Rezaur Rahman	Director
5.	Mr. Mahboob Hossain	Director
6.	Mr. Md. Shaheb Ali Mridha	Director
7.	Mr. Kazi Tariqul Islam	Director
8.	Mrs. Sabera Aktari Jamal	Director
9.	Mr. Afzal Hossain	Director
10.	Mr. Pradip Kumar Dutta	MD & CEO

2.3 Corporate Profile

Name of the Company	: Sonali Bank Limited
Chairman	: Vacant (Recruitment under process)
CEO and Managing Director	: Mr. Pradip Kumar Dutta
Company Secretary	: Mr. A.K.M. Sajedur Rahman Khan
Legal Status	: Public Limited Company
Genesis	: Emerged as Nationalised Commercial Bank in 1972, following the Bangladesh Bank (Nationalisation) Order No. 1972(PO No.26 of 1972)
Date of Incorporation	: 03 June, 2007
Date of Vendor's Agreement	: 15 November, 2007
Registered Office	: 35-42, 44 Motijheel Commercial Area, Dhaka, Bangladesh
Authorised Capital	: Taka 60,000.00 Million
Paid-up Capital	: Taka 31,200.00 Million
Number of Employee	: 22,446
Number of Branches	: 1207
Phone-PABX	: 9550426-31, 33, 34, 9552924
FAX	: 88-02-9561410, 9552007
SWIFT	: BSONBDDH
Website	: www.sonalibank.com.bd
Branches & Subsidiaries	
Total Branches	: 1207
Branches in Urban areas	: 343
Branches in Rural areas	: 862
Overseas Branches	: 2
Subsidiaries	: 3 : 1. Sonali Bank UK Limited having 7 (seven) branches in UK. 2. Sonali Exchange Company Incorporated (SECI) having 8 (eight) branches in USA. 3. Sonali Investment Limited (Merchant Banking) having 1 (one) branch at Motijheel, Dhaka, Bangladesh.
Representative Office	: 3 : 1(one) in Jeddah, KSA, 1 (one) in Riyadh, KSA and 1 (one) in Kuwait.
Correspondent	: 639

2.4 Vision

Socially committed leading banking institution with global presence.

2.5 Mission

Dedicated to extend a whole range of quality products that support divergent needs of people aiming at enriching their lives, creating value for the stakeholders and contributing towards socio-economic development of the country.

2.6 Objectives

- To provide all types of banking services at the doorsteps of the rural & urban people.
- To participate in various Social and development programs and implements policies and commitments of the Government.
- To work as a representative of govt. inland & outside of the country.

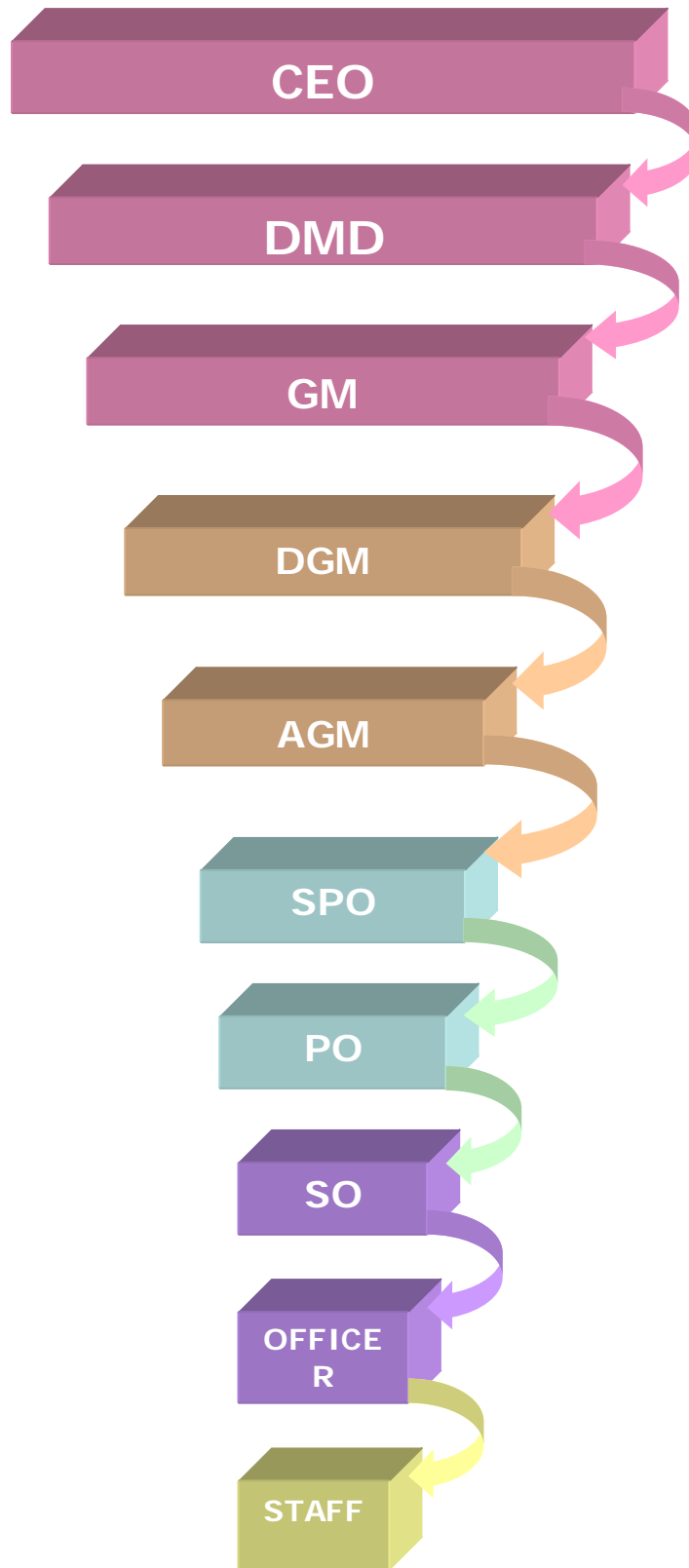
2.7 Achievement

Sonali Bank Ltd. has been awarded “Best Financial Institute of the year” for 2013 by Arthokontho Business Award.

The best Corporate Award Committee of the Institute of Cost and Management Accountants of Bangladesh (ICMAB) has considered Sonali Bank Limited. to secure the "First Position as the Best Corporate in the Banking Sector " (Nationalized Bank / Government owned public Bank) among the contesting bank in the award for its contribution to the development of corporate banking.

2.8 Organogram:

Organogram of Sonali Bank Limited:



2.9 Products of SBL :

SBL has most diversified product line. Beside the common products of Deposit, Loans/advance and Foreign trade financing, SBL has launched various products under the above common class depending on the needs of money market from time to time.

2.9.1 Deposit Products :

Along with the traditional deposit products like Savings, Current, FDR and others SBL has introduced below mentioned new deposit products in its product line.

- ❖ Sonali Deposit Scheme
- ❖ Education Deposit Scheme
- ❖ Medicare Deposit Scheme
- ❖ Rural Deposit Scheme
- ❖ Monthly earning Deposit Scheme
- ❖ Marriage Saving Scheme
- ❖ Double Benefit Scheme
- ❖ Tripple Benefit Scheme (TBS)

- ❖ Sonali Bank Millionior Scheme (SBMS)

- ❖ Non-resident Deposit Scheme
- ❖ Sonali Bank Daily Profit Scheme

2.9.2 Loan/Advance Products :

Loan and advance products of SBL are :

- ❖ **Short-term loans:**
 - Overdrafts
 - Cash credit (pledge, hypothecation)
 - Small loans
 - House Building Loan (General / Staff)
 - Agriculture loans (crop hypothecation)
 - Rural housing
 - Rural transportation etc.

❖ Medium and long term loans

- Agro based industries
- Frozen food
- Computer Software and information technology
- Export oriented finished leather and jute goods
- Export oriented spinning, textile and garments industries
- CNG (compressed natural gas) filling stations
- Pharmaceutical industries
- Chemical industries
- Commercial house building loans
- Paper Industries etc.

To accelerate the rate of credit growth, some new loan products namely (a) Small and Medium Enterprise Loan (SME) (b) Special Small Loan, (c) Rural Small Farming Loan, (d) Rural Small Business Loan (e) Poverty Alleviation Assistance Programme (Daridra Bimochone Sahayata Karmasuchi) (f) Probashi Karmasangsthan Rin Prokalpo etc, have been introduced.

2.9.3 Foreign Trade Financing Products :

Foreign trade financing of SBL comprises as under:

Import Finance:

Sonali Bank Limited supports its customers by providing facilities throughout the import process to ensure smooth running of their business. The facilities are:

- Import Letter of Credit
- Post Import Financing (LIM,LTR etc)
- Import collection services & Shipping Guarantees

Export Finance:

Sonali Bank Limited offers extra cover to its customers for whole export process to speed up receipt of proceeds. The facilities are:-

- Export Letters of Credit advising
- Pre-shipment Export Financing
- Export documents negotiation
- Letter of Credit confirmation

2.10 Utility services & social safety net programs of the govt. :

Sonali Bank offers multiple special services with its network of branches throughout the country in addition to its normal banking operations.

Collection

- Gas bills
- Electricity bills
- Telephone bills
- Water/Sewerage bills
- Municipal holding Tax
- Passport fees and Travel tax

Payment

- Pension of employees of Government and other Corporate Bodies
- Army pension
- British pension
- Students' stipend/scholarship
- Widows, divorcees and destitute women allowances
- Freedom Fighters' allowances
- Govt. & Non-Govt. Teachers' salary.

Sale & Encashment/Purchase

- Savings Certificates
- ICB Unit Certificates
- Prize Bonds
- Wage Earner's Development Bonds
- Lottery tickets of different Semi-Govt. and Autonomous Bodies.

2.11 Performance of last 5 years :

Taka in million

Year	2014	<u>Restated</u> 2013	2012	2011	2010
Total Income	64741	53718	55313	45811	39720
Total Expenses	56194	50748	44276	33420	31232
Total Operating Profit	8547	2971	11036	12391	8488
Net Profit/Net Loss after tax	6054	3580	(24959)	9957	(975)
Paid-up Capital	31200	11250	11250	11250	9000
Reserve Fund	21279	18809	12704	44842	28411
Deposits	778043	685895	599294	533192	478134
Advances	337554	343451	378147	345991	286098
Import	300143	195892	287288	307479	164043
Export	63525	62967	87408	80878	74143
No. of Employees:					
Officer	19554	19653	20088	18596	17989
Staff	2892	3237	3295	3342	2851
Total	22446	22890	23383	21938	20840
No. of Branches:					
Urban	343	343	343	342	342
Rural	862	860	857	854	845
Total	1204	1203	1200	1196	1187
Classified Loan (C.L)	86437	103769	125975	61588	68315
Provision Required	59951	77050	82419	46434	70729
Provision Maintained	59969	77050	83049	46434	59531

Chapter-3 | Internship Experience

3.1 Job Description

I joined Sonali Bank limited as an officer in Wage earner's corporate branch on 07 July, 2011. I was selected after long recruiting process. With the consent of my onsite supervisor my report is over 3 months of internship.

3.2 Specific Job Responsibilities

During my 3 months of internship I worked under the Assistant General Manager who was my supervisor in NRAT Computer section of Wage Earner's Corporate Branch. With the vision of this company objectives of respective department are, improve strategic thinking, strengthen of legal aspects, continuous involvement and effective supervision to pursue the goal, people development and motivation, proper escalation of issues and its mitigation plan.

3.3 Works involved during internship

During my attachment period I was directly involved in the remittance processing work of sonali bank limited. I was fully dedicated to the following service:

1. Maintain NRAT A/c of the foreign bank/exchange houses
2. Provide NRAT A/c statement on demand.
3. Provide core data to reconciliation department of to settle unreconciled transactions.
4. Work as a part of remittance processing section.
5. Issue/Receive inter bank remittance instrument and conduct transaction with the NRAT A/c of parties.
6. Receives remittance payment instructions from the foreign bank/exchange and provide them to remittance processing section.
7. Provide instant response to remitting company, remitters, beneficiaries etc. about remittance.
8. Provides instant support regarding payment of "Western Union" and IME spot cash to all the branches of SBL.

3.3 Observations

Sonali Bank limited is the largest financial organization of our country. I am the proud member of sonali family. The environment of Sonali Bank limited is very friendly and maintains a corporate culture.

1. Every employee is enthusiastic to his/her works, and seniors are very cooperative to junior.
2. Work is never left pending for the next day unless it is absolutely necessary.
3. With a limited number of office equipment such as Printer, Photocopy & Scanner working processes are time consuming.
4. A very small team to pull of such a big work load of the entire department.
5. The salary package for the entry and mid-level management is considerably low.

3.4 Recommendations

1. SBL should be more modernized & conscious about its remittance procurement through developing relationship and making new arrangement with different overseas banks and exchange houses.
2. As more than 65% of SBL foreign remittance comes from Middle East countries, SBL should look forward to open up different new avenues at different locations of the world to spread its remittance business.
3. An awareness program to be conducted to motivate branch employees to get informed about any migrating workers and open A/c with the branch near to him.
4. Competitive exchange rate plays a vital role in hunting foreign remittances and the rate offered by the bank should be competitive.
5. The team should be extended for better work efficiency as the work load is massive for a small department.

Chapter-4 | Foreign Remittance Overview

4.1 Background

Sonali Bank Limited is the pioneer in foreign remittance business through banking channel in Bangladesh. Being the largest commercial bank and with the wide spread branch network Sonali Bank Limited took the initiative to attract the Bangladeshi expatriates to send their earning through banking channel. To facilitate the service, SBL has established correspondence relationship with 639 branches of 427 banks located in 86 countries to facilitate business with foreign countries. This correspondent relationship has significantly increased bank's foreign exchange and trade business simultaneously. The clients of Sonali Bank Limited have been receiving prompt and satisfactory service all over the world.

Besides, SBL had also been establishing drawing arrangements with foreign banks and exchange houses to ensure the highest benefit to its customers. Initially the drawing arrangements was made for Foreign Demand Drafts, which were issued in favour of the beneficiaries and by producing the drafts to bank counter they receives their money. Another popular method of sending payment instructions was SWIFT.

4.2 Types of foreign remittance

There are mainly two types of foreign remittance :

- a) Foreign Inward Remittance
- b) Foreign Outward Remittance

4.2.0 Foreign Inward Remittance

The remittance of freely convertible foreign currencies which we are receiving from abroad against which the Authorized Dealers making payment in local currency to the beneficiaries may be termed as Foreign Inward Remittance.

A remitter need to go to a branch office of a bank or exchange house in abroad and approach there to deposit a desired amount of money to a beneficiary account or cash payment. That financial institution must have agency arrangement with the particular a/c maintaining bank or other bank in Bangladesh. After receiving the remittance value with service charge that financial institution accumulates all the payment instructions and transfer equivalent US Dollar to the NOSTRO A/c of the Bangladeshi Commercial Banks.

Afterwards the foreign bank/exchange house sends payment instructions in various methods to Bangladeshi bank to execute the payment to beneficiaries.

4.2.1 Mode Of Inward Remittances :

Following are the modes of foreign inward remittances.

- i) EFT : Electronic Fund Transfer
- ii) FDD : Foreign Demand Draft
- iii) TT : Telegraphic Transfer
- iv) MT : Mail Transfer
- v) TELEX : Teleprinter Exchange
- vi) SWIFT : Society for Worldwide Inter bank Financial
Telecommunication
- vii) SPOT CASH : Payment in cash over the counter
- viii) TC : Travellers' Cheque

EFT : EFT are merely an Excel or Text file in specified format containing both remitter and beneficiary information along with purpose of remittances and currency denomination.

FDD : FDDs are treated as financial instrument issued by the foreign correspondent bank or exchange houses drawn on Bangladeshi counterpart. All the nature of Local drafts is present in such foreign draft. In some cases Bangladesh commercial banks issued such drafts on behalf of correspondents after getting draft payment advice.

TT : Once TT was very popular method foreign remittance for its faster service. In this method upon receiving the payment instruction from foreign agents through Email, Fax, SWIFT proceeds of the remittance are transferred to beneficiary's branch through TT.

MT : Mail Transfer also one of the popular method of foreign inward remittances in early days. Cover funds along with payment instructions were received through MT from the correspondent banks and executed accordingly by the Bangladeshi Banks.

TELEX : TELEX method also abolished but using the name a very few remittances are passed to the beneficiary's branch over telephone (hardcopy of advise sent by post) instead of TELEX machine.

SWIFT : SWIFT is very popular, highly secured and authenticated method of communication between the banks worldwide. MT103 is the means of sending remittances to individuals and MT202 is the means of sending institutional remittances.

SPOT CASH : Recently Spot Cash become very popular to both remitter and remitting institutions due to its simplicity. In this method beneficiary needs not maintain A/c with the bank instead producing identity papers and security PIN Code to the bank counter he/she can withdraw cash. Remittance companies also encouraging remitters to use the product as incorrect beneficiary name or account no. may postpone deposit of the proceeds of the remittance.

4.2.2 Sources of Inward Remittances:

- Bangladeshi Migrant Workers
- Bangladeshi Expatriates
- Export-Import
- Foreign Donors' / Agencies
- Foreign Direct Investment
- Foreign Credit Line
- Visitors.

4.2.3 Purpose of Foreign Remittances:

In short, remittances are being sent from abroad for the following purposes:-

- Family maintenance
- Gift/helping family members
- Indenting Commission (In case of Import commission receive from principle)
- Recruiting Agents Commission
- Realization of Export Proceeds
- Business
- Donation
- Export broker's Commission etc.
- Meet up import cost
- Travel Expense

4.2.4 Foreign DD Purchase:

Sometimes AD branches purchase Foreign DD drawn on other bank and collect reimbursement from the payee bank.

Collection Procedure :

- ❖ Record the entry in foreign bills Collection Register
- ❖ Prepare forwarding schedule addressed to the payee branch.
- ❖ Prepare vouchers on realization.

4.2.5 Payment of Foreign Currency Notes:

F.C. Notes are kind of foreign currency instruments traded in Authorized Branches only as they can deal with foreign currency. AD branches of the bank are to make payment of F.C. notes in equivalent Taka currency at the prevailing rate (T.T. Clean buying rate). Generally, three foreign currencies namely U.S. Dollar, Pound Sterling and Euro are being bought and sold along with two other currencies like K.S.A. Riyal & Kuwaiti Diner.

General Principles and Precautions

- a. Branches may freely buy foreign currency notes from Bangladesh as well as foreign nationals.
- b. Currency notes, especially notes of higher denominations, i.e. US \$ notes of 50 and 100 denominations, should be checked carefully to ascertain their genuineness.
- c. Foreign Exchange Department shall maintain currency wise F.C. in hand Control Ledger to record each day's transactions.
- d. On the last working day of each month the branch shall calculate the exchange gain or loss and carry out necessary adjustment in the control ledger.
- e. Foreign currencies shall be purchased at the rates instructed by the Head Office,

4.2.6 Travellers' Cheques

Payment against TCs

The customer tendering the Travelers' Cheques should be asked to sign the TCs at the designated places in front of the concerned bank official who would satisfy himself about its genuineness with reference to the customer's signature already appearing on the TCs and his passport. Should there be any doubt, purchase contracts of the TCs may be asked for.

Collection of Proceeds of Encashed TCs

Encashed TCs should be sent to the relevant foreign correspondent for collection and crediting the proceeds to the Head Office's Nostro A/C. On receipt of the credit advice from the foreign correspondents the following vouchers are to be passed.

TCs and Foreign Drafts received on Collection Basis (FOBC)

After observing the usual formalities, the branch, on transmission of the instruments abroad for collection, will pass a contra liability voucher at the TT (clean) buying rate.

4.3 Foreign Outward Remittance

Remittance to other country in foreign currency is called foreign outward remittance. In Bangladesh there is current account convertibility. That means Export, Import and Foreign inward remittance is acceptable. But there are some cases where outward remittance is allowed. These are :

- a) Import payment
- b) Medical Expense in abroad
- c) Travel Expense
- d) Interest on investment
- e) Profit portion of foreign entrepreneurs
- f) Education Purpose
- g) Salary of authorized foreign employees working in Bangladesh.

4.4 Bangladesh Bank Approval :

As per The Foreign Exchange Regulation Act'1947 remittance to outward from Bangladesh is strictly prohibited. If there is any rationale ground to do so prior approval from the central bank must be needed.

4.5 Foreign Remittance Source Countries :

Mainly Middle-East countries are the prime source of foreign remittances towards Bangladesh. Middle-East countries hire huge labor force from Bangladesh every year. Although recently the trend is diminishing. A lots of workers' are coming back to Bangladesh. Except the Middle-East countries, U.S.A, United Kingdom and Malaysia also other good sources of foreign remittance to Bangladesh. A list of foreign remittance source countries is mentioned below :

- ❖ Kingdom of Saudi Arabia
- ❖ United Arab Emirates
- ❖ United States of America
- ❖ United Kingdom
- ❖ Italy
- ❖ Kuwait
- ❖ Qatar
- ❖ Oman
- ❖ Bahrain
- ❖ Libya
- ❖ Malaysia
- ❖ Spain
- ❖ Canada
- ❖ Iran
- ❖ South Korea
- ❖ Singapore
- ❖ Hong Kong
- ❖ Brunei

Among the above countries, K.S.A. alone send one third of total foreign remittance to Bangladesh. One good reason is that minimum 40% of migrant workers go to K.S.A. Though many of them are being migrated illegally to K.S.A. The flow of migrant workers to abroad is not sound every year. It depends on the economic condition and development projects, Industry demand in those countries. Basically Bangladeshi workers' are unskilled. Illiteracy, lack of technical skill and English knowledge are also shrinking the scope of getting job in those developed countries. Nevertheless, Bangladeshi workers are playing a vital role for our economy by earning foreign

exchange. Foreign job market is well diversified now. There are many options to get hired in many countries as a worker.

Over the past 25 years labour migration from Bangladesh has registered a steady increase. From 1990 onwards on an average 3,25,000 Bangladeshis are migrating on short-term employment, mostly to 13 countries. In the past the bulk of the migrants consisted of professional and skilled labour. However, the recent trend is more towards semi- and unskilled labour migration. Due to increase in the flow of unskilled and semi-skilled labour, remittance is increasing at a much lower rate than the labour flow. Remittance is crucial for Bangladesh's economy. It constitutes almost one-third of the foreign exchange earning. About 25 percent of remittance senders were students when they went abroad and another 25 percent were living off their own land. A large segment of them were working as construction labourers overseas, another group worked as agricultural labourers. UAE, Saudi Arabia and Singapore constituted the most of important destinations of these migrants.

Transfer of remittances takes place through different methods. 46% of the total volume of remittance has been channeled through official sources, around 40% through hundi, 4.61% through friends and relatives, and about 8 percent of the total was hand carried by migrant workers themselves when they visited.

4.6 Foreign Remittance : Scope & Prospect

There are an estimated 8.6 million Bangladeshis living and working abroad, mainly in the Middle East, South East Asia, Europe and the United States. Millions at home are dependent on money sent by their expatriate relatives - money that has been credited for the decline in poverty in the country.

According to provisional statistics of the Bangladesh Bank (BB), the amount of remittance, a key source of foreign exchange for the impoverished country after garments exports, in the last month stood at 877.95 million U.S. dollars, down 2.78 percent over that in May.

Bangladesh's inflow of remittance during the first 11 months of 2013-14 fiscal year surged 14.94 percent to 10.08 billion U.S. dollars, more than the total amount of 2012-13 fiscal year. During 2012-2013 fiscal year (from July 2012 to June 2013), the expatriate incomes hit a record 9.69 billion U.S. dollars.

It is indeed a good effort devised by Bangladesh Bank to encourage expatriate Bangladeshis to send the remittance through banking channel. A very recent effort by them is BEFTN. BEFTN stands for Bangladesh Electronic Fund Transfer Network. This is a remittance transferring mechanism within the commercial banks under supervision of BB.

As the global economic downturn squeezed opportunities of fresh employment in developed countries, overseas jobs for Bangladeshis in the first half of this year were

reduced by around 18.82 percent over that a year ago. According to statistics of the Bangladesh Bureau of Manpower Employment and Training (BMET), some 203,684 Bangladeshis including 34,798 people in June found foreign jobs from January to June this year, compared with around 250,900 jobs in the same period a year ago.

One important thing need to consider right now that Bangladesh must step out to search new job market for Bangladeshi workers. It is mostly a government initiative rather than that of private manpower exporters. Our foreign exchange reserve mostly depends on the workers’ remittance flow. So if we be able to export manpower to new destinations, the migrant workers’ will act as a catalyst to boost our economy.

4.7 Statistics of Foreign Remittance:

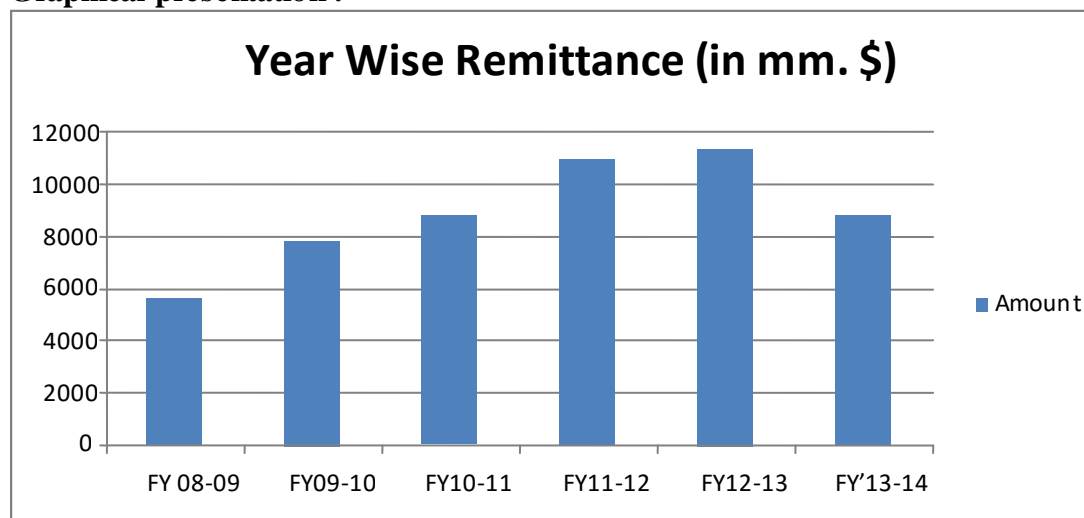
Statics of Global Remittance (Region wise):

in million USD

YEAR/ REGION	GULF	EURO	ASIA PACIFIC	REST WORLD	TOTAL
FY08-09	4180.7	713.6	156.0	947.17	5998.47
FY09-10	4856.8	988.8	382.2	1686.98	7914.78
FY10-11	6375.6	809.0	461.5	2043.2	9689.3
FY11-12	7216.7	844.0	795.3	2131.4	10987.4
FY’12-13	7853.6	860.5	799.4	2136.82	11650.32
FY’13-14*	5689.6	621.9	577.9	1531.21	8420.61
TOTAL	28,148	4,428.0	1,782.6	8,861.60	43,220.20

* from July’13 to Feb’14

Graphical presentation :



The above picture shows a steady growth in remittance flow towards Bangladesh and it is expected that at the end of running fiscal year it will cross the total of last fiscal year.

Remittance through banking channel, among the other commercial and specialized banks SBL is holding the 2nd position. Though state owned Agrani Bank and Janata Bank are very much near to SBL holding position 3rd and 4th respectively.

Due to a recent improvisation in remittance management adapted under control of Bangladesh Bank, which is termed as BEFTN, all banks are collecting remittances and disbursed to other banks beneficiary's A/c within 24 hours. Therefore, branch network of state owned bank is being utilized by the other banks.

4.8 SBL contribution in inward Remittance Flow from Foreign Countries :

Fig. in Million USD

Type	2010-11	2011-12	2012-13	2013-14*
Global Remittance	9689.26	10749.70	11650.32	8420.61
Sonali Bank Ltd.	941.83	1022.71	11152.58	901.25

* July'13-Feb'14

From the above picture it is observed that the share of Sonali bank remittance out of the total foreign remittance in Bangladesh is significant. Sonali Bank Ltd. is the leading bank in Bangladesh in hunting foreign remittance to our country. Although hard competition among the other commercial banks in remittance business today compel the bank to loose its share.

4.9 Remittance & Economic Development in Bangladesh :

The remittance and economic development in Bangladesh can be broadly explained in two ways:

1. Overall Macroeconomic benefits of remittance and
2. Macroeconomic Benefits at Household Level.

4.9.1 Macro-economic Impacts of Foreign Remittance :

Remittance has become source of dependency for economic government and economic planners of Bangladesh. A highly import dependent country always remains tensed to meet up the costs of import. Export earning is not enough to manage the huge outflow of foreign currency required to meet the import payments. According to latest economic and social survey of UN Economic and Social Commission for Asia and the Pacific (UN-

ESCAP), annual remittances exceed official development aid and foreign direct investments in Bangladesh. Formal remittances stood at US\$11.6 billion in 2012-13, equivalent to around 11.37% of GDP. A sharp improvement is seen while compare with the figures on 2010. It was 3.8 Billion USD through formal channel and was equivalent to around 6% of GDP. Through informal channel how much foreign remittances are coming to Bangladesh is very difficult to guess. Roughly half of remittances to Bangladesh are estimated to be generated through informal channel(Siddique, Tanseem, Abrar). Although recently remittance to Bangladesh through formal banking channel has been increased. Formal remittances have been growing at over 10% annually since 2000, due to effective government policies encouraging greater efficiency and confidence in formal remittance payment channels. Formal remittances alone are equivalent to more than 50% of total government revenue, and are equivalent to around 4 times total annual aid flows in 2010. Remittances also represent around 40% of export values, and play a critical role in providing foreign currency and financing the country's trade deficit (DFID Bangladesh, 2010).

Remittances play a critical role in generating foreign exchange reserves for Bangladesh – equivalent to around 40% of export revenues, and around 11.36% of GDP. The foreign currency aspect of remittances is especially important as Bangladesh runs a trade deficit and is currently suffering from a serious foreign exchange crisis. Growth in remittances is likely to be one of the key factors in the medium run in maintaining foreign exchange reserves and thereby maintaining economic stability.

4.9.2 Macro-economic Impacts at Household level :

The remittance has significant macroeconomic impact at household level. The macroeconomic impact of remittances at household level partially depends on the characteristics of the migrants and hence the recipients i.e. whether they constitute the rural poor, or the more educated sectors of the population generally residing in urban areas. The majority of Bangladeshi migrants abroad is unskilled, and originates from rural areas (de Bruyn 2005). Unskilled workers take jobs in Saudi Arabia, the United Arab Emirates, Malaysia, and to a lesser extent US and UK as domestic staff and labourers. Saudi Arabia alone accounts for around 43% of migrants out of Bangladesh.

According to official statistics, from 1976 to 2014, 46% of migrants were unskilled, lacked access to land and resources. The poverty profile of migrants is looked at more closely in the social appraisal. However the evidence clearly shows that most short-term migrants abroad are poor and from rural areas. The poorer the household, the more impact or benefits remittance income can have on alleviating poverty. In the short-term remittances help loosen the budget constraints of their recipients, allowing them to increase expenditures on both durables and non- durables products, and provides them with protection against negative income shocks.

Remittances are cited as making up around 60% to 70% of recipient poor households' total income (Bruyn 2005). Investment in health and education is valuable for long-term

economic growth and poverty reduction. Studies conclusively found that migrant families invested more in these areas (Murshid et al 2002). The most comprehensive review of the literature on remittances in Bangladesh (Bruyn 2005) lays out a number of benefits that are listed in the table below.

Socioeconomic Impact of Remittance at Community & Household Levels in Bangladesh

Major Indicators	Positive Impact of Remittances
Nutrition	Allow families of migrants to meet basic nutritional needs
Living condition and Housing	Living condition and housing improved
Education	Invest for education of children
Healthcare	Increased investment for healthcare
Social security	Social security for elderly people increased
Investment	Increased investment in business or income generating activities

Modified from Tom de Bruyn 2005.

It is found from a study that during migration the total income of migrant households increased by 119 percent. It is also found that on an average each migrant remitted 55.65 percent of his income. Again remittance constituted 51.12 percent of the total income of these households¹⁰. It is found from different survey that a higher portion of remittance is used for consumption. Another significant portion of remittance is used for purchase of land and home construction. It may be mentioned here that while going abroad a migrant worker usually manages the fund for his migration either by selling land or mortgaging land. So to retrieve the sold or mortgaged land and also purchase additional land remittance plays an important role. Moreover, some portion of remittance is used for food, clothing, health care and children's education. A very small portion of remittance is used by the recipients for investment in business or other ventures and savings. Besides, during returning home the migrant workers bring some luxurious products i.e. colour television, CD and VCD player, cosmetics and other electronics item for home use, which reduce the usual amount of remittance that could be sent by the migrant workers. If the utilization of remittance is categorized as productive and non-productive purposes, then it will be found that most of the remittance goes to non-productive purposes and a very insignificant portion is utilized for productive purposes.

Chapter-5 | Remittance Management System of SBL

Remittance Management System (RMS/RMS+)

5.1 Preamble :

Sonali Bank Limited is the pioneer in remittance business among the commercial banks in Bangladesh. Foreign remittances were coming through banking channel since inception of correspondent banking culture in Bangladesh. But it could support only few purposes like export earning, individual remittances etc. This bank to bank transfers cost high service charge in every banking stations. That's why if a person wants to remit 1000 USD to Bangladesh and if it requires 2 or 3 banks nostro A/c in the interim, then the ultimate beneficiary can receive almost 900 USD in hand. Another drawback of the system is time. Such transfers take even one or two weeks to reach the money at beneficiary's hand.

To reduce the constraints of time and service charge, initially SBL started to establish draft drawing arrangements with overseas banks and exchange houses especially with those, who are operating their business in countries where Bangladeshi workers go. The main aspect of such arrangement is that correspondents maintain both USD A/c and NRAT A/c with SBL. According to the arrangement, the correspondent bank/exchange houses are issued FDD drawn on the branches of SBL, and after payment SBL claims reimbursement from the NRAT A/c of those correspondents.

Now at the age of computer applications and internet facility, FDD system are about to abolish and EFT system is become popular to both the parties under the arrangement.

5.2.1 Overseas subsidiaries of SBL (SECI) :

Sonali Exchange Co. Incorporate(SECI) is one of the subsidiary institution of SBL. There are 8 branches of SECI in U.S.A. They maintain communication with non-residence Bangladeshis. They help them in account opening, Bond issuing, remittance sending, giving banking advices etc. The branches of SECI's are:

- a) Loss Angels Br., U.S.A.
- b) Brooklyn Br. U.S.A.
- c) Atlanta Br. U.S.A.
- d) Jackson Heights Br. U.S.A.
- e) Michigan Br. U.S.A.
- f) Astoria Br. U.S.A.
- g) Paterson Br. U.S.A.
- h) Manhattan Br. U.S.A.

SECI is operated as a part of Foreign Remittance Management Division, Head Office, SBL. Wage Earners Corporate Br. also has a SECI cell to facilitate the job of SECI, Head Office. Year wise remittance position from SECI is shown below :

YEAR	NO. OF REMIT.	AMOUNT (in 000 \$)
2011	165632	184329.61
2012	125145	137518.05
2013	105174	115253.68
2014	111298	128934.55

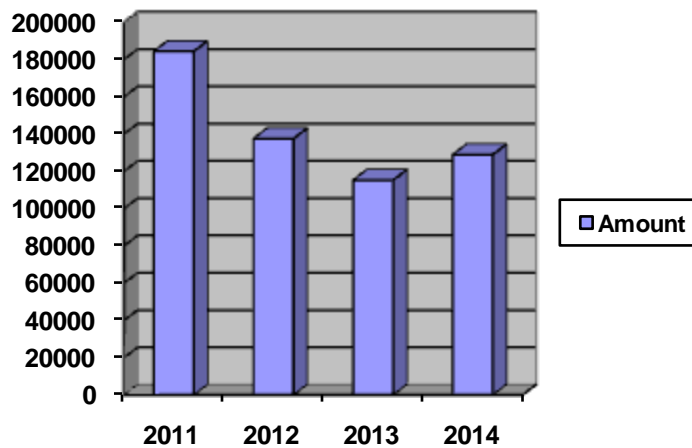


Fig :Amount of SECI remittance (In '000 Dollar)

5.2.2 Overseas subsidiaries of SBL (SB UK Ltd) :

Sonali Bank (UK) Ltd is also a subsidiary institution of SBL. This subsidiary was formed to attract huge Bangladeshi expatriates living in UK to remit their money through SBL. SB UK Ltd. always remain in touch with the Bangladeshi community and assist them in opening Bank A/c, procuring various FC Bond and other financial instrument.. There are 06 offices of SBL (UK) LTd. In U.K. They are:

- a) London Main Br.
- b) Manchester Br.
- c) Luton BR.
- d) Birmingham Br.
- e) Bradford Br.
- f) Camden Br.

Month wise inward remittance statement of SBL(UK) Ltd. are as follows:

YEAR	REMITTANCE IN POUND	TAKA (000)
JAN,13	2950000	328568.59
FEB,13	4300000	470045.24
MAR,13	3000000	314417.19
APR,13	4000000	425598.08
MAY,13	2900000	298549.44
JUN,13	3925000	401339.75
JUL,13	4700000	498536.93
AUG,13	5075000	551541.85
SEP,13	3225000	381696.44
OCT,13	4150000	463076.50
NOV,13	4200000	474914.80
DEC,13	3350000	373798.12
TOTAL	45775000	1930153.52
JAN,14	4975000	559556.66
FEB,14	4190000	491277.75
MAR,14	3710000	438596.62
APR,14	3690000	440722.50
TOTAL	16565000	1930153.52

5.3 Wage Earners' Corporate Branch, Dhaka : Controlling branch of Foreign Remittance

Wage earner's corporate branch is the second largest branch of Sonali bank. It has established on 1976 A.D. The location of the branch is on 62, Dilkusha, Dhaka. The branch activities are operated from ground floor to 5th floor. The present Deputy General Manager of the branch is Md. Obaidur Rahman. It is mainly a specialized branch for collecting & distributing wage earner's remittances from all over the world. Here the remitter sends dollar, pound, euro, riyal, taka etc foreign remittances directly through SWIFT, BEFTN, IME, Western Union Money Transfer, sonali exchange, SBL (UK)etc. They also send money through hundreds of foreign banks & exchange co. who have good relationship & accounts with us which helps the workers & employees to handover the remittances quickly to the family members of them.

There are about .1 million of FCAD account, NRB account, about 8500 savings account, 3000 current account etc in this branch. There are 30 departments, about 250 employees in this branch. There is a DGM, 04 AGM lead the branch to work properly. The other local banks like-Agrani, Janata, Rupali, Citi bank, N.A etc use our branch as media to transfer inland remittances. There are also some important foreign banks, exchange

houses, Saudi & Kuwait representative offices, Seci & Sonali Bank (Uk) Ltd works with us directly.

Wage Earner's corporate branch is the highest foreign remittance collector of Sonali Bank Ltd. In the last 3 years it has collected about 87% foreign remittance of SBL. It is one of the best foreign remittance collector of the country also. The last 6-7 years it has collected about 14% remittance of Bangladesh.

SBL has designated its Wage Earners' Corporate Branch, Dhaka as a operational controlling branch for its remittance services. The operational activity for foreign remittances has been performed by the five importance sections.

1. FOAD Section
2. NRAT Operation Section
3. NRAT Computer Section
4. Foreign Currency Banking Section
5. Fund Management Section

5.3.1 FOAD Section :

FOAD section mainly maintains USD A/c, Euro A/c and Pound/Sterling A/c of the foreign correspondents. Before every payment instructions by the correspondent bank/exchange houses, they provide cover fund to their foreign currency accounts with SBL. Hence, this section is responsible for ensuring cover fund for every payment instructions. Unless or until the cover fund is received, remittance processing section never executes payment orders by the correspondent bank/exchange house. Other important responsibility of the section is to provide A/c statement, balance confirmation and foreign currency holding position to the interested parties. FOAD section need to communicate regularly with Fund Management section and Treasury Management Division of Head Office for the purposes.

Main activity :

- Collects cover fund information
- Ensures credit fund in NOSTRO A/c
- Performs necessary accounting to convert the fund in Taka denomination.
- Provides USD/EURO A/c statements on demand
- Provide balance confirmation to the auditors of overseas bank/exchange houses.

- Communicate with overseas bank/exchange houses if any difficulty arises in fund operation.
- Intimate exchange rate to overseas bank/exchange houses if any change occurs.

5.3.2 NRAT Operation Section :

NRAT Operation Section is the main section for handling operational activity of foreign remittance and is responsible to follow, execute and ensure remittance orders of foreign banks and exchange houses with due diligence. This section communicates with the correspondents to serve their needs and meet up every difficulties face at Sonali's end through mutual cooperation.

Main activity :

- Performs as a operational head for the branch regarding foreign remittance.
- Maintain close relation with all foreign bank/exchange houses and attend all requests of them.
- Ensures execution of remittance instruction in compliance with the terms and condition stated in the agreement.
- Provide remittance data to the interested parties inside the bank and Bangladesh Bank.
- Receives remittance payment instructions from the foreign bank/exchange and provide them to remittance processing section.
- Work as a part of remittance processing section.
- Maintain records related to foreign remittance.

5.3.3 NRAT Computer Section :

NRAT Computer Section is another important section of WECEB that maintains NRAT A/c of the correspondent bank/exchange houses. Every remittance orders is executed by debiting the respective company's NRAT A/c. NRAT Computer section is also responsible to meet up every queries regarding NRAT A/c information, providing statements, refund remittance orders and provide support to settle unreconciled issues.

Main activity :

- Maintain NRAT A/c of the foreign bank/exchange houses
- Provide NRAT A/c statement on demand.
- Provide core data to reconciliation department of to settle unreconciled transactions.
- Work as a part of remittance processing section.
- Issue/Receive inter bank remittance instrument and conduct transaction with the NRAT A/c of parties.
- Receives remittance payment instructions from the foreign bank/exchange and provide them to remittance processing section.
- Provide reimbursement to the branches against payment of FDD issued by the foreign bank/exchange houses from their NRAT A/c.
- Provide technological support to remittance processing section.
- Procurement of hardware, software and other accessories.
- This section has a well equipped “Remittance Service Centre” aiming to provide instant response to remitting company, remitters, beneficiaries etc.
- Provides instant support regarding payment of “Western Union” and IME spot cash to all the branches of SBL.

5.3.4 Foreign Currency Banking Section :

Wage Earners’ Corporate Branch is one of the top priority branches of SBL. This branch has almost 80000 FC Account of different nature. Savings FC Account, NFCD A/c, Interest bearing FC A/c etc. are the main product of this section. This section handles remittances directly with its own FC account also handles remittances to other branch FC A/c and other bank FC A/c.

Main activity :

- Open FC A/c for both resident and non resident Bangladeshis
- Maintain NFCD/RFCD A/c of the expatriate Bangladeshis.
- Maintain USD denomination FDR
- Provide NRAT A/c statement on demand.
- Execute remittances in USD denomination.
- Perform auction of USD remittance and transfer the proceeds in Taka.
- Sell/Purchase of FDD in foreign currency.
- Issue USD draft for IPO subscription

5.3.5 Fund Management Section :

Fund management section oversees the deposition of cover fund in our NOSTRO A/c by the correspondents and uses of foreign currency by converting into Taka to ultimate beneficiaries. This section also liable to record the fund position and balancing between NOSTRO A/c and the ledger maintained with WECB for each NOSTRO A/c.

Main activity :

- Keeps the record of fund position in the NOSTRO A/c of Wage Earners' Corp. Branch, Dhaka.
- Balancing of Nostro A/c
- Reconciliation of Nostro A/c
- Sell the surplus foreign currency to Head Officer and realize exchange gain.
- Provide currency holding position to Treasury Management Division, Head Office, Dhaka.
- Arrange to collect cover fund if that are placed to Nostro A/c of Head Office.

5.4 RMS/RMS+ :

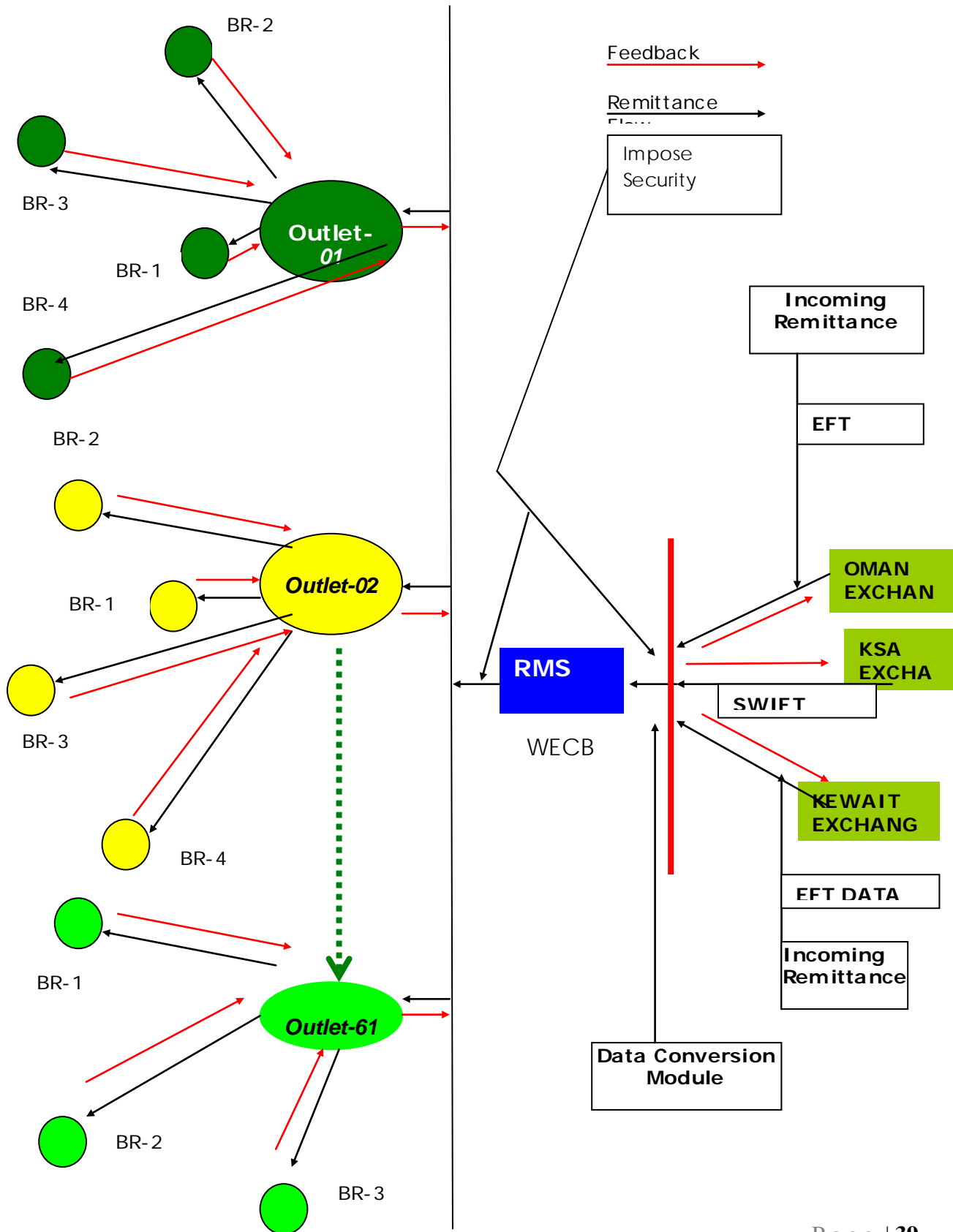
RMS/RMS+ is merely a software application to manage the remittance system of Sonali Bank Limited efficiently. RMS+ is the upgraded version of RMS. Before RMS, EPS(Electronic Payment System) was incorporated with SBL. Although it was not so efficient to transfer the proceeds of the remittance to beneficiary's branch. It was a semi automated system to manage remittance system in SBL initially.

EPS, RMS and RMS+, all the software in house software of SBL, developed by the own programmers. At present RMS+ is being used to manage remittance services and in a very low extent RMS is using due to improper technical connectivity.

5.5 Features of RMS

- ❖ Credit beneficiary Account 24 to 48 Hours.
- ❖ Auto TRA issue
- ❖ Auto Test Number for any amount (Parameterized)
- ❖ Auto Signature (Parameterized)
- ❖ Highly secured data transmission
- ❖ Auto Feed Back
- ❖ Data Ready for Reconciliation
- ❖ Unique platform for all exchange company
- ❖ Consolidated Data packet for all overseas exchange/Bank
- ❖ Missing data packet traceable by outlet software
- ❖ Single Copy instrument print
- ❖ Additional instrument copy prints with “Care Duplicate”.
- ❖ Generate all types of required statements
- ❖ 100% parameterized Software
- ❖ Only local TRA prints at WECB (Wage Earner’s Corp Br)

5.5.1 A short over view of RMS is shown below:



5.6 RMS+(Upgraded version of RMS) :

As stated above RMS Plus is the upgraded version of RMS. Basically the facility of internet based web application is incorporated with the system so that branch can directly find the remittances on it. A specialized programming team of IT Division, Sonali Bank Limited has been developed the system to meet the needs of faster remittance service that are performing by the other competitors.

Prior to RMS+, a remittance was taken around 24 hours to 24 hours to deposit the proceeds to beneficiary's A/c. To keep pace with the faster service of the competitors, SBL also strive it's best to develop the existing system to become more efficient and faster and the result is RMS+.

RMS+ is a web based application program where remittance processing to deposition of proceeds of the remittance to beneficiary's A/c is done in major three steps.

1. EFT remittance file processing in RMS+ software
2. processed data upload to RMS+ server
3. TRA download from RMS+ server by the beneficiary's branch

5.6.1 Features of RMS+ :

Important features of RMS+ are :

- ❖ Credit beneficiary's A/c within hours.
- ❖ Auto TRA Issue
- ❖ Auto insertion of Test No.
- ❖ Auto Signature printed on the TRA
- ❖ Communication gap reduced
- ❖ Branch need not to download data file instead download a report as an instrument.
- ❖ Data communication hazard reduced.
- ❖ Faster deposition of proceeds of the remittance to beneficiary's A/c
- ❖ Remittance information is available in web server
- ❖ Through a front end application branch easily isolate the remittances on it
- ❖ Easy adaptation of Spot Cash remittance
- ❖ Full parameterized
- ❖ Easy access ensured by very remote branches of SBL
- ❖ High speed data connectivity

- ❖ Dedicated network within the branches
- ❖ Easy Check out over the pending remittances by the controlling branch.
- ❖ Remittance processing time is reduced
- ❖ Highly secured platform
- ❖ Quick feedback ensured
- ❖ Auto reconciliation
- ❖ Platform independent
- ❖ SPOT Cash remittance can be discharged within minute.

5.7 Major Steps of Remittance Functioning :

There are three major steps in remittance functioning in SBL.

- a) Receipt of cover fund
- b) Remittance file download and process
- c) Upload and download remittance instruments from RMS+ server

As per the value date overseas bank/exchange houses prepare remittance payment instruction and according to the total amount of the payment file their fund section arrange to purchase equivalent US dollar and instruct their bank to place the cover fund to SBL's Nostro A/c. Alongside, their IT team prepare the remittance file in an agreed file format with SBL and sent the same to SBL through email, SWIFT, Web site.

The security of the remittance file is maintained in various ways. There is an Test Key arrangement with the remittance counter part and they provide a Tested forwarded message along with the remittance file. Some remittance company sends encrypted data file and the password is provided in advance to an authorized person to decrypt the same. There is another good system of providing remittance file is secured download from web site. This method is highly secured as there is restriction to unauthorized access.

5.7.1 Receipt of cover fund :

SBL maintains NOSTRO A/c in overseas banks. Both Head Office and Wage Earners' Corporate Branch have NOSTRO A/c in overseas banks. While establishing the drawing arrangements with foreign bank/exchange houses, it was clearly articulated there in which NOSTRO A/c cover fund to be placed. Though, in some cases foreign correspondents may deposit the cover fund in SBL, Head Office Nostro A/c. In that case Wage Earners' Corporate Branch had to realize the cover fund from Head Office A/c.

Wage Earners' Corporate Branch maintains Nostro A/c with the following banks :

1. Habib American Bank, New York
2. Dutche Bank Trust Corporation
3. Standard Chartered Bank, New York
4. Unicredit Bank, Italy
5. Sonali Bank (UK) London

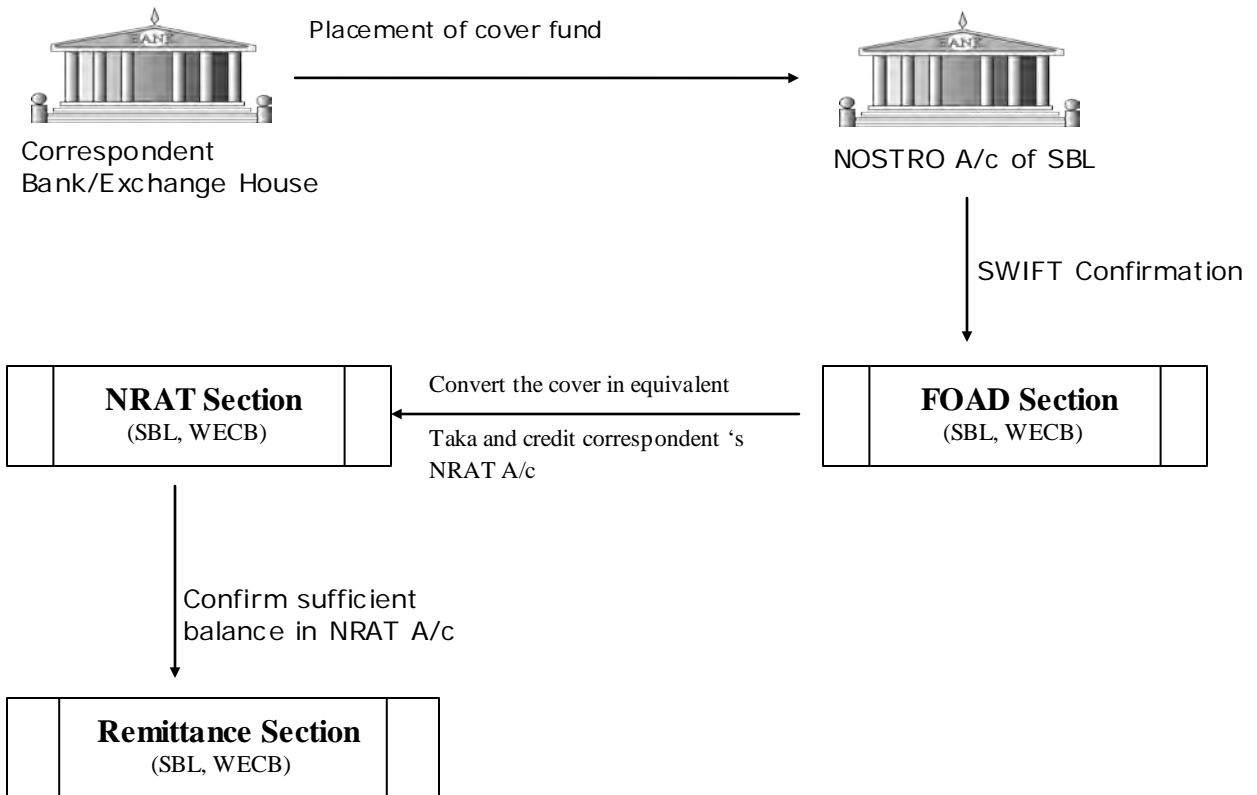


Fig : Receipt of cover fund

5.7.2 Remittance file download and process :

Remittance processing section receives remittance files in various mode from the overseas bank/exchange houses. Way of receiving remittance raw files are as follows :

- a) EFT file through email
- b) Through web site of the company
- c) SWIFT

EFT files are merely EXCEL format file sent with Tested message and the TEST KEY section verify the Test No. with other particulars and confirm the validity of the remittance file. Remittance through web site of the company is considered as highly secured and Test verification is not required. SWIFT also be treated as highly secured data communication.

After getting confirmation about sufficient balance in respective company's NRAT A/c, remittance processing section capture the raw information in RMS+ software. While processing the remittances, TRA No. Test No. and Auto signature is inserted in the system and the data are finally prepared for uploading in RMS+ server. The entire process takes almost 10-20 minutes. After completion of TRA processing, the data is sent to Head Officer server for upload therein.

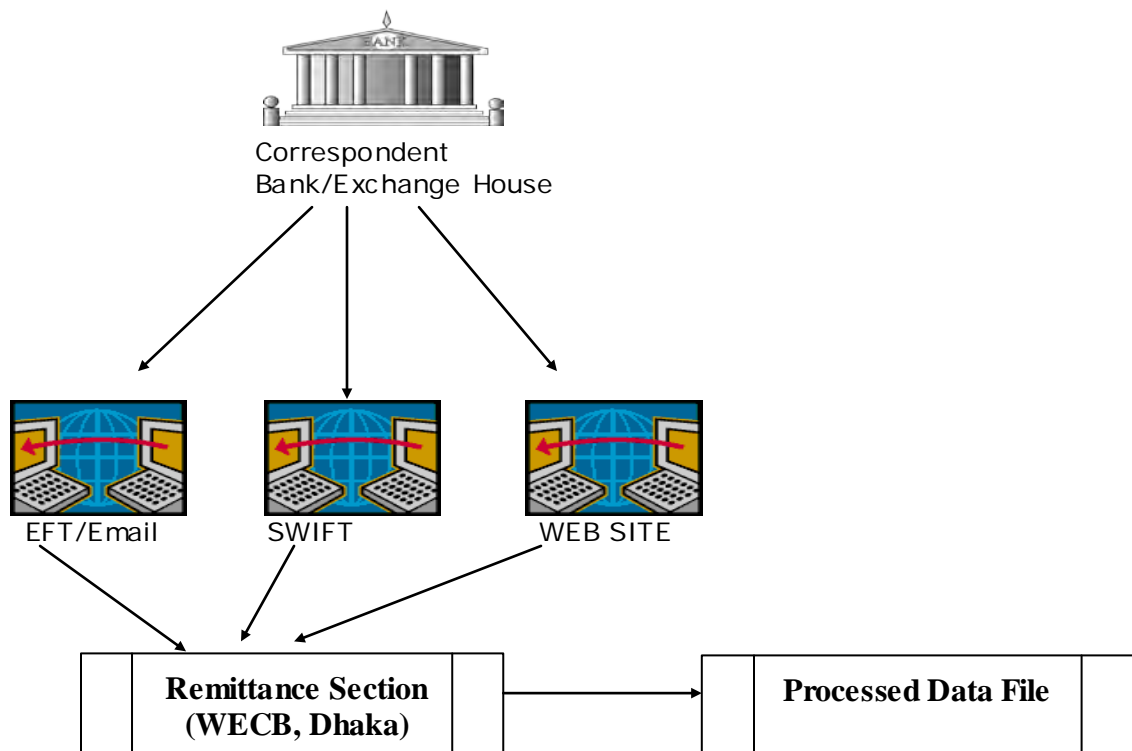


Fig : Remittance processing

5.7.3 Upload & Download from RMS+ Server :

RMS+ server is located at IT Division, Head Office of SBL. Remittance section prepare remittance data file for every exchange house and send the data file to Head Office in order for upload the same to RMS+ server.

All the branches of SBL is under RMS+ network and they can directly access to RMS+ server to download instruments meant for their branch. Thus in a working day, branches remain connected with the RMS+ server and download the instruments instantly and credit the proceeds of the TRA to beneficiary's A/c.

In the case of SPOT CASH, branches could only understand about the remittance after the beneficiary come to the bank counter. When spot cash data is uploaded in RMS+ server, beneficiary receives an SMS in his/her mobile phone and by producing the proper identity paper by the beneficiary with the secret PIN code, he/she receives money from the counter.

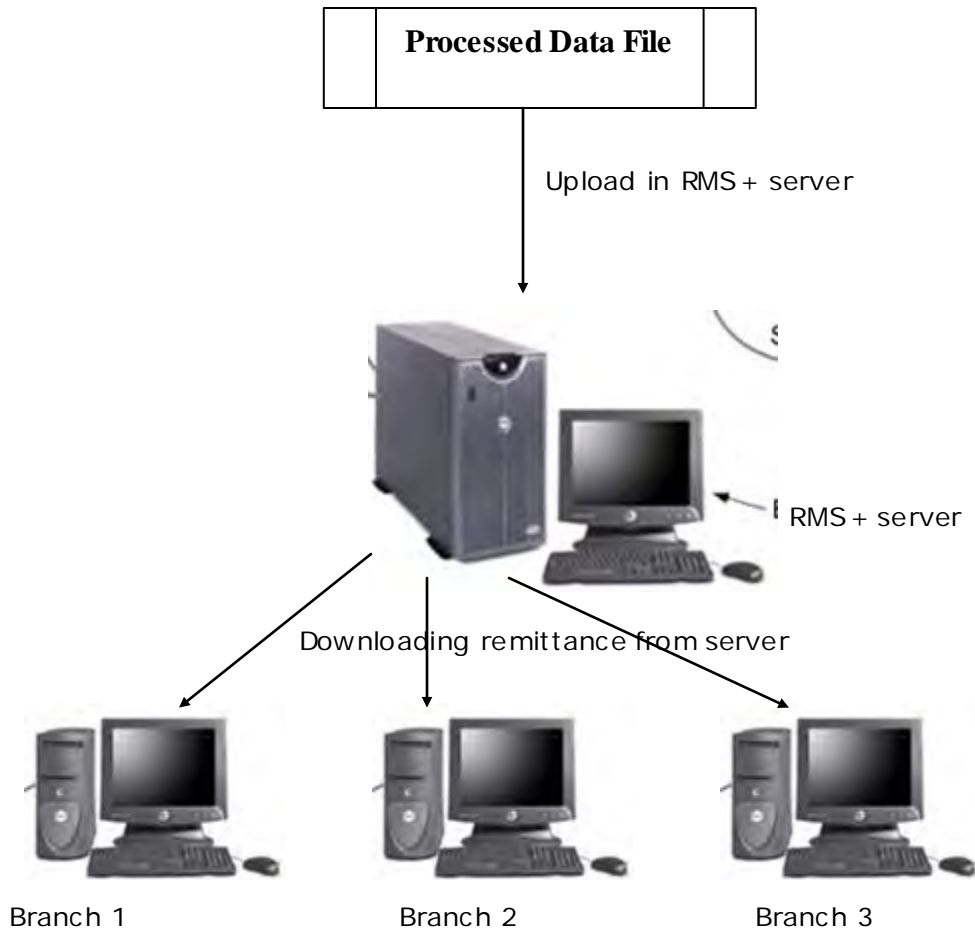


Fig : Remittance file upload and download from RMS+ server

Chapter-6 | Findings, Recommendation & Conclusion

Findings, Recommendation & Conclusion

6.1 SWOT Analysis :

Strength:

- Largest commercial bank in Bangladesh.
- Widely recognized and strong brand name.
- Agent of Bangladesh bank.
- Qualified and experienced workforce.
- Strong liquidity and financial condition.
- Strong networks all over in Bangladesh & also in the whole world.

Weakness:

- Huge amount of bad/debt loan.
- Lack motivation of workers.
- Service is not up to the mark.
- Online banking is not strong.
- Absence of teamwork.
- Weak branch controlling and monitoring system.

Opportunity:

- Investment potentiality in Bangladesh.
- Increasing demand of customer finance.
- Enormous opportunity in foreign remittance section.
- By implementing e-commerce and online banking remarkable
- Opportunities are created.

Threat:

- High standard Commercial/Foreign bank as well as private bank.
- Illegal interference of CBA in banking activities.
- Highly qualified and experienced bankers leave the bank a very high percentage.
- Cannot take proper action against bad debtor due to political interference.
- Increasing percentage of shifting customer loyalty.
- Low Interest rate compare to private /Foreign banks.

6.2 Findings :

1. Branch connectivity to RMS+ server is not dedicated.
2. All branch have no power generator, hence at the time of load shading service is interrupted.
3. Absence of special attention to open bank A/c of the workers' before migration. After migration the workers' are being trapped by agents of competitor bank. Sonali Bank Limited has narrow activity with comparison to competitor bank in abroad.
4. Lack of sufficient IT knowledgeable personnel. Though recently it has been started to employ IT knowledgeable personnel in the bank, still is insufficient.
5. General bankers are reluctant to work in computer system.
6. Exchange rate offering to the foreign bank/exchange houses is not competitive. Competitor banks procure foreign remittance at a higher rate than NCBs. Therefore, NCBs are losing their share.
7. Inter bank remittance network (BEFTN) where foreign remittance has been included on priority basis by the central bank, facilitates competitor banks to use wide branch network of NCBs. Therefore, a bank with a very little branch network procuring remittance of NCBs clients quoting a higher exchange rate than those NCBs.
8. Branch officials become exhausted especially at the beginning of the month providing support to the government safety net programs, where financial payment parts are being executed by SBL resulting poor management and service to remittance clients. At the beginning of a month remittance flow is significant.
9. SBL has branches of same name in different district, therefore, remittance some time send to wrong destination. Remitting companies' also sometime confused which branch of which district is the correct destination of a remittance when remitter informed the branch name only and forgot to say the district.
10. Deposition of proceeds of the remittance sometime delayed due to improper beneficiary name and A/c no.

11. Online facility of execution of amendment and cancellation instructions by the remitting company is yet to establish.
12. Inexperienced officials about foreign remittance are being posted to foreign subsidiary company of SBL.
13. Limited workforce for remittance services.
14. Unethical approach by the competitors or their agents in remittance sending countries, especially in middle-east countries to snatch market share.
15. Manpower export is decreasing day by day and government initiative is poor.

6.3 Recommendations:

To revive the leading position in Foreign Remittance earning SBL can exercise the below points :

1. Dedicated internet connectivity to be established at branch level.
2. All logistic support including Instant Power Supply need to be provided to all branches.
3. An awareness program to be conducted to motivate branch employees to get informed about any migrating workers and open A/c with the branch near to him.
4. Posting of IT officers at every branch to be ensured.
5. All Officers and staffs need to ensure to have proper IT training.
6. Competitive exchange rate plays a vital role in hunting foreign remittances and the rate offered by the bank should be competitive.
7. SBL should take special attention to procure other bank remittances and utilize the benefits of BEFTN route and faster deposition of money to other bank.
8. Officers engaged with remittance services in the branch should given priority to serve the remittance clients first.
9. Branch name should be unique and remittance transactions should be emphasized more on branch code rather than branch name to avoid branch name similarity hazards.
10. Bank can take extra care for the remittances of Name and A/c differs and beneficiary's to encourage providing correct name and A/c No. to the remitters.
11. Remittance management system to be efficient to settlement online in case of amendment and cancellation of remittance instructions.
12. Experienced officers related to remittance services can be chosen for foreign posting.
13. Adequate workforce need to deploy in remittance service.

14. SBL should deploy more agents in middle-east countries to counter the unethical approaches by the competitor banks.
15. All commercial banks should extend credit facility to meet up the initial costs of migration of a worker. Government should also take initiative to explore new labor market for Bangladeshi skilled/ unskilled workers.

In addition to the above SBL can offer extra facility/benefits to its remittance customers and upgrade its own system as below:

- ❖ Remittance alert on beneficiary's mobile phone.
- ❖ Introduce remittance card.
- ❖ Any branch withdrawal facility of foreign remittances to the beneficiary's until online real time banking solutions is introduced.
- ❖ To keep pace with the competitors, online real time banking solutions is mandatory.
- ❖ No. of Foreign representative office & employees should be increased.
- ❖ Training program should be increased for foreign remittance officers.
- ❖ Remittance related innovative products need to introduce to attract the beneficiaries.
- ❖ Remittance drawing arrangement to be established with reputed and big exchange houses in abroad.
- ❖ Service quality to be improved.
- ❖ E-banking facility to be introduced.
- ❖ Employee salary & bonus should be competitive with private banks etc.

6.4 Conclusion :

Sonali Bank Limited is the largest commercial bank in Bangladesh and it has a high opportunity to serve the people at root level in our country. SBL has introduced special loan product for migrating workers. This is one type of social work rather earning profit. Being a state owned commercial bank, SBL need to execute various safety net programs by the government. Therefore, banks own profit earning services some time hampered for such ancillary services, though all the commercial banks are compared under same argument in our country.

The ratio analysis and CAMEL ratings do not reflect good impression of the bank to anybody. But all these analysis do not actually show the true story of the bank. The bank is still not facing losses year after year. But there are some problems with the bank's performance. Poor government policies regarding financial organizations, poor credit culture in our country and lack of vision by top management, interference of CBA in all banking activities etc. is giving raise to the problems of the bank day after day. Recently, the government has appointed foreign management who would work independently and by taking appropriate measures will try to improve things. The last few years the bank's profit is increasing. In 2014 Sonali bank earned about 600 crore taka which was 2nd highest in our banking sector. The decision is still refuted by many and the results are yet to be proved in near future. So, for the time being we may hope that the private body of top management might take appropriate measures regarding the problems identified and discussed so far and thereby eliminating the problems to take the bank to a more profitable and good service rendering organization to the people of the government republic of Bangladesh.

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