

**Report On**  
**Influence of Remittance in the Economy of Bangladesh**

**By**

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**An internship report submitted to the BRAC Business School in partial fulfillment of the  
requirements for the degree of  
Bachelor of Business Administration**

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**BRAC University**  
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**Declaration**

It is hereby declared that

1. The internship report submitted is my/our own original work while completing degree at BRAC University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I/We have acknowledged all main sources of help.

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## Letter of Transmittal

Ms. SharminShabnamRahman

Assistant Professor,

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66 Mohakhali, Dhaka-1212

Subject: Letter of Transmittal for internship report

Dear Madam,

I am glad to present my internship report on the topic of “Influence of Remittance in the economy of Bangladesh”. I have done my internship in ‘AgraniBank’ where I learned about general banking. As an intern I got a chance to oversee the scenario of internal activities of a bank. I can relate my theoretical knowledge to the practical work here. As I have mostly spent my time in general banking sector, I have chosen Remittance as a topic of my report.

I strongly agree that I will be able to apply my knowledge what I have gained through my internship program. Finally, I would like to thank you for your constant support, patience and valuable time.

Sincerely yours,

ArishaHaque

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BRAC Business School

BRAC University

09/01/2020

## **Acknowledgement**

Firstly, I want to thank my Almighty Allah to give this position where I am and for which I am able to write a report. I am also grateful to my parents who consistently support me in every situation.

Now, I have to express my gratitude to my advisor Ms. SharminShabnamRahman, Assistant Professor, BRAC Business School who helped me every steps of writing this report. Without her supervision I would be unable to complete my report. Her guidance influence me to deep down to the topic and drag it to the report.

Then, I would like thank my supervisor Mr. DepanjanDey for his assistance throughout the internship program. It would not be easy for me if he did not guide me well. Moreover, I need to show my gratitude toward my colleagues who share their valuable knowledge to enlighten me throughout the internship program.

Finally, I want to thank everyone from BRAC Business School for being with me in any situation and helping me in difficulties.

## **Executive Summary**

The objective of the study is to find out how remittance influences on our economy and how ABL contributes to it. With the advancement of the technology, the process of depositing and withdrawing money becomes easy for the people. Most of the times unprivileged people choose to leave country to earn a smart amount of money and thus they create a source of earning foreign currency. They don't even know their contribution on our economy that they are doing by employing them in another country. Banks are playing a vital role by giving services to these families that are getting money through them. Since our technology improves a lot, it becomes easy to give service. ABL also contributes a lot and tries to improve its service better to reach the people. Moreover, it has been achieving the first position of getting highest amount of remittance earning among state-owned bank since 2012. It is trying best to keep the position by improving more.

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## **Chapter 1**

### **Introduction of the study**

#### **1.1 Introduction**

Bank is a place where quality financial services are provided to take a part as a contributor of the growth of our country. It is essential to flourish trade and commerce, boost up industries, accelerated exports, create an opportunity for the youth, diminishing poverty and give a standard of living to the socio-economic people of our country. Agrani Bank Limited (ABL) is one of the leading government bank which serves through 956 outlets with the motive of ensuring corporate governance, accountability, integrity, transparency and regulatory compliance in the operation of the bank within the stringent framework to achieve the international standard of banking<sup>1</sup>

#### **1.2 Research objective**

The main reason of this report is to complete the internship report of BBA program. The core advantage of this program is to learn practically. After completing all the theoretical courses it is mandatory to join a company so that we can relate the theory with practical life. With the motive of learning practical thing, I started my internship on the month of October in Agrani Bank. Here, I am working in general banking sector where remittance is a department in which I am emphasizing throughout the report. Beside that I can get an overall idea about the banking sector, how they create a relationship among customers, partners, clients and other parties.

#### **1.3 Scope of research**

The main scope of the study is to get the gist knowledge about the foreign exchange business of Agrani Bank. From opening L/C to dealing with import and export is the main topic to be highlighted in the report. Some functions of the foreign exchange department is as follow-

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<sup>1</sup><https://www.agranibank.org/>



## **Import**

**Opening letter of credit:** A letter of credit is an assurance given by the bank that the payment of the buyer will be paid on time with correct amount to the seller. If the buyer is unable to pay the bill of his purchase, the bank will be supposed to fulfill that amount of purchase.

**Advance Bills:**It is a short term financing that make payment in advance on behalf of importers with valid certificate and commercial papers.

**Bills for collection:** A bills for collection is a responsibility of bank to handle the documents to collect payments from the exporters. In order to collect the payment bank bounds the exporter to some instructions which they have to follow.

**Import loan and guarantees:**It is a short-term loan taken by importers to meet the exporter's payment urgently.

## **Export**

**Pre-shipment advances:** Pre-shipment advance is a credit that exporter can use in their need during the shipment of goods. It is a loan for financing the processing manufacturing or packaging goods for export.

**Purchases of foreign bills:** It is a facility giving by the Banks to their customers where banks purchase

**Export guarantees:** Export guarantees is a security given by the bank to the exporters for acquiring pre-delivery or post-delivery financing.

**Advising/Confirming letters-letter of credits:** An advising bank assures the exporters that the bank issued the letter of credit of importer is available. It is a confirmation of authentication to avoid the fraud.

**Advance against bills for collection:** It is a short-term bank loan taken by the exporter in advance. When the payment is cleared by the importers, the loan amount will be deducted. Otherwise, the exporter has to pay for it.

## **Remittance**

- Issue of Demand Draft, Money Transfer, Telegraphy Transfer etc
- Payment of Demand Draft, Money Transfer, Telegraphy Transfer etc
- Issues and enhancement of traveler'scheque
- Sale and enhancement of foreign currency note
- Non-resident accounts.<sup>2</sup>

## **1.4 Data collection**

- **Primary data**

This type of data is collected directly from the source. For example, questionnaire, telephone interview, survey, face to face interview etc. it is the most reliable source of collecting data as there is less error in information. But it is very time consuming and expensive way to gather information. While working in Agrani Bank I collected information by asking question to my supervisor. Besides, there were other seniors who were very helpful to give me valuable information. Moreover, I asked questions to customers to clear my curiosity.

- **Secondary data**

Data which is collected from other means of data is called secondary data. It is mainly annual report, newspaper, research paper published previously. I collected data from Agrani Bank Website and their annual report. Besides, I looked some research paper published by others previously. Moreover, I visited many more banking and foreign exchange related website.

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<sup>2</sup>[https://www.agranibank.org/assets/reports/annual/Annual\\_Report\\_2017.pdf](https://www.agranibank.org/assets/reports/annual/Annual_Report_2017.pdf)

### **1.5 Limitation of the research**

In spite of having a good and friendly environment, I faced some difficulties while collecting information. Firstly, since it is a government bank, they are very strict about their internal operation so that it cannot be exposed to the third party. Secondly, they deal with money related activities so any kind of mistake can damage their reputation. That is why I could not work with them practically. Moreover, they are too busy to complete their task most of the time so that I cannot disturb them with my queries. Again, it is a very short period of time to learn about banking. Finally, as an intern I have some lacking of gathering information and writing projects.

## **Chapter 2**

### **Organizational Overview**

Agrani Bank is a leading government bank which starts its journey in 1972. The headquarter of ABL is situated in Motijheel. The bank is completely owned by the Government of Bangladesh.

The bank is currently able to provide with online banking. Besides, it has five subsidiaries. These are merchant bank, small and medium sized enterprise (SMEs), financing company and remittance house in Singapore, Malaysia and Canada. ABL provides its customer with a broad range of product and services like business banking, transaction banking, capital market activities, treasury service, personal financial service, corporate banking clearing service etc. It also provides asset management, SME finance, venture capital management, foreign remittance services through its subsidiaries.<sup>3</sup>

#### **Mission Statement**

To ensure corporate governance, accountability, integrity, transparency and regulatory compliance in the operation of the Bank within the stringent frame work to achieve the International Standard of Banking.

#### **Vision Statement**

To keep the Banking operation accurate and efficient in line with the best International practices.

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<sup>3</sup><https://www.agranibank.org/>

## **Chapter 3**

### **Internship Experience**

I got a chance to join Agrani Bank as an intern through my sister. One day she called me to meet the HR person of Agrani Bank and I went to the main branch of the bank according to her instruction. By meeting with the HR person I got a clear instruction what I had to submit to join the bank. Next day I attended with all the paper including my forwarding letter, SSC certificate, HSC certificate and NID. There is a requirement of CGPA to join as an intern so he checked my papers whether it fulfills the requirements. When the clarification was done, he sent the papers to the Head for the approval and gave me a date to collect my joining letter. I went 17<sup>th</sup> October to collect my joining letter. It was 20<sup>th</sup> October, 2019 when I joined ABL as an intern. I was excited and little bit worried whether I would handle my responsibility. At first I thought that my supervisor and colleague would not be helpful about my job but they proved it wrong. I am amazed that they make me understand my work so nicely within their busy schedule. Since it is a government bank, I am not responsible of doing any important work but when I am assigned to a department, my supervisor explains me the process of that work. Sometimes I helped the clients with their queries. I really enjoyed when clients came to me to open their account and I tried to sincerely fulfill my job. Moreover, I noted down the daily transaction in the notebook. Besides, I had to do whatever I was assigned by my seniors.

## **Chapter 4**

### **Literature review**

#### **4.1 Definition of foreign exchange**

Foreign exchange means the exchange of currency from one country to another. Foreign exchange is a transaction where a settlement of foreign currency is required to buy or sell goods or services, to borrow or lend of fund and to acquire or dispose assets(Kirk, 2008). ABL is engaged to exchange currency between two parties through their foreign exchange department with the help of the head office. Bangladesh Bank, in this case, provides instructions to do the work deliberately.

#### **4.2 Definition of remittance**

Remittance refers to transfer money from one place to another place. Basically, a remittance is the sum of money that has been transferred from one party to another<sup>4</sup>. When it comes to transfer money from one country to another it is called foreign remittance.

#### **4.3 Definition of foreign remittance**

Foreign remittance makes a relationship between two countries by transferring money where foreign currency comes into the country and go outside the country. Inward foreign remittance increases foreign currency that helps to boost up country's economic growth. Outward foreign remittance, on the other hand, is not good for country's economic growth. AgraniBank works as a third party to make a relation between two parties. There are some remittance companies that sign a contract with banks in order to transfer money.

#### **4.4 Remittance company**

There is some remittance company that works with ABL. Among them Western Union Money Transfer is very renowned company and ABL is the one who first create a contract with them. Beside this they work with Ria, Samba, Moneygram, cash express, Express money etc. They make a 50:50 profit sharing contract so that they can reduce the

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<sup>4</sup><https://datahelpdesk.worldbank.org/knowledgebase/articles/114950-how-do-you-define-remittances>

remittance risk. People can gather money from any of the branch of ABL in Bangladesh. In this case, there is no requirement of opening bank account in ABL and they do not need to expense money for it either<sup>5</sup>

#### **4.5 Kinds of Remittance**

Remittance comes to the branch through head office. ABL SWIFT is used to disposal money and when it comes to the head office, it is handed over to the branches for payment. The following way money is transferred:

- Foreign T/T
- Foreign Demand Draft
- Traveler'scheque
- Mail transfer
- Cash dollar
- Import payment
- International credit card
- Export cheque<sup>6</sup>

#### **4.6 Steps of collecting money**

The person who sends money need to deposit first to any of remittance company. While depositing money they get receipt and pin number. The receiver, on the other hand, need to know the following information:

- Sender's name
- Country name
- PIN
- Amount of money
- Receiver's name

When they go to the bank, they need to carry their NID card to match their signature and can withdraw money by filling form.

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<sup>5</sup><https://www.agranibank.org/>

<sup>6</sup>[https://www.agranibank.org/assets/reports/annual/Annual\\_Report\\_2017.pdf](https://www.agranibank.org/assets/reports/annual/Annual_Report_2017.pdf)

## **Chapter 5**

### **Findings**

Remittance is considered as an important economic variable which plays a vital role to grow our country's economy. In developing country like Bangladesh, remittance not only lessens the pressure of government by easing unemployment problem but also have a significance role by receiving foreign dollar. Remittance creates a source of income thus people get a standard of living. It gives people a social status, now they are encouraged to send their children for receiving education.

The stream of remittances into the country points out that the upward trend in the current FY2019-20 as the government has imposed feasible steps, including two percent cash incentive, to streamline the legal channel for encouraging non-resident Bangladeshis (NRBs) to send money to the country (Islam, 2019).

In his opinion the flow of remittance points out that it is increasing stepwise and it is thought to be continued for the next.

An article of Dhaka tribune published that BD received \$1.59 billion in July, \$1.44 billion in August, \$1.47 billion in September and \$1.63 billion in October of the FY2019-20 (Remittance inflow increases by 20% in first 4 months of FY2019-20, 2019).

But in FY2018-19, the country were able to earn \$1.31 billion in July, \$1.41 billion in August, \$1.13 billion in September and \$1.23 billion in October (Remittance inflow increases by 20% in first 4 months of FY2019-20, 2019).

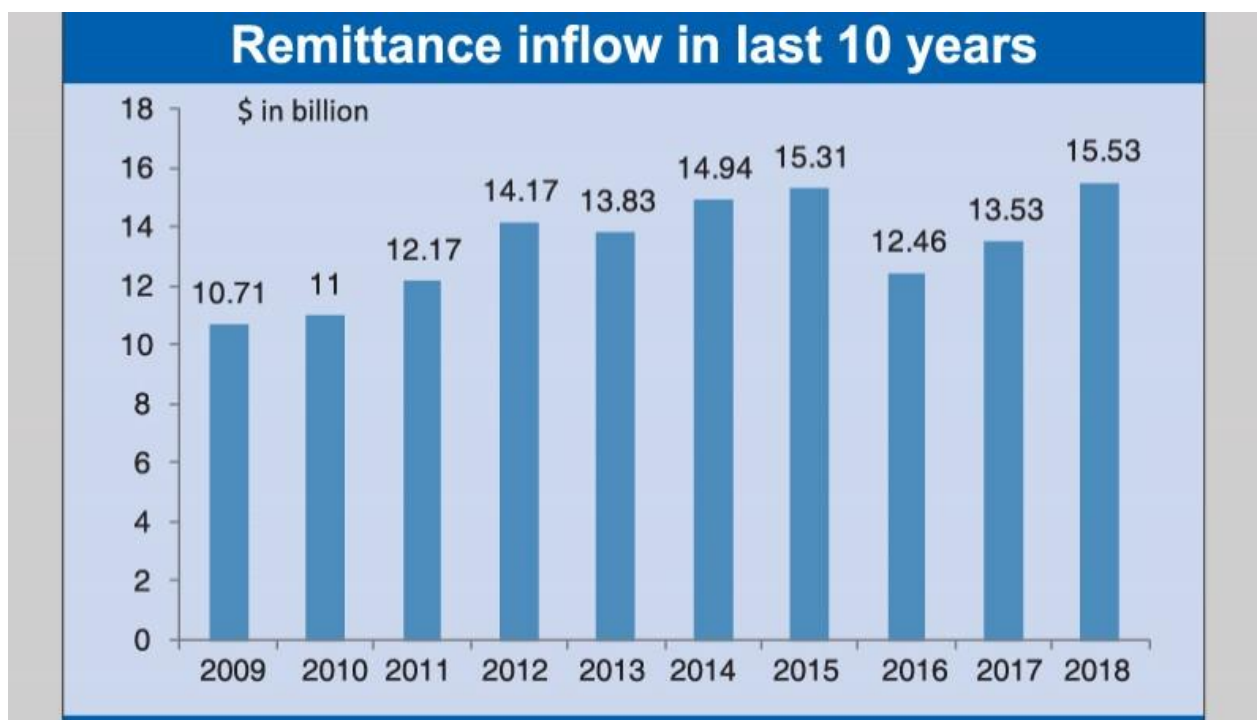
Bangladesh received \$6.15 billion remittance from outcast in the first four months of the current FY2019-20 whereas it received \$5.10 billion remittance during July-October period in FY2018-19 that means it increased by 20.48% (Remittance inflow increases by 20% in first 4 months of FY2019-20, 2019).

Bangladesh government manages to give 2% bonus on remittance. For example, one who sends money from abroad gets the bonus on that so that the family can earn more than before. That's how government influences people to go to abroad and earn

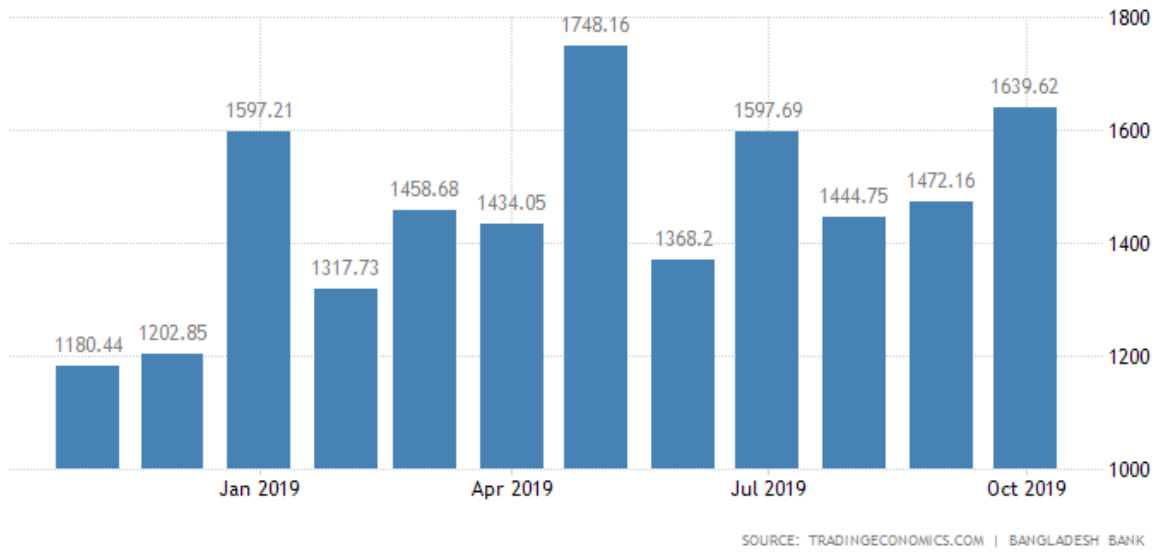


money. And after seeing the differences, mentioned above, the earning through remittance between two years it can be said that government has achieved the goal successfully. In 2019, country received comparatively more than before.

Again, by making the process of earning remittance easy and profitable, government will be able to stop hundi business which is illegal way to inflow money. When people get profit from legal way, they will leave the illegal engagement. The step of giving 2% bonus on remittance that government takes in 2019 will motivate people to send money through bank.

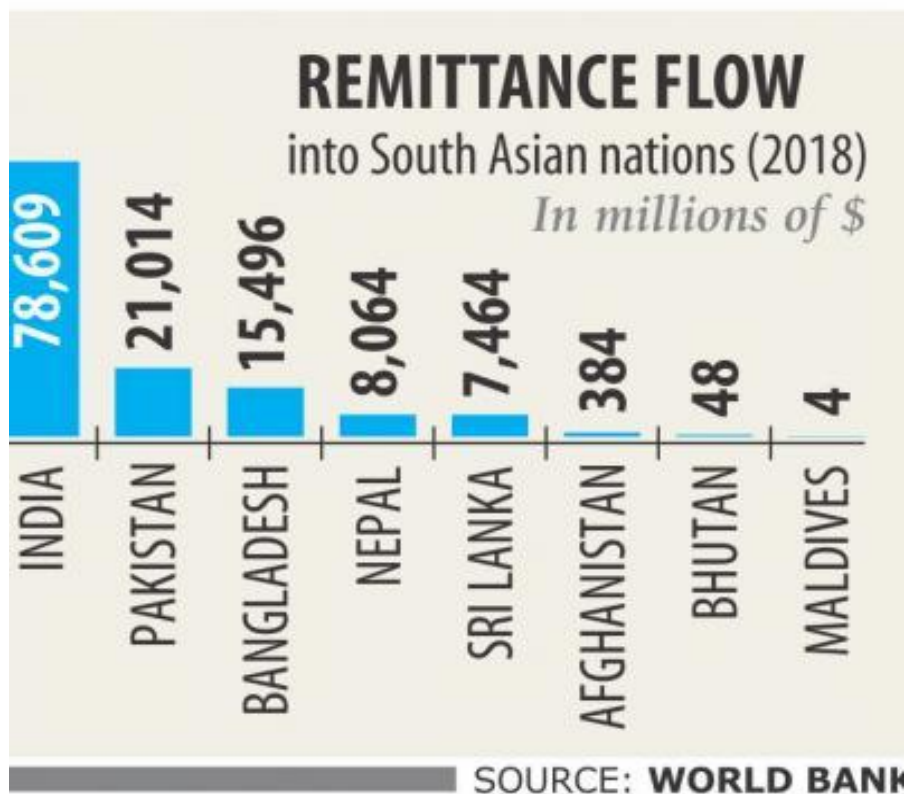


**Figure 1: Remittance inflow in last 10 years**



**Figure 2: Quarter remittance inflow in 2019**

Bangladesh secured the third position after India and Pakistan by receiving remittance in South Asia in 2018. According to the WB, Bangladesh received \$15.5 billion in remittance in 2018 which is 15% higher than the preceding year. “In Bangladesh, remittance showed a brisk uptick in 2018”, says the World Bank’s latest Migration and Development Brief(Bangladesh 3rd in South Asia, 11th globally: WB, 2019).

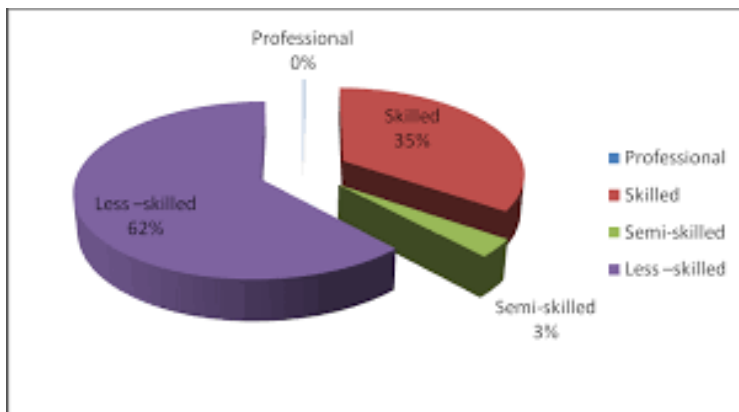


**Figure 3: Earning remittance of different countries**

Remittance is the second largest sector of earning foreign exchange. Along with the garment sector remittance helps to reduce the dependency of foreign aid. Saudi Arabia is the largest source of remittance and then UAE, Qatar, Oman, Bahrain, Kuwait, Libya, Iraq, Singapore, Malaysia (Bangladesh Remittances, 2019).

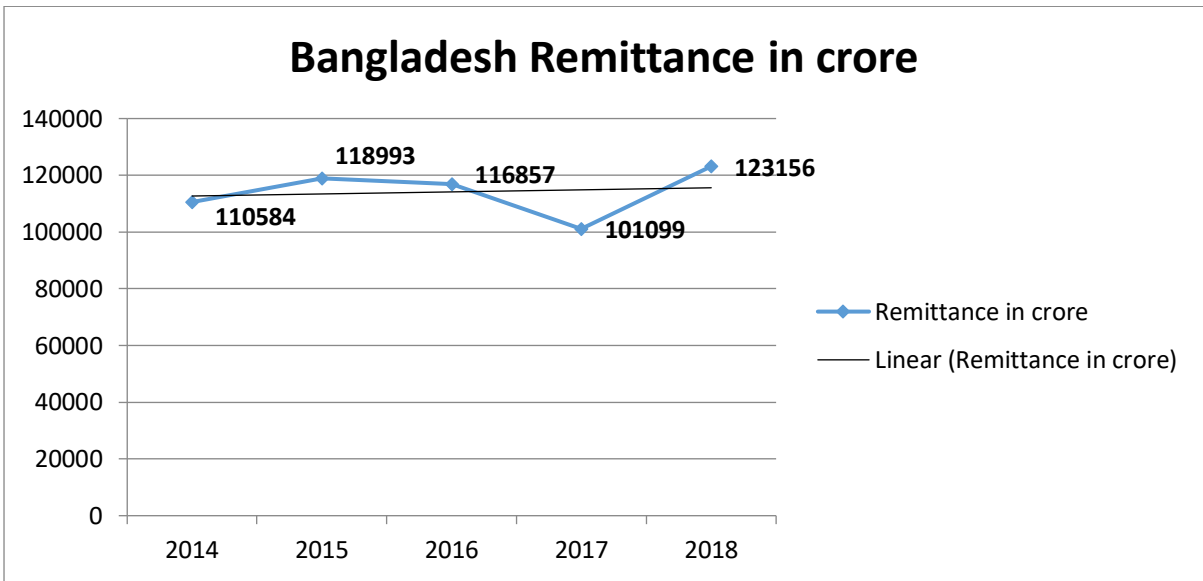
Actual	Previous	Highest	Lowest	Dates	Unit	Frequency
1639.62	1472.16	1748.16	856.87	2012-2019	USD Million	Monthly

There are four categories of migrant population. They are professional, skilled, semi-skilled, and unskilled. Doctors, engineers, teachers are considered as professionals whereas garments workers are considered as skilled, tailor as semi-skilled and cleaner, household workers as unskilled persons.



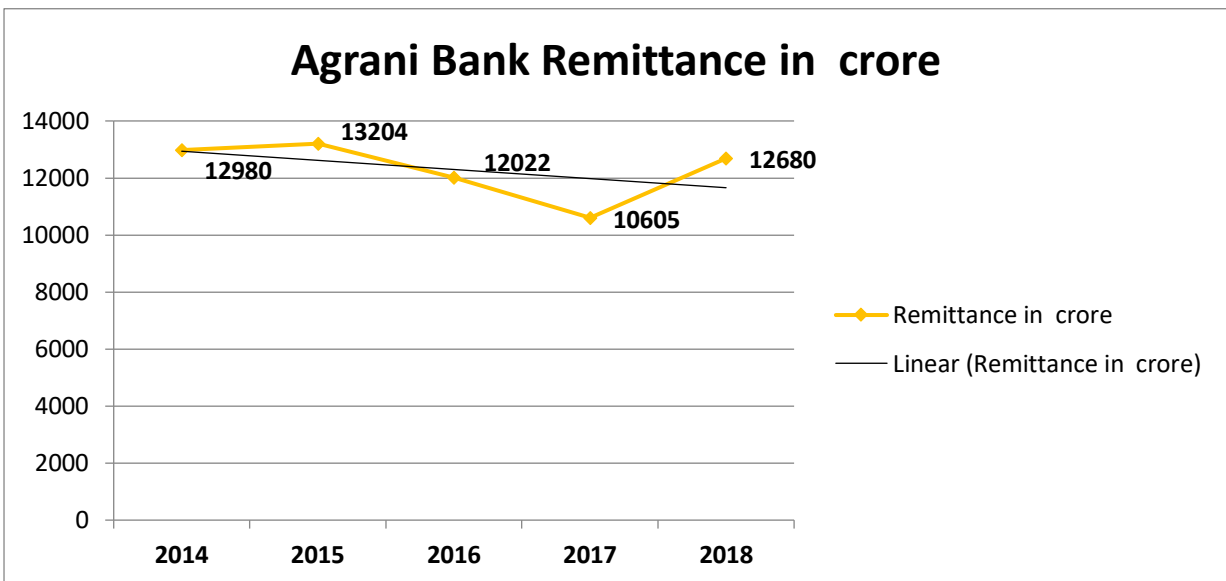
**Figure 4: Different source of earning remittance**

Inward remittance plays a vital role in our country's economy. In this way, we are able to earn foreign currency. By earning foreign currency, government can undertake many projects which help to develop our country. Moreover, it helps people giving a standard life. There are many more people are now able to send their children to the school. Women are empowered when they get money. They are able manage a huge earning source by using this money. That is how women become independent. ABL has a strong network and huge distribution channel to deliver the remittance throughout the country in a very effective way. ABL established Remittance Only Point (ROP) to connect the beneficiaries closely. Thus ABL tries to keep its contribution toward country's economy.



**Figure 5: Bangladesh Remittance**

Source: Bangladesh Remittance from 2014-2018, Bangladesh Bank website.



**Figure 6: Agrani Bank Remittance**

Source: Agrani Bank Remittance from 2014-2018 from annual report.

Here the graph indicates the decline of remittance of Agrani Bank in 2017 and it becomes normal in the following year. As there was some illegal issue of inflowing money, the remittance dropped suddenly. In fact, that time remittance of Bangladesh also decreased as Bangladeshis adopted the illegal channel to send money. They selected hundi instead of bank as a way of sending money because of the lower rate of dollar against taka. That's why Bangladesh government took the decision of giving 2% bonus on remittance so that people got more interested in it and left the illegal way. In spite of decline the remittance Agrani Bank achieved the honor of collecting highest foreign remittance in 2017. It secured the first position among the state-owned bank and second position among all bank in Bangladesh by earning foreign remittance since 2012. It is a big achievement for them and to keep this up it gives extra attention to the customer service and techno based distribution channel. Updated technology, spot cash payment system, online remittance management system is playing a vital role for this success.

## **Chapter 6**

### **Conclusion**

ABL has significantly done its role in foreign exchange activity. Among six state-owned banks, ABL received \$147.12 billion in remittance in July this fiscal. The officers of this department work very hard. Most of the time, I have seen the customer come in this department are illiterate who don't know the process of withdrawing money and the officers make them understand very calmly. Sometimes, I have helped them know the process they have to follow. So it can be said that the service they are providing is very much satisfactory. To conclude, ABL is contributing a lot to grow the GDP by accelerating trade and commerce and earning foreign exchange.

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