

Report On
Remittance & Its Impact

By

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This Internship report is submitted to fulfil the requirements for obtaining the degree of
Master of Business Administration at Brac Business School

Brac Business School
Brac University
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BRAC University

Declaration

I am herewith declaring that

1. I have submitted the internship report which is my individual effort to fulfil all the requirements in order to obtain the degree at Brac University.
2. This internship report is made through appropriate references cited in different sources
3. The report does not include any previously submitted report at this University
4. I have acknowledged all main sources of data to complete this report

Submitted by

Toaha Noor
ID: 17264078

Signature:



Submitted to

Mr. Riyashad Ahmed
Designation: Assistant Professor
Brac Business School
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Consignment

Dear Sir,

I have the privilege & honor to submit the report on "**Remittance & Its Impact**". I have prepared this report with the data collected from many other Sources and have made this report understandable for fulfilling the requirement to complete my degree at Brac University

In spite of giving my all endeavor, this report may have some unintentional mistakes & omissions.

Hence, I am anticipating that this report will be well approachable by your consideration.

Sincerely yours,

Toaha Noor

17264078

BRAC Business School

BRAC University

Date: September 26, 2020

Acknowledgement

I am getting hold of millions of pleasures to thank Mr. Riyashad Ahmed Sir for his valuable & appropriate advice which helped me a lot in completing this internship report in a proper way.

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Eventually, I would like to thank my sir again because the report would not be worthy without your valuable support & guidance

Executive Summary

Bangladesh is one of the largest remittance recipient's countries via overseas earnings since 1976. Remittance has become the second source of export earnings after ready made garments (RMG). According to the data of world bank's report Bangladesh achieved ninth position in the world and third position in the South Asia region for remittance inflows. Bangladesh entered into the 10 billion club of remittance inflows in FY-2010. Overseas employment and inflow of remittance plays an important role to the economic development in Bangladesh by reducing poverty, creating employment, improving living standard and building up foreign exchange reserves. Remittance in Bangladesh averaged 1255.91 million USD from 2012 until 2020, It has reached an all time high of 1832.63 million USD in June 2020 and recorded all-time low of 856.87 million USD in September 2017. One of the most contributing factors of increasing remittance inflows by imposing Bangladesh bank guidelines of restricting remittance inflows through informal channel which might cause hamper remittance inflows.

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Chapter 1

Defining remittance:

Remittance implies transmitting of currencies from home country to host country via formal channel. On the other hand, remittance represents purchase and sale of all convertible currencies from one country to another on account Import, export, travel and other purpose

1.1 Types of remittance:

Trust bank divided remittance into two parts:

- 1) Inward Foreign Remittance Process.
- 2) Outward Foreign Remittance Process.

Inward Foreign Remittance Process:

Generally, inward foreign remittances mean currency is received from the home country and transferred to the host country is called **Inward Foreign remittance**. It begins from the sender hand ends at beneficiary's hand. There are a lot of processes of inward foreign remittances of which important parts are being described below:

Nostro Account of Trust Bank in Host Countries:

This is an account maintained by any foreign country or host country for transferring foreign currency to home country. This allows for easier cash management service because foreign currency doesn't need to be converted. Like Trust Bank has its nostro account with HSBC,

Standard Chartered, Citi NA in USA and Europe. When someone send currency to any exchange house or banks in host country, the house or banks send that currency to their Nostro Account then this currency is sent to the Home country's Nostro Account through SWIFT.

Swift:

SWIFT is the system for Worldwide Interbank Financial Telecommunication, a member-owned cooperative through which the financial world conducts its business operations with speed, certainty, and confidence. Over 8,300 banking organizations, securities institutions, and corporate customers in more than 208 countries trust SWIFT every day to exchange millions of standardized financial messages

SWIFT is solely a carrier of messages. It does not hold any monetary terms, nor does it manage accounts on behalf of customers, nor does it store financial information on an on-going basis. As a data carrier, SWIFT transfers messages between two financial institutions. This activity involves the secure exchange of proprietary data while ensuring its confidentiality and integrity.

Outward Foreign Remittance:

All remittances from Bangladesh to foreign countries may be termed as Outward foreign remittances. Most outward remittances are approved by ADs. Bangladesh Bank's prior approval is needed for special cares

Common types of Foreign Outward Remittance:

As Foreign Inward Remittance, Telegraphic Transfer, Demand Transfer, Mail Transfer & Travelers Check are phenomal terms of Outward Remittance. TT, DD, MT & TC are issued by Authorized Dealers (AD) in Bangladesh. Outward remittance may also be affected by selling foreign currency notes by Authorized dealers to the persons who travel.

Justification of Foreign Outward Remittance:

Import bills, treatment purposes, Registration fees, application fees, admission fees such as (GRE, GMAT, TOEFL etc.), hajj fees, registration fees, admission fees, profits and dividend of foreign investments, insurance claim etc.

Scrutinizing Foreign Outward Remittance:

- IMP form for import payments & TM-1 form for payment of admission fees, tuition fees, travelling to foreign countries, attending in trade fair in foreign countries ect.
- Taking permission from Bangladesh Bank for sending foreign currency which exceeding quota.
- Permission from govt employees as obtaining Govt. Order (GO)

Issuance of Telegraphic Transfer:

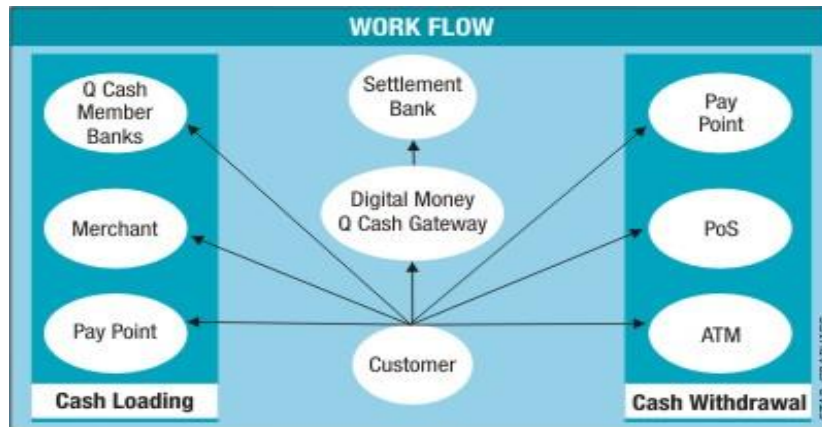
- 1) A test number is to be provided.
- 2) Name of beneficiaries & account number to be referred properly

- 3) Number of currency & figures to be mentioned clearly
- 4) Purpose to be executed.

Issuance of Demand Transfer:

- 1) Demand Transfer has to be crossed by account payee
- 2) Date has to be mentioned clearly
- 3) Amount must be mentioned clearly
- 4) Branch name of host countries bank must be mentioned clearly on the instrument
- 5) Signing by authorized signatories of two issuing bank officials on draft
- 6) Protect-Graph machine may be used for protecting against fraud
- 7) Putting the serial number on Demand Transfer is mandatory

1.2 Trust Bank Digitalizing Money Transfer System:



The above diagram shows that digital money transfer system is at stones through in Bangladesh. In the year of 2000 ITCL launched the payment gateway system named Q-cash that is the pioneer of payment gateway in Bangladesh. Currently 35+ banks are linked with Q-cash payment systems. Bangladesh bank officials said that any bank linked with Q-cash or similar payment system are eligible to giveaway prepaid cards to withdraw money in case of Foreign Remittance.

1.3 Digitization and the role of remittance service providers:

In spite of having various digital money transferring system around the world, the most significant way of transferring currency by sending agent which is called hundi. though this Covid-19 pandemic has disrupted this.

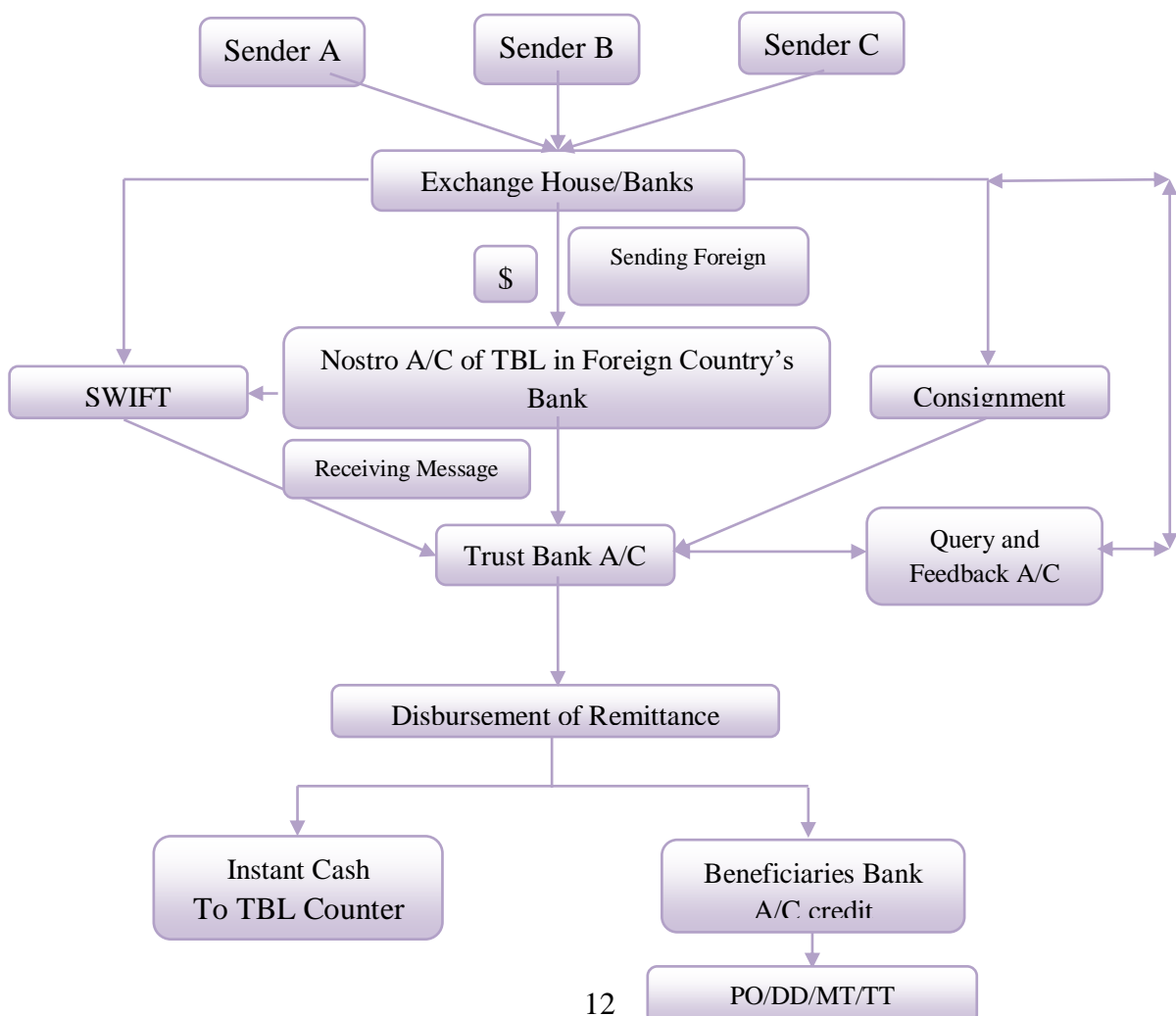
A survey by a senior executive in a remittance industry has shown that acute Covid-19 impacts remittance inflows in South Asia. It also reveals that it requires digital payment systems without interactions of any agent. International Association of Money transfer Network (IAMTN) along with United Nations Capital Development Fund (UNCDF) conducted a research and revealed that Saudi Arabia, United Kingdom, UAE, USA were the countries most impacted by

outbound remittances. These countries together account for almost half of the remittance inflows to Bangladesh.

The implementations of digital payment systems from the sending ends to the receiving ends have to ensure that the access of the expatriates and their relatives who badly want this remittance. On the other hand, BB, and digital money service providers must be encouraged with the Bangladesh’s guidance on Electronic Know Your Customer (e-KYC)

Chapter 2

Foreign Remittance Process Diagram:



Chapter 3

Trends of Remittance in Bangladesh:

Remittance crosses \$18 billion two days before FY 20 ends. For the first time remittance inflow has crossed \$18 billion mark despite Covid-19 Pandemic.

According to the data provided by Bangladesh bank from July 1 last to June 28 this year, migrants Bangladeshis sent home \$18.02 billion (9.80 percent growth from the that of same period of the previous year)

The Government allocated Tk3006 core as remittance for the current fiscal year.

According to the budget speech for the forthcoming FY20-21, the govt. is sticking to 2 percent incentives on inward remittance

Currently there are around 1.02 crore Bangladeshis are working in 174 countries across the globe.

3.1: Inward remittances of Last Ten Years:

Year/Month	Remittances	
	In million US dollar	In billion Taka
2020-2021*	4562.15	386.98
2019-2020	18205.01	1543.52
2018-2019	16419.63	1380.07
2017-2018	14981.69	1231.56
2016-2017	12769.45	1010.99
2015-2016	14931.18	1168.57
2014-2015	15316.91	1189.93
2013-2014	14228.26	1105.84

2012-2013	14461.14	1156.47
2011-2012	12843.43	1018.82

3.2: Country wise remittance inflows (Top 30 Countries):

Wage Earners' Remittance Inflows: Top 30 Countries Received

(USD in million)

Sl. No.	Country	2018-19	Sl. No.	Country	2019-20	2020-21	
						July	Aug
1	K.S.A	3110.40	1	K.S.A	4015.16	632.60	450.58
2	U.A.E	2540.41	2	U.A.E	2472.56	343.54	219.72
3	U.S.A	1842.86	3	U.S.A	2403.40	284.28	235.63
4	Kuwait	1463.35	4	Kuwait	1372.24	235.57	196.31
5	Malaysia	1197.63	5	U.K.	1364.89	198.18	134.57
6	U.K.	1175.63	6	Oman	1240.54	184.01	147.06
7	Oman	1066.06	7	Malaysia	1231.30	173.07	136.75
8	Qatar	1023.91	8	Qatar	1019.60	127.67	102.04
9	Italy	757.88	9	Italy	699.15	82.81	60.16
10	Bahrain	470.08	10	Singapore	457.40	67.09	80.89
11	Singapore	368.33	11	Bahrain	437.18	60.71	46.23
12	South Africa	168.14	12	S. Korea	177.84	34.63	20.55
13	France	159.42	13	South Africa	168.06	21.18	14.76
14	Jordan	126.28	14	France	160.53	20.53	16.80
15	Lebanon	126.85	15	Jordan	126.78	17.19	13.37
16	S.Korea	112.51	16	Lebanon	86.99	13.09	8.98
17	Canada	62.90	17	Canada	77.15	12.29	10.09
18	Germany	60.62	18	Australia	61.32	8.83	5.90
19	Australia	57.15	19	Germany	52.75	7.85	6.87
20	Mauritius	54.42	20	Greece	52.30	7.55	6.33
21	Japan	49.54	21	Mauritius	50.13	7.23	5.66
22	Spain	49.22	22	Japan	49.35	6.80	3.47

23	Greece	42.94	23	Maldives	44.74	23	Germany	5.75	4.61
24	Iraq	38.62	24	Spain	44.31	24	Brunei	5.12	3.87
25	Brunei	30.86	25	Brunei	38.79	25	Spain	4.93	4.78
26	Maldives	22.01	26	Iraq	33.28	26	Iraq	4.46	4.01
27	Sweden	19.68	27	Sweden	21.31	27	Sweden	2.96	2.40
28	Hong Kong: SAR of China	20.09	28	Belgium	17.84	28	Cyprus	2.04	1.60
29	Belgium	17.43	29	Hong Kong: SAR of China	17.28	29	Poland	1.89	1.61
30	Cyprus	12.73	30	Portugal	16.10	30	Hong Kong: SAR Of China	1.79	1.50
31	Other Countries	171.68	31	Other Countries	194.74	31	Other Countries	22.57	16.84
Total		16419.63	Total		18205.01	Total		2598.21	1963.94

The above data shows that Saudi Arabiya is the largest source foreign inward remittance in Bangladesh followed by UAE, USA, Kuwait ect.

3.3 Bank wise remittance inflow of September 2020:

BANGLADESH BANK
Statistics Department (BOP Division)
Wage Earners' Remittance as of September'2020

Bank		Sep, 2020			
		01-03,Sep	06-10,Sep	13-17,Sep	01-17,Sep
Serial Number	State Owned Commercial Banks				
1	Agrani Bank	22.45	62.61	50.60	135.66
2	Janata Bank	10.19	23.18	16.99	50.36
3	Rupali Bank	14.31	27.15	26.63	68.09
4	Sonali Bank	22.66	37.03	26.66	86.35
5	BASIC Bank	0.02	0.01	0.03	0.06
6	BDBL	0.00	0.00	0.00	0.00
	Sub Total	69.63	149.98	120.91	340.52
	Specialized Banks				
7	Bangladesh Krishi Bank	4.72	11.14	9.63	25.49

8	RAKUB.	0.00	0.00	0.00	0.00
	Sub Total	4.72	11.14	9.63	25.49
	Private Commercial Banks				
9	AB Bank Ltd.	2.79	3.51	4.54	10.84
10	Al-Arafah Islami Bank Ltd.	7.87	14.47	9.96	32.30
11	Bangladesh Commerce Bank Ltd.	0.12	0.31	0.30	0.73
12	Bank Asia Ltd.	6.89	25.46	17.26	49.61
13	BRAC Bank Ltd.	5.53	12.54	9.87	27.94
14	Dhaka Bank Ltd.	0.72	1.31	0.84	2.87
15	Dutch Bangla Bank Ltd.	20.41	31.53	26.42	78.36
16	Eastern Bank Ltd.	0.78	1.92	1.73	4.43
17	EXIM Bank Ltd.	0.78	1.40	1.32	3.50
18	First Security Islami Bank Ltd.	2.10	4.16	3.60	9.86
19	ICB Islamic Bank	0.02	0.01	0.02	0.05
20	IFIC Bank Ltd.	0.50	0.94	1.14	2.58
21	Islami Bank Bangladesh Ltd.	108.66	220.04	181.11	509.81
22	Jamuna Bank Ltd.	2.59	4.46	5.06	12.11
23	Meghna Bank Ltd.	0.50	0.83	0.66	1.99
24	Mercantile Bank Ltd.	3.00	9.75	10.48	23.23
25	Midland Bank Ltd.	0.10	0.17	0.15	0.42
26	Modhumoti Bank Ltd	0.05	0.39	0.95	1.39
27	Mutual Trust Bank Ltd.	5.02	10.75	7.85	23.62
28	National Bank Ltd.	4.73	9.64	8.88	23.25
29	NCC Bank Ltd.	8.18	17.24	12.76	38.18
30	NRB Bank Ltd.	0.00	0.09	0.00	0.09
31	NRB Commercial Bank Ltd.	0.09	0.34	0.19	0.62
32	NRB Global Bank Ltd.	0.14	0.22	0.16	0.52
33	One Bank Ltd.	0.40	0.70	0.57	1.67
34	Padma Bank Ltd.	0.02	0.06	0.05	0.13
35	Premier Bank Ltd.	3.53	8.03	5.09	16.65
36	Prime Bank Ltd.	6.43	11.03	5.55	23.01
37	Pubali Bank Ltd.	7.57	21.26	15.17	44.00
38	Shahjalal Islami Bank Ltd.	0.61	1.14	0.97	2.72
39	Shimanto Bank Ltd.	0.01	0.05	0.03	0.09
40	Social Islami Bank Ltd.	2.03	3.60	4.53	10.16
41	SBAC Bank Ltd.	0.23	0.41	0.43	1.07
42	Southeast Bank Ltd.	7.96	9.50	17.27	34.73
43	Standard Bank Ltd.	1.78	2.78	2.63	7.19
44	The City Bank Ltd.	5.24	11.44	9.35	26.03
45	Trust Bank Ltd.	1.44	2.11	1.34	4.89
46	Union Bank Ltd.	0.56	1.00	0.78	2.34
47	United Commercial Bank Ltd.	2.81	4.70	4.95	12.46
48	Uttara Bank Ltd.	3.32	6.52	6.17	16.01
	Sub Total	225.51	455.81	380.13	1061.45
	Foreign Commercial Banks				
50	CITI Bank NA	0.01	0.04	0.03	0.08
51	Commercial Bank of Ceylon	0.07	0.11	0.09	0.27
55	Standard Chartered Bank	1.53	0.99	1.21	3.73
	Sub Total	1.68	3.63	1.67	6.98
	Grand Total	301.54	620.56	512.34	1434.44

The above statistics shows that Islami Bank Bangladesh Limited has received the most number of remittance during the month of September 2020

Chapter 4

Impact of Remittance in the economy of Bangladesh:

Remittance is one of the most important economic things in Bangladesh economy. In recent times, remittance augments in increasing foreign exchange reserves, balance of payments, enhancing national savings & magnifying exchanging system. Over the two decades remittance contributes almost 35% in export earnings in Bangladesh economy. Besides, it is greater than foreign aids in most cases and it helps reducing dependency on foreign aids moreover it has become the second largest sector of foreign currency earnings after RMG sector. If cost of raw materials is deducted from foreign exchange earnings in RMG sector, remittance will be the largest macroeconomic variable in Bangladesh economy. Remittance is increasing at a lower rate than the increasing rate of migration of unskilled labor which affects significantly in the remittance inflow in the economy. Another drawback of remittance inflow is “**Brain Drain**” which has negative impacts in remittance inflow. Brain Drain means an highly educated professionals who live in a third world country intend to migrate in USA or other European countries.

Huge information lagging and poor infrastructure in urban and rural area in our country also affects the remittance inflow in Bangladesh. Private commercial banks along Bangladesh Bank should engage to increase the strong and smarter payment systems in order to boost remittance inflow in the economy of Bangladesh. On the other hand, inefficiency of financial institutions & exchange houses in Bangladesh should be improved further to lessen the roadblocks the remittance inflow. Bangladesh govt. and Bangladesh Bank should think it seriously as it has become one of the most necessary tools in the development of Bangladesh economy.

4.1 Policies & measures taken by Bangladesh bank and govt.

For boosting up remittance inflows through the banking channels. Bangladesh bank & the govt. has taken some indispensable measures in recent years.

- The maximum limit of transferring remittance to the home countries has been re-determined at 2 working days instead of 72 hours
- To encourage the expatriates to remit their home countries, formal banking channels, CIP and facilities of Bangladeshis expatriates has been further extended
- In order to enhance the quality of remittance service of NRBs, all AD banks have been instructed by Bangladesh bank to establish their help desk at their branches
- Bangladesh bank introduces “**Bangladesh bank remittance award**” in 2013 to encourage the expatriates to send more remittances in order to boost the remittance inflows. In 2019 “**Bangladesh bank remittance award**” has been awarded to almost 27 banks nationwide.
- The Bangladesh govt has started to give 2% as cash incentives for foreign currency through formal banking channels. The motto of giving cash incentives to stimulate inbound remittance cash inflows and wage earners as well as remitters so that they can

send large amount of remittance to their families in home countries. The cash incentives policy was introduced in July 2019. Remittance worth of \$1500 or equivalent doesn't need any documents to receive incentive

- Bangladesh bank has given permission to foreign nationals to remit currencies to their home domicile not more than 75% of their net incomes. Bangladesh Bank officials further added that if a foreign nationals received bonus & commissions by their employers can remit up to 75% of their respective bonus after deducting of applicable taxes and so forth

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