

Role of Banks in Managing the Covid-19 Effect on Inward Remittance in Bangladesh

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Forewords

The country's remittance earnings reached an all-time high of \$24.78 billion last year. Robust inflows of remittance amid low import expenditure took the foreign exchange reserve at record \$48 billion on 24 August. According to the Bureau of Manpower, Employment and Training, the number of overseas jobs held by Bangladeshi expatriates rose from 1.81 lakh in 2020 to 1.95 lakh during the January-May period of this year. More than 7 lakh newly recruited Bangladeshis went abroad in 2019, but only 2.17 lakh workers migrated abroad last year, as revealed by data from the Bureau of Manpower, Employment and Training (BMET). In the first five months of this year, 1.95 lakh Bangladeshis have left home for employment abroad.

Bangladesh economy is recovering due to higher growth of remittances amid COVID-19 situations. Remittance is the second largest source of foreign currency earnings after the RMG industry. The ongoing economic downturn due to Corona Virus has made a rigorous change on the ability to send income of expatriates to home. Cash incentive on remittance, switch from informal to formal remittance payment channels and additional transfers to family in need may encourage a large inflow of remittances in Bangladesh. The inflow of remittances due to overseas employment has overriding effect on poverty alleviation in lower middle-income countries like Bangladesh, improvement of nutritional outcomes, association with higher spending on education, and reduction of child labor in disadvantaged households. The worker's remittances to Bangladesh reached at USD 24777.71 million for FY21, (increased by 36.10 percent) which was USD 18205.01 million in FY20. In July-September 2021, the remittances inflow decreased by USD 771.18 million over previous quarter and total remittances earned USD 5408.30 million. Policy initiatives from the government and the Bangladesh Bank played a vital role to promote the inflow of remittances through legal channels. In FY21, remittance-GDP ratio stood at 6.98 percent, remittance-export earnings ratio was 63.93 percent and remittance-import payments ratio were 40.83 percent.

In this regard, I would like to thank the research team for their efforts. I am also indebted to the distinguished panelists and the audience because this paper was finalized after incorporating the valuable comments of them. Any sort of further comments, suggestions on this study in the near future will be highly appreciated.

Dr. Md. Akhtaruzzaman
Director General

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To prepare a research workshop paper, it is not only the joint efforts of research team, but also the contribution of multiple stakeholders. No doubt, it was an inordinate challenge to demeanor this study since the focal point of the study is completely a new and unexpected issue, i.e. Covid 19. Neither financial nor non-financial sector were equipped face such sort of challenge. Under this context, completing this initiative became conceivable due to the guidance and collaboration of certain stakeholders. We are highly indebted to the banking fraternity for providing treasured information that helped the research team to design the appropriate structure of the study. Our sincere thanks go to the distinguished bankers who participated in the focus group discussion and shared their knowledge, expertise, experience, and most importantly the strategies that they used during the Covid 19 pandemic in managing the inward remittance.

We are always grateful to Dr. Barkat-e-Khuda Sir, Dr. Muzaffar Ahmad Chair Professor of BIBM for his unremitting direction to enhance the quality of research and capacity development of the faculty members of BIBM.

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Research team is highly appreciative to different departments of Bangladesh Bank for publishing the relevant data and research periodicals that supported the team in preparing the paper.

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List of Acronyms

| | |
|--------|---|
| ABL | Agrani Bank Limited |
| AD | Authorized Dealer |
| ADB | Asian Development Bank |
| AML | Anti-Money Laundering |
| API | Application Program Interface |
| ATM | Automated Teller Machine |
| BACPS | Bangladesh Automated Cheque Processing System |
| BB | Bangladesh Bank |
| BEFTN | Bangladesh Electronic Fund Transfer Network |
| BFIU | Bangladesh Financial Intelligence Unit |
| BKB | Bangladesh Krishi Bank |
| BMET | Bureau of Manpower, Employment and Training |
| CDP | Committee on Development Policy |
| CFT | Combating the Financing of Terrorism |
| CIP | Commercially Important Person |
| e-CAB | e- Commerce Association of Bangladesh |
| ECOSOC | The Economic and Social Council |
| EVI | Economic Vulnerability Index |
| FCB | Foreign Commercial Bank |
| FDI | Foreign Direct Investment |
| FGD | Focus Group Discussion |

| | |
|-------|---|
| FY | Fiscal Year |
| GCC | Gulf Cooperation Council |
| GCP | Global COVID 19 Pandemic |
| GDP | Gross Domestic Product |
| GFC | Global Financial Crisis |
| GNI | Gross National Income |
| GW | Gulf War |
| HAI | Human Assets Index |
| IBBL | Islami Bank Bangladesh Limited |
| ILO | International Labor Organization |
| IMF | International Monetary Fund |
| KNMOD | The Global Knowledge Partnership on Migration and Development |
| KPI | Key Performance Indicator |
| KSA | Kingdom of Saudi Arabia |
| LDC | Least Developed Country |
| LMIDC | Low- and Middle-Income Developing Countries |
| MFS | Mobile Financial Service |
| NGO | Non-Governmental Organization |
| NPSB | National Payment Switch Bangladesh |
| NRB | Non-Resident Bangladeshi |
| ODA | Official Development Assistance |
| OECD | Organization for Economic Cooperation and Development |

| | |
|--------|---|
| PCB | Private Commercial Bank |
| POS | Point-of-Sales |
| RIT | Rationalized Input Template |
| RMG | Readymade Garments |
| RMMRU | Refugee and Migratory Movements Research Unit |
| RTGS | Real Time Gross Settlement |
| SB | Specialized Bank |
| SDG | Sustainable Development Goal |
| SOCB | State-Owned Commercial Bank |
| TBS | The Business Standard |
| UAE | United Arab Emirates |
| UK | United Kingdom |
| UN | United Nations |
| UNDESA | United Nations Department for Economic and Social Affairs |
| US | United States of America |
| WB | World Bank |

Executive Summary

Remittance greatly contributes to the socio-economic development of migrant workers. It brings financial solvency and enhances workers' living standard. Researchers have found that remittance sent by workers is typically used to repay loans for migration, buy land and construct houses, invest in business, increase income and savings, take part in community development, improve health and nutrition, attend social ceremonies and so on. However, the coronavirus outbreak has threatened 13 million migrant workers and their livelihoods. Thus, Bangladesh has become one of the most severely affected countries by the COVID-19 pandemic. Travelers as well as returning migrant workers and their relatives coming from China, Italy and the Middle East are believed to be the original bearers of the coronavirus to Bangladesh, and it has since spread throughout the country. With the increase of incidents of COVID-19 around the world as well as in Bangladesh, commercial flights have been limited in and outside the country. As a result, an immense number of migrant workers are trapped, affected and in dire circumstances (Palma, 2020). The situation may delay their return to the host countries with new restrictions of banning and suspension of international flights. The recent restriction of entry to European countries including Italy has led to not only financial loss but also social discrimination at home and abroad. Restrictions categorically imposed on Bangladeshis have tarnished the image of the country and 13 million expatriates across the globe. These restrictions also intensify the psychological stress of migrant workers and their family members due to their uncertain future.

Among those who have been allowed to remain in their host countries, many migrant workers are quarantined in shabby living places, mentally disturbed because of concern about their jobs and families at home, and worried about being sent back to Bangladesh. They are also fearful of being affected by the virus since they often reside in densely populated dormitories and houses, which are deemed epicenters for the COVID-19 outbreak. A sub-section of migrant workers comprising the skilled work force, especially doctors and nurses, have become the most vulnerable group among migrant workers in host countries during the pandemic.

In 2020, in current US dollar terms, the top five remittance recipient countries were India, China, Mexico, the Philippines, and Egypt. India has been the largest recipient of remittances since 2008. As a share of gross domestic product, by contrast, the top five recipients in 2020 were smaller economies:

Tonga, Lebanon, Kyrgyz Republic, Tajikistan and El Salvador. Data on remittance outflows typically get less attention than data on remittance inflows. The largest remittance-sending countries are a mix of high-income countries from the Organization for Economic Co-operation and Development, Gulf Cooperation Council countries, and large middle-income countries. The United States was the largest sender in 2020, recording around \$68 billion in outflows, followed by the United Arab Emirates (\$43 billion) and Saudi Arabia (\$35 billion). Among middle-income countries, Russia is a large sender (\$17 billion) due to its sizable immigrant stock from Europe and Central Asia, as the country's remittance outflows are more correlated with oil prices than are those from Saudi Arabia, which reported an 11 percent growth in outbound remittances in 2020.

The country's remittance earnings reached an all-time high of \$24.78 billion last year. Robust inflows of remittance amid low import expenditure took the foreign exchange reserve at record \$48 billion on 24 August. According to the Bureau of Manpower, Employment and Training, the number of overseas jobs held by Bangladeshi expatriates rose from 1.81 lakh in 2020 to 1.95 lakh during the January-May period of this year. More than 7 lakh newly recruited Bangladeshis went abroad in 2019, but only 2.17 lakh workers migrated abroad last year, as revealed by data from the Bureau of Manpower, Employment and Training (BMET). In the first five months of this year, 1.95 lakh Bangladeshis have left home for employment abroad.

Bangladesh economy is recovering due to higher growth of remittances amid COVID-19 situations. Remittance is the second largest source of foreign currency earnings after the RMG industry. The ongoing economic downturn due to Corona Virus has made a rigorous change on the ability to send income of expatriates to home. Cash incentive on remittance, switch from informal to formal remittance payment channels and additional transfers to family in need may encourage a large inflow of remittances in Bangladesh. The inflow of remittances due to overseas employment has paramount effect on poverty alleviation in lower middle-income countries like Bangladesh, improvement of nutritional outcomes, association with higher spending on education, and reduction of child labor in disadvantaged households.

The worker's remittances to Bangladesh reached at USD 24777.71 million for FY21, (increased by 36.10 percent) which was USD 18205.01 million in FY20. In July-September 2021, the remittances inflow decreased by USD 771.18 million than that of previous quarter and total remittances earned USD 5408.30 million. Policy initiatives from the government and the Bangladesh Bank played a vital role to promote the inflow of remittances through legal channels. In FY21, remittance-GDP ratio stood at 6.98 percent, remittance-export earnings ratio was 63.93 percent and remittance-import payments ratio was 40.83 percent.

To mitigate the burden of increased expenses in sending foreign remittances and to encourage bringing in foreign remittance through legal channels, an incentive at the rate of 2% on money remitted by expatriate Bangladeshi will be provided from FY2019-20. In 2015, the Government launched 'Strengthening Institutional Capacity and Human Resource Development for Trade Promotion'. The project-initiated studies on 'Export Potentiality of Trade in Services of Bangladesh: Identifying Opportunities and Challenges' and 'Identification of Non-tariff Barriers Faced by Bangladeshi Products in Major Export Markets'. The World Bank has been funding Social Safety Net Programs and increased the volume and coverage of the program to 2.55% of GDP in FY 2018-19.

1. Introduction

Over the centuries, migrating across the border of the home country in search of resources, employment, and higher income and wealth has been a well-documented phenomenon and discussed in the socio-economic as well as history and political analyses. International migration and remittances have created a lot of attention among the observers, researchers, and policymakers as the rapid increase in the total number of migrant workers, especially from the developing countries and the massive inflow of remittances to these countries, has become a salient feature of globalization from the mid-1980s. More than 272 million people or 3.5% world population lived outside their countries in 2019 (UN, 2020), and among them, 164 million were migrant workers as estimated by the International Labor Organization (ILO, 2018). About 33% of these workers come from the Asia and Pacific region. In 2019, the global flow of remittances accounted for US\$717 billion compared to a mere US\$18 billion in 1980. Remittances to the low and middle-income developing countries (LMIDC) have surpassed the flow of foreign direct investment (FDI), portfolio investment, and official development assistance (ODA) since 2018 and stood out as one of the most important income flows from abroad. The total number of migrant workers from South Asia has increased over the decade from 23.89 million in 1990 to more than 38 million in 2017. South Asia alone contributed US\$140 billion or about 20% of the global remittances, which played a significant role in the economic growth and social development of the region. There come numerous challenges with the large flow of remittances to the developing countries.

Remittance greatly contributes to the socio-economic development of migrant workers. It brings financial solvency and enhances workers' living standard. Researchers have found that remittance sent by workers is typically used to repay loans for migration, buy land and construct houses, invest in business, increase income and savings, take part in community development, improve health and nutrition, attend social ceremonies and so on (Islam, 2011). However, the coronavirus outbreak has threatened 13 million migrant workers and their livelihoods. Thus, Bangladesh has become one of the most severely affected countries by the COVID-19 pandemic. Travelers as well as returning migrant workers and their relatives coming from China, Italy and the Middle East are believed to be the original bearers of the coronavirus to Bangladesh,

and it has since spread throughout the country. With the increase of incidents of COVID-19 around the world as well as in Bangladesh, commercial flights have been limited in and outside the country. As a result, an immense number of migrant workers are trapped, affected and in dire circumstances (Palma, 2020). The situation may delay their return to the host countries with new restrictions of banning and suspension of international flights. The recent restriction of entry to European countries including Italy has led to not only financial loss but also social discrimination at home and abroad (DS, 2020, TBS (The Business Standard), 2020b). Restrictions categorically imposed on Bangladeshis have tarnished the image of the country and 13 million expatriates across the globe. These restrictions also intensify the psychological stress of migrant workers and their family members due to their uncertain future.

Among those who have been allowed to remain in their host countries, many migrant workers are quarantined in shabby living places, mentally disturbed because of concern about their jobs and families at home, and worried about being sent back to Bangladesh (Sumon, 2020). They are also fearful of being affected by the virus since they often reside in densely populated dormitories and houses, which are deemed epicenters for the COVID-19 outbreak (Sumon, 2020). A sub-section of migrant workers comprising the skilled work force, especially doctors and nurses, have become the most vulnerable group among migrant workers in host countries during the pandemic.

The rapid transmission of COVID-19 and its health threats all around the world have led to a unique situation in which the social acceptance of returning Bangladeshis migrant workers and their relatives from abroad has fallen drastically. A recent survey discovered that 29% of returning migrant workers were not welcomed back by relatives and neighbors (TBS, 2020a), especially those coming home from Italy, Saudi Arabia and the UAE. Many have faced many harsh situations as their family members and neighbors at home did not want them to come back to their communities because of the fear of spreading infection (Karim & Islam, 2020, RMMRU, 2020). While many migrant workers are not being welcomed to Bangladesh, those remaining overseas are also facing a very bad situation in terms of fulfilling essential needs. More than 843 overseas Bangladeshis have died of COVID-19 in 19 countries, among whom were a good number of doctors based in the US, UK, Italy and Saudi Arabia (Noman & Siddiqui, 2020; Siddiqui, 2020). After spending 5–20 years abroad,

many migrant workers have already lost their youth and sacrificed a happy family life (Ullah, 2013). Their sudden return to Bangladesh intensifies their critical situation as 87% returnee expatriates lack an income source even though they are required to pay loans and spend for livelihood (TBS, 2020d). This means that poor workers who migrated to find better-paying jobs and escape poverty are returning to the poverty they tried to escape.

There is a chance of an economic recession all around the world due to the impacts of COVID-19 which may keep Bangladeshi migrant workers from getting jobs and maintaining employment abroad, regardless of whether they have work visas or work contracts. In addition, the remittance sent home by migrant workers plays a key role in ensuring the livelihood of about 30 million of their dependents. The loss of this remittance means that migrant workers and their dependents will confront various social and health issues such as unemployment, exhaustion of investment funds, food and nutrition insecurity, inability to pay for their dependents' education, lack of health facilities, depression, child labor, broken families, social disparity and even an increase in suicide (Asis, 1995, Chowdhury, 2011, Jan et al., 2017).

2. Objectives of the Study

The broad objective of the study is to examine the role of the banking sector of Bangladesh in managing the effect of Covid-19 pandemic on inward workers' remittance. The specific objectives are:

- i. To examine the global scenario of inward workers' remittance with special focus on South Asian countries.
- ii. To examine the domestic scenario of inward workers' remittance in Bangladesh context.
- iii. To identify the role of commercial banks along with the supportive measures of Bangladesh Bank (BB) in managing the Covid-19 effect on inward remittance.
- iv. To propose the possible future course of actions for the banks to manage the effect.

3. Research Methodology

In accordance with the research objectives, the research team applies following research methodologies to conduct the study:

- i. Extensive review of published literature from different peer-reviewed journals and newspapers which examined the effect of Covid-19 on inward workers' remittance at both home and abroad.
- ii. Secondary time series data were used from different publications of BB, World Bank Group, and IMF.
- iii. Primary data were obtained from a 'Focus Group Discussion (FGD)' where the participants represent Central Banker, Head of Remittance and Foreign Trade of different Commercial Banks and representatives from different Exchange Houses.

4. Literature Review

Although the economic impacts are yet to be investigated, financial markets responded by early March in the meantime. Following the inward remittance behavior, several researchers have put their time to assess the potential effects due to the current pandemic. Researchers have analyzed these effects from several perspectives, including Aldasoro et al. (2020), to analyze the effects of COVID-19 on the European and American banking sectors. They discover that the scale of the COVID-19 crisis means that no bank will remain intact. Central banks drew heavily on US dollar swap lines with the Federal Reserve in the first half of 2020, contributing to a surge in cross-border banking flows during this period. The large increase in cross-border claims on banks operating in the United States – in the form of cross-border interbank and intragroup positions – reflected an increase in dollar liquidity demand from non-US banks partly met through the use of the swap lines. In a global financial system heavily reliant on the use of the dollar, the network of central bank swap lines centered on the Fed serves as a critical elastic backstop for the private provision of dollar liquidity.

The literature on the effects of various geopolitical, socio-economic, and financial shocks on the migrant workers and remittances flow is limited, especially for Bangladesh. All the major shocks over the last three decades, namely Gulf-War (GW), Asian Financial Crisis (AFC), Global Financial Crisis

(GFC), and the current global COVID-19 pandemic (GCP) have brought significant socio-economic, financial, and health crises to a region or globally, which impacted the livelihood of migrant workers and remittances flow to the recipient countries. In 1990–1991, the GW crisis resulted in economic loss to Bangladesh due to loss of overseas employment from Kuwait, Iraq, and other Gulf countries; high cost of repatriating Bangladeshi workers from war-affected countries; and higher oil prices (Hossain, 1997). Also, AFC created a loss of employment and deportation of Bangladeshi workers, especially from Malaysia during and after the crisis in 1997–1998 and the remittances started falling from December 1997. However, it is interesting to see that the remittances flow to Bangladesh grew strongly over 37% amid GFC during 2008, which was equivalent to US\$9 billion and contributed to 56% of all foreign exchange earnings. The nature of the current GCP is different than the previous shocks mentioned, as it is not only disrupting the demand side of the global economy but also created a supply shock by restricting the movements of resources, especially the labor services. Nonetheless, the literature on the GCP effect of remittances and overseas employment is not clear as it is limited only to the reports and discussion of various international agencies, that is, World Bank (WB), United Nations (UN), Asian Development Bank (ADB), Organization for Economic Cooperation and Development (OECD, 2020) and Refugee and Migratory Movements Research Unit (RMMRU). Defying the negative forecasts of a massive decline in the remittances flow to South Asia, it is found that remittances flow to Bangladesh and Pakistan have increased in 2020 compared to its previous year suggesting the countercyclical nature of remittances (World Bank, 2020d). Remittance is defined as a private fund flowing from the migrants to their families, which usually increases, especially in the time of distress to provide a cushion against economic hardship. In this way, remittances have often been found to be resilient to adverse shocks, especially in the workers' country of origin. This possibly explains why remittance flow in many recipient countries remained unaffected during the first half of 2020 when the pandemic first strike. The fall in the flow was mainly noted in Bangladesh from March 2020, which then stabilized and started to increase. This bounce back in remittances flow can be viewed as the increased need of sending money to the families as the recipient countries were fighting hard to survive the pandemic. However, in case the migrants are exhausting their savings to support their families back home, this trend will not be

sustainable over time if the pandemic leads to a recession in the host countries (Quayyum & Kpodar, 2020).

5. Global Scenario of Inward Remittance during Covid-19

Defying predictions, remittance flows have proved to be resilient during the COVID-19 crisis. In 2020, remittance flows to low- and middle-income countries (LMICs) reached \$540 billion, only 1.6 percent below the \$548 billion seen in 2019 (figure 1.1 and table 1). The decline was smaller than the predictions published in April and October 2020 (see World Bank 2020a and 2020b). It was even smaller than the rate of decline registered during the global financial crisis in 2009. And the decline in remittances is far lower than the 11 percent decline in foreign direct investment (FDI) flows to LMICs seen in 2020. Thus, the gap between remittances and FDI widened further (figure 1.1). Excluding China, FDI flows to LMICs declined by over 30 percent in 2020. As a result, remittance flows to LMICs other than China surpassed the sum of FDI and official development assistance (ODA) in 2020 (figure 1.2). Among regions, remittances to Latin America and Caribbean grew by 6.5 percent in 2020 and were supported by a recovering economy and moderately improving labor market in the United States. In South Asia, there was a slight moderation in the growth of remittance flows in 2020, to 5.2 percent, while flows to the Middle East and North Africa grew by a modest 2.3 percent. Flows to Europe and Central Asia are estimated to have fallen by 9.7 percent, to East Asia and the Pacific by 7.9 percent, and to Sub-Saharan Africa by 12.5 percent.

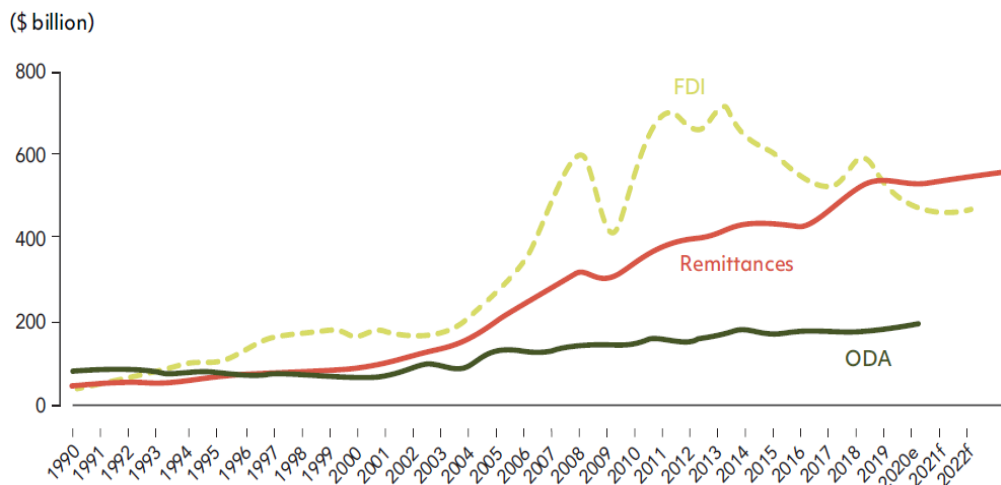
In 2020, in current US dollar terms, the top five remittance recipient countries were India, China, Mexico, the Philippines, and Egypt. India has been the largest recipient of remittances since 2008. As a share of gross domestic product, by contrast, the top five recipients in 2020 were smaller economies: Tonga, Lebanon, Kyrgyz Republic, Tajikistan, and El Salvador. The United States was the largest source country for remittances in 2020, followed by the United Arab Emirates, Saudi Arabia, and the Russian Federation.

Table: 1 Estimates and Projections of Remittance Flows to Low- and Middle-Income Regions

| Region | 2009 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020e | 2021f | 2022f |
|----------------------------------|-------|-------|------|------|------|------|-------|-------|-------|
| (\$ billion) | | | | | | | | | |
| Low- and Middle-Income countries | 302 | 446 | 441 | 478 | 524 | 548 | 540 | 553 | 565 |
| East Asia and Pacific | 80 | 128 | 128 | 134 | 143 | 148 | 136 | 139 | 142 |
| Europe and Central Asia | 33 | 42 | 43 | 52 | 59 | 62 | 56 | 54 | 50 |
| Latin America and Caribbean | 55 | 68 | 73 | 81 | 89 | 96 | 103 | 108 | 112 |
| Middle East and North Africa | 31 | 50 | 49 | 52 | 53 | 55 | 56 | 57 | 59 |
| South Asia | 75 | 118 | 111 | 117 | 132 | 140 | 147 | 152 | 158 |
| Sub-Saharan Africa | 28 | 41 | 37 | 41 | 49 | 48 | 42 | 43 | 44 |
| World | 433 | 602 | 597 | 640 | 694 | 719 | 702 | 713 | 726 |
| (Growth rate, percent) | | | | | | | | | |
| Low- and Middle-Income countries | -4.8 | 0.5 | -1.3 | 8.4 | 9.8 | 4.6 | -1.6 | 2.6 | 2.2 |
| East Asia and Pacific | -4.8 | 3.7 | -0.5 | 5.1 | 6.8 | 3.0 | -7.9 | 2.1 | 2.1 |
| Europe and Central Asia | -11.3 | -15.3 | 2.1 | 21.0 | 12.9 | 4.6 | -9.7 | -3.2 | -6.9 |
| Latin America and Caribbean | -12.3 | 6.5 | 7.4 | 11.1 | 9.9 | 8.3 | 6.5 | 4.9 | 4.0 |
| Middle East and North Africa | -6.0 | -6.4 | -1.2 | 5.3 | 2.3 | 3.4 | 2.3 | 2.6 | 3.1 |
| South Asia | 4.5 | 1.6 | -5.9 | 6.0 | 12.3 | 6.1 | 5.2 | 3.5 | 4.0 |
| Sub-Saharan Africa | -2.1 | 6.6 | -8.3 | 10.8 | 17.4 | -0.4 | -12.5 | 2.6 | 1.6 |
| World | -5.0 | -1.3 | -0.8 | 7.1 | 8.5 | 3.7 | -2.4 | 1.5 | 1.8 |

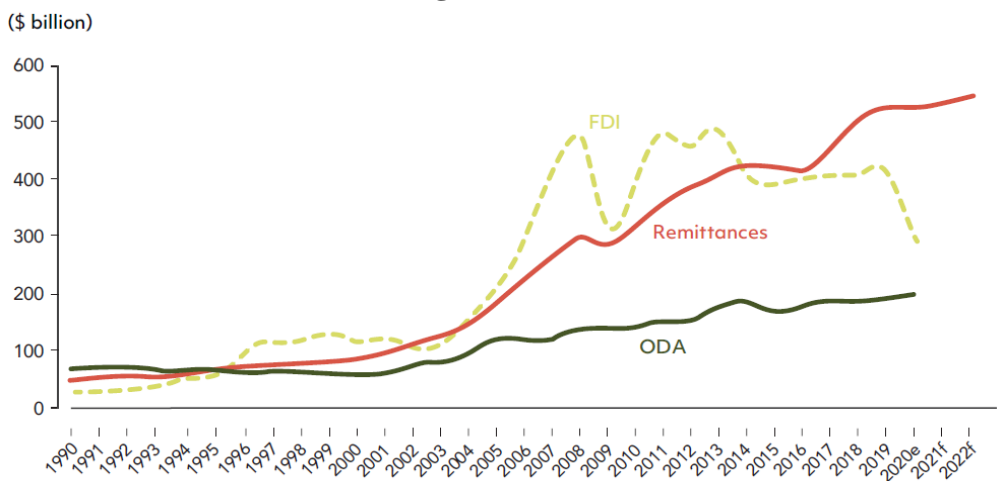
Source: World Bank-KNOMAD staff estimates. See appendix in Migration and Development Brief 32 for forecasting methods (World Bank 2020c). Note: e = estimate, f = forecast.

Figure: 1.1 Remittances, Foreign Direct Investment, and Official Development Assistance Flows to Low- and Middle-Income Countries, 1990–2022



Sources: World Bank—KNOMAD staff estimates; World Development Indicators; International Monetary Fund (IMF) Balance of Payments Statistics. See appendix in the Migration and Development Brief 32 for forecasting methods (World Bank 2020c). Note: FDI = foreign direct investment; ODA = official development assistance; e = estimate; f = forecast.

Figure: 1.2 Remittances, Foreign Direct Investment, and Official Development Assistance Flows to Low- and Middle-Income Countries, Excluding China 1990–2022

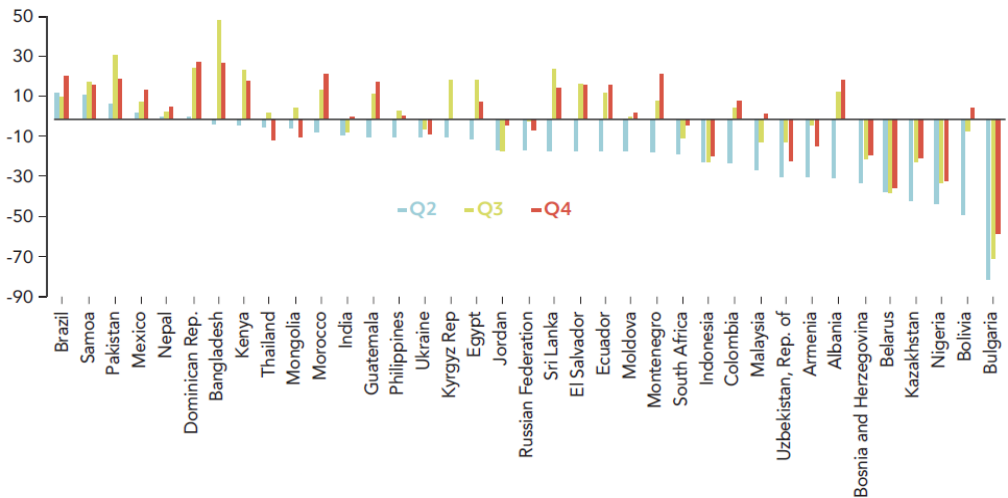


Sources: World Bank—KNOMAD staff estimates; World Development Indicators; International Monetary Fund (IMF) Balance of Payments Statistics. See appendix in the Migration and Development Brief 32 for forecasting methods (World Bank 2020c). Note: FDI = foreign direct investment; ODA = official development assistance; e = estimate; f = forecast.

There was a sharp temporary drop in remittance flows in the second quarter (Q2) of 2020, as lockdowns and travel bans imposed in response to the COVID-19 crisis also shut down remittance services (figure 2). It is possible that migrants postponed sending money during the initial chaos in late March and April 2020. But even if they had money to send, they could not send cash, as money transfer operators had temporarily closed their offices. Travel restrictions affected in-kind or cash remittances carried by hand by travelers. However, as some of the strict lockdowns were lifted, there was a recovery in Q3 and Q4 in Latin America and the Caribbean (and other regions).

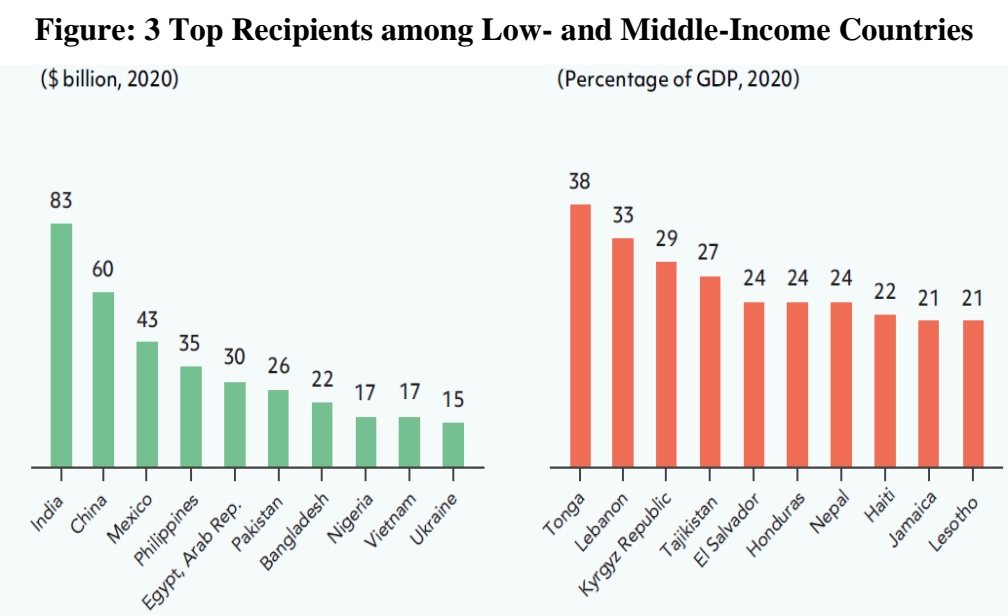
The initial decline in remittance flows affected almost all countries, especially those in the Europe and Central Asia region. There were a few exceptions, however; remittance flows to Bangladesh, Mexico, and Pakistan continued to increase, for reasons discussed below. Among regions, Latin America and the Caribbean and South Asia were more resilient to the crisis and saw the strongest growth (table 1). Remittances to Latin America and Caribbean grew by 6.5 percent in 2020 and were supported by a recovering economy and moderately improving labor market in the United States. In South Asia, there was a slight moderation in the growth of remittance flows in 2020, to 5.2 percent, while the Middle East and North Africa grew by a modest 2.3 percent. Flows to Europe and Central Asia are estimated to have fallen by 9.7 percent, to East Asia and the Pacific by 7.9 percent, and to Sub-Saharan Africa by 12.5 percent.

Figure: 2 Remittances Plummeted in Q2 2020, but Recovered in Q3 and Q4



Source: Haver Analytics and World Bank–KNOMAD staff.

In 2020, in current US dollar terms, the top five remittance recipient countries were India, China, Mexico, the Philippines, and Egypt (figure 3). India has been the largest recipient of remittances since 2008. As a share of gross domestic product, by contrast, the top five recipients in 2020 were smaller economies: Tonga, Lebanon, Kyrgyz Republic, Tajikistan and El Salvador. Data on remittance outflows typically get less attention than data on remittance inflows.



Source: World Bank-KNOMAD Staff.

The largest remittance-sending countries are a mix of high-income countries from the Organization for Economic Co-operation and Development, Gulf Cooperation Council countries, and large middle-income countries. The United States was the largest sender in 2020, recording around \$68 billion in outflows, followed by the United Arab Emirates (\$43 billion) and Saudi Arabia (\$35 billion). Among middle-income countries, Russia is a large sender (\$17 billion) due to its sizable immigrant stock from Europe and Central Asia, as the country’s remittance outflows are more correlated with oil prices than are those from Saudi Arabia, which reported an 11 percent growth in outbound remittances in 2020.

According to the United Nations Department for Economic and Social Affairs (UNDESA 2020), the worldwide number of international migrants (including refugees) was estimated at 281 million in 2020. The top host countries for migrants are the United States (51 million), Germany (16 million), Saudi Arabia

(13 million), Russia (12 million), the United Kingdom (9 million), the United Arab Emirates (9 million), France (9 million), Canada (8 million), Australia (8 million), and Spain (7 million). These countries account for about half of the total international migration stock.

6. South Asian Scenario of Inward Remittance during Covid-19

Inward remittance flows to South Asia rose by about 5 percent in 2020, driven by a surge in flows to Bangladesh and Pakistan. Bhutan and Sri Lanka also posted strong gains last year, while India and Nepal experienced a small drop in remittances. For 2021, it is projected that remittances to the region will slow slightly to 3.5 percent due to a moderation of growth in high-income economies and a further expected drop in migration to the GCC countries. Contrary to expectation, while the number of outbound migrant workers declined due to the COVID-19 pandemic, recorded remittances to the region remained resilient, perhaps partly due to a shift from informal to formal remittance channels (given restrictions on international travel), additional transfers to support families and friends in need (countercyclical), and returning migrants choosing to make bulk transfers of savings. It is also possible that the greater use of digital money transfer mechanisms, due to drops in transaction costs and changes in tax policy on remittances, may have encouraged a greater volume of remittances. Bangladesh and Pakistan, which saw the highest surge of flows last year, had introduced new remittance tax incentives in 2019 and 2020 respectively.

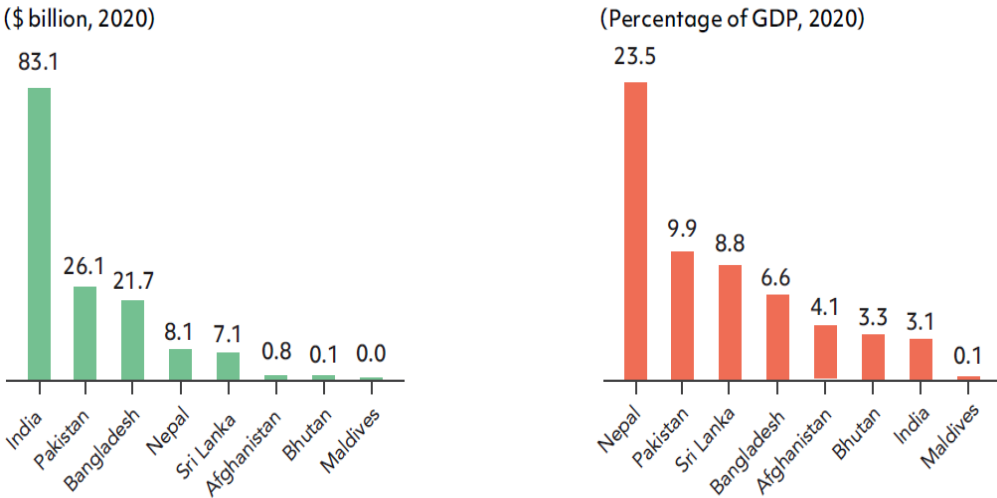
Figure: 4.1 Quarterly Remittance Flows to South Asia



Source: World Bank-KNOMAD Staff.

In India, the region’s largest recipient country by far, remittances fell by just 0.2 percent in 2020 to \$83 billion. Much of decline was due to a 17 percent drop in remittances from the United Arab Emirates, which somewhat offset resilient flows from United States and other host countries. In Pakistan, remittances rose by over 17 percent to a record high of \$26.1 billion; remittances from Saudi Arabia increased by over 46 percent, from European Union countries by 25 percent, and from the United Arab Emirates by 19 percent. In Bangladesh, remittances also showed a brisk uptick in 2020 (18.4 percent), and Sri Lanka witnessed remittance growth of 5.8 percent. In contrast, remittances to Nepal fell by about 2 percent, reflecting a 17 percent decline in Q1 2020 (figure 4.1). The volume of remittances to Bangladesh, Pakistan, and Sri Lanka in Q1 2021 indicates that this increase is sustained. In the region, Nepal has the greatest reliance on remittances at 23.5 percent of GDP (figure 4.2), followed by Pakistan (9.9 percent) and Sri Lanka (8.8 percent).

Figure: 4.2 Top Remittance Recipients in South Asia, 2020

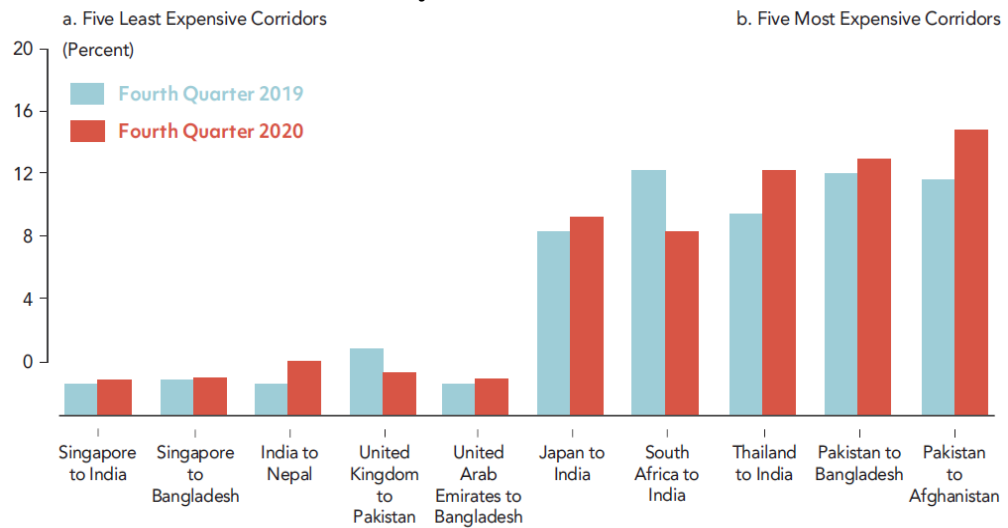


Sources: World Bank staff estimates, World Development Indicators, and International Monetary Fund (IMF) Balance of Payments Statistics. Note: GDP = Gross Domestic Product.

South Asia still had the lowest average remittance costs of any world region at 4.88 percent in Q4 2020, down slightly from 4.9 percent a year before. Some of the lowest-cost corridors, originating in the GCC countries and Singapore, and the India–Nepal corridor had costs below the SDG target of 3 percent owing to high volumes, competitive markets, and the deployment of technology (figure 4.3). But costs are well over 10 percent in the highest-cost corridors due

to low volumes, little competition, and regulatory concerns. Banking regulations (related to AML/CFT) raise the risk profile of remittance service providers and thereby increase costs in some corridors.

Figure: 4.3 The Costs of Sending Remittances to South Asia Varied Widely across Corridors



Sources: World Bank Remittance Prices Worldwide database. Note: Cost of sending \$200 or equivalent.

7. Bangladesh Scenario of Inward Remittance during Covid-19

The inflow of remittance from expatriate Bangladeshis, which maintained an upward trend throughout the last fiscal year even amid the Covid-19 pandemic, dropped by 19 percent year-on-year in the first two months of the current fiscal year. The country received \$3.68 billion in remittance in the July-August period of this year, down from \$4.56 billion in the same period of last year, according to BB. In August this year, remittance growth fell by around 8 percent to \$1.81 billion, compared to August 2020. The remittance growth registered 50 percent year-on-year growth in the first two months of last fiscal year. The 2 percent incentive offered by the government on inward remittances coupled with the central bank's initiatives to ensure a time and cost-effective money transfer process encouraged Bangladeshi migrants to send home more money even amid the pandemic crisis, said stakeholders, adding that economic instability in gulf countries amid falling oil prices and job losses of migrant workers, however, have caused the remittance growth to slow down in recent months.

In its financial stability report for the year 2020, BB also apprehended that slumps in oil prices might affect Bangladesh as the oil-dependent countries are a major hub for the country's migrant laborers. Crude oil prices plummeted to \$16.6 per barrel on the first day of April 2020, which was \$57.5 per barrel on the first day of January the same year. However, it started to recover in the second quarter and reached \$52 per barrel at the end of the year, according to the financial stability report.

"Depressed oil prices, in effect, reduced imports and production costs of local producers, which helped to absorb some inflationary pressure in the domestic economy of Bangladesh. On the other hand, it may represent some future implications on remittance from oil-dependent Gulf economies, though Bangladesh received steady flow of remittance during the fall of oil prices." (Financial Stability Report, 2020, BB).

The country's remittance earnings reached an all-time high of \$24.78 billion last year. Robust inflows of remittance amid low import expenditure took the foreign exchange reserve at record \$48 billion on 24 August. According to the Bureau of Manpower, Employment and Training, the number of overseas jobs held by Bangladeshi expatriates rose from 1.81 lakh in 2020 to 1.95 lakh during the January-May period of this year. More than 7 lakh newly recruited Bangladeshis went abroad in 2019, but only 2.17 lakh workers migrated abroad last year, as revealed by data from the Bureau of Manpower, Employment and Training (BMET). In the first five months of this year, 1.95 lakh Bangladeshis have left home for employment abroad.

Bangladesh economy is recovering due to higher growth of remittances amid COVID-19 situations. Remittance is the second largest source of foreign currency earnings after the RMG industry. The ongoing economic downturn due to Corona Virus has made a rigorous change on the ability to send income of expatriates to home. Cash incentive on remittance, switch from informal to formal remittance payment channels and additional transfers to family in need may encourage a large inflow of remittances in Bangladesh. The inflow of remittances due to overseas employment has paramount effect on poverty alleviation in lower middle-income countries like Bangladesh, improvement of nutritional outcomes, association with higher spending on education, and reduction of child labor in disadvantaged households.

The worker's remittances to Bangladesh reached at USD 24777.71 million for FY21, (increased by 36.10 percent) which was USD 18205.01 million in FY20. In July-September 2021, the remittances inflow decreased by USD 771.18 million than that of previous quarter and total remittances earned USD 5408.30 million. Policy initiatives from the government and the Bangladesh Bank played a vital role to promote the inflow of remittances through legal channels. In FY21, remittance-GDP ratio stood at 6.98 percent, remittance-export earnings ratio was 63.93 percent and remittance-import payments ratio was 40.83 percent (table 2).

Table: 2 Total Remittance, its Growth, Remittance as percentage of GDP, Export and Import

| FY' | Total Remittance Million USD | Growth (%) of Remittance | Remittance (%) of GDP | Remittance (%) of Export Earnings (f.o.b) | Remittance (%) of Import Payments (f.o.b) |
|--------------------|---------------------------------|-----------------------------|--------------------------|--|--|
| FY'12 | 12843.43 | 10.24 | 9.63 | 53.58 | 38.59 |
| FY'13 | 14461.15 | 12.51 | 9.64 | 54.43 | 43.07 |
| FY'14 | 14228.30 | -1.61 | 8.21 | 47.78 | 38.91 |
| FY'15 | 15316.90 | 7.64 | 7.85 | 49.08 | 40.67 |
| FY'16 | 14931.18 | -2.51 | 6.74 | 43.59 | 37.42 |
| FY'17 | 12769.45 | -14.48 | 5.11 | 36.85 | 29.36 |
| FY'18 | 14981.69 | 17.32 | 5.47 | 40.86 | 27.51 |
| FY'19 | 16419.63 | 9.60 | 5.43 | 40.51 | 29.62 |
| FY'20 | 18205.01 | 10.87 | 5.63 | 54.06 | 35.91 |
| FY'21 ^P | 24777.71 | 36.10 | 6.98 | 63.93 | 40.83 |

Source: 1) Bangladesh Bureau of Statistics. 2) Statistics Department, Bangladesh Bank (from July, 2016) and Foreign Exchange Policy Department, Bangladesh Bank (up to June, 2016). P= Provisional

7.1 Public and Private Sector Initiatives to Promote Inward Remittance

To encourage the remittance inflows through the banking channel, Bangladesh Government, BB, different Commercial Banks, Mobile Financial Services (MFS), and NGOs have taken a number of measures of which some important ones are as follows:

- The government announced 2 percent cash incentive for the first time for inward foreign remittance through banking channel effective from 1 July 2019.
- For the simplification of the procedure of receiving 2 percent cash incentive, Bangladesh Bank (BB) has given some instructions. According to this circular:

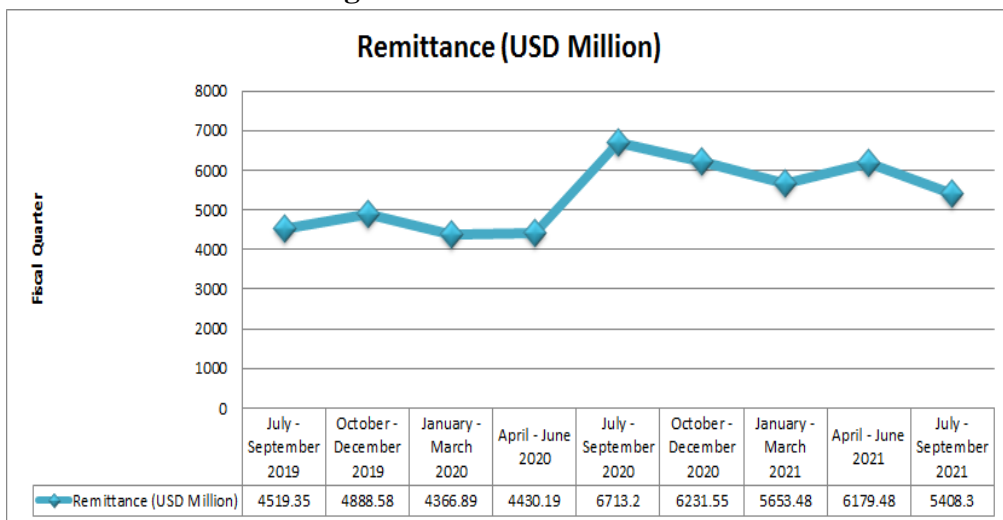
- a. To submit remitters' documents in his /her bank (sender bank);
 - b. To verify the documents by remittance sender bank with a confirmation to receiver bank before releasing cash incentive as early as possible;
 - c. On the basis of the confirmation, receiver bank will release incentive to the sender bank;
 - d. The remittance receiver bank will collect and verify documents by its own in the aspect of same receiver bank and sender bank.
- As per instructions, Wage Earners' Remittance data have to be submitted through Rationalized Input Template (RIT). The statement of paid-up money should be submitted on monthly basis according to the Form Kha about 2 percent cash incentive for inward remittance through formal channel. The information of expatriates will be preserved at the database format and banks will provide the required information as early as possible according to the online format - RITs (T_ME_M_REMIT_INCEN) of Form Kha. All documents have to be submitted to the Foreign Exchange Policy Department after fulfilling the mentioned condition.
 - a. Documents should be submitted on monthly basis within the 10th day of next month (through the web portal of Bangladesh Bank) according to the RITs (T_ME_M_REMIT_INCEN).
 - b. The unavailable information of RITs (T_ME_M_REMIT_INCEN) at this moment, bank will have to take necessary actions immediately for sending the related information of RITs.
 - The Central Bank relaxed the conditions for overseas workers to claim a 2 per cent remittance incentive on remittances up to US\$5000 or TK.500,000.
 - The Central Bank also increased the monthly limit for money transfers through mobile financial service providers from TK75, 000 to TK200, 000.
 - The Central Bank further instructed mobile financial service providers to offer free cash-out up to a maximum of TK1000.

- To facilitate e-commerce trade in the country, it has been decided that Authorized Dealers (ADs) may allow annual remittance facilities of USD 10,000 or its equivalent to a member firm of e-Commerce Association of Bangladesh (e-CAB) for meeting bonafide current expenses abroad through traditional banking channel or card channel. In this case, ADs may issue refillable international credit/pre-paid card with USD 2,000 to the nominated official of the remitter within the limit. Aggregate refills in cards and remittances by banking channel shall not exceed total limit of USD 10,000 in a calendar year. (FE circular 17, 2021, BB)
- The maximum time limit of distributing remittances to the beneficiaries has been re-determined at 2 working days instead of 72 hours.
- To encourage the expatriates to remit their earnings at home through banking channel, CIP and special citizen facilities for Bangladeshi expatriates have been extended.
- With a view to facilitating remittance on account of registration fee for medical check-up services to migrant workers, Authorized Dealers (ADs) may, upon request from approved medical centers, remit the fee to the bank account of the beneficiary's subject to production of invoice specifying details of the check-up and deduction of applicable taxes.
- In order to enhance housing finance facility for the NRBs, the maximum debt equity ratio has been fixed at 75:25 instead of existing 50:50.
- bKash offered a 1 per cent cash bonus to customers receiving remittances through banking channels abroad on TK.10,000 or more.
- Some of the commercial banks started offering 1 percent cash incentive in addition to the Government declared 2 percent cash incentive to stimulate inward remittance.

7.2 Inflows of Remittance: July – September 2021

Remittance receiving during July - September 2021 quarter stood at USD 5408.30 million, which were 12.48 percent lower than that of the previous quarter and 19.44 percent lower than that of the same quarter of the preceding fiscal year (figure 5). During this period, Bangladeshi wage earners who were stacked in the country due to the travel and vaccine related restrictions left the home country for their workplace. That could be one of the possible reasons why the inflow of remittance declined during July –September, 2021 quarter as compared to April – June, 2021 quarter. Moreover, during the Government imposed lockdown period and at the early stage of pandemic, especially July-September 2020, and October-December 2020, the remittance inflows were higher than any preceding quarters. During this period, it was observed, that a panic was created among the consumers regarding the possible shortage of commodities supplies which influenced them to buy the essential goods in bulk quantity more than the regular consumption pattern which ultimately bent a demand-pull inflation. To accommodate the excess demand for money, our foreign wage earners remittance increased beyond expectations.

Figure: 5 Inflows of Remittance



Source: Bangladesh Bank, Economic Data/wager remittance

7.3 Bank-wise Remittance Inflow

For the purpose of identifying the trends of remittance and role of banking sector in managing the inward remittance during FY 2018-2019 to FY 2020-2021, the study attempted to analyze the data using following sub-sections:

- Remittance earned by different Group/Category of Banks.
- Top Ten (10) remittance earning Banks.
- Top Five (5) remittance earning State-Owned Commercial Banks (SOCBs).
- Top Two (2) remittance earning Specialized Banks (SBs).
- Top Five (5) Private Commercial Banks (PCBs).
- All Foreign Commercial Banks (FCBs).

The statistics of inward remittance of all banks during FY 2018-2019 to FY 2020-2021 has presented in appendix.

7.3.1 Remittance Earned by Different Group of Banks

PCBs are always playing the leading role in terms of volume of remittance. During the FY 2018-2019 to 2020-2021, the overall contribution of PCBs on inward remittance were 75 percent, 75 percent, and 73 percent respectively; whereas SOCBs contribution had been slightly improving to 23 percent, 24 percent, and 25 percent respectively (table 3). PCBs contribution to inward remittance increased by 8.89 percent during FY 2019-2020 as compared to 2018-2019; whereas, during FY 2020-2021, the growth rate was 35.93 percent as compared to FY 2019-2020. On the other hand, FCBs achieved a negative growth (-19.20 percent) in FY 2020-2021 as compared to previous fiscal year. The reasons behind the largest contribution of PCBs on inward remittance are:

- i. Highest number of PCBs in the banking industry,
- ii. Existence of worldwide representative offices or exchange houses of PCBs, and
- iii. Joint collaboration of PCBs with international exchange houses such as: Western Union, MoneyGram, Wall Street Forex, etc.

Table: 3 Remittance Earned by Different Group of Banks (US\$ Million)

| SL | Group wise Banks | 2018-19 | 2019-20 | % Change | 2020-21 | % Change |
|----|------------------------------|-----------------|-----------------|-------------|-----------------|--------------|
| 1 | State-Owned Commercial Banks | 3833.41 | 4354.57 | 13.60 | 6106.19 | 40.23 |
| 2 | Specialized Banks | 191.36 | 361.00 | 88.65 | 412.95 | 14.39 |
| 3 | Private Commercial Banks | 12257.78 | 13347.69 | 8.89 | 18144.01 | 35.39 |
| 4 | Foreign Commercial Banks | 137.09 | 141.78 | 3.42 | 114.56 | -19.20 |

Source: Bangladesh Bank

7.3.2 Top Ten (10) Remittance Earning Banks

For the numerous consecutive years, Islami Bank Bangladesh Ltd. collected the highest amount of wage earners' remittance. In the FY 2020-2021, it collected US\$ 7,457.63 million wage earners' remittance which was 30 percent of the aggregate remittance inflows received by the entire banking industry. During the FY 2020-2021, IBBL achieved excessively high growth in inward remittance which was 79.71 percent as compared to FY 2019-2020. The possible reasons for becoming the number one bank in inward remittance are:

- i. Aggressive market campaign in the remittance source countries,
- ii. Establishing highest number of exchange houses worldwide,
- iii. Operating business with due diligence, and
- iv. IBBL becomes highly successful in achieving the credibility and trustworthiness among the mind of the Bangladeshi foreign wage earners' by delivering superior remittance service and charging competitive and lower commission on the remitted amount.

Table: 4 Top Ten Remittance Earning Banks (US\$ Million)

| SL | Banks | 2018-19 | 2019-20 | % Change | 2020-21 | % Change |
|----|----------------------------|---------|---------|-------------|---------|-------------|
| 1 | Islami Bank Bangladesh Ltd | 3033.98 | 4149.86 | 36.78 | 7457.63 | 79.71 |
| 2 | Agrani Bank Limited | 1588.28 | 2027.68 | 27.67 | 2823.27 | 39.24 |
| 3 | Dutch Bangla Bank Ltd. | 1302.24 | 1762.75 | 35.36 | 2491.34 | 41.33 |
| 4 | Sonali Bank Limited | 1146.29 | 1290.4 | 12.57 | 1529.51 | 18.53 |
| 5 | Janata Bank Limited | 874 | 873.29 | -0.08 | 972.57 | 11.37 |
| 6 | Trust Bank Ltd. | 618.53 | 707 | 14.30 | 947.9 | 34.07 |
| 7 | Mutual Trust Bank Ltd. | 615.01 | 548.83 | -10.76 | 803.27 | 46.36 |
| 8 | Southeast Bank Ltd. | 607.35 | 529.61 | -12.80 | 750.65 | 41.74 |
| 9 | Bank Asia Ltd. | 558.85 | 474.44 | -15.10 | 624.95 | 31.72 |
| 10 | Pubali Bank Ltd. | 555.16 | 463.79 | -16.46 | 576.44 | 24.29 |

Source: Bangladesh Bank

7.3.3. Top Five Remittance Earning SOCBs

Among the SOCBs, Agrani Bank Limited (ABL) maintained its consistency as the top remittance earning bank (table 5). During the period of FY 2018-2019 to FY 2020-2021, the contributions of ABL in inward remittance among the SOCBs were 41.43 percent, 40.48 percent, and 46.24% which shows an increasing trend. The inward remittance of ABL increased by 60.16 percent in FY 2020-2021 as compared to FY 2019-2020, whereas, it was 10.98 percent higher in FY 2019-2020 as compared to previous fiscal year. The possible reasons of this growth pattern of ABL are followings:

- i. Aggressive market campaign in the remittance source countries,
- ii. In addition to Government declared 2 percent cash incentive, ABL provided extra 1 percent cash incentive on inward remittance till July 2021.
- iii. Worldwide exchange houses (85) in the remittance source countries.
- iv. Special directives, initiatives, monitoring and supervision by the Senior Management; especially the Managing Director and CEO of ABL, in stimulating the volume of inward remittance.
- v. Establishing strong strategic alliance nationally and internationally with the exchange houses, NGOs, MFS, both large and small cap organization to facilitate the inflows of remittance smoothly.

Table: 5 Top Five Remittance Earning SOCBs (US\$ Million)

| SL | Banks | 2018-19 | 2019-20 | % Change | 2020-21 | % Change |
|----|---------------------|----------------|----------------|----------|----------------|----------|
| 1 | Agrani Bank Limited | 1588.28 | 1762.75 | 10.98 | 2823.27 | 60.16 |
| 2 | Sonali Bank Limited | 1146.29 | 1290.4 | 12.57 | 1529.51 | 18.53 |
| 3 | Janata Bank Limited | 874.00 | 873.29 | -0.08 | 947.9 | 8.54 |
| 4 | Rupali Bank Limited | 223.36 | 427.26 | 91.29 | 803.27 | 88.00 |
| 5 | BASIC Bank Limited | 1.42 | 0.87 | -38.73 | 2.23 | 156.32 |
| | Total | 3833.35 | 4354.57 | | 6106.18 | |

Source: Bangladesh Bank

7.3.4 Top Two (2) Remittance Earning Specialized Banks (SBs)

Under this category, the cent percent share is owned by Bangladesh Krishi Bank (BKB). The growth pattern of Bangladeshi foreign wage earners' inward remittance of BKB is quite significant. During FY 2020-2021, the inward remittance increased by 14.39 percent as compared to FY 2019-2020; whereas, it was 88.65% higher in FY 2019-2020 as compared to FY 2018-2019. BKB plays an important role in the field of foreign remittance. Most of the BKB branches are located at the remote areas of rural Bangladesh. The Bangladeshi people working abroad and their relatives in the country maintain bank accounts with BKB branches. Bank has an arrangement to allow Bangladeshi people working abroad to send their foreign currencies to their relatives at home. Necessary steps had been taken to widen this sector so that the Bank can serve more people and collect more remittances. BKB is also the member of SWIFT which also enables the bank in quick transfer of remittance. A special drive by the Senior Management of BKB, especially, Mr. Ali Hossain Prodhania, former Managing and CEO who worked longest time of his career on inward remittance and also worked in several countries pertinent with the remittance issue ; took some aggressive but implementable measures to promote the inflow of wage earners' remittance. Other SBs or SOCBs except ABL are also working in remote areas in Bangladesh but they had lack of proactive measures to boost up inward remittance.

Table: 6 Top Two Remittance Earning Specialized Banks (US\$ Million)

| SL | Banks | 2018-19 | 2019-20 | % Change | 2020-21 | % Change |
|-------|------------------------------|---------------|---------------|----------|---------------|----------|
| 1 | Bangladesh Krishi Bank | 191.36 | 361.00 | 88.65 | 412.95 | 14.39 |
| 2 | Rajshahi Krishi Unnayan Bank | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total | | 191.36 | 361.00 | | 412.95 | |

Source: Bangladesh Bank

7.3.5 Top Five Private Commercial Banks (PCBs)

Among the PCBs as well as the entire banking industry, Islami Bank Bangladesh Ltd. (IBBL) is the leading bank in generating the highest inflow of Bangladeshi foreign wage earners' remittance. The growth pattern and the reasons of the highest contribution in the remittance market by IBBL has already explained in the previous 7.3.2 section.

Table: 7 Top Five Private Commercial Banks (US\$ Million)

| SL | Banks | 2018-19 | 2019-20 | % Change | 2020-21 | % Change |
|----|-----------------------------|---------|---------|----------|---------|----------|
| 1 | Islami Bank Bangladesh Ltd. | 3033.98 | 4149.86 | 36.78 | 7457.63 | 79.71 |
| 2 | Dutch Bangla Bank Ltd. | 1302.24 | 2027.68 | 55.71 | 2491.34 | 22.87 |
| 3 | Trust Bank Ltd. | 618.53 | 707 | 14.30 | 972.57 | 37.56 |
| 4 | Mutual Trust Bank Ltd. | 615.01 | 548.83 | -10.76 | 750.65 | 36.77 |
| 5 | Southeast Bank Ltd. | 607.35 | 529.61 | -12.80 | 624.95 | 18.00 |

Source: Bangladesh Bank

7.3.6 Inward Remittance of Foreign Commercial Banks (FCBs)

Woori Bank Ltd. which is Seoul based South Korean bank started its operations in Bangladesh on 21st September 1996 and currently it has only nine branches in three districts. In spite of having limited operations and client base and has been operating for only twenty-five years considered to be the youngest as compared to the rest of the eight FCBs; it holds the leading position for several years in inward remittance (table 8). During the period of FY 2018-2019 to FY 2020-2021, Woori Bank generated 51.51 percent, 53.69 percent, and 54.69

percent respectively of the aggregate inward remittance contributed by FCBs. Although, Woori bank achieved negative growth in inward remittance during FY 2020-2021 which was 17.70 percent lower than previous fiscal year; but it's inward remittance increased by 7.80 percent in FY 2019-2020 as compared to FY 2018-2019. The possible reasons behind the leading position of Woori Bank in terms of inward remittance are as follows:

- i. A large number of Bangladeshi workers have been working in South Korea. These migrant workers or their families don't have any account in Woori Bank, Bangladesh. The respective employers of those workers remit their payroll to Woori Bank, Bangladesh through an advice sheet, and the local office transfers the payroll to different bank accounts of the family members of the migrant workers. So far, this service is not provided by any other FCBs.
- ii. Some of the South Korean Companies have investment in Iraq where a good number of Bangladeshi migrant workers are working. Their salaries are also remitting in Bangladesh in the same way by Woori Bank.
- iii. Woori Bank in South Korea established a dedicated desk in their branches at Seoul where a Bengali speaking executive is in the charge of that desk. It becomes convenient for the Bangladeshi migrant workers to communicate and to avail the remittance service from that desk.
- iv. As per the initiative of Bangladesh Government, about two thousand skill Bangladeshi workers are going to migrate in South Korea very soon. To enhance the financial literacy of these workers, Woori Bank arranged six weeks long "Financial Integration" training program for six batches with the joint collaboration with Bangladesh-Korea Technical Training Centre, Mirpur, Dhaka, where Woori Bank executives already started providing training on different aspects of international banking. This initiative will also make a positive impact on inward remittance in near future.

Table: 8 Inward Remittance of Foreign Commercial Banks (US\$ Million)

| SL | Banks | 2018-19 | 2019-20 | % Change | 2020-21 | % Change |
|----|---------------------------|---------------|---------------|-------------|---------------|---------------|
| 1 | Woori Bank Ltd. | 70.61 | 76.12 | 7.80 | 62.65 | -17.70 |
| 2 | Standard Chartered Bank | 55.33 | 56.68 | 2.44 | 34.68 | -38.81 |
| 3 | HSBC | 5.42 | 4.95 | -8.67 | 9.53 | 92.53 |
| 4 | Commercial Bank of Ceylon | 4.55 | 3.25 | -28.57 | 6.6 | 103.08 |
| 5 | CITI Bank NA | 0.82 | 0.45 | -45.12 | 0.94 | 108.89 |
| 6 | Bank Al-Falah | 0.21 | 0.2 | -4.76 | 0.1 | -50.00 |
| 7 | State Bank of India | 0.1 | 0.13 | 30.00 | 0.06 | -53.85 |
| 8 | Habib Bank Ltd. | 0.05 | 0 | -100.00 | 0 | 0 |
| 9 | National Bank of Pakistan | 0 | 0 | 0 | 0 | 0 |
| | Total | 137.09 | 141.78 | 3.42 | 114.56 | -19.20 |

Source: Bangladesh Bank

7.4 Wage Earners Remittance Inflows: Selected Country wise

Country-wise inflows of remittance during July-September 2021 showed that the largest amount of remittance was received from KSA (USD 1304.13 million) which was 23.42 percent of total remittances followed by USA (15.41 percent), United Kingdom (8.12 percent) UAE (8.01 percent), Malaysia (8.12 percent), Kuwait (7.94 percent), Oman (5.23 percent). Region-wise remittance inflows showed that the amount of remittances received from the Gulf countries was USD 2975.82 million (53.43 percent), EU countries sent USD 729.06 million (13.09 percent) and Asia-Pacific region sent USD 609.54 million (10.94 percent) during this quarter (table 9). Almost in every region, a negative trend was observed in July-September 2021 as compared to previous quarter April-June 2021. The reasons behind the negative growth patter as already mentioned is section 7.2; i.e. Bangladeshi workers who came to Bangladesh for holiday purpose, started returning into their workplace after overcoming the requirements related with vaccine, quarantine, air ticketing complexity, expiration of visa etc.

**Table: 9 Wage Earners Remittance Inflows: Selected Country wise
(US\$ Million)**

| Countries | Jan.- Mar. '20 | Apr- Jun'20 | July- Sep'20 | Oct- Dec'20 | Jan.- Mar. 21 | Apr- Jun'21 | July - Sep '21 | Percent Growth | | |
|-------------------------------|----------------------|----------------|-----------------|----------------|---------------------|----------------|-------------------|--|---|--|
| | | | | | | | | July- Sep '21 over April- June '21 | Apr- Jun'21 over Jan.- Mar. 21 | Apr- Jun'21 over Apr- Jun'20 |
| Gulf Countries | 2455.46 | 2652.95 | 3824.33 | 3402.56 | 3043.89 | 3340.68 | 2975.82 | -10.92 | 9.75 | 25.92 |
| <i>Share</i> | 56.23 | 59.88 | 56.97 | 54.6 | 53.84 | 54.06 | 53.43 | | | |
| KSA | 916.37 | 1144.32 | 1614.11 | 1453.14 | 1290.04 | 1364.12 | 1304.13 | -4.40 | 5.74 | 19.21 |
| UAE | 563.92 | 569 | 751.45 | 621.66 | 506.05 | 560.83 | 446.3 | -20.42 | 10.83 | -1.44 |
| Qatar | 248.89 | 209.45 | 346.52 | 327.72 | 342.26 | 433.68 | 356.32 | -17.84 | 26.71 | 107.06 |
| Oman | 269.47 | 343.76 | 486 | 383.5 | 301.4 | 364.74 | 291.54 | -20.07 | 21.02 | 6.1 |
| Bahrain | 109.39 | 107.14 | 159.89 | 143.59 | 132.3 | 141.96 | 135.48 | -4.56 | 7.3 | 32.5 |
| Kuwait | 347.41 | 279.28 | 466.36 | 472.95 | 471.84 | 475.35 | 442.05 | -7.01 | 0.74 | 70.21 |
| EU Countries | 520.16 | 415.19 | 758.2 | 724.47 | 684.21 | 734.52 | 729.06 | -0.74 | 7.35 | 76.91 |
| <i>Share</i> | 11.91 | 9.37 | 11.29 | 11.63 | 12.1 | 11.89 | 13.09 | | | |
| UK | 333 | 296.1 | 516.1 | 503.83 | 496.21 | 507.44 | 452.01 | -10.92 | 2.26 | 71.37 |
| Germany | 13.2 | 11.18 | 15.26 | 16.9 | 17.07 | 17.66 | 18.95 | 7.30 | 3.46 | 57.96 |
| Italy | 173.96 | 107.91 | 226.81 | 203.74 | 170.93 | 209.42 | 258.1 | 23.25 | 22.52 | 94.07 |
| Asia- Pacific Countries | 464.46 | 400.93 | 852.13 | 752.34 | 604.73 | 639.33 | 609.54 | -4.66 | 5.72 | 59.46 |
| <i>Share</i> | 10.64 | 9.05 | 12.69 | 12.07 | 10.7 | 10.35 | 10.94 | | | |
| Australia | 13.62 | 15.45 | 34.41 | 34.78 | 35.59 | 36.99 | 27.76 | -24.95 | 3.93 | 139.42 |
| Japan | 11.19 | 12.09 | 21.42 | 22.65 | 17.9 | 17.57 | 18.14 | 3.24 | -1.84 | 45.33 |
| Malaysia | 322.2 | 265.89 | 607.24 | 539.45 | 414.3 | 441.37 | 452.01 | 2.41 | 6.53 | 66 |
| Singapore | 117.45 | 107.5 | 189.06 | 155.46 | 136.94 | 143.4 | 111.63 | -22.15 | 4.72 | 33.4 |
| USA | 610.21 | 691.42 | 815.2 | 831.27 | 842.68 | 972.53 | 858.18 | -11.76 | 15.41 | 40.66 |
| <i>Share</i> | 13.97 | 15.61 | 12.14 | 13.34 | 14.91 | 15.74 | 15.41 | | | |
| Other Countries | 316.63 | 269.7 | 463.33 | 520.91 | 477.97 | 492.42 | 396.85 | -19.41 | 3.02 | 82.58 |
| <i>Share</i> | 7.25 | 6.09 | 6.9 | 8.36 | 8.45 | 7.97 | 7.13 | | | |
| Total | 4366.92 | 4430.19 | 6713.2 | 6231.55 | 5653.48 | 6179.48 | 5569.45 | -9.87 | 9.3 | 39.49 |

Source Bangladesh Bank

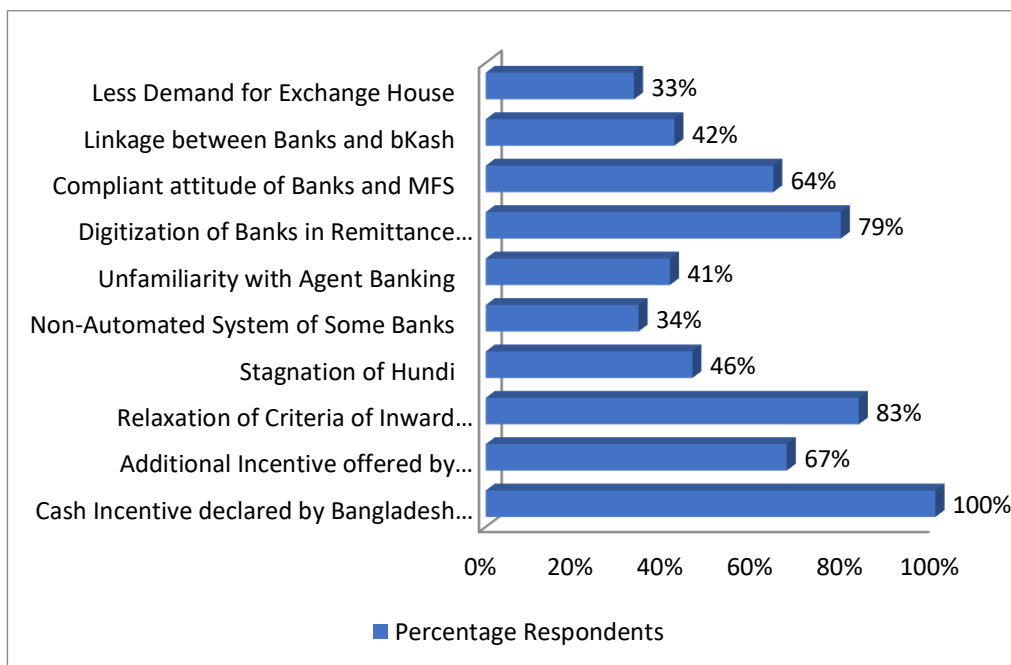
8. Findings from the Focus Group Discussion

To facilitate the study and to examine the reasons behind rise and drop of inwards remittance during Covid pandemic, the research team conducted a focus group discussion consisting of one executive from the foreign exchange and policy department of BB and thirty-four executives in the rank of head of remittance or foreign trade of different commercial banks especially those banks which are actively involved in inward remittance (list of participants of FGD enclosed in appendix). The comments of the participants highlight both the positive impact on inward remittance as well as some major challenges that also indulged the inflows of remittance beyond the expected outcome. Based on their comments, following observations were retained:

- i. **Cash Incentive declared by Bangladesh Government:** The 2 percent cash incentive offered by the Bangladesh Government on inward remittance along with the BB's initiatives (see section 7.1) to ensure a time and cost-effective money transfer process encouraged Bangladeshi migrant workers to send more money in their country of residence.
- ii. **Additional Incentive offered by Different Commercial Banks:** Banks are doing business in a competitive market. To boost up their own business, banks have to craft and execute different strategies to win over the competition. To attract more Bangladeshi migrant workers to remit their fund using a specific bank, some of the banks offered extra 1 percent cash incentive in addition to the Government declared 2 percent incentive which also made a positive impact on inward remittance.
- iii. **Relaxation of Criteria of Inward Remittance by BB:** The Bangladeshi migrant workers can avail 2 percent cash incentives without showing any documents for incentives for the remittance amount up to US\$ 5000 or TK 500,000. BB also increased the monthly limit for money transfers through mobile financial service providers from TK. 75,000 to TK 200, 000. BB further instructed mobile financial service providers to offer free cash-out up to a maximum of TK.1000.
- iv. **Stagnation of Hundi:** The stagnation of hundi, an illegal cross-boarder financial transaction, has pushed the country's remittance up. It actually happens due to the restrictions in the physical movement of people and also cross-boarder movement through air or land were also held up.

- v. **Non-Automated System of Some Banks:** Few banks in middle east have non-automated system. In this 21st century, these banks failed to implement automation in the payment system like our BACPS, BEFTN, RTGS, NPSB, and MFS introduced by BB in early 2010. Moreover, these banks have limited exchange tie up which is causing problem in bringing remittance. The manual practice of these banks discouraged the Bangladeshi migrant workers to remit their fund during Covid pandemic which could be another reason behind the fall of inward remittance as compared to expectation.
- vi. **Unfamiliarity with Agent Banking:** Agent banking could be widely used for remittance collection. But the marginal people in Bangladesh were not familiar with the agent banking concept and its benefits which made them hesitant for remittance collection through this system.
- vii. **Digitization of Banks in Remittance Functions:** Banks which are already digitally equipped that enable to reap the benefits of remittance collection during this period. Application Program Interface (API) based platform played a significant role to collect inward remittance during the pandemic. Financial intermediary and remittance service providers introduced different digital solutions like MKash, PayPal, Venmo, VISA Card, Master card, MFS etc.
- viii. **Compliant attitude of Banks and MFS:** Most of the banks and MFS involved in remittance services were serious enough about BB regulation on remittance services and AML and CFT issue. As a result, the remittances came during this period were strictly scrutinized by the service provider to avoid compliance risk.
- ix. **Linkage between Banks and bKash:** Customers of the leading banks of the country now add money to their bKash wallet easily and smoothly for 24/7 due to the relentless endeavors and continuous integration with banks. MFS was the widely used tool of payment system during the Covid pandemic because of the people's restrictions on physical movements and banks were also providing services for limited hours as per the instruction of BB.
- x. **Less Demand for Exchange House:** The demand for physical existence of exchange houses to tie with numerous banks is getting lower since BEFTN allows interbank transaction quite easily.

Figure: 6 Percentage of Respondents in FGD



Source: Based on Respondents in FGD conducted by Research Team at BIBM

In figure 6, we presented the percentage respondents of the participants in FGD against each issue discussed above. It is clearly stated that highest number of participants commented on observation no (i), (iii), (vii), (viii), and (ii).

9. Case Studies

To conduct this study, research team talked with the concerned executives of BB and several SOCBs, SBs, PCBs, FCBs, and remittance recipient to identify some special but unique cases related with inward remittance. In this section, we are presenting the case studies in summarized form and the name of the institution or related parties are not going to be disclosed for the sake of confidentiality.

Case Study: 1 Small Bank but Leading in terms of Inward Remittance

A Foreign Commercial Bank had been operating in Bangladesh only for twenty five years having only nine branches in three districts and mainly focusing on wholesale banking. Its product line and customer base are very limited, but for last several years, they are in the leading position among the FCBs in terms of inward remittance because of its unique services that are not offered by any other FCBs in Bangladesh. They are helping the Bangladeshi migrant workers who are working in its home country as well as in another country to bring in their remittance through their banking channel although the family members of those workers do not have any bank account with this bank. Afterward, this bank transfers those inward remittances to the respective local bank accounts of the family member of those migrant workers. For the convenience of the migrant workers, it had already established a dedicated desk in the branch of its home country where a Bengali speaking executive providing the remittance service. In addition to that, recently, they had started providing training to two thousands Bangladeshi workers who are going to migrant very soon in its home country where the objective of the training is enhancing the financial literacy of those potential migrant workers.

Source: Based on the Interview of the Respective Bank's Executive

Case Study: 2 Special Drive given by the CEO of the Banks

One SOCB which is leading among the SOCBs and one SB which is leading among the SBs regarding inward remittance. The reasons behind their leading position for long time is extra-ordinary drive provided by their Senior Management, especially, the Managing Director and CEO. These two honorable MDs paid an extensive travel to the remittance sourcing countries in different occasion, established a close tie with the migrant workers, exchange houses, and correspondents banks very meticulously. They had very strong directives to their exchange houses and local AD branches to ensure value added services to Bangladeshi migrant workers as well as their family members. Since the branch network coverage of these two banks is almost entire Bangladesh and majority migrant workers are from rural areas, it becomes convenient for their family members to maintain bank account with them and receiving the remittance without any difficulties.

Source: Based on the Interview of the Respective Bank's Executive

Case Study: 3 Compliant Bank can easily Achieve Client's Trust

One of the PCBs which is a Shari'ah compliant bank also becomes leading bank in terms of inward remittance for several decades. In terms of every operational aspects of banking, this bank had already proven as a compliant bank. To attract the Bangladeshi migrant workers' to remit their earnings from this banking channel, it conducted very aggressive marketing campaign in the remittance sourcing countries, almost reaching the door of all migrant workers. Since it's a Shari'ah compliant bank, there is no difference between what they say and what they actually do which earns credibility and trust among the Bangladeshi migrant workers. In addition to that, it has wide network of exchange houses globally and the remittance fee it charges which is very competitive or we can say lower compare to other banks. For the Bangladeshi migrant workers who earned money by taking unbearable pain in some extent, it's quite a big deal for them how much remittance fee a bank is charging.

Source: Based on the Interview of the Respective Bank's Executive

Case Study: 4 Export Proceed Realized through Exchange House

Export x received an export order for agro-processing goods from the Middle East. The export proceeds are realized through an exchange house after the products are shipped. The exporter applied for and received a cash incentive. However, a Bangladesh Bank inspection team discovered discrepancies in cash incentives worth BDT 7 crore. Cash incentives are not authorized against export proceeds realized through an exchange house, according to cash incentive laws. As a result, BB debited the bank's account and credited the money to the government's account. The bank officials in this situation were not following the rules.

Source: Bangladesh Bank

Case Study: 5 Workers' Remittance Channel was used for Drug Trafficking

The workers who sent the payment are unfamiliar with banking regulations and irregularities. Their lack of financial knowledge is sometimes exploited by money launderers and terrorists for illicit reasons. In this case, strategies such as hundi, black peso market, and others were used to carry out their unlawful transaction. The Bangladesh Narcotic Department has apprehended a drug trafficking gang in Teknaf. They discovered that there is no cross-border physical transfer of drugs payment. The business was well executed by using the workers' remittance. Drug dealers pay the wage earners' family members in BDT in Bangladesh, and the workers' pay the drug dealer's agent in foreign countries with USD (where the workers are doing job). The workers were unaware of the nefarious motivation. Some exchange homes were also concealed in this scenario.

Source: Bangladesh Bank

Case Study: 6 Misuse of 2 percent Cash Incentive

Mr. X sent money to a country in the Middle East via hundi. And then resented the money in Bangladesh through an exchange house. He took advantage of the two percent incentive because it was listed as worker remittance. Following an investigation, it was discovered that Mr. X's source of funds and the method he used were both illegal. Furthermore, he re-unites the illegal fund with an incentive, which is a money laundering offense. The officials of bank and the exchange house were unable to determine the fund's source and purpose.

Source: Bangladesh Bank

Case Study: 7 Failures to Stop Hundi at a Significant Rate

During Covid pandemic, Government imposed lock down, shut down several times and also imposed restrictions in the physical movement of the people. During these periods, banks were either operating for limited hours (maximum three to four hours) or branches were closed down on rotation basis. Long cue of the clients was observed during this period. To avoid this aggravation, the family members of the migrant workers started preferring hundi to receive the remittance since under this illegal channel, the recipient side of the remittance does not need to travel anywhere rather they received the money at their residence. From the supplier side, there is no transaction cost to remit the money and they usually received better rate than calculated bank rate.

Source: Based on the Interview of a Recipient of Inward Remittance

Case Study: 8 Online Foreign Exchange Transaction Monitoring and Management System of BB

Online Foreign Exchange Transaction Monitoring and Management System is used for monitoring total foreign exchange transactions of Bangladesh. The system includes Export, Import, Inward remittance (Wage Earners' remittance and other) and Outward remittance (Traveling and Miscellaneous). Through its services, Banks and AD Branches issue & reports Foreign Exchange Transactions to Bangladesh Bank. Users of this e-service of BB are commercial banks, AD branches of banks, exporters, and customs. Under this e-service of BB, it is providing foreign exchange transaction monitoring system, online inward remittance monitoring system, online export monitoring system, international card monitoring system, online money changer monitoring system, online money changer transaction verification, online TM form monitoring system, online import monitoring system, and online foreign exchange market monitoring system.

Source: Bangladesh Bank

Case Study: 9 Awareness Building Campaign on Agent Banking

From FGD, although 41 percent respondents opined that remittance recipients failed to capitalize the advantages of agent banking due to their lack of knowledge about it. But one of the third generation PCBs who are the pioneer in agent banking and it has four thousands and five hundreds agent banking outlets, arranged nationwide campaign on agent banking to create awareness among the beneficiaries. This campaign had proven to be successful because remittance recipients collected their remitted sum from its agent. On September 13, 2021, it achieved the milestone of 1 billion US\$ remittance.

Source: Based on the Interview of the Respective Bank's Executive

Case Study: 10 The Wage Earners Channel is Misused by Structuring

Mr. Rafiq visited frequently Bank Z to collect inward remittance given by his relatives to his family. The amount is BDT 450,000 in one transaction. However, when the identical sum appeared in repeated transactions within a month, the banker became suspicious. Mr. Rafiq was queried about the fund's origins and purpose by the officer. He was unable to adequately justify the inward remittance. The officer escalated the problem to the proper authorities. Money laundering is carried out through the channel of workers' remittances. Furthermore, because the regulatory authority eased the

paperwork requirements up to BDT 5,00,000, they took advantage of this flexibility by structuring the fund only to evade an audit trail.

Source: Based on the Interview of the Respective Bank's Executive

Case Study: 11 Service Export Proceeds are Realized as Workers' Remittance

Mr. A has an account in bank. He is a freelancer. However, remittances are sent on his behalf on a regular basis from a specific account. This action caused bankers to be cautious. He conducted his own investigation. He questioned the customer. The client is collaborating with a foreign company, according to the analysis. And his remuneration is deposited in his wife's account which is opened in that foreign territory. His wife is depositing the funds into his account as a workers' remittance. It's essentially a payment for a service export. The export of services is subject to a 10% tax. The client can save 10% on service tax and get a 2% cash incentive by using this channel.

Source: Based on the Interview of the Respective Bank's Executive

Table: 10 Findings from Case Studies

| Case Study | Findings |
|-------------------|---|
| 1. | <ul style="list-style-type: none"> • Service differentiation strategy as compare to other FCB. • Maintaining a dedicated desk in the branch of home country with Bengali speaking executive. • Providing the service of inward remittance of Bangladeshi migrant workers from its home country as well as other countries without having any bank account of the wage earners' or their family members with that bank. • Transferring the inward remittance with the respective local bank accounts of the family members of the migrant workers. |
| 2. | <ul style="list-style-type: none"> • Special drive of the Managing Director and CEO through extensive visit in the remittance sourcing countries. • Maintaining a close and strong tie with Bangladeshi migrant workers, exchange houses, and correspondent banks. • Special directives of the MD & CEO to the exchange house and AD branches to provide value added service to the migrant workers as well as the remittance recipients. |

| | |
|-----|---|
| | <ul style="list-style-type: none"> • Nationwide branch network including remote area in order to reach the marginal people. |
| 3. | <ul style="list-style-type: none"> • Doing business with due diligence which increases credibility and trust among the stakeholders’. • Aggressive marketing in the inward remittance sourcing countries. • Low and competitive transaction cost in remittance service. • Wide network of exchange houses in the remittance sourcing countries. |
| 4. | <ul style="list-style-type: none"> • Misuse of 2 percent cash incentive in export proceeds realized through exchange house. |
| 5. | <ul style="list-style-type: none"> • Lack of knowledge on banking regulations of migrant workers pushed him to remit the fund to his family in Bangladesh through drug trafficker. |
| 6. | <ul style="list-style-type: none"> • Another misuse of 2 percent cash incentive where source of fund and method of payments both were unlawful. |
| 7. | <ul style="list-style-type: none"> • Limited banking hours and restrictions imposed on physical movement pushed some of the family members of migrant workers to receive the sum through hundi. |
| 8. | <ul style="list-style-type: none"> • Online foreign exchange transaction monitoring and management system of BB will reduce the irregularities and unlawful practices on inward remittance significantly. |
| 9. | <ul style="list-style-type: none"> • An aggressive marketing drive through awareness building program on agent banking helped people to receive remittance through agent. |
| 10. | <ul style="list-style-type: none"> • Money laundering carried out through the channel of workers’ remittances because the regulatory authority eased the paperwork requirements up to BDT 5,00,000. |
| 11. | <ul style="list-style-type: none"> • Service export proceeds realized as workers’ remittance. |

10. Issues for Discussion

Based on methodology, the research team identified the monthly, quarterly, and annual trend of inward remittance from different dimension. By analyzing the data, we examined both type of growth pattern in different point of time. Through FGD, the research team attempted to investigate the reasons behind rise and fall of inward remittance in different point of time. In spite of those, still some hesitations are there regarding the actual causes of fluctuations of inward remittance. Following issues need to be resolved to identify the role of banks in managing the effect of Covid 19 on inward remittance:

10.1 Additional Cash Incentive Provided by Some Banks

It was already discussed that some of the commercial banks, both SOCBs and PCBs provided extra 1 percent cash incentive on inward remittance in addition to the Government declared 2 percent cash incentive. A mixed reaction was created among the remittance service providers. The banks which provided only 2 percent cash incentive argued that they were fully complied with Government instruction and this 1 percent cash incentive created an unhealthy competition among banks in attracting wage earners' that created a monetary disequilibria. On the other hand, the banks which provided additional 1 percent cash incentive neither face any regulatory barrier nor paid any penalty.

10.2 Aggressive Marketing Drive by the Senior Management of some Banks

In the sections 7.3.2, 7.3.3, and 7.3.4, we specified the name of IBBL, ABL, and BKB as the leading wage earners remittance earnings banks in their category. For the first two banks, aggressive marketing was one of the main success factors and for second and third bank, special or extra-ordinary drive by the Managing Directors and CEOs and their branch location in remote areas considered to be the main success factors.

10.3 Hundi cannot be Stopped

Based on FGD, 46 percent respondents opined that use of hundi during Covid declined due to the Government imposed restrictions on traveling abroad and physical movement inside. In some of the cases, these restrictions worked in favor of hundi since banks were operating for limited hours and a large number of branches were closed during this period.

10.4 Need to have more Awareness Building Program on MFS an Agent Banking

Although 41 percent respondents of FGD said that people are not familiar with agent banking concept, apps based banking, and MFS; but the research team strongly believe that other banks may take the lesson from case study: 9 and may operate nationwide campaign on agent banking which will also facilitate the legal channeling of inward remittance. Started in 2013, agent banking services, agent banking outlets, and number of banks offering agent banking as compared to total number of banks, the growth of agent banking is not that progressive.

10.5 Slow Growth Banking Automation

BB introduced BACPS in 2010, BEFTN in 2011, NPSB in 2012, and RTGS in 2015. Under NPSB, 53 banks are interconnected for their ATM transactions, 52 banks are interoperable for POS transactions, and 25 banks are interconnected for IBTF transaction as of October 2020 (BB). IBTF could play an important role on inward remittance where only 25 banks are interconnected.

10.6 Cash Out Charges of MFS

The widely used MFS in Bangladesh is bKash which reduced the cash out charge from Tk.20.00 to 14.90 recently in each Tk. 1000 transaction; whereas Nagad is charging Tk. 9.99 for the same amount. Other MFSs cash out charges are in the range of Tk. 15.00 to Tk. 18.50. The family members of majority Bangladeshi wage earners' are low-income people and our migrant workers are taking unbearable pain in earning money since all of them actually are blue-color workers. These cash-out charges within the range of Tk. 9.99 to Tk. 18.50 are too expensive for their families.

10.7 Dual Role of Bangladeshi Exchange Houses at both Home and Abroad

Quite surprisingly, the exchange houses operating at home and abroad whether independent or affiliated with any commercial banks of Bangladesh had been performing remittance service in both legal and illegal manner. That means the exchange houses that are sending remittance through banking channel, are also providing the service of hundi. Since several paper documents are required to remit fund as per BB requirements, Bangladeshi migrant workers who are staying abroad illegally, i.e. without any visa or work permit, they cannot produce BB required documents in remitting fund. At that time, the same exchange house provides the hundi service to these deprived and under-privileged migrant workers.

10.8 Unhealthy Competition among the Exchange Houses and Banks in International Market

It had been observing for long time that some of the representative offices of different commercial banks of Bangladesh and also their respective exchange

houses engaged in unhealthy competition by offering relatively higher exchange rate to the wage earners ignoring the official exchange rate. In short run, such behavior of these houses considered to be successful in attracting large number of wage earners remitting their money from these houses; but in the long run, it will definitely create market disequilibria. For such kind of activity, some of the compliant representative offices or exchange houses have to suffer losses.

11. Concluding Remarks

Bangladesh is a third world country of great potentiality. Despite of its small area, it has been successfully managing the overall livelihoods of 160 million people. Bangladesh was included as LDC in the list of ECOSOC in 1975. As of December 2020, Bangladesh has achieved all the thresholds of three categories i.e. GNI (Gross National Income, \$2,010), HAI (Human Assets Index, 75.3) and EVI (Economic Vulnerability Index, 27.3) for graduating from LDC. In this context, the achievement of Bangladesh in these three categories was recognized for the first time in United Nations' General Assembly held in March 2018. Later on, this achievement will be monitored by CDP (Committee on Development Policy), a subordinate agency under the purview of ECOSOC. If Bangladesh can keep its momentum with this achievement for two consecutive triennial reviews by CDP of 2021 and 2024, it is expected that, Bangladesh is going to be graduated from LDC in 2024. After the graduation Bangladesh will get 3 more years i.e. till 2027 to prepare itself for a smooth transition. In this context like any other LDC, Bangladesh will get 9 years (2018-2027) to prepare her to face the new challenges of international trade and commerce, cooperation, technology and economy.

In order to graduate from LDC to developing country, accomplishing the goal of SDG by 2030, achieving the goal of Vision 2041 and Vision Delta; one of the KPIs that needs to be accelerated is the high growth of inward remittance. The banking industry of Bangladesh had shown highly responsiveness in accordance with the initiatives taken by Bangladesh Government and BB during Covid pandemic to address the challenges. Based on the historical data of inward remittance and overall commentary of the bankers in FGD, it was proven that banks were successful to handle the crisis and this lesson will also help them to face any unexpected event in future. The Government, BB, banking industry, and other stakeholders' need to acknowledge the contribution of our Bangladeshi migrant wage earners in our economy as well as the pain that they had been taking years after years in earning the money in a very

challenging way since they are the blue-color workers. It should be ensured by the appropriate authority that these migrant workers would get proper and value added services in remitting their hard-earned money through the legal banking channel. Otherwise, these remittances will divert into hundi which will be an ultimate disaster for the economy as a whole. SDG 10 aims to reduce both inequality within a country and among countries. Reducing within country inequality in Bangladesh calls pro-poor growth and development which are attuned to the targets under Goals 1 of no poverty. Targets under SDG 2, 5, and 13, likewise, are in tune with the targets of SDG 10. Reducing across country inequality requires a different approach. Among other steps, calls for orderly, safe and regular migration and mobility of people, including the implementation of planned and well managed migration policies will be needed. Bangladesh, being one of the top 10 remittance receiving countries in the world, has vital stake in safe and orderly migration process. Efforts have been made to mainstream migration in the context of the implementation of SDGs and targets. Safe migration is ensured with this process as well as regional balance is also ensured. To mitigate the burden of increased expenses in sending foreign remittances and to encourage bringing in foreign remittance through legal channels, an incentive at the rate of 2% on money remitted by expatriate Bangladeshi will be provided from FY2019-20. In 2015, the Government launched ‘Strengthening Institutional Capacity and Human Resource Development for Trade Promotion’. The project-initiated studies on ‘Export Potentiality of Trade in Services of Bangladesh: Identifying Opportunities and Challenges’ and ‘Identification of Non-tariff Barriers Faced by Bangladeshi Products in Major Export Markets’. The World Bank has been funding Social Safety Net Programs and increased the volume and coverage of the program to 2.55% of GDP in FY 2018-19.

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Appendix: I

Inward Remittance Data of All Banks (US\$ Million)

| SL | Banks | 2018-19 | 2019-20 | 2020-21 |
|----|--------------------------------------|-----------------|-----------------|-----------------|
| | State-owned Commercial Banks | 3833.41 | 4354.57 | 6106.19 |
| 1 | Agrani Bank Limited | 1588.28 | 1762.75 | 2823.27 |
| 2 | Janata Bank Limited | 874 | 873.29 | 947.9 |
| 3 | Rupali Bank Limited | 223.36 | 427.26 | 803.27 |
| 4 | Sonali Bank Limited | 1146.29 | 1290.4 | 1529.51 |
| 5 | BASIC Bank Limited* | 1.42 | 0.87 | 2.23 |
| 6 | BDBL | 0.06 | 0 | 0.01 |
| | Specialized Banks | 191.36 | 361 | 412.95 |
| 7 | Bangladesh Krishi Bank | 191.36 | 361 | 412.95 |
| 8 | Rajshahi Krishi Unnayan Bank (RAKUB) | 0 | 0 | 0 |
| | Private Commercial Banks | 12257.78 | 13347.69 | 18144.01 |
| 9 | AB Bank Ltd. | 203.03 | 144.86 | 200.58 |
| 10 | Al-Arafah Islami Bank Ltd. | 382.59 | 412.85 | 624.95 |
| 11 | Bangladesh Commerce Bank Ltd. | 13.25 | 11.4 | 14.04 |
| 12 | Bank Asia Ltd. | 558.85 | 707 | 972.57 |
| 13 | BRAC Bank Ltd. | 376.56 | 378.88 | 464.6 |
| 14 | Dhaka Bank Ltd. | 43.73 | 31.79 | 52.21 |
| 15 | Dutch Bangla Bank Ltd. | 1302.24 | 2027.68 | 2491.34 |
| 16 | Eastern Bank Ltd. | 224.59 | 114.83 | 72.38 |
| 17 | EXIM Bank Ltd. | 43.16 | 46.57 | 48.49 |
| 18 | First Security Islami Bank Ltd. | 151.44 | 150.79 | 163.99 |
| 19 | ICB Islamic Bank | 0.11 | 0.46 | 0.83 |
| 20 | IFIC Bank Ltd. | 38.61 | 30.89 | 47.17 |
| 21 | Islami Bank Bangladesh Ltd.(IBBL) | 3033.98 | 4149.86 | 7457.63 |
| 22 | Jamuna Bank Ltd. | 173.78 | 212.15 | 241.36 |
| 23 | Meghna Bank Ltd | 19.38 | 12.37 | 34.58 |
| 24 | Mercantile Bank Ltd. | 421.21 | 238.58 | 395.21 |
| 25 | Midland Bank Ltd. | 8.32 | 9.03 | 8.02 |
| 26 | Modhumoti Bank Ltd | 13.98 | 5.94 | 10.09 |
| 27 | Mutual Trust Bank Ltd. | 615.01 | 463.79 | 440.95 |
| 28 | National Bank Ltd. | 458.13 | 390.39 | 445.61 |
| 29 | NCC Bank Ltd. | 465.27 | 474.44 | 576.44 |
| 30 | NRB Bank Ltd. | 12.34 | 4.79 | 4.63 |
| 31 | NRB Commercial Bank Ltd. | 6.19 | 7.84 | 14.87 |
| 32 | NRB Global Bank Ltd. | 8.17 | 9 | 32.02 |
| 33 | One Bank Ltd | 67.77 | 73.65 | 48.66 |
| 34 | Padma Bank Ltd. | 0.96 | 11.53 | 1.9 |
| 35 | Premier Bank Ltd. | 120.11 | 77.25 | 188.21 |
| 36 | Prime Bank Ltd. | 336.7 | 305.53 | 343.84 |
| 37 | Pubali Bank Ltd. | 555.16 | 548.83 | 750.65 |
| 38 | Sahjalal Islami Bank Ltd. | 61.61 | 50.29 | 54.87 |
| 39 | Shimanto Bank Ltd. | 0.49 | 0.42 | 0.55 |
| 40 | Social Islami Bank Ltd. | 144.75 | 146.32 | 175.77 |
| 41 | SBAC Bank Ltd | 58.35 | 32.97 | 48.88 |
| 42 | Southeast Bank Ltd. | 607.35 | 529.61 | 494.06 |
| 43 | Standard Bank Ltd | 131.37 | 89.95 | 142.04 |
| 44 | The City Bank Ltd. | 378.6 | 423.84 | 460.68 |

| | | | | |
|----|---------------------------------|---------------|---------------|---------------|
| 45 | Trust Bank Ltd. | 618.53 | 265.69 | 106.62 |
| 46 | Union Bank Ltd. | 20.85 | 22.94 | 41.5 |
| 47 | United Commercial Bank Ltd. | 212.55 | 370.17 | 168.53 |
| 48 | Uttara Bank Ltd. | 368.71 | 362.52 | 302.69 |
| | Foreign Commercial Banks | 137.09 | 141.78 | 114.56 |
| 49 | Bank Al-Falah | 0.21 | 0.13 | 0.06 |
| 50 | CITI Bank NA | 0.82 | 0.45 | 0.94 |
| 51 | Commercial Bank of Ceylon | 4.55 | 3.25 | 9.53 |
| 52 | Habib Bank Ltd. | 0.05 | 0 | 0 |
| 53 | HSBC | 5.42 | 4.95 | 6.6 |
| 54 | National Bank of Pakistan | 0 | 0 | 0 |
| 55 | Standard Chartered Bank | 55.33 | 56.68 | 62.65 |
| 56 | State Bank of India | 0.1 | 0.2 | 0.1 |
| 57 | Woori Bank Ltd. | 70.61 | 76.12 | 34.68 |

Source: Bangladesh Bank

Appendix: II

District wise Wage Earners' Remittance (US\$ Million)

| District | 2019-20 | 2020-21 |
|------------------|---------|---------|
| BAGERHAT | 53.4 | 65.6 |
| BANDARBAN | 16.6 | 25.9 |
| BARGUNA | 50.3 | 64.4 |
| BARISHAL | 220.6 | 255.5 |
| BHOLA | 80.9 | 106.2 |
| BOGURA | 160.4 | 218.1 |
| BRAHMANBARIA | 701.3 | 787.3 |
| CHANDPUR | 506.9 | 618.6 |
| CHAPAI NAWABGANJ | 81.5 | 93.6 |
| CHATTOGRAM | 1277.7 | 1393.1 |
| CHUADANGA | 66.9 | 97.9 |
| COX'S BAZAR | 161.4 | 198.2 |
| CUMILLA | 1215.7 | 1394.9 |
| DHAKA | 4608.0 | 8021.0 |
| DINAJPUR | 229.9 | 312.2 |
| FARIDPUR | 256.5 | 317.1 |
| FENI | 494.1 | 576.6 |
| GAIBANDAH | 70.1 | 97.8 |
| GAZIPUR | 341.4 | 445.1 |
| GOPALGANJ | 77.1 | 115.7 |
| HABIGANJ | 263.5 | 309.1 |
| JAMALPUR | 125.3 | 167.7 |
| JASHORE | 166.9 | 235.8 |
| JHALOKATHI | 39.7 | 52.6 |
| JHENAIDAH | 90.8 | 110.4 |
| JOYPURHAT | 31.4 | 41.4 |
| KHAGRACHARI | 25.7 | 29.4 |
| KHULNA | 159.0 | 174.7 |
| KISHOREGANJ | 267.8 | 342.7 |
| KURIGRAM | 32.1 | 37.2 |
| KUSHTIA | 138.6 | 182.2 |
| LAKSHMIPUR | 372.1 | 445.9 |

| | | |
|--------------------|----------------|----------------|
| LALMONIRHAT | 16.5 | 16.8 |
| MADARIPUR | 203.9 | 254.4 |
| MAGURA | 45.4 | 53.5 |
| MANIKGANJ | 266.4 | 307.5 |
| MEHERPUR | 72.5 | 86.5 |
| MOULVI BAZAR | 379.4 | 469.8 |
| MUNSHIGANJ | 343.1 | 454.5 |
| MYMENSINGH | 228.0 | 303.1 |
| NAOGAON | 94.1 | 125.4 |
| NARAIL | 43.6 | 57.8 |
| NARAYANGANJ | 391.6 | 497.6 |
| NARSINGDI | 346.4 | 409.5 |
| NATORE | 52.8 | 66.6 |
| NETROKONA | 46.7 | 66.3 |
| NILPHAMARI | 51.0 | 78.3 |
| NOAKHALI | 596.8 | 723.2 |
| PABNA | 138.1 | 188.0 |
| PANCHAGARH | 12.9 | 21.7 |
| PATUAKHALI | 52.7 | 77.7 |
| PIROJPUR | 80.6 | 104.4 |
| RAJBARI | 79.8 | 95.6 |
| RAJSHAHI | 97.3 | 124.0 |
| RANGAMATI | 22.1 | 29.6 |
| RANGPUR | 69.3 | 91.1 |
| SATKHIRA | 87.3 | 119.7 |
| SHARIATPUR | 175.2 | 222.0 |
| SHERPUR | 29.6 | 36.7 |
| SIRAJGANJ | 92.9 | 134.4 |
| SUNAMGANJ | 223.5 | 292.9 |
| SYLHET | 1033.0 | 1372.5 |
| TANGAIL | 429.8 | 534.1 |
| THAKURGAON | 19.2 | 28.4 |
| Grand Total | 18205.1 | 24777.5 |

Source: Statistics Department, Bangladesh Bank

Appendix: III

List of Participants in FGD (in alphabetical order of Banks)

| SL. | Name | Bank Name | Email |
|-----|--------------------------|------------------------------------|--|
| 1. | Mohammad Abdullah | Agrani Bank Ltd. | |
| 2. | Shahrear Md. Zamil | BRAC Bank Limited | shahrear.mzamil@bracbank.com |
| 3. | Fouzia Rahman | BRAC Bank Limited | fouzia.rahman@bracbank.com |
| 4. | Tanveer Ahmed | Bangladesh Bank | |
| 5. | Muhammad Abu Taher | Bangladesh Commerce Bank Limited | taher.amf@gmail.com |
| 6. | Ahmed Farhan Hasan | Bangladesh Commerce Bank Limited | remittance@bcbl.com.bd |
| 7. | Mr. Zahid Ahmed | Dutch Bangla Bank Limited | zahid.ahmed@dutchbanglabank.com |
| 8. | Mr. Kazi Yeasin | Dutch Bangla Bank Limited | kaziyeasin72@gmail.com |
| 9. | Mohammed Masud Parvez | First Security Islami Bank Limited | parvez.masud@fsiblb.com |
| 10. | Md. Jahangir Alam | First Security Islami Bank Limited | mjalam@fsiblb.com |
| 11. | Amir Hossain Bhuian | Islami Bank Bangladesh Limited | bhuian1972@gmail.com |
| 12. | Md Zahirul Islam | Islami Bank Bangladesh Limited | pangoea@yahoo.com |
| 13. | Md. Mahmudur Rahman | Islami Bank Bangladesh Limited | |
| 14. | S.M. Mahbubul Alam | Mercantile Bank Limited | |
| 15. | Md. Toriqlul Islam | Mercantile Limited | |
| 16. | Mohammad Zahidul Ahasan | Mutual Trust Bank Limited | zahid@mutualtrustbank.com |
| 17. | Mahmudul Islam | Mutual Trust Bank Limited | islam.mahmudul@mutualtrustbank.com |
| 18. | Hossain Akhtar Chowdhury | National Bank Limited | hossain.akhtar@nblbd.com |
| 19. | Shazzad Ahmed | National Bank Limited | shazzad.id@nbl.com.bd |

| | | | |
|-----|--------------------------|----------------------------|--|
| 20. | Md. Abu Moshahed | NRB Commercial | |
| 21. | S.M. Wali Sezan | NRB Commercial | |
| 22. | Pijush Kanti Das | ONE Bank Limited | pijush.das@onebank.com.bd |
| 23. | A.K.M. Abdullah-Al-Mamun | ONE Bank Limited | akm.abdullah@onebank.com.bd |
| 24. | Tarek Mahmood | Shimanto Bank Limited | tarek.mahmood@shimantobank.com |
| 25. | Md. Ashraf Alam | Shimanto Bank Limited | mdashraful.alam@shimantobank.com |
| 26. | Md. Nazmul Hossain | Social Islami Bank Limited | Nazmul.hossain@sibl-bd.com |
| 27. | Md. Asif Karim Shabuj | Social Islami Bank Limited | asif2559@sibl-bd.com |
| 28. | Munsi Jahidur Rahman | Sonali Bank Limited | dgmfrmd@sonalibank.com.bd |
| 29. | Mohammad Rokonuzzaman | Sonali Bank Limited | rokon@sonalibank.com.bd |
| 30. | Iskandar Parvez | Uninon Bank Limited | |
| 31. | Sakina Parveen | Uninon Bank Limited | |
| 32. | Raunak Suraiya | Uninon Bank Limited | |
| 33. | Shamsul Arefin | WOORI Bank | |
| 34. | Md. Golam Sorwar | WOORI Bank | sorwar@wooribank.com |
| 35. | Mohammad Rakibul Hasan | WOORI Bank | rakibul@wooribank.com |

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