

A report on
The transaction process Of Western Union Unit, Probashi Banking Operations, BRAC Bank & its performance analysis with 'Other remittance Unit' And a Comparative Study of the Industry

**Conducted on behalf of BRAC Bank Ltd,
Tread & Remittance Department.**



**A Project report submitted in
Partial fulfillment For the requirements
For the Degree in
Bachelor of Science In Business Administration
From
Stamford University -Bangladesh**

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Letter of Transmittal

March 20, 2010.

Sohani Islam
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Subject: Submission of internship report

Dear Madam,

It is enormous pleasure for me to submit this internship report as accomplishment of the requirement of BBA Program. I was assigned to work at BRAC Bank Limited (Head Office) for eight (8) weeks. This report is based on my acquired knowledge, experience and skill during my period of internship under the supervision of Mr. Mehedi Billaha Khan, Manager – Western Union Services, Tread & Remittance Department, BRAC Bank Ltd. To prepare this report, I have tried to furnish my best effort to find out the study materials. I sincerely hope and believe that my internship report will secure your approval and serve its purpose.

I hope that you would be kind enough to receive this and bless me hearty with respect.

Thanking you,

.....
Mohammad Fahim Faisal
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September 30, 2009

Mr. Mohammad Fahim Faisal

501/C, Khilgaon

Dhaka - 1219

Dear Mr. Faisal

Sub: Letter of Internship

We are pleased to offer you an internship program with BRAC Bank Ltd. for a period of three months. You will be provided an honorarium of Taka 3,500/- per month.

You should note that any information and data collected by you during the course of your internship should be kept confidential at all times.

We appreciate your interest in BRAC Bank Ltd.

Yours sincerely,

A handwritten signature in black ink, appearing to read "T. A. Karim".

Tahniyat Ahmed Karim
Head of Human Resources

Student Assertion

I hereby announced that the extensive study entitled A report on “The transaction process Of Western Union Unit, Probashi Banking Operations, BRAC Bank & its performance analysis with ‘Other remittance Unit’ And a Comparative Study of the Industry” Conducted on behalf of BRAC Bank Ltd, Tread & Remittance Department. Prepared in partial accomplishment of the requirement for the award of the degree In Bachelor of Science in Business Administration from Stamford University –Bangladesh. Is my original work and not put forward for the award of any other degree / Diploma or Any other similar designation or accolade.

.....

MOHAMMAD FAHIM FAISAL

BBA ID No: 02909097

Supervisor Declaration

This is to certify that the extensive study entitled A report on “The transaction process Of Western Union Unit, Probashi Banking Operations, BRAC Bank & its performance analysis with ‘Other remittance Unit’ And a Comparative Study of the Industry” Conducted on behalf of BRAC Bank Ltd, Tread & Remittance Department. Prepared in partial accomplishment of the requirement for the award of the degree In Bachelor of Science in Business Administration from Stamford University –Bangladesh. It is record of extensive examine carried out by Mohammad Fahim Faisal BBA ID No – 02909097 under my supervision and guideline , No part of the report has been Submitted forward of any other degree /diploma or any other similar designation or accolade .

.....
Sohani Islam
Lecturer (Finance),
Faculty of Business Studies

Acknowledgement

At first I would like to remember the all mighty Allah for blessing me with the strength, ability and patience to accomplish the study.

I would like to express my best regard, indebtedness and deepest sense of gratitude to my supervisor Sohani Islam, Lecturer, Department of Business Administration (Finance), for his cordial guidance enthusiastic encouragement and active help throughout the entire period of my internship report.

My special thanks and regards to Mohd. Habibul Bari, Head of Remittance Department and to Mehedi Billaha Khan, Manager – Western Union Services, Tread & Remittance and to Mr. Rukonujjaman Khan, Assistant Manager – Western Union Services who have guided me and gave me various advices with gentle behavior.

I also remember & special thanks to Mr. Abdul Hadi, Executive and Kazi Golam Mostafa, Exicutive – Western Union Services, for his enormous support during my internship period. Thanks to Ms Rita Khanam, Mr. Belayet Hossain, Mrs Musfeka Sanjana Pushpo and all other employees of Western Union Unit who co-operate with me friendly and helped me to prepare my report.

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Executive Summery

This report has been prepared to fulfill the internship requirement. As per the instruction, I have completed twelve week internship program at BRAC Bank Ltd. (Head Office). This report is mainly divided into three parts; (1) The organization, (2) Job part and (3) Project.

First part contains about BRAC Bank and its products and services. BRAC Bank has started operations from 04 July, 2001. Since inception in July 2001, the Bank's footprint has grown to 59 branches, 69 SME service Center, 392 SME unit offices and 100 ATM sites across the country, and the customer base has expanded to 4,50,0000 in the year 2007. Throughout the year 2009, it has a rising growth rate. BRAC Bank has four wings to reach its customers. These are - SME Banking, Retail Banking, Corporate Banking and Probashi Banking. BRAC Bank is the pioneer of the SME Banking in Bangladesh. BRAC Bank is offering huge line of products through its wings. With the high vision of “Building a profitable and socially responsible financial institution focused on Markets and Business with growth potential, thereby assisting BRAC and stakeholders build a "just, enlightened, healthy, democratic and poverty free Bangladesh”, BRAC Bank is growing bigger than before.

Second part contains my job experience at BRAC Bank Ltd. I worked at the Western Union Unit of Tread & Remittance department. I was involved in processing the western union transactions. BRAC Bank remits money from all over the world and it uses BRAC NGO offices to transfer money in the rural areas. WU Unit transfers only the money which comes through Western Union.

Third part of this report contains a project, where I discussed the transaction process of WU Unit, compared its performance with the ‘other remittance unit’ of BRAC Bank which has agreement with 26 exchange houses to transfer money. Finally in this part I have analyzed the remittance industry of Bangladesh and compared the BRAC Bank performance with it tried to analyze the industry for BRAC Bank and to find out new opportunities in the remittance industry.

Chapter- 1

Introduction

1.1 BACKGROUND OF THE STUDY

Knowledge and learning become perfect when it is associated with theory and practice. Theoretical knowledge gets its perfection with practical application. As our educational system predominantly text based, inclusion practical orientation program, as an academic component is an exception to the norm. As the parties; educational institution and the organization substantially benefit from such a program, it seems a “win-win situation”. The process establishes networking contracts, which may help student to get a job, which means students can train and prepare them for the job market. Internship experience gives professional experience which practical orientation provides positive development in professional arena. In such a state of the affairs I was placed in BRAC BANK LTD under the guidance of my supervisor Mehedi Billaha Khan. I have been working in Tread & Remittance department for last Three Months under the supervision of Mehedi Billaha Khan of Western Union Department. My experience involved with the remittance operation and overview of BRAC bank ltd, which is narrated in the report.

1.2 RATIONAL OF THE STUDY




Well-educated, dedicated, skilled and enterprising workforce is the sine-Qua-non for the progress and development of service oriented industry like bank. The rapid growing financial institution named BRAC Bank Ltd keeping their place in banking arena with professional zeal. Now the bank is providing extensive opportunities for internship program for the fresh business graduates in different sectors of the bank. Getting the opportunity to work as an intern in Tread & Remittance Department with my regular job it was found that remittance operation is most significant for everyday life because inward and outward remittance operation of BRAC Bank Ltd is not only helping the mass people but also with the different segment of banking operation is giving services to a big slice of customer all over the Bangladesh. The bank is in a position to offer customize services with the help of state-of the art technology to support High volume of payment and collection. The BRAC bank with the diversified products enables effective banking operation throughout the country. Simultaneously, strong branch banking operation along with strong manpower and need base innovative technology given the certificate of fastest growing bank with the vision of breaking the barrier within 2009.

1.3 OBJECTIVE OF THE REPORT





Objectives of the study are divided into two forms. Prime and secondary objectives. Primary and secondary objectives given below which cover the system operation of BRAC bank, efficiency of remittance operation, contribution to bank revenue, purpose of growth of remittance operation, flaws, and analysis view of BRAC bank operation in terms of banking sector of Bangladesh.

Objectives are:

► Primary objectives:

-  Brief overview of BRAC BANK inward and outward remittance operation
-  Focus the activities and system of WU operation
-  The growth of the inward & outward remittance operation of BRAC Bank operation

► Secondary objectives

-  Providing the overview of BRAC Bank operation
-  The flaws and risk lies behind the operation
-  Analyze the data from different phase and giving comparative year analysis of remittance operation of renowned bank.
-  Recommendation actions (gained from the experience) are necessary to improve the banking remittance activities and technologies to be extensively competent.

1.4 SCOPE OF THE REPORT

The report gives almost a narrative overview of BRAC Bank operation and remittance operation. The scope of the study was grounded in the Tread & Remittance department of main branch where remittance operation is totally conducted. Analysis is primarily based on secondary data and information that can be retrieved while working in Job ground.

1.5 METHODOLOGY

The following methodology has been followed to come to a successful conclusion. To successfully finish the project certain methodology has been followed. These are:

Sources of Information & Data

The sources of information are as follows: -

A. Primary Data



Face to Face Communication & Cross Question and on the Job experience

B. Secondary Data



Published article and manuals



Unpublished information through interviews



Data available with the BRAC Bank Ltd.

C. Analytical Review

A critical analysis of the data has been made through the bar and line graph over the last few years. This will enable me to visualize the trend of the variable of interest over time. Indicators of bank performance have also been computed thorough ratio analysis.

1.6 LIMITATIONS

In all respect some limitation and weakness remain within which I failed to escape by any means. These are follows:

- To continue study in such a vast are requires a big deal in time. Report making after the job period was tough to furnish the big report.
- To collect information I faced difficulty because of the excessive nature of confidentiality maintained by the officials of BRAC Bank.
- Available data also could not be verified. In most cases I simply did not have any option but to furnish with data without verification.
- It requires lot of assistance from all level officers and staff but as a bank the officer was busy in doing their jobs.
- The study was limited by the availability of the data.

Chapter- 2

The Organization

2.1 INTRODUCTION

BRAC Bank Limited, a full service commercial bank with Local and International Institutional shareholding is primarily driven by creating opportunities and pursuing market niches not traditionally met by conventional Banks.

The reason BRAC Bank Limited is in Business is to build a profitable and socially responsible financial institution focused on markets and Businesses with growth potential, thereby assisting BRAC and stakeholders to build an enlightened, healthy, democratic and poverty free Bangladesh, which means to help make communities and economy of the country stronger and to help people achieve their dreams. It fulfills the purpose by reaching for high standards in everything it does: For its customers, shareholders, associates and communities, upon which the future prosperity of its company depends.

A fully operational Commercial Bank, BRAC Bank focuses on pursuing unexplored market niches in the Small and Medium Enterprise Business, which hitherto has remained largely untapped within the country. In the last five years of operation, the Bank has disbursed over BDT 1500 crore in loans to nearly 50,000 small and medium entrepreneurs. The management of the Bank believes that this sector of the economy can contribute the most to the rapid generation of employment in Bangladesh. Since inception in July 2001, the Bank's footprint has grown to 59 branches, 69 SME service Center, 392 SME unit offices and 100 ATM sites across the country, and the customer base has expanded to 4,50,0000 in the year 2007. Throughout the year 2008, it has a rising growth rate.

In the years ahead BRAC Bank expects to introduce many more services and products as well as add a wider network of SME unit offices, Retail Branches and ATMs across the country.

2.2 HISTORY

The Bank has started operations from 04 July, 2001 as a listed commercial bank established under the Banking Companies Act, 1991. It is incorporated as a public limited company by shares on 20 May, 1999 under the Companies Act 1994 in Bangladesh. The Bank could not start its operation till 03 June, 2001 since the activity of the Bank was suspended by the High Court of Bangladesh. Subsequently, the judgment of the High Court was set aside and

dismissed by the Appellate Division of Supreme Court on 04 June, 2001 and accordingly the Bank has started operations.

BRAC Bank originated as a consequence of BRAC micro finance. This micro finance program is very successful and effective. The Chairman, *Mr. Fazle Hasan Abed* believed that until modern, competitive financial services are readily available – including credit in amounts, terms and conditions that small can access, Bangladesh will not be able to create the large middle class that is a prerequisite to social stability. So, the BRAC Bank Limited came into existence due to the need of mass financing, which wouldn't have been possible with BRAC microfinance itself.

The primary objective of the Bank is to carry on all kinds of banking activities. BRAC Bank has been striving to provide "Best-in-the-class" services to its diverse range of customers spread across the country under an on-line banking platform.

BRAC Bank has a unique institutional shareholding between **BRAC**, the **International Finance Corporation (IFC)**, the commercial arm of the World Bank Group, and **Shore Cap International**, a concern of Shore Bank Corporation, America's first and leading community development and environmental Banking Corporation.

Since its inception, it has introduced fully integrated online banking service to provide all kinds of banking facilities from any of its conveniently located branches. Almost 40% of BRAC Bank's clients had no prior experience with formal Banking. The Bank has 350 regional marketing unit offices offering services in the heart of rural and urban communities and employs about 1,200 business loan officers – around 70% of total staff.

It enlisted with Dhaka & Chittagong Stock Exchange at the beginning of 2006.

Remarkably, BRAC Bank, despite being one of the newest Banks in the country, has attained a reputation for being in the forefront of the industry. Today BRAC Bank is considered as a **third generation bank** extending full range of banking facilities by providing efficient, friendly and modern fully automated on-line service on a profitable basis.

2.3 SHAREHOLDERS STRUCTURE

Shareholders structure of BRAC Bank Ltd is given below -

SHAREHOLDERS	PERCENT
BRAC	31.74%
IFC	9.50%
Shore Cap International	8.76%
General Public through IPO	40%
Non-Residents Bangladeshi's	5%
Mutual funds through IPO	5%
Total	100%

Figure: Shareholder's Structure of BBL

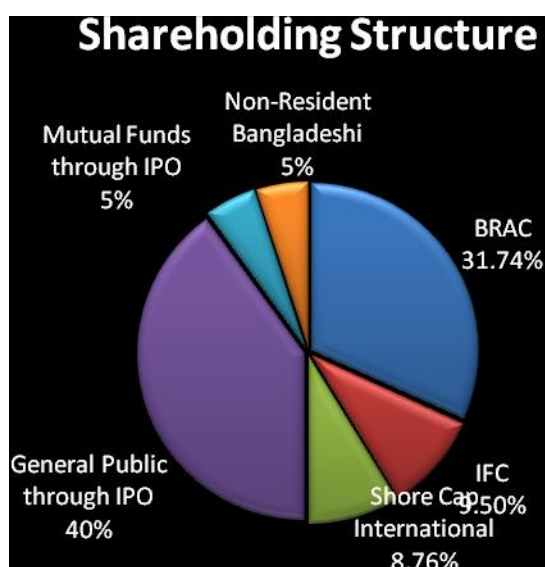


Chart : Shareholder's Structure of BBL

2.4 CAPITAL STRUCTURE

Total Equity(E)	Tk. 3,072,028,674.00
Total Debt(D)	Tk. 43,310,566,744.00
Value (V)	Tk. 46,382,595,418.00
E/V	6.6%
D/V	9.3%

Figure 2.3: Capital Structure

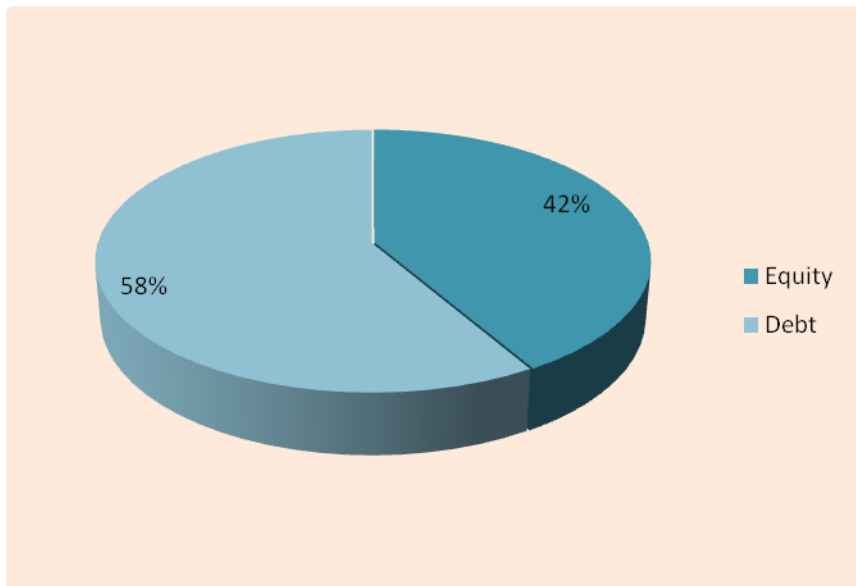










Chart 2.1: Capital Structure







2.5 MISSION

The corporate missions of BRAC Bank Ltd are to -

-  Sustained growth in 'small & Medium Enterprise' sector
-  Continuous low cost deposit growth with controlled growth in Retained Assets
-  Corporate Assets to be funded through self-liability mobilization. Growth in Assets through Syndications and Investment in faster growing sectors
-  Continuous endeavor to increase fee based income
-  Keep our Debt Charges at 2% to maintain a steady profitable growth
-  Achieve efficient synergies between the bank's Branches, SME Unit Offices and BRAC field offices for delivery of Remittance and Bank's other products and services
-  Manage various lines of business in a fully controlled environment with no compromise on service quality
-  Keep a diverse, far flung team fully motivated and driven towards materializing the bank's vision into reality.

2.6 CORPORATE VALUES

The Strength emanates from the owner - BRAC. That's why BRAC Bank is committed to hold the following values and to be guided by those as they do their jobs.

-  Value the fact that we are a member of the BRAC family
-  Creating an honest, open and enabling environment
-  Have a strong customer focus and build relationships based on integrity, superior service and mutual benefit
-  Strive for profit & sound growth
-  Work as a team to serve the best interest of our owners
-  Relentless in pursuit of business innovation and improvement

Value and respect people and make decisions based on merit

Base recognition and reward on performance

Responsible, trustworthy and law-abiding in all that we do.

2.7 THE BRAND PROMISE OF BRAC BANK LTD:

The brand promise of BRAC Bank Ltd. is – **Astha Obichol**. It is a Bengali word that denotes trust on BRAC Bank remains the same no matter what in terms of quality service.

2.8 LOGO:

The logo of BRAC Bank has been made keeping in mind the goal of the organization. The **square structure** of the logo means solid and strong. The **golden color** means the “sonar bangla”. The **rising line** means the rising BRAC Bank, and **blue** is the beautiful sky where sun is shining brightly.



2.9 BRANCHES AND NETWORKS OF BBL:

In recent time BRAC Bank is growing in tremendous way. At present, in total there are 59 operating branches and 69 SME services Center more branches will open up in the coming year. To provide a strong network across the country BRAC Bank has 260 unit offices for SME purpose. BRAC Bank will open up three Sales Booths in the major area of the city and Kiosk in the shopping malls, which will cater the needs of the customers where branches are not in close areas.

PARTICULARS	Up to December, 2009
Num. Of Branch	59
Num. Of SME Service Center	69
No. Of Booth	100
Automated Teller Machine(ATM)	100
Point of Sales(POS)	110
BRAC BDP	256
Cash Deposit Machine (CDM)	15

Figure: Branches & networks of BBL

2.10 PRODUCT/SERVICE OFFERINGS

BRAC Bank Ltd has four wings to reach its customers –

- ▣ **SME Banking**
- ▣ **Retail Banking**
- ▣ **Corporate Banking**
- ▣ **Probashi Banking**


The products/services offered through these wings are described below –

2.10.1 SME (SMALL & MEDIUM ENTERPRISE) DIVISION


BBL has established strong infrastructure for SME financing all over the country. BBL is the market leader in SME financing. Disbursement in SME financing has been increasing significantly. SME five years Business Plan provides the road map of maintaining the leadership position of BBL. At present, Government and Non-Government supports for promoting SME in Bangladesh encouraged different banks for participating more in SME financing. The experience in SME financing provided BBL strategic strength to maintain its growth of assets by extending its network in untapped areas in the country.

The most valuable natural resource of Bangladesh is its people. Micro lenders are working here in the financial field, providing very small amount and on the other hand regular commercial banks have been providing bigger amount of loans to larger industries and trading organizations. But the small and medium entrepreneurs were overlooked. This missing middle group is the small but striving entrepreneurs, who because of lack of fund cannot pursue their financial uplift, as they have no property to provide as equity to the commercial banks. With this end in view-BRAC Bank Limited was opened to serve these small but hard working entrepreneurs with double bottom line vision. As a socially responsible bank, BRAC Bank wants to see the emancipation of grass-roots level to their economic height and also to make profit by serving the interest of missing middle groups. 50% of our total portfolio usually collected from urban areas, are channeled to support these entrepreneurs who in future will become the potential strength of our economy. We are the market leaders in giving loans to Small and Medium Entrepreneurs.


SME PRODUCTS:

 **ANONNO RIN:** “Anonno Rin” is a business loan designed to finance small scale trading, manufacturing and service ventures, especially to help small and medium entrepreneurs to meet their short-term cash flow shortages and bridge the fund-flow gaps.


- Loan Limit –From BDT 3 lac to BDT 9.5 lac

 **APORBO RIN:** Apurbo is a loan facility for Small and Medium business. Apurbo loan has been designed and targeted for relatively bigger business units requiring loan above tk. 8 lacs to 30 lacs


- Loan Limit –From BDT 8 lac to BDT 30 lac

 **PATHSALA RIN:** Pathshala Rin” is a loan designed to meet the needs of small and medium sized private educational institutions, such as kindergartens, schools and colleges etc.


- Loan Limit –Minimum BDT 3 lac to maximum BDT 30 lac.

 **AROGGO RIN:** “Aroggo” is a loan allowed to various Health service Provider like private clinics, diagnostics centers and doctors' chambers. The product offers fixed assets purchase financing under equated Monthly Installments.


- Loan Limit –Minimum BDT 3 lac to maximum BDT 30 lac.

 **DIGOON RIN:** This is a double loan on your deposit. Now you do not need to encash your savings rather you can take double amount of loan on your deposit for your business expansion.

- Loan Limit –Minimum BDT 5 lac to maximum BDT 30 lac

 **PROTHOMA RIN:** "PROTHOMA RIN" is a loan facility for small and medium sized business, which are operated by women entrepreneur. The product offers terminating loan facilities for the purpose of working capital finance and/or fixed assets purchase.




- Loan Limit –Minimum BDT 3 lac to maximum BDT 9.5 lac

 **BIZNESS ACCOUNT:** “Bizness Account” is an interest bearing current account for sole proprietorship business Entrepreneur.

- Loan starts from BDT 10,000.

2.10.2 RETAIL BANKING

Retail is the most flourishing department of BBL Bangladesh. This department basically deals with the management of products and services offered to individual consumers. BBL Retail has grown tremendously and is still growing with its innovative products and service offerings. Manager of retail is the person behind the amazing growth of Retail department in BBL Bangladesh. Chief of Retail manages and supervises the Personal Banking activities of the branch network of BBL Bangladesh. The products are –

-  Loan Products
-  Deposit Account
-  Cards.

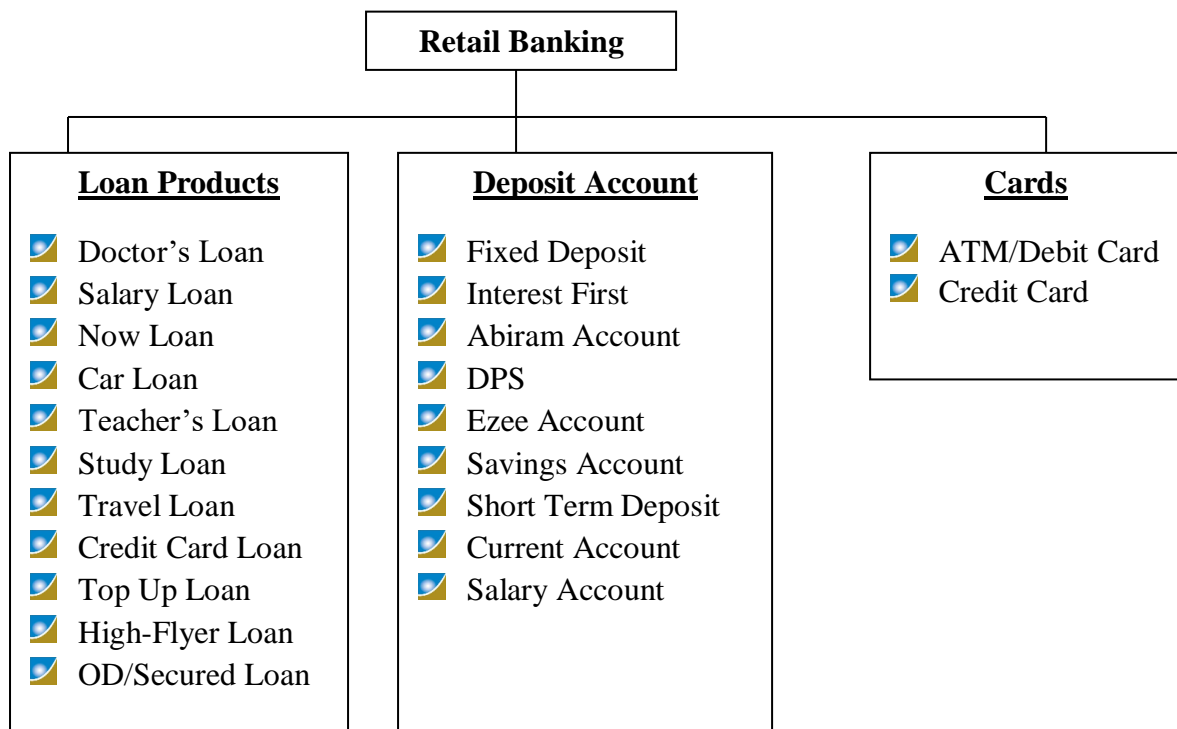


Figure: Products of Retail Banking

2.10.3 CORPORATE BANKING

This division of BBL provides financial services to organizational clients. Whether it is locally or around the nation, BBL offers a comprehensive range of services that can be tailored to the individual needs of the company. Two offices of BBL offers corporate banking services to corporate clients. These are the Dhaka Head Office and Chittagong office. Corporate Banking of BBL includes Corporate Institutional Banking (CIB).

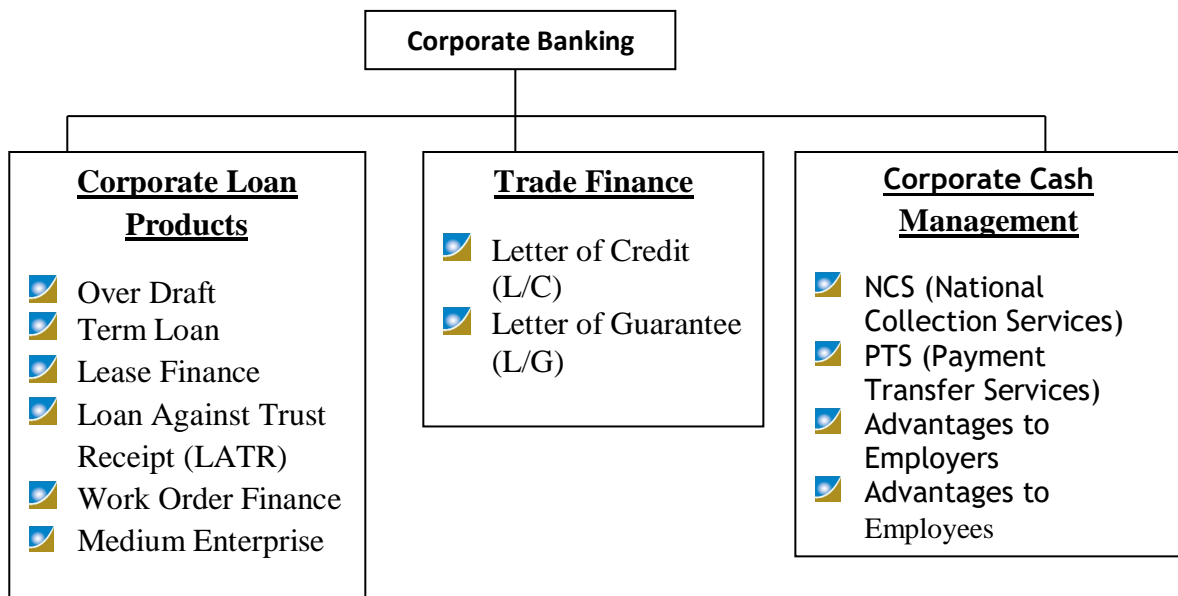


Figure: Products of Corporate Banking.

2.10.4 PROBASHI BANKING

Probashi banking is the forth wing of BRAC Bank Ltd with the purpose of serving the Non-Resident Bangladeshi (NRB) people. Thus the name of this department is “Probashi”. Remittance service is one of the core business areas of this department. The Bank has introduced a highly secure, innovative and quality Remittance service based on advanced technology. Through this service any one can send money to his/her relatives from abroad even to the remotest area of the country within maximum of 72 hours.

At present BRAC Bank is considered one of the top most leading Banks in serving Probashi Bangladeshis. No other banks in Bangladesh have offered such a wide range of products and quality service to the NRB segment so far. These wide ranges of product and service are backed by a very dynamic IT security and business support team of BRAC Bank. BRAC Bank’s Probashi Banking Service is also pioneering investment opportunities for NRBs into Bangladesh. The products are –

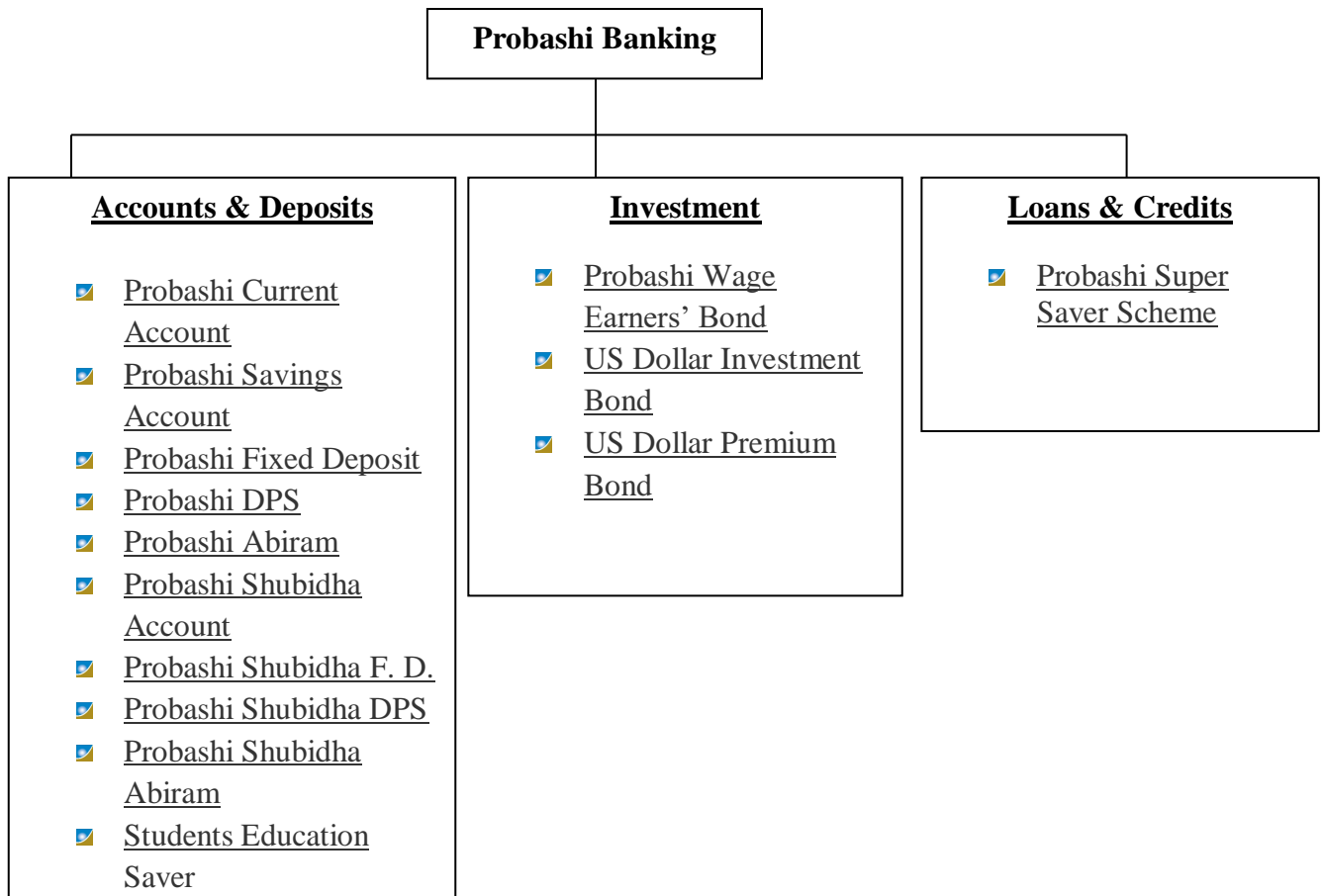


Figure: Products of Probashi Banking.

PROBASHI CURRENT ACCOUNT:

It is ideal for Probashi Bangladeshis / Returning Bangladeshis who do not wish to earn interest due to religious or other reasons. This account also comes with cheque book and ATM card and is ideal for regular transaction.

Features & Benefits -

- I. No Interest (Ideal for people who do not want interest for religious reasons)
- II. 24 hour Access to ATMs and POSs'
- III. No restriction on frequent transactions
- IV. No relationship charges
- V. Zero Balance Account opening

PROBASHI SAVINGS ACCOUNT:

Probashi Savings Account offers a regular savings account in local currency for the NRBs who are residing abroad and want to save their hard-earned money to utilize in future after coming back to Bangladesh.

Features & Benefits -

- I. This is an interest bearing Taka account in which interest is paid twice a year
- II. Can open link account i.e. Probashi DPS against this account
- III. Cheque Book and ATM Card are available in this account

PROBASHI FIXED DEPOSIT:

A fixed deposit means money for a set-period of time, there by earning you a higher rate of interest in return. Fixed Deposit can be made from 3 months to 3 years. Interest is paid on the maturity at a very attractive rate. Account will be maintained in Taka.

Features & Benefits

- I. The NRBs' can choice and pick any of the Fixed Deposit maturity period among from different set period of time like: 3 months, 6 months, 12 months, 24 months, 36 months.

- II. Auto renewal on maturity of your Fixed Deposits, if no instruction is received
- III. Cumulative interest gain

 **PROBASHI DPS:**

This account provides attractive interest amount based on regular deposits of small amount. A DPS account can be opened for a monthly deposit of any amount being a multiple of Tk. 500, the lowest being Tk. 500 itself.

 **Features & Benefits**

- I. Monthly installment from minimum Tk. 500 to any multiples
- II. Earnings remitted to savings A/C will be automatically transfers on the due dates.
- III. Loans are provided against 90% of your deposited amount.

Monthly Installment	Amount After Maturity			
	4 years	7 years	11 years	14 years
500	28,667	58,650	116,603	179,550
1000	57,334	117,300	233,207	359,101

 **PROBASHI ABIRAM:**

Probashi Abiram is a Fixed Deposit, which is ideal for probashies who want to a return every month. If have sufficient funds, this can be made affixed deposit from 1 year to 3 years and interest will be paid every month on saving account automatically. This is ideal for customers who want to pay their DPS installment.

 **PROBASHI SHUBIDHA ACCOUNT:**

A remitter can open this account for his/her beneficiary. The beneficiary can then enjoy the different services of BBL – SMS Banking, Internet Banking, Phone Banking, etc. After this account is activated, the remitter only needs to inform the amount of remittance and the account number of the beneficiary. As per instructions, within 6 hours, the money will be credited to the beneficiary’s account.

Features & Benefits

- i. initial opening of the account will take 72 hours (the card will have to be activated after calling the bank)
- ii. Once opened, it will only take 6 hours to remit money to this account from anywhere in the world.
- iii. Beneficiary can collect money from any of our ATMs anytime of the day
- iv. No relationship fees to maintain the account.

PROBASHI SHUBIDHA F.D.:

Any Probashi Shubidha Account Holders who have enough money to invest for a specified period of time for a better return can open this account.

Features & Benefits

- i. Attractive interest rate
- ii. Fixed deposit maturity period with convenient tenor
- iii. Auto-renewal

PROBASHI SHUBIDHA DPS:

The Probashi Shubidha Account Holders can open this account to save their hard earned in very small installments every month and get a handsome amount at maturity.

Features & Benefits

- i. Special DPS for beneficiaries of remittance
- ii. Minimum deposit TK. 1,000 or multiple
- iii. Convenient tenor

- iv. Higher interest rate
- v. Online facility without charge

PROBASHI SHUBIDHA ABIRAM:

Any Probashi Shubidha Account Holders who want to get a return on every month can open this account.

Features & Benefits

- i. Special DPS for beneficiaries of remittance
- ii. Minimum deposit TK. 1,000 or multiple
- iii. Convenient tenor
- iv. Higher interest rate
- v. Online facility without charge

REMITTANCE SERVICE:

At the beginning, remittance business of BRAC Bank was only involved in the process of channelizing the remittance of the remitter to the beneficiaries with offering them a few deposit products. However, BRAC Bank has recently introduced a full-fledged Probashi Banking Service to facilitate the NRBs.

On January 2008, the Secure Remittance Service of BRAC Bank has been renamed as “**Probashi Banking Service**” by enhancing its function and expanding its footprint in the international business more. Now, Probashi Banking Service will ensure the proper disbursement of the remittances as well as offer the NRBs and their respective beneficiaries One Stop Banking Solution. Simultaneously, it will provide an opportunity for BRAC Bank to serve the untapped and very potential NRB market all over the world. In addition to that, by providing the NRB a secure channel, it will encourage them to invest more in the country to play an important role in the economy.

2.11 DEPARTMENTS

BRAC Bank has a centralized Banking structure through online Banking system that resembles the ABN·AMRO Model. Overall, BRAC Bank is divided into **three major units** –

1. Business unit,

2. Operations unit and

3. Support unit.

All the functional divisions are given below. Besides these divisions, there is another support division for infrastructural support of BBL – Channel Infrastructure Development. These departments are always taking care to give proper and adequate service to the clients. Different departments of BRAC Bank are as follows:

-  Corporate Banking
-  Retail Banking
-  Trade Finance
-  SME (Small & Medium Enterprise) Division
-  GIS (General Infrastructure Service)
-  Credit Division
-  CSD (Consumer Service Delivery)
-  Remittance
-  FAD (Financial Administration Department)
-  Treasury
-  Phone Banking
-  IT (Information Technology)
-  HRD (Human Resource Department)

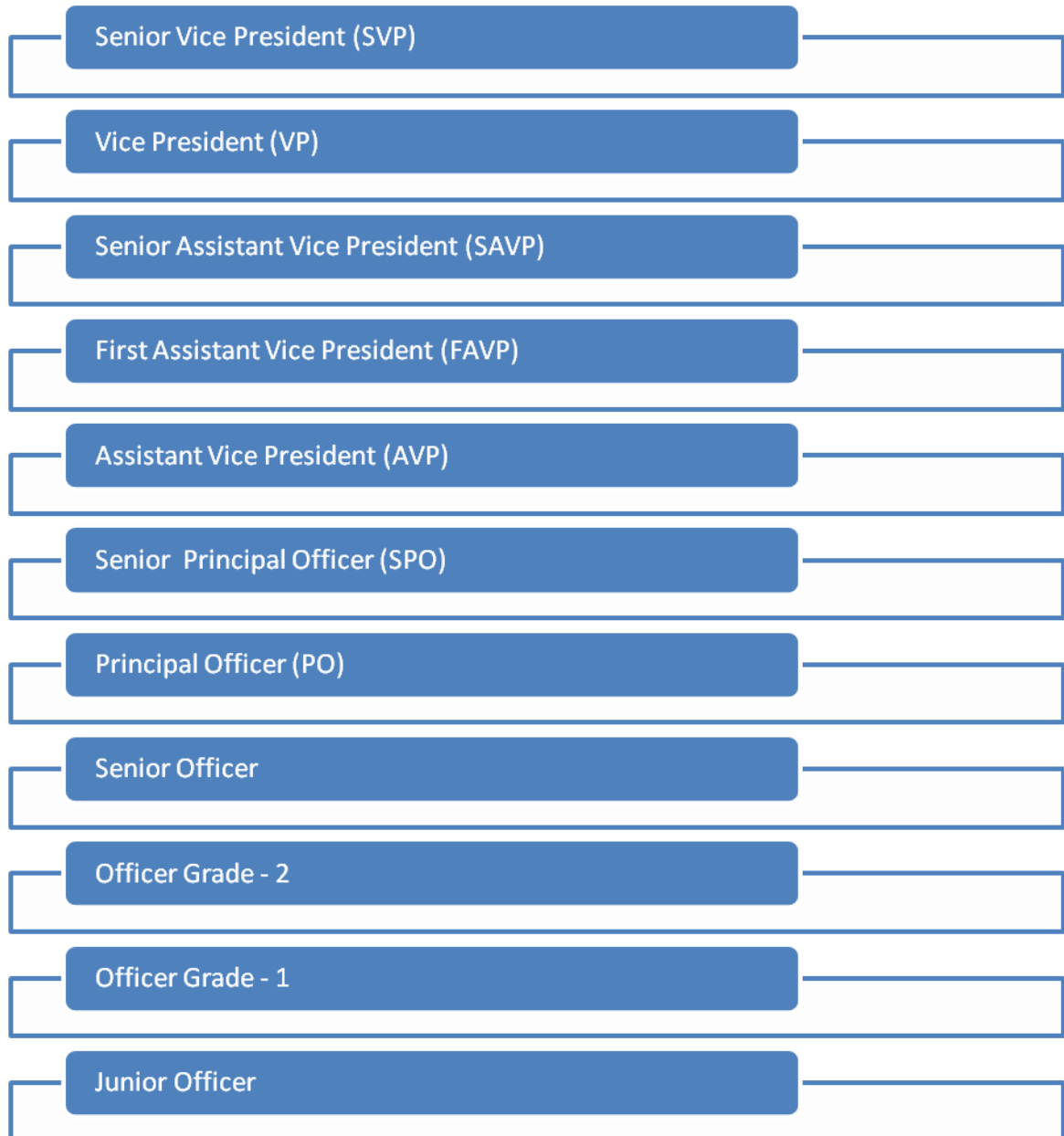
 Risk Management

 Probashi Banking Operation(PBO)

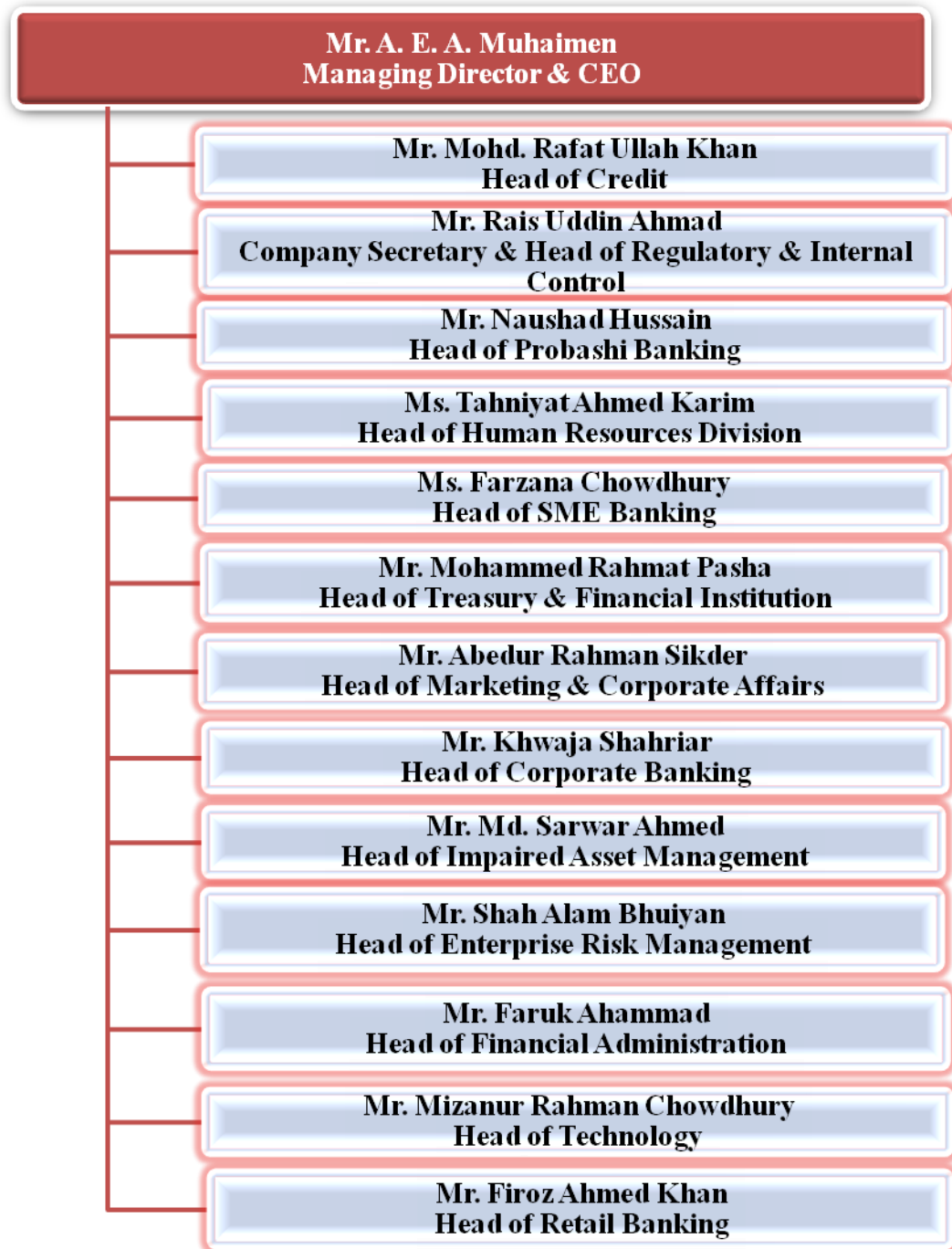
 Marketing & Product Development

2.12 OPERATIONAL NETWORK ORGANOGRAM

The **organogram** of BRAC Bank is given below -



 MANAGEMENT COMMITTEE:



BOARD OF DIRECTORS



Mr. Muhammad A. (Rume) Ali Chairman
Mr. Quazi Md. Shariful Ala Director
Mr. Mark A. Coffey (Nominated by ShoreCap International Limited) Director
Ms. Tamara Hasan Abed Director
Mr. Shib Narayan Kairy Director
Ms. Nihad Kabir Director (Independent)
Mr. A. E. A. Muhaimen Managing Director and CEO

2.13 VISION FOR THE FUTURE

◆ Corporate Vision:

The Vision of BRAC Bank Ltd is - **“Building a profitable and socially responsible financial institution focused on Markets and Business with growth potential, thereby assisting BRAC and stakeholders build a "just, enlightened, healthy, democratic and poverty free Bangladesh".**

BRAC Bank will be the absolute market leader in the number of loans given to small and medium sized enterprises through out Bangladesh. It will be a world-class organization in terms of service quality and establishing relationships that help its customers to develop and grow successfully. It will be the Bank of choice both for its employees and its customers, the model bank in this part of the world. Hence the **long term strategy** of this bank as follows -

- ◆ To become the market leader in SME Business.
- ◆ To become the market leader in Remittance Business.
- ◆ To provide a full proof business solution for Nationwide Collection Service as well as Payment Transfer Service.

Chapter- 3

Western Union Money Transfer

3.1 ORGANIZATION NAME

 BRAC Bank Limited (BBL).

3.2 LOCATION

Head Office – Annex Building.

House No – 2, Road – 137,

Gulshan – 1, Dhaka – 1212.

Swift: BRCBDDH

Web: www.BRACbank.com

3.3 PREFACE OF THE JOB

During my twelve weeks of attachment period with BRAC Bank Ltd as an intern, I worked at the Probashi Banking Operations (PBO) department; specifically I worked at the “**WU unit**” of PBO.

WU stands for Western Union, which is the number one world wide money transfer organization. BRAC Bank is their biggest agent in Bangladesh, which remits money from abroad and distributes it through the BDP unit office of BRAC (NGO). BRAC has 3000 BDP Office all over the country; hence BRAC Bank has a real big network to distribute money.

As it is the Operation department, this unit operates the transaction of money only from WU through BRAC BDP units. However besides Western Union, “Cylinco Fast Cash” is another Srilanka based money transaction company which remits money through the WU unit of PBO. It is comparatively a new organization, thus the transaction amount is far too low than the Western Union.

WU Unit only do the one way transfer, means they only provide the inward remittance service. The money it transfers is called the worker remittance, which is only for the family purpose only.

3.4 DESCRIPTION/NATURE OF THE JOB

Although I was an intern at BRAC Bank, my job responsibilities were no different than any other regular employees of WU unit. The job description of WU unit is given below –

Phone Transaction:

Phone transaction is the transaction that occurs through the mobile phone. The receiver of the money who receives a MTCN (Money Transfer Control Number) from the sender, deposits the MTCN to his/her nearest BDP Unit. The employees of BDP office says the MTCN & receiver name to the WU employees through some specific mobile phone. The employee of WU unit searches the MTCN into the “Translink software”, which is the Western Union’s worldwide money transfer software. If the MTCN is found live in the Translink software then he matches the receiver name through phone. While information matches to each other than the money is downloaded from the WU software. The whole thing happens live on the phone and the pressure of phone transaction is too high that each person does an average of three transactions in a minute.

Transaction entry to mRemit Software:

When a phone transaction is done and the transaction information is downloaded from the Translink software, the software prints the information in a special format. The transaction information is then uploaded to the mRemit Software, which has connected all the BDP office into a network. The employee of the BDP unit receives all the information through this software. He/she takes print copy of that document and takes a signature from the receiver, and then pays the money.

SMS Transaction:

Rather than doing the phone transaction, the BDP units’ employee sends the whole receiver’s information through mobile SMS to the particular mobile phone numbers in a specific format. BRAC Bank’s IT department has special software called “mRemit”, which presents all the SMS. Then the WU unit downloads the transaction from the “Translink software” and sends reply to the SMS senders’ mobile phone numbers using the SMS software.

Query & Correction of wrong transactions:

One of my significant job was to do the query and correction of wrong transfers. The work pressure at WU unit is too high that there are always some mistakes like sometimes the money is transferred to some other BDP office than the right one because of the mistakenly

entered branch code. Sometimes the amount of transferred money is inaccurate. It's like someone entered 100000; while it should be 10000. These mistakes are extremely sensitive to BRAC Bank.

3.5 SPECIFIC RESPONSIBILITIES OF THE JOB

mRemit:

My first responsibility was to do the transaction entry into the mRemit software. This entry is done manually. This entry is needed only for the phone transaction. For SMS transaction, manual entry is not needed as the SMS software can upload the information into the mRemit software automatically. However, this manual entry into the mRemit is very monotonous rather risky job. Since the BDP unit pays the receiver on the basis of this mRemit information. Most of all, the pressure is so heavy that you have to have a really good typing speed for surviving the pressure. You have to enter into the mRemit software using unique user name and password. Therefore, your every possible movement will be recorded in the software. At the end of the day, you will be accountable for your own mistakes and achievements.

Phone Transaction:

Secondly, I used to do the Phone transaction. While I was doing the phone transaction I had to use the Translink software using a specific ID and password, which are authorized from the Western Union. While doing the phone transaction, one has to be very careful about the receiver name, because it is the most sensitive information after the MTCN. Another important thing that I had to be cautious about is the BDP office code. As every BRAC BDP office has a unique number, by which every office is identified. I had to be very careful while entering this branch code in the Translink and mRemit software.

SMS Transaction:

I sometimes used the SMS software for doing transaction. As there were always some people assigned particularly to do the SMS software the whole day. The pressure is also very intense here and so is the risk. SMS transaction is almost like the phone transaction, where the information of the receiver is typed in the SMS software. Here I had to match the information between Translink and SMS software. After download the transaction from the Translink software, I had to match the printed copy of the Translink with the SMS software and send reply.

Query:





I had to correct the wrong transaction too. When the money is transferred to a wrong BDP office, I had to call that BDP office and talk to someone responsible for remittance job, mostly the A/C (Accountant) or the BM (Branch Manager) or the Remittance PS (Personal Secretary for Remittance program). I had to make sure that they haven't made the payment or pulled out the money. Then the transaction is corrected in the mRemit software, where every detail of the transaction is kept, even the detail of the person I talked with.

In case of incorrect amount, I had to talk to that person in the BDP office and inform him about the corrected amount. If the payment is done by then, I had to ask for to pay more to that receiver in case of less amount paid. While the receiver withdraws the excess amount of money than the real amount, we ask the BDP Office to immediately contact with that receiver and collect the extra amount of paid money.

Answering to the Problems of BDP Office:

Sometimes the employees of the BRAC BDP office face some difficulties regarding the transaction status. I had to answer and response to these problems.

3.6 DIFFERENT ASPECTS OF THE JOB PERFORMANCE

-  I always had to be very cautious and watchful regardless of what I do or how the pressure is. My one mere mistake could lead to a big and unforgettable occurrence here.
-  It is very obvious to find out who made the mistake at which point of the transaction process as the whole process is managed by some world class sophisticated software.
-  While doing the phone transaction, I had to be very careful about the receiver name. Both of the sender and receiver of the money are sometimes uneducated and they can't even say the receiver name correctly. It creates a dilemma that whether the receiver is honest or just stole someone else's MTCN. Because there were some fraud cases, where somebody had stole the MTCN and pulled out the money before the real receiver showed up.
-  Transaction entry to the mRemit software is the last step of the phone transaction process. That's why I had to be extra careful while doing this job. The work load is too high and the work is too monotonous that one moment's slip can cause a great trouble. As for example, 10,000 taka can become 1, 00,000 taka in a moment with a mere press on the key of the keyboard. Another big example of mistake which usually

occurs is the wrong branch code. While somebody enters 3369 rather than 3396 in the 'BDP Unit Code Box' of the mRemit, the money goes to Rongpur, whereas transaction is made from Barishal.

- 📌 Most of the jobs in this department are monotonous and rather risky. Sometimes the total transaction number exceeds 4000, whereas the total number of employee stays at less than 15. Moreover the average lead time per transaction is about 45 minutes, which needs to be decreased. Eventually it creates an enormous pressure, where any mistake only can make the pressure more enormous.
- 📌 Massive pressure leads the employees to work extra hours. Everyday some people leaves the office not before 8 PM.

3.7 CRITICAL OBSERVATIONS AND RECOMMENDATIONS

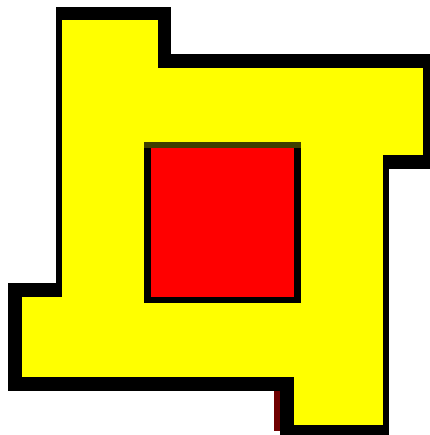
During my working period at WU unit of BRAC Bank Ltd, I found out some critical points of the work place, regarding which I would like to recommend something to BRAC Bank authority in order to make the workplace better.

- 📌 In spite of using some world class software, there are still some aspects that can be modified to increase the software's efficiency and flexibility as well as to run the process more smoothly. This can lead to a decreasing lead time while making zero mistakes. As for example – the manual transaction entry can be automated, whereas now three people do this entry job the whole day long.
- 📌 SMS software should be modified more. Because this software is not as sophisticated as other software.
- 📌 The server is pretty slow for a network which transfers few billions of taka in a year.
- 📌 The office space, office equipments, material support and logistical support is not enough, I would like to say that WU unit deserves more.
- 📌 Compare to the pressure that the employees handle in the WU unit, the salary structure is awfully low.
- 📌 The job rotation is unseen in WU unit. Eventually employees are being less motivated with time.
- 📌 I haven't seen any employee motivational activities.
- 📌 Almost no employee remuneration for working extra hours.

Lastly I would like to add that besides cost minimization and profit maximization, the organization should consider the facts that I have discussed above.

Chapter – 4

The project



The transaction process

Of WU Unit, PBO,

BRAC Bank

& its performance analysis with 'Other remittance Unit'

And a Comparative Study Of the Industry ...

4.1 SUMMERY

This project is prepared to analyze the process & performance of money transaction of WU & ROC Unit of BRAC Bank Ltd and to compare its performance with the other exchange houses' remittance transfer and to analyze the remittance industry of Bangladesh.

BRAC Bank has a huge network support from the BRAC NGO. There are 2800 offices of BRAC BDP which are providing network coverage to BRAC Bank Ltd.

Western Union's money transaction process is one of the most effective processes. Indeed they are the global leader in electronic money transfer service. They can transfer money from anywhere of the world to anywhere in a minute. The sophisticated process of Western Union is analyzed in this project. Moreover their agreement and account transfer process are also described in this project.

Besides Western Union, BRAC Bank has remittance agreement with another 28 exchange houses all over the world. The remittance from these exchange houses is executed by the unit called Execution. The differences between Western Union and these Exchange house transactions are also elaborated in this project. Following this a performance analysis is made among this two remittance unit.

Lastly, I analyze the remittance industry of Bangladesh and tried to find out the standing of BRAC Bank in the industry. Some recommendation is made to the BRAC Bank remittance unit in order to make it rival in the industry.

4.2 DESCRIPTION OF THE PROJECT

BRAC Bank started its journey with Western Union since 2004 and by 2009 it has become a market rival in the remittance industry. Though another 45 banks are also involved in this business, it won't be any wonder if BRAC Bank becomes the biggest rival in the industry.

On the other hand, 'WU & ROC' Unit is currently transferring more than 65% of the total money transferred by BRAC Bank and its performance is increasing gradually. At the beginning of this business National Bank was the market leader in the industry. Now BRAC Bank is the rival among the conventional Private commercial banks. Thus in my project, I

have described the process and performance of WU unit and analyze the industry from the perspective of BRAC Bank Ltd.

4.2.1 OBJECTIVE OF THE PROJECT

The ultimate ambition of the project work is to describe the remittance transaction process of 'WU & ROC' Unit and to compare its performance with the other remittance unit of BRAC Bank and find out the standing of BRAC Bank in the remittance industry of Bangladesh.

4.2.2 METHODOLOGY

This part highlights how the research has been conducted. Some fundamental steps have described for collecting, analyzing and designing my report. Sources of information come from both primary and secondary information sources were used to complete this report.

Primary sources: Primary sources were employees and executives from the bank. Following factors were considered to collect information:





- Practical work experience at the 'WU & ROC' Unit of Probashi Banking, BRAC Bank.
- There is informal conversation with the colleagues.
- Relevant file study as provided by the officers concerned.

Secondary sources: Secondary information was collected from following ways.

- Annual Reports of BRAC Bank LTD.
- Internal monthly reports of remittance unit of PBO, BRAC Bank Ltd.
- Also from the various web sites.

4.2.3 LIMITATIONS

The major limitations encountered are:

-  The study was limited by the availability of the data. Especially I have monthly report of other exchange houses from May'07 to October'08 only. So the comparison part stays between this time periods.
-  To collect information I faced difficulty because of the excessive nature of confidentiality maintained by the officials of BRAC Bank.
-  Available data also could not be verified. In most cases I simply did not have any option but to furnish with data without verification.
-  Comparison of remittance operation with other Bank was not possible as those data are completely unavailable.

Though I had these limitations I tried my level best to provide the best picture of the WU & ROC unit's transaction process and performance. I hope the report will satisfy its best purpose.

4.3 THE PROJECT (Main Body)

4.3.1 WESTERN UNION (WU) – THE LEGEND

The world leader of money transfer service started its journey in 1851 as a telegraph company, evolved its services to offer electronic money transfer in 1871. Today known as an innovator in financial services, the Western Union Company has become an industry leader in global money transfer with over **365,000 Agent locations** in more than **200** countries and territories. At present, Western Union offers money order, money transfer, payment and prepaid services. While the telegram is a memory for this 150 year old company, it continues a long history of connecting people around the corner and around the globe with financial services. Western Union is highly committed to provide a fast, reliable and convenient way to receive money from abroad.

4.3.1.1 Services offered by Western union

The services offered by WU are as follows –

1. Consumer to Consumer:

Western Union has an agent location nearly everywhere - from the biggest cities to the most remote towns. In many countries, WU also offers the ability to send money over the Internet or the telephone using a credit or debit card. It offers consumers several options for receiving a money transfer. While WU pays the vast majority of transfers in cash at Agent locations, in some places it offers payments directly to the receiver's bank account or a stored-value card. More than 90 percent of WU transactions are still done in person, where consumers receive the attention and expertise of an Agent clerk. The Agent clerk collects cash from a consumer and within minutes, payment is available for pick-up at an Agent location convenient to the receiver. In the United States, many Agent locations also accept debit cards to initiate a transaction. WU is continually developing convenient and customized solutions for consumers in a variety of regions.

The transactional Web site of WU allows consumers to send funds online using a credit or debit card. Additionally, consumers can conveniently check the status of their transfer online.

Receivers can typically pick up available funds **within minutes** of the sender completing a transaction. In some countries, funds can be sent for next-day payout, bank account delivery or loaded to a stored-value card. In a number of countries in Latin America and the Caribbean, Western Union Agents offer a bank deposit service, in which the paying Agent provides the receiver the option to direct funds to a bank account or to a stored-value card.

2. Consumer to Business:

Western Union offers several electronic and cash payment options that allow our consumers to send bill payments on a one-time or recurring basis. Consumers can conveniently send payments for utility bills, auto loans, mortgages, financial and insurance service providers and government entities through our network of third-party Agents and various electronic channels. Consumer-to-Business transactions account for nearly 15% of our total revenue.

For billers, its service provides comprehensive and customizable bill payment solutions that help improve cash flow and reduce costs. In the United States, our Consumer-to-Business

segment is experiencing a shift in demand from cash-based, walk-in payment services to electronic payment services.

Consumers can send payments over the telephone or Internet using credit cards, debit cards or through an Automated Clearing House (ACH), depending on the country of origin and the biller. Guaranteed funds for post-paid or prepaid services can also be sent in cash, and in some cases, debit card. Money order payment instruments can be purchased in the United States and Canada and used for monthly bills or catalog purchases.

3. Other Services:

Western Union is a trusted source not only for money transfer and bill payment services, but also for money orders, prepaid cards and other financial services. Its Agent network offers these other services that allow our consumers to conveniently manage their finances.

❑ Money Orders

Money orders are a reliable payment choice for those who may not have checking accounts. They can be used for making purchases and paying bills, and can be deposited directly into bank accounts or cashed at check cashiers, some banks and some retailers. Money orders can be purchased at participating Agent locations in the United States and Canada.

❑ Prepaid Cards and Services

The Western Union® Prepaid MasterCard® card is sold through its Agent network primarily in the United States and on the Internet. This service allows consumers to load money or receive a direct deposit from their employer onto the card for use at a later date. The card can be used to withdraw money from an ATM or shop online anywhere MasterCard debit cards are accepted.

In addition to debit cards, Western Union enables consumers to pre-pay for mobile phones, Internet access and other services. These “top-up” services allow consumers to store value with service providers that can be accessed by the consumer in the future.

❑ Corporate Incentives

Western Union® Corporate GiftGramSM gift checks draw on the company’s longstanding expertise in delivering money and messages. Corporate GiftGramSM gift checks offer

companies an easy way to recognize employees, clients and customers. They consist of a gift check and recognition certificate customized with a message and the company's logo.

4.3.1.2 RECENT ACHIEVEMENT OF WU

As Western Union says, **“We do business each day with absolute integrity, honesty and passion, partnering as a team to meet our consumers' needs.”**

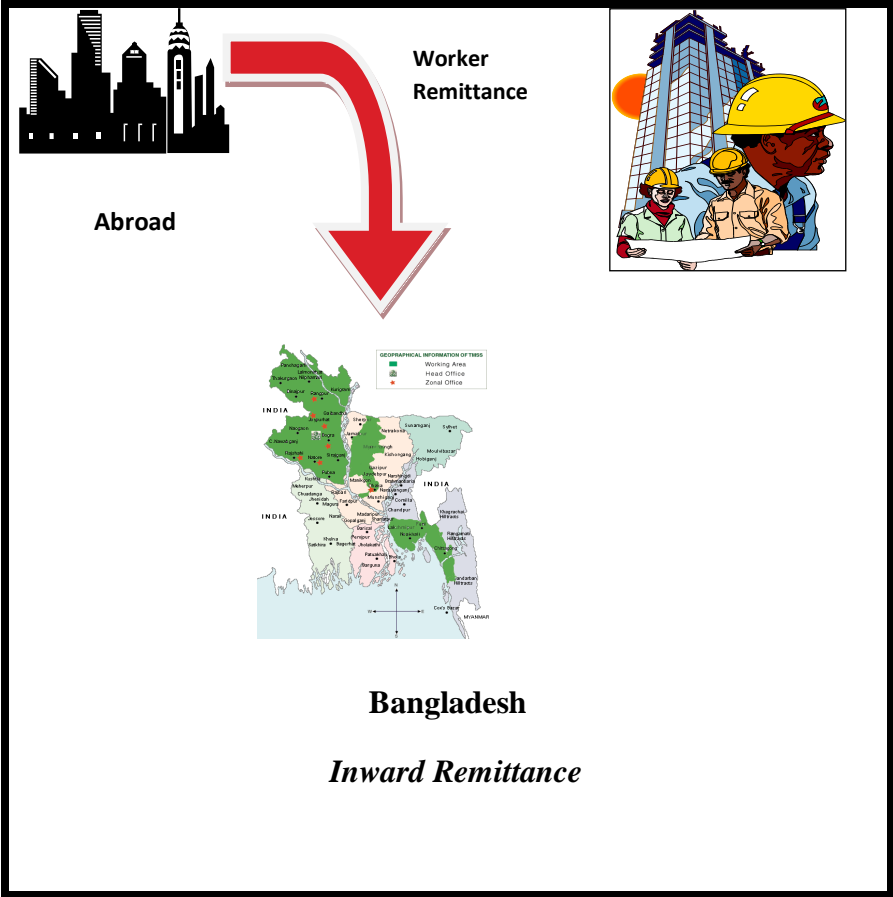
With the belief of Integrity, partnership, opportunity, passion and teamwork they are now one of the most famous and recognized brand name in the whole world.

In 2007, Western Union was ranked as a **Fortune 500 company**, and Fortune Magazine recognized its **President and CEO Christina Gold** as one of just 13 women leading Fortune 500 companies. This brand continues to grow and receives recognition from a variety of publications throughout the world.

4.3.2 WESTERN UNION IN BANGLADESH

Western Union is operating in Bangladesh for more than 15 years. At the beginning, only several banks were providing the service as agent of Western Union Money Transfer. Today they have numerous agents including public banks, private banks, NGOs and even government post offices. However, National Bank is providing this service since the inception of WU operations in Bangladesh. They were the market leader in Bangladesh before BRAC Bank's reformation of the market. BRAC Bank started working as a WU agents since 2004 and now it is the biggest agent of Western Union in the country. Working as WU agents is beneficial in three ways:

1. Agents are getting a fixed amount of money from the WU per transaction.
2. Agents are having a gain as float in foreign currency transaction.
3. Banks are getting foreign currency.



4.3.3 Wage Earners Inward Remittance

Ever since the inception of Western Union in Bangladesh, it can not transfer money from Bangladesh to abroad due to the restriction of Bangladesh Bank. It only provides the inward remittance service in Bangladesh. Till now, Western union is helping the wage earners who live and work abroad to send money to their family in Bangladesh. The service it provides here is named **WAGE EARNERS INWARD REMITTANCE SERVICE**.

The sent money must be only for family Purpose. The maximum amount that can be transferred is \$5000.

4.3.4 THE WU-BRAC BANK-BRAC ALLY

In the year 2004, BRAC Bank Ltd has signed the “**Representation Agreement**” with the Western Union and started its journey as an agent of Western Union in Bangladesh. Subsequently, the Bangladeshi people whose relatives work abroad and send money through WU got the facility to receive the money from BRAC Bank.

BRAC Bank signed an agreement with the BRAC (NGO) and got the access to each corner of the country to transfer the money, as BRAC has **3000 BDP Unit** (BRAC Development Program Unit) office scattered all over Bangladesh. Eventually BRAC Bank owns a massive network to distribute the inward remittance anywhere in Bangladesh.

Thus the **WU - BRAC Bank - BRAC ally** is formed. The rest of it is a revolution in the Bangladesh remittance service market.

4.3.5 “WU & ROC” UNIT

From the very beginning BRAC Bank formed a different unit to execute the Western Union transaction as the authority envisioned to be the market leader in the remittance business. This particular unit is placed in the head office, which is under the Probashi Banking Operations Department. This unit is usually called as ‘western union’ by the BRAC Bank employees. This unit executed all the transaction from here and the payment is made from the

branch or the BDP office where the receiver has deposited the MTCN number. However, the transaction pressure increases with time and BRAC Bank became the market leader defeating National Bank Ltd - the former market leader in the remittance service. In order to cope up with the increasing pressure, BRAC Bank decided to

In order to cope up with the increasing pressure BRAC bank decide to form some regional office of WU unit, where all the facilities to execute the transaction will be provided. This is how the ROC is formed.

ROC stands for Regional Operating Center. These ROC offices operate under the control of the WU unit. All the software and other supports are provided to this office. These ROCs are just like a part of the WU unit, which are operating outside the Dhaka under the authority of WU unit. At the end of the working day, these ROCs report to the WU unit. There are two ROCs which are functioning right now –

1. Chittagong ROC,
2. Sylhet ROC,

However, BRAC Bank authority has a vision to come up with more ROC. Thus the name of this unit is **WU & ROC Unit**. However, the WU unit of head office is the center point of all the transaction of this ally.

4.3.6 THE NETWORK OF BRAC BANK-WU UNIT (CORE COMPETENCY)

The network of BRAC Bank – WU unit is expanded all over the country. It can be divided into three parts –

1. BRAC
2. BRAC Bank Branch
3. BRAC Bank SME Service Center
4. Sub Agents

4.3.6.1 BRAC)

The main strength of the WU & ROC unit of BRAC Bank is the massive network support of the BRAC. There is a common saying about BRAC, that is; **“There is no such place in Bangladesh where you will not find BRAC unit offices’ sign-board.** BRAC Bank is using these unit offices as its **payment outlets.** BRAC has a total of 3000 (Three Thousand) BDP office all over Bangladesh. Among them **2800** (Two thousand eight hundred) offices are now

active as **payment outlets** of BRAC Bank Ltd. Eventually wherever you standing in Bangladesh, you'll find a payment outlet of WU unit within 5 KM radius (average) of you.

[148,000 Square Km / 2800 outlets = 7.27² Km; $\sqrt{(2*7.27^2)} / 2 = 5.14$ Km]

Moreover, BRAC has BDP Unit offices even in the most remote areas of Bangladesh. Consequently, BRAC Bank has got the access to the remote areas of Bangladesh.

This part of the network is the basement of WU unit. It is the **core competency** that no other competitors in the market have, which has led BRAC Bank to the market leader position in remittance service.

Among these 2800 BRAC BDP office, BRAC Bank has provided modem to 1300 BDP location. These 1300 office has computer and network connection to access the Eldorado software. 296 of them have mobile phones, provided by the BRAC Bank for remittance purpose. All theses BDP offices send the receivers' information through SMS or Phone.

4.3.6.2 BRAC BANK BRANCH

At this moment BRAC Bank Ltd has 59 branches all over Bangladesh mainly located in the cities. These are also working as a payment outlet for the WU unit. Branches are located in the cities where the BDP unit is not available. So these branches of BRAC Bank are covering the town for Western Union transactions and serving to the customers who don't have BDP offices near.

4.3.6.3 BRAC BANK SME SERVICE CENTER

At this moment BRAC Bank Ltd has 69 SME Service Centers all over Bangladesh mainly located in the cities and the district level. These are also working as a payment outlet for the WU unit. SME Service Centers are located in the cities where the BDP unit is not available. So these branches of BRAC Bank are covering the town for Western Union transactions and serving to the customers who don't have BDP offices near.

4.3.6.4 SUB AGENT BANKS

Sub Agents means those who execute Western Union transaction under the supervision of BRAC Bank Ltd. These sub agents don't have direct agreement with Western Union; rather

they have agreement with BRAC Bank to execute the WU transaction, although BRAC Bank had to take permission from Western Union authority for this. However there are three banks in Bangladesh who are currently active as a sub agent of BRAC Bank for WU transaction –

1. Dhaka Bank Ltd.

It has 26 locations that provide remittance service.

2. First Security Bank Ltd.

It has 36 locations that provide remittance service.

3. EXIM Bank Ltd.

It has started to work as a Subagent of BRAC Bank for WU transaction from October 2008.

4.3.7 IDENTIFICATION OF THE TRANSACTION



MTCN: -

When a transaction starts, it gets an Identification Number which is called **MTCN**. **MTCN** stands for “**Money Transfer Control Number**”. This number is generated by the ‘Money receiving software’ of the Western Union Agent. Each transaction has a unique MTCN number. Each transaction is identified by its own MTCN. One MTCN code is only used in one transaction and a MTCN never match with any of the previously used MTCN. In rare case, sometimes duplicate MTCN is found, but it does not harm the transaction as the time gap between two transactions is at least more than one year.

4.3.8 RECEIVER’S IDENTIFICATION

While collecting Fund coming through Western Union, beneficiary also needs to show any of the following Photo attached ID in order to withdraw the money from any of the BRAC Bank payment outlet -

- Passport
- Driving License
- Voter ID
- Chairman/Ward Commissioner Certificate with attested photograph
- Employee ID
- Student ID
- BRAC ID

4.3.9 Registration of The Receiver

BRAC BDP office insists customers to do the registration as a remittance receiver in the BRAC BDP office. Because when a receiver becomes a registered customer, his/her Identification is permanently saved in that office. So that he/she won't need to bring any ID to receive money in future. This is how the transaction becomes easier for the people who live in the villages and don't have the photo ID card as these people are mostly uneducated.

BRAC BDP unit offices already have more than 10 million registered customers.

4.3.10 PROCESS OF MONEY TRANSACTION

As western union is famous for fast, reliable and convenient way to transfer money, their process is pretty simple. The process for BRAC BDP Unit and the process for the Branches are not quite same. Here both the processes are described. However, three software's are used in the process of money transaction. Among them following two are provided by WU -

1. Translink Software
2. Voyager Software.

The another one is used between BRAC Bank and BRAC BDP -

3. mRemit Software

These softwares are described later in this project. In this section, just the process is described where the softwares are used.

4.3.10.1 TRANSACTION PROCESS FOR BRAC BDP UNIT

The whole process of money transaction for BRAC BDP unit is described below step by step

—



Step 1: Deposit Money to WU Agent -

A transaction starts with the sender's initiative. Firstly, the sender makes contact with any of the 365,000 agent location of Western Union. He deposits money there and fills up the money transaction form with all the necessary information.



Step 2: uploading the Transaction to Translink -

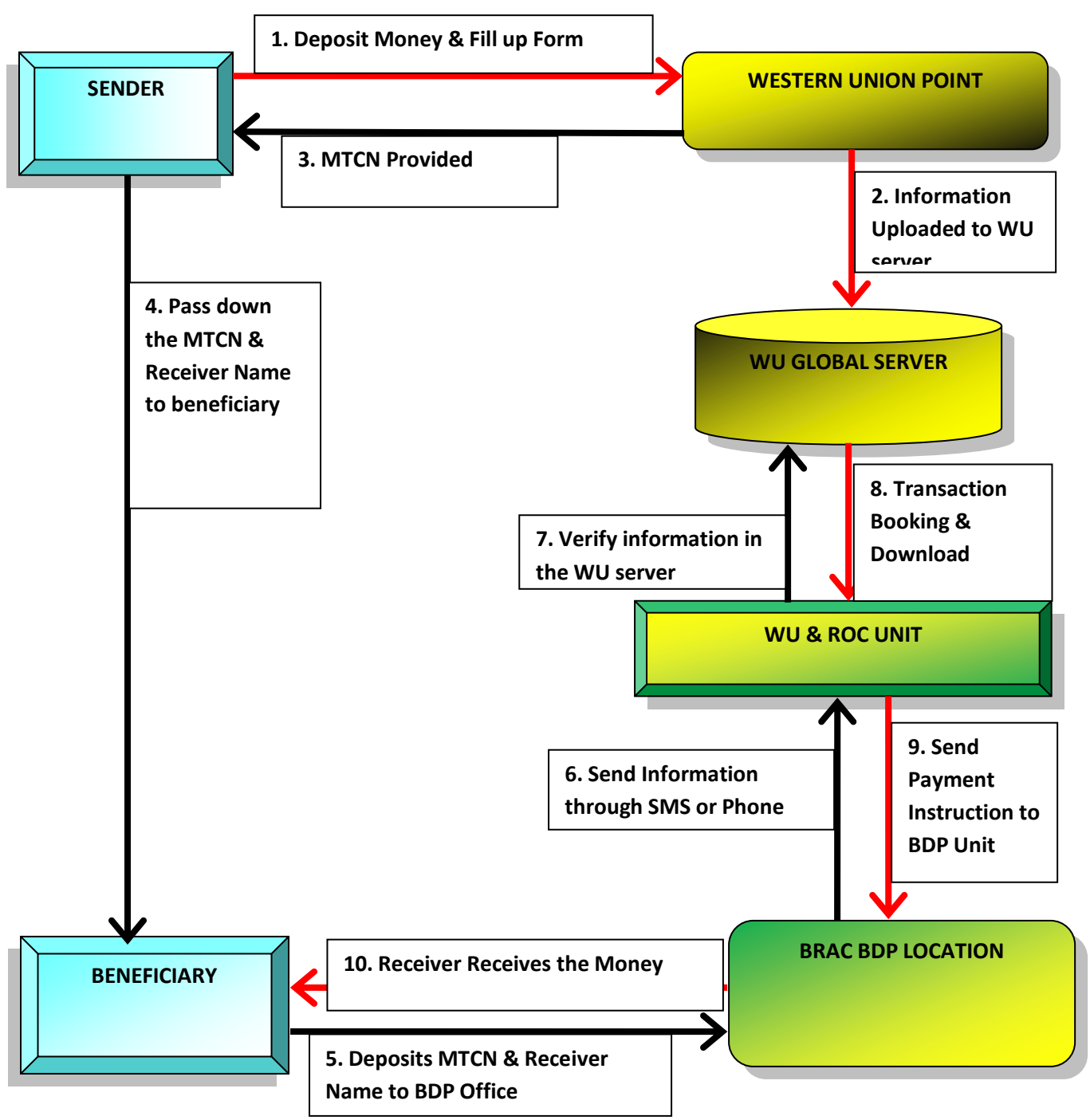
Western Union agent receives the money and uploads the information in the Western Union's Global Server. Within a minute the transaction becomes available in the "Translink Software" and any agent of WU in more than 202 countries can book and download the transaction as well as the beneficiary can receive money from any of the WU agent from anywhere of the world.



Step 3: Providing MTCN -

The western Union agent provides a specific code number to the sender for the transaction, which is called **MTCN** (Money Transfer Control Number).

Process flow of WU Transaction for BRAC BDP



Note: Red Arrow indicates the flow of Money.



Step 4: Passing down Information to beneficiary -

In step 4, the sender sends MTCN number and the receiver name to the beneficiary. The “receiver name” is also very important in the transaction process. In order to protect people from the fraud transaction, Western Union does not allow making the payment when the “receiver name” is incorrect.



Step 5: Receiver’s contact with BRAC BDP -

In this step, the beneficiary contacts with the nearest BRAC BDP unit and give the MTCN and receiver name to the remittance employee of that BDP Office.



Step 6: BDP Unit send information to “WU & ROC” unit -

Once information is received from the receiver, the BDP Unit sends all the information regarding the transaction to the head office. Particularly they send information to the WU & ROC unit of BRAC Bank, which is the center point of the transaction of money through Western Union. The employees of BRAC BDP send information in two ways-

1. SMS
2. Mobile Phone.



Step 7: Search the MTCN in “Translink Software”-

The employees in WU & ROC search the MTCN in the **Translink Software**, which is the global money transfer of Western Union. If the MTCN is right and the transaction is live, he/she then verify the “receiver name”. The transaction is not executed if the receiver name is incorrect. Because two information is very sensitive for WU transaction-

1. MTCN
2. Receiver Name.



Step 8: Transaction booking & download -

While all the information provided by the BDP unit is correct then WU unit book and download the information from the Translink Software. Once a transaction is downloaded by WU Unit then no other agent in the world can access that transaction anymore. If any agent search the MTCN in the Translink, then it will show that the transaction is executed by BRAC Bank’s ID.



Step 9: Payment Instruction to BRAC BDP unit -

Once the transaction is downloaded from the Translink software, it is then available to make the payment to the beneficiary. Yet the BRAC BDP doesn't pay until they get the payment instruction against a MTCN. The payment instruction is made by uploading the information in the **Eldorado Software**. The transactions executed using **SMS software** is automatically uploaded to the Eldorado Software. SMS software also sends SMS reply to the mobile phone informing the status of the transaction. But the transactions executed via Mobile Phone need to upload into the Eldorado software by manual entry.



Step 10: Receiver receives the Money-

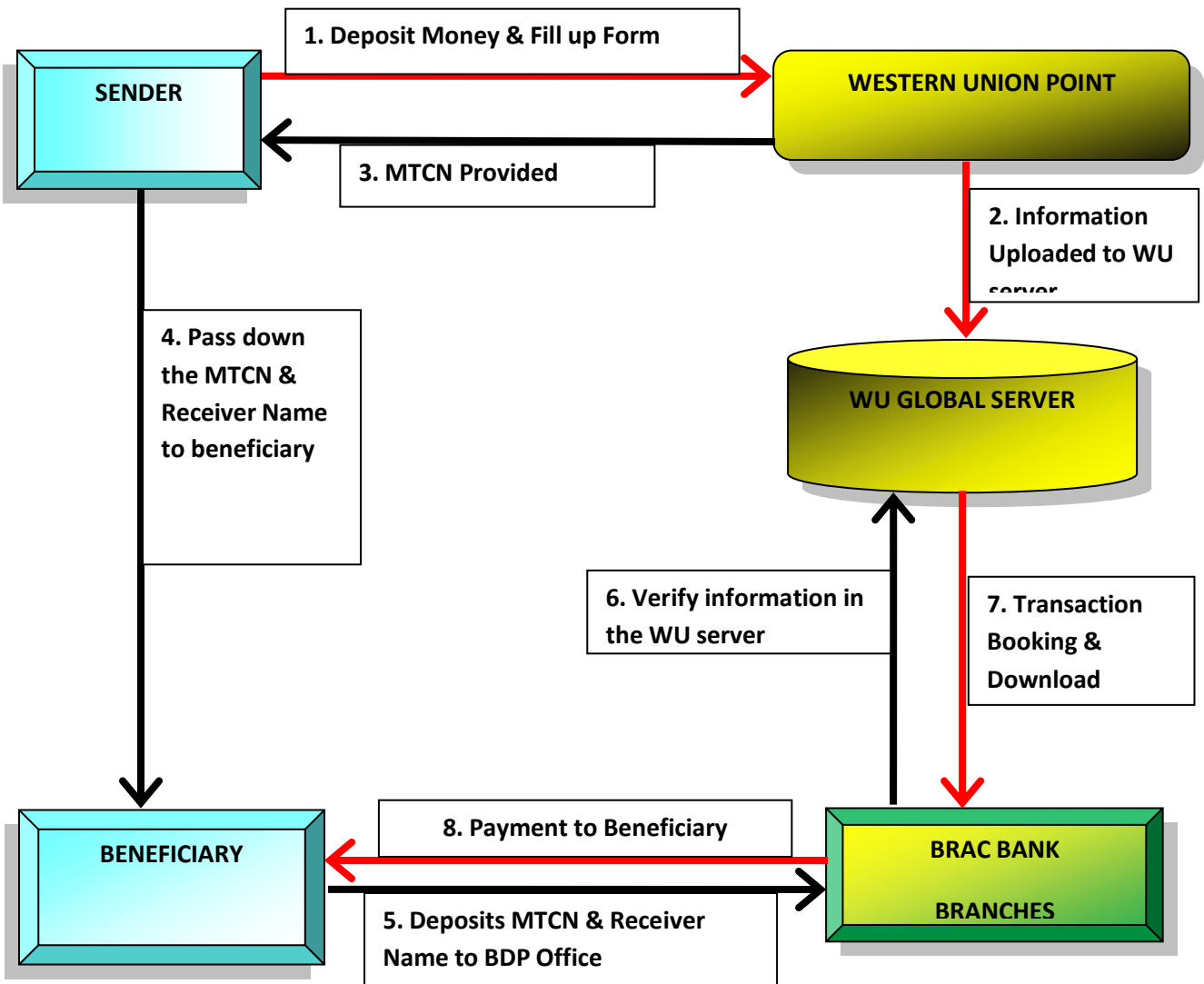
The employee of the BRAC BDP unit receives the payment instruction via the Eldorado software. He/she then takes a print copy of that instruction and takes a signature of the receiver on that printed copy. Finally the transaction completes with payment to beneficiary.

4.3.10.2 TRANSACTION PROCESS FOR BRAC BANK BRANCHAS

The transaction process for the branches is little different than the BRAC BDP's transaction process. The BRAC Bank branches have the access to the Translink software.

When a beneficiary gives the MTCN, the branch employee directly search it into the Translink software. If the transaction is live, then they execute the transaction and take out the print copy. Subsequently they pay the beneficiary after taking his/her signature. However, the branches only make the transaction. While all the other parts like - accounting report and other necessary formalities are made at the WU unit of Head office.

Process flow of WU Transaction for Branches



Note: Red Arrow indicates the flow of Money.

4.3.11 THE TRANSFER OF FOREIGN REMITTANCE

Western Union maintains a post funded system with BRAC Bank, whereas BRAC Bank maintains a pre funded system with the BRAC.

4.3.11.1 – Wu To BRAC Bank

Western Union's money transfer system is totally a **post funded system**, where the agents first execute the transaction and pay the beneficiary then the agents receive the money from Western Union.

Western Union has the same software (**Translink**) worldwide. Any agent can log into this software, book and execute transaction. This software enables Western Union to view the daily payment report of every agent. Thus they view the daily payment report of BRAC Bank Ltd.

Western Union maintains two accounts with BRAC Bank Ltd. They are –

1. **NRDA (Non – Resident Dollar Account)**

2. **NRTA (Non – Resident Taka Account)**

At the end of every working day, Western Union sends foreign currency (\$ amount) to BRAC Bank's **NRDA** account via **SWIFT** according to the report of Translink. As the money comes from more than 90 countries to Bangladesh, WU doesn't send specific dollar rate. They add the total amount of dollar to the **NRDA** account and inform the equivalent amount of taka. By dividing 'the total amount of taka' with the 'total amount dollar' BRAC Bank figures out the dollar rate. Then the dollar from the **NRDA** account is sent to the **Treasury department** of BRAC Bank and the **treasury department** sends equivalent amount of taka to the **NRTA** account.

Though there is no regulation on WU from Bangladesh Bank to maintain a minimum balance, yet it maintains **\$50,000 balance** in the NRDA account with BRAC Bank Ltd.

When a transaction is downloaded from the Translink software, the amount of taka to be transferred is specified there. This amount doesn't change at any cause or situation.

WU also has software named VOYAGER. Via VOYAGER WU sends advice which enables BRAC Bank to debit its account.

4.3.11.2 – BRAC Bank to BRAC

BRAC Bank maintains the ‘pre fund system’ with the BRAC according to the agreement between them. BRAC Bank provides an estimated amount of money to BRAC for the remittance payment. At the end of the working day the account is adjusted according to the transaction paid by BRAC BDP units.

As BRAC BDP units do not pay without the payment instruction through the mRemit software, so “WU & ROC Unit” downloads the information at the end of the day from Eldorado about the transaction made by each BRAC BDP units.

On the other hand each BDP unit makes requisition for money to their head office in every week or according to their need. They don’t pay to the beneficiary if the BRAC’s head office doesn’t send fund to them, as because they do the pre funded transaction.

4.3.12. THE BUSINESS (PROFIT) OF BRAC BANK

There are **three parties** in a WU transaction who shares the profit of the money transfer –

1. **Sending Agent** (where sender deposits money)
2. **Western Union**
3. **Paying Agent** (who pays the beneficiary)

As WU follows the post funded system, the paying agent has to invest money for one day. On the other hand though the money is transferred within a minute, sending agent holds the money for one day and makes some business out of it. It transfers the money to WU the next day.

There are **two gains** from a transaction –

1. **Charge Gain and**
2. **Foreign Exchange Gain (FX Gain).**

There is a specific amount of **charge** for sending the money. This charge is divided between the paying agent and the WU according to the WU rule. As the sending agent does not need to invest any money rather it is keeping the money for one day, **the sending agent does not receive any part of the charge gain.**

Foreign Exchange gain means the gain from selling the dollar to the sender. When the sender deposits a currency in the Western Union Point, he/she has to buy dollar in order to

send the money abroad. Naturally, there is a difference between the selling and buying price of dollar of the sending agent. This difference results into the Foreign Exchange gain. However, this **foreign exchange gain is divided in between the three parties equally.**

According to Western Union Policy, the Beneficiary doesn't pay any fee to receive the money transfer.

4.3.12.1 THE PAYMENT AGREEMENT WITH BRAC BDP

BRAC Bank Ltd pays the BRAC BDP units monthly in two categories –

1. Whose total transaction in a moth is less than 100, receives 150/- taka per transaction.
2. Whose total transaction in a moth is more than 99, receives 100/- taka per transaction.

No FX gain or other gains for BRAC BDP Units. BRAC Bank pays 150/- taka to those whose transaction is less than 100 only. Because in order to keep the remittance program running in that BDP Unit, they need to meet the breakeven point.

When a BDP unit crosses the 100 transaction limit, then it is considered that it has met its breakeven point and it no more receives the special consideration for per transaction fee.

4.3.12.2 THE PAYMENT AGREEMENT WITH SUB AGENTS

The payment agreements of BRAC Bank Ltd with the three Sub Agents are different. The agreement conditions with the three sub agents are given below –

1. First Security Bank:

- 100% transaction amount should be paid at next day morning
- Charge: 50% of total gain from each transaction
- FX benefit is fully taken by FSB
- Initial Deposit maintained: 10 lacs

2. Dhaka Bank:

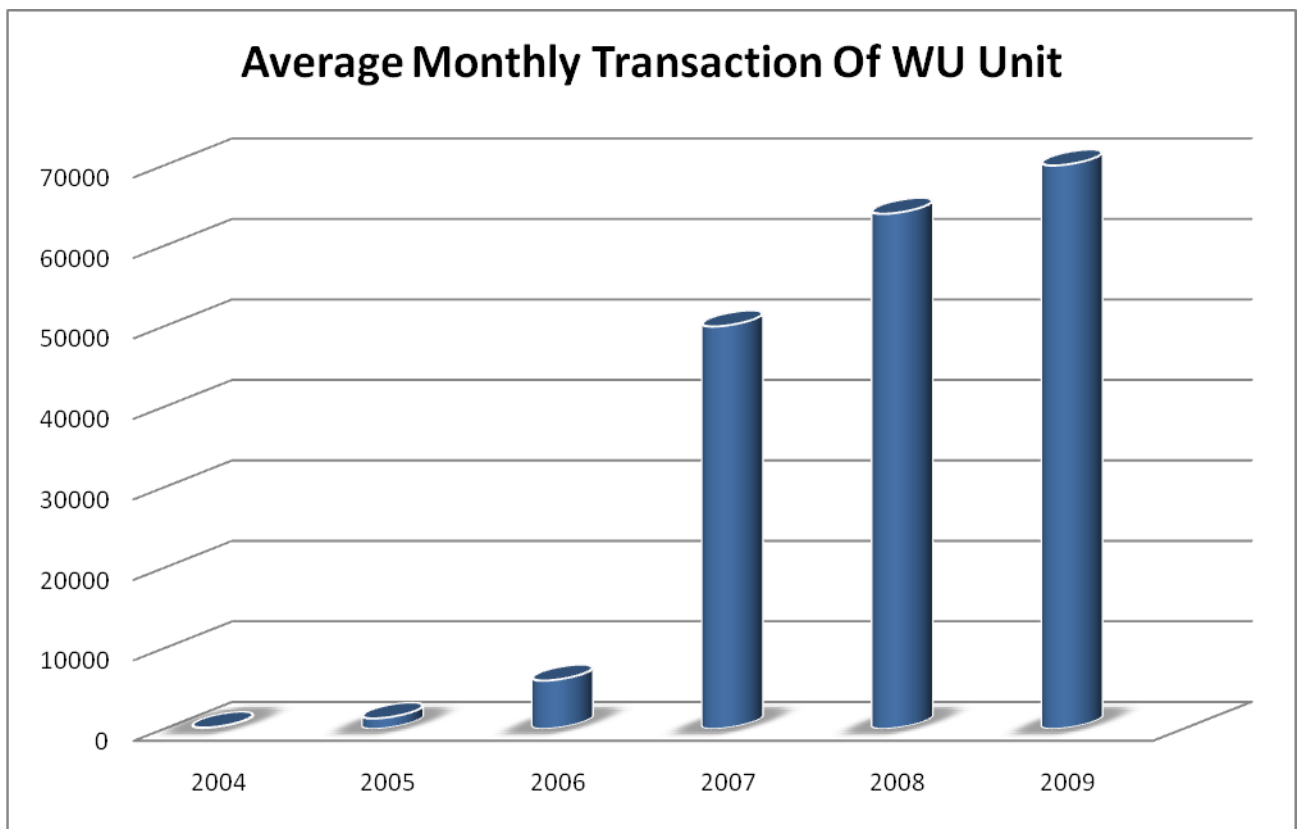
- 100% transaction amount should be paid at the next day morning
- Charge: 50% of total gain from each transaction
- BBL must share 50% of total FX benefit with Dhaka Bank
- Initial Deposit maintained: 10 lacs

3. EXIM Bank Ltd:

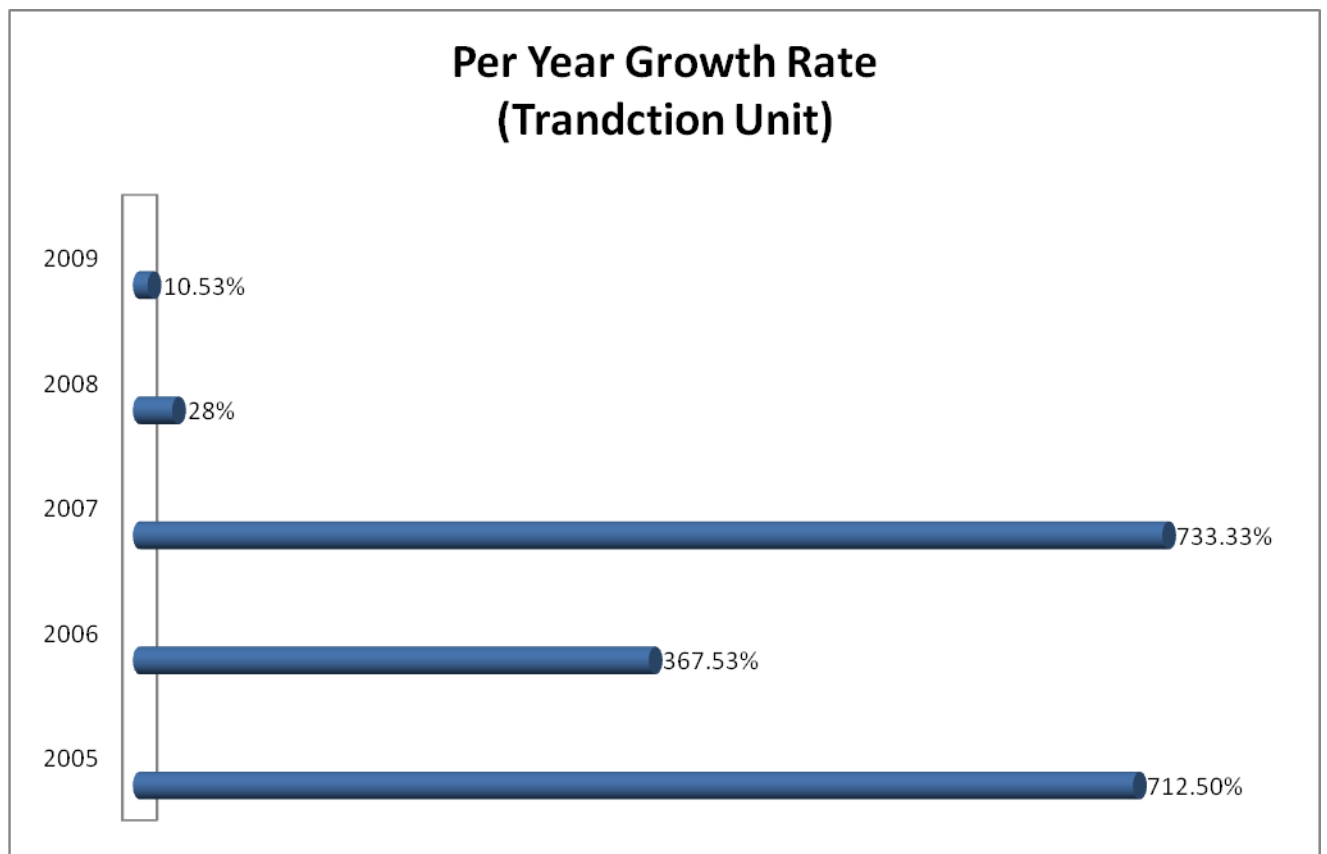
- 100% transaction amount should be paid at the next day morning
- Charge: 50% of total gain from each transaction
- BBL must share 50% of total FX benefit with EXIM Bank.
- Initial Deposit maintained: 10 lacs

4.3.13 PERFORMANCE ANALYSIS OF WU UNIT

Western Union Unit started its operation in 2004 and it is comparatively new in the industry. Yet it is now the biggest agent of WESTERN UNION in Bangladesh. If we look at the average monthly transaction of this unit from the beginning, we can say that it took first three years to be established in the market.



By the year 2007, it started to run in its full throttle. Till 2007 it had devastating growth rate to overcome the introductory phase of the organization. In 2007 the growth rate of WU Unit was 733.33% than the previous year and it got a steady pace in this year. The growth rate of WU Unit in 2008 was 28%, which is close to the industry growth rate. In the year 2009 the growth rate of WU unit is only 10.53% it happened because of many other Banks like, Janata, National Bank, Islamic Bank are now doing WU transaction.



In the year 2008, WU unit transferred on an average more than US \$ 25 million. The total amount of money transferred in 2008 was more than double than the previous year, which was total US \$ 304,817,770. There was a fall in the transaction amount in the month of October, because there were 2 Eid festivals before October and after October.

Western Union Transaction				
For the year 2008				
SL	Transaction	Month	BDT	USD
1	49985	January	1,567,343,103.25	22,939,058.35
2	50219	February	1,587,454,713.37	23,213,411.52
3	63439	March	2,060,053,502.30	30,153,356.85
4	64279	April	1,964,706,643.74	28,741,230.42
5	61507	May	1,876,043,086.02	27,444,198.21
6	65632	June	1,995,645,502.53	29,199,350.53
7	68002	July	2,072,677,277.58	30,337,348.86
8	67396	August	2,020,867,761.96	29,598,266.59
9	85205	September	2,232,776,309.37	32,702,490.65
10	48222	October	1,437,353,043.69	21,049,279.53
11	69940	November	2,014,080,207.80	29,439,778.60
12	85205	December	2,232,776,309.37	32,702,490.65
Total	693826		23,061,777,460.98	337,520,260.76

In January 2009, this unit transferred an amount of US \$.312.76 Million, which was gradually changed all over the year. At the end of the year it was US \$ 223.88 Million

Western Union Transaction				
For the year 2009				
SL	Transaction	Month	BDT	USD
1	73393	January	2,141,942,427.29	31,276,145.63
2	66922	February	1,886,138,144.63	27,556,242.97
3	77692	March	2,143,500,705.82	31,313,263.58
4	74179	April	2,027,278,626.79	29,607,767.74
5	74953	May	2,079,424,598.44	30,369,478.03
6	73176	June	2,043,771,995.99	29,852,091.85
7	70528	July	1,974,094,967.88	28,835,062.10
8	75004	August	2,026,869,390.66	29,608,275.43
9	78711	September	1,933,086,096.67	28,238,677.78
10	53940	October	1,460,569,433.73	21,282,037.16
11	73006	November	1,929,501,359.24	27,963,586.69
12	54369	December	1,545,727,776.59	22,388,005.04
Total	845873		20,100,449,970.55	293,514,623.92

Analyzing the country wise report of the WU transaction, we can say that half of the transferred money (56%) by WU Unit comes from Saudi Arabia. The second highest remittance comes from Malaysia (13.10%). 6.27% of the 'total wage earners remittance brought by WU Unit' comes from United Arab Emirates. Kuwait covers 5.49% of the total remittance of WU Unit. These four countries are providing the 81.42% of the total remittance inflow. The rest of the money (18.58%) of WU Unit transaction comes from the rest of the world.

All Country Report – November, 2009.

For WU Transaction

Country	Percent %
SAUDI ARABIA	56.56%
MALAYSIA	13.10%
UNITED ARAB EMIRATES	6.27%
KUWAIT	5.49%
UNITED STATES OF AMERICA	2.71%
OMAN	1.93%
SINGAPORE	1.90%
ITALY	1.78%
BAHRAIN	1.60%
QATAR	1.16%
MAURITIUS	1.13%
BRUNEI DARUSSALAM	1.03%
UNITED KINGDOM	0.98%
LEBANON	0.73%
LIBYA	0.73%
IRAQ	0.53%
CANADA	0.33%
AUSTRALIA	0.22%
YEMEN	0.19%
IRELAND	0.15%
JORDAN	0.13%
GERMANY	0.13%
SPAIN	0.09%
PORTUGAL	0.08%
FRANCE	0.08%
ROMANIA	0.08%
OTHERS	0.89%
TOTAL	100%

4.4. EXECUTION (OTHERS REMITTANCE) UNIT

Besides Western Union, BRAC Bank Ltd has agreement with 28 exchange houses to bring the remittance from abroad. Remittance which comes from these Exchange Houses are operated by the “Execution” Unit of PBO of BRAC Bank. Unlike ‘WU Unit’, this unit handles all of these exchange houses together. The names of these exchange houses are –

1. PLACID NK CORPORATION
2. FEDERAL EXCHANGE
3. SAAJAN WORLD WIDE MONEY TRANSFER
4. BAHRAIN FINANCING CO.
5. UNION EXCHANGE CO.
6. DALIL EXCHANGE
7. LARI EXCHANGE ESTABLISHMENT
8. ALMOUDI EXCHANGE
9. WALL STREET
10. MUSTAFA SULTAN
11. UAE EXCHANGE CENTRE, UAE
12. KUWAIT HO UAE EXCHANGE
13. ZENJ EXCHANGE COMPANY
14. WALL STREET INSTANT CASH
15. DOLLARCO EXCHANGE COMPANY
16. DOULAT ENTERPRISE INC.
17. HABIB EXCHANGE COMPANY
18. PADMA MONEY SERVICE
19. MERCHANTRADE ASIA SDN BHD.
20. EASTERN MONEY EXCHANGE LTD.
21. OMAN & UAE EXCH.CENTRE CO.LLC
22. JAMUNA MONEY EXCHANGE LTD.
23. AL-AHALIA MONEY EXCHANGE LTD
24. OMAN INTERNATIONAL EXCHANGE L.I
25. AL ANSARI EXCHANGE CO.
26. REMIT MASTER SDN.BHD

Another two exchange houses are currently inactive, so their name is not in this list.

These Exchange Houses do not use global software like Translink of WU. They send their instruction through –

- Gmail**
- Web page of exchange houses**
- SRS execution**
- Fax.**

Unlike the Western Union, there are eight payment modes for these exchange houses depending on some criteria. The detail is given below –

Modes Of Payment	Selection Criteria
Pay Order	Beneficiary's bank is in the clearing zone of Bangladesh Bank.
Demand Draft (DD)	Beneficiary's A/C is in the Sonali Bank branch with which BBL has DD arrangement.
Direct Credit	Beneficiary has A/C with BRAC Bank Ltd (BBL).
Pay Cash	Collection Through BBL Branches.
Telegraphic Transfer (TT)	Beneficiary has A/C with any of the correspondence bank of BBL
Mail Transfer	Beneficiary's A/C is in Corresponding bank branch & telephonic facility is not available
BRAC BDP Transfer	Beneficiary's bank A/C No. id not given & there is no BBL correspondence present
Advice and Pay	BBL doesn't have correspondence with Beneficiary's bank and there is no existing BDP as well.

4.4.1 DIFFERENCE BETWEEN WESTERN UNION & OTHER MONEY TRANSFER ORGANIZATION

Some basic differences are given below -

WESTERN UNION	OTHERS
Western Union provides Post - funded facilities.	Others provide Pre - funded facilities.
Sender physically sends the money through Western Union House & receives 10 digits MTCN number. Then, client sends the number to the beneficiary directly. It takes only 10 seconds to proceed & beneficiary can take the amount within ten minutes after receiving the MTCN number	In this money transfer process, there are different modes of payment. So, money receipt time varies upon the mode of payment.
Western Union payment is only done by cash	Money can be transferred to the beneficiary A/C
BRAC bank gets three type of benefit from Western Union. As like as- <ul style="list-style-type: none"> a) Exchange Gain b) FX gain c) Charge against per transaction 	Commission gain against per transaction
WU use worldwide software. Any agent bank can log into the software, book transaction and execute the payment.	Exchange Houses sends its instructions via email / fax / website. They send different instruction set for separate banks.

4.4.2 PERFORMANCE OF EXECUTION UNIT

Execution unit transferred more than BDT 1.03 billion at the beginning of 2008. This trend was followed till the end of July. But in the following three months the transaction amount was decreasing and in October 2008 total transaction amount by execution was BDT 652.37 million only.

Others Transaction		
For the year 2008 (till October)		
SL	Month	BDT
1	January	1,032,531,278.05
2	February	1,059,450,168.14
3	March	1,119,780,767.05
4	April	920,138,328.08
5	May	1,044,368,495.71
6	June	1,002,786,658.41
7	July	1,090,261,932.14
8	August	804,307,201.57
9	September	774,622,603.23
10	October	652,370,510.19
Total		20,829,001,151.61

The transaction amount by execution was steady in between BDT 650 million to BDT 1.4 billion all through 2007 and 2008.

In 2009 other unit transactions increase from previous year. In the month of January 09 the amount was over Taka 2000000000 which is much higher than the previous year.

Others Transaction		
For the year 2009		
SL	Month	BDT
1	January	2,159,182,042.86
2	February	1,886,153,144.63
3	March	1,248,836,382.94
4	April	2,027,278,626.79
5	May	2,079,424,598.44
6	June	2,043,771,995.99
7	July	1,993,630,714.00
8	August	1,904,533,449.13
9	September	15,47,656,861.02
10	October	1,434,928,027.62
11	November	1,760,573,383.98
Total		20,085,969,226.58

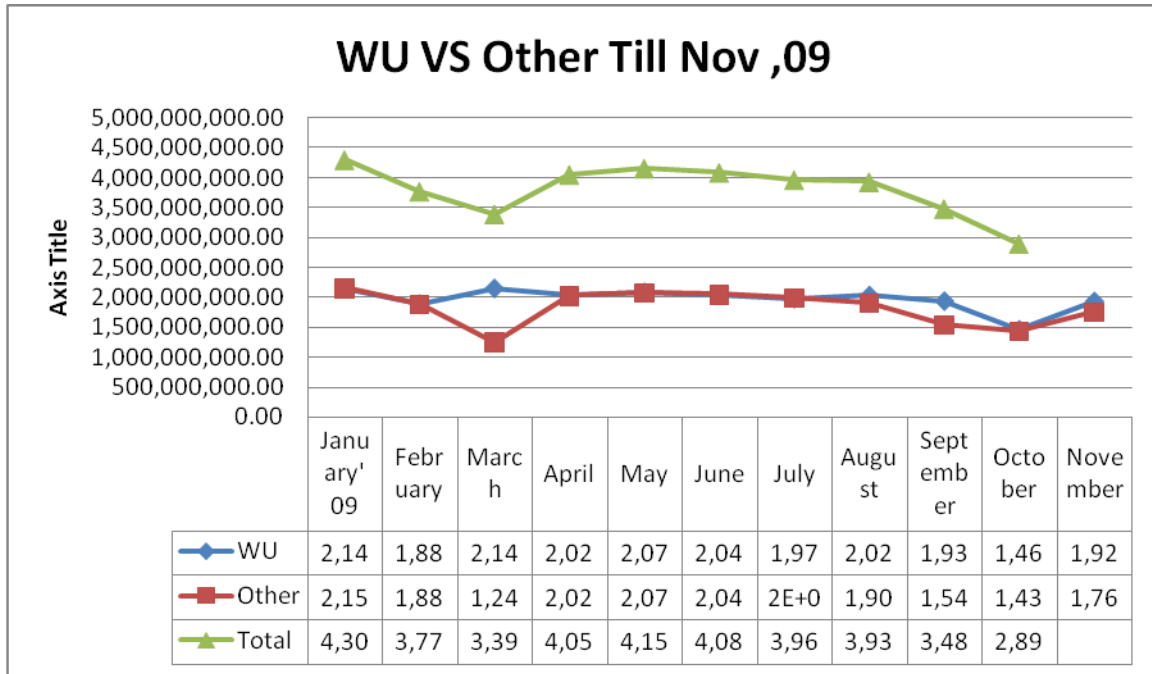
4.4.3 'WU & ROC' VS EXECUTION UNIT

'WU & ROC' Unit and Execution Unit are two different units that execute all the wage earners' remittance inflow in Bangladesh. If we compare the performance of these two units, we find out that in the year 2007 WU unit's transaction amount was less than the executions amount until the last quarter of the year. At the last quarter the performance of them was reversed. WU units transferred more than BDT 1 billion in every month of the last quarter, on

the other hand Execution unit transferred less than BDT 7.5 million at the same time. However, from May' 07 to December' 07 the total amount transferred by WU Unit was BDT 7.9 billion and by Execution Unit was BDT 8.135 billion. But in the last month of the year WU unit transferred 3 times more than the Execution Unit.

WU VS OTHERS. YEAR 2009			
Month	WU (IN Taka)	OTHERS (In Taka)	Total (In Taka)
January' 09	2,141,942,427.29	2,159,182,042.86	4,301,124,470.15
February	1,886,138,144.63	1,886,153,144.63	3,772,291,289.26
March	2,143,500,705.82	1,248,836,382.94	3,392,337,088.76
April	2,027,278,626.79	2,027,278,626.79	4,054,557,253.58
May	2,079,424,598.44	2,079,424,598.44	4,158,849,196.88
June	2,043,771,995.99	2,043,771,995.99	4,087,543,991.98
July	1,974,094,967.88	1993630714.00	3,967,725,681.88
August	2,026,869,390.66	1,904,533,449.13	3,931,402,839.79
September	1,933,086,096.67	1,547,656,861.02	3,480,742,957.69
October	1,460,569,433.73	1,434,928,027.62	2,895,497,461.35
November	1,929,501,359.24	1,760,573,383.98	3,690,074,743.22
Total	21,646,177,747.53	20,085,969,227.40	41,732,146,974.54

From the graph we can see that WU Unit transferred amount was same as Execution unit in first two months. However, after March 2009 WU unit constantly transferred more amount than the Execution unit.



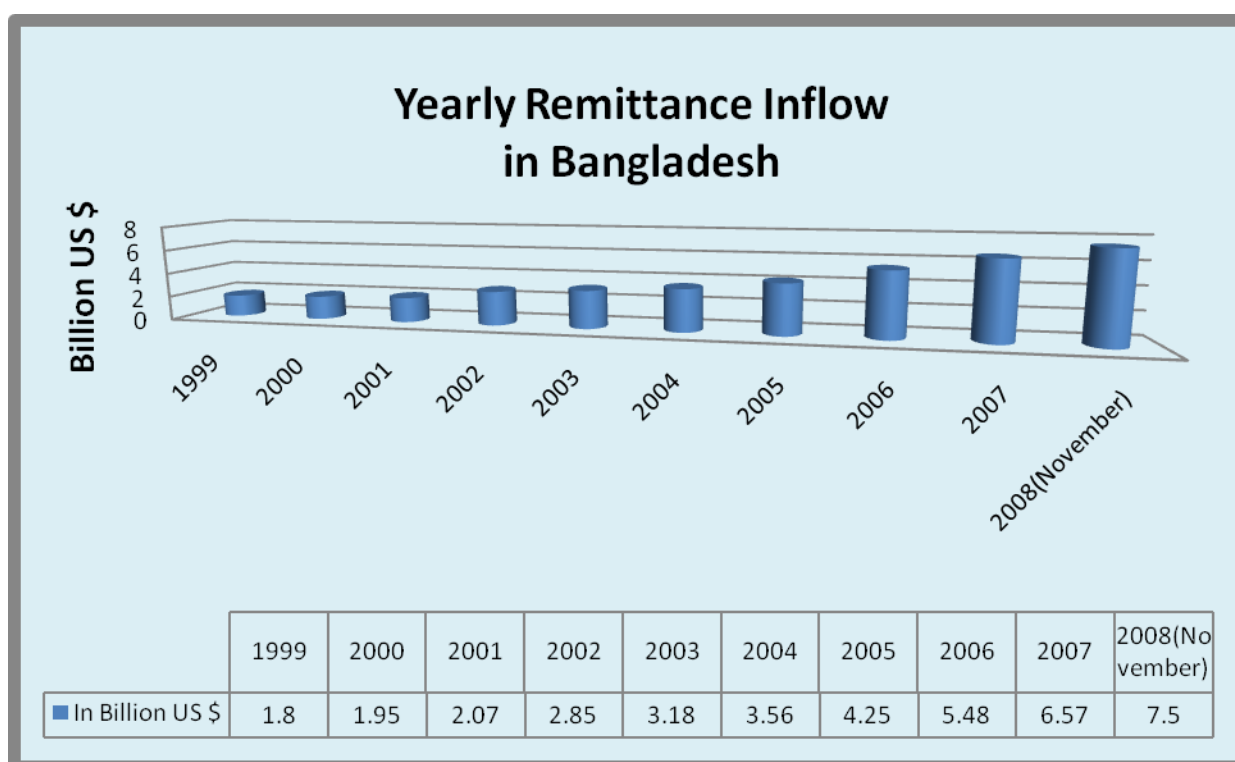
Following the trend of the previous year, WU Unit always transferred more money every month than the execution unit. In the January'09 WU Unit transferred BDT 3.1 billion whereas Execution Unit transferred BDT 2.03 billion. All through the year execution unit transferred around BDT 1 billion every month, unless it falls gradually in the last three months and in October'09 it stands at BDT

4.5 COMPARATIVE STUDY OF THE INDUSTRY

4.5.1 REMITTANCE & BANGLADESH

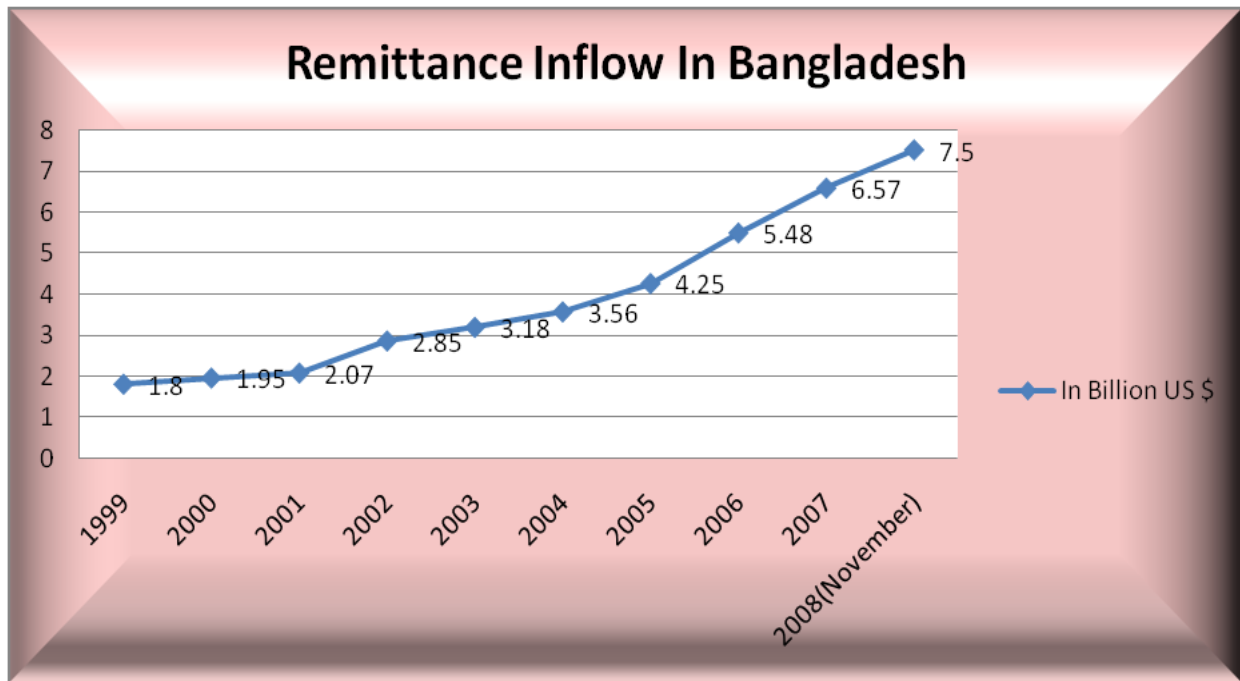
Wage Earners' Remittance is now a very significant part of Bangladesh's economy. Indeed, it is the single largest foreign currency earner for the country. In the 2007, total remittance earning of Bangladesh was US \$ 6.568 billion. This year (2008), it crossed the mark of US \$ 7.499 billion yet one month to go. This is 34% higher than the same time limit of the previous year.

However, remittance covers the 11% of our country's GDP. It is 5 times higher than the overall Foreign aid and 10 times higher than the total FDI.

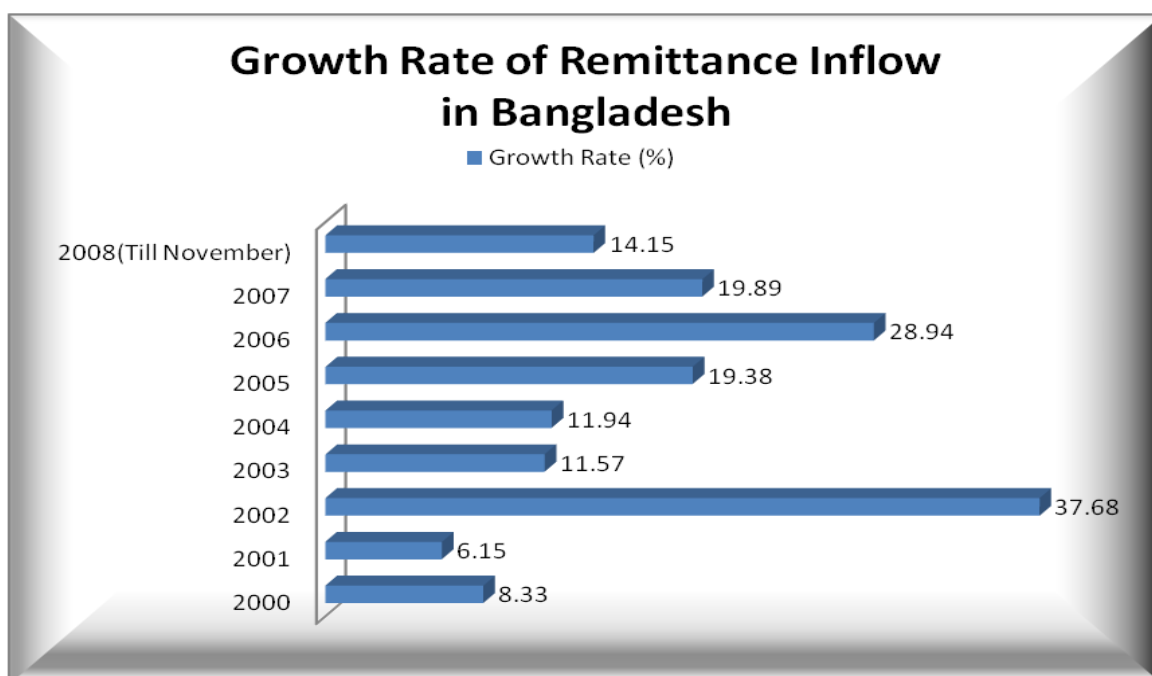


Bangladesh has a very narrow export base. Readymade garments, frozen fish, jute, leather and tea are the five groups of items that account for four-fifths of its export earnings. Currently, garments manufacturing is treated as the highest foreign exchange earning sector of the country. However, if the cost of import of raw material is adjusted, then the net earnings from migrant workers' remittances is higher than that of the garments sector. For the

last two decades, remittances have been at levels of around 35% of export earnings, making it the single largest source of foreign currency earner for the country. This has been used in financing the import of capital goods and raw materials for industrial development. The steady flow of remittances has resolved the foreign exchange constraints, improved the balance of payments, and helped increase the supply of national savings. Remittances also constituted a very important source of the country’s development budget.



A research by **Asian Development Bank (ADB)** found out that **an increase in remittance by Taka 1.00 would result in an increase in national income by Taka 3.33**. Because of the upcoming rules by WTO, Bangladesh may face steep competition in export of RMG as USA is intending to emphasize on the African countries. It is apprehended that Bangladesh’s RMG export will decline sharply. This will result in loss of job of many workers and shortfall in foreign exchange earning. Potential of retaining employment and export earning through export of frozen fish, jute, leather and tea seems rather bleak. It is in this context labor migration has become key sector for earning foreign exchange and creating opportunities for employment. Therefore, the importance of migrant remittance to the economy is increasing day by day.



The flow of wage earners remittance for the last 24 months show a gradually increasing trend as can be seen below -

Year/Month	Remittances	
	In million US dollar	In million Taka
2008-2009		
October	648.51	44448.9
September	794.18	54417.2
August	721.92	49466
July	820.71	56226.8
2007-2008		
June	753.58	51635.3
May	730.26	50073.9
April	781.71	53609.7
March	808.72	55445.8
February	689.26	47269.5
January	710.74	48742.5

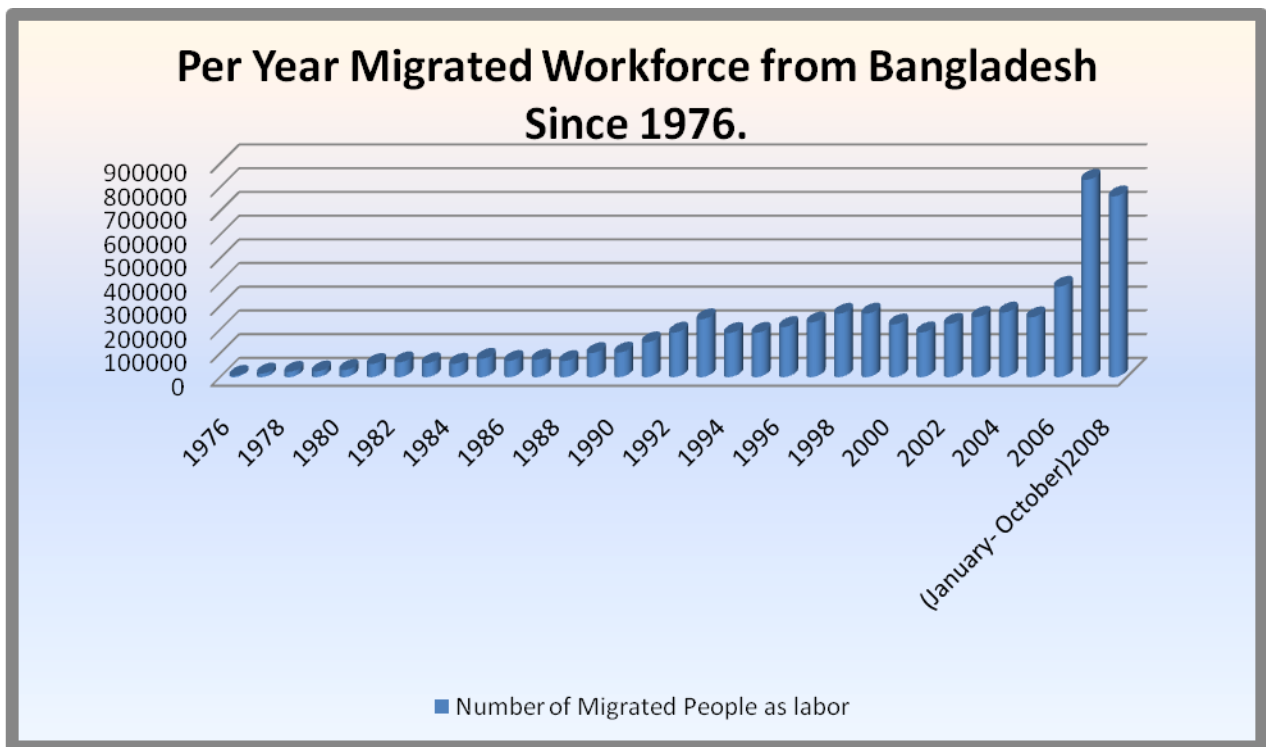
December	635.34	43571.6
November	617.39	42383.8
October	559.05	38406.7
September	590.67	40579
August	470.95	32307.2
July	567.11	38926.4
2006-2007		
June	516.38	35599.4
May	557.02	38495.7
April	543.74	37485.4
March	537.29	37040.8
February	500.32	34532.1
January	462.55	32235.1
December	555.08	38555.9
November	598.73	41857.2
Source : Foreign Exchange Policy Department, Bangladesh Bank		

Growths in remittance and exports have contributed to an overall positive balance of payment (**BOP**) for the last couple of years. During the last fiscal, growth in import was 12.05 percent whereas export had a growth of 21.63 percent. On the other hand, remittance inflow maintained the growth rate over 25 percent, touching \$7.5 billion mark already in this year mainly due to increase in skilled labor abroad and government's efficient move against money laundering.

The reason behind increasing remittance is the rise of labor migration. As we know Bangladesh is a huge labor surplus country. Hence it belongs to the supply side of the global labor market and a huge number of people are going abroad from this country for work. On an average, 250,000 people annually migrate to take up overseas employment. Flow of migrant workers is associated with growing flow of remittance to Bangladesh. Since the late 1990s, successive governments of Bangladesh, realizing the importance of remittance to the

economy, have undertaken different macro-economic reforms to encourage official flow of remittance. The 7th parliamentary government has established a new ministry entitled **Expatriates' Welfare and Overseas Employment (EWOE)** to ensure efficient management of migration sector in Bangladesh.

Currently two types of voluntary international migration occur from Bangladesh. One takes place mostly to the industrialized west and the other to Middle Eastern and South East Asian countries. Voluntary migration to the industrialized west includes permanent residents, work permit holders and professionals. They are usually perceived as long term or permanent migrants. Migration to Middle East and South East Asia are usually for short term. The migrants return home after finishing their contract.



BMET (Bureau of Manpower, Employment and Training) data show that from 1976 to 2008, the total number of Bangladeshis working abroad as short-term migrants' stands at more than six million (6,221,531). Right now Bangladeshi people are working in more than 100 countries. In 2006, more than three lac (381,516) people left Bangladesh to work abroad. In 2007, this number was 832,609 and in 2008 till October 840,000 people have left Bangladesh.

Moreover, a large number of Bangladeshi is also believed to have gone to the Middle East through irregular process

However, number of migrated people per year from 1976 till now is given in the following table-

Year	Number of Migrated People as labor	Year	Number of Migrated People as labor	Year	Number of Migrated People as labor
1976	6087	1987	74017	1998	267667
1977	15725	1988	68121	1999	268182
1978	22809	1989	101724	2000	222686
1979	24495	1990	103814	2001	188965
1980	30073	1991	147131	2002	225256
1981	55787	1992	188124	2003	254190
1982	62762	1993	244508	2004	272958
1983	59220	1994	186326	2005	252702
1984	56714	1995	187543	2006	381516
1985	77694	1996	211714	2007	832609
1986	68658	1997	231077	(January-October)2008	762603

Remittance inflow increased gradually over the years due to strong monitoring system of Bangladesh Bank, quicker services provided by the local Banks and stable foreign exchange rates. More foreign exchange came from the Asian countries with concentration of blue-collar workers. About \$2,741 million came from the Middle East and adjacent countries.

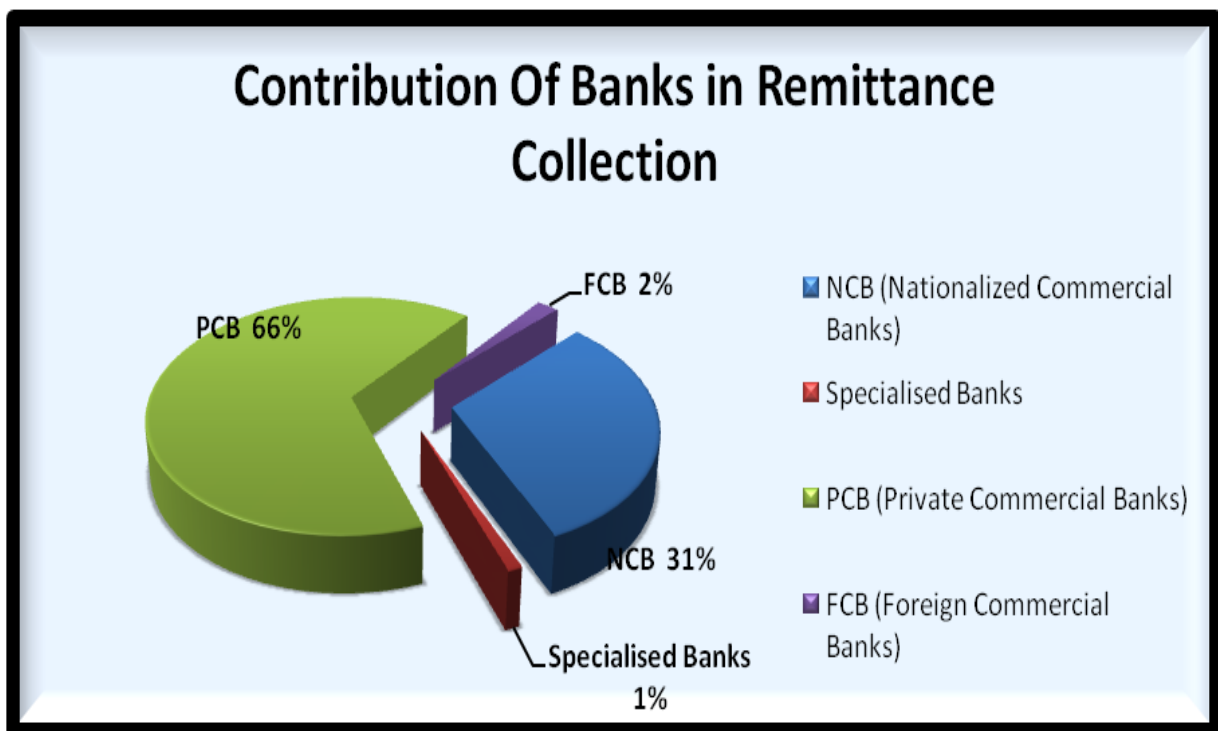
So far, the central Bank gave license to 635 exchange houses to set up offices in the foreign countries to facilitate inward remittance. Local Banks, which have either opened exchange

houses abroad or developed linkages with foreign Banks, have quickened delivery of money at home, now taking maximum 72 hours to reach the recipients anywhere within the country.

A survey among labor migrants to the Middle East revealed that 46% of the total volume of transactions has been channeled through official methods, around 40% through the HUNDI system, 5% through friends and relatives and 8% was hand carried by migrants themselves.

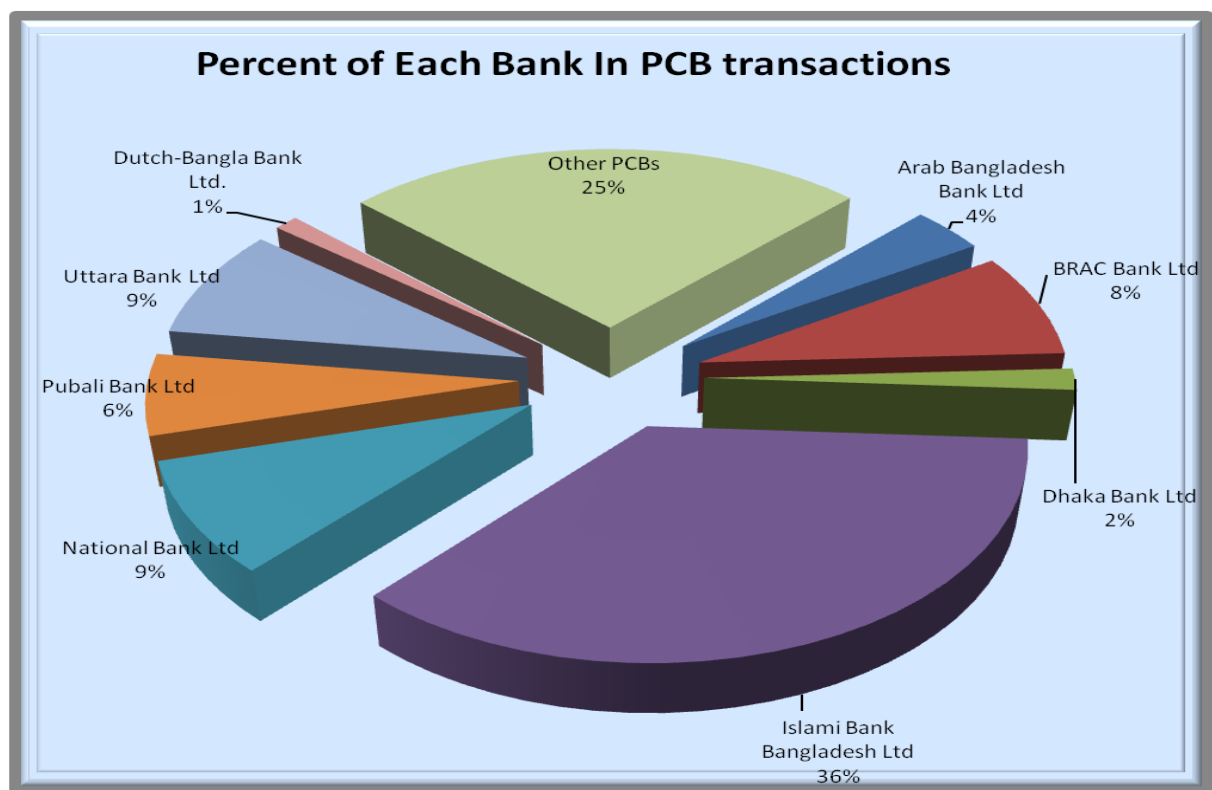
However, according to the recent press release of Bangladesh Bank, among the entire official transfer, **Private Commercial Banks (PCB)** cover 66%, whereas **Nationalized Commercial Banks (NCB)** cover 31%, **Specialized Banks** covers 1% and **Foreign Commercial Banks (FCB)** cover the rest of the 2%.

BRAC Banks covers 5.41% of the entire remittance inflow in Bangladesh.



Among this 66%, Islami Bank covers 36% which is highest among the Private commercial banks. Both National Bank and Uttara Bank transfers 9% of the total PCB transaction. These Banks are main rivals in the PCB part of the remittance industry. Including these Banks there are 30 Banks in the remittance industry. Including all kinds of Banks there are a total of 45 Banks in this business, among which there are 4 Nationalized Commercial Banks (NCB), 2 Specialized Bank and 9 Foreign Commercial Bank (FCB).

However, remittances are one of the major sources of the foreign currency earning that maintains balance of payment of Bangladesh. So the government should give more emphasis to increase the flow of remittances. The major future challenges that are identified for Bangladesh for harnessing remittances for economic development are lack of skilled and professional personnel and diversify the manpower export market. To boost the flow of remittances the government should establish more technical institutes, develop new foreign policy, encourage the utilization of remittances in productive investment and create enabling environment to invest remittances in capital market.



4.5.2 BRAC BANK VS BANGLADESH

Considering the performance of BRAC Bank with the Total remittance inflow with the Bangladesh Bank, we can see that since the May' 07 BRAC Bank is covers around 5% of the total remittance inflow in Bangladesh. In the month of August' 07, BRAC Bank covered the largest percentage (6.68%) of the total remittance inflow in Bangladesh.

Wage Earners Remittance Inflows (Monthly)			
BRAC Bank Vs Bangladesh			
	BANGLADESH	BRAC BANK	% of Total by BRAC Bank
May,2007	38,495,700,000	2,028,544,183.19	5.27
June	35,599,400,000	1,616,213,446.63	4.54
July	38,926,400,000	2,326,651,302.48	5.98
August	32,307,200,000	2,159,074,507.41	6.68
September	40,579,000,000	2,122,344,253.10	5.23
October	38,406,700,000	1,731,475,767.14	4.51
November	42,383,800,000	1,798,215,531.78	4.24
December, 2007	43,571,600,000	2,290,234,235.30	5.26
January, 2008	48,742,500,000	2,599,874,381.30	5.33
February	47,269,500,000	2,646,904,881.51	5.60
March	55,445,800,000	3,179,834,269.35	5.74
April	53,609,700,000	2,884,844,971.82	5.38
May	50,073,900,000	2,920,411,581.73	5.83
June	51,635,300,000	2,998,432,160.94	5.81
July	56,226,800,000	3,162,939,209.72	5.63
August	49,466,000,000	2,825,174,963.53	5.71
September	54,417,200,000	3,007,398,912.60	5.53
October, 2008	44,448,900,000	2,089,723,553.88	4.70

Another important trend is that the growth rate of BRAC Bank was around the growth rate of the total remittance inflow in Bangladesh. That's why the percentage of BRAC Bank in the Bangladesh remittance industry was almost same (around five percent)

CHAPTER – 5

Qualitative Analysis

Of

The Western Union

Department

5.1 PORTER'S FIVE FORCES ANALYSIS

It is extremely crucial to analyze competitive forces in the industry environment to identify opportunities and threats. Michael E. Porter's well-known framework, known as the five forces model helps with this sort of analysis. The model focuses on five forces that shape competition within an industry. The stronger the five forces, the more limited is the ability of established companies to raise prices and earn greater profits. Therefore, we can conclude that a strong competitive force can be considered as a threat because it depresses profit, whereas, a weak competitive force can be viewed as an opportunity as it facilitates the companies to earn higher profits. The situation of the industry changes overtime. The influences of the five forces in the remittance industry of Bangladesh are discussed below:

Threat of Potential Entrants

Potential competitors are companies that are not currently competing in an industry but have the capability to get into the industry. For remittance industry the threat of potential entrants is very low, because most of the banks and NGOs are more or less involved in this business. Though the government is trying to get more organizations involved in this business, yet the entry barrier is already high. As a result the threat of new comer is pretty low.

Rivalry Among Established Companies

Rivalry among the established companies means the degree competition among the established companies in the industry. Rivalry among the established companies is moderate. Moreover BRAC Bank is relatively new in this business and not many rivals in the industry are having a network support like BRAC Bank. It is obvious that BRAC Bank is going to be one of the rival in the near future, so the rivalry among the established companies are moderate for BRAC Bank Ltd.

Threat of Substitutes

Threat of substitute means if there is any substitute of the particular product or service that the customer can switch to. Threat of substitute for BRAC Bank is low. Though in the city area, the threat of substitute is higher, but in the village areas there are rarely any substitute for BRAC Banks services as 2800 office of BRAC BDP is working in the remittance

program scattered all over the country. As most of worker remittance goes to village area, so we can say that the threat of substitute for BRAC Bank is low.

Bargaining Power of Buyers

Bargaining power of the buyer can be viewed as a competitive threat when they are in a position to demand lower prices from the company or when they are in a position to demand better service that can increase operating costs. On the other hand, when buyers are weak, a company can raise its prices and earn greater profits. However, in this business the customers (receiver) don't pay any charge. Yet they can choose the organization from which they can have better, faster and reliable services. In the village areas the receivers don't usually have many choices as there are not many remittance service providers. That's why the bargaining power of buyers for BRAC Bank remittance service is very low.

Bargaining power of suppliers

Bargaining power of suppliers can be viewed as a threat when they are able to force up the price that a company must pay for its inputs or reduce the quality of the inputs they supply, thereby depressing the company's profitability. On the other hand, if suppliers are weak, this gives the company the opportunity to force down prices and demand higher input quality. In this business, we can say that the exchange houses and money transfer companies are the suppliers for BRAC Bank remittance services. BRAC Bank's network has weakened the bargaining power of suppliers as BRAC Bank has the access to those remote areas where many other banks cannot serve. Eventually the bargaining power of the suppliers is low.

5.2 SWOT ANALYSIS OF BRAC BANK REMITTANCE WING

SWOT stands for Strength, Weakness, Opportunity and Threat. SWOT analysis helps an organization to analyze its Internal Environment (Strength & Weakness) and External Environment (Opportunity & Threat), with the intention to shape its future strategies by matching the opportunities and threats with the organization's strengths and weakness. However, I have completed a SWOT analysis for remittance wing of the Probashi Banking Department, BRAC Bank Ltd –

Strength

- **A massive network** of the BRAC NGO is the main strength for the remittance wing of BRAC Bank. This network is the basement of the outstanding performance of the remittance wing.
- **The Brand Name “BRAC”** is another big strength for this remittance wing. It is a well known brand not only in Bangladesh, but also in many other countries. This name has earned the faith of the people that it can provide them better service.
- **The Eldorado software** is another massive strength for BRAC Bank Ltd. This software has connected all BDP units together and made the transaction a matter of seconds.
- **Fast growing Branch network** of BRAC Bank is helping this unit to reach more places in town areas. BRAC Bank already has 48 branches.
- **BRAC Bank also has a strong Corresponding Relationships with other banks**, which also helping this unit to reach some new customer base.
- **BRAC Bank remittance unit has some in house software** development for every team. For example WU unit use SMS software, which has enabled this unit to provide a quicker and better services.
- **Most of all, Strong Leadership** has brought this wing so far and its going to take it further into the brightest future.

Weakness

- BRAC Bank has a **lack of control over the BRAC BDP** offices. Moreover some employees at the BDP unit offices are really inefficient for their job.
- IT support** to all BDP locations is not adequate.
- Process Modification** is slow. There are still some aspects where the process should be modified. For example -the manual entry to Eldorado for Phone transaction should be automated and the SMS software can be developed to make it more users friendly and faster.
- Operational Cost factors are relatively very high through correspondence banks.
- In the high time of remittance flow, like - during **Eid festivals, many BDP units run out of funds**, as they BDPs cannot keep larger amount of fund in store.
- Total number of employee for WU unit is pretty low**; consequently the pressure is very intense. In order to increase the number of transaction in future, WU unit requires more employees.

Opportunity

- The increasing rate of the country's remittance inflow is right now more than 25% and as the government is taking more steps to bring more remittance through the legal channels and to send more skilled & semi- skilled people to abroad. So the **market of remittance service is increasing** which is a great opportunity for BRAC Bank to explore the market and reap up the profit.
- BRAC Bank should **use their SME unit** in their remittance purpose. It has almost 400 SME unit offices. They can reach new market through this SME network.
- As half of the remittance comes from the Middle East, especially from the Saudi Arabia. BRAC Bank can **open its remittance office** in those places where most of the Bangladeshi people work and transfer the money on its own rather than having an agent in the middle.
- BRAC Bank should **involve in the local remittance transaction** and use its network in order to make best use of its network.





Threat

- **HUNDI business** is a big threat for BRAC Bank as well as for Bangladesh remittance industry.
- Almost **every Bank is now involved in the remittance business** and showing greater interest in this business.
- **Other NGOs** are also getting involved in this business too, which is big threat for BRAC Bank as these NGOs have office in those remote areas of BRAC BDP units doing this business.
- **Nationalized Commercial Banks** are also big threat for BRAC Bank as they have access to all over the country.

Chapter 6
Recommendation
&
Conclusion

6.1 RECOMMENDATIONS

Government of Bangladesh is taking more steps to increase the export of manpower as we have a huge labor surplus in the country. On the other hand Bangladesh Bank is taking more measures to increase the flow of remittance through the legal channel. Since it is the single largest foreign exchange earner of the country and there is a big labor group who are waiting to go broad, Bangladesh is taking this business very seriously. Consequently the flow of inward remittance must increase in the future. In order to be a big rival in this remittance industry BRAC Bank can use some of the following recommendation –

-  BRAC Bank should emphasize to improve its software and if necessary then develop new software to make the transaction process very smooth, fast and efficient.
-  BRAC Bank is now developing SMS software to make the transaction faster with the BRAC BDP offices. This software must be user friendly and suit the level of BRAC BDP offices employees.
-  As 68.32% of total remittance brought by BRAC Bank is coming from three countries of the Middle East (Saudi Arabia, United Arab Emirates and Kuwait), BRAC Bank can open its own remittance office in these countries. Thus BRAC Bank would be able to provide better service and make more profit.
-  BRAC Bank should use its SME units to remit money, especially in the region where BRAC Bank or BRAC BDP offices cannot coverage.

6.2 CONCLUSIONS

The banking sector of Bangladesh is composed of NCBs, PCBs, FCBs and SBs. BRAC Bank Limited (BBL), a fully operational commercial bank that had started off in 2001, has been the fastest growing bank in 2004 and 2005. Amongst all its functional divisions, BBL has 4 major business units – SME, Retail, Corporate and SRS. Due to the quicker services provided by BBL as well as the other local banks, strong monitoring system of Bangladesh Bank, and stable foreign exchange rates, remittance inflow increased gradually over the years. The potential contribution of remittance to the economy has put it into such an important position.

Although remittances and migration in Bangladesh have received an increasing amount of attention in recent years, it is still not adequate to determine unambiguously the impact of remittances on the broader society. Based on the remittance dynamics, the migrant communities can be divided into three groups: temporary migrant laborers, high-income diasporas and low-income diasporas. This categorization is not rigid but serves as an analytical tool. These three communities differ in emigration history, in socioeconomic characteristics, and in living and working conditions. In Bangladesh, four different types of transfers exist, of which remittances sent to family members is the most important.

Remittances are very important for the receiving families to meet their basic needs and as an additional income source.

Clearly, more research is needed on the following topics:

- The impact of remittances on the receivers and the senders, as well as on the broader community;
- The gender aspect of migration and remittances;
- The use of remittances as a development tool in Bangladesh.

The policies and initiatives implemented to enhance the impact of remittances are mainly aimed at encouraging the sending of financial transfers through official channels, while official bodies neglect the utilization of remittances.

The government should focus on enabling migrants to send and use their remittances in the most effective ways, according to their own needs. Consequently all the banks and other mediums of aide in remittance inflow should adopt the measures for the betterment of the economy.

Research institutes are exploring new ways of addressing remittance senders and receivers' needs in terms of remittance methods and utilization. Pre-departure training for labour migrants is not only important to reduce the human and economic costs of migration; it can also be a powerful tool in raising awareness about remittance methods and utilization.

While many measures have been taken to influence the choice of the remittance method, less attention has been given to the use of remittances. In this report a survey was done on behalf of BBL to support the facts of where do beneficiaries spend their remittances. These have been found to be housing, followed by education. BBL strives to implement new ways based on the remittance dynamics to help our economy through the utilization of remittances.

Chapter- 7

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