

Remittance highways and byways

How Bangladeshi workers in Singapore decide on remittance routes

By Chua Shenyi

Foreword

Interns at Transient Workers Count Too (TWC2) are usually tasked with doing a bit of research in the time they spend with us. Given that their internships are either only six or eight weeks, the topic is seldom very ambitious. Nonetheless, the exercise helps us to fill in gaps in our knowledge and suggest related angles worth exploring.

All research exercises require interaction with migrant workers. In this paper by Chua Shen Yi, looking into how Bangladeshi migrant workers in Singapore perceive different remittance options and how they choose among them, she had to speak to 10 – 15 workers each at some length. This paper distils her interviews into an overall picture.

Introduction

While many perceive working in a foreign country as an exciting and appealing experience, migrant workers travel overseas for a more mundane reason: to earn a living to support their family. On each monthly pay day, workers happily receive the salary they've worked hard for and look forward to sending money home to their loved ones. International bank transfer can be swift, secure and convenient for the public but the service could be coming at a costly price for workers.

Bangladeshi workers have discovered that not only do formal remittance services take a longer transaction time to process the funds, they are also required to pay extra handling fees on top of the less favourable exchange rates offered by formal remittance services. To them, every cent counts when it comes to remitting their hard-earned money home to support the basic living needs of their family.

Some workers also struggle to understand how international wire transfer operates as obstacles such as language barriers or the concept of banking and money transferring service itself are relatively foreign to them. Therefore, Bangladeshi workers frequently turn to Hundiwalas for money remittance services to get peace of mind because they are more familiar with the Hawala system.

In this paper, I seek to find answers to

(1) how do Bangladeshi workers remit money home, and

(2) why do they prefer informal remittance channels over formal remittance channels.

The key findings of this paper derive from interviews conducted with 12 Bangladeshi workers in Singapore.

Method

This paper is a qualitative study that gathers its information from interviews with Bangladeshi workers in Singapore. The majority of the interviewees were workers from the construction sector. The interviews were mostly conducted at TWC2's office and TWC2's meal program, the Cuff Road Project. The respondents in this paper were foreign workers facing either salary issues or work injuries while working in Singapore, but the focus of the interviews was on the period before the unfortunate event, while they were working and earning. Interviews for this paper were aimed at understanding why foreign workers prefer informal remittances systems over formal remittances channels -- a preference that is known from earlier studies.

What is a Hundiwala?

The term Hundiwala refers to a Hundi operator. The Hundi system (also known as the Hawala system) is classified as an "informal money transfer system" (Thieme 166) due to the nature of the system. The system operates by transferring money without actually having to move the money. For instance, person A who resides in Singapore wants to send money to person B in Bangladesh. Person A will approach person C and pay person C the sum of money he intends to send. Person C will then contact person D who is in Bangladesh to pay person B money in the name of person A. There are no documents or evidence given to any of the parties involved in the transaction as a form of acknowledgment. In the Hundi system, "trust and extensive use of connections of families or regional affiliations" are essential (Thieme 166).

Bangladeshi workers find out about the Hundiwalas operating in their district through different methods. Some of them find out through word of mouth, some through the connection of friends or families and some find out on their own by wandering around the streets near Farrer Park where Hundiwalas are known to circulate. Because the Hundi system works solely based on trust, workers prefer to work with Hundiwalas that they have trust in and most of the time workers would use a

Hundiwala with whom they shared personal connections. For instance, a Hundiwala might be either a childhood friend, a relative or a neighbour from the same village. When the Hundiwala is an absolute stranger to the client (a worker), the client might feel unsafe to use him. Therefore, the worker will attempt to investigate the Hundiwala's background before using his services. The worker will obtain information on the Hundiwala's personal information including his home address, family members, close friends. The worker may also ask other workers for reviews to prevent fraud. Respondents also shared that they protected themselves by remitting a small amount of money for the first few times before slowly increasing the amount.

Anyone can be a Hundiwala as long as they have the capital to start their Hundi business. The individual who wishes to become a Hundiwala must have substantial financial resources to meet the needs of his clients. Respondent 5 shared that Hundiwalas usually have a large amount of cash readily available in Bangladesh to provide swift remittance services for his clients located in a foreign country.

Factors influencing choice of remittance channel

There are various methods that Bangladeshi migrant workers can use to remit money to their families in Bangladesh including international money transfer services offered by Western Union, bKash, TransferWise, and both local and foreign banks. They present more secure avenues while informal channels which include the Hundi system pose multiple risks. Workers using informal systems put themselves at risk of either falling into scam traps or may even be accused of money laundering by the authorities. Despite this, many interviewees still preferred to have their money sent through informal channels.

Respondents generally said that it was either too expensive or inconvenient for them to remit money home through banks or other international money transfer services. Wire transfers could be too expensive for workers due to unfavourable exchange rates and extra service charges. Workers don't make a lot of money, having been hired for low-wage, low skill jobs. Even though the median gross monthly income in Singapore is \$4,437 (according to the Singapore Ministry of Manpower), many of these migrant workers earn less than one-fifth of the amount. A majority of the respondents shared that legal money transfer services offer a less favourable exchange rate compared to Hundiwalas. Respondent 5 provided an example to illustrate the difference. If the exchange rate offered by legal money transfer services was 1 Singapore Dollar S\$1.00 to 61.71 Bangladesh Taka (BDT), then Hundiwalas will always offer a better rate such as 62.71 BDT.

Besides offering a better exchange rate, Hundiwalas also don't impose any charges as compared to legal money transfer services. Almost all of the interviewees told me that banks impose a \$5 handling fee on top of the lower exchange rate. If a worker were to remit S\$500 to Bangladesh through formal remittance services at the rate of 61.71 BDT, his recipient would receive approximately 30,546.45 BDT which is S\$495 after deducting the \$5 charges. However, if a worker is to remit S\$500 through Hundiwala at the rate of 62.71 BDT, his recipient would receive approximately 31,355 BDT.

Secondly, remitting money through legal remittance services could be inconvenient for the recipients who reside in rural areas. Half of the interviewees come from small towns or villages where financial

institutions were not established in their village. The absence of banking services in a worker's neighbourhood brings great inconvenience to his recipients because recipients are required to travel a considerable distance into town centres where the nearest bank is located to withdraw the transferred money. Respondent 10 told me that the nearest bank was located 10km away from his home and it would take approximately 2 hours for his family members to arrive at the bank just to withdraw money. In contrast, a Hundiwala would deliver the money directly to the recipient's doorstep. Respondent 6 said he preferred to have a Hundiwala send the money directly to his house because his wife was unable to leave the house; she had to take care of his elderly parents and their young child. Out of 12 respondents, more than half of them preferred to have the Hundiwala send the money to their house because it saved their recipient a lot of time and energy from not having to travel to banks.

Next, workers may find formal remittance channels intimidating. The concept of banking and international money transfer services is something foreign to them as some of the workers have never used such services before in their lives. On top of having to use a new type of service, all the instructions could be written or spoken in a foreign language. Workers might fear they could misunderstand and thus jeopardise the smooth passage of the remittance. Respondent 1 told me that he never had a bank account set up in Singapore even though he started working a few years ago. His salary was paid in cash, thus there has been no need for him to learn how to use banking services in a foreign country. Respondent 3, for example, didn't know how to use bank remittance services and had no intention to find out. He felt that using a Hundiwala was easier and more convenient for him.

Ease of access is another reason that sways workers' decisions. Almost all of the workers interviewed worked six-day weeks with long working hours and their only rest days were on Sundays and public holidays. Not only do workers not have the spare time to visit banks during their working days, but it was also impossible for them to enjoy banking services on their rest day, banks being closed. Thus, remitting money home through banks was simply unviable. Among the interviewees, Respondent 5 was the only outlier that used Western Union to remit money. He did not want to use Hundiwalas but couldn't use banks either because banks were not open on his rest days. He didn't have time to go to the bank on his working days.

Workers also favour the use of Hundiwalas because transaction time could sometimes be much faster as compared to formal remittance services. While some banks may take up to four business days to process international wire transfers, it typically only takes a day or two for the Hundiwalas to have the money delivered to the recipients. For some workers, remitting money home is a time-sensitive issue as their loved ones could be anxiously waiting for money to come in and even a few hours could be extremely crucial to them. The interviewees shared that most of the time Hundiwalas were able to deliver their money overnight at the recipient's front door directly. Respondent 2 shared that banks needed three or four days for the remittance money to be deposited into his recipient's account whereas Hundiwalas could send the funds overnight. Both respondents 7 and 8 said that it normally took a day for their Hundiwala to deliver the funds to their house. Respondent 3 mentioned the shortest transaction time; his recipient often received a same-day money transfer.

As a result of the factors mentioned above, most of the workers interviewed preferred informal remittance channels. But there are as many channels as there are Hundiwalas, and workers had to

choose one they felt safe to use. The Hundi system operates heavily based on trust. No formal acknowledgment documents or solid evidence is generated to prove that the money has been entrusted to a Hundiwala. When workers approach a Hundiwala for their remittance services, there are no guarantees that their money will be safely delivered to their recipients. Therefore, workers only go to the Hundiwala that they are familiar with when trust has been built between the two.

When is a Hundiwala safe to use?

Workers prefer to use a Hundiwala whom they know on a personal level. In the interviews, workers shared that knowing the Hundiwala on a personal level will give them the leverage to hold the Hundiwala accountable if he turns out to be a scammer. The client will always use a Hundiwala who comes from the same village or district. Respondent 5 said that if the Hundiwala failed to transfer the money to his recipient, he can contact his friends or family members back in Bangladesh to knock on the Hundiwala's home to ask about the money. Respondent 5 added that he would first obtain the Hundiwala's address in Bangladesh for verification, then gather information on the Hundiwala including the names of his family members and friends before using his services. He said if a Hundiwala scammed his money, he would call his friends in Bangladesh to threaten the Hundiwala's family. Respondent 5 also claimed that, unlike Singapore, laws are not strictly enforced in his village so neither he nor his friends were afraid to use force on the scammer's family members because there would be no consequences to their actions. Respondent 3 answered that he preferred using Hundiwala because his uncle was a Hundiwala.

When would workers use formal channels?

Under certain circumstances, workers would either prefer to or have no choice but to use formal remittance services. One of the situations where workers have no choice but to use formal remittance service is when there is only one Hundiwala operating in the worker's village or district and the Hundiwala is unavailable at the time when the worker needs remittance services. Hundiwalas operate according to district or village and often workers come from a rural district or a small village with only one Hundiwala present in the district. Normally, due to the village's distance from a financial institution, workers prefer to have a Hundiwala bring cash directly to their doorstep. But, as mentioned by Respondent 7, even when he used Hundiwalas regularly for remittances, he would proceed to use a formal channel should the Hundiwala be unavailable.

Time is another factor that might influence workers in their choice of remittance routes. Workers may have young children to feed or elderly parents who require medical treatment back home. When the family requires immediate financial assistance, workers will seek the fastest method to help them, despite a less favourable exchange rate. While most interviewees said that banks have a longer processing time as compared to Hundiwalas, some interviewees claimed that the remittance services done through **Bangladeshi** banks (with branches in Singapore) can be faster. Money would be credited into the recipient's account within hours, they said. Respondent 8 used Hundiwala regularly but when

it came to remitting money home to address urgent financial needs, he said he would choose between the remittance channels based on shorter transaction time. Respondent 7 disclosed that it only took 2 hours for his recipient to receive the money via bank. Respondent 11 said his experience was one hour.

Reliability and security also play an important role in influencing workers' decision. Interviewees who refused to use the Hundi system all shared a common concern: fraud. They were worried that the Hundiwala might take their hard-earned money and disappear without leaving any trace behind. For instance, in my interview with Respondent 1, he revealed that he avoided relying on Hundiwalas because it was very risky. Respondent 9 stuck to using bank remittance services and refused to use the Hundi system at all because he was worried that his money would be scammed away. Respondent 10 used bKash, a well-known mobile financial service in Bangladesh to remit money home every month. Although the exchange rate offered by bKash is much poorer than other remittance services, Respondent 10 still preferred using bKash which he described as safe and easy for both sender and recipient. Respondent 10 mentioned that it only took 5 minutes for his recipients to receive the transferred funds directly on their mobile phones via bKash.

Discussion

The interview results revealed two important factors that determine the workers' approach to remittance services:

- (1) exchange rate and
- (2) transaction time.

More than half of the interviewed workers mentioned that the exchange rate mattered the most to them, thus they preferred using Hundiwalas for their better rates. However, they were also willing to pay more for faster service if needed.

In situations of urgency, workers also take transaction time into consideration. The transaction time as mentioned in this paper is measured from the time when the sender pays the remittance amount to the service he intends to use until the time when the recipient receives the transferred funds.

A hypothetical question as seen in 6(p) in the appendix was asked in the interviews.

If you have to remit a larger amount of money, would you prefer formal channels for better security?

Workers voiced different approaches for this scenario. Respondent 8 answered that he would still prefer using Hundiwalaa due to the better exchange rate offered. However, he would request the Hundiwala to first deliver the money to his recipient and later pay the Hundiwala upon the recipient's confirmation of receipt, to avoid fraud. Another worker, Respondent 5, preferred to use Hundiwalas as his first choice but was willing to pay extra fees through formal remittance services for better security if a Hundiwala was unavailable. Other workers who used Hundiwalas regularly replied that

the amount wouldn't affect them much and they would continue to use the Hundi system. These workers fully trusted their Hundiwala because the Hundiwala was either related by blood or shared personal ties with them.

Respondents who regularly used formal remittance services shared something in common: banks were established in their neighbourhood. Respondent 9 said that he only used bank remittance services and it was relatively easy for his recipient to withdraw money since his house was only 2km away from the bank branch. Similarly, Respondent 11 also preferred to send money through bank remittance because it only took half an hour for his family members to travel over to the branch. By contrast, a majority of the workers enjoyed using Hundiwalas because their recipients didn't have to leave the house to withdraw money and financial institutions were often located far away from their residential area.

The risk of loss via the Hundi system was real. Respondent 6 heard of a case where Hundiwalas were arrested by Singapore authorities and all the remittance money confiscated. The workers who paid for the remittance services suffered a huge loss as the money could not be recovered. Even though Respondent 6 cited this case, he believed that getting \$10 more through a better exchange rate made a difference to his family back home. He still preferred to remit money through the Hundi system.

August 2019

TRANSIENT WORKERS COUNT TOO

Singapore

Website: www.twc2.org.sg

Email: info@twc2.org.sg

Phone +65 6247 7001

Appendix

Interview Questions

1. When did you first come to Singapore?
2. How did you learn about the job in Singapore? For instance, through friends/family/agent?
3. In what form did you get paid? In cash, direct deposit from employer or cheque?
4. Do you have a bank account in Singapore now?
5. How frequently do you send money home?
6. How do you send money home?

If the worker used formal remittance channels:

- a. How did you learn about the formal channel?
- b. Have you encountered any problems using the formal channel?
- c. Have you heard of people who encountered problems using the formal channel?
- d. Why did you choose to use formal remittance channel?
- e. What is the transaction time like? What is the exchange rate?
- f. How do you know when your recipient has already received the money?
- g. Is it easy for your recipient to get the money?

If the worker used informal remittance channel:

- h. How did you learn about the Hundiwala that you use?
- i. Have you encountered any problems with the Hundiwala that you've always used?
- j. Have you heard of people who encountered problems with Hundiwala?
- k. Do you use different Hundiwala on different occasions or do you stick to only one?
- l. Why did you use a Hundiwala instead of formal remittance channel?
- m. What is the transaction time like? What is the exchange rate?
- n. How do you know when your recipient has already received the money?
- o. Is it easy for your recipient to get the money?
- p. If you have to remit a larger amount of money, would you prefer formal channels for better security?