

Jessica Chew Cheng Lian: Promoting the use of and access to remittances

Remarks by Ms Jessica Chew Cheng Lian, Assistant Governor of the Central Bank of Malaysia (Bank Negara Malaysia), at the Appreciation Dinner, Project Greenback 2.0, Johor Bahru, 6 December 2016.

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It is my pleasure to be here this evening in this beautiful city of Johor Bahru to commemorate the first anniversary of Project Greenback 2.0. Time certainly does pass by quickly and it doesn't seem that long ago that this Project was launched on 29 November 2015 by Governor Muhammad Ibrahim. Yet so much has already been achieved in this short time. Significant strides have been made to reach out to the migrant communities and SMEs to promote the use of authorised remittance services, to improve access and reduce costs. All of this would not have been possible without the critical support of the Johor Bahru City Council and our key partners, including the World Bank, who are present here today.

Malaysia's story: Why we embarked on Greenback 2.0 Initiative

Many of you in this room have worked hard over the last year to make this project a success. We are still only halfway through our journey, but there is much to be optimistic about based on what we have already been able to achieve together. But let me take a moment this evening to remind us of why we embarked on this project.

Remittances have an important role in a country's development. They are a key source of external development finance for many developing countries, contribute to poverty reduction and improve social welfare. Total global remittance inflows have now reached levels upwards of 580 billion USD. This is a result of globalization that has made it easier for people to move, to find better jobs and to secure a better future.

ASEAN as a region has more than 21 million nationals living abroad, and is home to more than 10 million migrants. More than 2 million of these migrants live and work in Malaysia. Their families – mostly in Indonesia, Bangladesh, Nepal, India and the Philippines – depend on the money that they send home to school their children, pay for medical care, build homes and generate other sources of income. Many of these families live in abject poverty. When we open up opportunities for them to make a living in our country, we also take on a responsibility to help ensure that the money they travel long distances and work so hard to earn can be sent home safely, affordably and conveniently. This is the first reason for our involvement in the Greenback initiative.

Globalization has also enabled economies and businesses around the world to be more connected. When we embarked on the Greenback Project, we saw an opportunity to reduce the costs of making and receiving payments for domestic businesses, in particular small and medium-sized enterprises. This in turn helps them to be more competitive.

This is the second reason for our involvement in the Greenback initiative and also a key reason that Johor Bahru was selected as the champion city for Malaysia. Johor Bahru has a vibrant SME sector, spanning a broad range of activities. This provides a rich environment to better understand the needs of small businesses for remittance services and to support those needs in specific and practical ways. It is also worth noting that Johor Bahru is the first champion city in Asia and the first to include SMEs as a target group within the project's scope. We hope to gain valuable insights from this experience to help make business remittance which support trade more efficient and inclusive.

Another important goal of the Greenback project is to reduce remittances that are transferred

through unauthorized channels. This is important to prevent the abuse of informal channels for the purpose of money laundering, tax evasion and terrorist financing. The ability to capture a larger share of remittances through formal channels is also important to enhance the development impact of remittances.

Developing the non-bank remittance sector has been an important strategy for Malaysia to increase remittances through formal channels. It is a strategy that has worked with considerable success, with almost 60% of worker remittances sent via authorized non-bank remittance service providers, exceeding the use of remittance services provided by the banks.

But more still needs to be done to bring informal remittances into the formal system. We are committed to ensuring that the formal remittance market remains competitive, and to removing the frictions that discourage legitimate transactions from flowing through formal channels.

I mention these points because I want us all to be reminded tonight of why we are working on this project together. It is about making a real difference in the lives of individuals and their families, helping raise the competitiveness of our economy, and safeguarding the integrity of our financial system.

Achievement to date

This evening, one year into our journey on this project, there is much to be encouraged about, and to motivate us to do even better in the coming year. As a result of the initiatives under this project, the average cost of remitting funds in Johor Bahru is now below 3%, compared to around 5% before we started the project. To put things in perspective, a 1% reduction in the cost of remittance means that migrant workers save an extra RM24 million equivalent that can be sent to their home countries. This is additional money that can make a significant difference for many low income households in receiving countries.

Secondly, the project has drawn participation of more than 11,000 migrant workers and 1,100 SMEs who have benefitted from greater awareness of the availability and the advantages of using formal remittance channels. As a result of the outreach programmes, outward remittances by both migrants and SMEs in Johor Bahru grew by 13% and 77.3% respectively in 2016, surpassing the average industry growth rates.

Thirdly, we have seen an encouraging take up in the use of the Pick Remit mobile application, particularly among migrant workers. The application has increased the transparency of remittance access points and comparative costs, helping direct consumers to use authorized remittance service providers and empowering them to make informed choices by comparing prices and services. This will have an important long term positive impact on encouraging a more competitive and efficient remittance market in Malaysia, going forward.

Key success factors and strategies moving forward

These achievements have been possible as a result of several factors.

First is the close and effective collaboration between the Greenback Project team and the remittance service providers in the outreach programmes. We have been particularly encouraged by the energy and enthusiasm that the industry has shown in supporting the programmes. They have made their services available to the target segments in circumstances that at times have been less than ideal. Despite such circumstances, the industry has provided a positive experience for first-time users of formal remittance channels. Employers, the SME associations and consulates have also been instrumental in connecting us with migrant workers and members, and providing support and resources during the education and awareness programmes. It is only with their help that we have been able to achieve the penetration levels and gain momentum as quickly as we have.

The second key factor has been a comprehensive and creative programme design. In coming up with the educational and awareness strategies, the project team has carefully studied and considered factors that influence the remittance behaviors of migrants and SMEs. This has enabled us to tailor our approach to the specific barriers and facilitators that we observed. One good example is the use of program ambassadors, who are trained to deliver the project's education and awareness content to the migrant communities in their own native language. This has been particularly effective in breaking down language and cultural barriers, and encouraging migrants to be much more receptive to the messages that we want to deliver. This experience has taught us that the communities we are reaching out to are not just beneficiaries of the project, but they can and should be an important part of the process.

Moving forward, we will continue to pursue multi-faceted and creative strategies to amplify the impact of the Project. As an example, a recent survey conducted under this project on remittance behaviors revealed that more than 74% of migrant workers in Johor Bahru own a smartphone. More innovative means for conducting remittances can be introduced by remittance service providers working with the telecommunications industry to serve this market. This will also be important to overcome geographical barriers to providing remittance services in more remote areas. The survey also tells us that SMEs prefer cashless transactions as they present lower risks of theft compared to cash-based remittances. Initiatives by the industry to offer cashless remittance services should be accelerated to meet this need, in turn contributing not only to increased business efficiency but also to broader agenda to reduce the use of cash in the economy. A further area that we should examine more closely is working with large employers of migrant workers to address documentation requirements for individual migrant remittances and encourage the use of lower cost e-payment channels.

With the recent launch of Project Greenback in Lombok, Indonesia, by the World Bank-the first to be implemented in a remittance-receiving country – we also look forward to the opportunity to enhance linkages between Johor Bahru and Lombok, given that a majority of the migrant workers in Johor Bahru, in particular those working in plantations, are from Lombok. We believe there is great potential for the two projects that directly link sending and receiving countries together under the Greenback initiative to significantly increase their impact through a coordinated approach. I am delighted that central banks from a few countries are here with us today and can explore expanding similar opportunities to other countries in the region.

Let me conclude by expressing Bank Negara Malaysia's appreciation to all of you, the Project Greenback 2.0 partners, for your support and exceptional commitment to this initiative and its important goals. We count on your continued vision, ideas and practical contributions to take us through the next leg of our journey, and thereafter replicate the success of the model developed here in Johor Bahru across the country at large.