

Jessica Chew Cheng Lian: Remittance flows – benefitting lives in Malaysia and abroad

Remarks by Ms Jessica Chew Cheng Lian, Assistant Governor of the Central Bank of Malaysia (Bank Negara Malaysia), at the Closing and Handover Ceremony of Project Greenback 2.0, Johor Bahru, 30 November 2017.

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Two years ago, on this very same stage, Governor Muhammad Ibrahim set out two specific outcomes for Project Greenback 2.0 here in this beautiful city of Johor Bahru. First, to further improve on the costs of remittance transactions for individuals and businesses, and second, to help consumers make better and more informed decisions.

Today, the results speak for themselves.

- ♦ The average cost of remitting funds* in Johor Bahru is now around 2%, compared to above 3% before we started the Project.
- ♦ The use of authorised money services business providers to conduct remittance transactions has increased by 21% in value terms on an annual basis for the period January to October 2017 against the corresponding period in 2015, offering better protection to customers while safeguarding the integrity of our financial system. Of this, remittances by SMEs using more cost-efficient formal MSB channels has more than doubled. This increase has also outstripped the growth in remittances for the industry as a whole as a result of initiatives under the Greenback project.
- ♦ Over 35,000 migrant workers and 3,700 SMEs were engaged to increase awareness and promote the use of formal remittance services through more than 40 education and outreach programmes organised over the last two years.

This is an impressive outcome, made possible only by commitment, enthusiasm and exceptional cooperation that has been shown by the project team and all our partners who are here today throughout these last two years. I am well aware of the numerous logistical and communication challenges that had to be overcome by the team and the industry, and the persistence that it took to break long-held perceptions before we were able to build momentum in our outreach efforts to deliver these results.

So let me on behalf of Bank Negara Malaysia, join Faris in extending my congratulations to all who contributed to this important initiative. We are especially grateful to the World Bank for working with us to bring the Greenback Project to Johor Bahru – the first champion city in Asia, and for providing technical support in the project's design and implementation strategies.

It goes without saying that we could not have done this without the exceptional support of Yang Berhormat Datuk Bandar and your team at Majlis Bandaraya Johor Bahru. The city of Johor Bahru has been an exemplary host for the first Greenback Project in Malaysia. Johor Bahru can be proud of serving as a role model for promoting transparent, efficient and affordable remittance services that are contributing to more inclusive financial services for all individuals and businesses.

We also extend our deepest gratitude to all our project partners – the industry, associations and chambers of business, government agencies and embassies – for the critical role that you have played in advancing the goals of this project.

Although we are here to mark the closing ceremony for Greenback Johor Bahru and its handover, our journey in Johor Bahru is in fact just beginning.

We have created momentum. We have tested and refined solutions that are impactful and that work. And we have brought the community together and forged important networks around a common goal.

We must now not let this dissipate, but build on it to sustain progress. There are many more migrant workers and SME businesses to be reached. The industry must continue to innovate to continuously expand and improve their services and accessibility. And collectively, we must continue to be relentless in identify barriers to the use of formal remittance services and find new ways to reduce them.

As we prepare to take the Greenback Project to yet another city in Malaysia, allow me to briefly reflect on some of the lessons we have gathered from our experience in Johor Bahru.

First, developing a solid understanding of the needs, preferences and behaviours of target communities is absolutely critical.

Our work in Johor Bahru revealed that barriers to the use of formal remittance channels were not predominantly an access issue alone, or even one of cost. For small businesses, a key barrier was a lack of trust in non-bank channels. For migrant workers, going to a formal business premise and submitting to a customer due diligence process was intimidating and discouraged some workers from approaching formal remittance channels.

This insight allowed us to focus on new ways of allowing workers to conduct remittance without physically visiting an office, such as through mobile channels. Another solution that proved to be very effective was bringing MSB services to the workplace. As a group and in their own familiar surroundings, we found that workers were more comfortable in dealing with formal MSB companies face-to-face.

I am also pleased to inform that as previously announced, the Bank has finalised guidance that will allow money service business companies to conduct e-KYC for on boarding customers. This in turn will facilitate an end-to-end electronic process for performing remittance transactions below specified limits without a customer having to physically visit an MSB office.

For small businesses, our outreach programs were opportunities we could use to explain the regulatory framework for MSB companies and avenues for redress, thereby increasing confidence in the use of formal channels.

Had we focused only increasing or providing information on access points, we would not have achieved the results that we did.

Second, small ideas can make a big difference.

As I alluded to earlier, language barriers presented considerable challenges in getting our messages across to migrant communities. To overcome this, the industry identified Greenback “ambassadors”, who were individuals from countries of the migrant communities. We trained them to deliver talks to the migrants in their native language on various aspects of using formal remittance channels. This helped not only to address communication barriers, but also encouraged confidence as the migrant workers could better connect and identify with the ambassadors.

In our education efforts, bringing our programs to the locations where the migrant community live, work and congregate also had a significantly positive impact on narrowing a perceived power distance between formal MSB providers and workers. It also had the effect of creating a positive impression on the quality of services offered by MSB providers. This was also true for SMEs, with a positive effect observed between higher levels of proactive engagements with SMEs and businesses’ perception of MSBs.

In short, there are many factors that influence an individual or business decision to use MSB services, beyond cost and access considerations. The combined impact of even simple actions taken to address *all* factors is significantly amplified.

Third, while greater transparency and competition have played a key role in driving down remittance costs, **an excessive focus on price competition on the part of MSB companies would be misplaced.**

Our work under this project, including field studies that were conducted, affirmed that users of remittance services basically want safe, easy and fast, and affordable services. For some customers, safety, speed and convenience are often *as, if not more*, important than cost, with customers willing to pay a reasonable price for these benefits. I would add that an excessive focus on price competition also inherently increases the risk profile of MSB companies which companies must carefully consider. It can lead to a loss of focus on longer term competitive positioning which remains key to any successful business, compromise service quality standards and heighten compliance risks.

The insights gained from a deeper understanding of customer needs and priorities should serve to focus competitive strategies on how to improve the customer experience. We firmly believe this needs to be an important part of the conversation in pursuing the goals of more inclusive and efficient remittance solutions.

We are encouraged by the efforts of some MSB companies that have responded to greater competition through a focus on innovation and investing in building a trusted company brand that consumers can be confident in.

As an example, today, there are 17 remittance service providers that have introduced digital remittance services, almost double the number only 2 years ago. The requirement for employers to pay foreign workers' salaries through their local bank accounts starting next year will provide further impetus for the digitalisation of remittance services. With a high level of smartphone penetration among migrants in Johor Bahru at 74% and internet access at 90%, significant opportunities exist to promote e-remittances. Currently, outward remittances conducted through mobile phones or the internet represents less than 10% of total outward remittances recorded by MSB companies. Increasing this share can lower costs associated with cash handling for both businesses and the economy, creating a virtuous cycle for affordable remittance services.

Project Greenback Kota Kinabalu

As one chapter comes to an end, another begins.

In continuation of our efforts to encourage ongoing positive developments in the remittance market, Bank Negara Malaysia and the World Bank are pleased to take the Project Greenback partnership to Malaysia's second remittance champion city – the city of Kota Kinabalu. On behalf of Bank Negara Malaysia let me thank Y Bhg. Datuk Juanis Solidau for his presence here today to mark the handover, and to Dewan Bandaraya Kota Kinabalu for agreeing to host the project.

We are very excited about the prospect of bringing the project to Kota Kinabalu, which will offer the opportunity to apply successful lessons from Johor Bahru, and also new and different experiences to build on. This will include a focus on supporting e-remittances given the large number of migrant workers staying in remote areas.

Conclusion

As the Chinese philosopher Lao Tzu famously said "A journey of a thousand miles begins with a single step." We are extremely grateful to the city of Johor Bahru for enabling us to take the first step in this Greenback experience. We now look forward to the next step on this journey which

will take us to Kota Kinabalu. With the experience gained together, we can deliver positive and significant changes that will improve the welfare of individuals and businesses, not just in these two cities but across Malaysia and in countries that are dependent on remittance flows.

Thank you.