

Donald Joshua Jaganathan: Digitization of remittances for migrant workers in Malaysia

Welcoming remarks by Mr Donald Joshua Jaganathan, Assistant Governor of the Central Bank of Malaysia (Bank Negara Malaysia), at the Project Greenback 2.0 Kota Kinabalu Dinner, Kota Kinabalu, 3 November 2018.

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Yang Berbahagia Datuk Yeo Boon Hai, Datuk Bandar, Dewan Bandaraya Kota Kinabalu,

Dr. Firas Raad, Country Manager for Malaysia, World Bank Group,

It is a pleasure for me to be here this evening. On behalf of Bank Negara Malaysia, I would like to express my appreciation to Dewan Bandaraya Kota Kinabalu for hosting Project Greenback 2.0 in this beautiful city; our Project partner, the World Bank, for your continued support and commitment to this important initiative; and to all of you who are gathered here today, for your hard work and dedication to ensure the Project achieves its objectives. I am also delighted that we have representatives from Bangko Sentral ng Pilipinas and Bank Indonesia with us tonight.

Migrant remittances and Project Greenback 2.0

Mr. Juan Somavia, the former Director General of the International Labour Organization based in Switzerland once said *“migrants are an asset to every country, where they bring their labour. Let us give them the dignity they deserve as human beings and the respect they deserve as workers”*.

Malaysia is a land of opportunity for many. Close to 1.8 million foreign workers, men and women, have left their loved ones behind to earn better income here. For many, they are simply chasing the “Malaysian dream”. Often, the money they send home is a critical lifeline for their families.

Malaysia is also a major remittance sending country to other ASEAN nations. Last year, migrant workers in Malaysia sent 2 billion USD to Indonesia and the Philippines alone. For the recipient countries, these funds lifted many households out of poverty. In a way, they also supported the countries’ socio-economic developments.

A new game plan: Digitalisation as gateway to greater financial inclusion

This is where our work in Project Greenback 2.0 comes in. We started Project Greenback here in Sabah 8 months ago, with a new game plan – digitalisation. We considered the following factors – around 70% of the migrants here work in the agriculture and plantation sectors; they are scattered across the remote areas; but one good thing is that majority of them own smartphones. With this, we knew that it was an opportune time to go all out on digitalisation of remittance services. The implementation, however, will be an uphill task because of the geographical barriers we face in East Malaysia.

To ensure we reach out to as many migrants as possible, we collaborated with the plantation companies and organised remittance talks and fairs in the plantations themselves. The participating banks facilitated the migrants to open bank accounts; and remittance service providers taught the migrants how to register and to use their e-remittance services. We also encouraged the plantation companies to pay the migrants’ salaries into their bank accounts to eliminate the use of cash for remittance transactions. Of course, digitalisation would not work without good internet connections. We, therefore, engaged Malaysian Communications and Multimedia Commission (MCMC) on possibility of boosting internet connections in the areas where we held the Greenback activities. With digitalisation, migrants can now send money home anywhere, anytime. This eliminates the need to travel great distance to the nearest town, which

can be costly and risky at times. The Project team experienced first-hand the numerous logistical challenges just to get into the plantations. A single journey can take about a 3-hour drive from town.

Today, I am happy to note that Project Greenback in Sabah has produced encouraging results.

- ♦ We have sensitised close to 5,000 individuals.
- ♦ More than 1,600 of them have registered to use e-remittance channels.
- ♦ A total of RM6.9 million equivalent worth of remittances were sent from Sabah using e-channels.
- ♦ The most encouraging result is that average remittance cost in Sabah has reduced significantly, to below 3%. 8 months ago, it was much higher.

Although there is much to be done to increase the numbers, the outcomes are testament that our hard work and perseverance have paid off. We have reached an important milestone and this tells us that technology *can* be the gateway to financial inclusion. Technology has the potential to be a game changer.

Industry players need to step up to next level to enhance consumer experience

The Project Greenback initiative in Sabah will lay a strong foundation for industry players to take the digitalization agenda to the next level. We must remember that disruptive technologies can radically change the way things are done. The old ways may not work anymore. Consumers are increasingly looking for convenience, speed, and low cost remittance services. Most importantly, they are looking for service providers they can trust. Competition is getting more intense.

To illustrate this, let me share with you a CNN article on Amazon Go. Amazon Go is the future of retail shopping. You can walk into the convenience store, grab what you need, and you will receive a message that your credit card is charged for your purchase. The question is, *what* will be the future of the remittance sector?

For the industry players, *you* can re-shape the remittance landscape. Use technology to eliminate the major pain points in remittance, to better understand consumer behavior and needs, and to offer consumers a positive remittance experience from the start. Within the migrant communities, words travel fast. We know that word-of-mouth is the most effective form of marketing. Although I believe that the brick-and-mortar stores are here to stay with digitalization, the savings incurred from not having to pay for overheads can translate to lower remittance costs for consumers. Ultimately, when there is greater use of authorised remittance channels, we can reduce remittances that are transferred through illegal operators.

Currently, we have 21 remittance service providers offering digital remittance services, more than double the number 3 years ago. With the implementation electronic know-your-customer or e-KYC, consumers will be able to experience end-to-end digital remittance transactions. These are positive and exciting developments happening in our remittance market.

Better public-private sector alliance to strengthen compliance

Bank Negara Malaysia will continue to work closely with the industry to promote financial inclusion and this will be done primarily through the digitalization of remittance. Regulators also need to keep up with the times. We are taking a different approach this time – from ‘regulator instruct, industry do’ and ‘regulator knows best’, to creation of public-private sector alliance. It is vital to leverage on each other’s strengths and resources, not only to reap the benefits of technology, but also to overcome the emerging threats. We are all in this together.

Greater harmonisation of regulatory framework on the remittance industry at the regional and

global levels is required to increase consistency in standards and reduce regulatory burdens on industry players. As a start, we have shared with other central banks on how we regulate the money services industry in Malaysia. This includes the transformation journey of MSB industry in Malaysia, our approach to innovation and technology, as well as monitoring of the whole industry. I believe that in the long term, harmonisation of rules will also foster innovation and spur regional expansion amongst industry players, while upholding the highest ethical and professional standards.

Conclusion

Let me conclude with the words of Nobel Laureate George Bernard Shaw – “*Progress is impossible without change, and those who cannot change their minds cannot change anything*”. Project Greenback has initiated a change in Sabah’s remittance landscape. Let us keep the momentum going. Sabah *can* be the model state to promote the use of technology for remittance. Bangko Sentral ng Pilipinas, in particular, is exploring to implement a similar initiative in the Philippines and we would be happy to share our experience.

On that note, I wish you a fruitful event tomorrow.

Thank you.