

Research Paper

Examining the Impact of the *Hundi* System on the Economy of Bangladesh: Evidence from the Northern Area of the Country

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ABSTRACT

Bangladeshi law forbids the use of the informal remittance system known as “*hundi*.” It is not supported by law. The purpose of this study is to comprehend the benefits and drawbacks of Bangladesh’s *Hundi* system. Data from 400 respondents in total were used to assess the survey results. The research was conducted using both a qualitative and quantitative technique. The research employed purposive and snowball sampling. Descriptive statistics revealed that three-fourth of the *hundi* consumers, 40% of the *hundi* business operators, and 67% of the key informant’s transacted money to India only, and the rest transacted to India, Nepal, Bhutan, and Sri Lanka. All the respondents transacted a huge amount of money to the above countries for the purpose of business, treatment, education and migration. The consumers provided and the business operators took commissions at a rate of 2-10 Taka for money transaction. To transact money via *hundi*, majority of the respondents did not require to submit/have any document, whereas a few required to provide/have NID and mobile or bank details. The respondents brought goods/products through *hundi*, and goods/products were cosmetics, stones, Agri products, medicine, bicycle/bike parts, electronic products, spices, cow, fish, and Sharee. Majority of the consumers felt comfortable sending money through *hundi*, and majority of the respondents suggested to provide business license/legal basis to the *hundi* business. The findings and associated policy recommendations are deemed helpful to understand the impact of *hundi* system on Bangladesh economy. The findings of this project would help the policy makers and planners formulate appropriate policy and programs regarding *hundi* system in Bangladesh.

HIGHLIGHTS

- ① The paper might provide an overview of what the *hundi* system is, its historical context, and how it functions.
- ① Since the paper specifies evidence from the northern area of Bangladesh, it may highlight regional variations or specific factors influencing the *hundi* system in that particular area.
- ① The paper may delve into the impact of the *hundi* system on the economy of Bangladesh. This could include its effects on formal banking, government revenue, and overall economic stability.
- ① The paper might present empirical evidence to support its claims, possibly using data from the northern area of Bangladesh. The methodology used for the research could be outlined.
- ① Given the informal nature of the *hundi* system, the paper may discuss challenges faced by regulators in controlling or monitoring its activities. This could include issues related to financial transparency and compliance.
- ① The authors may suggest policy recommendations based on their findings. This could involve proposals for regulating or formalizing certain aspects of the *hundi* system to mitigate potential negative economic impacts.

Keywords: *Hundi* System, Impact, Economy, Evidence, Northern Area, Bangladesh

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The word *hundi* is a Sanskrit word. It is derived from the Sanskrit word '*hund*'. Which means collection (Martin, 2012). *Hundi* is an unofficial money transfer or transfer system prohibited by the laws of the country. This is also known as exchange bill (Martin, 2012). It is a written and unconditional document used in a commercial transaction or related transaction, through which a specified amount of money is transacted from one person to another. There is a gap between the sending and receiving of the benefactor and the recipient in exchange for money through *hundi*. This gap is the *hundi* discount. For example, if the donor sends Tk one crore, he will leave some money and send the rest to the recipient. In this case, the amount received by the recipient is less, so the *hundi* discount (Siddiqui, 2018). *Hundi* has a long historical background in India. The existence of *hundi* dates back to the sixteenth century. Written documents are proof of that. Ram Kishan, a merchant born in 1586, received a *hundi* of Tk. 200 from his father to allow him to start a business. It is mentioned in history that *hundi* was introduced from this. This system became popular during the Mughal period but gained popularity during the British period (Martin, 2012). Expatriate workers are still using it illegally and for illegal purposes.

The popularity of *hundi* through mobile banking is increasing day by day with the facility of sending and withdrawing money at the moment. Almost everyone is taking it easy to transfer money without documents through bank or private *hundi* for less money. According to a Bangladesh Bank data, the average daily turnover exceeds Tk 631 crore. The exact amount of *hundi* included in this is not known (Martin, 2009). A class of retreating circles is taking advantage of this popularity. In addition to extorting money from customers, *hundi* is also being used to send money illegally from the country to abroad through this mobile banking. Government revenue is declining day by day due to illegal money laundering and indirectly the real taxpayers are suffering as the evasive taxes of the landlords have to be borne by the real taxpayers at an increased rate. *Hundi* is the name given to the exchange of money in an illegal way. The *hundi* has no legal basis. Trust is involved with *hundi* and it is widely used in relationships. The country's *hundi* cycle is now irresistible. The *hundi* clique is smuggling

a lot of money abroad every year through *hundi*. With the illegal money, the *hundi* clique is buying shares, hotels, motels, residential buildings and flats in Singapore, Canada, Malaysia, Thailand, Australia and Dubai. The members of this circle have bought the whole market somewhere. Money laundering is also on the rise in smaller island nations, such as the English Channel between the United Kingdom and France. Established businessmen, bankers, politicians and people of various professions are on the list of traffickers. Some also set up their second homes in different countries of the world with the money smuggled through *hundi*. Apart from this, huge amount of remittance money is coming from abroad. Similarly, under the guise of export trade, about Tk 50,000 crore is being sent abroad through *hundi* every year. If this money came legally as remittance, on the one hand, the foreign exchange reserves would be stronger than the current situation.

Statement of the Problem

The hard-earned remittances of Bangladeshi hardworking migrants are very much appreciated in our rural economy and are very important for socio-economic sustainable development in Bangladesh. However, most of the remittances sent or received through *hundi* are exchanged illegally, which is almost always used to finance the smuggling of illegal goods. This is a crime under the country's customary law. For this, not only Bangladesh, but many countries of the world have imposed sanctions on it. Every *hundi* activity is centered on the consumer. *Hundi* is very popular among expatriates due to its easy exchange without documents in the country and abroad. Even many unscrupulous traders' resort to *hundi* for the purpose of tax evasion in the case of import-export. As a result, it has a huge negative impact on the country's market control. The government is deprived of a lot of money in the *hundi* system, which is a big concern for the sustainable economic development goals and a challenge for the present time. If all the remittances are received legally, the foreign exchange reserves would have been stronger than the current reserves. It would have been possible to invest the extra reserves. In *hundi* system the government is deprived of revenue. If the *hundi* business grows, the country's revenue will

decrease. Strict momentous research in its depth has not yet been done on this line. In order to express these possibilities and possibilities and to look for related problems, it is very important to conduct a great and burning epoch-making study for further study.

Research Questions of the Paper

- ♦ What are the socio-economic backgrounds of the migrants and what is the nature and extent of migration from Bangladesh?
- ♦ What are the patterns of alternative remittance systems and what are the impact of *hundi* on the society and the economy?

Objective of the Paper

On the basis of the above discussion, the general objective is set:

- ♦ to explore the challenges of the *hundi* system in advancing sustainable development of the economy of Bangladesh.

The specific objectives are to:

- ♦ explore how the consumers and *hundi* traders utilize/handle *hundi* to transact money,
- ♦ how much the commission is, whether the consumers feel comfortable sending money via *hundi*, what people think about the legalization of the *hundi* systems,
- ♦ find out the impact of *hundi* system on economy of Bangladesh, and
- ♦ provide some policy recommendation on the basis of the findings.

Methods and Methodology

Due to lack of a comprehensive study on *hundi* systems in Bangladesh, this study attempted to conduct a household level survey, which collected data from *hundi* consumers, *hundi* agencies and Key Informant Interviews (KII). The KII for *hundi* are qualitative in-depth interviews with people who know what is going on regarding *hundi* in the community. 400 Data were collected from three areas of Rangpur Division: (i) Hakimpur (Hili), Dinajpur, (ii) Burimari, Lalmonir Hat, and Phulbari (Tetulia), Panchagarh land port. The respondents were of three types— 120 *hundi* consumers, 96 *hundi* agency/business operators, and 184 key informants.

A good amount of quantitative information, with a handful amount of qualitative information was gathered from the respondents.

RESULTS AND DISCUSSION

Socio-demographic Profile of the Respondents

Table 1 shows the socio-demographic profile of the respondents. Average age of *hundi* consumers, *hundi* business operators and key informants, respectively, are 33, 40 and 29 years. Only six female respondents were found to be *hundi* business operators. The key informants are more educated among the respondents. Around 4 out of 10 business operators were found to be Hindu. 70% of *hundi* consumers and of key informants were married while 97% of *hundi* business operators were married. Among *hundi* business operators, 44% were Indian and 22% had ancestors with Indian citizenship.

How *Hundi* Consumers Use/Handle *Hundi*

Table 2 shows how the *hundi* consumers utilize *hundi* to transact money. It also shows nuts and bolts of *hundi* system according to the *hundi* consumers' statements. Three-fourth of the *hundi* consumers transacted money to India only, and the rest transacted to India, Nepal and Bhutan. Until the time of this survey, all 120 consumers transacted around 532 crores Taka, with an average of 4.43 cores Taka. 70% of consumers provided commission at a rate of 2-3 Taka, and the rest at a rate of 5-8 Taka. 60% of consumers utilized *hundi* for business only, and the rest for treatment, education and others along with business. 85% of consumers stated that no document was required to transact money through *hundi*, and the rest required to provide NID and mobile or bank details.

Although 60% of consumers utilized *hundi* business only, 80% brought goods/products through *hundi*. Cosmetics, stones, Agri products, medicine, cow, fish, and Sharee were mostly brought through *hundi*. 30% of consumers were uncomfortable sending money through *hundi*, whereas the majority (70%) felt comfortable.

Consumers' Comments on the Pros and Cons of *Hundi* Systems

Hundi consumers mentioned a number of potential problems of the *hundi* systems, which are as follows:

Table 1: Socio-demographic profile of the respondents

	<i>Hundi Consumer</i> (n=120)		<i>Hundi Business Operator</i> (n=96)		<i>Key Informants</i> (n=184)	
	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage
Mean age (SD)	32.5 (13.9)		40.1 (10.6)		28.6 (6.8)	
Age range	14-82		25-73		20-48	
Gender						
Male	120	100.0	90	93.8	184	100.0
Female	0	0	6	6.2	0	0
Education						
Primary or below (0-5 class)	11	9.2	9	9.4	5	2.7
Secondary (6-10 class)	33	27.5	28	29.2	68	37.0
Higher secondary (11-12 class)	30	25.0	29	30.2	68	37.0
Higher (12+ class)	46	38.3	30	31.3	43	23.4
Religion						
Islam	108	90.0	60	62.5	174	94.6
Hindu	12	10.0	36	37.5	10	5.4
Marital Status						
Married	84	70.0	93	96.9	128	69.6
Single/ Widow/ Widower	36	30.0	3	3.1	56	30.4
Citizenship						
Bangladesh	114	95.0	54	56.3	175	95.1
India	6	5.0	42	43.8	9	4.9
Citizenship of ancestor						
Bangladesh	90	75.0	75	78.1	174	94.6
India	30	25.0	21	21.9	10	5.4

Table 2: Information on *hundi* utilization from *hundi* consumers (n=120)

	Frequency	Percentage
Money transacted to countries		
India	90	75.0
India and Nepal	24	20.0
India, Nepal and Bhutan	6	5.0
Amount of money transacted (in Taka)		
Average (SD)	44,300,000 (133,000,000)	
Range	15,000—600,000,000	
Total (by all 120 consumers)	5320,000,000	
Commission amount (in Taka)		
2	48	40.0
2.15	12	10.0
3	24	20.0
5	6	5.0
8	30	25.0
Purpose to transact money		
Business	72	60.0
Business and treatment	30	25.0
Business and others	6	5.0
Business, treatment and education	6	5.0
Others	6	5.0
Documents required for transaction		
Nothing is required	102	85.0
Bank or mobile banking account	6	5.0
NID and mobile / accounts number	12	10.0

Do you bring goods/products through <i>hundi</i>?		
Yes	96	80.0
No	24	20.0
Type of goods/products brought		
Do not bring products	24	20.0
Agri products	6	5.0
Cosmetics	12	10.0
Cosmetics, Cow	6	5.0
Cosmetics, stones, Agri products, medicine	24	20.0
Cosmetics, fruits, consumer goods	6	5.0
Cow, fish, cosmetics, Sharee	30	25.0
Dress, cloth, Sharee	6	5.0
Tea, cow, dress	6	5.0
Do you feel comfortable sending money through <i>hundi</i>?		
Yes	84	70.0
No	36	30.0

- ♦ Customers cannot send more than a certain amount of money.
- ♦ There is a fear of security after the transaction, and no receipt is given.
- ♦ The customers always have to transact in accordance with the terms and conditions of the *hundi* traders, and become anxious after the transactions.
- ♦ *Hundi* traders take the opportunity to pay less in Bangladeshi currency than in Indian currency.
- ♦ If you send money through *hundi*, you have to pay more service charge.
- ♦ Sometimes a large amount of servicing charge has to be paid.

Hundi consumers also mentioned a number of potential merits and prospects of the *hundi* systems, which are as follows:

- ♦ The popularity is high because of the convenience of money exchange.
- ♦ Consumers use *hundi* over other methods, as *hundi* require less amount of time to facilitate transactions.
- ♦ The popularity of *hundi* would have increased if law enforcement agencies provided security to the consumers.
- ♦ The law enforcement agencies cannot obtain information as the *hundi* business is conducted completely secretly.
- ♦ No sign of business is understood as it is an instant transaction.

- ♦ The government would have benefited if the number of money exchanges had been increased by linking the *hundi* business with money exchange institutions with legal legitimacy.
- ♦ The *hundi* business clique is very strong and terrible, and its basis is difficult to stop.
- ♦ The suitable strategies by the government administrative persons can efficiently stop the *hundi* business.
- ♦ Bangladesh would get a lot of revenue if *hundi* business is legalized.
- ♦ The *hundi* business would have been under control if the *hundi* traders was given state recognition and licenses.
- ♦ The legitimacy of *hundi* business is required for the security of life and property of the people.

How *Hundi* Business Operators Use/Handle *Hundi*

Table 3 shows how the *hundi* business operators utilize *hundi* to transact money. It also shows nuts and bolts of *hundi* system according to the *hundi* business operators' statements. 40% of the *hundi* business operators transacted money to India only, and the rest transacted to India, Nepal, Bhutan and Sri Lanka. Until the time of this survey, all 96 *hundi* business operators transacted around 473 crores Taka, with an average 4.9 cores Taka. 34% business operators took commission at a rate of 2-3 Taka, and the rest at a rate of 4-10 Taka. According to 47% of *hundi* business operators, consumers utilized *hundi* for business only, and the rest of *hundi* business

operators said that consumers utilized *hundi* for treatment, education and migration along with business. 59% of business operators stated that no document was required to transact money through *hundi*, and the rest required NID and mobile and/or bank details.

Table 3: Information on *hundi* utilization from *hundi* business operators (n=96)

	Frequency	Percentage
Money transacted to countries		
India	39	40.6
India and Nepal	3	3.1
India and Bhutan	15	15.6
India, Nepal and Bhutan	3	3.1
India, Nepal, Bhutan and Sri Lanka	36	37.6
Amount of money transacted		
Average (SD)	49,287,812.5 (88,956,980)	
Range	60,000- 400,000,000	
Total (by all 96 consumers)	4,731,630,000	
Commission amount (in Taka)		
2	12	12.5
2.15	6	6.3
3	15	15.6
4	36	37.5
10	27	28.1
Purpose to transact money		
Business	45	46.9
Business and treatment	3	3.1
Business and education	3	3.1
Business, treatment and migration	3	3.1
Business, treatment and education	9	9.4
Business, treatment, education and migration	33	34.4
Documents required for transaction		
Nothing is required	57	59.4
NID	12	12.5
Bank or mobile banking account	9	9.4
NID and mobile / accounts number	18	18.7
Do you bring goods/products through <i>hundi</i>?		
Yes	45	46.9
No	51	53.1
Type of goods/products brought		
Do not bring products	51	53.1
Bicycle-bike parts, Agri products	3	3.1

Cloths, cosmetic	3	3.1
Cloths, cosmetic, electric products	3	3.1
Cosmetics, fish	3	3.1
Cosmetics, spices, Sharee, fruits	15	15.7
Cow, cosmetic, Agri products	3	3.1
Cow, stones, cloths, cosmetics	6	6.4
Cow, stones	3	3.1
Cow, tea, spices, Sharee	3	3.1
Sharee, cosmetics	3	3.1

53% of business operators did not bring products, however the rest brought goods/products through *hundi*. Bicycle-bike parts, Agri products, cloths, cosmetics, electronic products, medicine, cow, fish, fruits, spices, stones.

Hundi Business Operators' Comments on the Pros and Cons of Hundi Systems

Hundi business operators mentioned a number of potential problems of the *hundi* systems, which are as follows:

1. Customers cannot send more than a certain amount of money.
2. There is a fear of security after the transaction, and no receipt is given.
3. *Hundi* business is a trust-based business so if the transaction is done on the advice of the local people of the business area, there is a risk but negligible possibility of loss in this business.
4. Law enforcers often blackmail and demand money to run this business.
5. Local gang in the business area sometimes demand extortion to run this business.

Hundi business operators also mentioned a number of potential merits and prospects of the *hundi* systems, which are as follows:

1. If the *hundi* business is legalized without stopping, there will be employment opportunities for many people.
2. This business seems impossible to close, but can be controlled.
3. Some unscrupulous LC licensed traders use both legal and illegal (*hundi*) methods, which have a negative impact on the controlling of this *hundi* business in the country.

4. *Hundi* business is popular because it takes less time and no documents, and is hassle free.
5. Bangladesh would also get revenues if the *hundi* business is legalized.
6. *Hundi* business is associated with drug controlling systems. Drug can be brought in black market using the illegal *hundi* business. Consequently, the younger generations and drug users may get more addicted to drugs in the future.
7. *Hundi* business is adversely affecting the market control including the semi-policy of Bangladesh.
8. The *hundi* business would have been under control if the *hundi* traders was given state recognition and licenses.
9. People's lives and properties are insecure due to insecurity of *hundi* business. The legitimacy of *hundi* business is required for the security of life and property of the people.

Money transacted to countries

India	124	67.4
India and Nepal	20	10.9
India and Bhutan	40	21.7

Amount of money transacted in a day

Average (SD)	954,714,700 (2,293,154,000)
Range	250,000 — 10,000,000,000

Commission amount (in Taka)

2	29	15.8
2.1	9	4.9
3	70	38.0
2-3 (for cash) 4-5 (for dues)	20	10.9
10	56	30.4

Purpose to transact money

Business	78	42.4
Business and treatment	49	26.6
Business and migration	27	14.7
Business, treatment and education	30	16.3

How Key Informants Use/Handle *Hundi*

Table 4 shows how the key informants utilize *hundi* to transact money. It also shows nuts and bolts of *hundi* system according to the key informants' statements. 27% of the key informants were familiar with *hundi* systems for 10 years or more, 30% were familiar for 5-9 years, and the rest were familiar for less than 5 years. 67% of the key informants transacted money to India only, and the rest transacted to India, Nepal and Bhutan. Until the time of this survey, the key informants transacted around 95.5 crores Taka on an average. 70% of key informants provided commission at a rate of 2-3 Taka, and the rest at a rate of 10 Taka. 42% of key informants utilized *hundi* for business only, and the rest for treatment, education and migration along with business.

Table 4: Information on *hundi* utilization from key informants (n=184)

	Frequency	Percentage
Have known about <i>Hundi</i> from how many years		
<5 years	78	42.4
5-9 years	56	30.4
10+ years	50	27.2

Key Informants' Comments on the Pros and Cons of *Hundi* Systems

The key informants stated a number of potential merits and prospects of the *hundi* systems, which are as follows:

1. The *hundi* business must be closed or given a legal basis.
2. The *hundi* agents/business operators should be controlled through legal basis.
3. It seems impossible to close the *hundi* business entirely due to its popularity.
4. Governments should formulate some policies to legalize the *hundi* business, and bring *hundi* businesses under strict laws.
5. Issuance of specified numbers of licenses for conducting *hundi* business.
6. Raising public awareness regarding *hundi* business.
7. Terrorist activities are rising in the country due to money transaction through *hundi*.
8. Coordination between the government and the *hundi* traders could expand the *hundi* business in Bangladesh, and consequently

financial situation of Bangladesh would be improved.

9. The *hundi* business is operated using mobile SIMs, and the traders change their SIMs every week to run the business activities invisibly in front of the law enforcement agencies.
10. To improve the economy of the country, the government should take necessary steps regarding *hundi* without any further delay.

Should *Hundi* Business be Given a Legal Basis?

Despite having insecurity and a bit dissatisfaction, majority of the respondents think that the *hundi* business should be given a legal basis. In particular, 95% of *hundi* consumers, 69% of *hundi* agencies/business operators, and 80% of key informants suggested to provide business license/ legal basis to the *hundi* business (Fig. 1).

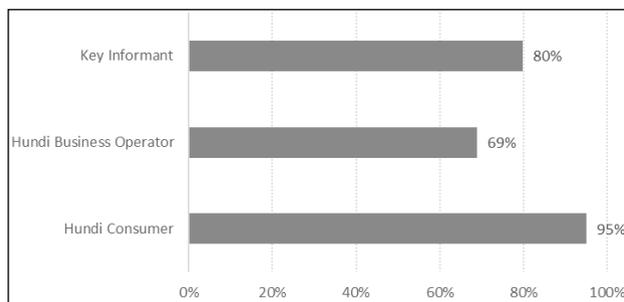


Fig. 1: Respondents said “yes” to giving a legal basis to the *hundi* business

DISCUSSION OF RESULT SUMMARY

Among the respondents, the *hundi* business operators were older with an average age of 40 years (versus *hundi* consumers with average age of 33, and key informants with an average age of 29). Almost all respondents were male, and the key informants are more educated among the respondents. Among *hundi* business operators, 44% were Indian and 22% had ancestors with Indian citizenship.

Three-fourth of the *hundi* consumers, 40% of the *hundi* business operators, and 67% of the key informants transacted money to India only, and the rest transacted to India, Nepal, Bhutan, and Sri Lanka. All the respondents transacted a huge amount of money to the above countries for the

purpose of business, treatment, education and migration. The consumers provided and the business operators took commissions at a rate of 2-10 Taka for money transaction. To transact money via *hundi*, majority of the respondents did not require to submit/take any document, whereas a few required to provide/have NID and mobile or bank details. The respondents brought goods/products through *hundi*, and goods/products were— cosmetics, stones, Agri products, medicine, bicycle/bike parts, electronic products, spices, cow, fish, and Sharee. It is important to mention that the majority of the consumers felt comfortable sending money through *hundi*. Additionally, majority of the respondents suggested to provide business license/legal basis to the *hundi* business.

According to the respondents, the potential problems of the *hundi* systems include:

- ♦ Customers cannot send more than a certain amount of money.
- ♦ There is a fear of security after the transaction, and no receipt is given.
- ♦ The customers always have to transact money in accordance with the terms and conditions of the *hundi* traders, and become anxious after the transactions.
- ♦ *Hundi* traders take the opportunity to pay less in Bangladeshi currency than in Indian currency.
- ♦ Law enforcers often blackmail and demand money for the business to be run.
- ♦ Local gang in the business area sometimes demand extortion for the business to be run.

According to the respondents, the potential merits and prospects of the *hundi* systems include:

- ♦ The *hundi* business must be closed or given a legal basis. The *hundi* business clique is very strong and terrible, and its basis is difficult to stop.
- ♦ *Hundi* business is a trust-based business so if the transaction is done on the advice of the local people of the business area, there is a risk but negligible possibility of loss in this business.
- ♦ The popularity is high because of the convenience of money exchange. Consumers use *hundi* over other methods, as *hundi* require less amount of time to facilitate transactions.

- ♦ The popularity of *hundi* would have increased if law enforcement agencies provided security to the consumers. The law enforcement agencies cannot obtain information as the *hundi* business is conducted completely secretly.
- ♦ The government would have benefited if the number of money exchanges had been increased by linking the *hundi* business with money exchange institutions with legal legitimacy. Bangladesh would get a lot of revenue if *hundi* business is legalized.
- ♦ The *hundi* business would have been under control if the *hundi* traders was given state recognition and licenses. The legitimacy of *hundi* business is required for the security of life and property of the people.
- ♦ This business seems impossible to close, but can be controlled. If the *hundi* business is legalized without stopping, there will be employment opportunities for many people.
- ♦ *Hundi* business is associated with drug controlling systems. Drug can be brought in black market using the illegal *hundi* business. Consequently, the younger generations and drug users may get more addicted to drugs in the future. Terrorist activities are also rising in the country due to money transaction through *hundi*.
- ♦ Coordination between the government and the *hundi* traders could expand the *hundi* business in Bangladesh, and consequently financial situation of Bangladesh would be improved.

CONCLUSION

This study suggests to provide a legal basis/license to *hundi* business, which can be monitored and controlled by the government. *Hundi* is very popular among expatriates due to its easy exchange without documents in the country and abroad. Bangladesh will receive a lot of foreign currency if *hundi* is legalized. The findings and associated policy recommendations are deemed helpful to understand the impact of *hundi* system on Bangladesh economy. The findings of this project would help the policy makers and planners formulate appropriate policy and programs for *hundi* system in Bangladesh.

FUTURE POTENTIAL

Hundi deprives Bangladesh of foreign currencies as receivers get local currency. The challenge for Bangladesh Government is to make this transaction system under a systematic form. In the light of summary and findings of this study, the following recommendations are made:

- ♦ Consumers are comfortable sending money through *hundi*, and the *hundi* is popular. *Hundi*, thus, should be given a legal basis/license, and should be monitored by and taken under control of the government.
- ♦ The legitimacy of *hundi* business is required to ensure the security of the transactions, and a receipt of each transaction should be provided and preserved. It would help reduce fear and anxiety among the *hundi* users.
- ♦ Under the legal formats, *hundi* business operators should be encouraged to expand the business. As a result, the number of users will be increased, and the government will receive more revenues and levies.
- ♦ Implementing stricter regulations and oversight mechanisms to monitor and control the *Hundi* system's operations. This could involve collaboration between government bodies, financial institutions, and law enforcement agencies to curb illegal activities associated with informal money transfers.
- ♦ Encouraging formal banking channels to reach the unbanked population in the northern areas. This could involve setting up more accessible banking infrastructure, promoting financial literacy, and offering incentives for individuals to use formal banking services instead of informal systems like *Hundi*.
- ♦ Establishing reporting standards for transactions within the *Hundi* system to bring transparency. Mandating record-keeping and reporting requirements for *Hundi* operators could aid in tracking and monitoring the flow of funds, ensuring compliance with taxation and anti-money laundering laws.
- ♦ Conducting awareness campaigns to educate people about the risks associated with the *Hundi* system. Highlighting the benefits and

safety of formal banking channels could help shift behaviors towards more regulated financial practices.

- ♦ Collaborating with international agencies and neighboring countries to address cross-border implications of the *Hundi* system. Joint efforts to regulate informal money transfers could help mitigate its adverse effects on the economy.

Limitations of the Study

There are a few limitations in the study. Some *hundi* business operators were identified who were members of the powerful underground smuggling gang of *hundi* traders. They refused to be the respondents of this project. Due time limitations and financial constraints, it was also not possible to collect data from all *hundi* business operators in Bangladesh.

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