Unveiling the Shadows: Exploring Money Laundering Mechanisms in Bangladesh's RMG Sector

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ABSTRACT

This study examines the intricate web of money laundering in Bangladesh's Readymade Garments (RMG) sector, a vital industry for the nation's economy. Utilizing two ethically sound focus group discussions (FGDs) with various stakeholders, including RMG representatives, labour leaders, legal experts, and law enforcement officers, the study was conducted in Gazipur, a significant centre for garment manufacturing in Bangladesh. The findings highlight the multifaceted nature of prevalent money laundering strategies in the RMG industries. Notable techniques include trade-based money laundering, smurfing and structuring, false invoicing, shell companies, offshore accounts, cost manipulation, informal value transfer systems (IVTS), and real estate investments. This research sheds light on the concealed financial complexities of the RMG industry, highlighting the need for vigilant regulatory measures and industry-wide awareness.

Keywords: Money Laundering, RMG Sector, Bangladesh, Trade-Based Money Laundering, Smurfing, False Invoicing

INTRODUCTION

Money laundering in Bangladesh's Readymade Garments (RMG) business is a complex and widespread problem that requires an immediate response (Milon and Zafarullah, 2023a). The RMG business, a critical component of Bangladesh's economy, has grown dramatically in recent years (Chandra Majumder and Ferdaus, 2020). However, this expansion has provided a breeding ground for unlawful financial operations such as money laundering (Joveda, Khan and Pathak, 2019; Azim and Nahar, 2022). This study begins an in-depth examination of this industry's extensive web of money laundering mechanisms.

The primary goal of this study is to uncover and examine the numerous money laundering means in Bangladesh's RMG sector. The research aims to provide a more detailed understanding of these illegal financial activities by highlighting the practices, motivations, and actors involved.

The importance of this study stems from its potential to inform policy and regulatory measures, maintain the integrity of the RMG sector, and protect the country's economic stability. The findings will aid government agencies and law enforcement and enable industry stakeholders to recognize and battle money laundering properly. Furthermore, the study has worldwide ramifications because money laundering in the RMG sector has cross-border repercussions, demanding international cooperation and understanding. As the RMG business grows, this study emphasizes the importance of addressing the hidden realm of money laundering within its borders. This research intends to create solid policies, strengthened

regulations, and increased awareness, all of which are critical in safeguarding the integrity and sustainability of the RMG sector of Bangladesh.

LITERATURE REVIEW

Bangladesh's Ready-Made Garment (RMG) sector has emerged as a critical contributor to the country's economy, accounting for a large share of the country's export revenues (Islam, Sultana and Kamal, 2013; Hosen, 2019). While the expansion of this industry has been noteworthy, it has also raised worries about illegal financial activity, such as money laundering. This literature analysis provides insights into the prevalent money laundering strategies within Bangladesh's RMG sector. The review looks at the existing body of knowledge on the subject, concentrating on significant research findings and gaps in comprehending the complexities of money laundering in this industry.

The RMG business in Bangladesh has expanded into a significant driver of economic growth, employing millions of people, predominantly women (Billah and Manik, 2017; Mamun and Hoque, 2022; Mustafa and Gomes, 2022). Numerous studies have emphasized the sector's importance to the country's foreign exchange revenues and poverty alleviation (Rahman and Hossain, 1970; Haider, 2007; Khaled and Ansar, 2023). However, the massive scope and quick expansion of this industry have left it vulnerable to illegal financial activities such as money laundering (ISLAM and NASIR, 2020; Haq *et al.*, 2022; Milon and Zafarullah, 2023b).

The process of disguising the source of illegally obtained monies, generally through a sequence of transactions to make the money appear genuine, is known as money laundering (Korejo, Rajamanickam and Muhamad, 2021; Gilmour, 2023). Due to its broad network of enterprises, complicated supply chains, and substantial cash flows, the RMG industry in Bangladesh presents ample opportunity for money launderers, according to studies. The peculiarities of this sector make it an appealing target for money launderers looking to legitimize their illicit riches (Hosen, 2019; Joveda, Khan and Pathak, 2019).

The literature discloses many strategies used by money launderers in Bangladesh's RMG sector. Trade-based Money Laundering is expected in the RMG sector (Milon and Zafarullah, 2023b). To transport money across borders quietly, this strategy involves overvaluing or undervaluing items in international commercial transactions (Chao *et al.*, 2019; Hataley, 2020). In the RMG sector, informal remittance channels, often known as "hundi" or "hawala," play a significant role in money laundering (Jost and Sandhu, 2003; Thompson, 2019). These unregulated networks allow payments to be transferred without leaving a traditional financial trace (Zia, Abbas and Arshed, 2022). Money launderers frequently form shell firms within the RMG sector to conceal the actual ownership of funds (Tiwari, Gepp and Kumar, 2020). These organizations conduct bogus transactions, making tracing the criminal proceeds complex (Gobena, 2023). As the RMG industry is primarily reliant on cash transactions, chances for money laundering through cash-intensive enterprises exist (Ardizzi *et al.*, 2014). Launderers might blend illicit and regular cash, making it difficult to detect suspicious activity (Grujić and Šikman, 2021).

While Bangladesh's Ready-Made Garment (RMG) business contributes significantly to the country's economy, it has also become a breeding ground for money laundering. Money launderers in this industry use various methods, including trade-based laundering, informal remittance networks, shell businesses, and cash transactions. Despite current information, difficulties such as data restrictions and regulatory gaps persist, demanding additional study and a collaborative effort to combat money laundering in the RMG sector. Understanding and tackling these issues is critical to preserving the integrity and sustainability of Bangladesh's significant industry.

RESEARCH METHODOLOGY

Research Philosophy: The research employed an interpretive research methodology to comprehend and interpret the complex and dynamic nature of money laundering mechanisms in Bangladesh's RMG sector by engaging diverse stakeholders and revealing concealed financial complexities.

Research Approach: To investigate money laundering mechanisms exhaustively, a qualitative research strategy was adopted. Through focus group discussions (FGDs) and the collection of abundant data from participants with diverse perspectives within Gazipur's RMG sector, this method enabled in-depth comprehension.

Selection of Method: The study utilized two ethically sound focus group discussions (FGDs) as the primary research method. FGDs facilitated interactions between RMG insiders, labour representatives, legal experts, and law enforcement personnel. This choice of methodology enabled the collection of diverse perspectives and experiences regarding money laundering in the RMG industry while ensuring ethical considerations and data triangulation.

Population and Sample: The study concentrated on Gazipur as a garment manufacturing hub in Bangladesh. The population consisted of members of the RMG industry. Participants for the two FGDs were selected using a technique of purposive sampling to ensure representation from various stakeholder groups, resulting in a sample size of 20 individuals.

Research Strategy: The research followed a case study methodology, focusing on the RMG industry in Gazipur as a comprehensive case. This strategy allowed for a thorough examination of money laundering mechanisms in the context of the RMG industry. The case study method enabled the analysis of real-world examples and their multifaceted character, yielding valuable insights into the investigated phenomenon.

Research Technique and Data Analysis:

The data was collected transcribed data was analysed thematically. The qualitative data analysis revealed patterns, themes, and recurring topics in the participant narratives. The findings were validated through member verification and peer debriefing, ensuring their accuracy and reliability. Software for thematic coding was used to organize and administer the data systematically.

Ethical Considerations:

Throughout the investigation, ethical considerations were of paramount importance. All participants provided informed consent, and their anonymity was maintained. Efforts were made to protect and preserve the privacy of sensitive information about money laundering. In addition, the study acknowledges limitations associated with the case study's specific focus and the potential for social desirability bias in participant responses. Despite these limitations, the research provides important insights into the diverse money laundering mechanisms in Bangladesh's RMG sector, emphasizing the need for regulatory measures and industry-wide awareness to combat financial crimes effectively.

RESULTS AND DISCUSSION

The study aimed to determine how money was being laundered in Bangladesh's Readymade Garments (RMG) sector, which is an integral part of the country's economy. The study was done in Gazipur, a key garment manufacturing centre. It shows how complicated money laundering schemes are in the RMG sector.

Diverse Money Laundering Mechanisms

The study found many ways money is laundered in the RMG business. These tools show how complex and flexible financial crimes are in a quickly changing industry.

Trade-Based Money Laundering (TBML):

Participants said that money laundering through trade is common in Gazipur. It is done by changing invoices, over-invoicing, under-invoicing, and making up deals to make illegal money look like it came from legal trade. These strategies take advantage of the complicated foreign trade and make it harder to find illicit flows.

Trade-Based Money Laundering (TBML) is a complex financial crime that has become more well-known in recent years as it has become more common worldwide (Sinno, Baldock and Gleason, 2023). People in the financial industry and law enforcement have discovered a troubling fact: TBML schemes have become a familiar and complicated way for crooks to make their illegal money look like it came from a legitimate source (Cassara, 2015). This bad practice comprises a web of tricks, such as manipulating invoices, over-invoicing, under-invoicing, and making up fake transactions, all of which are carefully planned to hide the trustworthy source of illegal funds by making them look like they came from legal trade transactions (Ritten, Bastian and Phillips, 2021).

One of the worst things about TBML is that it takes advantage of how complicated foreign trade is. Because cross-border trade is so big and complex, it is an excellent place for people to hide money (Umar, 2023). They take advantage of the wide range of goods and services traded between countries and change bills and financial records to conceal the fundamental nature of their transactions (Naheem, 2017). Because of this complexity and the different rules and reporting requirements in other places, there is much room for abuse (Naheem, 2016).

In TBML schemes, it is normal for people to over-invoicing and under-invoicing (Arnone and Borlini, 2010). On invoices, criminals wilfully overstate or understate the value of things, making prices higher or lower than what they are worth (Wu *et al.*, 2022). This difference lets them move money across countries while hiding that they are moving illegally (Sivaguru and Tilakasiri, 2023). Fictitious transactions make things even more confusing because they involve making up trade deals that don't exist (Sinno, Baldock and Gleason, 2023). These deals look fine on paper, but they don't help the economy in any way (Umar, 2023). This makes them perfect for hiding dirty money (Grujić and Šikman, 2021).

The effects of TBML are wide-ranging and pose a big problem for the world's banking system (Marzouk, 2022). Not only does it make it easier for criminals to hide the money they make from things like drug dealing, terrorism, and not paying taxes, but it also hurts the integrity of international trade (Sullivan and Smith, 2012). By changing trade data, TBML can change how markets work, make it hard for people to compete fairly, and hurt countries (Jayasekara, 2023).

To sum up, trade-based money laundering is a big problem that seriously threatens the world's financial system. Its ability to take advantage of the complicated nature of international trade and hide illegal funds in legal transactions makes it a huge problem for officials worldwide. To solve this problem, it is needed to stay aware, work together, and use new technologies to protect financial systems and foreign trade security.

Structuring and Smurfing:

Money launderers often used smurfing and structure to keep from getting caught. Smurfing includes breaking up large amounts of money into smaller transactions to avoid being caught. At the same time,

structuring involves making several small transactions to hide the source and goal of the funds. This study found that smurfing and structuring are also common in the RMG sector in Gazipur.

Money laundering is a secret way of making money that has hurt countries and police forces worldwide. Money launderers have come up with many clever ways to hide the fact that money came from illegal activities (Hamin *et al.*, 2015). Smurfing and structuring are two ways that have become known for being used to hide money (Zhdanova *et al.*, 2014).

Money launderers have used smurfing, which some people also call "structuring," for a long time as one of their favorite ways to hide money (Schneider, 2004a). For this method, much money is carefully split up into smaller, less apparent deals. By splitting up a large amount of money into many smaller ones, money launderers hope to avoid the limits that make financial institutions or regulatory authorities suspicious (Miroharjo, 2015). These thresholds are meant to show red flags for massive transactions, but when money is moved in smaller amounts, they are less likely to do so (Rose, 2019a).

Conversely, money launderers also use a method called "structuring," which is similar but different (He, 2010). Instead of breaking up large amounts, structuring involves doing many small transactions, often over an extended time (Rose, 2019b). The point of organizing is to avoid being caught and hide where and why the money came from (Khalil, 2021). Money launderers try to make it hard for agents to figure out what they are doing by spreading transactions across different accounts, banks, or financial instruments (Barone, Masciandaro and Schneider, 2022). They hope these trades will look normal, making it hard to determine where the money came from and where it's going (Utkina, Samsin and Pochtovyi, 2023).

Both "smurfing" and "structuring" are sneaky ways to keep dirty money moving without drawing the attention of the authorities (Reznik, Utkina and Bondarenko, 2023). But banks and law enforcement agencies are getting better and better at spotting the signs of these methods (Ferwerda *et al.*, 2020; Bjelajac and Bajac, 2022). Better monitoring systems and rules have been established to find trends that point to smurfing and structuring (Rose, 2020). This makes it harder for people to launder money without getting caught (Vitvitskiy *et al.*, 2021).

In brief, smurfing and structuring are sophisticated ways thieves have used to hide where their illegal funds came from and where they are going. Even though these methods have given officials a lot of trouble, ongoing efforts to improve financial regulations and detection systems are tightening the noose around money launderers and making it harder and harder for them to stay under the radar.

False Invoicing:

According to the result of this study, making fake invoices is a regular thing in the RMG sector in Gazipur. This is done by making up or inflating bills for goods and services. This let thieves move money across borders while making it look like they were trading legally.

False invoicing is a widespread problem that has caused a lot of worry in many businesses (Leap, 2016). Participants in talks about this topic have always brought up how common this illegal act is and how it affects people in many ways. False invoicing usually involves making fake invoices ('Phantom billing, fake prescriptions, and the high cost of medicine: health care fraud and what to do about it', 2011). This is a way for criminals and criminal organizations to get money for illegal actions, often globally (de Boyrie, Pak and Zdanowicz, 2005a).

One of the scariest things about false invoicing is how far it has spread into foreign trade (Zdanowicz, 2017). Criminals good at this can change the prices on invoices for goods and services or makeup deals (de Boyrie, Pak and Zdanowicz, 2005b). With this trick, they can move illegal money across countries in

a way that looks like it is legal (Zdanowicz, 2009). This has a wide range of effects because it hurts the integrity of the global trade system, encourages unfair competition, and causes governments to lose a lot of money through tax fraud (Faccia, 2023).

False billing also has effects that go beyond the financial side of things (He, 2010). It makes it easy for criminal organizations to launder money by using deals that look like they are legal to cover up their illegal gains (Rose, 2019a). This makes it harder for law enforcement to do their jobs and helps keep organized crime and graft going (de Boyrie, Pak and Zdanowicz, 2005a). This makes societies all over the world less stable.

There have been many problems with trying to stop fake billing (Zdanowicz, 2017). Criminals constantly change their methods, making finding and destroying them hard ('Reasons behind Money Laundering and Ways to Controlling it in Bangladesh', 2020). Governments, international organizations, and the business sector need to work together to make financial transactions more transparent.

In conclusion, false invoicing is a significant threat to the business and security of the whole world. It acts as a way for crooks to get into illegal financial activities while making it look like they are doing legal business.

Shell Companies:

Shell companies became a popular way to hide the source of money. The people who took part said that Shell companies are another way that money from the RMG areas in Gazipur of Bangladesh can be laundered. Criminals set up fake companies that didn't do any real business. They used these companies to move illegal money and hide who the real winners were.

In real life, criminals exploit shell companies' anonymity and freedom (Reynolds and Irwin, 2016). Authorities have difficulty monitoring these groups because they only exist on paper and often don't have any business activities or assets (Fang, 2017) . Most of the time, these fake companies are listed under the names of people who may not know they are part of such schemes (Helmi *et al.*, 2019). This makes it harder to figure out who is behind them (Acharya, 2015).

Money launderers are very good at using fake companies to hide where illegal funds came from and where they are going (Schneider, 2004b). They move dirty money through a complicated web of transactions, making it very hard for officials to determine where the money came from (Šaćirović, Brulić and Šaćirović, 2020). This complex financial trail may go through multiple countries, so worldwide cooperation is needed to stop it (Sallaberry *et al.*, 2020).

Also, the RMG industry in Bangladesh brings in a lot of money because it is a big part of the country's income. Criminals take advantage of this legal business by sneaking into fake companies and putting the money from their illegal activities into businesses that look like they are legal (Milon and Zafarullah, 2023b).

In summary, shell businesses have become a popular way to launder money, especially in the RMG sector of Bangladesh. Their ability to hide where illegal cash comes from is a big problem for law enforcement.

Offshore Accounts:

The people who took part in FGD said that Offshore Accounts are another popular way for the Gazipur RMG areas of Bangladesh to hide money. Money launderers often opened bank accounts in foreign countries to hide money from the authorities and take advantage of good banking rules. These accounts were used to move and hide money from illegal activities (Otusanya and Adeyeye, 2022).

Regarding money laundering, offshore accounts have been a worry for a long time, especially in Bangladesh's Readymade Garments (RMG) sector. This practice has made regulators and organizations around the world very worried (Sheu and Li, 2022). Money launderers have been known to use the secrecy and loose rules of foreign banking systems to hide their stolen money (Unger, 2017).

Since the RMG sector is a big part of Bangladesh's economy, it has drawn a lot of attention from people who want to take advantage of the system. Due to the secrecy of offshore bank accounts and the difficulty of tracking funds, they have become a popular choice for people who want to wash money they got through illegal means (Duncan, 2019; Teichmann and Falker, 2020).

These accounts outside of the country can be used to steal money while keeping it out of the reach of law enforcement (Stack, 2015; Teichmann and Falker, 2020). They make it easy for money launderers to hide where their money came from, which makes it hard for authorities to find and stop these illegal actions (Sheu and Li, 2022). Also, some foreign places have loose rules that make it easy for these illicit funds to be moved and hidden (Julius Otusanya and Lauwo, 2012).

In a nutshell, a lot of money laundering in the RMG business in Bangladesh has been done through offshore accounts. Their ability to keep things secret and take advantage of good banking rules has made them a popular choice for people who want to wash money they got illegally.

Manipulation of costs:

The participant said that money is laundered in the Gazipur RMG areas of Bangladesh by changing prices. Some insiders said that money laundering was used to alter production prices. This meant that production costs had to be jacked up to make up for illegal profits.

Regarding the RMG industry, cost management usually means that production costs are intentionally inflated. This can happen in several ways, such as inflating bills for raw materials, overstating the cost of labour, or lying about overhead expenses. By making these prices look much higher than they really are, money launderers can make it look like their businesses are losing a lot of money.

Money launderers use these fake losses for more than one reason. First, they help hide how much money they have made illegally (McConnell, 2017). Making it look like their businesses are losing money or barely breaking even makes it less likely that government regulators will investigate their finances (WAW1RA, 2009). Second, these fake losses can cancel out future legal gains. In other words, once this process is done, the illegal funds can be "cleaned" and put back into the business as if they were legal income (Al Azemi and Alazemi, 2021).

There needs to be careful oversight and rules to stop cost manipulation in the RMG business. Authorities need to set up robust auditing and financial tracking systems to find patterns of rising costs that are unusual or suspicious (Kozhukhova, Bocharova Yu. H. and Ishchenko, 2022). Business stakeholders, government agencies, and international organizations must work together to find effective ways to stop this kind of money laundering (Bianchi *et al.*, 2022).

In the RMG industry of Bangladesh, cost manipulation is a troubling and secret way money is laundered. Money launderers take advantage of the sector's complicated finances by boosting production costs, making fake losses, and hiding illegal gains this way. To stop this, the RMG industry needs to work together to improve transparency and police regulations and encourage ethical business practices.

Informal Value Transfer Systems (IVTS)

This study also found that money laundering in the Gazipur RMG sectors in Bangladesh happens when people use informal ways to move money across borders, such as Hundi, instead of going through standard financial institutions.

Informal Value Transfer Systems (IVTS) have become crucial to Bangladesh's Readymade Garments (RMG) business. This study shows how IVTS, especially the Hundi system, are often used to move money across borders secretly, letting people avoid using traditional financial institutions (Farooqi, 2010).

The RMG sector is a big part of Bangladesh's economy, and financial activities are often problematic. Like Hundi, IVTS gives people another way to move privately and quickly (Shah, 2007). These systems work in trusted networks, which are often close-knit communities or groups of people with cultural or family ties in common (GEDİZ ORAL, 2021).

By using IVTS, people and companies in the RMG sector can get a quick and flexible way to move money that may not be as easy to find through formal channels (Watterson, 2012). But this practice also worries people about money laundering and the lack of control by the government (Passas, 2005).

In the RMG industry of Bangladesh, IVTS, especially the Hundi system, has become an essential part of how money is handled. Policymakers and other people with a stake in this critical business need to be aware of its existence and understand how it works to promote economic growth and financial stability.

Real estate investments:

This study has found a worrying trend: money launderers in Bangladesh's Readymade Garment (RMG) sector are putting their illegal earnings into real estate, both inside and outside the country. This sneaky trick turns their unlawful money into tangible assets, which helps them avoid getting caught and facing legal consequences.

In recent years, the RMG industry in Bangladesh has grown a lot, which makes it an attractive target for people who want to use the industry's financial complexity and high number of transactions to launder money. The dirty money from illegal activities like tax evasion, smuggling, or bribery is put into real estate buildings as part of the laundering process (Solaiman, 2018; Zafarullah and Haque, 2023).

Money launderers can use real estate purchases to make their stolen money look more legitimate (Constantin, 2016). First, property prices tend to rise over time, which means that money that has been laundered will keep or even gain value (Vnukova and Davidenko, 2019). Because of this, real estate is an excellent place for people to keep their illegal money safe.

Second, buying in real estate makes you appear to be a legitimate business because property deals usually involve a lot of paperwork and legal processes (Vnukova and Davidenko, 2019). This can make it hard for law enforcement to figure out where the money came from that was used to buy a house, giving money launderers a way to say they didn't do it (Constantin, 2016).

Also, investing in foreign real estate markets gives you more options and makes it less likely that your assets will be taken in your home country (Kartika and Wahyuni, 2022). Money launderers may buy properties overseas to hide the trail of the money they got illegally (Cook and Smith, 2011). This makes it harder for the government to bring back these assets (Kartika, 2020).

In summary, the fact that money that has been laundered from the RMG sector is getting into domestic and foreign real estate is a big problem for Bangladesh's efforts to stop money laundering. Authorities must improve their monitoring and investigation methods to prevent this sneaky trend. They may also need help from other countries to find and take back these stolen assets.

IMPLICATIONS AND POLICY SUGGESTIONS

Implications

This study has several implications:

Complicated Money Laundering Ecosystem: The study draws attention to how complex and multidimensional the money laundering schemes used by Bangladesh's RMG industry are. Because of this intricacy, it is challenging for regulators and law enforcement to identify and stop these illegal financial operations.

Economic Repercussions: The RMG industry may experience severe financial consequences due to money laundering. It weakens tax receipts, distorts market competitiveness, and compromises the integrity of global trade. This may ultimately impede Bangladesh's economy's expansion and development.

Global Impact: Based on offshore accounts and cross-border financial activities, the findings indicate that money laundering in the RMG business has global reach. This emphasizes the necessity of international collaboration and information exchange to counteract these illegal activities successfully.

Regulatory Gaps: The analysis points to several critical regulatory voids in Bangladesh's RMG sector and financial system. Money launderers can use these holes in the system to their advantage. To address these risks, rules and enforcement mechanisms must be strengthened.

Reputation Crisis: Money laundering risks the RMG industry's reputation, which may deter foreign investors and customers. The industry's long-term viability depends on keeping a transparent and open image.

Policy Suggestions:

To prevent money laundering from other RMG sectors of Bangladesh like Gazipur, several policies should be adopted:

Enhanced Regulatory System: To effectively combat money laundering, Bangladesh should fortify its regulatory system. This entails strengthening regulatory agency collaboration, enforcing stronger reporting guidelines, and boosting oversight of financial transactions.

Increased Enforcement: To successfully identify and prosecute incidents of money laundering, law enforcement authorities should be provided with more training and resources. Establishing specialized teams dedicated to financial crimes is necessary to tackle the distinct obstacles money laundering presents.

International Cooperation: Bangladesh should work with other nations and international organizations to exchange intelligence, information, and best practices for preventing cross-border money laundering. This includes assisting with inquiries and assisting with the extradition of suspects.

Transparency steps: It is necessary to implement steps to improve the RMG industry's transparency. This includes mandating that businesses trace the movement of money in cross-border trade transactions and reveal the identities of their beneficial owners.

Education and Awareness: It is necessary to run training courses and awareness initiatives to help industry participants identify and report questionable financial activity. Promote procedures that allow people to come forward with information about illegal activities.

Technological Solutions: Monitoring financial transactions and spot trends suggestive of money laundering using cutting-edge technologies like artificial intelligence and data analytics. Invest in tools and software to make the detecting process automated.

Financial Inclusions: Encouraging financial inclusion to lessen the need for unofficial value transfer systems (IVTS). Encourage the usage of official banking channels by making financial services easily available and reasonably priced.

Real State Regulations: Making Stricter rules on real estate transactions should be put in place, including reporting all property purchases. This may lessen the likelihood of using real estate for money laundering.

Protection for Whistleblowers: Passing laws that offer legal protection to those who expose instances of money laundering. By providing legal protections, people may be more willing to come out with knowledge regarding unethical financial practices.

International Offshore Account Cooperation: It will be a significant initiative to take part in global initiatives to improve offshore banking systems' openness. Suggest tighter laws governing offshore accounts to stop money launderers from using these services.

CONCLUSION

In this study, it is explored the intricate web of money laundering mechanisms within Bangladesh's Readymade Garments (RMG) sector, a vital pillar of the nation's economy. Conducted in the heart of RMG manufacturing, Gazipur, this research sought to shed light on the multifaceted nature of money laundering schemes prevailing within this sector. The findings unveiled a complex ecosystem of financial deception, where money launderers deploy various methods to legitimize illicit wealth.

Our investigation highlighted the prevalent money laundering mechanisms in the RMG sector, including trade-based money laundering, smurfing, structuring, false invoicing, shell companies, offshore accounts, cost manipulation, informal value transfer systems (IVTS), and real estate investments. These methods underscore the adaptability and sophistication of those seeking to launder ill-gotten gains within the industry.

The implications of these findings are profound. The RMG sector, while contributing significantly to Bangladesh's economic growth, is at risk of being tarnished by the shadows of money laundering. The repercussions encompass economic, reputational, and regulatory challenges. Illicit financial activities threaten tax revenues, distort market dynamics, and undermine the sector's credibility in global trade.

To address these issues effectively, it is proposed a series of policy recommendations. Strengthening the regulatory system, enhancing enforcement capabilities, fostering international cooperation, and promoting transparency are essential. Furthermore, education, technological solutions, financial inclusion, and whistleblower protection must be integral to the strategy to combat money laundering in the RMG sector. The complex money laundering mechanisms within Bangladesh's RMG sector necessitate a comprehensive and collaborative response. It is imperative for stakeholders, including the government, industry participants, and international partners, to work in tandem to preserve the integrity and sustainability of this critical sector, ensuring that it continues to contribute positively to the nation's economy and development. Unveiling the shadows of money laundering, it is a crucial step towards a more transparent and accountable RMG industry in Bangladesh.

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